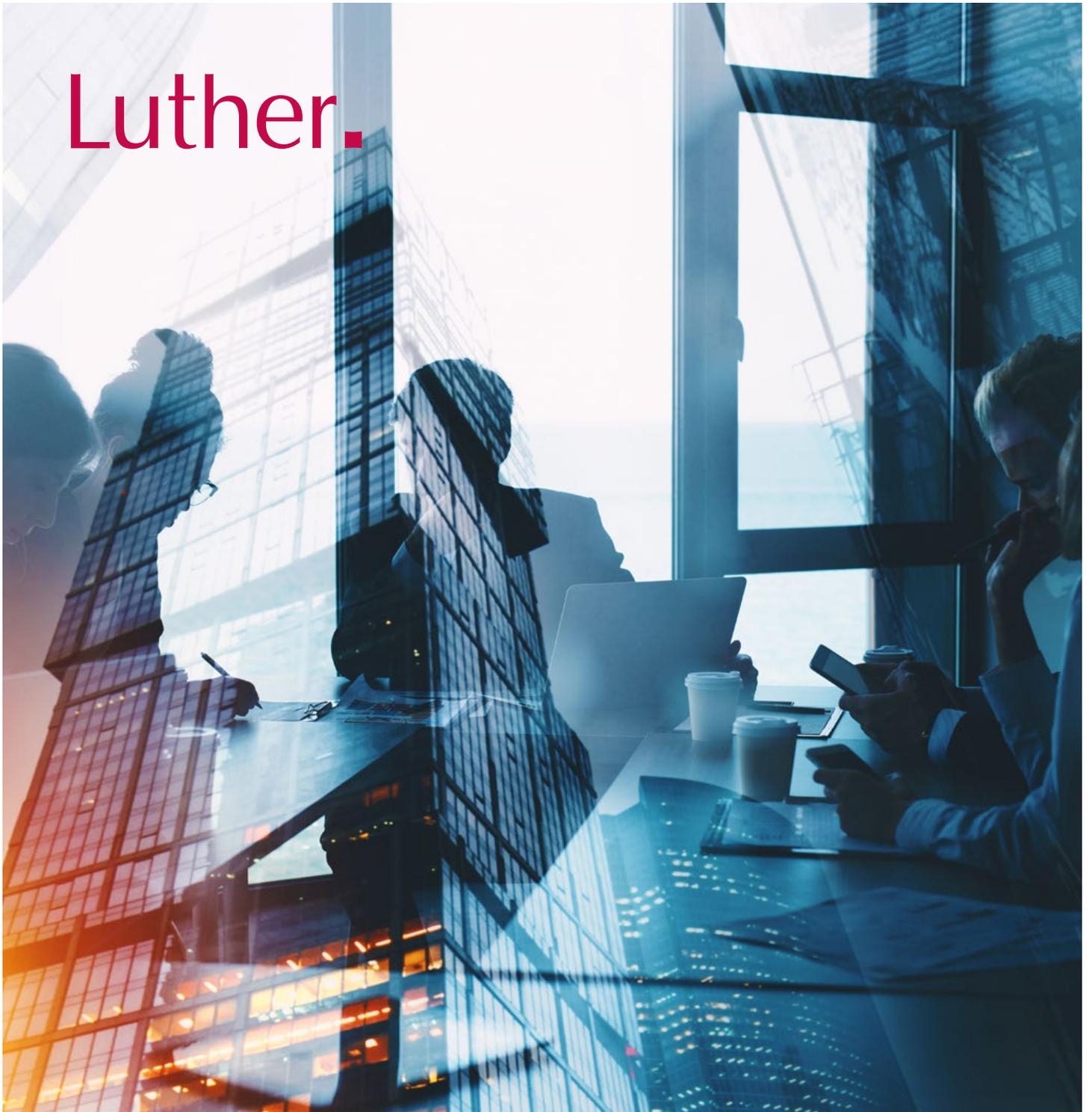


Luther.



Management Report for the 2023/2024 financial year

Luther Rechtsanwaltsgesellschaft mbH, based in Cologne

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Management Report



Business performance

Earnings

Luther Rechtsanwaltsgesellschaft mbH (Luther) continues its growth path. The firm generated total revenues of EUR 227.1 million in the 2023/2024 financial year, which means a significant 16.5% increase compared to the previous year. The revenue per professional could be improved from EUR 519k to EUR 557k and, hence, by 7% in the financial year, and the number of professionals also increased by 9%.

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 its service lines, Luther has further expanded the activities of its five industry groups – Energy, Mobility & Logistics, Real Estate & Infrastructure, Information Tech & Telecommunications and Health Care & Life Science. This increased focus helps in our efforts to consistently strengthen Luther's industry expertise in the market. Industry orientation is strictly taken into account both in the context of talent development within the firm and when recruiting lateral entrants.

In order to further promote networking with clients and also networking within the firm, spending on advertising and company events was further increased. These measures are reflected on the expense side above all in a 34% increase in expenses for company events and a 21% increase in travel and advertising expenses, compared to the previous year.

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 planned and implemented centrally via the Luther.academy and Luther's own Digital Education and Experience Programme. 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 soft skills. Luther offers courses and seminars for all groups of employees. 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. The training courses to become a certified specialist in a particular field of law continue to figure prominently in the firm's professional staff

development programme, the training to become a certified specialist in commercial and corporate law being even organised as an in-house course. The Luther Partner Development Programme (PDP) is the cornerstone of the firm's approach to developing junior managers.

Once again, numerous colleagues from within the firm were able to reach the next step in their career. Seniority is thus rising at Luther, and also the development of young talent is going well.

In the internal service areas, too, Luther continues to invest in training young staff. The number of vocational trainees was maintained at the same level. 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. In the area of managerial staff development, a programme for team leaders was implemented.

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, we have expanded the portfolio of company benefits in the area of mobility. Staff who do not travel to work by car benefit either from a job ticket for local public transport or, at their option, 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. Moreover, Luther offers all staff considerable benefits by co-operating with JobRad (bike leasing) and EGYM Wellpass (fitness offers).

Financial position

The firm's cash and cash equivalents as per the balance sheet date were at the same high level as in the previous year. With net cash reserves of EUR 33.2 million (previous year: EUR 33.5 million), Luther has sufficient liquidity to service the firm's trade payables of EUR 2.3 million and other liabilities of EUR 8.8 million.

Net assets

In the past financial year, Luther continued to invest in digitalisation, notably in IT equipment and the development of software. Further investments were also made in staff training, as had been done in the previous year. 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 8.9 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.

Financial year	Total revenues in EUR million	Increase in total revenues	Average number of professionals (FTE)*	Revenue per professional (RPP) in EUR'000
2023/2024	227.1	16.5 %	408	557 TEUR
2022/2023	195.0	4 %	376	519 TEUR
2021/2022	187.1	6 %	361	518 TEUR
2020/2021	176.0	-6 %	362	486 TEUR
2019/2020	187.0	-2 %	442	423 TEUR
2018/2019	190.2	31 %	427	445 TEUR

* FTE = full time equivalent

Digitalisation



Digitalisation

The acronym VUCA (volatility, uncertainty, complexity, ambiguity) describes the current challenges and framework conditions facing the economy and society. The use of generative artificial intelligence (AI) and the ongoing digitalisation of work processes accelerated disruption and transformative change during the reporting period. We see this development as an opportunity. In our view, this change also offers great potential for the development of new practice areas and business models and new forms of working with our clients. The strategic 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 these projects. In high-volume projects, i.e. projects involving a large number of similar legal tasks, digital solution components developed specifically for this purpose created added value in the handling of client mandates. But we were also able to accompany our clients' legal departments in strategic dialogues on their (digital) transformation journey.

In the area of digitalisation, to live up to our commitment to innovation as a leading commercial law firm, we are focusing on continuously expanding the Luther partner network. The collaboration and dialogue in this network allow trends and innovations to be identified at an early stage and profitable cooperation agreements to be concluded. During the reporting period, the partner network was, once again, further expanded to include companies from research and education as well as from the start-up sector, and the dialogue was intensified.

A milestone during the reporting period was partnering with the Fraunhofer IAIS Institute to develop a flexible architecture for use of a secure AI language model (large language model - "LLM") for internal and external applications. With this new architecture, we are in a position to use client data within the context of the secure language model, as well as to quickly and securely integrate further, new LLMS into the solution in future with a view to developing and testing new use cases and being able to make them available for use within a very short time.

Sustainability



Sustainability

As an internationally active company, we see ourselves as part of a global community and feel we have a responsibility to ensure our corporate strategy is based on sustainability.

The responsible and careful use of resources is a key element of our actions. Aware that all our actions have an impact on sustainability, we pursue this approach consistently both internally and vis-à-vis our clients, cooperation partners and service providers. In our teams, we live sustainable values to which we are committed over and above our corporate goals. Diversity and equal opportunities as well as social commitment, whether in the form of pro bono mandates or the promotion of social projects, are just as important to us as our defined goal of being carbon-neutral by 2030.

We have recorded and analysed the various facets of our work and drawn conclusions from them. We have set ourselves goals and constantly seek to improve ourselves. We are living up to our corporate responsibility by focusing on achieving solid profitability, promoting and challenging our employees and making a commitment to society and the environment to make sustainability the focus of our actions.

The actions of our employees, how we use resources, our procurement processes, real estate and our social responsibility all contribute equally to this goal. We learn from the interaction and manage our processes by making continuous improvements. In this way, we not only keep our performance promise to our business partners and clients, but also assume operational responsibility.

Luther supports the Sustainable Development Goals of the United Nations and the Paris Agreement to reduce greenhouse gas emissions. We are committed to the European Green Deal, through which the EU countries have set themselves the goal of becoming the first climate-neutral continent. The measures adopted by the EU Commission in the “Fit for 55” package, the aim of which is to contribute to a more modern, resource-efficient and competitive business location, are also a benchmark for actions. We are continuously working on this, as well as on reducing our waste and electricity consumption. Through the work of our multiple award-winning Environmental Practice Group and our “ESG Working Group” established in 2022, we help companies operate more productively and at the same time in a more resource-efficient and sustainable manner. In this way, we contribute to sustainability not only through our operational structure, but also through our service promise to our clients.

Internationalisation and awards



Internationalisation and awards

Internationalisation

The 2023/2024 financial year was successful not only for Luther, but also for the international organisation unyer.

Established in 2021 as an international professional services organisation, unyer currently consists of four members – Luther Rechtsanwaltsgesellschaft mbH, Fidal Avocats, Pirola Pennuto Zei & Associati and KWR Karasek Wietrzyk Rechtsanwälte GmbH. A total of 2,550 lawyers are working for the organisation in 14 countries – not only in European but also in Asian markets. The organisation is open to new members.

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. Under the unyer brand, the law firms jointly participated in specialised conferences of international relevance in the past financial year, thus increasing the organisation's visibility.

Awards

JUVE Handbuch Wirtschaftskanzleien 2023/2024 recommends Luther in 31 areas of law, recommending 53 lawyers, nine of whom have received special recognition as “Leading Advisors” and two as “Up-and-coming Lawyers” in their respective areas of law. In 2023, the legal publisher JUVE additionally awarded Luther “Law firm of the Year for Public Procurement Law” and “Law Firm of the Year for Trade, Distribution and Logistics”.

The 2024 edition of **Chambers Global** recommends Luther worldwide in two areas of law for Germany, in one area of law for Luxembourg and in one for Myanmar. Seven lawyers have been included in the global rankings: four from Germany, two from Luxembourg and one from Myanmar. The 2024 edition of **Chambers Europe** recommends Luther in 14 areas of law for Germany and in two areas of law for Luxembourg. Individual rankings have been achieved by 17 lawyers for Germany and by three lawyers for Luxembourg. The **Chambers FinTech Guide 2024** recommends Luther for the “Legal” sector in Germany, in addition to two individual rankings.

The Legal 500 Germany 2024 recommends Luther in 37 areas of law, with “Top Tier” rankings in two of these areas. 73 lawyers are being recommended, 16 of whom have been specially recognised as “Leading Names” or “Next Generation Names”. The Legal 500 EMEA 2024 recommends Luther in seven areas of law for Luxembourg, additionally recommending nine lawyers, two of whom have received special recognition as “Leading Names”. The Legal 500 Asia Pacific 2024 recommends Luther with two persons in one area of law. The Legal 500 Green Guide EMEA 2024, which provides a holistic view on firms' engagement with sustainability, including both work for clients as well as firms' own best practices and initiatives, lists Luther for Germany and recommends three lawyers.

WHO'S WHO LEGAL listed 23 lawyers in June 2024, seven of whom have been recognised as Thought Leaders, which is the highest award, and two of whom have been named Future Leaders. In 2023, 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 2023/2024 recommends Luther in 20 areas of law and has also included four Luther lawyers among the recommended lawyers mentioned by name.

In 2024, **Handelsblatt**, together with **Best Lawyers**, has recognised a total of 119 lawyers, awarding two of them "Lawyers of the Year". Another 31 lawyers have been recommended as "Lawyers of the Future" in their respective areas of law.

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

Risk and outlook



Risk and outlook

We were able to continue on our path of stable growth in the 2023/2024 financial year. The investments made in technical infrastructure and the purposeful digitalisation of our legal advisory services have paid dividends. The increasing use of generative artificial intelligence (AI) and the continuing digitalisation of work processes present further growth opportunities, which is why this path will be consistently pursued in the coming years. New practice areas and business models and new digital forms of working with our clients also hold great potential. We therefore expect growth to continue in the 2024/2025 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 damages 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. In addition, they also help limit the associated risks. These instructions are set out in the centrally maintained Luther quality and risk management manual.

Outlook

Following the recessing last year, the German economy has not really gathered momentum in 2024. In addition to weak investment in equipment and construction, the subdued development of the global economy is currently also making itself felt. This is weighing on demand for products "Made in Germany", according to findings released by the economic researchers at the German Institute for Economic Research (DIW) in late July 2024. Factors such as a weak global economy, higher interest rates and the after-effects of the energy price crisis are hampering growth.

Luther is excellently equipped for a rapidly changing environment. The firm has been 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.

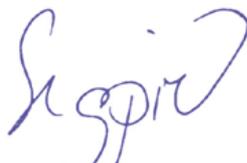
Although risk factors cannot be eliminated, Luther expects profitable growth in the coming 2024/2025 financial year.

Cologne, 27. August 2024



Elisabeth Lepique

Cologne, 27. August 2024



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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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As at: 3 September 2024

Luther.

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