CLIFFORD
CHANCE

HOW ARE WE SHOWING BUSINESS RESILIENCE?
HOW DID WE RESPOND DURING COVID-19?

ANNUAL REVIEW 2020

HOW ARE WE INVESTING FOR THE FUTURE?
HOW ARE WE SUPPORTING CLIENTS IN UNCERTAIN TIMES?

ANNUAL REVIEW 2020

OUR VISION

We will be the global law firm of choice for the world's leading businesses of today and tomorrow.

We always strive to exceed the expectations of our clients, whether from business, government or the not-for-profit sector, and provide the highest quality service and legal insight. We pride ourselves on our approachable, collegial and team-based culture, and the commitments we make to our people and the wider world.

SOME HIGHLIGHTS FOR THE YEAR ENDING 30 APRIL 2020

£1,803 million (+6%)
Revenues

£666 million (+5%)
Partnership Profit

£620.4 million (+10%)
Total Tax Contribution

61,456 (+9%)
Total Pro Bono and Community Outreach hours

£26.9 million (+4%)
Value of Pro Bono work

28.42%
Decrease in CO_2 emissions (Scope 1 & 2) per FTE*
1.99 for electricity and fuel emission sources

* from the latest baseline of FY17/18

A STRONG AND WELL-BALANCED PERFORMANCE

AN UPDATE FROM OUR MANAGING PARTNER, MATTHEW LAYTON

The last financial year was one of extraordinary contrasts and complexity. We went into it recognising we faced significant headwinds with rising tensions in the US-China trade dispute, a further slowdown in China and the Eurozone, ongoing emerging markets volatility and continued uncertainty about Brexit. We had not anticipated that during the year, our firm – like every other organisation and every community around the world – would find itself dealing with a global pandemic.

While the impacts of Covid-19 were already affecting our offices in Asia Pacific from February onwards, its arrival in Europe and the Americas heralded a period of intense global disruption which continues to shape many of our lives, and those of our clients today.

Despite these many challenges, I'm proud that the firm recorded a fifth consecutive year of revenue and profit growth during the year ending 30 April 2020. These were the strongest results we have recorded to date, and reflect continued progress against our vision and strategy that we instituted in 2015. Our financial performance – which is driven by strong profitable growth across all of our regions over the past five years – is based on a commitment to take a long-term view and make strategic investments in our business while remaining agile and adaptable. This approach has also shaped our response to Covid-19.

At the year end, we also continued to benefit from a strong balance sheet, with no net borrowings and in April, we successfully completed the scheduled renewal of our five-year revolving credit facility.

Given the ongoing and unpredictable consequences of the pandemic at the financial year end, the firm's leadership decided it was prudent to take a provision against the FY20 profits distributable to partners. The provision recognised the continuing uncertain market conditions and anticipated financial impacts including the additional expenditure necessary to facilitate remote and flexible working and the work that has been required to prepare offices across our global network for a safe return.

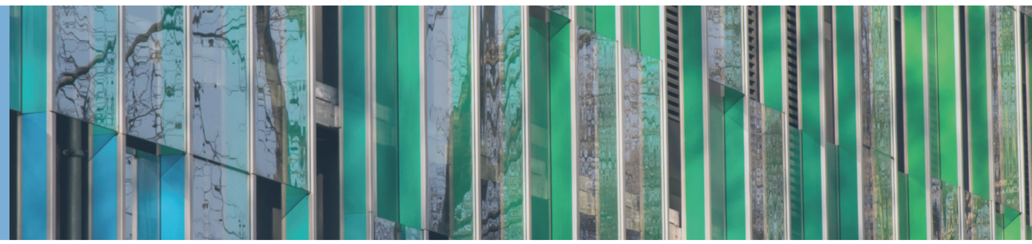
In this environment, more than ever, clients need our unstinting support. To achieve their goals, they need access to trusted global insight and expertise paired with efficient and innovative service delivery. As a result, we are intensifying our focus on our long-standing strategic priorities and accelerating our work to evolve our client offer and operating model. Through the pandemic, we have all experienced first-hand the benefits of technology, streamlined processes and a truly integrated and collaborative global platform. We now need to ensure that we use this knowledge, embed our positive new habits and maximise the potential that already exists within the firm to drive a step-change in how we work and deliver our services.

Doubling down on our strategy, acting as a trusted adviser to our clients, and remaining agile and adaptable will be our focus for this year. Not only will that secure our own success but it will also mean that – by working alongside our stakeholders – we will contribute to shaping the sustainable markets, economies, and communities that are essential to the future success of each of us.

FY20 STRATEGIC HIGHLIGHTS

Sustained growth in the Americas
The continued development of our Americas practice, which now generates over USD 330 million of profitable revenues, demonstrates the success of our focused approach and sustained investment. Over the past five years we have successfully integrated over 40 new partners, and seen revenues grow by 70%. The scale and quality of our firm in the US, and the strong alignment with the rest of our practice globally, presents a highly compelling proposition for our clients who turn to us for support on their most business-critical and complex matters. The Americas remains an absolute strategic priority for the firm and is an area where we are extremely well-placed for ever greater success.

Meeting the needs of Financial Investors
The ability to bring wraparound, integrated support and insight to clients has also underpinned the continued success our Financial Investors business. While this is a broad and diverse set of clients, Financial Investors are united by ambitious strategies and, with over USD 90 trillion in assets under management, they play a role that will be fundamental to the rebuilding of the global economy.
This is an important client segment for us, so I am delighted that, over five years, revenues from these clients have grown by nearly 70%.



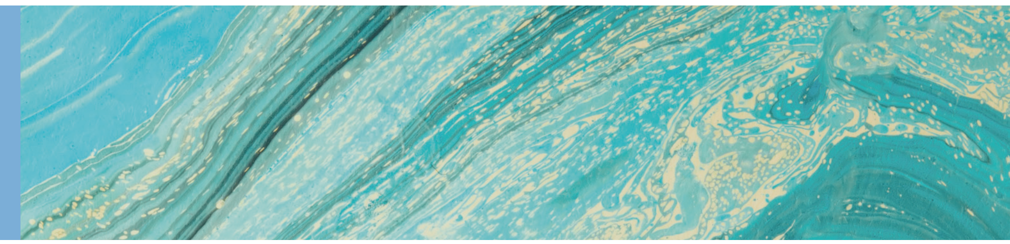
Focused investment for growth of our leading global Litigation and Dispute Resolution team
Our highly successful and fast-growing Litigation and Dispute Resolution global team also enjoyed another stellar year.
In a world that is increasingly complex and more highly regulated, our team is in great demand as clients seek trusted advice on some of their most challenging situations.
This is a group that is getting so many of the fundamentals right: a fantastic pipeline of talent, targeted lateral hiring, a focus on the matters where we can make the most difference, excellent service, and enthusiastically embracing new ways of working that deliver value to our clients.
A key priority of our strategy has been to support the growth of this important area and I am delighted to see the rapid results, with 21% revenue growth over the past two years.

WORKING TOGETHER TO MANAGE THE IMPACTS OF COVID-19

Investment is not only about growth, it is also about ensuring we remain resilient. Our strategic emphasis on enhancing our IT systems and driving our Innovation and Best Delivery agenda have been critical over the past year.

Our investments in these capabilities have enabled us to embrace the challenge of this enforced global experiment in remote working without any substantive disruption to the high standards that our clients expect from us. I am immensely proud of how our teams have continued to support clients seamlessly during this extraordinary period, closing massively complex, multinational matters such as the recent GBP 31 billion Telefónica merger of O2 with Virgin Media, or working alongside clients dealing with a deluge of strategic and legal challenges as a result of the pandemic. From recapitalisations, restructurings and eventual re-openings through to embedding ESG principles in light of shifting stakeholder expectations, we have been at our clients' side throughout.

This is a time when many organisations want to move quickly and work differently, especially to help address the human tragedy and impact of the pandemic.
I am particularly proud of the role we have played in helping to establish government support schemes and ground-breaking, cross-industry collaborations, such as pharma companies coming together to develop a potential vaccine. Beyond our fee-paying work, it is also deeply rewarding to see the legal expertise, knowledge, and time of our people being provided pro bono to help individuals who are suffering from injustice as a result of the pandemic, and to assist institutions that are providing a lifeline to the most vulnerable members of society.



INVESTING IN CULTURE IS AT THE HEART OF OUR SUCCESS

I passionately believe that our agility is founded on a strong, inclusive and collaborative culture.

It is our fantastic teams that have seen the firm through the past year, and who will see us through the year ahead. I have been humbled to witness the adaptability, flexibility, sense of community and spirit of togetherness shown by our people, especially over recent months. As well as owing them a debt of gratitude, we also owe it to them – and to society – to keep up the momentum around forging a culture in our firm and in our sector which is truly inclusive, and stronger for it.
This is why our new inclusion targets are so important.

HOW WE PERFORMED

FINANCIAL INFORMATION

The summary financial information below is based upon the audited statutory consolidated financial statements of Clifford Chance LLP, which are prepared in accordance with International Financial Reporting Standards (IFRS).

Further information regarding the financial performance of the firm for the year ended 30 April 2020 can be found in the related press release and fact sheet.

REVENUE BY REGION

	2020 £m	2019 £m
Americas	263	226
Asia Pacific	322	307
Continental Europe	576	551
Middle East	55	53
United Kingdom	587	556
	1,803	**1,693**

CONSOLIDATED INCOME STATEMENT

Year ended 30 April 2020	**2020 £m**	2019 £m
Revenue	**1,803**	**1,693**
Other operating income	3	24
Operating costs		
Staff and related costs	(802)	(766)
Other operating costs	(319)	(323)
	(1,121)	(1,089)
Operating profit	**685**	**628**
Financing costs	(22)	(10)
Profit before tax before members' remuneration and profit shares	**663**	**618**
Members' remuneration charged as an expense	(8)	(18)
Profit before tax available for profit share among members	**655**	**600**
Taxation	(18)	(21)
Profit for the financial year available for profit share among members	**637**	**579**

CONSOLIDATED BALANCE SHEET

As at 30 April 2020	**2020 £m**	2019 £m
Assets		
Property, plant and equipment	77	83
Right of use assets	334	0
Finance lease receivable - non-current	145	0
Deferred tax assets	55	48
Total non-current assets	**611**	**131**
Accrued income	295	305
Trade and other receivables	506	561
Finance lease receivable - current	23	0
Amounts due from members	79	69
Cash at bank and in hand	299	220
Total current assets	**1,202**	**1,155**
Total assets	**1,813**	**1,286**
Liabilities excluding members' interests classified as liabilities		
Trade and other payables	430	428
Short term provisions	24	25
Lease liability - current	97	0
Total current liabilities	**551**	**453**
Long term payables	0	42
Provisions, liabilities and charges	390	483
Lease liability - non-current	531	0
Total non-current liabilities	**921**	**525**
Total liabilities excluding members' interests classified as liabilities	**1,472**	**978**
Net assets attributable to members	**341**	**308**
Represented by:		
Provisions for annuities and other amounts due to current members	84	99
Members' capital	157	138
Members' interests classified as liabilities	241	237
Reserves	100	71
	341	**308**

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 April 2020	**2020 £m**	2019 £m
Net cash generated from operating activities	**770**	**561**
Cash flows from investing activities:		
Purchase of property, plant and equipment	(20)	(18)
Proceeds from sale of property, plant and equipment	0	1
Net cash used in investing activities	**(20)**	**(17)**
Cash flows from financing activities:		
Drawings and distributions to members	(582)	(539)
Proceeds from sublease	25	0
Repayment of lease liabilities	(112)	0
Capital net repayments to members	(4)	(2)
Net cash used in financing activities	**(673)**	**(541)**
Net increase / (decrease) in cash and cash equivalents	**77**	**3**
Cash and cash equivalents at beginning of year	220	214
Effects of foreign exchange rate changes	2	3
Cash and cash equivalents at end of year	**299**	**220**

PROFIT ATTRIBUTABLE TO EQUITY PARTNERS

Year ended 30 April 2020	**2020 £m**	2019 £m
Profit before tax for the financial year before members' remuneration and profit shares on the basis of IFRS	**663**	**618**
Adjustments for partnership structure and accounting policies	3	19
Amounts payable to equity partners and annuitants before tax	**666**	**637**

The profit on the basis of IFRS is attributable to those partners of the firm who are members of Clifford Chance LLP. However, certain members of Clifford Chance LLP are not equity partners in the firm and certain equity partners of Clifford Chance LLP are not members of it. In addition, the profit on the basis of IFRS is determined in accordance with accounting policies which differ from those applicable under the partnership agreement. The principal differences relate to the accounting treatment of annuities, pension schemes and property leases. Accordingly, in order to arrive at the amounts payable to equity partners and annuitants before tax, adjustments are made to the IFRS profit to reflect the equity partnership structure instead of the membership structure and to reflect the differences between the accounting policies applicable under the partnership agreement and IFRS. The average number of equity partners during the year was 394 (2019: 395). The average profit per equity partner based on the profit before tax for the financial year attributable to equity partners excluding annuities amounts to £1.69 million (2019: £1.62 million).

STATUTORY ACCOUNTS

The financial information included in this statement does not constitute the statutory accounts of Clifford Chance LLP within the meaning of the Companies Act 2006. Statutory accounts for the financial year ended 30 April 2019 have been delivered to the Registrar of Companies. Statutory accounts for the financial year ended 30 April 2020 have not yet been delivered to the Registrar of Companies. The auditors have reported on the accounts for both such financial years; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their reports and did not contain statements under Section 498 (2) or (3) Companies Act 2006, as applicable to limited liability partnerships.

SELECTED CLIENT WORK HIGHLIGHTS

During FY20, Clifford Chance advised:

- Pfizer on its agreement to co-develop a potential COVID-19 vaccine
- German state development bank KfW on the implementation of a German Government emergency financing package to mitigate the impact of the coronavirus pandemic as part of the biggest rescue package in the country, and also the German Federal Ministry of Health on its COVID-19 warning app
- The joint global co-ordinators on the first dim sum bonds to raise funds to combat coronavirus, issued by Agricultural Development Bank of China. Clients included the Bank of China, Standard Chartered Bank, Bank of Communications, Agricultural Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Shanghai Pudong Development Bank, China CITIC Bank International, Mizuho Securities Asia, KGI Asia, Crédit Agricole and CTBC Bank
- Clifford Chance advised the joint lead managers on the Republic of Indonesia's USD 4.3 billion bond issuance to help fund COVID-19 relief and recovery efforts. Clients included Citigroup, Deutsche Bank, Goldman Sachs, HSBC and Standard Chartered Bank; this was the largest ever issuance of dollar-denominated bonds by Indonesia
- Fair Trials on its COVID-19 Justice project, tracking how justice systems and trial rights are being affected by the virus and associated government measures
- On Cathay Pacific's USD 5 billion recapitalisation plan
- Nordic Aviation Capital, the world's largest regional aircraft lessor, on restructuring its USD 5.6 billion debt
- The lenders in connection with Glencore's USD 9.975 billion revolving credit facilities
- PIF and SABIC on the USD 69.1 billion sale of PIF's shareholding in SABIC to Saudi Aramco, the largest ever M&A deal in the Middle East
- Telefónica on the GBP 31 billion merger of O_2 with Liberty Global's Virgin Media
- Mondelez International on the IPO and listing of JDE Peet's shares on Euronext Amsterdam – at a valuation of EUR 15.6bn, then the biggest IPO since COVID-19
- GE in obtaining US and global merger clearance in connection with the USD 21.4 billion sale of its biopharma business to Danaher
- easyJet on its plans to offset its carbon emissions from fuel for every flight
- Richard Deitz on a successful defence against allegations of dishonest conduct in relation to the auction of Yukos Finance.
- Canary Wharf on a successful defence in the European Medicines Agency Brexit lease dispute
- Former Alstom executive Lawrence Hoskins, successfully obtaining a post-trial acquittal of all US Foreign Corrupt Practices Act charges in relation to a scheme to bribe Indonesian officials to win a power contract
- The Swedbank AB Board of Directors, on whose behalf we conducted a multi-jurisdictional internal investigation into historical AML and OFAC sanctions compliance and prepared a Report of the results, which Swedbank publicly disclosed at a press conference in March 2020, with continuing support of Swedbank in connection with pending investigations by US authorities
- Deloitte in relation to four proceedings arising from the 2016 collapse of the major Australian retailer Dick Smith Group, which entered administration with over AUD 400 million debt; also for Deloitte in relation to a class action arising from the 2012 collapse of construction conglomerate Hastie Group, with debts of more than AUD 1 billion.
- Macquarie Infrastructure and Real Assets on the EUR 3.5 billion acquisition of Currenta from Bayer and Lanxess
- Másmóvil on the friendly EUR 5 billion takeover bid from KKR, Cinven and Providence
- Permira on the buyout of Topcast, the largest independent aircraft parts distributor in Asia Pacific
- KIRKBI and the Consortium consisting of KIRKBI, Blackstone and CPPIB on the GBP 4.77 billion take-private of Merlin Entertainments plc
- KKR/Reggeborgh-owned Deutsche Glasfaser on the EUR 1.8bn refinancing and subsequent sale to EQT/OMERS
- A consortium led by China Harbour Engineering Company on Colombia's first private investment made by a Chinese construction company under Colombia's 4G highway infrastructure programme
- Huatai Securities on its historic London GDR listing under the new Shanghai-London Stock Connect scheme. Then advising the joint global co-ordinators on China Pacific Insurance's USD 1.8 billion offering and London GDR listing – the second using the Stock Connect scheme.

C L I F F O R D

C H A N C E

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