

Survey: Economic impact of war in Ukraine

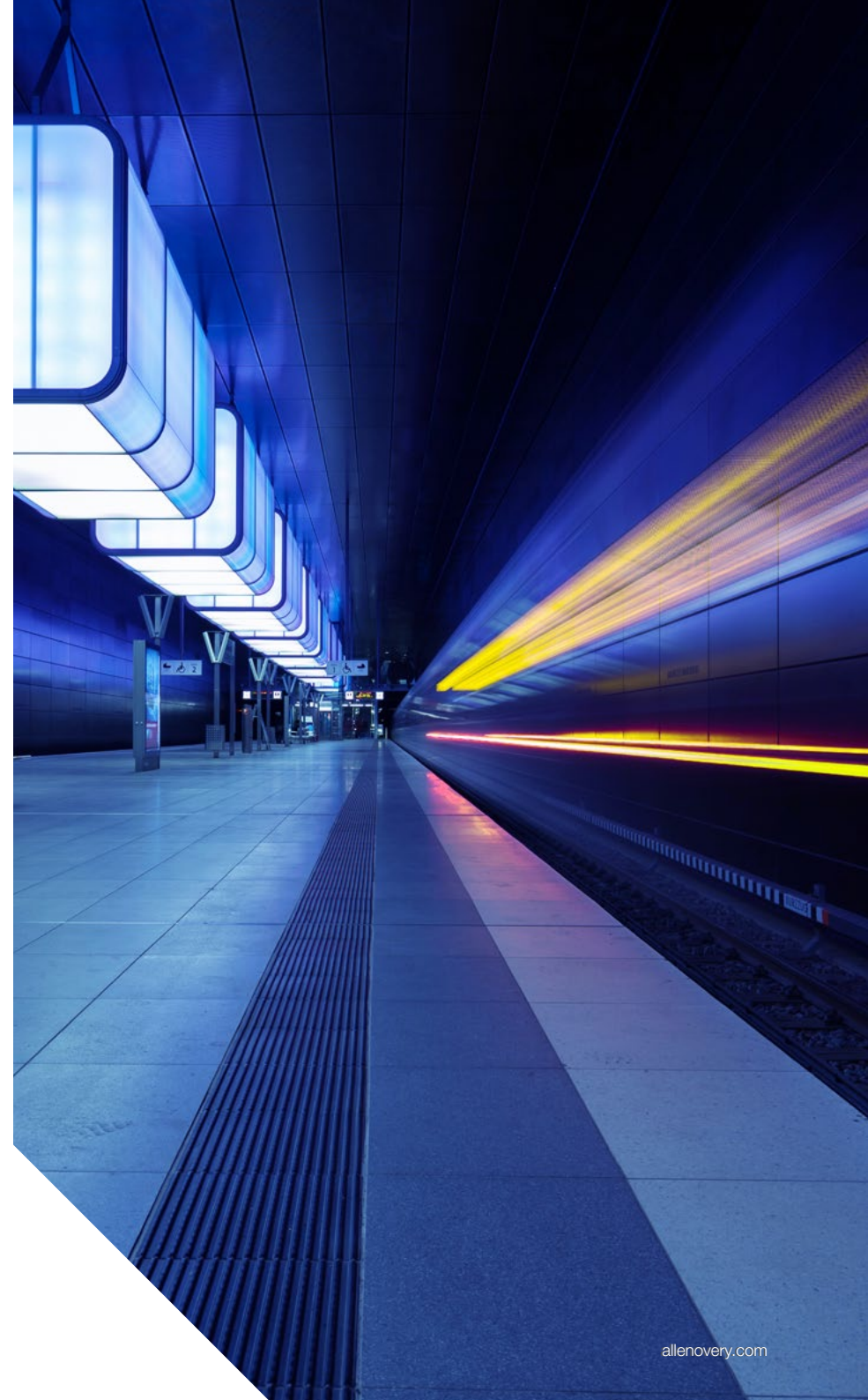
Executive Summary



The German economy is not only the fourth-largest economy worldwide, but in particular relies on functioning flows of goods due to its disproportionately high export share. There is only few specific information available regarding the question how, and to what extent, German companies are impacted by the war between Russia and the Ukraine, both today and in future.

With our *A&O trend barometer*, we sought to answer these questions and have asked, in particular in the segment of major companies (annual revenue of more than EUR 500m), 100 executives of the first and second management levels for their evaluation of the situation. The survey primarily focused not only on key performance indicators such as revenue, costs, financing and investments, but also on fundamental questions regarding strategy and forecasts on the further development of the conflict and the EU's economic relationship with Russia.

The survey was conducted in April 2022. Of the 4,200 companies in Germany generating a revenue of more than EUR 500m, 100 companies participated in the survey, among them 50 companies of the manufacturing industry, 25 of the trade industry and 25 of the service industry. 37 percent of the companies interviewed maintain economic relations with Russia and/or Ukraine.



Major companies appear largely unimpressed by the war between Russia and Ukraine

- Revenue expectations remain positive despite increased costs and interrupted delivery chains
- Investment activities are being continued; access to financing remains open
- Companies do not want to turn away from the “energy turnaround” (*Energiewende*)
- Majority expects the war to end no earlier than autumn or even 2023
- One third expects relations with Russia to normalise in ten years at the earliest

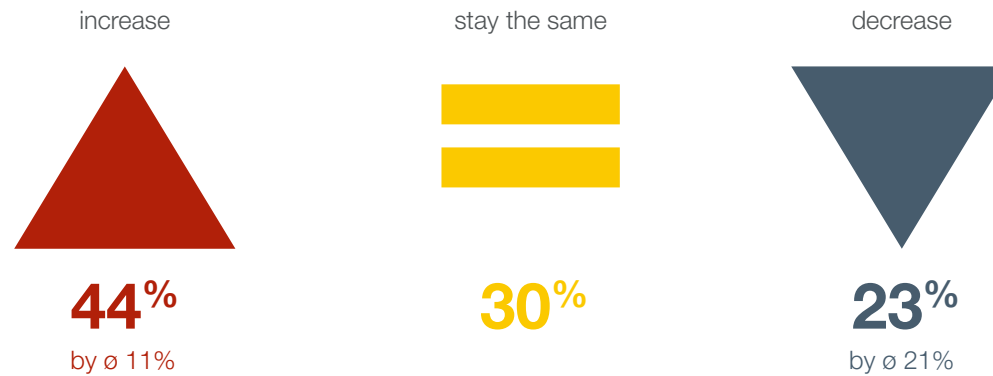


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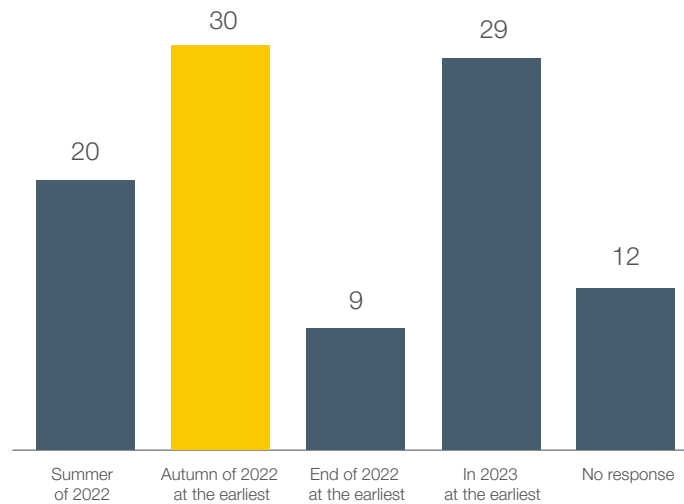
74% expect revenues to remain the same or increase in 2022



Question: How do you expect revenue to develop over the full year 2022?
Basis: all companies | Presentation: figures in percent

Contrary to all expectations, the revenue forecasts of the largest German companies remain positive despite the war in Ukraine: approximately 80 percent of the companies reported no losses in revenue since Russia's invasion of Ukraine. 74 percent of the decision-makers expect revenues to remain the same or increase in 2022. The companies expecting an increase in revenue predict an average increase of 11 percent. It is striking that the companies expecting a decrease in revenue quantify a significant decrease of more than one fifth.

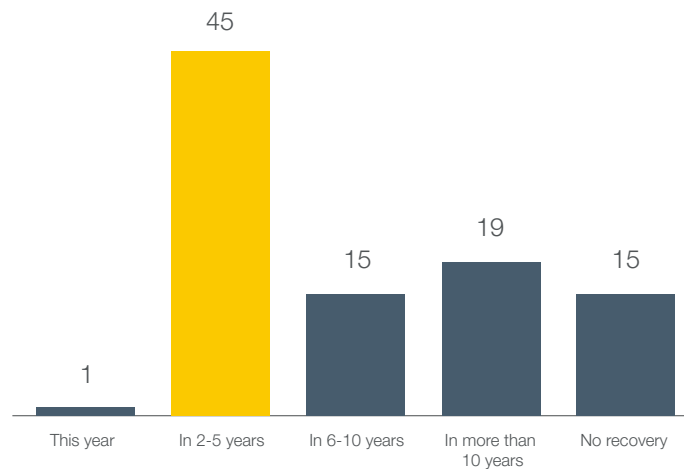
It is not expected that the war will end quickly



Question: When do you expect the armed conflict to end?
Basis: all companies | Presentation: figures in percent

It is not expected that the war will end quickly: 38 percent of the executives expect that the conflict will continue for at least one year, only 20 percent expect that the conflict will end within the next three months.

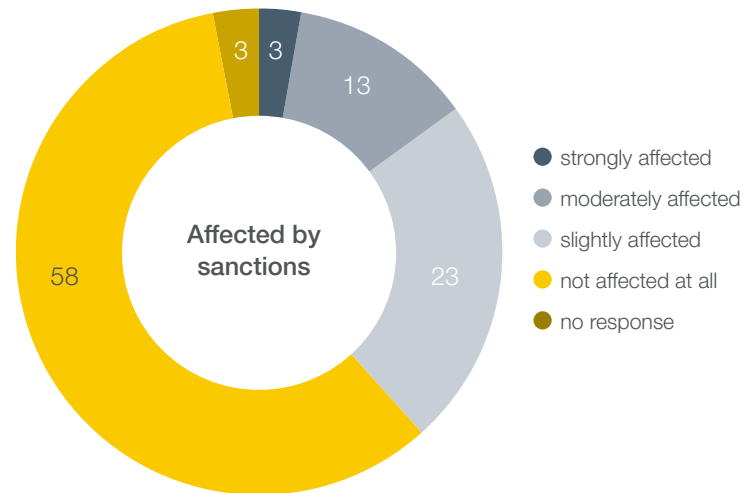
One third expect relations to normalise in ten years at the earliest



Question: When do you expect EU-Russian relations to recover?
Basis: all companies | Presentation: figures in percent

Far greater time horizons are forecast for relations between the EU and Russia to recover: 34 percent expect the relationship to normalise no earlier than in ten years. 45 percent are more optimistic and expect a recovery in the next two to five years.

Only 3% are strongly affected by sanctions – 58% not at all



Problems surrounding the implementation of sanctions

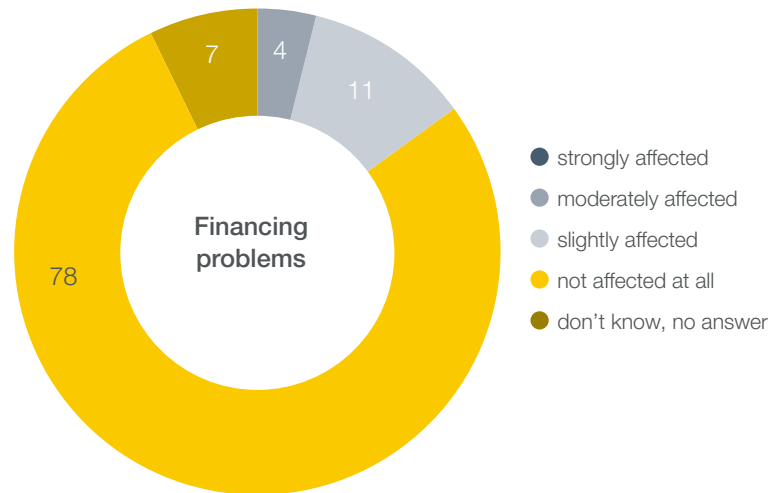
23% are experiencing problems relating to corporate law

33% are experiencing problems relating to payment obligations

Question: To what extent is your company affected by sanctions adopted by the EU or other countries over the war?
To what extent is your company experiencing problems in connection with the implementation of sanctions?
Basis: all companies / companies affected by sanctions | Problems raised: multiple answers possible | Presentation: figures in percent

The prevailing mood, which is currently still positive, is also reflected by 58 percent of the persons interviewed stating that they are “not at all” affected by the sanctions. Only three percent are “strongly” affected. This confirms not only the selective impact of these sanctions, but also that Russia is a relatively minor trade partner for Germany, accounting for a foreign trade volume of 2.3 percent.

Access to financing remains open: 78% find there is no impairment



Question: To what extent has your company been affected by financing problems since the outbreak of war?
Basis: all companies | Presentation: figures in percent

Executive board members and managing directors also still have a positive outlook as regards the financial markets: 78 percent do not see any impact on corporate financing. Among companies with an annual revenue of more than one billion euros, even 91 percent do not see any bottlenecks.

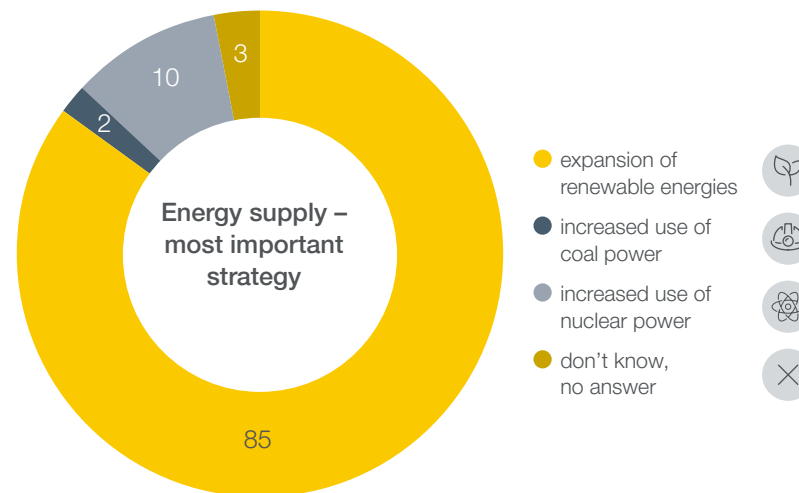
Investment activity largely continues despite the crisis



Question: Has your company reconsidered planned investments since the outbreak of war?
Basis: all companies | Multiple answers possible | Presentation: figures in percent

Moreover, companies are continuing their planned investments (77 percent). 10 percent are even planning to expand on investments – despite increased uncertainties as a consequence of the war.

No turning away from energy turnaround: 85% are replying on renewables

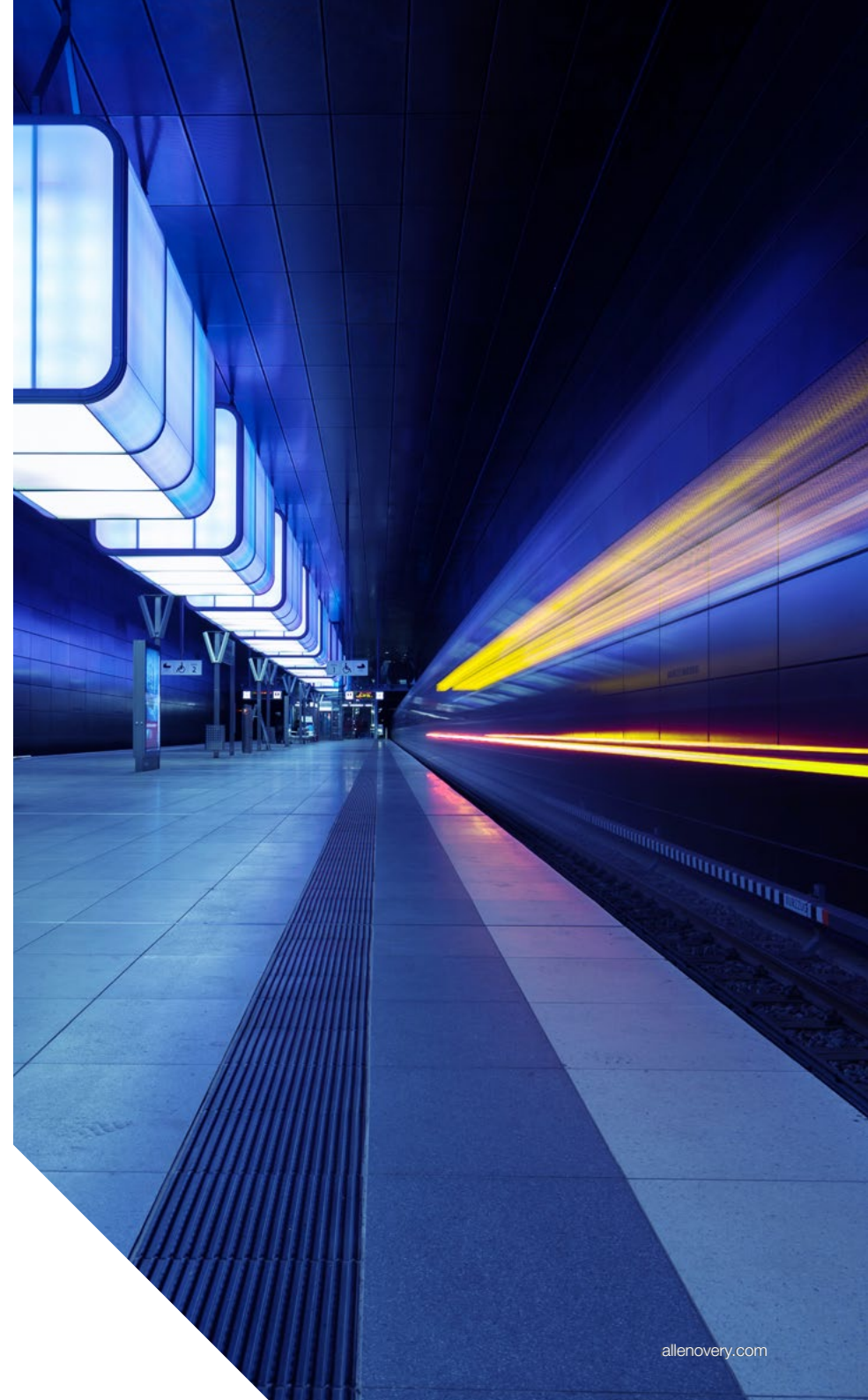


Question: Against the backdrop of war in Ukraine, which strategies do you believe are most effective for future energy supply? Which strategy do you consider the most important?
Basis: all companies | Most effective strategies: multiple answers possible | Presentation: figures in percent

The principle of “safety first, cost efficiency second” seems to increasingly gain in importance for the realignment of the corporate strategy. This applies equally to the restructuring of delivery chains (43 percent) and to energy supply (47 percent). In this context, companies expressly do not wish to turn away from the “energy turnaround”: 85 percent focus on the expansion of renewable energies as the core of their future supply strategy.

For more detailed information and analyses of the survey as well as evaluations and legal assessments, we will provide a White Paper in the course of May.

Your usual contact at Allen & Overy will be happy to assist you should you have any questions.



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