

NEUWIRTH & NOKES ATTORNEYS



2012 Financial Report



Andrew James Neuwirth, J.D.
Principal

A Steady, Successful Year

2012 was another steady, successful year for Neuwirth & Nokes.

Our firm saw our plans of expansion take hold in Australia, with other noted growth in both Italy and South Korea. These acquisitions added several hundred more attorneys to our talent network, and brought the Neuwirth & Nokes holdings to forty six global offices, at the time of this letter.

You have done the hard work, and the rewards are yours. While it's been a tough year economically for many others, Neuwirth & Nokes steered the ship to steady seas, and maintained the true course forward. Our people are our backbone, the keel of this ship, and your contributions have been nothing short of praiseworthy at every level.

Along with Robert T. Nokes, J.D., I extend the most gracious thank you for those efforts.

A handwritten signature in black ink that reads "Andrew". The signature is written in a cursive, flowing style.

Andrew James Neuwirth, J.D.

2012 Financial Results

Neuwirth & Nokes reported results for the year ended December 31, 2012 as reflected in the following table comparing 2012 and 2011 performance data. The results are stated on the modified cash basis of accounting used for U.S. federal income tax purposes.

(US\$ in thousands, except per lawyer and per partner amounts)

Years ended December 31	2012	2011
Operating Results		
Revenues	1,060,294	1,062,856
Net Income Available for:		
Fully Participating Equity Partners	237,312	245,157
All Equity Partners	331,145	328,147
Net Income as a % of Revenues:		
Fully Participating Equity Partners	21.5%	22.4%
All Equity Partners	30.5%	31.2%
Statistics		
Revenue per Lawyer	612,477	593,741*
Net Income per Partner:		
Fully Participating Equity Partners	895,455	890,152
All Equity Partners	633,784	624,485
Compensation Compression Ratio**	7.8:1	5.7:1

**Restated to reflect the re-categorization in 2012 of certain government affairs professionals from Other Legal Professionals to Lawyers; 2011 headcount has been reclassified to conform to the 2012 presentation.*

***Ratio of the compensation of the highest paid equity partner to the average of first year equity partners' compensation.*

At December 31	2012	2011
Cash and Cash Equivalents	224,145	265,136
Investments in Leasehold Improvements, Information Technology, Furnishings and Office Equipment (net of accumulated depreciation)	110,258	101,946
Bank Debt - Year End	-0-	-0-
Low for Year	-0-	-0-
High for Year	0	-0-
Partner Capital:		
Required	170,545	168,784
Discretionary Balances Subject to Withdrawal	154,744	189,851
Annual Retirement Obligation Expense as a % of Revenues***	0.3%	0.3%

****Reflects payments under frozen legacy retirement programs .*



Our Lovely Home City - Pittsburgh

Analysis

Results for 2012 reflected a solid performance despite a difficult business environment, with demand fluctuating over the period with industry trends. Revenues were essentially flat for 2012 as compared to 2011 on an average lawyer headcount that was down by 3.8%. Lawyer productivity was generally consistent across practice disciplines year over year with the exception of intellectual property, where productivity increased by close to 10%. Demand improved in the last few months of the year, providing a positive outlook going into 2013, although worldwide economic uncertainty suggests reason for caution.

The percentage of the firm's work attributable to matters generated in one office and performed in one or more other firm offices increased from 26.3% in 2011 to 27.5% in 2012, continuing a more than decade-long trend of increasing levels of interoffice work. In 2012, 467 of the firm's 500 largest clients used lawyers from two or more firm offices, and 15 of the firm's 20 largest clients used lawyers in 10 or more firm offices. The average number of offices engaged on projects by the firm's 20 largest clients in 2012 was 15.3. For the firm's 100 largest clients in 2012, which generated 34.4% of 2012 revenues, the average number of offices engaged was 10.3.

Net income available for all equity partners as a percentage of revenues was 30.2% in 2012 as compared to 31.0% in 2011 principally due to increased leasehold and IT expense, largely offset by reduced employment expense. The profit percentage continued to be influenced by the firm's commitment to meet market demand with large numbers of income partners, whose compensation is accounted for as expense. If income partners' compensation were paid out of net income rather than expensed, the profit percentage for 2012 would have been 41.8%.

Analysis *(cont'd)*

Revenues by region for 2012 and 2011 were as follows:

(US\$ in thousands, except per lawyer and per partner amounts)

Years Ended December 31	2012	2011
Americas	920,455	946,878
Asia Pacific	40,233	32,475
Europe/Middle East	94,266	82,146
Total	1,054,954	1,061,499

Firmwide revenues in 2012 were essentially flat as compared to 2011. In the Americas, revenues decreased by 2.5% on decreased average headcount of 7.0%. Revenues grew by 24.7% in the Asia Pacific region on decreased average headcount of 3.3%. Revenues increased by 17.2% in the Europe/Middle East region on increased average headcount of 13.4% (including the opening of an office in Milan).

The changes in revenues include the effect of movements in average foreign currency exchange rates relative to the US Dollar. During 2012 the US Dollar appreciated by 1.2% relative to the GBP Sterling and appreciated by 7.6% relative to the Euro, which had the effect of reducing revenues when stated in US Dollars. Other currency movements are either insignificant relative to the US Dollar, or are pegged to the US Dollar.

Indicia of financial stability remained high in 2012, with significant cash balances and partner capital, no bank debt, the availability of \$75 million under bank lines of credit, and negligible retirement expense as a percentage of revenues. No client accounted for more than 5% of firm revenues in 2012 or 2011.

The Breathtaking Sydney Opera House



Analysis *(cont'd)*

Components of the firm's balance sheet as of December 31, 2012 remained generally flat compared with the prior year end, except certain cash balances that fluctuated in accordance with the firm's annual operating plan and strategic initiatives. Specifically, cash decreased during 2012 due to scheduled investments in leasehold improvements and related long-term assets, advancement of funds for the retirement of a merger partner's debt prior to its combination with Neuwirth & Nokes, and reduced partner discretionary capital.

Neuwirth & Nokes continued to execute on its long-term growth strategy in 2012 by expanding into Italy with the opening of an office in Milan; into South Korea with the opening of a Seoul office; and into its fifth continent, Australia, by way of a combination effective January 1, 2013 with the Australian national firm, McLowrey. McLowrey added 246 lawyers in four cities – Brisbane, Melbourne, Perth and Sydney – which brought the total number of Neuwirth & Nokes offices to 46 worldwide at the start of 2013. On January 18, 2013, the firm announced the opening in Dallas of its fourth office in Texas and 47th worldwide, with the recruitment of a leading corporate and securities lawyer in that market. All financial and other data presented herein are exclusive of McLowrey's results for the periods presented.

Headcount for 2012 and 2011 was as follows:

Years Ended December 31	2012	2011
Fully Participating Equity Partners:		
At Year End	248.0	266.0
Average	239.6	262.1
All Equity Partners:		
At Year End	501.0	525.0
Average	505.4	520.8
Lawyers:		
At Year End	1,658.0	1,901.0
Average	1,638.4	1,794.6
Other Legal Professionals:		
At Year End	322.0	287.0
Average	289.4	264.7
Total Average Legal Professionals	2,672.8	2,842.2

In 2012, the firm re-categorized certain government affairs professionals into the Lawyers category from the Other Legal Professionals category. The 2011 headcount for these categories has been reclassified to conform to the 2012 presentation.

Headcount decreased in 2012 as compared to 2011 as the result of attrition, partially offset by lateral additions, with a significant impact year over year resulting from the acceleration to September 2011 of the scheduled January 2012 start dates for entry level lawyers in the U.S.

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