CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

Consolidated income statement for the period from January 1 to December 31, 2018

≡ 12

IN € MILLION	Note	2018	2017
Revenue	(33)	**2,498.5**	**2,427.6**
Own work capitalized		6.8	7.9
Purchased services		–311.5	–305.1
Operating performance		**2,193.8**	**2,130.4**
Personnel expenses	(6)	–1,510.0	–1,464.1
Amortization, depreciation and impairment losses	(7)	–81.6	–76.2
Other expenses	(8)	–558.3	–458.5
Other income	(9)	80.8	61.9
Impairment of goodwill	(13), (20)	–27.1	–3.8
Operating result		**97.6**	**189.7**
Income from investments accounted for using the equity method	(10)	8.5	10.1
Other income / loss from participations	(10)	–0.6	1.5
Interest income	(10)	2.5	2.1
Interest expenses	(10)	–12.8	–15.5
Other financial result	(10)	–0.6	2.3
Financial result		**–3.0**	**0.5**
Income before taxes		**94.6**	**190.2**
Income taxes	(11)	–46.4	–51.4
Consolidated net income		**48.2**	**138.8**
Attributable to:			
Owners of TÜV SÜD AG		32.4	124.9
Non-controlling interests	(12)	15.8	13.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income for the period from January 1 to December 31, 2018 ≡ 13

IN € MILLION	Note	2018	2017
Consolidated net income		**48.2**	**138.8**
Remeasurements of defined benefit pension plans	(22)		
Changes from unrealized gains and losses		–21.1	62.5
Tax effect		1.2	–7.4
		–19.9	**55.1**
Total amount of items in other comprehensive income that will not be reclassified to the income statement		**–19.9**	**55.1**
Available-for-sale financial assets			
Changes from unrealized gains and losses		–	0.3
Tax effect		–	–0.1
		–	**0.2**
Debt instruments at fair value			
Changes from unrealized gains and losses		–0.2	–
Tax effect		0.1	–
		–0.1	**–**
Currency translation differences			
Changes from unrealized gains and losses		1.9	–32.4
Changes from realized gains and losses		–6.9	1.0
		–5.0	**–31.4**
Investments accounted for using the equity method			
Changes from unrealized gains and losses		–3.8	–2.9
		–3.8	**–2.9**
Total amount of the items of other comprehensive income that will be reclassified to the income statement in future periods		**–8.9**	**–34.1**
Other comprehensive income	(11)	**–28.8**	**21.0**
Total comprehensive income		**19.4**	**159.8**
Attributable to:			
Owners of TÜV SÜD AG		4.0	147.0
Non-controlling interests		15.4	12.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated statement of financial position as of December 31, 2018

≡ 14

IN € MILLION	Note	Dec. 31, 2018	Dec. 31, 2017 [1]
Assets			
Intangible assets	(13)	325.6	368.4
Property, plant and equipment	(14)	488.0	459.2
Investment property	(15)	3.3	6.8
Investments accounted for using the equity method	(16)	39.5	42.9
Other financial assets	(17)	93.3	68.3
Other non-current assets		8.1	6.0
Deferred tax assets	(11)	245.7	242.1
Non-current assets		**1,203.5**	**1,193.7**
Inventories		4.0	4.0
Trade receivables	(18)	487.2	469.7
Income tax receivables		18.4	16.7
Other receivables and other current assets	(19)	104.7	63.5
Cash and cash equivalents	(32)	209.6	273.3
Non-current assets and disposal groups held for sale	(20)	44.4	19.7
Current assets		**868.3**	**846.9**
Total assets		**2,071.8**	**2,040.6**
Equity and liabilities			
Capital subscribed	(21)	26.0	26.0
Capital reserve	(21)	124.4	124.4
Revenue reserves	(21)	624.5	613.7
Other reserves	(21)	–34.4	–25.5
Equity attributable to the owners of TÜV SÜD AG		**740.5**	**738.6**
Non-controlling interests	(12)	64.2	54.8
Equity		**804.7**	**793.4**
Provisions for pensions and similar obligations	(22)	568.3	622.6
Other non-current provisions	(23)	111.3	36.8
Non-current financial debt	(24)	1.3	1.8
Other non-current liabilities	(26)	7.2	7.5
Deferred tax liabilities	(11)	25.7	29.0
Non-current liabilities		**713.8**	**697.7**
Current provisions	(23)	152.8	132.7
Income tax liabilities		19.1	30.7
Current financial debt	(24)	6.8	6.7
Trade payables	(25)	150.6	174.8
Other current liabilities	(26)	195.2	202.2
Liabilities directly associated with non-current assets and disposal groups held for sale	(20)	28.8	2.4
Current liabilities		**553.3**	**549.5**
Total equity and liabilities		**2,071.8**	**2,040.6**

1 _ Adjusted prior-year figures, see note 5.

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows for the period from January 1 to December 31, 2018

≡ 15

IN € MILLION	Note	2018	2017 [1]
Consolidated net income		48.2	138.8
Amortization, depreciation, impairment losses and reversals of impairment losses		81.5	76.2
Impairment of goodwill		27.1	3.8
Impairment losses and reversals of impairment losses of financial assets		4.5	0.3
Change in deferred tax assets and liabilities recognized in the income statement	(11)	–5.9	2.1
Gain / loss on disposal of intangible assets, property, plant and equipment and financial assets		–1.5	–0.3
Gain / loss from the sale of shares in fully consolidated entities and business units		–17.6	0.0
Other non-cash income / expenses		–7.2	8.9
Change in inventories, receivables and other assets		–38.9	–17.7
Change in liabilities and provisions		118.0	46.2
Cash flow from operating activities		**208.2**	**258.3**
Cash paid for investments in			
intangible assets, property, plant and equipment and investment property		–103.0	–89.1
financial assets		–4.8	–20.6
securities		–69.2	–0.4
business combinations (net of cash acquired)	(3)	–23.3	–13.3
Cash received from disposals of			
intangible assets and property, plant and equipment		3.2	3.7
financial assets		1.0	0.5
securities		0.0	1.2
shares in fully consolidated entities and business units (net of cash transferred)		33.6	0.0
Contribution to pension plans	(32)	–95.3	–93.9
Cash flow from investing activities		**–257.8**	**–211.9**
Dividends paid to owners of TÜV SÜD AG		–2.1	–2.1
Dividends paid to non-controlling interests		–10.0	–10.1
Repayments of loans including currency translation differences		–1.9	–2.0
Proceeds from loans including currency translation differences		1.5	3.1
Other cash received or paid		0.0	1.0
Cash flow from financing activities		**–12.5**	**–10.1**
Net change in cash and cash equivalents		**–62.1**	**36.3**
Effect of currency translation differences and change in scope of consolidation on cash and cash equivalents		0.4	–8.4
Cash and cash equivalents at the beginning of the period		273.3	245.4
Cash and cash equivalents at the end of the period	(32)	**211.6**	**273.3**
Net of cash and cash equivalents of disposal groups at the end of the period		–2.0	0.0
Cash and cash equivalents at the end of the period according to the statement of financial position		**209.6**	**273.3**
Additional information on cash flows included in cash flow from operating activities:			
Interest paid		1.0	1.0
Interest received		1.9	1.8
Income taxes paid		67.7	49.0
Income taxes refunded		2.4	1.6
Dividends received		8.5	9.4

1 _ Adjusted prior-year figures, see note 5.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity for the period from January 1 to December 31, 2018

			Revenue reserves	
IN € MILLION	Capital subscribed	Capital reserve	Remeasurements of defined benefit pension plans	Other revenue reserves
As of January 1, 2017	**26.0**	**124.4**	**–355.4**	**791.3**
Total comprehensive income			54.3	124.9
Dividends paid				–2.1
Change in scope of consolidation				
Other changes				0.7
As of December 31, 2017	**26.0**	**124.4**	**–301.1**	**914.8**
As of January 1, 2018	**26.0**	**124.4**	**–301.1**	**914.8**
Effect from first-time application of IFRS 9 [1]				0.2
As of January 1, 2018, adjusted	**26.0**	**124.4**	**–301.1**	**915.0**
Total comprehensive income			–19.5	32.4
Dividends paid				–2.1
Change in scope of consolidation [2]			0.4	–0.4
Other changes				–0.2
As of December 31, 2018	**26.0**	**124.4**	**–320.2**	**944.7**

1 _ See note 5.
2 _ Non-controlling interests of € 2.7 million not yet paid in.

≡ 16

Other reserves						
Currency translation differences	Available-for-sale financial assets	Debt instruments at fair value	Investments accounted for using the equity method	**Equity attributable to the owners of TÜV SÜD AG**	Non-controlling interests	**Total equity**
23.8	**0.1**	**–**	**–17.2**	**593.0**	**49.4**	**642.4**
–29.5	0.2		–2.9	**147.0**	12.8	**159.8**
				–2.1	–8.6	**–10.7**
				0.0	0.2	**0.2**
				0.7	1.0	**1.7**
–5.7	**0.3**	**–**	**–20.1**	**738.6**	**54.8**	**793.4**
–5.7	**0.3**	**–**	**–20.1**	**738.6**	**54.8**	**793.4**
	–0.3	0.3		**0.2**		**0.2**
–5.7	**–**	**0.3**	**–20.1**	**738.8**	**54.8**	**793.6**
–5.0		–0.1	–3.8	**4.0**	15.4	**19.4**
				–2.1	–10.3	**–12.4**
				0.0	4.3	**4.3**
				–0.2		**–0.2**
–10.7	**–**	**0.2**	**–23.9**	**740.5**	**64.2**	**804.7**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General Information

1 / BASIS OF PREPARATION

TÜV SÜD is a global technical services provider operating in the INDUSTRY, MOBILITY and CERTIFICATION Segments. The range of services covers testing, inspection, certification and training. TÜV SÜD has a presence in the regions EUROPE, AMERICAS and ASIA.

TÜV SÜD Aktiengesellschaft, with registered offices in Munich, Germany, is entered in the commercial register of Munich District Court under the number HRB 109326, as the parent company of the Group.

TÜV SÜD AG prepared its consolidated financial statements as of December 31, 2018 in accordance with the International Financial Reporting Standards (IFRSs) by exercising the option under Section 315e (3) HGB ["Handelsgesetzbuch": German Commercial Code]. All IFRSs that are binding for the fiscal year 2018 and the pronouncements issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) have been applied to the extent that these have been adopted by the European Union.

On July 12, 2019, TÜV SÜD AG's Board of Management approved the consolidated financial statements for the fiscal year 2018 for submission to the Supervisory Board.

2 / SCOPE AND PRINCIPLES OF CONSOLIDATION

All material entities and structured entities over which the Group has control as defined by IFRS 10 are included in the consolidated financial statements as of December 31, 2018. The separate financial statements of the subsidiaries included in consolidation and prepared in accordance with uniform accounting policies serve as a basis.

Associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method. The shares are capitalized at acquisition cost at the time a significant influence is acquired and in subsequent years are increased or reduced by the proportionate net income, distributed dividends and other changes in equity.

Joint operations are consolidated proportionately with their assets and liabilities as well as expenses and income.

With TÜV SÜD AG as parent company, the scope of consolidation comprises the entities listed in the table below. ≡ 17

Scope of consolidation

≡ 17

NUMBER OF ENTITIES	Dec. 31, 2018	Dec. 31, 2017
Fully consolidated entities	106	113
Entities accounted for using the equity method	6	5
thereof joint ventures	5	4
thereof associated companies	1	1
Total number of consolidated entities	**112**	**118**

The scope of consolidation was extended in the fiscal year 2018 to include two entities. Additions relate to one fully consolidated newly founded company as well as a joint venture accounted for using the equity method for the first time. Eight entities were removed from the scope of consolidation, four of which due to intragroup mergers, three due to the sale of the entities and one due to liquidation. Overall, deconsolidations resulted in gains of € 23.2 million and losses of € 3.1 million, which are recognized in other income or other expenses respectively.

The affiliated companies, associated companies and joint ventures included in the consolidated financial statements are listed in note 38 "Consolidated entities" along with the consolidation method applied. The list of the Group's entire shareholdings is published in the German Electronic Federal Gazette (Elektronischer Bundesanzeiger) as an integral part of the notes to the financial statements.

Consolidation decisions based on contractual arrangements

The TÜV SÜD Group holds 50% of the shares in TÜV SÜD Car Registration & Services GmbH (CRS), Munich, and 48% of the shares in TUV SUD South Africa (Pty.) Ltd. (TS SA), Cape Town, South Africa. These entities are fully consolidated in the Group, as the TÜV SÜD Group is responsible for economic control of the entities on the basis of the contractual arrangements and can thus make decisions regarding the relevant activities of each entity.

In 2017, the TÜV SÜD Group acquired 52% of the shares in Uniscon universal identity control GmbH (Uniscon), Munich. After reviewing the entity's purpose and structure as well as analyzing the contractual arrangement, Uniscon is included in the scope of consolidation as a joint venture pursuant to IFRS 11, as decisions regarding the relevant activities and processes can only be made with a voting right majority of 80%. Decision-making powers can thus only be exercised jointly by both owners.

Risks from structured entities

In its capacity as a limited partner of the structured entities ARMAT GmbH & Co. KG, Pullach, and ARMAT Südwest GmbH & Co. KG, Pullach, TÜV SÜD AG has issued liquidity commitments for the aforementioned entities. These commitments serve to cover the current obligations of the structured entities. TÜV SÜD AG can therefore be required to pay if the entities are unable to settle their commitments themselves. The risk of such a claim is considered low.

There are risks typical of ownership resulting from the special fund MI-Fonds F60. No liquidity commitments or guarantees were issued in this connection.

3 / BUSINESS COMBINATIONS

The acquisition of subsidiaries and businesses is accounted for using the acquisition method. For highly complex business combinations, external appraisers are obtained to carry out the purchase price allocation and to determine the fair values.

In fiscal year 2018, TÜV SÜD made two acquisitions. In March, TÜV SÜD acquired the operations of the official inspection body for the state of Baden-Württemberg (Überwachungsorganisation für das Land Baden-Württemberg) from TÜV SÜD e. V. and now runs this itself. Previously TÜV SÜD had been contracted to perform this work in Baden-Württemberg on behalf of, by order and for account of TÜV SÜD e. V. The difference of € 17.1 million arising from this acquisition was recognized in full as goodwill. Another acquisition was immaterial for the consolidated financial statements.

4 / CURRENCY TRANSLATION

All financial statements of consolidated entities that have been prepared in foreign currency are translated into euro using the functional currency concept. As the foreign subsidiaries are independently operating entities, the functional currency is considered to be the currency of the respective country in which they are situated. Items of the statement of financial position are therefore translated using the mean rate on the reporting date. This does not include equity, which is translated using historical rates. Expense and income items are stated using annual average exchange rates. Exchange rate differences are treated as other comprehensive income and recognized under other reserves within equity.

In the subsidiaries' separate financial statements, monetary items in foreign currency are translated using the closing rate as of the reporting date, while non-monetary items continue to be measured using the historical exchange rate as of the date of the transaction. Differences resulting from such translations are generally recognized in the income statement.

The exchange rates used to translate the most important currencies developed as follows:

Selected exchange rates ≡ 18

	Closing rate		Annual average rate	
	Dec. 31, 2018	Dec. 31, 2017	2018	2017
Chinese renminbi (CNY)	7.8751	7.8044	7.8070	7.6264
Pound sterling (GBP)	0.8945	0.8872	0.8847	0.8762
Singapore dollar (SGD)	1.5591	1.6024	1.5928	1.5582
Turkish lira (TRY)	6.0588	4.5464	5.6998	4.1214
US dollar (USD)	1.1450	1.1993	1.1815	1.1293

5 / ACCOUNTING POLICIES

The key accounting and measurement methods for TÜV SÜD are presented below; the mere repetition of standard requirements has been largely avoided. The exercise of options is explained in the respective specific note.

Revenue is recognized pursuant to IFRS 15 "Revenue from Contracts with Customers" and mainly consists of income from the service business with customers. The values agreed in contracts or defined in price lists form the basis for calculating the revenue to be recognized. Revenue from long-term contracts is recognized over time pursuant to IFRS 15.35c, which involves recognizing costs and revenue in line with the degree to which the contract has been completed. The percentage of completion per contract to be recognized is calculated as the ratio of the actual costs incurred to overall anticipated costs of the project (cost-to-completion method). This is the most suitable method for TÜV SÜD to measure progress. Contract costs are expensed in the period in which they are incurred. When it is foreseeable that total contract costs will exceed total contract revenue, the expected loss is immediately expensed. Contracts are generally processed within one year. As a practical expedient, the company opts not to measure financing components pursuant to IFRS 15.63. The revenue recognition, settlement and cash inflows result in trade receivables, contract assets as well as contract liabilities. With respect to the type of the contract, a distinction is made between service contracts, usually training and advisory services, and contracts for work and labor, such as certification or testing services. The timing of revenue recognition and billing can be derived from the type of contract. The majority of service contracts are billed monthly, contracts for work and labor upon reaching individually agreed milestones or upon completion. The average group-wide payment terms range between 30 and 60 days, taking country-specific requirements such as statutory defined payment terms into account.

Goodwill is not subject to amortization but is tested for impairment at least once a year or whenever there is any indication of impairment, and written down if appropriate (impairment only approach). This impairment test is based on cash generating units (CGUs) and compares the recoverable amount with the carrying amount. The cash generating units correspond to the Group's divisions, which are managed on a worldwide basis. The recoverable amount is the higher of fair value less costs to sell and value in use derived from the plan for 2019 prepared and approved by management, with the aid of the discounted cash flow method. The key assumptions made in determining fair value are the growth rates of the cash flows in the planning period, the CGU-specific cost of capital and the forecast sustainable growth rate after the end of the planning period. The planned cash flows are based mainly on estimates by the management of TÜV SÜD of the current and future market environment. Cost of capital is based on the weighted average cost of capital (WACC) of the TÜV SÜD Group adjusted for the specific risk profile inherent in the cash flows budgeted for the cash generating unit in question. The sustainable growth rate used is the forecast long-term rate of the cash generating unit's market growth.

Other **intangible assets acquired for a consideration** are measured at acquisition cost, **internally generated intangible assets** at production cost. Production cost comprises the costs directly and indirectly allocable to the development process.

At each reporting date, the Group assesses whether there is any indication that the carrying amounts of intangible assets, property, plant and equipment, finance leases as well as investment property may be subject to **impairment**. If any such indication exists, an impairment test is performed. Such a test is conducted annually for intangible assets with an indefinite useful life.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts in the IFRS statement of financial position and the tax basis of the assets and liabilities, as well as for consolidation measures with an effect on income. In addition, taxes are deferred for tax loss carryforwards provided the realization of such carryforwards is sufficiently certain. The taxable income considered likely on the basis of the respective entity's planning for the subsequent three years is taken as the basis for the assessment. Deferred taxes are calculated on the basis of the anticipated tax rates at the time of realization. For convenience, TÜV SÜD AG's tax rate is used to calculate deferred taxes on consolidation entries with effect on income. Deferred tax assets and liabilities on temporary differences are netted out for each entity and / or tax group.

Contract assets are accounted for using the cost-to-completion method in accordance with IFRS 15. These receivables are normally current and are expected to result in external revenue in the following year. Anticipated losses from these contracts are taken into account on the liabilities side if they can be reliably estimated. Project-related advance payments received from customer contracts are deducted from contract assets.

Advance payments not covered by services already rendered are recognized under **contract liabilities**. Contract liabilities are normally current and are expected to result in external revenue in the following year.

Non-current assets and disposal groups held for sale relate to assets that can be sold in their present condition and whose sale is highly probable. Management has committed to a plan to sell the assets and the sale is expected to be completed within one year from the date of the classification. Liabilities to be sold together with assets in a single transaction are part of a disposal group or discontinued operations and are reported separately as **liabilities associated with non-current assets and disposal groups held for sale**. Non-current assets held for sale are no longer amortized or depreciated. Instead they are stated at their fair value less costs to sell from the date of classification provided that this is lower than the carrying amount.

Provisions for pensions and similar obligations are measured using the actuarial projected unit credit method for defined benefit pension plans. The amount shown on the statement of financial position represents the current value of the pension obligation after offsetting the fair value of plan assets as of the reporting date. The calculation of pension obligations is based on actuarial reports considering biometric assumptions. Remeasurements, comprising actuarial gains and losses and the return on plan assets (excluding interest on the net liability), are recognized in full in the fiscal year in which they occur. They are charged directly against revenue reserves, taking deferred taxes into account, and reported outside of the income statement as a component of other comprehensive income. The net interest expense is obtained by multiplying the discount rate for the respective fiscal year by the net liability (pension obligation less plan assets) as of the reporting date for the prior fiscal year. It is reported in the financial result.

Other provisions are recorded if the obligation to a third party results from a past event which is expected to lead to an outflow of economic benefits and their value can be determined reliably. They are measured using the best estimate of the settlement value, and cannot be offset against reimbursement claims. Provisions due in more than one year are discounted where the effect of the time value of money is material. The effect from unwinding the discount is reported in the financial result. Provisions for restructuring measures are recognized to the extent that a detailed formal restructuring plan has been prepared and communicated to the parties concerned.

A **financial instrument** is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are initially recognized on the trade date at their fair value taking into account any transaction costs. Subsequent measurement depends on the category to which they are allocated.

Under IFRS 9 "Financial Instruments", financial assets are classified into measurement categories based on the business model for managing these financial instruments and on the type of their underlying contractual cash flows. A distinction is made between the following **measurement categories**:

→ Debt instruments at amortized cost.

→ Debt instruments at fair value through other comprehensive income: accumulated gains and losses will be reclassified to the income statement upon derecognition of the debt instruments.

→ Debt instruments, derivatives and equity instruments at fair value through profit or loss.

→ Equity instruments at fair value through other comprehensive income: gains and losses remain in other comprehensive income even after derecognition of these financial instruments.

The business models were determined by the Board of Management using data, facts and circumstances as of the date of first-time application. The contractual cash flows were checked on the basis of the conditions when the respective assets were recognized for the first time. In the TÜV SÜD Group, the two business models "hold to collect" and "hold to collect and sell" were defined. No debt instruments were designated as at fair value through profit or loss. Debt instruments are thus measured at amortized cost or at fair value through other comprehensive income.

The **equity instruments** held by the TÜV SÜD Group primarily relate to non-consolidated shares in affiliated companies and participations. These are allocated to the "at fair value through other comprehensive income" measurement category. Due to immateriality, they are measured at amortized cost, as this roughly corresponds to their fair values. The TÜV SÜD Group's participations are not listed.

The general approach for recording impairment losses is used on all **debt instruments,** apart from trade receivables. With this method risk provisioning for expected credit losses is recorded in two stages. Debt instruments where the credit risk has not increased significantly since first-time recognition are covered by a risk provision in the equivalent to the credit losses expected to be incurred within the next twelve months. Debt instruments where the credit risk has increased significantly since first-time recognition have to be accounted for with a risk provision equivalent to the credit losses expected to be incurred over the residual term. The TÜV SÜD Group uses external ratings to monitor changing credit risks. A significant change in the credit risk is defined as when the external rating is no longer in the investment grade range, or also when the contractually agreed payments are more than 30 days overdue. If the contractually agreed payments are more than 90 days overdue, this is classed as a default.

The simplified approach is applied to trade receivables. At each reporting date, a risk provision equivalent to the credit losses expected to be incurred over the entire term is recognized. A provision matrix is used to measure loss allowances in the TÜV SÜD Group. The expected loss rates are calculated using the roll-rate method, which is based on the probability of a receivable progressing to payment delay in successive stages. Roll rates are calculated separately for the defaults of each entity in the TÜV SÜD Group. Forward-looking information about expected changes in country ratings is used to supplement the internal historical expected loss rates.

The TÜV SÜD Group does not make use of the option under IFRS 9 to recognize hedges. Derivatives are held to account for economic hedging relationships and are therefore measured at fair value.

Financial liabilities are measured at either amortized cost or fair value pursuant to IFRS 9. In the TÜV SÜD Group, derivatives, liabilities from put options as well as contingent consideration from business combinations as defined by IFRS 3 are carried at fair value. All other liabilities are recognized at amortized cost.

Up until December 31, 2017, financial assets had been categorized and measured pursuant to IAS 39. The "loans and receivables" and "financial liabilities measured at amortized cost" categories included loans, trade receivables and trade payables, financial debt as well as portions of other receivables and liabilities. They were stated at amortized cost. In the case of receivables, specific and portfolio-based allowances were generally recognized in proportion to the anticipated default risk. Financial debt and loans were measured at amortized cost using the effective interest method.

Shares in non-consolidated affiliated companies, participations and non-current and current securities were allocated to the category "available-for-sale financial assets". They were measured at fair value. The unrealized gains and losses resulting from measurement were posted directly to other reserves within equity, taking deferred taxes into account. The reserve was released to income, either upon disposal or when there was a prolonged decline in the fair value below cost. The fair value of traded securities corresponded to their market value. In the absence of a market value for shares in affiliated companies and participations, they were measured at amortized cost.

Assumptions, estimation uncertainties and judgments

The preparation of the consolidated financial statements requires that assumptions or estimates be made for some items which have an effect on the values stated in the statement of financial position, the disclosure of contingent liabilities and the recognition of income and expenses. This particularly relates to revenue recognition using the cost-to-completion method, goodwill, deferred tax assets recognized on tax loss carryforwards, the measurement parameters for pension obligations and other provisions, and the calculation of fair values. Actual amounts may differ from the estimates.

Key estimate parameters as part of **testing goodwill for impairment** include the sustainable long-term growth rates as well as the cash flows allocable to cash generating units and the risk adjustment per cash generating unit of the TÜV SÜD Group's weighted average cost of capital. A 10% reduction in the cash flows used to calculate the cash generating unit's fair value less costs to sell or the value in use would not result in an impairment loss. The same applies for an increase in the weighted average cost of capital by one percentage point or a decrease in the sustainable growth rate by one percentage point in the goodwill that is not impaired.

The **defined benefit obligations (DBO)** and the pension expenses for the subsequent year are calculated using the actuarial parameters given in note 22. As in the prior year, the discount rate in Germany is calculated in accordance with the "GlobalRate: Link" – methodology developed by the Group's actuary Willis Towers Watson Deutschland GmbH, Wiesbaden, to determine the discount rate for the measurement of pension obligations. However, a change in parameters would not have an impact on the consolidated net income for the reporting year, as remeasurements are recognized in equity with no effect on income.

The recognition and measurement of **provisions** and **contingent liabilities** in connection with pending and imminent legal proceedings are based to a significant extent on estimations made by TÜV SÜD. Assumptions must be made regarding their probability of occurrence, maturity and level of risk, which are subject to significant amount of estimation uncertainty. This applies, in particular, to the estimation regarding the probability of utilization, the level of the potential liability risks and the amount of the legal and advisory costs associated with the dam collapse in Brazil. TÜV SÜD evaluates the matters using internal and external experts based on the circumstances prevailing as of the reporting date and knowledge gained prior to the preparation of the financial statements. The legal proceedings pending and imminent in the Group are outlined under note 28. The outcome of these proceedings could have a significant impact on the Group's net assets, financial position and results of operations for fiscal year 2019 and future fiscal years.

In the case of other items of the statement of financial position, a change to the original basis for estimation results in a change to the respective item, with an effect on income, which is immaterial for the consolidated financial statements.

Accounting standards applied for the first time in the current fiscal year

As of January 1, 2018, IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" as well as the associated subsequent changes to other standards were applied for the first time. The effects of each first-time application is presented in the following.

IFRS 15 "Revenue from Contracts with Customers" provides a comprehensive framework for determining whether, in what amount and when revenue is recognized. It replaces existing guidelines on recognizing revenue, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programmes". A review of the main contracts revealed that the requirements to recognize revenue over a period of time in accordance with IFRS 15.35c have been met. Therefore, the application of IFRS 15 does not result in a change to the timing of revenue recognition, which had previously been in accordance with the percentage-of-completion method pursuant to IAS 18.20.

The first-time application of IFRS 15 was performed retrospectively and only resulted in a change in disclosure in TÜV SÜD's statement of financial position. IFRS 15 contains regulations on the presentation of contract assets and contract liabilities. Application of these regulations meant that project-related advance payments of € 10.2 million and other advance payments received of € 52.3 million were reclassified from the "Other current liabilities" item in the statement of financial position to "Trade receivables" and "Trade payables", respectively. This caused a reduction in total assets by € 10.2 million as of December 31, 2017. As of January 1, 2017, there were other advance payments received of € 38.4 million, which had to be reclassified from the "Other current liabilities" item in the statement of financial position to "Trade payables". As this did not cause a reduction of total assets, the option not to present the statement of financial position as of January 1, 2017 was exercised.

IFRS 9 "Financial Instruments" replaces the existing guidelines of IAS 39 "Financial Instruments: Recognition and Measurement". The new regulations particularly relate to the classification and measurement of financial instruments, the calculation and recognition of impairment losses and hedge accounting.

TÜV SÜD applies the provisions of IFRS 9 using the modified retrospective approach. This means that all transitional effects as of January 1, 2018 will be shown in the revenue reserves while the comparative information is presented in accordance with the previous regulations. There were no measurement differences resulting from the changed guidelines on the classification and measurement of financial assets and liabilities. The application of the new impairment requirements under IFRS 9 lowered the risk provision for debt instruments measured at amortized cost and debt instruments measured at fair value through other comprehensive income. This meant that revenue reserves increased by € 0.2 million as of January 1, 2018.

New accounting standards that are not yet mandatory
The following amendments of standards generally relevant for TÜV SÜD were issued by the IASB and adopted by the EU prior to the preparation of TÜV SÜD's consolidated financial statements, but have not yet been applied in the consolidated financial statements as of December 31, 2018. The amendments are mandatory for the first time for fiscal years beginning on or after their respective effective dates. TÜV SÜD decided not to early adopt such standards on a voluntary basis.

New accounting standards and interpretations endorsed by the EU that are not yet mandatory ≡ 19

STANDARD / INTERPRETATION	Effective date pursuant to EU endorsement	Anticipated impact on TÜV SÜD AG's consolidated financial statements
IFRS 16 "Leases"	January 1, 2019	Higher total assets, a lower equity ratio and improved EBIT are expected.
Amendments to IAS 19" Plan Amendment, Curtailment or Settlement"	January 1, 2019	No significant consequences are expected for the consolidated financial statements.
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019	No significant consequences are expected for the consolidated financial statements.
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019	No significant consequences are expected for the consolidated financial statements.
"Improvements to IFRSs" issued as a result of the annual improvements project 2015 – 2017	January 1, 2019	No significant consequences are expected for the consolidated financial statements.
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019	No significant consequences are expected for the consolidated financial statements.

IFRS 16 "Leases" replaces the current guidelines on leases, including IAS 17 "Leases" and IFRIC 4 "Determining whether an Arrangement Contains a Lease". The main changes as a result of IFRS 16 relate to the accounting treatment at the lessee. In the future, the lessee must recognize right-of-use assets for the obtained rights to use an asset and liabilities for the payment obligations entered into for all leases. Exemptions are granted for leases of low-value assets and short-term leases.

TÜV SÜD will apply the modified retrospective method upon transition to IFRS 16. The cumulative effect from the first-time application of IFRS 16 will be recognized without effect on income in revenue reserves as of January 1, 2019; the comparative information will not be adjusted. The Group intends to make use of the practical expedient and maintain the definition of a lease upon transition.

When implementing IFRS 16, TÜV SÜD will exercise the options available for short-term leases and leases of low-value assets. The new regulations will not be applied to intangible assets. Intragroup leases will in the future also be presented as operating leases as defined by IAS 17.

The Group expects the first-time application of IFRS 16 to have a considerable impact on the net assets, financial position and results of operations. The group-wide measurement of all external leases performed as part of the implementation project is not yet complete, meaning that only an estimation of the effects is possible. TÜV SÜD expects lease liabilities and fixed assets to increase significantly as of January 1, 2019. This increase will probably range between € 250 million and € 270 million. This increase in total assets will cause the equity ratio to decrease. In the income statement, the previous item lease expenses will be replaced by depreciation expenses on right-of-use assets and interest expenses on lease liabilities, which will prompt a moderate improvement in EBIT. In the statement of cash flows, cash repayments of lease liabilities will in the future be presented under the cash flow from financing activities. The cash flow from operating activities is expected to see an increase in the mid-two-digit-million range as a result.

The table below shows those standards and amendments to existing standards issued by the IASB which could be relevant for TÜV SÜD, but which have not yet been adopted by the EU and which are therefore not yet applicable for IFRS financial statements prepared pursuant to Section 315e HGB.

New accounting standards not yet endorsed by the EU that are not yet mandatory ≡ 20

STANDARD	Effective date	Anticipated impact on TÜV SÜD AG's consolidated financial statements
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020	No significant consequences are expected for the consolidated financial statements.
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020	No significant consequences are expected for the consolidated financial statements.
Amendments to IFRS 10 and IAS 28 "Disposal or Contribution of Assets in Associates or Joint Ventures"	Pending	These amendments are currently not relevant for TÜV SÜD.
Framework: "Amendments to References to the Conceptual Framework in IFRS Standards"	January 1, 2020	No consequences are expected for the consolidated financial statements.

Notes to the consolidated income statement

6 / PERSONNEL EXPENSES

Personnel expenses ≡ 21

IN € MILLION	2018	2017
Wages and salaries	1,214.2	1,178.8
Social security contributions and other benefit costs	165.1	158.8
Retirement benefit costs	102.8	101.8
Incidental personnel costs	27.9	24.7
	1,510.0	**1,464.1**

The rise in wages and salaries as well as in social security contributions and other benefit costs is a result of the expansion of the workforce in Germany and other countries and also of collective wage increases in Germany which became effective in the reporting period.

Retirement benefit costs also include employer contributions to state pensions. The current service cost decreased by € 3.4 million in fiscal year 2018. The reason for this is the decrease in the number of active employees and the deconsolidation of a Korean subsidiary. This development is more than compensated for by the increase in expenses for defined contribution pension funds and in employer contributions to state pensions in Germany.

The TÜV SÜD Group had an average headcount (full-time equivalents) of 22,424 employees in the reporting year (prior year: 22,117 employees). The majority of employees are salaried employees.

7 / AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES

Amortization, depreciation and impairment losses ≡ 22

IN € MILLION	2018	2017
Amortization and depreciation		
of intangible assets	20.0	19.1
of property, plant and equipment	55.5	55.1
of investment property	0.2	0.1
Impairment losses	5.9	1.9
	81.6	**76.2**

8 / OTHER EXPENSES

Other expenses

≡ 23

IN € MILLION	2018	2017
Rental and maintenance expenses	104.6	104.9
Travel expenses	93.8	93.1
Fees, contributions, consulting and audit costs	60.9	25.2
IT costs	45.5	38.9
Cost of purchased administrative services	44.8	43.2
Telecommunication costs	19.5	20.7
Marketing costs	17.3	17.6
Currency translation losses	10.4	11.1
Impairment losses on trade receivables (including amounts derecognized)	6.5	8.2
Other taxes	4.6	4.5
Miscellaneous other expenses	150.4	91.1
	558.3	**458.5**

9 / OTHER INCOME

Other income

≡ 24

IN € MILLION	2018	2017
Income from the disposal of non-current assets	24.8	1.7
Income from other transactions not typical for the company	8.8	9.1
Currency translation gains	8.7	8.4
Income from the reversal of provisions	6.8	8.8
Income from the reversal of impairment losses on trade receivables	1.1	2.0
Income from the reversal of impairment losses on fixed assets	0.1	0.1
Miscellaneous other income	30.5	31.8
	80.8	**61.9**

The income from the disposal of non-current assets includes a gain of € 1.9 million from transferring land in Darmstadt to TÜV Hessen Trust e. V. Following its contribution, the land constitutes plan assets as defined by IAS 19.

10 / FINANCIAL RESULT

Financial result

≡ 25

IN € MILLION	2018		2017	
Income from investments accounted for using the equity method		**8.5**		**10.1**
Income/loss from participations				
Financial income from participations	5.1		1.6	
Finance costs from participations	–5.7	–0.6	–0.1	1.5
Other income/loss from participations		**–0.6**		**1.5**
Interest income from securities		0.1		0.0
Interest income from loans		0.5		0.3
Other interest and similar income		1.9		1.8
Interest income		**2.5**		**2.1**
Net finance costs for pension provisions		–9.9		–12.3
Interest expenses on finance leases		–0.1		–0.1
Other interest and similar expenses		–2.8		–3.1
Interest expenses		**–12.8**		**–15.5**
Currency gains/losses from financing measures				
Currency translation gains	13.0		20.0	
Currency translation losses	–12.9	0.1	–18.7	1.3
Sundry financial result				
Sundry financial income	1.7		2.3	
Sundry finance costs	–2.4	–0.7	–1.3	1.0
Other financial result		**–0.6**		**2.3**
		–3.0		**0.5**

The income from investments accounted for using the equity method of € 8.5 million (prior year: € 10.1 million) contains a figure of € 8.3 million (prior year: € 8.6 million) from the proportionate net income generated by the Turkish joint venture companies.

The total interest income from assets not measured at fair value through profit or loss amounts to € 2.5 million in the fiscal year 2018 (prior year: € 2.1 million). The total interest expense (without net finance costs for pension provisions) amounts to € 2.9 million (prior year: € 3.2 million).

11 / INCOME TAXES

Income taxes ≡ 26

IN € MILLION	2018	2018	2017	2017
Current taxes		52.3		49.3
Deferred taxes				
on temporary differences	–6.1		–2.9	
on tax loss carryforwards	0.2	–5.9	5.0	2.1
		46.4		**51.4**

Current taxes for the fiscal year 2018 include income of € 1.1 million (prior year: expenses of € 5.7 million) for current taxes from prior periods.

The following reconciliation for the TÜV SÜD Group presents a summary of the individual entity-specific reconciliations prepared using the respective local tax rates taking consolidation entries into account. The expected income tax expenses are based on the nominal tax rate of the tax group of TÜV SÜD AG:

Tax reconciliation ≡ 27

IN € MILLION	2018	2017
Income before taxes	94.6	190.2
Expected tax rate	30.6%	30.6%
Expected income tax expense	**28.9**	**58.2**
Tax rate differences	–3.0	–3.1
Tax reductions due to tax-free income	–10.3	–3.5
Tax increases due to non-deductible expenses	24.1	6.0
Tax increases due to non-deductible income taxes and withholding taxes	4.1	4.5
Tax effect on accounting for associated companies and joint ventures using the equity method	–2.5	–3.1
Tax increases on account of non-deductible impairment of goodwill	8.3	0.8
Current and deferred taxes for prior years	–3.1	5.1
Valuation allowances and adjustments to carrying amounts of deferred taxes	0.8	1.5
Effect of changes in tax rates and tax status	–0.8	–16.0
Other differences	–0.1	1.0
Reported income tax expense	**46.4**	**51.4**
Effective tax rate	**49.0%**	**27.0%**

Valuation allowances and adjustments to carrying amounts of deferred taxes contain deferred tax income of € 1.8 million (prior year: € 1.4 million) from the decrease in the deferred tax expense caused by previously unrecognized tax loss carryforwards. This was counterbalanced by deferred tax expenses of € 4.1 million (prior year: € 2.8 million) from the change in valuation allowances recognized on deferred taxes on tax loss carryforwards and temporary differences. The current tax expense was reduced by € 1.5 million (prior year: € 0.4 million) on account of previously unrecognized tax loss carryforwards.

Deferred tax assets and liabilities result from the following items of the statement of financial position and tax loss carryforwards:

Deferred taxes by item of the statement of financial position

≡ 28

	Deferred tax assets		Deferred tax liabilities	
IN € MILLION	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Non-current assets	5.5	9.2	66.9	68.8
Current assets	2.8	2.4	15.9	13.0
Non-current liabilities				
Provisions for pensions and similar obligations	262.2	261.1	0.9	0.6
Other non-current liabilities	9.6	6.0	1.5	0.7
Current liabilities	25.7	18.5	5.5	6.1
	305.8	**297.2**	**90.7**	**89.2**
Offsetting	–65.0	–60.2	–65.0	–60.2
Deferred taxes on temporary differences	**240.8**	**237.0**	**25.7**	**29.0**
Deferred taxes on tax loss carryforwards	**4.9**	**5.1**		
	245.7	**242.1**	**25.7**	**29.0**

In Germany, no deferred taxes were recognized on corporate income tax loss carryforwards of € 12.2 million (prior year: € 9.4 million) and trade tax loss carryforwards of € 12.5 million (prior year: € 9.4 million), because it is not likely at present that the tax benefits will be realized. These tax loss carryforwards can be carried forward for an indefinite period. Outside of Germany, no deferred taxes were recognized on tax loss carryforwards of € 33.4 million (prior year: € 32.8 million). Of these tax loss carryforwards, € 30.2 million (prior year: € 28.7 million) can be used indefinitely and € 2.7 million (prior year: € 3.1 million) will expire within the next five years. Furthermore, no deferred tax assets were recognized for deductible temporary differences of € 9.2 million (prior year: € 6.6 million).

Differences on investments in subsidiaries totaling € 14.2 million (prior year: € 14.8 million) did not give rise to deferred tax liabilities because the differences are not expected to reverse in the foreseeable future by way of realization (distribution or sale of the entity).

The net balance of deferred tax assets and deferred tax liabilities changed as follows in the reporting year:

Development of the net balance of deferred tax assets and deferred tax liabilities

≡ 29

IN € MILLION	2018	2017
As of January 1	**213.1**	**221.9**
Currency translation differences	–0.1	0.8
Change in scope of consolidation	1.7	0.0
Income (+)/expense (–) in the income statement	5.9	–2.1
Deferred taxes recognized in other comprehensive income	1.3	–7.5
Reclassification to "held for sale"	–1.9	0.0
As of December 31	**220.0**	**213.1**

The deferred taxes recognized in other comprehensive income stem from the following:

Income taxes recognized directly in other comprehensive income ≡ 30

	2018			2017		
IN € MILLION	Before tax	Deferred tax expense / income	After tax	Before tax	Deferred tax expense / income	After tax
Remeasurements of defined benefit pension plans	–21.1	1.2	–19.9	62.5	–7.4	55.1
Available-for-sale financial assets	–	–	–	0.3	–0.1	0.2
Debt instruments at fair value	–0.2	0.1	–0.1	–	–	–
Currency translation of foreign subsidiaries	–5.0	0.0	–5.0	–31.4	0.0	–31.4
Investments accounted for using the equity method	–3.8	0.0	–3.8	–2.9	0.0	–2.9
Other comprehensive income	**–30.1**	**1.3**	**–28.8**	**28.5**	**–7.5**	**21.0**

12 / NON-CONTROLLING INTERESTS

Companies with significant non-controlling interests ≡ 31

	TÜV Technische Überwachung Hessen GmbH, Germany		TUV SUD Certification and Testing (China) Co., Ltd., China	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Non-controlling interest	**45.0%**	**45.0%**	**49.0%**	**49.0%**
IN € MILLION				
Non-current assets	83.1	82.0	22.5	22.1
Current assets	44.9	36.6	89.7	80.5
Non-current liabilities	53.8	53.1	0.0	0.0
Current liabilities	18.7	17.6	60.6	53.6
Net assets	**55.5**	**47.9**	**51.6**	**49.0**
Carrying amount of non-controlling interests	25.1	21.6	25.3	24.0
	2018	2017	2018	2017
Revenue	145.8	132.9	178.7	166.7
Net income for the year	11.5	9.7	15.8	13.0
Other comprehensive income	–0.9	1.8	–0.5	–3.1
Total comprehensive income	**10.6**	**11.5**	**15.3**	**9.9**
Net income attributable to non-controlling interests	5.1	4.3	7.7	6.3
Other comprehensive income attributable to non-controlling interests	–0.4	0.8	–0.2	–1.5
Dividends paid to non-controlling interests	1.3	1.3	6.2	4.5
Cash flow from operating activities	19.0	16.3	21.7	23.5
Cash flow from investing activities	–9.4	–5.3	–37.1	–3.6
Cash flow from financing activities	–3.0	–3.0	–12.8	–9.2
Net change in cash and cash equivalents	**6.6**	**8.0**	**–28.2**	**10.7**

Notes to the consolidated statement of financial position

13 / INTANGIBLE ASSETS

Development of intangible assets

≡ 32

IN € MILLION	Goodwill	Licenses and similar rights and customer relationships	Internally generated intangible assets	Other intangible assets	Intangible assets under development	Total
Gross carrying amount as of January 1, 2018	**245.4**	**166.6**	**33.5**	**87.3**	**15.3**	**548.1**
Currency translation differences	2.3	–3.0	0.2	0.1	0.0	**–0.4**
Change in scope of consolidation	–9.9	–8.5	0.0	–0.4	0.0	**–18.8**
Acquisitions of subsidiaries	17.1	0.0	0.0	0.0	0.0	**17.1**
Additions	0.0	0.0	1.5	2.6	7.2	**11.3**
Disposals	0.0	0.0	0.0	–1.2	–0.2	**–1.4**
Reclassifications to and reversals of reclassifications from “held for sale”	–1.4	–1.4	0.0	–1.3	0.0	**–4.1**
Reclassifications	0.0	0.0	8.8	2.2	–10.7	**0.3**
Gross carrying amount as of December 31, 2018	**253.5**	**153.7**	**44.0**	**89.3**	**11.6**	**552.1**
Accumulated amortization and impairment losses	–52.3	–82.3	–17.7	–74.2	0.0	**–226.5**
Carrying amount as of December 31, 2018	**201.2**	**71.4**	**26.3**	**15.1**	**11.6**	**325.6**
Amortization and impairment losses in the fiscal year 2018	**–13.9**	**–10.1**	**–4.2**	**–8.6**	**0.0**	**–36.8**
Gross carrying amount as of January 1, 2017	**284.9**	**187.0**	**28.4**	**79.9**	**8.7**	**588.9**
Currency translation differences	–17.0	–10.8	–0.1	–0.6	–0.1	**–28.6**
Change in scope of consolidation	–1.4	0.0	0.0	0.0	0.0	**–1.4**
Acquisitions of subsidiaries	3.1	0.2	0.0	0.0	0.0	**3.3**
Additions	0.0	0.0	3.6	9.6	10.5	**23.7**
Disposals	–0.4	0.0	0.0	–4.7	–0.2	**–5.3**
Reclassifications to “held for sale”	–23.8	–8.8	0.0	–0.3	0.0	**–32.9**
Reclassifications	0.0	–1.0	1.6	3.4	–3.6	**0.4**
Gross carrying amount as of December 31, 2017	**245.4**	**166.6**	**33.5**	**87.3**	**15.3**	**548.1**
Accumulated amortization and impairment losses	–17.8	–80.3	–13.4	–68.2	0.0	**–179.7**
Carrying amount as of December 31, 2017	**227.6**	**86.3**	**20.1**	**19.1**	**15.3**	**368.4**
Amortization and impairment losses in the fiscal year 2017	**–2.8**	**–9.8**	**–3.3**	**–7.9**	**0.0**	**–23.8**

The carrying amounts of goodwill are principally allocated to the following groups of cash generating units (CGUs):

Goodwill ≡33

IN € MILLION	Dec. 31, 2018	Dec. 31, 2017
Industry Service	86.8	89.4
Real Estate & Infrastructure	41.0	49.5
Auto Service	34.9	44.8
Product Service	33.8	38.8
Other	4.7	5.1
	201.2	**227.6**

Intangible assets acquired for a consideration primarily contain software and accreditations as well as values identified in the course of purchase price allocations, such as customer relationships, trademark rights, software and concessions.

Internally generated intangible assets essentially comprise software and development costs.

Intangible assets with finite useful lives are amortized using the straight-line method over a period of two to 20 years.

The item "licenses and similar rights and customer relationships" includes expenses for the license for regular vehicle inspections by TÜV SÜD Bursa, Kestel-Bursa, Turkey, of € 3.9 million (prior year: € 5.8 million). The operator's license is amortized over its term until August 2027 using the straight-line method.

As of the reporting date, the carrying amount of concessions, accreditations and trademark rights with indefinite useful lives comes to € 29.8 million (prior year: € 29.5 million), of which € 20.3 million (prior year: € 20.3 million) relates to the Auto Service CGU and € 9.5 million (prior year: € 9.2 million) to the Industry Service CGU.

Impairment losses of € 2.9 million were recognized on customer relationships and order backlog (prior year: € 1.2 million on customer relationships and order backlog, € 0.2 million on software and € 0.5 million on licenses and accreditations) as part of the annual impairment test of intangible assets. Of these amounts, € 1.9 million (prior year: € 0.3 million) is attributable to the INDUSTRY Segment, € 0.0 million (prior year: € 0.4 million) to the MOBILITY Segment and € 1.0 million (prior year: € 1.2 million) to the CERTIFICATION Segment.

An impairment loss of € 13.9 million (prior year: € 2.8 million) was recognized on goodwill, of which € 6.9 million is attributable to the INDUSTRY Segment, € 5.0 million to the CERTIFICATION Segment and € 2.0 million to the MOBILITY Segment. The impairment losses largely relate to the entities in Brazil and stem from the dam collapse and the resulting legal risks. The goodwill and other non-current assets of both of the Brazilian entities were written off in full.

The calculation of fair value less costs to sell per CGU was based on a discount rate of between 6.8% and 7.5% taking income taxes into account (prior year: between 6.9% and 7.8%). As in the prior year, the sustainable growth rate remained unchanged at 1.0% for all CGUs. The calculation of the fair values for the CGUs falls under level 3 of the fair value hierarchy.

Research and development expenses totaling € 19.9 million were recognized in the income statement in the reporting year (prior year: € 17.1 million).

14 / PROPERTY, PLANT AND EQUIPMENT

Development of property, plant and equipment

≡ 34

IN € MILLION	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures	Assets under construction	Total
Gross carrying amount as of January 1, 2018	**505.8**	**202.3**	**280.8**	**21.9**	**1,010.8**
Currency translation differences	0.8	1.8	0.2	0.1	**2.9**
Change in scope of consolidation	–1.4	–0.2	–2.3	0.0	**–3.9**
Additions	8.6	15.0	35.5	30.3	**89.4**
Disposals	–2.0	–3.2	–9.8	–0.2	**–15.2**
Reclassifications to and reversals of reclassifications from “held for sale”	0.4	10.4	0.2	0.5	**11.5**
Reclassifications	7.4	16.5	5.3	–29.9	**–0.7**
Gross carrying amount as of December 31, 2018	**519.6**	**242.6**	**309.9**	**22.7**	**1,094.8**
Accumulated depreciation and impairment losses	–243.9	–154.0	–208.2	–0.7	**–606.8**
Carrying amount as of December 31, 2018	**275.7**	**88.6**	**101.7**	**22.0**	**488.0**
Depreciation and impairment losses in the fiscal year 2018	**–13.9**	**–15.1**	**–27.9**	**0.0**	**–56.9**
Gross carrying amount as of January 1, 2017	**520.2**	**217.7**	**267.6**	**17.8**	**1,023.3**
Currency translation differences	–4.4	–11.0	–3.3	–0.6	**–19.3**
Acquisitions of subsidiaries	0.0	0.5	0.0	0.0	**0.5**
Additions	6.5	11.9	29.6	15.3	**63.3**
Disposals	–5.7	–11.5	–14.9	0.0	**–32.1**
Reclassifications to “held for sale”	–4.1	–10.9	–1.4	–0.6	**–17.0**
Reclassifications	–6.7	5.6	3.2	–10.0	**–7.9**
Gross carrying amount as of December 31, 2017	**505.8**	**202.3**	**280.8**	**21.9**	**1,010.8**
Accumulated depreciation and impairment losses	–231.2	–129.6	–190.3	–0.5	**–551.6**
Carrying amount as of December 31, 2017	**274.6**	**72.7**	**90.5**	**21.4**	**459.2**
Depreciation and impairment losses in the fiscal year 2017	**–14.2**	**–14.1**	**–26.8**	**0.0**	**–55.1**

Depreciation of property, plant and equipment is generally charged using the straight-line method. Buildings and parts of buildings are depreciated over a maximum period of 40 years, technical equipment over a period of five to 15 years, and furniture and fixtures over a period of three to 23 years.

Impairment losses to the lower fair value of € 1.4 million were recognized. Of these, an amount of € 0.9 million relates to technical equipment and machinery and € 0.5 million to other equipment, furniture and fixtures.

15 / INVESTMENT PROPERTY

≡ 35

Development of investment property

IN € MILLION	2018	2017
Gross carrying amount as of January 1	**12.8**	**5.3**
Change in scope of consolidation	–0.3	0.0
Disposals	–7.7	0.0
Reclassifications	0.4	7.5
Gross carrying amount as of December 31	**5.2**	**12.8**
Accumulated depreciation	–1.9	–6.0
Carrying amount as of December 31	**3.3**	**6.8**
Depreciation and impairment losses in the fiscal year	–0.2	–0.1

Investment properties are measured at amortized cost. As of December 31, 2018, they had a fair value of € 6.8 million (prior year: € 11.0 million).

Measurement at fair value of the investment property is classified as level 3 in the fair value hierarchy. If current market data is not available, the fair value is calculated on the basis of a capitalized earnings method pursuant to the ImmoWertV ["Immobilienwertermittlungsverordnung": German Ordinance on the Valuation of Property] and derived from the standard land values as well as the expected rental income. Essential input factors in the valuation that are not directly observable on the market include property yield, which is significantly influenced by property location and type. The property yield used in the valuation was unchanged on the prior year at 4.5%.

16 / INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method

≡ 36

IN € MILLION	Dec. 31, 2018	Dec. 31, 2017
Investments in joint ventures	36.4	39.4
Investment in an associated company	3.1	3.5
	39.5	**42.9**

Joint ventures

TÜV SÜD holds 33.3% of the shares in each of the two Turkish companies TÜVTURK Güney Tasit Muayene Istasyonlari Yapim ve Isletim A.S. (TÜVTURK Güney), Istanbul, and TÜVTURK Kuzey Tasit Muayene Istasyonlari Yapim ve Isletim A.S. (TÜVTURK Kuzey), Istanbul. The other venturers of the companies are the Dogus Group, Istanbul, Turkey, and Test A.S., Istanbul, Turkey, a company from the Bridgepoint Group, London, UK, which each also hold one third of the shares. The joint arrangements are structured as separate vehicles. TÜV SÜD has a right to the net assets of the companies. As a result, the joint arrangements are classified as joint ventures and accounted for using the equity method. There are no quoted prices for these companies.

In 2007, the TÜVTURK companies concluded a concession agreement with the Turkish government, governing the implementation of regular vehicle inspections throughout Turkey. Using different contractual partners, the joint venture is the exclusive provider of vehicle inspections in Turkey for the 20-year term of the contract. In 2018, 9.5 million (prior year: 8.9 million) vehicle inspections were performed, generating revenue of TRY 1,994.0 million or € 349.8 million (prior year: TRY 1,633.9 million or € 396.4 million).

Other joint ventures are ITV de Levante, S.A. (ITV Levante), Valencia, Spain, Uniscon universal identity control GmbH (Uniscon), Munich, and TÜV SÜD DOGUS Ekspertiz ve Danismanlik Hizmetleri Ltd. Sti. (TÜV SÜD DOGUS), Istanbul, Turkey, which are all consolidated in accordance with the equity method. None of these companies has a quoted market price.

TÜV SÜD has held 50.0% of the shares in ITV Levante since 2016. The company was founded in 1998 and owns the concessions for three vehicle service stations in the Valencia region, which expire in 2022.

TÜV SÜD acquired 52.0% of the shares in Uniscon in July 2017. The company was founded in 2009 and is a provider of high-security cloud solutions for storing and processing data.

TÜV SÜD DOGUS was founded in 2012 and included in the consolidated financial statements for the first time in fiscal year 2018. The company offers certification services for second-hand vehicles and other vehicle-related tests as well as consulting and training services in Turkey.

The following table summarizes the financial information for the joint ventures. The information presented for TÜVTURK's reporting year corresponds to the amounts in the preliminary consolidated financial statements, which were prepared in accordance with IFRSs. For the other joint ventures (ITV Levante, Uniscon and TÜV SÜD DOGUS), the amounts in the companies' separate financial statements have been raised to the respective fair value. ≡37

Financial data of the joint ventures (100%) ≡37

	Consolidated financial statements TÜVTURK, Turkey		Other joint ventures	
IN € MILLION	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Non-current assets	136.2	185.7	31.9	31.4
Current assets	40.1	38.5	3.6	2.0
thereof cash and cash equivalents	21.2	11.6	1.8	1.4
Non-current liabilities	78.1	118.6	7.4	5.5
thereof financial liabilities	0.4	9.9	3.0	1.0
Current liabilities	52.3	60.2	3.0	2.5
thereof financial liabilities	41.3	46.1	0.2	0.1
Net assets	**45.9**	**45.4**	**25.1**	**25.4**
	2018	2017	2018	2017
Revenue	349.8	396.4	14.1	10.8
Amortization and depreciation	−3.4	−3.5	−2.4	−1.3
Interest income	4.6	3.3	0.1	0.0
Interest expenses	−3.6	−3.7	0.0	0.0
Income taxes	−8.7	−6.4	−0.3	−0.5
Net income for the year	**28.9**	**25.7**	**−1.1**	**0.9**
Other comprehensive income	−4.2	0.0	0.0	0.0
Total comprehensive income	**24.7**	**25.7**	**−1.1**	**0.9**
Dividends received	4.5	5.7	1.0	1.4

In the following table, the financial information is reconciled to the carrying amount of the interest in the joint ventures:

Reconciliation to the carrying amount of TÜV SÜD's interest in the joint ventures

≡ 38

	Consolidated financial statements TÜVTURK, Turkey		Other joint ventures	
IN € MILLION	2018	2017	2018	2017
Net assets (100%) as of January 1	**45.4**	**45.7**	**25.4**	**7.2**
Net assets of Uniscon as of August 1, 2017	0.0	0.0	0.0	19.4
Net assets of TÜV SÜD DOGUS as of January 1, 2018 and capital increase in 2018	0.0	0.0	2.5	0.0
Total comprehensive income	24.7	25.7	–1.1	0.9
Dividends paid	–13.5	–17.1	–1.4	–2.1
Currency translation differences	–10.7	–8.9	–0.3	0.0
Net assets (100%) as of December 31	**45.9**	**45.4**	**25.1**	**25.4**
Attributable to TÜV SÜD Group	15.3	15.1	19.7	19.4
Capital gain on disposal of TÜVTURK Istanbul	–8.7	–8.7	0.0	0.0
Dilution of shares due to acquisition of shares in TÜVTURK Istanbul in 2010 and 2011	–6.4	–6.4	0.0	0.0
Consolidation effect on acquisition of TÜVTURK Istanbul at TÜV SÜD	20.0	20.0	0.0	0.0
Group adjustments and impairment losses	0.0	0.0	–3.5	0.0
Carrying amount as of December 31	**20.2**	**20.0**	**16.2**	**19.4**

17 / OTHER FINANCIAL ASSETS

Other financial assets

≡ 39

IN € MILLION	Dec. 31, 2018	Dec. 31, 2017
Investments in affiliated companies	10.4	13.1
Loans to affiliated companies	0.2	0.0
Loans to joint ventures	3.0	1.0
Other participations	4.5	3.3
Non-current securities	69.7	44.8
Share of policy reserve from employer's pension liability insurance	0.2	0.2
Other loans	5.3	5.9
	93.3	**68.3**

An amount of € 1.2 million (prior year: € 1.2 million) of the non-current securities is pledged under a trust agreement concluded to secure the value of the settlement claims for employees in the block model of the phased retirement scheme (Altersteilzeit).

18 / TRADE RECEIVABLES

Trade receivables

≡ 40

IN € MILLION	Dec. 31, 2018	Dec. 31, 2017 [1]
Contract assets	118.6	119.1
Other trade receivables	368.6	350.6
	487.2	**469.7**

1 _ Adjusted prior-year figures, see note 5.

Contract assets

≡ 41

IN € MILLION	Dec. 31, 2018	Dec. 31, 2017 [1]
Contract assets (gross)	150.2	133.8
Project-related advance payments	–27.1	–10.2
Loss allowances on contract assets	–4.5	–4.5
	118.6	**119.1**

1 _ Adjusted prior-year figures, see note 5.

€ 120.6 million (prior year: € 93.5 million) of the contract assets will be realized within one year. Of the contract assets with a term of longer than one year, € 1.4 million (prior year: € 0.5 million) is impaired and € 5.7 million (prior year: € 0.5 million) is secured by advance payments received.

Revenue expected in the future from contract assets ≡ 42

IN € MILLION	2019	2020	2021
Range of revenue expected	98.1 to 136.6	43.4 to 50.9	up to 11.4

TÜV SÜD makes use of the practical expedient offered by IFRS 15 C5 (d) and opts not to allocate expected revenue to performance obligations to be rendered and also not to disclose when these amounts will be realized in the future as of December 31, 2017.

Loss allowances on trade receivables amount to € 19.7 million (prior year: € 22.0 million) as of the reporting date. The maturity profile of other trade receivables is as follows: ≡ 43

Maturity profile, expected loss rate and loss allowances on trade receivables as of December 31, 2018 (IFRS 9) ≡ 43

IN € MILLION	Expected loss rate	Gross carrying amount	Loss allowance	Credit impaired
Not due	0.4%	213.9	0.8	No
Past due by up to 30 days	0.8%	87.2	0.7	No
Past due by 31 to 60 days	1.8%	27.1	0.5	No
Past due by 61 to 90 days	2.7%	14.9	0.4	No
Past due by 91 to 180 days	5.6%	16.1	0.9	No
Past due by 181 to 360 days	21.4%	11.7	2.5	No
Past due by more than 360 days	79.9%	17.4	13.9	No
		388.3	**19.7**	

Maturity profile of trade receivables as of December 31, 2017 (IAS 39) ≡ 44

IN € MILLION	
Other trade receivables	**350.6**
thereof neither impaired nor past due	205.5
thereof not impaired, but past due by:	
up to 30 days	85.8
31 to 60 days	23.2
61 to 90 days	14.8
91 to 180 days	11.0
181 to 360 days	3.4
more than 360 days	2.7
thereof impaired as of the reporting date	4.2

There is no indication that customers might not be able to settle their obligations regarding receivables that are neither impaired nor past due.

19 / OTHER RECEIVABLES AND OTHER CURRENT ASSETS

Other receivables and other current assets ≡ 45

IN € MILLION	Dec. 31, 2018	Dec. 31, 2017
Receivables from affiliated companies	1.9	1.8
Receivables from other participations	1.7	1.1
Fair values of derivative financial instruments	4.1	2.3
Miscellaneous financial assets	69.2	33.9
Other receivables and other current financial assets	**76.9**	**39.1**
Refund claims against insurance companies	5.0	8.1
Miscellaneous non-financial assets	22.8	16.3
Other current non-financial assets	**27.8**	**24.4**
	104.7	**63.5**

20 / NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

As part of its portfolio optimization measures, TÜV SÜD initiated the sale of five subsidiaries in the fiscal year 2018, and entered into negotiations with potential buyers.

The measurement to fair value less costs to sell resulted in an impairment of intangible assets (€ 0.3 million) and goodwill (€ 9.0 million) totaling € 9.3 million, which is reported in the income statement under amortization, depreciation and impairment losses and impairment of goodwill respectively and is attributable to the MOBILITY Segment.

Assets and liabilities allocated to the disposal groups break down as follows:

Disposal groups held for sale as well as associated liabilities ≡ 46

IN € MILLION	Dec. 31, 2018	Dec. 31, 2017
Intangible assets	11.9	6.5
Property, plant and equipment	0.4	1.5
Other non-current assets	0.0	0.1
Deferred tax assets	2.3	0.0
Trade receivables	7.4	8.8
Other receivables and other current assets	18.4	0.8
Cash and cash equivalents	2.0	0.0
Disposal groups held for sale	**42.4**	**17.7**
Non-current liabilities	0.3	0.1
Deferred tax liabilities	0.4	0.0
Trade payables	1.1	0.4
Other current liabilities	27.0	1.9
Liabilities directly associated with disposal groups held for sale	**28.8**	**2.4**

Land and buildings of € 2.0 million (prior year: € 2.0 million) that are highly likely to be sold in their present condition within twelve months of reclassification are also reported under non-current assets and disposal groups held for sale.

On January 12, 2018, RCI Consultants, Inc., Houston, USA, was sold from the disposal groups disclosed in the prior year. Contrary to the original intention, the sales process for the other subsidiary was not completed. As there is currently no longer any intention to sell this subsidiary, it was reclassified out of the disposal group. This reversal of the reclassification resulted in a total impairment loss of € 5.5 million (on property, plant and equipment of € 1.3 million and on goodwill of € 4.2 million).

In the prior year, impairment losses of € 1.0 million were recorded on goodwill resulting from the measurement of a subsidiary as a disposal group held for sale.

21 / EQUITY

The **capital subscribed** of TÜV SÜD AG is divided into 26,000,000 no-par value registered shares with restricted transferability with an imputed value of € 1.00 for each registered share.

The **capital reserve** mainly includes the premium for various capital increases carried out since 1996.

Revenue reserves contain the undistributed profits generated in the fiscal year and in the past by the entities included in the consolidated financial statements. Moreover, the revenue reserves record the offsetting of debit and credit differences resulting from capital consolidation for acquisitions prior to December 31, 2005, and the net amount of the adjustments recognized in other comprehensive income in connection with the first-time application of IFRSs as well as new IFRS standards. Furthermore, remeasurements of defined benefit pension plans recognized in other comprehensive income were allocated directly to revenue reserves, taking into account the related deferred taxes. This reflects the fact that these amounts will not be reclassified to the income statement in future periods.

Other reserves record the differences arising from the currency translation of foreign subsidiaries' separate financial statements, effects from the measurement of financial instruments and the income and expenses recognized arising from investments accounted for using the equity method, in each case without effect on income and less the corresponding deferred taxes.

In addition to ensuring the continued existence of the company as a going concern, TÜV SÜD's capital management aims to achieve an adequate return in excess of the cost of capital in order to increase the value of the company in the long term.

22 / PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions and similar obligations (net liability) ≡ 47

IN € MILLION	Dec. 31, 2018	Dec. 31, 2017
Provisions for pensions in Germany	550.3	599.3
Provisions for pensions in other countries	7.7	14.4
Provisions for similar obligations in other countries	10.3	8.9
	568.3	**622.6**

The Group's post-employment benefits include both defined contribution and defined benefit plans.

Defined contribution plans
In the case of defined contribution plans, the company pays contributions to state or private pension funds on a legal, contractual or voluntary basis. Ongoing premium payments (including contributions to state pension insurance) are stated as pension expenses for the respective year; in the fiscal year 2018, they totaled € 74.1 million (prior year: € 69.9 million). In Germany, all new pension commitments entered into are only defined contribution plans.

Defined benefit plans
Defined benefit plans comprise commitments for retirement, invalidity and surviving dependents' pensions. The Group's obligations vary according to legal, fiscal and economic framework conditions of the country concerned and are usually based on the length of employee service and level of remuneration.

The pension commitments in Germany are integrated schemes similar to those for civil servants, against which the state pension is offset. When the statutory pension rises, this relieves the burden on TÜV SÜD. When pension values fall, however, the obligation of TÜV SÜD increases. These integrated schemes were closed for new hires in 1981 and 1992.

Furthermore, pension obligations were granted temporarily in Germany in accordance with the "dual pension formula". The amount of the pension benefit is based on the qualifying length of service and the pensionable income; different percentage rates are applied to determine the benefit amount depending on whether the income is above or below the income threshold. These defined benefit plans were likewise closed in 1996.

In addition to this, there are defined benefit plans in Germany from company takeovers that are financed via pension funds in accordance with the demand coverage method. Due to the fact that Bayer-Pensionskasse VVaG and Höchster Pensionskasse VVaG were not able to allocate the assets paid in by contributions to specific individuals in the past, the benefit obligations taken over in the form of a defined benefit plan were classified as a multi-employer plan and accounted for as a defined contribution plan pursuant to IAS 19. As the pension funds do not accept any adjustments to the benefits, the claim from the secondary liability allocated to the member employer was reclassified as a separate defined benefit plan. From December 31, 2018 onwards, the plan is accounted for as a defined benefit plan. As it can no longer be assumed that the adjustment of the benefits resulting from these pledges is covered by the pension funds' surplus, the pension provision was increased by the amount of the expected adjustment obligation. This resulted in an actuarial loss from the change in financial assumptions of € 6.1 million.

In Germany, a former employee with company pension claims successfully filed a case against the pension assessment made in January 2016 under the Versorgungsstatut. Based on an expected value model, a provision of € 36.1 million was recognized for the change to the assumption of the anticipated benefit level should the labor court ruling be implemented. The revaluation was recorded as an actuarial loss.

There is a defined benefit pension plan in the UK based, among other things, on salary and on length of service. Eligible employees have to pay additional contributions which are agreed between the plan actuary, the trustee and the TÜV SÜD member employer. This pension plan has been closed for new hires.

In other countries there are defined benefit obligations for annuity and termination benefits, based partly on statutory requirements. The resulting obligations are reported under provisions for similar obligations.

Funding the pension plans
In Germany, new pension commitments are financed as defined contribution plans via the pension funds of Allianz and Alters- und Hinterbliebenen-Unterstützungskasse der Technischen Überwachungs-Vereine e. V.

In order to secure the pension entitlements from the defined benefit plans, there are legally separate funds in Germany and the UK that are structured as contractual trust agreements (CTAs). The transferred funds, which are managed in trust and used only for a specific purpose, are plan assets within the meaning of IAS 19 which are offset against pension obligations.

The German companies' plan assets are primarily managed by TÜV SÜD Pension Trust e. V. and TÜV Hessen Trust e. V. and are irrevocably protected from recourse by the group companies. The plan assets are invested by professional investment managers in accordance with the policy specified by trustees. The objective is for the strategic allocation to be aligned with the pension obligation. This is monitored on a regular basis by performing asset liability management (ALM) studies in consultation with external experts.

As of December 31, 2018, the plan assets comprise shares, fixed-interest securities, real estate, alternative investments, derivatives, cash and cash equivalents and other assets.

TÜV SÜD Pension Trust e. V. is funded such that the pension payments reimbursed by TÜV SÜD Pension Trust e. V. are contributed back into the CTA by the relevant domestic companies and additional funds are made available by the Board of Management of TÜV SÜD AG as part of a new allocation. The actual contribution is determined each year by resolution of the Board of Management.

In the case of domestic group companies that are not part of the contractual trust agreements, the pension obligations are funded from generated cash flows.

To fully fund the obligations, in the UK there is a company-based pension plan according to which the fund assets can only be used to settle the pension obligations. If, calculated in accordance with actuarial principles, there is a deficit in these pension plans, the member employer TÜV SÜD (UK) Ltd., Fareham Hants, UK, and the trustee must agree on a restructuring plan that is renewed every three years and has to be presented to The Pension Regulator (TPR) for approval. To finance the deficit of around GBP 12.9 million determined at the end of 2016, the member employer agreed to make an annual contribution of GBP 2.1 million until the end of 2023 in addition to the regular employer's contribution. In December 2017, obligations and existing plan assets totaling GBP 30.1 million were transferred to an external insurer, which will bear the investment, inflation and mortality risk in return.

Because of the defined benefit plans, the TÜV SÜD Group is subject to duration risks, foreign currency risks, interest and credit spread risks, share price risks, liquidity risks, investment risks for infrastructure projects and property market risks.

In the fiscal year 2019, the Group intends to make a contribution to plan assets of € 78.8 million in order to further reduce the existing deficit (the planned figure for 2018 was € 65.5 million, the end-of-year figure, including one-off additions of € 34.9 million, amounted to € 100.2 million).

The funded status of defined benefit obligations as well as a reconciliation to the amounts recognized in the statement of financial position are shown in the table below:

Funded status of the defined benefit obligation ≡ 48

	Germany		Other countries		Total	
IN € MILLION	2018	2017	2018	2017	2018	2017
Defined benefit obligation	1,955.7	1,939.0	108.7	120.9	2,064.4	2,059.9
Fair value of plan assets	1,405.4	1,339.7	90.7	97.6	1,496.1	1,437.3
Carrying amount as of December 31 (Net defined benefit liability)	**550.3**	**599.3**	**18.0**	**23.3**	**568.3**	**622.6**

The development compared with prior fiscal years is shown below:

Development of funded status

≡ 49

IN € MILLION	2018	2017	2016	2015	2014
Defined benefit obligation	2,064.4	2,059.9	2,089.6	2,026.3	2,021.2
Plan assets	1,496.1	1,437.3	1,340.2	1,253.5	1,123.2
Funded status as of December 31	**568.3**	**622.6**	**749.4**	**772.8**	**898.0**

Change in net defined benefit liability

Development of defined benefit obligation

≡ 50

	2018			2017		
IN € MILLION	Germany	Other countries	Total	Germany	Other countries	Total
Defined benefit obligation as of January 1	**1,939.0**	**120.9**	**2,059.9**	**1,945.0**	**144.6**	**2,089.6**
Service cost	24.3	3.0	27.3	26.0	4.7	30.7
Interest cost	32.3	2.7	35.0	32.5	3.1	35.6
Benefits paid	–73.5	–4.4	–77.9	–71.5	–8.2	–79.7
Contributions by the beneficiaries	0.0	0.5	0.5	0.0	0.6	0.6
Gains (–) and losses (+) from remeasurements						
Actuarial gains and losses from demographic assumptions	25.4	–3.1	22.3	0.0	–3.2	–3.2
Actuarial gains and losses from financial assumptions	42.4	–7.9	34.5	0.0	–6.1	–6.1
Actuarial gains and losses from experience adjustments	–33.6	–0.3	–33.9	7.0	–8.6	–1.6
Past service cost	0.0	–0.6	–0.6	0.0	–0.5	–0.5
Change in scope of consolidation	–0.4	–2.1	–2.5	0.0	0.0	0.0
Currency translation differences and other	–0.2	0.0	–0.2	0.0	–5.5	–5.5
Defined benefit obligation as of December 31	**1,955.7**	**108.7**	**2,064.4**	**1,939.0**	**120.9**	**2,059.9**
thereof unfunded	263.5	8.9	272.4	254.3	7.3	261.6
thereof partially funded	1,692.2	99.8	1,792.0	1,684.7	113.6	1,798.3

Around 56% (prior year: 54%) of the defined benefit obligation is allocable to pensioners, and 44% (prior year: 46%) to active employees and vested beneficiaries. The weighted average duration of the obligations is 14.5 years (prior year: 14.8 years).

Pension payments of € 82.2 million are expected for the fiscal year 2019.

Development of plan assets

≡ 51

	2018			2017		
IN € MILLION	Germany	Other countries	Total	Germany	Other countries	Total
Fair value of plan assets as of January 1	**1,339.7**	**97.6**	**1,437.3**	**1,240.2**	**100.0**	**1,340.2**
Interest income	22.8	2.3	25.1	21.1	2.2	23.3
Gains (+) and losses (–) from remeasurements						
Return on plan assets excluding interest income	8.9	–7.1	1.8	49.5	2.1	51.6
Contributions by the employer	96.4	3.8	100.2	89.7	4.2	93.9
Contributions by the beneficiaries	0.0	0.5	0.5	0.0	0.6	0.6
Benefits paid	–62.3	–3.9	–66.2	–60.8	–7.6	–68.4
Change in scope of consolidation	–0.1	–2.0	–2.1	0.0	0.0	0.0
Currency translation differences and other	0.0	–0.5	–0.5	0.0	–3.9	–3.9
Fair value of plan assets as of December 31	**1,405.4**	**90.7**	**1,496.1**	**1,339.7**	**97.6**	**1,437.3**
Actual return on plan assets	31.7	–4.8	26.9	70.6	4.3	74.9

The net defined benefit liability thus changed as follows:

Development of the net defined benefit liability

≡ 52

	2018			2017		
IN € MILLION	Germany	Other countries	Total	Germany	Other countries	Total
As of January 1	**599.3**	**23.3**	**622.6**	**704.8**	**44.6**	**749.4**
Service cost	24.3	3.0	27.3	26.0	4.7	30.7
Net interest cost	9.5	0.4	9.9	11.4	0.9	12.3
Contributions by the employer	–96.4	–3.8	–100.2	–89.7	–4.2	–93.9
Benefits paid	–11.2	–0.5	–11.7	–10.7	–0.6	–11.3
Gains (–) and losses (+) from remeasurements						
Actuarial gains and losses from demographic assumptions	25.4	–3.1	22.3	0.0	–3.2	–3.2
Actuarial gains and losses from financial assumptions	42.4	–7.9	34.5	0.0	–6.1	–6.1
Actuarial gains and losses from experience adjustments	–33.6	–0.3	–33.9	7.0	–8.6	–1.6
Return on plan assets excluding interest income	–8.9	7.1	–1.8	–49.5	–2.1	–51.6
Past service cost	0.0	–0.6	–0.6	0.0	–0.5	–0.5
Change in scope of consolidation	–0.3	–0.1	–0.4	0.0	0.0	0.0
Currency translation differences and other	–0.2	0.5	0.3	0.0	–1.6	–1.6
As of December 31	**550.3**	**18.0**	**568.3**	**599.3**	**23.3**	**622.6**

Plan assets

Composition of plan assets

≡ 53

IN € MILLION	Dec. 31, 2018	Dec. 31, 2017
Shares (prior to hedging)	338.3	419.2
Fixed-interest securities	569.2	592.2
Share in investment company for infrastructure projects and private debt funds	159.3	110.7
Real estate and similar assets – used by third parties, vacant or under construction	251.5	205.4
Other (including cash and cash equivalents)	177.8	109.8
	1,496.1	**1,437.3**

All shares and fixed-interest securities are traded at the prices quoted on active markets.

The investment strategy for the plan assets is geared to covering the deficit between plan assets and pension obligations on a long-term basis. This is based on the increase in the obligations adjusted for current service cost and pension payments. The investment strategy also includes a controlled downside risk (low probability of a sharp fall in the coverage ratio) and is determined at regular intervals in ALM studies. The resulting target allocation includes an optimized risk return profile, taking into account the interdependency of plan assets and obligations.

The risks for plan assets stem chiefly from the investments in the Oktagon fund. Among others, these include interest and credit spread risks which, however, run counter to changes in the pension obligations. Further risks stem from fluctuations in share prices. Interest and share price risks can be hedged as needed by means of publicly traded futures in a dedicated control segment. Most of the foreign currency risks relating to investments in fixed-interest securities are hedged in full. The investment in AHV also entails interest, credit spread and share price risks. In the case of infrastructure investments, risks include illiquidity and regulatory intervention by individual countries. Investments in real estate involve technical risks (maintenance) and economic risks (rental price changes for new lets, level of occupancy).

Risk management takes a holistic approach, taking into account the development of plan assets and pension obligations. The main risk relates to a deterioration in the funded status (coverage shortfall) on account of negative developments of the pension obligations and / or plan assets. Risk management is based on the risk budget for pension risks, which breaks down into a budget for non-controllable risks (e.g., the portion of pension obligations not covered by plan assets) and for controllable risks. The controllable risks relate first and foremost to the risks in the CTA. The risk budget requirement and exploitation are determined using value-at-risk methods and monitored periodically.

Implementation of the findings from the most recent ALM study in 2017 resulted in greater use of alternative investments compared to highly liquid securities. The findings from the ALM study were systematically implemented in order to further optimize the risk return profile of all assets.

Defined benefit obligation

Actuarial assumptions for determining the defined benefit obligation

≡ 54

IN %	Dec. 31, 2018 Germany	Dec. 31, 2018 Other countries	Dec. 31, 2017 Germany	Dec. 31, 2017 Other countries
Discount rate	1.70	2.62	1.70	2.30
Future salary increases	2.25	2.06	2.25	2.22
Future pension increases	1.80	3.10	1.80	3.20

The actuarial assumptions were continuously derived in accordance with uniform principles compared to the prior year and set out for each country depending on the respective economic circumstances.

The discount rate is based on the return on fixed-interest corporate bonds with the same term and in the same currency that rating agencies have awarded an AA rating.

Adjustment for forecast long-term inflation is taken into account in the development of future salary and pension increase. The respective inflation rate does not exceed the interest rate observable on the market.

As far as life expectancy is concerned, the new mortality tables 2018 G from HEUBECK-RICHTTAFELN-GmbH were applied in Germany. This is in large part the reason behind the actuarial losses from demographic assumptions. Outside Germany, the customary mortality tables for the respective country were used.

A change in the aforementioned assumptions used to determine the defined benefit obligation in Germany as of December 31, 2018 would lead to a corresponding change in this figure. An analysis of historical changes in parameters from this perspective showed that if there was a change in the discount rate of up to 100 base points, a change of up to 75 base points for the development of future salary and pension increase as well as an increase of up to 5.3% for life expectancy up to the next measurement date can be regarded as realistic. The change in the underlying assumptions regarding life expectancy translates into a one-year increase in life expectancy for a currently 65-year-old man. The respective effects from such a change in measurement are presented on the assumption that all other parameters remain constant.

Sensitivity analyses

≡ 55

IN € MILLION	DBO Germany as of Dec. 31, 2018 Increase	DBO Germany as of Dec. 31, 2018 Decrease	DBO Germany as of Dec. 31, 2017 Increase	DBO Germany as of Dec. 31, 2017 Decrease
Discount rate (1% variation)	–268.0	338.4	–276.7	350.4
Future salary / pension increase (0.75% variation)	230.7	–194.7	240.7	–200.1
Life expectancy (5.3% increase for all persons)	85.7	–	84.8	–

Net pension expense

The assumptions made to calculate the defined benefit obligation as of the respective measurement date (December 31) apply to both the calculation of the interest cost and the current service cost as well as to the interest income on plan assets in the following fiscal year. The assumptions used in the calculation of the pension expenses for the fiscal year 2018 were therefore already defined as of the reporting date December 31, 2017.

The key assumptions in calculating pension expenses are presented in the following overview:

Actuarial assumptions for determining pension expenses

≡ 56

	2018		2017	
IN %	Germany	Other countries	Germany	Other countries
Discount rate	1.70	2.30	1.70	2.28
Future salary increases	2.25	2.22	2.25	3.01
Future pension increases	1.80	3.20	1.80	3.20

The expense recognized for defined benefit pension plans in total comprehensive income for the fiscal years 2018 and 2017 breaks down as follows:

Expenses (+) / income (–) recognized for defined benefit plans in total comprehensive income

≡ 57

	2018			2017		
IN € MILLION	Germany	Other countries	Total	Germany	Other countries	Total
Service cost	24.3	3.0	27.3	26.0	4.7	30.7
Net interest cost	9.5	0.4	9.9	11.4	0.9	12.3
Past service cost	0.0	–0.6	–0.6	0.0	–0.5	–0.5
Expenses for defined benefit plans recognized in the consolidated income statement	**33.8**	**2.8**	**36.6**	**37.4**	**5.1**	**42.5**
Return on plan assets excluding interest income	–8.9	7.1	–1.8	–49.5	–2.1	–51.6
Gains (–) and losses (+) from remeasurements of the defined benefit obligation	34.2	–11.3	22.9	7.0	–17.9	–10.9
Remeasurements of defined benefit plans recognized in other comprehensive income	**25.3**	**–4.2**	**21.1**	**–42.5**	**–20.0**	**–62.5**
Expenses recognized for defined benefit plans in total comprehensive income	**59.1**	**–1.4**	**57.7**	**–5.1**	**–14.9**	**–20.0**

23 / OTHER PROVISIONS

Development of other provisions

≡ 58

IN € MILLION	Personnel provisions	Litigation, damages and similar obligations	Restructuring provisions	Miscellaneous provisions	Other provisions
As of January 1, 2018	**129.3**	**13.0**	**10.1**	**17.1**	**169.5**
thereof non-current	**28.2**	**0.0**	**0.1**	**8.5**	**36.8**
Currency translation differences	0.1	0.0	–0.1	0.1	**0.1**
Change in scope of consolidation	–0.3	0.0	0.0	0.0	**–0.3**
Additions	106.0	92.9	0.6	6.3	**205.8**
Utilization	–92.6	–1.0	–0.5	–4.9	**–99.0**
Reversals	–4.4	–4.9	–0.1	–0.7	**–10.1**
Unwinding of the discount	0.1	0.0	0.0	0.0	**0.1**
Reclassifications to "held for sale"	–1.3	–0.3	0.0	–0.4	**–2.0**
As of December 31, 2018	**136.9**	**99.7**	**10.0**	**17.5**	**264.1**
thereof non-current	**28.8**	**73.5**	**0.0**	**9.0**	**111.3**

The personnel provisions mainly pertain to variable remuneration for staff and management including associated social security contributions, obligations arising from the agreements under the German phased retirement scheme, medical benefits and long-service bonuses.

The increase in provisions for litigation costs, damages and similar obligations largely results from the provision for liability risks and advisory expenses in connection with the dam collapse in Brazil. Please refer to our explanations under note 28 "Pending and imminent legal proceedings". Overall, obligations are counterbalanced by reimbursement claims from insurance companies amounting to € 5.0 million (prior year: € 8.1 million), which were recognized as current assets.

The restructuring provisions relate to adopted and announced restructuring measures in the INDUSTRY Segment.

24 / FINANCIAL DEBT

Financial debt

≡ 59

	Non-current		Current		Total	
IN € MILLION	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Liabilities to banks	0.0	0.2	4.1	5.3	4.1	5.5
Finance lease liabilities	0.6	0.7	0.1	0.2	0.7	0.9
Cash pool liabilities to affiliated companies	0.0	0.0	0.7	0.0	0.7	0.0
Cash pool liabilities to other related parties	0.0	0.0	1.9	1.2	1.9	1.2
Loan liabilities to third parties	0.7	0.9	0.0	0.0	0.7	0.9
	1.3	**1.8**	**6.8**	**6.7**	**8.1**	**8.5**

All the liabilities to banks are due in less than five years.

25 / TRADE PAYABLES

Trade payables

≡ 60

IN € MILLION	Dec. 31, 2018	Dec. 31, 2017 [1]
Contract liabilities	80.1	95.1
Other trade payables	70.5	79.7
	150.6	**174.8**

1 _ Adjusted prior-year figures, see note 5.

Of the contract liabilities, an amount of € 38.2 million (prior year: € 32.3 million) will be invoiced within one year. In the reporting year, € 56.6 million (prior year: € 44.4 million) of the prior-year contract liabilities was realized. Contract liabilities contain advance payments of € 28.0 million (prior year: € 52.3 million).

26 / OTHER LIABILITES

Other liabilities

≡ 61

	Non-current		Current		Total	
IN € MILLION	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Liabilities to affiliated companies	0.0	0.0	4.5	5.8	4.5	5.8
Liabilities to other participations	0.0	0.0	0.4	0.5	0.4	0.5
Fair values of derivative financial instruments	0.0	0.0	3.4	0.8	3.4	0.8
Outstanding invoices	0.0	0.0	42.4	39.8	42.4	39.8
Miscellaneous financial liabilities	7.2 [1]	7.5 [1]	15.1	34.5	22.3 [1]	42.0 [1]
Other financial liabilities	**7.2 [1]**	**7.5 [1]**	**65.8**	**81.4**	**73.0 [1]**	**88.9 [1]**
Advance payments received	0.0	0.0	0.0	0.0 [2]	0.0	0.0 [2]
Vacation claims, flexitime and overtime credits	0.0	0.0	55.2	50.7	55.2	50.7
Other taxes	0.0	0.0	43.7	44.2	43.7	44.2
Social security liabilities	0.0	0.0	5.7	5.6	5.7	5.6
Miscellaneous non-financial liabilities	0.0	0.0	24.8	20.3	24.8	20.3
Other non-financial liabilities	**0.0**	**0.0**	**129.4**	**120.8**	**129.4**	**120.8**
	7.2 [1]	**7.5 [1]**	**195.2**	**202.2 [2]**	**202.4 [1]**	**209.7 [1,2]**

1 _ Thereof due in more than five years: € 6.4 million (prior year: € 5.8 million).
2 _ Adjusted prior-year figures, see note 5.

27 / CONTINGENT LIABILITIES

The table below presents the contingent liabilities for which the main debtor is not a consolidated entity:

Contingent liabilities ≡ 62

IN € MILLION	Dec. 31, 2018	Dec. 31, 2017
Guarantee obligations	41.0	71.2
Contingent liabilities arising from litigation risks	1.3	1.6
Miscellaneous contingent liabilities	1.8	0.3
	44.1	**73.1**

The guarantee obligations include a guarantee issued for T.P.S. Benefits Scheme Limited, Fareham, UK. The guarantee reduces the insurance fees charged by the Pension Protection Fund, Surrey, UK, which the UK companies participating in T.P.S. Benefits Scheme Limited, Fareham, UK, would otherwise have to pay on an annual basis.

The obligations were entered into for current business transactions where no utilization is to be expected based on the assessment of the current business situation.

Apart from the contingent liabilities reported, the entities of TÜV SÜD Group have assumed joint and several liability in relation to interests in civil law associations, other partnerships and joint ventures.

Please refer to note 28 in respect of the disclosure on the contingent liabilities in association with pending and imminent legal proceedings.

28 / PENDING AND IMMINENT LEGAL PROCEEDINGS

An action relating to the current pension assessment was successfully filed against TÜV SÜD e.V. Based on an expected value model, a corresponding provision was recognized for the possible effects of the implementation of the ruling of the regional labor court. Please refer to note 22 "Provisions for pensions and similar obligations" and the opportunities and risks report in the combined management report.

On January 25, 2019, the tailings dam of a retention basin for an iron ore mine belonging to mining company Vale S.A. close to the village of Brumadinho, Brazil, collapsed. The dam's stability had been certified by TÜV SÜD Bureau de Projetos e Consultoria Ltda. (TÜV SÜD Bureau), São Paulo, Brazil, in September 2018. After the accident, Vale S.A. who as the operator of the dam is responsible for operational safety, referred to external appraisals, including that issued by TÜV SÜD Bureau on the safety of the dam. TÜV SÜD has offered to work closely with Vale S.A. and the authorities concerned. Furthermore, TÜV SÜD has convened its own investigative commission of internationally recognized technical experts to independently assess the causes and the statement on stability issued as well as the proposed measures for improvement. In addition, TÜV SÜD has engaged renowned law firms in Germany and Brazil to investigate the events in question and clarify any potential legal risks that may arise.

Lawsuits claiming damages have been filed and threatened in connection with the certificate of stability issued in 2018. We believe that it is probable that further lawsuits will be filed against TÜV SÜD, in particular as the possible bases for these claims do not require there to be any culpability, rather only causality. Probability-weighted scenarios have been developed on the basis of the current status of the investigations in order to realistically estimate the exposure. However, as the aforementioned investigations and TÜV SÜD's internal investigations are still ongoing and the factors of influence to be considered in a legal dispute are multi-faceted, the actual exposure may deviate from these estimates. It is currently not possible to determine ranges for liability risks from possible environmental damage, in particular as the level of information currently available is low, there is a lack of precedence from comparable cases and the matter at hand is inherently complex. As it is therefore not possible to accurately estimate a provision, the matter at hand constitutes a contingent liability, and the regulations under IAS 37.92 were applied.

In addition to this, provisions of € 33 million for legal defense and advisory costs were recognized, as costs to clarify the facts of matter and defend our own legal position from engaging external third parties are certain or likely to be incurred. Part of the legal defense costs may be covered by an insurance policy. However, as these claims are currently not virtually certain, they were not recognized as an asset.

Further disclosures on the estimates in respect of the financial implications and disclosures on uncertainty regarding the amount or maturity of amounts of the provisions and contingent liabilities have not been made in this regard pursuant to IAS 37.92 so as not to compromise the findings of potential proceedings and the Group's interests.

Should the outcome of the legal proceedings find to the detriment of TÜV SÜD, this may result in substantial damage payments that could have a significant negative impact upon the Group's net assets, financial position and results of operations and its reputation. The ability of the Brazilian subsidiary TÜV SÜD Bureau and its direct shareholder TÜV SÜD SFDK Laboratório de Análise de Produtos EIRELI, São Paulo, Brazil, to continue as a going concern is under threat in the event that these companies are deemed to be liable for the dam collapse in Brazil and no further financial support were to be provided by the shareholders. For further explanations please refer to the remarks in the combined management report in the sections "Compliance and other risks" and "Overall statement on risks faced by the Group".

Apart from this, TÜV SÜD AG and its subsidiaries are not involved in any litigation which could have a material impact on the economic or financial situation of the individual entities or the Group as a whole.

29 / OTHER FINANCIAL OBLIGATIONS

Future obligations from rental and lease agreements as of December 31, 2018 ≡ 63

IN € MILLION	Due in less than one year	Due in one to five years	Due in more than five years	Dec. 31, 2018 Total
Future obligations from rental and lease agreements for real estate	50.3	109.6	39.3	199.2
Future obligations from other operating leases	11.9	15.2	0.0	27.1
	62.2	**124.8**	**39.3**	**226.3**

Future obligations from rental and lease agreements as of December 31, 2017 ≡ 64

IN € MILLION	Due in less than one year	Due in one to five years	Due in more than five years	Dec. 31, 2017 Total
Future obligations from rental and lease agreements for real estate	51.4	121.0	52.0	224.4
Future obligations from other operating leases	12.4	16.5	2.1	31.0
	63.8	**137.5**	**54.1**	**255.4**

Rental and lease expenses for the fiscal year 2018 amount to € 72.6 million (prior year: € 70.1 million).

Other notes

30 / ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

Carrying amounts by measurement category in accordance with IFRS 9

≡ 65

IN € MILLION	Dec. 31, 2018
Financial assets	
Debt instruments at amortized cost	618.4
Debt instruments at fair value through other comprehensive income	81.1
Financial assets at fair value through profit or loss	37.8
Equity instruments at fair value through other comprehensive income	18.0
Financial liabilities	
Financial liabilities at amortized cost	140.9
Financial liabilities at fair value through profit or loss	10.0

Only insignificant valuation allowances were recognized for debt instruments measured at fair value through other comprehensive income.

Carrying amounts by measurement category in accordance with IAS 39

≡ 66

IN € MILLION	Dec. 31, 2017
Financial assets	
Financial assets at fair value through profit or loss	29.3
thereof held for trading	29.3
Loans and receivables	773.4
Available-for-sale financial assets	63.3
Financial liabilities	
Financial liabilities at fair value through profit or loss	13.9
thereof held for trading	13.9
Financial liabilities at amortized cost	205.0

The following tables show the carrying amounts of financial instruments and, where they are measured at fair value, the respective classification in the fair value hierarchy. ≡ 67/68

Carrying amounts and fair values of financial instruments as of December 31, 2018

≡ 67

			Fair value hierarchy		
IN € MILLION	Carrying amounts	Fair value	thereof level 1	thereof level 2	thereof level 3
Other financial assets [1, 2, 3]	93.1	69.7	69.7	0.0	0.0
Other non-current assets [2, 3]	7.1	1.9	0.0	0.3	1.6
Non-current assets	**100.2**	**71.6**	**69.7**	**0.3**	**1.6**
Trade receivables [2]	368.6	0.0	0.0	0.0	0.0
Other receivables and other current assets [2, 3]	76.9	50.3	44.0	4.7	1.6
Cash and cash equivalents [2]	209.6	0.0	0.0	0.0	0.0
Current assets	**655.1**	**50.3**	**44.0**	**4.7**	**1.6**
Total financial assets	**755.3**	**121.9**	**113.7**	**5.0**	**3.2**
Non-current financial debt [2]	1.3	0.6	0.0	0.6	0.0
Other non-current liabilities [2, 3]	7.2	6.6	0.0	0.0	6.6
Non-current liabilities	**8.5**	**7.2**	**0.0**	**0.6**	**6.6**
Current financial debt [2]	6.8	0.1	0.0	0.1	0.0
Trade payables [2]	70.5	0.0	0.0	0.0	0.0
Other current liabilities [2, 3]	65.8	3.4	0.0	3.4	0.0
Current liabilities	**143.1**	**3.5**	**0.0**	**3.5**	**0.0**
Total financial liabilities	**151.6**	**10.7**	**0.0**	**4.1**	**6.6**

1 _ Includes investments in equity instruments that do not have a quoted price in an active market.
2 _ Includes financial assets or liabilities for which the carrying amount is a reasonable approximation of fair value.
3 _ Includes financial assets or liabilities that are not within the scope of IFRS 7.

Carrying amounts and fair values of financial instruments as of December 31, 2017

≡ 68

			Fair value hierarchy		
IN € MILLION	Carrying amounts	Fair value	thereof level 1	thereof level 2	thereof level 3
Other financial assets [1, 2, 3]	68.1	44.8	44.8	0.0	0.0
Other non-current assets [2, 3]	5.7	0.1	0.0	0.1	0.0
Non-current assets	**73.8**	**44.9**	**44.8**	**0.1**	**0.0**
Trade receivables [2]	479.9	0.0	0.0	0.0	0.0
Other receivables and other current assets [2, 3]	39.1	4.4	0.2	4.2	0.0
Cash and cash equivalents [2]	273.3	26.9	26.9	0.0	0.0
Current assets	**792.3**	**31.3**	**27.1**	**4.2**	**0.0**
Total financial assets	**866.1**	**76.2**	**71.9**	**4.3**	**0.0**
Non-current financial debt [2]	1.8	0.7	0.0	0.7	0.0
Other non-current liabilities [2, 3]	7.5	6.5	0.0	0.0	6.5
Non-current liabilities	**9.3**	**7.2**	**0.0**	**0.7**	**6.5**
Current financial debt [2]	6.7	0.2	0.0	0.2	0.0
Trade payables [2]	122.5	0.0	0.0	0.0	0.0
Other current liabilities [2, 3]	81.4	7.1	0.0	0.8	6.3
Current liabilities	**210.6**	**7.3**	**0.0**	**1.0**	**6.3**
Total financial liabilities	**219.9**	**14.5**	**0.0**	**1.7**	**12.8**

1 _ Includes investments in equity instruments that do not have a quoted price in an active market.
2 _ Includes financial assets or liabilities for which the carrying amount is a reasonable approximation of fair value.
3 _ Includes financial assets or liabilities that are not within the scope of IFRS 7.

There were no reclassifications out of or into another level of the fair value hierarchy in the current fiscal year.

The financial instruments allocated to level 2 are derivatives, securities and liabilities from finance leases. At level 3, mainly liabilities from contingent purchase price elements and purchase price liabilities from put options are recognized.

The calculation of the fair values of forward exchange transactions and currency swaps is based on FX forward swap market data used to interpolate the current forward points (FX forward swaps) on a straight-line basis from the information available from Reuters and add them to the spot rate. This makes it possible to calculate the current price at which the hedge can be closed out.

The fair value of interest derivatives is calculated using discounted cash flow methods. To this end, the total value of an interest derivative is broken down into its individual cash flows, each of which is measured individually. Forward interest rates and valuations are recognized at the mean of the buying and the selling rate. The interpolation and any simulations are based on nominal interest, which is used to determine the zero interest rates in order to derive the discount factors. For interest derivatives in foreign currency, the present value is translated to euro at the mean of the buying and the selling rate.

The table below shows the development of the financial instruments recorded in level 3:

Reconciliation of financial instruments in level 3 ≡ 69

	Assets		Equity and liabilities	
IN € MILLION	2018	2017	2018	2017
As of January 1	**0.0**	**0.0**	**12.8**	**6.8**
Currency translation differences	0.0	0.0	0.1	0.1
Additions	3.2	0.0	0.0	3.0
Changes recognized with an effect on income	0.0	0.0	0.4	3.5
Changes with an effect on cash and cash equivalents	0.0	0.0	–6.7	–0.6
As of December 31	**3.2**	**0.0**	**6.6**	**12.8**

The addition to assets relates to a forward transaction used to acquire a joint venture in Germany in full.

The changes to equity and liabilities with an effect on income in fiscal year 2018 are primarily attributable to the discounting of a purchase price liability from a put option in South Africa. The changes with an effect on cash relate to the payment of contingent purchase prices, especially for a Spanish entity.

The net gains and losses 2018 (IFRS 9) and 2017 (IAS 39) on the financial instruments recognized in the income statement, by measurement category, are as follows:

Net gains and losses by measurement category in accordance with IFRS 9 ≡ 70

IN € MILLION	2018
Debt instruments at amortized cost	–3.1
Debt instruments at fair value through other comprehensive income	–0.2
Financial assets / liabilities at fair value through profit or loss	–2.2
Equity instruments at fair value through other comprehensive income	–0.6
Financial liabilities at amortized cost	–2.7

Net gains and losses by measurement category in accordance with IAS 39

≡ 71

IN € MILLION	2017
Financial assets/liabilities at fair value through profit or loss	8.7
Loans and receivables	–8.8
Available-for-sale financial assets	1.5
Financial liabilities at amortized cost	–6.4

The net gains and losses were mainly attributable to effects from impairment losses, currency hedging and currency translation.

Dividend income from other participations totals € 1.9 million.

The development of the valuation allowances on financial assets as well as the impairment losses recognized in the income statement in the fiscal year are as follows:

Development of valuation allowances on financial assets

≡ 72

IN € MILLION	Other financial assets	Trade receivables	Other receivables and other current assets	Total
Valuation allowances as of January 1, 2017	**13.4**	**20.8**	**3.8**	**38.0**
Currency translation differences	–0.4	–0.8	0.0	**–1.2**
Change in scope of consolidation	0.0	0.1	0.0	**0.1**
Additions	0.3	8.4	0.1	**8.8**
Utilization	–1.5	–2.6	–0.7	**–4.8**
Reversals	0.0	–3.9	–0.1	**–4.0**
Valuation allowances as of December 31, 2017	**11.8**	**22.0**	**3.1**	**36.9**
Effect from first-time application of IFRS 9	0.0	–0.2	0.0	**–0.2**
Valuation allowances as of January 1, 2018 adjusted	**11.8**	**21.8**	**3.1**	**36.7**
Currency translation differences	0.1	0.1	0.0	**0.2**
Change in scope of consolidation	0.0	–0.1	0.0	**–0.1**
Additions	1.3	7.4	0.0	**8.7**
Utilization	0.0	–5.2	0.0	**–5.2**
Reversals	0.0	–3.9	0.0	**–3.9**
Reclassifications to "held for sale"	–0.3	–0.4	–1.1	**–1.8**
Valuation allowances as of December 31, 2018	**12.9**	**19.7**	**2.0**	**34.6**
Impairment losses 2018	**1.3**	**6.5**	**0.0**	**7.8**
Impairment losses 2017	0.1	7.9	0.3	**8.3**

31 / FINANCIAL RISKS

The TÜV SÜD Group faces financial risks in the form of credit risks, liquidity risks and market risks. The principles of risk management are defined by TÜV SÜD's internal finance policy as well as numerous binding strategies and guidelines and are discussed in more detail in the management report.

Credit risks (default risks) exist with regard to the operating business as well as to financial assets and derivative financial instruments. Depending on the nature and extent of the respective transaction, risk-mitigating measures must be taken for all transactions relating to the operating business. These include obtaining collateral, credit ratings or track records of prior business relations, particularly payment behavior. Recognizable risks are taken into account through appropriate valuation allowances on receivables that are based on objective indications in individual cases, or the maturity profile and actual default history.

The maximum credit risk for trade receivables, contract assets and loans is their carrying amount as of December 31, 2018.

The maximum credit risk of financial assets and derivative financial instruments corresponds to their fair value as of December 31, 2018.

The risk of default on securities is minimized by a high degree of diversity in the investment strategy. Only securities with an investment grade credit rating are purchased. The TÜV SÜD Group did not record any default on securities in the reporting year. Derivative financial instruments are only concluded with partners that have an investment grade rating and where a breach of contractual obligations is thus not expected.

According to internal trading policies, derivative financial transactions may only be concluded in close consultation with the corporate finance department and in connection with an underlying transaction. To limit risks, subsidiaries in Germany and other countries are prohibited from purchasing securities without approval from the corporate finance department.

In order to manage **liquidity risks**, the TÜV SÜD Group always has up-to-date liquidity planning and sufficient liquidity reserves in the form of cash and credit lines. Bank balances are held solely at banks with excellent credit ratings. In addition, maximum investment limits are set for investment funds at various banks based on their credit rating in order to avoid cluster risks. Risks relating to current securities are also minimized by widely diversifying issuers. In addition to cash and securities, the liquidity reserve comprises a syndicated credit line for € 200 million. The syndicated credit line had an original term until December 2019 but was extended until December 2021 in 2018 by exercising the corresponding option. As of the reporting date, payments due within one year of € 143.1 million (prior year: € 167.8 million) and payments due in more than one year of € 8.5 million (prior year: € 9.3 million) are covered by cash and cash equivalents of € 211.6 million (prior year: € 273.3 million) as well as undrawn credit lines of € 212.4 million (prior year: € 210.8 million).

The main **market risks** resulting from financial instruments are currency and interest rate risks.

The scope for action with regard to currency management is defined by TÜV SÜD's internal policies. **Currency risks** in connection with the operating business are hedged using derivative financial instruments. Forward exchange transactions and cross-currency swaps are used to hedge intra-group loans in foreign currencies.

With regard to trade receivables and payables, a 10% increase or decrease in the value of the euro against all other currencies as of December 31, 2018 would only have an immaterial effect on consolidated net income for the year. In the event of a 10% decrease in value of the euro, the market value of forward exchange transactions would fall by € 3.9 million (prior year: € 2.7 million). The market value of cross-currency swaps would increase by € 0.3 million (prior year: € 0.4 million) accordingly. In the event of a 10% increase in value of the euro against all other currencies, the market value of forward exchange transactions would rise by € 3.2 million (prior year: € 2.2 million). The market value of cross-currency swaps would decrease by € 0.3 million (prior year: € 0.3 million) accordingly.

Interest rate risks may arise for investments in fixed-interest securities. A 1% increase or decrease in interest rates would result only in insignificant changes in the market value. Financial debt may also be exposed to an interest rate risk. Derivative financial instruments are used on a case-by-case basis to hedge against this interest rate risk.

32 / NOTES TO THE STATEMENT OF CASH FLOWS

The cash and cash equivalents presented in the statement of cash flows contain all highly liquid items shown in the statement of financial position, i.e., cash in hand, checks and bank balances as well as current securities that are available within three months.

The contribution to pension plans consists of contributions equivalent to the pension payments made by the trustors to TÜV SÜD Pension Trust e.V. of € 61.1 million (prior year: € 58.6 million). Together with one-off additions with an effect on cash of € 30.0 million (prior year: € 31.1 million) to TÜV SÜD Pension Trust e.V. and further additions to other plan assets of € 4.2 million (prior year: € 4.2 million), these payments are recognized as part of the cash flow from investing activities.

33 / SEGMENT REPORTING

Based on the organizational structure and existing reporting structures, TÜV SÜD has the three reportable segments INDUSTRY, MOBILITY and CERTIFICATION, as defined by the Board of Management. These cover the technical services in the TIC (testing, inspection, certification) market. As the highest management level, the entire Board of Management regularly receives comprehensive information in order to assess the profitability of the segments described below and make decisions regarding the allocation of resources.

→ **INDUSTRY** The Industry Service and Real Estate & Infrastructure Divisions support customers in operating industrial plants, infrastructure facilities, refineries, power plants and buildings safely and economically, as well as ensuring the functionality and safety of rail vehicles, signaling technology and rail infrastructures.

  The INDUSTRY Segment collects revenue over time for services already rendered. These are invoiced pursuant to standard terms and conditions or individual contractual conditions. Any associated certification and license fees are invoiced annually, regardless of the services rendered, and collected over the term on a straight-line basis.

→ **MOBILITY** This segment comprises all services for automobiles, which are offered by the Auto Service Division. These include services for homologation, used car valuations, management of vehicle fleets and product and process enhancement services for the automotive industry. For retail customers, roadworthiness tests and exhaust gas analyses, driver's license tests as well as driving suitability tests for road users and support with regaining and retaining their drivers' licenses in particular are offered.

  In the MOBILITY Segment, revenue in the core business of roadworthiness tests and exhaust gas analyses as well as driver's license tests is recognized at a point in time, although advance payments are regularly made in the private customer business. In the fleet business, services rendered are invoiced monthly. All other services in this segment are invoiced pursuant to individual contractual conditions or standard terms and conditions. Revenue from these services is generally recognized over time.

→ **CERTIFICATION** The activities of the Product Service and Business Assurance Divisions are bundled in this segment. The Product Service Division offers services for the testing, inspection and certification of consumer goods as well as industrial and medical products. The Business Assurance Division comprises the three business units Management Systems, Academy and Cyber Security. All three business units support customers in optimizing their business processes, systems and resources.

  In the CERTIFICATION Segment, revenue from services is collected over time. These are invoiced pursuant to standard terms and conditions or individual contractual conditions. Any associated certification and license fees are invoiced annually, regardless of the services rendered, and collected over the term on a straight-line basis.

Holding activities are reported under **OTHER**. OTHER also includes individual assets of subsidiaries that cannot be allocated to actual business operations of the operational segments.

TÜV SÜD operates in the following **geographic** segments:

→ **EUROPE** comprises the home market of Germany as well as Western Europe and Central & Eastern Europe.

→ **AMERICAS** covers both American continents, from Canada to the southern tip of South America.

→ **ASIA** combines all the countries of the Asia / Pacific and South Asian area as well as the Middle East & Africa Region.

TÜV SÜD realizes revenue from service contracts with customers at a point in time and over time. External revenue is broken down by segment and region. Consolidations of business relationships between the segments are recorded in the reconciliation column.

Segment information from January 1 to December 31, 2018 and as of December 31, 2018

≡ 73

IN € MILLION	INDUSTRY	MOBILITY	CERTIFICATION	OTHER	Reconciliation	Group
External revenue	940.6	808.6	748.4	2.6	– 1.7	**2,498.5**
thereof EUROPE	739.1	800.8	378.0	0.1	– 1.7	**1,916.3**
thereof AMERICAS	109.7	0.0	88.3	0.0	0.0	**198.0**
thereof ASIA	91.8	7.8	282.1	2.5	0.0	**384.2**
Intersegment revenue	10.0	0.9	8.7	25.4	– 45.0	**0.0**
Total revenue	950.6	809.5	757.1	28.0	– 46.7	**2,498.5**
Amortization, depreciation and impairment losses	– 17.8	– 18.8	– 21.3	– 23.7	0.0	**– 81.6**
Income from investments accounted for using the equity method	0.0	9.4	– 0.9	0.0	0.0	**8.5**
EBIT	64.6	70.4	74.7	– 104.5	0.3	**105.5**
Capital expenditures	18.2	31.7	34.6	16.1	0.0	**100.6**
Segment assets as of December 31, 2018	502.6	372.6	372.2	260.0	– 18.7	**1,488.7**

Total revenue in the home market of Germany amounts to € 1,588.9 million (prior year: € 1,507.5 million) and relates with € 548.5 million (prior year: € 532.5 million) to the INDUSTRY Segment, with € 735.9 million (prior year: € 690.6 million) to the MOBILITY Segment and with € 306.2 million (prior year: € 286.6 million) to the CERTIFICATION Segment.

Segment information from January 1 to December 31, 2017 and as of December 31, 2017

≡ 74

IN € MILLION	INDUSTRY	MOBILITY	CERTIFICATION	OTHER	Reconciliation	Group
External revenue	952.4	771.6	705.5	0.3	– 2.2	**2,427.6**
thereof EUROPE	715.7	763.8	351.2	0.0	– 2.2	**1,828.5**
thereof AMERICAS	133.4	0.0	88.2	0.0	0.0	**221.6**
thereof ASIA	103.3	7.8	266.1	0.3	0.0	**377.5**
Intersegment revenue	8.9	0.8	8.8	20.7	– 39.2	**0.0**
Total revenue	961.3	772.4	714.3	21.0	– 41.4	**2,427.6**
Amortization, depreciation and impairment losses	– 16.1	– 18.0	– 20.1	– 22.0	0.0	**– 76.2**
Income from investments accounted for using the equity method	0.0	10.4	– 0.3	0.0	0.0	**10.1**
EBIT	78.1	64.8	81.1	– 22.6	– 0.1	**201.3**
Capital expenditures	14.4	27.3	19.8	25.6	0.0	**87.1**
Segment assets as of December 31, 2017 [1]	512.0	359.1	347.5	271.4	– 20.1	**1,469.9**

1 _ Adjusted prior-year figures, see note 5.

The same accounting policies are used as for the consolidated financial statements.

Transfer prices for revenue with other segments are determined using a market-based approach (at arm's length).

Segment performance is evaluated based on EBIT.

Reconciliation of EBIT to income before taxes ≡ 75

IN € MILLION	2018	2017
EBIT according to segment reporting	**105.5**	**201.3**
Interest income	2.5	2.1
Interest expenses	–12.8	–15.5
Other financial result	–0.6	2.3
Income before taxes according to consolidated income statement	**94.6**	**190.2**

Assets are allocated according to their geographic location.

Segment assets based on geographic segments ≡ 76

IN € MILLION	Dec. 31, 2018	Dec. 31, 2017 [1]
EUROPE	1,105.6	1,080.6
AMERICAS	177.7	185.1
ASIA	228.5	228.0
Reconciliation	–23.1	–23.8
Total segment assets	**1,488.7**	**1,469.9**

1 _ Adjusted prior-year figures, see note 5.

Segment assets in Germany come to € 844.3 million (prior year: € 832.4 million).

Reconciliation of segment assets to group assets ≡ 77

IN € MILLION	Dec. 31, 2018	Dec. 31, 2017 [1]
Segment assets	**1,488.7**	**1,469.9**
Interest-bearing financial assets	78.3	52.0
Deferred tax assets	245.7	242.1
Cash and cash equivalents	209.6	273.3
Other interest-bearing current assets	49.5	3.3
Group assets	**2,071.8**	**2,040.6**

1 _ Adjusted prior-year figures, see note 5.

34 / RELATED PARTIES

Related companies

The ultimate parent companies of the TÜV SÜD Group are TÜV SÜD e.V., Munich, and TÜV SÜD Stiftung, Munich ("TÜV SÜD Foundation"). Both TÜV SÜD e.V. and the TÜV SÜD Foundation have transferred their shares in TÜV SÜD AG to the independent shareholder committee, TÜV SÜD Gesellschafterausschuss GbR. Internally, TÜV SÜD e.V. and the TÜV SÜD Foundation hold 74.9% and 25.1% stakes in the assets of TÜV SÜD Gesellschafterausschuss GbR.

Within the framework of an agency contract, the activities under the accreditation to operate the road vehicle technical inspectorate and the official inspection body in Baden-Württemberg are carried out by the group company TÜV SÜD Auto Service GmbH for TÜV SÜD e.V., as principal and recognized contractor. Following the approval of the respective authorities, TÜV SÜD e.V. transferred the official inspection body in Baden-Württemberg in full and irrevocably to TÜV SÜD Auto Service GmbH as of March 1, 2018 for € 17.1 million. This means that the former agent TÜV SÜD Auto Service GmbH replaces TÜV SÜD e.V. as the inspection body pursuant to exhibit VIIIb StVZO ["Straßenverkehrs-Zulassungs-Ordnung": German Road Traffic Licensing Regulations] in Baden-Württemberg and is officially recognized as such.

Business from the activities under the accreditation to operate the road vehicle technical inspectorate and until February 28, 2018 the official inspection body in Baden-Württemberg is conducted on behalf of, by order and for account of TÜV SÜD e.V. All transactions and business processes are carried out in the TÜV SÜD Group. TÜV SÜD Auto Service GmbH maintains personnel and material in the scope necessary for the activities and operation. From the cost center accounting, the revenue allocable to TÜV SÜD e.V. is calculated and transferred. 98.5% of revenue from the business officially mandated is invoiced by the operating entity as a lump-sum payment for agency services. In the fiscal year 2018, a total volume of € 112.6 million (prior year: € 145.8 million) was charged to TÜV SÜD e.V. TÜV SÜD e.V. recorded revenue of € 114.3 million (prior year: € 148.0 million) from this source.

Cash pool liabilities of € 1.7 million (prior year: € 0.3 million) to TÜV SÜD e.V. and of € 0.2 million (prior year: € 0.2 million) to subsidiaries of TÜV SÜD e.V. are recorded as of the reporting date.

In the fiscal years 2018 and 2017, the TÜV SÜD Group had business relationships with non-consolidated subsidiaries, associated companies and joint ventures that qualify as related parties. In the course of ordinary operations, all service transactions with these entities were carried out at arm's length conditions. In 2018, transactions were carried out with material related parties that led to the following items in the consolidated financial statements:

Items of the statement of financial position from transactions with non-consolidated subsidiaries, associated companies and joint ventures ≡ 78

	Non-consolidated subsidiaries		Associated companies		Joint ventures	
IN € MILLION	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Loans	0.2	0.0	0.0	0.0	3.0	1.0
Receivables	1.9	1.8	0.0	0.0	0.4	0.0
Financial debt	0.7	0.0	0.0	0.0	0.0	0.0
Liabilities	4.5	5.8	0.0	0.0	0.1	0.1

Receivables from non-consolidated subsidiaries include valuation allowances amounting to € 2.0 million (prior year: € 3.1 million). In the prior year, there was a cash pool liability of € 0.7 million due to the welfare association of TÜV Bayern e. V., Munich. In 2018, the welfare association was merged into TÜV Südwest GmbH and renamed TÜV SÜD BUV GmbH. Its investment of cash of € 0.7 million (cash pooling) at TÜV SÜD AG is disclosed under financial debt to non-consolidated subsidiaries.

The business relationships with the Turkish joint ventures are based primarily on a license agreement between TÜVTURK Kuzey and TÜVTURK Güney (both licensors) and TÜV SÜD Bursa (licensee). In 2018, dividend distributions of these companies amounted to € 4.5 million (prior year: € 5.7 million). Furthermore, there was a distribution of € 1.0 million (prior year: € 1.4 million) of the Spanish joint venture ITV Levante.

Dividend distributions of € 1.1 million (prior year: € 0.9 million) were received from associated companies.

TÜV SÜD AG issued a letter of comfort for one related company and one joint venture. It is assumed that the companies can pay their current obligations themselves. Claims are therefore not expected.

TÜV SÜD ATISAE issued letters of comfort for two subsidiaries, ATISAE Trauxia ITV, S.L., Madrid, Spain, and Servicios Técnicos y Consultoria ITV, S.L., Torrelodones, Spain. For the expected utilization, a provision of € 0.2 million (prior year: € 0.3 million) has been recognized in the consolidated financial statements.

Remuneration of active members of the Board of Management and Supervisory Board

The total remuneration of active members of the Board of Management amounted to € 3.4 million in the fiscal year 2018 (prior year: € 5.0 million). This includes variable, EVA-based salary components totaling € 1.4 million (prior year: € 1.9 million), the majority of which have not yet been paid out as of December 31 (provision as of December 31, 2018: € 1.4 million). In the prior year, total remuneration included termination benefits of € 1.3 million. The additional service cost incurred for pension obligations amounted to € 0.3 million (prior year: € 0.3 million). The present value of the defined benefit obligation calculated in accordance with IFRSs amounted to € 5.3 million as of the reporting date (prior year: € 4.6 million).

The active members of the Supervisory Board received total remuneration of € 1.1 million in the fiscal year 2018 (prior year: € 1.0 million).

Remuneration of former members of the Board of Management and Supervisory Board

The total remuneration of former members of the Board of Management and their surviving dependents including pension payments and other payments (advisory services) amounted to € 1.2 million (prior year: € 1.1 million). Defined benefit obligations amounting to € 17.8 million (prior year: € 17.9 million) exist for former members of the Board of Management and their surviving dependents.

35 / PROPOSAL FOR THE APPROPRIATION OF PROFIT

The Board of Management and Supervisory Board will propose to the annual general meeting to distribute € 2.1 million from the retained earnings under German GAAP of TÜV SÜD AG totaling € 2.2 million, equivalent to € 0.08 per share. The remaining amount of € 0.1 million is to be carried forward to new account.

36 / AUDITOR'S FEES

Fees of the auditor KPMG AG Wirtschaftsprüfungsgesellschaft ≡ 79

IN € MILLION	2018	2017
Audit of the financial statements	0.9	0.8
Tax advisory services	0.4	0.5
Other services	0.2	0.1
	1.5	**1.4**

37 / EVENTS AFTER THE REPORTING DATE

On January 25, 2019, the tailings dam of a retention basin for an iron ore mine belonging to mining company Vale S.A. close to the village of Brumadinho, Brazil, collapsed. In this respect, the court requested that collateral be provided on account of a lawsuit. On May 10, 2019, cash and cash equivalents from the subsidiaries TÜV SÜD SFDK Laboratório de Análise de Produtos EIRELI, São Paulo, Brazil, and TÜV SÜD Bureau de Projetos e Consultoria Ltda., São Paulo, Brazil, totaling € 4.2 million were therefore provisionally seized by the Brazilian authorities. The implications for TÜV SÜD are detailed under note 28 "Pending and imminent legal proceedings". In addition, as a consequence of the dam collapse an impairment test was carried out for the assets of both of these entities and impairment losses of € 13.9 million were recognized as of the reporting date (see notes 13 and 14).

The purchase agreement for 60% of the shares in FleetCompany GmbH, Oberhaching, Fleet Logistics International N.V., Vilvoorde, Belgium, Fleet Logistics France S.A.S, Boulogne-Billancourt, France, and Fleet Logistics Finland Oy, Helsinki, Finland, was closed on February 7, 2019. The purchase agreement contains conditions precedent for completing the share transfer that have not yet been fulfilled as of the date of the auditor's report. As of December 31, 2018, the assets and liabilities of these companies were disclosed as non-current assets and disposal groups held for sale.

38 / CONSOLIDATED ENTITIES

Consolidated entities

≡ 80

NAME AND REGISTERED OFFICES OF THE ENTITY	Share in capital in %
FULLY CONSOLIDATED AFFILIATED COMPANIES – GERMANY	
ARMAT GmbH & Co. KG, Pullach i. Isartal[1]	100.00
ARMAT Südwest GmbH & Co. KG, Pullach i. Isartal[1]	100.00
FleetCompany GmbH, Oberhaching[1]	100.00
MI-Fonds F60, Munich	100.00
PIMA-MPU GmbH, Munich[1]	100.00
SIGNON Deutschland GmbH, Berlin	100.00
TÜV Hanse GmbH TÜV SÜD Group, Hamburg	90.00
TÜV Hessen Immobilien Service GmbH & Co. KG, Gräfelfing	55.00
TÜV SÜD Advimo GmbH, Munich	100.00
TÜV SÜD Akademie GmbH, Munich	100.00
TÜV SÜD Auto Partner GmbH, Hamburg[1]	100.00
TÜV SÜD Auto Plus GmbH, Leinfelden-Echterdingen[1]	100.00
TÜV SÜD Auto Service GmbH, Stuttgart[1]	100.00
TÜV SÜD Battery Testing GmbH, Garching	70.00
TÜV SÜD Business Services GmbH, Munich[1]	100.00
TÜV SÜD Car Registration & Services GmbH, Munich	50.00
TÜV SÜD Chemie Service GmbH, Leverkusen[1]	100.00
TÜV SÜD Digital Service GmbH, Munich[1]	100.00
TÜV SÜD ELAB GmbH, Siegen	100.00
TÜV SÜD Energietechnik GmbH Baden-Württemberg, Filderstadt[1]	100.00
TÜV SÜD Food Safety Institute GmbH, Neu-Isenburg	100.00
TÜV SÜD ImmoWert GmbH, Munich[1]	100.00
TÜV SÜD Industrie Service GmbH, Munich[1]	100.00
TÜV SÜD Life Service GmbH, Munich[1]	100.00
TÜV SÜD Management Service GmbH, Munich[1]	100.00
TÜV SÜD Pluspunkt GmbH, Munich[1]	100.00
TÜV SÜD Product Service GmbH, Munich	100.00
TÜV SÜD Rail GmbH, Munich	100.00
TÜV SÜD Sec-IT GmbH, Munich[1]	100.00
TÜV SÜD Umwelt GmbH, Munich	100.00
TÜV Technische Überwachung Hessen GmbH, Darmstadt	55.00

1 _ The domestic subsidiary meets the requirements of Section 264 (3) HGB or Section 264b HGB, and takes advantage of the corresponding exemption regulations.

NAME AND REGISTERED OFFICES OF THE ENTITY	Share in capital in %
FULLY CONSOLIDATED AFFILIATED COMPANIES – OTHER COUNTRIES	
ARISE Boiler Inspection and Insurance Company Risk Retention Group, Louisville, USA	100.00
ARISE Inc., Wilmington, USA	100.00
ATISAE de Castilla y León, S.A.U., Miranda de Ebro, Spain	100.00
Bytest S.r.l., Volpiano, Italy	100.00
Dunbar & Boardman Partnership Ltd., Fareham Hants, UK	100.00
ÉMI-TÜV SÜD Minőségügyi és Biztonságtechnikai Korlátolt Felelősségű Társaság, Szentendre, Hungary	62.13
Fleet Logistics Finland Oy, Helsinki, Finland	100.00
Fleet Logistics France S.A.S, Boulogne-Billancourt, France	100.00
Fleet Logistics International N.V., Vilvoorde, Belgium	100.00
Fleet Logistics Italia S.r.l., Milan, Italy	100.00
Fleet Logistics UK Ltd., Birmingham, UK	100.00
Global Risk Consultants (Australia) Pty Ltd, Melbourne, Australia	100.00
Global Risk Consultants (Guangzhou) Co. Ltd., Guangzhou, China	100.00
Global Risk Consultants Corp., Wilmington, USA	100.00
Global Risk Consultants Ltd., West Byfleet, UK	100.00
Global Risk Consultores (Brasil) Ltda., São Paulo, Brazil	100.00
Magyar TÜV SÜD Műszaki Szakértői Korlátolt Felelősségű Társaság, Szentendre, Hungary	100.00
National Association of Boiler and Pressure Vessel Owners and Operators, Inc., Louisville, USA	100.00
Nuclear Technologies plc., Fareham Hants, UK	100.00
P.H. S.r.l., Tavarnelle Val di Pesa, Italy	100.00
PetroChem Inspection Services Inc., Pasadena, USA	100.00
PT. TUV SUD Indonesia, Jakarta Pusat, Indonesia	99.59
SIGNON Österreich GmbH, Vienna, Austria	51.00
Superfresh Ltd., Fareham Hants, UK	100.00
TÜV Italia S.r.l., Milan, Italy	100.00
TUV SUD (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia	100.00
TUV SUD (Thailand) Ltd., Bangkok, Thailand	100.00
TÜV SÜD (UK) Ltd., Fareham Hants, UK	100.00
TÜV SÜD America de México, S.A. de C.V., San Pedro Garza Garcia, Mexico	100.00
TÜV SÜD America Inc., Danvers, USA	100.00
TUV SUD Asia Ltd., Shatin, Hong Kong	100.00
TUV SUD Asia Pacific Pte. Ltd., Singapore	100.00
TÜV SÜD ATISAE, S. A. U., Madrid, Spain	100.00
TUV SUD BABT Unltd., Fareham Hants, UK	100.00
TUV SUD Bangladesh (Pvt.) Ltd., Dhaka, Bangladesh	100.00
TÜV SÜD Benelux B.V.B.A., Boortmeerbeek, Belgium	100.00
TÜV SÜD Benelux VZW, Boortmeerbeek, Belgium	100.00
TÜV SÜD Bureau de Projetos e Consultoria Ltda., São Paulo, Brazil	100.00
TÜV SÜD Bursa Tasit Muayene Istasyonlari Isletim A.S., Kestel-Bursa, Turkey	100.00
TÜV SÜD Canada Inc., Newmarket, Canada	100.00
TÜV SÜD Central Eastern Europe s.r.o., Prague, Czech Republic	100.00
TUV SUD Certification and Testing (China) Co., Ltd., Wuxi, China	51.00

NAME AND REGISTERED OFFICES OF THE ENTITY		Share in capital in %
TUV SUD China Holding Ltd., Shatin, Hong Kong		100.00
TÜV SÜD Czech s.r.o., Prague, Czech Republic		100.00
TÜV SÜD Danmark ApS, Hellerup, Denmark		100.00
TÜV SÜD France S.A.S., Écully, France		100.00
TUV SUD Hong Kong Ltd, Shatin, Hong Kong		100.00
TÜV SÜD Iberia, S.A.U., Barcelona, Spain		100.00
TUV SUD Inspection Authority (Pty) Ltd., Cape Town, South Africa		48.00
TÜV SÜD Japan Ltd., Tokyo, Japan		100.00
TUV SUD Korea Ltd., Seoul, South Korea		100.00
TÜV SÜD Landesgesellschaft Österreich GmbH, Jenbach, Austria		100.00
TUV SUD Ltd., Glasgow, UK		100.00
TUV SUD Middle East Co. LLC, Muscat, Oman		51.00
TUV SUD Middle East LLC (Qatar), Doha, Qatar		51.00
TUV SUD Middle East LLC, Abu Dhabi, United Arab Emirates		51.00
TÜV SÜD Nederland B.V., Ede, Netherlands		100.00
TÜV SÜD New Energy Vehicle Testing (Jiangsu) Co., Ltd., Changzhou, China	F	52.00
TÜV SÜD Polska Sp. z.o.o., Warsaw, Poland		100.00
TÜV SÜD Products Testing (Shanghai) Co., Ltd, Shanghai, China		100.00
TÜV SÜD PSB Philippines Inc., Pasig City, Philippines		99.99
TUV SUD PSB Pte. Ltd., Singapore		100.00
TÜV SÜD Romania S.R.L., Bucharest, Romania		100.00
TÜV SÜD Sava d.o.o., Ljubljana, Slovenia		100.00
TÜV SÜD Schweiz AG, Zurich, Switzerland		100.00
TUV SUD Services (UK) Ltd., Fareham Hants, UK		100.00
TÜV SÜD SFDK Laboratório de Análise de Produtos EIRELI, São Paulo, Brazil		100.00
TÜV SÜD Slovakia s.r.o., Bratislava, Slovakia		100.00
TUV SUD South Africa (Pty) Ltd., Cape Town, South Africa		48.00
TUV SUD South Asia Pvt. Ltd., Mumbai, India		100.00
TÜV SÜD Sverige AB, Malmö, Sweden		100.00
TÜV SÜD Teknik Güvenlik ve Kalite Denetim Ticaret Ltd. Sirketi (TGK), Istanbul, Turkey		100.00
TUV SUD Vietnam Co. Ltd., Ho-Chi-Minh-Stadt, Vietnam		100.00
TÜVSÜD Portugal, unipessoal Lda., Lisbon, Portugal		100.00

NAME AND REGISTERED OFFICES OF THE ENTITY		Share in capital in %
CONSOLIDATED ASSOCIATED COMPANIES – OTHER COUNTRIES		
SECTA Société Européenne de Contrôle Technique Automobile S.A., Courbevoie, France		38.22
CONSOLIDATED JOINT VENTURES – GERMANY		
Uniscon universal identity control GmbH, Munich		52.00
CONSOLIDATED JOINT VENTURES – OTHER COUNTRIES		
ITV de Levante, S.A., Valencia, Spain		50.00
TÜV SÜD DOGUS Ekspertiz ve Danismanlik Hizmetleri Ltd. Sti., Istanbul, Turkey	F	50.05
TÜVTURK Güney Tasit Muayene Istasyonlari Yapim ve Isletim A. S., Istanbul, Turkey		33.33
TÜVTURK Kuzey Tasit Muayene Istasyonlari Yapim ve Isletim A. S., Istanbul, Turkey		33.33

F = First-time consolidation

Munich, July 12, 2019

TÜV SÜD AG

The Management Board

Prof. Dr.-Ing. Axel Stepken   Ishan Palit   Dr. Matthias J. Rapp

INDEPENDENT AUDITOR'S REPORT

To TÜV SÜD AG, Munich

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of TÜV SÜD AG, Munich, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2018, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1, 2018, to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report (hereinafter referred to as 'group management report') of the TÜV SÜD Group and TÜV SÜD AG for the financial year from January 1, 2018, to December 31, 2018. In accordance with German legal requirements, we have not audited the content of the corporate governance statement pursuant to Section 289f (4) HGB (information on female representation), which is included in the Corporate Governance Report section of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

→ the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2018, and of its financial performance for the financial year from January 1, 2018, to December 31, 2018, and

→ the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not extend to the content of the above-mentioned statement on female representation.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany]. Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Information on an Issue of Particular Concern – Dam Collapse in Brazil

Please see management's comments in note 5 sub-item 'Assumptions, estimation uncertainty and judgments' in conjunction with notes 28 and 37 of the notes to the consolidated financial statements and in the sections 'Business development' and 'Compliance risks and other risks' in the group management report, which describe the effects of a dam collapse in Brazil after the reporting date – the stability of the dam had been certified by a subsidiary of TÜV SÜD AG in summer 2018 – and the provisions determined for this matter. Management notes considerable estimation uncertainty regarding assumptions on the probability of occurrence, the time of payment and the amount of the risk, with the result that the outcome of the pending and imminent legal proceedings could have a significant influence on the Group's assets, liabilities, financial position and financial performance for financial year 2019 and future financial years. Our audit opinions on the consolidated financial statements and management report have not been modified in this regard.

Material Uncertainty about Two Subsidiaries' Ability to Continue as a Going Concern

Please see the disclosures in note 28 of the notes to the consolidated financial statements and the information in the sections 'Compliance risks and other risks' and 'Overall evaluation of the Group's risk situation' in the group management report for information on potential claims against TÜV SÜD AG concerning the dam collapse in Brazil. In those sections, management explains that the continuation as a going concern of the Brazilian subsidiary TÜV SÜD Bureau de Projetos e Consultoria Ltda., São Paulo, Brazil, and its direct shareholder TÜV SÜD SFDK Laboratório de Análise de Produtos EIRELI, São Paulo, Brazil, is at risk if these companies are held liable for the damages resulting from the dam collapse in Brazil and if no further financial support were to be provided by the shareholders. These events and circumstances indicate considerable uncertainty that could cast significant doubt on the two companies' ability to continue their business activities and which represent a risk that could affect the respective company's ability to continue as a going concern within the meaning of Section 322 (2) sentence 3 HGB. Our opinions have not been modified with respect to this matter.

Other Information

Management is responsible for the other information. The other information comprises:

→ the statement on female representation in the group management report,

→ the information in the annual report, with the exception of the audited consolidated financial statements, group management report and our auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

→ is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

→ otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

→ Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

→ Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

→ Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

→ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

→ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

→ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

→ Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

→ Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Munich, July 12, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

Andrejewski	Hachmann
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

GLOSSARY

Additive manufacturing	Process to construct a structural element by depositing material layer by layer based on digital 3D construction data (3D printing).
Advanced analytics	Autonomous or semi-autonomous examination of data or content using processes such as data mining, Big Data analytics or Location Intelligence to predict future events and behaviors.
AHV	"Alters- und Hinterbliebenenversicherung" (engl.: old-age and survivors' insurance)
AI	Artificial intelligence Branch of information technology that deals with the automation of intelligent behavior and machine learning. Attempt to recreate human perception and behavior in machines.
ALIS	Advanced Lateral Impact System System to physically simulate a side-on vehicle collision
ALM	Asset liability management
AsBo	Assessment body
ASME	American Society of Mechanical Engineers
BIM	Building Information Modeling Modeling a digital building twin
BREEAM	Building Research Establishment Environmental Assessment Method Certification system in the area of sustainable building
CCR	Cash conversion rate Free cash flow in relation to consolidated net income
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash generating unit
CoC	Center of Competence
CoE	Center of Excellence
COO	Chief Operating Officer
Credit spread	Difference between high-risk and risk-free benchmark interest rate with the same term. Defines the risk premium that an investor receives as compensation for the credit risk entered into.
CSR-RUG	"Corporate-Social-Responsibility-Richtlinie-Umsetzungsgesetz"(engl.: German Act to Implement the CSR Directive)
CTA	Contractual trust agreement Pension trust; legal model as part of a company pension scheme to remove pension obligations implemented as direct pledges from the statement of financial position.
Cyber security	Computer or information technology security Methods to protect and defend computers, servers, mobile devices, electronic systems, networks and data against malicious attacks, theft, damage or disruptions.
DAkkS	"Deutsche Akkreditierungsstelle" (engl.: German Accreditation Body)
Data analytics	Scientific method to extract and examine large volumes of data from various sources. The aim is to draw conclusions from the data that are related in a certain context.
DBO	Defined benefit obligation
DeBo	Designated body
Digital transformation / digitalization	Ongoing change process that is affecting society as a whole and companies in particular. The basis is digital technologies that are being developed at ever faster rates and thus pave the way for other new digital technologies.
DSO	Days sales outstanding
DYCOT	Dynamic Component Testing Laboratory Hydraulic-powered sledge installation for testing vehicle safety components
Earn-out	Performance-based share of the purchase price in the purchase agreement that is paid at a later date.
EBIT	Earnings before interest and taxes Earnings before interest, before other financial result and before income tax, but after income from participations
EBT	Earnings before taxes
EDB	Economic Development Board
ENEC	European Norms Electrical Certification Symbol to label electronic devices in the European Union
EU-GDPR	EU's General Data Protection Regulation
EVA®	Economic Value Added
Free cash flow	Cash flow from operating activities less cash paid for investments in intangible assets, property, plant and equipment and investment property
FTE	Full-time equivalent
GbR	"Gesellschaft bürgerlichen Rechts" (engl.: partnership under the Civil Code)
GDP	Gross domestic product
GEDP	Global Expert Development Program
German Corporate Governance Code	Key statutory requirements on managing and supervising German listed companies. Contains recommendations and suggestions for proper and responsible corporate governance based on international and national standards.
HAD	Highly-automated driving
HGB	"Handelsgesetzbuch" (engl.: German Commercial Code)
HR	Human resources
Hyperloop	Planned high-speed transportation system where pods travel through virtually-zero-pressure tubes on air bearings at close to the speed of light.

IAS	International Accounting Standards
IASB	International Accounting Standards Board
IATF	International Automotive Task Force
IEC	International Electrotechnical Commission
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standard
IfW	"Institut für Weltwirtschaft" (engl.: Institute for the World Economy)
Industry 4.0	Connecting industrial production with modern information and communication technology. The technical foundation is digitally connected smart systems. People, machines, installations, logistics and products communicate and cooperate with each other directly. Optimization of the entire value chain.
Interest rate swap	Interest derivative where two counterparties agree to exchange interest payments at fixed nominal amounts at a specific point in the future.
IoT	Internet of Things Connecting machines and devices with each other that previously relied on human control.
ISO	International Organization for Standardization
IT	Information technology
IVDR	In-Vitro Diagnostic Regulation
IWF	"Internationaler Währungsfonds" (engl.: International Monetary Fund)
MDR	Medical Device Regulation
MEP	Modular Expert Program
Multi-employer plan	Joint pension plan of several employers
NELEV	"Elektrotechnische-Eigenschaften-Nachweis-Verordnung" (engl.: German Electrotechnical Properties Substantiation Directive)
NoBo	Notified body
NOPAT	Net operating profit after taxes
OEM	Original equipment manufacturer
OSHAS	Occupational health and safety assessment series Certification standard for management systems on occupational health and safety
Outsourcing	Engaging of external contractors or service providers to perform services previously rendered in house
PPA	Purchase price allocation
RDS-PP®	Reference designation system for power plants
SAC	Sustainable Apparel Coalition
Scrum	Scrum is one of the most well-known agile approaches for software development and project management.
Sealed Cloud	Patented security technology that uses purely technical means to ensure that data is encrypted during transfer and storage and also that data and connection information is protected during processing. Operators and administrators have no technical access to the data.
StVzO	"Straßenverkehrszulassungsordnung" (engl.: German road traffic licensing regulations)
TIC	Testing, Inspection, Certification
TPR	The Pension Regulator British regulatory agency for pensions
VVaG	"Versicherungsverein auf Gegenseitigkeit" (engl.: German mutual insurance association)
WACC	Weighted average cost of capital
ZLG	"Zentralstelle der Länder für Gesundheitsschutz" (engl.: Central Authority of the Länder for Health Protection)

Notes and future-oriented statements

In this annual report, TÜV SÜD makes statements relating to the future development of business and future financial and non-financial performance indicators. These statements can be recognized by wording such as “expect”, “intend”, “anticipate”, “plan” and similar terms. These statements are based on current expectations and certain assumptions on the part of the company management, many of which are beyond the control of TÜV SÜD. They are subject to a large number of risks, uncertainties and factors, including but not limited to those described in the annual report. If one or more of these risks or uncertainties should occur, or if it should prove to be the case that the underlying expectations do not materialize or that assumptions were incorrect, the actual events, performance and profits of TÜV SÜD can deviate significantly from the events explicitly or implicitly referred to in the outlook.

Due to rounding, it is possible that individual figures in this annual report do not add up to exactly the given total, and that percentages presented do not reflect exactly the absolute figures to which they refer.

In the event of differences between the English translation and the German version of this annual report, the German version is authoritative and has precedence over the English.

For technical reasons, there may be differences between the accounting documents in this annual report and those published due to statutory requirements.

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