

CONSO
LIDATED

FINANCIAL

STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

Consolidated income statement for the period from January 1 to December 31, 2019

≡ 13

| IN € MILLION | Note | 2019 | 2018 |
|---|------------|----------------|----------------|
| Revenue | (33) | 2,590.1 | 2,498.5 |
| Own work capitalized | | 3.7 | 6.8 |
| Purchased services | | -311.0 | -311.5 |
| Operating performance | | 2,282.8 | 2,193.8 |
| Personnel expenses | (6) | -1,572.9 | -1,510.0 |
| Amortization, depreciation and impairment losses on intangible assets, right-of-use assets, property, plant and equipment and investment property | (7) | -150.2 | -81.6 |
| Other expenses | (8) | -430.8 | -558.3 |
| Other income | (9) | 60.4 | 80.8 |
| Impairment of goodwill | (13), (20) | 0.0 | -27.1 |
| Operating result | | 189.3 | 97.6 |
| Income from investments accounted for using the equity method | (10) | 17.3 | 8.5 |
| Other income/loss from participations | (10) | -3.8 | -0.6 |
| Interest income | (10) | 2.4 | 2.5 |
| Interest expenses | (10) | -23.2 | -12.8 |
| Other financial result | (10) | 2.4 | -0.6 |
| Financial result | | -4.9 | -3.0 |
| Income before taxes | | 184.4 | 94.6 |
| Income taxes | (11) | -51.8 | -46.4 |
| Consolidated net income | | 132.6 | 48.2 |
| Attributable to: | | | |
| Owners of TÜV SÜD AG | | 117.8 | 32.4 |
| Non-controlling interests | (12) | 14.8 | 15.8 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income for the period from January 1 to December 31, 2019

≡ 14

| IN € MILLION | Note | 2019 | 2018 |
|--|------|--------------|--------------|
| Consolidated net income | | 132.6 | 48.2 |
| Remeasurements of defined benefit pension plans | (22) | | |
| Changes from unrealized gains and losses | | -79.4 | -21.1 |
| Tax effect | | 52.1 | 1.2 |
| | | -27.3 | -19.9 |
| Equity instruments at fair value | | | |
| Changes from unrealized gains and losses | | 0.2 | 0.0 |
| | | 0.2 | 0.0 |
| Total amount of items in other comprehensive income that will not be reclassified to the income statement | | -27.1 | -19.9 |
| Debt instruments at fair value | | | |
| Changes from unrealized gains and losses | | 0.2 | -0.2 |
| Tax effect | | -0.1 | 0.1 |
| | | 0.1 | -0.1 |
| Currency translation differences | | | |
| Changes from unrealized gains and losses | | 8.6 | 1.9 |
| Changes from realized gains and losses | | 0.0 | -6.9 |
| | | 8.6 | -5.0 |
| Investments accounted for using the equity method | | | |
| Changes from unrealized gains and losses | | -2.2 | -3.8 |
| | | -2.2 | -3.8 |
| Total amount of the items of other comprehensive income that will be reclassified to the income statement in future periods | | 6.5 | -8.9 |
| Other comprehensive income | (11) | -20.6 | -28.8 |
| Total comprehensive income | | 112.0 | 19.4 |
| Attributable to: | | | |
| Owners of TÜV SÜD AG | | 100.7 | 4.0 |
| Non-controlling interests | | 11.3 | 15.4 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated statement of financial position as of December 31, 2019

≡ 15

| IN € MILLION | Note | Dec. 31, 2019 | Dec. 31, 2018 |
|---|------|----------------|----------------|
| Assets | | | |
| Intangible assets | (13) | 323.0 | 325.6 |
| Right-of-use assets | (27) | 261.1 | 0.0 |
| Property, plant and equipment | (14) | 525.3 | 488.0 |
| Investment property | (15) | 3.0 | 3.3 |
| Investments accounted for using the equity method | (16) | 48.7 | 39.5 |
| Other financial assets | (17) | 131.9 | 93.3 |
| Other non-current assets | (19) | 7.7 | 8.1 |
| Deferred tax assets | (11) | 284.3 | 245.7 |
| Non-current assets | | 1,585.0 | 1,203.5 |
| Inventories | | 5.4 | 4.0 |
| Trade receivables | (18) | 495.5 | 487.2 |
| Income tax receivables | | 19.8 | 18.4 |
| Other receivables and other current assets | (19) | 101.3 | 104.7 |
| Cash and cash equivalents | (32) | 203.3 | 209.6 |
| Non-current assets and disposal groups held for sale | (20) | 29.9 | 44.4 |
| Current assets | | 855.2 | 868.3 |
| Total assets | | 2,440.2 | 2,071.8 |
| Equity and liabilities | | | |
| Capital subscribed | (21) | 26.0 | 26.0 |
| Capital reserve | (21) | 128.2 | 124.4 |
| Revenue reserves | (21) | 716.6 | 624.5 |
| Other reserves | (21) | -28.0 | -34.4 |
| Equity attributable to the owners of TÜV SÜD AG | | 842.8 | 740.5 |
| Non-controlling interests | (12) | 64.0 | 64.2 |
| Equity | | 906.8 | 804.7 |
| Provisions for pensions and similar obligations | (22) | 548.8 | 568.3 |
| Other non-current provisions | (23) | 107.3 | 111.3 |
| Non-current financial debt | (24) | 2.4 | 1.3 |
| Non-current lease liabilities | (27) | 208.6 | 0.0 |
| Other non-current liabilities | (26) | 0.1 | 7.2 |
| Deferred tax liabilities | (11) | 22.5 | 25.7 |
| Non-current liabilities | | 889.7 | 713.8 |
| Current provisions | (23) | 150.3 | 152.8 |
| Income tax liabilities | | 24.9 | 19.1 |
| Current financial debt | (24) | 2.7 | 6.8 |
| Current lease liabilities | (27) | 55.2 | 0.0 |
| Trade payables | (25) | 181.3 | 150.6 |
| Other current liabilities | (26) | 212.3 | 195.2 |
| Liabilities directly associated with non-current assets and disposal groups held for sale | (20) | 17.0 | 28.8 |
| Current liabilities | | 643.7 | 553.3 |
| Total equity and liabilities | | 2,440.2 | 2,071.8 |

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows for the period from January 1 to December 31, 2019

≡ 16

| IN € MILLION | Note | 2019 | 2018 |
|---|------|---------------|---------------|
| Consolidated net income | | 132.6 | 48.2 |
| Amortization, depreciation, impairment losses and reversals of impairment losses on intangible assets, right-of-use assets, property, plant and equipment and investment property | | 150.2 | 81.5 |
| Impairment of goodwill | | 0.0 | 27.1 |
| Impairment losses and reversals of impairment losses on financial assets | | 3.1 | 4.5 |
| Change in deferred tax assets and liabilities recognized in the income statement | (11) | 18.7 | -5.9 |
| Gain/loss on disposal of intangible assets, right-of-use assets, property, plant and equipment and financial assets | | -0.7 | -1.5 |
| Gain/loss from the sale of shares in fully consolidated entities and business units | | -3.9 | -17.6 |
| Other non-cash income/expenses | | -1.1 | -7.2 |
| Change in inventories, receivables and other assets | | -32.2 | -38.9 |
| Change in liabilities and provisions | | 48.3 | 118.0 |
| Cash flow from operating activities | | 315.0 | 208.2 |
| Cash paid for investments in | | | |
| intangible assets, property, plant and equipment and investment property | | -117.7 | -103.0 |
| financial assets | | -24.3 | -4.8 |
| securities | | -22.0 | -69.2 |
| business combinations (net of cash acquired) | (3) | -0.1 | -23.3 |
| Cash received from disposals of | | | |
| intangible assets and property, plant and equipment | | 3.7 | 3.2 |
| financial assets | | 2.2 | 1.0 |
| securities | | 14.0 | 0.0 |
| shares in fully consolidated entities and business units (net of cash transferred) | | 6.9 | 33.6 |
| Contribution to pension plans | (32) | -116.7 | -95.3 |
| Cash flow from investing activities | | -254.0 | -257.8 |
| Dividends paid to owners of TÜV SÜD AG | | -2.1 | -2.1 |
| Dividends paid to non-controlling interests | | -10.3 | -10.0 |
| Repayments of loans including currency translation differences | | -5.0 | -1.9 |
| Proceeds from loans including currency translation differences | | 2.0 | 1.5 |
| Repayments of lease liabilities | | -59.8 | 0.0 |
| Other cash received or paid | | 4.3 | 0.0 |
| Cash flow from financing activities | | -70.9 | -12.5 |
| Net change in cash and cash equivalents | | -9.9 | -62.1 |
| Effect of currency translation differences and change in scope of consolidation on cash and cash equivalents | | 2.2 | 0.4 |
| Cash and cash equivalents at the beginning of the period | | 211.6 | 273.3 |
| Cash and cash equivalents at the end of the period | (32) | 203.9 | 211.6 |
| Net of cash and cash equivalents of disposal groups at the end of the period | | -0.6 | -2.0 |
| Cash and cash equivalents at the end of the period according to the statement of financial position | | 203.3 | 209.6 |
| Additional information on cash flows included in cash flow from operating activities: | | | |
| Interest paid | | 6.9 | 1.0 |
| Interest received | | 2.2 | 1.9 |
| Income taxes paid | | 43.0 | 67.7 |
| Income taxes refunded | | 9.3 | 2.4 |
| Dividends received | | 14.1 | 8.5 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity for the period from January 1 to December 31, 2019

| IN € MILLION | Capital subscribed | Capital reserve | Revenue reserves | |
|---|--------------------|-----------------|---|------------------------|
| | | | Remeasurements of defined benefit pension plans | Other revenue reserves |
| As of January 1, 2018 | 26.0 | 124.4 | -301.1 | 914.8 |
| Effect from first-time application of IFRS 9 | | | | 0.2 |
| As of January 1, 2018, adjusted | 26.0 | 124.4 | -301.1 | 915.0 |
| Consolidated net income | | | | 32.4 |
| Other comprehensive income | | | -19.5 | |
| Dividends paid | | | | -2.1 |
| Change in scope of consolidation ¹ | | | 0.4 | -0.4 |
| Other changes | | | | -0.2 |
| As of December 31, 2018 | 26.0 | 124.4 | -320.2 | 944.7 |
| As of January 1, 2019 | 26.0 | 124.4 | -320.2 | 944.7 |
| Consolidated net income | | | | 117.8 |
| Other comprehensive income | | | -23.5 | |
| Dividends paid | | | | -2.1 |
| Change in scope of consolidation | | 3.8 | 0.1 | |
| Other changes | | | | -0.2 |
| As of December 31, 2019 | 26.0 | 128.2 | -343.6 | 1,060.2 |

1 _ Non-controlling interests of € 2.7 million not yet paid in as of December 31, 2018.

≡ 17

| Other reserves | | | | | | Equity attributable to the owners of TÜV SÜD AG | Non-controlling interests | Total equity |
|----------------------------------|-------------------------------------|----------------------------------|--------------------------------|---|-------|---|---------------------------|--------------|
| Currency translation differences | Available-for-sale financial assets | Equity instruments at fair value | Debt instruments at fair value | Investments accounted for using the equity method | | | | |
| -5.7 | 0.3 | - | - | -20.1 | 738.6 | 54.8 | 793.4 | |
| | -0.3 | | 0.3 | | 0.2 | | 0.2 | |
| -5.7 | - | 0.0 | 0.3 | -20.1 | 738.8 | 54.8 | 793.6 | |
| | | | | | 32.4 | 15.8 | 48.2 | |
| -5.0 | | | -0.1 | -3.8 | -28.4 | -0.4 | -28.8 | |
| | | | | | -2.1 | -10.3 | -12.4 | |
| | | | | | 0.0 | 4.3 | 4.3 | |
| | | | | | -0.2 | | -0.2 | |
| -10.7 | - | 0.0 | 0.2 | -23.9 | 740.5 | 64.2 | 804.7 | |
| -10.7 | - | 0.0 | 0.2 | -23.9 | 740.5 | 64.2 | 804.7 | |
| | | | | | 117.8 | 14.8 | 132.6 | |
| 8.3 | | 0.2 | 0.1 | -2.2 | -17.1 | -3.5 | -20.6 | |
| | | | | | -2.1 | -10.6 | -12.7 | |
| | | | | | 3.9 | -0.9 | 3.0 | |
| | | | | | -0.2 | | -0.2 | |
| -2.4 | - | 0.2 | 0.3 | -26.1 | 842.8 | 64.0 | 906.8 | |

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, 2019 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 2019 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 March 10, 2020, TÜV SÜD AG’s Board of Management approved the consolidated financial statements for the fiscal year 2019 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, 2019. 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. ≡ 18

Scope of consolidation

≡ 18

| NUMBER OF ENTITIES | Dec. 31, 2019 | Dec. 31, 2018 |
|--|---------------|---------------|
| Fully consolidated entities | 102 | 106 |
| Entities accounted for using the equity method | 7 | 6 |
| thereof joint ventures | 6 | 5 |
| thereof associated companies | 1 | 1 |
| Total number of consolidated entities | 109 | 112 |

The scope of consolidation was extended in the fiscal year 2019 to include new three entities. The additions relate to one fully consolidated newly founded company, the acquisition of a company and a first-time consolidation of an existing group company. Six entities were removed from the scope of consolidation, one of which due to an intragroup merger and five due to the sale of the entities. After 60% of the shares in the company were sold, one company was included in the consolidated financial statements according to the equity method. Overall, deconsolidations resulted in gains of € 4.5 million (prior year: € 23.2 million) and losses of € 0.6 million (prior year: € 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. The share in Uniscon increased to 76% in 2019 following a further share purchase. After reviewing the entity’s purpose and structure as well as analyzing the contractual arrangement, Uniscon also continues to be 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. Claims may therefore be lodged against TÜV SÜD AG if the entities are unable to settle their obligations 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.

On December 31, 2019 TÜV SÜD AG acquired all of the shares in TÜV SÜD Föderation GmbH, Munich from TÜV SÜD e. V., Munich. As the company's sole purpose is to manage pension obligations, the transaction does not constitute an acquisition of a business within the meaning of IFRS 3. The company has been fully consolidated since the date of acquisition. The difference resulting from this transaction of € 3.8 million was recognized as an increase in capital reserves.

In fiscal year 2018, TÜV SÜD made two acquisitions. In March 2018, 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



| | Closing rate | | Annual average rate | |
|------------------------|---------------|---------------|---------------------|--------|
| | Dec. 31, 2019 | Dec. 31, 2018 | 2019 | 2018 |
| Chinese renminbi (CNY) | 7.8205 | 7.8751 | 7.7339 | 7.8070 |
| Pound sterling (GBP) | 0.8508 | 0.8945 | 0.8773 | 0.8847 |
| Singapore dollar (SGD) | 1.5111 | 1.5591 | 1.5272 | 1.5928 |
| Turkish lira (TRY) | 6.6843 | 6.0588 | 6.3574 | 5.6998 |
| US dollar (USD) | 1.1234 | 1.1450 | 1.1196 | 1.1815 |

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 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 2020 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.

Pursuant to IFRS 16, from January 1, 2019 **leases** are recognized, at the time at which the lease asset is made available to the Group, at the lessee as a right-of-use asset and a corresponding lease liability. **Right-of-use assets** are measured at cost comprising the initial amount of the lease liability adjusted for lease payments made on or before the commencement date along with initial direct costs and estimated costs for possible restoration obligations. The right-of-use asset is depreciated on a straight-line basis over the shorter of the useful life of the right-of-use asset and the lease term.

At the time of initial recognition, **lease liabilities** are measured at the present value of the lease payments not yet paid at the commencement date of the lease. These are discounted using the incremental borrowing rate of the respective lessee as the interest rate implicit in the lease cannot be readily determined. Currency-specific reference interest rates for various periods of up to 50 years from risk-free interest rates with matching terms are used to determine the incremental borrowing rate. The latter is increased by loan risk premiums and adjusted for the duration of an agreement. The lease liability mostly accounts for fixed lease payments and variable lease payments linked to an index or interest rate. When determining the term of leases TÜV SÜD takes account of all those facts and circumstances that offer an economic incentive to exercise options to extend the lease or not exercise options to terminate it. Changes to the term stemming from options to extend or terminate the lease being exercised are only included in the term of the agreement if it is reasonably certain that an option to extend a lease or not terminate it will be exercised. The lease liability is remeasured if future lease payments change on account of a change in an index or if the Group amends its estimation regarding whether the option to extend or terminate the lease will be exercised. The right-of-use asset is adjusted accordingly.

Practical expedients are applied for leases of low-value assets and short-term leases. In these cases, the lease payments are expensed on a straight-line basis in the income statement. Lease agreements with a term of up to twelve months qualify as short-term leases. Low-value assets include IT equipment and smaller technical devices, for example. Furthermore, the requirements of IFRS 16 on lease accounting are not applied to leases for intangible assets. Intragroup leases are likewise not recognized pursuant to IFRS 16. In the future, this means that in the segment reporting pursuant to IFRS 8, lease payments for these leases will also be recognized in profit or loss on a straight-line basis over the term of the lease.

Lease payments are divided up into payments of principal and interest. The interest component is recognized under cash flow from operating activities in the statement of cash flows, whereas payments made to repay the lease liabilities are shown under cash flow from financing activities.

Up to and including 2018, leases used to be either classified as finance or operating leases pursuant to IAS 17. Operating lease payments were recognized in profit or loss on a straight-line basis over the term of the lease.

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

Current income taxes are calculated based on the respective local taxable income and local tax rules in place for the year. Furthermore, current taxes recognized in the fiscal year include adjustments for uncertain tax payments or refunds for years that have not yet been finally assessed. However, these exclude interest payments or interest refunds and penalty payments on the payment of tax arrears. Corresponding provisions are recognized in the event that the amounts stated in the tax returns are not likely to be recognized (uncertain tax positions). The amount is determined from the best estimate of the expected tax payment (expected value or most likely amount of the tax uncertainty). Tax refund claims from uncertain tax positions are recognized if it is more likely than not and thus reasonably certain that they can be realized. Only in the case of tax loss carryforwards, no tax liability or tax claim is recognized for these uncertain tax positions. Instead, the deferred tax assets for the unused tax loss carryforwards are to be adjusted.

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 directly 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 has not made 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 considerations from business combinations as defined by IFRS 3 are carried at fair value. All other liabilities are recognized at amortized cost.

Assumptions, estimation uncertainties and judgments

The preparation of the consolidated financial statements requires that assumptions or estimates are 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 these 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% decrease in cash flow, which is used to calculate the fair value less costs to sell or the value in use of the cash-generating unit, would not lead to an impairment loss on goodwill that is not impaired. The same also applies for an increase of one percentage point in the weighted average cost of capital or a decline of one percentage point in the sustainable growth rate.

The **defined benefit obligations (DBO)** and the pension expenses for the subsequent year are calculated using the actuarial parameters stated 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 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. Note 29 presents the Group's pending and imminent legal proceedings, the outcome of which could have a significant impact on the Group's financial performance and position for fiscal year 2020 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

IFRS 16 "Leases" was applied for the first time as of January 1, 2019 in compliance with the transition requirements of the modified retrospective method. Consequently, the comparative information for prior periods was not restated. The cumulative effect from the first-time application of IFRS 16 was not recognized as of January 1, 2019, for reasons of materiality. The Group has made use of various options and exemptions under the modified retrospective method. Therefore, at the time of first-time application a new evaluation was not carried out to determine whether an agreement constitutes or contains a lease. For leases that were previously classified as operating leases pursuant to IAS 17, at the date of first-time application, the right-of-use asset was recognized in the amount of the present value of the payment obligation. This was determined by discounting the remaining lease payments using the incremental borrowing rate as of January 1, 2019. The average weighted interest rate at the time of first-time application was 2.35%. During the transition, leases that had a remaining term as of January 1, 2019 of less than twelve months were treated as short-term leases. Furthermore, initial direct costs were not taken into account when measuring the right-of-use assets at

the date of initial application. Leases that were classified pursuant to IAS 17 as finance leases as of December 31, 2018 were taken over at the carrying amounts of the assets and liabilities recognized directly before the first-time application and carried forward according to the provisions of IFRS 16.

The operating lease obligations as of December 31, 2018 can be reconciled to the lease liabilities recognized as of January 1, 2019 as follows:

Reconciliation pursuant to IFRS 16

≡ 20

IN € MILLION

| | |
|---|--------------|
| Obligations from rental and lease agreements as of December 31, 2018 | 226.3 |
| Discounted with the incremental borrowing rate as of January 1, 2019 | - 16.8 |
| Liabilities from finance leases as of December 31, 2018 | 0.7 |
| Obligations included relating to short-term leases | - 4.5 |
| Obligations included relating to leases of low-value assets | - 2.3 |
| Consideration of options to extend leases that are reasonably certain to be exercised | 68.3 |
| Reclassifications to "held for sale" | - 2.0 |
| Lease liabilities as of January 1, 2019 | 269.7 |

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, 2019. 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 endorsed by the EU that are not yet mandatory

≡ 21

| Standard | Effective date pursuant to EU endorsement | 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 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform" | January 1, 2020 | No consequences are expected for the consolidated financial statements. |
| Framework "Amendments to References to the Conceptual Framework in the IFRS Standards" | January 1, 2020 | No significant consequences are expected for the consolidated financial statements. |

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

≡ 22

| Standard | Effective date | Anticipated impact on TÜV SÜD AG's consolidated financial statements |
|--|-----------------|---|
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current" | January 1, 2022 | No 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 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | Pending | These amendments are currently not relevant for TÜV SÜD. |

Notes to the consolidated income statement

6 / PERSONNEL EXPENSES

| Personnel expenses ≡ 23 | | |
|---|----------------|----------------|
| IN € MILLION | 2019 | 2018 |
| Wages and salaries | 1,264.3 | 1,214.2 |
| Social security contributions and other benefit costs | 171.9 | 165.1 |
| Retirement benefit costs | 107.8 | 102.8 |
| Incidental personnel costs | 28.9 | 27.9 |
| | 1,572.9 | 1,510.0 |

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 along with exchange rate effects.

Retirement benefit costs also include employer contributions to state pensions. The current service cost decreased by € 1.7 million in fiscal year 2019. The reason for this is the decrease in the number of active employees. 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 23,024 employees in the reporting year (prior year: 22,424 employees). The majority of employees are salaried employees.

7 / AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES ON INTANGIBLE ASSETS, RIGHT-OF-USE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Amortization, depreciation and impairment losses on intangible assets, right-of-use assets, property, plant and equipment and investment property ≡ 24

| IN € MILLION | 2019 | 2018 |
|----------------------------------|--------------|-------------|
| Amortization and depreciation | | |
| of intangible assets | 20.1 | 20.0 |
| of right-of-use assets | 62.4 | 0.0 |
| of property, plant and equipment | 62.6 | 55.5 |
| of investment property | 0.1 | 0.2 |
| Impairment losses | 5.0 | 5.9 |
| | 150.2 | 81.6 |

8 / OTHER EXPENSES

Other expenses

≡ 25

| IN € MILLION | 2019 | 2018 |
|---|--------------|--------------|
| Travel expenses | 81.6 | 93.8 |
| Rental and maintenance expenses | 60.0 | 104.6 |
| IT costs | 50.8 | 45.5 |
| Cost of purchased administrative services | 46.9 | 44.8 |
| Fees, contributions, consulting and audit costs | 36.9 | 60.9 |
| Telecommunication costs | 19.2 | 19.5 |
| Marketing costs | 17.4 | 17.3 |
| Impairment losses on trade receivables (including amounts derecognized) | 12.4 | 6.5 |
| Currency translation losses | 10.2 | 10.4 |
| Other taxes | 5.7 | 4.6 |
| Miscellaneous other expenses | 89.7 | 150.4 |
| | 430.8 | 558.3 |

9 / OTHER INCOME

Other income

≡ 26

| IN € MILLION | 2019 | 2018 |
|---|-------------|-------------|
| Currency translation gains | 9.6 | 8.7 |
| Income from other transactions not typical for the company | 7.3 | 8.8 |
| Income from the reversal of provisions | 6.3 | 6.8 |
| Income from the reversals of impairment losses on trade receivables | 2.4 | 1.1 |
| Income from the disposal of non-current assets | 1.7 | 24.8 |
| Income from the reversal of impairment losses on fixed assets | 0.1 | 0.1 |
| Miscellaneous other income | 33.0 | 30.5 |
| | 60.4 | 80.8 |

10 / FINANCIAL RESULT

Financial result

≡ 27

| IN € MILLION | 2019 | | 2018 | |
|--|-------|--------------|-------|--------------|
| Income from investments accounted for using the equity method | | 17.3 | | 8.5 |
| Income/loss from participations | | | | |
| Financial income from participations | 2.4 | | 5.1 | |
| Finance costs from participations | -6.1 | -3.7 | -5.7 | -0.6 |
| Income/loss from loans | | | | |
| Financial income from loans | 0.0 | | 0.0 | |
| Finance costs from loans | -0.1 | -0.1 | 0.0 | 0.0 |
| Other income/loss from participations | | -3.8 | | -0.6 |
| Interest income from securities | | 0.0 | | 0.1 |
| Interest income from loans | | 0.6 | | 0.5 |
| Other interest and similar income | | 1.8 | | 1.9 |
| Interest income | | 2.4 | | 2.5 |
| Net finance costs for pension provisions | | -8.3 | | -9.9 |
| Interest expenses from lease liabilities | | -6.3 | | - |
| Interest expenses from finance leases | | - | | -0.1 |
| Other interest and similar expenses | | -8.6 | | -2.8 |
| Interest expenses | | -23.2 | | -12.8 |
| Currency gains/losses from financing measures | | | | |
| Currency translation gains | 11.0 | | 13.0 | |
| Currency translation losses | -11.0 | 0.0 | -12.9 | 0.1 |
| Sundry financial result | | | | |
| Sundry financial income | 4.6 | | 1.7 | |
| Sundry finance costs | -2.2 | 2.4 | -2.4 | -0.7 |
| Other financial result | | 2.4 | | -0.6 |
| | | -4.9 | | -3.0 |

The income from investments accounted for using the equity method of € 17.3 million (prior year: € 8.5 million) contains a figure of € 19.1 million (prior year: € 8.3 million) from the proportionate net income generated by the joint ventures TÜVTÜRK.

The total interest income from assets not measured at fair value through profit or loss amounts to € 2.4 million in the fiscal year 2019 (prior year: € 2.5 million). The total interest expense (excluding net finance costs for pension provisions) amounts to € 14.9 million (prior year: € 2.9 million). This contains interest expenses from lease liabilities from the first-time application of IFRS 16 of € 6.3 million, the discounting effect on a loan of € 2.5 million (prior year: € 0.0 million) and expense from the change in discount rate on provisions for long-service bonuses and medical benefits of € 2.5 million (prior year: € 0.0 million).

11 / INCOME TAXES

Income taxes

≡ 28

| IN € MILLION | 2019 | | 2018 | |
|---------------------------|------|-------------|------|-------------|
| Current taxes | | 32.9 | | 52.3 |
| Deferred taxes | | | | |
| on temporary differences | 21.4 | | -6.1 | |
| on tax loss carryforwards | -2.5 | 18.9 | 0.2 | -5.9 |
| | | 51.8 | | 46.4 |

Current taxes for the fiscal year 2019 include expenses of € 2.0 million (prior year: income of € 1.1 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

≡ 29

| IN € MILLION | 2019 | 2018 |
|--|--------------|--------------|
| Income before taxes | 184.4 | 94.6 |
| Expected tax rate | 30.6% | 30.6% |
| Expected income tax expense | 56.4 | 28.9 |
| Tax rate differences | -3.9 | -3.0 |
| Tax reductions due to tax-free income | -9.1 | -10.3 |
| Tax increases due to non-deductible expenses | 6.1 | 24.1 |
| Tax increases due to non-deductible income taxes and withholding taxes | 4.7 | 4.1 |
| Tax effect on accounting for associated companies and joint ventures using the equity method | -4.8 | -2.5 |
| Tax increases on account of non-deductible impairment of goodwill | 0.0 | 8.3 |
| Current and deferred taxes for prior years | 1.9 | -3.1 |
| Valuation allowances and adjustments to carrying amounts of deferred taxes | 2.2 | 0.8 |
| Effect of changes in tax rates | -0.7 | -0.8 |
| Other differences | -1.0 | -0.1 |
| Reported income tax expense | 51.8 | 46.4 |
| Effective tax rate | 28.1% | 49.0% |

Valuation allowances and adjustments to carrying amounts of deferred taxes contain deferred tax income of € 0.6 million (prior year: € 1.8 million) from the decrease in the deferred tax expense caused by previously unrecognized tax loss carryforwards. This was counterbalanced by deferred tax expenses

of € 3.4 million (prior year: € 4.1 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 € 0.4 million (prior year: € 1.5 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

≡ 30

| IN € MILLION | Deferred tax assets | | Deferred tax liabilities | |
|---|---------------------|---------------|--------------------------|---------------|
| | Dec. 31, 2019 | Dec. 31, 2018 | Dec. 31, 2019 | Dec. 31, 2018 |
| Non-current assets | 5.7 | 5.5 | 69.0 | 66.9 |
| Current assets | 8.4 | 2.8 | 22.2 | 15.9 |
| Non-current liabilities | | | | |
| Provisions for pensions and similar obligations | 299.2 | 262.2 | 1.9 | 0.9 |
| Other non-current liabilities | 13.0 | 9.6 | 1.4 | 1.5 |
| Current liabilities | 25.6 | 25.7 | 2.1 | 5.5 |
| | 351.9 | 305.8 | 96.6 | 90.7 |
| Offsetting | -74.1 | -65.0 | -74.1 | -65.0 |
| Deferred taxes on temporary differences | 277.8 | 240.8 | 22.5 | 25.7 |
| Deferred taxes on tax loss carryforwards | 6.5 | 4.9 | | |
| | 284.3 | 245.7 | 22.5 | 25.7 |

In Germany, no deferred taxes were recognized on corporate income tax loss carryforwards of € 13.6 million (prior year: € 12.2 million) and trade tax loss carryforwards of € 13.3 million (prior year: € 12.5 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 € 30.9 million (prior year: € 33.4 million). Of these tax loss carryforwards, € 28.1 million (prior year: € 30.2 million) can be used indefinitely and € 2.8 million (prior year: € 2.7 million) will expire within the next five years. Furthermore, no deferred tax assets were recognized for

deductible temporary differences of € 6.5 million (prior year: € 9.2 million).

Differences on investments in subsidiaries totaling € 18.4 million (prior year: € 14.2 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

≡ 31

| IN € MILLION | 2019 | 2018 |
|---|--------------|--------------|
| As of January 1 | 220.0 | 213.1 |
| Currency translation differences | -0.1 | -0.1 |
| Changes in scope of consolidation | 8.8 | 1.7 |
| Income (+)/ expense (-) in the income statement | -18.9 | 5.9 |
| Deferred taxes recognized in other comprehensive income | 52.0 | 1.3 |
| Reclassifications to "held for sale" | 0.0 | -1.9 |
| As of December 31 | 261.8 | 220.0 |

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

Income taxes recognized directly in other comprehensive income

≡ 32

| IN € MILLION | 2019 | | | 2018 | | |
|---|--------------|-----------------------------|--------------|--------------|-----------------------------|--------------|
| | Before tax | Deferred tax expense/income | After tax | Before tax | Deferred tax expense/income | After tax |
| Remeasurements of defined benefit pension plans | -79.4 | 52.1 | -27.3 | -21.1 | 1.2 | -19.9 |
| Equity instruments at fair value | 0.2 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 |
| Debt instruments at fair value | 0.2 | -0.1 | 0.1 | -0.2 | 0.1 | -0.1 |
| Currency translation of foreign subsidiaries | 8.6 | 0.0 | 8.6 | -5.0 | 0.0 | -5.0 |
| Investments accounted for using the equity method | -2.2 | 0.0 | -2.2 | -3.8 | 0.0 | -3.8 |
| Other comprehensive income | -72.6 | 52.0 | -20.6 | -30.1 | 1.3 | -28.8 |

12 / NON-CONTROLLING INTERESTS

Companies with significant non-controlling interests

≡ 33

| | TÜV Technische Überwachung Hessen GmbH, Germany | | TUV SUD Certification and Testing (China) Co., Ltd., China | |
|--|--|---------------|---|---------------|
| | Dec. 31, 2019 | Dec. 31, 2018 | Dec. 31, 2019 | Dec. 31, 2018 |
| Non-controlling interest | 45.0% | 45.0% | 49.0% | 49.0% |
| IN € MILLION | | | | |
| Non-current assets | 111.0 | 83.1 | 48.1 | 22.5 |
| Current assets | 37.8 | 44.9 | 101.3 | 89.7 |
| Non-current liabilities | 71.7 | 53.8 | 17.9 | 0.0 |
| Current liabilities | 21.9 | 18.7 | 80.4 | 60.6 |
| Net assets | 55.2 | 55.5 | 51.1 | 51.6 |
| Carrying amount of non-controlling interests | 24.9 | 25.1 | 25.1 | 25.3 |
| | 2019 | 2018 | 2019 | 2018 |
| Revenue | 156.8 | 145.8 | 195.5 | 178.7 |
| Net income for the year | 9.3 | 11.5 | 15.3 | 15.8 |
| Other comprehensive income | -8.2 | -0.9 | 0.4 | -0.5 |
| Total comprehensive income | 1.1 | 10.6 | 15.7 | 15.3 |
| Net income attributable to non-controlling interests | 4.1 | 5.1 | 7.5 | 7.7 |
| Other comprehensive income attributable to non-controlling interests | -3.7 | -0.4 | 0.2 | -0.2 |
| Dividends paid to non-controlling interests | 0.5 | 1.3 | 7.9 | 6.2 |
| Cash flow from operating activities | 19.8 | 19.0 | 34.1 | 21.7 |
| Cash flow from investing activities | -24.1 | -9.4 | -4.4 | -37.1 |
| Cash flow from financing activities | -4.2 | -3.0 | -25.1 | -12.8 |
| Net change in cash and cash equivalents | -8.5 | 6.6 | 4.6 | -28.2 |

Notes to the consolidated statement of financial position

13 / INTANGIBLE ASSETS

Development of intangible assets

≡ 34

| 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, 2019 | 253.5 | 153.7 | 44.0 | 89.3 | 11.6 | 552.1 |
| Currency translation differences | 3.8 | 1.7 | 0.1 | 0.1 | 0.0 | 5.7 |
| Change in scope of consolidation | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 |
| Additions | 0.0 | 0.8 | 1.2 | 15.6 | 6.2 | 23.8 |
| Disposals | 0.0 | 0.0 | 0.0 | -14.4 | -0.7 | -15.1 |
| Reclassifications to "held for sale" | -27.3 | -4.0 | -2.0 | -1.1 | -0.2 | -34.6 |
| Reclassifications | 0.0 | 2.1 | 1.9 | 2.7 | -5.3 | 1.4 |
| Gross carrying amount as of December 31, 2019 | 230.3 | 154.3 | 45.2 | 92.2 | 11.6 | 533.6 |
| Accumulated amortization and impairment losses | -32.4 | -88.5 | -21.9 | -67.8 | 0.0 | -210.6 |
| Carrying amount as of December 31, 2019 | 197.9 | 65.8 | 23.3 | 24.4 | 11.6 | 323.0 |
| Amortization and impairment losses in the fiscal year 2019 | 0.0 | -7.9 | -5.1 | -8.8 | 0.0 | -21.8 |
| 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 |

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

Goodwill

≡ 35

| IN € MILLION | Dec. 31, 2019 | Dec. 31, 2018 |
|------------------------------|---------------|---------------|
| Industry Service | 88.4 | 86.8 |
| Real Estate & Infrastructure | 34.9 | 41.0 |
| Auto Service | 34.9 | 34.9 |
| Product Service | 34.9 | 33.8 |
| Other | 4.8 | 4.7 |
| | 197.9 | 201.2 |

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 amounting to € 3.4 million (prior year: € 3.9 million) for the license of TÜV SÜD Bursa, Kestel-Bursa, Turkey for regular vehicle inspections. 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 € 29.7 million (prior year: € 29.8 million), of which € 20.3 million (prior year: € 20.3 million) relates to the Auto Service CGU and € 9.4 million (prior year: € 9.5 million) to the Industry Service CGU.

Impairment losses of € 1.7 million (prior year: € 2.9 million) were recognized on customer relationships and order backlog as part of the annual impairment test of intangible assets. Of these amounts, € 1.6 million (prior year: € 1.9 million) is attributable to the INDUSTRY Segment and € 0.1 million (prior year: € 1.0 million) to the CERTIFICATION Segment.

An impairment loss of € 13.9 million was recognized on goodwill in the prior year, of which € 6.9 million was attributable to the INDUSTRY Segment, € 5.0 million to the CERTIFICATION Segment and € 2.0 million to the MOBILITY Segment. These amounts largely related to both of the entities in Brazil, for which goodwill and other non-current assets were written off in full due to the legal risks resulting from the dam collapse.

The calculation of fair value less costs to sell per CGU was based on a discount rate of between 6.4% and 7.2% taking income taxes into account (prior year: between 6.8% and 7.5%). 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 of approximately € 20 million (prior year: € 20 million) were recognized through profit or loss in the reporting year.

14 / PROPERTY, PLANT AND EQUIPMENT

Development of property, plant and equipment

≡ 36

| 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, 2019 | 519.6 | 242.6 | 309.9 | 22.7 | 1,094.8 |
| Currency translation differences | 1.1 | 4.8 | 1.1 | 0.0 | 7.0 |
| Change in scope of consolidation | 0.0 | 0.3 | 0.1 | 0.0 | 0.4 |
| Additions | 6.9 | 27.7 | 41.0 | 26.6 | 102.2 |
| Disposals | -3.9 | -9.1 | -21.0 | 0.0 | -34.0 |
| Reclassifications to "held for sale" | -0.4 | -11.8 | -3.3 | -0.2 | -15.7 |
| Reclassifications | 4.8 | 16.6 | 5.9 | -28.7 | -1.4 |
| Gross carrying amount as of December 31, 2019 | 528.1 | 271.1 | 333.7 | 20.4 | 1,153.3 |
| Accumulated depreciation and impairment losses | -255.7 | -153.8 | -218.5 | 0.0 | -628.0 |
| Carrying amount as of December 31, 2019 | 272.4 | 117.3 | 115.2 | 20.4 | 525.3 |
| Depreciation and impairment losses in the fiscal year 2019 | -15.1 | -17.0 | -32.0 | -0.1 | -64.2 |
| 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 |

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 € 1.6 million (prior year: € 1.4 million) were recognized. Of this amount, € 0.1 million (prior year: € 0.0 million) is attributable to land and buildings, € 0.3 million (prior year: € 0.9 million) to technical equipment and machinery, € 1.1 million (prior year: € 0.5 million) to other equipment, furniture and fixtures and € 0.1 million (prior year: € 0.0 million) to assets under construction.

15 / INVESTMENT PROPERTY

Development of investment property

= 37

| IN € MILLION | 2019 | 2018 |
|---|------------|-------------|
| Gross carrying amount as of January 1 | 5.2 | 12.8 |
| Change in scope of consolidation | 0.0 | -0.3 |
| Disposals | -0.4 | -7.7 |
| Reclassifications | 0.0 | 0.4 |
| Gross carrying amount as of December 31 | 4.8 | 5.2 |
| Accumulated depreciation | -1.8 | -1.9 |
| Carrying amount as of December 31 | 3.0 | 3.3 |
| Depreciation and impairment losses in the fiscal year | -0.1 | -0.2 |

Investment properties are measured at amortized cost. As of December 31, 2019, they had a fair value of € 7.3 million (prior year: € 6.8 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 stood at 2.6% (prior year: 4.5%).

16 / INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method

= 38

| IN € MILLION | Dec. 31, 2019 | Dec. 31, 2018 |
|-------------------------------------|---------------|---------------|
| Investments in joint ventures | 45.5 | 36.4 |
| Investment in an associated company | 3.2 | 3.1 |
| | 48.7 | 39.5 |

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. (TÜVTÜRK Güney), Istanbul, and TÜVTURK Kuzey Tasit Muayene Istasyonlari Yapim ve Isletim A.S. (TÜVTÜRK 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 TÜVTÜRK 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 2019, 9.9 million (prior year: 9.5 million) vehicle inspections were performed, generating revenue of TRY 2,561.7 million or € 403.0 million (prior year: TRY 1,994.0 million or € 349.8 million).

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

TÜV SÜD has held 50% 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% 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. In March 2019, TÜV SÜD completed the acquisition of a further 24% of the shares in Uniscon thereby taking its share in capital to 76%.

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.

At the end of October 2019, TÜV SÜD sold 60% of the shares in FleetCompany GmbH. TÜV SÜD retained the remaining 40% share. Since the disposal the previously fully consolidated entity has been run as a joint venture.

The following table summarizes the financial information for the joint ventures. The information presented for TÜVTÜRK'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 and for FleetCompany GmbH, the amounts in the consolidated financial statements have been raised to the fair value.

Financial data of the joint ventures (100%)

≡ 39

| IN € MILLION | Consolidated financial statements TÜVTÜRK, Turkey | | Other joint ventures | |
|-----------------------------------|--|---------------|-------------------------|---------------|
| | Dec. 31, 2019 | Dec. 31, 2018 | Dec. 31, 2019 | Dec. 31, 2018 |
| Non-current assets | 130.2 | 136.2 | 46.3 | 31.9 |
| Current assets | 47.8 | 40.1 | 34.3 | 3.6 |
| thereof cash and cash equivalents | 29.1 | 21.2 | 10.9 | 1.8 |
| Non-current liabilities | 63.2 | 78.1 | 17.3 | 7.4 |
| thereof financial liabilities | 7.7 | 0.4 | 12.0 | 3.0 |
| Current liabilities | 56.0 | 52.3 | 28.4 | 3.0 |
| thereof financial liabilities | 46.4 | 41.3 | 14.3 | 0.2 |
| Net assets | 58.8 | 45.9 | 34.9 | 25.1 |
| | 2019 | 2018 | 2019 | 2018 |
| Revenue | 403.0 | 349.8 | 21.9 | 14.1 |
| Amortization and depreciation | -4.6 | -3.4 | -4.8 | -2.4 |
| Interest income | 5.1 | 4.6 | 0.1 | 0.1 |
| Interest expenses | -0.7 | -3.6 | -0.1 | 0.0 |
| Income taxes | -15.2 | -8.7 | -0.3 | -0.3 |
| Net income for the year | 57.6 | 28.9 | -3.2 | -1.1 |
| Other comprehensive income | -0.3 | -4.2 | 0.0 | 0.0 |
| Total comprehensive income | 57.3 | 24.7 | -3.2 | -1.1 |
| Dividends received | 12.7 | 4.5 | 0.1 | 1.0 |

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

≡ 40

| IN € MILLION | Consolidated financial statements TÜVTÜRK, Turkey | | Other joint ventures | |
|---|--|-------------|-------------------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net assets (100%) as of January 1 | 45.9 | 45.4 | 25.1 | 25.4 |
| Net assets from changes in shareholdings | 0.0 | 0.0 | 14.1 | 2.5 |
| Total comprehensive income | 57.3 | 24.7 | -3.2 | -1.1 |
| Dividends paid | -38.2 | -13.5 | -0.9 | -1.4 |
| Currency translation differences | -6.2 | -10.7 | -0.2 | -0.3 |
| Net assets (100%) as of December 31 | 58.8 | 45.9 | 34.9 | 25.1 |
| Attributable to TÜV SÜD Group | 19.6 | 15.3 | 27.1 | 19.7 |
| Dilution of shares due to acquisition of shares in TÜVTURK Istanbul 2010 and 2011 | -6.4 | -6.4 | 0.0 | 0.0 |
| Capital gain on disposal of TÜVTURK Istanbul 2013 | -8.7 | -8.7 | 0.0 | 0.0 |
| Consolidation effect on acquisition of TÜVTURK Istanbul at TÜV SÜD 2013 | 20.0 | 20.0 | 0.0 | 0.0 |
| Group adjustments and impairment losses | 0.0 | 0.0 | -6.1 | -3.5 |
| Carrying amount as of December 31 | 24.5 | 20.2 | 21.0 | 16.2 |

17 / OTHER FINANCIAL ASSETS

Other financial assets

≡ 41

| IN € MILLION | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---------------|---------------|
| Investments in affiliated companies | 14.1 | 10.4 |
| Loans to affiliated companies | 0.2 | 0.2 |
| Loans to joint ventures | 8.1 | 3.0 |
| Other participations | 12.7 | 4.5 |
| Loans to other participations | 0.4 | 0.0 |
| Non-current securities | 91.2 | 69.7 |
| Share of policy reserve from employer's pension liability insurance | 0.2 | 0.2 |
| Other loans | 5.0 | 5.3 |
| | 131.9 | 93.3 |

An amount of € 1.3 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

≡ 42

| IN € MILLION | Dec. 31, 2019 | Dec. 31, 2018 |
|-------------------------|---------------|---------------|
| Contract assets | 127.2 | 118.6 |
| Other trade receivables | 368.3 | 368.6 |
| | 495.5 | 487.2 |

Contract assets

≡ 43

| IN € MILLION | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---------------|---------------|
| Contract assets (gross) | 152.0 | 150.2 |
| Project-related advance payments received | -18.7 | -27.1 |
| Loss allowances on contract assets | -6.1 | -4.5 |
| | 127.2 | 118.6 |

€ 141.7 million (prior year: € 120.6 million) of the contract assets will be realized within one year. Of the contract assets with a term of longer than one year, € 1.0 million (prior year: € 1.4 million) is impaired and € 3.2 million (prior year: € 5.7 million) is secured by advance payments received.

Making use of the practical expedient pursuant to IFRS 15.121, performance obligations to be satisfied within one year are not disclosed.

The maturity profile, expected loss rates and loss allowances on other trade receivables are as follows: ≡ 45/46

Revenue expected in the future from contract assets ≡ 44

| IN € MILLION | 2020 | 2021 | 2022 |
|---------------------------|----------------|--------------|------------|
| Range of revenue expected | 135.2 to 161.1 | 63.1 to 63.4 | up to 22.9 |

Maturity profile, expected loss rates and loss allowances on other trade receivables as of December 31, 2019 ≡ 45

| IN € MILLION | Expected loss rate | Gross carrying amount | Loss allowance | Credit impaired |
|--------------------------------|--------------------|-----------------------|----------------|-----------------|
| Not due | 0.4% | 219.6 | 0.8 | No |
| Past due by up to 30 days | 0.6% | 87.9 | 0.5 | No |
| Past due by 31 to 60 days | 1.6% | 25.2 | 0.4 | No |
| Past due by 61 to 90 days | 2.5% | 12.2 | 0.3 | No |
| Past due by 91 to 180 days | 4.6% | 17.3 | 0.8 | No |
| Past due by 181 to 360 days | 19.1% | 11.0 | 2.1 | No |
| Past due by more than 360 days | 100.0% | 15.0 | 15.0 | No |
| | | 388.2 | 19.9 | |

Maturity profile, expected loss rates and loss allowances on other trade receivables as of December 31, 2018 ≡ 46

| 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 | |

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 ASSETS

Other non-current assets include receivables of € 1.5 million, which relate to the funds of the subsidiary TÜV SÜD BRASIL ENGENHARIA E CONSULTORIA LTDA. (TÜV SÜD BRASIL, formerly TÜV SÜD Bureau de Projetos e Consultoria Ltda.), São Paulo, Brazil, which were seized by the Brazilian authorities. A corresponding provision was recognized for this amount.

Other receivables and other current assets break down as follows:

| Other receivables and other current assets ≡ 47 | | |
|--|---------------|---------------|
| IN € MILLION | Dec. 31, 2019 | Dec. 31, 2018 |
| Receivables from affiliated companies | 1.3 | 1.9 |
| Receivables from other participations | 2.9 | 1.7 |
| Cash pool receivables from related parties | 6.9 | 0.0 |
| Fair values of derivative financial instruments | 1.2 | 4.1 |
| Miscellaneous financial assets | 58.7 | 69.2 |
| Other receivables and other current financial assets | 71.0 | 76.9 |
| Refund claims against insurance companies | 4.9 | 5.0 |
| Miscellaneous non-financial assets | 25.4 | 22.8 |
| Other current non-financial assets | 30.3 | 27.8 |
| | 101.3 | 104.7 |

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

As part of its portfolio optimization measures, TÜV SÜD initiated the sale of two subsidiaries in the fiscal year 2019, and entered into negotiations with potential buyers.

The measurement at fair value less costs to sell did not lead to any impairment losses.

In the prior year, impairment losses were recognized on 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. Furthermore, in the prior year impairment losses were recognized as part of the reversal of a reclassification of a disposal group on goodwill (€ 4.2 million) and property, plant and equipment (€ 1.3 million) totaling € 5.5 million.

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

Disposal groups held for sale as well as associated liabilities ≡ 48

| IN € MILLION | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---------------|---------------|
| Intangible assets | 8.8 | 11.9 |
| Right-of-use assets | 2.4 | 0.0 |
| Property, plant and equipment | 0.4 | 0.4 |
| Deferred tax assets | 0.8 | 2.3 |
| Trade receivables | 15.7 | 7.4 |
| Other receivables and other current assets | 1.2 | 18.4 |
| Cash and cash equivalents | 0.6 | 2.0 |
| Disposal groups held for sale | 29.9 | 42.4 |
| Non-current liabilities | 4.1 | 0.3 |
| Deferred tax liabilities | 0.8 | 0.4 |
| Trade payables | 7.1 | 1.1 |
| Other current liabilities | 5.0 | 27.0 |
| Liabilities directly associated with disposal groups held for sale | 17.0 | 28.8 |

All disposal groups recognized in the prior year were sold in 2019.

The land and buildings of € 2.0 million recognized in the prior year under non-current assets and disposal groups held for sale were also sold in the reporting year.

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 are 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 fair value 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) ≡ 49

| IN € MILLION | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---------------|---------------|
| Provisions for pensions in Germany | 525.6 | 550.3 |
| Provisions for pensions in other countries | 11.9 | 7.7 |
| Provisions for similar obligations in other countries | 11.3 | 10.3 |
| | 548.8 | 568.3 |

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 2019, they totaled € 79.3 million (prior year: € 74.1 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 and has been accounted for as such since December 31, 2018. As at this point in time it could no longer be assumed that the adjustment of the benefits resulting from these pledges was covered by the pension funds' surplus, the pension provision was increased by the amount of the expected adjustment obligation and has been remeasured accordingly since then.

In Germany, a former employee with company pension claims successfully filed a case against the company pension assessment made in January 2016 under the Versorgungsstatut. A further lawsuit is pending against TÜV SÜD Product Service GmbH, Munich. Based on an expected value model, a provision of € 36.1 million was recognized in the prior year for the change to the assumption of the anticipated benefit level should the labor court ruling be implemented. The remeasurement was recorded as an actuarial loss in 2018. In 2019, the provision was adjusted for the effect from the change in discount rate to € 38.3 million.

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, 2019, 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, Hampshire, UK, and the trustee must agree on a financing 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 2.2 million until mid-2021 in addition to the regular employer's contribution. The next actuarial review set after three years is currently underway. As soon as the findings are available, a further financing plan will be suggested to the supervisory authority TPR.

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 2020, the Group intends to make a contribution to plan assets of € 79.2 million in order to further reduce the existing deficit (the planned figure for 2019 was € 78.8 million, the end-of-year figure, including one-off additions of € 50.5 million, amounted to € 116.7 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

≡ 50

| IN € MILLION | Germany | | Other countries | | Total | |
|--|--------------|--------------|-----------------|-------------|--------------|--------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Defined benefit obligation | 2,128.2 | 1,955.7 | 128.1 | 108.7 | 2,256.3 | 2,064.4 |
| Fair value of plan assets | 1,602.6 | 1,405.4 | 104.9 | 90.7 | 1,707.5 | 1,496.1 |
| Carrying amount as of December 31 (Net defined benefit liability) | 525.6 | 550.3 | 23.2 | 18.0 | 548.8 | 568.3 |

The development compared with prior fiscal years is shown below:

Development of funded status

≡ 51

| IN € MILLION | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|
| Defined benefit obligation | 2,256.3 | 2,064.4 | 2,059.9 | 2,089.6 | 2,026.3 |
| Plan assets | 1,707.5 | 1,496.1 | 1,437.3 | 1,340.2 | 1,253.5 |
| Funded status as of December 31 | 548.8 | 568.3 | 622.6 | 749.4 | 772.8 |

Change in net defined benefit liability

Development of defined benefit obligation

≡ 52

| IN € MILLION | 2019 | | | 2018 | | |
|---|----------------|-----------------|----------------|----------------|-----------------|----------------|
| | Germany | Other countries | Total | Germany | Other countries | Total |
| Defined benefit obligation as of January 1 | 1,955.7 | 108.7 | 2,064.4 | 1,939.0 | 120.9 | 2,059.9 |
| Service cost | 23.2 | 2.4 | 25.6 | 24.3 | 3.0 | 27.3 |
| Interest cost | 32.0 | 2.8 | 34.8 | 32.3 | 2.7 | 35.0 |
| Benefits paid | -76.2 | -5.5 | -81.7 | -73.5 | -4.4 | -77.9 |
| Contributions by the beneficiaries | 0.0 | 0.3 | 0.3 | 0.0 | 0.5 | 0.5 |
| Plan curtailments and settlements | -1.5 | 0.0 | -1.5 | 0.0 | 0.0 | 0.0 |
| Gains (-) and losses (+) from remeasurements | | | | | | |
| Actuarial gains and losses from demographic assumptions | -61.2 | -0.3 | -61.5 | 25.4 | -3.1 | 22.3 |
| Actuarial gains and losses from financial assumptions | 226.9 | 14.6 | 241.5 | 42.4 | -7.9 | 34.5 |
| Actuarial gains and losses from experience adjustments | 32.6 | -0.1 | 32.5 | -33.6 | -0.3 | -33.9 |
| Past service cost | 0.0 | -0.1 | -0.1 | 0.0 | -0.6 | -0.6 |
| Change in scope of consolidation | 0.0 | -0.1 | -0.1 | -0.4 | -2.1 | -2.5 |
| Reclassifications to "held for sale" | -2.4 | 0.0 | -2.4 | 0.0 | 0.0 | 0.0 |
| Currency translation differences and other | -0.9 | 5.4 | 4.5 | -0.2 | 0.0 | -0.2 |
| Defined benefit obligation as of December 31 | 2,128.2 | 128.1 | 2,256.3 | 1,955.7 | 108.7 | 2,064.4 |
| thereof unfunded | 287.0 | 10.0 | 297.0 | 263.5 | 8.9 | 272.4 |
| thereof partially funded | 1,841.2 | 118.1 | 1,959.3 | 1,692.2 | 99.8 | 1,792.0 |

Around 57% (prior year: 56%) of the defined benefit obligation is allocable to pensioners, and 43% (prior year: 44%) to active employees and vested beneficiaries. The weighted average duration of the obligations is 15.2 years (prior year: 14.5 years).

The main factor influencing the development of the defined benefit obligation is the underlying discount rate, which in Germany fell by 75 base points from 1.7% to 0.95% in a year-on-year comparison and resulted in high actuarial losses from financial assumptions. In the UK, the development of the capital markets also made it necessary to reduce the discount rate by 90 base points, with resulting actuarial losses of € 13.0 million. By contrast, raising the retirement age for remeasurement from 63 to 65 in Germany led to gains from demographic assumptions.

Pension payments of € 81.0 million are expected for the fiscal year 2020.

Development of plan assets

| IN € MILLION | 2019 | | | 2018 | | |
|--|----------------|-----------------|----------------|----------------|-----------------|----------------|
| | Germany | Other countries | Total | Germany | Other countries | Total |
| Fair value of plan assets as of January 1 | 1,405.4 | 90.7 | 1,496.1 | 1,339.7 | 97.6 | 1,437.3 |
| Interest income | 24.0 | 2.5 | 26.5 | 22.8 | 2.3 | 25.1 |
| Gains (+) and losses (-) from remeasurements | | | | | | |
| Return on plan assets excluding interest income | 125.6 | 7.5 | 133.1 | 8.9 | -7.1 | 1.8 |
| Contributions by the employer | 112.7 | 4.0 | 116.7 | 96.4 | 3.8 | 100.2 |
| Contributions by the beneficiaries | 0.0 | 0.3 | 0.3 | 0.0 | 0.5 | 0.5 |
| Benefits paid | -64.2 | -4.9 | -69.1 | -62.3 | -3.9 | -66.2 |
| Change in scope of consolidation | 0.0 | 0.0 | 0.0 | -0.1 | -2.0 | -2.1 |
| Reclassifications to "held for sale" | -0.9 | 0.0 | -0.9 | 0.0 | 0.0 | 0.0 |
| Currency translation differences and other | 0.0 | 4.8 | 4.8 | 0.0 | -0.5 | -0.5 |
| Fair value of plan assets as of December 31 | 1,602.6 | 104.9 | 1,707.5 | 1,405.4 | 90.7 | 1,496.1 |
| Actual return on plan assets | 149.6 | 10.0 | 159.6 | 31.7 | -4.8 | 26.9 |

The net defined benefit liability thus changed as follows:

Development of the net defined benefit liability

≡ 54

| IN € MILLION | 2019 | | | 2018 | | |
|---|--------------|-----------------|--------------|--------------|-----------------|--------------|
| | Germany | Other countries | Total | Germany | Other countries | Total |
| As of January 1 | 550.3 | 18.0 | 568.3 | 599.3 | 23.3 | 622.6 |
| Service cost | 23.2 | 2.4 | 25.6 | 24.3 | 3.0 | 27.3 |
| Net interest cost | 8.0 | 0.3 | 8.3 | 9.5 | 0.4 | 9.9 |
| Contributions by the employer | -112.7 | -4.0 | -116.7 | -96.4 | -3.8 | -100.2 |
| Benefits paid | -12.0 | -0.6 | -12.6 | -11.2 | -0.5 | -11.7 |
| Plan curtailments and settlements | -1.5 | 0.0 | -1.5 | 0.0 | 0.0 | 0.0 |
| Gains (-) and losses (+) from remeasurements | | | | | | |
| Actuarial gains and losses from demographic assumptions | -61.2 | -0.3 | -61.5 | 25.4 | -3.1 | 22.3 |
| Actuarial gains and losses from financial assumptions | 226.9 | 14.6 | 241.5 | 42.4 | -7.9 | 34.5 |
| Actuarial gains and losses from experience adjustments | 32.6 | -0.1 | 32.5 | -33.6 | -0.3 | -33.9 |
| Return on plan assets excluding interest income | -125.6 | -7.5 | -133.1 | -8.9 | 7.1 | -1.8 |
| Past service cost | 0.0 | -0.1 | -0.1 | 0.0 | -0.6 | -0.6 |
| Change in scope of consolidation | 0.0 | -0.1 | -0.1 | -0.3 | -0.1 | -0.4 |
| Reclassifications to "held for sale" | -1.5 | 0.0 | -1.5 | 0.0 | 0.0 | 0.0 |
| Currency translation differences and other | -0.9 | 0.6 | -0.3 | -0.2 | 0.5 | 0.3 |
| As of December 31 | 525.6 | 23.2 | 548.8 | 550.3 | 18.0 | 568.3 |

Plan assets

Composition of plan assets

≡ 55

| IN € MILLION | Dec. 31, 2019 | Dec. 31, 2018 |
|--|----------------|----------------|
| Shares (prior to hedging) | 447.5 | 338.3 |
| Fixed-interest securities | 556.5 | 569.2 |
| Share in investment company for infrastructure projects and private debt funds | 238.6 | 159.3 |
| Real estate and similar assets – used by third parties, vacant or under construction | 308.0 | 251.5 |
| Other (including cash and cash equivalents) | 156.9 | 177.8 |
| | 1,707.5 | 1,496.1 |

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 Alters- und Hinterbliebenen-Versicherung der Technischen Überwachungs-Vereine -VvaG- ["AHV", an old-age

and surviving dependents pensions fund for technical inspection associations] 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.

After the implementation of the findings of the most recent ALM study in 2017 led to further optimization of the risk return profile of all assets, the next ALM study is planned for 2020.

Defined benefit obligation

Actuarial assumptions for determining the defined benefit obligation

≡ 56

| IN % | Dec. 31, 2019 | | Dec. 31, 2018 | |
|--------------------------|---------------|-----------------|---------------|-----------------|
| | Germany | Other countries | Germany | Other countries |
| Discount rate | 0.95 | 1.85 | 1.70 | 2.62 |
| Future salary increases | 2.25 | 2.02 | 2.25 | 2.06 |
| Future pension increases | 1.80 | 2.95 | 1.80 | 3.10 |

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 mortality tables 2018 G from HEUBECK-RICHTTAFELN-GmbH have been applied unchanged in Germany since 2018. In the prior year, this was 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, 2019 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

≡ 57

| IN € MILLION | DBO Germany as of December 31, 2019 | | DBO Germany as of December 31, 2018 | |
|---|-------------------------------------|----------|-------------------------------------|----------|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (1% variation) | -308.3 | 390.1 | -268.0 | 338.4 |
| Future salary/pension increases (0.75% variation) | 256.7 | -216.4 | 230.7 | -194.7 |
| Life expectancy (5.3% increase for all persons) | 142.3 | - | 85.7 | - |

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 2019 were therefore already defined as of the reporting date December 31, 2018.

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

Actuarial assumptions for determining pension expenses

≡ 58

| IN % | 2019 | | 2018 | |
|--------------------------|---------|-----------------|---------|-----------------|
| | Germany | Other countries | Germany | 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 expense recognized for defined benefit pension plans in total comprehensive income for the fiscal years 2019 and 2018 breaks down as follows:

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

≡ 59

| IN € MILLION | 2019 | | | 2018 | | |
|---|--------------|-----------------|--------------|-------------|-----------------|-------------|
| | Germany | Other countries | Total | Germany | Other countries | Total |
| Service cost | 23.2 | 2.4 | 25.6 | 24.3 | 3.0 | 27.3 |
| Net interest cost | 8.0 | 0.3 | 8.3 | 9.5 | 0.4 | 9.9 |
| Past service cost | 0.0 | -0.1 | -0.1 | 0.0 | -0.6 | -0.6 |
| Gains (-) and losses (+) from plan curtailments and settlements | 0.3 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 |
| Expenses for defined benefit plans recognized in the consolidated income statement | 31.5 | 2.6 | 34.1 | 33.8 | 2.8 | 36.6 |
| Return on plan assets excluding interest income | -125.6 | -7.5 | -133.1 | -8.9 | 7.1 | -1.8 |
| Gains (-) and losses (+) from remeasurements of the defined benefit obligation | 198.3 | 14.2 | 212.5 | 34.2 | -11.3 | 22.9 |
| Remeasurements of defined benefit plans recognized in other comprehensive income | 72.7 | 6.7 | 79.4 | 25.3 | -4.2 | 21.1 |
| Expenses recognized for defined benefit plans in total comprehensive income | 104.2 | 9.3 | 113.5 | 59.1 | -1.4 | 57.7 |

23 / OTHER PROVISIONS

Development of other provisions

≡ 60

| IN € MILLION | Personnel provisions | Litigation, damages and similar obligations | Restructuring provisions | Miscellaneous provisions | Other provisions |
|--------------------------------------|----------------------|---|--------------------------|--------------------------|------------------|
| As of January 1, 2019 | 136.9 | 99.7 | 10.0 | 17.5 | 264.1 |
| thereof non-current | 28.8 | 73.5 | 0.0 | 9.0 | 111.3 |
| Currency translation differences | 0.5 | 0.0 | 0.0 | 0.1 | 0.6 |
| Additions | 110.4 | 4.4 | 0.6 | 8.3 | 123.7 |
| Utilization | -100.5 | -18.3 | -0.2 | -4.5 | -123.5 |
| Reversals | -6.9 | -0.8 | -0.1 | -0.6 | -8.4 |
| Unwinding of the discount | 2.9 | 0.0 | 0.0 | 0.0 | 2.9 |
| Reclassifications to "held for sale" | -1.0 | -0.7 | 0.0 | -0.1 | -1.8 |
| As of December 31, 2019 | 142.3 | 84.3 | 10.3 | 20.7 | 257.6 |
| thereof non-current | 34.0 | 63.7 | 0.1 | 9.5 | 107.3 |

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.

Provisions for litigation costs, damages and similar obligations largely include the provisions for liability risks and advisory expenses in connection with the dam collapse in Brazil, which are counterbalanced by contingent assets from insurance benefits in the single-digit million euro range. Please refer to

our explanations under note 29 “Pending and imminent legal proceedings”.

Overall, obligations are counterbalanced by reimbursement claims from insurance companies amounting to € 4.9 million (prior year: € 5.0 million), which were recognized as current assets.

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

24 / FINANCIAL DEBT

Financial debt

≡ 61

| IN € MILLION | Non-current | | Current | | Total | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| | Dec. 31, 2019 | Dec. 31, 2018 | Dec. 31, 2019 | Dec. 31, 2018 | Dec. 31, 2019 | Dec. 31, 2018 |
| Liabilities to banks | 0.0 | 0.0 | 2.4 | 4.1 | 2.4 | 4.1 |
| Finance lease liabilities pursuant to IAS 17 | 0.0 | 0.6 | 0.0 | 0.1 | 0.0 | 0.7 |
| Cash pool liabilities to affiliated companies | 0.0 | 0.0 | 0.3 | 0.7 | 0.3 | 0.7 |
| Cash pool liabilities to other related parties | 0.0 | 0.0 | 0.0 | 1.9 | 0.0 | 1.9 |
| Loan liabilities to third parties | 2.4 | 0.7 | 0.0 | 0.0 | 2.4 | 0.7 |
| | 2.4 | 1.3 | 2.7 | 6.8 | 5.1 | 8.1 |

25/ TRADE PAYABLES

Trade payables

≡ 62

| IN € MILLION | Dec. 31, 2019 | Dec. 31, 2018 |
|----------------------|---------------|---------------|
| Contract liabilities | 96.5 | 80.1 |
| Other trade payables | 84.8 | 70.5 |
| | 181.3 | 150.6 |

Of the contract liabilities, an amount of € 51.9 million (prior year: € 38.2 million) will be invoiced within one year. In the reporting year, € 77.9 million (prior year: € 56.6 million) of the prior-year contract liabilities was realized. Contract liabilities contain advance payments received of € 33.8 million (prior year: € 28.0 million).

26 / OTHER LIABILITIES

Other liabilities

≡ 63

| IN € MILLION | Non-current | | Current | | Total | |
|---|------------------------|------------------------|---------------|---------------|--------------------------|--------------------------|
| | Dec. 31, 2019 | Dec. 31, 2018 | Dec. 31, 2019 | Dec. 31, 2018 | Dec. 31, 2019 | Dec. 31, 2018 |
| Liabilities to affiliated companies | 0.0 | 0.0 | 4.7 | 4.5 | 4.7 | 4.5 |
| Liabilities to other participations | 0.0 | 0.0 | 1.1 | 0.4 | 1.1 | 0.4 |
| Fair values of derivative financial instruments | 0.0 | 0.0 | 1.5 | 3.4 | 1.5 | 3.4 |
| Outstanding invoices | 0.0 | 0.0 | 44.2 | 42.4 | 44.2 | 42.4 |
| Miscellaneous financial liabilities | 0.1 ¹ | 7.2 ¹ | 34.2 | 15.1 | 34.3 ¹ | 22.3 ¹ |
| Other financial liabilities | 0.1¹ | 7.2¹ | 85.7 | 65.8 | 85.8¹ | 73.0¹ |
| Vacation claims, flexitime and overtime credits | 0.0 | 0.0 | 48.9 | 55.2 | 48.9 | 55.2 |
| Other taxes | 0.0 | 0.0 | 44.4 | 43.7 | 44.4 | 43.7 |
| Social security liabilities | 0.0 | 0.0 | 6.2 | 5.7 | 6.2 | 5.7 |
| Miscellaneous non-financial liabilities | 0.0 | 0.0 | 27.1 | 24.8 | 27.1 | 24.8 |
| Other non-financial liabilities | 0.0 | 0.0 | 126.6 | 129.4 | 126.6 | 129.4 |
| | 0.1¹ | 7.2¹ | 212.3 | 195.2 | 212.4¹ | 202.4¹ |

1 _ Thereof due in more than five years: € 0.0 million (prior year: € 6.4 million).

27 / LEASES

As a lessee, TÜV SÜD rents real estate, mainly test centers, testing facilities and office buildings. The lease conditions of these agreements are negotiated on an individual basis and contain a range of differing conditions. These primarily include options to extend and terminate leases. These kinds of contractual arrangements are used to provide TÜV SÜD with the greatest possible flexibility in respect of the contract portfolio. Just below 15% of the real estate agreements have originally agreed terms of fifteen years and over. In respect of lease payments, several lease agreements provide for additional rent payments based on changes to local price indices.

Lease agreements for other equipment largely relate to leases for vehicles, which have been concluded over a fixed term of three to five years.

The Group rents IT equipment with contractual terms of three and four years. These lease agreements are based on low-value assets. As the Group applies the exemption under IFRS 16, neither a right-of-use asset nor a lease liability is recognized for these agreements.

The following table shows the carrying amounts of the right-of-use assets and the changes during the reporting period:

Right-of-use assets

≡ 64

| IN € MILLION | Other equipment, furniture and fixtures | | | Total |
|--|---|-----------------------------------|------|-------|
| | Land and buildings | Technical equipment and machinery | | |
| Additions 2019 | 44.3 | 0.0 | 16.4 | 60.7 |
| Depreciation and impairment losses 2019 | 49.6 | 0.6 | 13.9 | 64.1 |
| Carrying amounts as of December 31, 2019 | 235.2 | 0.4 | 25.5 | 261.1 |

As of the reporting date, the right-of-use assets are counter-balanced by the following lease liabilities:

Maturity profile of lease liabilities based on undiscounted lease payments ≡ 65

IN € MILLION

| | |
|---|--------------|
| Lease payments due within one year | 60.3 |
| Lease payments due in one to five years | 138.4 |
| Lease payments due in more than five years | 88.6 |
| Total undiscounted lease liabilities as of December 31, 2019 | 287.3 |
| Lease liabilities in the statement of financial position as of December 31, 2019 | 263.8 |
| thereof current | 55.2 |
| thereof non-current | 208.6 |

Possible future cash outflows of € 17.8 million were not included in the lease liability as it is not reasonably certain that the agreements will be extended. Leases into which the Group has entered into as a lessee, but which have not yet commenced, result in possible future cash outflows of € 13.6 million.

In 2019, payments for leases recognized pursuant to IFRS 16 amounted to € 66.1 million. The non-cash increases of lease liabilities (additions, interest, disposals) amount to € 60.2 million.

The expenses recognized in the income statement for leases recognized pursuant to IFRS 16 totaled € 70.4 million in fiscal year 2019. Furthermore, expenses for short-term leases of € 5.8 million and expenses for leases of low-value assets of € 2.1 million were incurred. Both of these were recognized under other expenses.

Rental and lease expenses for fiscal year 2018 amounted to € 72.6 million.

28 / CONTINGENT ASSETS AND LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

There are contingent assets from insurance benefits in the single-digit million euro range.

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

Contingent liabilities ≡ 66

IN € MILLION

| | Dec. 31, 2019 | Dec. 31, 2018 |
|--|---------------|---------------|
| Guarantee obligations | 56.1 | 41.0 |
| Contingent liabilities arising from litigation risks | 1.7 | 1.3 |
| Miscellaneous contingent liabilities | 2.0 | 1.8 |
| | 59.8 | 44.1 |

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. Another guarantee relates to unused swap lines of an American subsidiary as of the reporting date.

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.

There are guarantee obligations for joint ventures in the amount of € 3.6 million.

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 29 in respect of the disclosure on the contingent liabilities in association with pending and imminent legal proceedings.

There are other financial obligations in the amount of € 18.5 million (prior year: € 14.4 million) and these largely relate to service and maintenance agreements.

29 / PENDING AND IMMINENT LEGAL PROCEEDINGS

An action relating to the current company pension assessment was successfully filed against TÜV SÜD e. V. Another lawsuit is pending against TÜV SÜD Product Service GmbH, Munich. Based on an expected value model, a corresponding provision was recognized for the possible effects of the implementation of the rulings. 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 BRASIL 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 BRASIL on the safety of the dam.

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 rolled forward from the prior year on the basis of the information available at present 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.

The provisions recognized in the prior year for legal defense and advisory costs of € 33.0 million decreased to € 28.5 million as of the reporting date. The utilization 2019 for the costs to clarify the facts of matter and defend our own legal position of engaging external third parties was counterbalanced by an addition based on the lawsuits that have been filed to date. From these it is expected that the proceedings will go on for longer and be more complex than was assumed in the prior year. Part of the legal defense costs are covered by an insurance policy. As these claims are currently not virtually certain in terms of their amount, they have not been recognized as an asset. However, since they are more probable than not, a contingent asset in the single-digit million euro range has been assumed.

For further liability risks, in particular personal injury, the management of TÜV SÜD estimates the likelihood of a utilization as possible; a contingent liability is therefore in place for this.

Other 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 and other payments that could have a significant negative impact upon the Group's financial performance and position and its reputation. The ability of the Brazilian subsidiary TÜV SÜD BRASIL and its direct shareholder TÜV SÜD SFDK Laboratório de Análise de Produtos EIRELI, São Paulo, Brazil, to continue as a going concern is jeopardized should these companies be held 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 sections “Compliance and other risks” and “Overall statement on risks faced by the Group” in the combined management report.

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.

Other notes

30 / ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

Carrying amounts by measurement category in accordance with IFRS 9

≡ 67

IN € MILLION

| | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---------------|---------------|
| Financial assets | | |
| Debt instruments at amortized cost | 629.7 | 618.4 |
| Debt instruments at fair value through other comprehensive income | 92.4 | 81.1 |
| Financial assets at fair value through profit or loss | 30.5 | 37.8 |
| Equity instruments at fair value through other comprehensive income | 29.3 | 18.0 |
| Financial liabilities | | |
| Financial liabilities at amortized cost | 167.1 | 140.9 |
| Financial liabilities at fair value through profit or loss | 8.6 | 10.0 |

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

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. ≡ 68 / 69

Carrying amounts and fair values of financial instruments as of December 31, 2019

= 68

| IN € MILLION | Fair value hierarchy | | | | |
|---|----------------------|--------------|-----------------|-----------------|-----------------|
| | Carrying amounts | Fair value | thereof level 1 | thereof level 2 | thereof level 3 |
| Other financial assets ^{1,2,3} | 131.7 | 91.2 | 91.2 | 0.0 | 0.0 |
| Other non-current assets ^{2,3} | 7.6 | 0.3 | 0.0 | 0.3 | 0.0 |
| Non-current assets | 139.3 | 91.5 | 91.2 | 0.3 | 0.0 |
| Trade receivables ² | 368.3 | – | – | – | – |
| Other receivables and other current assets ^{2,3} | 71.0 | 34.1 | 30.2 | 3.9 | 0.0 |
| Cash and cash equivalents ² | 203.3 | – | – | – | – |
| Current assets | 642.6 | 34.1 | 30.2 | 3.9 | 0.0 |
| Total financial assets | 781.9 | 125.6 | 121.4 | 4.2 | 0.0 |
| Non-current financial debt ² | 2.4 | – | – | – | – |
| Other non-current liabilities ^{2,3} | 0.1 | – | – | – | – |
| Non-current liabilities | 2.5 | – | – | – | – |
| Current financial debt ² | 2.7 | – | – | – | – |
| Trade payables ² | 84.8 | – | – | – | – |
| Other current liabilities ^{2,3} | 85.7 | 8.6 | 0.0 | 1.5 | 7.1 |
| Current liabilities | 173.2 | 8.6 | 0.0 | 1.5 | 7.1 |
| Total financial liabilities⁴ | 175.7 | 8.6 | 0.0 | 1.5 | 7.1 |

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.

4 _ Excludes lease liabilities.

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

= 69

| IN € MILLION | Fair value hierarchy | | | | |
|---|----------------------|--------------|-----------------|-----------------|-----------------|
| | 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 | – | – | – | – |
| 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 | – | – | – | – |
| 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 | – | – | – | – |
| 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.

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 and securities. At level 3, mainly liabilities from contingent purchase price components 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

≡ 70

| IN € MILLION | Assets | | Equity and liabilities | |
|---|------------|------------|------------------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| As of January 1 | 3.2 | 0.0 | 6.6 | 12.8 |
| Currency translation differences | 0.0 | 0.0 | -0.1 | 0.1 |
| Additions | 0.0 | 3.2 | 0.0 | 0.0 |
| Changes recognized with an effect on income | -1.6 | 0.0 | 0.7 | 0.4 |
| Changes with an effect on cash and cash equivalents | -1.6 | 0.0 | -0.1 | -6.7 |
| As of December 31 | 0.0 | 3.2 | 7.1 | 6.6 |

The change in assets with an effect on cash relates on the one hand to the exercising of the second tranche of a forward transaction for the complete acquisition of a joint venture in Germany and on the other hand to the remeasurement through profit and loss of the remaining third tranche.

The changes recognized with an effect on income in equity and liabilities largely relate to the unwinding of the discount on a purchase price liability from a put option in South Africa and the aforementioned remeasurement of the final tranche of the forward transaction. Changes with an effect on cash and cash equivalents include payments of contingent considerations.

The net gains and losses 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 ≡ 71

| IN € MILLION | 2019 | 2018 |
|---|------|------|
| Debt instruments at amortized cost | -6.7 | -3.1 |
| Debt instruments at fair value through other comprehensive income | -0.1 | -0.2 |
| Financial assets/liabilities at fair value through profit or loss | 1.6 | -2.2 |
| Equity instruments at fair value through other comprehensive income | -3.7 | -0.6 |
| Financial liabilities at amortized cost | -6.6 | -2.7 |

The net gains and losses are mainly attributable to effects from impairment losses, currency hedging and currency translation as well as measurement results from other derivatives.

Dividend income from other participations totals € 0.6 million (prior year: € 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 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 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/January 1, 2019 | 12.9 | 19.7 | 2.0 | 34.6 |
| Currency translation differences | 0.1 | 0.0 | 0.0 | 0.1 |
| Change in scope of consolidation | 0.0 | -0.3 | 0.0 | -0.3 |
| Additions | 1.4 | 9.5 | 0.4 | 11.3 |
| Utilization | 0.0 | -6.7 | 0.0 | -6.7 |
| Reversals | -0.5 | -2.0 | 0.0 | -2.5 |
| Reclassifications to "held for sale" | 0.0 | -0.3 | 0.0 | -0.3 |
| Valuation allowances as of December 31, 2019 | 13.9 | 19.9 | 2.4 | 36.2 |
| Impairment losses 2019 | 1.4 | 12.1 | 0.3 | 13.8 |
| Impairment losses 2018 | 1.3 | 6.5 | 0.0 | 7.8 |

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, 2019.

The maximum credit risk of financial assets and derivative financial instruments corresponds to their fair value as of December 31, 2019.

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 by exercising the corresponding option in 2018. Without taking lease liabilities into account, as of the reporting date payments due within one year of € 173.2 million (prior year: € 143.1 million) and payments due in more than one year of € 2.5 million (prior year: € 8.5 million) are covered by cash and cash equivalents of € 203.9 million (prior year: € 211.6 million) as well as undrawn credit lines of € 212.9 million (prior year: € 212.4 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, 2019 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 € 13.3 million (prior year: € 3.9 million). The market value of cross-currency swaps would increase by € 0.3 million (prior year: € 0.3 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 € 10.9 million (prior year: € 3.2 million). The market value of cross-currency swaps would decrease by € 0.2 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.

Cash flow from operating activities increased significantly on account of the first-time recognition of lease liabilities pursuant to IFRS 16, while cash flow from financing activities decreased correspondingly. In the prior year, all lease payments were recognized under cash flow from operating activities. From 2019, this now only includes the interest component of the lease payment along with expenses for short-term leases and leases of low-value assets. Payments to repay lease liabilities are shown under cash flow from financing activities.

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 € 61.7 million (prior year: € 59.6 million). Together with one-off additions with an effect on cash of € 30.0 million (prior year: € 30.0 million) to TÜV SÜD Pension Trust e.V. and € 20.5 million (prior year: € 0.0 million) to TÜV Hessen Trust e.V. as well as further additions to other plan assets of € 4.5 million (prior year: € 5.7 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; in the private customer business advance payments are regularly requested. 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 Services. 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, 2019 and as of December 31, 2019

≡ 73

| IN € MILLION | INDUSTRY | MOBILITY | CERTIFICATION | OTHER | Reconciliation | Group |
|---|----------|----------|---------------|-------|----------------|----------------|
| External revenue | 952.1 | 829.5 | 807.4 | 2.7 | -1.6 | 2,590.1 |
| thereof EUROPE | 761.6 | 819.2 | 409.0 | 0.2 | -1.6 | 1,988.4 |
| thereof AMERICAS | 93.4 | 0.1 | 92.4 | 0.0 | 0.0 | 185.9 |
| thereof ASIA | 97.1 | 10.2 | 306.0 | 2.5 | 0.0 | 415.8 |
| Intersegment revenue | 8.7 | 1.1 | 9.7 | 30.9 | -50.4 | 0.0 |
| Total revenue | 960.8 | 830.6 | 817.1 | 33.6 | -52.0 | 2,590.1 |
| Amortization, depreciation and impairment losses | -33.6 | -35.3 | -38.4 | -42.9 | 0.0 | -150.2 |
| Income from investments accounted for using the equity method | 0.0 | 20.0 | -2.7 | 0.0 | 0.0 | 17.3 |
| EBIT | 86.9 | 71.1 | 65.8 | -21.2 | 0.2 | 202.8 |
| Capital expenditures | 16.6 | 25.4 | 41.4 | 42.6 | 0.0 | 126.0 |
| Segment assets as of December 31, 2019 | 543.9 | 442.6 | 452.0 | 383.7 | -9.0 | 1,813.2 |

Total revenue in the home market of Germany amounts to € 1,649.4 million (prior year: € 1,588.9 million) and relates with € 573.0 million (prior year: € 548.5 million) to the INDUSTRY Segment, with € 751.2 million (prior year: € 735.9 million) to the MOBILITY Segment and with € 326.6 million (prior year: € 306.2 million) to the CERTIFICATION Segment.

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

≡ 74

| 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 |

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.

Segment assets in Germany come to € 1,046.1 million (prior year: € 844.3 million).

Reconciliation of EBIT to income before taxes

≡ 75

| IN € MILLION | 2019 | 2018 |
|---|--------------|--------------|
| EBIT according to segment reporting | 202.8 | 105.5 |
| Interest income | 2.4 | 2.5 |
| Interest expenses | -23.2 | -12.8 |
| Other financial result | 2.4 | -0.6 |
| Income before taxes according to consolidated income statement | 184.4 | 94.6 |

Reconciliation of segment assets to group assets

≡ 77

| IN € MILLION | Dec. 31, 2019 | Dec. 31, 2018 |
|---------------------------------------|----------------|----------------|
| Segment assets | 1,813.2 | 1,488.7 |
| Interest-bearing financial assets | 105.1 | 78.3 |
| Deferred tax assets | 284.3 | 245.7 |
| Cash and cash equivalents | 203.3 | 209.6 |
| Other interest-bearing current assets | 34.3 | 49.5 |
| Group assets | 2,440.2 | 2,071.8 |

Assets are allocated according to their geographic location.

Segment assets based on geographic segments

≡ 76

| IN € MILLION | Dec. 31, 2019 | Dec. 31, 2018 |
|-----------------------------|----------------|----------------|
| EUROPE | 1,341.8 | 1,105.6 |
| AMERICAS | 188.9 | 177.7 |
| ASIA | 312.5 | 228.5 |
| Reconciliation | -30.0 | -23.1 |
| Total segment assets | 1,813.2 | 1,488.7 |

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 are carried out by the group company TÜV SÜD Auto Service GmbH, Stuttgart, for TÜV SÜD e.V., as principal and recognized contractor. Until February 28, 2018, this also applied for the activity as the official inspection body in Baden-Württemberg. Following the approval of the respective authorities, TÜV SÜD e.V. transferred this business segment in full and irrevocably to TÜV SÜD Auto Service GmbH as of March 1, 2018 for € 17.1 million. This means that TÜV SÜD Auto Service GmbH replaces TÜV SÜD e.V., which was the agent up until this point in time, 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 is conducted on behalf of, at the instruction of and in the name 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 2019, a total volume of € 108.1 million (prior year: € 112.6 million) was charged to TÜV SÜD e.V. TÜV SÜD e.V. recorded revenue of € 109.8 million (prior year: € 114.3 million) from this source.

As of the reporting date, there are cash pool receivables of € 6.9 million from TÜV SÜD e.V. (prior year: cash pool liabilities of € 1.7 million). Furthermore, in the prior year cash pool liabilities of € 0.2 million were recognized to TÜV SÜD Föderation GmbH. Effective December 31, 2019, TÜV SÜD AG acquired TÜV SÜD Föderation GmbH from TÜV SÜD e.V. This transaction resulted in a purchase price liability of € 7.1 million to TÜV SÜD e.V, which is included under other financial liabilities as of December 31, 2019.

In the fiscal years 2019 and 2018, 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 2019, 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

| IN € MILLION | Non-consolidated subsidiaries | | Associated companies | | Joint ventures | |
|----------------|-------------------------------|---------------|----------------------|---------------|----------------|---------------|
| | Dec. 31, 2019 | Dec. 31, 2018 | Dec. 31, 2019 | Dec. 31, 2018 | Dec. 31, 2019 | Dec. 31, 2018 |
| Loans | 0.2 | 0.2 | 0.0 | 0.0 | 8.1 | 3.0 |
| Receivables | 1.3 | 1.9 | 0.0 | 0.0 | 1.5 | 0.4 |
| Financial debt | 0.3 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Liabilities | 4.7 | 4.5 | 0.0 | 0.0 | 0.8 | 0.1 |

Receivables from non-consolidated subsidiaries include valuation allowances amounting to € 2.4 million (prior year: € 2.0 million).

The business relationships with the Turkish joint ventures are based primarily on a license agreement between TÜVTÜRK Kuzey and TÜVTÜRK Güney (both licensors) and TÜV SÜD Bursa (licensee). In 2019, dividend distributions of the Turkish joint ventures amounted to € 12.7 million (prior year: € 4.5 million). Furthermore, there was a distribution of € 0.1 million (prior year: € 1.0 million) of the Spanish joint venture ITV Levante.

Dividend distributions of € 0.8 million (prior year: € 1.1 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., Madrid, Spain. For the expected utilization, an unchanged provision of € 0.2 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 2019 (prior year: € 3.4 million). This includes variable, EVA-based salary components of € 1.3 million in total (prior year: € 1.4 million), which have not yet been paid out as of December 31. 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 € 5.6 million as of the reporting date (prior year: € 5.3 million).

The active members of the Supervisory Board received total remuneration of € 1.2 million in the fiscal year 2019 (prior year: € 1.1 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 € 1.3 million (prior year: € 1.2 million). Defined benefit obligations amounting to € 18.6 million (prior year: € 17.8 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 € 368.1 million, equivalent to €0.08 per share. The remaining amount of € 366.0 million is to be carried forward to new account.

36 / AUDITOR'S FEES

Fees of the auditor KPMG AG Wirtschaftsprüfungsgesellschaft ≙ 79

| IN € MILLION | 2019 | 2018 |
|-----------------------------------|------------|------------|
| Audit of the financial statements | 1.6 | 0.9 |
| Tax advisory services | 0.5 | 0.4 |
| Other services | 0.2 | 0.2 |
| | 2.3 | 1.5 |

37 / EVENTS AFTER THE REPORTING DATE

Since January 2020 there has been a rapid increase in the number of people infected with the new coronavirus SARS-CoV-2 around the world. It is not yet possible to predict how this will develop and consequently it is not possible to estimate the financial impact for TÜV SÜD.

38 / CONSOLIDATED ENTITIES

Consolidated entities

80

| NAME AND REGISTERED OFFICE OF THE ENTITY | Share in capital in % |
|---|-----------------------|
| FULLY CONSOLIDATED ENTITIES – GERMANY | |
| ARMAT GmbH & Co. KG, Pullach i. Isartal ¹ | 100.00 |
| ARMAT Südwest GmbH & Co. KG, Pullach i. Isartal 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 Gruppe, 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 ¹ | 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 Föderation GmbH, Munich | F 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 ¹ | 100.00 |
| TÜV SÜD Sec-IT GmbH, Munich ¹ | 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.
F = First-time consolidation

| NAME AND REGISTERED OFFICE OF THE ENTITY | Share in capital in % |
|---|-----------------------|
| FULLY CONSOLIDATED ENTITIES – 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 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 | 99.82 |
| 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 |
| TÜV SÜD AMT, S.A.U., Madrid, Spain | F 100.00 |
| TUV SUD Asia Ltd., Hong Kong, China | 100.00 |
| TUV SUD Asia Pacific Pte. Ltd., Singapore | 100.00 |
| TÜV SÜD ATISAE, S.A.U., Madrid, Spain | 100.00 |
| TUV SUD BAPT 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 BRASIL ENGENHARIA E CONSULTORIA LTDA., São Paulo, Brazil | 100.00 |
| TÜV SÜD Bursa Tasit Muayene İstasyonları İşletim 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 |
| TUV SUD China Holding Ltd., Hong Kong, China | 100.00 |
| TÜV SÜD Czech s.r.o., Prague, Czech Republic | 100.00 |
| TÜV SÜD Danmark ApS, Hellerup, Denmark | 100.00 |

| NAME AND REGISTERED OFFICE OF THE ENTITY | Share in capital in % |
|--|-----------------------|
| TÜV SÜD France S.A.S., Écully, France | 100.00 |
| TUV SUD Hong Kong Ltd., Hong Kong, China | 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 | 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-City, Vietnam | 100.00 |
| TÜVSÜD Portugal, unipessoal Lda., Lisbon, Portugal | 100.00 |

| NAME AND REGISTERED OFFICE 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 | |
| FleetCompany GmbH, Oberhaching | C 40.00 |
| Uniscon universal identity control GmbH, Munich | 76.00 |
| 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 | 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 |

C = Change in consolidation method

Munich, March 10, 2020

TÜV SÜD AG

The Board of Management

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, 2019, 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, to December 31, 2019, as well as 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, to December 31, 2019. In accordance with German legal requirements, we have not audited the content of the components of the group management report described in the "Other information" section of our auditor's 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, 2019, and of its financial performance for the financial year from January 1, to December 31, 2019, 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 components of the group management report described in the "Other information" section.

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 uncertainties and judgments' in conjunction with note 29 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 in January 2019 – 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 2020 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 29 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 concerning the dam collapse in Brazil. In those sections, management explains that the continuation as a going concern of the Brazilian subsidiary TÜV SÜD Brasil Engenharia 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 is 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 and the Supervisory Board are responsible for the other information. The other information comprises:

- the corporate governance statement (information on female representation pursuant to Section 289f (4) HGB of TÜV SÜD AG),
- the disclosures in the management report not typical of management reports and marked as unaudited.

The other information also comprises the remaining components of the annual report.

The other information does not comprise the consolidated financial statements, the disclosures in the group management report included in our audit or our related 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 disclosures in the group management report included in our audit 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, March 10, 2020

KPMG AG
 Wirtschaftsprüfungsgesellschaft

Andrejewski
 Wirtschaftsprüfer
 [German Public Auditor]

Hachmann
 Wirtschaftsprüfer
 [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) | Digital transformation/digitization | 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. |
| 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 | DIN | Deutsches Institut für Normung (Engl.: German Institute for Standardization) |
| AHV | “Alters- und Hinterbliebenenversicherung” (Engl.: old-age and survivors’ insurance) | DSO | Days sales outstanding |
| 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. | Digital Vehicle Scan | Standardized and automated vehicle scan |
| ALM | Asset liability management | DYCOT | Dynamic Component Testing Laboratory Hydraulic-powered sledge installation for testing vehicle safety components |
| BetrSichV | “Betriebssicherheitsverordnung” (Engl.: German ordinance on industrial health and safety) | Earn-out | Performance-based share of the purchase price in the purchase agreement that is paid at a later date |
| BIM | Building Information Modeling Modeling a digital building twin | EBIT | Earnings before interest and taxes Earnings before interest, before other financial result and before income tax, but after income from participations |
| Brexit | Exit of the United Kingdom from the European Union | E-Business | Integrated execution of all automated business processes of a company with the help of information and communication technology |
| Cash conversion rate | Cash conversion rate Free cash flow in relation to consolidated net income | EBT | Earnings before taxes |
| CEO | Chief Executive Officer | E-Commerce | Electronic commerce via the internet |
| Certify | EU-wide scheme for the guarantee of origin for green and low-carbon hydrogen | E-Learning | Forms of learning using electronic or digital media for the presentation and distribution of learning materials and/or to support individual communication |
| CFO | Chief Financial Officer | EMC | Electromagnetic compatibility |
| CGU | Cash generating unit | ENEC | European Norms Electrical Certification Symbol to label electronic devices in the European Union |
| Charter of Trust | Initiative to promote cyber security | EU-GDPR | EU’s General Data Protection Regulation |
| COO | Chief Operating Officer | EVA® | Economic Value Added |
| 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. | EWU | Energiewendeunternehmen (Engl.: company that is already satisfying the requirements of the new energy era) |
| 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 | Free cash flow | Cash flow from operating activities less cash paid for investments in intangible assets, property, plant and equipment and investment property |
| 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 | FTE | Full-time equivalent |
| DAkKS | “Deutsche Akkreditierungsstelle” (Engl.: German Accreditation Body) | GbR | “Gesellschaft bürgerlichen Rechts” (Engl.: partnership under the Civil Code) |
| 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. | GDP | Gross domestic product |
| DBO | Defined benefit obligation | Gender Balance | Equal opportunities for men and women |
| | | 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. |
| | | Good Clinical Practice | Rules for carrying out clinical studies |

| | | | |
|---|---|---------------------------------------|---|
| Green hydrogen | Certification for hydrogen of green or regenerative origin. The hydrogen has the potential to reduce greenhouse gases by at least 50% compared to fossil fuels or conventional hydrogen. | IoT | Internet of Things Connecting machines and devices with each other that previously relied on human control |
| HAD | Highly-automated driving | ISO | International Organization for Standardization |
| HGB | “Handelsgesetzbuch” (Engl.: German Commercial Code) | IT | Information technology |
| HR | Human resources | IVDR | In-vitro Diagnostic Regulation |
| IAMTS | International Alliance for Mobility Testing and Standardization | IMF | International Monetary Fund |
| IAS | International Accounting Standard | MDR | Medical Device Regulation |
| IASB | International Accounting Standards Board | Multi-employer-plan | Joint pension plan of several employers |
| IATF | International Automotive Task Force | NoBo | Notified body Neutral and independent private organization designated by the state to assess conformity (auditing/certifying body) |
| IDW | “Institut der Wirtschaftsprüfer” (Engl.: Institute of Public Auditors in Germany) | NOPAT | Net operating profit after taxes |
| IDW AssS 981 | IDW Assurance Standard: Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Risk Management Systems | PPA | Purchase price allocation |
| IEC | International Electrotechnical Commission | PS UCI Portal | Web-based customer portal of the Product Service Division |
| IFRS | International Financial Reporting Standard | SARS-CoV-2 | Coronavirus Infectious respiratory disease |
| IFRS IC | International Financial Reporting Standards Interpretations Committee | SEI | Sound emission inspection |
| IW | “Institut für Weltwirtschaft” (Engl.: Institute for the World Economy) | Smart Industry Readiness Index | Diagnosis tool to assess the current condition of plants and equipment and to obtain a better understanding of Industry 4.0 concepts in terms of processes, technology and organization |
| ImmoWertV | Immobilienwertermittlungsverordnung (Engl.: German Ordinance on the Valuation of Property) | StVZO | “Straßenverkehrszulassungsordnung” (Engl.: German Road Traffic Licensing Regulations) |
| Incremental borrowing rate of the lessee | The rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment | Supply Chain Management | Establishing and managing integrated logistic chains (flow of material and information) over the entire value-added process |
| 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. | TIC | Testing, Inspection, Certification |
| Interest rate swap | Interest derivative where two counterparties agree to exchange interest payments at fixed nominal amounts at a specific point in the future | TISAX | Trusted Information Security Assessment Exchange |
| | | TPR | The Pension Regulator British regulatory agency for pensions |
| | | VR | Virtual reality |
| | | VVaG | “Versicherungsverein auf Gegenseitigkeit” (Engl.: German mutual insurance association) |
| | | WACC | Weighted average cost of capital |
| | | WLTP | Worldwide harmonized Light vehicles Test Procedures |

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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