CONSOLIDATED FINAN-CIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

Consolidated income statement for the period from January 1 to December 31, 2020

≡ 13

IN € MILLION	Note	2020	2019
Revenue	(34)	**2,486.0**	**2,590.1**
Own work capitalized		4.5	3.7
Purchased services		–294.2	–311.0
Operating performance		**2,196.3**	**2,282.8**
Personnel expenses	(6)	–1,542.9	–1,572.9
Amortization, depreciation and impairment losses on intangible assets, right-of-use assets, property, plant and equipment and investment property	(7)	–168.9	–150.2
Other expenses	(8)	–397.2	–430.8
Other income	(9)	93.0	60.4
Impairment of goodwill	(13)	–15.6	0.0
Operating result		**164.7**	**189.3**
Income from investments accounted for using the equity method	(10)	9.4	17.3
Other income / loss from participations	(10)	–2.1	–3.8
Interest income	(10)	1.4	2.4
Interest expenses	(10)	–16.2	–23.2
Other financial result	(10)	1.0	2.4
Financial result		**–6.5**	**–4.9**
Income before taxes		**158.2**	**184.4**
Income taxes	(11)	–47.2	–51.8
Consolidated net income		**111.0**	**132.6**
Attributable to:			
Owners of TÜV SÜD AG		88.7	117.8
Non-controlling interests	(12)	22.3	14.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income for the period from January 1 to December 31, 2020

≡ 14

IN € MILLION	Note	2020	2019
Consolidated net income		**111.0**	**132.6**
Remeasurements of defined benefit pension plans	(22)		
Changes from unrealized gains and losses		–43.1	–79.4
Tax effect		20.9	52.1
		–22.2	**–27.3**
Equity instruments at fair value			
Changes from unrealized gains and losses		0.1	0.2
		0.1	**0.2**
Total amount of items in other comprehensive income that will not be reclassified to the income statement		**–22.1**	**–27.1**
Debt instruments at fair value			
Changes from unrealized gains and losses		0.4	0.2
Tax effect		–0.1	–0.1
		0.3	**0.1**
Currency translation differences			
Changes from unrealized gains and losses		–26.0	8.6
Changes from realized gains and losses		–1.4	0.0
		–27.4	**8.6**
Investments accounted for using the equity method			
Changes from unrealized gains and losses		–7.5	–2.2
		–7.5	**–2.2**
Total amount of the items of other comprehensive income that will be reclassified to the income statement in future periods		**–34.6**	**6.5**
Other comprehensive income	(11)	**–56.7**	**–20.6**
Total comprehensive income		**54.3**	**112.0**
Attributable to:			
Owners of TÜV SÜD AG		33.1	100.7
Non-controlling interests		21.2	11.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated statement of financial position as of December 31, 2020

≡ 15

IN € MILLION	Note	Dec. 31, 2020	Dec. 31, 2019
Assets			
Intangible assets	(13)	305.5	323.0
Right-of-use assets	(27)	375.8	261.1
Property, plant and equipment	(14)	538.6	525.3
Investment property	(15)	3.0	3.0
Investments accounted for using the equity method	(16)	31.4	48.7
Other financial assets	(17)	111.6	131.9
Other non-current assets	(19)	7.2	7.7
Deferred tax assets	(11)	319.3	284.3
Non-current assets		**1,692.4**	**1,585.0**
Inventories		3.6	5.4
Trade receivables	(18)	451.9	495.5
Income tax receivables		13.3	19.8
Other receivables and other current assets	(19)	129.6	101.3
Cash and cash equivalents	(33)	290.9	203.3
Non-current assets and disposal groups held for sale	(20)	37.1	29.9
Current assets		**926.4**	**855.2**
Total assets		**2,618.8**	**2,440.2**
Equity and liabilities			
Capital subscribed	(21)	26.0	26.0
Capital reserve	(21)	128.2	128.2
Revenue reserves	(21)	780.5	716.6
Other reserves	(21)	−61.1	−28.0
Equity attributable to the owners of TÜV SÜD AG		**873.6**	**842.8**
Non-controlling interests	(12)	81.9	64.0
Equity		**955.5**	**906.8**
Provisions for pensions and similar obligations	(22)	486.0	548.8
Other non-current provisions	(23)	109.8	107.3
Non-current financial debt	(24)	2.7	2.4
Non-current lease liabilities	(27)	326.7	208.6
Other non-current liabilities	(26)	0.1	0.1
Deferred tax liabilities	(11)	17.4	22.5
Non-current liabilities		**942.7**	**889.7**
Current provisions	(23)	147.4	150.3
Income tax liabilities		61.2	24.9
Current financial debt	(24)	2.0	2.7
Current lease liabilities	(27)	56.2	55.2
Trade payables	(25)	200.5	181.3
Other current liabilities	(26)	228.3	212.3
Liabilities directly associated with non-current assets and disposal groups held for sale	(20)	25.0	17.0
Current liabilities		**720.6**	**643.7**
Total equity and liabilities		**2,618.8**	**2,440.2**

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows for the period from January 1 to December 31, 2020 ≡ 16

IN € MILLION	Note	2020	2019
Consolidated net income		111.0	132.6
Amortization, depreciation, impairment losses and reversals of impairment losses on intangible assets, right-of-use assets, property, plant and equipment and investment property		168.8	150.2
Impairment of goodwill		15.6	0.0
Impairment losses and reversals of impairment losses of financial assets		4.0	3.1
Change in deferred tax assets and liabilities recognized in the income statement	(11)	– 20.6	18.7
Gain / loss on disposal of intangible assets, right-of-use assets, property, plant and equipment and financial assets		– 9.4	– 0.7
Gain / loss from the sale of shares in fully consolidated entities and business units		0.0	– 3.9
Other non-cash income / expenses		– 0.9	– 1.1
Change in inventories, receivables and other assets		51.4	– 32.2
Change in liabilities and provisions		97.2	48.3
Cash flow from operating activities		**417.1**	**315.0**
Cash paid for investments in			
intangible assets, property, plant and equipment and investment property		– 114.7	– 117.7
financial assets		– 12.6	– 24.3
securities		– 24.0	– 22.0
business combinations (net of cash acquired)	(3)	– 1.9	– 0.1
Cash received from disposals of			
intangible assets and property, plant and equipment		5.7	3.7
financial assets		0.9	2.2
securities		2.8	14.0
shares in fully consolidated entities and business units (net of cash transferred)		0.0	6.9
Cash received from investments in business combinations (net of cash acquired)	(3)	2.3	0.0
Contribution to pension plans	(33)	– 106.5	– 116.7
Cash flow from investing activities		**– 248.0**	**– 254.0**
Dividends paid to owners of TÜV SÜD AG		– 2.1	– 2.1
Dividends paid to non-controlling interests		– 9.4	– 10.3
Repayments of loans including currency translation differences		– 1.1	– 5.0
Proceeds from loans including currency translation differences		0.7	2.0
Repayments of lease liabilities		– 63.9	– 59.8
Other cash received or paid		0.0	4.3
Cash flow from financing activities		**– 75.8**	**– 70.9**
Net change in cash and cash equivalents		**93.3**	**– 9.9**
Effect of currency translation differences and change in scope of consolidation on cash and cash equivalents		– 2.6	2.2
Cash and cash equivalents at the beginning of the period		203.9	211.6
Cash and cash equivalents at the end of the period	(33)	**294.6**	**203.9**
Net of cash and cash equivalents of disposal groups at the end of the period		– 3.7	– 0.6
Cash and cash equivalents at the end of the period according to the statement of financial position		**290.9**	**203.3**
Additional information on cash flows included in cash flow from operating activities:			
Interest paid		9.5	6.9
Interest received		1.6	2.2
Income taxes paid / received		34.1	33.7
Dividend payments received		0.9	14.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity for the period from January 1 to December 31, 2020

			Revenue reserves	
IN € MILLION	Capital subscribed	Capital reserve	Remeasurements of defined benefit pension plans	Other revenue reserves
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
Changes 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**
As of January 1, 2020	**26.0**	**128.2**	**–343.6**	**1,060.2**
Consolidated net income				88.7
Other comprehensive income			–22.5	
Dividends paid				–2.1
Changes in scope of consolidation[1]				–0.2
As of December 31, 2020	**26.0**	**128.2**	**–366.1**	**1,146.6**

1 _ Non-controlling interests of € 0.3 million not yet paid in.

≡ 17

	Other reserves						
	Currency translation differences	Equity instruments at fair value	Debt instruments at fair value	Investments accounted for using the equity method	**Equity attributable to the owners of TÜV SÜD AG**	Non-controlling interests	**Total equity**
	–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**
	–2.4	**0.2**	**0.3**	**–26.1**	**842.8**	**64.0**	**906.8**
					88.7	22.3	**111.0**
	–26.0	0.1	0.3	–7.5	**–55.6**	–1.1	**–56.7**
					–2.1	–8.9	**–11.0**
					–0.2	5.6	**5.4**
	–28.4	**0.3**	**0.6**	**–33.6**	**873.6**	**81.9**	**955.5**

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 31 December, 2020 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 2020 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 12, 2021, TÜV SÜD AG's Board of Management approved the consolidated financial statements for the fiscal year 2020 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, 2020. 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 number of entities shown in the table below. ≡ 18

Scope of consolidation ≡ 18

NUMBER OF ENTITIES	Dec. 31, 2020	Dec. 31, 2019
Fully consolidated entities	105	102
Entities accounted for using the equity method	6	7
thereof joint ventures	5	6
thereof associated companies	1	1
Total number of consolidated entities	**111**	**109**

The scope of consolidation was extended in fiscal year 2020 to include four new entities. The additions relate to two first-time consolidations after acquiring additional shares, a first-time consolidation of an existing group company and the first-time consolidation of a company previously accounted for using the equity method. One company was no longer included in the scope of consolidation. This deconsolidation led to a gain of € 0.1 million (prior year: gains of € 4.5 million and losses of € 0.6 million), which is recognized in other income.

The affiliated companies, associated companies and joint ventures included in the consolidated financial statements are listed in note 39 "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. The entity is fully consolidated in the Group, as the TÜV SÜD Group is responsible for economic control of the entity on the basis of the contractual arrangements and can thus make decisions regarding the relevant activities of the entity.

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.

Transactions in 2020

In fiscal year 2020, TÜV SÜD acquired additional shares in three companies, gaining control of two of them in the process. TÜV SÜD has already had control of the third company since the beginning of the year on account of amended provisions in the articles of association. Considered individually the acquisitions were not significant. Based on the figures as of the respective acquisition dates, the aggregate effect on the consolidated financial statements was as follows:

Net assets acquired, goodwill and purchase prices of business combinations in fiscal year 2020 ≡ 19

IN € MILLION	Carrying amount before revaluation	Fair value at first-time consolidation
Intangible assets, right-of-use assets and property, plant and equipment	6.6	14.0
Other assets (excluding cash and cash equivalents)	9.7	9.7
Cash and cash equivalents	7.2	7.2
Current liabilities	7.5	7.5
Non-current liabilities	7.8	7.5
Total net assets acquired	**8.2**	**15.9**
Net assets acquired attributable to TÜV SÜD		**10.4**
Goodwill arising on acquisition		16.1
Purchase prices of business combinations (cash consideration)		**26.5**
Less: value adjustments from the remeasurement of existing shares		–1.7
Plus: contributions to earnings and changes in value recognized prior to the first-time consolidation		7.4
Less: cash and cash equivalents acquired		–7.2
Less: purchase price payments made in prior years		–25.4
Net cash inflow from business combinations in 2020		**–0.4**

Hidden reserves totaling € 7.4 million were identified in development projects and other intangible assets with a useful life of ten to twelve years.

The goodwill from these acquisitions contains value drivers that cannot be separately quantified, in particular the value of the acquired workforce, future growth potential taking into account advanced and new technology as well as expected synergy effects.

No significant acquisition-related costs were recognized in the income statement in 2020 for the business combinations outlined above.

In the past fiscal year, the entities made a contribution to TÜV SÜD's revenue of € 3.4 million and € –2.6 million to the operating result. The operating result does not contain any synergies created for existing legal entities in the TÜV SÜD Group as a consequence of the business combinations. Had the entities been acquired as of January 1, 2020, the acquired entities would have made a contribution to consolidated revenue of € 5.8 million and a contribution of € –1.8 million to the operating result for the twelve months ended December 31, 2020.

Transactions in 2019

On December 31, 2019 TÜV SÜD AG acquired all of the shares in TÜV SÜD Pensionsgesellschaft mbH (formerly 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.

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 in 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 ≡ 20

	Closing rate		Annual average rate	
	Dec. 31, 2020	Dec. 31, 2019	2020	2019
Chinese renminbi (CNY)	8.0225	7.8205	7.8708	7.7339
Pound sterling (GBP)	0.8990	0.8508	0.8892	0.8773
Singapore dollar (SGD)	1.6218	1.5111	1.5736	1.5272
Turkish lira (TRY)	9.1131	6.6843	8.0436	6.3574
US dollar (USD)	1.2271	1.1234	1.1413	1.1196

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 2021 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. This means that in the segment reporting pursuant to IFRS 8, lease payments for these leases are also 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.

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 is no tax liability or tax claim 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 recognized 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.

Government grants are recognized in the statement of financial position if there is reasonable assurance that the grant will be received and the conditions attached to the grant have been or are deemed to be fulfillable. In the TÜV SÜD Group, this is assumed to be the case if the minimum likelihood of receiving the grant stands at least at 80%. The gross method is applied in the TÜV SÜD Group for the recognition of government grants pursuant to IAS 20. They are recognized as deferred income in the statement of financial position and as other income in profit or loss. Grants related to assets are recognized over the economic useful life of the respective asset while grants related to income are recognized on the basis of the subsidized expenses incurred in the fiscal year.

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 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 specified in note 22. 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 depending on how long legal proceedings carry on. 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 30 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 2021 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

The Group has early adopted the amendment to the standard "COVID-19-Related Rent Concessions – Amendments to IFRS 16", which was published on May 28, 2020. The amendment includes a voluntary practical expedient for leases, for which TÜV SÜD is the lessee and for which qualifying rent concessions have been granted, which are a direct consequence of the COVID-19 pandemic. In these instances TÜV SÜD does not have to review whether the rent concessions represent a modification of the lease, but rather should recognize them as if they did not represent a modification of the rent agreement.

Other amendments to standards, which had to be applied for the first time as of January 1, 2020, did not have any material impact on the consolidated financial statements.

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, 2020. 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 IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"	January 1, 2021	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, 2023	No consequences are expected for the consolidated financial statements.
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023	No consequences are expected for the consolidated financial statements.
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023	No consequences are expected for the consolidated financial statements.
Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022	No consequences are expected for the consolidated financial statements.
Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"	January 1, 2022	No significant consequences are expected for the consolidated financial statements.
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022	No 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.
Various standards "Annual Improvements to IFRSs 2018–2020 Cycle"	January 1, 2022	No significant consequences are expected for the consolidated financial statements.

Notes to the consolidated income statement

6 / PERSONNEL EXPENSES

Personnel expenses ≡ 23

IN € MILLION	2020	2019
Wages and salaries	1,237.1	1,264.3
Social security contributions and other benefit costs	165.1	171.9
Retirement benefit costs	115.8	107.8
Incidental personnel costs	24.9	28.9
	1,542.9	**1,572.9**

The decline in wages and salaries including social security contributions and other benefit costs results in addition to deconsolidation effects from government subsidized short-time work in Germany, primarily in the Academy business, and lower social security costs in China, where the social security rates were reduced on account of the pandemic.

Retirement benefit costs also include employer contributions to state pensions. The current service cost increased by € 3.6 million in fiscal year 2020. In this context, the effect of the reduced discount rate of 1.7% applied in Germany for pension expenses in 2019 to 0.95% for pension expenses in 2020 exceeded the effect of the decrease in the number of active employees. Other factors included higher employer contributions to state pensions in Germany and the raised contribution rate payable to the pension protection scheme (Pensions-Sicherungs-Verein).

The TÜV SÜD Group had an average headcount (full-time equivalents) of 22,803 employees in the reporting year (prior year: 23,024 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	2020	2019
Amortization and depreciation		
of intangible assets	21.0	20.1
of right-of-use assets	67.0	62.4
of property, plant and equipment	64.6	62.6
of investment property	0.1	0.1
Impairment losses	16.2	5.0
	168.9	**150.2**

8 / OTHER EXPENSES

Other expenses

≡ 25

IN € MILLION	2020	2019
Rental and maintenance expenses	56.0	60.0
Travel expenses	53.9	81.6
IT costs	50.7	50.8
Cost of purchased administrative services	42.1	46.9
Fees, contributions, consulting and audit costs	32.8	36.9
Currency translation losses	19.2	10.2
Telecommunication costs	17.9	19.2
Marketing costs	13.1	17.4
Impairment losses on trade receivables (including amounts derecognized)	10.2	12.4
Other taxes	5.5	5.7
Miscellaneous other expenses	95.8	89.7
	397.2	**430.8**

9 / OTHER INCOME

Other income

≡ 26

IN € MILLION	2020	2019
Currency translation gains	16.5	9.6
Government grants	15.1	4.3
Income from the disposal of non-current assets	12.0	1.7
Income from other transactions not typical for the company	6.8	7.3
Income from the reversal of provisions	6.4	6.3
Income from the reversal of impairment losses on trade receivables	3.0	2.4
Income from the reversal of impairment losses on fixed assets	0.1	0.1
Miscellaneous other income	33.1	28.7
	93.0	**60.4**

Government grants largely relate to the wage subsidy programs, which were introduced in various countries in response to the COVID-19 pandemic.

10 / FINANCIAL RESULT

Financial result

≡ 27

IN € MILLION	2020		2019	
Income from investments accounted for using the equity method		**9.4**		**17.3**
Income / loss from participations				
Financial income from participations	2.2		2.4	
Finance costs from participations	–3.9	–1.7	–6.1	–3.7
Income / loss from loans				
Financial income from loans	0.1		0.0	
Finance costs from loans	–0.5	–0.4	–0.1	–0.1
Other income / loss from participations		**–2.1**		**–3.8**
Interest income from loans		0.2		0.6
Other interest and similar income		1.2		1.8
Interest income		**1.4**		**2.4**
Net finance costs for pension provisions		–4.5		–8.3
Interest expenses from lease liabilities		–8.3		–6.3
Other interest and similar expenses		–3.4		–8.6
Interest expenses		**–16.2**		**–23.2**
Currency gains / losses from financing measures				
Currency translation gains	8.9		11.0	
Currency translation losses	–8.8	0.1	–11.0	0.0
Sundry financial result				
Sundry financial income	5.1		4.6	
Sundry finance costs	–4.2	0.9	–2.2	2.4
Other financial result		**1.0**		**2.4**
		–6.5		**–4.9**

The income from investments accounted for using the equity method of € 9.4 million (prior year: € 17.3 million) contains a figure of € 17.8 million (prior year: € 19.1 million) from the proportionate net income generated by the joint ventures TÜVTÜRK. This is offset in particular by the negative contribution to earnings of the joint venture FleetCompany GmbH, Oberhaching, and the impairment loss thereon, with a total negative effect of € 7.8 million (prior year: € 0.0 million).

The total interest income from assets not measured at fair value through profit or loss amounts to € 1.4 million in the fiscal year 2020 (prior year: € 2.4 million). The total interest expense (excluding net finance costs for pension provisions) amounts to € 11.7 million (prior year: € 14.9 million). This contains interest expenses from lease liabilities from the application of IFRS 16 of € 8.3 million (prior year: € 6.3 million) and expense from the change in discount rate on provisions for long-service bonuses and medical benefits of € 1.1 million (prior year: € 2.5 million). In the prior year, there was also a discounting effect on a loan in the amount of € 2.5 million.

11 / INCOME TAXES

Income taxes

≡ 28

IN € MILLION	2020		2019	
Current taxes		67.8		32.9
Deferred taxes				
on temporary differences	–24.9		21.4	
on tax loss carryforwards	4.3	–20.6	–2.5	18.9
		47.2		**51.8**

Current taxes for the fiscal year 2020 include expenses of € 0.1 million (prior year: € 2.0 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 expense is based on the nominal tax rate of the tax group of TÜV SÜD AG:

Tax reconciliation

≡ 29

IN € MILLION	2020	2019
Income before taxes	158.2	184.4
Expected tax rate	30.6%	30.6%
Expected income tax expense	**48.4**	**56.4**
Tax rate differences	–3.4	–3.9
Tax reductions due to tax-free income	–9.2	–9.1
Tax increases due to non-deductible expenses	5.6	6.1
Tax increases due to income taxes and withholding taxes neither creditable nor deductible	3.5	4.7
Tax effect on accounting for associated companies and joint ventures using the equity method	–3.0	–4.8
Tax increases on account of non-deductible impairment of goodwill	2.8	0.0
Current and deferred taxes for prior years	–0.4	1.9
Tax credits, valuation allowances and adjustments to carrying amounts of deferred taxes	3.5	2.2
Effect of changes in tax rates	0.3	–0.7
Other differences	–0.9	–1.0
Reported income tax expense	**47.2**	**51.8**
Effective tax rate	**29.8%**	**28.1%**

Tax credits, valuation allowances and adjustments to carrying amounts of deferred taxes contain deferred tax income of € 0.2 million (prior year: € 0.6 million) from the decrease in the deferred tax expense caused by previously unrecognized tax loss carry-forwards. This was counterbalanced by deferred tax expenses of € 3.7 million (prior year: € 3.4 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 € 0.1 million (prior year: € 0.4 million) on account of previously unrecognized tax loss carryforwards.

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

Deferred taxes by item of the statement of financial position ≡ 30

	Deferred tax assets		Deferred tax liabilities	
IN € MILLION	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Non-current assets	6.8	5.7	66.2	69.0
Current assets	1.2	8.4	10.0	22.2
Non-current liabilities				
Provisions for pensions and similar obligations	334.2	299.2	0.0	1.9
Other non-current liabilities	14.8	13.0	1.6	1.4
Current liabilities	23.3	25.6	3.3	2.1
	380.3	**351.9**	**81.1**	**96.6**
Offsetting	–63.7	–74.1	–63.7	–74.1
Deferred taxes on temporary differences	**316.6**	**277.8**	**17.4**	**22.5**
Deferred taxes on tax loss carryforwards	**2.7**	**6.5**		
	319.3	**284.3**	**17.4**	**22.5**

In Germany, no deferred taxes were recognized on corporate income tax loss carryforwards of € 35.0 million (prior year: € 13.6 million) and trade tax loss carryforwards of € 32.5 million (prior year: € 13.3 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 € 31.8 million (prior year: € 30.9 million). Of these tax loss carryforwards, € 29.1 million (prior year: € 28.1 million) can be used indefinitely and € 2.7 million (prior year: € 2.8 million) will expire within the next five years. Furthermore, no deferred tax assets were recognized for deductible temporary differences of € 3.9 million (prior year: € 6.5 million) and for capital losses in the USA in the amount of € 7.6 million (prior year: € 8.6 million).

Differences on investments in subsidiaries totaling € 17.7 million (prior year: € 18.4 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	2020	2019
As of January 1	**261.8**	**220.0**
Currency translation differences	0.6	–0.1
Changes in scope of consolidation	–2.1	8.8
Income (+)/expense (–) in the income statement	20.6	–18.9
Deferred taxes recognized in other comprehensive income	20.8	52.0
Reclassifications to "held for sale"	0.2	0.0
As of December 31	**301.9**	**261.8**

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

Income taxes recognized directly in other comprehensive income

≡ 32

	2020			2019		
IN € MILLION	Before tax	Deferred tax expense / income	After tax	Before tax	Deferred tax expense / income	After tax
Remeasurements of defined benefit pension plans	–43.1	20.9	–22.2	–79.4	52.1	–27.3
Equity instruments at fair value	0.1	0.0	0.1	0.2	0.0	0.2
Debt instruments at fair value	0.4	–0.1	0.3	0.2	–0.1	0.1
Currency translation of foreign subsidiaries	–27.4	0.0	–27.4	8.6	0.0	8.6
Investments accounted for using the equity method	–7.5	0.0	–7.5	–2.2	0.0	–2.2
Other comprehensive income	**–77.5**	**20.8**	**–56.7**	**–72.6**	**52.0**	**–20.6**

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, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Non-controlling interest	**45.0%**	**45.0%**	**49.0%**	**49.0%**
IN € MILLION				
Non-current assets	105.9	111.0	49.1	48.1
Current assets	47.2	37.8	125.3	101.3
Non-current liabilities	54.5	71.7	16.6	17.9
Current liabilities	24.7	21.9	100.8	80.4
Net assets	**73.9**	**55.2**	**57.0**	**51.1**
Carrying amount of non-controlling interests	33.4	24.9	27.7	25.1
	2020	2019	2020	2019
Revenue	157.0	156.8	198.6	195.5
Net income for the year	19.4	9.3	22.9	15.3
Other comprehensive income	0.8	–8.2	–1.4	0.4
Total comprehensive income	**20.2**	**1.1**	**21.5**	**15.7**
Net income attributable to non-controlling interests	8.6	4.1	11.2	7.5
Other comprehensive income attributable to non-controlling interests	0.3	–3.7	–0.8	0.2
Dividends paid to non-controlling interests	0.5	0.5	7.7	7.9
Cash flow from operating activities	25.8	19.8	56.1	34.1
Cash flow from investing activities	–11.0	–24.1	–31.3	–4.4
Cash flow from financing activities	–4.4	–4.2	–23.0	–25.1
Net change in cash and cash equivalents	**10.4**	**–8.5**	**1.8**	**4.6**

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, 2020	**230.3**	**154.3**	**45.2**	**92.2**	**11.6**	**533.6**
Currency translation differences	–13.6	–10.5	–0.3	–0.5	–0.1	**–25.0**
Changes in scope of consolidation	0.7	0.9	0.0	0.0	0.0	**1.6**
Acquisitions of subsidiaries	16.1	7.4	0.0	0.0	0.0	**23.5**
Additions	0.0	0.0	3.2	2.5	6.1	**11.8**
Disposals	–1.3	0.0	–0.6	–3.7	0.0	**–5.6**
Reclassifications to "held for sale"	0.0	0.0	0.0	–0.7	0.0	**–0.7**
Reclassifications	0.0	0.0	4.4	2.1	–6.1	**0.4**
Gross carrying amount as of December 31, 2020	**232.2**	**152.1**	**51.9**	**91.9**	**11.5**	**539.6**
Accumulated amortization and impairment losses	–41.8	–92.2	–26.5	–73.6	0.0	**–234.1**
Carrying amount as of December 31, 2020	**190.4**	**59.9**	**25.4**	**18.3**	**11.5**	**305.5**
Amortization and impairment losses in the fiscal year 2020	**–15.6**	**–11.3**	**–5.3**	**–9.8**	**0.0**	**–42.0**
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**
Changes 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**

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

Goodwill ≡ 35

IN € MILLION	Dec. 31, 2020	Dec. 31, 2019
Industry Service	82.8	88.4
Real Estate & Infrastructure	23.6	34.9
Auto Service	34.0	34.9
Product Service	32.8	34.9
Other	17.2	4.8
	190.4	**197.9**

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 € 2.2 million (prior year: € 3.4 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 € 24.9 million (prior year: € 29.7 million), of which € 16.2 million (prior year: € 20.3 million) relates to the Auto Service CGU and € 8.7 million (prior year: € 9.4 million) to the Industry Service CGU.

Impairment losses of € 5.2 million (prior year: € 1.7 million) were recognized on customer-related assets and concessions and licenses as part of the annual impairment test of intangible assets. Of these amounts, € 1.1 million (prior year: € 1.6 million) is attributable to the INDUSTRY Segment, € 4.1 million (prior year: € 0.0 million) to the MOBILITY Segment and € 0.0 million (prior year: € 0.1 million) to the CERTIFICATION Segment.

Impairment losses of € 15.6 million (prior year: € 0.0 million) were recognized on goodwill, which mainly resulted from the strategic realignment of a business in the INDUSTRY Segment.

The calculation of fair value less costs to sell per CGU was based on a discount rate of between 6.5% and 7.6% taking income taxes into account (prior year: between 6.4% and 7.2%). 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 € 16 million (prior year: approximately € 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, 2020	**528.1**	**271.1**	**333.7**	**20.4**	**1,153.3**
Currency translation differences	–4.3	–12.9	–3.0	–0.7	**–20.9**
Changes in scope of consolidation	2.3	0.1	0.5	0.0	**2.9**
Acquisitions of subsidiaries	1.4	4.5	0.7	0.0	**6.6**
Additions	15.2	25.1	28.4	30.2	**98.9**
Disposals	–14.8	–15.3	–41.3	0.0	**–71.4**
Reclassifications to "held for sale"	–0.1	–0.4	–2.7	–0.2	**–3.4**
Reclassifications	9.2	2.6	1.9	–14.2	**–0.5**
Gross carrying amount as of December 31, 2020	**537.0**	**274.8**	**318.2**	**35.5**	**1,165.5**
Accumulated depreciation and impairment losses	–262.9	–157.2	–206.8	0.0	**–626.9**
Carrying amount as of December 31, 2020	**274.1**	**117.6**	**111.4**	**35.5**	**538.6**
Depreciation and impairment losses in the fiscal year 2020	**–16.7**	**–24.0**	**–32.2**	**0.0**	**–72.9**
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**
Changes 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**

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 20 years, and furniture and fixtures over a period of three to 23 years.

Impairment losses to the lower fair value of € 8.3 million (prior year: € 1.6 million) were recognized. Of this amount, € 1.4 million (prior year: € 0.1 million) is attributable to land and buildings, € 6.1 million (prior year: € 0.3 million) to technical equipment and machinery, € 0.8 million (prior year: € 1.1 million) to other equipment, furniture and fixtures and € 0.0 million (prior year: € 0.1 million) to assets under construction.

15 / INVESTMENT PROPERTY

Development of investment property ≡ 37

IN € MILLION	2020	2019
Gross carrying amount as of January 1	**4.8**	**5.2**
Disposals	0.0	–0.4
Reclassifications	0.1	0.0
Gross carrying amount as of December 31	**4.9**	**4.8**
Accumulated depreciation	–1.9	–1.8
Carrying amount as of December 31	**3.0**	**3.0**
Depreciation and impairment losses in the fiscal year	–0.1	–0.1

Investment properties are measured at amortized cost. As of December 31, 2020, they had a market value of € 7.9 million (prior year: € 7.3 million).

Measurement at fair value of the investment property is classified as level 3 in the fair value hierarchy. If current market data is not available, the fair value is calculated on the basis of a capitalized earnings method pursuant to the ImmoWertV ["Immobilienwertermittlungsverordnung": German Ordinance on the Valuation of Property] and derived from the standard land values as well as the expected rental income. Essential input factors in the valuation that are not directly observable on the market include property yield, which is significantly influenced by property location and type. The property yield used in the valuation was unchanged on the prior year at 2.6%.

16 / INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method ≡ 38

IN € MILLION	Dec. 31, 2020	Dec. 31, 2019
Investments in joint ventures	28.3	45.5
Investment in an associated company	3.1	3.2
	31.4	**48.7**

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 2020, 10.3 million (prior year: 9.9 million) vehicle inspections were performed, generating revenue of TRY 3,209.1 million or € 399.0 million (prior year: TRY 2,561.7 million or € 403.0 million).

Other joint ventures are ITV de Levante, S.A. (ITV Levante), Valencia, Spain, TÜV SÜD DOGUS Ekspertiz ve Danismanlik Hizmetleri Ltd. Sti. (TÜV SÜD DOGUS), Istanbul, Turkey, and FleetCompany GmbH, Oberhaching, which are all accounted for using the equity method. None of these companies has a quoted market price. In the prior year, Uniscon universal identity control GmbH (Uniscon), Munich, which was acquired in July 2017 with a shareholding of 52%, was still recognized in this category. After acquiring further shares in March 2019 and December 2020 in the amount of 24% on each occasion, TÜV SÜD's shareholding now stands at 100%. On account of the contractual arrangements, according to which the right to make decisions on the relevant activities of the company passed over to the TÜV SÜD Group on January 1, 2020, the company has been fully included in the consolidated financial statements since this time. Previously, decisions on relevant activities and processes could only be made with a voting right majority of 80%. This meant that in the prior year the decision-making power could only be exercised jointly by both owners, and the company was thus recognized as a joint venture.

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 DOGUS was founded in 2012 and included in the consolidated financial statements for the first time in the 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 and TÜV SÜD's accounting policies. For the other joint ventures the amounts in the separate financial statements of ITV Levante and TÜV SÜD DOGUS and in the consolidated financial statements of FleetCompany GmbH have been raised to the fair value.

Financial data of the joint ventures (100%) ≡ 39

	Consolidated financial statements TÜVTÜRK, Turkey		Other joint ventures	
IN € MILLION	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Non-current assets	91.7	130.2	17.2	46.3
Current assets	93.3	47.8	34.0	34.3
thereof cash and cash equivalents	72.8	29.1	14.2	10.9
Non-current liabilities	45.9	63.2	7.3	17.3
thereof financial liabilities	8.9	7.7	5.9	12.0
Current liabilities	48.7	56.0	27.5	28.4
thereof financial liabilities	42.2	46.4	14.3	14.3
Net assets	**90.4**	**58.8**	**16.4**	**34.9**
	2020	2019	2020	2019
Revenue	399.0	403.0	37.3	21.9
Amortization and depreciation	–4.1	–4.6	–2.5	–4.8
Interest income	5.4	5.1	0.0	0.1
Interest expenses	–0.5	–0.7	0.0	–0.1
Income taxes	–15.8	–15.2	–0.5	–0.3
Net income for the year	**53.5**	**57.6**	**–5.7**	**–3.2**
Other comprehensive income	0.0	–0.3	0.0	0.0
Total comprehensive income	**53.5**	**57.3**	**–5.7**	**–3.2**
Dividends received	9.6	12.7	0.0	0.1

The reconciliation of financial information to the respective carrying amount of the investment in the joint ventures is presented as follows:

Reconciliation to the carrying amount of TÜV SÜD's interest in the joint ventures ≡ 40

	Consolidated financial statements TÜVTÜRK, Turkey		Other joint ventures	
IN € MILLION	2020	2019	2020	2019
Net assets (100%) as of January 1	**58.8**	**45.9**	**34.9**	**25.1**
Net assets from changes in participations	0.0	0.0	–12.4	14.1
Total comprehensive income	53.5	57.3	–5.7	–3.2
Dividends paid	0.0	–38.2	0.0	–0.9
Currency translation differences	–21.9	–6.2	–0.4	–0.2
Net assets (100%) as of December 31	**90.4**	**58.8**	**16.4**	**34.9**
Attributable to TÜV SÜD Group	30.2	19.6	9.6	27.1
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	–9.6	0.0	–6.8	–6.1
Carrying amount as of December 31	**25.5**	**24.5**	**2.8**	**21.0**

17 / OTHER FINANCIAL ASSETS

Other financial assets ≡ 41

IN € MILLION	Dec. 31, 2020	Dec. 31, 2019
Investments in affiliated companies	6.4	14.1
Loans to affiliated companies	0.2	0.2
Loans to joint ventures	4.7	8.1
Other participations	3.2	12.7
Loans to other participations	0.9	0.4
Non-current securities	93.9	91.2
Share of policy reserve from employer's pension liability insurance	0.2	0.2
Other loans	2.1	5.0
	111.6	**131.9**

An amount of € 1.3 million (prior year: € 1.3 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, 2020	Dec. 31, 2019
Contract assets	113.0	127.2
Other trade receivables	338.9	368.3
	451.9	**495.5**

Contract assets ≡ 43

IN € MILLION	Dec. 31, 2020	Dec. 31, 2019
Contract assets (gross)	141.2	152.0
Project-related advance payments received	–19.5	–18.7
Loss allowances on contract assets	–8.7	–6.1
	113.0	**127.2**

€ 129.2 million (prior year: € 141.7 million) of the contract assets will be realized within one year. Of the contract assets with a term of longer than one year, € 3.3 million (prior year: € 1.0 million) is impaired and € 6.4 million (prior year: € 3.2 million) is secured by advance payments received.

Revenue expected in the future from contract assets ≡ 44

IN € MILLION	2021	2022	2023
Range of revenue expected	83.1 to 125.6	58.8 to 78.9	up to 24.0

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

Maturity profile, expected loss rates and loss allowances on other trade receivables as of December 31, 2020 ≡ 45

IN € MILLION	Expected loss rate	Gross carrying amount	Loss allowance	Credit impaired
Not due	0.3%	210.8	0.6	No
Past due by up to 30 days	0.6%	78.9	0.5	No
Past due by 31 to 60 days	1.4%	21.2	0.3	No
Past due by 61 to 90 days	2.7%	11.3	0.3	No
Past due by 91 to 180 days	4.3%	14.0	0.6	No
Past due by 181 to 360 days	43.8%	8.9	3.9	No
Past due by more than 360 days	100.0%	15.1	15.1	No
Total		**360.2**	**21.3**	

Maturity profile, expected loss rates and loss allowances on other trade receivables as of December 31, 2019 ≡ 46

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
Total		**388.2**	**19.9**	

When determining impairment losses as of December 31, 2020, forward-looking information based on the development of gross domestic product and qualitative information were taken into account. This increased loss allowances by € 1.8 million. They were allocated in full to the maturity band of 181 to 360 days.

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 a receivable of € 1.1 million (prior year: € 1.5 million), which relates to the funds of the subsidiary TÜV SÜD BRASIL ENGENHARIA E CONSULTORIA LTDA. (TÜV SÜD BRASIL), São Paulo, Brazil, which have been 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, 2020	Dec. 31, 2019
Receivables from affiliated companies	1.1	1.3
Receivables from other participations	10.5	2.9
Cash pool receivables from other related parties	0.0	6.9
Fair values of derivative financial instruments	6.3	1.2
Miscellaneous financial assets	71.4	58.7
Other receivables and other current financial assets	**89.3**	**71.0**
Refund claims against insurance companies	5.3	4.9
Miscellaneous non-financial assets	35.0	25.4
Other current non-financial assets	**40.3**	**30.3**
	129.6	**101.3**

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

As part of its portfolio optimization measures, TÜV SÜD initiated the sale of two smaller laboratory service providers in the food sector and the equipment business in the USA in fiscal year 2020, and entered into negotiations with potential buyers.

Of the subsidiaries held for sale in the prior year, the sale of one subsidiary could not yet be completed as of the reporting date as the sale negotiations were delayed due to the pandemic. A corresponding purchase agreement was signed in December 2020, providing for the closing of the sale within the first quarter of 2021. Consequently, this subsidiary continues to be recognized as a disposal group held for sale. In respect of the other subsidiary that was recognized as a disposal group held for sale in the prior year, management decided in 2020 to discontinue this company's business operations. The business relationships of the company were wound up as far as possible and it was deconsolidated in October 2020.

As in the prior year, the measurement of the non-current assets and disposal groups held for sale at fair value less costs to sell did not lead to any impairment losses.

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, 2020	Dec. 31, 2019
Intangible assets	9.3	8.8
Right-of-use assets	4.0	2.4
Property, plant and equipment	1.6	0.4
Other non-current assets	0.5	0.0
Deferred tax assets	1.2	0.8
Inventories	1.2	0.0
Trade receivables	14.7	15.7
Other receivables and other current assets	0.9	1.2
Cash and cash equivalents	3.7	0.6
Disposal groups held for sale	**37.1**	**29.9**
Non-current liabilities	9.6	4.1
Deferred tax liabilities	1.4	0.8
Trade payables	9.0	7.1
Other current liabilities	5.0	5.0
Liabilities directly associated with disposal groups held for sale	**25.0**	**17.0**

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, 2020	Dec. 31, 2019
Provisions for pensions in Germany	457.9	525.6
Provisions for pensions in other countries	16.6	11.9
Provisions for similar obligations in other countries	11.5	11.3
	486.0	**548.8**

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 2020, they totaled € 82.4 million (prior year: € 79.3 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 benefits from the state pension are 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.

In Germany, two former employees with company pension claims successfully filed a case against the company pension assessment under the Versorgungsstatut. The adjustment required as a result of the final judgements for all affected members of the company pension plan was implemented in fiscal year 2020. A provision of € 11.9 million was recognized for special cases, which could lead to a higher level of benefits. Taking into account the risk provision recognized in fiscal year 2018, overall there was no negative impact on EBIT and equity in the current fiscal year.

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, 2020, 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 results of the next actuarial review are currently being finalized and will be subsequently passed on to the supervisory authorities.

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 2021, the Group intends to make a contribution to plan assets of € 74.1 million in order to further reduce the existing deficit (the planned figure for 2020 was € 79.2 million, the end-of-year figure, including one-off additions of € 42.6 million, amounted to € 119.1 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

	Germany		Other countries		Total	
IN € MILLION	2020	2019	2020	2019	2020	2019
Defined benefit obligation	2,172.9	2,128.2	135.3	128.1	2,308.2	2,256.3
Fair value of plan assets	1,715.0	1,602.6	107.2	104.9	1,822.2	1,707.5
Carrying amount as of December 31 (Net defined benefit liability)	**457.9**	**525.6**	**28.1**	**23.2**	**486.0**	**548.8**

The development compared with prior fiscal years is shown below:

Development of funded status

≡ 51

IN € MILLION	2020	2019	2018	2017	2016
Defined benefit obligation	2,308.2	2,256.3	2,064.4	2,059.9	2,089.6
Plan assets	1,822.2	1,707.5	1,496.1	1,437.3	1,340.2
Funded status as of December 31	**486.0**	**548.8**	**568.3**	**622.6**	**749.4**

Change in net defined benefit liability

Development of defined benefit obligation

≡ 52

	2020			2019		
IN € MILLION	Germany	Other countries	Total	Germany	Other countries	Total
Defined benefit obligation as of January 1	**2,128.2**	**128.1**	**2,256.3**	**1,955.7**	**108.7**	**2,064.4**
Service cost	26.7	2.5	29.2	23.2	2.4	25.6
Interest cost	19.5	2.2	21.7	32.0	2.8	34.8
Benefits paid	–80.0	–2.4	–82.4	–76.2	–5.5	–81.7
Contributions by the beneficiaries	0.0	0.3	0.3	0.0	0.3	0.3
Plan curtailments and settlements	0.0	0.0	0.0	–1.5	0.0	–1.5
Gains (–) and losses (+) from remeasurements						
Actuarial gains and losses from demographic assumptions	0.0	–1.6	–1.6	–61.2	–0.3	–61.5
Actuarial gains and losses from financial assumptions	76.5	11.9	88.4	226.9	14.6	241.5
Actuarial gains and losses from experience adjustments	8.1	0.7	8.8	32.6	–0.1	32.5
Past service cost	0.0	0.0	0.0	0.0	–0.1	–0.1
Changes in scope of consolidation	0.0	–0.1	–0.1	0.0	–0.1	–0.1
Reclassifications to "held for sale"	–6.1	0.0	–6.1	–2.4	0.0	–2.4
Currency translation differences and other	0.0	–6.3	–6.3	–0.9	5.4	4.5
Defined benefit obligation as of December 31	**2,172.9**	**135.3**	**2,308.2**	**2,128.2**	**128.1**	**2,256.3**
thereof unfunded	287.8	10.0	297.8	287.0	10.0	297.0
thereof partially funded	1,885.1	125.3	2,010.4	1,841.2	118.1	1,959.3

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

The main factor influencing the development of the defined benefit obligation is the underlying discount rate, which in Germany fell by a further 30 base points from 0.95% to 0.65% in a year-on-year comparison and resulted in actuarial losses from financial assumptions of € 76.5 million (prior year: € 226.9 million). In the UK, the development of the capital markets also made it necessary to once again reduce the discount rate by 70 base points, with resulting actuarial losses of € 10.9 million (prior year: € 13.0 million). In the prior year, gains from the change in demographic assumptions from raising the retirement age in Germany from 63 to 65 had the opposite effect.

Pension payments of € 83.3 million are expected for the fiscal year 2021.

Development of plan assets ≡ 53

IN € MILLION	2020 Germany	2020 Other countries	2020 Total	2019 Germany	2019 Other countries	2019 Total
Fair value of plan assets as of January 1	**1,602.6**	**104.9**	**1,707.5**	**1,405.4**	**90.7**	**1,496.1**
Interest income	15.3	1.9	17.2	24.0	2.5	26.5
Gains (–) and losses (+) from remeasurements						
Return on plan assets excluding interest income	49.1	3.4	52.5	125.6	7.5	133.1
Contributions by the employer	115.7	3.4	119.1	112.7	4.0	116.7
Contributions by the beneficiaries	0.0	0.3	0.3	0.0	0.3	0.3
Benefits paid	–67.6	–1.5	–69.1	–64.2	–4.9	–69.1
Reclassifications to "held for sale"	–0.1	0.0	–0.1	–0.9	0.0	–0.9
Currency translation differences and other	0.0	–5.2	–5.2	0.0	4.8	4.8
Fair value of plan assets as of December 31	**1,715.0**	**107.2**	**1,822.2**	**1,602.6**	**104.9**	**1,707.5**
Actual return on plan assets	64.4	5.3	69.7	149.6	10.0	159.6

The net defined benefit liability thus changed as follows:

Development of the net defined benefit liability ≡ 54

IN € MILLION	2020 Germany	2020 Other countries	2020 Total	2019 Germany	2019 Other countries	2019 Total
As of January 1	**525.6**	**23.2**	**548.8**	**550.3**	**18.0**	**568.3**
Service cost	26.7	2.5	29.2	23.2	2.4	25.6
Net interest cost	4.2	0.3	4.5	8.0	0.3	8.3
Contributions by the employer	–115.7	–3.4	–119.1	–112.7	–4.0	–116.7
Benefits paid	–12.4	–0.9	–13.3	–12.0	–0.6	–12.6
Plan curtailments and settlements	0.0	0.0	0.0	–1.5	0.0	–1.5
Gains (–) and losses (+) from remeasurements						
Actuarial gains and losses from demographic assumptions	0.0	–1.6	–1.6	–61.2	–0.3	–61.5
Actuarial gains and losses from financial assumptions	76.5	11.9	88.4	226.9	14.6	241.5
Actuarial gains and losses from experience adjustments	8.1	0.7	8.8	32.6	–0.1	32.5
Return on plan assets excluding interest income	–49.1	–3.4	–52.5	–125.6	–7.5	–133.1
Past service cost	0.0	0.0	0.0	0.0	–0.1	–0.1
Changes in scope of consolidation	0.0	–0.1	–0.1	0.0	–0.1	–0.1
Reclassifications to "held for sale"	–6.0	0.0	–6.0	–1.5	0.0	–1.5
Currency translation differences and other	0.0	–1.1	–1.1	–0.9	0.6	–0.3
As of December 31	**457.9**	**28.1**	**486.0**	**525.6**	**23.2**	**548.8**

Plan assets

Composition of plan assets

≡ 55

IN € MILLION	Dec. 31, 2020	Dec. 31, 2019
Shares (prior to hedging)	431.7	447.5
Fixed-interest securities	626.3	556.5
Share in investment company for infrastructure projects and private debt funds	292.5	238.6
Real estate and similar assets – used by third parties, vacant or under construction	336.1	308.0
Other (including cash and cash equivalents)	135.6	156.9
	1,822.2	**1,707.5**

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.

As part of the implementation of the most recent ALM study 2020, various reallocations were made to achieve a new target allocation.

Defined benefit obligation

Actuarial assumptions for determining the defined benefit obligation

≡ 56

IN %	Dec. 31, 2020		Dec. 31, 2019	
	Germany	Other countries	Germany	Other countries
Discount rate	0.65	1.22	0.95	1.85
Future salary increases	2.25	2.00	2.25	2.02
Future pension increases	1.80	2.75	1.80	2.95

The actuarial assumptions have been 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 in Germany is calculated in accordance with the RATE:Link model developed by the Group's actuary Willis Towers Watson Deutschland GmbH, Wiesbaden, to determine the discount rate for the measurement of pension obligations. On account of changes at Bloomberg, in the future not the Bloomberg Industry Classification System (BICS) but rather the BCLASS system will be used as the basis for determining the portfolio of high-value corporate bonds that is decisive for fixing the interest rate in the RATE:Link model of Willis Towers Watson. The thus refined bond selection procedure constitutes a change in accounting estimate pursuant to IAS 8. As of December 31, 2020, this led to an increase in the discount rate by 31 base points and a decrease in the projected benefit obligation of € 105 million compared to the previous method used to determine the discount rate.

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. 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, 2020 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, 2020		DBO Germany as of December 31, 2019	
	Increase	Decrease	Increase	Decrease
Discount rate (1% variation)	–322.0	409.0	–308.3	390.1
Future salary/pension increases (0.75% variation)	273.3	–230.0	256.7	–216.4
Life expectancy (5.3% increase for all persons)	154.2	–	142.3	–

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 to calculate the pension expenses for the fiscal year 2020 were therefore already defined as of the reporting date December 31, 2019.

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

Actuarial assumptions for determining pension expenses ≡ 58

	2020		2019	
IN %	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 expense recognized for defined benefit pension plans in total comprehensive income for the fiscal years 2020 and 2019 breaks down as follows:

Expenses (+) / Income (–) recognized for defined benefit plans in total comprehensive income ≡ 59

	2020			2019		
IN € MILLION	Germany	Other countries	Total	Germany	Other countries	Total
Service cost	26.7	2.5	29.2	23.2	2.4	25.6
Net interest cost	4.2	0.3	4.5	8.0	0.3	8.3
Past service cost	0.0	0.0	0.0	0.0	–0.1	–0.1
Gains (–) and losses (+) from plan curtailments and settlements	0.0	0.0	0.0	0.3	0.0	0.3
Expenses for defined benefit plans recognized in the consolidated income statement	**30.9**	**2.8**	**33.7**	**31.5**	**2.6**	**34.1**
Return on plan assets excluding interest income	–49.1	–3.4	–52.5	–125.6	–7.5	–133.1
Gains (–) and losses (+) from remeasurements of the defined benefit obligation	84.6	11.0	95.6	198.3	14.2	212.5
Remeasurements of defined benefit plans recognized in other comprehensive income	**35.5**	**7.6**	**43.1**	**72.7**	**6.7**	**79.4**
Expenses recognized for defined benefit plans in total comprehensive income	**66.4**	**10.4**	**76.8**	**104.2**	**9.3**	**113.5**

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, 2020	**142.3**	**84.3**	**10.3**	**20.7**	**257.6**
thereof non-current	**34.0**	**63.7**	**0.1**	**9.5**	**107.3**
Currency translation differences	–1.7	–0.1	–0.1	–0.4	**–2.3**
Changes in scope of consolidation	0.1	0.0	0.0	0.4	**0.5**
Additions	106.2	6.8	1.0	11.6	**125.6**
Utilization	–98.8	–11.3	–0.2	–4.8	**–115.1**
Reversals	–4.7	–3.6	0.0	–1.9	**–10.2**
Unwinding of the discount	1.3	0.0	0.0	0.0	**1.3**
Reclassifications to "held for sale"	–0.2	0.0	0.0	0.0	**–0.2**
As of December 31, 2020	**144.5**	**76.1**	**11.0**	**25.6**	**257.2**
thereof non-current	**35.2**	**63.1**	**0.0**	**11.5**	**109.8**

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 the comments in note 30 "Pending and imminent legal proceedings".

Overall, obligations are counterbalanced by reimbursement claims from insurance companies amounting to € 5.3 million (prior year: € 4.9 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

	Non-current		Current		Total	
IN € MILLION	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Liabilities to banks	0.0	0.0	1.8	2.4	1.8	2.4
Cash pool liabilities to affiliated companies	0.0	0.0	0.0	0.3	0.0	0.3
Cash pool liabilities to other related parties	0.0	0.0	0.2	0.0	0.2	0.0
Loan liabilities to third parties	2.7	2.4	0.0	0.0	2.7	2.4
	2.7	**2.4**	**2.0**	**2.7**	**4.7**	**5.1**

25 / TRADE PAYABLES

Trade payables ≡ 62

IN € MILLION	Dec. 31, 2020	Dec. 31, 2019
Contract liabilities	121.2	96.5
Other trade payables	79.3	84.8
	200.5	**181.3**

Contract liabilities contain advance payments received of € 46.7 million (prior year: € 33.8 million). Of these liabilities, € 59.5 million (prior year: € 51.9 million) will be billed within one year. The amount of contract liabilities contained in liabilities as of December 31, 2019, of € 91.3 million (prior year: € 77.9 million) was recognized as revenue in fiscal year 2020.

26 / OTHER LIABILITIES

Other liabilities ≡ 63

	Non-current		Current		Total	
IN € MILLION	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Liabilities to affiliated companies	0.0	0.0	3.8	4.7	3.8	4.7
Liabilities to other participations	0.0	0.0	1.0	1.1	1.0	1.1
Fair values of derivative financial instruments	0.0	0.0	2.0	1.5	2.0	1.5
Outstanding invoices	0.0	0.0	51.1	44.2	51.1	44.2
Miscellaneous financial liabilities	0.1	0.1	30.1	34.2	30.2	34.3
Other financial liabilities	**0.1**	**0.1**	**88.0**	**85.7**	**88.1**	**85.8**
Vacation claims, flexitime and overtime credits	0.0	0.0	46.0	48.9	46.0	48.9
Other taxes	0.0	0.0	58.5	44.4	58.5	44.4
Social security liabilities	0.0	0.0	6.5	6.2	6.5	6.2
Miscellaneous non-financial liabilities	0.0	0.0	29.3	27.1	29.3	27.1
Other non-financial liabilities	**0.0**	**0.0**	**140.3**	**126.6**	**140.3**	**126.6**
	0.1	**0.1**	**228.3**	**212.3**	**228.4**	**212.4**

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 over 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 tables show the carrying amounts of the right-of-use assets and the changes during the reporting period:

Right-of-use assets 2020

≡ 64

IN € MILLION	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures	Total
Additions 2020	180.9	0.2	13.0	**194.1**
Depreciation and impairment losses 2020	55.6	0.2	13.7	**69.5**
Carrying amounts as of December 31, 2020	351.1	0.4	24.3	**375.8**

Right-of-use assets 2019

≡ 65

IN € MILLION	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures	Total
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 counterbalanced by the following lease liabilities:

Maturity profile of lease liabilities based on undiscounted lease payments

≡ 66

IN € MILLION	2020	2019
Lease payments due within one year	64.4	60.3
Lease payments due in one to five years	158.6	138.4
Lease payments due in more than five years	275.7	88.6
Total undiscounted lease liabilities as of December 31	**498.7**	**287.3**
Lease liabilities in the statement of financial position as of December 31	**382.9**	**263.8**
thereof current	56.2	55.2
thereof non-current	326.7	208.6

Possible future cash outflows of € 19.1 million (prior year: € 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 € 24.3 million (prior year: € 13.6 million).

In 2020, payments for leases recognized pursuant to IFRS 16 amounted to € 72.2 million (prior year: € 66.1 million). The non-cash increases of lease liabilities (additions, interest, disposals, currency translation) amount to € 191.3 million (prior year: € 60.2 million).

The expenses recognized in the income statement for leases accounted for pursuant to IFRS 16 totaled € 77.8 million in fiscal year 2020 (prior year: € 70.4 million). Furthermore, expenses for short-term leases of € 4.5 million (prior year: € 5.8 million) and expenses for leases of low-value assets of € 1.8 million (prior year: € 2.1 million) were incurred. Both of these were recognized under other expenses.

28 / CONTINGENT ASSETS AND LIABILITIES

There are contingent assets from insurance benefits for expenses in 2020 in the single-digit million euro range. The contingent assets for expenses in 2019 disclosed in a similar amount in the prior year were collected and recognized with effect on income in the reporting year.

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

Contingent liabilities ≡ 67

IN € MILLION	Dec. 31, 2020	Dec. 31, 2019
Guarantee obligations	46.5	56.1
Contingent liabilities arising from litigation risks	1.5	1.7
Miscellaneous contingent liabilities	1.8	2.0
	49.8	**59.8**

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

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

There are guarantee obligations for joint ventures in the amount of € 2.5 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 30 in respect of the disclosure on the contingent liabilities in association with pending and imminent legal proceedings.

29 / OTHER FINANCIAL OBLIGATIONS

There are other financial obligations in the amount of € 17.2 million (prior year: € 18.5 million) and these largely relate to service and maintenance agreements.

30 / PENDING AND IMMINENT LEGAL PROCEEDINGS

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 in connection with the certificate of stability issued in 2018. There are also potential penalties for administrative offences. TÜV SÜD believes 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 and the expected duration of the proceedings may deviate from these estimates.

The provisions recognized in the prior year for legal defense and advisory costs of € 28.5 million decreased to € 20.0 million as of the reporting date. The utilization in 2020 for the costs of engaging external third parties to clarify the facts of the matter and defend TÜV SÜD's legal position 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

31 / ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

Carrying amounts by measurement category in accordance with IFRS 9 ≡ 68

IN € MILLION	Dec. 31, 2020	Dec. 31, 2019
Financial assets		
Debt instruments at amortized cost	676.4	629.7
Debt instruments at fair value through other comprehensive income	95.4	92.4
Financial assets at fair value through profit or loss	53.6	30.5
Equity instruments at fair value through other comprehensive income	12.2	29.3
Financial liabilities		
Financial liabilities at amortized cost	165.7	167.1
Financial liabilities at fair value through profit or loss	6.4	8.6

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. ≡ 69/70

Carrying amounts and fair values of financial instruments as of December 31, 2020

≡ 69

			Fair value hierarchy		
IN € MILLION	Carrying amounts	Fair value	thereof level 1	thereof level 2	thereof level 3
Other financial assets[1, 2, 3]	111.4	93.9	93.9	0.0	0.0
Other non-current assets[2, 3]	7.1	0.2	0.0	0.2	0.0
Non-current assets	**118.5**	**94.1**	**93.9**	**0.2**	**0.0**
Trade receivables[2]	338.9	–	–	–	–
Other receivables and other current assets[2, 3]	89.3	57.4	48.2	9.2	0.0
Cash and cash equivalents[2]	290.9	–	–	–	–
Current assets	**719.1**	**57.4**	**48.2**	**9.2**	**0.0**
Total financial assets	**837.6**	**151.5**	**142.1**	**9.4**	**0.0**
Non-current financial debt[2]	2.7	–	–	–	–
Other non-current liabilities[2, 3]	0.1	–	–	–	–
Non-current liabilities	**2.8**	**–**	**–**	**–**	**–**
Current financial debt [2]	2.0	–	–	–	–
Trade payables [2]	79.3	–	–	–	–
Other current liabilities[2, 3]	88.0	6.4	0.0	2.0	4.4
Current liabilities	**169.3**	**6.4**	**0.0**	**2.0**	**4.4**
Total financial liabilities[4]	**172.1**	**6.4**	**0.0**	**2.0**	**4.4**

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, 2019

≡ 70

			Fair value hierarchy		
IN € MILLION	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 liabilities[4]	**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.

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

The financial instruments allocated to level 2 are derivatives and securities. A purchase price liability from a put option falls under level 3.

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 Refinitiv 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 ≡ 71

	Assets		Equity and liabilities	
IN € MILLION	2020	2019	2020	2019
As of January 1	**0.0**	**3.2**	**7.1**	**6.6**
Currency translation differences	0.0	0.0	–1.0	–0.1
Changes recognized with an effect on income	0.0	–1.6	0.5	0.7
Changes with an effect on cash and cash equivalents	0.0	–1.6	–2.2	–0.1
As of December 31	**0.0**	**0.0**	**4.4**	**7.1**

The change to equity and liabilities with an effect on income was primarily attributable to unwinding the discount on an existing purchase price liability from a put option in South Africa. The change with an effect on cash relates to the exercise of a put option.

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 ≡ 72

IN € MILLION	2020	2019
Debt instruments at amortized cost	–9.2	–6.7
Debt instruments at fair value through other comprehensive income	–0.1	–0.1
Financial assets / liabilities at fair value through profit or loss	5.0	1.6
Equity instruments at fair value through other comprehensive income	–1.6	–3.7
Financial liabilities at amortized cost	–5.9	–6.6

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 € 0.5 million (prior year: € 0.6 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 ≡ 73

IN € MILLION	Other financial assets	Trade receivables	Other receivables and other current assets	Total
Valuation allowances as of January 1, 2019	**12.9**	**19.7**	**2.0**	**34.6**
Currency translation differences	0.1	0.0	0.0	**0.1**
Changes 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/January 1, 2020	**13.9**	**19.9**	**2.4**	**36.2**
Currency translation differences	–0.6	–0.8	–0.1	**–1.5**
Changes in scope of consolidation	0.0	0.2	0.5	**0.7**
Additions	4.0	11.7	0.3	**16.0**
Utilization	–1.6	–4.2	0.0	**–5.8**
Reversals	0.0	–5.5	–0.4	**–5.9**
Valuation allowances as of December 31, 2020	**15.7**	**21.3**	**2.7**	**39.7**
Impairment losses 2020	**4.1**	**10.2**	**0.0**	**14.3**
Impairment losses 2019	1.4	12.1	0.3	**13.8**

32 / 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, 2020.

The maximum credit risk of financial assets and derivative financial instruments corresponds to their fair value as of December 31, 2020.

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. In addition, further fixed agreed bilateral credit lines were concluded in 2020 with three core banks for a total of € 225 million. Without taking lease liabilities into account, as of the reporting date, payments due within one year of € 169.3 million (prior year: € 173.2 million) and payments due in more than one year of € 2.8 million (prior year: € 2.5 million) are covered by cash and cash equivalents of € 294.6 million (prior year: € 203.9 million) as well as undrawn credit lines of € 435.8 million (prior year: € 212.9 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, 2020 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 € 9.3 million (prior year: € 13.3 million). The market value of cross-currency swaps would increase by € 0.2 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 € 7.6 million (prior year: € 10.9 million). The market value of cross-currency swaps would decrease by € 0.1 million (prior year: € 0.2 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.

33 / NOTES TO THE STATEMENT OF CASH FLOWS

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

The contribution to pension plans consists of contributions equivalent to the pension payments made by the trustors to TÜV SÜD Pension Trust e.V. of € 66.5 million (prior year: € 61.7 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 € 0.0 million (prior year: € 20.5 million) to TÜV Hessen Trust e.V. as well as further additions to other plan assets of € 10.0 million (prior year: € 4.5 million), these payments are recognized as part of the cash flow from investing activities.

34 / 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 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, 2020 and as of December 31, 2020

≡ 74

IN € MILLION	INDUSTRY	MOBILITY	CERTIFICATION	OTHER	Reconciliation	Group
External revenue	899.5	811.3	773.5	3.3	– 1.6	**2,486.0**
thereof EUROPE	748.6	800.9	384.0	0.2	– 1.6	**1,932.1**
thereof AMERICAS	68.3	0.3	86.0	1.3	0.0	**155.9**
thereof ASIA	82.6	10.1	303.5	1.8	0.0	**398.0**
Intersegment revenue	6.7	0.6	9.5	30.1	– 46.9	**0.0**
Total revenue	906.2	811.9	783.0	33.4	– 48.5	**2,486.0**
Amortization, depreciation and impairment losses	– 35.5	– 45.5	– 41.0	– 46.9	0.0	**– 168.9**
Income from investments accounted for using the equity method	0.0	9.4	0.0	0.0	0.0	**9.4**
EBIT	76.3	31.3	66.7	– 1.7	– 0.6	**172.0**
Capital expenditures	10.7	25.0	42.1	32.9	0.0	**110.7**
Segment assets as of December 31, 2020	492.1	424.1	464.0	486.7	– 15.9	**1,851.0**

Total revenue in the home market of Germany amounts to € 1,603.1 million (prior year: € 1,649.4 million) and relates with € 570.9 million (prior year: € 573.0 million) to the INDUSTRY Segment, with € 730.0 million (prior year: € 751.2 million) to the MOBILITY Segment and with € 303.6 million (prior year: € 326.6 million) to the CERTIFICATION Segment.

Segment information from January 1 to December 31, 2019 and as of December 31, 2019

≡ 75

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**

In general, the same accounting policies are used as for the consolidated financial statements.

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

Segment performance is evaluated based on EBIT.

Reconciliation of EBIT to income before taxes ≡ 76

IN € MILLION	2020	2019
EBIT according to segment reporting	**172.0**	**202.8**
Interest income	1.4	2.4
Interest expenses	–16.2	–23.2
Other financial result	1.0	2.4
Income before taxes according to consolidated income statement	**158.2**	**184.4**

Assets are allocated according to their geographic location.

Segment assets based on geographic segments ≡ 77

IN € MILLION	Dec. 31, 2020	Dec. 31, 2019
EUROPE	1,271.9	1,341.8
AMERICAS	168.1	188.9
ASIA	437.8	312.5
Reconciliation	–26.8	–30.0
Total segment assets	**1,851.0**	**1,813.2**

Segment assets in Germany come to € 1,004.0 million (prior year: € 1,046.1 million).

Reconciliation of segment assets to group assets ≡ 78

IN € MILLION	Dec. 31, 2020	Dec. 31, 2019
Segment assets	**1,851.0**	**1,813.2**
Interest-bearing financial assets	102.0	105.1
Deferred tax assets	319.3	284.3
Cash and cash equivalents	290.9	203.3
Other interest-bearing current assets	55.6	34.3
Group assets	**2,618.8**	**2,440.2**

35 / 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. 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 on the scale 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 fiscal year 2020, a total volume of € 104.6 million (prior year: € 108.1 million) was charged to TÜV SÜD e.V. From this source TÜV SÜD e.V. recorded revenue of € 106.2 million (prior year: € 109.8 million).

As of the reporting date, there are cash pool liabilities in the amount of € 0.2 million (prior year: cash pool receivables of € 6.9 million) to TÜV SÜD e.V. Effective December 31, 2019, TÜV SÜD AG acquired TÜV SÜD Pensionsgesellschaft mbH (formerly TÜV SÜD Föderation GmbH) from TÜV SÜD e.V. In the prior year, this transaction resulted in a purchase price liability of € 7.1 million to TÜV SÜD e.V., which was included in other financial liabilities as of December 31, 2019.

In the fiscal years 2020 and 2019, 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 2020, 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

≡ 79

	Non-consolidated subsidiaries		Associated companies		Joint ventures	
IN € MILLION	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Loans	0.2	0.2	0.0	0.0	4.7	8.1
Receivables	1.1	1.3	0.0	0.0	9.5	1.5
Financial debt	0.0	0.3	0.0	0.0	0.0	0.0
Liabilities	3.8	4.7	0.0	0.0	0.6	0.8

Receivables from non-consolidated subsidiaries include valuation allowances amounting to € 2.4 million (prior year: € 2.4 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 2020, dividend distributions of the Turkish joint ventures amounted to € 9.6 million (prior year: € 12.7 million). Furthermore, in the prior year there was a distribution of € 0.1 million of the Spanish joint venture ITV Levante.

Dividend distributions of € 0.8 million (prior year: € 0.8 million) were received from associated companies.

TÜV SÜD AG issued letters 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.

In the prior year, 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. These have since expired. A provision of € 0.2 million which had been recognized in the prior year for the expected utilization was released in 2020.

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 2020 (prior year: € 3.4 million). This includes variable, EVA-based salary components of € 1.3 million in total (prior year: € 1.3 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 € 6.2 million as of the reporting date (prior year: € 5.6 million).

The active members of the Supervisory Board received total remuneration of € 1.1 million in the fiscal year 2020 (prior year: € 1.2 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: € 1.3 million). Defined benefit obligations amounting to € 18.6 million (prior year: € 18.6 million) exist for former members of the Board of Management and their surviving dependents.

36 / 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 € 349.1 million, equivalent to € 0.08 per share. The remaining amount of € 347.0 million is to be carried forward to new account.

37 / AUDITOR'S FEE

Fees of the auditor KPMG AG Wirtschaftsprüfungsgesellschaft ≡ 80

IN € MILLION	2020	2019
Audit of the financial statements	1.2	1.6
Audit-related services	0.1	0.0
Tax advisory services	0.4	0.5
Other services	0.0	0.2
	1.7	**2.3**

38 / EVENTS AFTER THE REPORTING DATE

At the beginning of 2021, TÜV SÜD Pensionsgesellschaft mbH, Munich, was included as a further trustor in the CTA and transferred cash pool receivables of € 58.0 million to TÜV SÜD Pension Trust e.V., Munich. In addition, TÜV SÜD Industrie Service GmbH, Munich, and TÜV SÜD Auto Service GmbH, Stuttgart, each contributed a further € 50.0 million in cash pool receivables to the CTA. TÜV SÜD AG gave its consent for all three transactions and also contributed corresponding cash pool liabilities to the CTA. The covering assets of TÜV SÜD AG were reduced accordingly by € 158.0 million.

The sale of the equipment business in the USA, which was disclosed as a disposal group held for sale at the end of 2020, was closed on February 19, 2021.

39 / CONSOLIDATED ENTITIES

Consolidated entities

≡ 81

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, Frankfurt am Main		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[1]		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 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 Pensionsgesellschaft mbH, 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
Uniscon universal identity control GmbH, Munich[1]	C	100.00

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

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
Changzhou Jin Biao Rail Transportation Technical Service Co., Ltd., Changzhou, China	F	50.53
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
PT. TUV SUD Indonesia, Jakarta Pusat, Indonesia		94.96
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		100.00
TUV SUD Hong Kong 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 BABT Unltd., Fareham Hants, UK		100.00
TUV SUD Bangladesh (Pvt.) Ltd., Dhaka, Bangladesh		100.00
TÜV SÜD Benelux B.V.B.A., Boortmeerbeek, Belgium		100.00
TÜV SÜD Benelux VZW, Boortmeerbeek, Belgium		100.00
TÜV SÜD BRASIL ENGENHARIA E CONSULTORIA LTDA., São Paulo, Brazil		100.00
TÜV SÜD Bursa Tasit Muayene Istasyonlari Isletim A.S., Kestel-Bursa, Turkey		100.00

F = First-time consolidation

NAME AND REGISTERED OFFICE OF THE ENTITY		Share in capital in %
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
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		74.00
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, Abu Dhabi, United Arab Emirates		51.00
TUV SUD Middle East LLC (Qatar), Doha, Qatar		51.00
TÜV SÜD Nederland B.V., Ede, Netherlands		100.00
TÜV SÜD New Energy Testing (Guangdong) Co., Ltd., Guangzhou, China	F	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		74.00
TUV SUD South Asia Pvt. Ltd., Mumbai, India		100.00
TÜV SÜD Sverige AB, Malmö, Sweden		100.00
TÜV SÜD SW Rail Transportation Technology (Jiangsu) Co., Ltd., Changzhou, China	F	52.00
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

F = First-time consolidation

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	40.00
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

Munich, March 12, 2021

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, 2020, 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, 2020, 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, 2020. 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, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, 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 30 of the notes to the consolidated financial statements and in the sections "Business development" and "Compliance 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 2021 and future financial years. Our audit opinions on the consolidated financial statements and group 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 30 of the notes to the consolidated financial statements and the information in the sections "Compliance 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 following parts of the group management report, the content of which has not been audited:

- the corporate governance statement (information on female representation pursuant to Section 289f (4) HGB of TÜV SÜD AG), which is contained in the corporate governance report section of the group management report, and
- the disclosures in the group 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 and 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 12, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

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

GLOSSARY

Additive manufacturing	Process to construct a structural element by depositing material layer by layer based on digital 3D construction data (3D printing)
Advanced analytics	Autonomous or semi-autonomous examination of data or content using processes such as data mining, big data analytics or location intelligence to predict future events and behaviors
AHV	"Alters- und Hinterbliebenenversicherung" (Engl.: old-age and survivors' insurance)
ALM	Asset liability management
BACnet	Building Automation and Control Networks
BCA	Building and Construction Authority, Singapore
BetrSichV	"Betriebssicherheitsverordnung" (Engl.: German ordinance on industrial health and safety)
BIM	Building Information Modeling Modeling a digital building twin
CACP	Climate Action Certification Program
CAFM	Computer-Aided Facility Management
CEO	Chief Executive Officer
CertifHy	EU-wide scheme for the guarantee of origin for green and low-carbon hydrogen
CFO	Chief Financial Officer
CGU	Cash generating unit
Charter of Trust	Initiative to promote cyber security
COO	Chief Operating Officer
Credit spread	Difference between high-risk and risk-free benchmark interest rate with the same term. Defines the risk premium that an investor receives as compensation for the credit risk entered into.
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
DAkkS	"Deutsche Akkreditierungsstelle" (Engl.: German Accreditation Body)
DBO	Defined benefit obligation
DIN	"Deutsches Institut für Normung" (Engl.: German Institute for Standardization)
DSO	Days Sales Outstanding
DVS	Digital Vehicle Scan Standardized and automated vehicle scan
EBIT	Earnings before interest and taxes Earnings before interest, before other financial result and before income tax, but after income from participations
EBT	Earnings before taxes
E-Business	Integrated execution of all automated business processes of a company with the help of information and communication technology
EDB	Singapore Economic Development Board A government agency under the Ministry of Trade and Industry; it is responsible for strategies that enhance Singapore's position as a global centre for business, innovation and talent
EMC	Electromagnetic compatibility
ENEC	European Norms Electrical Certification Symbol to label electronic devices in the European Union
EU-GDPR	EU's General Data Protection Regulation
EVA®	Economic Value Added
Free cash flow	Cash flow from operating activities less cash paid for investments in intangible assets, property, plant and equipment and investment property
FTE	Full-time equivalent
FX	Foreign exchange
GbR	"Gesellschaft bürgerlichen Rechts" (Engl.: partnership under the German Civil Code)
Gender balance	Equal opportunities for men and women
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.
HAD	Highly-automated driving
HGB	"Handelsgesetzbuch" (Engl.: German Commercial Code)
HR	Human resources
Hyperloop	High-speed systems that allow for the transport of objects through a tube using high-speed suction and a partial vacuum
iAM	Industrial Additive Manufacturing
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IATF	International Automotive Task Force

IDW	"Institut der Wirtschaftsprüfer" (Engl.: Institute of Public Auditors in Germany)
IDW AsS 980	IDW Auditing Standard: Principles for the Proper Performance of Audits of Compliance Management Systems The standard provides for three types of engagements, test of design, of appropriateness and of operating effectiveness, which vary in terms of their subject, objective and scope.
IDW AsS 981	IDW Assurance Standard: Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Risk Management Systems
IEC	International Electrotechnical Commission
IFRS	International Financial Reporting Standard
IFRS IC	International Financial Reporting Standards Interpretations Committee
IfW	"Institut für Weltwirtschaft" (Engl.: Institute for the World Economy)
IMF	International Monetary Fund
ImmoWertV	"Immobilienwertermittlungsverordnung" (Engl.: German Ordinance on the Valuation of Property)
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
Industry 4.0	Connecting industrial production with modern information and communication technology. The technical foundation is digitally connected smart systems. People, machines, installations, logistics and products communicate and cooperate with each other directly. Optimization of the entire value chain.
Interest rate swap	Interest derivative where two counterparties agree to exchange interest payments at fixed nominal amounts at a specific point in the future
ISO	International Organization for Standardization
IT	Information technology
IVDR	In-vitro Diagnostic Regulation
MDD	Medical Devices Directive
MDR	Medical Devices Regulation
MHRA	Medicines and Healthcare products Regulatory Agency
MSSP	Managed Security Service Provider
NOPAT	Net operating profit after taxes
Notified Body / NoBo	Notified body Neutral and independent private organization designated by the state to assess conformity (auditing / certifying body)
PPA	Purchase Price Allocation
PSVaG	"Pensions-Sicherungs-Verein" (Engl.: German Pension Protection Scheme)
Secure cloud	Patented security technology that uses purely technical means to ensure that data is encrypted during transfer and storage and also that data and connection information is protected during processing. Operators and administrators have no technical access to the data.
SEI	Sound emission inspection
Smart glasses	Glasses that transfer images, which add information to the user's field of vision
Smart Industry Readiness Index (SIRI)	Diagnostic tool to assess the current condition of plant and equipment and to obtain a better understanding of Industry 4.0 concepts in terms of processes, technology and organization
Supply Chain Management	Establishing and managing integrated logistic chains (flow of material and information) over the entire value-added process
TIC	Testing, Inspection, Certification
TISAX	Trusted Information Security Assessment Exchange
TPR	The Pension Regulator British regulatory agency for pensions
UNECE	United Nations Economic Commission for Europe
VPN	Virtual Private Network
VVaG	"Versicherungsverein auf Gegenseitigkeit" (Engl.: German mutual insurance association)
WACC	Weighted Average Cost of Capital
ZLG	"Zentralstelle der Länder für Gesundheitsschutz bei Arzneimitteln und Medizinprodukten" (Engl.: Central Authority of the Länder for Health Protection with regard to Medicinal Products and Medical Devices)

NOTES AND FORWARD-LOOKING 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 results, performance or achievements of TÜV SÜD can deviate significantly from the information 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.

IMPRINT

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