

COM- BINED MANAGE- MENT REPORT



COMBINED MANAGEMENT REPORT

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GROUP INFORMATION

As a technical services provider, for more than 150 years TÜV SÜD has been protecting people, the environment and property against technical risks, facilitating technological progress in the process. More than 25,000 employees at over 1,000 locations in around 50 different countries work to provide security and added value for our customers.

TÜV SÜD's range of services covers certification and testing, inspection, auditing and system certification, knowledge services and training. As committed and responsible process specialists with extensive sector-specific knowledge, we develop tailored solutions – for retail customers and for industry, trade and government. Our experts support and shape technological change. To achieve this, they optimize technology, systems and communicate knowledge – always aiming to ensure optimal safety and efficient as well as sustainable management along the entire value chain.

Legal structure guarantees independence

TÜV SÜD stands for independence and impartiality, which are guaranteed by the specific structure of the Group. In its capacity as management holding company, the parent company TÜV SÜD AG with registered offices in Munich, manages its subsidiaries around the world. The beneficial owners of TÜV SÜD shares are TÜV SÜD e. V., Munich, and the TÜV SÜD Foundation, Munich. Both have transferred their shares to the independent TÜV SÜD Gesellschafterausschuss GbR, a shareholder committee with registered offices in Munich. The purpose of the civil law association is to hold and manage this shareholding under stock corporation law.

The governing bodies of TÜV SÜD e. V., the TÜV SÜD Foundation and TÜV SÜD Gesellschafterausschuss GbR, are independent of the supervisory bodies of TÜV SÜD AG. This ensures their independence.

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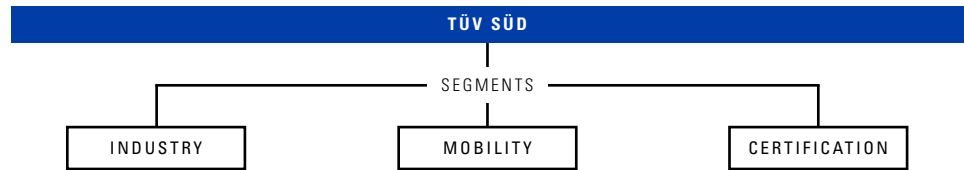
The TÜV SÜD Foundation publishes its own report annually.

Legal structure

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GESELLSCHAFTERAUSSCHUSS GBR



SUBSIDIARIES IN THE REGIONS:



1 _ Germany, Western Europe, Central & Eastern Europe.
2 _ North Asia, ASMEA (South & South East Asia, Middle East & Africa).

Clearly defined management structure

TÜV SÜD is managed as a matrix organization. The Board of Management currently consists of three members, the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Operating Officer (COO).

Below the Board of Management, the Leadership Council has been established as a body which supports the Board of Management in the implementation of overarching topics such as strategy, employee development, innovation and digitization, and comprises both the Board of Management and the heads of the divisions and key regions.

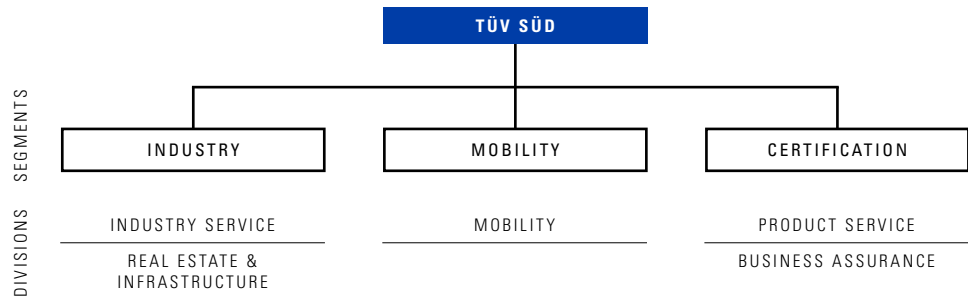
TÜV SÜD's services are grouped into three segments: INDUSTRY, MOBILITY and CERTIFICATION. The INDUSTRY Segment comprises the Industry Service and Real Estate & Infrastructure Divisions. The MOBILITY Segment contains the Mobility Division. The Product Service and Business Assurance Divisions make up the CERTIFICATION Segment.

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While the divisions are responsible for implementing global strategies, local business development is the responsibility of the regions. The divisional and regional structure of our activities remained unchanged in the fiscal year 2020.

TÜV SÜD structure

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Business model

We are a reliable and trustworthy partner when it comes to safety and sustainability. With our solutions, we create measurable added value for our customers, in the physical and digital world.

Our services meet these key requirements of our customers:

- We **facilitate access to the market** with our testing services and certifications. Our experts are frequently involved as early as the development process, helping to meet all of the requirements of the target markets – often long before a product is introduced onto the market.
- We **evaluate and reduce risks**, from risk assessments at facilities through to data protection, information security and cyber security evaluations. Increased networking between companies and across national borders is helping our experts work closer and closer with our customers.

The market for technical services

As a technical services provider, TÜV SÜD is active on the market for TIC services (Testing, Inspection, Certification). This is a market with an estimated global volume of around € 80 billion.

The largest markets for technical services are the US, China and Germany. Large international companies such as TÜV SÜD along with a large number of small specialists are active here as technical service providers. Other market players include regulatory authorities, accreditation and standardization authorities, research and development institutions, manufacturers, retailers and systems operators.

The impact of the Covid-19 pandemic is also shaping the development of the TIC market, although the individual sectors are affected to varying degrees by the pandemic. The automotive and chemical industries, including their suppliers, have been particularly hard hit and have responded by postponing planned investments, reducing demand for testing services and initiating restructuring projects to cut costs. Other industries, such as the pharmaceutical industry or medical technology, but also the area of infrastructure, have so far shown little or no negative impact. During the lockdown phases in the second and fourth quarters of the fiscal year, primarily services involving direct contact with customers were suspended almost completely. These included in particular the area of education and training as well as examinations requiring personal attendance, such as driver's license tests.

There has been a shift in the relative importance of megatrends that have recently been driving the development of the TIC market. Digitization is accelerating and changing the working world in far-reaching ways. E-business, remote working and service delivery independent of location are on the rise. At the same time, consumer behavior is changing and necessitating the rethinking of business models, supply chains and the use of resources. Sustainability aspects are increasingly gaining in importance in evaluating entrepreneurial activity and companies are being called upon to assume greater responsibility for employees, the environment and society. This includes implementing new requirements for health and safety in the workplace as well as the development of specific sustainable services. At the same time, there is a trend towards more government intervention and regulation.

In particular, the restriction of the free movement of goods and persons to stem the coronavirus pandemic, coupled with lower investing activities in key industries, is currently slowing the development of the TIC market. In light of this, we expect positive market growth for the coming year 2021. A further increase in infection rates and continuing lockdowns may also lead to a contraction in market volume.

Industry-specific environment

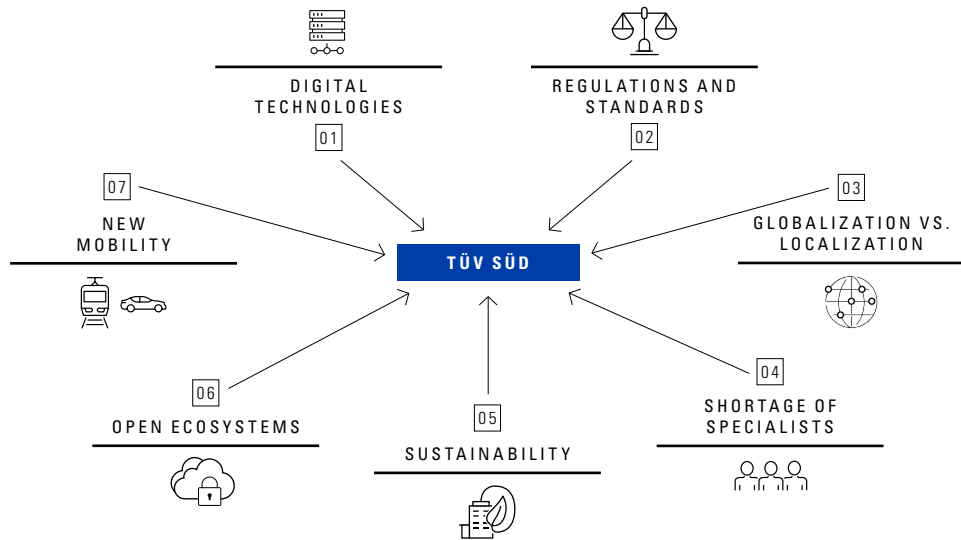
Since it was established more than 150 years ago, TÜV SÜD has made use of technological advances and the challenges these present to realizing the company's purpose: to make technological progress attainable and safe for people and the environment.

The advance of digitization as well as the clear trend towards sustainability are long-term drivers influencing social change. The changes triggered by the Covid-19 pandemic are also accelerating the pace. This presents us with both opportunities and challenges. We support our customers with this transformation and develop new processes to respond to the changing requirements and framework conditions. Our working environment and the way in which we work are also changing on account of technological transformation and the new normal. We view these changes primarily as an opportunity to further develop our company and the global collaboration of our specialists.

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Challenges and trends for TÜV SÜD

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Our business is shaped by these trends and challenges:

01 Digital technologies

The development of digital technologies, for example in the field of sensor technology, analytics and artificial intelligence (AI), is gathering pace. For us and for our customers, this opens up numerous opportunities for new services, for new processes and for the way in which our services will be provided in the future.

INNOVATIONS REPORT
SEE PAGES 27 – 28

02 Regulations and standards

Regulations and standards must be constantly adapted to keep up with rapid technological developments if they are to continue to offer security and value to society. The wealth of experience of our experts allows us to make a significant contribution to this. TÜV SÜD is also involved in various different bodies around the world. These also include international standardization bodies such as the International Electrotechnical Commission (IEC) and the International Organization for Standardization (ISO).

03 Globalization vs. localization

Companies and their supply chains are closely intertwined and global. This requires an understanding of and compliance with the various different national and international standards in effect at any point in time. At the same time, the local markets in economies such as China are becoming more important. Local know-how and representation are required in order to serve these markets.

**THE MARKET FOR
TECHNICAL SERVICES**
SEE PAGES 22 – 23

04 Shortage of specialists

The TIC market needs well-trained experts who are also capable of operating in an internationally networked environment. These specialists are in high demand on local markets. The demographic change in Germany is making the recruitment of these specialists even more difficult.

EMPLOYEE REPORT
SEE PAGES 74 – 80

05 Sustainability

More and more companies are striving to work in a more sustainable manner, they want to preserve resources and design their supply chains accordingly. This development is being driven by more stringent environmental and regulatory market requirements, but also by a change in the mindset of society. This is also shifting the focus for our industry. Skills and services relating to sustainability, and in particular climate and environmental protection continue to gain in importance. In this regard, there is a development focus on the use of resources and therefore also on renewable energies and the associated challenges of energy use and storage.

06 Open ecosystems

Digitization is giving rise to new business models and partnerships in the TIC industry. At the same time, new competitors are also moving into the market. Data and platform-based services are increasingly being developed and offered in order to better meet customers' needs and introduce new business models to the market.

INNOVATIONS REPORT
SEE PAGES 27 – 28

07 New mobility

The future of mobility is highly automated and will be driven by electric batteries or hydrogen fuel cells in the future. Mobility is increasingly becoming a service and sharing-based models will be an important aspect of mobility in the future. This will present new challenges for the testing of vehicles, driver assistance systems and the entire charging infrastructure.

**BUSINESS AND ECONOMIC
ENVIRONMENT**
SEE PAGES 40 – 46

Strategy

Our strategy “The Next Level. Together.” runs until 2025. With this strategy, we want to reach the next level in the development of our company and take advantage of the opportunities offered by new trends and developments, driven in particular by digital technologies and sustainability topics – both for us and for our customers. To achieve this, we are pursuing four strategic angles: **08**

The Next Level. Together.

08



- **Set up excellence and efficiency:**

We want to always offer our customers the best services – and our customers should notice the difference. This requires excellence in our services, distribution, processes and excellence of our employees. Our efforts are therefore firmly focused on digital transformation in order to strengthen our internal processes and those of our customers. In the area of e-business, for example, we are increasingly investing in the development of customer portals and online shops.

- **Re-invent TIC core business:**

Our expertise in almost every industry, combined with knowledge of the possibilities of digitization, enables us to develop data-based, continuous and automated testing services, and also develop standards for new fields of technology. Examples include our activities in the field of automated driving and digital damage detection for vehicles using artificial intelligence as well as cyber security testing of medical devices.

- **Enrich with high-quality services:**

Based on our expertise, we want to supplement our services with technical consulting in selected areas to provide the best possible support to our customers in all project phases. That is why we co-founded evety GmbH, Essen, in the fiscal year. The company offers consulting services for hydrogen along the entire value chain. In addition to this, in the areas of quality, risk and safety management we want to support our customers with more and more activities when needed and wherever possible. For example, we have launched a platform for the digital management of machine safety.

- **Scale up internationalization:**

We aim to be market leaders in our core countries. Our focus is always on offering services and skills across national borders as well as being close to our customers locally. We want to make our relationships with our customers increasingly global and build up our business activities around the world. In 2020, we continued to expand our network of testing facilities around the world, including new testing facilities for battery tests in China and a new testing facility for product, material and component tests in Italy.

In recent years, pursuing these four strategic angles already made TÜV SÜD more adaptable and more agile – capabilities that we can build on during the Covid-19 pandemic. Our strategic angles will thus remain the same even when we return to the “new normal” when it comes to providing even more services digitally, optimizing and automating processes and exploiting new innovative services for sustainable growth.

For 2021, the main focus will be on these areas:

- We want to continue to play an active role in shaping the digital transformation – on our markets with our customers as well as within our company. We are benefiting increasingly from the groundwork that has been carried out and can scale the solutions developed on that basis.
- We want to further expand our core business and systematically exploit existing growth opportunities, for instance in the areas of railway transport, medical technology and consumer goods.
- Last but not least, we want to exploit business opportunities arising from sustainability topics. As a company we also want to become increasingly sustainable and win over our stakeholders through our actions.

We want to be a partner for our customers in the future with respect to safety and sustainability, in both the physical and the digital world and to continue to sustainably improve the revenue and profitability of our business. To this end, we are planning to invest more than € 100 million each year. But above all, we want to live up to the vision that we have been pursuing for more than 150 years: to protect people, assets and the environment against technical risks, facilitating technological progress in the process.

Innovation is key

TÜV SÜD has been practicing active innovation management for many years. After all, anyone who stands for the security of technology like we do, must also know and understand the latest technological developments and innovations. In the fiscal year 2020, we invested approx. € 16 million (prior year: approx. € 20 million) once again in research and development for innovative projects.

Our goal is to develop innovations that are clearly tailored to the market and to quickly and effectively translate them into specific products. We want to play an active role in shaping the relevant standards and regulations and offer integrated solutions to customers in cross-divisional collaboration. Some of the topics have now reached a high maturity level, enabling us to incorporate them into the operating business and to focus on successful scaling in addition to further refining them. In 2019, we already transferred our activities in the field of highly automated driving (HAD) to operations in the MOBILITY Segment. In the fiscal year 2020, we also further intensified our activities in the area of cyber security services. For example, we offer training and testing in the areas of medical technology and industrial plants and systems.

We invest in the development of technology and above all in the expertise and skills of our employees, as the drivers of our company's transformation. An amount in the double-digit million range will be spent on the development of new services relating to the field of digitization in the next three years.

● EMPLOYEE REPORT
SEE PAGES
74 – 80

SHAPING THE DIGITAL TRANSFORMATION

More than ever, our activities in 2020 were shaped by the digital transformation of our core business and the expansion of our new, technology-driven business models. Due to the Covid-19 pandemic, topics such as remote working and working in virtual groups acquired a new dimension. We were able to benefit from our existing, modern IT architecture – an important factor in ensuring the health and safety of our employees on the one hand and maintaining business operations on the other.

● THE COVID-19 PANDEMIC CHALLENGE
SEE PAGE
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With the advance of digitization, business models and framework conditions are changing – for us and for our customers. TÜV SÜD spotted this trend early on. Since 2018, TÜV SÜD Digital Service GmbH (TÜV SÜD Digital Service), Munich, and its two competence centers in Munich and Singapore have offered experts and know-how to support the digital transformation of TÜV SÜD. The competence center in Munich develops the key technologies that are relevant to TÜV SÜD and drives group-wide initiatives and projects for digitization. The main focus of the competence center in Singapore is on the rapid implementation of pilot projects in the city-state's highly innovative environment, which in turn serve as a blueprint for other products in the Group.

With our e-business activities we are pursuing the goal of providing our customers access to a selection of TÜV SÜD products and services worldwide via a central platform. Following the web-based customer portal “Product Service Unified Client Interface (UCI)” we launched back in 2019, we are now adding step by step further service portals of other divisions and placing them online in more and more countries. In addition, we published the first online shops on the new platform in Europe in the fiscal year, for instance the online shop of the TÜV SÜD Academy for training services and the online shop of the MOBILITY Segment for data sheet services.

We make use of the possibilities offered by machine learning and artificial intelligence (AI) in various projects in order to develop new or enhanced services that add value for our customers. The spectrum of projects not only includes the development of our own AI solutions but also the assessment of artificial intelligence on the part of our customers. The driver of development work is our competence center in Singapore, where projects include the development of a framework to audit the quality of AI applications. In Singapore, we have also been working with several partners since 2019, for example, on deploying artificial intelligence for the detection of defects in building facade inspections. The background to the project is the specification of the Building and Construction Authority (BCA) for the regular inspection of all buildings more than 20 years old. TÜV SÜD was involved in the development of this standard, according to which inspections are carried out. We are working together with renowned partners from industry on the use of artificial intelligence for damage detection and damage evaluation for quality control procedures and for the continuous assessment of the condition of lifts and vehicles as well as water, wind and gas powered turbines.

The experts at TÜV SÜD and the Singapore Economic Development Board (EDB) collaborated to develop the Smart Industry Readiness Index (SIRI), which more than 340 companies worldwide have since applied. Together with the World Economic Forum and other renowned partners from industry and consulting, the analysis tool is now to be established as a global standard for the Industry 4.0 transformation. The partnership with the World Economic Forum will play a catalytic role in it being adopted worldwide. By the end of 2021, it is expected that 500 to 750 companies will have completed a SIRI Assessment. TÜV SÜD has assumed the task of training the assessors and is thus positioning itself worldwide as a partner for Industry 4.0.

Our management system

TÜV SÜD's management system is based on the integrated controlling system and strategic corporate planning. We use various key figures as indicators to manage and measure the performance of the Group.

We have defined revenue growth and earnings before interest, before other financial result and before income tax, but after income from participations (EBIT) and the EBIT margin as key financial performance indicators.

These indicators are supplemented at group-level by the value-based indicator Economic Value Added (EVA®), which has been adapted to the requirements of TÜV SÜD. This measures the value added by the Group and takes into account the cost of capital used to generate the respective earnings. The EVA indicator is a key component of variable compensation in the compensation system for the first and second levels of management.

At Group level, we also use free cash flow and earnings before taxes (EBT) as additional, non-material financial indicators. The free cash flow shows the extent to which we generate long-term cash flows from our operating activities.

Various non-financial performance indicators relate to our employees. These indicators include headcount, the average age of employees, the proportion of female employees and the average duration of employment at the company. ≡ 02

Definition of financial performance indicators at TÜV SÜD ≡ 02

KEY INDICATOR	DEFINITION
EBIT	Earnings before interest, before other financial result and before income tax, but after income from participations
	NOPAT – GROUP'S COST OF CAPITAL
	Net operating profit after tax (NOPAT) = EBIT – income tax (flat rate of 30%), excluding the at-equity result from the flat-rate taxation
	Capital employed = non-current operating assets + inventories and receivables – non-interest bearing liabilities and provisions ¹
EVA	Group's cost of capital = average capital employed × weighted average cost of capital (WACC: 7%)
Free cash flow	Cash flow from operating activities – Cash outflow for investments in intangible assets, property, plant and equipment and investment properties

¹ Non-interest bearing liabilities and provisions include current provisions and tax liabilities.

This value-based management is implemented in our **integrated controlling system**. It is based on a group-wide management information system, a harmonized global finance function, and accounting and reporting in accordance with International Financial Reporting Standards (IFRSs).

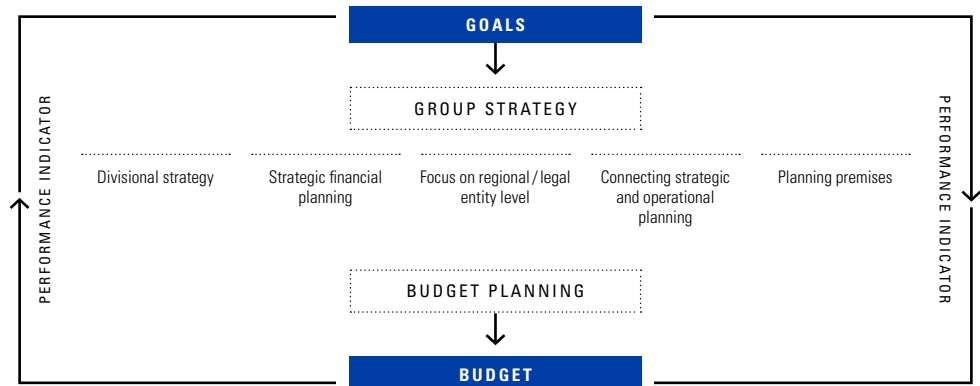
All performance indicators are determined as part of our planning and monitoring processes for the respective levels of the Group (segments, divisions, regions and legal entities) and are made available in a standardized format via our internal reporting system.

The starting point for our planning and control processes is **strategic planning**. This aims to achieve profitable growth and a continuous increase in the value of the company.

In addition to quantitative factors and hitting operating targets, the reputation of the TÜV SÜD brand is at the forefront of everything we do. To achieve this, the quality of the services we provide and the satisfaction of our customers are crucial in this regard.

The Group's strategy, which is broken down into the respective divisional strategies, is derived from the long-term strategic goals. The divisions' targets are incorporated into the strategic financial planning and are specified in more detail at a regional level. The planning for the next year that is derived in this way, and three forecasts during the year in progress, combined with prompt monthly financial statements, form the basis for our analyses with which we measure the implementation of strategic goals and analyze deviations from the plan. .ii 09

Strategic and operational planning .ii 09



CORPORATE GOVERNANCE REPORT

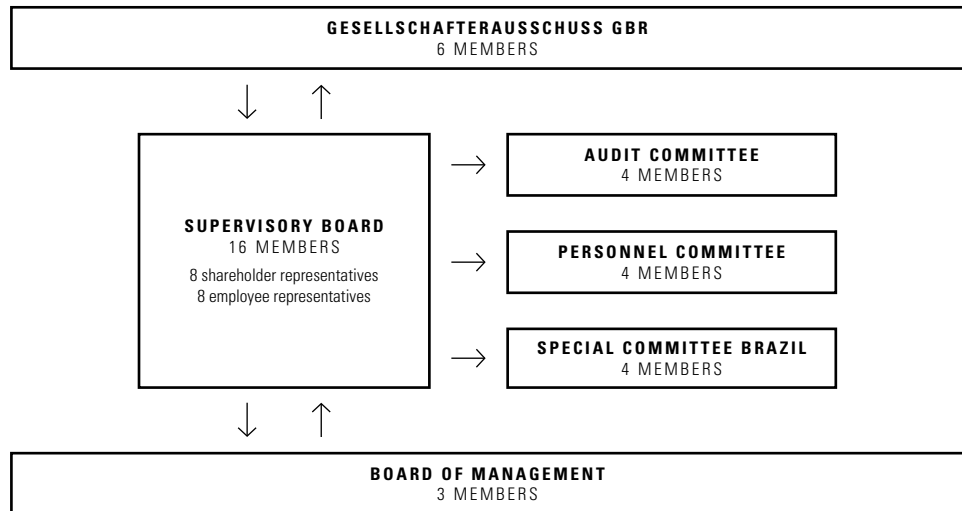
The Board of Management and Supervisory Board of TÜV SÜD AG are guided by the requirements imposed by the German Corporate Governance Code on capital market-oriented companies.

We consider good corporate governance to mean responsible, transparent and values-based management. It is explained in greater detail in clear guidelines and regulations that apply throughout the company. These principles are reviewed regularly and adapted in line with new findings, changed legal provisions, and national and international standards. This creates transparency and enhances the trust of our customers, our employees and the public in our work and at the same time allows us to meet the steadily increasing information requirements of national and international stakeholders.

10

Overview of the bodies and committees of TÜV SÜD AG

10



Composition of the Supervisory Board

The Supervisory Board of TÜV SÜD AG comprises 16 members. In accordance with German law, half of the members are employee representatives and half are shareholder representatives, who are reputable representatives of business and the public. The Supervisory Board has three female members representing the shareholders.

The Audit Committee deals primarily with monitoring the financial reporting process, the effectiveness of the internal control system, the risk management system, the compliance management system and the internal audit system. In particular, it receives reports on the Group's risk situation, the findings of internal audits, including compliance breaches, as well as planned investment and portfolio measures. It also deals with the audit of the annual financial statements and the independence of the auditors, the additional services provided by the auditors, the awarding of the audit engagement and the definition of audit focus areas and the agreement of fees.

The main tasks of the Personnel Committee include preparing appointments and the removal of members of the Board of Management, drafting recommendations on remuneration of the individual members of the Board of Management and designing and regularly reviewing the remuneration system.

The special committee Brazil is tracking the internal and external handling of the dam collapse in Brazil. It receives regular status updates, also from independent technical experts and law firms engaged for this purpose.

The Supervisory Board as a whole is regularly informed by the respective committee chairmen of the activities of the respective committees.

Committees of the Supervisory Board

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	Supervisory Board	Audit Committee	Personnel Committee	Special Committee Brazil
Prof. Dr.-Ing. Hans-Jörg Bullinger	Chairman ¹	Member ¹	Chairman ¹	Chairman ¹
Dr.-Ing. Dr.-Ing. E.h. Klaus Draeger	Chairman ²	Member ²	Chairman ²	Chairman ²
Harald Gömpel	Deputy Chairman ²		Member ²	Member ²
Dr. Christine Bortenlänger	Member			
Matthias Andreesen Viegas	Member ³			Member ²
Wolfgang Dehen	Member			Member
Thomas Eder	Member	Member ¹	Member ¹	Member ¹
Jörg Frimberger	Member ¹			
Dr. Jörg Matthias Großmann	Member	Chairman ²		
Albert Hofmann	Member ¹			
Franz Holzhammer	Member	Member ¹		
Peter Kardel	Member ¹			
Jens Krause	Member ³	Member ²		
Marcel Rath	Member ³	Member ²		
Wolfram Reiners	Member ¹			
Angelique Renkhoff-Mücke	Member			
Kurt Seitz	Member ¹			
Dr. Nathalie von Siemens	Member ³			
Prof. Rudolf Staudigl	Member			
Dr. Eberhard Veit	Member		Member	
Rainer Wich	Member ³		Member ²	
Kai Winkler	Member ³			
NUMBER OF MEETINGS				
	5 (thereof 1 teleconference) including the constitutive meeting	5 (thereof 1 teleconference)	2	4

1 _ Until July 10, 2020.

2 _ Has carried out this role pro forma since July 10, 2020.

3 _ From July 10, 2020.

The attendance rate at the meetings of the Supervisory Board and its committees was around 90% in 2020. At the Personnel Committee meetings, the attendance rate was always 100%. Some of the meetings were held virtually.

The election of employee representatives to the Supervisory Board of TÜV SÜD AG was conducted on June 25, 2020; the results were published in the Bundesanzeiger on July 2, 2020. Rainer Wich, Jens Krause, Marcel Rath, Matthias Andreesen Viegas and Kai Winkler were newly elected as employee representatives on the Supervisory Board; Harald Gömpel, Thomas Eder and Franz Holzhammer were re-elected.

An action for annulment against the election of the employee representatives was filed at the Munich labor court in 2020, requesting, among other things, that the election of all employee representatives be declared null and void. Against this background, the election of the Chairman of the Supervisory Board and their Deputy as well as the elections of the employee representatives for the individual committees of the Supervisory Board could not be carried out in a legally secure manner until now; the duties of the Supervisory Board and its committees have therefore been performed pro forma by the respective members of the Supervisory Board since July 10, 2020. A request lodged by the Management Board for the court appointment of the employee representatives elected as members to the Supervisory Board with a view to establishing legal certainty, despite the pending labor tribunal proceedings, was dismissed by the competent registry court; the complaint lodged against that decision was likewise rejected in 2020.

Composition of the Board of Management

The Board of Management of TÜV SÜD AG has three members. It is responsible for running the company and manages its business. It is bound to act in the interest of the company and to increase the long-term value of the company. It discharges its management duties as a collegial body with joint responsibility for managing the company.

● **SUPERVISORY BOARD REPORT**
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● **CLEARLY DEFINED MANAGEMENT**
STRUCTURE
SEE PAGES
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Cooperation between the Board of Management and the Supervisory Board

TÜV SÜD's strategic direction is coordinated closely between the Board of Management and Supervisory Board of TÜV SÜD AG. The boards jointly discuss the status of strategy implementation at regular intervals. The Board of Management informs the Supervisory Board regularly, comprehensively and without delay about all relevant questions regarding business development, planning and the current situation of the company, including the risk position and risk management, as well as compliance, in written and oral reports.

Further information on collaboration between the Board of Management and Supervisory Board of TÜV SÜD AG can be found in the Supervisory Board report. The members of the Board of Management and Supervisory Board are listed in the Boards of TÜV SÜD AG section.

BOARDS OF TÜV SÜD AG
SEE PAGE
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Declaration on the equal representation of women and men in management positions

In June 2017, TÜV SÜD AG set new targets for the inclusion of women in managerial positions for the period until December 31, 2021. An increase to the percentage of women on the Board of Management is currently not envisaged. For future appointments, women will be considered on an equal footing to men.

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	Target rate	Share already achieved (December 31, 2020)	Deadline
Supervisory Board	25%	19%	December 31, 2021
Board of Management	0%	Achieved	December 31, 2021
First management level	20%	17%	December 31, 2021
Second management level	35%	44%	December 31, 2021

Representation targets were also defined for the four German group companies affected by the legislation. For these group companies, the representation targets already set in 2017 were at least on a par with those already achieved in 2017. December 31, 2021 was set as the deadline in most cases.

Compliance

Compliance with international rules and dealing fairly with our business partners and competitors are among our company's most important principles. "Add value. Inspire trust." is not only our corporate claim: It is a promise to our customers. To fulfill this, both the technical excellence of our services as well as independence, integrity and compliance with the law are necessary in our day-to-day work.

TÜV SÜD takes a preventive approach to compliance and endeavors to achieve a corporate culture that proactively excludes potential breaches by raising employee awareness and educating the workforce. The necessary measures and compliance with implemented checks are monitored at regular intervals by the internal audit function. This involves systematically reviewing compliance and performing controls based on random samples, as well as investigating the facts in the event of actual suspicions.

The Chief Compliance Officer is supported in his work by the Global Compliance Officer, the Local and Regional Compliance Officers, the Corporate Compliance Officers and the Legal department. We have communicated concrete behavioral principles (the TÜV SÜD Code of Ethics) to all entities, and established these as an essential component of the Group's culture. The TÜV SÜD Code of Ethics consists of compliance regulations that include avoiding conflicts of interest and corruption, and observing embargo and trade control provisions, among other things. Its guiding principles are independence, integrity and law-abiding behavior.

Through comprehensive training, including an e-learning program tailored to the company's specific requirements, we ensure that our corporate compliance requirements are put into practice within the company. Employees may contact the Chief Compliance Officer or Global Compliance Officer at any time. There are also Local Compliance Officers available as direct points of contact.

In 2020, the existing communication channels for reporting violations of the TÜV SÜD Code of Ethics were replaced with a global electronic whistleblowing system. The electronic whistleblowing system of an independent, third-party company is part of our modern compliance management system.

SEE
[WWW.TUVSUD.COM/EN/ABOUT-US/
CODE-OF-ETHICS](http://WWW.TUVSUD.COM/EN/ABOUT-US/CODE-OF-ETHICS)

Breaches of the law or internal policies are subject to appropriate sanctions and may result in consequences for our employees under labor law, up to and including dismissal.

As a member of the TIC Council, TÜV SÜD is bound by the TIC Council Compliance Code. The TIC Council Compliance Code is based on integrity, avoiding conflicts of interest, confidentiality and data protection, but also on anti-corruption, fair business conduct, occupational health and safety as well as fair working conditions including the protection of human rights. The existence of elements of this compliance code is monitored annually by an independent audit firm.

In 2020, a readiness assessment of the compliance management system was carried out in preparation for an appropriateness assessment in accordance with the auditing standard of the Institute of Public Auditors in Germany IDW AsS 980.

In the fiscal year 2020, the TÜV SÜD compliance management system for domestic taxes was subjected to an appropriateness assessment in accordance with the auditing standard of the Institute of Public Auditors in Germany IDW AsS 980 and was assessed to be appropriate.

Risk management system

In our day-to-day work, we attach high importance to careful handling of potential risks for the company. Our risk management system is designed to identify risks, evaluate existing risk positions and optimize risks entered into. This is done in the risk committees set up for this purpose, comprising representatives of the divisions and segments. We continually adapt this system to the changing business environment.

In the fiscal year 2020, an appropriateness assessment of the TÜV SÜD risk management system in accordance with the assurance standard of the Institute of Public Auditors in Germany IDW AsS 981 was successfully completed. This will be followed by an effectiveness assessment of the TÜV SÜD risk management system.

ECONOMIC REPORT

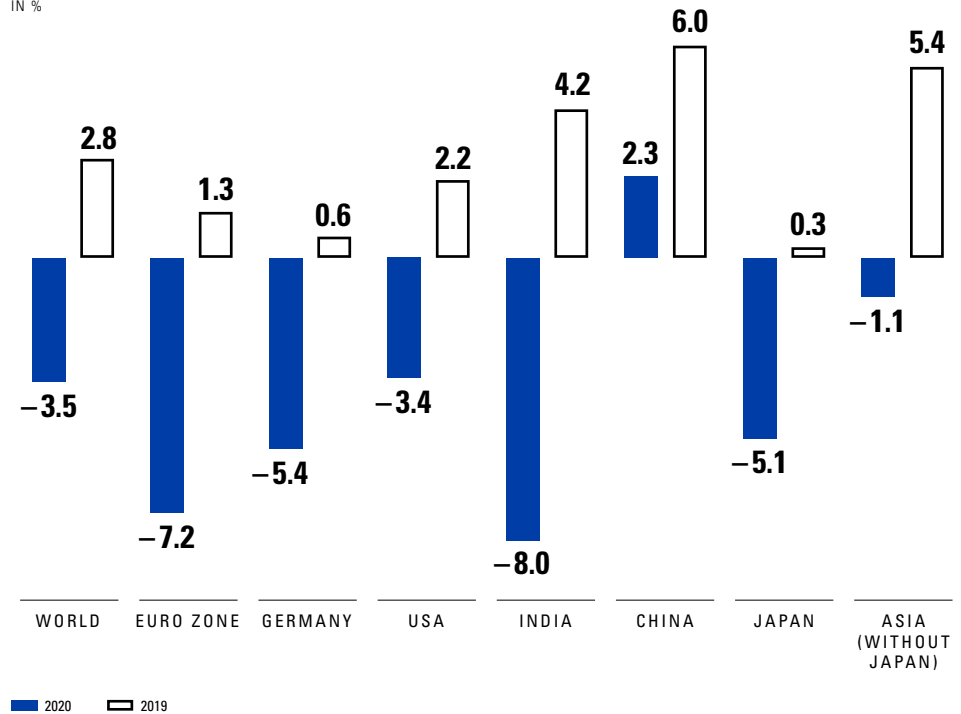
Macroeconomic environment

The Covid-19 pandemic shaped economic developments worldwide in 2020. As individual governments implemented measures to contain the Covid-19 pandemic in the spring, a severe economic downturn was seen in a number of countries and regions. After the first wave of the pandemic subsided, the lifting of many restrictions in the summer led to catch-up effects in production and consumption. The economic slowdown in emerging markets was thus also more moderate than in advanced economies. Asian countries played a key role here as they were able to initiate effective countermeasures more quickly owing to their experience in dealing with pandemics. Overall, global economic output contracted by 3.5% over the year. 11

Economic growth in key markets worldwide¹

IN %

11



¹ IWF world economic outlook (prior-year forecast updated with actual figures).

ECONOMIC SLOWDOWN IN EUROPE

In the European Union, gross domestic product decreased by 7.2% due to the pandemic, down from the 1.3% growth still seen in the prior year. Although the economic slump from the spring was mitigated somewhat by the fall, the second lockdown in the winter again slowed economic activity in many parts of the European Union. Key drivers of economic recovery in the summer were private consumption and a high level of investment activity. The services sector, however, was slow to recover. Economic policy measures to preserve jobs prevented more severe job losses, meaning that unemployment in the euro zone rose only moderately. Further support for the European economy came in the form of extensive financing programs and favorable financing conditions from the European Central Bank.

In Germany, economic development fluctuated considerably during the year as restrictions were imposed and then eased. Gross domestic product contracted by 5.4%, down from the 0.6% growth still seen in the prior year. The Covid-19 restrictions have hit those sectors that are heavily dependent on contact with customers such as services, entertainment and retail particularly hard. Production in industry, on the other hand, has been at a high level since the summer. Not least due to restricted consumption possibilities, the savings rate of private households increased. At the same time, government spending for transfer payments and support to private households and industry increased.

Economic activity in the UK was severely restricted by a far-reaching lockdown. Economic output fell by 10.0%. Extensive financial support, such as the Coronavirus Job Retention Scheme to save jobs, contributed to the significant increase in the budget deficit. The economic development in Spain and Italy was hit significantly harder by the Covid-19 pandemic than the other euro zone countries on account of their economic structure and the measures implemented to contain the pandemic. Consequently, the economy in Spain contracted by 11.1% and in Italy by 9.2%. Economic growth in Central and Eastern Europe also slowed as a result of the pandemic.

USA: ECONOMY CONTRACTS SLIGHTLY

The US economy contracted by 3.4% in 2020 (prior year: growth of 2.2%). Rising unemployment rates accompanied by lower income curbed private consumption, which was additionally strained by the high level of household debt. Restrained corporate investment and reduced exports, which were also impacted by punitive tariffs, slowed economic development as well. However, the stimulus package and construction spending that were passed in the winter provided positive impetus.

VARIED DEVELOPMENT IN EMERGING MARKETS

Emerging markets recovered by the end of the year from the economic slump caused by the pandemic. The economy in China in particular still grew by 2.3% in 2020 (prior year: 6.0%), contrary to the global trend. This was bolstered by specialization in the manufacturing of consumer goods, primarily consumer electronics that are in high demand, but also medical and personal protective equipment. The economy in India, however, has not yet been able to recover from the slump; economic output decreased by 8.0% on the prior year.

EXPANSIVE MONETARY POLICY

Many advanced economies extended their expansive monetary policy to counteract the effects of the Covid-19 pandemic in fiscal terms. Key interest rates in the euro zone and in the US remained at a historically low level. These were also lowered further in the emerging markets, driven by the weaker US dollar.

The euro continued to appreciate against the US dollar in the course of the fiscal year 2020 and stood at US 1.23 dollar (prior year: US 1.12 dollar) at year end. Over the year, the euro also appreciated in value against other currencies of importance for TÜV SÜD. The development of the most important reference currencies is shown in the notes to the consolidated financial statements.

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Business and economic environment

The fiscal year 2020 was shaped by the Covid-19 pandemic. The prescribed government measures across the globe to contain the pandemic led to restrictions being imposed on economic and social life. Our business operations were also adversely affected, or in some business areas and regions came to a temporary or even complete halt.

The Covid-19 pandemic also showed how closely the success of our business in some areas and markets is linked to economic development and the free movement of persons and goods. Our comprehensive portfolio of technical services, which we supplement on an ongoing basis to include innovative solutions for our customers, our global presence on site at our customers, and the flexibility of our employees were key to meeting the challenges of the pandemic. We continue to make targeted investments in our competence centers and in expanding our networks of testing laboratories, because we want to keep on growing. We are focusing our activities on stable economic areas.

● **THE MARKET FOR TECHNICAL SERVICES
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Technological change also has an impact on our business and economic environment. Around the world, our customers are addressing the use of alternative and renewable energies, increasing requirements for sustainability and health protection as well as the associated regulations relating to climate and environmental protection. In addition, the digitization of the working world was further accelerated due to the Covid-19 pandemic. The volume of data multiplied, data streams flowed outside protected corporate networks, with the work – wherever possible – being carried out remotely. Data protection, information security and cyber security remain central topics for all industries worldwide – and thus also for our customers.

We regularly review our product portfolio and business activities. In this regard, the most important criteria are relevance for the TIC market and strategic importance of the services offered. We thus once again discontinued selected testing services in certain markets in the fiscal year.

INDUSTRY

The Covid-19 pandemic adversely affected the business activities worldwide of the INDUSTRY Segment in the fiscal year. There was a noticeable slow-down in business particularly in regions with strict lockdowns as well as in industries heavily dependent on international supply chains. Thanks to our sophisticated portfolio of services, digitization and flexible scheduling of inspection and testing services, the adaptation of business models to the new requirements and the implementation of cost optimization programs, we were able to mitigate the overall impact on our business.

The INDUSTRY Segment continued to focus on implementing its strategic priorities. This included developing and launching smart and digital testing services and certifications in Europe, the Middle East and in Asia and expanding expertise as part of the renewable energies initiative.

In this context, we bundled our services for renewable energies, the traditional environmental technology business and our sustainability services in a separate unit. The remaining business relating to conventional energy production was transferred to the technical construction monitoring, energy production and quality management unit.

We see our commitment to renewable energies as decisive for the success of the energy revolution and mitigating climate change. For this reason, we expanded our “New Energy & Storage“ competence center in the fiscal year, which offers comprehensive solutions along the entire hydrogen technology value chain. This investment was supplemented by our involvement in the joint venture evety GmbH, Essen, which supports customers along the hydrogen value chain from the development stage through to implementation.

Wind energy is also part of the renewable energy initiative. Our comprehensive experience with onshore and offshore wind farms won us various certification and testing contracts in Germany and abroad. In Germany, we also offer our customers inspections of facilities that are subject to special control by the German ordinance on industrial health and safety (BetrSichV).

Electromobility and energy efficiency are further components of the renewable energies initiative. With the new sustainability assessment for battery cells, we can take a holistic view of the entire value chain of battery cell manufacturing. At the same time, we have won initial contracts with major market players. Our cooperation with the emission-free megacity of NEOM currently under construction in the Middle East is extensive. As a result of our involvement, we expect to generate additional business opportunities, in particular in the areas of green mobility, construction planning and monitoring, and energy and water-related issues.

Our guarantees of origin for various sources of energy include, among others, the Green Hydrogen and CertifHy Scheme for green and environmentally friendly hydrogen as well as the Climate Action Certification Program (CACP) for green electricity.

Functional and digital safety is not only a key requirement to protect people and the environment, but also to minimize the risks inherent in technical equipment and machinery. In May 2020, TÜV SÜD was recognized as a BACnet test organization based on the international standard DIN EN ISO 16484-5. The conformity assessment ensures that the communication between components of various manufacturers in a building automation system function safely and reliably.

At the same time, the advance of digitization, additionally accelerated by the challenges of the Covid-19 pandemic, requires new solutions for the way we provide our testing services. For example, smart glasses that transmit images will be used in the future for facility inspections, which will simplify or facilitate testing remotely or in hazardous environments.

In July 2020, TÜV SÜD published the world's first guideline for Hyperloop technologies. The guideline defines the key safety requirements for the design, construction, and operation of Hyperloop systems. It can be used as a basis for the standardization of Hyperloop systems and the development of a harmonized set of guidelines for national approval procedures and for certifications of individual components and complete systems.

With our competence center for Building Information Modeling (BIM), we support property owners, developers and investors in reducing costs and risks and enhancing quality measurably. BIM uses simulation and planning for the optimization of the entire life cycle of a building and can be supplemented by other technologies, for example to provide data for computer-aided facility management (CAFM) during the operation phase.

Development work on the modeling of digital building twins continued further, in some cases through strategic partnerships. We offer a range of model checkers for digital building twins and thus make it possible to run automated or semi-automated checks of target parameters, for example for fire prevention or ventilation. We use simulations to develop individual ventilation designs for individual rooms and buildings. These create higher energy efficiency and comfort and at the same time reduce the bacterial exposure in the room – an important aspect in light of the Covid-19 pandemic.

We also use new technologies for building inspections and construction supervision. Assisted by artificial intelligence as well as the use of drones and 3D models, contactless inspections can be carried out remotely in most cases. It was thus possible to offer the full range of these services even during the lockdowns.

Our certification services for lifts are in demand internationally. Various digital innovations, such as sensor-based maintenance optimization and the manufacturer-independent LiftManager for predictive maintenance were successfully launched on the market. Through strategic cooperations in the international arena, we are reinforcing our market position and creating sales potential for further services, such as building automation. Along with the traditional approval of lift models, we are currently developing a certification for hardware and software, which should be applicable worldwide.

In the fiscal year, we expanded our network of testing facilities for railway vehicle components and parts of buildings in China, while in Spain we entered into a partnership for certification and inspection with a manufacturer of railway vehicles. We are thus systematically driving forward the global expansion of our expertise in the rail sector. The inspections of a state-of-the-art electronic railway signal tower in Germany and of a Japanese hybrid locomotive demonstrated our digital competence. We also supported various integrated railway systems projects in the Middle East.

For the German TÜV SÜD Advimo GmbH (TÜV SÜD Advimo), Munich, and for a component of Real Estate & Infrastructure at TUV SUD Limited, Glasgow (UK), we recognized an impairment loss on goodwill and assets outside our strategic core portfolio, after initiating our withdrawal from these activities. Assets at the South African company TUV SUD South Africa (Pty) Ltd., Cape Town, were also impaired. Due to a defect in the building's technical installation, it was necessary to recognize impairment losses on a laboratory unit at TÜV SÜD Industrie Service GmbH, Munich.

We expect to sell our German planning business for railway systems in 2021 as well as selected assets of TÜV SÜD America Inc., Peabody.

The US company PetroChem Inspection Services Inc. (PetroChem), Pasadena, discontinued its operations and was deconsolidated in October.

MOBILITY

The Covid-19 pandemic affected the entire spectrum of services of the MOBILITY Segment worldwide. In this context, local national restrictions dictated developments in the regulated market. In the non-regulated market, weak demand in the automotive industry as well as the lower volume of traffic had a negative impact.

The Covid-19 pandemic is accelerating the fundamental change process in the automotive industry and at the same time increasing pressure to take steps to implement strategic priorities of the MOBILITY Segment. The development of new digital business models and business processes as well as innovative services, but also new technologies in mobility thus gained additional momentum. Several digital processes were launched on the market in 2020. For example, we now offer our end customers virtually contactless roadworthiness tests and exhaust gas analyses. For car dealerships, we offer a digital package to help them maintain business operations even during a pandemic. It bundles various innovations including electronic vehicle viewing, various digital solutions for customer contact right through to digital vehicle valuations using the digital vehicle scan (DVS).

We are systematically refining the standardized and automated digital vehicle scan with a special focus on digital image recognition and the AI-assisted generation of damage assessment reports.

We are continuously internationalizing our activities in the regulated sector. In addition to our home market of Germany, we are active in Austria, Turkey and Spain. Regulated business is currently being set up in Slovakia. We offer our services in the non-regulated sector in the Czech Republic and China, among other countries.

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● INNOVATION IS KEY
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In Heimsheim, we opened the largest independent mobility testing facility in Europe in September 2020. In addition to engine and roller tests, at this facility we offer the full range of emissions tests for type approvals in compliance with all international guidelines – including the Trusted Information Security Assessment Exchange (TISAX) – and for all international markets, but also tests in the vehicle development process. With this investment, we are supporting the automotive industry as it transitions from conventional drives to hybrid and electric drives. Hybrid and electric vehicles can thus also be tested in Heimsheim for their environmental compatibility.

We continue to drive forward our commitment in the area of highly automated driving. Particular importance is attached to the safety of systems with artificial intelligence, such as those used in the electronics of autonomous vehicles.

In addition, TÜV SÜD supports car manufacturers and suppliers in implementing the new, international UNECE (United Nations Economic Commission for Europe) guidelines for automatic lane-keeping assist systems, cyber security and updates to software. The guidelines set binding requirements for the development of automated driving functions in all major international markets.

In the fiscal year, we recognized impairment losses on testing facilities and investments in joint ventures in Germany. In addition, an impairment loss was recognized on goodwill in a German subsidiary after we had identified asset erosion. Impairment losses on assets that had been capitalized in purchase price allocations were also necessary in Spain.

CERTIFICATION

The CERTIFICATION Segment was also unable to avoid the effects of the Covid-19 pandemic. However, our international orientation, broad range of customers and comprehensive service portfolio prevented an even greater slump in business activity.

The strategic priorities in the CERTIFICATION Segment are focused on digital transformation and the qualitative expansion of our services in the areas of medical technology, connected and additive manufacturing, electromobility, data security and cyber security as well as sustainability. We support our customers around the world in transforming their business models and allow them to access global markets. Our range of services encompasses the entire product lifecycle of industrial, medical and consumer goods and is supplemented by cyber security services and a range of certification and training services in relation to digitization. We provide our services worldwide on site at our customers, as close as possible to their production or distribution site.

In the fiscal year, we helped customers in the various industries around the world to ramp up their business operations following the Covid-19 lockdowns using our Smart Restart solutions. Through services, such as hygiene audits and training as well as business continuity management, we were able to create significant added value for our customers.

With regard to the transformation of the automotive industry and the development of electro-mobility, we are developing specific solutions for our customers, for example in the area of battery production. With our activities relating to hydrogen and fuel cells we are entering a new market. To achieve this we are making targeted investments in expanding our testing facilities. For example, we opened two additional testing facilities in China in the fiscal year and expanded the testing facility in Garching near Munich into one of the largest and most modern battery testing facilities in Europe. At this facility, we also offer tests of traction batteries, among other things, in accordance with the new Chinese security standard GB 38031-2020.

Advanced manufacturing (additive manufacturing methods) and the networking of global supply chains also present our customers with challenges. For the secure use and interoperability of these production processes, we provide innovative services such as the industrial additive manufacturing (iAM) production site certification, which combines the certification of quality management systems with the expertise about the additive manufacturing methods and the resulting additive product.

The Covid-19 pandemic triggered a surge in the market for additive manufacturing in medicine, particularly in the area of 3D printing. During the pandemic, TÜV SÜD has been providing check-lists for the key requirements from the central standards and regulations of the industry free of charge. In addition to this, TÜV SÜD offers conformity assessments for additive manufacturing to test products for conformity with the EU Medical Devices Directive (MDD) and the EU Medical Devices Regulation (MDR).

The strict lockdown in China but also the limited consumption possibilities in Europe led to a significant drop in demand for our testing services for consumer goods. In our numerous testing facilities in China, along with chemical analyses and tests of electro-magnetic compatibility (EMC), we also offer certification services according to ENEC (European Norms Electrical Certification) and ENEC+ for electronic and lighting products. On account of new standards and regulations, for example, compliance with sustainable production standards, but especially also the ever increasing complexity of consumer products (e.g., smart textiles), we see growth potential in particular in the chemical and EMC services.

TÜV SÜD offers testing and certification services for medical products throughout their entire life cycle – from the idea for the product to market maturity through to the end of the cycle. Cyber security testing is also part of this comprehensive service portfolio. In the fiscal year, we continued to expand our testing facility capacity. The creation of our competence center for the biological and chemical testing of medical devices in Italy is currently underway.

Due to the pandemic, the expiry date for the old Medical Devices Directive (MDD) of the European Union was postponed for a year. Furthermore, travel restrictions delayed the transition period to the new EU Medical Devices Regulation (MDR). The broader scope of the MDR facilitates the development of further services in the future, for example concerning aesthetics products or medical apps which must be tested in compliance with the MDR. With these digital health applications, the focus is also on the security of the software. In June 2020, TÜV SÜD was recognized by the Central Authority of the Länder for Health Protection with regard to Medicinal Products and Medical Devices (ZLG) as a notified body for in-vitro diagnostic devices (IVDR). In October 2020, TÜV SÜD issued the world's first IVDR certificate.

Just how important hygiene and protection measures are was seen this year that was so heavily affected by the pandemic. In addition to an app for digital hygiene management, TÜV SÜD also offers a special coronavirus hygiene audit to ensure compliance with the prescribed protection measures. In the area of food hygiene, complying with hygiene and quality standards across the entire supply chain is also of major importance. In this area, TÜV SÜD offers a comprehensive portfolio of testing services which can be checked in its own laboratories.

IT-related services, in particular concepts for access management, data protection and IT security for mobile working as well as secure cloud solutions, are becoming increasingly important. As a partner in the Cofense® Managed Security Service Provider (MSSP) program, TÜV SÜD obtains the tools to support customers in the defense against phishing attacks, the top cause of security breaches. We also offer TISAX (Trusted Information Security Assessment Exchange), a standard defined by the automotive industry for information security in the value chain of the automotive industry. Our TISAX services include assessments, audits, certifications and comprehensive training.

In the TÜV SÜD Digital Academy, we are driving forward the digitization of training – in the fiscal year, the Covid-19 pandemic showed once again just how right and important the step toward the digital learning environment is. Classroom training and seminars were not possible during the lockdowns in the various regions of the world. In addition to virtual classroom training and e-learning (online training) for professional qualifications and webinars on regulatory and specialist topics, general training for hygiene and protection from infection for returning to a safe and healthy workplace environment was also offered.

In the audit and certification business, we reached a milestone in digitization with the market launch of our new digital products Audit & Certification Engine (ACE), QM Navigator and QM Specialist Portal and made an important contribution to supporting our customers in increasing their efficiency, but also in maintaining business operations during the pandemic.

Unicon universal identity control GmbH (Unicon), Munich, has been included in the scope of consolidation as an affiliated company since control was obtained over it on January 1, 2020. The company offers various sealed cloud applications for secure data storage and processing.

We recognized an impairment on goodwill for a component of TÜV SÜD Management Service GmbH, Munich, after the earnings forecast could no longer be realized.

We also plan to dispose of smaller laboratory services providers in the food sector in Germany.

Business development

The development of our markets, like the entire business and social environment, was shaped by the impact of the Covid-19 pandemic in the fiscal year 2020. The global economy is in a deep recession. In many countries, the free movement of persons and goods was restricted or completely stopped temporarily in an effort to contain the pandemic. Political uncertainty, international trade disputes and the transformation of the European automotive industry also had a negative impact on the development of the markets. TÜV SÜD's business development reflects this difficult environment. We thus also suffered losses in revenue and earnings. Owing to our global presence and our Company's comprehensive, innovative portfolio of services and the soundness of our business models, TÜV SÜD has so far managed relatively well under these difficult circumstances.

05

Targets and results

05

	2019	2020 Outlook	2020
Revenue	€ 2,590.1 million	Up to € 2.7 billion	€ 2,486.0 million
Development compared to prior period	3.7%	2% – 4%	–4.0%
EBIT	€ 202.8 million	Up to € 235 million	€ 172.0 million
Development compared to prior period	92.2%	up to 15%	– 15.2%
EBIT margin	7.8%	High single-digit percentage range	6.9%
EVA	€ 64.0 million	€ 70 – 85 million	€ 39.0 million
Employees	23,024		22,803
Development compared to prior period	2.7%	Up to 3%	–1.0%

Our forecast for the growth of our business in the fiscal year is based on the existing services business in operation at the time of planning. This is defined as organic growth.

Possible negative effects from the accident in Brazil were only taken into account to a qualitative extent in the forecast for the fiscal year 2020. The magnitude of the repercussions of the Covid-19 pandemic on the business development of TÜV SÜD could not be reliably estimated prior to the consolidated financial statements 2019 being approved. In this respect, deviations are to be expected.

The INDUSTRY Segment did not reach the revenue target it had set itself due to the pandemic. The cost-cutting measures initiated could not compensate for reduced earnings due to the decrease in revenue. Additionally, impairment losses on goodwill had a negative impact on EBIT, as a result of which EBIT-related targets were also missed. Only the EBIT margin reached the planned corridor within the upper single-digit percentage range.

The MOBILITY Segment also fell short of its defined revenue targets. In addition to a reduced revenue base as a result of the fleet management business being sold in the prior year and lower demand due to the Covid-19 pandemic, lower income from investments accounted for using the equity method also had a negative impact on earnings; the planned EBIT development was therefore not achieved. However, here too the EBIT margin was within the expected corridor.

The CERTIFICATION Segment did not reach its targeted level of revenue growth or the earnings targets. This was due in particular to the loss of revenue in the academy business, as no classroom training could be offered for months at a time in the fiscal year because of the pandemic.

From a group perspective, earnings before interest, other financial result and income tax, but including income from participations (EBIT), reached a total of € 172.0 million and thus fell short of the expected corridor. This was primarily attributable to the lower volume of operating activities and negative one-off effects, such as the impairment of goodwill. Although the EBIT margin at 6.9% was below the comparative figure from the prior year (7.8%), it fell just short of the expected corridor.

The lower revenue base could also not be compensated for by the drop in the cost of purchased services, lower personnel expenses and the cost-cutting measures initiated. Additionally, amortization, depreciation and impairment on intangible assets, right-of-use assets, property, plant and equipment and investment property as well as on goodwill had a negative impact on the EBIT development. The increase in other income, which was higher, amongst other factors, on account of the government grants in connection with Covid-19 assistance, could also not compensate for the decline.

EBIT adjusted for one-off effects, which is better suited for a multi-year comparison with other companies in the industry, reached € 206.7 million and was thus 8.5% below the prior-year figure (€ 225.9 million) as well as below the forecast range. However, the adjusted EBIT margin of 8.3% (prior year: 8.7%) reached the expected corridor.

Consolidated earnings before taxes (EBT) decreased by 14.2% to € 158.2 million and thus fell short of the targeted levels of growth. EBT adjusted for one-off effects of € 192.9 million also did not reach the expected figure. The adjusted EBT margin of 7.8% (prior year: 8.2%) was within the expected corridor.

Consolidated earnings after taxes decreased by € 21.6 million or 16.3% to € 111.0 million (prior year: € 132.6 million).

At € 39.0 million, group EVA is below the prior-year figure (€ 64.0 million) and is thus outside the corridor we had assumed. This key indicator is calculated from the net operating profit after taxes (NOPAT) of € 123.2 million, less the Group's cost of capital, yielded by the product of average capital employed (€ 1,203.6 million) and WACC of 7.0%. NOPAT was negatively impacted by the decline in business development in all segments. Average capital employed was almost at the prior-year level (prior year: € 1,204.9 million). Cost of capital also remained stable. The lower NOPAT thus ultimately led to a lower EVA figure than was projected in the 2020 forecast.

The average number of employees (full-time equivalents) decreased from 23,024 to 22,803 FTEs. The original plan was to expand the employee base in the fiscal year. This could not be implemented due to the Covid-19 pandemic. At the same time, the number of employees decreased as a result of the disposal of a fully consolidated subsidiary as well as the targeted job cuts in certain markets, which were required in order to respond to local business development.

The planning and management of the TÜV SÜD Group is based on International Financial Reporting Standards (IFRSs). The key financial performance indicators defined for the TÜV SÜD Group are not relevant for TÜV SÜD AG in its function as a management holding company and are therefore not reliable.

DAM COLLAPSE IN BRAZIL

Summary of the situation and investigations

The accident at the dam near to the village of Brumadinho in Brazil in January 2019 continues to impact the Group's financial performance and position. Various lawsuits have been filed against both our subsidiaries in Brazil and TÜV SÜD AG in connection with the certificate of stability issued in 2018 by our Brazilian subsidiary TÜV SÜD Brasil Engenharia e Consultoria Ltda. (TÜV SÜD BRASIL; formerly TÜV SÜD Bureau de Projetos e Consultoria Ltda.); further lawsuits have been threatened.

Along with the internal investigations, which started in 2019 and have not yet been concluded, by internationally recognized technical experts and renowned law firms in Germany and Brazil, TÜV SÜD is also cooperating with the responsible investigating authorities.

Impact on the financial performance and position of the Group and TÜV SÜD AG

The probability-weighted scenarios used in the consolidated financial statements as of December 31, 2018 and as of December 31, 2019, have been further developed on the basis of the current status of the investigations in order to realistically estimate the exposure. The amounts that have been estimated in this manner for the various scenarios stemming from lawsuits and bases of liability have been accounted for in these financial statements as provisions. However, as the aforementioned investigations and TÜV SÜD's internal investigations are still ongoing and the factors of influence to be considered in a legal dispute are multi-faceted, the actual exposure may deviate from these estimates. Further disclosures on the estimates in respect of the financial implications and disclosures on uncertainty regarding the amount or maturity of amounts of the provisions 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. In addition to this, provisions for legal defense and advisory costs of € 20.0 million (prior year: € 28.5 million) have been recognized in the consolidated financial statements and of € 17.1 million (prior year: € 23.7 million) in the annual financial statements of TÜV SÜD AG. When calculating the obligations, it was assumed that some of the proceedings would last a long time. Part of the legal defense costs may be covered by an insurance policy.

The recognition and measurement of provisions and contingent liabilities in connection with these 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 depending on the estimated duration of the proceedings associated with the dam collapse in Brazil. TÜV SÜD evaluates the matters using internal and external experts based on the circumstances prevailing as of the reporting date and knowledge gained prior to the preparation of the financial statements.

Should the outcome of the legal proceedings find to the detriment of TÜV SÜD, this may result in substantial damage payments in subsequent years that could have a significant negative impact upon the financial performance and position and reputation of the Group and TÜV SÜD AG. The ability of the Brazilian subsidiary TÜV SÜD BRASIL and its direct shareholder TÜV SÜD SFDK Laboratório de Análise de Produtos EIRELI (TÜV SÜD SFDK), 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 remarks in the sections “Compliance and other risks” and “Overall statement on risks faced by the Group”.

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Financial performance

TÜV SÜD generated **revenue** of € 2,486.0 million in the fiscal year 2020 which was shaped by the Covid-19 pandemic. Revenue thus decreased by € 104.1 million or 4.0% in comparison to the prior year. The revenue target of at least € 2.6 billion was not reached.

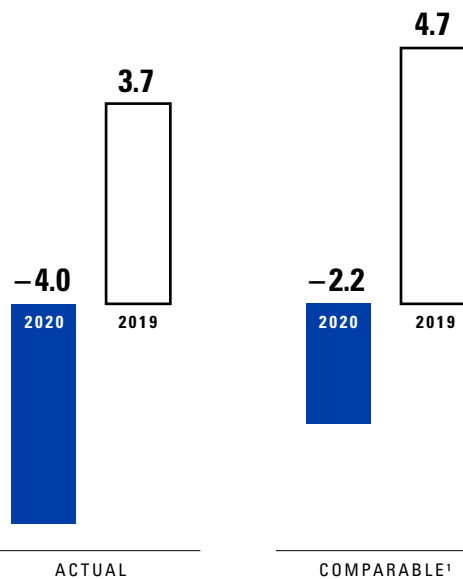
Organic growth of our existing services business decreased by € 56.2 million or 2.2%. Negative currency effects of € 20.9 million (down 0.8%) had an additional negative impact on the development of revenue. On top of this, a negative portfolio effect of 1.0% in total or € 27.0 million led to a further reduction in the revenue base. The first-time consolidation of Uniscon and the acquisition of smaller units in China could not compensate for the effects from the deconsolidation of the US company PetroChem and the sale of the fleet management business and the Austrian company Signon Austria in the prior year.

|| 12/13

Revenue growth comparable

|| 12

IN %

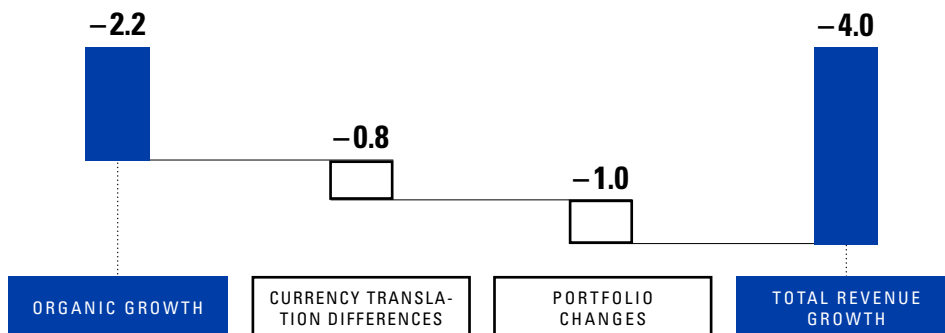


1 _ Adjusted for exchange rate and portfolio effects.

Revenue growth 2020

13

IN %



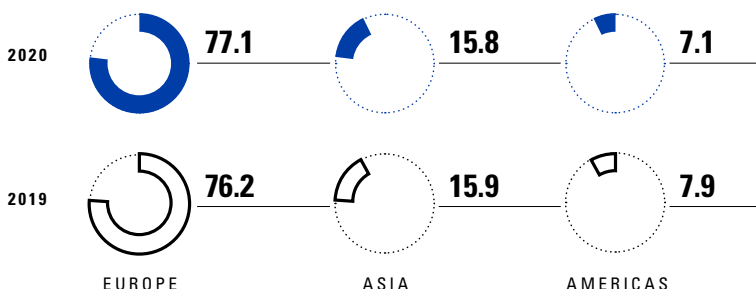
The German entities recorded a decrease in revenue (according to customer location) of € 22.6 million. This is equivalent to 21.7% of the decrease in revenue of the Group (prior year: 60.1% of attributable revenue growth). At € 81.6 million or 78.3% (prior year: 39.9% of attributable revenue growth), the most significant portion of the decrease in revenue (according to customer location) is attributable to international entities.

14

Revenue by region 2019/2020 according to customer location

14

IN %



As a whole, we generated 39.4% (prior year: 41.0%) of total revenue according to customer location outside Germany in the fiscal year. Our European home market remains the strongest region in terms of revenue.

Purchased service cost decreased by 5.4% to € 294.2 million and thus declined at a higher rate than revenue. The decrease is mainly attributable to our academy business, which is highly dependent on purchased services. This business had to contend with significant restrictions in the course of the pandemic, including the complete suspension of classroom training during the lockdown phases. At the same time, through postponements in the project and inspection business in Germany, it was possible to utilize the Company's own employees. This was counteracted by the good development of our services relating to vehicle management, also heavily dependent on purchased services, but also our involvement in international large-scale projects, such as the planned megacity NEOM in the Middle East. At 11.8% (prior year: 12.0%), the ratio of purchased service cost to revenue declined year on year.

Personnel expenses decreased by 1.9% to € 1,542.9 million. At 70.2%, the ratio of personnel expenses to operating performance was above the prior-year level (68.9%).

Expenses for wages and salaries including social security contributions decreased by 2.4% compared to the prior year. Despite the first-time consolidation of Uniscon and several Chinese companies, the number of employees decreased as a result of the deconsolidation of PetroChem and the disposal of entities in the prior year. In addition, required restructuring measures – in Spain, Italy and some German entities in the Business Assurance Division – led to a further reduction in personnel. In order to secure jobs during the Covid-19 pandemic, government-subsidized short-time work was implemented in companies affected by the lockdown in Germany, but also in the UK and other European countries, helping to further reduce expenses for wages and salaries. Social security contributions decreased at a faster rate, mainly due to the reduction of social security contributions in China, a measure through which the Chinese government cushioned the effects of the Covid-19 pandemic. Finally, currency translation differences also reduced expenses.

Retirement benefit costs increased by 7.4% to € 115.8 million (prior year: € 107.8 million). This is primarily attributable to the current service cost, the increased employer's share of pension insurance and higher contributions to insolvency insurance in Germany.

Incidental personnel expenses decreased by 13.8% to € 24.9 million (prior year: € 28.9 million), mainly on account of lower expenses for training activities and company events, which could not take place due to the Covid-19 pandemic. By contrast, expenses for health services for our employees increased.

Amortization, depreciation and impairment losses on intangible assets, right-of-use assets, property, plant and equipment and investment property came to € 168.9 million in the fiscal year, which was an increase of € 18.7 million on the prior year. Scheduled amortization and depreciation of € 152.7 million is € 7.5 million (5.2%) higher than in the prior year (€ 145.2 million). Of this amount, € 67.0 million (prior year: € 62.4 million) is attributable to the depreciation on right-of-use assets. A new lease agreement for an office building in Singapore was concluded in the fiscal year.

Impairment losses were also recognized on property, plant and equipment as well as right-of-use assets and intangible assets that had been capitalized in purchase price allocations. Impairment losses were recognized on a laboratory unit in Germany due to a defect in the building's technical installations and lower expected returns. In addition, due to the unsatisfactory business development of individual subsidiaries in Germany, the UK, Spain and South Africa, impairments had to be recognized.

In the fiscal year 2020, **impairment of goodwill** of € 15.6 million (prior year: € 0.0 million) was recognized, in particular in Germany and the UK, where our aim is to smooth the risk profile of our business activities by divesting selected engineering services. In addition, goodwill from peripheral activities of the MOBILITY and CERTIFICATION Segments was also impaired.

Other expenses decreased by 7.8% to € 397.2 million. The decrease is largely due to the Covid-19 pandemic. The restrictions on national and international travel reduced travel expenses considerably. Expenses for marketing as well as for gifts, hospitality and entertainment also decreased significantly, as there were no expenses for trade fairs, information materials and advertising materials in the academy business. Cost-cutting programs directly initiated were aimed at reducing expenses needed for operations and led to savings in cost of purchased administrative services,

which also included the use of temporary staff. Savings in expenses for the rental and maintenance of buildings was also achieved through the deferment of maintenance measures. In addition, legal and consulting fees decreased due to reduced expenses for dealing with the consequences of the dam collapse in Brazil in January 2019, among other things; however, insurance costs increased throughout the Group.

Other income increased by 54.0% from € 60.4 million in the prior year to € 93.0 million in the fiscal year. Government grants (€ 15.1 million; prior year: € 4.3 million) had a positive impact. The companies received € 9.4 million of the total amount as aid in the Covid-19 pandemic; we received the remaining amount for funded projects and research projects, in particular in Singapore and China. In addition, insurance claims in connection with the dam collapse in Brazil and income from the sale of land in Germany and Austria as well as the contribution of a property in the plan assets of TÜV Hessen Trust e. V. are also recorded in this item. Other significant items included exchange rate gains, income from the reversal of provisions and rental and lease income.

The **financial result** decreased by € 1.6 million to € –6.5 million in the fiscal year 2020 (prior year: € –4.9 million). The contribution to earnings from investments accounted for using the equity method remained positive, despite the impairment losses recognized. This was, however, offset entirely by the negative interest result.

Earnings from investments accounted for using the equity method decreased to € 9.4 million and were below the prior-year level (€ 17.3 million). The positive contribution to earnings (€ 17.8 million) of the joint ventures TÜVTÜRK in Turkey was € 1.3 million below the prior-year figure and was burdened by the unfavorable exchange rate (€ –4.8 million) between the euro and the Turkish lira. Our German joint venture in the MOBILITY Segment recorded a negative contribution to earnings; moreover, impairment losses were recognized for this company as well as for a joint venture in Spain. Our investment accounted for using the equity method in France enjoyed positive earnings development.

In 2020, other income / loss from participations includes impairment losses on two participations and loans in Germany as well as income from the remeasurement of existing investments in connection with a step acquisition in China. In the prior year, expenses in connection with the remeasurement of Uniscon in particular were recorded in this item. Consequently, other income / loss from participations improved by € 1.7 million and increased from € –3.8 million to € –2.1 million.

The interest result improved by € 6.0 million to € –14.8 million in the fiscal year. Interest expenses from lease liabilities of € 6.3 million increased to € 8.3 million, whereas in the prior year the discounting of a loan of € 2.5 million was included. However, the net interest expense from pension provisions (unwinding of discount on pension obligations less interest income from plan assets) improved on account of the higher funding ratio of pension obligations. This resulted in a disproportionately large decrease in interest expenses (down € 13.1 million) in relation to planned income (down € 9.3 million).

Other financial result of € 1.0 million largely contains gains and losses from a special fund.

Income before taxes came to € 158.2 million. This represents a decrease of 14.2% on the prior year. The income tax expense decreased by € 4.6 million or 8.9% to € 47.2 million. At 29.8%, the effective tax rate is above the prior-year figure of 28.1%, but is thus still within the normal range.

One-off effects that were negative on a net basis totaling € 34.7 million (prior year: negative effects of € 28.1 million) had an impact on the development of earnings in the fiscal year: ≡ 06

One-off effects		≡ 06
IN € MILLION	2020	2019
PPA amortization and impairment losses	20.9	10.2
One-off effects, provisions and reversals of impairments	-10.9	13.8
Result from deconsolidation	-0.1	-4.5
Impairment of goodwill	15.6	0.0
One-off effects in earnings from investments accounted for using the equity method and in income/loss from participations	9.2	3.6
With EBIT effect	34.7	23.1
One-off effect in interest income	0.0	5.0
With EBT effect	34.7	28.1

In **personnel expenses**, the effect on the measurement of provisions for long-service awards, which resulted from the raised retirement age, was corrected in the prior year.

In the **amortization of intangible assets** in the fiscal year, we recognized adjustments amounting to € 5.2 million for the scheduled amortization of assets, which we identified in the course of a purchase price allocation (PPA amortization). One-off impairments of intangible assets, such as concessions and right-of-use assets, amounting to € 15.5 million were also recognized in Germany, the UK, Spain and South Africa, as well as for property, plant and equipment in Germany and the UK. In the prior year, one-off impairment losses totaled € 4.4 million.

In **other expenses**, we eliminated amortization of software licenses (€ 0.2 million) in inventories. In the prior year, technical advisory and legal costs which had been incurred during the year in connection with the dam collapse in Brazil were adjusted.

Proceeds from the sale of land and the contribution to a plan asset in Germany as well as a laboratory in Thailand were corrected in **other income**. We also eliminated indemnification payments from a completed court case in Spain and the effect from the closure and deconsolidation of the petrochemical business in the US. Adjustments in the prior year mainly related to the gain on disposal of Signon Austria.

We adjusted the **impairment of goodwill** on selected engineering services in the UK and Germany as well as on peripheral activities in the MOBILITY and CERTIFICATION Segments.

Impairment losses on joint ventures in Germany and in Spain are recognized in **income from investments accounted for using the equity method**. Impairment losses on participations and a loan in Germany are adjusted in **income/loss from participations**, as is income from the remeasurement of existing investments. In the prior year, expenses associated with Uniscon along with reversals of impairment losses on non-consolidated companies as well as the gain on disposal of a participation in Spain were corrected.

In **net interest result**, we eliminated the effect from the change in the interest rate on the unwinding of the discount on the provisions for long-service bonuses and medical benefits, as in the prior year. In addition, the discounting of a loan issued had been corrected in the prior year.

At € 172.0 million, **EBIT** in the fiscal year 2020 was 15.2% below the prior-year figure of € 202.8 million.

The EBIT margin decreased on the prior year by 0.9 percentage points to 6.9%. Adjusted EBIT decreased by 8.5% or € 19.2 million to € 206.7 million (prior year: € 225.9 million), resulting in an adjusted EBIT margin of 8.3% (prior year: 8.7%). This shows that, despite the higher adjusted one-off effects, operating activities have been significantly burdened by the effects of the Covid-19 pandemic. EBIT improved with the adjustments carried out, totaling € 34.7 million (prior year: € 23.1 million).

NOPAT decreased by 16.9% to € 123.2 million (prior year: € 148.3 million). The lower operating performance (down 3.8%) was only partially compensated for by lower personnel expenses, cost-cutting measures in other expenses and higher other income. Increased amortization and depreciation and one-off negative effects such as the impairment of goodwill had an additional negative impact in the fiscal year.

At € 1,203.6 million, **average capital employed** was € 1.3 million below the prior-year figure of € 1,204.9 million, the changes in working capital and other interest-bearing liabilities having practically offset each other. As of the reporting date, capital employed was down on the prior year (down € 25.1 million).

At € 39.0 million, **EVA for the Group** was € 25.0 million below the prior-year figure of € 64.0 million.

At € 158.2 million, **EBT** was € 26.2 million below the prior-year level (€ 184.4 million). Adjusted earnings before taxes decreased by 9.2% or € 19.6 million to € 192.9 million (prior year: € 212.5 million).

The return on sales, calculated in proportion to earnings before taxes (EBT), stood at 6.4% in the fiscal year (prior year: 7.1%). The weaker business development as a result of the pandemic was additionally impacted by the lower financial result compared with prior year and also affected EBT. The adjusted EBT margin is more suitable for assessing results over time. It decreased in proportion to the development of the adjusted EBIT margin and now stands at 7.8% (prior year: 8.2%).

Consolidated net income decreased to € 111.0 million in the fiscal year 2020 and was thus € 21.6 million or 16.3% below the prior-year figure of € 132.6 million.

For further analyses of significant items of the consolidated income statement, we refer to the notes to the consolidated financial statements.

Cash flows

PRINCIPLES OF FINANCE MANAGEMENT AND FINANCIAL STRATEGY

With our financing activities, we maintain a sound financial profile and ensure that TÜV SÜD has sufficient liquidity reserves to meet its payment obligations at all times. Further objectives of our corporate treasury function include managing the foreign exchange risk effectively and optimizing interest rates on an ongoing basis. Due to the significant volume of assets outsourced to cover pension obligations, the investment and risk management of these positions is of great importance for us.

CAPITAL STRUCTURE

TÜV SÜD finances itself with cash flows from operating activities. The available cash and cash equivalents are supplemented by a syndicated credit line of € 200 million, with a term until December 2021, to give us the financial flexibility necessary to reach our growth targets. In light of the Covid-19 pandemic, we also arranged bilateral credit facilities with core banks for a total of € 225 million.

With these credit facilities, the available cash and the annual free cash flow, the company has sufficient liquidity to finance its planned organic and external growth.

TÜV SÜD strives to ensure its credit rating remains firmly in the investment grade.

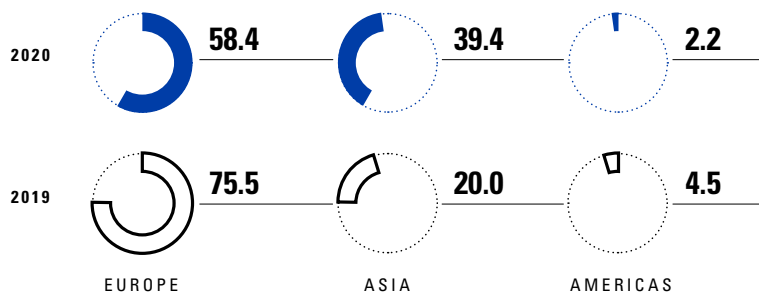
CAPITAL EXPENDITURES

The volume of capital expenditures excluding business combinations, financial assets and securities came to € 110.7 million in the fiscal year 2020 (prior year: € 126.0 million). || 15

Capital expenditures

|| 15

IN %



At € 54.3 million, 49.0% of capital expenditures was carried out in our home market Germany. Investments were made in equipment for battery testing facilities and further investments were made in the Training PowerHouse software project in the Business Assurance Division. Further funds were used for a development project on image recognition as well as for the further development of the ASPro IT application system of the MOBILITY Segment.

In Western Europe, we invested a total of € 8.4 million in, among other things, the expansion of our competence center for biological and chemical testing in Italy as well as in the automation of testing facilities in the UK. In Central & Eastern Europe, investing activities focused on the MOBILITY Segment again in 2020. We invested a total of € 2.0 million in expanding the testing facilities for dynamic component testing and for emissions testing.

We invested € 43.6 million in the ASIA Region during the year, this equates to 39.4% of the total investment volume. Investments were primarily made in leasehold improvements and in fitting out the new office building in Singapore, but also in the design of the IT landscape of the Product Service Division. Investments were also made in equipment for the testing facilities of our Chinese companies consolidated for the first time in 2020.

We spent around € 2.4 million or 2.2% of our total investment volume in the AMERICAS Region. The focus here was on equipment for battery testing facilities.

We invested € 18.0 million in the acquisition of entities in 2020 (prior year: € 18.0 million). This includes payments to acquire shares in consolidated and non-consolidated affiliated companies.

As of the reporting date, there were no material investment obligations.

LIQUIDITY

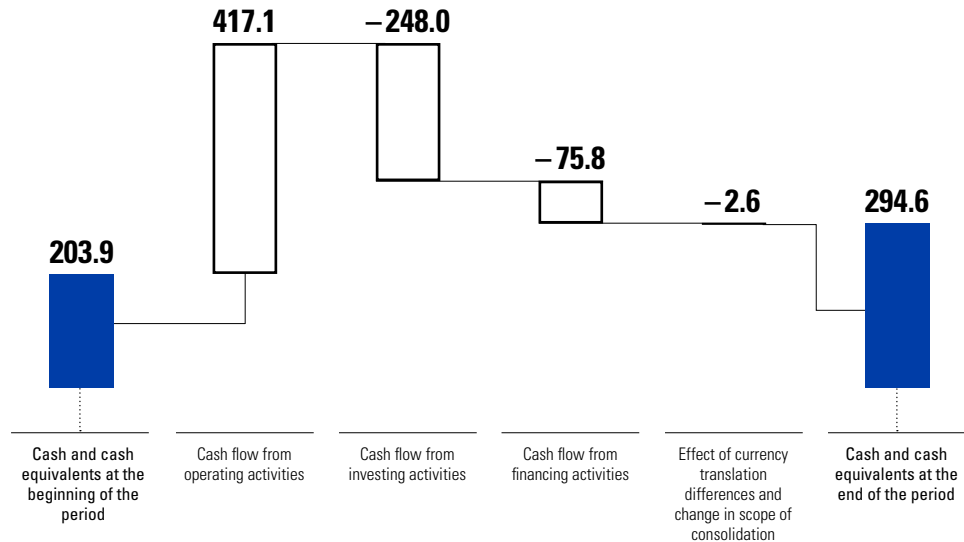
Cash and cash equivalents increased by € 90.7 million or 44.5% to € 294.6 million in the fiscal year 2020; of this, € 3.7 million is recognized as non-current assets and disposal groups held for sale. Cash and cash equivalents correspond to 11.2% of total assets (prior year: 8.4%). Cash and cash equivalents as presented in the consolidated statement of financial position stand at € 290.9 million. The development of cash and cash equivalents in the fiscal year is presented in detail in the consolidated statement of cash flows.

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Liquidity of the TÜV SÜD Group 2020

.16

IN € MILLION



Consolidated net income is the starting point used in the statement of cash flows. In the fiscal year shaped by the pandemic, it reached € 111.0 million and was thus € 21.6 million below the prior-year figure (€ 132.6 million).

Gains on the disposal of land in Germany and Austria as well as the effects of the deconsolidation of a US subsidiary reduced this starting point for the statement of cash flows by € 9.4 million (prior year: € 4.6 million). The non-cash items amortization, depreciation, impairment losses and reversals of impairments came to € 188.4 million and were thus € 35.1 million higher than the prior-year figure of € 153.3 million. Alongside the scheduled amortization and depreciation, impairment losses were once again recognized on goodwill, intangible assets such as concessions as well as on right-of-use assets and property, plant and equipment. Additionally, impairment losses were recognized on participations and loans to a participation. Other non-cash income and expenses particularly include the rolling forward of the at-equity valuation.

The changes in working capital, other assets and other liabilities resulted in a cash inflow of € 129.4 million in the fiscal year. In the prior year, a cash outflow of € 3.4 million was recorded. The decrease in revenue worldwide as a result of the Covid-19 pandemic led to a lower volume of cash tied-up in current assets. At the same time, measures to secure liquidity in receivables management took effect and additionally reduced trade receivables. On the equity and liabilities, cash tied-up increased significantly, particularly impacted by higher income tax liabilities in Germany, trade payables, including service contracts not yet invoiced in the MOBILITY and CERTIFICATION Segments, as well as other current liabilities. **Cash flow from operating activities** therefore increased by € 102.1 million or 32.4% from € 315.0 million to € 417.1 million.

Cash outflow from investing activities decreased by € 6.0 million to € 248.0 million in the fiscal year. Cash paid for investments in intangible assets, and property, plant and equipment decreased by € 3.0 million to € 114.7 million (prior year: € 117.7 million). Investments were made mainly in software, technical service centers and testing facilities. Cash received from the disposal of assets primarily relates to the sale of property in Germany and Austria as well as of property, plant and equipment in Thailand and the US.

There was a net outflow in financial assets, among other things, due to the outstanding purchase price payment for TÜV SÜD Pensionsgesellschaft mbH, Munich, a capital increase at a German joint venture as well as the acquisition of remaining shares in affiliated unconsolidated subsidiaries in Spain. Further reasons included cash paid for the acquisition of a participation in Germany and the granting of loans. The situation in the prior year was shaped by an increase in the loan to Uniscon as well as cash paid for the acquisition of participations in Germany and China.

A cash inflow of € 0.4 million was recorded in connection with transactions during the year, namely the acquisition of the final tranche in Uniscon and the shares in two Chinese companies, which led to the full consolidation of the respective entities. In the prior year, there was an overall cash inflow from the sale of the fleet management business and Signon Austria. The acquisition of securities in a special fund and the investment in Chinese money market funds resulted in a net payment outflow of € 21.2 million (prior year: € 8.0 million).

The external financing of pension obligations was reduced by € 10.2 million to € 106.5 million (prior year: € 116.7 million). Along with the reinvestment of reimbursed pension payments, one-off additions with an effect on cash were made to TÜV SÜD Pension Trust e. V. (€ 30.0 million; prior year: € 30.0 million) and TÜV Hessen Trust e. V. (€ 0.0 million; prior year: € 20.5 million) as well as further additions to other plan assets of € 10.0 million (prior year: € 4.5 million).

Free cash flow – defined as cash flow from operating activities less cash paid for investments in intangible assets, property, plant and equipment and investment property – stood at € 302.4 million in the fiscal year 2020 (prior year: € 197.3 million). This represents an increase of 53.3% on the prior year. Investments in intangible assets and property, plant and equipment were financed entirely from the cash flow from operating activities.

Cash outflow from financing activities increased by € 4.9 million to € 75.8 million (prior year: € 70.9 million). The change primarily stems from the increase in the repayment of lease liabilities. The dividend distribution to TÜV SÜD Gesellschafterausschuss GbR remained unchanged, while payments to non-controlling interests were marginally lower than in the prior year. Repayments of loans and other financial obligations totaled € 0.4 million (prior year: € 3.0 million).

The value of cash and cash equivalents of € 294.6 million as of the reporting date – consisting of checks, cash in hand, bank balances and securities with an original term of less than three months and including the cash and cash equivalents of disposal groups – was € 90.7 million higher than the prior-year level. With the securities disclosed in other financial assets which can be liquidated at any time, there are cash and cash equivalents totaling € 434.6 million (prior year: € 323.0 million). Additional financing flexibility is provided by various existing lines of credit (€ 10.8 million) and three lines of credit additionally agreed in the fiscal year with a total volume of € 225.0 million. The syndicated credit line of € 200.0 million remains unchanged until December 2021.

Financial position

Asset and capital structure

in %

IN %

	ASSETS	
	2020	2019
NON-CURRENT ASSETS	64.6	65.0
thereof ¹ :		
INTANGIBLE ASSETS	18.1	20.4
RIGHT-OF-USE ASSETS	22.2	16.5
PROPERTY, PLANT AND EQUIPMENT	31.8	33.1
DEFERRED TAX ASSETS	18.9	17.9
CURRENT ASSETS	35.4	35.0
thereof ¹ :		
TRADE RECEIVABLES	48.8	57.9
CASH AND CASH EQUIVALENTS	31.4	23.8

	EQUITY AND LIABILITIES	
	2020	2019
EQUITY	36.5	37.2
NON-CURRENT LIABILITIES	36.0	36.4
thereof ¹ :		
PENSION AND SIMILAR OBLIGATIONS	51.6	61.7
NON-CURRENT LEASE LIABILITIES	34.7	23.4
CURRENT LIABILITIES	27.5	26.4
thereof ¹ :		
CURRENT PROVISIONS	20.5	23.3
OTHER CURRENT LIABILITIES	31.7	33.0

TOTAL ASSETS

€ 2,618.8 MILLION

€ 2,440.2 MILLION

¹ _ As a percentage of current or non-current item, not of total assets.

Total assets increased by € 178.6 million or 7.3% to € 2,618.8 million in the fiscal year (prior year: € 2,440.2 million). .17

Non-current assets increased by € 107.4 million to € 1,692.4 million, mainly due to investments in right-of-use assets. Current assets increased by € 71.2 million to € 926.4 million, primarily due to a higher balance of cash.

Intangible assets decreased by € 17.5 million or 5.4% to € 305.5 million. The decrease in goodwill, which stems predominantly from currency translation differences as well as impairment losses of goodwill for companies in Germany and the UK, was partially compensated for by the addition of goodwill for a subsidiary in Germany that was fully consolidated for the first time in the fiscal year.

The scheduled amortization of and impairment losses on intangible assets, in particular on software and concessions, reduced other intangible assets. Impairment losses amounted to € 5.4 million.

Right-of-use assets increased by € 114.7 million or 43.9% to € 375.8 million. This includes the addition of a lease obligation for the new office building International Business Park in Singapore. Depreciation amounted to € 67.0 million in the fiscal year (prior year: € 62.4 million).

Additions to **property, plant and equipment** related to investments in the expansion and modernization of testing facility capacity in Germany as well as leasehold improvements for the office building in Singapore. At € 3.0 million, **investment property** was at the level of the prior year.

Investments accounted for using the equity method decreased by € 17.3 million to € 31.4 million. The decrease mainly stems from the German Uniscon, which was fully consolidated in the fiscal year. Additionally, impairment losses for a German joint venture and a Spanish joint venture also contributed to this development.

Other financial assets decreased by € 20.3 million to € 111.6 million, in particular due to the first-time consolidation of two Chinese companies as well as the merger of a previously unconsolidated Spanish company into the Spanish TÜV SÜD ATISAE S.A.U., Madrid.

The increase in **deferred tax assets** of € 35.0 million to € 319.3 million primarily stemmed from the changes to pension provisions and plan assets.

Trade receivables decreased by € 43.6 million or 8.8% in fiscal year 2020 to € 451.9 million. They thus decreased at a higher rate than revenue, which decreased by 4.0%. Trade receivables – excluding contract assets – decreased by € 29.4 million or 8.0% to € 338.9 million. This development was seen in our business activities worldwide, due to the fact that the provision of our services was restricted on account of the Covid-19 pandemic. At the same time, the decrease in trade receivables illustrates the effectiveness of the efforts made in receivables management, in particular in Germany, the UK and Singapore.

Contract assets decreased by € 14.2 million or 11.2% to € 113.0 million, predominantly owing to delays in ongoing large contracts in Germany, the US and Singapore in light of the Covid-19 pandemic.

The reclassification of assets of three German entities as well as the equipment business in the US in non-current assets and disposal groups held for sale reduced trade receivables by 3.3% or € 14.7 million.

Days sales outstanding (DSO), including receivables reported in accordance with IFRS 5, stand at 52 days (prior year: 55 days) on average throughout the Group.

Other receivables and other assets increased by € 28.3 million or 27.9% to € 129.6 million (prior year: € 101.3 million), predominantly owing to increased investment in money market funds in China. In addition, this item includes the dividends receivable from the Turkish joint venture TÜVTÜRK.

Cash and cash equivalents increased by € 87.6 million to € 290.9 million. This is thus equivalent to 11.1% of total assets (prior year: 8.3%).

As of December 31, 2020, **non-current assets and disposal groups held for sale** contained the assets of the planning business for railway systems and other German entities as well as the equipment business in the US.

Equity increased by € 48.7 million (up 5.4%) in the fiscal year, and stood at € 955.5 million as of the reporting date. The increase is mainly due to the positive consolidated net income of € 111.0 million (prior year: € 132.6 million). Actuarial losses after taking into account deferred taxes, exchange rate losses and dividend distributions had the opposite effect. The equity ratio decreased by 0.7 percentage points to 36.5%.

Non-current liabilities rose by € 53.0 million to € 942.7 million. The material change resulted from the increase in non-current lease liabilities according to IFRS 16 of € 118.1 million to € 326.7 million (prior year: € 208.6 million).

By contrast, **provisions for pensions and similar obligations** decreased by 11.4% or € 62.8 million to € 486.0 million (prior year: € 548.8 million).

The group-wide defined benefit obligation reported at € 2,308.2 million is € 51.9 million higher than the prior-year figure (€ 2,256.3 million). An increase of € 44.7 million was recorded in Germany. Actuarial losses due to the change in the discount rate from 0.95% to 0.65%, experience losses as well as the total of service and interest cost exceeded pension payments. The increase outside Germany (up € 7.2 million) was largely attributable to the lower discount rate; exchange rate gains had an offsetting effect.

In order to extend the external financing of pension obligations in Germany, TÜV SÜD has outsourced operating assets to TÜV SÜD Pension Trust e. V., Munich, and TÜV Hessen Trust e. V., Darmstadt, under a contractual trust agreement. The funds are administered by these two associations in a fiduciary capacity, and serve solely to finance pension obligations. Pursuant to IAS 19, the transferred trust funds are to be treated as plan assets, and are therefore offset against pension obligations. As of the reporting date, the plan assets totaled € 1,822.2 million. Of this

figure, € 1,593.8 million was attributable to the trust assets of TÜV SÜD Pension Trust e. V., and € 57.7 million to TÜV Hessen Trust e. V. The remaining plan assets of € 170.7 million consisted mainly of policy reserves due to employer's pension liability insurance and assets for pension plans in other countries.

Across the entire Group, plan assets increased by € 114.7 million. The increase was attributable in particular to the actual return on plan assets in Germany and abroad of € 69.7 million as well as one-off additions of € 42.6 million in Germany. The pension payments made in Germany of € 66.5 million (prior year: € 61.7 million) were recontributed in light of the waiver of refund entitlements and thus strengthened the plan assets.

Due to the increase in the plan assets, which was higher than the increase in the defined benefit obligation, the percentage of pension obligations funded by plan assets improved overall from 75.7% in the prior year to 78.9% as of the reporting date. In Germany, coverage stood at 78.9% (prior year: 75.3%).

For a detailed presentation of the development of pension obligations and plan assets, please refer to the notes to the consolidated financial statements.

Other non-current provisions increased by € 2.5 million to € 109.8 million. These contain provisions for long-services awards and medical benefits. The non-current portion of the provisions in connection with the dam collapse in Brazil is also recognized under this item.

The increase in **non-current lease liabilities** of € 118.1 million to € 326.7 million is attributable to the addition of the new office building International Business Park in Singapore.

Other non-current liabilities amounted to € 0.1 million, unchanged on the prior year.

Current liabilities increased by € 76.9 million to € 720.6 million. Along with the rise in income tax liabilities, trade payables and other current liabilities also increased.

Current provisions mainly relate to bonus obligations to employees, severance payments, provisions for legal and advisory costs and restructuring provisions.

The volume of **trade payables**, including contract liabilities, increased by € 19.2 million to € 200.5 million. While trade payables in Germany decreased for billing-related reasons, contract liabilities particularly in China and Germany increased with an offsetting effect. This development was supported by the increase in advance payments received. These have also been reported in this item since the implementation of IFRS 15 "Revenue from Contracts with Customers".

Other current liabilities increased by € 16.0 million to € 228.3 million. Among other things, these include obligations to employees for vacation and overtime, as well as obligations for outstanding invoices. Other liabilities increased largely due to the increase in other liabilities from other taxes in Germany.

Liabilities directly associated with assets and disposal groups held for sale mainly include other current liabilities attributable to the planning business for rail systems, other German entities as well as the equipment business in the US.

Summary review of the situation

The fiscal year 2020 was shaped by the impact that the Covid-19 pandemic had on our business activities. Our expectations for revenue development were not met. The decrease in organic revenue as a result of the impact of the measures to contain the pandemic was compounded by the deconsolidation of a fully consolidated subsidiary as well as negative currency effects.

All segments and all geographic segments suffered revenue losses; consolidated revenue thus fell significantly. The cost-cutting measures initiated and higher other income were also not able to compensate for the negative impact that the lower volume of business activities had on EBIT. In addition, increased amortization, depreciation and impairment, including impairment of goodwill, had a negative impact on EBIT development, and income from investments accounted for using the equity method was also lower than in the prior year. As a result of these effects, EBIT at € 172.0 million was significantly below the prior-year level and thus also fell short of the forecast range. The EBIT margin declined to 6.9% (prior year: 7.8%).

Despite the extensive adjustments made, adjusted EBIT (€ 206.7 million) remained below the target range of up to € 235 million. The adjusted EBIT margin stood at 8.3% and is thus below the prior-year figure of 8.7%.

There was also a decrease in earnings before taxes (EBT) after adjusting for one-off effects. However, at 7.8% the adjusted EBT margin is also below the prior-year level (8.2%).

Through measures taken in working capital, such as active receivables management, cash flow from operating activities increased. Investments and the one-off additions to pension assets were financed exclusively through cash flow from operating activities. Cash and cash equivalents at the end of the period were significantly above the prior-year level.

TÜV SÜD still has comfortable liquidity secured, thanks to our good credit ratings and an existing syndicated credit line as well as three newly agreed credit lines.

This is how we fulfill our mission today and in the future: We protect people, the environment and assets around the world while maintaining neutrality and objectivity. To this end, we develop and use high-quality, innovative and sophisticated services for almost all sectors. In doing so, we lay the foundation for TÜV SÜD's success – today and in the future.

Comments on TÜV SÜD AG

In addition to reporting on the TÜV SÜD Group, we explain below the financial performance and position of TÜV SÜD AG's annual financial statements in accordance with German GAAP.

TÜV SÜD AG is the management holding company of TÜV SÜD Group. In the fiscal year 2020, the Group comprised a total of 49 (prior year: 49) German and 119 international entities (prior year: 119). In addition to providing support to the participations, TÜV SÜD AG provides central services, in particular in the areas of legal, HR, finance and controlling, innovation, organization, as well as sales and marketing. Via an agency agreement with TÜV SÜD Business Services GmbH, Munich, the real estate owned by the company is leased at arm's length prices, primarily to subsidiaries within the TÜV SÜD Group. Thus, the economic development of TÜV SÜD AG depends on dividend distributions and profit and loss transfer agreements of the participations, income from the leased real estate, income from investments, income from charges relating to trademarks, offsetting between divisions and regions, charges of company-specific holding services, as well as management and other services.

FINANCIAL PERFORMANCE

Income statement of TÜV SÜD AG

≡ 07

IN € MILLION	2020	2019
Revenue	120.1	114.7
Total operating performance	120.1	114.7
Other operating income	16.8	270.1
Cost of materials	-37.0	-29.7
Personnel expenses	-32.9	-32.4
Amortization, depreciation and impairment losses	-10.6	-8.6
Other operating expenses	-64.8	-92.9
Financial result	31.9	151.5
Income taxes	-40.4	-4.7
Earnings after taxes = net loss for the year (prior year: net income for the year)	-16.9	368.0
Profit carried forward	366.0	0.1
Retained earnings	349.1	368.1

TÜV SÜD AG's total operating performance increased by € 5.4 million or 4.7% to € 120.1 million in the fiscal year 2020. The increase in total operating performance is primarily attributable to the cross charging of higher prepaid expenses. = 07

Other operating income decreased by € 253.3 million or 93.8% to € 16.8 million. In addition to foreign currency translation and reversals of provisions, this item also contains reimbursements from insurers. The prior year was impacted in particular by the merger of TÜV SÜD Umwelt GmbH, Munich, and its subsidiaries at fair value.

Personnel expenses of € 32.9 million were slightly higher, by € 0.5 million or 1.5% than in the prior year (€ 32.4 million).

Amortization and depreciation of intangible assets and property, plant and equipment increased by € 2.0 million or 23.3% to € 10.6 million. The increase is mainly due to the acquisition of software licenses during the year. Other operating expenses decreased by € 28.1 million or 30.2% to € 64.8 million. Lower ongoing technical advisory and legal costs and provisions in connection with the dam collapse in Brazil contributed significantly to the decrease. By contrast, expenses for health services and expenses from currency translation increased.

The financial result decreased by € 119.6 million or 78.9% to € 31.9 million, primarily due to the considerably lower return on plan assets. The lower discount rate and associated higher additions to pension provisions resulted in lower contributions to earnings from subsidiaries with profit and loss transfer agreements. In contrast, our Turkish joint ventures, despite negative currency effects, delivered a positive contribution to earnings (€ 14.8 million, prior year: € 6.3 million).

Income and expenses related to the Contractual Trust Agreement (CTA) are presented net in the interest result. CTA investments generated income of € 53.7 million (prior year: € 147.4 million) in the fiscal year. A loss was realized from interest rate and currency hedging in the fiscal year.

The operating result, defined as earnings before taxes and the financial result, at € -8.4 million was significantly below the prior-year figure of € 221.1 million.

Taxes on income resulted in a € 35.7 million higher tax expense of € 40.4 million (prior year: € 4.7 million). This is due in particular to special effects in connection with the participation, which holds the Oktagon fund as well as the PT Alternatives SICAV-FIS S.A., and to pension obligations for tax purposes in the TÜV SÜD AG tax group.

The € 16.9 million net loss for the year is € 384.9 million below the prior year's net income of € 368.0 million.

The TÜV SÜD Group is managed using performance indicators based on figures prepared in accordance with IFRS. These are not relevant to TÜV SÜD AG's separate financial statements as the Group parent.

TÜV SÜD AG's net result for the year in accordance with German GAAP is primarily influenced by the financial result, which depends on the interest rate as well as on the profit distributions from subsidiaries.

FINANCIAL POSITION

Statement of financial position of TÜV SÜD AG

≡ 08

IN € MILLION	Dec. 31, 2020	Dec. 31, 2019
Assets		
Intangible assets	14.6	13.0
Property, plant and equipment	104.2	105.4
Financial assets	1,070.5	1,092.0
Fixed assets	1,189.3	1,210.4
Receivables and other assets	43.4	66.5
Cash and cash equivalents	147.4	61.0
Current assets	190.8	127.5
Prepaid expenses	2.6	2.1
Excess of covering assets over pension and similar obligations	368.5	314.7
Total assets	1,751.2	1,654.7
Equity and liabilities		
Capital subscribed	26.0	26.0
Capital reserve	124.4	124.4
Revenue reserves	405.1	405.1
Retained earnings	349.1	368.1
Equity	904.6	923.6
Tax provisions	47.5	14.0
Other provisions	107.9	113.1
Provisions	155.4	127.1
Liabilities	691.2	604.0
Total equity and liabilities	1,751.2	1,654.7

In fixed assets, intangible assets and property, plant and equipment were roughly on par with the prior year. The investment of € 7.3 million in intangible assets was almost completely compensated for by amortization. Following the completion of the expansion of the mobility testing facility in Heimsheim, depreciation of property, plant and equipment commenced. Financial assets decreased as a result of the recognition of impairment losses on shares in affiliated companies and repayments of loans issued. In addition, with control of the company Uniscon previously managed as a participation being obtained, it was reclassified to shares in affiliated companies.

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Receivables and other assets decreased by € 23.1 million to € 43.4 million, mainly due to lower receivables from affiliated companies relating to in-house cash transactions (cash pool) and income tax receivables.

The excess of covering assets over pension and similar obligations increased by € 53.8 million to € 368.5 million on account of the favorable development of the participation, which holds the Oktagon fund and the PT Alternatives SICAV-FIS S.A.

Tax provisions increased to € 47.5 million due to current tax; in the prior year, they amounted to € 14.0 million.

Other provisions decreased by € 5.2 million to € 107.9 million. They contain provisions for various liability risks and technical advisory and legal costs that are expected for coming years as a result of the accident in Brazil.

Liabilities increased by € 87.2 million to € 691.2 million compared with the prior year. This is predominantly due to increased liabilities to affiliated companies as a result of in-house cash transactions (cash pool) and losses absorbed.

CASH FLOWS AND CAPITAL STRUCTURE

Our financial management aims to maintain solvency at all times and continuously optimize liquidity.

At € 147.4 million, cash and cash equivalents are € 86.4 million above the prior-year level (€ 61.0 million). Key factors include payments by the subsidiaries from operating activities, which flowed to TÜV SÜD AG via the cash pool. The transfer of € 30.0 million to the CTA had an offsetting effect.

Equity decreased by € 19.0 million to € 904.6 million. The decrease corresponds to the net loss for the year of € 16.9 million plus the dividend payment of € 2.1 million to TÜV SÜD Gesellschafterausschuss GbR, Munich. Together with the profit carried forward from the prior year, retained earnings come to € 349.1 million.

Total assets increased by € 96.5 million to € 1,751.2 million. The equity ratio decreased from 55.8% to 51.7%.

OVERALL STATEMENT ON TÜV SÜD AG'S SITUATION

Despite the impact of the Covid-19 pandemic, the fiscal year 2020 went almost as the Board of Management expected. Revenue and liquidity developed in line with our forecast.

Going forward, TÜV SÜD AG will continue to depend on the business development of its subsidiaries. The discount rate for the pension obligations and the covering assets influence earnings as external factors. The Board of Management of TÜV SÜD AG expects the financial position and cash flows to remain stable in the future. The dividend distribution is ensured for the coming years.

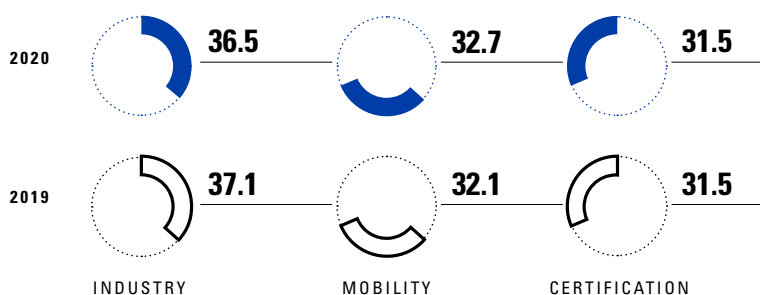
Segment report

Nearly every aspect of the fiscal year 2020 was shaped by the Covid-19 pandemic. The collapse of the global economy and regionally different requirements for containing the pandemic – including business operations coming to a complete halt – were reflected in the development of all operational segments. .ii 18

Revenue by segment 2019/2020¹

.ii 18

IN %



¹ Without OTHER and before reconciliation.

INDUSTRY

The 7,063 employees (FTE average) of the INDUSTRY Segment generated revenue of € 906.2 million. This is equivalent to 36.5% of consolidated revenue. The development of revenue (down 5.7%) fell short of our expectations; the projected revenue growth was not achieved.

The **Industry Service Division** still makes the greatest contribution to the segment's revenue, with a share of almost 60%. In the fiscal year, revenue here decreased by 6.5%. Business development was negatively impacted by delays in awarding projects for the chemical and petrochemical industry due to the pandemic. Added to this were restrictions on providing our services on site at our customers, in particular in the area of facility safety services, but also in the area of technical construction monitoring and risk calculation. Moreover, we discontinued our petrochemical services in the US. By contrast, there was a positive development in service offerings for renewable energies, the traditional environmental technology business and our sustainability services, which we bundled in a newly established unit. The innovative sound emission inspection also recorded very good revenue growth.

Around 40% of revenue in the segment was generated by the **Real Estate & Infrastructure Division**. The focus remained on the inspection of lifts and buildings as well as rail vehicles in Germany and internationally in Spain, the Middle East and China. Owing to long-term project orders and active order management in the markets affected by the lockdown measures, the division was able to partially counteract the decrease in revenue caused by the pandemic. In addition, trends such as growing urbanization and the quest for energy efficiency and sustainability for buildings fueled growth. The measures initiated to discontinue selected engineering services led to a decrease in revenue in the UK. The sum of the effects resulted in a 4.5% decline in revenue for the division.

At € 76.3 million, EBIT in the INDUSTRY Segment was 12.2% below the prior-year figure of € 86.9 million. Our expectations for EBIT development were thus not met. The negative effects of the significant revenue decrease were compounded by the necessary impairment of goodwill. Cost-cutting measures initiated, such as government-subsidized short-time work, limited subcontracting and restrictive investment policies, were not able to even come close to compensating for this. The EBIT margin of 8.4% (prior year: 9.0%) was within the expected corridor, despite the difficult market environment.

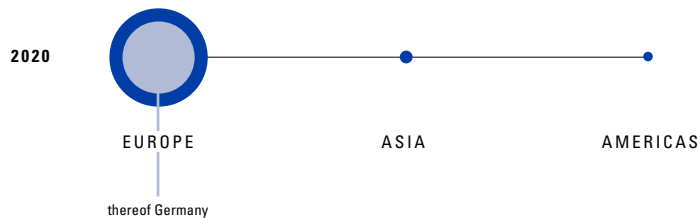
Segment assets decreased by € 51.8 million to € 492.1 million (prior year: € 543.9 million). Along with the decrease in fixed assets, due to the disposal of and impairment of goodwill, the change mainly resulted from lower trade receivables as a consequence of the restrictions on business activities due to the Covid-19 pandemic as well as stringent receivables management.

€ 10.7 million was invested in, among other things, the expansion of and equipment for testing laboratories in China, the UK and Italy, while in Germany predominantly replacement investments were made.

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Revenue by region – INDUSTRY

19



MOBILITY

The 6,102 employees (FTE average) of the MOBILITY Segment generated revenue of € 811.9 million in the fiscal year. This is equivalent to 32.7% of consolidated revenue. Revenue decreased by € 18.7 million or 2.3%, thus not meeting our expectations.

Despite the restrictions due to the Covid-19 pandemic in spring 2020, we achieved revenue growth overall with our core business of roadworthiness tests and exhaust gas analyses. This development was supported by price adjustments. In Germany, we performed more than 5.8 million roadworthiness tests. Due to official mandatory social distancing rules, driver's license tests recorded significant revenue losses, as did medical/psychological services, which we offer exclusively in Germany. The same applies to our services for car dealers, manufacturers, suppliers and lease companies as well as insurance companies. We provide our homologation services globally. The extremely weak order situation in Germany due to the pandemic could not be compensated for by the positive development of the markets in the US and China.

However, there was a slight upward trend in the damage assessment reports business at the end of 2020 after traffic levels picked up again in the second half of the year. Overall, however, the situation in the damage assessment reports business remains tense.

In certain regions, a partner office network (PTI partner model) is used in the MOBILITY Segment as a growth driver for the provision of roadworthiness tests and exhaust gas analyses services. At 15.8% (prior year: 14.0%), the ratio of purchased service cost to revenue is therefore above the group-wide ratio of 11.8%. The increase in the fiscal year is attributable to the positive revenue development in this area.

At € 31.3 million, EBIT in the MOBILITY Segment was below the expected figure. The EBIT margin reached the targeted corridor. The lower revenue base, higher amortization, depreciation and impairment, also on goodwill, as well as the lower contributions to earnings from the joint ventures TÜVTÜRK in Turkey, had a negative impact on EBIT development. Cost-cutting measures initiated, such as the reduction of overtime, government-subsidized short-time work and savings in other expenses, were not able to compensate for this development. However, jobs were secured.

Segment assets decreased by € 18.5 million to € 424.1 million (prior year: € 442.6 million), primarily due to the decrease in trade receivables.

In 2020, € 25.0 million was invested in, among other things, the completion of the mobility testing facility in Heimsheim, the ASPRO IT application system, the further development of innovative software products as well as the modernization of the technical service centers. || 20

Revenue by region – MOBILITY || 20



CERTIFICATION

There were 7,490 employees (FTE average) in the CERTIFICATION Segment in the fiscal year. They generated revenue of € 783.0 million. This is equivalent to 31.5% of consolidated revenue. Revenue decreased on the prior year by € 34.1 million or 4.2%. Revenue development thus fell short of our expectations.

The **Product Service Division** generated over 70% of revenue in the segment and even recorded a 1.0% increase in revenue in the fiscal year despite the Covid-19 pandemic. We offer our services worldwide. As the largest Notified Body, we benefit from the growth of the global medical market in all countries. Some manufacturers of medical devices took the postponement of the implementation of the EU Medical Devices Regulation (MDR) as an opportunity to switch to TÜV SÜD as a

Notified Body to already have benefited from their collaboration with TÜV SÜD when the MDR comes into force. At the same time, we benefited from the surge in demand for our testing of medical products triggered by the Covid-19 pandemic. In light of Brexit, we took initial steps to become a UK approved body through the Medicines and Healthcare Products Regulatory Agency (MHRA) so as to be able to continue to serve the UK market. Testing of food and cosmetic products saw a positive development in the local markets of the ASEAN economic area, in China and in India as well as in Brazil.

By contrast, consumer goods audits and certifications in Germany, the US and India recorded a decrease in revenue – as a result of the restrictions on the movement of goods – which could not be compensated for by activities on other markets. Our services for the textile industry were particularly hard hit. Additionally, the trade dispute between China and the US reduced the volume of exports, which led in turn to shifts in demand and created price pressure in the market for testing services. In the industrial goods sector, we facilitate global market access for our customers and also provide solutions for electromobility and connected mobility. Our services relating to battery testing were significantly expanded in Germany and China and are already recording strong growth. However, we saw a decline in demand in the automotive and mechanical engineering industries, including their suppliers. The restrictions to contain the Covid-19 pandemic and the continuing transformation of the automotive industry had a negative impact on business activities.

The **Business Assurance Division** recorded a decrease in revenue of 15.0% due to the regulatory restrictions to contain the Covid-19 pandemic. The academy business was particularly hard hit by this, both in Germany and worldwide. Classroom training could not be held during the lockdown phases because the training centers had to close. Our offering of online training courses that was expanded significantly was only able to partially compensate for this. We thus sustained a decrease in revenue of more than 30% in the academy business. Our services relating to quality, environmental, energy and IT security management systems recorded only a slight decrease in revenue of less than 5%. This was due to the fact that although the provision of various certification services on site at our customers was restricted on account of the measures to contain the Covid-19 pandemic, we were able to compensate for this by providing these services through remote audits. Thus, this area continued to contribute the vast majority of revenue in the division. Cyber security services recorded an increase in revenue due to the first-time consolidation of Uniscon. Apart from Germany, these services were in demand particularly in Italy, India and China.

Purchased services decreased at a higher rate than revenue decreased. The ratio of purchased service cost to revenue is 13.9% (prior year: 15.8%). The decrease was mainly attributable to the academy business: Although online training took place during the lockdown phases, there was no classroom training, which reduced the customary engagement of external service providers. Personnel expenses increased on account of the workforce expansion in the Product Service Division and the first-time consolidation of Uniscon. There was an overall decrease in other expenses; only IT costs increased due to spending on innovation projects. Additionally, impairment losses on goodwill had a negative impact on the development of earnings. Despite measures initiated for cost optimization, at € 66.7 million, EBIT in the CERTIFICATION Segment fell short of the expected figure. The EBIT margin achieved of 8.5% also did not match the forecast.

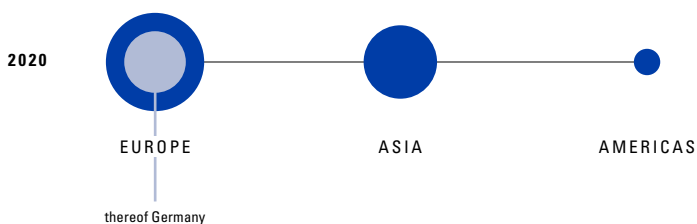
Segment assets increased by € 12.0 million to € 464.0 million. Higher investments in fixed assets were partially compensated for by lower trade receivables. The lower volume of trade receivables mainly resulted from the decline in demand on account of the pandemic and from active receivables management.

The investment volume in the segment amounted to € 42.1 million. The focus was on the expansion of a competence center for biological and chemical testing in Italy, the expansion of testing facility capacity in China and the development of software solutions.

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Revenue by region – CERTIFICATION

|| 21



OTHER

The corporate functions are summarized in OTHER. Revenue amounted to € 33.4 million in the fiscal year.

The EBIT in OTHER amounted to € – 1.7 million in the fiscal year and is thus significantly higher than in the prior year (€ – 21.2 million). In addition to the sale of land, the development of the operating results in the holding companies was a key factor in this change. Segment assets increased in 2020 by € 103.0 million from € 383.7 million to € 486.7 million. The increase mainly resulted from the recognition of the lease agreement for the office building in Singapore.

For an overview of the development of revenue in the segments, including OTHER, and in the regions, please refer to segment reporting in the notes to the consolidated financial statements.

NON-FINANCIAL PERFORMANCE INDICATORS

Employee report

The motivation, expertise and skills of our employees lay the foundation for the ongoing and long-term development of the company, both today and in the future. At year-end 2020, TÜV SÜD employed more than 25,000 people (prior year: more than 25,000), roughly half of whom worked outside Germany. We anticipate that headcount will also further increase over the coming years. In Germany, the average age of our employees is around 44, making them older than their colleagues in other countries (39). The average period of company affiliation in Germany (11 years) is also higher than in other countries (7 years). Voluntary fluctuation across the Group came to 5.7% in 2020, which is below the figure for the prior year (7.3%). Turnover in Germany is comparatively low at 3.1% (prior year: 3.6%). A decline in turnover to 8.6% was recorded outside Germany (prior year: 11.3%).

SECURING JOBS AND GOVERNMENT-SUBSIDIZED SHORT-TIME WORK

In the fiscal year 2020, the Covid-19 pandemic had an impact worldwide on the level of employment and the number of employees affected by reduced working hours. The impact was most severely felt in the second quarter of the year. From a global perspective, the average decrease in the volume of working hours of the employees affected in the period from April to November 2020 was between 40% and 70%. Job cuts due to the Covid-19 pandemic have so far been avoided. In Germany, TÜV SÜD had agreed collectively bargained provisions for securing jobs and government-subsidized short-time work allowances. The academy business, selected mobility services and testing facilities were particularly affected by the government-subsidized short-time work arrangements in Germany.

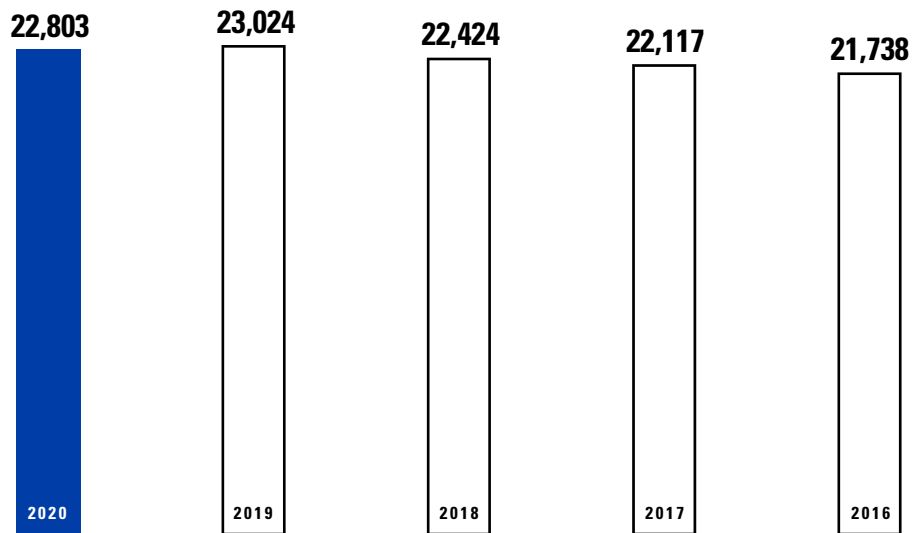
CHANGES IN HEADCOUNT

The average number of employees in 2020 was 22,803 FTEs, which is a slight decrease of 1.0% in comparison to the prior year (23,024 FTEs). An increase of 1.5% was recorded in Germany and a decrease of 3.3% outside Germany.

Employee development

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EMPLOYEE CAPACITY ON AN ANNUAL AVERAGE



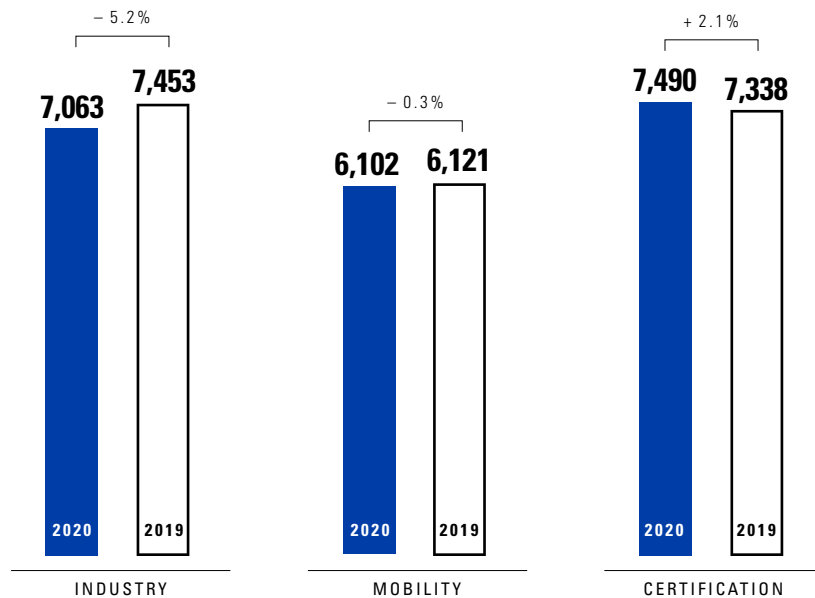
As of December 31, 2020, 23,146 employees (FTE) were employed by TÜV SÜD (prior year: 23,051). In Germany, the number of employees increased by 260; of this number, 202 were employed through newly created jobs in the existing companies and 58 as a result of changes in the way an entity is included in consolidation. Headcount outside Germany decreased by 166 FTEs. This change does not include any reduction of the workforce in connection with the sale of entities (prior year: 228 employees).

CHANGES IN HEADCOUNT IN THE SEGMENTS AND REGIONS

Changes in employee capacity 2019/2020 by segment

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ON AN ANNUAL AVERAGE



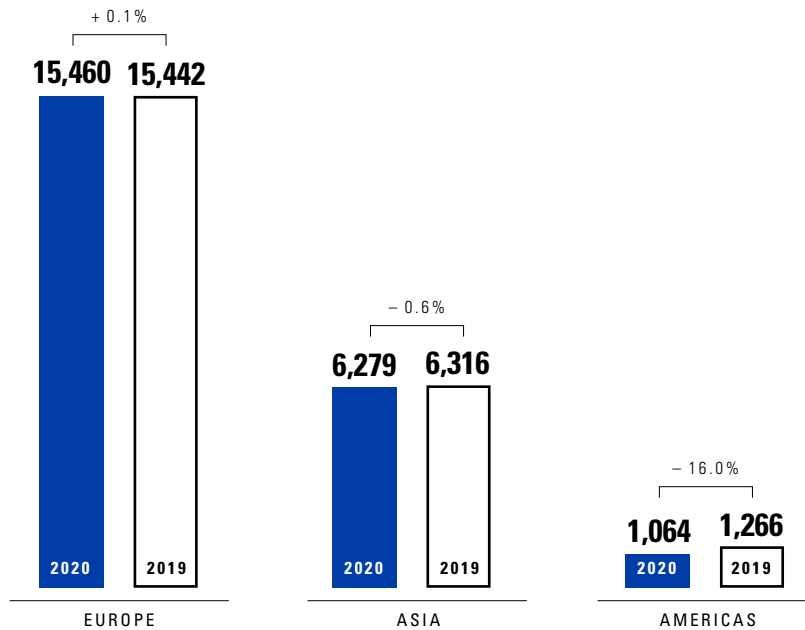
The reduction in headcount in the INDUSTRY Segment related in particular to our presence in the US in connection with the discontinuation of operations of the petrochemical business. In Spain and South Africa, the weak order situation in the respective markets was taken into account. Due to the realignment of the business purpose in Brazil, an entity was excluded from the segment. The decrease in headcount in the MOBILITY Segment as a result of the sale of entities in the prior year was offset by new hires, mostly in Germany. The CERTIFICATION Segment now has the largest number of employees and continued the targeted expansion of its workforce in the fields of consumer goods and medical products. The expansion of the global network of testing facilities also continued. In addition, this segment contains the first-time consolidation of a company specializing in the development and provision of secure-cloud services.

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Changes in employee capacity 2019/2020 by region

|| 24

ON AN ANNUAL AVERAGE



Around half of the total TÜV SÜD workforce is employed outside Germany. The workforce in the EUROPE Region is close to the level of the prior year. The focus of recruitment activities was on our home market Germany. As a result, the decrease from the sale of the fleet management business in the prior year was offset in full. The number of jobs in the ASIA Region was slightly lower than in the prior year. Job cuts in the AMERICAS Region continued due to the discontinuation of operations of the petrochemical business in the US and the planned realignment of the business purpose in Brazil.

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*The content of this section is voluntary and, therefore, has not been audited, but critically read by the auditor.

HR STRATEGY FOR SUCCESSFUL COMPANY DEVELOPMENT*

With our HR Strategy 2025, we want to create the conditions that will enable TÜV SÜD to continue to develop successfully in the future. To achieve this, we want to promote a culture of collaboration that provides a tangible benefit for our employees and managers. As our markets change, our way of working has to change too – across all borders and hierarchical levels, towards a corporate culture that is embraced by all employees.

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HR DEVELOPMENT*

We offer our employees a wide range of learning opportunities enabling them to successfully master new challenges and tasks. The focus here is on the know-how and skills that are crucial to the implementation of the company's strategy. Innovation, product development and a customer-orientation are as much a focus as change management and knowledge sharing. In addition, we are increasingly focusing on digital offerings that are available to our employees at all times and at any location.

Overall, in the fiscal year 2020 our employees attended approx. 54,400 days of training (prior year: approx. 67,700 days). The decrease in comparison to the prior year is attributable to restrictions imposed during the Covid-19 pandemic.

VOCATIONAL TRAINING SECURES THE FUTURE

TÜV SÜD promotes the training of young people – by offering a range of internships and placements where students can complete their thesis, cooperations with universities, traditional traineeships and combined degrees. During the fiscal year 2020, 167 (prior year: 127) trainees started their careers at TÜV SÜD in Germany. In addition, this year combined degrees were once again offered in partnership with renowned educational institutions, particularly in the fields of mechanical, electrical and automotive engineering. Our goal is to retain as many graduates as possible, and to train them within the company as test engineers or certified experts.

DIVERSITY

TÜV SÜD promotes diversity and equality of opportunity. Everyone in the company should have the same opportunities to develop personally and professionally. As part of the Group's Gender Balance initiative, which is part of our efforts to promote diversity at the company, we have been working since 2016 to increase the proportion of women in specialist and management careers. The focus is on creating the conditions and structures and providing impetus for a diverse and inclusive corporate culture. This is helped by strategic development programs and the expansion of the work-life-balance program.

The proportion of women at the highest level of management (excluding the Board of Management) decreased worldwide in 2020 to 6.8% (prior year: 9.1%). At 10.0%, the proportion of women one level below is almost at the prior-year level (10.3%). Group-wide, women made up 32% of the total workforce in the fiscal year (prior year: 31%), with the proportion at TÜV SÜD's international locations (34%) being slightly higher than in Germany (29%) (prior year: 33% and 29% respectively). This can be partly attributed to the fact that the number of women studying scientific subjects in Germany is still relatively low, and TÜV SÜD recruits most of its workforce from this field.

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WORK-LIFE-BALANCE*

Reconciling the demands of career and family is a key element of our HR policy and simultaneously an important aspect of our corporate social responsibility. To this end, for some years now we have offered our employees a wide range of programs, which we are constantly adding to. The services offered range from generally accessible information and specific support for childcare or the care of relatives to a large number of working hours models and mobile working. To continuously optimize our commitment, we have regularly participated in the “berufundfamilie” audit since 2009. The re-audit is scheduled for 2021. ≡ 09

Reconciling the demands of career and family¹ ≡ 09

	2020	2019
Employees on parental leave	828	801
Percentage of employees in part-time employment during parental leave	26.3%	25.1%
Total percentage of employees in part-time employment	22.3%	19.6%
Average duration of parental leave	3.8 months	4.0 months
Thereof women	12.0 months	14.7 months
Thereof men	1.3 months	1.3 months

¹ ... Germany only.

HEALTH MANAGEMENT

A wide range of offerings in relation to occupational health management is available to employees. Our global occupational health management policy, along with the corresponding works council agreements, provides the framework for this. Internationally orientated, it defines company-wide minimum standards and key indicators in the areas of first aid and emergency management, risk assessment and workplace hygiene among others. We also support personal preventative healthcare with company-wide health campaigns, which we – despite the adverse effects of the pandemic – continued to carry out successfully in 2020 on a smaller scale.

*The content of this section is voluntary and, therefore, has not been audited, but critically read by the auditor.

THE COVID-19 PANDEMIC CHALLENGE*

Through the internationally established structures of our occupational health management, we were able to pool the required expertise for curbing the effects of the Covid-19 pandemic within a short period and initiate the appropriate measures quickly and in a targeted manner. The actions we took were based on a pandemic contingency plan previously set up in 2009 in the context of the H1N1 pandemic (“swine flu”). The plan is above all intended to ensure that employees and their families are protected at all times. However, at the same time it underpins effective crisis management in order to minimize damage to the company, and after the pandemic has abated to be able to return to normal business operations as soon as possible.

To manage and coordinate the measures, a crisis team was formed early on. The work of this team involved the heads of the relevant divisions, operating companies and regions as well as the Board of Management. As a point of contact for managers, a central email postbox was set up. All suspected cases as well as confirmed infections were reported via this postbox and incoming questions answered promptly and in line with group policies. A dedicated team under the management of Group procurement and Global Health & Safety ensured the supply of personal protective equipment to employees.

In all the measures taken, the health of the employees was the top priority. The regulations imposed at TÜV SÜD often went even beyond those prescribed by government. For example, at the end of January 2020 TÜV SÜD issued a travel warning to all employees, stopped all business trips to Asia and issued a 14-day quarantine period for anyone returning from high-risk areas. Furthermore, alternating shift models were introduced in the organization worldwide.

Just as importantly, our existing, modern IT architecture helped in meeting the challenges. All employees who can carry out their work remotely have been equipped with the appropriate technology, making their continuous presence in the office no longer necessary. The number of VPN accounts was thus increased significantly worldwide. In Germany alone, the number of simultaneous VPN connections rose from approx. 2,500 to 7,000 per day during the lockdown phases. The Covid-19 pandemic is thus also indirectly accelerating the transformation of TÜV SÜD into a more agile, globally connected organization.

OPPORTUNITY AND RISK REPORT

Dealing responsibly with risks and opportunities is key to our success. That is why, at the TÜV SÜD Group, we use an internal control system and a comprehensive risk management system to identify and proactively manage the risks and opportunities arising from our business activities.

INTEGRATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM FOR THE FINANCIAL REPORTING PROCESS

The financial reporting internal control and risk management system plays a decisive role in the financial statements of TÜV SÜD AG and the TÜV SÜD Group. It comprises measures designed to ensure complete, correct and timely submission of the information necessary to prepare the separate financial statements of TÜV SÜD AG and the consolidated financial statements and combined group management report. These measures are intended to minimize the risk of material misstatement in the books and records and external reporting.

The TÜV SÜD Group has a decentralized accounting organization. Consolidated companies handle accounting tasks independently and at their sole responsibility or transfer them within the Group's central shared service centers.

The TÜV SÜD IFRS accounting guidelines ensure uniform recognition and measurement of transactions and the exercise of options on the basis of the rules applicable to the parent company. These include in particular specific instructions on applying statutory provisions and dealing with industry-specific matters. They also set out in detail the components of the financial reporting packages to be prepared by the Group companies, as well as the guidelines for reporting and processing internal transactions.

Control activities at group level comprise analyzing and, if necessary, adjusting the financial reporting in the reporting packages prepared by the subsidiaries. This takes into account the reports presented by the independent auditor and the results of the closing discussions with representatives of the individual affiliated companies. During the closing meetings, the plausibility of the separate financial statements and critical individual matters at the subsidiaries are discussed. In addition to plausibility checks used during the preparation of the separate and consolidated financial statements of TÜV SÜD AG, other control mechanisms include the clearly defined segregation of responsibilities and the dual control principle. Moreover, the financial reporting internal control system is also independently audited by the Group's internal audit function in Germany and abroad and assessed by the Group's independent auditor.

INTEGRATED CONSOLIDATION AND PLANNING SYSTEM

We can consolidate and analyze historical accounting data and future-oriented controlling data via the “TÜV SÜD Business Portal”. The system offers central master data maintenance, standardized reporting and outstanding flexibility with regard to changes in the legal framework. This provides us with a future-proof technological platform that benefits the Group’s accounting and controlling functions alike. The data consistency of the TÜV SÜD Business Portal is ensured by a multi-level validation system.

RISK MANAGEMENT SYSTEM

As an operational component of the business processes, the risk management of the Group is geared toward identifying potential risks at an early stage and in a structured manner and assessing their extent. Bids are reviewed based on defined criteria including resulting reputational risks during the contract acceptance process. In this way, appropriate countermeasures can be taken in a timely manner against pending damage to the company and any risk to the company’s ability to continue as a going concern can be ruled out at an early stage.

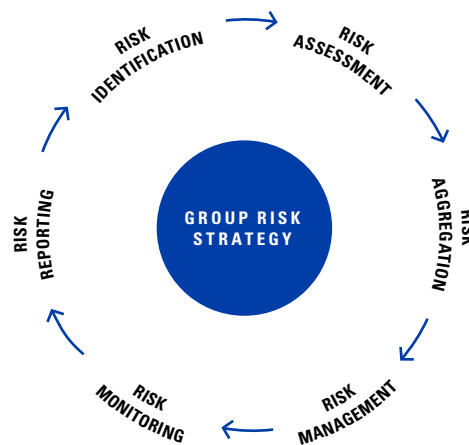
Along with the impact on the financial performance, the impact on non-financial metrics such as reputation or strategic goals are also taken into account in the risk analysis.

The aim of our risk management process is to optimize TÜV SÜD’s opportunity and risk profile by creating transparency and using active management. The risk management process forms a connection between the strategic and financial objectives and is described in greater detail in risk management policies. The transparent presentation and ongoing monitoring of the cause-and-effect cycle allow us to take modest risks, which are in line with TÜV SÜD’s risk-bearing capacity, risk tolerance and risk appetite.

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Risk management process

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We identify risks and opportunities based on commonly used standards. The categories for risks and opportunities have been adapted to suit TÜV SÜD. The risks are assessed on a standardized basis throughout the Group according to the potential loss amounts and likelihood of occurrence. When assessing qualitative risks, we also take into account, among other things, their potential impact on the achievement of corporate goals, TÜV SÜD's reputation and risks for public bodies, such as accreditation authorities.

The risk situation of the company is continuously recorded, evaluated and documented as part of the early warning system for the detection of risks. Events that could give rise to a risk are identified and assessed during local risk workshops in the divisions, regions as well as in the subsidiaries. Suitable countermeasures are initiated without delay, and their effects assessed over time. Risk Committees have been set up at the division level, and there is also a Corporate Risk Committee for group-wide issues. These committees convene every quarter to analyze and evaluate the situation with respect to risks and opportunities, and to discuss corresponding measures. Implementation of the measures is monitored by the committees.

The results of risk management are factored into budgeting and controlling. The strategic risks relevant for TÜV SÜD are addressed and assessed as a part of the internal processes for strategy implementation. Together with targets agreed in the planning meetings, these are subject to ongoing review during the revolving revisions to planning. At the same time, the results of the measures already implemented for risk management are promptly included into the forecasts for further business development. In this way, the Board of Management also receives an overall picture of the current risk situation during the year via the documented reporting channels.

Reporting on identified risks and implemented countermeasures represents an integral component of our standardized corporate planning and monitoring processes and is firmly anchored in the Group's leadership process. It is also incorporated in TÜV SÜD's information and communication system. Risk and opportunity reports are submitted to the Board of Management, the Audit Committee and Supervisory Board on a quarterly basis. Over and above these standardized reporting processes, significant issues are communicated via internal ad hoc reports.

The procedural rules, guidelines, instructions and descriptions are recorded systematically and are available online. Compliance with these regulations is ensured by internal controls. In addition, user training is carried out at regular intervals.

The independent auditor annually verifies the procedures and processes implemented for the early warning system for the detection of risks as well as the appropriateness of the documentation.

CONTINUOUS MONITORING AND FURTHER DEVELOPMENT

The control and risk management system is optimized on an ongoing basis as part of our continuous monitoring and improvement processes, for example the appropriateness assessment that was carried out in the fiscal year pursuant to the assurance standard of the Institute of Public Auditors in Germany IDW AsS 981. In this way, we take into account internal and external requirements alike. The aim of the monitoring and improvement process is to ensure the effectiveness of the internal control and risk management system. The results form part of regular and ad hoc reports to the Board of Management, Audit Committee and Supervisory Board of TÜV SÜD AG.

Risk report

The ten most important risks are reported internally to the Board of Management, Audit Committee and Supervisory Board as the “top 10 risks”. We report here only on the material risks with an effect on earnings that TÜV SÜD is exposed to in its business operations.

The effects of an increase in the coverage shortfall for pension obligations is reported separately from the top 10 risks. This takes account of the predominantly equity character of this risk and the limited extent to which it can be controlled. This risk is assessed in a simulation which measures the maximum potential loss within 12 months with a degree of confidence of 95%.

Various lawsuits are pending in both Brazil and Germany in connection with the dam collapse in Brumadinho, Brazil. Investigative and criminal proceedings are underway against individual employees of TÜV SÜD entities. The effects are assessed outside the risk management process and dealt with primarily by the Special Committee Brazil in the Supervisory Board. Please refer to the comments on compliance and other risks.

Together, the ten largest risks affecting net income represent a weighted net risk of approximately € 44 million, a manageable risk position for equity and earnings in relation to the size of the company.

The risks with the largest effect on net income relate to the CERTIFICATION Segment, in which four top 10 risks result in a weighted net risk of € 17 million, while in the MOBILITY Segment there are two top 10 risks with a weighted net risk of € 10 million. The INDUSTRY Segment reports one top 10 risk with a weighted net risk of € 3 million. In the Group, there are three top 10 risks with a weighted net risk of € 14 million.

INDUSTRY AND SYSTEMIC RISKS

Risks from changes to regulations

Risks from changes to the regulatory environment could negatively impact revenue and earnings at TÜV SÜD. These risks include sales risks from liberalization, deregulation, but also protectionist measures in our core markets. We successfully mitigate these risks by continuously optimizing our business processes and models, developing and implementing sales and marketing concepts and diversifying the portfolio of products and services.

Changing statutory and regulatory conditions also influence the performance of our segments' business. We therefore monitor the markets closely and take an active role in the public debate on relevant topics. In this way, we seek to identify risks at an early stage and counteract their effects. This also enables us to leverage the opportunities arising as a result of changes in the business environment for our company.

Our customers are establishing new industry standards too and demand that their business partners provide prompt documentation of the implementation of and compliance with these standards in the form of new accreditations. A delay in obtaining new accreditation or not having the requisite accreditation could lead to being excluded from invitations to tender or contract award processes.

The following industry and systemic risks are among the top 10 risks

A prolongation and expansion of the restrictions to public life due to the pandemic will have a negative impact on our business activities across all segments. Lower demand for driver's license tests, but also for roadworthiness tests, exhaust gas analyses and damage assessment reports may also lead to a decline in revenue in the end customer business in the MOBILITY Segment. As long as classroom training is suspended by official order, only online events can be offered in the academy business. At the same time, the performance of mandatory on-site audits and certifications is only possible to a limited extent due to the social distancing restrictions. This applies inter alia to our certification services for management systems as well as certification and conformity assessments for medical products. In addition, the pandemic-related slump in demand in the automotive and industrial segments may also continue.

Key products developed by a subsidiary in the CERTIFICATION Segment may not meet expectations in terms of potential demand and market development. This could have an unfavorable impact on future business development and the future recoverability of the expenses for development work that have to be capitalized.

OPERATING RISKS

Technological risks and risks from digitization

As a technical service provider, TÜV SÜD has a global presence with various business models. Changes in the technology used, shorter innovation cycles along with digitization and global connectivity and its manifestations have a direct impact on our customers' needs and the way we work. We meet these challenges by developing innovative services, also in the framework of strategic partnerships, with research institutes or our customers.

Development projects can experience delays or the project may not be completed. In addition, estimated budgets can be overrun. Therefore, these projects are subject to regular evaluation and reoriented if necessary, also to ensure the efficient allocation of resources.

IT risks

Information processing plays a key role in our business activities. All major strategic and operational functions and processes are supported to a large extent by information technology (IT) at TÜV SÜD. The IT security measures implemented serve to protect the systems against risks and threats, as well as to avoid damage and reduce risks to an acceptable level. Even in an intact IT environment, it is not possible to preclude risks entirely.

Our internal IT security policies are based on national and international standards. We monitor the regulations and compliance on an ongoing basis in order to guarantee the target level of security. This was reinforced in the fiscal year 2020 by the appointment of a Chief Information Security Officer.

The central IT systems are monitored and regularly tested in such a way as to enable us to respond quickly to any disruption. Our corporate data are protected by adequate measures according to the level of protection required for the respective data. To protect our IT system against viruses and other malware, we maintain security mechanisms which we keep up to date at all times.

Extensive contingency measures are in place to ensure that we remain operative in the event of extensive damage to our IT infrastructure – for example, through fire, environmental influences or by force majeure. Comprehensive and regular backups of the central systems also ensure that we can resume operations within an acceptable time frame for the respective applications.

Recruitment risks

With their commitment, motivation and skills, our employees are key success factors for TÜV SÜD. We see our employees' training and international orientation as well as their ability to translate innovations into customer benefits as personnel-related opportunities. However, risks arise if we are unable to recruit suitable staff or retain high performers. We also perceive there to be a risk of the loss of competency and experience stemming from the age structure of our employees in some business segments. We have implemented a large number of measures to ensure the appeal of TÜV SÜD as an employer and support the long-term retention of employees within the Group.

We identify the following operating risks among the top 10 risks

The development of IT applications may incur additional costs in the CERTIFICATION Segment that were not taken into account in the project planning.

We expect the collective pay rise negotiated in January 2021 to increase personnel expenses to a greater extent than included in the forecast for 2021.

Additional expenses could potentially be incurred in the MOBILITY Segment from quality measures for the development testing that is carried out. The corresponding measures could also lead to downtime in the testing facilities.

FINANCIAL RISKS

Interest Rate and Price Risks

Interest rate risks arise from interest-bearing items and items that are directly linked to interest rates. For securities, transaction risks arise from the market prices of the various interest-bearing investment instruments. In principle, a distinction is made between the risk from the pensions portfolio and that from the operations of the TÜV SÜD Group.

With regard to operating activities, we use financial derivatives exclusively to hedge underlying transactions. Forward exchange transactions are the main currency hedging instrument.

The risk strategy in the pensions portfolio is designed to limit some of the market risk from pension obligations by means of structured, dedicated financial assets. The objective is to compensate for the interest cost of the hedged pension obligations by means of a corresponding asset allocation wherever possible and to increase coverage over time. This is to be achieved by means of a net return on assets, new additions or recontributions with the trustors waiving their pension reimbursements.

Three quarters of the pension obligations are covered by financial assets that are for the most part segregated from operating assets through the contractual trust agreement (CTA). In this way, the risks associated with pension liabilities are reduced and we ensure that the investment policy reflects the obligations. A very high percentage of the German segregated pension assets is managed in trust by TÜV SÜD Pension Trust e. V. These assets are invested by external investment companies in accordance with specific investment principles. Interest rate risks, currency risks and price risks relating to special non-current capital investment funds are partly hedged by derivative financial instruments. The portfolio's market value is subject to fluctuations resulting from changes in interest, currency and credit spread levels as well as share prices.

A further reduction in the discount rate used to determine pension obligations could have a significant effect on the equity position of the Group. In addition, a change in the discount rate has an effect on income in connection with the measurement of the long-service bonus and medical benefits obligations.

Another negative effect on equity could arise from a potential reduction in the return on plan assets compared to planning.

TÜV SÜD Pension Trust e. V. continued its strategy of maintaining long-term investments in 2020. The aim of the sustainability strategy, which is rooted in the relevant TÜV SÜD guidelines, is primarily to minimize risk.

The top 10 risks identified among the financial risks

At Group level, there is the risk of a possible increase in the number of companies filing for insolvency in Germany. This could lead to an increase in the amount of contributions to the Pensions-Sicherungs-Verein (PSVaG).

COMPLIANCE AND OTHER RISKS

Risks from accreditations and designations

In the regulated business, we carry out our activities based on accreditations and designations from authorities and other government bodies. Non-compliance, quality defects or infringements of regulatory requirements could lead to a restriction, temporary suspension or revocation of the accreditation or designation. This can give rise to significant costs, for example for training or process adjustments in quality management in order to regain the authorization. Along with a drop in revenue and earnings, the suspension or revocation of accreditations and designations can also lead to reputational damage. In order to mitigate risk, we carry out regular analyses of the legal environment in the regulated business, pay close attention to adherence to TÜV SÜD compliance requirements and systematically provide training to our employees in the relevant divisions.

Liability risks

Potential damage events and liability risks could lead to significant indemnification claims, loss of reputation and costs for defense against damages. A contractual limitation of liability is generally agreed with the customer in order to mitigate the risk. In addition, TÜV SÜD has also taken out insurance policies to the extent that is customary in the industry. However, the possibility cannot be ruled out that the available insurance coverage is not sufficient in individual cases.

Risks from legal proceedings

As of the end of the reporting period, several legal proceedings were still pending in connection with services rendered by TÜV SÜD which are not related to the dam collapse in Brazil. Due to the existing global insurance coverage, no material financial risks arise from these proceedings. Sufficient provisions were recognized to cover these residual risks.

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 had been inspected by TÜV SÜD Brasil Engenharia e Consultoria Ltda., São Paulo, Brazil (TÜV SÜD BRASIL; formerly TÜV SÜD Bureau de Projetos e Consultoria Ltda.) in summer 2018. This has resulted in various legal risks based on the pending and threatened proceedings in Brazil and Germany. Along with bases for claims under civil law, especially relating to the assertion of indemnification claims, there are also claims under Brazilian environmental law and aspects relating to criminal law.

If these legal risks materialize, the financial implications for TÜV SÜD BRASIL, TÜV SÜD SFDK Laboratório de Análise de Produtos EIRELI (TÜV SÜD SFDK), São Paulo, Brazil, and possibly TÜV SÜD AG may be substantial and have a significant impact on our financial performance and position for the fiscal year 2021 and future fiscal years. The risks mainly stem from various possible liability claims and technical advisory and legal costs and are largely attributable to the INDUSTRY Segment. There may also be risks from loss of reputation. It is currently not possible to conclusively quantify these risks. Further disclosures have not been made in order to not undermine the findings of the investigations and the interests of the TÜV SÜD Group.

Top 10 risks in the area of compliance and other risks

At the Group level there is the risk that insurance premiums will be raised due to the current hardening of the industrial insurance market and in the wake of a reassessment of the TIC sector by the insurers.

OVERALL STATEMENT ON THE RISKS FACED BY THE GROUP

From a Group perspective, we are paying particularly close attention not only to the discount rate risk from the measurement of the pension obligations and the provisions for long-service bonus and medical benefits, but also and above all to the strategic risks.

The risks in connection with the dam collapse in Brazil have remained unchanged over the prior year. Based on the current estimate, there may be further negative effects on current business activities in Brazil and significant negative financial implications for TÜV SÜD, in particular from legal risks. Should the outcome of the expected legal proceedings associated with the dam collapse in Brazil find to the detriment of TÜV SÜD, this may result in substantial damages or other payments that could have a significant negative impact upon the Group's financial performance and position for the fiscal year 2021 and future fiscal years and its reputation.

The ability of the Brazilian subsidiary TÜV SÜD BRASIL and its direct shareholder TÜV SÜD SFDK to continue as a going concern is under threat in the event that these companies are deemed to be liable for the dam collapse and no further financial support were to be provided by the shareholders. Please also refer to our explanations in the notes to the consolidated financial statements under pending and imminent legal proceedings.

Looking ahead at the next two years and based on the information available to us in accordance with the risk management system that is in place, there are no apparent risks that could jeopardize the continuing existence of other TÜV SÜD entities. All organizational preconditions necessary to recognize developing risks at an early stage have been met.

Opportunity report

Thanks to our global presence, global economic growth generally provides positive impetus for business in our segments, while an increase in global economic risks can have a negative impact on our business activities.

Significant opportunities for the favorable business development of TÜV SÜD result from the implementation of strategic planning, the business outlook and the individual opportunities of the divisions and segments. In the following, the main opportunities are presented in accordance with the risk categories mentioned above.

INDUSTRY AND SYSTEMIC OPPORTUNITIES

We expect a gain on the disposal of our planning business for railway systems in Germany and a small unit in the USA.

The continuation of a favorable business trend for Signon Austria, which was sold in 2019, may lead to an additional purchase price payment in our favor.

A possible increase in fees in the area of driver's license tests could lead to higher revenue in the MOBILITY Segment.

OPERATING OPPORTUNITIES

We also take part regularly in invitations to tender in the INDUSTRY Segment. With our expertise, especially internationally, we meet the qualification requirements, which in turn increases the chance of being awarded contracts for large-scale projects.

In the MOBILITY Segment, compensation to be paid to customers may be lower.

We expect additional opportunities for growth in the CERTIFICATION Segment from the expansion of our digital training courses. This should at least partially compensate for the cancellations of classroom training due to the Covid-19 pandemic.

FINANCIAL OPPORTUNITIES

An increase in the discount rate used to determine pension obligations as well as for provisions for long-service bonuses and medical benefits could have a significant positive effect on the position of the Group's equity or income. Positive development of the key risk factors of nominal interest and credit spread results in a decrease in pension obligations, thereby reducing the shortfall in cover. After taxes, this change in the shortfall would have a positive effect on equity.

COMPLIANCE OPPORTUNITIES AND OTHER OPPORTUNITIES

In a court case in Spain that has been completed in the meantime, we expect to be awarded further damages.

There could also be a tax rebate at the level of TÜV SÜD AG for 2020 due to a current tax court ruling in respect of plan assets, relating to the years 2002 and 2003.

Risk report of TÜV SÜD AG

TÜV SÜD AG is an investment and management holding company. As such, its risk situation is primarily determined by the economic situation of the subsidiaries.

There are financial risks in the form of interest rate risks, currency risks and price risks. Interest rate risks arise in connection with the disposition of liquidity and refinancing. To hedge these risks, derivative financial instruments in the form of interest rate swaps are also used, if required. Foreign currency risks can arise from every existing or forecast receivable or liability denominated in foreign currency. They are mainly hedged using forward exchange contracts. Currency risks arise from changes in the market price of held securities.

Industry and systemic risks arising from changes in the market conditions in the segments and regions are recorded using market and competitive analyses. Possible measures are discussed in strategy meetings.

Please refer to the explanations on group risks in respect of the dam collapse in Brazil.

OUTLOOK

Future development of the TÜV SÜD Group

Please note that actual events in the course of the coming fiscal years could differ from our expectations presented below.

If the current restrictions due to the Covid-19 pandemic are continued or extended, this is likely to have an unfavorable impact on the projected business development of TÜV SÜD. The following statements on the outlook for the development of TÜV SÜD in the next fiscal year are based on the planning for 2021. This was prepared by the Board of Management and approved by the Supervisory Board in December 2020.

Thus far, we presume that the assumptions made in the planning for 2021 still largely apply. Selected activities are affected by the continuing social distancing restrictions in the first quarter of 2021. In the MOBILITY Segment, driver's license tests as well as damage and valuation reports were particularly affected, while in the CERTIFICATION Segment classroom events in the academy business as well as on-premise audit services at the customer were affected. In these areas, a prolongation of the measures to contain the Covid-19 pandemic can lead to further deviations from the assumptions made on the development of business for the forecast year. These effects cannot be reliably quantified at the present time.

For the outlook for 2021, we derived interim goals from the strategic planning through 2025 and supplemented them with current information on business and market developments during the pandemic year 2020. After the pandemic subsided at the end of the first quarter of the forecast period, it was presumed that there would be a general recovery of the global economy, accompanied by a normalization of economic and social life. Thanks to our global presence and our extensive services portfolio, we are only feeling the impact of the Covid-19 pandemic in some areas of our business. While we are benefiting in some service areas, particularly healthcare, in others we are having to contend with losses. The current planning assumed that business activity would almost return to normal in the first quarter of 2021.

The effects of a pandemic situation possibly lasting over the next six months, with continuation and even expansion of measures to contain the virus, were included in the forecast for the future development of TÜV SÜD primarily as a marginal scenario due to the considerable level of uncertainty. The current pandemic situation in terms of its impact on economic and social development as well as the achievement of defined interim goals is assessed and evaluated in regular scenario analyses.

Possible further financial and non-financial burdens from the accident at the dam in Brazil in 2019, extending beyond the provisions already in place, have likewise not been taken into account. These include a possible future negative impact on our business development and our brand value in particular. It is not currently possible to make any additional disclosures, which extend beyond the statements made on the provisions already recognized, regarding the amount of future budget deviations in particular as well as estimates and assumptions about the probability of certain scenarios occurring.

By concentrating on our core competencies, we will continue to grow organically. We are focusing on future-oriented trends, in particular digitization and new technologies, especially in sectors which we believe promise sustainable growth. We are focusing our global activities on markets that exhibit stable economic growth and reliable framework conditions. Following the pandemic-related slump of 3.5% in 2020, we expect the global economy to recover in 2021. The Kiel Institute for the World Economy (ifw) expects global economic growth of 6.1% for the forecast period and growth of 4.5% for 2022. The effects of the recovery will, however, vary significantly from region to region. Making up for the loss of revenue will not be possible in all areas. ≡ 10

Development of the global economy: Forecast for 2021 ≡ 10

Global	Increasing growth
Germany	Delayed growth
Euro zone	Stagnating development
USA	Slight growth
Emerging markets	Increasing growth

The economic recovery in Germany will be delayed as a result of the continuing restrictions due to the pandemic. The lack of consumption possibilities and lower disposable income will continue to slow private consumption. At the same time, government spending will continue to increase through support and compensation payments to companies as well as for aid to private households. When the suspension of the obligation to file insolvency applications is lifted, there may be a wave of insolvencies, particularly in retail trade and in the services sector. Credit risks in the receivables portfolio can lead to charges, which are monitored accordingly and assessed carefully. Foreign trade as well as the investment activity of the export-oriented German industry and the construction industry will shore up economic development. The propensity to invest will be boosted by the prospect of an end to the exceptional circumstances caused by the pandemic, continued favorable financing conditions as well as a robust global economy. The exit of the UK from the European Union with a withdrawal agreement as well as the change of political leadership in the US should also have a supportive effect.

In the euro zone, economic development will stagnate. The far-reaching restrictions on social and economic activities will continue to have a negative impact primarily on the services sector and private consumption. The manufacturing sector, bolstered by measures such as the EU's Next Generation program, should grow significantly. The agreement on the form that Brexit will take creates a framework for further economic development in the UK.

The US economy is expected to grow in 2021. The fifth stimulus package approved before the end of December 2020 provides extensive federal aid to boost private consumption and industrial companies. The job market is expected to recover as soon as the restrictions related to the pandemic are lifted for the services sector. The change of government is expected to provide added impetus, in particular for international trade relations and investments in a structural change towards green technologies.

The situation in emerging economies varies. In emerging economies in Asia, the economic slump caused by the pandemic in 2020 is expected to be fully compensated for, with China primarily contributing to this, provided continuing financial stability is ensured through a low volume of local insolvencies. The economy in India is also expected to grow significantly. By contrast, only moderate growth is expected in South America, as, despite rising demand for raw materials, the high debt burden there is inhibiting a more favorable development.

Should the normalization of social and economic life be further delayed and even new restrictions to contain the virus be necessary, the recovery of the global economy could be weaker or not occur at all.

Revenue growth: Forecast for 2021

		Development in forecast year 2020	Development in fiscal year 2020	Development in forecast year 2021
Group	Up to 9% € 2,500 million to € 2,700 million	↗	↘	↗
INDUSTRY Segment	Mid-single-digit percentage rate growth	→	↘	↗
MOBILITY Segment	Upper single-digit percentage rate growth	→	↘	↗
CERTIFICATION Segment	Low double-digit percentage rate growth	↗	↘	↗

With our broad portfolio of services, we remain a reliable partner for our customers even, and especially, in times of crisis. The projected development of revenue thus once more reflects the great importance of the social mission of TÜV SÜD.

For TÜV SÜD, we anticipate organic revenue growth of up to 9% in the forecast period. The Group's revenue from its existing entities is therefore expected to range between € 2,500 million and € 2,700 million. Deviations from this forecast could occur depending on the course of the Covid-19 pandemic. Currently, almost 40% of consolidated revenue – according to customer location – is generated outside Germany. This share of revenue will remain stable over the coming years.

INDUSTRY

For the INDUSTRY Segment in 2021, we expect revenue growth in the mid-single-digit percentage range, assuming that the impact of the pandemic is limited. Almost 60% of revenue in the segment is attributable to the Industry Service Division, while the Real Estate & Infrastructure Division will account for slightly more than 40% of revenue in the segment.

We currently generate approx. 40% of revenue in the segment outside Germany, with the majority of business outside Germany (just under 50%) being attributable to the Industry Service Division. The share from other countries will increase in the year ahead.

Our facility safety services will make the biggest contribution to revenue in the **Industry Service Division**. In this area, we benefit in particular from our global presence and from innovative digital testing approaches. The sound emission inspection (SEI) remains the growth driver.

For the areas of technical construction monitoring, energy generation and quality management, we expect a slight recovery following the Covid-19 pandemic, additionally supported by the project business in South Africa, Italy and Singapore as well as plans to enter the US amusement parks market.

The area of independent technical risk calculation and analysis, where we have a leading position in the global market, will recover the loss of revenue in the prior year due to the pandemic as soon as on-site inspections are once again possible.

Due to the restructuring plans initiated by the chemical and petrochemical industry and postponed investment plans, we expect reduced demand for these services.

In the fiscal year, our services for renewable energies, the traditional environmental technology business and our services related to sustainability were bundled into a separate unit, which represents us worldwide, apart from the AMERICAS Region. We expect to see substantial growth here for our services related to wind energy, sustainability, e.g., from our involvement in the new megacity of NEOM, and hydrogen.

We see a recovery in business activity in particular in Germany and the US as well as in India and the Middle East. In the UK and Spain, we expect modest revenue growth as a result of the impact of the Covid-19 pandemic and local structural challenges.

The **Real Estate & Infrastructure Division** has a global presence. We continue to anticipate that there will be continuous growth in the division, which we will drive further by strengthening the market position in key markets and pursuing targeted digital projects.

The area of building-related technical services, comprising testing and certification including building surveys and sustainability certification, will continue on its growth trajectory in particular in Germany, Spain and Singapore. Digital guided inspections for insurance-driven markets in the UK, the Middle East and South Asia will provide additional impetus.

In the construction industry, the effects of the Covid-19 pandemic are delayed, as the execution phase is usually preceded by longer planning, preconstruction and financing phases. In this area, we want to smooth our risk profile, also regionally, by divesting selected engineering services. We are focusing even more closely on new innovative products related to Building Information Modeling (BIM). In Germany, we are expanding our position as a leading and award-winning property manager.

In Germany, we are the market leader for safety-related services for lifts, and we want to further expand our market position in this area. We already enjoy a strong position on the market in the Middle East and want to secure this for the long term. In Eastern Europe, but also in Singapore and China, we are working on expanding our market share. We have high expectations for our expanded range of certification services for lift manufacturers, which will facilitate their licensing on various international markets, as well as on the innovative predictive maintenance tool “SmartLift” for the simplified monitoring of lifts.

The railway sector is suffering from a sharp decline in passenger numbers as a result of the Covid-19 pandemic. However, urbanization, the development towards more sustainability as well as internationalization and rapid advances in digitization favor continued growth in the long term. Therefore, following the slump due to the pandemic, we expect a slight recovery for the railway sector in the forecast year 2021. We see growth in particular in the core market Europe, but also in China, where we now have various testing facilities for rail technology. In addition, we are continuing to work on our competence in the execution of complex international railway projects. Our unique selling point in comparison to our competitors is and remains the comprehensive portfolio of services.

MOBILITY

The Covid-19 pandemic is intensifying the effects of the transformation process in the automotive industry. As a partner of the automotive industry, the MOBILITY Segment is also facing challenges.

For the forecast year – depending on the course of the Covid-19 pandemic – we expect growth in the high single-digit percentage range, due to catch-up effects from the pandemic situation in 2020. The international business will contribute approximately 10% of revenue in 2021.

Our portfolio of services for roadworthiness tests and exhaust gas analyses, but also damage and valuation reports, and driver’s license tests is geared towards private and business customers in Germany, Turkey and Spain. The demand for roadworthiness tests and exhaust gas analyses in the forecast year 2021 is expected to exceed the pre-crisis level. In addition to the successful market entry in Slovakia in the course of our internationalization strategy, this will be fueled in particular by the expansion of digital offerings for private customers. This will make the use of our services virtually contactless. The business with damage and valuation reports is particularly dependent on the recovery of traffic volume. In light of the continuing Covid-19 pandemic, the development of this area in the forecast year is difficult to assess, also since catch-up effects are not to be expected here. We are refining our traditional damage assessment reports by using artificial intelligence for digital image recognition and the preparation of assessment reports to create digital damage assessment reports in order to offer our customers even more attractive services.

Homologation services and emissions testing are profiting from the completion of the mobility testing center in Heimsheim. Owing to the associated expansion of capacity, an increase in revenue was still achieved in a segment significantly impacted by the Covid-19 pandemic. While we expect positive effects from the continued internationalization of our offerings, in particular from our entry into the US market, the development in this area in the forecast year will continue to depend heavily on the course of the Covid-19 pandemic. The increased marketing of our activities in relation to highly-automated driving will also provide positive impetus for revenue development in the segment.

Our business in services for car dealers, manufacturers, suppliers, lease companies and insurers is expected to recover depending on the further development of the Covid-19 pandemic. The same applies for the medical/psychological examination business.

The Covid-19 pandemic illustrates how right our focus on digitization in the automotive sector is. We are therefore continuing to exploit the potential offered by digitization through innovations and the optimization of processes as well as through strategic cooperation with customers and research institutes. We want to take advantage of the possibilities offered by digitization to be even closer to our customers. Aided by the use of artificial intelligence, we also want to further increase the quality and scope of our services.

CERTIFICATION

In the forecast year 2021, the CERTIFICATION Segment is expected to generate revenue growth just within the double-digit percentage range. Two thirds of revenue in the segment is generated by the Product Service Division and one third comes from the Business Assurance Division.

The segment is internationally oriented. Almost 60% of revenue is expected to be generated outside Germany in the forecast period, primarily in the Product Service Division and in the certification business of the Business Assurance Division.

The **Product Service Division** is continuing on its growth trajectory and thus remains a growth driver within the segment and in the TÜV SÜD Group as a whole. At the same time, the division has been largely immune to the effects of the Covid-19 pandemic. The focus of our activities will be on targeted market exploitation as well as building up and launching innovative digital services for our customers. The largest share of revenue in absolute terms will be provided by the ASIA Region at more than 45%, while Germany will once again be the market with the largest revenue growth in percentage terms.

The consumer goods business also includes services relating to food and cosmetic products. As the trade dispute between the USA and China is likely to continue, market activities will focus on Europe. We will therefore concentrate specifically on business with large and key customers and support them in the expansion of their retail network in the ASIA Region. Our priority is on standardized inspection and certification services for the retail trade, in particular testing the electromagnetic compatibility of products and chemical analyses. In China, we will expand existing testing capacities as well as our offering for e-commerce customers. However, we expect a decline in demand in our chemical analyses for textiles following the decline in Chinese textile imports due to the Covid-19 pandemic.

Our service offerings relating to industrial goods will see growth in all regions. Key drivers of revenue continue to be testing and certification services for automotive and industrial components and machines, despite delayed demand from the automotive and mechanical engineering industries. We are constantly enhancing this existing business of testing and certification services to include innovative and digital services. In addition, we are developing new services for innovative manufacturing, such as connected factories. We are investing globally in services relating to 5G technology and the secure connectivity of electronic products. We see ourselves as a solution provider for electromobility and connectivity and support our customers in access global markets.

In the market for battery testing, we are driving forward our technological and global market leadership and systematically investing in the global expansion of our capacity. The battery testing facilities in China are expected to contribute around half of the planned revenue growth. At the same time, we are expanding our market presence in all matters relating to hydrogen and fuel cells as a service provider for the testing and certification of components and systems.

We will further consolidate our global market leadership in the medical products segment from our core markets of Germany, Western Europe and the US. The introduction of the EU Medical Devices Regulation (MDR), the forthcoming introduction of the EU Regulation on In-Vitro Diagnostic Devices (IVDR) and Brexit have led to a permanent shortage of licensed certifiers for medical products on the market and thus also to further opportunities for growth, including for our premium services.

With its regulatory requirements, the Regulation on In-Vitro Diagnostic Devices (IVDR) covers a more extensive spectrum of products than the EU Medical Devices Regulation (MDR). For these areas which are subject to extensive assessment, we offer chemical and biological tests for products as well as tests for the electromagnetic safety of medical devices at our own testing facilities. In addition, we are developing automated processes to provide our services to customers digitally.

Our services for management system certification as well as for training and cyber security are bundled in the **Business Assurance Division**. With this range of offerings, we help our customers to reliably manage and improve business processes, train their staff and assess and reduce risks. Approx. 35% of revenue is generated outside Germany. Following the slump due to the pandemic, in the fiscal year 2021 we expect a recovery in business activity for the division, primarily in the Academy business. Demand for integrated certification services, training and cyber security solutions for the product and industrial sector is expected to rise further across the globe, also as a result of the Covid-19 pandemic and the associated acceleration of digitization in the working world.

The certification business in traditional quality, environmental and energy management will recover fully, also buoyed by the introduction of remote audits and digital services such as the Audit & Certification Engine. The ancillary certification services, such as supplier audits, are a further revenue driver. In addition, we expect positive effects from the Industry 4.0 Readiness Index that was co-developed by TÜV SÜD as well as from our services relating to sustainability matters. We also see potential for further growth in IT-related certifications of our cyber security certification suite, which also includes ISO 27001 (information security management) or TISAX (information security in the automotive industry). We want to defend and expand our market leadership in Germany by providing a comprehensive range of services. At the same time, we are continuing to transform our business model into an even more customer-oriented and digitalized certification factory. Our global presence enables us to offer the certification of integrated management systems from a single source to customers around the world.

Following the slump in revenue in the year of the pandemic, the training business is expected to see positive growth through the systematic focus on online training courses. A more favorable development is not to be expected in the forecast year on account of the restrictions in the public seminar business due to the pandemic and the continuing lockdown. We will invest extensively in the further digitization of training courses and the international expansion of the Digital Academy to enable further growth in the future.

We expect Uniscon's secure cloud services to lead to a significant increase in revenue for our cyber security services business. In order to prevent cyber attacks, we offer small and medium-sized enterprises risk analyses, employee training sessions and data protection services, for example providing a data protection officer and a data protection portal. We see revenue potential here and for our cyber security risk assessments, especially as a result of the Covid-19 pandemic which accelerated the shift from working in the office to the mobile workplace. Cyber security is becoming a necessary element of TIC services offered across all divisions to provide integrated product, plant and process security. Therefore, we are supplementing the services offered by the TÜV SÜD Group, for example in the areas of medical products, vehicle safety and supply chain management, with cyber security services.

By bundling our services from the certification, training and cyber security businesses into customer solutions, we offer our customers integrated and digitalized answers to their main current challenges, such as sustainability, cyber security, data protection, quality management and protecting their global value chains. In the Business Assurance Division, further synergy and growth potential can thus be leveraged.

STABLE BUSINESS DEVELOPMENT

We focus our business activities on markets and cutting-edge sectors in which stable and profitable growth is anticipated, with targeted returns of between 8% and 12%.

We support the development of operating business using transparent, agile and harmonized cost and process structures. For example, we regularly analyze our business processes and derive measures to enhance quality and efficiency to consistently optimize internal processes. After all, our goal is to achieve sustainable earnings and profit development. ≡ 12

EBIT development: Forecast for 2021		≡ 12		
		Development in forecast year 2020	Development in fiscal year 2020	Development in forecast year 2021
Group	Increase to pre-pandemic level	↗	↘	↗
INDUSTRY Segment	Slightly above pre-pandemic level	→	↘	↗
MOBILITY Segment	Up to pre-pandemic level	→	↘	↗
CERTIFICATION Segment	Slightly above pre-pandemic level	↗	↘	↗

The economic development of our markets together with regulatory and political decisions will set the underlying trend for the success of our business. The development of earnings at TÜV SÜD in the forecast year 2021 is characterized by the forward-looking move towards innovative services for digitization and new technologies as well as intensive cooperation with international key customers. We see potential in particular in offering new services relating to sustainability, which are increasingly in demand from our customers. Our competence in our traditional core markets has a stabilizing effect and, thanks to our balanced customer portfolio, makes us less susceptible to temporary market fluctuations, such as those currently caused by the pandemic. At the same time, our modern IT infrastructure enables us to provide our employees safe working conditions, ensure a high degree of flexibility and be available for our customers at all times – even during the ongoing pandemic. All this will contribute to TÜV SÜD's emerging stronger from the global crisis.

We therefore expect EBIT to develop positively in all segments. EBIT in 2021 is expected to reach the pre-pandemic level of 2019. However, the increase could be lower should the Covid-19 pandemic continue or should there be additional negative effects in connection with the dam collapse in Brazil for which it was not possible to recognize provisions as of December 31, 2020. The EBIT margin will remain largely constant in the upper single-digit percentage range.

In the planning year 2021, we anticipate EBIT for the INDUSTRY Segment to be slightly above the pre-pandemic figure. The EBIT margin is expected to be in the upper single-digit percentage range. The development may be adversely affected by the aforementioned additional negative effects from Brazil. EBIT in the MOBILITY Segment is expected to come close to the level from before the pandemic, with an EBIT margin in the upper single-digit percentage range. EBIT in the CERTIFICATION Segment will reach a level slightly above the level from before the pandemic of 2019, as expected. The EBIT margin is expected to be in the upper single-digit percentage range.

We expect the sale of our planning business for railway systems and further small units in Germany to make a small positive contribution to business development.

Our global presence on site at our customers and our competence in technical services are decisive for the success of our business. Therefore, we are constantly investing in innovation and further growth. For the planning year 2021, we have earmarked a total investment framework of € 105 million to € 155 million for future-oriented projects, the expansion of our testing facility capacity and the modernization of existing facilities and buildings. In addition, we want to spend approx. € 20 million on training our employees.

Economic Value Added (EVA) is a key indicator used to measure the business performance of TÜV SÜD. On the basis of the expected EBIT development described above and assuming an increase in the average capital employed, we expect EVA for the forecast year 2021 to be slightly lower than the EVA figure (prior year: € 64.0 million) in 2019.

We want to expand our staff base each year by up to 3%. Depending on the needs at the individual locations and expected growth, we want to recruit well qualified and committed people for our company. The focus of our recruitment activities in the forecast period will be on the CERTIFICATION Segment. We do not expect to see any significant change in the other non-financial indicators compared to the prior year.