Add value.
Inspire trust.

ONE TOMORROW

ANNUAL REPORT 2022

THE GROUP AT A GLANCE

Key figures ≡ 01

IN € MILLION		2022	2021	2020	2019	2018
Business development						
Revenue		2,863.3	2,667.3	2,486.0	2,590.1	2,498.5
Personnel expenses		1,734.1	1,630.5	1,542.9	1,572.9	1,510.0
Cash flow from operating activities		292.7	342.7	417.1	315.0	208.2
Free cash flow[1]		150.1	228.1	302.4	197.3	105.2
Capital expenditures		153.8	106.3	110.7	126.0	100.6
EBIT[2]		195.0	225.2	172.0	202.8	105.5
Income before taxes		182.7	215.1	158.2	184.4	94.6
Consolidated net income		132.6	154.5	111.0	132.6	48.2
EVA (Economic Value Added)		48.9	77.4	39.0	64.0	12.9
EBIT margin	IN %	6.8	8.4	6.9	7.8	4.2
EBIT margin, adjusted	IN %	7.7	8.8	8.3	8.7	8.9
EBT margin	IN %	6.4	8.1	6.4	7.1	3.8
EBT margin, adjusted	IN %	7.1	8.4	7.8	8.2	8.5
Assets						
Non-current assets		1,970.0	1,722.3	1,692.4	1,585.0	1,203.5
Current assets		1,103.9	945.0	926.4	855.2	868.3
Balance sheet total		3,073.9	2,667.3	2,618.8	2,440.2	2,071.8
Equity ratio	IN %	54.6	48.2	36.5	37.2	38.8
Employees (annual average)						
Full-time equivalents		23,957	23,220	22,803	23,024	22,424
Headcount						
As of December 31		26,595	25,538	25,196	25,015	24,529

1 _ Free cash flow: Cash flow from operating activities less cash paid for investments in intangible assets, property, plant and equipment and investment property.

2 _ EBIT: Earnings before interest, before other financial result and before income tax, but after income from participations.

€ **2,863.3** MILLION

REVENUE

€ **153.8** MILLION

CAPITAL EXPENDITURES

€ **182.7** MILLION

INCOME BEFORE TAXES

ONE TOMORROW

TÜV SÜD stands for
"Add value. Inspire trust."

Working by this philosophy, more than 26,000 employees all over the world shape a safe and sustainable future and use their solutions to create measurable added value for society, for their customers and for generations to come. In this way TÜV SÜD protects people, the environment, and assets against risks from existing and new technologies and helps to advance progress and a tomorrow worth living.

CONTENTS

MANAGEMENT AND SUPERVISORY BOARDS

COMBINED MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

FURTHER INFORMATION

MANAGE-MENT & SUPER-VISORY BOARDS

MANAGEMENT AND SUPERVISORY BOARDS

MANAGEMENT AND SUPERVISORY BOARDS


ISHAN
PALIT
JOHANNES
BUSSMANN

MATTHIAS J.
RAPP

Dear reader,

As we reflect on the past year, it is clear that the world has faced a multitude of challenges, from the ongoing COVID-19 pandemic to rising geopolitical tensions and environmental crises. We experienced a war in Ukraine, increasingly strained relations between the United States and China, disruption in supply chains, an ongoing energy crisis, inflation, and an intensifying shortage of skilled workers in many parts of the world. Despite these difficulties, TÜV SÜD remains committed to creating a better tomorrow through innovation and sustainability.

Our theme for this year's annual report is "ONE TOMORROW," a testament to our belief that optimism and proactive action are essential during tough times. We understand that the challenges we face are complex and daunting, but we are determined to do our part to help create a better future.

At TÜV SÜD, we have been protecting people, the environment, and property from technical risks for nearly 160 years. Our technology-agnostic mindset allows us to offer innovative solutions across a wide range of industries and markets. What we do, matters: the trust we create is part of the very foundation of technical innovation, which helps solve today's and tomorrow's challenges.

Digital transformation, and key technologies around artificial intelligence (AI) and cybersecurity are key elements of our strategy. We are actively working on developing quality standards and solutions for the certification of AI and we use AI ourselves; for example, when we inspect façades or when we check whether documents are complete. In the area of cybersecurity, we ensure that the conditions for protecting data, processes, systems, and facilities are met. We help businesses and society make their digital transformations both successful and safe.

Sustainability is also a core element of our Strategy 2025+. We aim to become the most sustainable company in our industry, and we want to provide comprehensive support to our customers in this field. For example, in 2022 we expanded our service offering around hydrogen. "Green" hydrogen can play an important role as a medium of storage for sustainably generated energy. It can help reduce the use of fossil fuels and in some areas, it can completely replace them. This means fewer greenhouse gas emissions – an important step in the battle against climate change.

Here are some examples of what we can do for our customers regarding hydrogen. We can check whether power plants are ready for the use of hydrogen and certify them in a three-stage process. We call this program "H2readiness". We also test materials and components, to find out how well they function in environments with hydrogen. We do this in two state-of-the-art labs in Germany: in Frankfurt and in Garching near Munich. Additionally, we are helping railway operators transition to alternative drive systems and new infrastructure.

In 2022 we also worked on becoming more sustainable ourselves, in all areas of our business. We reduced our greenhouse gas emissions and further optimized our standards of good corporate governance. We revised our Code of Conduct to renew our commitment to impartiality, integrity and legality, and to solidify our responsibility for human rights, labor and social standards, environmental protection, and to taking greater responsibility for our supply chain. We also value diversity within our company and are committed to fostering it, especially at the leadership level. We strive to treat one another with respect, and we have zero tolerance for discrimination. With many of these efforts, we actively support the United Nations' Sustainable Development Goals.

Our efforts have not gone unnoticed. In the fall of 2022, we received a Platinum rating in the EcoVadis sustainability rating, placing us in the top one percent of participating companies in our industry worldwide.

We also made efforts to provide tangible help when and where it was needed most, including humanitarian aid for refugees from Ukraine and supporting vital aid activities after the recent severe earthquakes through our joint venture company in Türkiye, TÜVTÜRK.

What made all of this possible was our sustainable business model and our ongoing investments in the future of our business portfolio – 154 million euros last year alone. Investments include new testing capacity for electrical appliances in the United Kingdom, lab capacity for testing food in India, and new capacity for testing medical devices, both in India and in the USA.

Whether a business model is stable and resilient becomes apparent during times of crisis – and ours is passing this test. A broad portfolio helps us balance out fluctuations. In 2022 our sales reached almost 2.9 billion euros. Unfortunately, rising costs for energy, IT, and testing equipment affected our EBIT, which came out at 195 million euros. In terms of earnings, the previous year, 2021, had been our strongest on record. Our 2022 earnings are slightly lower. Yet, taking into account the challenging market environment, we are satisfied with the result.

We would like to extend our sincere gratitude to all employees and managers at TÜV SÜD for their hard work and dedication, without which our successes would not have been possible. Together, we will continue to embrace the spirit of "ONE TOMORROW," supporting our customers and making our future safer and more sustainable.

Munich, March 30, 2023

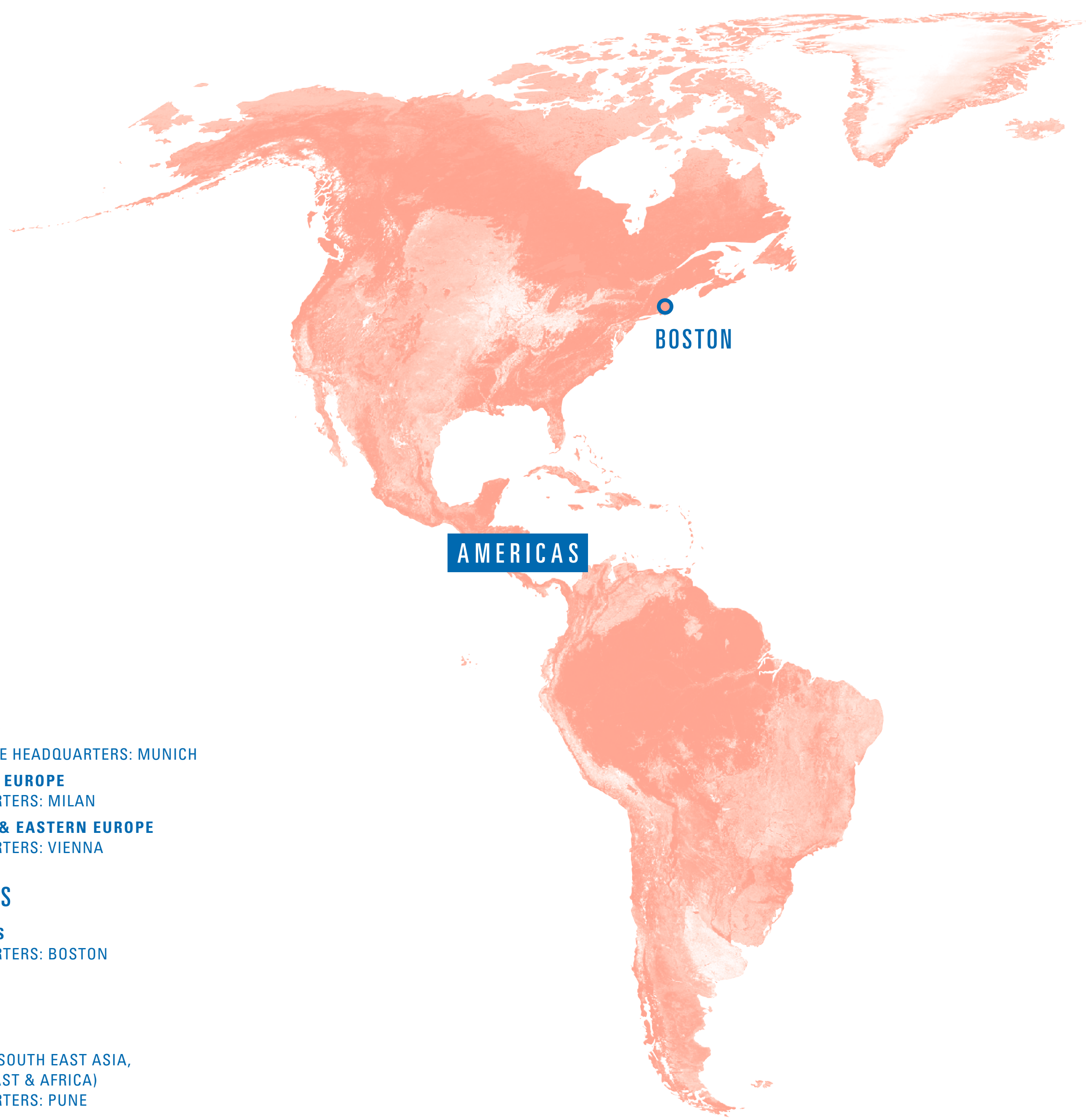
The Board of Management of TÜV SÜD AG

DR. JOHANNES BUSSMANN
Chairman of the Board of Management

ISHAN PALIT
Member of the Board of Management

PROF. DR. MATTHIAS J. RAPP
Member of the Board of Management

ON SITE WORLDWIDE



EUROPE

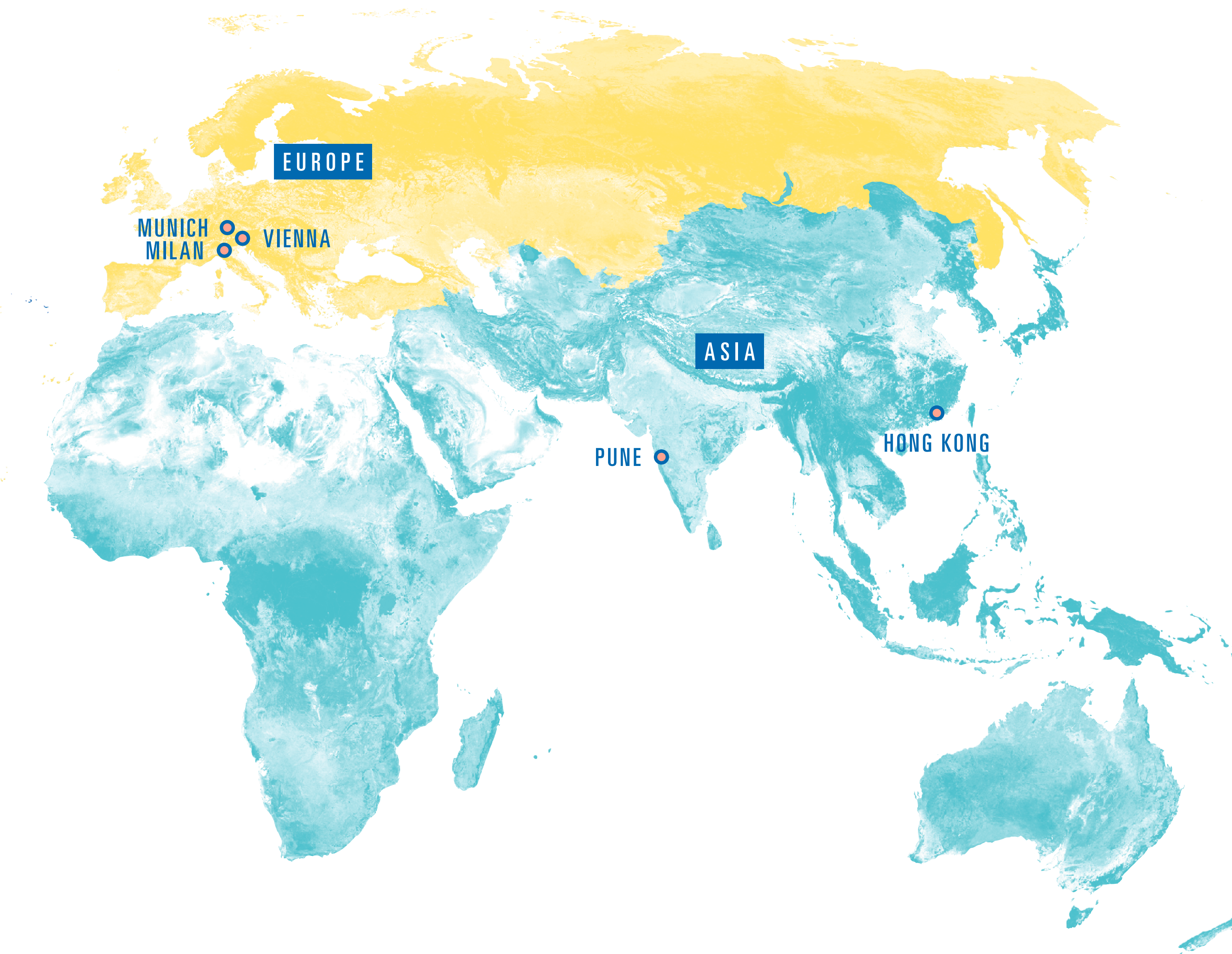
- **GERMANY**
  CORPORATE HEADQUARTERS: MUNICH
- **WESTERN EUROPE**
  HEADQUARTERS: MILAN
- **CENTRAL & EASTERN EUROPE**
  HEADQUARTERS: VIENNA

AMERICAS

- **AMERICAS**
  HEADQUARTERS: BOSTON

ASIA

- **ASMEA**
  (SOUTH & SOUTH EAST ASIA, MIDDLE EAST & AFRICA)
  HEADQUARTERS: PUNE
- **NORTH ASIA**
  HEADQUARTERS: HONG KONG


EUROPE
MUNICH
MILAN
VIENNA
ASIA
PUNE
HONG KONG


WOLFGANG
DEHEN

SUPERVISORY BOARD REPORT

Ladies and Gentlemen,

2022 was a year full of challenges for TÜV SÜD. Geopolitical uncertainty, the energy crisis and the repercussions of the COVID-19 pandemic provided the framework for business activities and dominated the development of virtually all sectors. In this environment, TÜV SÜD enjoyed satisfactory business development. Revenue reached almost € 2.9 billion, EBIT stood at € 195 million and the consolidated net income for the year amounted to almost € 133 million. The international orientation of the company, its wide range of services and the high levels of motivation of its employees had a stabilizing effect on the company's economic development.

COOPERATION BETWEEN THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

In the reporting year, the Supervisory Board performed the tasks required of it by law and the articles of incorporation and bylaws with the utmost care. It monitored the Board of Management in its leadership of the company and assisted it by providing advice on the strategic advancement of the Group and significant current measures.

Cooperation with the Board of Management was characterized by intensive dialog from a position of trust. The Board of Management regularly provided the Supervisory Board with comprehensive and timely written and oral reports on the general situation of the TÜV SÜD Group, current business development and business planning. These reports dealt with issues including the impact of the COVID-19 pandemic on TÜV SÜD, business development against the backdrop of overall economic development and the risk situation, in particular as a consequence of the dam collapse in Brazil. The flow of information was supplemented by a half-year report and regular reporting on the financial performance and position. Variances from planning and the forecasts were explained to the Supervisory Board in detail.

The meetings of the Supervisory Board took place as hybrid events. In the four ordinary meetings that took place in 2022, the Supervisory Board discussed topics including the annual and consolidated financial statements 2021, the 2021 compliance report, planning for 2023 and the group strategy 2025+ with a focus on innovation and trends in human resources management. In addition, after careful examination and deliberation, the Supervisory Board granted its approval for the business transactions that are subject to its approval. These included financial and investment planning, corporate transactions and the conclusion of agreements that are of particular significance for the company. Matters relating to the TÜV SÜD Foundation were also addressed. In the quarterly reporting, the Supervisory Board was also informed about the development and financial situation of TÜV SÜD Pension Trust.

Two extraordinary meetings of the Supervisory Board were held in 2022. Due to the departure of Dr.-Ing. Dr.-Ing. E.h. Klaus Draeger from the Supervisory Board, a new Chairman of the Supervisory Board and a new member of the shareholder representatives on the special committee Brazil were elected at these meetings. In addition, an external evaluation of the Supervisory Board was commissioned and a successor was chosen for Prof. Dr. Axel Stepken as Chairman of the Board of Management.

The attendance rate at the meetings of the Supervisory Board and its committees was around 90 percent in 2022.

One-on-one meetings were also held on a regular basis between the Chairman of the Supervisory Board and the Chairman of the Board of Management, the key findings of which were reported by the Chairman to the Supervisory Board. This ensured that the Supervisory Board was always kept informed in detail about the company's situation and plans.

COMMITTEE WORK

In 2022, four ordinary meetings of the Audit Committee took place as physical meetings. They dealt with topics including the annual financial statements 2021 and the half-year report as of June 30, 2022. In addition, the Audit Committee also dealt with the preparation for the group audit, the areas of audit focus and the independence of the auditor. The internal audit findings for 2022, the effectiveness of the internal control system and further internal audit planning were also discussed. The Audit Committee evaluated the results of the test of operating effectiveness of the risk management system and also received regular updates on the progress of the development of the governance systems. Other topics for the Audit Committee included acquisitions and divestitures, planned investments as well as TÜV SÜD Pension Trust's investment and hedging strategy. The Audit Committee informed itself about the sustainability strategy, including the defined top 10 ESG goals, and received updates on the implementation status of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) at TÜV SÜD. In addition, the Audit Committee dealt with the risks arising from the dam collapse in Brazil.

The Special Committee for assisting with the internal and external handling of the incident in Brazil met a total of five times. One of the meetings was held as a physical meeting, one was held virtually and the other meetings took place in a hybrid format. The Special Committee Brazil is advised by independent technical experts and reputable lawyers and provides a detailed report to the Supervisory Board at each meeting on the current status of the proceedings, the status of internal investigations and those carried out by authorities as well as the effect of the measures that have been introduced.

The Personnel Committee met a total of five times in the reporting year, of these meetings one took place in a hybrid format and four were held as physical meetings. It deliberated on matters relating to the Board of Management, including the successor for Prof. Dr. Axel Stepken as Chairman of the Board of Management and remuneration for the Board of Management.

CHANGES TO THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

Dr.-Ing. Dr.-Ing. E.h. Klaus Draeger stepped down from his position as a member and Chairman of the Supervisory Board of TÜV SÜD AG at the end of the ordinary Supervisory Board meeting on December 2, 2022. On behalf of the Supervisory Board and the Board of Management of TÜV SÜD AG, I would like to thank Dr.-Ing. Dr.-Ing. E.h. Klaus Draeger for his dedicated and valuable work on the Supervisory Board and its committees.

Mr. Wolfgang Dehen was elected as the new Chairman of the Supervisory Board at the extraordinary Supervisory Board meeting on December 2, 2022. His position on the Supervisory Board, which was previously set to run until the end of the annual general meeting that resolves to grant exoneration for the financial year 2022, was extended at an extraordinary general meeting on December 8, 2022, until the end of the financial year that resolves to grant exoneration for the financial year 2023.

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. In 2021, the Munich labor court found that the election of the employee representatives to the Supervisory Board of TÜV SÜD AG was invalid; the court refused to issue a finding of nullity. The legal opinion was confirmed by the Munich Higher Labor Court and became legally binding by virtue of the decision by the German Federal Labor Court as of May 9, 2022. Until the election of the employee representatives to the Supervisory Board is repeated, as of June 9, 2022 the Munich court of registration appointed Mr. Harald Gömpel, Mr. Matthias Andreesen Viegas, Mr. Thomas Eder, Mr. Jens Krause, Mr. Marcel Rath, Mr. Rainer Wich as well as Dr. Katharina Wagner as representative of the trade union ver.di, to the Supervisory Board as the employee representatives. Ms. Manuela Dietz had already been appointed as the representative of the trade union ver.di as of March 31, 2022, as a replacement for Mr. Kai Winkler who stepped down from the Supervisory Board as of February 28, 2022. In the course of the court appointment of Dr. Katharina Wagner, Mr. Wolfram Reiners left the Supervisory Board as of May 9, 2022. Through the court appointment, the minimum number of members pursuant to the German Co-Determination Act (MitbestG) was also reinstated. On behalf of the Supervisory Board, I would like to thank Mr. Reiners and Mr. Winkler for their good and constructive cooperation.

Prof. Dr. Axel Stepken stepped down from his position on the Board of Management and as Chairman of the Board of Management as of December 31, 2022. Under his leadership, TÜV SÜD developed into one of the world's leading technical service providers, which sets the standard in many areas. With the systematic enhancement of the service portfolio with a view to digitalization and sustainability, he opened up important potential for a successful future for TÜV SÜD. On behalf of the Supervisory Board, I would like to thank Prof. Dr. Axel Stepken for his outstanding leadership of the company over many years and for his trust-based and constructive cooperation.

On the recommendation of the Personnel Committee, the Supervisory Board appointed Dr. Johannes Bussmann as Chairman of the Board of Management from January 1, 2023.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements of TÜV SÜD AG, the consolidated financial statements and combined management report were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Munich branch, and an unqualified auditor's report was issued. These documents and the audit reports prepared by the auditors were available to all members of the Supervisory Board. At its meeting on March 24, 2023, the Audit Committee initially discussed and reviewed these documents. The Chairman of the Audit Committee reported in the Supervisory Board meeting to discuss the financial statements on March 30, 2023. The auditor attended both meetings and reported on the material findings of their audit, providing detailed answers to the questions from the members of the Supervisory Board.

The Supervisory Board conducted an extensive review of the financial statements of TÜV SÜD AG, the consolidated financial statements and the combined management report. It agreed with the findings of the independent auditor and has no objections following the final result of the review. The Supervisory Board approved the separate financial statements of TÜV SÜD AG which are herewith ratified. It also approved the consolidated financial statements and the proposal of the Board of Management to the annual general meeting for the appropriation of retained earnings.

On behalf of the Supervisory Board, I would like to thank the members of the Board of Management, executives, employees and all of my colleagues on the Supervisory Board for their excellent cooperation, successful work and outstanding commitment in the financial year 2022.

Munich, March 30, 2023

WOLFGANG DEHEN
Chairman of the Supervisory Board of TÜV SÜD AG

COM-BINED MANAGE-MENT REPORT

COMBINED MANAGEMENT REPORT

GROUP INFORMATION

WORLD MAP
SEE PAGES
10 – 11

TÜV SÜD's range of services covers certification and testing, inspection, auditing and system certification, knowledge services and training. With their extensive sector-specific knowledge, our experts support technological change. They optimize technology and systems, impart knowledge and skills – always with the aim of ensuring optimal safety and enabling companies to operate efficiently along the entire value chain. This results in tailored solutions – for retail customers and for industry, trade and government.

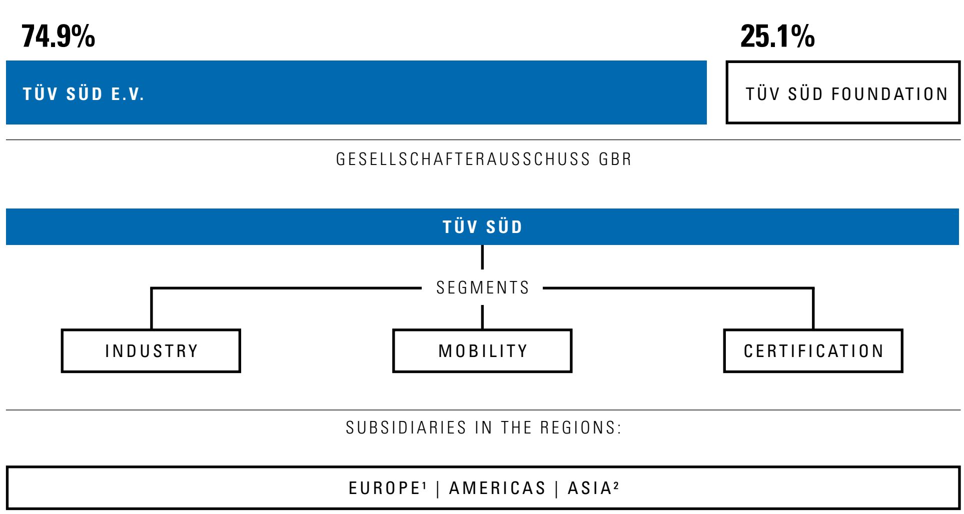
Legal structure guarantees independence

TÜV SÜD stands for independence and impartiality, on the basis of our 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 rights to the 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.

The TÜV SÜD Foundation publishes its own report annually.

Legal structure 01



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

Clearly defined management structure

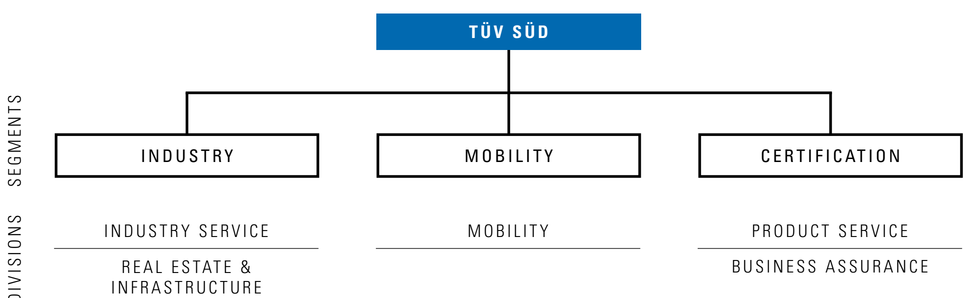
The Board of Management of TÜV SÜD consists of three members, the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Operating Officer (COO).

The Leadership Council, which consists of the Board of Management and the heads of the divisions and key regions, supports the Board of Management in the implementation of overarching topics such as strategy, employee development, innovation and digitalization as well as implementing the sustainability commitment.

TÜV SÜD is managed as a matrix organization. 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 financial year 2022.

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.

TÜV SÜD structure 02



Business model

As a reliable and trustworthy partner for improved safety and sustainability, our solutions create measurable added value for our customers, in the physical and digital world. With our services we meet these key requirements:

- 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 evaluations of sustainability aspects and digital risks, such as data protection and cybersecurity.

The market for technical services

The market for technical services (TIC services: Testing, Inspection, Certification) has an estimated global volume of around € 80 billion. For the next two years, experts expect overall market growth of 4% to 5%.

Both large international companies such as TÜV SÜD and a large number of small specialists are active in the TIC market. Other market players include regulatory authorities, accreditation and standardization authorities, research and development institutions, manufacturers, retailers and systems operators. They all provide services such as inspection, verification, validation, certification, testing, technical consulting, technical support, and training – including in areas such as environmental quality, safety, health, as well as Asset Integrity Management (AIM) and project management. Some market participants are highly specialized, but often also highly diversified, as many technical services can also be transferred to other product areas, processes or industries.

The largest markets for technical services are the US, China and Germany. The US market is highly fragmented and, especially in the food and pharmaceutical sectors, highly regulated. In China, the world's second largest TIC market, international market participants serve sectors with a strong focus on exports, while the Chinese domestic market is predominantly served by domestic companies. Germany is the third largest TIC market. This market is home to three of our biggest competitors. We expect strong market growth particularly in the Indian market, where technical services are in demand especially in the energy and manufacturing sectors.

TÜV SÜD is active globally in the TIC market with a focus on Germany, China, the US, India, the UK, Spain and Italy. In addition to some large, internationally active competitors, our direct competitors also include national service providers.

The development of the TIC market is currently being impacted by geopolitical uncertainties which will persist in the years to come. Some investment projects, particularly in energy-intensive industries, have been postponed as a direct consequence of the war in Ukraine; at the same time, the expansion of renewable energies is being stepped up.

Global supply chains also remain under pressure. In addition to production being halted in China as a result of lockdowns to break the chain of COVID-19 infections, trade embargoes and transit restrictions are also hampering the development of the economy. As a result, companies are trying to further diversify their supply chains and have switched to alternative locations and transport routes.

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, safe and sustainable for people and the environment.

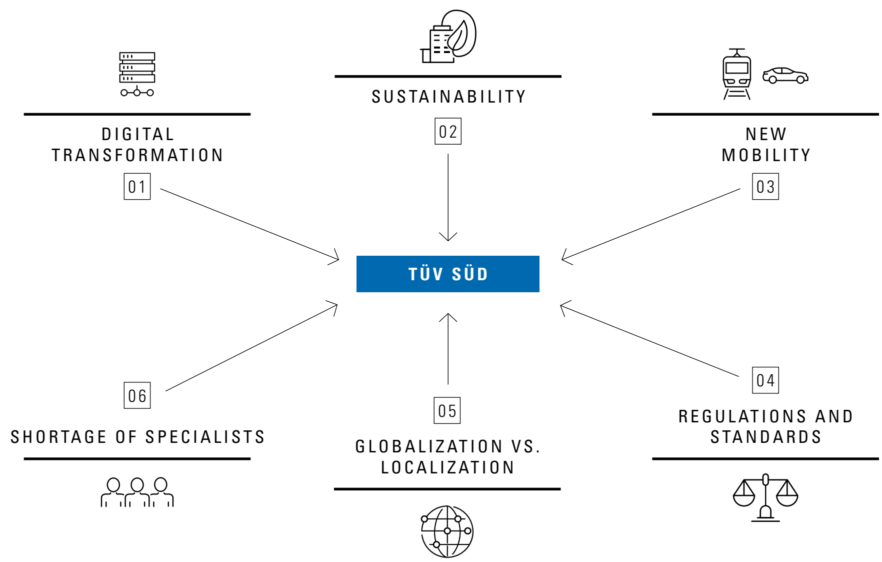
Advancing digitalization and the drive for greater sustainability in almost all areas of life are long-term drivers of social change. The associated challenges aside, we see in these changes above all opportunities for the further development of TÜV SÜD.

We support our customers with this digital transformation and develop new processes to respond to the changing requirements and framework conditions. These include remote services such as remote audits and online training, but also digital concepts for internal processes and customer interaction along the entire value chain.

Business and society are increasingly taking sustainability into account in their decisions. In light of this, we offer our customers comprehensive services on their path towards greater sustainability. At the same time, we have set ourselves sustainability goals as a company so as to become a leader in sustainability and thus be able to meet future social and regulatory requirements today. 03

Challenges and trends for TÜV SÜD

03



Our business is shaped by these trends and challenges:

01 Digital transformation
Digitalization is giving rise to new demands, business models and partnerships in the TIC industry. At the same time, new competitors are also moving into the market. The development of digital technologies, particularly in the field of 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 technical services will be provided in the future.
INNOVATIONS REPORT
SEE PAGES 28 – 29

02 Sustainability
More and more companies are striving to work in a sustainable manner, they want to preserve resources and design their supply chains accordingly. Stricter environmental regulations and regulatory requirements, but also a change in the mindset of society are accelerating this trend. This is also shifting the focus for our industry. Skills and services relating to sustainability, and in particular climate and environmental protection, as well as social aspects and the requirements of good corporate governance, continue to gain in importance.
ENABLE MORE SUSTAINABILITY
SEE PAGE 29

03 New mobility
The future of mobility is connected and highly automated. In the future, vehicles will be driven by electric batteries or hydrogen fuel cells. This goes hand-in-hand with higher standards for (digital) vehicle safety and sustainable operation. This will present new challenges for the testing of vehicles, driver assistance systems and the entire charging infrastructure.

04 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. To support this process, we contribute the wealth of experience of our experts and are involved in the relevant organizations worldwide. These also include international standardization bodies such as the International Electrotechnical Commission (IEC) and the International Organization for Standardization (ISO).

05 Globalization vs. localization
Companies operate globally with closely intertwined supply chains. 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. In addition, the past years have demonstrated how fragile global supply chains are. As a consequence, manufacturers are looking for alternative sources of supply and local suppliers to reduce dependencies.
THE MARKET FOR
TECHNICAL SERVICES
SEE PAGE 22

06 Shortage of specialists
Both today and in the future, the TIC market needs well-trained experts who are also capable of operating in an internationally networked environment. Growth will only be achieved by those companies that are successful in attracting and retaining such employees. Specialists are already in high demand and keenly sought after. The demographic change in Germany in particular is making the recruitment of experts even more difficult.
EMPLOYEE REPORT
SEE PAGES 72 – 76

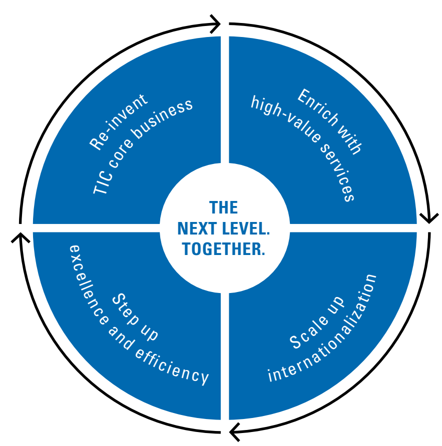
Strategy

Our strategy "The Next Level. Together.", which extends to the year 2026, will continue to provide us with guidance when it comes to taking advantage of the opportunities presented by new trends and developments both for us and for our customers. The key trends and challenges on which our strategy is based remain relevant; above all, digital transformation and the drive for greater sustainability.

In light of the above, we are driving forward a broad portfolio of strategic initiatives. In all divisions and entities, we are working systematically on the further development and expansion of our portfolio. By developing innovative products and services on state-of-the-art technology, we want to be a relevant partner for our customers in the TIC market. At the same time, we are working consistently to optimize and digitalize our processes and systems for the benefit of our customers.

However, our vision and the fundamental alignment of TÜV SÜD remain relevant and valid without change. We therefore continue to pursue these four strategic angles:

The Next Level. Together. 04



- **Step up excellence and efficiency:**
  We want to always offer our customers the best services – and our customers should notice the difference. This requires high levels of quality in our services, distribution, processes and excellence of our employees. To do this, our focus is firmly on digital transformation to further develop our internal processes and those of our customers.

- **Re-invent TIC core business:**
  Our expertise in almost every industry, combined with knowledge of the possibilities of digitalization, enables us to develop digital testing services, and also develop standards for new fields of technology.

- **Enrich with high-value 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.

- **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. This is how we are making our relationships with our customers increasingly global and building up our business activities around the world.

SEGMENT REPORT
SEE PAGES
63 – 71

These four angles of our strategy also shape our strategic initiatives and objectives:

- We want to further expand our core business and systematically exploit existing growth opportunities, for instance in the areas of medical technology, mobility, railway transport and consumer goods.

- 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. In this way, we are consistently digitalizing our core processes and offering services that accompany our customers on their way to digital transformation, for example by assessing the quality and security of artificial intelligence (AI).

- We are determined to exploit the business opportunities arising from the requirements for greater sustainability. To this end, we are focusing on the development of sustainable services in the following areas: 05

Our sustainability-related services 05

As a company we also want to become increasingly sustainable and win over our stakeholders through our actions. What is more: TÜV SÜD aims to become the most sustainable company in the industry and to be the number one independent expert in all matters relating to sustainability.

In this way, we will continue to be a partner for our customers in the future with respect to safety and sustainability, in both the physical and the digital world. With further growth, we want to continue to sustainably improve the revenue and profitability of our business. 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

The ability to understand the latest technological developments, implement them in customer-relevant services and also use them in our own processes and systems is decisive for the success of our strategy. Our active innovation management enables us to develop innovations that are tailored to the market and to quickly and effectively translate them into actual products.

In 2022, we expanded our understanding of innovation to include internal perspectives; it now includes process innovations in addition to the development of new products and services. Therefore, we also report our investments in these process innovations.

In 2022, we invested around € 23 million in research and development of innovative services and processes (prior year: around € 16 million for projects). An additional amount of around € 4 million was capitalized in connection with development projects. Amortization of capitalized development projects totaling around € 1 million was recognized in the financial year.

SHAPING THE DIGITAL TRANSFORMATION – WITHIN AND OUTSIDE THE COMPANY

With the advance of digitalization, business models and framework conditions are changing – for us and for our customers. New technology-based services and digital solutions for the optimization of internal processes are also being developed. In addition, the operation of digital business models is supported.

Examples include our activities in highly automated driving, Cyber Security Services, or the insights we gained into drone and AI-based inspection of facades in Singapore. These are commercialized, optimized and then successively transferred to other markets. At the same time, we are working on using the knowledge gained for other inspection services.

With our e-business activities, one of our strategic and cross-divisional initiatives, we are pursuing the goal of giving our customers worldwide access to selected TÜV SÜD services via a central platform. In the financial year 2022, we reached another milestone: more than 10,000 customers have made use of this offer. We have since further expanded our offer and scaled existing solutions. At the same time, we have further enhanced user-friendliness and added functionalities.

In order to support our customers in the development of high-quality AI applications that are aligned with the market and simultaneously compliant with standards, we have combined our knowledge of existing and upcoming standards for AI and developed a corresponding quality framework. In 2022, we further expanded our service offering and now offer quality analyses, risk and conformity assessments relating to the use of AI in addition to training programs.

We also want to use the possibilities of AI for our internal processes. A focus here is on the analysis of the numerous documents required for inspections and certifications. For example, AI can automatically check documents for completeness and plausibility. This increases speed and efficiency in processing, while at the same time relieving the experts of routine work.

ENABLE MORE SUSTAINABILITY

With the targeted expansion and renewal of our product portfolio as well as newly developed certificates, TÜV SÜD enables customers to make their activities more sustainable and verify this accordingly.

This is exemplified by our commitment to the use of hydrogen. In order to drive the decarbonization of the economy and thus counteract climate change, TÜV SÜD supports the use of hydrogen on the basis of a strategy formulated in 2020. As a central component of the energy transition and as a storage medium, hydrogen is essential to reduce dependence on raw material and electricity imports and, at the same time, places high demands on the safety of the production of tanks, facilities, components and parts.

Our experts accompany customers along the entire value chain – from generation and storage to distribution and application in a wide variety of areas. The knowledge of all country-specific relevant standards and guidelines of our experts ensures successful national and international market access.

The testing facility in Garching offers all possibilities for reliably assessing the safety of systems and components. In the financial year 2022, the laboratory was further expanded, and new capacities for environmental and EMC tests under hydrogen pressure were created at the sites in Straubing and Mannheim.

In addition, TÜV SÜD promotes the safe use of hydrogen by developing new certificates even though they are not yet required by law. For example, TÜV SÜD Product Service GmbH, Munich, will in future award a new certificate for fuel cell systems, which generate electricity electrochemically as stationary, factory-manufactured systems. At the same time, a new certificate for hydrogen components has been developed that confirms the safety of hydrogen-carrying components used at filling stations or in vehicles.

Our management system

TÜV SÜD's management system is based on the integrated controlling system and strategic corporate planning. Various performance indicators serve to measure the company's performance and to manage the Group accordingly.

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 for the Group.

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 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 financial indicators. The free cash flow shows the extent to which we generate long-term cash flows from our operating activities.

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
EVA	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] **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.

We also use a number of non-financial performance indicators to assess the quality, diversity and growth of our organization. In addition to the number and average age of our employees, they include the proportion of women in the workforce, the number of training hours completed and the average retention period for our employees in the company.

Around 30 other non-financial performance indicators from the areas of environmental, social and corporate governance complete the picture within the framework of internal sustainability controlling. These performance indicators are recorded and processed centrally as part of separate sustainability reporting.

INTEGRATED CONTROLLING SYSTEM AS THE BASIS FOR VALUE-BASED MANAGEMENT

TÜV SÜD's 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.

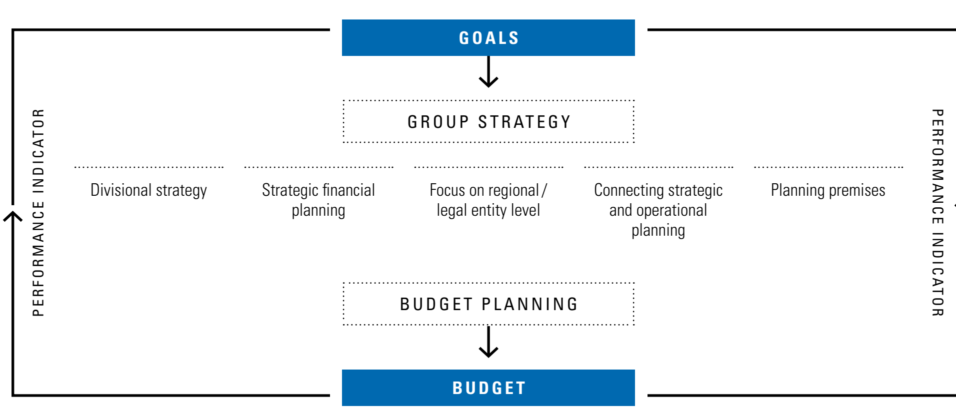
STRATEGIC PLANNING SETS GOALS

The starting point for our planning and control processes is **strategic planning**. This aims to achieve profitable and sustainable 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 as well as sustainable business are at the forefront of everything we do. To achieve this, the expertise and performance of our employees, the quality of the services we provide and the satisfaction of our customers are crucial.

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 evaluations with which we measure the implementation of strategic goals and analyze deviations from the plan.

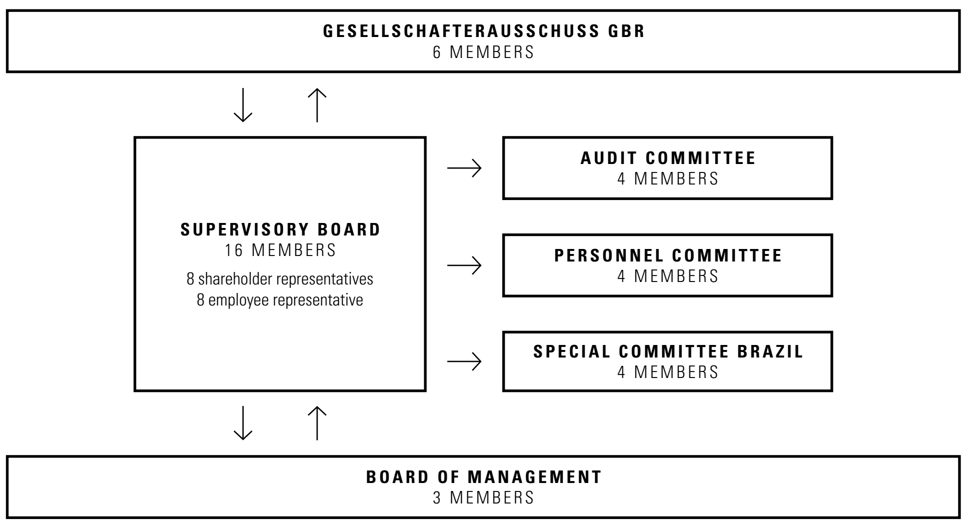
Strategic and operational planning 06



CORPORATE GOVERNANCE REPORT

TÜV SÜD AG and its boards are guided by the principles, recommendations and suggestions of the German Corporate Governance Code for capital market-oriented companies. We consider good corporate governance to mean responsible, transparent, sustainable 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.

Overview of the bodies and committees of TÜV SÜD AG 07



Composition and operation of the Supervisory Board

In accordance with German law, shareholder and employee representatives are equally represented on the Supervisory Board of TÜV SÜD AG. It consists of 16 members, half of whom are employee representatives and half are shareholder representatives, the latter being prominent individuals from the business community and public figures. The employee representatives are elected by the employees of the Group's German operations and the shareholder representatives are elected at the Annual General Meeting.

The Supervisory Board takes care to avoid potential conflicts of interest for its own composition. In addition, the principle of diversity is taken into account, in particular with regard to the different professional and personal qualifications of the members as well as the provisions of the Act on the Equal Participation of Women and Men in Management Positions in the Private Economy and the Public Sector. Each member ensures that they have sufficient time to perform their duties. The members of the Supervisory Board are responsible for taking part in the training measures required for their duties with the company's support.

The Supervisory Board regulates the principles of cooperation in its rules of procedure, which are based on the principles and recommendations of the German Corporate Governance Code. It meets at least four times a year. The Chairperson of the Supervisory Board, who is elected by the Supervisory Board from among its members, convenes and presides over the meetings. Agenda items are regularly scheduled at Supervisory Board meetings in order to be able to discuss topics even in the absence of the Board of Management. Unless otherwise stipulated by law, the Supervisory Board passes resolutions by a simple majority vote; this also applies to decisions or recommendations made within the committees. The Supervisory Board as a whole is regularly informed by the respective committee chairs of the activities of the respective committees.

The Supervisory Board regularly reviews the efficiency of its activities and those of its committees. The various aspects of committee work are analyzed and evaluated by all Supervisory Board members and, if applicable, other stakeholders. The Supervisory Board then deals with the results and identifies any possible need for change and improvement.

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. In addition, it examines material accounting issues and, as part of the year-end statutory audit, discusses the assessment of audit risk, audit strategy and planning, and audit results together with the appointed auditor. It also deals with 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. The selection process for the appointment of members of the Board of Management takes into account various aspects such as the desired competence profile and the promotion of diversity within the company. In addition, the Personnel Committee is responsible for drafting recommendations on the remuneration of the individual members of the Board of Management as well as designing and regularly reviewing the remuneration system. The Personnel Committee meets at least once a year.

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.

Committees of the Supervisory Board

≡ 03

	Affiliation	Supervisory Board	Audit Committee	Personnel Committee	Special Committee Brazil
Shareholder representatives					
Wolfgang Dehen	November 20, 2003 – present	Chair[1]	Member	Chair[2]	Chair[2]
Dr.-Ing. Dr.-Ing. E.h. Klaus Draeger	July 15, 2016 – December 2, 2022	Chair	Member	Chair	Chair
Dr. Christine Bortenlänger	May 13, 2011 – present	Member			
Dr. Jörg Matthias Großmann	July 15, 2015 – present	Member	Chair		Member
Angelique Renkhoff-Mücke	July 15, 2015 – present	Member			
Dr. Nathalie von Siemens	July 10, 2020 – present	Member			
Prof. Dr. Rudolf Staudigl	July 13, 2018 – present	Member			
Dr. Eberhard Veit	May 12, 2006 – present	Member		Member	
Employee representative					
Harald Gömpel	July 15, 2015 – May 9, 2022[3]/ June 9, 2022[4] – present	Deputy Chair		Member	Member
Matthias Andreesen Viegas	July 10, 2020 – May 9, 2022[3]/ June 9, 2022[4] – present	Member			Member
Manuela Dietz	March 31, 2022[4] – present	Member			
Thomas Eder	August 01, 2020 – May 9, 2022[3]/ June 9, 2022[4] – present	Member			
Jens Krause	July 10, 2020 – May 9, 2022[3]/ June 9, 2022[4] – present	Member	Member		
Marcel Rath	July 10, 2020 – May 9, 2022[3]/ June 9, 2022[4] – present	Member	Member		
Wolfram Reiners	January 1, 2022 – May 9, 2022[3]	Member			
Dr. Katharina Wagner	June 9, 2022[4] – present	Member			
Rainer Wich	July 10, 2020 – May 9, 2022[3]/ June 9, 2022[4] – present	Member		Member	
Kai Winkler	July 10, 2020 – February 28, 2022	Member			
NUMBER OF MEETINGS					
		6	4	5	5

1 _ Since December 2, 2022.
2 _ Since February 28, 2023.
3 _ Election challenge legally binding
pursuant to the decision of the Munich Higher Labor Court from October 13, 2021 (became legally effective as of May 10, 2022) no employee representatives on the Supervisory Board
pursuant to the decision of the Munich Registry Court from June 2, 2022 (served on June 9, 2022).
4 _ Legally mandated substitute appointment.

Composition and operation of the Board of Management

The Board of Management of TÜV SÜD AG has three members who are appointed by the Supervisory Board. Board of Management meetings are held regularly.

CLEARLY DEFINED MANAGEMENT STRUCTURE SEE PAGE 21

It discharges its management duties as a collegial body with joint responsibility for managing the company. It conducts business in accordance with the law, the articles of incorporation and bylaws and its rules of procedure; it is thus bound to act in the interest of the company and to increase the long-term value of the company. It plans and implements the strategic orientation of the company, taking into account ecological and social concerns. It is also responsible for the planning of the company and the Group. The Board of Management ensures compliance with statutory reporting obligations and an appropriate and effective governance structure. In addition, it ensures that there is long-term succession planning by regularly engaging with the company's talents and promising executives.

Cooperation between the Board of Management and the Supervisory Board

The Supervisory Board monitors and advises the Board of Management on business operations. 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, corporate planning and the current situation of the company, including risks and opportunities, revenue development, profitability as well as internal risk management and compliance.

BOARDS OF TÜV SÜD AG SEE PAGE 156

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.

Globally uniform framework

Key business processes are defined in Group guidelines and form a globally uniform framework: the TÜV SÜD Corporate Management Manual. The corporate functions, divisions and regions can supplement these group-wide guidelines with their own requirements and detailed regulations. The guidelines are regularly reviewed and updated or expanded as necessary.

Accounting and auditing

The consolidated financial statements of TÜV SÜD AG are prepared in accordance with the provisions of the International Financial Reporting Standards (IFRSs), the annual financial statements and combined management report of TÜV SÜD AG in accordance with the German Commercial Code.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft has been appointed as an independent auditor. The auditors inform the Audit Committee in a timely manner of all findings and events of significance for their duties that arise during the audit of the annual financial statements and reports to the Supervisory Board.

* The content of this section has not been audited.

Diversity*

As an internationally active company, openmindedness and diversity are essential to our economic success. When filling management positions, TÜV SÜD focuses on the professional and personal suitability of the person.

When selecting and appointing members of the Board of Management, the Supervisory Board pays attention to professional and personal qualifications, in addition to company-specific requirements and diversity.

Aside from professional and personal suitability, the principle of diversity is included in the evaluation and selection of candidates when filling management positions.

Declaration on the equal participation of women and men in management positions*

In 2022, the Supervisory Board and Management Board of TÜV SÜD AG decided on the following targets for the proportion of women on the Supervisory Board, Board of Management and the first two levels of management below the Board of Management by December 31, 2026, in order to implement the requirements of the Act on the Equal Participation of Women and Men in Management Positions in the Private Economy and the Public Sector.

≡ 04

	Target rate	Share already achieved (December 31, 2022)	Deadline
Supervisory Board	25%	31%	December 31, 2026
Board of Management	1 Woman	0%	December 31, 2026
First management level	30%	23%	December 31, 2026
Second management level	50%	39%	December 31, 2026

* The content of this section has not been audited.

The target of 25% for the proportion of women on the Supervisory Board of TÜV SÜD AG resolved by the Supervisory Board was achieved with at present five out of the 16 members being women. Three of them are shareholder representatives and two of them are employee representatives.

With regard to the proportion of women on the Board of Management of TÜV SÜD AG, the Supervisory Board has decided that one woman should be a member of the Board of Management of TÜV SÜD AG by December 31, 2026; there are currently no women on the Board of Management.

In the financial year, we were able to increase the proportion of women in the first level of management and keep this figure constant in the second level of management. For the coming years, the Board of Management has set itself the goal of further increasing the proportion of women in top management levels. By December 31, 2026, we are aiming for a proportion of women of 30% for the first level of management below the Board of Management, and 50% for the second level of management. At the same time, particularly against the backdrop of an increasingly difficult situation on the skilled labor market, we have initiated various measures to achieve the newly defined targets.

In addition to TÜV SÜD AG, four German Group companies are also subject to the regulations for the equal representation of women and men in management positions. Targets have also been set for these German Group companies along with implementation deadlines.

Corporate social responsibility

Companies bear responsibility for the sustainable design of the economy, environment and society. This is particularly true for TÜV SÜD. In line with our company's purpose – the protection of people, the environment and property from technology-related risks – we ensure that the risks associated with the latest technologies are minimized so that innovations in science and technology can be accepted by society and have a positive impact for the benefit of people and the environment. At the same time, we also assess the impact of our business activities on society and the environment, and derive measures to ensure careful use of existing resources. The Board of Management and the Supervisory Board regularly and intensively address sustainable corporate strategy and corporate planning, taking into account not only financial targets but also ecological and social objectives in particular.

Remuneration of the Board of Management

In addition to the basic remuneration, the remuneration system of the Board of Management also includes variable remuneration components geared to the long-term successful, sustainable development of the company. The remuneration system presented by the Supervisory Board was acknowledged by Gesellschafterausschuss GbR. Information on the total remuneration of the Board of Management and the Supervisory Board can be found in the notes to the consolidated financial statements.

Compliance

Compliance with international rules and dealing fairly with our business partners and competitors are among our company's most important principles. Integrity and compliance with rules and regulations are an integral part of our corporate culture. TÜV SÜD takes a preventive approach to compliance and endeavors to achieve a corporate culture that proactively prevents potential breaches by raising employee awareness and educating the workforce.

The TÜV SÜD Compliance Management System (TÜV SÜD CMS) forms the organizational framework for all established compliance measures, structures and processes to comply with applicable law and internal rules. It follows the guiding principle of independence, integrity and legality of our actions and encompasses all hierarchical levels. It has been prepared taking into account the principles of the IDW AsS 980 assurance standard and is constantly monitored and further developed.

The compliance culture is shaped by the "tone from the top" and our brand message: "Add value. Inspire trust."

The objective of the TÜV SÜD CMS is to make compliant conduct universal among the employees of TÜV SÜD and third parties commissioned by us to perform our services.

SEE
WWW.TUVSUD.COM/EN/ABOUT-US/
CODE-OF-ETHICS

The TÜV SÜD compliance organization is based on the principle of separation of responsibility and executive activities. Overall responsibility is held by the Chief Compliance Officer (CCO), who reports directly to the Chairman of the Board of Management and acts independently of instructions in this function.

A regular group-wide risk analysis is used to determine TÜV SÜD's compliance risks. The content of the risk analysis focuses on the key compliance topics; at the same time, compliance risks outside the core compliance topics are also identified. The analysis of compliance risks gives TÜV SÜD an overview of high-risk activities, thus enabling it to manage them. In addition, compliance measures can be improved and implemented in a more targeted manner.

At the heart of the compliance program are the TÜV SÜD Code of Conduct and the compliance-related guidelines. They include, among other things, requirements for the avoidance of conflicts of interest and corruption, compliance with embargo and trade control provisions and also for compliance with human rights and human-rights-related environmental protection obligations. These guidelines are reviewed regularly and adapted in line with new findings, changed legal provisions, and national and international standards.

Through comprehensive compliance training, including an e-learning program tailored to the company's specific requirements, we train employees on the practical application of our compliance requirements in the company and thereby prevent potential compliance breaches.

TÜV SÜD TRUST CHANNEL

Integrity and transparency are top priorities for TÜV SÜD. It is therefore essential that we become aware of any compliance breaches in order to remedy them and continuously improve our compliance management system. It is particularly important to us that we learn of breaches of international and local laws, regulations and standards as well as of breaches of our internal compliance requirements such as the TÜV SÜD Code of Conduct. The electronic whistleblowing system TÜV SÜD Trust Channel enables employees and third parties worldwide to report breaches or suspected cases anonymously. This option was used by employees and external parties in 2022. In the majority of cases, no breach of legal compliance was identified. In a few isolated cases, breaches of the law or internal policies were sanctioned appropriately and resulted in consequences under labor law.

Risk management system

Dealing responsibly with business risks for the company is part of good corporate governance. We therefore attach great importance to risk management in our day-to-day work. The opportunity and risk report details TÜV SÜD's risk management and the accounting-related control and risk management system.

OPPORTUNITY AND RISK REPORT
SEE PAGES
77 – 87

Monitoring and further development of governance systems

The adequacy and effectiveness of our governance systems are continuously monitored, reviewed and optimized through improvement processes. The responsible corporate functions are supported in this regard by internal and external stakeholders, such as the Group's internal audit function. In this way, we take equal account of internal and external requirements for good governance. The results form part of regular and ad hoc reports to the Board of Management, Audit Committee and Supervisory Board of TÜV SÜD AG.

The internal audit function regularly conducts special compliance audits, for which the internal audit function and the Global Compliance Office coordinate to determine areas of audit focus. Individual compliance issues are also examined in other audits.

If breaches are suspected, special audits are also carried out by the internal audit function and by external auditors where necessary. Breaches of the law or internal guidelines are sanctioned appropriately and may result in consequences under labor law for our employees including dismissal.

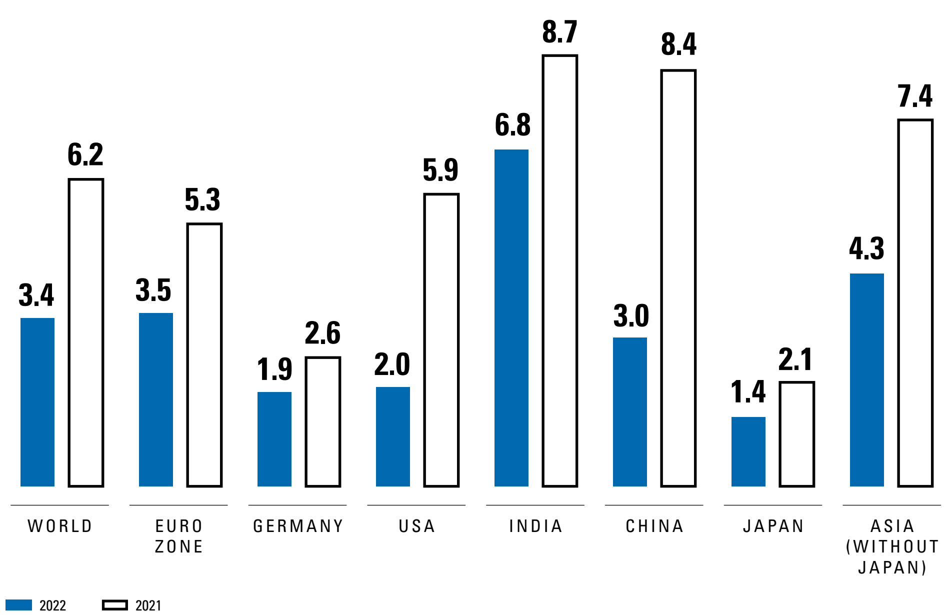
ECONOMIC REPORT

Macroeconomic conditions

The year 2022 was fraught with great uncertainty. Above all, the war in Ukraine, the energy crisis and a sharp rise in inflation had a negative impact on global economic development. In addition, the measures to contain COVID-19 in China and the rapid tightening of monetary policy in the advanced economies slowed economic growth. Economic activity in the advanced economies slowed, while in the emerging markets it proved robust. Overall, global economic output grew by 3.4%.

Economic growth in key markets worldwide[1] 08

IN %



1 _ IMF world economic outlook (prior-year forecast updated with current figures).

EUROPEAN ECONOMY ON THE VERGE OF RECESSION

In the European Union, gross domestic product rose by 3.5% following growth of 5.3% in the prior year. Although the European economy grew during the year despite the war in Ukraine, momentum slowed in the fourth quarter. As a result of the rise in consumer prices and in particular the increase in energy prices, inflation increased significantly in the summer and fall. At the end of the year, the inflation rate decreased slightly again, also due to the steady interest rate increases by the European Central Bank.

In Germany, economic development was impacted by the energy crisis and the lack of impetus from the weak global economy. GDP grew modestly by 1.9%, following a 2.6% increase in the prior year. Higher consumer prices reduced the purchasing power of private households. The labor market proved robust despite the loss of economic momentum. Foreign trade stabilized towards the end of the year due to easing supply bottlenecks. Services exports also increased as COVID-19 restrictions were relaxed. However, construction activity was hampered by price trends, existing material shortages and poorer financing conditions.

In most other European countries, the economy was not as severely dampened as in Germany. Italy, for example, saw GDP growth of 3.9% and Spain of 5.2%. In the United Kingdom, economic output grew by 4.1%.

USA: GROWTH EXCEEDS EXPECTATIONS

The US economy expanded by a modest 2.0% in 2022 (prior year: 5.9%). Private consumption contributed to this growth, with the private savings rate falling significantly. By contrast, the labor market flourished and the unemployment rate fell to historic lows. The US Federal Reserve responded to the high level of inflation with significant increases in the key interest rate.

RESILIENT ECONOMIC ACTIVITY IN EMERGING MARKETS

The Chinese economy grew by 3.0% (prior year: 8.4%) and was strongly impacted by the zero-COVID strategy. The locally imposed lockdowns led to production slumps and supply chain disruptions in China as well as globally. The construction and real estate sectors continued to suffer from delays in the completion of infrastructure and housing projects. Private consumption as well as business investment remained subdued despite monetary and fiscal policy incentives. With the easing of the zero-COVID strategy at the end of the year, the Chinese economy gathered speed again.

In the emerging markets in Asia, economic activity was robust and production increased. The feared weakening of momentum due to global monetary tightening failed to materialize. The Indian economy recorded growth of 6.8% despite the extreme heat wave in the summer.

GLOBAL MONETARY POLICY ALIGNED

Advanced economies responded to the high level of inflation in 2022 by tightening monetary policy. Key interest rates in the euro zone, the UK, the US, and other countries were raised in historically large increments within short periods of time. The emerging markets also continued to use key interest rate increases as a fiscal policy tool.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CURRENCY TRANSLATION SEE PAGE 107

The euro continued to depreciate against the US dollar in the course of the financial year 2022 and stood at US 1.07 dollar (prior year: US 1.13 dollar) at the end of the year. The development of the most important reference currencies is shown in the notes to the consolidated financial statements.

Business and economic environment

Geopolitical uncertainties and the continued consequences of the COVID-19 pandemic shaped the financial year 2022. Supply chains disrupted by embargo and transit restrictions as well as selective and regional lockdowns posed challenges for many of our customers. The energy crisis, a direct result of the war in Ukraine, led to market turbulence in the energy sector. At the same time, rising prices dampened economic development.

THE MARKET FOR TECHNICAL SERVICES SEE PAGE 22

Quarantine regulations and increased sick leave led to capacity bottlenecks in the financial year, both at our customers and at our company. The impact of the COVID-19 pandemic continued to weigh on TÜV SÜD's business development in 2022, as our success is based on the availability of our experts.

In individual areas and markets, our business activities are also dependent on economic developments and the free movement of people and goods. Global uncertainties and crises weighed on business development in this regard as well. Against this backdrop, TÜV SÜD's robust business model has once again proven its worth. With our extensive range of technical services, which is constantly being supplemented by innovative solutions for our customers, our global presence on site at our customers and the flexibility, expertise and commitment of our employees, we believe we were able to master the challenges of the financial year.

We continue to focus on our core competencies and regularly review our product portfolio and our business activities. Key criteria are the relevance for the TIC market and the strategic significance of the services offered.

We are consistently working on expanding our capacities. In the financial year 2022, we continued to invest in building and facility infrastructure and expanded our network of testing facilities.

In addition to measures to expand our network of testing facilities, we expanded our portfolio in financial year 2022 by acquiring companies. In December, for example, we acquired the remaining shares in Atisae Trauxia ITV S.L., Madrid, a provider of periodic vehicle inspections, in Spain.

With the acquisition of the US company Ruby Canyon Environmental Inc., Grand Junction, Colorado, and Ruby Canyon Mexico S.A. de C.V., Mexico City, Mexico, we expanded our portfolio of sustainability services at the end of the financial year. The two companies provide greenhouse gas (GHG) emissions recording, reporting and verification services, complementing our Climate Action Certification (CAC) activities.

At the same time, we adjusted our portfolio for amortization and impairments in the financial year. For example, we recorded impairment losses on an emissions testing facility in Germany to account for its idle capacity due to market conditions. We also recognized impairment losses on software and an AI project, as we will not be continuing further development.

SEGMENT REPORT
SEE PAGES
63 – 71

The business development of the individual segments is explained in the segment report.

Overall statement on business development

Against the backdrop of challenging global market conditions, TÜV SÜD's business development in the financial year 2022 was satisfactory overall. Even though global uncertainties and crises impacted development, we were able to continue growing and achieve some of our targets from the 2022 forecast, while others were missed.

Targets and results ≡ 05

	2021	2022 Outlook	2022
Revenue Development compared to prior year	€ 2,667.3 million 7.3%	€ 2,700 million to € 2,850 million Up to 4.5%	€ 2,863.3 million 7.3%
EBIT Development compared to prior year	€ 225.2 million 30.9%	€ 200 million to € 240 million	€ 195.0 million – 13.4%
EBIT margin	8.4%	High single-digit percentage range	6.8%
EVA	€ 77.4 million	€ 60 million to € 70 million	€ 48.9 million
Employees Development compared to prior year	23,220 1.8%	Up to 3%	23,957 3.2%

We derive the forecast of business development for the financial year from the existing service business at the time of planning. This is defined as organic growth.

We recorded positive revenue development in all segments and regions. **Revenue development** was thus in line with expectations. Organic growth and positive currency effects offset the slight negative portfolio effects.

In the INDUSTRY Segment, revenue growth was within the target corridor. However, higher costs for purchased services, personnel and travel expenses meant that the positive development did not carry over into EBIT and the EBIT-related targets failed to match expectations.

The MOBILITY Segment also achieved the defined revenue targets, but failed to meet the forecast ranges for the EBIT-related targets. In this segment, disproportionately high increases in purchased service costs and personnel expenses also curbed development. In addition, costs were incurred in connection with a German joint venture, which also include impairment losses. EBIT development was also impacted by impairments on intangible assets and on a German emissions testing facility.

The CERTIFICATION Segment met revenue growth expectations and also achieved the forecast EBIT margin. However, EBIT development fell short of expectations, as increased expenses in connection with operating activities and an impairment loss on intangible assets weighed on the development.

OVERALL SATISFACTORY EARNINGS DEVELOPMENT

The Group's positive revenue trend was negatively impacted by higher expenses from operating activities as well as by amortization, depreciation and impairments. In addition, income from investments accounted for using the equity method declined. **EBIT** thus reached € 195.0 million, falling short of the prior-year figure and the forecast target. At 6.8%, the **EBIT margin** was also below the comparable figure for the prior year (8.4%) and thus below the targeted corridor. Despite the challenging conditions, earnings nevertheless developed satisfactorily.

The higher operating performance (up 6.4%) was not carried through to net operating profit after tax (NOPAT), which decreased by 14.2% to € 139.0 million (prior year: € 162.0 million).

ONE-OFF EFFECTS
SEE PAGE
49

Adjusted EBIT, which is more suitable for a multi-year sector comparison, reached € 221.4 million in the financial year, thus remaining below the prior-year figure (€ 235.0 million, down 5.8%), despite the higher volume of adjustments made. The adjusted EBIT margin reached 7.7% (prior year: 8.8%). The non-recurring effects underlying the adjustments are presented in detail in the financial performance.

Consolidated earnings before taxes (EBT) decreased by € 32.4 million or 15.1% to € 182.7 million. Adjusted for non-recurring items, EBT amounted to € 203.6 million (prior year: € 223.5 million). At 6.4% and 7.1%, the EBT margin and the adjusted EBT margin also lie below the prior-year figures (8.1% and 8.4%).

At € 1,287.8 million, average capital employed rose by € 80.1 million on the prior-year figure of € 1,207.7 million. This was due to the increase in assets as a result of extensive investment projects. In addition, the increase in working capital and the decrease in other non-interest-bearing liabilities supported the development. As of the reporting date, capital employed likewise showed an increase compared with the prior year (up € 126.8 million).

At € 48.9 million, **Group EVA** was down on the prior-year figure (€ 77.4 million) and thus below the targeted corridor for EVA development. This key indicator is calculated from NOPAT, less the Group's cost of capital, yielded by the product of average capital employed and 7.0% WACC. The lower NOPAT combined with an increase in average capital employed resulted in a lower EVA value than expected in the 2022 forecast.

The lower consolidated net income was further burdened by a renewed increase in cash outflow for working capital, resulting in a lower cash flow from operating activities. Nevertheless, extensive investment projects and the special allocations to pension assets were funded in full from cash flow from operating activities. Cash and cash equivalents at the end of the period were € 66.9 million above the prior-year level. TÜV SÜD continues to enjoy a good credit standing and a comfortable level of liquidity, secured by the syndicated credit line that runs until July 2026.

The **number of employees** (FTE average) grew by 3.2% and increased from 23,220 to 23,957. The planned expansion of the employee base was implemented primarily through the creation of jobs in Germany, India and China.

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.

OPPORTUNITY AND RISK REPORT
SEE PAGES
77 – 87

For explanations in connection with the dam collapse in Brazil, reference is made to the statements in the sections "Compliance and other risks" and "Overall evaluation of the Group's risk situation".

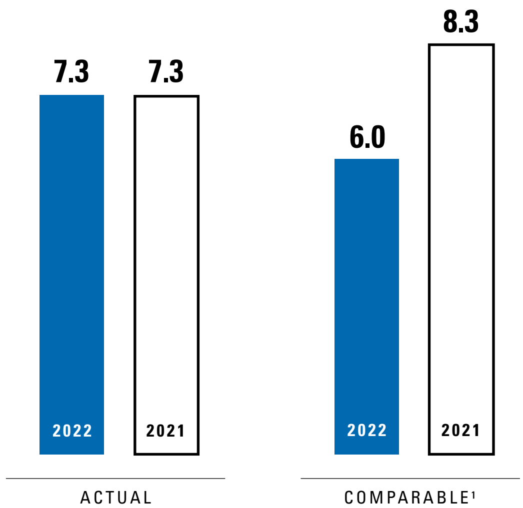
Financial performance

TÜV SÜD generated **revenue** of € 2,863.3 million in the financial year 2022, corresponding to a year-on-year increase of € 196.0 million or 7.3%. The forecast targets of revenue growth of up to 4.5% and revenue of between € 2,700 million and € 2,850 million were exceeded.

We generated organic growth of € 161.1 million or 6.0% with the existing services business. Positive currency effects of € 45.8 million (1.7%) additionally boosted revenue development. By contrast, the deconsolidation of a subsidiary and disposals in the prior year resulted in a negative portfolio effect of € 10.9 million or 0.4%. 09/10

Revenue growth comparable 09

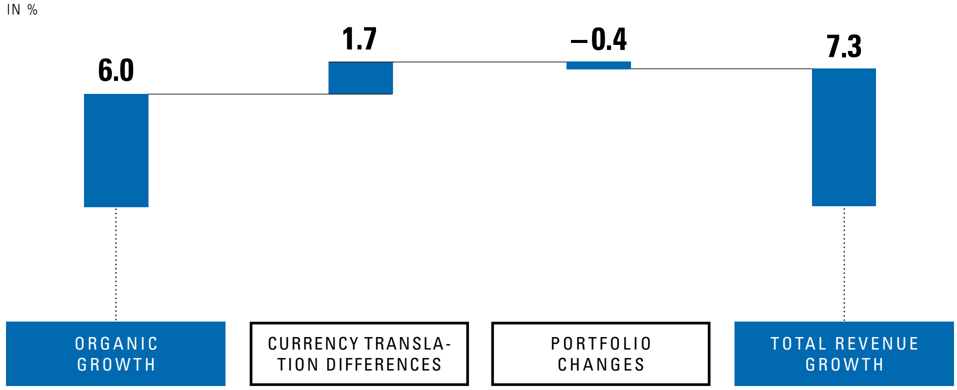
IN %



1 _ Adjusted for exchange rate and portfolio effects.

Revenue growth 2022 10

IN %

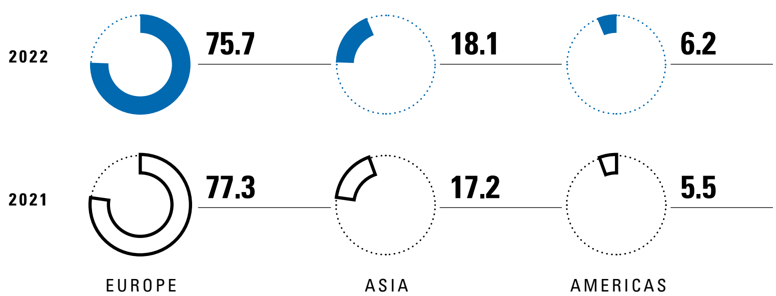


Revenue growth in the German companies amounted to € 91.8 million, corresponding to a share of 46.8% of total growth (prior year: attributable increase of 50.4%). Revenue generated by entities of the Group outside Germany accounted for € 104.2 million or 53.2% of the increase in revenue (prior year: attributable increase of 49.6%). The foreign subsidiaries contributed a total of 37.1% (prior year: 36.0%) to the Group's revenue. Our European home market remains the strongest region in terms of revenue.

Revenue by region 2021/2022

IN %

11



Purchased service cost increased by 14.7% to € 380.9 million and thus increased at a faster rate than revenue. In Germany, the increase resulted from growth in vehicle management services, which are heavily dependent on purchased services, as well as from the Academy business, as classroom training courses were able to resume after the pandemic subsided. In addition, capacities were purchased in China and the US to cover bottlenecks. Overall, this resulted in an increase in the ratio of purchased service cost to revenue to 13.3% (prior year: 12.4%).

Personnel expenses increased by 6.4% to € 1,734.1 million. At 69.7%, the ratio of personnel expenses to operating performance was at the prior-year level (69.7%).

Expenses for wages and salaries including social security contributions rose by 6.2% compared to the prior year. In addition to the increase in personnel due to new hires – particularly in Germany, China and India – and collective wage increases in Germany, currency effects also contributed to the rise.

Retirement benefit costs increased by 3.4% to € 116.5 million (prior year: € 112.7 million). As a result of the expansion of the employee base in Germany, employer contributions to state pensions increased; at the same time, higher contributions to insolvency insurance were due. This was offset by the decrease in the current service cost as a result of the higher discount rate and the decline in the number of eligible employees in Germany.

Higher expenses for health care as part of pandemic management and for further training measures for our employees led to a further increase in incidental personnel costs of 26.3% to € 34.1 million (prior year: €27.0 million).

Amortization, depreciation and impairment losses of intangible assets, right-of-use assets from leases, property, plant and equipment and investment property remained virtually unchanged year on year at € 183.0 million (€ 183.1 million). Amortization and depreciation of € 169.2 million exceeded the prior-year level by € 8.7 million or 5.4% (prior year: € 160.5 million). Of this amount, € 72.4 million (prior year: € 69.6 million) is attributable to the depreciation of right-of-use assets from leases.

In addition to this, impairment losses were recognized on property, plant and equipment, right-of-use assets and intangible assets. A testing facility in Germany was impaired to reflect a decrease in value due to closure. In addition, impairments were recorded in Germany on various software projects – some of which are still under development – and IT applications, including the prepayments made for these.

Impairment losses of € 0.1 million (prior year: € 0.3 million) were also recorded on **goodwill** in the financial year 2022.

Other expenses increased by 15.9% to € 478.7 million. Expenses for travel, marketing, gifts, hospitality and entertainment rose after travel at national and international level increased again and in-person events such as classroom training and trade fairs became possible again. The ongoing digitalization measures in Germany and Singapore led to an increase in IT costs as did the conclusion of new software license agreements. Purchased administrative services, including the use of hired temps, were utilized to manage capacity bottlenecks, particularly in Germany. Rising energy prices and ongoing maintenance work resulted in higher rental and maintenance expenses. Exchange rate losses were incurred due to the weakness of the euro, particularly at the German companies with an international focus. Legal and consulting costs decreased. Premiums for insurance remained largely stable. This item also includes the expenses from an addition to a provision for contingent payments in the MOBILITY Segment.

Other income decreased by 3.3% in the financial year to € 94.9 million. The item mainly includes exchange rate gains, income from the release of provisions as well as rental and lease income. We again received government grants (€ 7.7 million) for funded projects and research projects, particularly in Germany under the Research Allowance Act, as well as in China and Denmark. In the prior year, the sale of the German railway infrastructure planning business and other smaller business units had a positive effect.

The **financial result** for the financial year amounted to € –4.5 million (prior year: € 5.1 million), a decrease of € 9.6 million. The positive contribution to earnings from investments accounted for using the equity method was fully offset by the net interest expense and the negative other financial result.

Earnings from investments accounted for using the equity method decreased by € 6.2 million to € 8.3 million and were therefore below the prior-year level (€ 14.5 million). The contribution to earnings (€ 10.1 million) from the joint ventures TÜVTÜRK in Turkey was € 5.8 million below the prior-year figure. Earnings were significantly impacted by the unfavorable exchange rate between the euro and the Turkish lira. By contrast, the joint venture in Spain and the investment accounted for using the equity method in France both made positive contributions to earnings. Our German joint venture in the MOBILITY Segment made a negative contribution to earnings.

Other income / loss from participations was negatively impacted by the impairment loss on a loan to our German joint venture. The revaluation of a Spanish investment following the business combination achieved in stages and dividend distributions were unable to compensate for this negative effect. Consequently, other income / loss from participations declined by € 1.2 million to € –0.5 million (prior year: € 0.7 million).

The interest result improved by € 7.4 million to € –5.6 million in the financial year. Due to the higher funding ratio of pension obligations, the net interest expense from pension provisions improved by € 1.6 million to € –1.2 million (unwinding of the discount on pension obligations (€ 8.7 million) less interest income from plan assets (€ 10.3 million)). In addition, a change in the discount rate has a positive effect on income in connection with the measurement of the long-service bonus and medical benefits obligations. By contrast, interest expenses from lease liabilities increased from € 8.9 million to € 9.5 million.

The other financial result of € –6.7 million includes losses from a special fund and expenses arising from the application of IAS 29 “Financial Reporting in Hyperinflationary Economies” to our fully consolidated Turkish subsidiaries. The item also comprises currency gains / losses from financing measures.

The **income tax expense** decreased by € 10.5 million or 17.3% to € 50.1 million. At 27.4%, the effective tax rate is below the rate of the prior year of 28.2%, but is still within the normal range.

One-off effects that were negative on a net basis totaling € –20.9 million (prior year: negative effects of € –8.4 million) had an impact on the development of earnings in the financial year:

One-off effects ≡ 06

IN € MILLION	2022	2021
PPA amortization and impairment losses	18.8	27.0
One-off effects, provisions and reversals of impairments	4.2	–4.3
Gain / loss on disposal, result from deconsolidation	0.0	–12.9
One-off effects in earnings from investments accounted for using the equity method and in income / loss from participations	3.4	0.0
With EBIT effect	**26.4**	**9.8**
One-off effect in interest income	**–5.5**	**–1.4**
With EBT effect	**20.9**	**8.4**

In the prior year, we corrected the contributions to employer’s liability insurance under **personnel expenses** that were waived in connection with the change in the payment cycle.

In the **amortization of intangible assets** in the financial year, we recognized adjustments amounting to € 5.9 million for the amortization of assets which we identified in the course of a purchase price allocation (PPA amortization). In addition, one-off impairments amounting to € 12.9 million were recorded on intangible assets, such as software projects and IT applications, and also on a testing facility in Germany. In the prior year, one-off impairment losses totaled € 21.7 million.

A provison was recognized for contingent payments; this expense was adjusted in **other expenses**.

The reversal of a provision for post-contract software development costs and the compensation payments received in connection with this were corrected in **other income**. In the prior year, proceeds from the sale and deconsolidation of three German entities were adjusted in this item.

The impairment loss on a joint venture in Germany was recognized under **income from investments accounted for using the equity method**. The loss allowance on the loan to the joint venture was adjusted in **income / loss from participations**, as was the gain on the revaluation of a Spanish investment. As in the prior year, we eliminated the effect from the change in the interest rate in the measurement of the provisions for long-service bonuses and medical benefits in **net interest result.**

At € 195.0 million, **EBIT** in the financial year 2022 was 13.4% below the prior-year figure of € 225.2 million. The EBIT margin decreased compared to the prior year by 1.6 percentage points to 6.8%. Although the adjustments made of € 26.4 million (prior year: € 9.8 million) improved the adjusted EBIT, at € 221.4 million it is 5.8% or € 13.6 million lower than the adjusted prior-year figure (€ 235.0 million). The adjusted EBIT margin stood at 7.7% (prior year: 8.8%). The higher net adjusted one-off effects were unable to fully compensate for the impact of the economic downturn in the markets and the effect of capacity and supply bottlenecks on TÜV SÜD's operating activities.

The negative financial result also weighed on business development. As a result, **EBT** fell by 15.1% to € 182.7 million and was thus below the prior-year level (€ 215.1 million). Adjusted earnings before taxes decreased by 8.9% or € 19.9 million to € 203.6 million (prior year: € 223.5 million). The return on sales, calculated in proportion to EBT, came to 6.4% in the financial year (prior year: 8.1%). However, the adjusted EBT margin is more suitable for assessing results over time. As a result of the additional adjustments made to EBT, it decreased more sharply than the adjusted EBIT margin and now stands at 7.1% (prior year: 8.4%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, NOTES TO THE CONSOLIDATED INCOME STATEMENT SEE PAGES 114 – 119

Consolidated net income stood at € 132.6 million in the financial year 2022 and was thus € 21.9 million or 14.2% below the prior-year figure of € 154.5 million.

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

Financial position

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 very great importance to us.

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

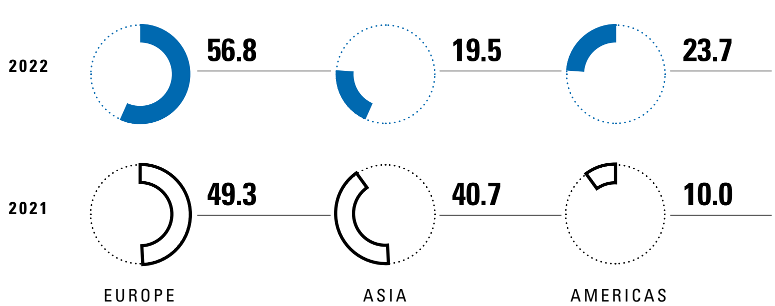
CAPITAL STRUCTURE

TÜV SÜD finances itself with cash flows from operating activities. The available cash and cash equivalents are supplemented by a syndicated credit line of € 300.0 million, with a term until July 2026, to give us the financial flexibility necessary to reach our growth targets. With this credit facility, the available cash and the annual free cash flow, the company has sufficient liquidity to finance its planned organic and external growth.

CAPITAL EXPENDITURES

Excluding business combinations, financial assets and securities, capital expenditures amounted to € 153.8 million in the financial year 2022 (prior year: € 106.3 million).

Capital expenditures 12
IN %



At € 69.8 million, 45.4% of capital expenditures were made in our home market Germany. Investments were made in various IT application systems and in the construction of our new "Algorithmus" building on the site of our group headquarters in Munich. In June 2022, the foundation stone was laid for the new office building, which will be cooled and heated via its own groundwater well; the sustainable energy supply concept will be supplemented by district heating.

Other funds were invested in remodeling and equipping the Technical Service Centers.

In Western Europe, we invested a total of € 11.5 million, primarily in testing facilities in the UK. Investment activity (€ 6.0 million) in Central and Eastern Europe in 2022 focused on the completion of a company building in Austria and the comprehensive refurbishment and modernization of our laboratory and office building in Szentendre, Hungary. The construction works there include the installation of a heat pump and a photovoltaic system for emission-free energy supply. The lighting in the entire building complex will at the same time be converted to LED technology.

We invested € 30.0 million in the ASIA Region during 2022, this equates to 19.5% of the total investment volume. Investments were primarily made in software projects in the Product Service Division in Singapore. Investments also included the expansion of the testing facilities in Thailand, India, Singapore and Vietnam, as well as in equipment for testing facilities in China.

We spent around € 36.5 million or 23.7% of our total investment volume in the AMERICAS Region, where the focus lay on expanding and extending laboratory capacities. Additional investments were made in the relocation of GRC Corp., Wilmington, USA.

We invested € 5.2 million in the acquisition of entities in 2022 (prior year: € 6.5 million). This includes payments to acquire shares in non-consolidated affiliated companies.

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

LIQUIDITY

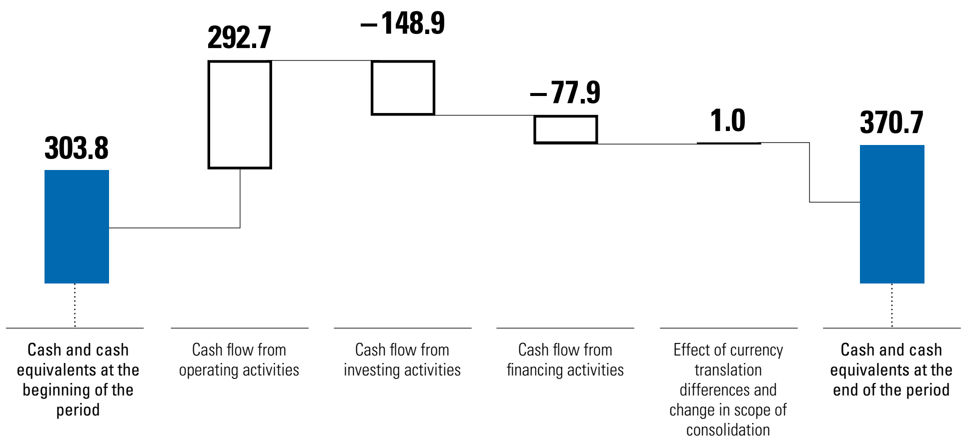
CONSOLIDATED FINANCIAL STATEMENTS, CONSOLIDATED STATEMENT OF CASH FLOWS SEE PAGE 103

Cash and cash equivalents increased by € 66.9 million or 22.0% to € 370.7 million by the end of the financial year, corresponding to 12.1% of total assets (prior year: 11.4%). The development of cash and cash equivalents in the financial year is presented in detail in the consolidated statement of cash flows.

Liquidity of the TÜV SÜD Group 2022

IN € MILLION

13



The starting point for the cash flow statement is the consolidated net income for the year, which amounted to € 132.6 million, and was thus € 21.9 million below the prior-year figure (€ 154.5 million).

Gains on the disposal of intangible assets, property, plant and equipment, right-of-use assets and financial assets, as well as the earnings from the deconsolidation of a subsidiary, reduced the starting point by € 1.3 million (prior year: € 17.0 million). The non-cash items amortization, depreciation, impairment losses and reversals of impairments came to € 188.1 million and were thus marginally higher (€ 1.6 million) than the prior-year figure of € 186.5 million. Alongside the scheduled amortization and depreciation, impairment losses were once again recognized on goodwill, intangible assets such as software and development projects, including the prepayments made for these, as well as on right-of-use assets and property, plant and equipment. In addition, impairment losses were recorded on a joint venture in Germany and a loan to this company. Other non-cash income and expenses primarily originate from rolling forward the entities consolidated using the equity method. The group-wide currency hedging result is also included here.

In the financial year, changes in the working capital and other assets and liabilities resulted in a cash outflow of € 57.2 million (prior year: € 12.1 million). The capital tied up in current assets resulted on the one hand from the general increase in revenue and the associated rise in trade receivables. On the other hand, it reflects the higher level of contract assets resulting in particular from order processing in Germany, China and the US – mainly in the INDUSTRY and CERTIFICATION Segments. On the liabilities side, capital tied up decreased after the increase in trade payables including contract liabilities was partly compensated for by the utilization of current provisions. **Cash flow from operating activities** declined by a total of € 50.0 million or 14.6% to € 292.7 million (prior year: € 342.7 million).

Cash outflow from investing activities decreased by € 105.4 million to € 148.9 million in the financial year. Cash paid for investments in intangible assets and property, plant and equipment of € 142.6 million were € 28.0 million higher than in the prior year (€ 114.6 million). Investments were made mainly in IT application systems and software projects, the new "Algorithmus" building in Munich and in technical service centers and testing facilities.

There was a net outflow of financial assets due to the acquisition of remaining shares in a non-consolidated subsidiary in Spain and two entities in the US and Mexico, which are also not consolidated. In addition, loans were granted.

No corporate transactions took place in the financial year 2022. In the prior year, a total cash inflow of € 17.7 million was realized from transactions in Germany, the UK and Switzerland.

The disposal of securities in the special fund as well as in the US and the liquidation of time deposits in South Korea were counterbalanced by investments in Chinese money market funds, resulting in a net cash inflow of € 33.1 million. In the prior year, the acquisition of shares in a special fund in particular resulted in a net cash outflow of € 37.6 million.

The external financing of pension obligations was reduced by € 81.0 million to € 36.4 million (prior year: € 117.4 million) after individual pension plans showed a surplus of plan assets. Extraordinary cash-effective contributions were made to TÜV SÜD Pension Trust e. V. (€ 30.0 million; prior year: € 30.0 million); no contributions were made to TÜV Hessen Trust e. V. (€ 0.0 million; prior year: € 10.4 million). In addition, an amount of € 6.4 million (prior year: € 12.2 million) was added to other plan assets.

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 € 150.1 million in the financial year 2022 (prior year: € 228.1 million). This represents a decrease of 34.2% on the prior year. Despite the 24.4% increase in investment volume, it was possible to finance investments in intangible assets and property, plant and equipment entirely from the cash flow from operating activities.

Cash outflow from financing activities decreased by € 6.6 million to € 77.9 million (prior year: € 84.5 million). The change arises primarily from a decrease in payouts to non-controlling interests. The dividend distribution to TÜV SÜD Gesellschafterausschuss GbR remained unchanged compared to the prior year. Repayments of lease liabilities increased on account of a larger lease portfolio.

The value of cash and cash equivalents – consisting of checks, cash in hand, bank balances and securities with an original term of less than three months – stood at € 370.7 million as of the reporting date. Including the securities disclosed in other financial assets which can be liquidated at any time, there are cash and cash equivalents totaling € 519.7 million (prior year: € 486.4 million). Further financing flexibility is provided by various credit lines (€ 21.7 million) and the syndicated credit line of € 300.0 million, with a term until July 2026.

Financial position

Asset and capital structure

IN %

14

ASSETS	2022	2021
NON-CURRENT ASSETS	64.1	64.6
thereof[1]:		
INTANGIBLE ASSETS	15.5	17.3
RIGHT-OF-USE ASSETS	21.4	23.4
PROPERTY, PLANT AND EQUIPMENT	30.8	32.7
OTHER NON-CURRENT ASSETS	19.8	0.7
CURRENT ASSETS	35.9	35.4
thereof[1]:		
TRADE RECEIVABLES[2]	37.6	39.0
CASH AND CASH EQUIVALENTS	33.6	32.1

EQUITY AND LIABILITIES	2022	2021
EQUITY	54.6	48.2
NON-CURRENT LIABILITIES	20.2	24.6
thereof[1]:		
PENSIONS AND SIMILAR OBLIGATIONS	22.2	28.1
NON-CURRENT LEASE LIABILITIES	59.9	53.8
CURRENT LIABILITIES	25.3	27.2
thereof[1]:		
CURRENT PROVISIONS	21.7	24.2
OTHER CURRENT LIABILITIES	29.0	30.6
TOTAL ASSETS	€ 3,073.9 MILLION	€ 2,667.3 MILLION

1 _ As a percentage of current or non-current item, not of total assets.
2 _ Prior-year figure restated; for more information please see note 5 of the notes to the consolidated financial statements.

Total assets increased by € 406.6 million or 15.2% to € 3,073.9 million in the financial year (prior year: € 2,667.3 million).

Non-current assets rose by € 247.7 million to € 1,970.0 million. The increase was largely due to other non-current assets and is attributable to the overfunding of some pension plans. Current assets increased by € 158.9 million to € 1,103.9 million, primarily due to higher balances of cash and cash equivalents as well as trade receivables.

Intangible assets increased by € 7.7 million to € 306.0 million. The increase in goodwill is mainly attributable to currency effects. Other intangible assets increased in particular due to the extension of a software license agreement in Germany. This was offset by amortization and impairment losses, in particular on various software projects and IT applications – some of which are still under development – including the prepayments made for these. Overall, impairment losses amounted to € 2.2 million.

Right-of-use assets from leases increased by € 18.3 million to € 421.9 million. This includes additions to leased real estate in Asia, North America and Europe. Depreciation amounted to € 72.4 million in the financial year (prior year: € 69.6 million).

Additions to **property, plant and equipment** related to investments in the expansion and modernization of buildings and testing facilities in Germany and the US, particularly to construction in progress. At € 4.4 million, **investment property** is € 1.5 million above the level of the prior year.

Investments accounted for using the equity method increased by € 8.5 million to € 27.8 million. The increase is mainly due to the application of IAS 29 “Financial Reporting in Hyperinflationary Economies” at our Turkish joint venture TÜVTÜRK.

Other financial assets decreased by € 38.2 million to € 106.0 million, mainly on account of the disposal of securities in a special fund. This was partly offset by the acquisition of shares in non-consolidated subsidiaries in Spain, the US and Mexico.

Other non-current assets mainly comprise assets from overfunded pension plans (€ 378.6 million).

The decrease in **deferred tax assets** of € 172.1 million to € 105.8 million primarily stemmed from the changes to deferred taxes on actuarial gains on the net pension obligations, which are posted directly to other comprehensive income without affecting income.

Contract assets increased at a higher rate than revenue by € 20.5 million or 15.2% to € 155.3 million. This was due to the high level of contracts in Germany, China and the US, primarily in the INDUSTRY and CERTIFICATION Segments. In the prior year, contract assets had been included in trade receivables. The prior-year comparative figures were adjusted accordingly.

Trade receivables increased by € 46.5 million or 12.6% in the financial year 2022 to € 414.9 million. They thus increased at a faster rate than revenue, which rose by 7.3%. The change was due to invoicing around the reporting date, mainly at the entities in Germany. Days sales outstanding (DSO) averages 56 days (prior year: 53 days) throughout the Group.

Other receivables and current assets rose by € 10.1 million to € 135.6 million (prior year: € 125.5 million). The reasons for the change include the increased investment in money market funds in China, a higher level of financial derivatives with a positive market value from the currency hedging of intercompany loans denominated in US dollars and receivables from investments, as well as increased reimbursement claims against insurance companies.

CONSOLIDATED FINANCIAL STATEMENTS, CONSOLIDATED STATEMENT OF CASH FLOWS SEE PAGE 103

Cash and cash equivalents increased by € 66.9 million to € 370.7 million. This is thus equivalent to 12.1% of total assets (prior year: 11.4%).

Equity increased by € 391.5 million (up 30.4%) in the financial year, and stood at € 1,677.6 million as of the reporting date. The increase originated chiefly from actuarial gains net of deferred taxes and the consolidated net income of € 132.6 million (prior year: € 154.5 million). The equity ratio increased by 6.4 percentage points to 54.6%.

Non-current liabilities decreased by € 36.7 million to € 619.9 million. Most of this change resulted from the decrease in pension obligations. On the other hand, non-current lease liabilities under IFRS 16 increased by € 17.5 million to € 371.1 million.

The net obligation from defined benefit plans (net pension obligation) is determined from the balance of the present value of defined benefit obligations (projected benefit obligation) and the fair value of the plan assets as of the reporting date. Based on the balance of the individual plans, the pension plans that are overfunded by € 378.6 million (prior year: € 0.0 million) are reported under non-current assets while the underfunded pension plans are reported under **provisions for pensions and similar obligations** of € 137.7 million (prior year: € 184.7 million).

The group-wide defined benefit obligation is reported at € 1,564.6 million, € 623.3 million below the prior-year figure (€ 2,187.9 million). A decrease of € 578.3 million was recorded in Germany. Actuarial gains from changes in the discount rate to 3.7% (prior year: 1.1%), coupled with pension payments exceed the actuarial losses arising from an increase in the pension trend to 2.2% (prior year: 2.0%), future salary increases to 2.75% (prior year: 2.25%) plus the sum of service cost and interest. The decrease outside Germany (down € 45.0 million) is mainly attributable to actuarial gains from the change in the discount rate in the UK.

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 (CTA). 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. Plan assets as of the reporting date came to € 1,806.2 million of which € 1,580.6 million consists of the assets held in trust by TÜV SÜD Pension Trust e. V., and € 64.8 million of the assets held in trust by TÜV Hessen Trust e. V. The remaining plan assets of € 160.8 million consist mainly of policy reserves of employer’s pension liability insurance and assets for pension plans in other countries.

Across the entire Group, plan assets decreased by € 197.0 million. The decrease was attributable in particular to actual losses of € 152.4 million incurred in Germany and other countries as well as pension payments of € 77.1 million. This is counterbalanced by additions to plan assets of € 36.4 million.

As a result of the decrease in the defined benefit obligation exceeding the decrease in plan assets, the percentage of pension obligations funded by plan assets improved overall from 91.6% in the prior year to 115.4% as of the reporting date. In Germany, coverage stood at 117.3% (prior year: 91.8%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS SEE PAGES 128 – 135

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 fell by € 10.8 million to € 87.0 million. They include provisions for long-service bonuses 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 € 17.5 million to € 371.1 million is attributable, among other things, to the addition of leases for buildings in Asia, North America and Europe.

Current liabilities increased by € 51.8 million to € 776.4 million. The decrease in current provisions and income tax liabilities was offset by an increase in trade payables and contract liabilities.

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

The volume of **trade payables** increased by € 28.5 million to € 98.1 million as a result of invoicing, particularly in Germany.

Contract liabilities increased by € 25.3 million to € 175.5 million, mainly in Germany. This development was strengthened by the increase in advance payments received. Contract liabilities were included in trade payables in the prior year. The prior-year comparative figures were adjusted accordingly.

Other current liabilities increased by € 3.5 million to € 225.0 million. Among other things, these include obligations to employees for vacation and overtime, as well as obligations for outstanding invoices. This was counterbalanced by the effects of financial derivatives concluded for currency hedging purposes in Germany, which are also included in this item.

Comments on TÜV SÜD AG

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

TÜV SÜD AG is the management holding company of TÜV SÜD Group. In the financial year 2022, the Group comprised a total of 43 (prior year: 44) German and 113 (prior year: 113) international entities. In addition to providing support to the participations, TÜV SÜD AG provides other shared 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	2022	2021
Revenue	**140.2**	**131.2**
Total operating performance	140.2	131.2
Other operating income	39.1	16.2
Cost of materials	–50.7	–45.1
Personnel expenses	–41.4	–39.0
Amortization, depreciation and impairment losses	–17.4	–11.5
Other operating expenses	–71.6	–70.7
Financial result	–59.3	88.6
Income taxes	–8.8	–22.3
Earnings after taxes = net loss for the year (prior year: net income for the year)	**–69.9**	**47.4**
Profit carried forward	392.3	347.0
Retained earnings	**322.4**	**394.4**

In the financial year 2022, TÜV SÜD AG's total operating performance increased by € 9.0 million or 6.9% to € 140.2 million. The increase in total operating performance is primarily attributable to the cross charging of higher prepaid expenses and trademarks received.

Other operating income increased by € 22.9 million to € 39.1 million. This item includes income from the reversal of provisions, insurance payments, currency translation and forward exchange transactions.

Due to higher costs for IT application operations, a rise in insurance premiums and other purchased services, the cost of materials rose by € 5.6 million or 12.4% to € 50.7 million. Personnel expenses increased by € 2.4 million or 6.2% to € 41.4 million. This is mainly due to the increase in the headcount, an increase in the collectively bargained wages and higher pension expenses.

The impairment of a testing facility in Heimsheim contributed significantly to the increase in amortization and depreciation of intangible assets and property, plant and equipment by € 5.9 million or 51.3% to € 17.4 million.

Other operating expenses increased by € 0.9 million or 1.3% to € 71.6 million. In addition to legal expenses and consulting fees as well as maintenance costs, in particular for the real estate in Munich, this item includes expenses from currency translation and operating and administrative expenses, including IT costs.

The financial result decreased by € 147.9 million to € –59.3 million, primarily due to the negative development of plan assets.

In income / loss from participations, higher contributions to earnings from subsidiaries with profit and loss transfer agreements were offset by lower expenses from loss assumption. A positive factor in this regard was income from profit distributions by TUV SUD China Holding Ltd., Hong Kong. This was partly offset by impairment losses on shares in affiliated companies in Germany and Spain. Our Turkish joint ventures TÜVTÜRK, despite negative currency effects, made a positive contribution to earnings (€ 7.9 million, prior year: € 15.2 million).

Income and expenses related to the CTA are presented net in the interest result. CTA investments generated a loss of € 113.1 million (prior year: income of € 116.4 million) in the financial year. Income of € 2.2 million was realized from currency hedging in the financial year. This was partly offset by expenses of € 0.6 million resulting from the disposal of securities from fixed financial assets.

The operating result, defined as earnings before taxes and the financial result, of € – 1.8 million was above the prior-year figure of € – 18.9 million.

Taxes on income resulted in a € 13.5 million reduction in the tax expense to € 8.8 million (prior year: € 22.3 million). The decrease is mainly attributable to changes in the structure of plan assets.

There was a net loss of € 69.9 million, compared with a net income of € 47.4 million in the prior year.

The TÜV SÜD Group is managed using performance indicators based on data calculated in accordance with IFRS. These are not relevant to TÜV SÜD AG's separate financial statements as the Group parent. Financial and non-financial performance indicators and forecasts of these indicators are of lesser significance to TÜV SÜD AG as the parent company of the Group. However, this does not affect the need to comply with the relevant legal requirements.

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	December 31, 2022	December 31, 2021
Assets		
Intangible assets	13.6	8.7
Property, plant and equipment	110.1	107.2
Financial assets	1,072.8	1,099.1
Fixed assets	**1,196.5**	**1,215.0**
Receivables and other assets	52.3	41.5
Cash and cash equivalents	206.9	133.6
Current assets	**259.2**	**175.1**
Prepaid expenses	**2.6**	**3.1**
Excess of covering assets over pension and similar obligations	**55.6**	**354.4**
Total assets	**1,513.9**	**1,747.6**
Equity and liabilities		
Capital subscribed	26.0	26.0
Capital reserve	124.4	124.4
Revenue reserves	405.1	405.1
Retained earnings	322.4	394.4
Equity	**877.9**	**949.9**
Tax provisions	31.6	40.6
Other provisions	73.4	108.1
Provisions	**105.0**	**148.7**
Liabilities	**531.0**	**649.0**
Total equity and liabilities	**1,513.9**	**1,747.6**

In non-current assets, intangible assets increased as a result of the conclusion of a software license agreement. Property, plant and equipment increased slightly after investments in assets under construction – mainly investments in a new administration building in Westendstrasse, Munich, and in technical service centers – were partly offset by the impairment loss on a testing facility. Financial assets decreased mainly due to the disposal of shares in an existing special fund. By contrast, shares in affiliated companies increased due to the transfer of subsidiaries and capital increases, despite the recognition of impairment losses. In addition, further loans were granted.

Receivables and other assets increased by € 10.8 million to € 52.3 million, mainly on account of receivables from affiliated companies arising from in-house cash transactions (cash pool) and receivables from income tax prepayments.

The excess of covering assets over pension and similar obligations decreased by € 298.8 million to € 55.6 million. At the beginning of the year, an amount of € 211.0 million was withdrawn from the excess cover provided by the trust assets of TÜV SÜD AG; this way partly offset by a further contribution of € 30.0 million. The loss on plan assets of € 113.1 million was deducted from the difference.

Tax provisions decreased to € 31.6 million. In the prior year, they amounted to € 40.6 million.

Other provisions decreased by € 34.7 million to € 73.4 million, mainly due to the reversal of a risk position. The position included provisions for various liability risks and advisory and legal costs that are expected for coming years as a result of the accident in Brazil.

Liabilities decreased by € 118.0 million and stood at € 531.0 million, mainly as a result of lower liabilities to affiliated companies as a result of in-house cash transactions (cash pool). In addition, loan liabilities were reduced by the repayment of the loan to TUV SUD China Holding Ltd., Hong Kong, while trade payables increased to € 21.4 million.

CASH FLOWS AND CAPITAL STRUCTURE

The financial management of TÜV SÜD AG aims to maintain solvency at all times and continuously optimize liquidity.

At € 206.9 million, cash and cash equivalents are € 73.3 million above the prior-year level (€ 133.6 million). This development was mainly driven by the payments from subsidiaries from operating activities, which flow to TÜV SÜD AG via the cash pool, the pension reimbursements of TÜV SÜD Pension Trust e. V. and the partial disposal of an existing special fund. This was partly offset by the transfer of € 30.0 million to the CTA.

Equity decreased by € 72.0 million to € 877.9 million. The decrease corresponds to the net loss for the year of € 69.9 million plus the dividend payment of € 2.1 million to TÜV SÜD Gesellschafterausschuss GbR, Munich. Together with the profit brought forward from the prior year, retained earnings come to € 322.4 million.

Total assets decreased by € 233.7 million to € 1,513.9 million. The equity ratio increased from 54.4% to 58.0%.

OVERALL STATEMENT ON TÜV SÜD AG'S SITUATION

The Board of Management's expectations for financial year 2022 were not met with regard to plan assets due to the interest rate increases and their negative impact on plan assets.

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 considered to be secured for the coming years.

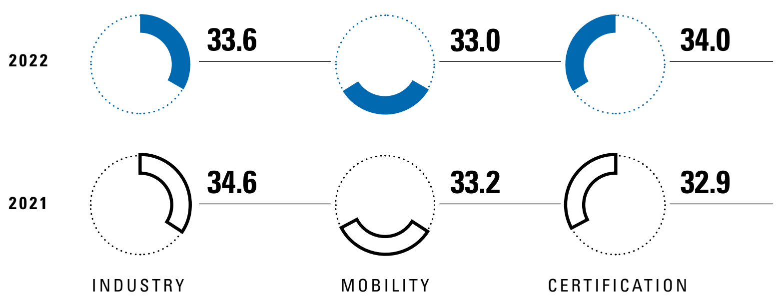
Segment report

Despite an economic environment fraught with political uncertainties, all segments continued on their growth trajectory in the financial year.

Revenue by segment 2021/2022[1]

15

IN %



1 _ Without OTHER and reconciliation.

INDUSTRY

The energy crisis and interrupted supply chains affecting many companies made business activities in the INDUSTRY Segment more difficult. There was a reluctance to invest in industries with high energy consumption or heavy dependence on international supply chains, while at the same time national and international projects were postponed. In Germany, the high level of sick leave among employees also led to capacity bottlenecks. As far as possible, we minimized the impact on our business through flexible scheduling of inspections and testing services, as well as cost optimization programs. Our progress in digitalization also helped us to fulfill our social mission, even under difficult conditions.

As key drivers of transformation in the economy and society, sustainability and digitalization dictated the strategic priorities in the INDUSTRY Segment. The development and market launch of digital testing services and certifications will continue to move into focus. The expansion of local competence centers was intensified and driven forward in order to strengthen the local presence and competitiveness and thus enable further international growth. We continued to focus on our core competencies in the TIC market.

The 7,085 employees (FTE average) of the INDUSTRY Segment generated revenue of € 961.8 million, equivalent to 33.6% of consolidated revenue. The 4.2% increase in revenue, or € 39.2 million, was still in line with our expectations.

Accounting for around 60% of revenue, the **Industry Service Division** contributed the largest share of the segment's revenue. A revenue increase of 5.6% was achieved in the financial year. The division thus generated the largest share of the segment's sales growth, both in percentage and absolute terms.

Business development in plant safety and in our services for the chemical and petrochemical industries showed a slight year-on-year improvement, although there were still delays in commissioning projects. However, the local and selective measures taken to contain the COVID-19 pandemic also curbed business development. Plant safety was particularly affected by capacity bottlenecks in the workforce, while the chemical industry was impacted by the negative effects of the general economic situation.

In the chemical and petrochemical industry, the increased use of renewable raw materials and renewable energies is of the highest priority. At the same time, the requirements for sustainable processes and products and their certification are increasing. With VERIchem, TÜV SÜD offers a procedure for the neutral and transparent validation and verification of CO_2 emissions in production processes, based on the ISO/IEC 17029 standard and other relevant standards and norms. Like VERIsteel in the steel industry, VERIchem supports the definition of a reference baseline for CO_2 emissions, against which both the success of individual improvement measures and the progress in the entire decarbonization process can be measured.

With AMAIS (Asset Monitoring Artificial Intelligence Support), TÜV SÜD also offers its customers AI and sensor-based monitoring of plant conditions, which also includes the evaluation of sensor data with predictive algorithms and identifies possible options for action.

As expected, there was strong demand for our offerings in the field of renewable energies, our traditional environmental technology business and our sustainability-related services. In this area, TÜV SÜD offers its customers a broad portfolio of services to comply with legal requirements for CO_2 reduction, implement decarbonization and climate protection targets and document this accordingly. The offer includes, among other things, the verification of greenhouse gas balances, as well as the certification of climate neutrality according to the relevant standards.

Many industries are dependent on alternative energy sources in order to achieve the desired climate and environmental objectives. In order to document the safety and performance of these energy sources, TÜV SÜD offers manufacturers of fuel cell systems and H_2 system components two voluntary certificates. TÜV SÜD, in cooperation with component manufacturers, also developed its own standard for compressed hydrogen embrittlement resistance, which is based on recognized international regulations and forms the basis for the corresponding certification.

The independent technical risk calculation and analysis showed the highest revenue growth within the division in absolute and percentage terms and was additionally boosted by catch-up effects. The power generation and quality management business also made positive contributions to revenue.

The **Real Estate & Infrastructure Division** generated almost 40% of its segment revenue from the inspection of lifts and the appraisal of buildings and rail vehicles. The regional focus lies on Germany and internationally in the Middle East, Spain, the UK and China. Revenue from this division was up on the prior year by 2.4%.

The project business of the Real Estate & Infrastructure Division is partly dependent on economic development. As a result, projects and investment pending customer decisions were postponed.

We received UKCA accreditation from the United Kingdom Accreditation Service (UKAS) for the UK market during the financial year and offer lifts and safety component certification under the Lifts Regulations 2016. The requirements for placing lift systems and safety components on the British market had changed as a result of Brexit.

The refrigeration and air-conditioning testing facility in Olching near Munich was the first laboratory worldwide to be accredited for performance testing of jet fans in accordance with ISO 13350. Jet and impulse fans can be efficiently tested on a specially designed thrust test rig.

The Middle East remains a growth region for the division. The building inspection business in the insurance-driven market environment will be further expanded there. The focus is on the digitalization of processes and the targeted development of local experts. At the same time, services are being developed in other countries in the region.

The rail industry was particularly affected by the strict measures taken to contain the COVID-19 pandemic in China. In addition, access to the Chinese market for rail transport is becoming increasingly difficult due to market entry barriers. These two factors are making the market environment challenging for us.

In addition to strengthening its core competencies and business, TÜV SÜD continues to work on making the services it offers more future-oriented. We therefore continue to focus on automation and digitalization in order to meet future requirements and take advantage of growth opportunities. In Real Estate & Infrastructure, these include sensor-based maintenance optimization in LiftManager, AI-controlled facade inspection using drones or solutions for functional safety and cybersecurity. In the rail industry, simulation-based testing procedures are becoming increasingly important in order to make classic physical testing procedures more efficient. TÜV SÜD supports this process with innovative solutions, such as instrumented wheelset technologies as well as wheel slide or pantograph simulations.

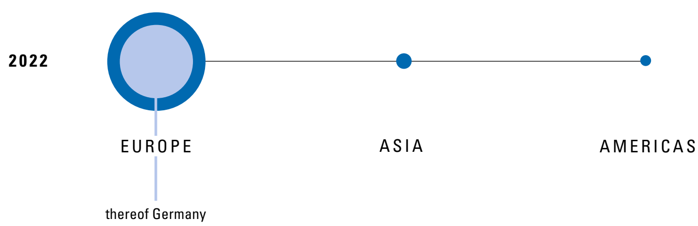
Another focus in the development of our services is the aspect of sustainability. We are already pursuing the lifecycle approach with our services relating to buildings. Among other things, we offer sustainability certifications for new builds and existing properties in accordance with BREEAM, create sustainability concepts and simulations for new builds or optimize existing properties by means of technical monitoring and climate protection roadmaps. The introduction of alternative drive technologies in the rail industry, such as in pure H_2 or hybrid vehicles, is supported by us with independent safety assessments.

At € 90.0 million, EBIT in the INDUSTRY Segment was down 15.7% on the prior-year figure of € 106.8 million. We therefore did not meet our expectations for EBIT growth. The positive revenue trend was offset by higher expenses, especially for purchased services, personnel and travel expenses. At the same time, there was a decline in other income, which in the prior year included the proceeds from the disposal of the railway infrastructure planning business. The EBIT margin of 9.4% (prior year: 11.6%) was in line with expectations.

Segment assets increased by € 20.2 million to € 503.6 million (prior year: € 483.4 million). The decrease in non-current assets was compensated for in full by higher trade receivables.

Investments of € 11.5 million were made, among other things to expand and equip testing facilities such as the fire safety testing facility in Thailand.

Revenue by region – INDUSTRY 16



MOBILITY

The automotive industry is undergoing a fundamental transformation. The degree of complexity along a vehicle's lifecycle is growing constantly – from sourcing through to production, and use through to vehicle scrapping. At the same time, innovative technologies such as alternative drive technologies and highly automated vehicles are fundamentally changing the understanding of mobility. Social expectations with regard to mobility have also developed accordingly. Meeting sustainability goals as well as demands for digital and technical safety are creating additional challenges for the industry.

The MOBILITY Segment is supporting this transformation with innovative services as well as the development and testing of new and virtual testing methods. The entire testing portfolio for type approval can be offered in all relevant markets based on testing facilities and worldwide cooperation with partners. This allows highly automated vehicles to take to the road quickly and safely.

The MOBILITY Segment overall developed positively. The high level of sick leave among our employees, the general shortage of skilled workers and supply bottlenecks, especially for semiconductors, were challenges that had to be mastered in the financial year 2022.

The headcount of 6,358 employees (FTE average) in the MOBILITY Segment generated revenue of € 945.0 million in the financial year. This is equivalent to 33.0% of consolidated revenue. Revenue increased by € 59.6 million or 6.7% and therefore meets our forecast.

The regulated market was largely stable worldwide. The number of general inspections carried out increased further in almost all countries. In Germany, the core business of roadworthiness tests and exhaust gas analyses remained stable overall, with almost 6.1 million roadworthiness tests carried out. A lack of new car registrations and the shrinking used car market prevented a more positive development.

Our activities in Turkey are currently strongly influenced by hyperinflationary developments. The opening of two Technical Service Centers in Slovakia had a positive effect. In addition to roadworthiness tests and exhaust-gas analyses, these centers also offer an authenticity verification procedure. In Spain, the number of general inspections carried out declined after many customers failed to turn up for their vehicle inspections, which was tolerated by the legislator.

Revenue from driving tests increased, as did revenue from medical / psychological services, which our human diagnostics business offers exclusively in Germany.

Demand for damage assessment reports has recovered after business slumped over the past two years as a result of pandemic-related lower traffic levels.

We continue to focus on the internationalization of our activities in the regulated market, especially with our involvement in Eastern Europe.

In the non-regulated market, a slight rise in demand was recorded for our services for the automotive industry, which we offer to car showrooms and dealerships, manufacturers, suppliers, leasing specialists and insurers. Supply bottlenecks continue to affect business adversely, especially the remarketing offering. Services relating to highly automated driving (HAD) recorded more incoming orders than in the prior year, and the field is still being ramped up.

The transformation in the automotive industry away from combustion engines towards electromobility is particularly affecting our emission testing laboratories. Lack of specifications with regard to combustion engines as well as high excess capacities at competitors and manufacturers have led to our utilization capacity being too low. We therefore recognized impairment losses on account of the imminent closure of an emissions testing facility in Germany.

In the international environment, the MOBILITY Segment continues to expand its range of services, particularly in the focus markets of the US and China.

In certain regions, a partner office network (PTI partner model) is used in the MOBILITY Segment for the provision of roadworthiness tests and exhaust gas analyses services. At 17.8% (prior year: 16.4%), the ratio of purchased service cost to revenue is thus above the group-wide average of 13.3%. The increase in the financial year is attributable to the growth trend in revenue in this business.

At € 51.4 million, EBIT was down € 7.9 million or 13.3% on the prior year and therefore fell short of the targeted corridor. The EBIT margin also failed to reach the targeted corridor. The higher revenue base is attributable to a more rapid increase in expenses for external services and personnel as well as costs incurred in connection with a German joint venture, which also included impairment losses. In addition, impairment losses were recognized on intangible assets and an emissions testing facility in Germany.

Segment assets increased by € 46.9 million to € 448.8 million (prior year: € 401.9 million), mainly due to investments in fixed assets and higher trade receivables.

In 2022, € 27.6 million was invested in the modernization of the Technical Service Centers in Germany and the establishment of Technical Service Centers in Slovakia.

Revenue by region – MOBILITY 17

CERTIFICATION

The CERTIFICATION Segment remained largely stable in the financial year 2022 despite the impact of the energy crisis, supply chain issues or local measures to contain the COVID-19 pandemic. Once again, the international alignment of the CERTIFICATION Segment, the broad customer spectrum and the comprehensive services portfolio have proven their worth.

The strategic growth areas in the segment will be expanded and internationalized by way of targeted initiatives. This includes the expansion of our international testing facility network. In this way, we support our customers around the world in transforming their business models and allow them to access global markets. We render our services worldwide in our testing facilities, virtually or on site at our customers.

There were 8,323 employees (FTE average) in the CERTIFICATION Segment in the financial year. They generated revenue of € 973.8 million, equivalent to 34.0% of consolidated revenue. Revenue growth came to € 97.1 million or 11.1% and thus met our expectations.

The **Product Service Division**, which saw revenue growth of 10.9%, accounted for more than 70% of segment revenue. The consumer goods services business was characterized by challenges in 2022. As a result of the energy crisis and rising inflation, demand for consumer goods in Europe was lower than in prior years. At the same time, merchandise filled the warehouses of wholesalers. Imports from Asia to Europe were reduced, in turn reducing demand for testing and certification of consumer goods. In China, the provision of our services to the local market as well as for export has been limited by the recurring lockdowns to contain the COVID-19 pandemic. In addition to China and Germany, the focus markets for our services in the consumer goods sector are India, Bangladesh and Southeast Asia.

In the area of industrial goods, we provide our customers with global market access and also offer solutions for connectivity and robotics as well as electromobility. We are supporting the energy transition with our innovative services for testing batteries for electric vehicles, components for hydrogen systems, photovoltaics and storage technology. Our main markets are Germany, the US and North Asia. In these areas, we again invested heavily in the expansion of our testing facilities, in particular for electromagnetic compatibility (EMC) testing and for batteries and battery systems. The testing facility for electromagnetic compatibility and radio frequency measurement in Hampshire, UK, opened in July 2022. The laboratory enables our customers to accelerate time to market testing of products using Bluetooth, Wi-Fi and 6E frequency band technology. Testing in accordance with global approval specifications is also possible to meet the growing demand from manufacturers for simultaneous access to multiple global markets. In addition, the new testing facility for battery and automotive components was opened in Thailand in July.

In September 2022, the seafood, spices and commodity testing facility commenced operations at its new location in Visakhapatnam, India. As a result, we were able to significantly expand our capacities in this area and now offer a much broader range of services.

The hydrogen testing facility in Garching near Munich began operations in March of the financial year. With the help of state-of-the-art technology, all types of materials and components can be tested for their suitability for use with gaseous and liquid hydrogen. The laboratory offers all services required for this – from design validation and development to material selection and qualification, type approval and certification.

Supply chain delays led to customers postponing the placement of orders. At the same time, our capacities were restricted from time to time by recurring lockdowns to contain the COVID-19 pandemic, quarantine regulations and a high level of sick leave among employees. The growth of our business in the area of industrial goods was correspondingly subdued.

Our medical product certifications business remains on a growth trajectory. The challenge in the financial year lay in the timely transition of manufacturers to the new EU Medical Devices Regulation (MDR) and the EU Regulation on In-Vitro Diagnostic Devices (IVDR). As the largest notified body in Europe, we benefit from the growth of the global medical market in all countries. Demand developed particularly favorably in Germany. In Denmark, we continued to work on establishing a notified body for medical devices. We created new laboratory capacities in the US and India. The enlargement of the testing facility for medical devices in New Brighton, USA, is currently also underway. It will offer holistic testing solutions for medical devices as well as a wide range of biological and chemical tests that complement the existing service portfolio. The product portfolio was further developed, for example in the area of cybersecurity for medical devices, including the evaluation of AI in medical devices. The portfolio has also been expanded with regard to biocompatibility and chemical characterization of medical devices.

The digitalization of our core business processes and the associated systematic conversion of the business model to remote audits and virtual classroom training proved their worth in 2022. The **Business Assurance Division** was thus able to record an increase in revenue of 11.4%. This development was also supported by the continued expansion of our eCommerce activities. Our services are now available via online shops in all focus countries.

Our services relating to quality, environmental, energy and IT security management systems continued to account for the majority of the division's revenue. Many services could again be provided on site at the customer's premises. However, remote audits remain an attractive alternative that many customers like to make use of. Our audit services, such as supplier audits, were in lower demand as a result of global supply chain issues. On the other hand, there was a significant increase in demand for ancillary certification services and the range of products and services relating to sustainability and information security. With these services, we offer solutions to challenges our customers are currently facing with regard to securing supply chains or growing cybersecurity risks. The demand trend was supported by the use of a global customer portal for audit and certification customers with many data-based added value services, as well as the development of further customer portals.

Regulatory requirements for cybersecurity are growing worldwide. TÜV SÜD recognized this development at an early stage and is now supporting its implementation with specially tailored Cyber Security Services, such as data protection consulting, cybersecurity audits and penetration tests. Our secure cloud solutions are experiencing significant growth in demand across industries. We therefore made targeted investments in the expansion of our data protection platform, the platform for virtual data rooms and highly secure data exchange. The area enjoyed stable growth. Apart from Germany, these services were in demand particularly in India and China.

In addition to traditional classroom teaching, the Academy business offers a comprehensive digital and virtual training program as well as blended learning consisting of a mixture of classroom and online learning. The educational offering is flexible, digital, easily accessible and sustainable. Seeing as not all educational activities have to take place in person, resources can be saved and greenhouse gas emissions for travel reduced. Many products are available worldwide as a result of comprehensive digitalization, which is driving the internationalization of the business, especially in the US, India, China and Italy. As digitalization progresses, we are also expanding our subscription business for knowledge services. The area achieved a significant increase in revenue.

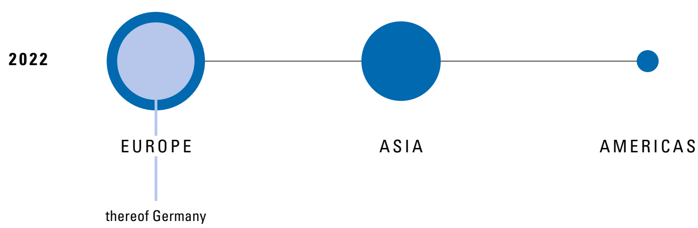
The customary engagement of external service providers for training has a significant impact on the development of purchased services in this segment. These costs rose at a faster rate than revenue, resulting in a ratio of purchased service cost to revenue of 14.1% (prior year: 13.9%). Personnel expenses rose almost in line with revenue growth, which can be explained by the increase in the headcount in the segment. At the same time, other expenses increased, in particular purchased administrative services, which also include the use of hired temps, travel expenses and IT costs, as well as rental and maintenance expenses. In addition, the impairment loss recognized on the AI development of a German subsidiary had a negative impact on earnings.

EBIT in the CERTIFICATION Segment decreased by 4.7% to € 73.5 million, thus falling short of the targeted corridor. The EBIT margin achieved of 7.5% matched the forecast.

Higher investments in fixed assets and the increase in trade receivables led to a rise in segment assets of € 67.5 million to € 610.4 million.

The investment volume in the segment amounted to € 76.7 million. The focus was on the expansion of laboratory capacity as well as on the development of software solutions.

Revenue by region – CERTIFICATION 18



OTHER

The corporate functions are combined in OTHER. Revenue amounted to € 34.0 million in the financial year.

The EBIT of the OTHER Segment amounted to € – 19.5 million in the financial year and is thus slightly below the prior year (€ – 18.3 million). Segment assets increased by € 36.5 million in 2022 from € 481.1 million to € 517.6 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, SEGMENT REPORTING SEE PAGES 147 – 148

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 individual skills of our employees lay the foundation for TÜV SÜD's success, both today and in the future.

HR STRATEGY FOR SUCCESSFUL DEVELOPMENT OF THE COMPANY

With our HR Strategy 2025+, we are creating the conditions for continued successful development in the future. Through three strategic initiatives, we are setting clear priorities and focusing on attracting talent, improving the daily work experience for employees, and creating and fostering the competencies of our experts and managers.

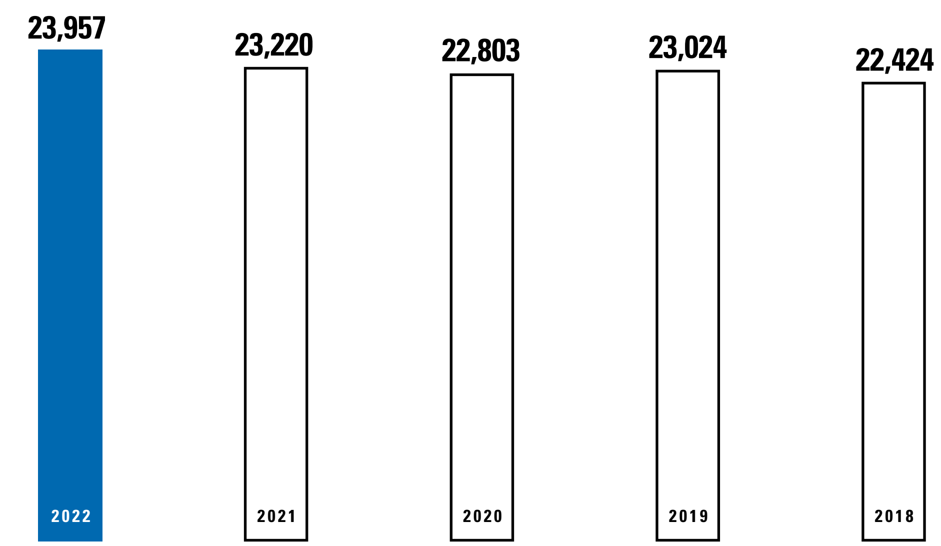
In order to support these initiatives, we rely on the systematic digitalization of standard processes as well as the close and trusting cooperation of HR employees with their internal business partners. At the same time, we are developing instruments to attract and retain employees and enable their achievements to be recognized. In this way, we want to create the conditions for prevailing over the global competition and attracting the best talent so as to successfully master the challenges facing TÜV SÜD arising from new technologies and market developments.

CHANGES IN HEADCOUNT

At year end 2022, TÜV SÜD employed more than 26,000 people (prior year: more than 25,000), nearly half of whom worked outside Germany.

Employee development 19

EMPLOYEE CAPACITY ON AN ANNUAL AVERAGE



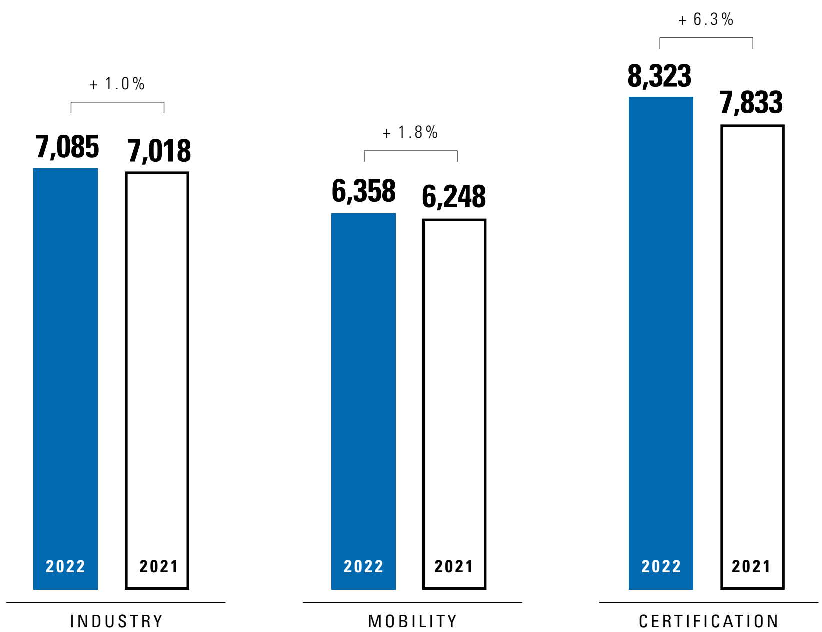
The average number of employees in 2022 was 23,957 FTEs, which is an increase of 3.2% in comparison to the prior year (23,220 FTEs) and therefore slightly above the expected range. There was an increase of 1.5% in Germany, while outside Germany the increase was 4.9%.

As of December 31, 2022, 24,468 employees (FTE) were employed by TÜV SÜD (prior year: 23,475). The number of jobs in Germany increased by 238 as of the reporting date, while 755 new jobs were created outside of Germany. No jobs or capacities were lost in connection with corporate divestments in 2022 (prior year: 247 jobs).

CHANGE IN HEADCOUNT PER SEGMENT AND REGION

Changes in employee capacity 2021/2022 by segment[1] 20

ON AN ANNUAL AVERAGE



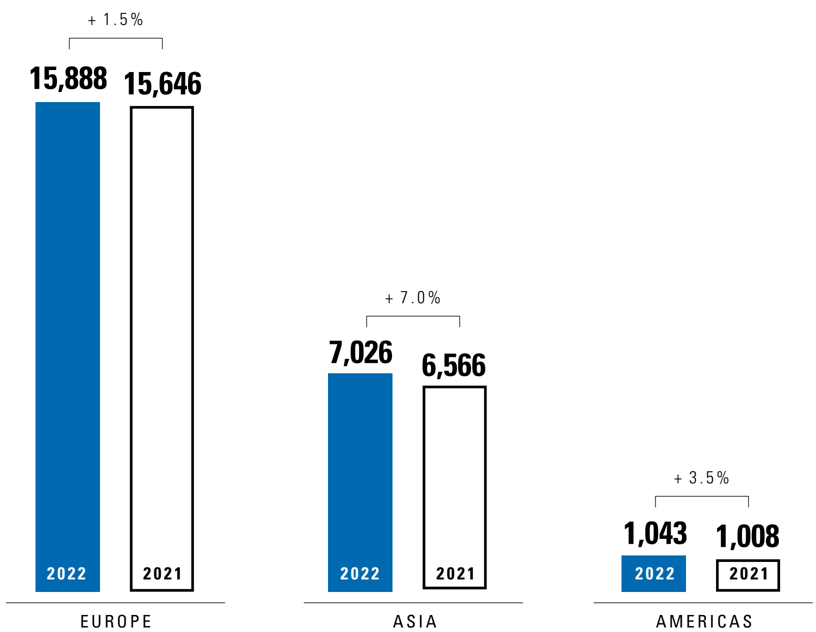
1 _ Without OTHER.

Headcount in the INDUSTRY Segment increased again in 2022, particularly in Germany, India and the Middle East. This offset the decrease in personnel in the prior year due to the corporate divestments in Germany and the withdrawal from selected engineering services. The increase in personnel in the MOBILITY Segment resulted predominantly from new hires in Germany. The CERTIFICATION Segment still employs the largest workforce and continued its plans to expand its human resources in testing facilities, but also in consumer goods and medical products.

Changes in employee capacity 2021/2022 by region

ON AN ANNUAL AVERAGE

21



The headcount of the EUROPE Region is slightly above the level of the prior year. Most of the hiring in this region was in our home market of Germany, making up for the capacity reduction caused by corporate divestments in the prior year. The number of jobs in the ASIA and AMERICAS Regions was also above the prior year.

FURTHER RELEVANT NON-FINANCIAL INDICATORS

The proportion of women at the top level of management (excluding the Board of Management) in the Group decreased to 5.9% in the year 2022 (prior year: 6.3%). At 12.8%, the proportion of women one management level below is above the prior-year level (11.3%). Group-wide, women made up 32% of the total workforce in the financial year (prior year: 32%), with the proportion at TÜV SÜD's international locations (35%) being higher than in Germany (30%) (prior year: 35% and 29% respectively).

However, gender is not the only aspect of diversity that is important; a balanced age structure is also crucial for us in order to retain knowledge in the company and build up experience. In Germany, the average age of our employees is around 44 (prior year: 44), making them older than their colleagues in other countries (39; prior year: 39). At eleven years (prior year: eleven years), the average period of service in the company is also higher in Germany than in other countries (six years; prior year: seven years).

At 13.4%, the employee turnover[1] across the Group was slightly higher in 2022 than in the prior year (12.7%). In Germany, employee turnover also increased marginally to 8.9% (prior year: 8.2%). An increase to 17.9% was recorded outside Germany (prior year: 17.6%). TÜV SÜD barely noticed the feared increase of employee turnover due to the increasing mobility of employees with the easing of restrictions in connection with the COVID-19 pandemic.

In line with our expectations, most non-financial indicators remained virtually stable in the financial year. Only the number of hours spent on training clearly exceeded the target figure.

In the financial year 2022, our employees attended approx. 128,800 days of basic and advanced training (prior year: approx. 84,250 days), corresponding to an average of 39 hours of training per employee (prior year: 26 hours of training). Despite the increase in personnel for financial year 2022, we have already achieved the target of an average of 35 hours of training per employee by 2026.

1 _ Previously, voluntary turnover was reported. The prior-year figures have been restated.

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 in 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 to regional 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 detail the components and contents 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 include analyzing 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.

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. As part of the continuous development of our risk management system, the impact of risks in connection with sustainability and climate change is also reviewed and considered, even though our company as a service provider is less directly affected by the issue than, for example, industry and manufacturing companies.

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 of the risks that have been identified and the measures that have been taken allow us to take manageable risks. The risk-bearing capacity, risk tolerance and risk appetite of TÜV SÜD set the framework for this.

Risk management process 22

We identify risks and opportunities based on commonly used standards. The categories for risks and opportunities have been adapted to suit the needs of 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 as well as the sustainability and climate goals targeted by TÜV SÜD.

The risk situation of the company is continuously recorded, evaluated and documented as part of the risk management system. Events that could give rise to a risk are identified and assessed during regular surveys and local risk workshops in the divisions, regions as well as in the subsidiaries. Suitable countermeasures are initiated without delay, and their impact 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 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 and instructions are recorded systematically and are available in a digital format for every TÜV SÜD employee. Compliance with these regulations is ensured by internal controls. In addition, those employees involved in the risk management process receive regular training.

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.

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 or cash that TÜV SÜD is exposed to in its business operations. Qualitative risks are also considered in the analysis as soon as the net risk position is deemed to be worthy of reporting.

The effects of a possible increase in the coverage shortfall for pension obligations are 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 to be expected with a degree of confidence of 95%.

The ten largest risks affecting earnings add up to a weighted net risk of around € 44 million, a manageable risk position for equity and earnings in relation to the size of the company. In the prior year, the weighted net risk of the ten largest risks affecting earnings amounted to around € 21 million.

The largest risks affecting earnings are in the INDUSTRY Segment, where three top 10 risks result in a weighted net risk of € 17 million. Three top 10 risks with a weighted net risk of € 14 million are managed in the Group. The MOBILITY Segment has three top 10 risks with a weighted net risk of € 8 million. In the CERTIFICATION Segment, there is one top 10 risk with a weighted net risk of € 5 million.

Significant qualitative risks with a potential risk volume of more than € 5 million could arise from our activities in areas that are no longer attractive to our customers in the future. This could be the case, for example, if conventional energy generation continues to lose importance or economic, regulatory and political conditions in the market change. Corresponding risks may also arise if investments made to date cannot be recouped as a result of new market developments or ongoing projects, particularly in the digitalization of our services, cannot be successfully completed.

INDUSTRY AND SYSTEMIC RISKS

Risks from changes to regulations
Risks from changes to the regulatory environment can negatively impact revenue and earnings. These risks include sales risks from liberalization, deregulation, but also protectionist measures in our core markets as well as new regulations on such matters as supply chains or climate and environmental protection. 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.

The business development of our segments is also influenced by changing legal and regulatory conditions. 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, for example in the form of new accreditations or assessments. A delay in obtaining new accreditations or not having the requisite accreditation or inadequate assessment 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:
The war in Ukraine is affecting economic development worldwide. Disruptions in global supply chains and rising prices, especially in the energy sector, are weighing on many industries. Demand for our services could therefore be lower or delayed in all segments. Since the currently high energy costs have already been taken into account in the planning for 2023, these are only reported as direct risks in particularly affected sub-areas.

A resurgence of the pandemic would adversely affect our operations across all segments. However, while lockdowns and contact restrictions are no longer considered likely, absences of our employees and those of our customers due to sickness could lead to delays and restrictions in the award of contracts or order processing.

Large customers in the retail sector are adapting their procurement and demand to the changing consumer behavior of end consumers. In the CERTIFICATION Segment, this could lead to a reduction in the order volume and the existing price framework. At the same time, future capacity requirements planning has been made more difficult.

In Spain, we see a risk of assets in the MOBILITY Segment being impaired if earnings prospects are reduced in the long term.

OPERATING RISKS

Technological risks and risks from digitalization
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 digitalization 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. We also focus on the digitalization and automation of our internal processes and sales channels.

IT risks
The IT security measures implemented at TÜV SÜD serve to protect the systems against risks and increasing 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 IT 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. Our IT security organization is led by a Chief Information Security Officer. Implementation of further technical IT safeguards and the recruitment of additional capacity are progressing as scheduled in light of the growing cybersecurity threats.

The central IT systems of TÜV SÜD are monitored and regularly tested in such a way as to enable a swift response 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. The current incident response processes are tested and improved on a regular basis.

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 experts' 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 workforce in some business divisions. 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.

The following performance-related risks can be found in the top 10 risks:
The collective bargaining agreement negotiated in December 2022 for German companies bound by such agreements will additionally burden personnel expenses. This was only taken into account to a small extent in the forecast for 2023.

In the INDUSTRY Segment, we see a risk of delays in repair or downtime due to maintenance work at a testing facility.

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 maintain coverage over time. This is to be achieved through a net return on assets structured on the basis of pension payments.

The pension obligations are covered by financial assets that are for the most part segregated from operating assets through the 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 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.

The focus at TÜV SÜD Pension Trust e. V. remained firmly on a sustainable investment strategy in 2022. The primary objective of the sustainability strategy enshrined in the relevant TÜV SÜD guidelines is, among other things, to reduce the potential risk of loss and reputational damage by avoiding risky and unsustainable investments.

The top 10 risks identified among financial risks
The decline of the Turkish lira could increase translation risks for the future dividend distribution payment of our Turkish joint venture in the MOBILITY Segment and reduce the earnings contribution from the joint venture.

TÜV SÜD will donate a share of the invoice amount for each general inspection carried out in Turkey in 2023 to help the victims of the earthquake in February 2023. This payment will be made by our Turkish joint ventures and will then reduce their contribution to earnings accordingly.

At group level, there is a risk of increased corporate insolvencies in Germany due to the uncertain overall economic situation, which could increase the contribution to the mutual pension guarantee association 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 breaches 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 CONSULTORIA LTDA. (TÜV SÜD BRASIL), São Paulo, Brazil, in September 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 Ltda. (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 financial year 2023 and future financial years. The risks mainly stem from various possible liability claims as well as technical appraisal and legal counsel fees. There may also be risks from loss of reputation. It is currently not possible to conclusively quantify these risks.

OVERALL STATEMENT ON THE RISKS FACED BY THE GROUP

From a Group perspective, we pay particular attention to 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 ongoing 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 financial year 2023 and future financial years and its reputation.

There are material uncertainties related to the event of the dam collapse in Brazil, which may cast significant doubt on the ability of the two subsidiaries TÜV SÜD BRASIL and its direct shareholder TÜV SÜD SFDK to continue as a going concern. Therefore, the subsidiaries may not be able to realize their assets and settle their debts in the ordinary course of business. In this respect, the continued existence of the Brazilian subsidiaries is threatened if these companies are deemed to be liable for the damages resulting from the dam collapse and no further financial support is provided by the shareholders. In addition, we refer to our comments 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 geopolitical and 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

Continued favorable business development of the entity sold in 2019 may lead to an additional purchase price payment in our favor.

A possible approval of the application for an increase in fees for roadworthiness tests and exhaust gas analyses as well as for the driving license test by the German Federal Ministry of Transport and Digital Infrastructure would improve earnings prospects in the MOBILITY Segment. Exploiting pricing flexibility in damage and valuation reports could open up further growth opportunities.

The expansion of our expert knowledge also increases the probability of being awarded major international projects. Our nuclear safety experts in the INDUSTRY Segment, for example, are taking part in a tender in the UK.

The INDUSTRY Segment hopes to realize additional growth opportunities from the general economic environment, in particular through the expert knowledge of its employees and its international market presence on site at the customer.

OPERATING OPPORTUNITIES

We expect an inflow of liquidity from the application for public funds for research and development projects under the Research Allowance Act (FZulG) in the coming years.

FINANCIAL OPPORTUNITIES

An agreement could be concluded with an insurer on the fee framework and pricing for damage assessment reports, potentially resulting in cost savings potential for us in the future.

OPPORTUNITIES FROM COMPLIANCE AND OTHER OPPORTUNITIES

As a result of proceedings currently in preparation and a court case in Spain that has meanwhile been concluded in the first instance, we could be awarded further compensation payments.

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 on the basis of 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.

SUBSEQUENT EVENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, EVENTS AFTER THE REPORTING DATE SEE PAGE 151

Please refer to the comments under “Events after the reporting date” in the notes to the consolidated financial statements.

OUTLOOK

Forecast for the overall economic development

We expect economic momentum to slow in 2023. Ongoing geopolitical conflicts, above all the war in Ukraine, and an increase in extreme climate events are leading to supply chain problems and rising prices for energy, raw materials and food. Inflationary pressures are being countered in many countries by tightening monetary policies. In turn, higher financing costs are slowing investment and consumption activity.

For the forecast period, the Kiel Institute for the World Economy (IfW) therefore expects global economic growth of 2.2%, after an increase of 3.4% was achieved in 2022. For 2024, a growth rate of 3.2% is forecast again.

Development of the global economy: Forecast for 2023 ≡ 09

Global	Slowing momentum
Germany	Low growth
Euro zone	Weakening recovery
USA	Slowed growth
Emerging markets	Moderate growth

The German economy will grow only moderately in the coming year, as economic development in Germany is suffering from the geopolitical and global economic crises: Energy supply bottlenecks, difficulties in the supply of raw materials and intermediates as well as a scarcity of labor are affecting the production of goods and the provision of services and are driving up the rate of inflation. At the same time, the weak global economy is not providing positive growth impetus, which is further inhibiting the export-oriented German industry. Real household incomes are shrinking and resulting in subdued private consumption. However, the government relief programs adopted, in particular the brake on electricity and gas prices, should stabilize the development of inflation in the forecast year.

The economic recovery in the euro zone will be weakened by persistently high energy prices and the weak global economic environment. Supply bottlenecks of energy, raw materials, intermediates and goods are inhibiting economic development and driving inflation. Households have lower real incomes available for private consumption, while rising interest rates are weighing on private investment.

The inflation rate in the UK is well above the inflation rates of its European neighbors. Declining real incomes and rising energy prices are dampening private consumption. At the same time, industry's willingness to invest will decline. Declining domestic demand and the lack of export demand could ultimately lead to a recession in the British economy.

The US economy will grow at a slower pace after government aid granted during the COVID-19 pandemic expires. In addition, tighter monetary policy will have a dampening effect. Higher interest rates will dampen the willingness to invest in manufacturing and construction, with consequences for the labor market. The unemployment rate will rise again. At the same time, real incomes are falling, and private consumption is weakening.

In China, the move away from the zero-COVID strategy is driving moderate growth. Public investment, especially for infrastructure projects, will have a positive effect on economic development.

The major Asian emerging markets and India will continue to grow and thus make a significant contribution to global economic growth – not least due to increasing corporate investment in new production sites and the realignment of international supply chains.

Future development of the TÜV SÜD Group

The following statements on the outlook for the development of TÜV SÜD in the next financial year are based on the planning for 2023. This was prepared by the Board of Management and approved by the Supervisory Board in December 2022.

We have derived interim goals for the 2023 forecast from the strategic planning 2025+. Influencing factors that were considered in this regard were the persistence of local baseline protection measures to contain the COVID-19 pandemic and the current energy crisis resulting from the war in Ukraine. At the same time, inflation is expected to stabilize at a mid-single-digit level in the forecast year 2023. Further developments are assessed in regular scenario analyses and their influence on TÜV SÜD's future business development is reviewed and evaluated.

The development of individual markets and industries in which TÜV SÜD operates remains subject to a high degree of uncertainty. While the TIC market is expected to grow steadily overall, prevailing uncertainties in some markets and industries could unfavorably impact the 2023 forecast.

Possible further financial and non-financial burdens that go beyond existing provisions in connection with the accident at the dam in Brazil in 2019 are not taken into account in the current forecast. These include a possible future negative impact on our business development or our brand value. It is also not possible at present to provide further information on the scenarios, in particular on estimates and assumptions as well as on probabilities of occurrence and possible budget deviations.

We intend to keep growing organically. To this end, we are concentrating on our own core competencies and aligning with forward-looking developments, particularly in the areas of digitalization and sustainability. At the same time, we are focusing our global activities from which we expect long-term growth on markets that exhibit stable economic growth and reliable framework conditions.

Revenue growth: Forecast for 2023 ≡ 10

		Development in forecast year 2022	Development in financial year 2022	Development in forecast year 2023
Group	Up to 4.5% € 2,700 million to € 3,000 million	↗	↗	→
INDUSTRY Segment	Mid-single-digit percentage rate growth	→	→	→
MOBILITY Segment	Mid-single-digit percentage rate growth	→	→	→
CERTIFICATION Segment	Low double-digit percentage rate growth	↗	↗	↗

As a reliable partner, we offer our customers a broad portfolio of services worldwide, wherever they are needed. Our customers reward us for this: For TÜV SÜD, we anticipate organic revenue growth of up to 4.5% in the forecast period. The Group's revenue from its existing entities is therefore expected to range between € 2,700 million and € 3,000 million.

INDUSTRY

The INDUSTRY Segment will achieve revenue growth in the mid-single-digit percentage range in the forecast year. In this regard, almost 60% of segment revenue is attributable to the Industry Service Division. The Real Estate & Infrastructure Division is expected to contribute around 40% to segment revenue.

Around 40% of the segment's revenue is generated outside Germany. This share will continue to develop steadily next year, with the Industry Service Division continuing to contribute a higher share to the international business.

Plant safety services account for the largest share of revenue in the **Industry Service Division**. This area also shows the largest increase in revenue in absolute terms. Through our international presence and innovative digital audit approaches, we are able to provide our customers with high-quality service, whether on site or virtually. We are supplementing our existing range of services with modern testing methods and sustainable technologies in order to be able to support our customers in the best possible way in the future. We place great value on the worldwide availability of our services.

Development in the areas of technical construction monitoring, energy generation and quality management is expected to remain steady. Admittedly, revenue expectations in Germany are clouded by the shutdown of the last German nuclear power plants. However, we see growth opportunities in the international project business. In the forecast year, the strongly international market for amusement parks should also continue to recover.

As the global market leader for independent technical risk calculation and analysis, we use our expertise to develop new services. We expect the market launch of these products to lead to an increase in revenue, which is expected to be further strengthened by catch-up effects, as on-site inspections were not possible in all markets in prior years due to the pandemic-related restrictions.

Demand for our services for the chemical and petrochemical industry will grow again as soon as our customers implement their planned investment projects. However, the prerequisite for this would be the recovery of the industry, which is heavily burdened by high gas and energy prices.

In the area of renewable energies and sustainability, which includes the traditional environmental technology business and hydrogen technology, we expect almost double-digit growth and thus the highest percentage increase in the division. We expect significant growth in the wind and hydrogen businesses, as these topics are increasingly gaining importance worldwide against the backdrop of climate change. By introducing new services for recording decarbonization, hydrogen and greenhouse gas, we are driving the business forward in a targeted manner. Our focus regions for this are Western Europe and North America.

The **Real Estate & Infrastructure Division** operates in an overall robust market and we thus expect good business development in this regard. Additional growth impetus is provided by services relating to sustainability and digitalization.

The area of building-related technical services, comprising testing and certifications including building controlling, building surveys and sustainability certification, will continue to grow moderately. The focus markets are Germany, the Middle East and Singapore. However, further market developments in Germany and Singapore depend on the availability of employees as well as on the sentiment in the construction industry, where investments are currently being made very cautiously. At least in the medium term, a decline in demand is possible, although this could probably be offset by the expansion of the area business in the Middle East.

Our safety-related services for lifts are in demand, worldwide. We are therefore focusing on expanding our market position in an international environment and building up targeted local competencies in our focus markets. In Germany, we intend to defend our position as market leader. Our services for lift manufacturers and operators in regulated markets will continue to drive growth.

In the forecast year 2023, the rail industry will grow mainly in Germany. The internationalization of the business in Europe, especially in Spain, is driven by the development of local expertise. Our specialists monitor the global trend towards sustainable mobility by way of overall safety reports for global railway projects.

MOBILITY

The MOBILITY Segment is active in a market fraught with uncertainties and changes. Due to the segment's global orientation supply chain disruptions can affect the entire value chain.

As a partner to the automotive industry, the segment is facing major challenges that define the transformation process in the automotive industry. This entails shaping the technological transformation away from the internal combustion engine towards electromobility, exploiting the opportunities offered by digitalization with technological innovations, and taking account of sustainability requirements. With our services, we contribute to successfully mastering this transformation process.

In the forecast year 2023, we expect stable growth in the MOBILITY Segment in the mid-single-digit percentage range. The international business will account for approximately 10% of revenue in 2023.

The core business includes roadworthiness tests and exhaust gas analyses, but also damage and valuation reports, as well as driver's license tests. We offer these to both private individuals and corporate customers in Germany, Austria, Spain, Slovakia and Turkey. For the forecast year, we expect a slight increase in demand for roadworthiness tests and exhaust gas analyses. We expect additional growth from the expansion of our market share in Slovakia and possible catch-up effects in the Spanish market. We also want to generate revenue growth through the continuous expansion of the business in damage and valuation reports, particularly from winning additional market share and acquiring major interregional customers.

We hope that the continued internationalization of our service offering will lead to further growth. We will achieve significant revenue growth with our services for highly automated driving. Demand for medical / psychological examinations is expected to increase moderately. The development of revenue from homologation services will likely be slightly positive. The same applies to our remarketing business that offers services for car dealers, manufacturers, suppliers and lease companies as well as insurance companies. However, we still anticipate that the current uncertainties and delays along the supply chain, the semiconductor crisis and the energy crisis will influence the growth opportunities in the homologation business and also in the remarketing business.

CERTIFICATION

For the CERTIFICATION Segment, we expect revenue growth in the forecast year to be in the low double-digit percentage range. The Product Service Division accounts for approx. 70% of the segment's revenue and the Business Assurance Division for the other 30%.

Due to its international alignment, the segment will generate around 60% of its revenue outside Germany in the forecast period, primarily in the Product Service Division and in the certification and audit business of the Business Assurance Division.

The **Product Service Division** is a key area of growth for the TÜV SÜD Group. The focus of our business strategy is on targeted market exploitation as well as expanding in the field of medical products. We are also continuing to expand our product portfolio. Germany holds the largest share of revenue in absolute and percentage terms. We will achieve the largest revenue growth in the German market and in China.

As a result of the energy crisis and rising inflation, demand for consumer goods has declined in Europe. We do not expect a full recovery of the sector in the forecast year. Our standardized testing and certification services contribute to the development of revenue. Electromagnetic compatibility and chemical testing remain growth drivers. We see significant growth opportunities in cybersecurity, supply chain quality assurance and consumer goods sustainability. We are focusing specifically on business with major and key accounts and continuing to develop our strong market position in Germany and the ASIA Region.

In the area of industrial goods, we expect revenue to increase in all regions. Technological progress and the accelerated transition to alternative and renewable energies offer attractive growth opportunities for our services relating to hydrogen and fuel cells, batteries and other energy storage systems – including the cybersecurity of corresponding plants. We are further expanding our testing capacities worldwide in order to further consolidate our leading market position. The focus is on battery testing as well as the testing and certification of hydrogen-carrying components and systems.

The field of medical devices is continuing on its growth trajectory. We will further develop our global market leadership from our core markets of Germany and the US and strengthen it by setting up additional notified bodies and laboratories for biological and chemical testing. The MDR and IVDR as well as our range of biological and chemical testing are the main growth drivers. We also develop cybersecurity products for highly sensitive medical devices.

With our services for the certification of management systems as well as training and cybersecurity, we help our customers to reliably control and improve business processes, to qualify employees and to assess and reduce risks. We have bundled these services in the **Business Assurance Division**, where we expect significant revenue growth in all areas in the forecast year 2023. Around 40% of revenue is generated outside Germany.

The business with certifications and ancillary certification services will grow continuously at a high level. The classic combined management system certification will develop steadily until revenue increases with the next repeat audit cycle. The certification business and ancillary certification services remain revenue drivers, especially in the areas of information security, sustainability and supply chain. We expect additional positive impetus from the introduction of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) on January 1, 2023. We are continuing the international expansion of our ancillary certification services and see growth opportunities in the US, India and the ASEAN states.

In the forecast year, the training business will again record the highest revenue growth in the division in absolute terms. We expect a complete recovery in classroom training, especially in the open seminar business. The development is supported by the Digital Academy offering, which is being continuously expanded worldwide. The new XR Academy, which makes it possible to realistically experience dangerous situations for training purposes using virtual reality or other media, will also contribute to revenue growth.

Cyber Security Services will also generate robust revenue growth. In Germany, we are seeing particularly high growth rates in confidential cloud computing and data protection services. Our technical cybersecurity services are also in high demand, especially in China.

STABLE EARNINGS DEVELOPMENT

TÜV SÜD's business success is derived from the economic development of the markets, but also from regulatory and political decisions as well as global trends and events. In the forecast year 2023, TÜV SÜD will continue to focus on innovative services relating to sustainability and digitalization. New technologies and intensive cooperation with key international customers offer potential to expand our business activity. Our acknowledged competence in our core markets, our balanced customer base make and our global presence make us less susceptible to temporary market volatility. Our modern IT infrastructure offers our employees safe and attractive working conditions and ensures a high degree of flexibility in the provision of our services.

The focus of our business activities lies on forward-looking sectors and markets where stable and profitable growth is anticipated, with targeted returns of 8% to 10%.

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 constantly optimize internal processes. To this end, we are also driving forward the digitalization of our business and sales processes, always with an eye on the aim of sustainable earnings and profit development.

EBIT development: Forecast for 2023 ≡ 11

		Development in forecast year 2022	Development in financial year 2022	Development in forecast year 2023
Group	Range of € 155 million to € 200 million	↗	↘	→
INDUSTRY Segment	High single-digit percentage growth	↗	↘	↗
MOBILITY Segment	Mid-single-digit percentage growth	↗	↘	→
CERTIFICATION Segment	High single-digit percentage growth	↗	↘	↗

We expect EBIT to develop positively in all segments. In the forecast year, EBIT is forecast to range between € 155 million and € 200 million. However, the increase could be lower should the geopolitical tensions or conflicts persist, 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, 2022. The EBIT margin is expected to be in the mid-single-digit percentage range. EBT will follow the forecast EBIT development.

With regard to the INDUSTRY Segment, we are budgeting in 2023 for an increase in EBIT that is expected to lie in the upper single-digit percentage range and an EBIT margin in the upper single-digit percentage range. We expect EBIT growth in the MOBILITY Segment to be in the mid-single-digit percentage range, resulting in an EBIT margin in the mid-single-digit range. In the CERTIFICATION Segment, we are budgeting for an increase in EBIT in the upper single-digit percentage range. The EBIT margin is expected to be in the upper single-digit percentage range.

Economic Value Added (EVA) is a key indicator used to measure the business performance of TÜV SÜD. Based on the forecast EBIT development and a rise in the average capital employed, we are forecasting EVA for the forecast year 2023 to be roughly on a par with the level of 2022.

We are continuing to invest in innovations, especially in the areas of digitalization and sustainability, as well as in the expansion of our core and focus markets. For the forecast year 2023, we have earmarked a total investment framework of € 122 million to € 135 million for future-oriented projects, the expansion of our testing facility capacity and the modernization of existing facilities and buildings. Derived from the statement of cash flows and taking into account the planned investment volume, free cash flow should be slightly higher than in 2022.

We plan to expand our staff base each year by 1.5% to 2.5%. 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 will be placed on the CERTIFICATION Segment in ASIA. In addition, we want to increase the share of female employees in management positions to 30% by 2026. We also intend to invest more in the further training of our employees, setting ourselves the goal of achieving an average of 35 hours of training per employee per year by 2026.

We expect stable development of other non-financial indicators compared to the prior year.

Proximity to our customers, our expertise in technical services and the trust that our customers place in TÜV SÜD are the basis for the long-term success of our business – today and in the future.

CONSOLIDATED FINAN-CIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

≡ 12

IN € MILLION	Note	2022	2021
Revenue	(6), (35)	**2,863.3**	**2,667.3**
Own work capitalized		5.8	3.7
Purchased services		–380.9	–332.0
Operating performance		**2,488.2**	**2,339.0**
Personnel expenses	(7)	–1,734.1	–1,630.5
Amortization, depreciation and impairment losses	(8)	–183.0	–183.1
Other expenses	(9)	–478.7	–413.2
Other income	(10)	94.9	98.1
Impairment of goodwill	(14)	–0.1	–0.3
Operating result		**187.2**	**210.0**
Income from investments accounted for using the equity method	(11)	8.3	14.5
Other income / loss from participations	(11)	–0.5	0.7
Interest income	(11)	8.1	3.1
Interest expenses	(11)	–13.7	–16.1
Other financial result	(11)	–6.7	2.9
Financial result		**–4.5**	**5.1**
Income before taxes		**182.7**	**215.1**
Income taxes	(12)	–50.1	–60.6
Consolidated net income		**132.6**	**154.5**
Attributable to:			
Owners of TÜV SÜD AG		113.9	137.7
Non-controlling interests	(13)	18.7	16.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

≡ 13

IN € MILLION	Note	2022	2021
Consolidated net income		**132.6**	**154.5**
Remeasurement of defined benefit pension plans			
Changes from unrealized gains and losses	(23)	410.7	206.6
Tax effect		–163.1	–34.4
		247.6	**172.2**
Equity instruments at fair value			
Changes from unrealized gains and losses		–0.4	0.2
Tax effect		0.1	–0.1
		–0.3	**0.1**
Total amount of items in other comprehensive income that will not be reclassified to the income statement		**247.3**	**172.3**
Debt instruments at fair value			
Changes from unrealized gains and losses		–0.1	0.7
Tax effect		0.0	–0.2
		–0.1	**0.5**
Currency translation differences			
Changes from unrealized gains and losses		16.2	25.3
Changes from realized gains and losses		0.0	–0.2
		16.2	**25.1**
Investments accounted for using the equity method			
Changes from unrealized gains and losses		6.7	–8.0
Tax effect		0.1	0.1
		6.8	**–7.9**
Total amount of the items of other comprehensive income that will be reclassified to the income statement in future periods		**22.9**	**17.7**
Other comprehensive income	(12)	**270.2**	**190.0**
Total comprehensive income		**402.8**	**344.5**
Attributable to:			
Owners of TÜV SÜD AG		368.1	320.2
Non-controlling interests		34.7	24.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

≡ 14

IN € MILLION	Note	Dec. 31, 2022	Dec. 31, 2021
Assets			
Intangible assets	(14)	306.0	298.3
Right-of-use assets	(28)	421.9	403.6
Property, plant and equipment	(15)	607.7	563.8
Investment property	(16)	4.4	2.9
Investments accounted for using the equity method	(17)	27.8	19.3
Other financial assets	(18)	106.0	144.2
Other non-current assets	(21)	390.4	12.3
Deferred tax assets	(12)	105.8	277.9
Non-current assets		**1,970.0**	**1,722.3**
Inventories		5.8	3.9
Contract assets[1]	(19)	155.3	134.8
Trade receivables[1]	(20)	414.9	368.4
Income tax receivables		21.6	8.6
Other receivables and other current assets	(21)	135.6	125.5
Cash and cash equivalents	(34)	370.7	303.8
Current assets		**1,103.9**	**945.0**
Total assets		**3,073.9**	**2,667.3**
Equity and liabilities			
Capital subscribed	(22)	26.0	26.0
Capital reserve	(22)	128.2	128.2
Revenue reserves	(22)	1,429.5	1,088.0
Other reserves	(22)	–24.7	–47.9
Equity attributable to the owners of TÜV SÜD AG		**1,559.0**	**1,194.3**
Non-controlling interests	(13)	118.6	91.8
Equity		**1,677.6**	**1,286.1**
Provisions for pensions and similar obligations	(23)	137.7	184.7
Other non-current provisions	(24)	87.0	97.8
Non-current financial debt	(25)	2.2	2.4
Non-current lease liabilities	(28)	371.1	353.6
Other non-current liabilities	(27)	0.5	0.5
Deferred tax liabilities	(12)	21.4	17.6
Non-current liabilities		**619.9**	**656.6**
Current provisions	(24)	168.6	175.3
Income tax liabilities		45.8	48.0
Current financial debt	(25)	0.4	0.2
Current lease liabilities	(28)	63.0	59.8
Trade payables[1]		98.1	69.6
Contract liabilities[1]	(26)	175.5	150.2
Other current liabilities	(27)	225.0	221.5
Current liabilities		**776.4**	**724.6**
Total equity and liabilities		**3,073.9**	**2,667.3**

1 _ Prior-year figures adjusted, see note 5.

CONSOLIDATED STATEMENT OF CASH FLOWS

≡ 15

IN € MILLION	Note	2022	2021
Consolidated net income		132.6	154.5
Amortization, depreciation, impairment losses and reversals of impairment losses	(8), (10)	182.9	182.5
Impairment of goodwill	(14)	0.1	0.3
Impairment losses and reversals of impairment losses on financial assets	(33)	5.1	3.7
Change in deferred tax assets and liabilities recognized in the income statement	(12)	11.2	7.0
Gain / loss on disposal of intangible assets, right-of-use assets, property, plant and equipment and financial assets		– 1.1	– 1.6
Gain / loss from the sale of shares in fully consolidated entities and business units		– 0.2	– 15.4
Other non-cash income / expenses		– 2.2	1.5
Change in inventories, contract assets, receivables and other assets		– 86.7	– 47.2
Change in liabilities, contract liabilities and provisions		51.0	57.4
Cash flow from operating activities		**292.7**	**342.7**
Cash paid for investments in			
intangible assets, property, plant and equipment and investment property		– 142.6	– 114.6
financial assets		– 5.2	– 4.4
securities		– 6.4	– 37.6
business combinations (net of cash acquired)	(3)	0.0	– 4.0
Cash received from disposals of			
intangible assets and property, plant and equipment		1.9	1.8
financial assets		0.3	0.2
securities		39.5	0.0
shares in fully consolidated entities and business units (net of cash transferred)	(34)	0.0	21.7
Contribution to pension plans	(34)	– 36.4	– 117.4
Cash flow from investing activities		**– 148.9**	**– 254.3**
Dividends paid to owners of TÜV SÜD AG		– 2.1	– 2.1
Dividends paid to non-controlling interests		– 7.9	– 14.8
Repayments of loans including currency translation differences		– 0.4	– 2.1
Proceeds from loans including currency translation differences		0.4	0.0
Repayments of lease liabilities		– 67.9	– 65.5
Cash flow from financing activities		**– 77.9**	**– 84.5**
Net change in cash and cash equivalents		**65.9**	**3.9**
Effect of currency translation differences and change in scope of consolidation on cash and cash equivalents		1.0	5.3
Cash and cash equivalents at the beginning of the period		303.8	294.6
Cash and cash equivalents at the end of the period	(34)	**370.7**	**303.8**
Additional information on cash flows included in cash flow from operating activities:			
Interest paid		– 10.7	– 10.7
Interest received		2.2	1.1
Income taxes paid (–) / received (+)		– 54.0	– 62.2
Dividend payments received		9.3	23.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY[1]

≡ 16

IN € MILLION	Capital subscribed	Capital reserve	Revenue reserves: Remeasurement of defined benefit pension plans	Revenue reserves: Other revenue reserves	Other reserves: Currency translation	Other reserves: Equity instruments	Other reserves: Debt instruments	Other reserves: Investments accounted for using the equity method	**Equity attributable to the owners of TÜV SÜD AG**	Non-controlling interests	**Total equity**
Balance as of January 1, 2021	**26.0**	**128.2**	**−366.1**	**1,146.6**	**−28.4**	**0.3**	**0.6**	**−33.6**	**873.6**	**81.9**	**955.5**
Consolidated net income				137.7					**137.7**	16.8	**154.5**
Other comprehensive income			169.3		20.5	0.1	0.5	−7.9	**182.5**	7.5	**190.0**
Dividends paid				−2.1					**−2.1**	−14.4	**−16.5**
Changes in scope of consolidation			2.7						**2.7**		**2.7**
Other changes				−0.1					**−0.1**		**−0.1**
Balance as of December 31, 2021	**26.0**	**128.2**	**−194.1**	**1,282.1**	**−7.9**	**0.4**	**1.1**	**−41.5**	**1,194.3**	**91.8**	**1,286.1**
Balance as of January 1, 2022	**26.0**	**128.2**	**−194.1**	**1,282.1**	**−7.9**	**0.4**	**1.1**	**−41.5**	**1,194.3**	**91.8**	**1,286.1**
Consolidated net income				113.9					**113.9**	18.7	**132.6**
Other comprehensive income			231.0		16.8	−0.3	−0.1	6.8	**254.2**	16.0	**270.2**
Dividends paid				−2.1					**−2.1**	−7.9	**−10.0**
Changes in scope of consolidation				−1.3					**−1.3**		**−1.3**
Balance as of December 31, 2022	**26.0**	**128.2**	**36.9**	**1,392.6**	**8.9**	**0.1**	**1.0**	**−34.7**	**1,559.0**	**118.6**	**1,677.6**

1 _ Further disclosures on equity items can be found in note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General Information

1 / BASIS OF PREPARATION

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

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

TÜV SÜD AG prepared its consolidated financial statements as of December 31, 2022 in accordance with the International Financial Reporting Standards (IFRSs) by exercising the option under Section 315e (3) HGB ["Handelsgesetzbuch": German Commercial Code]. All IFRSs that are binding for the financial year 2022 and the pronouncements issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) have been applied to the extent that these have been adopted by the European Union.

On March 14, 2023, TÜV SÜD AG's Board of Management approved the consolidated financial statements for the financial year 2022 for submission to the Supervisory Board.

2 / SCOPE AND PRINCIPLES OF CONSOLIDATION

All material entities and structured entities over which the Group has control as defined by IFRS 10 are included in the consolidated financial statements as of December 31, 2022. The separate financial statements of the subsidiaries included in consolidation and prepared in accordance with uniform accounting policies serve as a basis.

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

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

With TÜV SÜD AG as parent company, the scope of consolidation comprises the number of entities shown in the table below.

Scope of consolidation ≡ 17

NUMBER OF ENTITIES	Dec. 31, 2022	Dec. 31, 2021
Fully consolidated entities	100	100
Entities accounted for using the equity method	6	6
thereof joint ventures	5	5
thereof associated companies	1	1
Total number of consolidated entities	**106**	**106**

In the financial year 2022, two German companies from the portfolio were included in the scope of consolidation and one foreign company was consolidated for the first time due to a change in legal form. Three companies were no longer included in the scope of consolidation. The disposals relate to the intragroup mergers of two German companies and the deconsolidation of one foreign company. The deconsolidation led to a gain of € 0.2 million (prior year: € 15.4 million), which is presented in other income.

The affiliated companies, associated companies and joint ventures included in the consolidated financial statements are listed in note 40 “Consolidated entities” along with the consolidation method applied. The list of the Group's entire shareholdings is published in the German Electronic Federal Gazette (Elektronischer Bundesanzeiger) as an integral part of the notes to the financial statements.

Consolidation decisions based on contractual arrangements

The TÜV SÜD Group holds 50% of the shares in TÜV SÜD Car Registration & Services GmbH, Munich. The entity is fully consolidated in the Group, as the TÜV SÜD Group has economic control of the entity on the basis of the contractual arrangements and can thus make decisions regarding the relevant activities of the entity.

Risks from structured entities

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

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

3 / BUSINESS COMBINATIONS

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

There were no significant business combinations in the reporting year.

On July 1, 2021, TÜV SÜD acquired the testing division of the Swiss PROSE Group. Provisional goodwill of € 3.7 million was recorded in the prior-year financial statements. Measurable rights of € 1.5 million were identified as part of the final purchase price allocation carried out in the reporting year, which will be amortized over a period of eleven years. After this reclassification, there remains goodwill of € 2.2 million.

4 / CURRENCY TRANSLATION

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

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

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

Selected exchange rates

≡ 18

	Closing rate		Annual average rate	
	Dec. 31, 2022	Dec. 31, 2021	2022	2021
Chinese renminbi (CNY)	7.3582	7.1947	7.0801	7.6340
Pound sterling (GBP)	0.8869	0.8403	0.8526	0.8600
Singapore dollar (SGD)	1.4300	1.5279	1.4519	1.5897
Turkish lira (TRY)	19.9649	15.2335	17.3849	10.4670
US dollar (USD)	1.0666	1.1326	1.0539	1.1835

If the functional currency of a subsidiary is the currency of a **hyperinflationary economy** within the meaning of IAS 29 "Financial Reporting in Hyperinflationary Economies", the financial statements of the respective subsidiary are restated prior to currency translation to reflect the change in purchasing power resulting from inflation. Non-monetary items of the statement of financial position that are measured at cost or cost less depreciation at TÜV SÜD, equity as well as the amounts disclosed in the consolidated income statement are indexed from the time they are included in the financial statements for the first time based on a general price index and are presented at current purchasing power. Monetary items are not restated. Corresponding gains and losses from current inflation are reported in the financial result. The consolidation effects resulting from the current inflation of the equity of subsidiaries are recorded in other comprehensive income and presented in the reserve for currency translation differences. All items of the financial statements are translated at closing rates.

Based on the data published by the International Monetary Fund in April 2022, Turkey has been classified as a hyperinflationary economy since June 2022. Consequently, IAS 29 was applied retrospectively for the first time from the beginning of the reporting year for the Turkish subsidiaries and the Turkish joint ventures accounted for using the equity method. At the time of initial application, the carrying amounts of non-monetary assets and liabilities were restated in other comprehensive income for the Turkish subsidiaries, which led to an increase in equity of € 7.5 million. The adjustment for purchasing power in the reporting year led to a negative result of € 3.1 million. A pro rata adjustment in an amount of € 9.9 million was carried out in other comprehensive income for the Turkish joint ventures accounted for using the equity method. Income from investments accounted for using the equity method contains a negative effect of € 2.3 million from current indexing. The consumer price index published by the Turkish Statistical Institute, was used as a suitable price index. As of January 1, 2022, this stood at 687 basis points and increased to 1,128 basis points as of December 31, 2022. The prior-year figures were not restated pursuant to IAS 21.42b as the consolidated financial statements were prepared in a stable currency.

5 / RELEVANT ACCOUNTING POLICIES

The key accounting and measurement methods for TÜV SÜD are presented below; the mere repetition of standard requirements has been largely avoided.

Revenue is recognized pursuant to IFRS 15 "Revenue from Contracts with Customers" and mainly consists of income from service business with customers. The values agreed in contracts or defined in price lists form the basis for calculating the revenue to be recognized. Revenue from long-term contracts is recognized over time pursuant to IFRS 15.35c, which involves recognizing costs and revenue in line with the degree to which the contract has been completed. The percentage of completion per contract to be recognized is calculated as the ratio of the actual costs incurred to overall anticipated costs of the project (cost-to-completion method). This is the most suitable method for TÜV SÜD to measure progress. Contract costs are expensed in the period in which they are incurred. When it is foreseeable that total contract costs will exceed total contract revenue, the expected loss is immediately expensed. Contracts are generally processed within one year.

An appropriate method to determine the stage of completion is applied for license fees that grant a right to access to intellectual property. Revenue from Software-as-a-Service licenses is generally recognized on a straight line basis over the term of the agreement. By contrast, revenue from license fees as part of certification and accreditation services is collected at a point in time when the invoice is issued.

As a practical expedient, the company opts not to measure financing components pursuant to IFRS 15.63. The revenue recognition, settlement and cash inflows result in invoiced trade receivables, contract assets and contract liabilities. With respect to the type of the contract, a distinction is made between service contracts, usually training and advisory services, and contracts for work and labor, such as certification or testing services. The timing of revenue recognition and billing can be derived from the type of contract. The majority of service contracts are billed monthly, contracts for work and labor upon reaching individually agreed milestones or upon completion. The average group-wide payment terms range between 30 and 60 days, taking country-specific requirements such as statutory defined payment terms into account.

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

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

Goodwill is not subject to amortization but is tested for impairment at least once a year or whenever there is any indication of impairment, and written down if appropriate.

Other intangible assets acquired for a consideration are measured at acquisition cost, **internally generated intangible assets** at production cost. Production cost comprises the costs directly and indirectly allocable to the development process. Intangible assets with finite useful lives are amortized using the straight-line method over a period of two to 20 years. If necessary, impairment losses are taken into account. Intangible assets with indefinite useful lives are not amortized but rather tested for impairment annually and if there are any indications of an impairment.

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

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

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

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

Property, plant and equipment and **investment property** are recognized at cost less depreciation or impairment. Depreciation generally takes place using the straight-line method over the respective expected useful life. Buildings and parts of buildings are depreciated over a maximum period of 50 years, technical equipment over a period of five to 20 years, and furniture and fixtures over a period of three to 23 years.

At each reporting date, the Group assesses whether there is any indication that the carrying amounts of intangible assets, right-of-use assets, property, plant and equipment and investment property may be subject to **impairment**. If any such indication exists, an impairment test is performed. For goodwill, intangible assets with an indefinite useful life, and intangible assets not yet available for use, such a test is conducted annually in addition to this.

Asset impairment is tested by comparing the carrying amount of an asset with its recoverable amount. If an asset does not generate future cash inflows that are largely independent of those from other assets, the value has to be tested on the basis of the next higher aggregated cash-generating unit (CGU). The cash generating units correspond to the Group's divisions, which are managed on a worldwide basis. The recoverable amount is the higher of fair value less costs to sell and value in use derived from the plan for 2023 prepared and approved by management, with the aid of the discounted cash flow method.

The key assumptions made in determining fair value are the growth rates of the cash flows in the planning period, the CGU-specific cost of capital and the forecast sustainable growth rate after the end of the planning period. The planned cash flows are based mainly on estimates by the management of TÜV SÜD of the current and future market environment. Cost of capital is based on the weighted average cost of capital (WACC) of the TÜV SÜD Group adjusted for the specific risk profile inherent in the cash flows budgeted for the cash generating unit in question. The sustainable growth rate used is the expected long-term rate of the cash generating unit's market growth.

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

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

The amount recognized under **provisions for pensions and similar obligations** for defined benefit plans corresponds to the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. If there is a surplus of plan assets for a pension plan, the corresponding asset is recognized under other non-current assets, taking into account the asset ceiling. The defined benefit obligation is determined annually by an independent actuary using the projected unit credit method taking into account biometric assumptions. Remeasurements, comprising actuarial gains and losses and the return on plan assets (excluding interest on the net defined benefit obligation) as well as the change of the effects of the asset ceiling (excluding interest) are recognized in full in the financial year in which they occur. They are charged directly against revenue reserves, taking deferred taxes into account, and reported outside of the income statement as a component of other comprehensive income. The net interest expense is obtained by multiplying the discount rate for the respective financial year by the net defined benefit obligation (pension obligation less plan assets) as of the reporting date for the prior financial year. It is reported in the financial result.

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

A **financial instrument** is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The initial recognition of trade receivables takes place at the transaction price, for all other financial instruments at fair value as soon as the TÜV SÜD Group becomes a party to the contractual provisions of the financial instrument. In the case of regular way purchases and sales, the trade date is authoritative for the TÜV SÜD Group. The directly attributable transaction costs are taken into account in the carrying amount only if the financial instruments are not measured at fair value through profit or loss. Subsequent measurement of financial assets and liabilities depends on the categories they are allocated to. The TÜV SÜD Group does not make use of the fair value option. Financial assets and financial liabilities are reported without netting.

Financial assets are derecognized when the rights from the cash flows have expired or substantially all of the risks and rewards have been transferred to a third party. Financial liabilities are derecognized when the obligations specified in the contract are discharged, canceled or expire.

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

- Debt instruments at amortized cost.
- Debt instruments at fair value through other comprehensive income: accumulated gains and losses will be reclassified to the income statement upon derecognition of the debt instruments.
- Debt instruments, derivatives and equity instruments at fair value through profit or loss.
- Equity instruments at fair value through other comprehensive income: gains and losses remain in other comprehensive income even after derecognition of these financial instruments.

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

The **equity instruments** held by the TÜV SÜD Group primarily relate to participations. These are assigned to the "at fair value through other comprehensive income" measurement category. The TÜV SÜD Group's participations are not listed on the stock exchange.

The general approach for recording **impairment losses** pursuant to IFRS 9 is used on all **debt instruments**, apart from trade receivables. Debt instruments where the credit risk has not increased significantly since first-time recognition are covered by a risk provision in the equivalent to the credit losses expected to be incurred within the next twelve months. Debt instruments where the credit risk has increased significantly since first-time recognition have to be accounted for with a risk provision equivalent to the credit losses expected to be incurred over the residual term. The TÜV SÜD Group uses external ratings to monitor changing credit risks. A significant change in the credit risk is defined as when the external rating is no longer in the investment grade range, or also when the contractually agreed payments are more than 30 days overdue. If the contractually agreed payments are more than 90 days overdue, this is classed as a default. For bank balances and miscellaneous financial assets, such as deposit payments, impairments are determined based on assumed default likelihoods.

The simplified approach pursuant to IFRS 9 is applied to **trade receivables**. At each reporting date, a risk provision equivalent to the credit losses expected to be incurred over the entire term is recognized. A provision matrix is used to measure loss allowances in the TÜV SÜD Group. The expected loss rates are calculated using the roll-rate method, which is based on the probability of a receivable progressing to payment delay in successive stages. Roll rates are calculated separately for the defaults of each entity in the TÜV SÜD Group. The default rate which is calculated using the roll rate method is supplemented by forward-looking information. Mark ups and mark downs are determined based on an expected baseline scenario. These mark ups and mark downs are each derived from qualitative factors such as the relevant change in the age structure and the development of country- or industry-specific CDS spreads.

The TÜV SÜD Group does not choose to designate a hedging relationship between a hedging instrument and a hedged item in accordance with IFRS 9. Derivatives are held to account for economic hedging relationships and are therefore measured at fair value through profit or loss.

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

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

Assumptions, estimation uncertainties and judgments

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

The estimation of the percentage of completion is of particular importance for the **measurement of long-term contracts**. These significant estimates include calculated total costs, expected revenue, potential contract risks – including political and regulatory risks – and other relevant metrics. Consequently, changes in the estimate of the percentage of completion can increase or decrease revenue.

Key estimate parameters as part of **testing goodwill for impairment** include the sustainable long-term growth rates as well as the cash flows allocable to cash generating units and the risk adjustment per cash generating unit of the TÜV SÜD Group's weighted average cost of capital.

The term of the lease is a key parameter in the **recognition of leases**. A series of the Group's real estate agreements include options to extend or terminate each lease. All facts and circumstances that offer an economic incentive to exercise an option to extend a lease or not to exercise an option to terminate a lease are considered when determining the term.

The **defined benefit obligations** and the pension expenses for the subsequent year are calculated using the actuarial parameters specified in note 23. However, a change in parameters would not have an impact on the consolidated net income for the reporting year, as remeasurements are recognized in equity with no effect on income.

The recognition and measurement of **provisions** and **contingent liabilities** in connection with **pending and imminent legal proceedings** are based to a significant extent on estimations made by TÜV SÜD. Assumptions must be made regarding their probability of occurrence, maturity and level of risk, which are subject to significant estimation uncertainty. This applies, in particular, to the estimation regarding the probability of utilization, the level of the potential liability risks and the amount of the legal and advisory costs associated with the dam collapse in Brazil depending on how long legal proceedings carry on. TÜV SÜD evaluates the matters using internal and external experts based on the circumstances prevailing as of the reporting date and knowledge gained prior to the preparation of the financial statements. Note 31 presents the Group's pending and imminent legal proceedings, the outcome of which could have a significant impact on the Group's financial performance and position for the financial year 2023 and future financial years.

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

Changes in presentation and prior-year information

Since the reporting year, contract assets and liabilities have each been recognized in a separate item in the statement of financial position. Previously, these had been recognized under trade receivables and trade payables. In addition, there were also some changes to the presentation in the notes to the financial statements. The prior-year figures were restated accordingly.

New accounting standards that are not yet mandatory

The following amendments of standards generally relevant for TÜV SÜD were issued by the IASB and adopted by the EU prior to the preparation of TÜV SÜD's consolidated financial statements, but have not yet been applied in the consolidated financial statements as of December 31, 2022. The amendments are mandatory for the first time for financial years beginning on or after their respective effective dates. TÜV SÜD decided not to early adopt such standards on a voluntary basis. ≡ 19

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

≡ 19

Standard	Effective date pursuant to EU endorsement	Anticipated impact on TÜV SÜD AG's consolidated financial statements
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023	No consequences are expected for the consolidated financial statements.
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023	No consequences are expected for the consolidated financial statements.
Amendments to IAS 12 "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023	No consequences are expected for the consolidated financial statements.

The table below shows the amendment to an existing standard issued by the IASB which could be relevant for TÜV SÜD, but which has not yet been adopted by the EU and which is therefore not yet applicable for IFRS financial statements prepared pursuant to Section 315e HGB.

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

≡ 20

Standard	Effective date	Anticipated impact on TÜV SÜD AG's consolidated financial statements
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" and "Non-current Liabilities with Covenants"	January 1, 2024	No consequences are expected for the consolidated financial statements.

In December 2021, the OECD published the draft directive on the introduction of global minimum taxation. This directive targets large multinational enterprise groups with global revenue of more than € 750 million and will generally lead to an additional tax if, in a jurisdiction in which they operate, the effective tax rate to be determined using special rules is below the minimum tax rate of 15%. In December 2022, the EU member states agreed to implement the regulations in the form of Directive (EU) 2022/2523. This has not yet been transposed into national law in Germany, however this must be done by December 31, 2023. The locally implemented EU directive is expected to be applicable for the first time for financial years starting from January 1, 2024. TÜV SÜD generally meets the application criteria for global minimum taxation and is currently assessing the possible impact of the regulations on the Group from financial year 2024 onwards, including future implications for current and deferred taxes as well as tax payments.

Notes to the consolidated income statement

6 / REVENUE

TÜV SÜD realizes revenue from service contracts with customers at a point in time and over time. Revenue was generated in the following segments:

Revenue ≡ 21

IN € MILLION	2022	2021
INDUSTRY	961.8	922.6
MOBILITY	945.0	885.4
CERTIFICATION	973.8	876.7
OTHER	34.0	32.9
Less intersegment revenue	– 51.3	– 50.3
Revenue	**2,863.3**	**2,667.3**

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

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

For further information on the segments, please refer to the segment reporting in note 35.

As of December 31, 2022, future revenue from performance obligations not yet satisfied is expected to be recognized in the income statement as follows:

Revenue expected in the future from contract assets ≡ 22

IN € MILLION	2023	2024	2025
Range of revenue expected	from 46.1 to 69.4	from 63.8 to 87.8	up to 32.7

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

Revenue recognized during the financial year includes revenue of € 97.2 million (prior year: € 77.4 million), which was still recognized as contract liabilities as of December 31, 2021.

7 / PERSONNEL EXPENSES

Personnel expenses ≡ 23

IN € MILLION	2022	2021
Wages and salaries	1,390.6	1,312.6
Social security contributions and other benefit costs	192.9	178.2
Retirement benefit costs	116.5	112.7
Incidental personnel costs	34.1	27.0
Personnel expenses	**1,734.1**	**1,630.5**

The increase in wages and salaries including social security contributions and other benefit costs is a result of globally increased employee capacity. Collectively bargained pay rises in Germany and currency translation effects outside Germany also increased this expense item.

Retirement benefit costs also include employer contributions to state pensions. At € 25.9 million, current service cost in the financial year 2022 was below the prior-year level (€ 29.6 million). Effects from the increase in the discount rate in Germany and from the decline in the number of active employees with vested rights had a particular impact in this regard.

The TÜV SÜD Group had an average headcount (full-time equivalents) of 23,957 employees in the reporting year (prior year: 23,220 employees). The majority of employees are salaried employees.

8 / AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES

Amortization, depreciation and impairment losses ≡ 24

IN € MILLION	2022	2021
Amortization and depreciation		
of intangible assets	24.1	22.2
of right-of-use assets	72.4	69.6
of property, plant and equipment	72.6	68.6
of investment property	0.1	0.1
	169.2	**160.5**
Impairment losses		
on intangible assets	2.2	11.3
on right-of-use assets	0.1	0.3
on property, plant and equipment	11.5	11.0
	13.8	**22.6**
Amortization, depreciation and impairment losses	**183.0**	**183.1**

9 / OTHER EXPENSES

Other expenses ≡ 25

IN € MILLION	2022	2021
Travel expenses	77.8	55.8
Rental and maintenance expenses	66.1	61.1
IT expenses	64.1	54.6
Expenses for purchased administrative services	55.4	48.4
Fees, contributions, consulting and audit costs	34.2	38.2
Currency translation losses	26.7	14.7
Expenses for equipment maintenance	21.9	19.9
Marketing expenses	19.9	15.0
Telecommunication expenses	17.5	17.1
Insurance expenses	17.1	17.5
Impairment losses on trade receivables (including amounts derecognized)	10.7	11.5
Other taxes	6.1	4.6
Miscellaneous other expenses	61.2	54.8
Other expenses	**478.7**	**413.2**

10 / OTHER INCOME

Other income

≡ 26

IN € MILLION	2022	2021
Currency translation gains	25.9	14.3
Income from the reversal of provisions	16.4	12.8
Government grants	7.7	6.9
Income from other transactions not typical for the company	7.4	6.5
Income from the reversal of impairment losses on trade receivables	4.4	5.4
Income from the disposal of non-current assets	1.2	2.3
Income from the deconsolidation of subsidiaries	0.2	15.4
Income from the reversal of impairment losses on fixed assets	0.1	0.5
Miscellaneous other income	31.6	34.0
Other income	**94.9**	**98.1**

11 / FINANCIAL RESULT

Financial result

≡ 27

IN € MILLION	2022	2021
Income from investments accounted for using the equity method	**8.3**	**14.5**
Financial income from participations	2.1	4.2
Finance costs from participations	0.0	–3.5
Income/loss from participations	2.1	0.7
Financial income from loans	0.0	0.2
Finance costs from loans	–2.6	–0.2
Income/loss from loans	–2.6	0.0
Other income/loss from participations	**–0.5**	**0.7**
Interest income from loans	0.2	0.2
Other interest and similar income	7.9	2.9
Interest income	**8.1**	**3.1**
Net finance costs for pension provisions	–1.2	–2.8
Interest expenses from lease liabilities	–9.5	–8.9
Other interest and similar expenses	–3.0	–4.4
Interest expenses	**–13.7**	**–16.1**
Currency translation gains	15.9	3.6
Currency translation losses	–17.5	–2.1
Currency translation gains/losses from financing measures	–1.6	1.5
Gains/losses from the net monetary position pursuant to IAS 29	–3.1	0.0
Sundry financial income	1.4	3.6
Sundry finance costs	–3.4	–2.2
Sundry financial result	–2.0	1.4
Other financial result	**–6.7**	**2.9**
Financial result	**–4.5**	**5.1**

The income from investments accounted for using the equity method of € 8.3 million (prior year: € 14.5 million) contains a figure of € 10.1 million (prior year: € 15.9 million) from the proportionate net income generated by the Turkish joint ventures TÜVTÜRK. This was offset in particular by the negative contribution to earnings by FleetCompany GmbH, Oberhaching, in the amount of € 2.4 million (prior year: € 1.8 million).

The total interest income from assets not measured at fair value through profit or loss amounts to € 8.1 million in the financial year 2022 (prior year: € 3.1 million). The total interest expense (excluding net finance costs for pension provisions) amounts to € 12.5 million (prior year: € 13.3 million). This contains interest expenses from lease liabilities from the application of IFRS 16 in an amount of € 9.5 million (prior year: € 8.9 million). The interest result contains income from the change in the discount rate for provisions for long-service bonuses and medical benefits in an amount of € 5.5 million (prior year: € 1.4 million).

12 / INCOME TAXES

Income taxes ≡ 28

IN € MILLION	2022	2021
Current taxes for the reporting year	34.6	51.3
Current taxes for prior years	4.3	2.3
Current taxes	**38.9**	**53.6**
Deferred taxes from temporary differences	11.1	8.0
Deferred taxes from tax loss carryforwards and tax credits	0.1	–1.0
Deferred taxes	**11.2**	**7.0**
Income tax expense	**50.1**	**60.6**

The following reconciliation for the TÜV SÜD Group presents a summary of the individual entity-specific reconciliations prepared using the respective local tax rates taking consolidation entries into account. The expected income tax expense is based on the nominal tax rate of the tax group of TÜV SÜD AG. ≡ 29

Tax reconciliation

≡ 29

IN € MILLION	2022	2021
Income before taxes	182.7	215.1
Expected tax rate	30.6%	30.6%
Expected income tax expense	**55.9**	**65.8**
Tax rate differences	–3.7	–3.4
Tax reductions due to tax-free income	–22.1	–9.5
Tax increases due to non-deductible expenses	8.7	3.5
Tax increases due to income taxes and withholding taxes neither creditable nor deductible	6.5	5.4
Tax effect from associated companies and joint ventures accounted for using the equity method	–2.3	–4.4
Tax increases on account of non-deductible impairment of goodwill	0.0	0.1
Current and deferred taxes for prior years	4.0	2.0
Tax credits, valuation allowances and adjustments to carrying amounts of deferred taxes	2.1	0.3
Effect of changes in tax rates	0.3	1.4
Other differences	0.7	–0.6
Reported income tax expense	**50.1**	**60.6**
Effective tax rate	**27.4%**	**28.2%**

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

Deferred taxes by item of the statement of financial position

≡ 30

	Deferred tax assets		Deferred tax liabilities	
IN € MILLION	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Non-current assets	9.8	10.9	173.7	178.0
Current assets	0.7	0.3	13.5	11.9
Non-current liabilities				
Provisions for pensions and similar obligations	126.8	295.1	0.0	0.0
Other non-current liabilities	96.2	103.3	0.4	1.0
Current liabilities	38.8	40.5	4.0	2.5
Deferred taxes from temporary differences (gross)	**272.3**	**450.1**	**191.6**	**193.4**
Netting per company/tax group	–170.2	–175.8	–170.2	–175.8
Deferred taxes from temporary differences (net)	**102.1**	**274.3**	**21.4**	**17.6**
Deferred taxes from tax loss carryforwards and tax credits	**3.7**	**3.6**		
Deferred taxes reported in the statement of financial position	**105.8**	**277.9**	**21.4**	**17.6**

In Germany, no deferred taxes were recognized on corporate income tax loss carryforwards of € 23.6 million (prior year: € 23.6 million) and trade tax loss carryforwards of € 22.3 million (prior year: € 22.3 million) because at present it is not likely that the tax benefits will be realized. These tax loss carryforwards can be carried forward indefinitely. Outside of Germany, no deferred taxes were recognized on tax loss carryforwards of € 45.6 million (prior year: € 37.4 million). Of these tax loss carryforwards, € 39.1 million (prior year: € 32.5 million) can be used indefinitely and € 6.5 million (prior year: € 4.9 million) will expire within the next five years. Furthermore, no deferred tax assets were recognized for deductible temporary differences of € 3.4 million (prior year: € 3.7 million) and for capital losses in the USA of € 9.0 million (prior year: € 8.4 million).

Differences on investments in subsidiaries totaling € 20.5 million (prior year: € 24.3 million) did not give rise to deferred tax liabilities because the differences are not expected to reverse in the foreseeable future by way of realization (distribution or sale of the entity).

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

Development of the net balance of deferred tax assets and liabilities

≡ 31

IN € MILLION	2022	2021
Net balance as of January 1	**260.3**	**301.9**
Currency translation differences	–0.9	0.2
Changes in scope of consolidation	0.0	–0.2
Income (+)/expense (–) in the income statement	–11.2	–7.0
Deferred taxes recognized in other comprehensive income	–162.9	–34.6
Deferred taxes recognized directly in equity pursuant to IAS 29	–0.9	0.0
Net balance as of December 31	**84.4**	**260.3**

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

Income taxes recognized directly in other comprehensive income

≡ 32

	2022			2021		
IN € MILLION	Before tax	Deferred tax effect	After tax	Before tax	Deferred tax effect	After tax
Remeasurement of defined benefit pension plans	410.7	–163.1	247.6	206.6	–34.4	172.2
Equity instruments at fair value	–0.4	0.1	–0.3	0.2	–0.1	0.1
Debt instruments at fair value	–0.1	0.0	–0.1	0.7	–0.2	0.5
Currency translation of foreign subsidiaries	16.2	0.0	16.2	25.1	0.0	25.1
Investments accounted for using the equity method	6.7	0.1	6.8	–8.0	0.1	–7.9
Other comprehensive income	**433.1**	**–162.9**	**270.2**	**224.6**	**–34.6**	**190.0**

13 / NON-CONTROLLING INTERESTS

Financial data of companies with significant non-controlling interests ≡ 33

	TÜV Technische Überwachung Hessen GmbH, Germany		TUV SUD Certification and Testing (China) Co., Ltd., China	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Non-controlling interest	**45.0%**	**45.0%**	**49.0%**	**49.0%**
IN € MILLION				
Non-current assets	141.4	110.9	66.4	76.0
Current assets	60.9	44.5	149.4	136.5
Non-current liabilities	35.2	42.4	18.0	26.7
Current liabilities	32.6	24.7	128.6	124.2
Net assets	**134.5**	**88.3**	**69.2**	**61.6**
Carrying amount of non-controlling interests	60.6	39.8	33.7	30.0
	2022	2021	2022	2021
Revenue	**172.1**	**168.7**	**259.8**	**230.8**
Net income for the year	12.2	10.8	21.2	22.4
Other comprehensive income	36.6	6.2	–1.7	6.4
Total comprehensive income	**48.8**	**17.0**	**19.5**	**28.8**
Net income attributable to non-controlling interests	5.4	4.8	10.4	11.0
Other comprehensive income attributable to non-controlling interests	16.5	2.8	–0.8	3.1
Dividends paid to non-controlling interests	1.1	1.1	5.8	11.9
Cash flow from operating activities	22.3	23.8	38.0	49.0
Cash flow from investing activities	–5.7	–21.4	–15.2	–18.3
Cash flow from financing activities	–6.5	–6.3	–21.7	–32.9
Net change in cash and cash equivalents	**10.1**	**–3.9**	**1.1**	**–2.2**

Notes to the consolidated statement of financial position

14 / INTANGIBLE ASSETS

Development of intangible assets

≡ 34

IN € MILLION	Goodwill	Licenses and similar rights and customer relationships	Internally generated intangible assets	Other intangible assets	Intangible assets under development	Total
Gross carrying amount as of January 1, 2022	**237.0**	**155.5**	**58.9**	**100.4**	**9.0**	**560.8**
Currency translation differences	6.3	11.6	0.9	0.0	0.0	**18.8**
Changes in scope of consolidation	1.5	0.9	0.1	0.1	0.0	**2.6**
Additions	0.0	0.0	2.0	15.1	6.8	**23.9**
Disposals	–0.1	–0.1	0.0	–0.1	0.0	**–0.3**
Reclassifications	–1.5	1.5	2.9	2.2	–5.2	**–0.1**
Gross carrying amount as of December 31, 2022	**243.2**	**169.4**	**64.8**	**117.7**	**10.6**	**605.7**
Accumulated amortization and impairment losses	–37.4	–121.8	–42.5	–93.4	–4.6	**–299.7**
Carrying amount as of December 31, 2022	**205.8**	**47.6**	**22.3**	**24.3**	**6.0**	**306.0**
Amortization and impairment losses in the financial year 2022	**–0.1**	**–6.9**	**–9.2**	**–9.7**	**–0.5**	**–26.4**
Gross carrying amount as of January 1, 2021	**232.2**	**152.1**	**51.9**	**91.9**	**11.5**	**539.6**
Currency translation differences	8.7	2.7	0.7	0.3	0.1	**12.5**
Changes in scope of consolidation	–7.5	0.7	0.0	0.0	0.0	**–6.8**
Acquisitions of subsidiaries	3.7	0.0	0.0	0.0	0.0	**3.7**
Additions	0.0	0.0	5.2	3.9	4.3	**13.4**
Disposals	–0.1	0.0	–0.3	–1.0	–0.2	**–1.6**
Reclassifications	0.0	0.0	1.4	5.3	–6.7	**0.0**
Gross carrying amount as of December 31, 2021	**237.0**	**155.5**	**58.9**	**100.4**	**9.0**	**560.8**
Accumulated amortization and impairment losses	–35.6	–106.3	–32.8	–83.7	–4.1	**–262.5**
Carrying amount as of December 31, 2021	**201.4**	**49.2**	**26.1**	**16.7**	**4.9**	**298.3**
Amortization and impairment losses in the financial year 2021	**–0.3**	**–12.1**	**–6.4**	**–10.9**	**–4.1**	**–33.8**

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

Goodwill ≡ 35

IN € MILLION	Dec. 31, 2022	Dec. 31, 2021
Industry Service	90.2	87.1
Mobility	35.8	34.4
Product Service	35.5	34.5
Real Estate & Infrastructure	26.8	28.1
Other	17.5	17.3
Goodwill	**205.8**	**201.4**

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

Internally generated intangible assets essentially comprise software and development costs.

As of the reporting date, the carrying amount of concessions, accreditations and trademark rights with indefinite useful lives comes to € 15.2 million (prior year: € 14.8 million), of which € 10.1 million (prior year: € 9.7 million) relates to the Industry Service CGU and € 5.1 million (prior year: € 5.1 million) to the Mobility CGU.

As part of the annual impairment test of intangible assets, impairment losses of € 1.7 million were recognized on internally generated intangible assets and of € 0.5 million on capitalized development costs. In the prior year, impairment losses of € 11.3 million were recognized on capitalized development costs. Of these impairment losses, € 1.2 million (prior year: € 10.1 million) is attributable to the CERTIFICATION Segment and € 1.0 million (prior year: € 1.2 million) to the MOBILITY Segment.

An impairment loss of € 0.1 million was recognized for goodwill in the MOBILITY Segment (prior year: € 0.3 million in the INDUSTRY Segment).

For those CGUs to which goodwill is allocated, fair value less costs to sell was determined based on a discount rate of between 7.4% and 8.3% taking income taxes into account (prior year: between 6.6% and 7.3%). As in the prior year, the sustainable growth rate remained unchanged at 1.0% for all CGUs.

For intangible assets with indefinite useful lives, fair value less costs to sell was determined based on a discount rate of 8.5% taking income taxes into account (prior year: 8.2%). The sustainable growth rate stood at 1.5% (prior year: 1.0%).

The fair value determination falls under level 3 of the fair value hierarchy for both goodwill and intangible assets with indefinite useful lives.

For those CGUs to which material goodwill is allocated and for intangible assets with an indefinite useful life, sensitivity analyses were carried out as part of the impairment test. This involved assessing the impact of a 10% decrease in cash flows underlying the calculation of the fair value less costs to sell or the value in use of the CGUs, an increase in the weighted average cost of capital by one percentage point and a decrease in the sustainable growth rate by one percentage point respectively. Based on these analyses, there is no significant impairment risk relating to goodwill and intangible assets with an indefinite useful life.

Research and development expenses of approximately € 23 million (prior year: approximately € 16 million) were recognized through profit or loss in the reporting year. Since 2022, the above mentioned amount has also included process innovations.

15 / PROPERTY, PLANT AND EQUIPMENT

Development of property, plant and equipment

≡ 36

IN € MILLION	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures	Assets under construction	Total
Gross carrying amount as of January 1, 2022	**568.8**	**326.2**	**339.5**	**20.8**	**1,255.3**
Currency translation differences	2.7	–0.5	0.4	–0.1	**2.5**
Additions	10.1	29.9	32.3	55.9	**128.2**
Disposals	–3.2	–7.5	–14.2	–0.3	**–25.2**
Reclassifications	13.7	4.8	1.1	–19.5	**0.1**
Gross carrying amount as of December 31, 2022	**592.1**	**352.9**	**359.1**	**56.8**	**1,360.9**
Accumulated depreciation and impairment losses	–295.8	–208.5	–248.9	0.0	**–753.2**
Carrying amount as of December 31, 2022	**296.3**	**144.4**	**110.2**	**56.8**	**607.7**
Depreciation and impairment losses in the financial year 2022	**–23.7**	**–27.2**	**–33.2**	**0.0**	**–84.1**
Gross carrying amount as of January 1, 2021	**537.0**	**274.8**	**318.2**	**35.5**	**1,165.5**
Currency translation differences	5.4	16.9	2.4	0.6	**25.3**
Changes in scope of consolidation	0.1	0.1	–0.3	0.0	**–0.1**
Acquisitions of subsidiaries	0.0	0.0	0.8	0.0	**0.8**
Additions	18.6	34.1	26.4	13.8	**92.9**
Disposals	–8.8	–8.0	–12.2	–0.1	**–29.1**
Reclassifications	16.5	8.3	4.2	–29.0	**0.0**
Gross carrying amount as of December 31, 2021	**568.8**	**326.2**	**339.5**	**20.8**	**1,255.3**
Accumulated depreciation and impairment losses	–274.1	–187.9	–229.5	0.0	**–691.5**
Carrying amount as of December 31, 2021	**294.7**	**138.3**	**110.0**	**20.8**	**563.8**
Depreciation and impairment losses in the financial year 2021	**–17.6**	**–28.7**	**–33.3**	**0.0**	**–79.6**

Impairment losses to the lower fair value of € 11.5 million (prior year: € 11.0 million) were recognized. Of this amount, € 7.0 million (prior year: € 1.3 million) is attributable to land and buildings, € 2.5 million (prior year: € 7.1 million) to technical equipment and machinery and € 2.0 million (prior year: € 2.6 million) to other equipment, furniture and fixtures.

16 / INVESTMENT PROPERTY

Development of investment property

≡ 37

IN € MILLION	2022	2021
Gross carrying amount as of January 1	**4.8**	**4.9**
Additions	1.7	0.0
Disposals	–0.2	–0.1
Gross carrying amount as of December 31	**6.3**	**4.8**
Accumulated depreciation	–1.9	–1.9
Carrying amount as of December 31	**4.4**	**2.9**
Depreciation in the financial year	–0.1	–0.1

As of December 31, 2022, investment properties have a market value of € 10.7 million (prior year: € 8.1 million).

Measurement at fair value of the investment property is classified as level 3 in the fair value hierarchy. If current market data is not available, the fair value is calculated on the basis of a capitalized earnings method pursuant to the ImmoWertV ["Immobilienwertermittlungsverordnung": German Ordinance on the Valuation of Property] and derived from the standard land values as well as the expected rental income. Essential input factors in the valuation that are not directly observable on the market include property yield, which is significantly influenced by property location and type. The property yield used in the valuation remained unchanged on the prior year at 2.75%.

17 / INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method

≡ 38

IN € MILLION	Dec. 31, 2022	Dec. 31, 2021
Investments in joint ventures	24.8	16.3
Investment in an associated company	3.0	3.0
Investments accounted for using the equity method	**27.8**	**19.3**

Joint ventures

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

In 2007, the TÜVTÜRK companies concluded a concession agreement with the Turkish government, governing the implementation of regular vehicle inspections throughout Turkey. Using different contractual partners, the joint venture is the exclusive provider of vehicle inspections in Turkey for the 20-year term of the contract. In 2022, 11.2 million (prior year: 11.3 million) vehicle inspections were performed, generating revenue of TRY 6,752.6 million or € 338.2 million (prior year: TRY 3,799.7 million or € 363.0 million).

Other joint ventures are ITV de Levante, S.A. (ITV Levante), Valencia, Spain, TÜV SÜD DOGUS Ekspertiz ve Danismanlik Hizmetleri Ltd. Sti. (TÜV SÜD DOGUS), Istanbul, Turkey, and FleetCompany GmbH, Oberhaching, which are all accounted for using the equity method. There are no quoted market prices for these companies.

TÜV SÜD has held 50% of the shares in ITV Levante since 2016. The company was founded in 1998 and owns the concessions for three vehicle service stations in the Valencia region, which originally ran until the end of 2022. Since then, there has been a short-term extension of the concessions.

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

Up until and including 2018, FleetCompany GmbH was a fully consolidated company in the TÜV SÜD Group. Since the sale of 60% of the shares in this company in the financial year 2019, FleetCompany GmbH has been managed as a joint venture. As of December 31, 2022, TÜV SÜD still holds 26.35% of the shares in the company. The main purpose of the company is to provide services in domestic and international fleet management.

The following table summarizes the financial information for the joint ventures. The information presented for TÜVTÜRK's reporting year corresponds to the amounts in the preliminary consolidated financial statements, which were prepared in accordance with IFRSs and TÜV SÜD's accounting policies. For the other joint ventures the amounts in the preliminary separate financial statements of ITV Levante and TÜV SÜD DOGUS and in the preliminary consolidated financial statements of FleetCompany GmbH have been raised to the fair value. The prior-year figures were adjusted in line with the final figures in the financial statements.

Financial data of the joint ventures (100%)

≡ 39

	Consolidated financial statements TÜVTÜRK, Turkey		Other joint ventures	
IN € MILLION	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Non-current assets	164.7	50.3	16.5	17.1
Current assets	33.7	30.3	46.2	36.9
thereof cash and cash equivalents	13.1	15.4	15.1	8.4
Non-current liabilities	87.7	22.0	5.2	5.9
thereof financial liabilities	6.0	5.2	4.8	5.7
Current liabilities	57.3	31.1	35.1	32.2
thereof financial liabilities	38.7	27.1	19.6	13.2
Net assets	**53.4**	**27.5**	**22.4**	**15.9**
	2022	2021	2022	2021
Revenue	338.2	363.0	43.6	38.0
Amortization and depreciation	–10.4	–2.5	–2.2	–2.5
Interest income	3.6	4.4	0.0	0.0
Interest expenses	–0.2	–0.1	–0.1	–0.1
Income taxes	–9.5	–14.8	–0.5	–0.1
Net income / loss for the year	**30.2**	**47.6**	**–8.9**	**–6.9**
Other comprehensive income	–2.1	–0.8	0.0	0.0
Total comprehensive income	**28.1**	**46.8**	**–8.9**	**–6.9**
Dividends received	8.1	15.2	0.3	0.3

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

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

	Consolidated financial statements TÜVTÜRK, Turkey		Other joint ventures	
IN € MILLION	2022	2021	2022	2021
Net assets (100%) as of January 1	**27.5**	**90.4**	**15.9**	**16.2**
Net assets from changes in participations	0.0	0.0	16.0	7.7
Total comprehensive income	28.1	46.8	–8.9	–6.9
Dividends paid	–24.3	–87.1	–0.5	–0.6
Currency translation differences and adjustments pursuant to IAS 29	22.1	–22.6	–0.1	–0.5
Net assets (100%) as of December 31	**53.4**	**27.5**	**22.4**	**15.9**
Attributable to TÜV SÜD Group	17.8	9.2	7.8	7.9
Restructuring and consolidation effects	4.9	4.9	0.0	0.0
Group adjustments and impairment losses	0.0	0.0	–5.7	–5.7
Carrying amount as of December 31	**22.7**	**14.1**	**2.1**	**2.2**

18 / OTHER FINANCIAL ASSETS

Other financial assets ≡ 41

IN € MILLION	Dec. 31, 2022	Dec. 31, 2021
Investments in affiliated companies	7.8	2.5
Loans to affiliated companies	0.8	2.9
Loans to joint ventures	0.2	4.7
Other participations	2.8	2.8
Non-current securities	92.3	129.1
Share of policy reserve from employer's pension liability insurance	0.1	0.2
Other loans	2.0	2.0
Other financial assets	**106.0**	**144.2**

An amount of € 1.0 million (prior year: € 1.2 million) of non-current securities is pledged under a trust agreement concluded to secure the value of the settlement claims for employees in the block model of the phased retirement scheme (Altersteilzeit).

19 / CONTRACT ASSETS

Contract assets ≡ 42

IN € MILLION	Dec. 31, 2022	Dec. 31, 2021
Contract assets (gross)	187.7	162.4
Project-related advance payments received	–21.7	–18.7
Valuation allowances on contract assets	–10.7	–8.9
Contract assets	**155.3**	**134.8**

€ 149.4 million (prior year: € 136.7 million) of contract assets will be realized within one year. Of contract assets with a term of longer than one year, € 4.1 million (prior year: € 3.5 million) is impaired and € 6.8 million (prior year: € 5.3 million) is secured by advance payments received.

20 / TRADE RECEIVABLES

The maturity profile of trade receivables is as follows:

Maturity profile of trade receivables ≡ 43

IN € MILLION	Dec. 31, 2022	Dec. 31, 2021
Not due	251.1	231.7
Past due by up to 30 days	97.3	83.3
Past due by 31 to 60 days	27.4	23.1
Past due by 61 to 90 days	13.5	10.8
Past due by 91 to 180 days	18.3	15.2
Past due by 181 to 360 days	12.2	9.5
Past due by more than 360 days	19.3	15.0
Gross carrying amount	**439.1**	**388.6**
Valuation allowances	–24.2	–20.2
Net carrying amount	**414.9**	**368.4**

The development of valuation allowances on trade receivables is presented under note 33.

21 / OTHER RECEIVABLES AND OTHER ASSETS

Other receivables and other assets ≡ 44

	Dec. 31, 2022		Dec. 31, 2021	
IN € MILLION	Non-current	Current	Non-current	Current
Securities	0.0	63.2	0.0	60.0
Security deposits	5.0	7.0	4.5	5.6
Receivables from other participations	0.0	6.3	0.0	3.3
Fair values of derivative financial instruments	0.0	3.4	0.1	0.9
Receivables from affiliated companies	0.0	1.0	0.0	0.6
Cash pool receivables from other related parties	0.0	0.0	0.0	0.4
Miscellaneous financial assets	4.4	16.9	4.4	16.0
Other receivables and financial assets	**9.4**	**97.8**	**9.0**	**86.8**
Assets from overfunded pension plans	378.6	0.0	0.0	0.0
Prepaid expenses	0.0	12.9	0.0	11.7
Refund claims against insurance companies	0.0	7.8	0.0	6.0
Other taxes	0.0	1.8	0.0	5.8
Miscellaneous non-financial assets	2.4	15.3	3.3	15.2
Other non-financial assets	**381.0**	**37.8**	**3.3**	**38.7**
Other receivables and other assets	**390.4**	**135.6**	**12.3**	**125.5**

For more information on assets from overfunded pension plans, please refer to note 23 “Provisions for pensions and similar obligations”.

Miscellaneous non-current financial assets include a receivable of € 1.4 million (prior year: € 1.1 million), which relates to the funds of the subsidiary TÜV SÜD BRASIL CONSULTORIA LTDA. (TÜV SÜD BRASIL), São Paulo, Brazil, which have been seized by the Brazilian authorities. A corresponding provision was recognized for this amount.

22 / EQUITY

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

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

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

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

The Group manages its capital with the aim of ensuring that all group companies are able to operate under the going concern assumption and achieving an adequate return in excess of the cost of capital in order to increase the value of the company in the long term. The Group's overall strategy has remained unchanged compared to 2021.

23 / PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

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

Defined contribution plans
In the case of defined contribution plans, the company pays contributions to state or private pension funds on a legal, contractual or voluntary basis. Ongoing premium payments (including contributions to state pension insurance) are stated as pension expenses for the respective year; in the financial year 2022, they totaled € 89.4 million (prior year: € 85.3 million). In Germany, all new pension commitments entered into are only defined contribution plans.

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

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

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

In addition to this, there are defined benefit plans in Germany from company takeovers that are financed via pension funds in accordance with the demand coverage method.

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

In other countries, after the termination of the employment relationship employees are entitled to annuity and severance payments, which are partly based on the statutory requirements.

Funding the pension plans

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

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

The German companies' plan assets are primarily managed by TÜV SÜD Pension Trust e. V. and TÜV Hessen Trust e. V. and are irrevocably protected from recourse by the group companies. The plan assets are invested by professional investment managers in accordance with the policy specified by trustees. The objective is for the strategic allocation to be aligned with the pension obligation.

As of December 31, 2022, the plan assets comprise shares, fixed-interest securities, real estate, alternative investments, derivatives, cash and cash equivalents and other assets.

Until the funding deficit was remedied, TÜV SÜD Pension Trust e. V. was funded such that the pension payments reimbursed by TÜV SÜD Pension Trust e. V. were recontributed to the CTA by the relevant domestic companies and additional funds were made available by the Board of Management of TÜV SÜD AG in the form of new allocations. In the financial year 2022, the refunded pension payments were not recontributed due to the funding ratio.

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

To fully fund the obligations, in the UK there is a company-based pension plan according to which the fund assets can only be used to settle the pension obligations. If, calculated in accordance with actuarial principles, there is a deficit in these pension plans, the member employer TÜV SÜD (UK) Ltd., Fareham, UK, and the trustee must agree on a financing plan that is renewed every three years and has to be presented to The Pension Regulator (TPR) for approval. To finance the deficit of around GBP 9.9 million determined at the end of 2019, the member employer agreed to make an annual contribution of GBP 2.2 million until January 2027 in addition to the regular employer's contribution. The next actuarial review has been underway since January 2023 and will be presented to the supervisory authorities after its completion.

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

The net obligation from defined benefit plans (net defined benefit obligation) is determined from the balance of the present value of defined benefit obligations (defined benefit obligation) and the fair value of the plan assets as of the reporting date. In line with the balance for the individual plans, this is recognized in the statement of financial position under the following items:

Recognition of the net defined benefit obligation in the statement of financial position

≡ 45

	Dec. 31, 2022			Dec. 31, 2021		
IN € MILLION	Germany	Other countries	Total	Germany	Other countries	Total
Defined benefit obligation	130.4	80.0	210.4	2,042.7	145.2	2,187.9
Fair value of plan assets	–6.0	–66.7	–72.7	–1,875.8	–127.4	–2,003.2
Provisions for pensions and similar obligations	**124.4**	**13.3**	**137.7**	**166.9**	**17.8**	**184.7**
Defined benefit obligation	1,334.0	20.2	1,354.2	0.0	0.0	0.0
Fair value of plan assets	–1,711.7	–21.8	–1,733.5	0.0	0.0	0.0
Effects of the asset ceiling	0.0	0.7	0.7	0.0	0.0	0.0
Assets from overfunded pension plans (recognition under other non-current assets)	**–377.7**	**–0.9**	**–378.6**	**0.0**	**0.0**	**0.0**
Defined benefit obligation	1,464.4	100.2	1,564.6	2,042.7	145.2	2,187.9
Fair value of plan assets	–1,717.7	–88.5	–1,806.2	–1,875.8	–127.4	–2,003.2
Effects of the asset ceiling	0.0	0.7	0.7	0.0	0.0	0.0
Net defined benefit obligation	**–253.3**	**12.4**	**–240.9**	**166.9**	**17.8**	**184.7**

The funded status and the development compared to prior years are presented below:

Development of funded status

≡ 46

IN € MILLION	2022	2021	2020	2019	2018
Defined benefit obligation	1,564.6	2,187.9	2,308.2	2,256.3	2,064.4
Fair value of plan assets	–1,806.2	–2,003.2	–1,822.2	–1,707.5	–1,496.1
Effects of the asset ceiling	0.7	0.0	0.0	0.0	0.0
Funded status as of December 31	**–240.9**	**184.7**	**486.0**	**548.8**	**568.3**

In the financial year 2023, the Group intends to make payments of € 5.7 million to plans that are not fully financed. Taking into account one-off additions of € 30.0 million, a total of € 36.4 million was paid into plan assets in 2022.

Change in net defined benefit obligation

Development of defined benefit obligation

≡ 47

	2022			2021		
IN € MILLION	Germany	Other countries	Total	Germany	Other countries	Total
Defined benefit obligation as of January 1	**2,042.7**	**145.2**	**2,187.9**	**2,172.9**	**135.3**	**2,308.2**
Current service cost	23.1	2.8	25.9	26.9	2.7	29.6
Interest cost	21.8	2.4	24.2	13.8	1.7	15.5
Benefits paid	–79.7	–3.8	–83.5	–78.5	–4.4	–82.9
Contributions by the beneficiaries	0.0	0.5	0.5	0.0	0.4	0.4
Gains (–)/losses (+) from remeasurements						
Actuarial gains and losses from demographic assumptions	0.0	–1.5	–1.5	0.0	1.5	1.5
Actuarial gains and losses from financial assumptions	–548.7	–49.1	–597.8	–88.6	–2.7	–91.3
Actuarial gains and losses from experience adjustments	5.2	7.3	12.5	–3.5	–0.8	–4.3
Past service cost	0.0	0.0	0.0	0.0	–0.6	–0.6
Changes in scope of consolidation	0.0	0.0	0.0	–0.3	3.8	3.5
Currency translation differences and other	0.0	–3.6	–3.6	0.0	8.3	8.3
Defined benefit obligation as of December 31	**1,464.4**	**100.2**	**1,564.6**	**2,042.7**	**145.2**	**2,187.9**
thereof unfunded	100.2	9.8	110.0	219.9	9.2	229.1
thereof partially funded	1,364.2	90.4	1,454.6	1,822.8	136.0	1,958.8

Around 65% (prior year: 59%) of the defined benefit obligation is allocable to pensioners, and 35% (prior year: 41%) to active employees and vested beneficiaries. The weighted average duration of the obligations is 12.3 years (prior year: 14.6 years).

The main factor influencing the development of the defined benefit obligation is the underlying discount rate, which in Germany was raised by 2.6 base points from 1.1% to 3.7% in a year-on-year comparison and resulted in actuarial gains from financial assumptions of € 614.3 million (prior year: € 135.0 million) in the financial year. Actuarial losses of € 65.6 million (prior year: € 46.4 million) on account of the rise in salary and pension increase rates in Germany had an offsetting effect. On account of the development of the capital markets, the discount rate in the UK was also raised by 2.9 base points to 4.8% with resulting actuarial gains of € 41.4 million (prior year: € 10.2 million).

Pension payments totaling € 86.9 million are expected for the financial year 2023. Of this amount, € 81.6 million, will be funded from plan assets.

Development of plan assets

≡ 48

	2022			2021		
IN € MILLION	Germany	Other countries	Total	Germany	Other countries	Total
Fair value of plan assets as of January 1	**1,875.8**	**127.4**	**2,003.2**	**1,715.0**	**107.2**	**1,822.2**
Interest income	20.8	2.2	23.0	11.3	1.4	12.7
Gains (+)/losses (–) from remeasurements						
Return (+)/losses (–) on plan assets excluding interest income	–135.4	–40.0	–175.4	106.9	5.6	112.5
Contributions by the employer	31.6	4.8	36.4	111.8	5.6	117.4
Contributions by the beneficiaries	0.0	0.5	0.5	0.0	0.4	0.4
Benefits paid	–74.1	–3.0	–77.1	–69.2	–3.5	–72.7
Changes in scope of consolidation	0.0	0.0	0.0	0.0	3.3	3.3
Currency translation differences and other	–1.0	–3.4	–4.4	0.0	7.4	7.4
Fair value of plan assets as of December 31	**1,717.7**	**88.5**	**1,806.2**	**1,875.8**	**127.4**	**2,003.2**
Actual return (+)/losses (–) on plan assets	–114.6	–37.8	–152.4	118.2	7.0	125.2

Development of the effects of the asset ceiling

≡ 49

	2022			2021		
IN € MILLION	Germany	Other countries	Total	Germany	Other countries	Total
Asset ceiling reported in equity as of January 1	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Change of the effects of the asset ceiling	0.0	0.7	0.7	0.0	0.0	0.0
Asset ceiling reported in equity as of December 31	**0.0**	**0.7**	**0.7**	**0.0**	**0.0**	**0.0**

The net defined benefit obligation thus changed as follows:

Development of the net defined benefit obligation

≡ 50

	2022			2021		
IN € MILLION	Germany	Other countries	Total	Germany	Other countries	Total
Net defined benefit obligation as of January 1	**166.9**	**17.8**	**184.7**	**457.9**	**28.1**	**486.0**
Current service cost	23.1	2.8	25.9	26.9	2.7	29.6
Net interest cost	1.0	0.2	1.2	2.5	0.3	2.8
Contributions by the employer	–31.6	–4.8	–36.4	–111.8	–5.6	–117.4
Benefits paid	–5.6	–0.8	–6.4	–9.3	–0.9	–10.2
Gains (–)/losses (+) from remeasurements						
Actuarial gains and losses from demographic assumptions	0.0	–1.5	–1.5	0.0	1.5	1.5
Actuarial gains and losses from financial assumptions	–548.7	–49.1	–597.8	–88.6	–2.7	–91.3
Actuarial gains and losses from experience adjustments	5.2	7.3	12.5	–3.5	–0.8	–4.3
Return (–)/losses (+) on plan assets excluding interest income	135.4	40.0	175.4	–106.9	–5.6	–112.5
Change of the effects of the asset ceiling excluding interest expenses	0.0	0.7	0.7	0.0	0.0	0.0
Past service cost	0.0	0.0	0.0	0.0	–0.6	–0.6
Changes in scope of consolidation	0.0	0.0	0.0	–0.3	0.5	0.2
Currency translation differences and other	1.0	–0.2	0.8	0.0	0.9	0.9
Net defined benefit obligation as of December 31	**–253.3**	**12.4**	**–240.9**	**166.9**	**17.8**	**184.7**

Plan assets

Composition of plan assets

≡ 51

IN € MILLION	Dec. 31, 2022	Dec. 31, 2021
Shares (prior to hedging)	331.1	474.0
Fixed-interest securities	562.8	691.4
Share in investment company for infrastructure projects and private debt funds	423.5	348.0
Real estate and similar assets – used by third parties or under construction	366.2	352.8
Other (including cash and cash equivalents)	122.6	137.0
Fair value of plan assets	**1,806.2**	**2,003.2**

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

The investment strategy for plan assets aims to ensure that future obligations from pension commitments can be satisfied in a timely and complete manner. This is based on the increase in the obligations adjusted for current service cost and pension payments. The investment strategy also accounts for a controlled downside risk (lower probability of a significant decline in the funding ratio). The resulting target allocation includes an optimized risk return profile, taking into account the interdependency of plan assets and obligations.

The risks for plan assets mainly stem from the investments in PT Alternatives SICAV-FIS S.A. Among others, these include interest and credit spread risks which, however, run counter to changes in the defined benefit obligations. Further risks stem from fluctuations in share prices. Interest and share price risks can be hedged as needed by means of publicly traded futures in a dedicated control segment. Most of the foreign currency risks relating to investments in fixed-interest securities are hedged in full. Investments in infrastructure and private debt are subject to risks in the form of illiquidity, among other things. The investment in Alters- und Hinterbliebenen-Versicherung der Technischen Überwachungs-Vereine -VvaG- ["AHV", an old-age and surviving dependents pensions fund for technical inspection associations] also entails interest, credit spread and share price risks. Investments in real estate involve technical risks (maintenance) and economic risks (rental price changes for new lets, level of occupancy).

Risk management takes a holistic approach, taking into account the development of plan assets and pension obligations. The main risk relates to a deterioration in the funded status on account of negative developments of the defined benefit obligations and/or plan assets. Risk management is based on the risk budget for pension risks, which breaks down into a budget for non-controllable risks and for controllable risks. The controllable risks relate first and foremost to the risks in the CTA. The risk budget requirement and exploitation are determined using value-at-risk methods and monitored periodically.

Defined benefit obligation

Actuarial assumptions for determining the defined benefit obligation ≡ 52

	Dec. 31, 2022		Dec. 31, 2021	
IN %	Germany	Other countries	Germany	Other countries
Discount rate	3.70	4.15	1.10	1.68
Salary increase rate	2.75	2.32	2.25	1.93
Pension increase rate	2.20	2.38	2.00	2.70

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

The discount rate in Germany is calculated in accordance with the RATE:Link model developed by the Group's actuary Willis Towers Watson Deutschland GmbH, Wiesbaden, for the measurement of defined benefit obligations. The Bloomberg Barclays Classification System (BCLASS) is used to determine the portfolio of high-value corporate bonds that is decisive for fixing the discount rate.

Adjustment for forecast long-term inflation is taken into account in the development of salary and pension increase rates.

As far as life expectancy is concerned, the mortality tables 2018 G from HEUBECK-RICHTTAFELN-GmbH have been applied unchanged in Germany since 2018. Outside Germany, the customary mortality tables for the respective country were used.

A change in the aforementioned assumptions used to determine the defined benefit obligation as of December 31, 2022 would lead to a corresponding change in this figure. The respective effects from such a change in measurement are presented on the assumption that all other parameters remain constant.

Sensitivity analyses ≡ 53

	Defined benefit obligation as of December 31, 2022		Defined benefit obligation as of December 31, 2021[2]	
IN € MILLION	Increase	Decrease	Increase	Decrease
Discount rate (0.5% variation)	–88.8	98.1	–149.5	174.8
Salary increase rate (0.5% variation)	15.1	–13.6	24.3	–20.9
Pension increase rate (0.5% variation)	82.6	–75.8	135.2	–117.9
Life expectancy (5.3% increase for all persons[1])	82.8	–	142.8	–

1 _ This translates into a one-year increase in life expectancy for a man currently aged 65.
2 _ Prior-year figures were adjusted in line with the change in variation.

Net pension expense
The assumptions made to calculate the defined benefit obligation as of the respective measurement date (December 31) apply to both the calculation of the interest cost and the current service cost as well as to the interest income on plan assets in the following financial year. The assumptions used to calculate the pension expenses for the financial year 2022 were therefore already defined as of the reporting date December 31, 2021.

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

Actuarial assumptions for determining pension expenses ≡ 54

	2022		2021	
IN %	Germany	Other countries	Germany	Other countries
Discount rate	1.10	1.68	0.65	1.22
Salary increase rate	2.25	1.93	2.25	2.00
Pension increase rate	2.00	2.70	1.80	2.75

The expenses for defined benefit plans recognized in total comprehensive income for the financial years 2022 and 2021 break down as follows:

Expenses (+)/income (–) recognized for defined benefit plans in total comprehensive income ≡ 55

	2022			2021		
IN € MILLION	Germany	Other countries	Total	Germany	Other countries	Total
Current service cost	23.1	2.8	25.9	26.9	2.7	29.6
Net interest cost	1.0	0.2	1.2	2.5	0.3	2.8
Past service cost	0.0	0.0	0.0	0.0	–0.6	–0.6
Expenses for defined benefit plans recognized in the consolidated income statement	**24.1**	**3.0**	**27.1**	**29.4**	**2.4**	**31.8**
Return (–)/losses (+) on plan assets excluding interest income	135.4	40.0	175.4	–106.9	–5.6	–112.5
Gains (–)/losses (+) from remeasurements of the defined benefit obligation	–543.5	–43.3	–586.8	–92.1	–2.0	–94.1
Change of the effects of the asset ceiling excluding interest expenses	0.0	0.7	0.7	0.0	0.0	0.0
Remeasurements of defined benefit plans recognized in other comprehensive income	**–408.1**	**–2.6**	**–410.7**	**–199.0**	**–7.6**	**–206.6**
Expenses recognized for defined benefit plans in total comprehensive income	**–384.0**	**0.4**	**–383.6**	**–169.6**	**–5.2**	**–174.8**

24 / OTHER PROVISIONS

Development of other provisions

≡ 56

IN € MILLION	Personnel provisions	Litigation, damages and similar obligations	Restructuring provisions	Miscellaneous provisions	Other provisions
Balance as of January 1, 2022	**168.6**	**73.2**	**11.0**	**20.3**	**273.1**
thereof non-current	**31.4**	**57.4**	**0.0**	**9.0**	**97.8**
Currency translation differences	0.2	0.0	0.0	–0.2	**0.0**
Additions	120.5	6.7	0.3	9.4	**136.9**
Utilization	–125.6	–8.0	–0.3	–2.0	**–135.9**
Reversals	–9.0	–3.3	–0.3	–0.4	**–13.0**
Interest effect	–5.5	0.0	0.0	0.0	**–5.5**
Balance as of December 31, 2022	**149.2**	**68.6**	**10.7**	**27.1**	**255.6**
thereof non-current	**26.1**	**52.6**	**0.0**	**8.3**	**87.0**

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

Provisions for litigation costs, damages and similar obligations largely include the provisions for liability risks and advisory expenses in connection with the dam collapse in Brazil, which are counterbalanced by contingent assets from insurance benefits in the single-digit million euro range. Please refer to the comments in note 31 "Pending and imminent legal proceedings".

Overall, obligations are counterbalanced by reimbursement claims from insurance companies amounting to € 7.8 million (prior year: € 6.0 million), which were recognized as current assets.

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

25 / FINANCIAL DEBT

Financial debt

≡ 57

	Dec. 31, 2022		Dec. 31, 2021	
IN € MILLION	Non-current	Current	Non-current	Current
Liabilities to banks	0.0	0.1	0.0	0.2
Cash pool liabilities to other related parties	0.0	0.3	0.0	0.0
Loan liabilities to third parties	2.2	0.0	2.4	0.0
Financial debt	**2.2**	**0.4**	**2.4**	**0.2**

26 / CONTRACT LIABILITIES

As of December 31, 2022, contract liabilities amount to € 175.5 million (prior year: € 150.2 million) and contain advance payments received of € 76.7 million (prior year: € 60.3 million). Of these liabilities, € 74.0 million (prior year: € 58.1 million) will be settled within one year.

27 / OTHER LIABILITIES

Other liabilities

≡ 58

	Dec. 31, 2022		Dec. 31, 2021	
IN € MILLION	Non-current	Current	Non-current	Current
Outstanding invoices	0.0	57.2	0.0	56.2
Liabilities to employees	0.0	6.3	0.0	5.6
Purchase price liabilities	0.1	5.1	0.1	5.1
Liabilities to other participations	0.0	2.1	0.0	0.9
Fair values of derivative financial instruments	0.0	0.6	0.0	3.7
Liabilities to affiliated companies	0.0	0.1	0.0	0.3
Miscellaneous financial liabilities	0.4	18.8	0.4	20.2
Other financial liabilities	**0.5**	**90.2**	**0.5**	**92.0**
Vacation claims, flexitime and overtime credits	0.0	47.4	0.0	43.3
Other taxes	0.0	47.2	0.0	48.0
Deferred income	0.0	15.2	0.0	15.1
Social security liabilities	0.0	6.8	0.0	6.4
Miscellaneous non-financial liabilities	0.0	18.2	0.0	16.7
Other non-financial liabilities	**0.0**	**134.8**	**0.0**	**129.5**
Other liabilities	**0.5**	**225.0**	**0.5**	**221.5**

28 / LEASES

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

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

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

The following tables illustrate the changes during the reporting period and the carrying amounts of the right-of-use assets: ≡ 59/60

Right-of-use assets 2022

≡ 59

IN € MILLION	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures	Total
Additions	65.7	1.3	16.5	**83.5**
Depreciation and impairment losses	57.2	0.3	15.0	**72.5**
Carrying amounts as of December 31, 2022	397.4	1.6	22.9	**421.9**

Right-of-use assets 2021

≡ 60

IN € MILLION	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures	Total
Additions	72.9	0.4	13.8	**87.1**
Depreciation and impairment losses	54.0	0.2	15.7	**69.9**
Carrying amounts as of December 31, 2021	381.1	0.6	21.9	**403.6**

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

Maturities of lease liabilities based on undiscounted lease payments ≡ 61

IN € MILLION	2022	2021
Lease payments due within one year	71.2	68.1
Lease payments due in one to five years	174.2	171.9
Lease payments due in more than five years	312.4	293.1
Total undiscounted lease liabilities as of December 31	**557.8**	**533.1**
Lease liabilities in the statement of financial position as of December 31	**434.1**	**413.4**
thereof current	63.0	59.8
thereof non-current	371.1	353.6

Possible future cash outflows of € 17.2 million (prior year: € 25.1 million) were not included in the lease liabilities as it is not reasonably certain that the agreements will be extended. Leases into which the Group has entered into as a lessee, but which have not yet commenced, result in possible future cash outflows of € 18.8 million (prior year: € 25.4 million).

In 2022, payments for leases recognized pursuant to IFRS 16 amounted to € 77.4 million (prior year: € 74.4 million). The non-cash increases of lease liabilities (additions, interest, disposals, currency translation effects) amounted to € 98.1 million (prior year: € 104.9 million).

The expenses recognized in the income statement for leases accounted for pursuant to IFRS 16 totaled € 82.0 million in the financial year 2022 (prior year: € 78.8 million). Furthermore, expenses for short-term leases of € 7.3 million (prior year: € 5.8 million) and expenses for leases of low-value assets of € 2.4 million (prior year: € 2.1 million) were incurred. Both of these are recognized under other expenses.

29 / CONTINGENT ASSETS AND LIABILITIES

There are contingent assets from insurance benefits for expenses in 2022 in the single-digit million euro range. The contingent assets for expenses in 2021 disclosed in a similar amount in the prior year were collected and recognized with effect on income in the reporting year.

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

Contingent liabilities ≡ 62

IN € MILLION	Dec. 31, 2022	Dec. 31, 2021
Guarantee obligations	46.5	48.8
Contingent liabilities arising from litigation risks	0.5	0.7
Miscellaneous contingent liabilities	0.2	0.2
Contingent liabilities	**47.2**	**49.7**

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

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

There are guarantee obligations for a joint venture in an amount of € 5.1 million (prior year: € 7.8 million).

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

Please refer to note 31 in respect of the disclosure on the contingent liabilities in association with pending and imminent legal proceedings.

30 / OTHER FINANCIAL OBLIGATIONS

There are other financial obligations in an amount of € 15.6 million (prior year: € 13.2 million) and these largely relate to service and maintenance agreements.

31 / PENDING AND IMMINENT LEGAL PROCEEDINGS

On January 25, 2019, the tailings dam of a retention basin for an iron ore mine belonging to mining company Vale S.A., Rio de Janeiro, Brazil, close to the village of Brumadinho, Brazil, collapsed. The dam's stability had been certified by TÜV SÜD BRASIL in September 2018. After the accident, Vale S.A., who as the operator of the dam is responsible for operational safety, referred to external appraisals, including that issued by TÜV SÜD BRASIL on the safety of the dam.

Lawsuits claiming damages against TÜV SÜD have been filed in connection with the certificate of stability issued in 2018. There are also potential penalties for administrative offenses. Scenarios have been rolled forward from the prior year on the basis of the information available at present in order to realistically estimate the exposure. However, as the factors of influence to be considered in a legal dispute are multi-faceted, the actual exposure and the expected duration of the proceedings may deviate from these estimates.

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

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

Should the outcome of the legal proceedings find to the detriment of TÜV SÜD, this may result in substantial damage payments and other payments that could have a significant negative impact upon the Group's financial performance and position and its reputation. The ability of the Brazilian subsidiary TÜV SÜD BRASIL and its direct shareholder TÜV SÜD SFDK Laboratório de Análise de Produtos Ltda., 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.

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

Other notes

32 / ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

The Group holds the following financial instruments:

Carrying amounts by measurement category pursuant to IFRS 9 ≡ 63

IN € MILLION	Dec. 31, 2022	Dec. 31, 2021
Debt instruments at amortized cost (AC assets)[1]	829.2	719.9
Debt instruments at fair value through other comprehensive income (FVOCI (DI))	95.3	133.6
Financial assets at fair value through profit or loss (FVTPL)	61.3	53.8
Equity instruments at fair value through other comprehensive income (FVOCI (EI))[1]	5.1	5.5
Financial assets	**990.9**	**912.8**
Financial liabilities measured at amortized cost (AC liabilities)	185.6	155.8
Financial liabilities at fair value through profit or loss (FVTPL)	5.8	8.9
Financial liabilities	**191.4**	**164.7**

1 _ Prior-year figure adjusted.

The following tables show the carrying amounts and fair values of financial assets and financial liabilities by classes of financial instruments, including their levels in the fair value hierarchy. They do not contain any information on the fair value of financial assets and liabilities that are not measured at fair value if the carrying amount represents a reasonable approximation of the fair value. Non-financial assets and liabilities that do not fall under the scope of application of IFRS 9 are not reported here. A reconciliation with the statement of financial position item is therefore not possible. ≡ 64 / 65

Carrying amounts and fair values of financial instruments as of December 31, 2022

≡ 64

				Fair value hierarchy		
IN € MILLION	Measurement category pursuant to IFRS 9	Carrying amount	Fair value	thereof level 1	thereof level 2	thereof level 3
Other financial assets		**98.1**	**98.2**	**92.3**	**3.1**	**2.8**
Loans	AC assets	3.0	3.1		3.1	
Participations	FVOCI (EI)	2.8	2.8			2.8
Non-current securities	FVOCI (DI)	91.3	91.3	91.3		
Non-current securities	FVOCI (EI)	1.0	1.0	1.0		
Other non-current assets		**9.4**	**9.4**	**0.0**	**9.4**	**0.0**
Other non-current assets	AC assets	9.4	9.4		9.4	
Non-current assets		**107.5**	**107.6**	**92.3**	**12.5**	**2.8**
Trade receivables[1]	AC assets	**414.9**				
Other receivables and other current assets		**97.8**	**66.6**	**59.2**	**7.4**	**0.0**
Receivables from participations[1]	AC assets	7.3				
Security deposits[1]	AC assets	7.0				
Miscellaneous receivables[1]	AC assets	16.9				
Derivatives	FVTPL	3.4	3.4		3.4	
Securities	FVOCI (EI)	1.3	1.3	1.3		
Securities	FVOCI (DI)	4.0	4.0		4.0	
Securities	FVTPL	57.9	57.9	57.9		
Cash and cash equivalents[1]	AC assets	**370.7**				
Current assets		**883.4**	**66.6**	**59.2**	**7.4**	**0.0**
Total financial assets		**990.9**	**174.2**	**151.5**	**19.9**	**2.8**
Non-current financial debt		**2.2**	**2.1**	**0.0**	**2.1**	**0.0**
Other loan liabilities	AC liabilities	2.2	2.1		2.1	
Other non-current liabilities		**0.5**	**0.5**	**0.0**	**0.4**	**0.1**
Miscellaneous non-current liabilities	AC liabilities	0.4	0.4		0.4	
Purchase price liabilities	FVTPL	0.1	0.1			0.1
Non-current liabilities		**2.7**	**2.6**	**0.0**	**2.5**	**0.1**
Current financial debt		**0.4**	**0.0**	**0.0**	**0.0**	**0.0**
Liabilities to banks[1]	AC liabilities	0.1				
Other interest-bearing liabilities[1]	AC liabilities	0.3				
Trade payables[1]	AC liabilities	**98.1**				
Other current liabilities		**90.2**	**5.7**	**0.0**	**0.6**	**5.1**
Outstanding invoices[1]	AC liabilities	57.2				
Liabilities to participations[1]	AC liabilities	2.2				
Derivatives	FVTPL	0.6	0.6		0.6	
Security deposits[1]	AC liabilities	0.1				
Other non-interest bearing liabilities[1]	AC liabilities	25.0				
Purchase price liabilities	FVTPL	5.1	5.1			5.1
Current liabilities		**188.7**	**5.7**	**0.0**	**0.6**	**5.1**
Total financial liabilities		**191.4**	**8.3**	**0.0**	**3.1**	**5.2**

1 _ Owing to the maturities of the financial instruments in these categories, the carrying amount almost corresponds to the fair value.

Carrying amounts and fair values of financial instruments as of December 31, 2021

≡ 65

IN € MILLION	Measurement category pursuant to IFRS 9	Carrying amount	Fair value	Fair value hierarchy thereof level 1	thereof level 2	thereof level 3
Other financial assets[2]		**141.5**	**141.7**	**129.1**	**9.8**	**2.8**
Loans	AC assets	9.6	9.8		9.8	
Participations	FVOCI (EI)	2.8	2.8			2.8
Non-current securities	FVOCI (DI)	127.9	127.9	127.9		
Non-current securities	FVOCI (EI)	1.2	1.2	1.2		
Other non-current assets		**12.3**	**0.1**	**0.0**	**0.1**	**0.0**
Other non-current assets[2]	AC assets	12.2				
Derivatives	FVTPL	0.1	0.1		0.1	
Non-current assets		**153.8**	**141.8**	**129.1**	**9.9**	**2.8**
Trade receivables[1]	AC assets	**368.4**				
Other receivables and other current assets		**86.8**	**60.9**	**54.3**	**6.6**	**0.0**
Receivables from participations[1]	AC assets	3.9				
Security deposits[1]	AC assets	5.6				
Miscellaneous receivables[1]	AC assets	16.4				
Derivatives	FVTPL	0.9	0.9		0.9	
Securities	FVOCI (EI)	1.5	1.5	1.5		
Securities	FVOCI (DI)	5.7	5.7		5.7	
Securities	FVTPL	52.8	52.8	52.8		
Cash and cash equivalents[1]	AC assets	**303.8**				
Current assets		**759.0**	**60.9**	**54.3**	**6.6**	**0.0**
Total financial assets		**912.8**	**202.7**	**183.4**	**16.5**	**2.8**
Non-current financial debt		**2.4**	**2.6**	**0.0**	**2.6**	**0.0**
Other loan liabilities	AC liabilities	2.4	2.6		2.6	
Other non-current liabilities		**0.5**	**0.5**	**0.0**	**0.4**	**0.1**
Miscellaneous non-current liabilities	AC liabilities	0.4	0.4		0.4	
Purchase price liabilities	FVTPL	0.1	0.1			0.1
Non-current liabilities		**2.9**	**3.1**	**0.0**	**3.0**	**0.1**
Current financial debt		**0.2**	**0.0**	**0.0**	**0.0**	**0.0**
Liabilities to banks[1]	AC liabilities	0.2				
Other interest-bearing liabilities[2]	AC liabilities					
Trade payables[1]	AC liabilities	**69.6**				
Other current liabilities		**92.0**	**8.8**	**0.0**	**3.7**	**5.1**
Outstanding invoices[1]	AC liabilities	56.2				
Liabilities to participations[1]	AC liabilities	1.2				
Derivatives	FVTPL	3.7	3.7		3.7	
Security deposits[1]	AC liabilities	0.1				
Other non-interest bearing liabilities[1]	AC liabilities	25.7				
Purchase price liabilities	FVTPL	5.1	5.1			5.1
Current liabilities		**161.8**	**8.8**	**0.0**	**3.7**	**5.1**
Total financial liabilities		**164.7**	**11.9**	**0.0**	**6.7**	**5.2**

1 _ Owing to the maturities of the financial instruments in these categories, the carrying amount almost corresponds to the fair value.
2 _ Prior-year figure adjusted.

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

Forward exchange transactions are measured on an individual basis using the respective forward rate on the reporting date. This is based on the spot rate, taking into consideration forward premiums and discounts. The fair values of interest derivatives are determined by discounting future cash inflows and outflows taking into account foreign currency translation as of the reporting date. Discounting takes place at market interest rates, which are applied over the residual term of the instruments.

The following table shows the development of financial instruments measured at fair value assigned to level 3:

Reconciliation of financial instruments in level 3 ≡ 66

	Purchase price receivables		Purchase price liabilities	
IN € MILLION	2022	2021	2022	2021
Net balance as of January 1	**0.0**	**0.0**	**5.2**	**4.4**
Additions	0.0	2.5	0.0	0.1
Changes recognized through profit or loss	1.2	–2.5	0.0	0.7
Changes recognized with an effect on cash and cash equivalents	–1.2	0.0	0.0	0.0
Net balance as of December 31	**0.0**	**0.0**	**5.2**	**5.2**

There was no change in the fair value for participations in the financial year.

The net gains and losses on the financial instruments by measurement category are as follows:

Net gains and losses by measurement category pursuant to IFRS 9 ≡ 67

IN € MILLION	2022	2021
Debt instruments at amortized cost	–6.8	–2.2
Debt instruments at fair value through other comprehensive income	–0.2	–0.1
Financial assets/liabilities at fair value through profit or loss	–1.9	–4.5
Equity instruments at fair value through other comprehensive income[1]	0.9	–3.1
Financial liabilities at amortized cost	–0.1	2.7

1 _ Prior-year figure adjusted.

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

Dividend income from other participations totals € 0.4 million (prior year: € 4.0 million).

33 / FINANCIAL RISKS

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

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

Bank balances are held solely at banks with excellent credit ratings. In addition, maximum investment limits are set for investment funds at various banks based on their credit rating in order to avoid cluster risks.

The maximum credit risk for trade receivables, contract assets, loans and bank balances is their carrying amount as of December 31, 2022.

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

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

The following table shows the development of the risk provision for financial assets and the impairment losses recognized in the income statement in the financial year:

Development of valuation allowances on financial assets ≡ 68

IN € MILLION	Other financial assets	Other non-current assets	Trade receivables	Other receivables and other current assets	Total
Valuation allowances as of January 1, 2021	**15.7**	**0.0**	**21.3**	**2.7**	**39.7**
Currency translation differences	0.4	0.0	0.6	0.0	**1.0**
Changes in scope of consolidation	–0.3	0.0	0.1	0.0	**–0.2**
Additions	3.7	2.5	7.4	0.7	**14.3**
Utilization	0.0	0.0	–4.2	–0.4	**–4.6**
Reversals	0.0	0.0	–5.0	–0.3	**–5.3**
Valuation allowances as of December 31, 2021 / January 1, 2022	**19.5**	**2.5**	**20.2**	**2.7**	**44.9**
Currency translation differences	0.3	–0.1	0.2	0.0	**0.4**
Changes in scope of consolidation	–1.0	0.0	0.0	0.0	**–1.0**
Additions	2.6	0.0	9.9	0.0	**12.5**
Utilization	–4.3	–0.5	–3.0	0.0	**–7.8**
Reversals	–0.1	–1.3	–3.1	–0.3	**–4.8**
Reclassifications	0.0	–0.6	0.0	0.6	**0.0**
Valuation allowances as of December 31, 2022	**17.0**	**0.0**	**24.2**	**3.0**	**44.2**
Impairment losses 2022	**2.6**	**0.0**	**10.6**	**0.0**	**13.2**
Impairment losses 2021	3.7	2.5	11.5	0.0	**17.7**

In order to manage **liquidity risks**, the TÜV SÜD Group always has up-to-date liquidity planning and sufficient liquidity reserves. This consists of cash funds, securities and a syndicated credit line of € 300.0 million, which was concluded in July 2021 with a term of five years. Without taking lease liabilities into account, as of the reporting date, payments due within one year of € 188.7 million (prior year: € 161.8 million) and payments due in more than one year of € 2.7 million (prior year: € 2.9 million) are covered by cash and cash equivalents of € 370.7 million (prior year: € 303.8 million) as well as undrawn credit lines of € 321.7 million (prior year: € 313.1 million).

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

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

With regard to trade receivables and payables, a 10% increase or decrease in the value of the euro against all other currencies as of December 31, 2022 would only have an immaterial effect on consolidated net income for the year. In the event of a 10% decrease in value of the euro, the market value of forward exchange transactions would fall by € 10.8 million (prior year: € 8.8 million) and in the event of a 10% increase in the value of the euro, the market value would increase by € 8.9 million (prior year: € 7.2 million). Only derivatives that are open as of the reporting date are taken into account in the sensitivity analysis. The currency effects realized on hedges due to prolongation chains are recognized through profit or loss.

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

34 / NOTES TO THE STATEMENT OF CASH FLOWS

The cash and cash equivalents presented in the statement of cash flows contain all highly liquid items shown in the statement of financial position, i.e., cash in hand, checks and bank balances as well as current securities that are available within three months. Cash in the amount of € 0.6 million (prior year: € 0.4 million) is pledged.

The contribution to pension plans is presented as a component of cash flows from investing activities. In the financial year 2022, this contained one-off additions with an effect on cash of € 30.0 million to TÜV SÜD Pension Trust e. V. and further additions to other plan assets of € 6.4 million. In the prior year, there were contributions equivalent to the pension payments made by the trustors to TÜV SÜD Pension Trust e. V. of € 64.8 million, one-off additions with an effect on cash of € 30.0 million to TÜV SÜD Pension Trust e. V. and of € 10.4 million to TÜV Hessen Trust e. V. as well as further additions to other plan assets of € 12.2 million.

In the prior year, cash received from disposals of shares in fully consolidated companies contained cash of € 25.2 million. By contrast, this item included an amount of € 3.5 million relating to the cash of a subsidiary over which control was lost.

35 / SEGMENT REPORTING

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

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

- **MOBILITY** This segment comprises all services for automobiles, which are offered by the Mobility Division. These include services for vehicle inspections (roadworthiness tests and exhaust gas analyses), homologation, claims assessments, used car valuations, valuation of leased vehicles and product and process enhancement services for the automotive industry. For retail customers, roadworthiness tests and exhaust gas analyses, driver's license tests as well as driving suitability tests for road users and support with regaining and retaining their drivers' licenses in particular are offered.

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

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

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

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

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

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

The following tables show external revenue broken down by segment and region. Consolidations of business relationships between the segments are recorded in the reconciliation column.

≡ 69 / 70

Segment information from January 1 to December 31, 2022 and as of December 31, 2022 ≡ 69

IN € MILLION	INDUSTRY	MOBILITY	CERTIFICATION	OTHER	Reconciliation	Group
External revenue	955.5	943.8	963.9	1.8	–1.7	**2,863.3**
thereof EUROPE	765.0	929.4	476.1	0.0	–1.7	**2,168.8**
thereof AMERICAS	71.5	0.5	105.2	0.0	0.0	**177.2**
thereof ASIA	119.0	13.9	382.6	1.8	0.0	**517.3**
Intersegment revenue	6.3	1.2	9.9	32.2	–49.6	**0.0**
Total revenue	961.8	945.0	973.8	34.0	–51.3	**2,863.3**
Amortization, depreciation and impairment losses	–31.0	–44.2	–53.6	–54.2	0.0	**–183.0**
Income from investments accounted for using the equity method	0.0	8.3	0.0	0.0	0.0	**8.3**
EBIT	90.0	51.4	73.5	–19.5	–0.4	**195.0**
Capital expenditures	11.5	27.6	76.7	38.0	0.0	**153.8**
Segment assets as of December 31, 2022	503.6	448.8	610.4	517.6	–20.4	**2,060.0**

Total revenue in the home market of Germany amounts to € 1,800.1 million (prior year: € 1,708.3 million) and relates with € 573.0 million (prior year: € 568.2 million) to the INDUSTRY Segment, with € 852.4 million (prior year: € 796.1 million) to the MOBILITY Segment and with € 376.4 million (prior year: € 345.5 million) to the CERTIFICATION Segment.

Segment information from January 1 to December 31, 2021 and as of December 31, 2021 ≡ 70

IN € MILLION	INDUSTRY	MOBILITY	CERTIFICATION	OTHER	Reconciliation	Group
External revenue	915.7	884.9	866.5	1.9	–1.7	**2,667.3**
thereof EUROPE	753.3	872.4	436.3	0.2	–1.7	**2,060.5**
thereof AMERICAS	58.9	0.5	89.0	0.0	0.0	**148.4**
thereof ASIA	103.5	12.0	341.2	1.7	0.0	**458.4**
Intersegment revenue	6.9	0.5	10.2	31.0	–48.6	**0.0**
Total revenue	922.6	885.4	876.7	32.9	–50.3	**2,667.3**
Amortization, depreciation and impairment losses	–31.6	–48.5	–55.3	–47.7	0.0	**–183.1**
Income from investments accounted for using the equity method	0.0	14.5	0.0	0.0	0.0	**14.5**
EBIT	106.8	59.3	77.1	–18.3	0.3	**225.2**
Capital expenditures	10.4	14.6	57.2	24.1	0.0	**106.3**
Segment assets as of December 31, 2021	483.4	401.9	542.9	481.1	–23.1	**1,886.2**

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

Transfer prices for revenue with other segments are determined on an arm's length basis.

Segment performance is evaluated based on EBIT.

Reconciliation of EBIT to income before taxes ≡ 71

IN € MILLION	2022	2021
EBIT according to segment reporting	**195.0**	**225.2**
Interest income	8.1	3.1
Interest expenses	– 13.7	– 16.1
Other financial result	– 6.7	2.9
Income before taxes according to consolidated income statement	**182.7**	**215.1**

Assets are allocated according to their geographic location.

Segment assets based on geographic segments ≡ 72

IN € MILLION	Dec. 31, 2022	Dec. 31, 2021
EUROPE	1,328.3	1,230.7
AMERICAS	233.6	177.3
ASIA	526.4	509.1
Reconciliation	– 28.3	– 30.9
Segment assets	**2,060.0**	**1,886.2**

Segment assets in Germany come to € 1,029.9 million (prior year: € 958.5 million).

Reconciliation of segment assets to group assets ≡ 73

IN € MILLION	Dec. 31, 2022	Dec. 31, 2021
Segment assets	**2,060.0**	**1,886.2**
Interest-bearing financial assets	95.4	139.0
Deferred tax assets	105.8	277.9
Cash and cash equivalents	370.7	303.8
Other interest-bearing current assets	442.0	60.4
Group assets	**3,073.9**	**2,667.3**

36 / RELATED PARTIES

Related companies

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

Within the framework of an agency contract, the activities under the accreditation to operate the road vehicle technical inspectorate are carried out by the group company TÜV SÜD Auto Service GmbH, Stuttgart, for TÜV SÜD e.V., as principal and recognized contractor. Business from the activities under the accreditation to operate the road vehicle technical inspectorate is conducted on behalf of, at the instruction of and in the name of TÜV SÜD e.V. All transactions and business processes are carried out in the TÜV SÜD Group. TÜV SÜD Auto Service GmbH maintains personnel and material on the scale necessary for its activities and operations. From the cost center accounting, the revenue allocable to TÜV SÜD e.V. is calculated and transferred. 98.5% of revenue from the business officially mandated is invoiced by the operating entity as a lump-sum payment for agency services. In the financial year 2022, a total volume of € 116.5 million (prior year: € 111.9 million) was charged to TÜV SÜD e.V. From this source, TÜV SÜD e.V. recorded revenue of € 118.3 million (prior year: € 113.7 million).

As of the reporting date, there are cash pool liabilities of € 0.3 million to TÜV SÜD e.V. (prior year: cash pool receivables of € 0.4 million).

In the financial years 2022 and 2021, the TÜV SÜD Group had business relationships with non-consolidated subsidiaries, associated companies and joint ventures that qualify as related parties. In the course of ordinary operations, all service transactions with these entities were carried out at arm's length conditions. In 2022, transactions were carried out with material related parties that led to the following items in the consolidated financial statements: ≡ 74 / 75

Items of the statement of financial position from transactions with non-consolidated subsidiaries, associated companies and joint ventures ≡ 74

	Non-consolidated subsidiaries		Associated companies		Joint ventures	
IN € MILLION	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Loans	0.8	2.9	0.0	0.0	0.2	4.7
Receivables	1.0	0.6	0.0	0.0	2.1	1.8
Liabilities	0.1	0.3	0.0	0.0	0.3	0.5

Receivables from non-consolidated subsidiaries include valuation allowances amounting to € 2.1 million (prior year, adjusted: € 2.1 million). Loans to joint ventures contain valuation allowances of € 2.6 million (prior year: € 0.0 million).

Income and expenses from transactions with non-consolidated subsidiaries, associated companies and joint ventures ≡ 75

	Non-consolidated subsidiaries		Associated companies		Joint ventures[1]	
IN € MILLION	2022	2021	2022	2021	2022	2021
Income	1.0	0.7	0.0	0.0	13.3	11.7
Expenses	0.7	0.6	0.0	0.0	2.2	4.3

1 _ Prior-year figure adjusted.

An amount of € 12.9 million (prior year: € 11.1 million) of the income from joint ventures relates to FleetCompany GmbH and largely results from the operational provision of fleet services at foreign subsidiaries. The expenses largely relate to charges for lease vehicles that are managed by FleetCompany GmbH.

Income of € 0.4 million (prior year: € 0.6 million) resulted from expense allowances for mandate activities in the Turkish joint ventures.

The business relationships with the Turkish joint ventures are based primarily on a license agreement between TÜVTÜRK Kuzey and TÜVTÜRK Güney (both licensors) and TÜV SÜD Bursa Tasit Muayene Istasyonlari Isletim A.S., Kestel-Bursa, (licensee). In 2022, there were commission fees of € 2.0 million (prior year: € 2.7 million). For 2022, the dividend distribution of the Turkish joint ventures totaled € 7.9 million (prior year: € 15.2 million), of which € 4.2 million was collected as an advance distribution in the prior year. In addition, there was an advance dividend distribution for the financial year 2023 of € 4.4 million. The Spanish joint venture ITV Levante made a dividend distribution of € 0.3 million (prior year: € 0.3 million).

Dividend distributions of € 0.5 million (prior year: € 0.6 million) were received from associated companies.

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

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

The total remuneration of active members of the Board of Management amounted to € 4.0 million in the financial year 2022 (prior year: € 3.6 million). This includes variable salary components based on financial and non-financial indicators totaling € 1.7 million (prior year: € 1.5 million), which had not yet been paid out as of December 31. In addition, service cost incurred for pension obligations (post-employment benefits) amounted to € 0.3 million (prior year: € 0.3 million). The present value of the defined benefit obligation calculated in accordance with IFRSs amounted to € 4.5 million as of the reporting date (prior year: € 6.4 million).

The active members of the Supervisory Board received total remuneration of € 1.1 million in the financial year 2022 (prior year: € 1.2 million).

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

The total remuneration of former members of the Board of Management and their surviving dependents including pension payments and other payments amounted to € 1.3 million (prior year: € 1.3 million). Defined benefit obligations amounting to € 13.1 million (prior year: € 17.3 million) exist for former members of the Board of Management and their surviving dependents.

37 / PROPOSAL FOR THE APPROPRIATION OF PROFIT

The Board of Management and Supervisory Board will propose to the annual general meeting to distribute € 2.1 million from the retained earnings under German GAAP of TÜV SÜD AG totaling € 322.4 million, equivalent to € 0.08 per share. The remaining amount of € 320.3 million is to be carried forward to new account.

38 / AUDITOR'S FEES

The consolidated financial statements of TÜV SÜD AG are audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Munich branch office. The following fees were recognized in the financial year for the services provided by PricewaterhouseCoopers GmbH:

Auditor's fees ≡ 76

IN € MILLION	2022	2021
Audit services	1.0	1.0
Other assurance services	0.1	0.1
Tax advisory services	0.2	0.3
Other services	0.1	1.1
Auditor's fees	**1.4**	**2.5**

Audit services comprise the fee for the audit of the consolidated financial statements of the TÜV SÜD Group and the legally required annual financial statements of TÜV SÜD AG and its domestic subsidiaries that are included in the consolidated financial statements. Other assurance services mostly contain contractually agreed or voluntarily commissioned assurance services. Tax advisory services include, among others, support with transfer pricing documentation. Other services relate to project-related services in connection with the IT infrastructure in particular.

39 / EVENTS AFTER THE REPORTING DATE

On February 6, 2023, the strongest earthquake seen in this region since 1939 was recorded in the Turkish-Syrian border region. To date, this has claimed more than 50,000 lives. Employees of our Turkish joint ventures TÜVTÜRK are also among the victims. TÜVTÜRK and its partner companies operate several technical service centers in the region, which remained undamaged. Eleven stations are currently serving as emergency shelters, distribution bases for relief supplies and warehousing centers for crisis teams as part of the disaster relief effort. In addition, TÜVTÜRK will also make a donation for the reconstruction for every vehicle roadworthiness test carried out in 2023. TÜV SÜD's share in this will amount to around € 2.5 million.

40 / CONSOLIDATED ENTITIES

Consolidated entities

≡ 77

NAME AND REGISTERED OFFICE OF THE ENTITY	Share in capital in %
FULLY CONSOLIDATED ENTITIES – GERMANY	
ARMAT GmbH & Co. KG, Pullach i. Isartal[1]	100.00
ARMAT Südwest GmbH & Co. KG, Pullach i. Isartal[1]	100.00
MI-Fonds F60, Frankfurt am Main	100.00
PIMA-MPU GmbH, Munich[1]	100.00
TÜV Hanse GmbH TÜV SÜD Gruppe, Hamburg	90.00
TÜV Hessen Immobilien Service GmbH & Co. KG, Gräfelfing	100.00
TÜV SÜD Advimo GmbH, Munich[1]	100.00
TÜV SÜD Akademie GmbH, Munich[1]	100.00
TÜV SÜD Auto Partner GmbH, Hamburg[1]	100.00
TÜV SÜD Auto Plus GmbH, Stuttgart[1]	100.00
TÜV SÜD Auto Service GmbH, Stuttgart[1]	100.00
TÜV SÜD Battery Testing GmbH, Garching	70.00
TÜV SÜD Business Services GmbH, Munich[1]	100.00
TÜV SÜD Car Registration & Services GmbH, Munich	50.00
TÜV SÜD Chemie Service GmbH, Leverkusen[1]	100.00
TÜV SÜD Digital Service GmbH, Munich[1]	100.00
TÜV SÜD Energietechnik GmbH Baden-Württemberg, Filderstadt[1]	100.00
TÜV SÜD ImmoWert GmbH, Munich	100.00
TÜV SÜD Industrie Service GmbH, Munich[1]	100.00
TÜV SÜD Life Service GmbH, Munich[1]	100.00
TÜV SÜD Management Service GmbH, Munich[1]	100.00
TÜV SÜD Pensionsgesellschaft mbH, Munich[1]	100.00
TÜV SÜD Pluspunkt GmbH, Munich[1]	100.00
TÜV SÜD Product Service GmbH, Munich	100.00
TÜV SÜD Rail GmbH, Munich[1]	100.00
TÜV Technische Überwachung Hessen GmbH, Darmstadt	55.00
Uniscon universal identity control GmbH, Munich[1]	100.00

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

NAME AND REGISTERED OFFICE OF THE ENTITY	Share in capital in %
FULLY CONSOLIDATED ENTITIES – OTHER COUNTRIES	
ARISE Boiler Inspection and Insurance Company Risk Retention Group, Louisville, USA	100.00
ARISE Inc., Wilmington, USA	100.00
ATISAE de Castilla y León, S.A.U., Miranda de Ebro, Spain	100.00
Bytest S.r.l., Volpiano, Italy	100.00
Changzhou Jin Biao Rail Transportation Technical Service Co., Ltd., Changzhou, China	100.00
Dunbar & Boardman Partnership Ltd., Fareham, UK	100.00
ÉMI-TÜV SÜD Minőségügyi és Biztonságtechnikai Korlátolt Felelősségű Társaság, Szentendre, Hungary	62.13
Fleet Logistics Italia S.r.l., Milan, Italy	100.00
Fleet Logistics UK Ltd., Birmingham, UK	100.00
Global Risk Consultants (Australia) Pty Ltd, Melbourne, Australia	100.00
Global Risk Consultants (Guangzhou) Co. Ltd., Guangzhou, China	100.00
Global Risk Consultants Corp., Wilmington, USA	100.00
Global Risk Consultants Ltd., West Byfleet, UK	100.00
Global Risk Consultores (Brasil) Ltda., Barueri, Brazil	100.00
Magyar TÜV SÜD Műszaki Szakértői Korlátolt Felelősségű Társaság, Szentendre, Hungary	100.00
National Association of Boiler and Pressure Vessel Owners and Operators, Inc., Louisville, USA	100.00
Nuclear Technologies plc., Fareham, UK	100.00
P.H. S.r.l., Tavarnelle Val di Pesa, Italy	100.00
PT. TUV SUD Indonesia, Jakarta Pusat, Indonesia	94.96
TÜV Italia S.r.l., Milan, Italy	100.00
TUV SUD (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia	100.00
TUV SUD (Thailand) Ltd., Bangkok, Thailand	100.00
TÜV SÜD (UK) Ltd., Fareham, UK	100.00
TÜV SÜD America de México, S.A. de C.V., San Pedro Garza Garcia, Mexico	100.00
TÜV SÜD America Inc., Boston, USA	100.00
TÜV SÜD AMT, S.A.U., Madrid, Spain	100.00
TUV SUD Asia Ltd., Hong Kong, China	100.00
TUV SUD Asia Pacific Pte. Ltd., Singapore	100.00
TÜV SÜD ATISAE, S. A. U., Madrid, Spain	100.00
TUV SUD BABT Unltd., Fareham, UK	100.00
TUV SUD Bangladesh (Pvt.) Ltd., Dhaka, Bangladesh	100.00
TÜV SÜD Benelux B.V., Boortmeerbeek, Belgium	100.00
TÜV SÜD BRASIL CONSULTORIA LTDA., São Paulo, Brazil	100.00
TÜV SÜD Bursa Tasit Muayene Istasyonlari Isletim A.S., Kestel-Bursa, Turkey	100.00

NAME AND REGISTERED OFFICE OF THE ENTITY		Share in capital in %
TÜV SÜD Canada Inc., Newmarket, Canada		100.00
TÜV SÜD Central Eastern Europe s.r.o., Prague, Czech Republic		100.00
TUV SUD Certification and Testing (China) Co., Ltd., Wuxi, China		51.00
TUV SUD China Holding Ltd., Hong Kong, China		100.00
TÜV SÜD Czech s.r.o., Prague, Czech Republic		100.00
TÜV SÜD Danmark ApS, Hellerup, Denmark		100.00
TUV SUD for Safety Engineering LLC, Khobar City, Saudi Arabia	F	100.00
TÜV SÜD France S.A.S., Écully, France		100.00
TUV SUD Hong Kong Ltd., Hong Kong, China		100.00
TÜV SÜD Iberia, S.A.U., Barcelona, Spain		100.00
TUV SUD Inspection Authority (Pty) Ltd., Cape Town, South Africa		66.20
TÜV SÜD Japan Ltd., Tokyo, Japan		100.00
TUV SUD Korea Ltd., Seoul, South Korea		100.00
TÜV SÜD Landesgesellschaft Österreich GmbH, Wiesing, Austria		100.00
TUV SUD Ltd., Glasgow, UK		100.00
TUV SUD Middle East Co. LLC, Muscat, Oman		70.00
TUV SUD Middle East LLC, Abu Dhabi, United Arab Emirates		51.00
TUV SUD Middle East LLC (Qatar), Doha, Qatar		100.00
TÜV SÜD Nederland B.V., Ede, Netherlands		100.00
TÜV SÜD New Energy Testing (Guangdong) Co., Ltd., Guangzhou, China		100.00
TÜV SÜD New Energy Vehicle Testing (Jiangsu) Co., Ltd., Changzhou, China		52.00
TÜV SÜD Polska Sp. z.o.o., Warsaw, Poland		100.00
TÜV SÜD Products Testing (Shanghai) Co., Ltd., Shanghai, China		100.00
TÜV SÜD PSB Philippines Inc., Pasig City, Philippines		99.99
TUV SUD PSB Pte. Ltd., Singapore		100.00
TÜV SÜD Romania S.R.L., Bucharest, Romania		100.00
TÜV SÜD Sava d.o.o., Ljubljana, Slovenia		100.00
TÜV SÜD Schweiz AG, Zurich, Switzerland		100.00
TUV SUD Services (UK) Ltd., Fareham, UK		100.00
TÜV SÜD SFDK Laboratório de Análise de Produtos Ltda., São Paulo, Brazil		100.00
TÜV SÜD Slovakia s.r.o., Bratislava, Slovakia		100.00
TUV SUD South Africa (Pty) Ltd., Cape Town, South Africa		74.00
TUV SUD South Asia Pvt. Ltd., Mumbai, India		100.00
TÜV SÜD Sverige AB, Malmö, Sweden		100.00
TÜV SÜD SW Rail Transportation Technology (Jiangsu) Co., Ltd., Changzhou, China		52.00
TÜV SÜD Teknik Güvenlik ve Kalite Denetim Ticaret Ltd. Sirketi (TGK), Istanbul, Turkey		100.00
TUV SUD Vietnam Co. Ltd., Ho Chi Minh City, Vietnam		100.00
TÜVSÜD Portugal, unipessoal Lda., Lisbon, Portugal		100.00

F = First-time consolidation

NAME AND REGISTERED OFFICE OF THE ENTITY	Share in capital in %
CONSOLIDATED ASSOCIATED COMPANIES – OTHER COUNTRIES	
SECTA Société Européenne de Contrôle Technique Automobile S.A., Courbevoie, France	38.22
CONSOLIDATED JOINT VENTURES – GERMANY	
FleetCompany GmbH, Oberhaching	26.35
CONSOLIDATED JOINT VENTURES – OTHER COUNTRIES	
ITV de Levante, S.A., Valencia, Spain	50.00
TÜV SÜD DOGUS Ekspertiz ve Danismanlik Hizmetleri Ltd. Sti., Istanbul, Turkey	50.05
TÜVTURK Güney Tasit Muayene Istasyonlari Yapim ve Isletim A. S., Istanbul, Turkey	33.33
TÜVTURK Kuzey Tasit Muayene Istasyonlari Yapim ve Isletim A. S., Istanbul, Turkey	33.33

Munich, March 14, 2023

TÜV SÜD AG

The Board of Management

DR. JOHANNES BUSSMANN **ISHAN PALIT** **PROF. DR. MATTHIAS J. RAPP**

BOARDS OF TÜV SÜD AG

Supervisory Board

WOLFGANG DEHEN
Chairman (since December 2, 2022)
Former Chairman of the Board of Management of OSRAM Licht AG

DR.-ING. DR.-ING. E.H. KLAUS DRAEGER
Chairman
Former Member of the Board of Management of BMW Group
(until December 2, 2022)

HARALD GÖMPEL[1]
Deputy Chairman
Member of the works council of TÜV Technische Überwachung Hessen GmbH

MATTHIAS ANDREESEN VIEGAS[1]
Deputy Chairman of the Committee of Executive Staff of TÜV SÜD AG

DR. CHRISTINE BORTENLÄNGER
Member of the Executive Board of Deutsches Aktieninstitut e. V.

MANUELA DIETZ[1]
Union representative
(since March 31, 2022)

THOMAS EDER[1]
Third Deputy Chairman of the works council Bayern Südost of TÜV SÜD Auto Service GmbH

DR. JÖRG MATTHIAS GROSSMANN
Member of the Board / CFO of Freudenberg Chemical Specialities SE & Co. KG

JENS KRAUSE[1]
Chairman of the works council South-East Region of TÜV SÜD Management Service GmbH

MARCEL RATH[1]
First Deputy Chairman of the group works council of TÜV SÜD AG

WOLFRAM REINERS[1]
Chairman of the works council, Munich Site of TÜV SÜD Business Services GmbH
(until May 9, 2022)

ANGELIQUE RENKHOFF-MÜCKE
Member of the Executive Board / CEO of WAREMA Renkhoff SE

DR. NATHALIE VON SIEMENS
Former Managing Director and Spokesperson of the Board of Siemens Stiftung

PROF. DR. RUDOLF STAUDIGL
Former Chairman of the Board of Management of Wacker Chemie AG

DR. EBERHARD VEIT
General Partner of Robert Bosch Industrietreuhand KG

DR. KATHARINA WAGNER
Union representative
(since June 9, 2022)

RAINER WICH[1]
Member of the works council of TÜV SÜD Auto Service GmbH

KAI WINKLER[1]
Union representative
(since February 28, 2022)

Board of Management

DR. JOHANNES BUSSMANN
Chairman of the Board of Management
(since January 1, 2023)

PROF. DR.-ING. AXEL STEPKEN
Chairman of the Board of Management
(until December 31, 2022)

ISHAN PALIT
Member of the Board of Management

PROF. DR. MATTHIAS J. RAPP
Member of the Board of Management

1 _ Employee representative.

INDEPENDENT AUDITOR'S REPORT

To TÜV SÜD Aktiengesellschaft, Munich

Audit Opinions

We have audited the consolidated financial statements of TÜV SÜD Aktiengesellschaft, Munich, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year from January 1 to December 31, 2022, as well as notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of TÜV SÜD Aktiengesellschaft, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2022. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2022 and of its financial performance for the financial year from January 1 to December 31, 2022 and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

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

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

Please refer to the comments by the executive directors in the sections "Assumptions, estimation uncertainties and judgments" and "Pending and imminent legal proceedings" in the notes to the consolidated financial statements and the sections "Economic report" and "Opportunity and risk report" in the group management report, which describe the effects of the dam collapse in Brazil in January 2019, the stability of which was certified by the Brazilian subsidiary TÜV SÜD BRASIL CONSULTORIA LTDA. in September 2018, and the provisions that have been recognized in this regard. In connection with the pending and imminent legal proceedings, the executive directors note considerable estimation uncertainty regarding assumptions on the probability of occurrence, the time of payment and the amount of the risk, with the result that the outcome of the pending and imminent legal proceedings could have a significant influence on the Group's assets, liabilities, financial position and financial performance for the financial year 2023 and future financial years. Our audit opinions on the consolidated financial statements and group management report are not modified in this regard.

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

Please refer to the disclosures in the section "Pending and imminent legal proceedings" in the notes to the consolidated financial statements and the sections "Economic report" and "Opportunity and risk report" in the group management report, in which the executive directors describe that the ability of the Brazilian subsidiary TÜV SÜD BRASIL CONSULTORIA LTDA. and its direct shareholder TÜV SÜD SFDK Laboratório de Análise de Produtos Ltda. to continue as a going concern is jeopardized if the companies are held liable for the damage caused by the dam collapse in Brazil and no additional financial support is provided by the shareholder. As set out in the section "Pending and imminent legal proceedings" in the notes to the consolidated financial statements and the sections "Economic report" and "Opportunity and risk report" in the group management report, these events and circumstances indicate considerable uncertainty that could cast significant doubt on the subsidiaries' ability to continue their business activities and which represent a risk that could affect the company's ability to continue as a going concern within the meaning of § 322 Abs. 2 Satz 3 HGB. Our audit opinions on the consolidated financial statements and group management report are not modified in this regard.

Other Information

The executive directors are responsible for the other information. The other information comprises the following unaudited parts of the group management report:

- the statement on corporate governance pursuant to § 289f Abs. 4 HGB included in the "Corporate governance report" section of the group management report (disclosures on the quota for women in managerial positions)
- the disclosures that are extraneous to the group management report and are marked as unaudited in the section "Corporate governance report" of the group management report

The other information comprises further all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

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

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

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

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

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

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

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

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

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

Munich, March 14, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Petra Justenhoven	Jürgen Schumann
Wirtschaftsprüferin	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

GLOSSARY

AIM	Asset integrity management The management of an asset with the aim to ensure the effective and efficient functionality. This ensures that the people, systems, processes and resources which enable the asset to deliver its function are in place over the life cycle of the asset while, at the same time, complying with the health and safety, and environmental regulations.
AI	Artificial intelligence
AMAIS	Asset monitoring artifical intelligence The AI and sensor-based monitoring of the condition of assets, which also includes the evaluation of sensor data using predictive algorithms and identifies possible courses of action
BetrSichV	“Betriebssicherheitsverordnung” (Engl.: German ordinance on industrial health and safety)
BIM	Building information modeling Modeling a digital building twin
BREEAM	Building research establishment environmental assessment method
CAC	Climate action certification
CDS Spread	Credit default swap spread Credit markup for the pricing of credit derivatives to hedge the default risk
CGU	Cash generating unit
CO_2	Carbon dioxide
Confidential Cloud Computing	Protected processing of (confidential) data in the cloud
Credit spread	Difference between high-risk and risk-free benchmark interest rate with the same term. Defines the risk premium that an investor receives as compensation for the credit risk entered into.
CTA	Contractual trust agreement Legally structured trust agreement to cover the capital required for direct pension commitments with separate and outsourced assets, and to also provide extended protection for these commitments in the event of insolvency
DIN	“Deutsches Institut für Normung” (Engl.: German Institute for Standardization)
DSO	Days sales outstanding
EBIT	Earnings before interest and taxes Earnings before interest, before other financial result and before income tax, but after income from participations
EBT	Earnings before taxes
E-Business	Integrated execution of all automated business processes of a company with the help of information and communication technology
EMC	Electromagnetic compatibility
ENEC	European Norms Electrical Certification Symbol to label electronic devices in the European Union
EVA®	Economic value added
Free cash flow	Cash flow from operating activities less cash paid for investments in intangible assets, property, plant and equipment and investment property
FTE	Full-time equivalent
FX	Foreign exchange
FZulG	“Forschungszulagengesetz” (Engl.: German Research Allowance Act)
GbR	“Gesellschaft bürgerlichen Rechts” (Engl.: partnership under the Civil Code)
GHG	Greenhouse gas
Incremental borrowing rate of the lessee	The rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment
H_2	Hydrogen
HAD	Highly-automated driving
HR	Human resources
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IDW	“Institut der Wirtschaftsprüfer” (Engl.: Institute of Public Auditors in Germany)
IDW AsS 980	IDW Auditing Standard: Principles for the Proper Performance of Audits of Compliance Management Systems The standard provides for three types of engagements, test of design, of appropriateness test and of operating effectiveness, which vary in terms of their subject, objective and scope.

IEC	International Electrotechnical Commission
IFRS	International Financial Reporting Standard
IFRS IC	International Financial Reporting Standards Interpretations Committee
IfW	“Institut für Weltwirtschaft” (Engl.: Institute for the World Economy)
INCIT	International Centre for Industrial Transformation
Industry 4.0	Connecting industrial production with modern information and communication technology. The technical foundation is digitally connected smart systems. People, machines, installations, logistics and products communicate and cooperate with each other directly. Optimization of the entire value chain.
Interest rate swap	Interest derivative where two counterparties agree to exchange interest payments at fixed nominal amounts at a specific point in the future
ISO	International Organization for Standardization
IVDR	In-vitro Diagnostic Regulation
IMF	International Monetary Fund
KBA	“Kraftfahrzeugbundesamt” (Engl.: German Federal Motor Transport Authority)
MDR	Medical Devices Regulation
Notified Body/NoBo	Neutral and independent private organization designated by the state to assess conformity (auditing/certifying body)
NOPAT	Net operating profit after taxes
OECD	Organisation for Economic Co-operation and Development
PPA	Purchase price allocation
PSVaG	“Pensions-Sicherungs-Verein” An independent association of German companies, which secures company pension plans in the event that the employer becomes insolvent
PTI	Periodical technical inspection
Remote audit	Efficient and resource-saving performance of an audit without the auditor being physically present on site
Secure cloud	Patented security technology that uses purely technical means to ensure that data is encrypted during transfer and storage and also that data and connection information is protected during processing. Operators and administrators have no technical access to the data.
Supply chain management	Establishing and managing integrated logistic chains (flow of material and information) over the entire value-added process
TIC	Testing, Inspection, Certification
TISAX	Trusted information security assessment exchange
TPR	The Pension Regulator British regulatory agency for pensions
UKAS	United Kingdom Accreditation Service
UKCA marking	UK conformity assessed accreditation
UNECE	United Nations Economic Commission for Europe
WACC	Weighted average cost of capital

NOTES AND FORWARD-LOOKING STATEMENTS

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

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

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

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

IMPRINT

Published by

TÜV SÜD AG
Westendstraße 199
80686 Munich
Germany

Tel +49 89 5791-0
Fax +49 89 5791-1551

info@tuvsud.com
www.tuvsud.com

Corporate Communications

Sabine Hoffmann, Jörg Riedle
(project manager)

Corporate Accounting and Taxes

Stefan Lembert, Martin Bockler,
Katharina Höfner, Heike Lenhardt

Photography

Thomas Dashuber, iStock: xingmin07

Design and layout

MPM – Part of RYZE Digital
www.mpm.de

Printed by

Peschke Solutions GmbH, Parsdorf

Published on April 19, 2023

DIVE INTO THE DIGITAL WORLD OF THIS REPORT

www.annualreport.tuvsud.com

Enjoy the benefits of the online version simply and quickly:

- Download the full report or individual sections as a PDF
- In video clips: get additional information about the topics in the magazine
- Retrieve prior-year annual reports from the archive
- Follow TÜV SÜD in social networks

TÜV SÜD AG
Westendstraße 199
80686 Munich
Germany

PHONE +49 89 5791-0
FAX +49 89 5791-1551
EMAIL info@tuvsud.com
WEB www.tuvsud.com