COM-BINED MANAGE-MENT REPORT

COMBINED MANAGEMENT REPORT

GROUP INFORMATION

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.

WORLD MAP
SEE PAGES
10 – 11

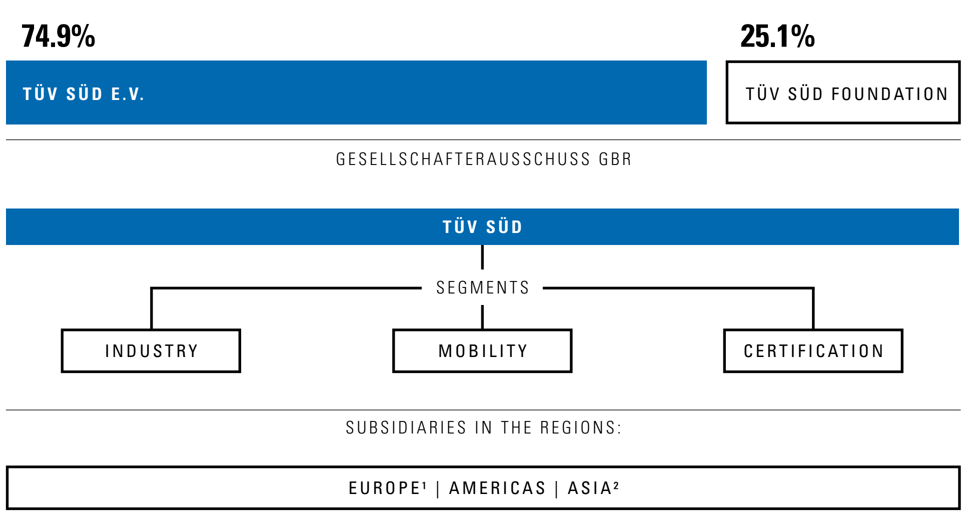
Legal structure guarantees independence

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

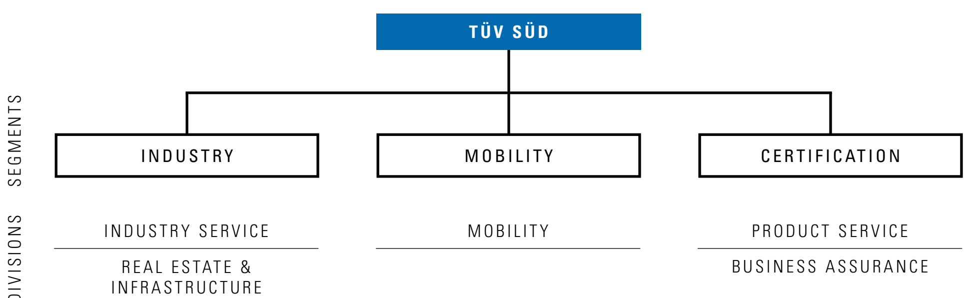
The Board of Management of TÜV SÜD consists of three members, the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Operating Officer (COO).

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.

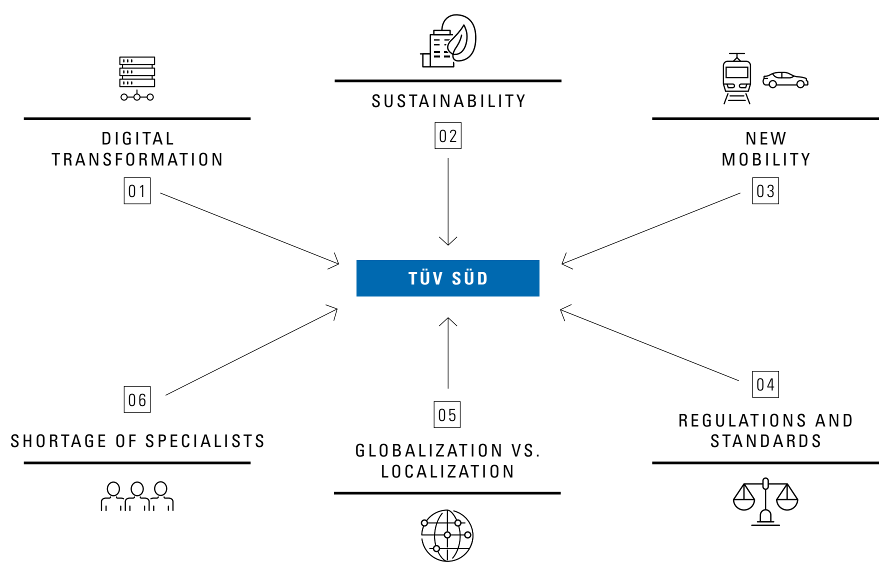
Advancing digitalization and the drive for greater sustainability in almost all areas of life are long-term drivers of social change. The associated challenges aside, we see in these changes above all opportunities for the further development of TÜV SÜD.

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

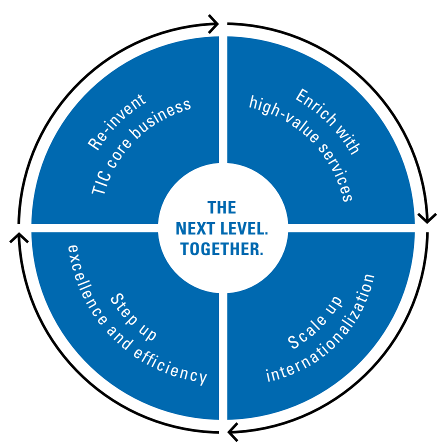
Strategy

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.

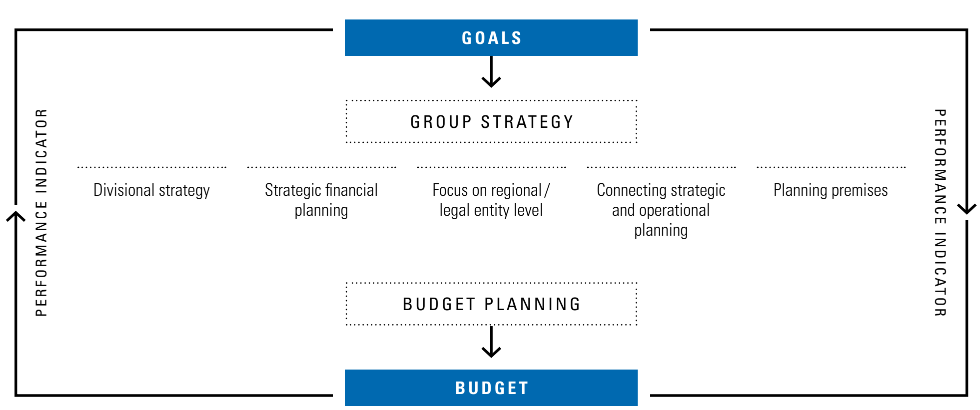
STRATEGIC PLANNING SETS GOALS

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.

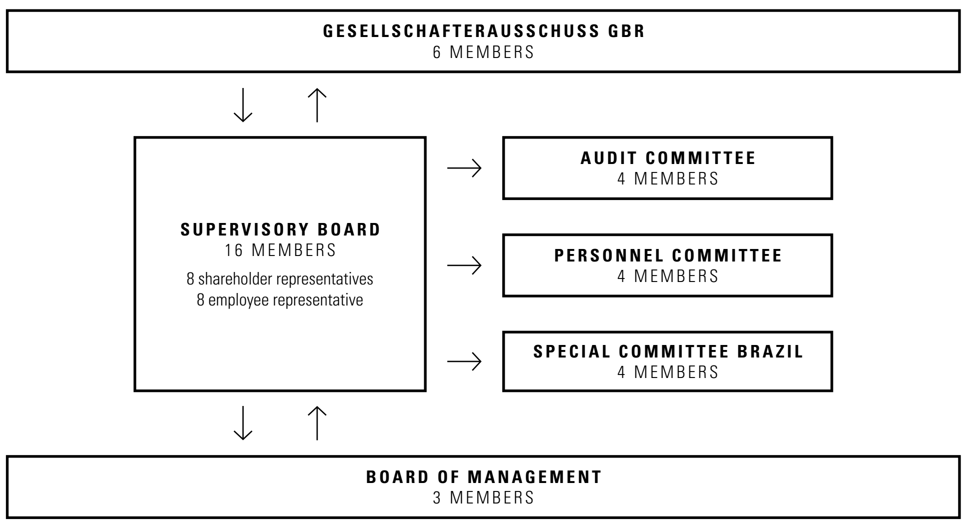
Strategic and operational planning 06



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 Bortenländer	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.

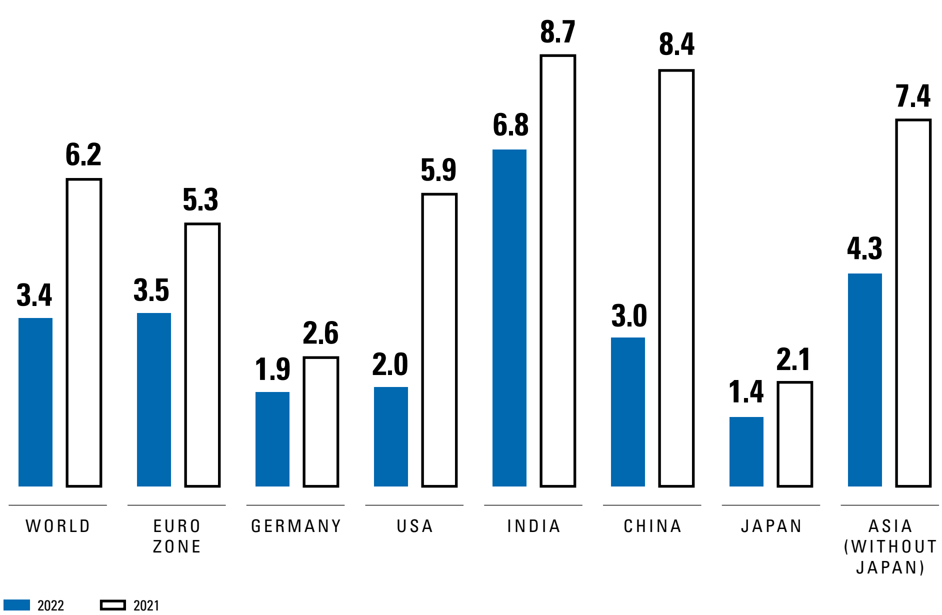
ECONOMIC REPORT

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).

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.

ONE-OFF EFFECTS
SEE PAGE
49

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".

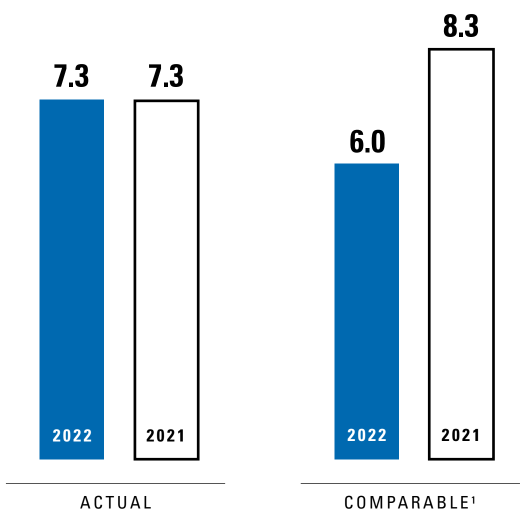
Financial performance

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

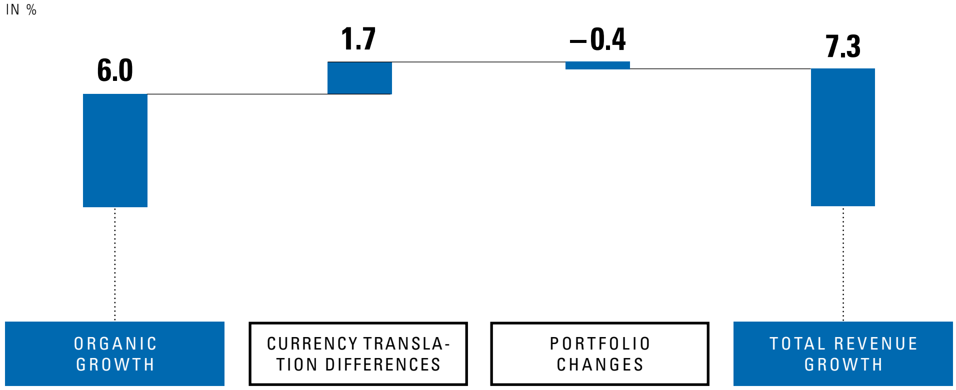
IN %



1 _ Adjusted for exchange rate and portfolio effects.

Revenue growth 2022 10

IN %

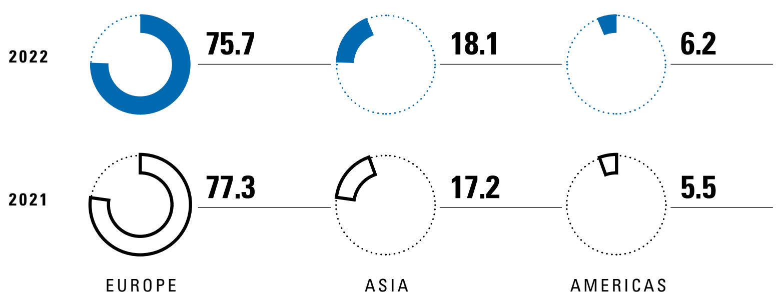


Revenue growth in the German companies amounted to € 91.8 million, corresponding to a share of 46.8% of total growth (prior year: attributable increase of 50.4%). Revenue generated by entities of the Group outside Germany accounted for € 104.2 million or 53.2% of the increase in revenue (prior year: 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.

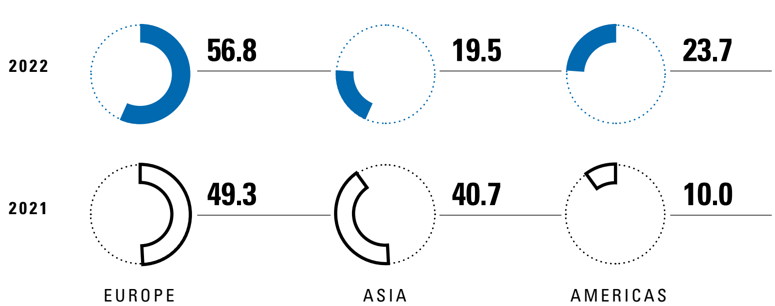
CAPITAL STRUCTURE

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.

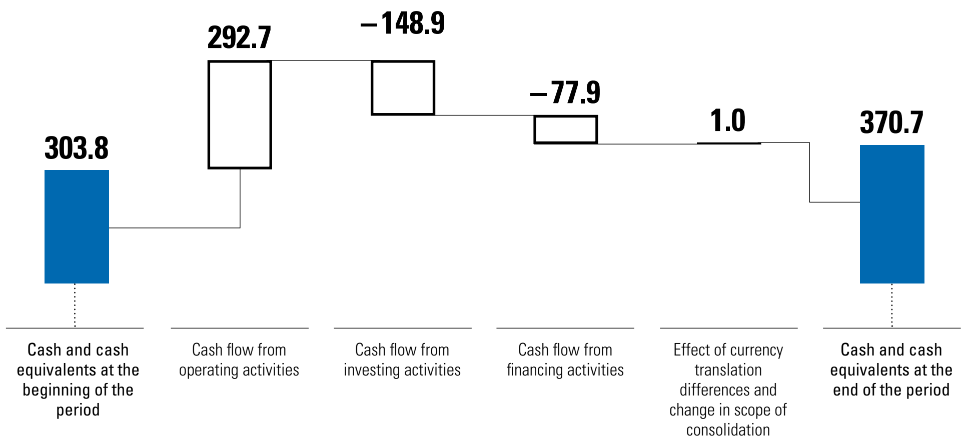
LIQUIDITY

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 13

IN € MILLION



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.

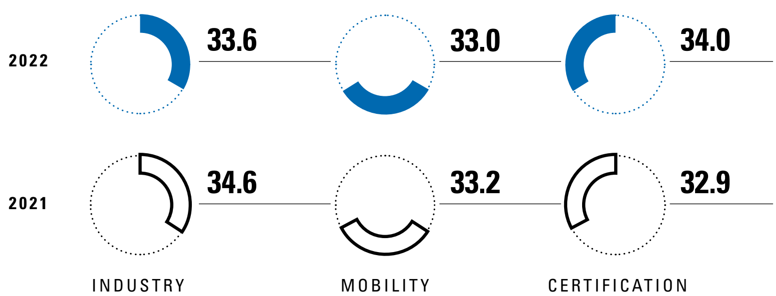
Segment report

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]

IN %

15



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.

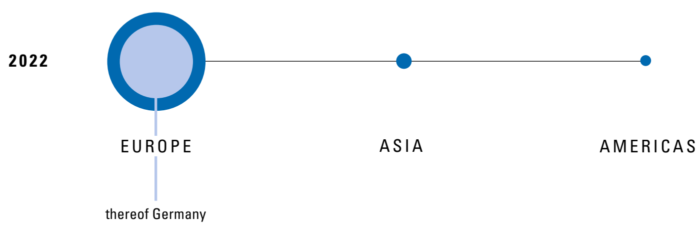
Another focus in the development of our services is the aspect of sustainability. We are already pursuing the lifecycle approach with our services relating to buildings. Among other things, we offer sustainability certifications for new builds and existing properties in accordance with BREEAM, create 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 electro-mobility 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.

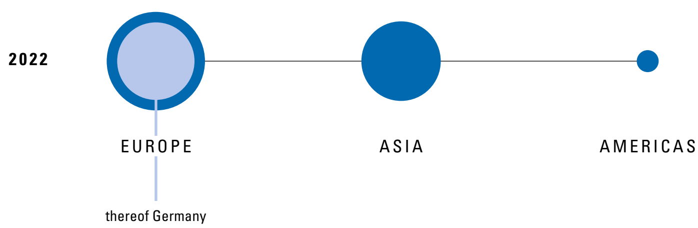
The customary engagement of external service providers for training has a significant impact on the development of purchased services in this segment. These costs rose at a faster rate than revenue, resulting in a ratio of purchased service cost to revenue of 14.1% (prior year: 13.9%). Personnel expenses 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.

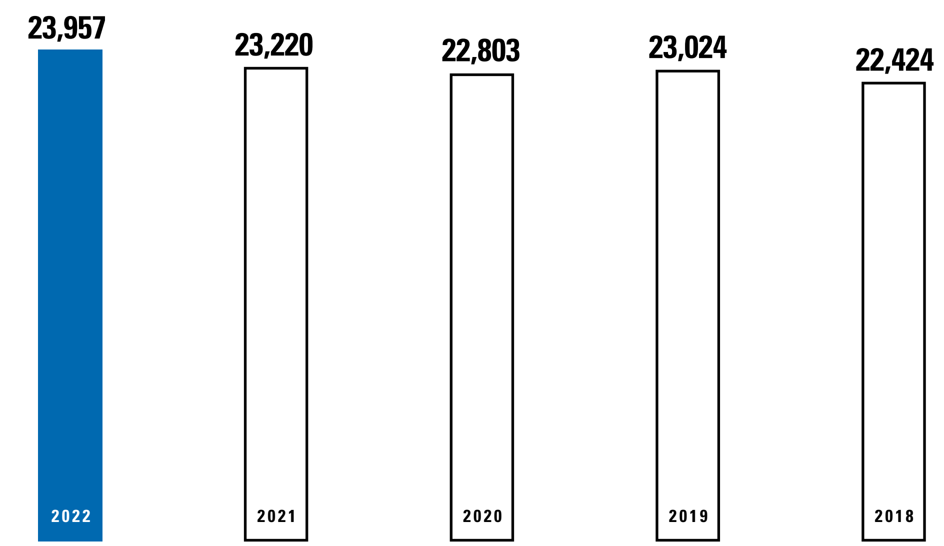
In order to support these initiatives, we rely on the systematic digitalization of standard processes as well as the close and trusting cooperation of HR employees with their internal business partners. At the same time, we are developing instruments to attract and retain employees and enable their achievements 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

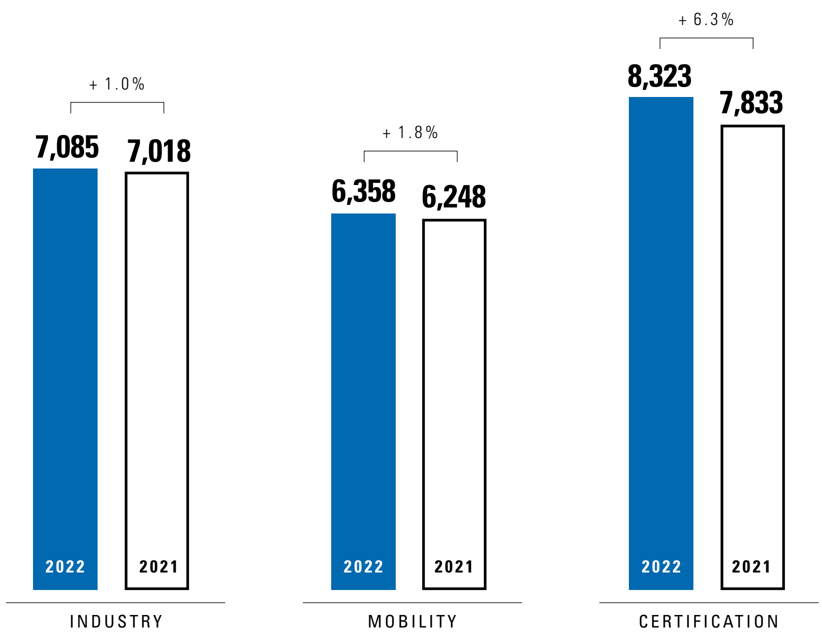


The average number of employees in 2022 was 23,957 FTEs, which is an increase of 3.2% in comparison to the prior year (23,220 FTEs) and therefore slightly above the expected range. There was an increase of 1.5% in Germany, while outside Germany the increase was 4.9%.

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



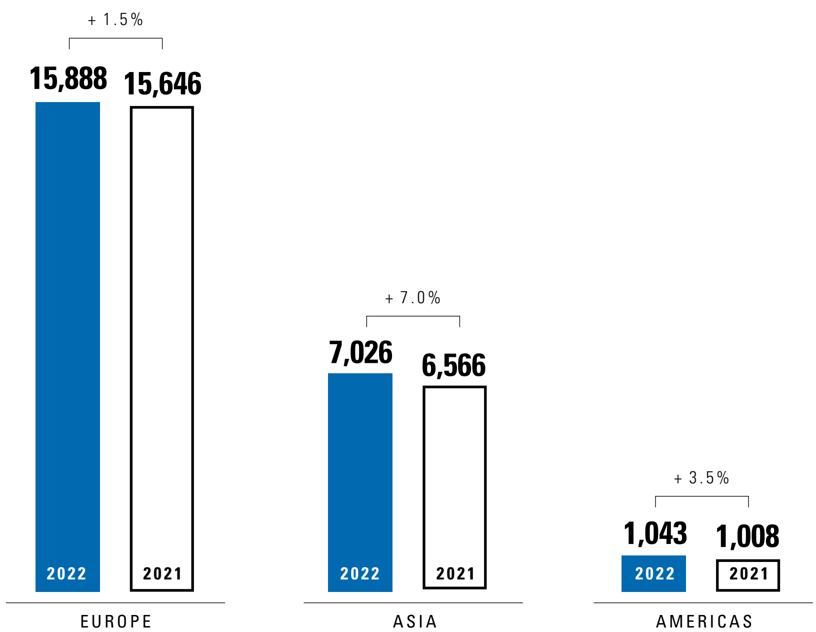
1 _ Without OTHER.

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.