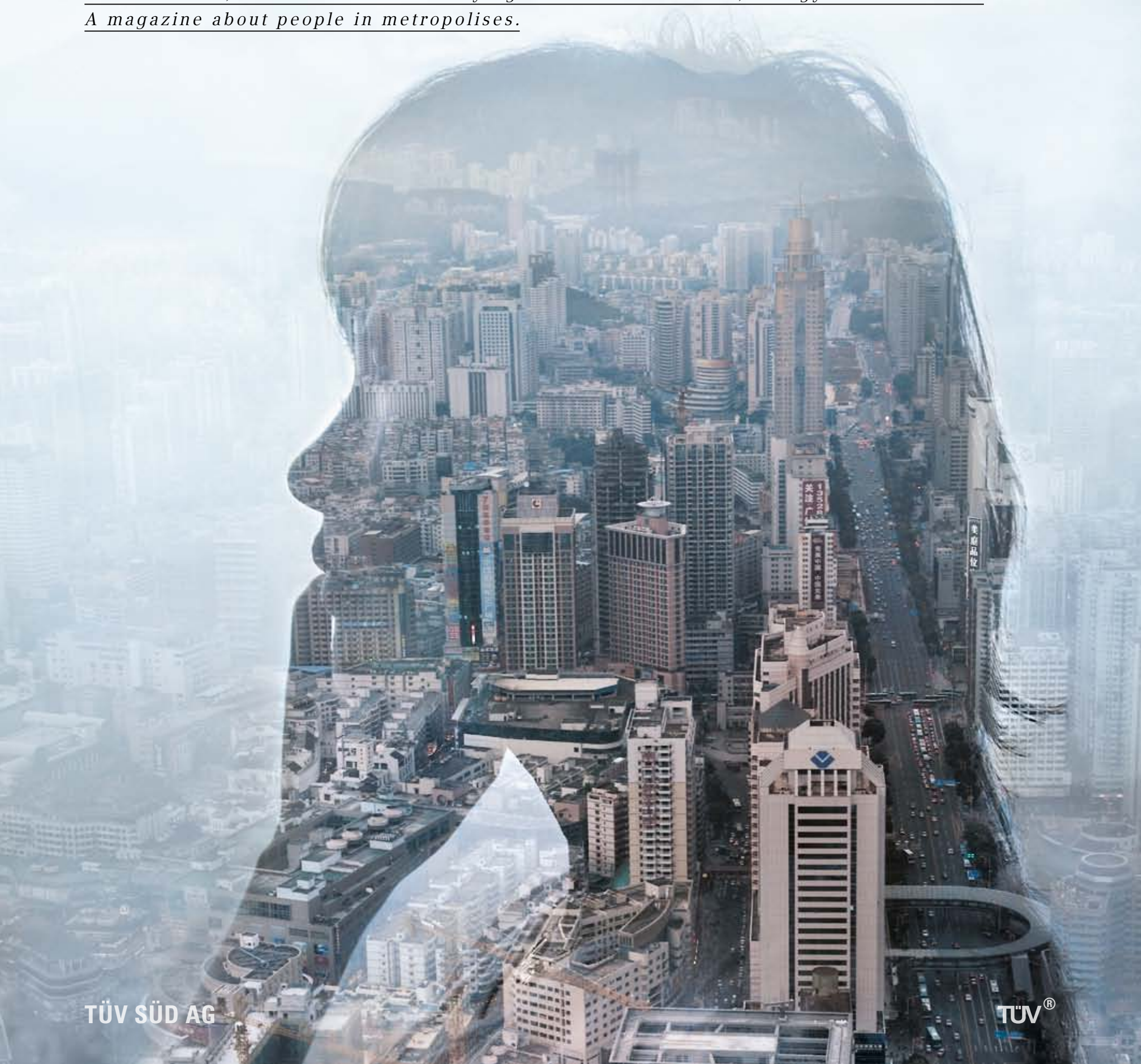
Berlin // London // Manila // Mexico City // Rio de Janeiro // Singapore

NEW HORIZONS FOR CITIES

URBAN FUTURE

In Rio de Janeiro, João Coutinho has a plan: He aims to conquer the bars of North America and Europe. Geodino Carpio provides drinking water for the slum dwellers of Manila. And in Berlin, Simone Wiechers is trying to live a sustainable, energy-conscious life. A magazine about people in metropolises.



DEAR READERS!

In 2008, a member of staff at the film museum in Buenos Aires made a spectacular find. Between dusty reels of film, he discovered an almost complete print of the film »Metropolis« (1927). Until then, the expressionist classic had survived only in fragments. In the silent movie, director Fritz Lang impressively presented his vision of the big city: electric-powered rail buses travel on trestles high above the streets, aircraft circle between vast skyscrapers, subterranean factories and power plants provide the people with energy and consumer goods.

The film was based on the impression of rapid urbanization in Europe and North America. Cities with more than a million inhabitants, such as London, New York or Chicago, fascinated and terrified people in equal measure. The metropolis was the symbol of industrialization and the 20th century.

Since the 1920s, urbanization has gained ground: today, half of the world's population lives in cities. By 2050, the share will increase to around two thirds. And the cities themselves are also becoming ever larger. Forty years ago, there were only two agglomerations with more than ten million inhabitants – today, there are already 23 such megacities. By 2025, there will be 37. What's more, the United Nations forecasts some 60 conurbations with between five and ten million inhabitants, and a further 570 smaller cities with populations of more than one million.

Urbanization is a symbol of progress, as cities are centers of human development. They are the lifelines of our world. »No country in the industrial age has ever achieved significant economic growth without urbanization« according to a UNO report.

At the same time, however, urbanization is also a vast challenge. Above all in the emerging markets of South America and Asia, cities are growing very rapidly – and often the infrastructure can scarcely keep pace with the enormous annual population growth. Whether megacities like São Paulo, Delhi or Dhaka can provide for the basic rights of their inhabitants, such as health and mobility, will decide whether the people inhabit urban centers worth living in or a Moloch, like Metropolis.

At TÜV SÜD, we have given this magazine, which accompanies our current annual report, the title »Urban Future«. In it, we spotlight some of the major challenges facing our »new« cities: how can conurbations use available energy more efficiently? What needs to be done to ensure that each and every resident has round-the-clock access to clean drinking water? Where does safe food for the metropolises come from?

TÜV SÜD already has persuasive answers to many of these questions, for example when it comes to mobility, modern construction or the safety of technical systems. In other areas, such as water management or smart IT systems, we are investing heavily and developing expertise in group-wide competence centers. Our goal? To actively tackle the urban challenges of tomorrow and to support companies, city planners and public bodies with solutions to these challenges. Our global network with around 19,000 employees and more than 800 locations enables us support our customers with our expertise where they need it.

Join us on a voyage through the metropolises of the world.
Enjoy your read!

Dr. Axel Stepken
Chairman of the Board of Management of TÜV SÜD AG

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»EVERY CITY IS CONSTANTLY EVOLVING«

How will cities make the leap into the future? Scientist Professor Dr. Wilhelm Bauer is convinced that it will be »through maximum connectivity«. His vision: smart cities, where buildings, infrastructure and vehicles communicate with residents.

PROF. DR. WILHELM BAUER

is an engineer and work scientist who studied at the University of Stuttgart, majoring in Industrial Engineering, Work Sciences and Data Processing. As Managing Director of Fraunhofer IAO, he conducts research into how life and work will develop in the future. Bauer is also currently project leader of the Morgenstadt innovation network, in which TÜV SÜD is also involved.

Professor Bauer, what is it that draws people to cities?
WILHELM BAUER For millennia, cities have been hotbeds of technological, social and economic development. They draw together a wealth of capital, ideas and opportunities within a relatively small space. People who move to the city do so in the hope of finding better jobs and a more exciting, more dynamic way of life. Or they see the city as a way of escaping the downward spiral of poverty – especially in developing countries. And elderly people are able to independently organize their lives better and longer here thanks to the wealth of facilities available in their immediate vicinity.

If more than two thirds of all people will be city dwellers in the future, how will major cities be able to handle the associated growth?
WILHELM BAUER Ultimately, this will be possible only through new urban systems and infrastructures that are geared to future needs and are more adaptable, sustainable and livable than those we currently have. Whether we're talking about the city or the country, the biggest challenge will be providing the highest possible standard of living for the population while consuming less energy than in the past. And this applies in all areas of daily life, from living space to supplying water, energy and goods, to safety issues, right through to the question of how we organize mobility in the future.

A massive challenge …
WILHELM BAUER Well, we're not tackling it from a standing start. Cities generally have well developed infrastructures. In the future, one of the major tasks will be interconnecting these through smart technologies. I'm thinking primarily of the data networks and distributed IT solutions that will make our cities »smart«. The energy grids, transport systems and buildings of tomorrow could be interlinked and retrofitted with sensors. The urban environment will become a networked cyber-physical city, a vision in which bits and bytes are married with bricks and mortar.

Could this mean, for example, that parts of towns will generate their own electricity and heat, or that smart homes will »talk« to their occupants?
WILHELM BAUER That's right. There's already a great deal of research that could be put into practice in the area you're talking about. However, we're not moving forward fast enough. We need more systematic thinking in the cities and municipalities, a new readiness to innovate in order to plan the future and implement these plans. There is still a widespread lack of holistic vision when it comes to integrating new urban solutions in our cities.

But is it feasible to plan every aspect of tomorrow's megacities?
WILHELM BAUER No, but that's nothing new. While cities were planned in the past, they generally grew haphazardly. Nevertheless, every city should have a vision – a planning approach that, while it may not be implemented one-to-one, provides orientation and shows the way. At the same time, our urban planning has to be more adaptable and flexible. After all, requirements are now changing faster than ever, and new digital technologies can overturn long-term plans in an instant.

What is life like in a smart city?
WILHELM BAUER Today, we are already experiencing a degree of interconnectedness that would have been unthinkable only a few years ago. Our life is increasingly shaped by »drivers of interconnectedness« such as smart phones and tablet computers – and not just in the industrial nations. Going forward, the vision of an Internet of Things, a network of our day-to-day devices, will increasingly become tangible reality. Whether supply and energy systems, mobility, logistics or entertainment – in the future, everything will be interlinked. And people will be able to organize their lives, their work, and their leisure better and more efficiently than before.

Can any city become a smart city? After all, Lagos isn't London and Mumbai isn't Moscow …
WILHELM BAUER Of course, these cities are all starting out from very different positions. But they have one thing in common: high population density that allows major improvements via network integration with relatively little effort and expense. Consider the potential of a smart multimodal transport system that avoids traffic congestion more effectively – and above all far more cheaply – than complex construction projects. I'm therefore convinced that all cities will become smart cities at some point – simply because the benefits are so vast.

Still, it sounds like a long journey.
WILHELM BAUER It's basically a never-ending journey. Every city is constantly evolving. But by the middle of this century, we will see the first cities supplying their energy entirely from renewable sources, cities where the internal combustion engine is a thing of the past and where homes generate more energy than they consume. Will the megacities with several million inhabitants in emerging countries have reached this stage? I doubt it. That will take another 20 to 30 years.

Want to read »URBAN FUTURE« online? You can find the e-magazine that accompanies the annual report at

www.tuv-sud.com/urbanfuture

1
WORLDWIDE

FACES OF THE CITY

Heat haze over the Persian Gulf. In Dubai, the largest city in the United Arab Emirates, the lucky ones can escape the midday heat in air-conditioned offices. Only after sundown, when the thermometer drops below 30° C, do the locals venture out of their cool houses.

Rural idyll or urban jungle: if you have a keen eye, you can uncover the hidden side of the city.
Clockwise from top right: Tallinn (Estonia), Chicago (USA), Bangalore (India), Chongqing (China)

When does dreaming end and living begin? Where large numbers of people live in close proximity, everyone is a little lonely. Clockwise from top right: Florence (Italy), Juba (South Sudan), Tokyo (Japan), Antalya (Turkey)

This is where life is vibrant, where the future takes shape: on the lake promenade in Zurich (Switzerland), young people laugh away their everyday cares.

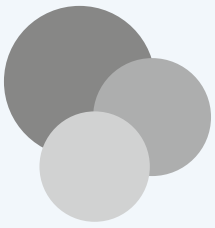
2 MEXICO CITY

MASSES IN MOTION

The local public transport system of Mexico City, the largest agglomeration on the American continent, is considered exemplary. Its distinctions include operating one of the world's largest subway networks. And it recently introduced European safety standards – with support from TÜV SÜD.

By Jörg Riedle // Photos: Frank Schoepgens

More than 20 million people live in the agglomeration Ciudad de México (Mexico City). This makes the metropolis the world's THIRD-LARGEST MEGACITY.



37.2 million Tokyo
22.7 million Delhi
20.4 million Mexico City

Above the streets of Mexico City: the eye-catching orange trains of Linea 12 travel above ground for most of the route – on viaducts up to 15 meters high along the arterial roads.

First, a rattlesnake raises its head. A little later, we are greeted by the Mexican revolutionary Emiliano Zapata, sporting bandolier and sombrero. Then there is a macabre sight: a human skull bedecked with flowers signifies a stronghold of Día de los Muertos, the country's distinctive version of All Souls' Day. Finally, we see algae growing on a pond – the end of the line.

In recent years, Dr. Valentina Monaco has travelled back and forth between these various images so often, on foot or in vehicles, that she can recite them in her sleep. The striking white emblems with their black backgrounds symbolize four of the twenty stations along the new, 25-km Line 12 of the Mexico City Metro – Monaco's regular workplace until the end of 2012. As on the other routes of its subway network, the company that operates the new »Linea Dorada« (golden line) is deploying a unique pictorial language. Every station is indicated not only by its name but also by an instantly recognizable logo – enabling even those passengers who cannot read to easily find their way around the public transport network.

The safety of the line should be every bit as outstanding as its signage – and that's where Valentina

From the viewing platform of Torre Latinoamericana, not far from the historic city center, you can look down on the Mexican capital's sea of buildings. And space is at a premium in the Metro, too.

DR. VALENTINA MONACO heads up the infrastructure unit of TÜV SÜD Rail. In recent years, she has supervised rail transport projects all over the world, mainly in Turkey and Europe.

Monaco came in. She is the engineer who heads up the infrastructure unit of the Rail Division based in Graz, Austria, and an expert in this area. From 2009, she worked hand in hand with an international team to inspect and evaluate the entire superstructure – from the rails to the power supply and signaling technology right through to the communications systems. »Underground railways are among the safest means of transport available,« says Monaco. »We help operators ensure they deliver these high standards of safety in practice.«

RAIL VS. CONSTANT CONGESTION

The question of how to ensure mobility in the rapidly growing cities of Latin America, Africa and Asia is one that occupies urban planners the world over. Huge cities such as Cairo or Dhaka, where by day cars can only move at walking pace down many streets, are notorious for their constant traffic congestion.

From an early stage, Mexico City wanted to find a better way. The megacity lies, as if in a gigantic bowl, on a high plateau some 60 km wide and 100 km long, ringed by snow-covered 5,000-meter mountains that include the volcanoes Popocatepetl and Iztaccíhuatl. Some 20 to 25 million people live in the largest urban agglomeration on the American continent. Precisely how many is hard to say.

And yet the traffic usually keeps moving – along the elegant Paseo de la Reforma and around the main square, the Zócalo. The public transport system is exemplary and affordable, with buses enjoying right of way. The Metro opened back in 1969 and was the second in Latin America. The municipal operator Sistema de Transporte Collectivo presents the key facts and figures with pride: today, Mexico City has the seventh longest underground rail network in the world – ahead of Paris – and, with 1.3 billion passengers a year, occupies fourth place behind Moscow, Tokyo and Seoul. Line 12 accounts for some 390,000 of the more than four million people who travel on Mexico's subway every day.

Safety first: the new Metro Line 12 was inspected in accordance with the strictest safety regulations.

ON FOOT ALONG EVERY KILOMETER OF THE LINE

From the outset, all safety appraisals involve mountains of paperwork. The expert appraisers should ideally be on board from the design phase of a rail project. Then the plans for the lines are scrutinized and the planning office's calculations inspected. »At this stage, we can often already say where there are potential safety risks for passengers and workers – for example, whether an overhead line has been designed correctly, all buildings are correctly grounded and lightning protection is adequate.« During the

LINEA DEL BICENTENARIO: With the new Line 12, Mexico is celebrating its history – and commemorating the 200th anniversary of independence from Spain.

Mexico City's underground railway is a mass transport system – and at 3 pesos (€ 0.20) per trip, one that is affordable for all social classes.

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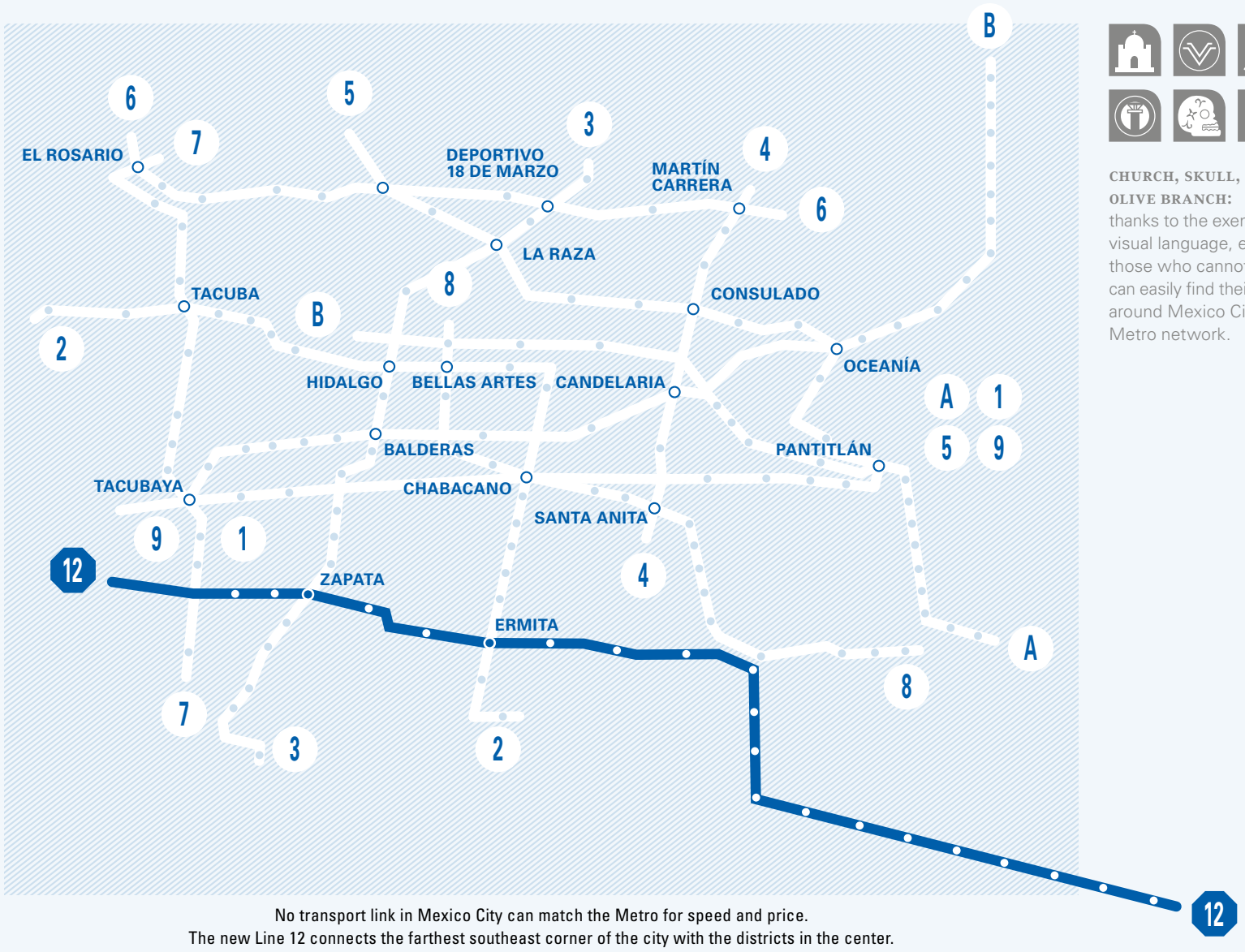
2,300

WORLD'S HIGHEST METRO: The Basin of Mexico lies at an average of 2,300 meters above sea level.



No transport link in Mexico City can match the Metro for speed and price.
The new Line 12 connects the farthest southeast corner of the city with the districts in the center.

CHURCH, SKULL, OLIVE BRANCH: thanks to the exemplary visual language, even those who cannot read can easily find their way around Mexico City's Metro network.

construction phase and before commissioning, there are regular spot checks to ensure the plans are implemented correctly. These are conducted on foot, along every single kilometer of the line. This includes examining whether the special concrete planned for the ties has actually been used and the track fasteners have been fastened with the right torque, and whether the signals are in the correct position. The appraisal is rounded out by running track measurement trains along the line, analyzing video recordings of the route and checking the train control system that ensures the safety of rolling stock and tracks. Only if everything is in order do the TÜV SÜD inspectors give the green light.

Each station in the entire Metro network has its own, unmistakable symbol – as here, at the entrance to the Insurgentes Sur station.

»There are only a few companies in the world that can conduct appraisals of this quality and scope,« says Klaus Bosch, head of the TÜV SÜD Rail Division. »This is because we can fall back on TÜV SÜD's network of experts for every project – involving our recognized specialists in the fields of high voltage or ultrasonic welding inspection, for example. Hardly anyone else can offer this highly specific expertise.« Speed, flexibility and an international outlook are further advantages, according to Bosch. »No matter if the customer speaks Spanish, French or English – we speak their language, and are usually close at hand.«

Valentina Monaco's next project already awaits: following several successful rail projects in Turkey, TÜV SÜD has been tasked with appraising the safety of the Marmaray project for the tunnel of Metro line B1, which is currently under construction – and is the first rail link under the straits of the Bosporus, at a depth of up to 60 meters below sea level. The tunnel is scheduled to open in October 2013. In the meantime, many plans will have to be checked and tracks inspected.

There is a growing new middle class in Brazil – with greater purchasing power and the desire for safe, better-quality products – like here, at the foot of Concorvado.

For a long time, no one was interested in cachaça in Rio de Janeiro – now, the liquor is becoming increasingly important in the bars around Copacabana.

3
RIO
DE
JANEIRO

QUALITY NOT QUANTITY

Firewater on Sugarloaf Mountain: the sugarcane liquor cachaça was long looked down on as the poor man's tipple. But today the market for Brazil's national alcoholic drink is booming. Producers both large and small are counting on the success of the distillate in a globalized food market – and on the new quality awareness of Brazil's middle class.

By Timour Chafik // Photos: Frank Schoepgens

João Luiz Coutinho da Faria aus Rio produces »Magnifica« cachaça by hand.

120 kilometers northeast of Rio: the sugarcane liquor matures in heavy wooden casks.

TRADITIONAL CRAFT AND A FINE NOSE – HOW JOÃO COUTINHO IS DISTILLING THE SPIRIT OF TODAY'S BRAZIL

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WHAT BRAZIL EATS
What consumers value

34 percent Convenience
23 percent Reliability and quality
23 percent Flavor and enjoyment
20 percent Health and sustainability

As a flock of parrots screeches above him, João Luiz Coutinho da Faria lowers his nose almost reverently into a shot glass. At the end of the day, it's all about having a good nose, he says. When he puts his sugarcane liquor to the test, checking the double-distilled cachaça one last time prior to bottling, he places his trust in his senses, closes his eyes, and says curtly, matter-of-factly, and in a deep voice: »Rich aroma.« The 72-year-old doesn't need cutting-edge measuring technology to detect top quality – his experienced nose is enough.

His 500-hectare »Fazenda do Anil«, a sugarcane farm with distillery, is located in the rolling green hinterland 120 kilometers northeast of Rio de Janeiro. Twenty-five years ago, he paid some 2.5 million Brazilian real (just under € 1 million) for the estate. He is still repaying the bank loan today. A rich blend of fragrances wafts from the production halls, a mixture of smoke, stone and fruit, sweet marzipan and a hint of vinegar. Once the sugarcane has been harvested and processed while still as fresh as possible, an old American locomotive engine, built in 1905, sets the conveyor belts in motion. Right next door, there is a rattle of glass as every 15 seconds an antiquated system fills a 750 ml bottle with his cachaça, which bears the grand name of »Magnifica«. These scenes would be perfect for a commercial. The slogan: »New Cachaça – Made by Tradition«.

Traditional craft and a fine nose are enabling João Coutinho to distill the spirit of today's Brazil. In the past, cachaça, Brazil's national liquor was the poor man's tipple. Into the 1990s, the educated classes still called it »pinga« – booze. Or worse still: »Água que passarinho não bebe«, water that not even birds would drink.

GREATER PROSPERITY, PURCHASING POWER AND QUALITY

A steadily rising number of producers is now entering the market, from small craft businesses like Magnifica to major international corporations like Campari and Diageo. They all want to participate in the boom that is transforming not only the liquor industry: growing prosperity in Brazil, a country with a population of 200 million, is fueling the desire for greater quality, and for safe, more wholesome food. And the growing Brazilian middle class is happy to pay that little bit more for quality rather than quantity. As in the wealthy industrial countries of the northern hemisphere, rising purchasing power brings greater expectations. Convenience, quality, health, enjoyment and sustainable production are trends that are increasingly shaping the Brazilian food market. Producers and supermarkets are making the origin and production of goods more transparent in order to gain consumers' trust. For some time now, product transparency and traceability have been necessary not only for exports to Europe and North America – detailed information is also a sales argument in Brazil.

After all, more than a third of the country's consumers occasionally buy premium products. In 2004, the figure was less than a third, according to the study »Brazil's Food and Beverage Market« conducted by the center of expertise for Swiss foreign trade, Osec.

Sugarcane liquor is also benefiting from this trend. »Cachaça – the next hot ticket?« was the question asked by the market researchers from leading industry institute International Wine and Spirit Research (IWSR) in 2011. Their immediate response: the once scorned liquor is now the world's ninth-largest spirit category. The researchers expect almost 83 million units of the most common international standard size – the 9-litre box, which holds exactly a dozen 750 ml bottles – to be sold by 2016. In other words, just under 750 million liters. The actual volume produced is likely to be considerably higher, as only half of the 60,000 or so cachaça producers are officially registered.

The secret of good cachaça is sugarcane, and that is something there is no shortage of in Brazil. In 2011, the raw material was cultivated on 9.6 million hectares. This makes Brazil the global leader, ahead of China, India and Thailand.

The glass clinks at »Fazenda do Anil«, 15 seconds later the bottle is full.

A DISTILLATE WITH EXCELLENT PROSPECTS ABROAD

Cachaça sales in Brazil still account for almost 99 percent of the total volume. Nevertheless, the spirit is also making its mark on the international market, says Daniel Mettyear, Brazil specialist at IWSR. According to Mettyear, export markets will become increasingly important, even if many producers still operate and sell their product at regional and even local level. »Not many producers have the resources to fund a national push, never mind an export push,« according to the study »Global

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750

million liters of cachaça will officially be sold by 2016. The actual volume is likely to be higher: only half of the 60,000 producers are registered.

WELL SET FOR GROWTH

The importance of food quality and safety is on the rise in countries like Brazil – not only for exports but also for the increasingly discerning domestic middle class. It's a huge growth market. And one that TÜV SÜD's food laboratory in São Paulo is tapping into.

Fifty-year-old women who are using lipstick for the first time in their lives, and microbes that don't take the weekend off: the specialist laboratory TÜV SÜD SFDK has its work cut out. In addition to Sergio Mello, CEO of TÜV SÜD in Brazil (left), more than 130 experts work to ensure food safety in the country.

According to Sergio Mello, CEO of TÜV SÜD in Brazil, the country is capable of feeding the world, has an extremely strong food industry »… and is one of the main exporters of almost everything people can eat«.

The TÜV SÜD Group has been operating a food laboratory in South America's largest country since mid-2012. Following its takeover by the international services provider, SFDK Laboratório de Análise de Produtos Ltda. (founded in 1988) was renamed and integrated in the TÜV SÜD Group's global laboratory network, complementing the food laboratories in Europe and Asia. Some 130 chemists and analysts work at TÜV SÜD SFDK and scrutinize more than 500 samples daily. These figures mean that the laboratory ranks third in Brazil. It operates seven days a week: »After all, microbes don't take the weekend off either,« says Mello.

On average, each sample undergoes a series of tests comprising microbiological and chemical, as well as foreign materials testing. Complex testing procedures are broken down into many small individual steps, enabling the biologists, chemists, food engineers, physicists and microbiologists to be flexibly deployed.

The ratio of products tested in São Paulo is currently 90 percent food to 10 percent cosmetics. When it comes to food, beverages – primarily alcoholic – predominate. In Brazil, every imported wine, gin, vodka or whiskey has to be put to the test. And the same applies to olive oil. TÜV SÜD SFDK is one of four laboratories in the country accredited for import controls of this kind. Its customers also include meat producers and exporters who do business globally.

In the future, however, Sergio Mello thinks the balance could tip in favor of cosmetics. The main reason is the economic upturn and growing affluence in Brazil. »There are 50-year-old women in our country who are using lipstick for the first time in their lives,« says Mello. And wherever makeup is worn, increased testing is required.

Street markets in Rio de Janeiro: still an important shopping destination for the local populace

market review of cachaça – forecasts to 2016«. Large national producers such as Pitú, whose eponymous cachaça can be found on supermarket shelves from New York to Tokyo, or the global number one, the Brazilian Müller distillery, which markets Cachaça 51, are exceptions to this rule.

The major players in the alcohol business have also recognized the great potential offered by cachaça: in 2011, the Campari Group, currently the world's sixth-largest producer of spirits and liqueurs, purchased Brazilian cachaça brand Sagatiba. And in 2012, British-based Diageo, the world's largest drinks business, purchased Ypioca, one of Brazil's leading cachaça brands.

Cachaça fits perfectly into the strategy of these major corporations, as it is an exotic, versatile – and as yet undervalued – drink. In these respects, it's what whiskey was 50 years ago, or rum 20 years ago: a low-cost distillate that is primarily used as the alcoholic base for cocktails and long drinks – above all for caipirinha, which is served with lime juice, ice and a generous portion of sugar. At the same time, breaking into the cachaça business offers global corporations like Campari and Diageo the opportunity to participate in the economic boom on the South American continent and penetrate new sales markets.

Issues such as food safety and consistent quality are key for major corporations. »We have to be able to guarantee consistency across the entire production chain – and that means first and foremost meeting the specified chemical values,« explains Karla Alves, Quality Manager for South America at Campari. Taste, aroma and visual appearance also play a part. That's why the group counts on the power of the senses as well as on lab analyses: »In Brazil alone, we have 30 specially trained employees who subject the distillate to olfactory testing.«

But is cachaça cut out for the role of a premium beverage to be enjoyed from heavy crystal glasses in stylish bars or at home with friends? When it comes to price, at least, the sugarcane liquor Cachaça Ypioca 160 is on a par with a premium Scotch or VSOP cognac.

João Coutinho operates on a more modest scale. Where others have 30 testers, he appraises his distillate himself. He sells just 150,000 liters a year. But even at his company HQ in Rio's well-to-do suburb Santa Teresa, where he lives with his wife and greyhound, he is feeling the effects of globalization. He still stores his full twelve-bottle boxes in the garage, right next to his pool and the private chapel. And it is from here that he markets his spirits to the high-class restaurants of Rio de Janeiro, sometimes in person. A container load of boxes still leaves the cast iron gates of his imposing estate no more than once a year, is transported down the cobbled streets to the harbor and shipped across the Atlantic. And his flagship product, Reserva Soleira, a cachaça that is matured for ten years in toasted whiskey barrels, is still a closely guarded secret abroad. But the times are changing: in Germany,

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WHAT BRAZIL DRINKS

53 percent Non-alcoholic beverages
20 percent Alcohol
14 percent Milk and milk products
13 percent Hot drinks

Switzerland, Spain, the Netherlands, Sweden and the Czech Republic, select specialty traders already offer Magnifica products – and sales are on the rise.

João Coutinho takes a bottle from a box and scratches a pair of scissors over the black and yellow label that is burned into the glass. »I'd like to see someone scrape that off,« he says. It's a marketing ploy geared to underscoring the unique character of the product. The bottles are now so sought after that he has come up with a special recycling concept for Rio de Janeiro: one full bottle as a reward for every twelve empties.

THE FIRST SWIG BURNED YOUR THROAT LIKE ETHANOL

Coutinho is convinced that the future of the contents of the bottles also lies in uncompromising quality. »A good cachaça should contain nothing but sugarcane juice.« That and good yeast cultures, cultivated over decades if possible.

In his small distillery, Coutinho counts on another secret: distillation in traditional copper pot stills – and, of course, storage in special wooden casks. These give his sugarcane liquors not only their golden-yellow hue but also their full, rounded flavor.

But before all this, his employees find the fields where the sugarcane has reached just the right maturity, with the greatest possible sugar content. Then the cane is harvested, by hand and without burning the fields, as is often the case in large-scale production. In addition, the press is so close to the fields that the juice can be extructed within a few hours of the harvest. »This means that there is no uncontrolled fermentation of the sugarcane, which makes the distillate taste fermented.«

João Coutinho remembers the bad old days all too well. His first slug of cachaça, when he was perhaps 18 or 19, burned like ethanol. It stung from his throat up into his nose and brought tears to his eyes. If he is perfectly honest, he says, there was a long, long time when he couldn't stand the sugarcane liquor. Cachaça, Brazil's national drink, »was especially good for one thing: headaches,« he says and slaps himself gently on the forehead. Today, he sells that drink. And today it's not the cachaça that burns, but João Coutinho's passion for it.

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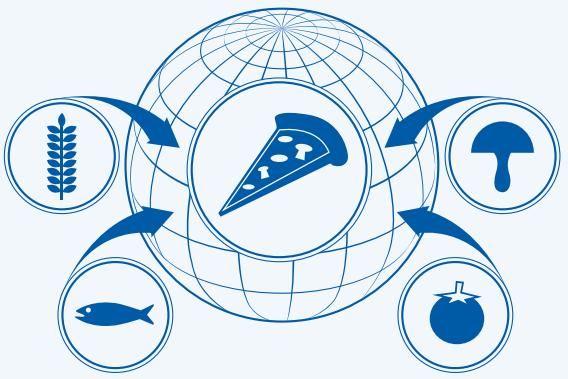
According to the »Brazil Food and Drink Report«, sales of **ALCOHOLIC BEVERAGES** will increase by almost 11 percent year-on-year in **2013**

A STABLE TREND:

by **2017**, the annual growth rate will average 10.8 percent according to the study.

Did you know?

WORLDWIDE AND CLOSE TO HOME



One pizza, many sources: the Italian national dish is actually the product of international collaboration.

Where does frozen pizza come from? From the refrigerated section of the supermarket, of course. But on closer inspection, this modest convenience product provides a fascinating insight into the global food industry, exemplifying the various products we buy every day: the tomatoes for the topping come perhaps from Italy, the mushrooms were grown in China, the tuna caught in the Indian Ocean and the flour for the dough ground from wheat harvested in the US Midwest. Welcome to the world of globalization.

The food industry has long been an international market, for which raw materials are generated, processed and traded worldwide. Take China, for example. Over the past two decades, the country has become the leading producer of apples and, with a 40 percent share, dominates the market for apple juice concentrate. What's more, China is key when it comes to garlic: some 60,000 metric tons of the white bulbs are exported annually to the European Union alone. And these are just two of many examples.

Although regional and local products sourced directly from the producer are currently enjoying a new lease of life in many industrial nations, in the heavily industrialized food business the ingredients for candy, TV dinners, pet food and wellness products hail from every country in the world. This poses challenges for manufacturers and traders, as it is only possible to guarantee the safety of food if goods flows can be seamlessly tracked, producers monitored through on-site audits, and fruit, vegetables and meat inspected at every stage for possible germs or contamination with heavy metals and pesticides.

Global networks like the one operated by TÜV SÜD support manufacturers and traders with on-site audits and comprehensive laboratory testing. To promote these efforts, the TÜV SÜD Group is currently increasing its capacity in the food industry on a massive scale – for example, by acquiring two test laboratories in Italy and Brazil. »We see food testing as a definite growth market and will continue to invest very heavily in this area during the coming years,« explains Ishan Palit, head of the TÜV SÜD Product Service division. »Everyone should have a right to safe and healthy food – no matter where that food originates.«

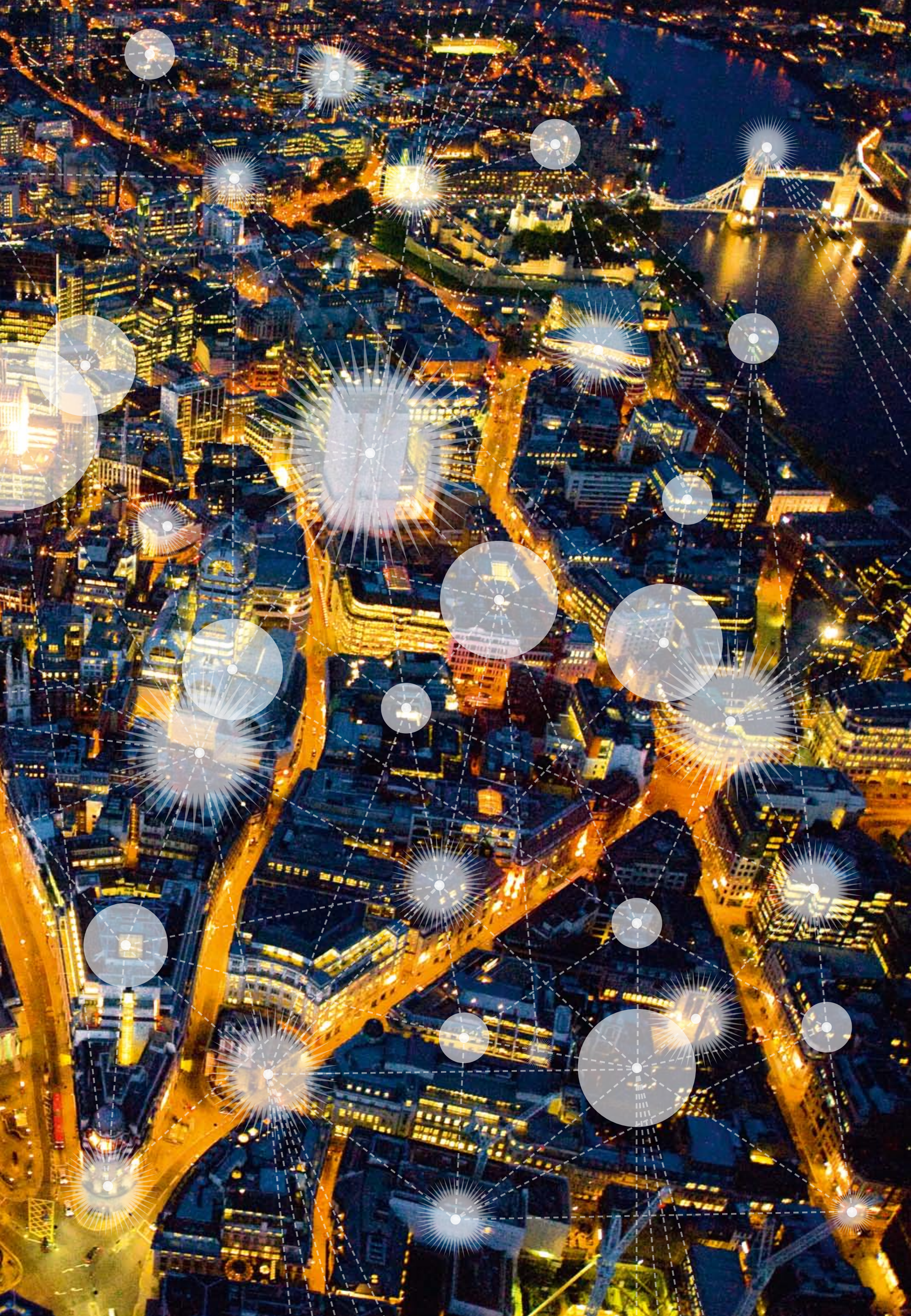
4

LONDON

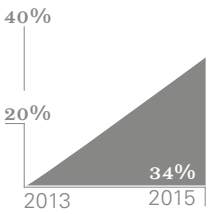
SMART BRITANNIA

»Connect me if you can.« Software company Living PlanIT is working on a smart-city vision for London and has already developed an operating system for this purpose – software designed to enable urban infrastructures to communicate with each other.

By Timour Chafik



SMART technology as a revenue driver: investments in hardware, software and services will rise by more than 17 percent p.a. by 2015.



(Source: Worldwide Utility Smart Grid Spending Forecast, 2010–2015)

The O2 in London: concert venue, landmark and possibly soon to be integrated with an urban operating system via which infrastructures will communicate.

First, it was called The Millennium Dome, then the O2 Arena for its sponsor, and at some point it became simply The O2 – a dome structure in the heart of London. But not just any dome structure. It is the largest on the planet, resembling a UFO that has just touched down. The building has its own special aura. Its diameter is 365 meters, one meter for each day of the year. Twelve masts tower over the shell, one for each month, and each 100 meters tall. What's more, the prime meridian, which bisects the planet, is only a few meters away. For symbolism, the dome is certainly hard to top.

But sometime soon, The O2 will be less about symbols than about information, when it takes its place in the British capital's smart communications network. »Things that used to function autonomously are now being interconnected,« says Steve Lewis, founder and CEO of software company Living PlanIT. Lewis has set himself the goal of installing an »urban operating system« in major cities like London. This will make buildings and infrastructures parts of a greater whole where they will play the roles of transmitters and receivers.

Living PlanIT calls this greater whole Urban OS – an operating system designed to be accessed by homes, streets, traffic lights, hospitals, cars, cell phones, tablet PCs, office desktop computers, industrial plant, refrigerators, and heating systems. The company's vision is to make all aspects of the city communicable via Urban OS. And that includes The O2. Since mid-2012, Living PlanIT has been working on hooking up London's Greenwich Peninsula via the software. The goal is nothing if not ambitious. The plan is to make cities »programmable«, with buildings, sensors, and traffic flows converging and interacting as bits and bytes at a higher level in the cloud. The operating system is intended to provide the mortar for the urban fabric. But is cloud computing for big cities viable in practice?

STEVE LEWIS, founder and CEO of software company Living PlanIT:

»Things that used to function autonomously are now being interconnected.«

THE URBAN CLEANROOM

One answer to this question can be found in Paredes, near the harbor city of Porto in northern Portugal. Over the past four years, PlanIT Valley has been taking shape here on an area of just under 1,700 hectares. By 2015, it will be home to some 150,000 people and, most importantly, a living laboratory. The project centers on implementing a new approach to urban planning, focusing less on technological innovation than on integrating existing technology into cities. It is also a business model, allowing partner firms – for example, software vendors such as Cisco – to participate in developing new applications and services. »We create the necessary platform and grant licenses to our partners, who, in turn, push ahead with their development,« says Lewis.

In Paredes, integration is taking place in an »urban cleanroom«, a newly planned city on a manageable scale, and not in downtown London. The Portuguese project can be seen as a beta version, with the populace as testers. As is generally the case in software development, it is based on the principle of trial and error. The networked infrastructure in Paredes is already running pretty reliably. The citizens identify and report errors and disruptions in day-to-day use, which are then resolved. New Songdo City in South Korea operates in a similar way, as does the research city of Skolkovo near Moscow. Purpose-built cities of this kind are ideally suited for integration projects, as their hardware can be tailored to the software instead of vice versa.

London is a totally different proposition – larger, more chaotic and the product of centuries of development. London is a diverse environment shaped by its history. Or in the language of the programmers: London's hardware is already in place. The software has to run under the given conditions, keep the system running and avoid it crashing.

With this in mind, Living PlanIT conducts its initial tests cautiously and on a small scale. The company has equipped office buildings on the Greenwich Peninsula with thousands of sensors that measure temperature and light conditions, enabling the building infrastructure to respond by adjusting heating, air-conditioning and lighting systems. Smart street lights »that talk to each other, supply their own energy and burn more or less brightly depending on traffic volume« are set to follow, explains Steve Lewis. Moreover, his company intends to install traffic management systems that will switch all traffic lights to green for first responders en route from the command center in the event of an emergency.

London as a test bed: streets, traffic lights, cars, buildings – all the things that make up a city will communicate via an urban operating system.

Dr. Kai Strübbe

heads up Embedded Systems at TÜV SÜD in Munich. He knows that that interconnected urban infrastructures must speak the same language if they are to interoperate to the highest standards of safety, security and reliablity.

HOW SECURE ARE SMART CITIES?

Being smart is one thing, but interconnected, interactive cities also have to be safe, secure and reliable: »We need to be able to safeguard smart cities against external attack,« says Dr. Kai Strübbe, who heads up Embedded Systems at TÜV SÜD. His team is responsible for »monitoring the pulse« of smart cities, thereby ensuring that systems interoperate seamlessly. They help make sure that complex new electronic devices in the fields of medical technology, traffic management and manufacturing are not permanently damaged by power surges. »Interoperability is essential if devices are to cooperate with each other. In other words, the networks and the city have to speak the same language.«

But what about security against intruders? »There's no such thing as cast iron security,« says Strübbe. »Decisions have to be made based on the specific application and area.« There are zero-tolerance zones in smart cities, where people's lives and safety are at stake, and other areas where a certain degree of risk is tolerable. »In practice, we always start with the specific application, generate a risk analysis and use this to determine the level of security that is appropriate or necessary.« This is a relatively straightforward task during the design phase of a green-field megacity, Strübbe explains. »But it's a bit tricky if we have to build on an existing environment – performing heart surgery on the infrastructure during day-to-day operations calls for good preparation.«

?

THE GREENWICH PENINSULA PROJECT, in the heart of the British capital comprises just under

77 hectares, offers

325,000 square meters of office space,

10,000 new residential units and almost

20 hectares of parkland.

SAFETY NET FOR THE URBAN NETWORK

Make it smart, but keep it safe and reliable. »The greatest challenge facing an urban OS of this kind will probably be melding two worlds,« believes Dr. Kai Strübbe, Head of Embedded Systems at TÜV SÜD. »In cities, the world of the office meets the world of industry, and each has its own, quite different requirements in terms of information availability.« Both these worlds have to function and run reliably – for example, as regards the availability of computer networks. »If an office computer crashes and data is lost, it's irritating but usually not the end of the world,« adds Strübbe.

In the world of industry, by contrast, reliability plays a considerably greater role – and is ensured by ongoing systems monitoring and redundancy. Processes have to be mirrored so that if systems fail, operations can continue using alternative means. »This kind of safety net for the urban network also has to be available in an urban operating system whenever critical infrastructures are involved,« says Strübbe. Not being able to call up your office emails is annoying; a malfunctioning insulin pump in a networked hospital could be deadly.

The challenge will therefore be to deploy existing technical solutions as intelligently as possible – without thinking solely in technical terms. »After all, the main thing is to improve the economic and social development of cities while saving resources,« according to Living PlanIT CEO Lewis. This focus on efficiency necessarily entails a new mindset in building planning and technology as well as infrastructure planning.

It is an approach that can also work in cities like London, which have evolved over long periods of time, and where functionality often has to follow form, as the city's buildings and structures constitute the framework for development. »As a concept, ›smart city‹ does not aim to integrate all aspects of a city at once,« says Kai Strübbe. »We have to take a modular approach so that the core smart elements can be implemented first and others added later.« Or not: some autonomous solutions may continue to be necessary for utilities, for example.

»GETTING SMART« AS AN ECONOMIC FACTOR

Tomorrow's networked cities may be an exciting prospect, but autonomous, standalone systems also have their advantages – for example, when it comes to safety and security. »An urban operating system opens up totally new points of access,« explains Kai Strübbe. »So, while keeping the systems as open as possible, we also have to ensure that no one can gain unauthorized access and manipulate the software.«

It's an established fact that »Cool Britannia« wants to become »Smart Britannia« – not least for economic reasons. According to a forecast by US firm Pike Research, the market for urban and smart technologies will be worth some 20 billion US dollars annually by 2020.

That's the global market – not just London. But chances are high that the British capital, which was a global metropolis back in the 19th century, will blaze a trail here, too.

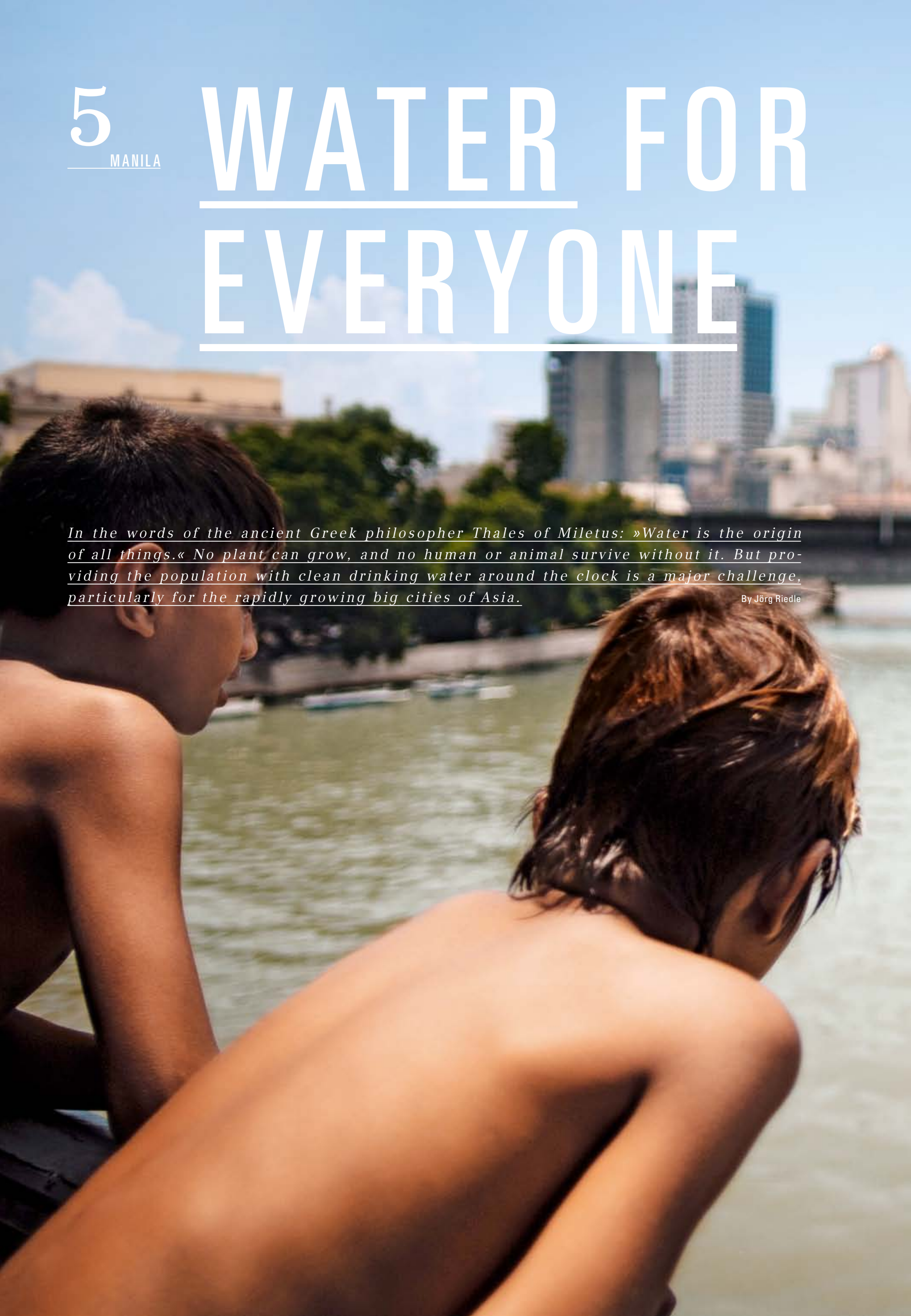
Street lights are set to get smart: in the future, they will switch themselves on only when they are actually needed.

5 MANILA

WATER FOR EVERYONE

In the words of the ancient Greek philosopher Thales of Miletus: »Water is the origin of all things.« No plant can grow, and no human or animal survive without it. But providing the population with clean drinking water around the clock is a major challenge, particularly for the rapidly growing big cities of Asia.

By Jörg Riedle



From July to September, the monsoon brings rain to Manila almost daily. Kids in Quezon City enjoy a welcome opportunity to cool down.

»MANILA'S SLUM DWELLERS NEED WATER JUST LIKE ANYONE ELSE, REGARDLESS OF WHERE IT COMES FROM«

GEODINO V. CARPIO

was employed by Andersen Consulting for twelve years following his university studies. He has been working for Manila Water since 1997. For 13 years, Carpio has been Group Director of Operations. His responsibilities at the water supplier include logistics and customer support.

Red is not Geodino V. Carpio's favorite color. Every three months, when the Group Director of Operations of Manila Water presents his quarterly figures in the »war room«, the large conference room at the company's headquarters in Quezon City, as much of the supply area as possible should be colored green. Green indicates that everything is satisfactory. And recently, Carpio has often had reason to be more than satisfied. Have all the company's 6.2 million domestic customers had running water 24/7 during the past quarter? No red patches on the map. Is the water quality up to standard? Everything in the green range. How much of the precious resource has been lost due to leaking pipes? A mere 11 percent: »The international average is 25 percent,« explains Carpio.

But things were very different back in 1997, when the state-owned Metropolitan Waterworks and Sewerage System (MWSS) privatized the operation, distribution and maintenance of its water and wastewater network – bequeathing a system that was in urgent need of repair. On average, there was no water supply for eight hours a day, more than 40 percent of the population had no water connection, and almost two-thirds of drinking water was lost through illegal connections and leaks in outdate pipes. Manila Water won the contract to supply 23 cities and municipalities in the East Zone of Metro Manila. The licensee rebuilt water and wastewater management from the ground up, investing millions. The results speak for themselves. Today, more than 99 percent of people in the central distribution system that the company supplies have round-the-clock water, »and the quality is better than in the past,« says an enthusiastic Carpio. While the price per cubic meter of water is higher than it was in the days of MWSS, the increase is in line with the average rate of inflation. »We simply work more efficiently than the state-owned supplier and get by with just a seventh of the previous headcount per 1,000 connections, for example. That's why Manila Water is in the black despite investing millions.« The company has been listed on the Manila stock exchange since 2005 and during this period its share price has increased sixfold.

While the European Union is embroiled in heated debate on possible privatization of water supply and waste water disposal, the Philippines is quietly confident. A comparative study by the National University of Singapore gave the project top marks, highlighting it as a model of successful privatization. And Manila Water proudly underscores its reputation as Asia's most successful public-private partnership.

ENHANCING NOT ONLY THE WATER NETWORK BUT ALSO QUALITY OF LIFE

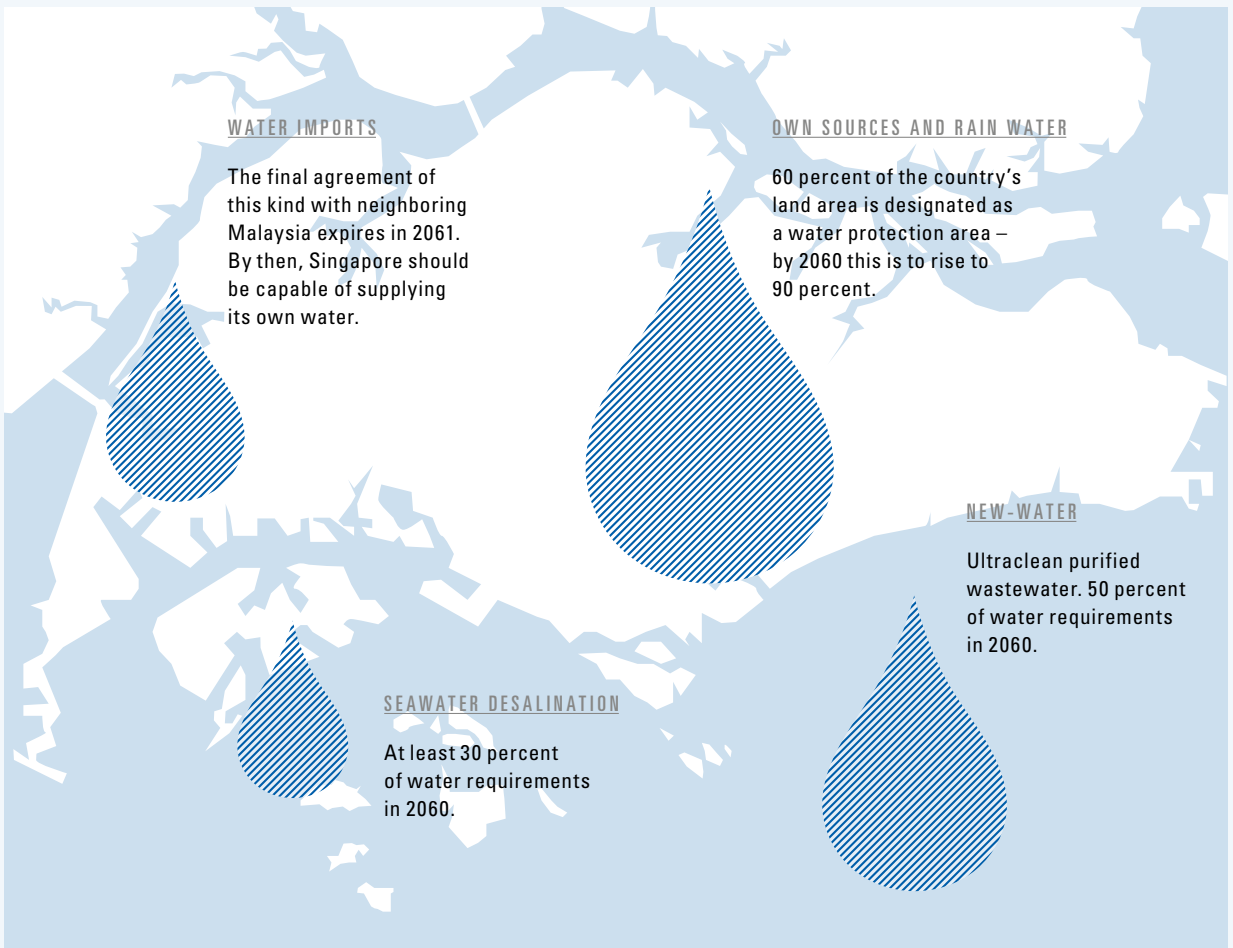
The people of the City of Mandaluyong probably don't care too much about these figures. For most of those who live in the densely populated poverty-stricken quarter between F. Martinez Avenue and the National Centre of Mental Health, it's a blessing to have running water at all. Since 2010, clean water has been a human right – or at least it has been recognized as such by United Nations resolution. However, experts estimate that almost one billion people currently lack adequate access to clean water.

Only a few years ago, roughly 1.7 million people from low-income communities in Manila had no connection to the water network. To address this unacceptable situation, Manila Water initiated the »Tubig Para Sa Bangaray« (Water for the Community) project. The core idea is to provide even the poorest people in the slums like Mandaluyong with access to safe, clean drinking water and a functioning water supply. It's a humanitarian initiative – after all, polluted drinking water is the leading cause of cholera and diarrhea worldwide – but one that has to make good business sense, too. »Manila's slum dwellers needed water just like anyone else, regardless of where it comes from,« says Tom Mattison, Director of Support Service Operations at Manila Water, summing up the situation before the project kicked off. »They usually had to buy it at a high price from water sellers.« One cubic meter of water costs 125 Philippine pesos (€ 2.30) on average – a sizeable sum in a country where almost two thirds of the population have less than € 2 a day to live on. »Our water costs just eight pesos per cubic meter, a price that even the poorest can afford – and that still allows Manila Water to make money.« And there are other advantages: the number of illegal connections has fallen significantly. What's more, the poorest citizens now have sewerage facilities in addition to running water. »None of our customers appreciate the benefits we offer them as clearly and are as reliable when it comes to paying as the people who live in the slums,« concludes Mattison. »In this respect, they are our best customers.«

»We don't just lay pipes, we improve lives« is Manila Water's philosophy. »To establish a water supply in such challenging conditions as a slum, you have to involve the local people. It has to be their project, and they have to feel responsible for it,« says Mattison. As a rule, two to five families in the slums currently share a single water connection. One effect of the communal water sources is that they give people a sense of responsibility, and as a result there are very few problems with vandalism. »There are parts of Manila that I wouldn't advise anyone to set foot in,« says Mattison. »But our workers and technicians are always made welcome there. Even in the toughest areas of the capital, our people have nothing to fear.«

SINGAPORE: HYDROHUB

In many of the world's cities, the public water supply is taking center stage in urban planning. Yet few cities accord this issue such great strategic significance as Singapore.



Singapore's innovative water management is based on four »national taps«.
A fifth tap has been in place for several years: reduction of water consumption.

?

ALMOST ONE BILLION people worldwide lack access to clean water. The World Health Organization (WHO) estimates that 3.5 million people die annually as a result of poor water supply. The main causes: diarrhea and cholera.

!

20–50

liters: this is the amount of water every individual needs daily for drinking, cooking and washing, according to the WHO.

»Water management has been the top priority here for more than half a century,« explains Dr. Andreas Hauser. As Director of Water Services at TÜV SÜD, the qualified engineer, who also holds a doctorate in mathematics, has a detailed knowledge of the subject, and has been living and working in Singapore for more than two years. »When it comes to sustainability, innovation and research, the city is a world leader.« This is a point of view shared by »The Economist«, according to which anyone interested in the latest developments and state-of-the-art technology relating to water simply cannot ignore the »hydrohub« of Singapore.

Initially, the focus was on securing the water supply, with the equatorial city state seeking to minimize its dependence on water imported from neighboring Malaysia. Today, 17 dams within the city limits, which mainly collect rainwater and are interlinked by pipelines, provide water for the more than five million inhabitants. Two desalination plants – one opened in 2013 – convert 500,000 cubic meters of seawater into drinking water every day.

National water supplier PUB is especially proud of its NEWater project, which now contributes 30 percent of the 1.7 million cubic meters of water required daily. According to PUB, by 2060 this »cornerstone of sustainable water management« will cover more than half of the nation's future water demand – in particular for industry. Domestic and industrial waste water is collected in a self-contained circuit, transported via a separate pipe network and treated at a central treatment facility in the district of Changi. Thanks to its unique technology, PUB promises ultrapure water that is subject to continual quality inspections and has been certified by the World Health Organization, among others.

Singapore is investing 240 million Singapore dollars (€ 150 million) in research and development during its current five-year planning period. Alongside securing the water supply, the main focus in recent years has been on sustainable water management. Energy efficiency and an environmentally friendly approach are being fostered under the ABC name (Active, Beautiful, Clean). And the supply network is set to become the hub of a green city – with extensive parklands, recreational areas and leisure opportunities centering on the reservoirs. It's a holistic approach that gives water precisely the significance it has enjoyed since time immemorial – as the elixir of life.

6 BERLIN

MY HOUSE, MY FILLING STATION

Berlin boasts an energy-saving house that does more than just save energy: it generates so much electricity that it not only powers the occupants' electric cars but is also a small-scale power plant, feeding surplus energy into the public grid. We visited a family of four that has already lived in the home of tomorrow.

By Timour Chafik

It's a house, a power plant and a pilot project in one: »Energieeffizienzhaus Plus« in Berlin shows how we may all live in the future.

Simone Wiechers has already spent a total of 15 months trying out the home of tomorrow – at Fasanenstrasse 87a, directly opposite the theater of the University of the Arts in central Berlin. The 130-square-meter building combines energy efficiency and cutting-edge building technology in a mainly glass cube, with some concrete and wood. The roof is covered almost entirely with monocrystalline photovoltaic modules, and the glass facades feature triple-insulated glazing, with the inert gas argon providing additional insulation between the panes. In the transparent »engine room« next to the building, which can be accessed only from outside, an air-heat pump, heat exchanger and inverter do their work. According to the media campaign surrounding the house and the Wiechers family's time there, this is »an integral part of the information concept of the building«, enabling visitors to see and understand the technology involved. In fact, the technical details of the energy-efficient house would fill volumes.

»When you first stand in front it, you think: ›Wow, this is the way we're going to live in the future‹,« says Simone Wiechers. »But that's mainly the impression from the outside – a large cube, a huge roofed entrance, two monitors in the display window and two electric cars.« You expect the entire house to be packed from floor to ceiling with high-tech. But then you walk in and see – nothing. She lived in Fasanenstrasse from March 2012 with her husband, two children and cat. And in May 2013, she returned to their 1930s apartment block in the city's Prenzlauer Berg district.

There could hardly be a greater contrast between lifestyles

in the big city: on the one hand, the highly sophisticated € 2 million project, where even the heat from exhaust air is recovered, before the unusable residue flows between the ground and the floor slab. On the other, a typical residential property in a metropolis like Berlin: smaller rooms, less space, not so bright and with creaky parquet flooring. When she gets up in the wintertime, the first thing Simone Wiechers has to do in her apartment is open the windows and wipe the condensation from the panes and frames. This is how many of us live today – and how many of us are also likely to live tomorrow. The fact is that there is simply not enough space and money to provide energy-efficient housing for the whole of Berlin or other big cities.

Rear view of the € 2 million house: between the panes, the inert gas argon provides additional insulation and comfort. The house was »spacious, bright and modern«, says Simone Wiechers.

SMALL-SCALE POWER PLANT, RESEARCH PROJECT – AND A KEY TO URBAN SUSTAINABILITY

So what exactly is Fasanenstrasse 87a in the middle of Charlottenburg? An experiment? The herald of a new era? A vision of the future? »It is a small-scale power plant, a resource storage facility, research project, platform for dialogue, and last but not least a contribution to modern construction culture,« is how Peter Ramsauer, German Federal Minister of Transport, Building and Urban Development, sums up the project. At the same time, the house combines two sectors, which together could be a key to urban sustainability – construction and mobility. Buildings and transport are jointly responsible for around 70 percent of final energy consumption and 40 percent of total CO_2 emissions in Germany. »What could be more logical than looking for ways of achieving savings in both of these sectors?« asks the minister.

This is the »Plus« in the name of the Berlin pilot project: the house generates some 17 MWh of electricity each year via its photovoltaic system. 10 MWh are required for heating, hot water and household electricity, 6 MWh for cars and electric bikes. The remainder is fed into the public grid.

This means that the distinctive slogan used to publicize the project, »My house, my filling station«, is true in more ways than one. On the one hand, the house is a »mini filling station« for the public electricity network, contributing to a smart grid that both provides consumers with energy while enabling them to act as energy suppliers. On the other, it is a charging station for the electric cars made available to the family. At the end of the 15-month period, they had test driven seven electric vehicle models from different manufacturers and charged them on their own doorstep. What's more, they tried out several pedelecs – bikes with an additional electric motor.

A smart phone app allows the occupants of the house to specify when they intend to use the vehicles and which routes they want to take. A control system then calculates the best charging strategy. And when the photovoltaic system can't provide electricity, for example at night, a buffer battery ensures that the vehicles remain mobile.

All these small solutions come together to form a greater, interconnected whole: a model project, initiated by the Federal Ministry of Transport, Building and Urban Development, with a model family, who participated rent free. In return, they regularly had to answer questions posed by the partners and researchers involved in the pilot project.

EVEN THE MOST HIGH-TECH HOME CAN'T THINK FOR YOU

Its many benefits notwithstanding, the house in Berlin's Fasanenstrasse is not a blueprint for energy-efficient living, says Simone Wiechers: the features – ranging from a building shell with additional insulation in the form of blown-in cellulose and hemp to the heat recovery units, hot water tanks and heat pump – »could all be used in existing houses«. Building an exact replica of the house »is not, however, the main idea,« she says.

The aim is, rather, to inspire others and contribute ideas – to encourage imitators. This can be achieved more easily and effectively through a tangible pilot project with a personal touch than by a large-scale initiative, such as the renovation of the Silver Tower in Frankfurt. From 2008 to 2012, the Drees & Sommer Group updated fire protection, occupational health and safety, and energy efficiency in the 166 meter high building, once Europe's tallest. »This was achieved through measures that included replacing devices in the central systems and triple-glazing the windows during renovation of the facade,« explains Verena Kraiss from Drees & Sommer. »This reduced electricity consumption by approximately 30 percent and CO_2 emissions by approximately 35 percent, as well as improving thermal management by around 55 percent.«

While this is every bit as impressive, it's not really about home life: in Fasanenstrasse, the kids enjoyed sending each other funny messages via the two touchscreens that control the energy-efficient house or switching off the upstairs light from downstairs. When away from home, mom raised and lowered the blinds via the smartphone app. All this demonstrated the fun and human sides of energy efficiency. In fact, Simone Wiechers believes that the home of tomorrow revolves around people. She found that home to be above all »very comfortable«, spacious, bright and modern – but it did not really involve a different way of living. Her main insight was that, whether we live in an old building or a cutting-edge home, energy efficiency begins with our own behavior.

»We can't expect a house packed with high-tech features to do our thinking for us,« she concludes. Then she adds: »We're looking forward to going home.« And by that she means her old apartment in Berlin's Prenzlauer Berg district.

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FROM ENERGY PERFORMANCE CERTIFICATES to energy consulting, right through to infrared thermography: it is possible to improve the energy efficiency of many buildings, but this calls for specialized expertise. TÜV SÜD provides support by evaluating the structural condition of properties and providing end-to-end energy-related renovation concepts for buildings old and new. As a result, the way we will live tomorrow, as embodied by the »Berlin Model«, can be incorporated into people's homes today.

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18,758
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THE GROUP AT A GLANCE

T 01 **KEY FIGURES**

	2008	2009*	2010*	2011*	2012*
	IFRS	IFRS	IFRS	IFRS	IFRS
Business development (in € millions)					
Revenue	1,365.2	1,409.9	1,552.5	1,677.7	1,820.6
Personnel expenses	795.2	847.0	900.1	986.2	1,081.4
Cash flow from operating activities	178.8	150.4	144.9	154.6	158.2
Free cash flow**	110.2	96.5	92.7	90.2	86.4
Capital expenditures	68.5	45.5	52.2	64.4	71.7
Earnings before taxes	106.7	101.6	123.4	133.6	136.5
Consolidated net income	68.6	72.4	74.6	107.2	106.2
EBIT*** margin (%)	8.9	8.7	9.2	9.5	8.8
EBIT margin, adjusted (%)	10.2	10.1	8.9	8.9	9.0
EBT margin (%)	7.8	7.2	7.9	8.0	7.5
EBT margin, adjusted (%)	9.1	8.6	7.6	7.5	7.8
Assets (in € millions)					
Non-current assets	749.0	761.7	823.2	824.1	1,002.1
Current assets	413.6	494.0	551.3	605.9	620.7
Total assets	1,162.6	1,255.7	1,374.5	1,430.0	1,622.8
Equity ratio (%)	32.5	32.0	34.3	37.7	22.9
Employees (annual average)					
Full-time equivalents	13,122	13,748	14,662	16,018	17,227
Employees (as of December 31)					
Headcount	14,138	14,459	16,058	17,161	18,758

* From continuing operations
** Free cash flow: cash flow from operating activities less cash paid for investments in intangible assets, property, plant and equipment and investment property
*** EBIT: Earnings before interest, currency translation gains/losses from financing measures and before income taxes, but after income from participations.

REVENUE

1,820.6

CAPITAL EXPENDITURES

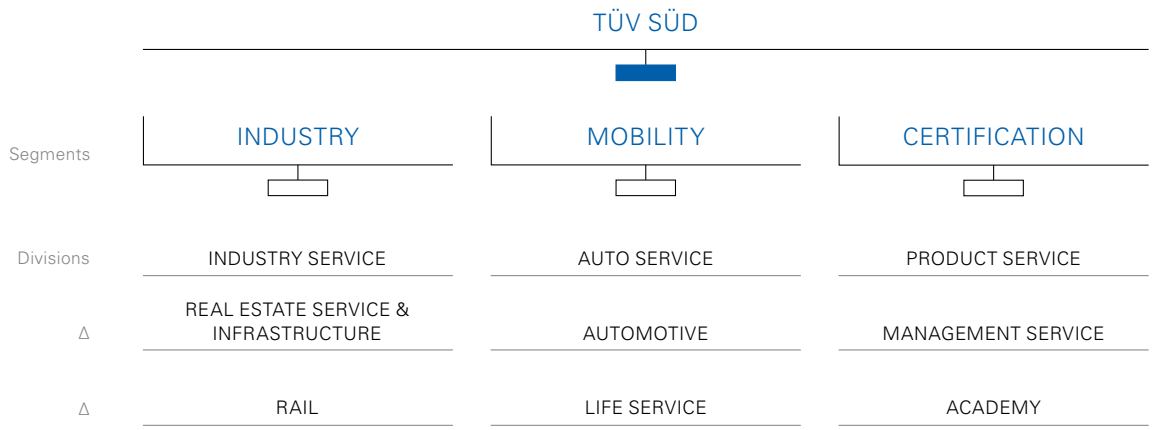
71.7

EARNINGS[1]

136.5

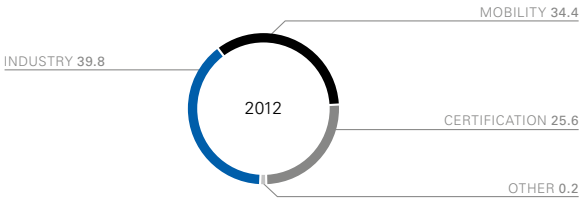
[1] Before taxes

F 01 TÜV SÜD STRUCTURE

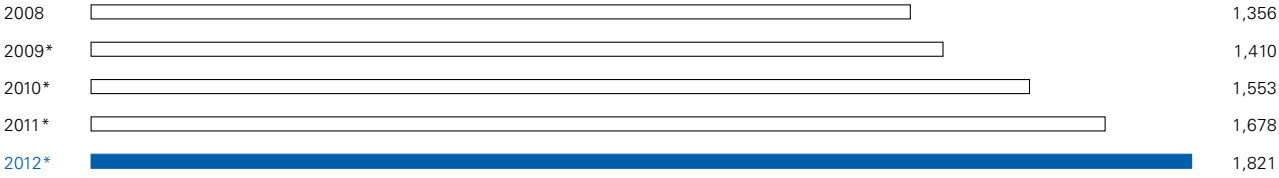


F 02 HEADCOUNT

F 03 REVENUE BY SEGMENT (%)



F 04 REVENUE (IN € MILLIONS)



* From continuing operations

Challenges and prospects: the magazine accompanying the annual report delivers insights into various aspects of urban life.

TÜV SÜD helps its customers »Choose certainty. Add value«. Some 19,000 employees at locations around the globe work to make our world a safer place. Their shared goal: to bring together people, technology and the environment for a future worth living in. For almost 150 years, our experts and engineers have been tackling the challenges of their era. To this end, they create innovative solutions geared to the latest developments in technology and society.

One such challenge is increasing urbanization – with rapidly growing big cities, particularly in Asia and South America. How will mobility function in the megacities of the future? How can tomorrow's urban centers be planned? And what are the implications of urbanization when it comes to supplying energy and water?

TÜV SÜD offers answers to many of these questions. Our annual report and the accompanying magazine »Urban future« take a look at the future of the city – and at the question of how our metropolises can remain worth living in. Join us on a journey through the world of TÜV SÜD!

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MANAGE-MENT AND SUPERVISORY BOARDS

01

DIRK EILERS KARSTEN XANDER HORST SCHNEIDER AXEL STEPKEN PETER KLEIN

MESSAGE FROM THE BOARD OF MANAGEMENT

LADIES AND GENTLEMEN,

2012 was a good year for TÜV SÜD. We recorded further profitable growth and maintained our position in a difficult global economic environment.

At more than € 1.8 billion, revenue reached a new record level, exceeding the prior-year figure by 8.5%. All regions and segments of the TÜV SÜD Group contributed to the positive development. Our international business once again experienced particularly high growth. Roughly three quarters of the additional revenue stemmed from our regions outside of Germany. TÜV SÜD now generates almost 38% of its revenue in an international market environment – roughly 3% more than in the prior year. We are thus getting steadily closer to our strategic interim objective of generating at least 40% of revenue outside the domestic market of Germany in the medium term.

Growth only creates lasting value when it is also profitable. Although one-off effects in 2011 had a positive influence on the development of earnings, we still succeeded in raising EBIT slightly by 0.7% in the past fiscal year. Adjusted for these one-off effects, our EBIT is 9.2% higher in the reporting year than the adjusted prior-year figure. The adjusted EBIT margin is 9.0%, which is 0.1 percentage points more than the adjusted prior-year figure. This is further proof that TÜV SÜD is a stable company and continues to be on a good path.

The past years have shown this: thanks to our extensive service portfolio and our increasing internationalization, we can develop well even in tough economic times. With internal measures to raise efficiency, for example our TÜV SÜD FIT 2012+ program, we are putting our company in an even better position to master future challenges.

We are investing consistently in our future: at € 71.5 million, our investment volume exceeded the prior-year figure by 11.4%. We are expanding existing test laboratories, increasing capacities and expertise in future markets and purchasing selected companies that are a good strategic fit.

TÜV SÜD was once again a jobs motor, employing 18,758 people worldwide at the end of 2012, which is roughly 1,600 more than in the prior year. For the third time in a row, TÜV SÜD thus created in excess of 1,500 new jobs in one year.

Graduates and experienced professionals alike increasingly regard our company as a highly attractive employer. A varied range of tasks, excellent career opportunities in an international environment, extensive measures for combining work life and family life and – last but not least – appropriate remuneration help us to be among the frontrunners in the competition for high potentials. Our good ratings in various employer rankings testify to TÜV SÜD's attractiveness on a regular basis.

The success of our company is founded on the knowledge, experience and dedication of our employees worldwide. As the Board of Management of TÜV SÜD, we would like to expressly thank all employees for their work in 2012.

When we realigned our company strategically in 2009 and 2010, we set ourselves ambitious goals by 2014. Many of these goals, for example stronger international growth or a long-term increase in business value, are within reach. In 2012, we rolled forward our successful strategy into the year 2020 and adjusted it to the changing market conditions.

Growth, internationalization and a continuous rise in business value are still the goals that we pursue. We want to continue to grow at a high level and at the same time become more efficient.

Our activities will focus even more on value added for customers. We have initiated the first steps for this with the newly created Global Customer Operations. Even more than before, we want to support our customers as partners with services throughout the entire value added chain. We offer solutions for the challenges of our customers – before these challenges become problems. In this way, we promote strategic collaboration, increase customer satisfaction and create added value – right in keeping with the core of our brand.

In order to further develop our service portfolio to meet our customers' needs going forward, we operate intensive and targeted innovation management. The range of our innovative topics is every bit as varied as our business: from electromobility to renewable energy, embedded systems and security for information technology to the challenges for large cities, for example in the areas of mobility, construction and water supply.

More growth, more efficiency and in particular more added value for our customers – TÜV SÜD will continue to pursue these goals in the coming years. We will do everything to meet the objectives of our Strategy 2020. The market offers us every opportunity to do just that.

Munich, April 12, 2013

THE BOARD OF MANAGEMENT OF TÜV SÜD AG

AXEL STEPKEN

DIRK EILERS

PETER KLEIN

HORST SCHNEIDER

KARSTEN XANDER

ON SITE WORLDWIDE

01
AMERICAS

01 AMERICAS

AMERICAS
Headquarters: Boston

02 EMEA

GERMANY
Corporate headquarters: Munich

CENTRAL & EASTERN EUROPE
Headquarters: Prague

WESTERN EUROPE
Headquarters: Munich

MIDDLE EAST/AFRICA
Headquarters: Dubai

03 ASIA

ASEAN
Headquarters: Singapore

CHINA
Headquarters: Shanghai

JAPAN
Headquarters: Tokyo

KOREA
Headquarters: Seoul

SOUTH ASIA
Headquarters: Mumbai

03
ASIA

02
EMEA

SUPERVISORY BOARD REPORT

LADIES AND GENTLEMEN,

TÜV SÜD continued to develop successfully in the fiscal year 2012. The company recorded renewed profitable growth, most of which was organic. The broad range of services combined with an increasingly international gearing makes TÜV SÜD robust and resilient – the company has a strong strategic positioning.

In the reporting year, the Supervisory Board performed the tasks required of it by law and the articles of incorporation and bylaws. We regularly monitored the Board of Management's leadership of the company and offered advice on the strategic development of the TÜV SÜD Group as well as on significant current measures, particularly the acquisitions performed in fiscal year 2012.

The Board of Management provided us with regular, comprehensive and timely written and oral reports on the general situation of the TÜV SÜD Group, current business development, business planning, strategy orientation and the risk situation, including risk and opportunity management. Quarterly reports completed the flow of information. Variances from planning were explained to us in detail. In addition, the Board of Management discussed the further development of the TÜV SÜD Group's strategic orientation with us, in particular the rolling forward of the strategic goals, which now extend into 2020.

At the four meetings in 2012, we discussed, among other things, the separate and consolidated financial statements for 2011, the group strategy and the planning for 2013 to 2015. We dealt in detail with the various business acquisitions as well as risk management. One particular focus of our meetings continued to be on supporting the TÜV SÜD FIT 2012+ efficiency program initiated by the Board of Management. Important progress was once again made in the reporting year in implementing the program, which increased competitiveness and efficiency. We are confident that the systematic further development of our services and targeted company acquisitions will further strengthen TÜV SÜD.

Personal meetings were also held on a regular basis between the Chairman of the Supervisory Board and the Chairman of the Board of Management. This ensured that the Supervisory Board was always kept informed in detail about the company's situation and plans.

We discussed the audit, including but not limited to the auditor's independence and additional services rendered by the independent auditor. The separate financial statements of TÜV SÜD AG, the consolidated financial statements and the combined management report were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, who issued an unqualified audit opinion. These documents and the audit reports were made available to all members of the Supervisory Board and discussed at length at the Supervisory Board's closing meeting on April 12, 2013 in the presence of the auditor, who presented a report on the main results of the audit. We conducted an extensive review of the financial statements of TÜV SÜD AG, the consolidated financial statements and the combined management report.

The Supervisory Board agreed with the findings of the auditor and has no objections following the final result of the review. We approved the separate financial statements of TÜV SÜD AG which are herewith ratified. We approved the consolidated financial statements and the proposal of the Board of Management to the annual general meeting for the appropriation of retained earnings.

There were no changes to the composition of the Supervisory Board in 2012.

In November 2012, Dr. Peter Klein declared to the Supervisory Board of TÜV SÜD AG that he will no longer be available for extension of his contract and that he will not extend his contract, which expires in April 2013.

On behalf of the Supervisory Board, I would like to thank the members of the Board of Management, executives, employees and employee representatives for their successful work and exemplary commitment in the fiscal year 2012.

Munich, April 12, 2013

PROF. DR.-ING.
HANS-JÖRG BULLINGER
Chairman of the Supervisory Board
of TÜV SÜD AG

COMBINED MANAGE-MENT REPORT

02

BUSINESS OPERATIONS

TÜV SÜD is a global technical services provider. We bring together people, technology and the environment – with a long-term perspective, in a sustainable manner and adding value. This is the standard that shapes our work today, just as it has done since our company was founded almost 150 years ago.

Our range of services covers testing, inspection and certification, as well as consulting and training. At more than 800 locations on five continents, almost 19,000 employees increase safety and add economic value for our customers. As dedicated and responsible specialists with wide-ranging industry expertise, we develop made-to-measure solutions – for retail customers as well as for industry, trade and government. As consultants, we optimize technology, systems and know-how, while focusing on the entire value added chain.

TÜV SÜD today operates in some 50 countries around the world. We are systematically expanding our international presence in order to always be close to our customers. At the same time, we are laying the foundation for the continued profitable growth of our Group, enabling us to be not only a reliable partner, but also a strong one.

< >
See Innovations report

In our globally networked competence centers, we today make the latest knowledge available across national borders to our customers worldwide. In addition, we already offer services for the key infrastructure issues of the global age – electromobility, the new energy concept, food safety and water supply. We consistently enhance our expertise, with innovative projects such as smart grids and embedded systems (microprocessors that perform a wide variety of functions in devices, industrial plant and machinery) and by setting up a competence center for water management.

Our three segments, INDUSTRY, MOBILITY and CERTIFICATION, combine sound specialist knowledge and industry expertise. Each segment is represented by a member of the Board of Management.

REGIONAL STRUCTURE – MORE THAN 800 LOCATIONS WORLDWIDE

< >
See page 10 (map of the world)

TÜV SÜD has branches all over the world.

FIGURE F 05
TÜV SÜD structure

We pool our activities in the following geographic segments:

EMEA

- GERMANY
- WESTERN EUROPE comprises the UK, France and the Benelux states, Spain, as well as Switzerland, Austria, Italy and Scandinavia. The region is managed from Munich, Germany.

- CENTRAL & EASTERN EUROPE unites the remaining European states, including Russia and Turkey. This region's headquarters are in Prague, Czech Republic.
- MIDDLE EAST/AFRICA comprises the African continent and the Arabian Peninsula. Since March 2012, headquarters for this region have been in Dubai, United Arab Emirates.

F 05 TÜV SÜD STRUCTURE

TÜV SÜD

	INDUSTRY	MOBILITY	CERTIFICATION
Segments			
Revenue in € million 2012 (2011)	725 (664)	626 (593)	467 (418)
Headcount 2012 (2011)	6,303 (5,943)	5,126 (4,889)	4,880 (4,211)
Divisions			

INDUSTRY SERVICE

Services for the safe, reliable operation and optimization of industrial plant and infrastructure facilities.

Services for the planning, construction, operation and dismantling of plant and facilities, refineries and power plants.

Consulting in the area of renewable energy, particularly onshore and offshore wind power, as well as risk management and consulting for industrial companies.

AUTO SERVICE

Services for retail customers at more than 300 service centers – from driver's license tests, roadworthiness tests and exhaust-gas analyses, to appraisals for obtaining classic car registration.

Services for business customers: used car processes, vehicle fleet management and testing of quality standards at car dealerships.

PRODUCT SERVICE

TIC services across the entire supply chain aimed at ensuring market readiness of consumer, medical and industrial products: from simple toys to complex machines, from microwave ovens to MRT devices, and from designer shoes to foodstuffs.

REAL ESTATE SERVICE & INFRASTRUCTURE

Infrastructure services and services for the real estate sector for customers from industry, commerce, trade and the residential market, with services in the areas of building technology, materials handling, real estate valuation, facility management and management consulting.

AUTOMOTIVE

Services in the area of testing and type approval as well as process optimization for the automobile industry: support with the development and testing of new models and vehicle components.

MANAGEMENT SERVICE

Certification of management systems, primarily in the areas of quality, the environment, energy, health, industrial health and safety and IT security, for all industries.

Management excellence certification for process and business optimization.

RAIL

Inspection, homologation, consulting and authorization management for rail vehicles, signaling technology, technical equipment and rail infrastructure with regard to functionality and safety.

LIFE SERVICE

Driving suitability tests for private individuals.

Advice and assistance in all fields of occupational health and safety: this division helps its customers establish complex corporate health management solutions.

ACADEMY

Education and training in the fields of technology and management.

Certification and training of persons.

International conferences and congresses.

AMERICAS

- AMERICAS covers the two Americas, from Canada to the southern tip of South America. The headquarters of this region are in Boston, USA.

ASIA

- ASEAN comprises the states of Singapore, Indonesia, Malaysia, Thailand, the Philippines, Vietnam and Australia. The region is managed from Singapore.
- In addition to the People's Republic of China (including Hong Kong), CHINA also comprises Taiwan. The region is managed from Shanghai, China.
- JAPAN, with registered offices in Tokyo, Japan.
- KOREA is managed from Seoul, South Korea.
- SOUTH ASIA unites the national subsidiaries in India, Sri Lanka and Bangladesh. The region is managed from Mumbai, India.

For the sake of clarity, the ASEAN, CHINA, JAPAN, KOREA and SOUTH ASIA Regions are grouped together as the ASIA Region in this annual report.

For the purposes of presenting the financial data, we divide TÜV SÜD's global organization into three compact geographic segments. This grouping also corresponds to the internal reporting of key figures. Accordingly, we divide the world into the EMEA Region, with our home market of Germany, Western Europe and Central & Eastern Europe, as well as the countries of the Arabian Peninsula and the African continent, and the AMERICAS and ASIA Regions.

EFFICIENT SERVICE ORGANIZATION FOR FINANCE AND ACCOUNTING AS WELL AS PROCUREMENT

The actual processes in Germany recorded and analyzed in the prior year were the basis for developing standardized target processes in finance and accounting as well as in procurement. Particular attention was given to strict segregation of duties within these processes. Our approach is in line with the requirements of our internal control system and corporate compliance. These standardized target processes will be rolled out across the Group in multiple stages. We expect them to optimize quality and operations, and to enhance business process efficiency. Harmonizing business processes across different divisions and entities enables us to integrate future acquisitions rapidly and smoothly.

We notched up our first successes in Germany and the UK – at TÜV SÜD Administration Services GmbH, Munich, and TÜV SÜD Services Ltd., East Kilbride. In both countries, the finance and accounting, as well as procurement processes were transferred to shared service companies during the fiscal year. These companies' services will be available internationally to other TÜV SÜD entities in the future.

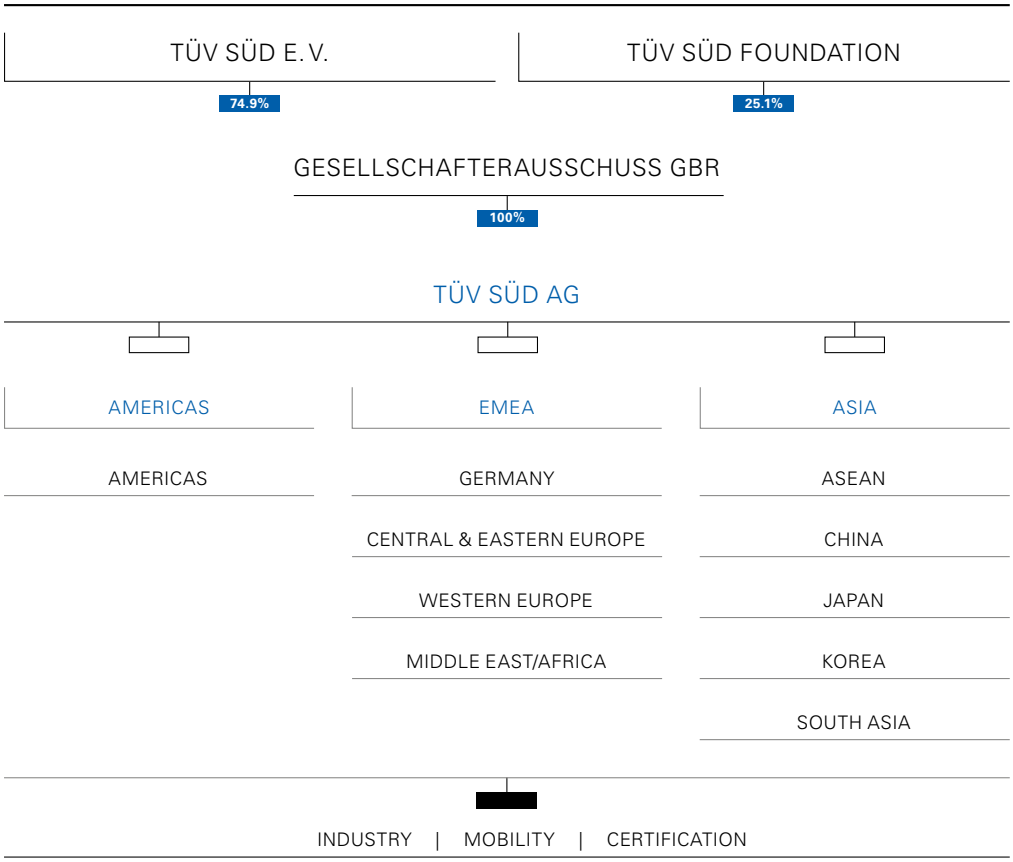
LEGAL STRUCTURE GUARANTEES INDEPENDENCE

FIGURE F 06
Legal structure

TÜV SÜD stands for independence and impartiality. This is ensured by the unique legal 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 through the segments, which are subdivided into divisions, as well as through the regions. The beneficial owners of TÜV SÜD shares are TÜV SÜD e.V., Munich, and the TÜV SÜD Foundation, Munich. Both have transferred their shares in TÜV SÜD AG, Munich, to the independent TÜV SÜD Gesellschafter-ausschuss GbR, a shareholder committee with registered offices in Munich. The purpose of this civil law association is to hold and manage this shareholding under stock corporation law.

The TÜV SÜD Foundation publishes its own report annually.

F 06 **LEGAL STRUCTURE**



STRATEGY 2020 – FOCUS ON GROWTH AND ADDING VALUE

Our strategy is directed toward growth, globalization and constantly increasing the value of the company. TÜV SÜD has been growing profitably for years – and intends to continue this trajectory in the future.

In 2012, we rolled forward our existing strategy to cover the period up to 2020 and implemented it within the TÜV SÜD Group.

FIGURE F 07
Strategy 2020: Growth and efficiency drivers

At the heart of our Strategy 2020 are the two key objectives of growth and efficiency. For each of these, we have defined growth and efficiency drivers, which provide the operating units with orientation for their specific measures.

F 07 STRATEGY 2020: GROWTH AND EFFICIENCY DRIVERS

In the coming years, we want to continuously increase the revenue of the TÜV SÜD Group through organic growth. Additional growth will be delivered by targeted business acquisitions in growth segments and regions. We want to generate at least 50% of revenue outside Germany – as that is where we see particularly attractive growth opportunities. At the same time, our profitability will continue to increase. We aim to achieve an EBIT margin of more than 10% by 2020.

We have made important progress since 2010 through the TÜV SÜD FIT 2012+ optimization and efficiency enhancement program. The cornerstones of the program relate to enhancing efficiency and reducing costs, streamlining product and entity portfolios, and further standardizing administrative processes. The measures introduced are intended to support our trajectory for growth and adding value.

Revenue growth will be accompanied by a significant increase in our headcount, which is set to roughly double by 2020. Consequently, corresponding human resources management is an important requirement.

ACTIVE IN AN ATTRACTIVE MARKET

In order to achieve our strategic goals, we actively leverage the opportunities offered by the attractive worldwide TIC (testing, inspection, certification) market – a growth market characterized by constant change. Particularly in the coming years, important groundwork will be laid in this area, and we will continue to place increasing emphasis on this market.

CORPORATE MANAGEMENT – THE AIM IS TO ADD VALUE CONTINUOUSLY

When it comes to managing the company, we refer to the requirements placed on publicly traded companies by the German Corporate Governance Code. Our aim is to manage TÜV SÜD according to these standards. Our management system primarily consists of an integrated controlling system, strategic corporate planning, risk management, which includes monitoring and taking advantage of opportunities, and the internal control system.

Our **integrated controlling system** is intended to make costs transparent, continuously increase the value added of the TÜV SÜD Group and promote profitable development of earnings. It is based on a group-wide management information system, a harmonized global finance function, and accounting in accordance with IFRSs. The focus is on financial targets and performance indicators: we want to continuously increase revenue and earnings, and optimize capital employed.

The integrated controlling system is supplemented by the value-based indicator Economic Value Added (EVA®), which is adapted to the requirements of TÜV SÜD. This indicator measures the value added by the Group; it integrates all the relevant key figures and shows the dependencies between earnings and the cost of capital used to generate this income.

Value-based corporate management will be established in all core management processes, including the remuneration systems and boards within TÜV SÜD in the medium term, in order to further strengthen value orientation within the Group. The value added is measured at all levels of the company.

To determine EVA, we compare the net operating profit after tax (NOPAT) with the associated cost of capital.

FIGURE F 08
NOPAT 2011/2012

We derive NOPAT from EBIT, taking any necessary adjustments into account and after deducting income tax. We take income tax into account using an average rate of 30%.

We define EBIT as earnings before interest, before currency translation gains/losses from financing measures and before income tax, but after income from participations.

F 08 NOPAT 2011/2012

We calculate the Group's cost of capital as the product of average capital employed and the weighted average cost of capital (WACC), which we derive from capital market data. We define capital employed as non-current operating assets as well as inventories and receivables, less selected non-interest-bearing liabilities and provisions.

With the help of EVA, we measure the sustainable increase in the value of the company, make value-adding decisions, promote profitable growth and determine the extent to which we have achieved our business targets. Accordingly, we measure our acquisition and capital expenditure projects with this indicator and use it to calculate their specific contribution to value added for our company.

As an additional liquidity indicator, we use free cash flow. The free cash flow is defined as cash flow from operating activities less cash paid for investments in intangible assets, property, plant and equipment, and investment properties.

This liquidity indicator shows our ability to generate long-term cash flows from our operating activities.

As an element of value-based corporate management, **strategic planning** is directed toward a constant increase in the economic value of the company. The strategic goals form the basis for the corporate strategy, which in turn is the basis for the strategy of the divisions. The specifications for the divisions flow into the strategic financial planning and are developed in greater detail at regional level.

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See the corporate governance report

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See the risik report

Our **risk management** system is a fundamental component of our control system and is part of the regulatory framework for management and supervision. It enables us to take advantage of identified opportunities and detect and evaluate risks at an early stage, allowing us to implement appropriate controls and take preventive measures or countermeasures, and apply safety precautions in good time. For more details on risk management, please refer to the risk report.

The **financial reporting internal control system (ICS)** comprises principles, procedures and measures aimed at ensuring that group financial reporting is compliant. It is intended to make sure that financial reporting is reliable and, in particular, that the published financial statements are prepared correctly.

Throughout the Group, the key controls considered to be material were identified and control activities for standardized execution were documented in control descriptions. The effectiveness assessment is performed on the basis of a self-assessment by the control owner. The self-assessment process is developed, managed and supported centrally. The self-assessments submitted are verified on a sample basis by an internal third-party audit.

In addition to group-wide controls, we also monitored the effectiveness of the financial reporting ICS for the entities based in Germany in the prior year from a risk-oriented perspective. In the fiscal year 2012, we integrated our entities in Europe and Asia into the financial reporting ICS process. As no significant control weaknesses were detected, the financial reporting controls are effective.

The international introduction of the financial reporting ICS is being continued.

MACROECONOMIC DEVELOPMENT AND DEVELOPMENTS IN RELEVANT MARKETS

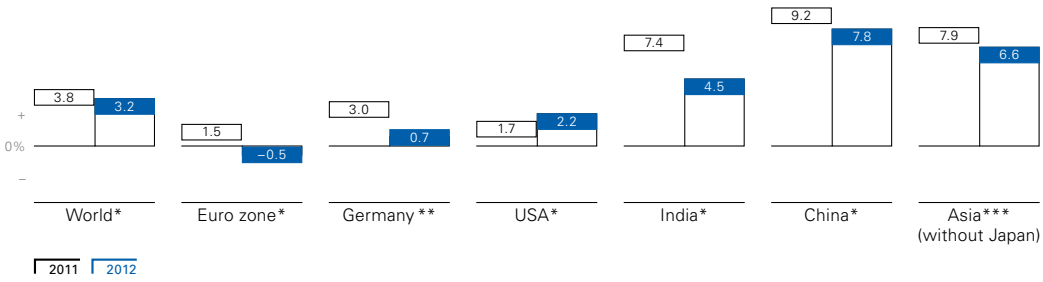
MACROECONOMIC DEVELOPMENT

FIGURE F 09
Economic growth

Uncertainty and political risks continue to negatively impact the global economy. At 3.2% (prior year: 3.8%), global economic output again saw only moderate growth in 2012. The pace of growth slowed considerably worldwide, with hardly any national economies being unaffected by this development, including the developing markets. As of the end of 2012, however, leading economic indicators again point to a slight improvement in economic development.

With ECB president Draghi's announcement that all necessary measures would be taken to save the euro, and with the bond acquisition program passed in September 2012, the European Central Bank succeeded in calming the financial markets noticeably.

F 09 ECONOMIC GROWTH IN KEY MARKETS WORLDWIDE (%)



* Source: IfW Kiel, forecast
** Source: German Federal Statistical Office
*** Source: IWF World Economic Outlook, forecast

RECOVERY IN EUROPE

Significant budgetary difficulties and the high sovereign debt of some EU member states continued to adversely affect economic development in the euro zone, which was unable to break out of recession in 2012.

The economies within the euro zone presented a mixed picture as regards robustness.

Greece, Spain, Portugal and Ireland in particular have to contend with continued high unemployment and a sharp decline in private consumption. In Italy, the economy shrank again in 2012, and France remains in stagnation.

Even Germany was unable to avoid the general weaker trend entirely, with the pace of growth in the German economy slowing considerably over the course of the year. After seeing bove-average

growth of 3.0% in the prior year, the German economy grew by just 0.7% in 2012. This development was primarily driven by robust private consumption and strong exports.

MODERATE UPTURN CONTINUES IN THE USA

In the USA, economic output again rose slightly. With growth of 2.2% (prior year: 1.7%), the moderate upturn, which had begun in the prior year, continued.

However, the tense budgetary situation continued to dampen development, as did massive budgetary consolidation. The threat of insolvency (fiscal cliff) was averted by removing the debt ceiling. However, there remains a risk of recession.

UPSWING CONTINUES IN ASIAN EMERGING COUNTRIES

The economies of the emerging markets slowed to a surprising degree in 2012. While the emerging economies in south and east Asia remain the growth drivers of the global economy, the pace of economic growth decreased again in 2012.

Gross domestic product in China, for example, rose by 7.8% (prior year: 9.2%). In India the economic slowdown was particularly marked, with growth of just 4.5% in 2012 in the wake of 7.4% in the prior year.

EXCHANGE RATES HIGHLY VOLATILE

After being under pressure for a large part of 2012, the euro made considerable gains at the end of the year. On average, the euro fell in value over the year compared to currencies relevant for us. The development of the reference currencies is shown in the notes to the consolidated financial statements under note 5.

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See notes to the consolidated financial statements

DEVELOPMENTS IN RELEVANT MARKETS

We offer our services – the testing, inspection and certification of products, industrial plant and systems, as well as consulting and training – on the worldwide TIC market (testing, inspection, certification). Demand for our services comes from economically strong, export-dependent countries, particularly in Europe and Asia, but also in the Americas. New sales markets for our services are also appearing in many emerging and developing countries, particularly in South America and the Middle East. These markets are highly diverse and shaped by their disparate business environments and regional developments. The following factors are particularly important:

- **Globalization:** The elimination of trade and customs barriers is giving companies access to new markets. The relocation of activities to countries that offer competitive advantages is opening up additional opportunities. At the same time, international trade is growing strongly. Companies want and need to provide evidence that they meet international standards, particularly in emerging and developing economies. Appropriate certificates help them to document the safety and quality of their work. It is becoming ever clearer that our customers with global activities are increasingly seeking a partner who likewise has a global presence and can offer one-stop, end-to-end services.

- **Liberalization:** Growing trends toward liberalization and deregulation are creating new opportunities for us. At the same time, the removal of market barriers also intensifies competition and puts increased pressure on prices in our traditional business.

- **Outsourcing:** Companies around the world are making use of the opportunity to outsource services that do not belong to their core competencies, thereby making their cost structures more efficient.

- **Technological change:** Our times are characterized by increasing technological development. But business and society at large will only accept and apply new technologies if they are considered safe, environmentally friendly and manageable.

- **Demographic change:** Age structures are changing all over the world. This entails risks, especially in countries with an aging population. In those countries, TÜV SÜD will also increasingly encounter difficulties in recruiting suitable employees. On the other hand, opportunities arise for our company wherever the changed age distribution raises demand for our services.

- **Increasing consolidation of markets:** The consolidation of the market for technical services will continue. TÜV SÜD will leverage its economic strength to secure its future in the long term by making targeted investments.

INFLUENCE OF MACROECONOMIC DEVELOPMENT AND MARKET CHARACTERISTICS ON OUR BUSINESS

The effect of macroeconomic development and market characteristics on our business varied in the three segments and in the regions in 2012.

Macroeconomic development continued to be shaped by the European debt crisis and the budget deficits of the industrial nations. However, the European debt crisis had only a minor effect on our core market of Germany. Following the German federal government's decision to phase out nuclear power earlier than planned, we adopted a targeted approach to expanding our services relating to the new energy concept.

We are consistently strengthening our business activities in Asia, the Middle East and Africa. Accordingly, we are continuing to invest in growth markets – primarily by expanding our service portfolio but also through business combinations – in order to provide our customers around the globe with local contacts. One focus of our expansion strategy is South America. We have established ourselves in the local market in the area of food safety and are gearing up for further market activities, particularly in the fields of road safety and facility management. In Europe, we systematically expanded our competencies in fleet management. We also invested in wind energy here, as shown by our acquisition of British global player Project Management Support Services Limited (PMSS), Romsey.

We see these areas as holding potential for long-term, worldwide growth. This is also true of energy efficiency and renewable energy. In view of the global increase in the price of crude oil, renewable technologies are of key importance for future energy supply. At the same time, energy generation from renewable sources such as wind, photovoltaic power or biogas places greater demands on energy distribution and storage. In Europe, it is planned to establish a smart grid by 2020 in order to ensure ecological and economically viable energy supply throughout the continent. In our test laboratory for smart energy technologies, which has been accredited by the UCA International Users Group, we can assess and certify these electricity grids for conformity with the IEC 61850 standard. Within the scope of the ADELE-ING project, we examine opportunities for saving energy with reputable partners including RWE Power AG, General Electric, and Fraunhofer-Gesellschaft.

We are in the process of systematically expanding our service portfolio and our global capacities in the field of energy in order to cover all future demands resulting from the new energy concept.

The increasing mobilization of the global community is one of the cornerstones of the development of our business worldwide. We see particular growth potential in the field of road safety, mainly in developing and emerging economies. These countries are also increasingly starting to introduce safety and environmental standards for vehicles. The market for our vehicle inspection expertise is therefore continuing to grow. Consequently, we opened our first service station for vehicles in India in July 2012.

Private transport remains significant. One new aspect is the increasing spread of various car sharing models. These shared vehicles, like lease vehicles and the car fleets of large corporations, call for comprehensive fleet management. We are therefore further expanding our service portfolio for fleets, with a focus on Europe.

Local rail systems, and with them the infrastructure of local passenger transport in general, are becoming increasingly important in the large metropolitan regions and megacities of South America and Asia. This is why we are expanding the range of consulting and testing services in our Rail Division. In Asia, this is being achieved, for example, through cooperation with MetroSolutions, Hong Kong, a consulting firm specializing in urban rail transport. At the same time, our global presence allows us to execute prestigious projects, such as the inspection and evaluation of driverless metro trains in Hong Kong or the new subway line in Mexico City.

Transportation is not the only highly relevant issue in societies with dynamic trends toward urbanization. Questions of safety and supplying the population with energy, water and food are also on the agenda.

In light of this, the significance of food safety will continue to increase. With the acquisition of the Brazilian entity Laboratório de Análise de Produtos Ltda. (SFDK), São Paulo, and the opening of a large-scale laboratory in India we further expanded our global network of food testing laboratories. Due to the particular importance of water supply, we will be placing emphasis on this area in our service portfolio.

The security of monetary transactions is also extremely important, particularly in urban societies. In addition, building technology and safety are central issues in regions with high population densities.

The varied development of the global economy was also reflected in our regions. In the EMEA geographic segment, Germany saw weaker development. In WESTERN EUROPE, we are giving greater attention to our customers' credit standing and have stepped up our efforts in receivables management. The beleaguered economic situation of the countries neighboring the euro zone impacted the development of our business in CENTRAL & EASTERN EUROPE. We countered this by implementing cost-saving measures. Our investments in MIDDLE EAST/AFRICA delivered the expected growth impetus. By expanding the service portfolio and scaling up capacities, we were able to achieve predominantly organic growth here. Business in AMERICAS developed positively, not least due to the acquisition of the Brazilian food laboratory SFDK. In ASIA, the favorable business climate supported our business activities.

Expanding our service capacities through the establishment of test and inspection laboratories also had a positive effect. This more than made up for the drop in revenue from the sale of our activities in the area of school education. We benefit from our broad service portfolio, which ranges from food safety to advanced training through to renewable and conventional energy. This enables us to meet the requirements of emerging and developing markets as well as those of advanced economies, including the German domestic market.

BUSINESS REVIEW AND ECONOMIC SITUATION

In 2012, we continued to press ahead with the realignment of our organizational structures. In line with the goals of the TÜV SÜD FIT 2012+ program, we streamlined our service portfolio and harmonized the participation structure through mergers and divestitures. We leveraged the resulting room for maneuver to make targeted investments in strategic growth areas and thus continue our international expansion.

Our international presence and high-quality service portfolio enabled us to successfully close the fiscal year 2012 despite the somewhat challenging economic environment.

INTERNATIONAL EXPANSION IN THE INDUSTRY SEGMENT

In January 2012, we acquired a participation in the Italian company Bytest S.r.l. (Bytest), Volpiano, one of Italy's leading providers of non-destructive materials testing. With this acquisition, we have enhanced our global network for these testing services and forged ahead with the expansion in this growth market, which started in the prior year with the acquisition of TUV SUD South Africa Pro-Tec (Pty) Ltd. (formerly: Pro-Tec Boiler Inspection & NDT Services (Pty) Ltd.), Cape Town. Bytest mainly serves customers from the aerospace industry, petrochemicals, and the manufacturing and automobile industry.

In March 2012, we acquired TUV SUD South Africa Real Estate Services (Pty) Ltd. (formerly: WAC Projects (Pty) Ltd.), Cape Town. This not only increased our existing investment in South Africa but also expanded our activities in the field of building technology. The company offers testing and consulting services for manufacturers and operators of lift systems. With this company, we aim to expand our service portfolio in the areas of energy efficiency and building sustainability.

In July 2012, we acquired the British company Project Management Support Services Limited (PMSS), Romsey. PMSS offers consulting services focused on wind energy, especially offshore wind farms, in Europe and the USA. With this acquisition, we are pressing ahead with our internationalization efforts in the field of renewable energy while supplementing our existing expertise in offshore wind farms.

CONSOLIDATION IN THE MOBILITY SEGMENT

After a phase of major expansion in the prior year, we are concentrating on integrating the entities and consistently evolving the structures that ensure an extensive supply network for our major customers and key accounts worldwide.

Moreover, we increased our participation in Fleet Logistics International N.V. (Fleet Logistics International group), Vilvoorde, to 100% in September 2012. In the prior year, we had secured a strategic shareholding in the group as well as 100% of the shares in the German subsidiary Fleet Logistics Deutschland GmbH (FLD), Mainz. The full acquisition of the Fleet Logistics International group makes us the European market leader in independent fleet management. The Fleet Logistics International group offers fleet management services for all types of vehicles at European level, thus supplementing the portfolio of our existing subsidiary FleetCompany GmbH (FleetCompany), Oberhaching, which primarily offers these services for customers' own fleets.

ACQUISITIONS IN THE CERTIFICATION SEGMENT

In March 2012, we acquired ZACTA Technology Corporation (ZACTA), Yokohama, Japan, a specialist laboratory for testing electromagnetic compatibility. This complements our international service portfolio in the field of telecommunications. In addition, we see growth opportunities for services relating to EMC measurements in the medical, rail and automotive industries.

We consider food safety to be a key growth market for us. With the acquisition of SFDK Laboratório de Análise de Produtos Ltda. (SFDK), São Paulo, Brazil, in June 2012, we took a major step forward in the expansion of our global network of food testing laboratories. SFDK has numerous national accreditations. The company offers comprehensive services for microbiological and chemical testing, as well as foreign materials testing. This makes SFDK one of Brazil's leading providers of food testing with a customer base that includes both domestic and international corporations.

On the Chinese market, we further expanded our service portfolio through the acquisition of Hong Kong-based Sercura Limited (Sercura). The company offers pre-shipment inspections and factory audits. In China, the world's largest producer of consumer products, there is growing demand for end-to-end inspection and monitoring across the entire value added chain and stricter control of minimum social standards.

In the field of IT security, we have expanded our service portfolio to include the key issue of payment card security by acquiring Acertigo AG (Acertigo), Stuttgart. With the expertise gained through this acquisition, we can now certify companies in line with the international PCI (Payment Card Industry) standard. In this way, we have gained access to the international market comprising financial service providers and retail chains.

REORGANIZATION AND DEVELOPMENT OF SHARED SERVICE STRUCTURES IN THE UK

As part of the TÜV SÜD FIT 2012+ program, the participation structure in the UK was streamlined and restructured in 2012. The number of companies under the existing holding company has been reduced to three: the operating units of all the existing companies in the UK have been transferred to an operating company, while an administrative company assumes the tasks of a shared service center. A separate certification company holds the most important accreditations for the UK market.

The remaining UK companies were already liquidated in the course of the year or will be dissolved in 2013. This also includes all the companies acquired in the fiscal year. Their business will also be transferred to the operating company.

DIVESTITURES

We disposed of the operating business of TUV SUD Industry Service Inc. (TIS), Dover (USA) in the fiscal year. Maintaining and repairing fossil-fueled electricity generating plants no longer has a place in our service portfolio.

PRIOR-YEAR FORECAST MET

The slight growth of the German economy gave TÜV SÜD important impetus for revenue development. The moderate economic increase in Asia and other emerging markets in the Middle East and Africa supported the increase in our entities' revenue in these regions. With an increase of 8.5%, our revenue rose to € 1,820.6 million in 2012. This means that we have met our revenue forecast from the prior year.

All segments saw positive revenue growth, thereby largely meeting expectations.

The INDUSTRY Segment grew, as expected, by 9.1%, mainly due to greater demand for our services for the real estate sector and rail transport. In our home market of Germany, the plans to phase out nuclear power burdened business operations. However, comprehensive measures enabled us to compensate for a potential drop in revenue. In the AMERICAS Region, we did not quite match the growth forecasts in the INDUSTRY Segment. This is due to the sale of the operating business of TIS.

The revenue increase of 5.6% for the MOBILITY Segment is slightly below the expected range. The key growth driver remains the offering for retail and business customers in Germany. However, there were budget variances due to changes to the rules for appraising vehicles prior to issuing an operating license pursuant to Section 21 StVZO [»Straßenverkehrszulassungsordnung«: German road traffic licensing regulations] in the state of Hesse, and development in the Automotive Division. This was compensated for by the revenue growth from the vehicle inspection business of our subsidiary in Bursa in Turkey. As expected, homologation and functional safety services resulted in revenue growth in CENTRAL & EASTERN EUROPE as well as in ASIA.

As expected, the greatest percentage growth (11.7%) was achieved by the CERTIFICATION Segment. The extension of a worldwide laboratory network, the recruitment of additional expert personnel and the expansion of our service portfolio supported revenue development in this area in the ASIA and AMERICAS Regions. Our service offering for certification of quality, eco and safety management systems for all industries developed as planned, particularly as a result of a large-scale contract in MIDDLE EAST/AFRICA. Our basic and advanced training business also achieved almost double-digit growth, mainly in Germany and some Asian countries, and, unexpectedly, in the USA.

We were able to meet our revenue targets in all regions. Our foreign subsidiaries again increased their share in consolidated revenue. At 37.7%, we are currently very close to the 40% share forecast for the medium term.

Overall, our revenue expectations were confirmed in the EMEA geographic segment. Although development in Germany was slightly lower than we had forecast, positive impetus in WESTERN EUROPE and MIDDLE EAST/AFRICA more than made up for this. In the ASIA and AMERICAS Regions, we also met our planned growth rates, with 11.0% and 13.9% respectively.

Earnings before interest, currency translation gains/losses from financing measures and income taxes, but after income from participations (EBIT) rose slightly to € 161.0 million. The EBIT margin was 8.8%, lower than the forecast value and the prior-year EBIT margin. In the prior year, however, EBIT and the EBIT margin had been influenced by positive one-off effects.

Adjusted EBIT, which is a better indicator of the economic situation, exactly matched the forecast value, while the adjusted EBIT margin deviated marginally from our expectations.

Consolidated earnings before taxes (EBT) increased by 2.2% year on year. The increase was therefore lower than we had expected. While positive one-off effects, particularly from the sale of the Academy business in ASIA, had an effect in the prior year, negative one-off effects outweighed these in the fiscal year. The above-average increase in expenses for personnel, IT, consulting and travel negatively impacted consolidated earnings before taxes. By contrast, adjusted EBT was considerably higher than the expected value and the EBT margin also showed a slight increase to 7.8% (prior year: 7.5%).

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

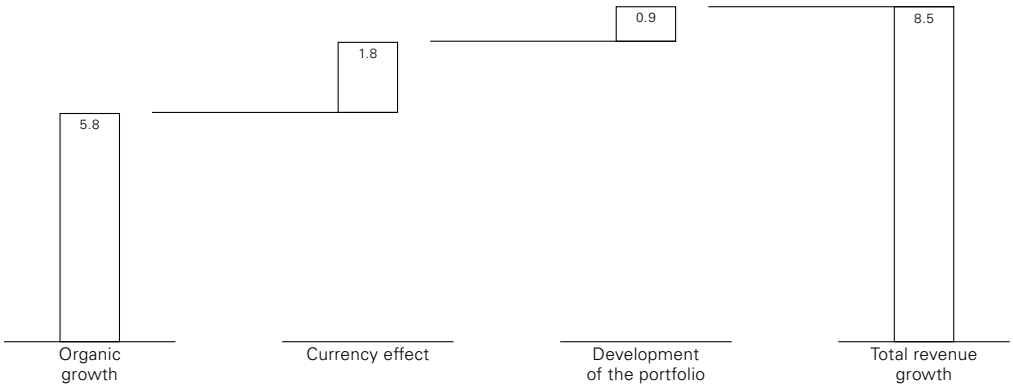
RESULTS OF OPERATIONS

FIGURE F 10
Revenue growth 2012

Revenue went up by € 142.9 million or 8.5% to € 1,820.6 million in fiscal 2012. In the existing services business, we achieved an increase in revenue of almost € 97.3 million or 5.8%. This means that the planned organic revenue growth was virtually achieved. The revenue rise from organic growth, including currency effects, was 7.6% (prior year: 9.1%). Additions to the scope of consolidation from previously held entities contributed € 4.1 million to organic growth. The contributions to revenue that were attributable to external growth in the prior year also had a positive effect here. Exchange rate effects increased consolidated revenue by € 30.8 million or 1.8%. Business combinations and divestitures of consolidated companies – external growth (portfolio changes) – resulted in a net revenue increase of € 14.8 million or 0.9% in the reporting year. As a result, the acquired revenue in the fiscal year more than compensated for the loss in revenue from the strategic divestitures of the prior year.

The global economic slowdown impacted development of our revenue to a certain extent.

F 10 REVENUE GROWTH 2012 (%)



We generated 25.6% or € 36.6 million (prior year: 45.9%) of the additional revenue in Germany. Some three quarters of the additional revenue was generated in other countries (prior year: 54.1%), which translates into a € 106.3 million increase in revenue. The overall share of total revenue generated abroad was again increased through expanded capacity and acquisitions, and now amounts to 37.7% (prior year: 34.6%).

With increasing revenue, **purchased service cost** fell by € 5.9 million. The ratio of purchased service cost to revenue fell accordingly from 13.4% in the prior year to 12.0%. This was due to the sale of the purchased-service-intensive business of the US-based entity TIS and the sale of PSB Academy Pte. Ltd. (PSB Academy), Singapore, and PSB Technologies Pte. Ltd. (PSB Technologies), Singapore, effected in the prior year. However, the ratio of purchased service cost to

revenue remained at a high level, particularly due to the use of external resources to overcome capacity bottlenecks, an ongoing large-scale project of the Management Service Division, and the acquisition of purchased-service-intensive entities in Italy and Japan.

Personnel expenses rose 9.7% in 2012 to € 1,081.4 million. By contrast, the ratio of personnel expenses to revenue fell by 0.5 percentage points from 67.8% in the prior year to 67.3% in 2012.

The expenses for wages and salaries including social security contributions rose by 9.7%. This was principally attributable to the collective wage increase in Germany and the expansion of the workforce through new hires, business combinations and first time consolidation of previously held entities.

In the fiscal year 2012, the retirement benefit costs increased by 7.3% year on year – significantly less than revenue growth – to € 75.0 million.

Other expenses increased by 12.5% at a higher rate than consolidated revenue. As a result, their share of revenue increased from 0.7% to 19.7%. Higher travel expenses, caused in particular by the further increase in flat mileage rates, as well as higher costs for rent and building maintenance contributed to this development. Cost for IT services as well as legal and advisory costs increased considerably, particularly in connection with merger and acquisition activities.

Other income fell significantly compared to the prior year by 33.0% to € 43.9 million. In the prior year, the gain on deconsolidation of € 27.5 million from the sale of PSB Academy was included here as a significant item.

The **financial result** increased by € 13.6 million in the fiscal year 2012 to € –16.5 million (prior year: € –30.1 million).

The income from investments accounted for using the equity method came to € 8.9 million (prior year: € 1.5 million). This substantial increase is mainly attributable to the positive contribution to profit made by the Turkish joint venture companies. In addition to the operating profit of the Turkish investments, the exchange rate development, among other things, had a positive effect here.

The income/loss from participations increased by € 2.7 million to € –1.8 million in a year-on-year comparison. Write-downs of participations and earn-out adjustments influenced the income/loss from participations in 2012. In the prior year, the income/loss from participations was heavily influenced by individual events: at € 8.7 million, gains on disposal of participations could not compensate for the write-downs on participations, in particular on the Spanish ATISAE group of € 12.5 million.

The remaining financial result, comprising net interest and currency translation gains/losses from financing measures, rose by € 1.8 million to € −24.5 million in the reporting year. Rising interest expenses combined with almost unchanged interest income resulted in a year-on-year decrease of € 2.5 million in net interest to € −25.2 million.

The higher expected return on plan assets, and interest costs from pension provisions at almost the same level as in the prior year, resulted in a decreasing rate of net finance costs for pension provisions. The expected return on plan assets for 2012 amounted to € 45.3 million (expected rate of return: 5.2%; prior year: 4.8%). In 2012, as in the prior year, the discount rate for the net pension expense in Germany was 5.25% (prior year: 5.25%).

The effects of the change in the interest rate for measuring provisions for long-service bonuses, medical benefits and phased retirement and resulting effects from unwinding the discount increased other interest expenses by an additional € 6.2 million. On the other hand, the interest expense for the drawn portion of the syndicated credit line decreased due to better terms.

The currency translation gains/losses from financing measures improved by € 4.3 million to € 0.7 million in the reporting year. This is mainly due to the development of the exchange rate of the US dollar against the Turkish lira and of the currency hedge set up in April 2012 for the existing external financing denominated in US dollars at our Turkish subsidiary TÜV SÜD Bursa Tasit Muayene Istasyonlari Isletim A.S. (TÜV SÜD Bursa), Osmangazi-Bursa.

In the fiscal year 2012, we achieved **earnings before taxes** of € 136.5 million. This constitutes an increase of 2.2% on the prior year.

The income tax expense rose at a higher rate than earnings before taxes by € 3.5 million to € 30.4 million. The effective tax rate in 2012 was 22.2% and was therefore only slightly higher than the prior-year rate of 20.1%, which had been favorably impacted by the reversal of write-downs of deferred tax assets on loss carryforwards and tax-free gains on disposal.

Overall negative **one-off effects** also influenced earnings development in 2012. They totaled € −5.6 million (prior year: € +7.2 million).

Amortization of intangible assets identified as part of a purchase price allocation (PPA amortization) was adjusted for the first time. The figures for the prior year have been restated accordingly to aid comparison. The adjusted amortization value is € −6.4 million in 2012 (prior year: € −6.0 million).

The adjusted one-time effects comprise gains on the real estate in Munich and Stuttgart contributed to the contractual trust arrangement (CTA) with the TÜV SÜD Pension Trust e.V. (€ 3.5 million).

The exchange rate effects from the fluctuations between the US dollar and Turkish lira, which have a positive effect in the fiscal year, were also eliminated for the financing denominated in US dollars (€ 0.9 million). The elimination of this effect from the Turkish joint venture companies influences earnings before interest and taxes (EBIT) through the income from investments accounted for using the equity method. On the other hand, the elimination from the financing of our Turkish subsidiary TÜV SÜD Bursa affects net interest by € 1.1 million and thus influences only earnings before taxes.

The effects of the change in the discount rate for measuring provisions for long-service bonuses and medical benefits and the associated increase of € 4.6 million with an effect on income have been eliminated and also affect only earnings before taxes.

In the prior year, there were positive one-off effects from the sale of the fully consolidated entity PSB Academy and PSB Technologies in Singapore, and of the non-consolidated participation in James Cook Australia Institute of Higher Learning Pte. Ltd. (JCU), Singapore, totaling € 32.6 million. The write-down on the participation in the Spanish ATISAE group of € 12.5 million was also eliminated, as were the exchange rate effects from the fluctuations between the US dollar and Turkish lira for the financing denominated in US dollars, which had reduced earnings in the prior year.

F 11 EARNINGS BEFORE TAXES 2012 (IN € MILLION)

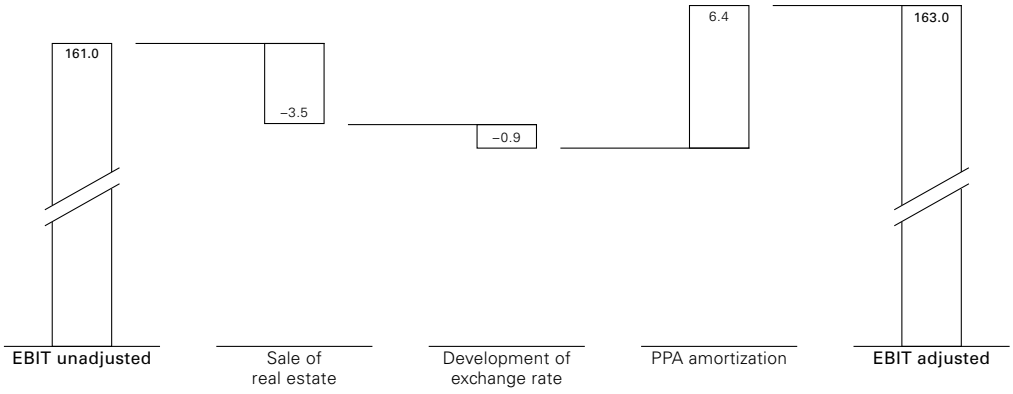


FIGURE F 11 Earnings before taxes 2012

EBIT increased by 0.7% to € 161.0 million. The EBIT margin decreased by 0.7 percentage points to 8.8%. Adjusted EBIT came to € 163.0 million in the fiscal year 2012 (prior year: € 149.3 million) and is therefore 9.2% higher than in the prior year. The one-off effects had a total impact of € 2.0 million on the operating result and the income from investments accounted for using the equity method. The adjusted EBIT margin increased slightly to 9.0% (prior year: 8.9%).

Earnings before taxes amounted to € 136.5 million (prior year: € 133.6 million). The adjusted earnings before taxes rose to € 142.1 million (prior year: € 126.4 million).

The return on sales, calculated using earnings before taxes (EBT) decreased slightly in the fiscal year and at 7.5% is 0.5 percentage points down on the prior-year figure. On the other hand, the adjusted return on sales (EBT margin), which is more suited for assessing earnings, increased compared to the prior year to 7.8% (prior year: 7.5%).

The **consolidated net income** reported at € 106.2 million is 1.0% lower than the prior-year figure of € 107.2 million. In the prior year, the profit/loss from discontinued operations still contained the remaining proceeds from the settlement of the divestiture of the Life Science Division.

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See notes to the consolidated financial statements

For further analyses of significant items of the consolidated income statement, we refer to notes 7 through 16 of the notes to the consolidated financial statements.

FINANCIAL POSITION

PRINCIPLES OF FINANCE MANAGEMENT/FINANCIAL STRATEGY

With our financing activities, we aim always to maintain a sound financial profile while ensuring TÜV SÜD has sufficient liquidity reserves to meet its payment obligations at all times.

Further objectives of the 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 set aside to cover pension obligations, the investment and risk management of these positions is of very great importance for us.

CAPITAL STRUCTURE

Cash flows from operating activities are the primary source of liquidity. The available cash and cash equivalents are supplemented by a syndicated credit line of € 200 million, with a term until mid-2017, to give us the financial flexibility necessary to reach our growth targets. USD 75.0 million (€ 56.8 million) of the credit line provided by eight primary banks had been drawn on by the end of the reporting period. The syndicated loan agreement that was renegotiated at better terms in 2011 provides for an option to extend the term by one year at a time in the first and second year of the term. TÜV SÜD exercised this option in 2012 and, with the agreement of all participants in the syndicate, was able to extend the term until July 2017.

Together with this credit facility, the available cash and the annual free cash flow, TÜV SÜD has sufficient liquidity to finance its planned organic and external growth.

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

CAPITAL EXPENDITURES

The volume of capital expenditure excluding financial assets, securities and business combinations, came to € 71.7 million in the fiscal year (prior year: € 64.4 million).

At € 18.7 million, the most extensive investments were made in the MOBILITY Segment, in particular for the technology and environmental center (TUZ) in Pfungstadt in the German state of Hesse. We invested € 17.0 million and € 9.6 million in the CERTIFICATION and INDUSTRY Segments respectively. While capital expenditures were made in expanding laboratory capacities, including in Germany, India and Japan, in the CERTIFICATION Segment, the focus in the INDUSTRY Segment was on industrial plant. Other capital expenditures not allocable to the strategic segments essentially pertain to real estate, IT hardware and furniture and fixtures.

We invested € 48.7 million in our home market of Germany in 2012, € 3.1 million in the WESTERN EUROPE Region, € 1.7 million in CENTRAL & EASTERN EUROPE and € 1.0 million in the MIDDLE EAST/AFRICA Region. Our capital expenditure amounted to € 12.3 million in the ASIA geographic segment, with € 4.9 million spent in the AMERICAS geographic segment. Apart from in AMERICAS, the investment volume increased in some cases considerably.

As of the end of the reporting period, there were no material outstanding capital commitments.

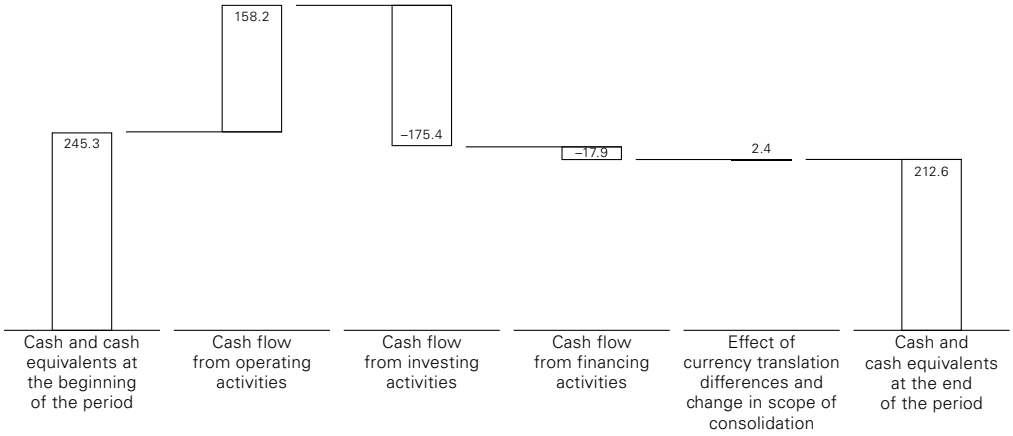
We invested € 52.5 million in entities and participations in 2012 (prior year: € 31.2 million). These investments include cash paid for the acquisition of investments in consolidated affiliated companies and for the acquisition of investments in non-consolidated affiliated companies and participations.

LIQUIDITY

FIGURE F 12
Liquidity

In the fiscal year 2012, cash and cash equivalents decreased by € 32.7 million. Cash and cash equivalents come to € 212.6 million and therefore amount to 13.1% of total assets (prior year: 17.2%). The development of cash and cash equivalents in the fiscal year is presented in detail in the notes to the statement of cash flows on page 83.

F 12 LIQUIDITY OF THE TÜV SÜD GROUP 2012 (IN € MILLION)



Consolidated net income, as the basis for deriving cash flows, is roughly at the prior-year level in the fiscal year. Adjusted for gains on disposal of property, plant and equipment, mainly from the sale of the real estate in Munich and Stuttgart (€ –15.6 million), the comparable basis is higher than in the prior year, when gains on disposal of fully consolidated entities and financial assets had to be adjusted (€ –35.9 million).

The other non-cash reconciliation positions, amortization, depreciation, impairment losses and write-ups, are below the prior-year level, as in 2011 they included the write-down of the participation in the ATISAE group of € 12.5 million.

The other non-cash income/expenses mainly include the income from investments accounted for using the equity method.

As in the prior year, the changes in working capital and the other assets and other liabilities resulted in a cash inflow. The capital employed in current assets increased primarily due to the revenue increase. Cash flow from operating activities increased by € 3.6 million (2.3%) to € 158.2 million.

The **cash outflow from investing activities** rose considerably by € 73.1 million to € 175.4 million. This increase is primarily due to business combinations and to the external financing of the pension obligations.

In 2012, there was a cash outflow of € 50.8 million (prior year: inflow of € 13.8 million) from business combinations and divestitures less cash acquired or disposed of. Cash paid for investments in intangible assets and property, plant and equipment is € 7.3 million up on the prior-year level and is mainly attributable to the purchase of software solutions, expanding global laboratory capacity and investment in refurbishments.

Regarding the financial assets, there were net cash payments of € 1.6 million in the fiscal year. The cash received of € 3.6 million in the prior year was primarily due to the sale of JCU. An amount of € 3.6 million was invested in non-current securities in the fiscal year; as a result, the portfolio increase was slightly below the prior-year level of € 12.5 million.

The contribution to pension plans is considerably higher than the prior-year level and mainly contains the cash transfers amounting to € 29.6 million to TÜV SÜD Pension Trust e.V. The trust used the cash transfer to increase its atypical silent partnership in ARMAT Südwest GmbH & Co. KG, which, in turn, purchased land and buildings from TÜV SÜD AG. Solely as a result of this, proceeds from the disposal of property, plant and equipment increased by € 29.8 million. The transaction therefore did not affect cash flow from investing activities.

The 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 – was € 86.4 million in the fiscal year (prior year: € 90.2 million). This corresponds to a decrease of 4.1% compared to the prior year, which is largely due to the increased investments in intangible assets and property,

plant and equipment. The cash conversion rate, which is calculated from the ratio of free cash flow to the profit/loss from continuing operations, decreased accordingly, from 84.5% in the prior year to 81.4% in 2012.

The **cash outflow from financing activities** rose considerably from € 0.5 million to € 17.9 million. In the fiscal year, this was due in particular to the repayment of external loans of newly acquired companies amounting to € 6.4 million, while a loan of some € 9 million to finance the earn-out of the acquired GRC group had been taken out in the prior year. Other cash received includes a capital increase by the minority interest.

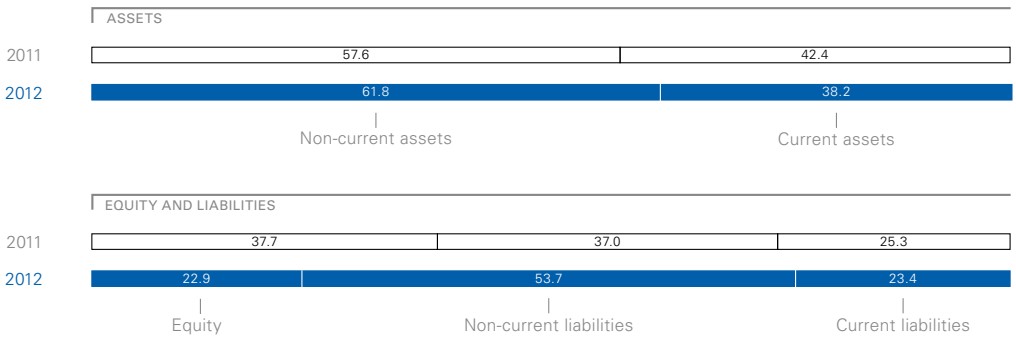
Cash and cash equivalents of € 212.6 million – consisting of checks, cash in hand, bank balances and securities with an original term of less than three months – is down on the prior-year level. With the securities disclosed in other financial assets which can be liquidated at all times, there are available cash and cash equivalents totaling € 300.3 million (prior year: € 327.8 million). Additional financing flexibility is provided by the credit line still available as of December 31, 2012 in the amount of € 143.2 million from the syndicated loan agreement.

NET ASSETS

COMPOSITION OF THE STATEMENT OF FINANCIAL POSITION OF THE TÜV SÜD GROUP

FIGURE F 12
Assets/Equity and Liabilities

F 12 ASSETS/EQUITY AND LIABILITIES (%)



ASSETS, EQUITY AND LIABILITIES

Total assets increased to € 1,622.8 million in the fiscal year (prior year: € 1,430.0 million). This represents a rise of 13.5%.

Assets increased by € 192.9 million. Intangible assets rose by € 49.7 million. Property, plant and equipment and investments accounted for using the equity method increased by almost the same amount (€ 9.6 million and € 9.5 million respectively). Deferred tax assets accounted for the

largest share in the change in non-current assets (+€ 108.8 million), mainly due to the actuarial losses in connection with the measurement of the German pension obligations.

Current assets rose slightly by € 14.8 million. The decrease in cash and cash equivalents (–€ 32.7 million) was more than offset by the increase in trade receivables (+€ 37.0 million), the increase in income tax receivables (+€ 7.4 million) and the increase in other receivables and other assets (+€ 3.0 million).

The rise in **intangible assets** chiefly pertains to goodwill and identified trademarks, customer relationships and licenses stemming from business combinations during the year. In addition, we increased our investing activities in internally developed software and contracted software development.

Within **property, plant and equipment,** the share of land and buildings decreased mainly due to the sale of real estate in Munich and Stuttgart (–€ 7.0 million). By contrast, the other non-current assets increased (+€ 11.7 million) due to investments in the technology and environmental center (TUZ) of the MOBILITY Segment and test laboratories of the INDUSTRY and CERTIFICATION Segments in Germany and Asia.

The profit contributions from our Turkish joint venture were the main effects under the **investments accounted for using the equity method** (+€ 9.5 million).

Trade receivables increased by 12.9% in 2012. This was 4.4% higher than revenue growth. The rise was primarily caused by additions to the scope of consolidation due to business combinations and delayed payments as a result of the difficult economic climate above all in Europe. The growth in receivables from the measurement of unbilled work in process of € 13.2 million is influenced by a further rise in investments in support for construction projects in our Real Estate Service & Infrastructure Division and long-term infrastructure projects in the Rail Division.

Before taking into account these receivables measured using the percentage-of-completion method, trade receivables increased by € 23.8 million or 10.6% in the fiscal year.

Income tax receivables increased due to factors including the prepayments made by TÜV SÜD AG, Munich.

Other receivables and other current assets increased by € 3.0 million to € 61.5 million. This development was largely due to the increase in fleet costs charged to customers from the fleet management business and the increase in cash pool receivables due from non-consolidated entities.

The cash paid during the year for business combinations and investments in software and property, plant and equipment reduced **cash and cash equivalents** to € 212.6 million.

Various land and buildings in Germany are disclosed under **non-current assets and disposal groups held for sale.**

Equity decreased by around 30% in the fiscal year, corresponding to € 167.0 million, and was € 372.1 million as of the reporting date. The equity ratio fell by 14.8 percentage points to 22.9%. The decrease in equity is mainly attributable to the change in the measurement of the German pension obligations due to the drop in the discount rate to 3.30% and the contrary effect of the deferred taxes. Consolidated net income of € 106.2 million could not compensate for this effect.

Non-current liabilities increased by € 342.0 million to € 870.9 million. The main effect here stemmed in particular from the provisions for pensions and similar obligations (+€ 330.7 million). The increase in other non-current provisions (+€ 19.0 million) also had an impact here. The decrease in non-current financial debt and other non-current liabilities had only a small effect.

The **provisions for pensions and similar obligations** increased by 85.6% from € 386.3 million to € 717.0 million.

The substantial rise in the defined benefit obligation by € 407.6 million could only be partly countered by the increase in the plan assets of € 76.9 million. The increase in the amount of the obligation resulted primarily from the fact that the interest rates used to measure the obligations in Germany and other countries fell sharply due to the general level of interest on the capital markets. The discount rate for the German obligations decreased from 5.25% in the prior year to 3.30% on the reporting date. There was a contrary effect on obligations in other countries due to the settlement in full of the obligations of the GRC group, which was acquired in 2010. This was largely financed by compensation payments by the seller. These developments have resulted in total actuarial losses of € 386.5 million.

In order to extend the external financing of pension obligations in Germany, TÜV SÜD has transferred operating assets to TÜV SÜD Pension Trust e.V., established for this purpose, since 2006 as part of a contractual trust agreement. The funds are administered by this association in a fiduciary capacity, and serve solely to finance pension obligations. Pursuant to IAS 19, the transferred trust assets are to be treated as plan assets, and are therefore offset against pension obligations. As of the reporting date, the trust assets amounted to € 851.4 million, € 747.3 million of which related to the Oktagon fund. As of December 31, 2012, there were additional plan assets totaling € 94.0 million, essentially from pension funds in Germany and pension plans in other countries.

Plan assets increased on the one hand due to the return generated during the reporting period. On the other hand, TÜV SÜD AG made an extraordinary cash transfer of € 29.6 million to TÜV SÜD Pension Trust e.V. in 2012. The actual return totaled 5.30% (prior year: 2.40%). While the actual return in Germany was slightly below the expected average long-term return, expectations were surpassed abroad, with the result that, overall, slight actuarial gains totaling € 0.6 million were recorded.

The capital market continued to be characterized by the euro debt crisis in 2012. Economic figures in the euro zone deteriorated continuously over the course of the year. Government cost-cutting measures in the peripheral European countries resulted in a major drop in growth there. The recessionary trends increasingly affected the core euro countries in the course of the year. Following the comments by the president of the European Central Bank Mario Draghi in August 2012, the spreads between the government bonds of the countries hit by the euro crisis and German government bonds narrowed considerably. However, the return of the ten-year German government bond fell from 1.87% to a very low level of 1.27% as of year-end 2012.

The stock markets recovered considerably from the prior-year losses in 2012. The German DAX rose by 29% in the reporting year while the broader European EuroStoxx index increased by only 19% on account of the stock markets in the countries affected by the crisis.

The effects of the European debt crisis have not adversely affected the substance of the plan assets. However, the investment strategy in the Oktagon fund, based on caution and maintaining capital, resulted in numerous measures with a negative effect on returns being taken in the reporting year. The return for the Oktagon fund of 5.2% (€ +37.8 million) in 2012 was therefore lower than the relevant benchmark return.

Due to the interest rate development, the percentage of pension obligations funded by plan assets decreased from 69.2% in the prior year to 56.9% as of the reporting date.

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See notes to the consolidated financial statements

For a detailed presentation of the development of pension obligations and plan assets, please refer to note 30 in the notes to the consolidated financial statements.

The year-on-year decrease in the discount rate for the measurement of the long-term bonus and medical benefits obligations also contributed to the increase in **other non-current provisions**. In addition, the demolition and restoration obligations for unencumbered real estate sold in Munich in the fiscal year are recorded here.

Current liabilities increased by € 17.8 million to € 379.9 million. At the same time, trade payables increased due to an education and further training project in MIDDLE EAST/AFRICA. Other current liabilities rose due to the increase in provisions for vacation and additional working hours as well as the rise in the fleet costs charged to customers from the fleet management business. On the other hand, provisions for German phased retirement benefits as well as for court and notary costs decreased as proceedings pending in the Czech Republic were decided in our favor.

OVERVIEW: DEVELOPMENT OF SEGMENTS AND REGIONS

We achieved revenue increases in all three segments and geographical segments. As a result, we were able to continue our growth trajectory despite the subdued economic climate.

F 13 REVENUE BY SEGMENT 2011/2012 (%)

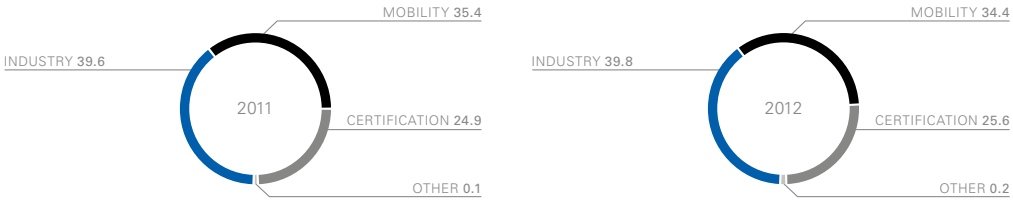

FIGURE F 13
Revenue by segment 2011/2012

In absolute terms, the INDUSTRY Segment again made the largest contribution to consolidated revenue growth. Its revenue increased by € 60.7 million or 9.1% compared to the prior year. The Industry Service Division remained the division with the highest volume of revenue in this segment, accounting for 68.4% of revenue. The acquisition of Bytest in Italy and the expansion of the activities of TUV SUD South Africa Pro-Tec (Pty) Ltd., Cape Town, South Africa, compensated for the loss of revenue from the sale of the operating business of TIS in the USA. The Real Estate Service & Infrastructure Division achieved a revenue contribution of 25.4%. With revenue growth of 17.6%, it was slightly behind the Rail Division, which had the highest growth rate (18.4%). The 6,205 employees (on average) in the INDUSTRY Segment generated revenue of € 725.1 million, corresponding to 39.8% of TÜV SÜD's consolidated revenue.

The 4,985 employees (on average) of the MOBILITY Segment generated 34.4% or € 626.0 million of TÜV SÜD's total revenue. A revenue increase of € 32.9 million (5.6%) was achieved. The most significant contribution was from the Auto Service Division, which saw an increase of € 34.7 million. As a result, this division has the highest volume of revenue within the MOBILITY Segment (84.0%). The key revenue drivers were Auto Service GmbH, Munich, and the first-time inclusion of the Fleet Logistics International group, which operates throughout Europe. The Automotive Division saw a 6.3% decrease in revenue. This is mainly attributable to limited capacity in Germany as well as a lack of demand and price pressure in Asia. The share in segment revenue of 7.5% was therefore slightly below the prior-year figure. The Life Service Division saw slight revenue growth of 2.6% and contributed 8.5% of the total revenue of this segment.

Revenue growth in the CERTIFICATION Segment was € 49.0 million (+11.7%). Development was considerably more positive than in the prior year. The contribution to consolidated revenue was 25.6% and thus almost at the level of 2010 prior to the strategic divestiture of companies in the ASIA Region. The Product Service Division had the highest revenue growth (+16.0%) and also contributed most to the revenue of the CERTIFICATION Segment (61.4%). The investments in test laboratories as well as the increase in headcount in these areas enabled organic growth. At the same time, strategic acquisitions such as the Brazilian food testing laboratory SFDK brought a further contribution to revenue. The Management Service Division contributed 11.5% to the positive

revenue development in the segment. The main effect was from a large-scale project in MIDDLE EAST/AFRICA for which we have already received a follow-up order. The Academy Division suffered a 5.8% decrease in revenue. The division reflects the negative effect from the divestitures of the prior year, when PSB Academy still made a contribution to revenue for five months. The division contributed only 12.0% to the total revenue of the segment. The 4,542 employees (on average) in the CERTIFICATION Segment generated revenue of € 466.9 million.

F 14 REVENUE BY GEOGRAPHIC SEGMENT 2011/2012 (%)

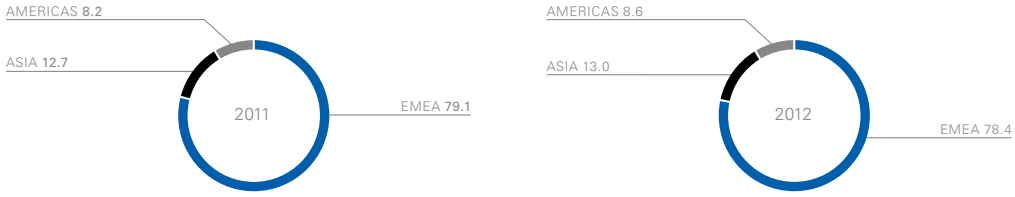

FIGURE F 14
Revenue by geographic segment 2011/2012

In the EMEA geographic segment, which includes the WESTERN EUROPE, CENTRAL & EASTERN EUROPE and MIDDLE EAST/AFRICA Regions as well as our home market of Germany, 11,807 employees (on average) generated 78.4% of consolidated revenue.

In our home market of Germany, we recorded 62.3% of consolidated revenue or € 1,134.0 million (prior year: € 1,097.5 million) with 9,493 employees (on average).

In WESTERN EUROPE, we increased our revenue by 29.9%, mainly through the acquisitions in the UK, Italy and Belgium. The 1,085 employees in the region generated revenue of € 196.8 million (prior year: € 151.5 million).

The CENTRAL & EASTERN EUROPE Region saw a slight recovery in revenue. The commissioning of an airbag test laboratory in the Czech Republic and the slight improvement in the overall economic situation in the region had a positive effect. The 746 employees (on average) here generated revenue of € 61.0 million (prior year: € 58.6 million).

In MIDDLE EAST/AFRICA, we again recorded an extraordinary increase in revenue (82.0%), which was mainly based on organic growth. The region continued to demonstrate its importance as a growth market for TÜV SÜD. The contribution to revenue of € 35.7 million (prior year: € 19.6 million) was achieved by 483 employees (on average).

The ASIA Region recorded 11.0% revenue growth, once again increasing its share in the total consolidated revenue. We achieved further organic growth particularly in India and China. At 13.0%, ASIA made the highest revenue contribution, after Germany. The 4,292 employees (on average) generated total revenue of € 235.9 million.

The AMERICAS Region increased its share in total revenue to 8.6%. On the one hand, the acquisition of the Brazilian company SFDK had a positive effect; on the other, the existing companies TÜV SÜD America Inc. in the Product Service Division and the GRC group in the Industry Service Division delivered additional contributions to revenue. The 1,128 employees (on average) in this region generated revenue of € 157.2 million.

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See notes to the consolidated financial statements

For an overview of the development of revenue in the segments and regions, please refer to note 7 in the notes to the consolidated financial statements.

SUMMARY REVIEW OF NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

In the fiscal year 2012, we were able to increase revenue again. We mainly achieved this through organic growth. The slight growth in the economic environment in Germany and the continued subdued development of the global economy also had an effect on our revenue growth. However, thanks to our global presence and our comprehensive service portfolio as well as strategic investments and the expansion of capacity at test laboratories, we achieved our forecast revenue targets.

As in the prior year, all segments made a positive contribution to consolidated revenue. All regions and our home market of Germany recorded positive revenue growth.

EBIT adjusted for one-off effects grew more strongly than revenue. The adjusted EBIT margin increased to 9.0% (prior year: 8.9%). Adjusted earnings before taxes (EBT) also increased slightly. At 7.8%, the adjusted EBT margin was 0.3 percentage points above the comparative prior-year value. This increase was additionally supported by the implemented measures from the TÜV SÜD FIT 2012+ program.

Cash was below the prior-year level, in particular due to the capital expenditures and acquisitions. TÜV SÜD continues to have a good liquidity position to enable future growth, not least due to good credit ratings and the existing syndicated credit line.

We pursue a strategy of offering a balanced product portfolio of high-quality, sophisticated services across industries and national borders while maintaining impartiality and objectivity. We therefore intend to continue achieving positive business performance in the coming years. To be able to respond to any changes in market expectations, we review this strategy regularly and update it as and when necessary.

Business at TÜV SÜD developed well in terms of revenue, earnings and liquidity in 2012. The increase in the pension obligations due to the considerable drop in the interest rate is expected to return to normality in the medium term.

TÜV SÜD AG

TÜV SÜD AG is the management holding company of the TÜV SÜD Group. In the fiscal year 2012, the Group comprised a total of 61 legal entities in Germany and 160 in other countries. In addition to providing support to the investment companies, the company provides central services, in particular in the areas of law, HR, finance and controlling and procurement, innovation, organization, and sales and marketing. The domestic real estate owned by the company is leased at arm's length via an agency agreement with TÜV SÜD Immobilien Service GmbH, Munich, primarily to entities in the TÜV SÜD Group. The company's income thus stems from distributions and profit and loss transfer agreements of the investment companies, income from the leased real estate, income from investments, income from offsetting relating to trademarks, offsetting between divisions, as well as management and other services. The following summary of the net assets, financial position and results of operations is based on the German GAAP financial statements.

RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

TABLE T 02
Income statement

RESULTS OF OPERATIONS

T 02 INCOME STATEMENT

In € million	2012	2011
Revenue	45.7	44.3
Operating performance	45.7	44.3
Other operating income	52.5	23.6
Personnel expenses	–26.7	–24.3
Amortization and depreciation	–10.3	–10.5
Other operating expenses	–73.5	–60.0
Operating result	–12.3	–26.9
Financial result	47.5	57.3
Result from ordinary activities	35.2	30.4
Earnings before taxes	35.2	30.4
Income taxes	–4.6	–13.0
Net income for the year	30.6	17.4
Profit carried forward	6.6	37.7
Contributions to other revenue reserves	–21.9	–46.4
Retained earnings	15.3	8.7

Operating performance increased by € 1.4 million to € 45.7 million in the fiscal year 2012, mainly due to increased income from offsetting relating to trademarks, as well as management services with subsidiaries.

Other operating income increased by € 28.9 million to € 52.5 million. The increase primarily resulted from the sale of real estate, in particular the properties Ridlerstrasse in Munich and Bebelstrasse in Stuttgart.

Personnel expenses rose by € 2.4 million to € 26.7 million, mainly due to collective wage increases. Amortization, depreciation and impairment developed at a steady pace.

Other operating expenses grew by € 13.5 million to € 73.5 million. The key cost drivers were demolition and restoration expenses from the sale of the Ridlerstrasse real estate, marketing expenses, IT expenses and services in connection with offsetting between divisions.

The financial result decreased by € 9.8 million to € 47.5 million. The income/loss from participations decreased considerably in comparison to the prior year. The lower contributions to profit of the subsidiaries were the key factor.

Income and expenses related to the contractual trust agreement (CTA) are presented net in the interest result. The interest result improved considerably in comparison to the prior year when the smaller increase in value of the Oktagon fund resulted in net intercompany interest expenses for the CTA. The interest result increased considerably due to the positive development of the securities in the Oktagon fund. In addition, fewer interest expenses had to be paid for the CTA. Expenses for interest and currency hedging remained roughly unchanged since the prior year.

At € 35.2 million, the result from ordinary activities was € 4.8 million higher than the prior-year figure of € 30.4 million.

Income taxes amounted to € 4.6 million, which was € 8.4 million less than in the prior year. Measured in terms of the result from ordinary activities, the tax rate decreased from 42.8% to 13.1%. The decrease is mainly due to the transfer of the income from the sale of real estate to a profit-reducing reserve pursuant to Section 6b EStG [»Einkommenssteuergesetz«: German Income Tax Act] and the mainly tax-free income from the CTA. The considerable increase in the pension provisions pursuant to HGB [»Handelsgesetzbuch«: German Commercial Code] at the subsidiaries had the opposite effect here.

Net income for the year amounted to € 30.6 million is therefore € 13.2 million higher than the prior-year figure of € 17.4 million.

NET ASSETS

T 03 STATEMENT OF FINANCIAL POSITION

In € million	Dec. 31, 2012	Dec. 31,2011
ASSETS		
Intangible assets	3.0	5.5
Property, plant and equipment	107.1	109.7
Financial assets	722.3	680.2
Fixed assets	832.4	795.4
Inventories	0.0	0.1
Trade receivables and other assets	19.1	12.7
Cash and cash equivalents	46.8	130.7
Current assets	65.9	143.5
Prepaid expenses	1.1	1.0
Excess of covering assets over pension and similar obligations	9.0	0.0
Total ASSETS	908.4	939.9
EQUITY AND LIABILITIES		
Capital subscribed	26.0	26.0
Capital reserve	124.4	124.4
Revenue reserves	401.4	379.5
Retained earnings	15.3	8.7
Equity	567.1	538.6
Special item with an equity portion	8.4	10.0
Provisions for pensions and similar obligations	0.0	11.2
Tax provisions	1.0	2.1
Other provisions	19.8	11.3
Provisions	20.8	24.6
Liabilities	312.1	366.7
Total EQUITY AND LIABILITIES	908.4	939.9

Within fixed assets, intangible assets decreased largely due to amortization. The sale of the real estate in Munich and Stuttgart, the acquisition of new real estate in Munich and investments in a new building in Garching near Munich mainly influenced the change in property, plant and equipment. The financial assets increased due to capital contributions made, including to SFDK Laboratório de Análise de Produtos Ltda., São Paulo, Umwelt GmbH, Munich, and TÜV SÜD (UK) Ltd., Fareham Hants.

Receivables and other assets increased by € 6.4 million to € 19.1 million. The increase was due to the income tax prepayment.

For the first time, there was an excess of covering assets over pension and similar obligations of € 9.0 million. As a result, no provisions for pensions and similar obligations are disclosed in a net presentation. This change was essentially due to the increase in covering assets in excess of the pension obligations. The surplus is shown as a difference on the assets side. The increase in other provisions of € 8.5 million was mainly due to future demolition and restoration expenses for the Ridlerstrasse real estate sold.

As a result of lower obligations to affiliated companies, particularly from the settlement of a cash pool liability to TÜV SÜD Management Service GmbH, Munich, and the repayment of the current loan to TÜV SÜD Asia Pacific Ltd., Singapore, liabilities were € 54.6 million lower in comparison to the prior year. The repayment of the current loan had a corresponding effect on cash and cash equivalents.

FINANCIAL POSITION, EQUITY AND LIABILITIES

The key goals of our financial management are to maintain solvency at all times and continuously optimize liquidity.

Cash and cash equivalents fell by € 83.9 million to € 46.8 million. A key factor was the repayment of a liability to TÜV SÜD Asia Pacific Ltd., Singapore. At the same time, investments in participations, directly or indirectly via loans, as well as in securities for subsidiaries reduced liquidity.

Equity rose by € 28.5 million to € 567.1 million. The change stems from the net income for the year of € 30.6 million less the dividend payment of € 2.1 million to TÜV SÜD Gesellschafterausschuss GbR, Munich.

Total assets decreased by € 31.5 million to € 908.4 million. This led to an increase in the equity ratio from 57.3% to 62.4%.

OVERALL STATEMENT ON THE COMPANY'S SITUATION

We are pleased with how the fiscal year developed in terms of revenue, earnings and liquidity. We expect the results of operations, net assets and financial position to remain stable in the future.

NON-FINANCIAL PERFORMANCE INDICATORS

MARKETING AND COMMUNICATIONS – FOCUSING ON BRAND VALUE

An excellent reputation and a strong brand are an invaluable competitive advantage for a service provider such as TÜV SÜD. For our customers and the public, our company's brand name and the blue octagon represent safety and certainty, reliability and independence. To ensure that it stays this way, we – together with our VdTÜV umbrella association – are giving the utmost attention to protecting the TÜV brand and strengthening the positive perception of the brand.

The TÜV SÜD brand is officially registered with the German Patent and Trade Mark Office and the European Office for Harmonization in the Internal Market (OHIM) and thus enjoys legal protection in almost every country in the world. The TÜV SÜD octagon, either alone or containing the TÜV SÜD logo, also enjoys comprehensive protection.

When it comes to protecting our quality seal, we pursue a strict zero-tolerance strategy. TÜV SÜD is a member of the Certification Industry Against Counterfeiting (CIAC). This association of leading international product certification companies tackles product piracy and quality-seal fraud worldwide, with coordination by Interpol.

MARKETING ACTIVITIES SUPPORT GROWTH TRAJECTORY

By means of comprehensive marketing activities, TÜV SÜD raises awareness of its brand and supports the company's sales processes. The local marketing departments are supported by the Singapore-based international marketing corporate division.

In 2012, the primary focus was on the global positioning of the TÜV SÜD brand, including revision of the corporate identity. One key area was digital media: the redesign of the TÜV SÜD Group's entire website considerably enhances information access for customers, potential applicants and other interested parties. The marketing activities were rounded out by multiple lighthouse projects in Asian countries, centering on key topics from TÜV SÜD's service portfolio. These events were staged in cooperation with recognized industry associations.

TÜV SÜD's brand positioning was consistently implemented in product marketing in 2012. This included standardizing the content and design of sales documents for selected product lines.

POSITIVE PERCEPTION THROUGH CORPORATE COMMUNICATIONS

The key tasks of the corporate communications corporate division include fostering TÜV SÜD's public image and driving change within the corporate culture.

As well as managing communications within the TÜV SÜD Group worldwide, the corporate division coordinates and implements TÜV SÜD's central public relations activities. In 2012, the corporate communications corporate division published more than 320 press releases and positioned relevant topics in print and online media as well as on TV and radio.

Communications with our employees is another strategic management tool for our company. To this end, TÜV SÜD has very intensive internal communications, leveraging all media – from print magazines to digital newsletters, videos and animations through to events fostering dialogue. Core topics in 2012 included strengthening the culture of innovation, our increasingly international orientation and implementing the measures envisioned by our Strategy 2020.

INNOVATIONS REPORT

FIGURE F 15
Promotion of culture of innovation

Systematically developing new services is a decisive success factor for a technical service provider like TÜV SÜD. For many years, we have therefore operated targeted innovation management geared to achieving a marked and sustainable increase in the share of new products and services. The aim is to translate external impetus from technological advances, customers' suggestions or increasing globalization and networking into innovative, marketable products and services.

TÜV SÜD spent € 6.3 million on research and development in the fiscal year 2012, some 16.7% or € 0.9 million more than in the prior year. In addition, we invested € 5.1 million in setting up laboratories and test facilities for new services in the reporting year. As in the prior year, the investments focused on the fields of battery testing, embedded systems and energy efficiency.

In addition, many projects with high potential for innovation are being driven forward within our segments and divisions. TÜV SÜD's central innovation management promotes these activities, and in particular knowledge transfer, within the company by means of comprehensive measures. This has enabled us to constantly enhance the culture of innovation within the company in recent years. At the same time, our networking activities with external partners and research institutes, such as Fraunhofer-Gesellschaft, continually deliver new impetus for our work.

F 15 PROMOTION OF CULTURE OF INNOVATION

We are currently focusing on five areas: electromobility, renewable energy, embedded systems, security for information and communication technology, and the challenges posed by megacities, particularly in the areas of water supply and local public transport.

In our innovation pipeline, we promote the respective topics depending on their level of maturity with the aim of rolling out the resulting products and services to the operating units as quickly as possible for further marketing.

ELECTROMOBILITY – FROM INNOVATION TO MARKET-READY PRODUCTS

We recognized the opportunities in the promising electromobility market at an early stage. Today, we are in demand as a point of contact for our customers – whether in the field of battery-driven electric cars, fuel cell vehicles or hybrid vehicles. After bringing new services to market maturity in recent years within the scope of our innovation management, we integrated the individual solutions into the corresponding divisions. A central coordinator ensures that the new services are developed further in line with their potential.

We again expanded our global network of test facilities for electromobililty in 2012. After our battery test laboratory in Garching near Munich went into operation in the prior year, the expansion of the existing laboratory in Shanghai, China, commenced in 2012. All planning has been completed in Korea. Construction will commence before the end of 2013. Together with the existing facilities in the USA, Canada and Singapore, this makes TÜV SÜD one of the leading global test and inspection service providers, with an international network of battery test facilities for electric vehicles, a consistent level of quality worldwide and a global network of experts.

To assess the suitability of electric vehicles for everyday use, TÜV SÜD tests all models with electric drives currently on the market throughout the year. Particular attention is given to the range of the vehicles under various environmental conditions. In addition, vehicle power consumption is compared in line with the TÜV SÜD E-Car Cycle.

EXPERT PARTNER FOR RENEWABLE ENERGY

In the field of renewable energy, we support our customers as a service partner in all areas of technology, across the entire value added chain. Our certificates and certification marks contribute significantly to providing transparency and credibility for consumers in the green electricity market. The certification marks with the blue octagon are already among the best known green electricity guarantees of origin in Germany, as a study by The Federation of German Consumer Organizations in 2012 showed.

In the field of offshore wind power, TÜV SÜD is involved at the very forefront when it comes to refining calculation techniques for analyzing collisions between ships and offshore wind farm installations and developing technical standards for offshore substations. Technical advances in wind turbines and hub heights of 140 meters and more have also significantly increased the number of potential onshore locations. To enhance the forecasting tools, TÜV SÜD developed the first wind research mast in northern Bavaria in conjunction with the Natural Energy Solutions (NES) energy initiative. At a height of 140 meters, it is one of the tallest and most powerful measuring systems of its kind. In the coming two years, it will deliver important data for the development of new locations.

EMBEDDED SYSTEMS – A CROSS-INDUSTRY TECHNOLOGY WITH GREAT POTENTIAL

Embedded systems are microprocessors that perform diverse tasks as parts of devices, systems and machines. The spectrum of potential applications for these systems ranges from household appliances to automotive technology through to aerospace. As a cross-industry technology, embedded systems are particularly significant for TÜV SÜD. Growing demands regarding information transfer between networked systems are giving rise to new questions and tasks relating to the security and availability of these systems and networks.

We took the first step by setting up a Smart Grid Competence Center in 2011. Further competence centers focusing on safety and security, industrial IT security, interoperability and communication protocols, smart grids, and smart metering and building automation followed in 2012.

In our activities, we pursue an interdisciplinary, cross-divisional approach and participate in relevant committees and research projects. For example, in 2012 we created a study of modern technologies for optimizing electricity grids, and developed a smart grid roadmap for Germany on behalf of the Office of Technology Assessment at the German Bundestag. In August 2012, TÜV SÜD was accredited as a Level A Independent Test Lab by the UCA International Users Group, enabling it to perform conformity testing in accordance with IEC 61850.

MASTERING THE CHALLENGE OF MEGACITIES – CITY SOLUTIONS

With increasing urbanization and global population growth, the number of megacities is steadily rising – particularly in Asia. In 2010, there were already some 30 cities of this kind worldwide with more than ten million inhabitants. Each of these megacities poses new challenges in terms of infrastructure, public health, energy supply and environmental protection. In view of our broad service portfolio, this opens up attractive prospects for our company. The aim is to pool existing products and service packages specifically for megacities. In addition, as part of our innovations management, we are systematically seeking new products that enable us to clearly set ourselves apart from the competition in this attractive new market. There is considerable potential here, particularly in the area of sustainability.

The team, which was established in late 2011, began implementing its first projects in 2012. In conjunction with Fraunhofer-Institut, TÜV SÜD is working on the Morgenstadt: City Insights project, one of the main forward-looking projects of the German federal government's high-tech strategy 2020. In addition, TÜV SÜD is actively involved in various international projects – for example, in the area of transport planning in Mexico City and Mecca, as well as concepts for green airports. Water supply in Asia and the Middle East also shows particularly interesting potential.

OPPORTUNITIES DUE TO CHANGES IN INFORMATION AND COMMUNICATION TECHNOLOGY

Since 2012, an international team within central innovation management has been investigating the opportunities for TÜV SÜD offered by the global market for information and communication technology (ICT). The omnipresent integration of people and machines into networks is generating ever new challenges as regards data security, both in the industrial world and the private sphere. Security requirements have to be met and privacy protected.

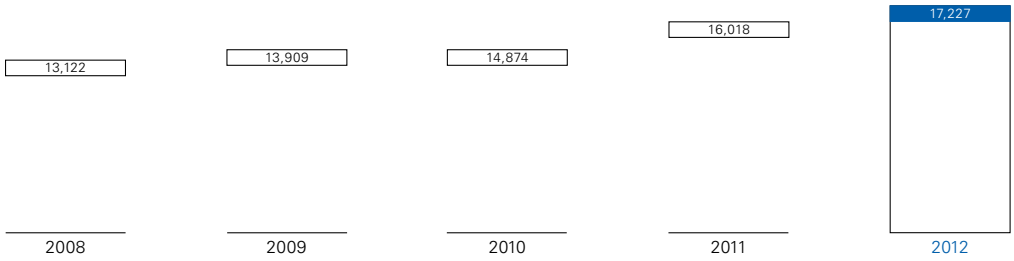
EMPLOYEES

FIGURE F 16
Development of employees

Skilled, motivated employees are the foundation for our continued successful development. In recent years, we have secured an excellent position that enables us to successfully recruit skilled employees, especially engineers and technical experts, in an increasingly competitive labor market. We want to strengthen this position further, as our headcount will also increase considerably due to our global growth between now and 2020.

The aim is therefore to recruit new skilled employees for TÜV SÜD, and retain and provide ongoing training for existing employees in all our markets. Extensive training measures are intended to enable our employees to quickly and flexibly take on new tasks across the globe. In this way, we are securing the future of our company and creating the conditions for sustainable growth.

F 16 DEVELOPMENT OF EMPLOYEES (ANNUAL AVERAGE HEADCOUNT)



TÜV SÜD had a total of 17,930 employees (full-time equivalents) as of the end of 2012. This represents an increase of 9.0%.

The existing companies created 902 new jobs in 2012: 273 in Germany and 629 in other countries. Headcount increased by 577 due to changes in the scope of consolidation and through acquisitions. There was a contrary effect due to the disposal of the operating business of TIS in the US, where 43 employees transferred to the new shareholder.

In the prior year, the sale of the Asian subsidiaries reduced the headcount by 250 (full-time equivalents), with the result that there were 16,451 employees (full-time equivalents) as of the reporting date.

The average number of full-time equivalents (FTEs) for the year 2012 was 17,227, which is 7.5% up on the prior year. More than 70% of new employees work outside Germany, where the average number of FTEs rose by 12.9%.

CHANGES IN HEADCOUNT IN THE SEGMENTS AND REGIONS

FIGURE F 17
Changes in headcount 2011/2012 by segment

The INDUSTRY Segment continues to account for the majority of TÜV SÜD employees. The growth of the workforce here is mainly attributable to an acquisition in Italy and the continued increase in headcount at a South African subsidiary.

The MOBILITY Segment grew mainly due to the acquisition of the international business of the Fleet Logistics International group and the expansion of the Auto Service business in Germany. At the same time, the first personnel resources were established in India in order to further advance the vehicle inspection business.

Our CERTIFICATION Segment also grew, above all due to business combinations in Japan and Brazil. At the same time, we built up resources at our companies in Bangladesh and China in order to staff the newly created test laboratories.

Headcount also increased at the other companies – for example due to the transfer of employees from the operating companies in Germany to a newly created German limited liability company (»GmbH«) with central functions.

F 17 **CHANGES IN HEADCOUNT 2011/2012 BY SEGMENT**

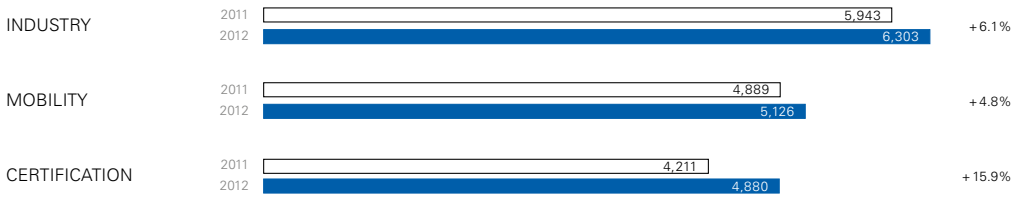
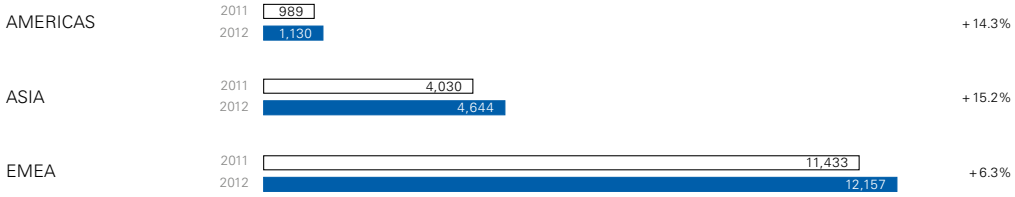


FIGURE F 18
Changes in headcount 2011/2012 by geographic segment

44.9% of the total TÜV SÜD workforce was employed outside Germany in 2012. We increased headcount in all three geographic segments.

F 18 **CHANGES IN HEADCOUNT 2011/2012 BY GEOGRAPHIC SEGMENT**



PUTTING HUMAN RESOURCES MANAGEMENT ON AN INTERNATIONAL FOOTING

To support TÜV SÜD's global growth, corresponding prerequisites were also created in Human Resources Management (HR) in 2012. The focus was on putting HR work on an international footing, further developing the HR organization and increasing TÜV SÜD's attractiveness as an employer. Internationally staffed working groups throughout the Group are addressing the issues of employee retention, succession planning and management development. The goal is to jointly analyze topics and uncover potential for cross-border collaboration.

In the future, we will also apply international standards with regard to the terms of employment. With a newly established department, we ensure that TÜV SÜD employees have internationally competitive and comparable terms of employment which take into account country-specific aspects. To foster cross-border dialogue between HR employees, in 2012 we created an online platform that enables HR issues to be presented, discussed and jointly processed at both group and regional levels.

F 19 **EMPLOYER RANKING**

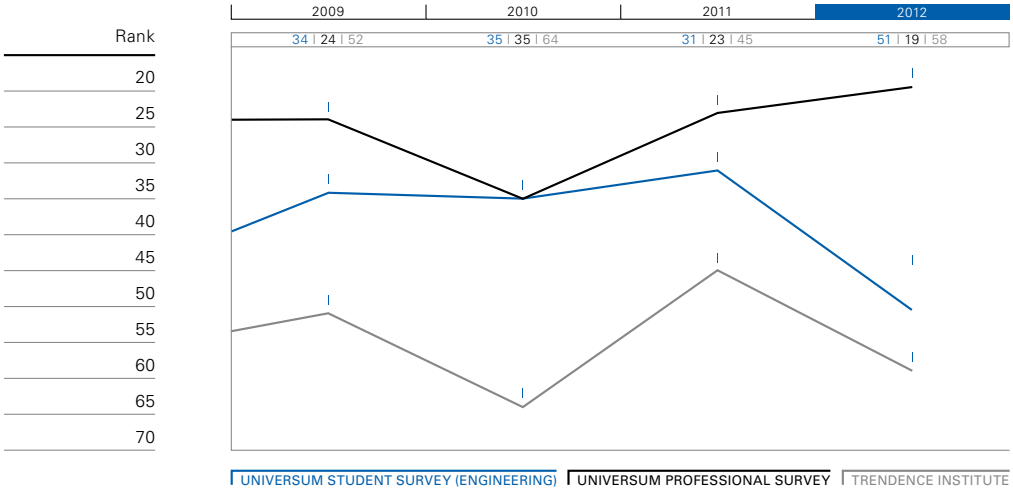


FIGURE F 19
Employer ranking

AN ATTRACTIVE EMPLOYER WORLDWIDE

For many years, TÜV SÜD has been one of Germany's most attractive employers, especially in the field of engineering. We are also striving to achieve a comparable position at international level. To this end, we undertook the first global analysis of TÜV SÜD's positioning as an employer in 2012. The results have encouraged us to pursue our established approach and provide us with a basis for developing further measures for recruiting and retaining employees. The analysis polled some 1,200 randomly selected employees and various stakeholders. It determined how TÜV SÜD is perceived by the various target groups. At the same time, we developed strategic employer positioning and placed the targeting of applicants on a consistent footing for the various target groups.

TARGETING NEW TALENT AT AN EARLY STAGE

When it comes to finding new talent, we target potential applicants at an early stage and in a systematic manner. We have therefore been active at institutions of higher education for many years. For example, we regularly present TÜV SÜD at graduate job fairs, specialist presentations and dedicated in-house events, and cooperate closely with student initiatives. We also offer students of a wide variety of disciplines the opportunity to write bachelor's and master's dissertations with a practical focus within our Group.

We are systematically expanding our support for young talent through cooperation with universities at home and abroad, such as Tongji University in Shanghai, and in Germany, where we offer the Car Business Management (CBM) degree program in cooperation with the TU Dresden, with a focus on the automotive industry.

Moreover, since 2011 as part of the »Deutschlandstipendium« initiative, we have been supporting students of various disciplines at Munich University of Applied Sciences and other universities. The TÜV SÜD Foundation also plays an active role in the »Deutschlandstipendium« at TU Dresden in degree courses in various technical disciplines.

TRAINEES AT TÜV SÜD

120 trainees prepared for their careers at TÜV SÜD in 2012 (prior year: 114). Many of our trainees combine theory and practice by participating in dual track courses in collaboration with universities of cooperative education for vehicle engineering and services marketing.

TRAINING AS A COMPETITIVE FACTOR

Lifelong learning is a mandatory part of employee development at a technical service provider. Now more than ever, it is essential to constantly adapt to new technologies and conditions on the international markets. TÜV SÜD assists its employees with a high-quality training program, partly using its worldwide internal employee academy.

We provide our managers with training to prepare for secondments abroad or changes of function. For junior managers, there are special programs that deliver the knowledge and skills required for future management tasks. These include the TÜV SÜD Jump! program, through which we have been systematically fostering high potentials since 2010.

HEALTH, FAMILY AND CAREER

We believe that reconciling the demands of career and family is not only a competitive advantage but also a key component of our corporate social responsibility. To achieve this, the Group's »Beruf und Familie« initiative was launched Germany in 2009. Within the scope of a reaudit in 2012, we again received the »berufundfamilie« certificate for our family-friendly human resources policy. It is intended to expand the corresponding measures at international level during the coming years.

Our employees' health is also important to us. The first health report for the TÜV SÜD Group was published in 2012 – a key component for developing corporate healthcare management within the company. In the same year, TÜV SÜD also signed the Luxembourg Declaration thereby committing to maintaining and fostering employees' ability to work through systematic, long-term health promotion.

SUBSEQUENT EVENTS

As of March 22, 2013, no significant events had occurred that could significantly influence the TÜV SÜD Group.

CORPORATE GOVERNANCE REPORT

Actively practicing corporate governance is an integral part of our corporate culture. We are convinced that this forms the basis for our success. This is why TÜV SÜD subscribes to responsible and transparent corporate governance and control. This goal finds concrete expression in clearly defined policies and rules, which apply throughout the company and without exception. We regularly review these principles and adapt them in line with new findings, changed legal provisions, and national and international standards. In this connection, we are guided by the requirements placed on publicly traded companies by the German Corporate Governance Code. Our corporate governance system is essentially based on our dual management system, the compliance management system with the TÜV SÜD Code of Ethics as well as the components of integrated corporate governance.

Dual management and control system: As a German stock corporation (»Aktiengesellschaft«), TÜV SÜD AG maintains a dual management and control system. This is characterized by the separation of personnel between the management body and supervisory body. The Board of Management is responsible for managing the company, develops the company's strategic orientation, coordinates the same with the Supervisory Board, and ensures it is implemented accordingly. The Supervisory Board monitors and advises the Board of Management on the conduct of its business. Its agreement is required for fundamental decisions.

The Supervisory Board of TÜV SÜD AG comprises 16 members. In accordance with German law, half of the members are employee representatives and half are representatives of business and the general public. An overview of the members of the Board of Management and Supervisory Board can be found in the notes to the consolidated financial statements.

Corporate compliance: Compliance with the law and regulations as well as internal company policies – referred to in short as corporate compliance – is a core element of the corporate governance system at TÜV SÜD AG.

Through a large number of measures, it ensures that the conduct of the company and its employees in doing business always meets the highest standards – because we are aware that our success is based to a great extent on the integrity of our company and of each and every employee. This is why we take great care to ensure compliance with the law and regulations. The relevant company policies and business processes are constantly reviewed and, where necessary, updated.

Through comprehensive compliance training, e.g., via webinars – also provided in the fiscal year – we ensure that our corporate compliance requirements are put into practice within the company. Employees and business partners can also report breaches of the TÜV SÜD code of conduct to an external system of ombudsmen who are sworn to secrecy and anonymity. Suitable measures are taken in the event of breaches, where necessary including labor law or disciplinary measures.

In order to implement the TÜV SÜD corporate compliance program and clarify all associated issues, the Board of Management has appointed a Chief Compliance Officer. He monitors the implementation of the corporate compliance program on behalf of the Board of Management.

The Chief Compliance Officer is actively involved in the risk reporting processes. As a member of the risk committees of the segments as well as for group-wide issues, he also took part in their meetings during the reporting period.

Appropriate controlling and risk management system: We see efficient risk management and a responsible approach to risks as inseparable from good corporate governance. This is why the Board of Management continued to ensure appropriate risk management and risk controlling within the company in the reporting year. Moreover, the Board of Management reports to the Supervisory Board on a regular basis with regard to current risks and opportunities as well as how these are developing. Our systematic risk management enables us to detect and evaluate risks at an early stage, allowing us to contain any risks.

The internal audit function delivers independent and objective audit and advisory services on behalf of the Board of Management. It has been certified for compliance with external and internal quality standards as well as for their appropriate implementation in processes, structures and organization.

OPPORTUNITY AND RISK REPORT

MANAGING OPPORTUNITIES AND RISKS AT TÜV SÜD

With our comprehensive risk management system, we continually and systematically monitor external and internal risks as well as opportunities for all segments, their divisions and legal entities. We use standardized criteria to evaluate risks throughout the Group in terms of potential loss and likelihood of occurrence. We identify risks on the basis of current standards with risk categorization according to TÜV SÜD-specific criteria. In the fiscal year 2012, we expanded the existing reporting and control processes in risk management to include reporting on opportunities. The standards for determining and evaluating opportunities are based on the principles implemented in risk management.

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

We review our risk management system on a regular basis, develop it, and continually adapt it to changes in legal or economic conditions, not least through regular benchmarking. In addition, TÜV SÜD's early warning system for the detection of risk is audited by the independent group auditor in the course of the annual audit of the financial statements.

Risk management is firmly rooted in the Group's management process. Each of the three segments has a risk committee. Group-wide issues are handled by the corporate risk committee. These four committees meet every quarter to analyze and evaluate the risk and opportunities situation in the respective segments, and initiate corresponding measures for risk minimization and avoidance, if necessary. Final approval of the significant risks is given within the risk committees in agreement with the member of the Board of Management responsible and the Chief Financial Officer (CFO) of TÜV SÜD AG. The significant risks identified and approved in this way are reported to the Group's risk management board.

RISK REPORT

In the following, material risks that could significantly impact the net assets, financial position and results of operations are discussed according to the categorization used by risk management.

INDUSTRY AND SYSTEMIC RISKS

TÜV SÜD is exposed to industry and systemic risks that could negatively affect the revenue and earnings of all three segments, in particular in its core European market. These risks mainly relate to sales and arise from the liberalization and deregulation of the European market, such as possible changes in the legal framework for medical products or the authorization of local public-sector technical services providers to perform appraisals for the issue of vehicle operating licenses. This also applies to new approval requirements for state invitations to tender, for example for the award of licenses for examinations in the area of personnel certification. In 2012, the changes in the business environment led to tougher competition in the segments affected. We have successfully mitigated these risks for years by continuously optimizing our business processes, developing and implementing sales and marketing concepts and diversifying the portfolio of products and services.

Part of our business (e.g., the inspection of plant that requires monitoring) is subject to special provisions of the law. Changes to this legal framework also have an effect on the development of business at TÜV SÜD's segments. New opportunities and risks can arise for our business activities as a result. We therefore monitor our 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 offset their effects.

We identify individual industry and systemic risks in the three segments.

The **INDUSTRY Segment** is particularly affected by the revision of the German ordinance on industrial health and safety which is under discussion. This provides for changes in the regular mandatory inspection of elevators subject to monitoring. Authorization of specialist companies for the performance of interim inspections is also being discussed. TÜV SÜD leverages its presence

on various bodies and working groups such as the German Engineering Federation [»Verband Deutscher Maschinen- und Anlagenbau e.V.«: VDMA] to contribute experience gained in its day-to-day testing activities and actively help shape the revision of the law. We endeavor in this way to ensure the greatest possible safety for people.

In the **MOBILITY Segment,** there are numerous obligations for the license holders TÜVTURK Kuzey Tasit Muayene Istasyonlari Yapim ve Isletim A.S. (TÜVTURK Kuzey), Istanbul, and TÜVTURK Güney Tasit Muayene Istasyonlari Yapim ve Isletim A.S. (TÜVTURK Güney), Istanbul, arising from the concession agreement on vehicle inspections with the Turkish ministry of transport. Comprehensive quality management ensures compliance with the concession obligations. The equity contributed to the joint venture companies is safeguarded against political risks by the Federal Republic of Germany's guarantee for capital investments abroad.

At present, the »Technische Prüfstelle« (accreditation which authorizes TÜV SÜD to operate the road vehicle technical inspectorate and the official inspection body) is solely responsible for appraising vehicles prior to issuing an operating license pursuant to Section 21 StVZO [»Straßenverkehrszulassungsordnung«: German road traffic licensing regulations]. If this responsibility is extended to local public-sector technical services providers, this could lead to losses of our market share.

In the **CERTIFICATION Segment,** the development of our business is now also affected by deregulation and liberalization efforts within the EU. As part of an invitation to tender, a license for performing IT Infrastructure Library (ITIL) examinations in the area of personnel certifications will again be awarded in the UK in 2013. We will apply for this license. The license is to be awarded as a cooperation model and therefore for an unlimited period. Consequently, if the license were awarded to a competitor of the Academy Division, this would entail the loss of all the IT Infrastructure Library business.

The European Commission is currently looking into EU institutions assuming responsibility for the approval of medical devices and medical products. To date, the relevant European legal framework provided for an inspection by an accredited private-sector company (notified body). As a consequence of the breast implant scandal, talks are currently underway in Germany concerning the introduction of a central official approval procedure for implantable medical products. This reform brings uncertainties for the business model of the Product Service Division. We are already developing further areas of activity. Together with other notified bodies, we are drafting a joint code of conduct and are utilizing the highest quality standards in order to ensure the safety of patients with implantable medical products.

OPERATING RISKS

The strength of the TÜV SÜD brand and the great trust that our company enjoys worldwide are decisive competitive advantages. Unprofessional or defective performance would damage our reputation significantly. This is particularly the case with regard to the general public, which does not draw distinctions when it comes to the TÜV brand name.

Extensive and clearly defined quality management worldwide and efficient and consistent order controlling ensure that recognizable risks are identified at an early stage and countermeasures are implemented promptly.

In India in particular, subsequent cuts to publicly funded projects and delays in implementing projects are causing additional costs in order processing. As business with large-scale projects continues to grow, in 2012 we revised the guideline for large-scale orders with regard to order volumes, contract and liability risks as well as financial risks. At the same time, we introduced a risk board for assessing large-scale orders.

The commitment, motivation and skills of its employees are key success factors for TÜV SÜD. We see our employees' training and international orientation as well as their ability to translate innovations into customer benefits as personnel-related opportunities. However, risks arise if we are unable to recruit suitable staff or retain high performers. We 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.

INFORMATION TECHNOLOGY RISKS

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

Responsibility for IT security at the TÜV SÜD Group is firmly established within the organization of the parent company. The IT security officer, who reports directly to TÜV SÜD AG's Head of Corporate IT, is involved from an early stage in all projects that are of relevance for IT. The same applies to the data protection officer where personal data is concerned.

Our internal IT security policies are based on national and international standards. They are regularly updated and reviewed with regard to their effectiveness. We monitor the regulations and compliance on an ongoing basis in order to guarantee the target level of security. The central IT systems are monitored in such a way as to enable us to respond quickly to any disruption. Our corporate data are protected by adequate measures according to the level of protection required for the respective data. We use appropriate technology measures to protect our IT system against viruses and other harmful codes and keep the antivirus systems up to date at all times.

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

FINANCIAL RISKS

The financing of TÜV SÜD and its operating companies is handled centrally by TÜV SÜD AG, which is responsible for keeping sufficient reserves of liquidity for short- and medium-term financing requirements.

The financing of the Group is ensured at all times by the volume of € 300.3 million of cash and securities available as of the reporting date (prior-year reporting date: € 327.8 million), and the existing credit line, which has largely not been used. For details of cash and securities, please refer to the notes to the consolidated financial statements.

The European debt crisis and the associated downgrading of the ratings of some European countries and major financial institutions are making financing difficult for our customers. In order to secure their own liquidity, customers are putting pressure on their suppliers and service providers to extend their payment deadlines. At the same time, bad debt and insolvencies are constantly on the rise. This could negatively affect our own liquidity to a limited extent.

FOREIGN EXCHANGE RISKS

As a global organization, the TÜV SÜD Group is exposed to foreign exchange risks from transactions and currency translation.

TRANSACTION RISKS

Transaction risks can arise from every existing or forecast receivable or liability denominated in foreign currency. The value of such receivables or liabilities fluctuates in line with changes in the respective exchange rate.

Due to existing financing in US dollars, the volatility of the US dollar to the Turkish lira affects our share in profit or loss of the Turkish joint venture.

An internal policy requires all group entities to monitor their own foreign exchange risks and hedge them if they reach a certain volume. Hedging was carried out primarily by means of forward exchange transactions. The corporate treasury department largely enters into these transactions centrally for the group companies.

TRANSLATION RISKS

Translation risks arise from the carrying amounts of participations denominated in foreign currency and the related net income or loss for the year. TÜV SÜD prepares the consolidated financial statements in euro. For the consolidated financial statements, the statements of financial position and the items of the income statements of the entities located outside of the euro zone must be translated to the euro. The effects of fluctuation in the exchange rates are disclosed in the appropriate items within equity in TÜV SÜD's consolidated financial statements. As the participations are generally of a long-term nature, we monitor this risk, but do not hedge the net assets position. Another reason for this decision is that the current and foreseeable effects on the consolidated statement of financial position are immaterial. When borrowing in order to finance business combinations, however, we generally ensure the loan is taken out in matched currencies to eliminate risk from fluctuations in exchange rates as far as possible.

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 investment instruments. In principle, a distinction is made between the risk from the pensions portfolio and the operations of the TÜV SÜD Group.

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, and to control this risk within the scope of the allocated risk budgets. Another objective is to compensate for the interest cost of the hedged pension obligations by means of a corresponding asset allocation wherever possible and to increase coverage over time by generating a return on assets with the trustors waiving their pension reimbursements.

More than half of the pension obligations are covered by financial assets, the majority of which are segregated from operating assets as a result of the contractual trust agreement (CTA) in order to reduce risks associated with pension liabilities and allow an investment policy that reflects the obligations. The domestic segregated pension assets are almost entirely managed in trust by TÜV SÜD Pension Trust e.V., founded in 2005. They are invested by external investment companies in accordance with specific investment principles. Interest rate 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 and spread levels as well as share prices. Should the actual return on plan assets fall short of expectations, the resulting actuarial losses are charged to equity. At the same time, when measuring pension obligations, changes in the interest rate in particular can have a corresponding impact on the present value of the discounted pension obligations and thereby have significant consequences for equity.

A further reduction in the discount rate for determining pension provisions could have a significant effect on the structure of the Group's equity. Another negative effect could arise from a potential reduction in the average return on plan assets.

To counteract this risk, we have already started implementing a liability-driven investment strategy, which involves adapting the term of some of the investments in government and corporate bonds to the term of the obligations. We have also increased the share of corporate bonds in our investments.

The change in the discount rate has a similar effect on the measurement for provisions for long-service bonuses, medical benefits and phased retirement in the Group and on the development of the pension obligations, but in this case with an effect on income. A further decrease in the discount rate with a negative effect on income and thus on equity cannot be ruled out. At the same time, there is the possibility of a permissible future change in the interpretation of the relevant IFRSs for calculating the discount rate by expanding the underlying portfolio from its current AA rating to an A rating. Expanding the securities portfolio to include those with an A rating would result in an increase of the discount rate of up to 40 basis points compared to the method currently used, with a significantly positive effect on equity.

During the fiscal year, end-to-end management of the pension portfolio was implemented at TÜV SÜD Pension Trust e.V. This is based on the holistic risk budget specified by the TÜV SÜD AG Board of Management for 2012. When predefined thresholds are reached, alerts are displayed using a traffic light system. These enable the individuals responsible at TÜV SÜD Pension Trust e.V. to take (hedging) measures to ensure compliance with the risk budget.

In 2012, TÜV SÜD Pension Trust e.V continued to pursue the strategy of sustainably managing investments. The aim of the sustainability strategy, which is firmly rooted in the relevant TÜV SÜD guidelines, is primarily to minimize risk. It is planned to expand the investment portfolio to include sustainable investments in infrastructure projects such as in the field of renewable energy.

With regard to operating activities, we use financial derivatives on a case-by-case basis and exclusively to hedge underlying transactions. Interest rate swaps are our main hedging instrument. In the case of the operator's license for the vehicle inspection business at TÜV SÜD Bursa Tasit Muayene Istasyonlari Isletim A.S., Osmangazi-Bursa, which is financed in US dollars, the floating interest rate has been swapped for a fixed rate via a cash flow hedge. In the reporting year, the currency risk was hedged with the help of a combined interest rate and currency swap with the result that financing in Turkish lira was presented with a fixed interest rate.

The loan denominated in US dollars at the joint venture TÜVTURK Istanbul is also hedged at a fixed interest rate.

Floating-rate financing was taken out for the purchase of the US-based GRC group. About 45% of this was changed to a fixed rate via multiple interest rate swaps. Effects from changes in market value are recognized in the corresponding item within equity.

COMPLIANCE AND OTHER LEGAL RISKS

As of the end of the reporting period, several legal proceedings were still pending in connection with services rendered by TÜV SÜD. Due to the existing global insurance cover, there were no material financial risks. Sufficient provisions were recognized to cover the remaining risk, including from proceedings currently pending in Italy relating to allegations of unfair competition.

OVERALL STATEMENT ON THE RISKS FACED BY THE GROUP

From a group perspective, we are giving particularly close attention not only to the equity risk from the development of pension obligations, including long-term bonus and medical benefits obligations, and plan assets, but also to the revision of the German ordinance on industrial health and safety. This affects the INDUSTRY Segment.

The risk involving the greatest exposure consists in the changes in the measurement of pension obligations due to a change in the interest rate.

With regard to the next two years, the risk management system set up by TÜV SÜD does not currently indicate any risks that could seriously impact on TÜV SÜD's net assets, financial position and results of operations. All organizational preconditions necessary to recognize developing risks at an early stage have been met.

OPPORTUNITIES

We have identified significant opportunities for the further business development of TÜV SÜD. These opportunities result from our strategic planning, the business outlook and the individual opportunities of the segments, regions and legal entities.

We expect positive effects on the development of our business from the identified growth areas of renewable energy, embedded systems and water, as well as from our innovation activities.

A possible end to the euro crisis and a slight recovery in the global economy could provide positive impetus for our business across all segments worldwide. Thanks to our global presence on the TIC market and the scale of our activities in emerging markets, positive stimulus can be translated into successes for TÜV SÜD.

The main opportunities that could impact the net assets, financial position and results of operations are discussed in the following according to risk category.

INDUSTRY AND SYSTEMIC OPPORTUNITIES

Our comprehensive service portfolio for all aspects of energy technology and specifically for steam and pressure technology enables us to meet all the requirements of our customers in the INDUSTRY Segment and win follow-up orders.

We will continue to drive forward with our service portfolio for the petrochemicals industry and energy providers at international level. We have already taken the first steps in this area by developing a competence hub in Asia. In a pilot project, we are also currently investigating the extent to which we can use our own testing stations for onshore wind turbines in the UK to generate electricity. The goal here would be to ensure that electricity supply for our British national subsidiaries is as climate neutral as possible.

In South Africa, we see the introduction of ISO/IEC 17020:2012 as providing the opportunity to expand our market share. Due to the certification costs for this standard, the independent and freelance inspectors who have worked in this area to date will either raise their fees accordingly in order to pass on the costs to customers or get out of the business. This increases our competitiveness.

New infrastructure projects in the field of local rail systems and goods transportation are providing us with business opportunities, particularly in Asia. In order to enhance marketing, we have established a joint venture with a Chinese partner in Nanjing.

In the MOBILITY Segment, the price adjustment for roadworthiness tests and exhaust-gas analyses in Germany could increase revenue if the market accepts the price increase, and the volume of tests remains at least constant.

Current and planned expansion of our global testing and inspection capacity in the Automotive Division and the increase in motivated and highly trained employees enable us to systematically win project orders from major customers.

Through cooperation with major customers, we can set up appropriate test laboratories for production operations, including on-site facilities, and thus press ahead with expansion in countries where we have not previously offered automotive services.

In the CERTIFICATION Segment, the establishment of laboratory capacity for softlines is also bringing in new business, including through winning major customers.

We also see potential for development in eastern Europe through the expansion of our service portfolio for food safety. We plan to further step up our activities here, particularly in Hungary and the Czech Republic.

FINANCIAL OPPORTUNITIES

An increase in the discount rate for determining pension obligations as well as for provisions for medical benefits and long-term bonus provisions could have a significant positive effect on the structure of the Group's equity. Positive development of the key risk factors of nominal interest and credit spread could lead to a decrease of the pension obligation, thereby reducing the shortfall in cover. After taxes, this change in the shortfall would have a positive effect on equity.

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 its participations.

In addition, there are financial risks in the form of interest rate risks, currency risks and price risks. Interest rate risks arise in conjunction with liquidity management and refinancing. To hedge these risks, derivative financial instruments in the form of interest rate swaps are also used. Foreign currency risks can arise from any existing or forecast receivable or liability denominated in foreign currency. They are mainly hedged using forward exchange contracts. Price risks arise from changes in the market price of diverse securities.

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

OUTLOOK

FUTURE DEVELOPMENT OF THE TÜV SÜD GROUP

OUTLOOK FOR 2013 AND 2014

T 04 **DEVELOPMENT OF THE GLOBAL ECONOMY: OUTLOOK 2013 TO 2014**

Economic growth	2013	2014
Global	Subdued development	Slight recovery
Germany	Slowdown	Favorable development
Euro zone	Stabilization	Slight recovery
USA	Subdued development	Positive development
Emerging markets	Moderate growth	Slower growth

On November 23, 2012, the Supervisory Board approved the three-year plan including analysis of scenarios for the period 2013 to 2015, adopted by the Board of Management. This forms the basis of the following statements on the outlook for the next two fiscal years.

The political and economic uncertainties are curtailing economic development. We regularly examine their potential effects on the segments. These findings have been included in the outlook, along with the requirements from the strategy planning process and the measures of the TÜV SÜD FIT 2012+ program.

After the global economy again lost momentum in the fiscal year 2012, we expect subdued development for the following year, and anticipate a slight increase for 2014.

In Germany, the economy is likely to be characterized by a slowdown in 2013; the key factors here are the weak global economy and uncertainties regarding economic policy due to the debt crisis in the euro zone. However, we do not expect this to have a far-reaching negative impact on our core German market. The positive fundamental trends expected for the global economy in 2014 will probably also have a favorable effect on economic development in Germany.

The continuing crisis in the euro zone is expected to stabilize in 2013. Slight economic growth is expected for 2014, and only if the peripheral states of the euro zone systematically reduce their debts and budget deficits.

In the USA, economic development is again expected to be subdued. However, the general trend should continue to be positive and slight growth be seen in 2014.

Economic growth in the large emerging markets will probably slow down slightly.

T 05 REVENUE GROWTH: OUTLOOK 2013 TO 2014

Revenue growth	2013	2014
Group	8% of almost € 2.0 billion	7–8%
INDUSTRY Segment	Mid-single-digit growth	Mid-single-digit growth
MOBILTIY Segment	Mid-single-digit growth	Mid-single-digit growth
CERTIFICATION Segment	Almost double-digit growth	Almost double-digit growth

For 2013, we expect to generate consolidated revenue of almost € 2.0 billion with existing entities. For 2014, we expect a continued revenue increase in the range of 7% to 8% compared to 2013. This figure does not take into account any effects from business combinations and divestitures. This means that the strategic revenue target and the target organic growth of 7% p.a. will be exceeded.

The non-German entities' share of consolidated revenue is expected to increase further over the next two years. In 2013, we will generate almost 40% of consolidated revenue outside Germany.

The sale of the US Industry Service business and the effects of the early phasing out of nuclear power in Germany are dampening expected revenue in the INDUSTRY Segment. In the forecast period, we anticipate annual revenue growth in the mid-single-digit range and, in the medium term, a far-reaching shift in the additional revenue recognition between our home market of Germany and abroad.

We see worldwide growth potential in technical services for renewable energy, particularly wind power, in the area of steam and pressure on the basis of product combinations, as well as for risk management offerings. We are stepping up our activities worldwide, particularly in our AMERICAS, ASIA and CENTRAL & EASTERN EUROPE Regions. We will expand our services for the real estate industry by adding system services and infrastructure management in order to serve our customers from building planning, to the construction and maintenance phase, through to dismantling. The areas of sustainability, energy efficiency and resource-efficient buildings (»green buildings«) will be expanded internationally. With these services, we are targeting the construction boom regions of ASIA and MIDDLE EAST/AFRICA as well as environmentally conscious customers in WESTERN EUROPE.

The rail transport and signaling technology segment will continue its dynamic growth. We will continue to expand our offering for urban rail transport and energy technology and systematically take part in large-scale international projects.

Following an unsatisfactory year in 2012, we expect the MOBILITY Segment to see mid-single-digit growth in both 2013 and 2014.

Our offering for retail and business customers in Germany remains our core business, particularly roadworthiness tests and exhaust-gas analyses, fleet management and professional vehicle services. This will be extended to other geographic areas by means of new business models. The new services for fleet management, smart repairs and vehicle service complement our core business and will secure additional growth in the WESTERN EUROPE Region. In this way, we intend to compensate for the decrease in driving tests and vehicle assessments due to market conditions in Germany. Services for exhaust emission tests, homologation and functional safety are increasingly also contributing to revenue outside Germany. We have already made substantial investments in new test facilities in this area. In ASIA and the CENTRAL & EASTERN EUROPE Region, we therefore expect above-average growth in the coming years.

We again anticipate the highest percentage growth in the forecast period to be recorded in the CERTIFICATION Segment, where we expect almost double-digit revenue growth in each year.

Services for consumer goods, especially food, cosmetics and health products as well as softlines, are a key growth area. We are also developing new fields by expanding laboratory capacity for photovoltaics, explosion protection and the semiconductor industry. Innovative certification in the areas of energy, the environment, business continuity management and corporate social responsibility round out our standards certification service portfolio. We expect positive developments in the field of IT security, with security services for credit card payment transactions. In ASIA, we will expand our offering in the open seminar business to include technical subjects.

We will achieve positive revenue development in all regions in the coming year. Specifically, we anticipate a mid-single-digit increase in Europe and forecast a slightly higher growth rate in the AMERICAS Region. However, we expect significantly stronger revenue growth in ASIA and the MIDDLE EAST/AFRICA Region. In these regions, we expect an annual increase in the low double-digit range at the existing entities. This will enable us to continuously increase the share of consolidated revenue generated outside of Germany.

SIGNIFICANT INCREASE IN EARNINGS PLANNED

Our ability to satisfy the requirements of our customers with our services and innovations has a decisive influence on the development of TÜV SÜD's earnings. The focus here is on profitable growth areas. We utilize flexible working models for our employees in order to meet customer needs and shape our cost structures efficiently.

External factors, such as the development of the US dollar exchange rate against the euro, impact directly on the earnings of TÜV SÜD operating subsidiaries. Potential exchange rate fluctuations also influence the financial result as they change the net risk exposure of our investment in vehicle inspection in Turkey due to financing denominated in US dollars.

For 2013, we expect to be able to increase consolidated earnings before taxes (EBT) at least in line with revenue. We anticipate a further increase in profits for 2014. This development is also supported by the effects achieved through the TÜV SÜD FIT 2012+ efficiency enhancement program.

We estimate that consolidated earnings before taxes will continue to be influenced by the low interest level on the capital market. The historically low interest rate as of December 31, 2012 will negatively impact consolidated net income due to significantly higher expenses for defined benefit obligations. As a result of fixing the return on plan assets at this low interest rate, any excess return on plan assets will no longer be recognized in income pursuant to IAS 19 from 2013.

T 06 DEVELOPMENT OF EARNINGS 2013 TO 2014

EBIT	2013	2014
Group	Increase in line with revenue growth	Increase in line with revenue growth
INDUSTRY Segment	Slight increase	Significant increase
MOBILTIY Segment	Moderate increase	Moderate increase
CERTIFICATION Segment	Markedly positive development	Markedly positive development

Earnings before interest, currency translation gains/losses from financing measures and income taxes, but after income from participations (EBIT), will develop in a similar way, i.e., the EBIT margin will remain at least constant in a high single-digit percentage range, as expected.

Our strategic focus on technical and geographic growth markets continues to pay off. As a result, we also expect our segments to see positive EBIT development. The INDUSTRY Segment will achieve a slight EBIT increase in 2013 and gain considerably from 2014 onward. EBIT development is also positive in the MOBILITY Segment but is lower than the figure for the INDUSTRY Segment. The highest percentage and absolute EBIT increase will be achieved in the CERTIFICATION Segment in the two forecast years.

The positive development of earnings depends on various factors that are largely independent of each other. The modest outlook for the development of the global economy and the increasing economic significance of innovative technical services are possible influencing factors. The phased rollout of shared service organizations in individual countries or regions is the prerequisite for efficiency increases in the commercial and administrative area and supports the successful integration of the companies acquired in 2012. The continuous development and implementation of the TÜV SÜD FIT 2012+ program will remain a key element in achieving our Group's goals in the future.

Our employees are our capital. We want to continue growing. Recruiting new highly trained and motivated employees will enable us to achieve this aim. We are therefore planning annual head-count increases in the mid-single-digit percentage range in the coming fiscal years.

Although our business is essentially personnel intensive, investment in test laboratories and the group infrastructure is also a firmly established internal indicator. Our investing activities will steadily increase in the coming two years but, accordingly, at a lower rate than growth in revenue and headcount.

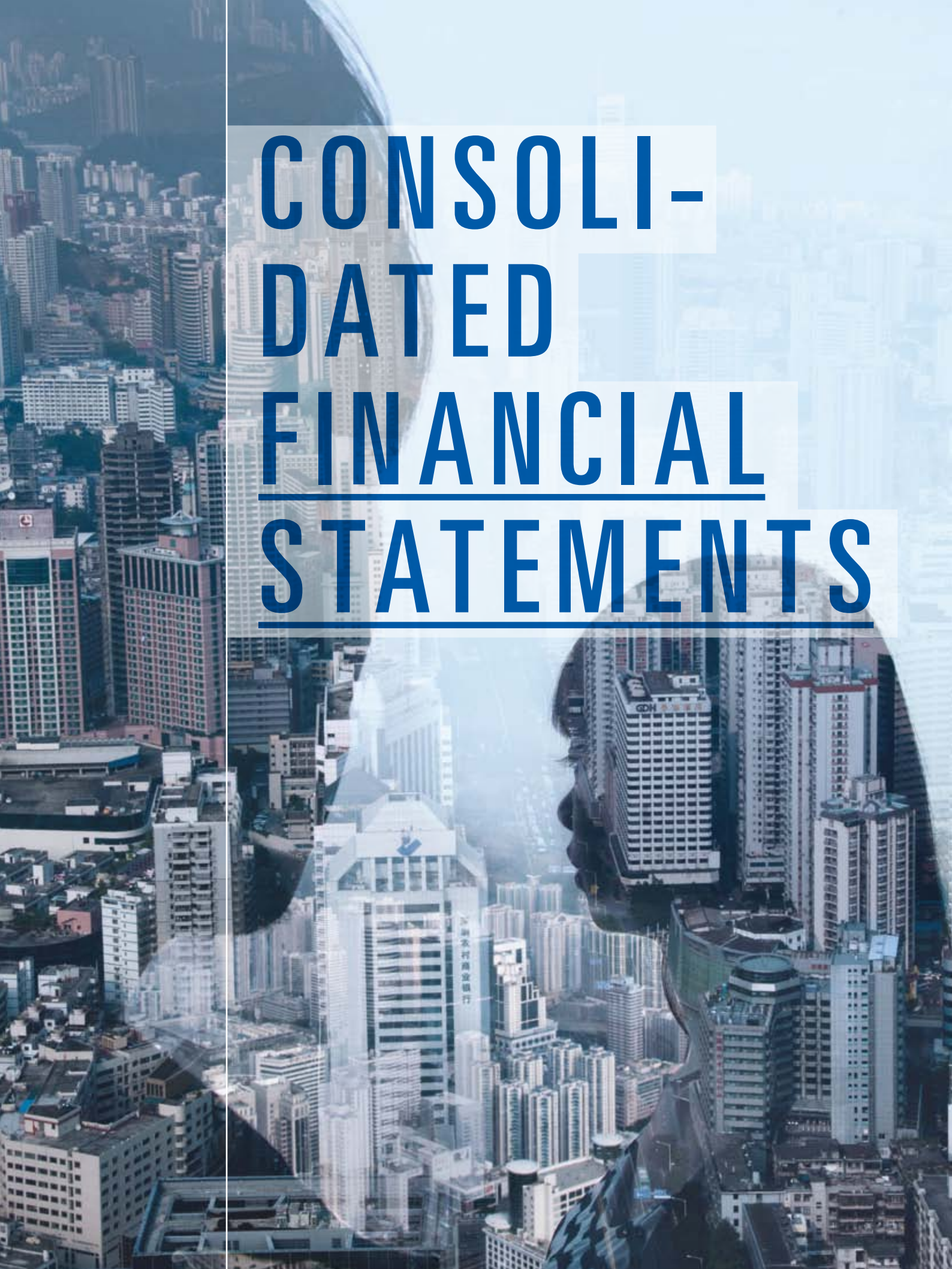
Please note that actual events in the course of the coming fiscal years could differ from our expectations. We have included in our forecast the possible effects of the euro debt crisis from today's

perspective, as well as developments in the global economy. We do not expect other significant one-off effects on earnings before taxes in the forecast period.

We will continue to consistently implement our corporate strategy in the coming years. We are concentrating our activities on attractive technologies and industries with long-term growth prospects. The regional focus is on markets characterized by high economic growth and a reliable business environment.

TÜV SÜD developed well in 2012. Our focus on our technical core competencies, developing globally networked competence centers, and thus increasing our presence in emerging or developing countries has enabled the company to grow. In the coming years, we will continue to focus our efforts on achieving our defined strategic goals. The development of the TÜV SÜD Group to date confirms that the course we have taken is the right one. We firmly believe that TÜV SÜD will continue to develop successfully and positively in the future.

CONSOLI-DATED FINANCIAL STATEMENTS



03

CONSOLIDATED INCOME STATEMENT

T 07 **CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2012**

In €'000	Note	2012	2011
CONTINUING OPERATIONS			
Revenue	(7)	**1,820,602**	**1,677,739**
Own work capitalized		5,393	2,498
Purchased services		–219,045	–224,960
Operating performance		**1,606,950**	**1,455,277**
Personnel expenses	(8)	–1,081,436	–986,153
Amortization, depreciation and impairment losses	(9)	–57,901	–52,386
Other expenses	(10)	–358,430	–318,502
Other income	(11)	43,855	65,492
Operating result		**153,038**	**163,728**
Income from investments accounted for using the equity method	(13)	8,941	1,472
Interest income	(13)	4,728	4,670
Interest expenses	(13)	–29,950	–27,399
Other financial result	(13)	–244	–8,859
Financial result		**–16,525**	**–30,116**
Earnings before taxes		**136,513**	**133,612**
Income taxes	(14)	–30,358	–26,865
Profit/loss from continuing operations		**106,155**	**106,747**
DISCONTINUED OPERATIONS			
Profit/loss from discontinued operations (after taxes)	(15)	**0**	**451**
Consolidated net income		**106,155**	**107,198**
Attributable to:			
Owners of TÜV SÜD AG		97,420	100,466
Non-controlling interests	(16)	8,735	6,732

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

T 08 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2012

In €'000		2012		2011
Consolidated net income		**106,155**		**107,198**
Actuarial gains and losses from defined benefit pension plans and similar obligations		–385,909		–22,965
Available-for-sale financial assets				
Changes from unrealized gains and losses	1,088		532	
Changes from realized gains and losses	0	1,088	–9	523
Currency translation differences				
Changes from unrealized gains and losses	204		1,885	
Changes from realized gains and losses	0	204	–6,010	–4,125
Cash flow hedges				
Changes from unrealized gains and losses	–241		–991	
Changes from realized gains and losses	0	–241	0	–991
Investments accounted for using the equity method				
Changes from unrealized gains and losses	571		34	
Changes from realized gains and losses	0	571	0	34
Deferred taxes		118,874		–2,742
Other comprehensive income		**–265,413**		**–30,266**
Total comprehensive income		**–159,258**		**76,932**
Attributable to:				
Owners of TÜV SÜD AG		–161,132		70,120
Non-controlling interests		1,874		6,812

For more information please refer to note 17.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

T 09 **CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2012**

In €'000	Note	Dec. 31, 2012	Dec. 31, 2011*
ASSETS			
Intangible assets	(18)	281,439	231,707
Property, plant and equipment	(19)	376,666	367,110
Investment property	(20)	3,777	5,798
Investments accounted for using the equity method	(21)	33,359	23,849
Other financial assets	(22)	125,776	123,251
Other non-current assets	(23)	4,420	4,402
Deferred tax assets	(14)	176,689	67,938
Non-current assets		**1,002,126**	**824,055**
Inventories	(24)	2,683	3,230
Trade receivables	(25)	324,740	287,748
Income tax receivables		18,559	11,183
Other receivables and other current assets	(26)	61,514	58,469
Cash and cash equivalents	(27)	212,569	245,285
Non-current assets and disposal groups held for sale	(28)	652	6
Current assets		**620,717**	**605,921**
Total ASSETS		**1,622,843**	**1,429,976**
EQUITY AND LIABILITIES			
Capital subscribed	(29)	26,000	26,000
Capital reserve	(29)	124,354	124,354
Revenue reserves	(29)	187,394	354,661
Other reserves	(29)	2,812	1,365
Equity attributable to the owners of TÜV SÜD AG		**340,560**	**506,380**
Non-controlling interests		31,499	32,642
Equity		**372,059**	**539,022**
Provisions for pensions and similar obligations	(30)	716,996	386,307
Other non-current provisions	(31)	46,459	27,480
Non-current financial debt	(32)	68,886	73,294
Other non-current liabilities	(34)	10,066	13,206
Deferred tax liabilities	(14)	28,491	28,627
Non-current liabilities		**870,898**	**528,914**
Current provisions	(31)	107,155	117,416
Income tax liabilities		9,622	10,195
Current financial debt	(32)	9,454	9,739
Trade payables	(33)	78,278	64,578
Other current liabilities	(34)	175,377	160,112
Current liabilities		**379,886**	**362,040**
Total EQUITY AND LIABILITIES		**1,622,843**	**1,429,976**

* Prior-year figures restated; for more information please refer to note 6.

CONSOLIDATED STATEMENT OF CASH FLOWS

T 10 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2012

In €'000	2012	2011
Consolidated net income	106,155	107,198
Amortization, depreciation, impairment losses and write-ups of intangible assets, property, plant and equipment and investment property	57,550	52,386
Impairment losses and write-ups of financial assets	1,295	14,164
Change in deferred tax assets and liabilities recognized in the income statement	9,053	3,184
Gain/loss on disposal of non-current assets	–16,271	–8,700
Gain/loss on sale of shares in fully consolidated entities and business units	0	–27,164
Other non-cash income/expenses	–9,149	2,524
Change in inventories, receivables and other assets	–23,035	–9,449
Change in liabilities and provisions	32,561	20,416
Cash flow from operating activities	**158,159**	**154,559**
Cash paid for investments in		
intangible assets, property, plant and equipment and investment property	–71,723	–64,395
financial assets	–1,647	–3,843
securities	–28,216	–38,556
business combinations (net of cash acquired)	–50,832	–27,332
Cash received from disposals of		
intangible assets and property, plant and equipment	33,609	3,848
financial assets	54	7,370
securities	24,577	26,042
shares in fully consolidated entities and business units (net of cash disposed of)	0	41,081
Contribution to pension plans	–81,172	–46,533
Cash flow from investing activities	**–175,350**	**–102,318**
Dividends paid to owners of TÜV SÜD AG	–2,080	–2,080
Dividends paid to non-controlling interests	–3,799	–3,196
Proceeds from loans/repayments of loans incl. exchange rate effects	–12,481	8,677
Other cash received or paid	420	–3,880
Cash flow from financing activities	**–17,940**	**–479**
Net change in cash and cash equivalents	**–35,131**	**51,762**
Effect of currency translation differences and change in scope of consolidation on cash and cash equivalents	2,415	4,298
Cash and cash equivalents at the beginning of the period	245,285	189,225
Cash and cash equivalents at the end of the period	**212,569**	**245,285**
Additional information on cash flows included in cash flow from operating activities:		
Interest paid	3,778	3,305
Interest received	4,742	4,328
Income taxes paid	26,343	30,961
Income taxes refunded	3,180	1,059
Dividends received	1,296	1,105

For more information please refer to note 40.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

T 11 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2012

			Revenue reserves	
In €'000	Capital subscribed	Capital reserve	Actuarial gains and losses from defined benefit pension plans	Other revenue reserves
As of January 1, 2011	**26,000**	**124,354**	**57,610**	**225,136**
Total comprehensive income			–25,586	100,466
Dividends paid				–2,080
Change in scope of consolidation				–681
Other changes				–204
As of December 31, 2011	**26,000**	**124,354**	**32,024**	**322,637**
Total comprehensive income			–259,999	97,420
Dividends paid				–2,080
Change in scope of consolidation				–349
Other changes				–2,259
As of December 31, 2012	**26,000**	**124,354**	**–227,975**	**415,369**

	Other reserves						
	Currency translation differences	Available-for-sale financial assets	Cash flow hedges	Investments accounted for using the equity method	Equity attributable to the owners of TÜV SÜD AG	Non-controlling interests	Total equity
	7,667	9	–1,551	0	439,225	31,995	471,220
	–4,500	365	–652	27	70,120	6,812	76,932
					–2,080	–3,196	–5,276
					–681	–2,971	–3,652
					–204	2	–202
	3,167	374	–2,203	27	506,380	32,642	539,022
	420	757	–187	457	–161,132	1,874	–159,258
					–2,080	–3,799	–5,879
					–349	782	433
					–2,259		–2,259
	3,587	1,131	–2,390	484	340,560	31,499	372,059

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

1 | GENERAL INFORMATION

TÜV SÜD is a global technical services provider operating in the INDUSTRY, MOBILITY and CERTIFICATION Segments. Apart from our domestic market in GERMANY, TÜV SÜD has a presence in the WESTERN EUROPE, CENTRAL & EASTERN EUROPE, MIDDLE EAST/AFRICA, ASIA and AMERICAS Regions. The range of services covers testing, inspection and certification.

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

TÜV SÜD AG prepared its consolidated financial statements as of December 31, 2012 in accordance with the International Financial Reporting Standards (IFRSs) by exercising the option under Section 315a (3) HGB [»Handelsgesetzbuch«: German Commercial Code]. All IFRSs that are binding for the fiscal year 2012 and the pronouncements issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) have been applied to the extent that these have been adopted by the European Union.

On March 22, 2013, TÜV SÜD AG's Board of Management approved the 2012 consolidated financial statements for submission to the Supervisory Board.

2 | SCOPE OF CONSOLIDATION

In addition to TÜV SÜD AG, the consolidated financial statements as of December 31, 2012 include all material domestic and foreign companies in which TÜV SÜD AG holds either a direct or indirect majority of voting rights, or whose financial and operating policy it controls in some other manner. Special purpose entities (SPEs) which were formed for a closely defined purpose and where the Group does not have the majority of voting rights are allocated to subsidiaries if they are controlled by the Group from a substance over form perspective. This is the case especially when the business activities are exercised in accordance with TÜV SÜD AG's special requirements, TÜV SÜD AG has the power to obtain the majority of the benefits from the entity's activities, and the majority of the residual and ownership risks associated with the special purpose entity are retained by TÜV SÜD AG. The entities are included in the consolidated financial statements from the date on which the Group obtains the possibility of control.

Associated companies are accounted for in the consolidated financial statements using the equity method. Entities in which TÜV SÜD together with other venturers undertakes an economic activity that is subject to joint control (joint ventures) are also accounted for using the equity method.

The scope of consolidation changed as follows in the fiscal year 2012:

T 12 SCOPE OF CONSOLIDATION

Number of entities	Germany	Other countries	Total
TÜV SÜD AG and fully consolidated subsidiaries			
January 1, 2012	42	61	103
Additions	3	25	28
Disposals (including mergers)	–6	–3	–9
December 31, 2012	39	83	122
Associated companies accounted for using the equity method			
January 1, 2012	0	3	3
Additions	0	0	0
Disposals	0	0	0
December 31, 2012	0	3	3
Joint ventures accounted for using the equity method			
January 1, 2012	0	3	3
Additions	0	0	0
Disposals	0	0	0
December 31, 2012	0	3	3
Total			
January 1, 2012	42	67	109
Additions	3	25	28
Disposals (including mergers)	–6	–3	–9
December 31, 2012	39	89	128

The number of fully consolidated subsidiaries comprises three special purpose entities as in the prior year. They have been included in the consolidated financial statements in accordance with IAS 27 in conjunction with SIC 12 because the benefits from the entities' activities and the residual and ownership risks are exclusively attributable to TÜV SÜD AG on the basis of the contractual agreements despite the fact that it does not hold the majority of voting rights in the entities. The scope of consolidation was extended in 2012 to include

- 14 entities acquired in 2012
- 14 entities previously not consolidated which were consolidated for the first time due to their increased materiality

The disposals of fully consolidated entities relate to seven mergers within the Group and the removal of two entities without operations from the scope of consolidation.

Entities that are not material for the presentation of a true and fair view of the net assets, financial position and results of operations of the Group were not included in the consolidated financial statements. The impact of the option to forgo full consolidation amounts to a 0.2% fall in consolidated revenue (prior year: 0.7%) and a 0.9% increase in consolidated equity (prior year: 0.3%). Moreover, ten associated companies (prior year: nine) were not consolidated due to immateriality. The interests in the ATISAE group are measured at cost despite a 45.2% share in voting rights, as TÜV SÜD's actual involvement in the financial and operating policy decisions is not sufficient to claim or substantiate significant influence.

The separate financial statements of the subsidiaries, associated companies and joint ventures included in the consolidated financial statements were all prepared for the same period as the consolidated financial statements with the exception of those of one associated company (separate financial statements as of September 30).

The affiliated companies, associated companies and joint ventures included in the consolidated financial statements are listed in note 44 »Consolidated entities« along with the consolidation method applied. The list of the Group's entire shareholdings is published in the German Electronic Federal Gazette (elektronischer Bundesanzeiger) as an integral part of the notes to the financial statements.

3 | BUSINESS COMBINATIONS AND DIVESTITURES

Business combinations in the 2012 fiscal year

In fiscal 2012, TÜV SÜD made eleven acquisitions (including asset deals) which were immaterial individually and collectively had the following effect on the consolidated financial statements (based on the amounts as of the respective acquisition dates):

T 13 NET ASSETS ACQUIRED, GOODWILL AND PURCHASE PRICE OF BUSINESS COMBINATIONS IN FISCAL YEAR 2012

In €'000	Carrying amount before revaluation	Fair value as of acquisition date
Intangible assets and property, plant and equipment	7,583	26,510
Other assets (net of cash)	25,527	26,696
Cash and cash equivalents	5,555	5,555
Current liabilities	24,595	24,595
Non-current liabilities	6,976	10,334
Total net assets acquired	7,094	23,832
Interest in net assets acquired		23,580
Goodwill arising on acquisition		36,189
Consideration transferred in the business combinations (cash consideration)		59,769
Less fair value of contingent consideration		1,326
Plus adjustments from the remeasurement of previously held equity interests		1,028
Less cash acquired		5,555
Net cash paid for business combinations		53,916

Hidden reserves totaling € 17,198 thousand were identified in the brands, order backlog and customer relationships with useful lives of between two and 15 years. The weighted average useful life of intangible assets with a finite useful life is 10.6 years. In addition, accreditations and licenses with indefinite useful lives were recognized at a total amount of € 1,729 thousand.

The goodwill arising on these acquisitions includes in particular the value of the acquired workforce and expected synergy effects. Non-controlling interests were measured at the proportionate fair value of the acquiree's net assets. € 3,084 thousand of the net cash paid for business combinations was already paid in 2011.

Earn-out agreements were concluded with a term ending between December 31, 2012 and December 31, 2013. The future purchase price payments from the earn-out agreements, which depend on reaching specified revenue and earnings targets, were taken into account at their fair value. The fair value of the individual earn-out obligations was calculated as the respective present value of pay-out scenarios weighted according to their probability.

The assets acquired include trade receivables with a fair value of € 15,518 thousand as of the acquisition date. The gross volume of the contractual receivables amounted to € 17,104 thousand.

Acquisition-related costs of € 1,680 thousand were incurred and were recognized in other expenses in the income statement in the reporting year and in the prior year.

Acquisitions contributed € 38,839 thousand to revenue and € 1,579 thousand to the operating result of TÜV SÜD in the past fiscal year. The operating result does not contain any synergies stemming from acquisitions at existing legal entities of the TÜV SÜD Group. If the acquisitions had taken place as of January 1, 2012, the entities acquired would have contributed € 65,250 thousand to consolidated revenue and € 150 thousand to the Group's operating result for the twelve months ended December 31, 2012.

As of December 31, 2012, the calculation of the fair values of the assets acquired, the liabilities and contingent liabilities assumed and the goodwill for five out of eleven business combinations was not yet complete. This means that the amounts presented are provisional.

The acquisitions described above are expected to result in goodwill of € 1,750 thousand that will be tax deductible.

It is not possible to provide information on business combinations with an acquisition date after the reporting date but prior to completion of these financial statements, as audited opening statements of financial position as of the acquisition date are not yet available.

Business combinations in the 2011 fiscal year

In fiscal 2011, TÜV SÜD made seven acquisitions which were immaterial individually and collectively had the following effect on the consolidated financial statements (based on the amounts as of the respective acquisition dates):

T 14 NET ASSETS ACQUIRED, GOODWILL AND PURCHASE PRICE OF BUSINESS COMBINATIONS IN FISCAL YEAR 2011

In €'000	Carrying amount before revaluation	Fair value as of acquisition date
Intangible assets and property, plant and equipment	2,242	17,540
Other assets (net of cash)	6,656	6,656
Cash and cash equivalents	2,494	2,494
Current liabilities	6,570	6,570
Non-current liabilities	158	4,272
Total net assets acquired	4,664	15,848
Interest in net assets acquired		15,848
Goodwill arising on acquisition		16,221
Consideration transferred in the business combinations (cash consideration)		32,069
Less fair value of contingent consideration		2,243
Less cash acquired		2,494
Net cash paid for business combinations		27,332

Hidden reserves totaling € 15,298 thousand were identified in order backlog, customer relationships, and accreditations at the acquirees and acquired operations. They are amortized over useful lives of between two and 15 years.

The assets acquired included trade receivables with a fair value of € 4,185 thousand as of the acquisition date. The gross volume of the contractual receivables amounted to € 4,264 thousand.

Acquisition-related costs of € 439 thousand were incurred and were recognized in other expenses in the income statement in fiscal year 2010 and 2011.

In fiscal 2012, there were no major adjustments to the presentation of business combinations considered provisional as of December 31, 2011.

Divestitures in the 2012 fiscal year

There were no divestitures in fiscal 2012.

Divestitures in the 2011 fiscal year

As of April 15, 2011, TÜV SÜD sold all shares in the Msource group to the Italian CROM group. The activities of the Msource group were reported in the consolidated financial statements as of December 31, 2010 under discontinued operations or non-current assets and disposal groups held for sale as well as associated liabilities. The removal of the Msource group (which was written down to an expected selling price of € 4,000 thousand as of December 31, 2010) from the scope of consolidation led to income of € 370 thousand, which was reported in the income statement as profit from discontinued operations (cf. note 15).

As part of the portfolio streamlining the fully consolidated subsidiaries PSB Academy Pte. Ltd. (PSB Academy), Singapore, and PSB Technologies Pte. Ltd. (PSB Technologies), Singapore, were sold in June 2011. These transactions did not meet the criteria in IFRS 5 for reporting discontinued operations. The assets and liabilities of the entities were not reported under non-current assets and disposal groups held for sale as of December 31, 2010, as the entities were not yet available for immediate sale in their condition at that time. Removing PSB Academy from the scope of consolidation resulted in a gain before selling costs of € 27,546 thousand in total, which is reported under other income. The loss of € 923 thousand from removing PSB Technologies from the scope of consolidation is included in other expenses.

In fiscal 2011, TÜV SÜD also sold e4t electronics for transportation s.r.o., Czech Republic, as well as Novo Quality Services (Malaysia) Sdn. Bhd., Malaysia, which were both deconsolidated at the beginning of October 2011. The assets and liabilities of both entities were reported in non-current assets and disposal groups held for sale as well as associated liabilities as of December 31, 2010. The gain on deconsolidation of the two entities amounted to € 171 thousand and is included in other income.

Based on the figures as of the respective selling date, the divestitures affected the consolidated financial statements of TÜV SÜD AG as follows:

T 15 DECONSOLIDATION EFFECTS FROM DIVESTITURES IN 2011

In €'000	Msource	PSB Academy	PSB Technologies	Other	Total
Intangible assets and property, plant and equipment	4,188	18,822	6,859	143	30,012
Other assets (net of cash)	6,095	4,477	8,566	1,233	20,371
Cash and cash equivalents	1,094	4,657	6,389	700	12,840
Current liabilities	5,818	9,300	12,057	1,117	28,292
Non-current liabilities	1,357	933	241	6	2,537
Total net assets disposed of	**4,202**	**17,723**	**9,516**	**953**	**32,394**
Accumulated other comprehensive income	–172	–3,310	–1,569	299	–4,752
Non-controlling interests	0	0	0	–438	–438
Gain (+)/loss (–) on deconsolidation	370	27,546	–923	171	27,164
Selling prices	**4,400**	**41,959**	**7,024**	**985**	**54,368**
Thereof settled by cash payments	4,400	41,959	6,577	985	53,921

4 | CONSOLIDATION PRINCIPLES

The consolidated financial statements are based on the annual financial statements of TÜV SÜD AG and the subsidiaries included in consolidation, prepared in accordance with uniform accounting policies.

The acquisition of subsidiaries and businesses is accounted for using the acquisition method. The cost of a business combination is measured based on the fair value of the assets acquired and liabilities assumed or entered into as of the acquisition date. The acquisition-related costs of a business combination are accounted for as expenses in the periods in which the costs are incurred. The identifiable assets acquired and liabilities assumed (including contingent liabilities) in a business combination are measured at their fair values at the acquisition date regardless of the extent of any non-controlling interests. Uniform accounting policies are used for this purpose. Any adjustments of contingent consideration that were reported as a liability at the time of the acquisition are posted through the income statement. The only exception is for adjustments within twelve months of the acquisition date if more accurate findings lead to information on adjusting events relating to the circumstances as of the transaction date. In this case, the cost and thus the goodwill is adjusted. Non-controlling interests are measured either at the fair value of assets acquired and liabilities assumed (full goodwill method) or at the fair value of their proportionate share. After initial recognition, profits and losses are allocated in proportion to the shareholding and without restriction. Consequently non-controlling interests may also have a negative balance. For business combinations achieved in stages, the shares held are remeasured at their fair value on the date control is obtained.

Revenue, expenses and income as well as receivables and liabilities between consolidated entities are eliminated. Intercompany profits from transactions within the Group are also eliminated.

5 | CURRENCY TRANSLATION

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

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

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

T 16 SELECTED EXCHANGE RATES

	Closing rate		Annual average rate	
	Dec. 31, 2012	Dec. 31, 2011	2012	2011
US dollar (USD)	1.3194	1.2939	1.2854	1.3916
Pound sterling (GBP)	0.8161	0.8353	0.8110	0.8678
Singapore dollar (SGD)	1.6111	1.6782	1.6063	1.7485
Turkish lira (TRY)	2.3551	2.4432	2.3143	2.3349
Chinese renminbi (CNY)	8.2207	8.1588	8.1083	8.9954

6 | ACCOUNTING POLICIES

Revenue mainly consists of income from services and is recorded as soon as the services have been provided. Revenue from longer-term contracts is recognized pursuant to IAS 18.20 using the percentage-of-completion method. This involves recognizing costs and revenue in line with the degree to which the contract has been completed. The percentage of completion per contract to be recognized is calculated as the ratio of the actual costs incurred to overall anticipated costs of the project (»cost-to-cost method«). If the result of a service contract cannot be determined reliably, revenue is only recognized at the amount of the contract costs incurred (»zero profit method«). Contract costs are recognized as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Own work capitalized is recognized for expenses incurred in the past fiscal year for internally generated intangible assets or self-constructed assets. Own work that can be capitalized is recognized at cost and written down over the useful life of the asset.

Contract-related goods and services are recognized as **purchased services**.

Discontinued operations are reported as soon as a component of an entity is classified as held for sale or has already been disposed of and if the component represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

The profit/loss from discontinued operations is reported separately in the consolidated income statement and includes both the earnings from the business activities and the sale of the operations as well as the profits and losses from the measurement of the operations at fair value less costs to sell and the respective taxes incurred.

Intangible assets include goodwill as well as acquired and internally generated intangible assets.

Goodwill arising on a business combination is recorded as an asset when the Group obtains control (acquisition date). It corresponds to the amount by which the acquisition cost of a business combination exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities on the date of the business combination and is recorded in the functional currency of the respective foreign operation. Goodwill is not subject to amortization but is tested for impairment at least once a year or whenever there is any indication of impairment, and written down if appropriate (impairment only approach). This impairment test is based on cash generating units (CGUs) and compares the recoverable amount with the carrying amount. Where the cash generating unit's carrying amount exceeds its recoverable amount, an impairment loss is recognized on goodwill to account for the difference. Impairment losses recognized on goodwill are not reversed. The cash generating units correspond to the Group's divisions which are managed on a worldwide basis as of 2010. The recoverable amount is the higher of fair value less costs to sell and value in use. The fair value less costs to sell is derived from management's approved three-year plan, with the aid of the discounted cash flow method. The key assumptions made in determining fair value are the growth rates of the cash flows in the planning period, the CGU-specific cost of capital and the forecast sustainable growth rate after the end of the planning period. The planned cash flows are based mainly on estimates by the management of TÜV SÜD of the current and future market environment. Cost of capital is based on the weighted average cost of capital (WACC)

of the TÜV SÜD Group adjusted for the specific risk profile inherent in the cash flows budgeted for the cash generating unit in question. The sustainable growth rate used is the forecast long-term rate of the cash generating unit's market growth.

Other intangible assets acquired for a consideration, such as software or accreditations, are valued at cost. This item also includes assets identified in the course of purchase price allocations such as customer relationships, brand name rights and non-compete agreements.

Internally generated intangible assets such as software or development costs are stated at cost if it is probable that the economic benefits arising from the intangible asset will flow to the entity and the costs can be measured reliably and that both the technical feasibility and the sale or use of the newly developed assets is guaranteed. Cost comprises the costs directly and indirectly allocable to the development process. Research costs are expensed as incurred.

Intangible assets with finite useful lives are amortized using the straight-line method over a period of three to 20 years. Intangible assets with an indefinite useful life are tested for impairment each year instead of being amortized.

Property, plant and equipment are accounted for at cost less accumulated depreciation and any impairment losses. Depreciation is generally charged using the straight-line method. Buildings and parts of buildings are depreciated over a maximum period of 40 years, technical equipment over a period of between five and 15 years, and furniture and fixtures over a period of between eight and 13 years.

If an asset necessarily takes a substantial period of time to get ready for its intended use, the **borrowing costs** directly attributable to its production are capitalized as part of the respective asset.

Rented or leased property, plant and equipment that are economically attributable to TÜV SÜD (finance leases) are recognized in the statement of financial position at the lower of the net present value of the minimum lease payments or the fair value. The economic title to the leased asset is allocated to the lessee in cases in which it bears substantially all risks and rewards incidental to ownership of the leased asset. The leased asset is depreciated over the shorter of the lease term and its useful life. Net rental payments made under operating leases are charged to the income statement over the term of the lease.

TÜV SÜD's **investment properties** that are mainly held for rental to third parties are stated at cost less accumulated depreciation. Buildings and parts of buildings are depreciated using the straight-line method over a maximum period of 40 years.

At each reporting date, the Group assesses whether there is any indication that the carrying amounts of intangible assets, property, plant and equipment and investment property may be subject to **impairment**. If any such indication exists, an impairment test is performed. For this purpose, the recoverable amount is determined for the asset concerned, which is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the expected future cash flows. If it is not possible to determine the recoverable amount for an individual asset, the recoverable amount is determined for the smallest identifiable group of assets (cash generating unit) to which the asset can be allocated and which generates cash inflows that are largely independent of the cash inflows from other (groups of) assets. If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced and the impairment loss is recognized immediately in the income statement. For all assets other than goodwill, the following rule applies: if the recoverable amount of the asset or cash generating unit increases again after recognition of the impairment loss, the

impairment loss is reversed. However, the asset's or cash generating unit's carrying amount must not exceed the carrying amount that would have been determined net of amortization or depreciation had no impairment loss been recognized. A reversal of an impairment loss is recognized immediately in the income statement.

Investments accounted for using the equity method are recognized at cost upon acquisition. In subsequent periods, the carrying amounts of equity investments in associated companies or joint ventures are increased or decreased each year by the proportionate net income, distributed dividends or other changes in equity, in accordance with the equity method. The principles of purchase price allocation for full consolidation are applied by analogy to the first-time measurement of investments accounted for using the equity method. Any goodwill is assessed in connection with impairment tests for the equity investment (IAS 39) or joint venture. Goodwill is not amortized. Interim financial statements for periods ended no more than three months prior to the end of the reporting period are used for the measurement of investments accounted for using the equity method which have a diverging fiscal year.

Other financial assets particularly include shares in non-consolidated affiliated companies, participations, loans and securities. Pursuant to IAS 39, financial assets are divided into the following categories »at fair value through profit or loss«, »available for sale«, and »held to maturity«. The fourth category is »loans and receivables« originated by the entity. By definition, the category of »financial assets at fair value through profit or loss« includes derivative financial instruments for which no hedge accounting is applied. TÜV SÜD does not use this category for any other financial instruments. There are also no financial instruments that are held to maturity by TÜV SÜD. The »available-for-sale financial assets« category includes shares in non-consolidated affiliated companies, participations and non-current and current securities. They are measured at fair value. The unrealized gains and losses resulting from valuation are posted directly to other reserves within equity, taking deferred taxes into account. The reserve is released to income, either upon disposal or when the fair value falls permanently below cost. The fair value of traded securities corresponds to their market value. In the absence of a market value for shares in affiliated companies and participations, they are measured at amortized cost. Loans fall under the category of »loans and receivables«, and are stated at amortized cost.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts in the IFRS statement of financial position and the tax basis of the assets and liabilities, as well as for consolidation measures with an effect on income. In addition, taxes are deferred for tax loss carryforwards provided the realization of such carryforwards is sufficiently certain. Deferred taxes are calculated on the basis of the anticipated tax rates at the time of realization. Deferred tax assets and liabilities are netted out for each entity and/or tax group.

Inventories are valued at the lower of cost or net realizable value.

Trade receivables are valued at cost less any impairment losses. In some cases, impairment losses are recognized using an allowance account. The decision of whether to account for a default risk by using an allowance account or by directly writing down the receivable depends upon the ability to reliably estimate the risk involved. Specific and portfolio-based allowances are generally recognized in proportion to the anticipated default risk.

Trade receivables from unbilled service contracts are accounted for using the percentage-of-completion method in accordance with IAS 18.20. Anticipated losses from

ongoing contracts are taken into account if they can be reliably estimated, and are directly deducted from the corresponding receivables. If this results in a negative balance, this is posted to current liabilities according to the percentage-of-completion method. Advance payments received for client orders are stated without offsetting in current liabilities.

Other receivables and other assets are valued at cost less valuation allowances. Specific valuation allowances are recognized in relation to the anticipated default risks.

Derivative financial instruments are mainly used to hedge interest and exchange rate risks. The range of instruments used comprises forward exchange transactions, combined interest rate and currency swaps as well as interest rate swaps. Derivative financial instruments are held without an intention to sell and serve to hedge underlying transactions. They are recognized as an asset or liability when the transaction is entered into and are subsequently generally measured at fair value in accordance with the categories set forth in IAS 39. They are measured using generally accepted valuation techniques and instrument-specific market parameters. The input parameters used in the net present value models are the relevant market prices and interest rates as of the reporting date.

Hedge accounting is only used for significant transactions in the TÜV SÜD Group. With respect to existing cash flow hedges that are used to hedge against risks from fluctuation in future cash flows, the effective portion of the change in fair value of the derivative is initially recognized in other comprehensive income. The ineffective part, as well as changes in the market value of derivatives that do not meet the criteria of hedge accounting, are recorded directly in the income statement. Where hedge effectiveness is outside the range of 80% to 125%, the hedging relationship is released.

Cash and cash equivalents contain cash in hand and other liquid financial assets with an original term to maturity of no more than three months. They are carried at nominal value or at fair value through profit or loss.

Non-current assets and disposal groups held for sale relate to assets that can be sold in their present condition and whose sale is highly probable. Management has committed to a plan to sell the asset and the sales transaction is expected to be completed within one year from classification. This can involve individual non-current assets, groups of assets (disposal groups) or components of an entity (discontinued operations). Liabilities to be sold together with assets in a single transaction are part of a disposal group or discontinued operations and are reported separately as **liabilities associated with non-current assets and disposal groups held for sale**. Non-current assets held for sale are no longer amortized or depreciated. Instead they are stated at their fair value less costs to sell from the date of classification provided that this is lower than the carrying amount.

Provisions for pensions and similar obligations are valued using the actuarial projected unit credit method for defined benefit pension plans. The amount shown on the statement of financial position represents the current value of the pension obligation after offsetting the fair value of plan assets as of the reporting date. The calculation is based on actuarial reports and biometric assumptions. Actuarial gains and losses are recognized in full in the fiscal year in which they occur. They are charged directly against revenue reserves, taking deferred taxes into account, and reported outside of the income statement as a component of other comprehensive income in the statement of comprehensive income. They do not affect the income statement in subsequent periods either. The interest portion of pension expenses and the expected return on plan assets are posted to the financial result.

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

Financial debt is measured at amortized cost using the effective interest method. Transaction costs are also taken into account when determining acquisition cost. Liabilities from finance leases are stated at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

Trade payables and other liabilities are recognized at amortized cost, except for derivative financial instruments.

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the TÜV SÜD Group. A present obligation also constitutes a contingent liability when an outflow of resources embodying economic benefits is not sufficiently probable in order to recognize a provision or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recorded in the statement of financial position; they are disclosed in the notes to the financial statements instead. The carrying amounts are based on a best estimate of the expenses expected to meet the contingent liability.

Estimates

The preparation of the consolidated financial statements requires that assumptions or estimates be made for some items which have an effect on the values stated in the statement of financial position, the disclosure of contingent liabilities and the recognition of income and expenses. This particularly relates to the measurement parameters for pension obligations and other provisions, goodwill and deferred tax assets recognized on tax loss carryforwards. Actual amounts may differ from the estimates.

Goodwill is tested for impairment at least once a year. Key estimate parameters include the sustainable long-term growth rates as well as the cash flows allocable to cash generating units and the risk adjustment per cash generating unit of the TÜV SÜD Group's weighted average cost of capital. A 10% reduction in the cash flows, an increase in the weighted average cost of capital by one percentage point or a decrease in the sustainable growth rate by one percentage point, which are used to calculate the cash generating units' fair value less costs to sell, would only result in an impairment loss in the Automotive cash generating unit. Even if all negative estimated variances occur, this would only have a minor impact on the Group's earnings.

The defined benefit obligations and the pension expenses for the subsequent year are calculated using the actuarial parameters given in note 30. As in the prior year, the discount rate in Germany is calculated in accordance with the procedure developed by the Group's actuary Towers Watson Deutschland GmbH, Wiesbaden, to determine the discount rate for the measurement of pension obligations (»GlobalRate: Link« procedure).

Increasing or decreasing the discount rate by 0.5% would result in a decrease/increase in pension obligations by

€ 116 million/€ 131 million. Discrepancies between the anticipated development of salaries and pensions and actual collective wage increases and between expected and actual return on plan assets in the respective fiscal year would produce a much lower effect. Such a change of the parameters would, however, have no impact on the consolidated net income for the year, as actuarial gains and losses are immediately posted directly to equity.

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

Restatement of prior-year figures

The prior-year statement of financial position as of December 31, 2011 was adjusted in accordance with the presentation of figures as of December 31, 2012. For receivables and liabilities relating solely to reimbursable costs in connection with the fleet management, this involved reclassifying a figure of € 8,702 thousand (prior year: € 5,367 thousand) to miscellaneous financial assets within the item for other receivables and other current assets and reclassifying a figure of € 3,280 thousand (prior year: € 3,686 thousand) to miscellaneous financial liabilities within the item for other current liabilities. In the prior year, these were still reported in trade receivables and trade payables respectively.

Accounting standards adopted for the first time in the reporting year

The amendments to IFRS 7 »Financial Instruments: Disclosures« relate to additional mandatory disclosures when transferring financial assets. First-time adoption of this amendment in the notes to the consolidated financial statements as of December 31, 2012 did not have any effect.

The other new accounting standards are not relevant for the consolidated financial statements of TÜV SÜD AG as of December 31, 2012.

New accounting standards that are not yet mandatory

The application of the following standards, interpretations and amendments of standards, which were issued by the IASB and adopted by the EU prior to the preparation of TÜV SÜD's consolidated financial statements, is only mandatory for reporting periods beginning after January 1, 2012. TÜV SÜD decided not to early adopt such standards on a voluntary basis.

T 17 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS THAT ARE NOT YET MANDATORY

Standard / interpretation	Effective date	Anticipated impact on TÜV SÜD AG's consolidated financial statements
Amendments to IAS 1 »Presentation of Financial Statements« – Presentation of Items of Other Comprehensive Income	July 1, 2012	The presentation of the items of other comprehensive income will be adjusted.
Amendments to IAS 19 »Employee Benefits«	January 1, 2013	The effects are currently under review.
Amendments to IAS 27 »Separate Financial Statements«	January 1, 2014	No consequences are expected for the consolidated financial statements.
Amendments to IAS 28 »Investments in Associates and Joint Ventures«	January 1, 2014	No consequences are expected for the consolidated financial statements.
Amendments to IAS 32 »Financial Instruments: Presentation« – Offsetting Financial Assets and Financial Liabilities	January 1, 2014	No significant consequences are expected for the consolidated financial statements.
Amendments to IFRS 1 »First-time Adoption of International Financial Reporting Standards« – Government Loans	January 1, 2013	This amendment is not relevant for TÜV SÜD.
Amendments to IFRS 7 »Financial Instruments: Disclosures« – Offsetting Financial Assets and Financial Liabilities	January 1, 2013	No significant consequences are expected for the consolidated financial statements.
IFRS 10 »Consolidated Financial Statements«	January 1, 2014	The effects are currently under review.
IFRS 11 »Joint Arrangements«	January 1, 2014	The effects are currently under review.
IFRS 12 »Disclosure of Interests in Other Entities«	January 1, 2014	The effects are currently under review.
IFRS 13 »Fair Value Measurement«	January 1, 2013	The effects are currently under review.
IFRIC 20 »Stripping Costs in the Production Phase of a Surface Mine«	January 1, 2013	This interpretation is not relevant for TÜV SÜD.

The main amendment to IAS 19 »Employee Benefits« is the abolition of the option when recognizing unexpected fluctuations in pension obligations and plan assets, referred to as actuarial gains and losses. In the past, these could either be taken into account in the income statement, in other comprehensive income, or in a subsequent period using what was referred to as the corridor method. In future, immediate recognition in other comprehensive income is the only permissible method. This new regulation does not have any effect on TÜV SÜD, as the method prescribed for the future is already used in the consolidated financial statements.

In addition, the expected return on plan assets is currently calculated based on the subjective expectations of management when calculating the value of the investment portfolio. IAS 19 (revised 2011) now only provides for a standardized return on plan assets at the current discount rate for pension obligations. For TÜV SÜD, this will result in a drop in the financial result in 2013 and a trend towards increasing other comprehensive income.

As a result of the amended definition of termination benefits, the top-up amounts promised as part of »Altersteilzeit« (German phased retirement) agreements will in future constitute other long-term employee benefits. The resulting effects are currently under review.

Furthermore, additional disclosures on the characteristics of the pension plans and the associated risks for the entity are required.

Three new standards on accounting for relationships between entities were issued as IFRS 10 »Consolidated Financial Statements«, IFRS 11 »Joint Arrangements« and IFRS 12 »Disclosure of Interests in Other Entities«. At the same time, amended versions of IAS 27 »Separate Financial Statements« and IAS 28 »Investments in Associates and Joint Ventures« were also issued.

IFRS 10 redefines the concept of control in detail. This new standard could have an effect on the scope of consolidation; this potential effect is currently being reviewed.

IFRS 11 provides new rules for accounting for jointly controlled activities. Based on the new concept, it is necessary to distinguish between a joint operation and a joint venture. In the case of joint operations, the individual rights and obligations must be recognized in the consolidated financial statements in relation to the interest held in the arrangement. By contrast, interests in joint ventures must be accounted for using the equity method. The effects of these new rules are currently being assessed.

IFRS 12 extends the existing disclosure requirements in relation to interests in other entities and summarizes these in one standard.

IFRS 13 »Fair Value Measurement« contains a definition of fair value as well as rules on how to calculate fair value if other IFRSs prescribe measurement at fair value. The new standard can lead to fair values that differ from those calculated using previous standards.

The table below shows those standards, interpretations and amendments to existing standards issued by the IASB which have not yet been adopted by the EU and which are therefore not applicable for IFRS financial statements prepared pursuant to Section 315a HGB.

T 18 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED BY THE EU THAT ARE NOT YET MANDATORY

Standard/interpretation	Effective date	Anticipated impact on TÜV SÜD AG's consolidated financial statements
IFRS 9 »Financial Instruments: Classification and Measurement« and Amendments to IFRS 9 and IFRS 7 – Mandatory Effective Date and Transition Disclosures	January 1, 2015	The effects are currently under review.
Amendments to IFRS 10 »Consolidated Financial Statements«, to IFRS 11 »Joint Arrangements« and to IFRS 12 »Disclosure of Interests in Other Entities« – Transitional Guidance	January 1, 2014	The effects are currently under review.
Amendments to IFRS 10 »Consolidated Financial Statements«, to IFRS 12 »Disclosure of Interests in Other Entities« and to IAS 27 »Separate Financial Statements« – Investment Entities	January 1, 2014	This amendment is not relevant for TÜV SÜD.
Various standards »Annual Improvements to IFRSs 2009–2011 Cycle«	January 1, 2013	No significant consequences are expected for the consolidated financial statements.

IFRS 9 »Financial Instruments« is the result of the first of three phases of the project to replace IAS 39. IFRS 9 amends the recognition and measurement rules for financial instruments. In future, financial assets will be classified and measured in just two groups: at amortized cost and at fair value. The rules for financial liabilities will be more or less taken from IAS 39 without change. The final regulations on impairment of financial instruments and hedge accounting (phases two and three) are still outstanding. The adoption of IFRS 9 will have an effect on the accounting for financial instruments, which is reviewed on a continuous basis. Prior periods do not need to be amended during first-time application, but there are disclosure requirements regarding the effects stemming from first-time application. There are no plans for early adoption of this standard.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

7 | REVENUE

Consolidated revenue was generated by the individual segments, divisions and regions as follows:

T 19 REVENUE BY SEGMENT AND DIVISION

In €'000	2012	2011
Industry Service Division	495,778	469,624
Real Estate Service & Infrastructure Division	183,971	156,478
Rail Division	45,303	38,267
Total INDUSTRY Segment	725,052	664,369
Auto Service Division	525,597	490,870
Automotive Division	47,043	50,206
Life Service Division	53,403	52,046
Total MOBILITY Segment	626,043	593,122
Product Service Division	286,613	246,986
Management Service Division	124,179	111,367
Academy Division	56,075	59,522
Total CERTIFICATION Segment	466,867	417,875
Other	2,640	2,373
	1,820,602	1,677,739

T 20 REVENUE BY REGION

In €'000	2012	2011
GERMANY	1,133,970	1,097,410
WESTERN EUROPE	196,795	151,539
CENTRAL & EASTERN EUROPE	60,991	58,626
MIDDLE EAST/AFRICA	35,680	19,602
Subtotal EMEA	1,427,436	1,327,177
ASIA	235,944	212,525
AMERICAS	157,222	138,037
	1,820,602	1,677,739

Revenue relates mainly to service contracts recognized using the percentage-of-completion method.

8 | PERSONNEL EXPENSES

T 21 PERSONNEL EXPENSES

In €'000	2012	2011
Wages and salaries	874,215	797,455
Social security contributions and other benefit costs	114,714	104,267
Retirement benefit costs	74,968	69,838
Incidental personnel costs	17,539	14,593
	1,081,436	986,153

The rise in wages and salaries including social security and other benefit costs is a result of the expansion of the workforce in Germany and other countries, due among other things to changes in the scope of consolidation, and also of collective wage increases which became effective in the reporting period.

Retirement benefit costs also include employer contributions to state pensions.

Personnel expenses include expenses totaling € 9,538 thousand (prior year: € 10,658 thousand) for leasing civil servants from the German state of Hesse. These employees are assigned the same operational tasks as employees of TÜV Technische Überwachung Hessen GmbH, Darmstadt, in the review of plant and equipment requiring inspection and in vehicle inspections and driving tests under the accreditation which authorizes TÜV SÜD to operate the road vehicle technical inspectorate and the official vehicles inspection body.

The TÜV SÜD Group had an average headcount (full-time equivalents) of 17,227 employees in the reporting year (prior year: 16,018 employees). The Group's workforce mainly comprises salaried employees.

9 | AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES

T 22 AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES

In €'000	2012	2011
Amortization and depreciation		
of intangible assets	15,222	13,667
of property, plant and equipment	42,111	38,093
of investment property	115	99
Impairment losses	453	527
	57,901	52,386

The impairment losses relate to a building that was written down to its lower fair value. The prior-year figure stemmed from impairment losses relating to brands and customer relationships acquired in the course of acquisitions.

10 | OTHER EXPENSES

T 23 **OTHER EXPENSES**

In €'000	2012	2011
Travel expenses	79,727	71,230
Rental and maintenance expenses	76,075	71,964
Cost of purchased administrative services	32,050	31,202
Fees, contributions, consulting and audit costs	24,794	17,177
IT costs	24,548	16,459
Telecommunication costs	19,402	18,033
Marketing costs	18,289	17,294
Other taxes	6,567	7,371
Impairment losses on trade receivables (including amounts derecognized)	6,155	4,533
Miscellaneous other expenses	70,823	63,239
	358,430	318,502

11 | OTHER INCOME

T 24 **OTHER INCOME**

In €'000	2012	2011
Income from the reversal of provisions	8,996	6,673
Gain on the disposal of non-current assets	5,416	2,639
Income from other transactions not typical for the company	4,526	4,244
Currency translation gains	4,358	4,129
Reimbursements under the German phased retirement scheme	119	1,038
Income from the deconsolidation of PSB Academy	0	27,546
Miscellaneous other income	20,440	19,223
	43,855	65,492

The gain on the disposal of non-current assets is mainly attributable to the sale of real estate of TÜV SÜD AG. Miscellaneous other income encompasses a large number of individual matters.

In the prior year, other income included the gain on deconsolidation of PSB Academy.

12 | GOVERNMENT GRANTS

In the reporting period, government grants totaling € 1,222 thousand (prior year: € 1,409 thousand) were released to income. The grants are not contingent on any future conditions being met.

13 | FINANCIAL RESULT

T 25 FINANCIAL RESULT

In €'000		2012		2011
Income from investments accounted for using the equity method		**8,941**		**1,472**
Interest income from securities		2,318		2,642
Interest income from loans		17		29
Other interest and similar income		2,393		1,999
Interest income		**4,728**		**4,670**
Net finance costs for pension provisions		–18,717		–23,166
Interest cost from finance leases		–155		–188
Other interest and similar expenses		–11,078		–4,045
Interest expenses		**–29,950**		**–27,399**
Income/loss from participations				
Financial income from participations	980		8,767	
Finance costs from participations	–2,802	–1,822	–13,318	–4,551
Currency gains/losses from financing measures				
Currency translation gains	7,397		7,243	
Currency translation losses	–6,677	720	–10,844	–3,601
Sundry financial result				
Sundry financial income	1,051		327	
Sundry finance costs	–193	858	–1,034	–707
Other financial result		**–244**		**–8,859**
		–16,525		**–30,116**

The increase in income from investments accounted for using the equity method from € 1,472 thousand to € 8,941 thousand is primarily due to the proportionate net income of € 7,861 thousand generated by the Turkish joint venture companies (prior year: € 607 thousand). In addition to an improvement in the operating result, the rise in income is due to the reversal of the negative exchange rate influences of the prior year amounting to € –3,387 thousand to a positive currency effect of € 875 thousand from the exchange rate of the Turkish lira against the US dollar and euro as well as other smaller effects.

The total interest income from assets and liabilities not measured at fair value through profit or loss amounted to € 4,728 thousand (prior year: € 4,670 thousand). The total interest expense amounted to € 11,233 thousand in the fiscal year 2012 (prior year: € 4,233 thousand). € 4,648 thousand of the sharp rise in interest expenses is attributable to the effect of the interest rate change on the unwinding of the discount on provisions for anniversary bonuses and medical benefits.

Net finance costs for pension provisions consist of interest costs for pension and termination benefit obligations amounting to € 63,991 thousand (prior year: € 63,496 thousand) and an expected return on plan assets totaling € 45,274 thousand (prior year: € 40,330 thousand).

The financial income from participations encompasses distributions as well as income from the adjustment of contingent consideration. In the prior year, the income from participations rose chiefly on account of the gain on

disposal of the participation in James Cook Australia Institute of Higher Learning Pte. Ltd. (JCU), Singapore, amounting to € 7,573 thousand. The finance costs from participations include in particular impairment losses of € 2,145 thousand (prior year: € 13,318 thousand) on shares in non-consolidated affiliated companies. In the prior year, these related first and foremost to the impairment of the interests in the ATISAE group totaling € 12,500 thousand. Negative earn-out adjustments also reduced the income/loss from participations.

Currency translation gains/losses from financing measures stem from the measurement as of the reporting date of loans in foreign currency and the corresponding hedging effects. The measurement of the US dollar loan of TÜV SÜD Bursa A.S. (TÜV SÜD Bursa), Osmangazi-Bursa, Turkey, led to a currency translation gain of € 1,101 thousand (prior year: loss of € 3,464 thousand).

In particular, the sundry financial result contains income from write-ups and impairment losses on loans.

14 | INCOME TAXES

T 26 INCOME TAXES

In €'000		2012		2011
Current taxes		21,350		26,335
Deferred taxes				
on temporary differences	8,729		7,340	
on tax loss carryforwards	279	9,008	–6,810	530
		30,358		26,865

Current tax expenses for the fiscal year 2012 include income of € 2,551 thousand (prior year: € 541 thousand) for current taxes from prior periods.

The following reconciliation for the TÜV SÜD Group presents a summary of the individual entity-specific reconciliations prepared using the respective local tax rates taking consolidation entries into account. The expected income tax expense from continuing operations is reconciled to the effective income tax expense from continuing operations as reported.

T 27 TAX RECONCILIATION

In €'000	2012	2011
Profit/loss from continuing operations before income taxes	136,513	133,612
Expected tax rate	30.2%	30.2%
Expected income tax expense	**41,227**	**40,351**
Tax rate differences	–2,744	–8,457
Tax reductions due to tax-free income	–9,411	–9,160
Tax increases due to non-deductible expenses	7,519	10,673
Tax effect on accounting for associated companies and joint ventures using the equity method	–2,700	–445
Current and deferred taxes for prior years	–2,719	622
Changes in valuation allowances on deferred taxes and unrecognized deferred tax assets on tax loss carryforwards	–1,389	–7,245
Effect of changes in tax rate	99	241
Other differences	476	285
Income tax expense from continuing operations as presented in the income statement	**30,358**	**26,865**
Effective tax rate	**22.2%**	**20.1%**

The prior-year tax rate differences and tax-free income were attributable in the main to the gains on disposal of subsidiaries and participations.

In the prior year, the tax increases due to non-deductible expenses included among other things the tax-neutral impairment of the interests in the ATISAE group.

Valuation allowances on deferred taxes on tax loss carryforwards of € 1,459 thousand (prior year: € 9,684 thousand) were reversed in the current period, as it has become probable that these loss carryforwards can be used in future.

The expected tax rate of 30.2% (prior year: 30.2%) is unchanged in its components compared to the prior year and results from applying the German corporate income tax rate of 15.0% plus the solidarity surcharge of 5.5% and a trade tax rate of 14.4% based on an average trade tax multiplier of 410%.

Deferred taxes are generally recognized based on the tax rates applicable at each individual entity. For convenience, a uniform tax rate of 30.2% (prior year: 30.2%) is used to calculate deferred taxes on consolidation entries with effect on net income.

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

T 28 DEFERRED TAXES BY ITEM OF THE STATEMENT OF FINANCIAL POSITION

	Deferred tax assets		Deferred tax liabilities	
In €'000	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Non-current assets	7,648	6,356	56,027	53,693
Current assets	3,423	2,135	10,328	10,436
Non-current liabilities				
Pension provisions	173,978	66,527	74	122
Other non-current liabilities	6,971	5,189	2,847	4,027
Current liabilities	15,726	16,682	2,878	1,253
	207,746	96,889	72,154	69,531
Offsetting per tax group	–43,663	–40,904	–43,663	–40,904
Deferred taxes on temporary differences	164,083	55,985	28,491	28,627
Deferred taxes on tax loss carryforwards	29,841	20,955		
Valuation allowances recognized on deferred taxes on tax loss carryforwards	–17,235	–9,002		
	176,689	67,938	28,491	28,627

Deferred taxes amounting to € 78,820 thousand were credited (prior year: € 40,053 thousand charged) directly to equity. They are deferred taxes that were recognized on actuarial gains and losses for defined benefit pension plans, the fair value reserve for available-for-sale financial assets and cash flow hedges. The deferred tax effect recognized in other comprehensive income from the change in deferred taxes recognized in equity increased equity by € 118,874 thousand in the fiscal year 2012 (prior year: reduced equity by € 2,742 thousand).

Valuation allowances are recorded on deferred tax assets if the future realization of the corresponding tax benefits is unlikely. The taxable income considered likely on the basis of the respective entity's planning for the subsequent years is taken as the basis for the assessment.

As of the reporting date, the TÜV SÜD Group held tax loss carryforwards in Germany for corporate income tax and solidarity surcharge amounting to € 52,736 thousand (prior year: € 57,041 thousand) and for trade tax of € 41,775 thousand (prior year: € 46,823 thousand). No deferred taxes were

recognized on corporate income tax loss carryforwards of € 19,939 thousand (prior year: € 26,110 thousand) and trade tax loss carryforwards of € 9,429 thousand (prior year: € 16,002 thousand), because realization is not expected at present. These loss carryforwards can be carried forward for an indefinite period. Tax loss carryforwards in other countries amount to € 54,834 thousand as of December 31, 2012 (prior year: € 21,044 thousand). No deferred taxes were recognized on tax loss carryforwards in other countries of € 44,721 thousand (prior year: € 11,155 thousand). Of these tax loss carryforwards, € 35,358 thousand (prior year: € 4,051 thousand) can be used indefinitely and € 6,815 thousand (prior year: € 4,608 thousand) will be lost in five years or more.

Differences on investments in subsidiaries totaling € 6,477 thousand (prior year: € 8,396 thousand) did not give rise to deferred tax liabilities because the differences are not expected to reverse in the near future by way of realization (distribution or sale of the entity).

15 | PROFIT/LOSS FROM DISCONTINUED OPERATIONS

The prior-year figure relates to the remaining proceeds from the sale of the Msource group, which was completed in April 2011. The profit/loss from discontinued operations reported in the consolidated income statement is attributable in full to the owners of TÜV SÜD AG and relates to the following earnings components of the Msource group:

T 29 PROFIT/LOSS FROM DISCONTINUED OPERATIONS (AFTER TAXES) 2011

In €'000	2011
Revenue	4,519
Expenses/income	–4,507
Earnings before taxes	**12**
Income taxes	69
Net income/loss for the period from discontinued operations	**81**
Gain (+)/loss (–) on fair value measurement less costs to sell	370
	451

The prior-year net change in cash and cash equivalents reported in the statement of cash flows includes the following changes that relate to the discontinued operations of the Msource group:

T 30 CASH FLOW FROM DISCONTINUED OPERATIONS 2011

In €'000	2011
Cash flow from operating activities of discontinued operations	4
Cash flow from financing activities of discontinued operations	–101
	–97

16 | NON-CONTROLLING INTERESTS

The non-controlling interests of € 8,735 thousand (prior year: € 6,732 thousand) in the net income for the year are primarily attributable to profit shares in Jiangsu TÜV Product Service Ltd., Wuxi, China, TÜV Technische Überwachung Hessen GmbH, Darmstadt, and TÜV SÜD Middle East LLC Abu Dhabi, United Arab Emirates.

NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

17 | DEFERRED TAXES RELATING TO OTHER COMPREHENSIVE INCOME

Deferred taxes relating to the components of other comprehensive income developed as follows:

T 31 DEFERRED TAXES RELATING TO OTHER COMPREHENSIVE INCOME

	2012			2011		
In €'000	Before tax	Deferred tax expense/income	After tax	Before tax	Deferred tax expense/income	After tax
Actuarial gains and losses from defined benefit pension plans and similar obligations	–385,909	119,265	–266,644	–22,965	–2,916	–25,881
Available-for-sale financial assets	1,088	–331	757	523	–158	365
Currency translation of foreign subsidiaries	204	0	204	–4,125	0	–4,125
Cash flow hedges	–241	54	–187	–991	339	–652
Investments accounted for using the equity method	571	–114	457	34	–7	27
Other comprehensive income	–384,287	118,874	–265,413	–27,524	–2,742	–30,266

Actuarial gains and losses from defined benefit pension plans after tax include non-controlling interests of € –6,645 thousand (prior year: € –295 thousand).

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

18 | INTANGIBLE ASSETS

T 32 DEVELOPMENT OF INTANGIBLE ASSETS

In €'000	Goodwill	Purchased intangible assets: Licenses and similar rights and customer relationships	Purchased intangible assets: Other intangible assets	Internally generated intangible assets	Intangible assets under development	Total
COST						
As of January 1, 2011	162,272	101,379	60,971	3,741	1,363	329,726
Currency translation differences	3,121	–2,185	85	–67	–1	953
Change in scope of consolidation	–16,987	–16,631	–794	–788	0	–35,200
Acquisitions of subsidiaries	15,648	15,903	19	0	0	31,570
Additions	264	147	2,903	787	4,140	8,241
Disposals	–1	–39	–117	2	–37	–192
Reclassifications	0	0	236	395	–624	7
As of December 31, 2011/ January 1, 2012	164,317	98,574	63,303	4,070	4,841	335,105
Currency translation differences	–1,516	–91	96	–4	0	–1,515
Change in scope of consolidation	–246	0	5	0	0	–241
Acquisitions of subsidiaries	36,330	21,347	8,103	0	0	65,780
Additions	0	418	3,479	9	5,234	9,140
Disposals	0	–321	–746	–414	214	–1,267
Reclassifications	0	0	1,015	1,301	–2,316	0
As of December 31, 2012	198,885	119,927	75,255	4,962	7,973	407,002
AMORTIZATION						
As of January 1, 2011	26,667	27,836	45,855	2,427	0	102,785
Currency translation differences	834	–261	49	–38	0	584
Change in scope of consolidation	0	–12,388	–390	–792	0	–13,570
Acquisitions of subsidiaries	0	0	6	0	0	6
Amortization	0	6,470	6,709	488	0	13,667
Impairment losses	0	527	0	0	0	527
Disposals	0	–39	–562	0	0	–601
As of December 31, 2011/ January 1, 2012	27,501	22,145	51,667	2,085	0	103,398
Currency translation differences	–508	342	146	–10	0	–30
Change in scope of consolidation	0	0	1	0	0	1
Acquisitions of subsidiaries	0	569	7,660	0	0	8,229
Amortization	0	7,680	6,748	794	0	15,222
Disposals	0	–81	–752	–426	0	–1,259
Reclassifications	0	0	2	0	0	2
As of December 31, 2012	26,993	30,655	65,472	2,443	0	125,563
Carrying amount as of December 31, 2012	171,892	89,272	9,783	2,519	7,973	281,439
Carrying amount as of December 31, 2011	136,816	76,429	11,636	1,985	4,841	231,707

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

T 33 GOODWILL

In €'000	Dec. 31, 2012	Dec. 31, 2011
Industry Service	84,204	79,973
Real Estate Service & Infrastructure	15,733	12,356
Auto Service	25,506	15,705
Product Service	31,431	16,484
Rail	8,616	7,366
Other	6,402	4,932
	171,892	136,816

The item »licenses and similar rights and customer relationships« includes expenses of € 16,985 thousand for the license for regular vehicle inspections by TÜV SÜD Bursa (prior year: € 17,466 thousand). The operator's license is amortized over its term until August 2027 using the straight-line method.

As of the end of the reporting period, the carrying amount of licenses, accreditations and brands with indefinite useful lives came to € 9,686 thousand (prior year: € 8,114 thousand), of which € 9,022 thousand relates to the Industry Service CGU and € 664 thousand to the Product Services CGU.

The impairment losses concern write-downs on assets or CGUs that were recognized in accordance with IAS 36 »Impairment of Assets«.

In the prior year, impairment losses of € 527 thousand were recognized on brands and customer relationships acquired in the course of business combinations.

As in the prior year, the annual impairment test on goodwill did not give rise to any impairment losses.

The calculation of fair value less costs to sell per CGU was based on a discount rate of between 6.9% and 8.6% taking business taxes into account (prior year: between 6.2% and 7.5%). As in the prior year, the sustainable growth rate remained unchanged at 1.0% for all CGUs.

Research and development expenses totaling € 6,343 thousand were recognized in the income statement in the reporting year (prior year: € 5,429 thousand).

19 | PROPERTY, PLANT AND EQUIPMENT

T 34 DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT

In €'000	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures	Assets under construction	Total
COST					
As of January 1, 2011	446,351	109,314	189,058	4,022	748,745
Currency translation differences	–54	2,340	453	155	2,894
Change in scope of consolidation	–5,422	1,135	–3,327	77	–7,537
Acquisitions of subsidiaries	691	1,577	2,377	0	4,645
Additions	13,271	9,064	23,267	10,463	56,065
Disposals	–7,848	–2,971	–8,227	5	–19,041
Reclassifications	5,427	1,211	335	–8,131	–1,158
As of December 31, 2011/January 1, 2012	452,416	121,670	203,936	6,591	784,613
Currency translation differences	–91	670	–170	–21	388
Change in scope of consolidation	47	15	412	0	474
Acquisitions of subsidiaries	7,401	3,916	3,877	0	15,194
Additions	10,654	14,378	20,273	17,065	62,370
Disposals	–22,141	–2,065	–13,134	–165	–37,505
Reclassifications to "held for sale"	–3,441	0	0	0	–3,441
Reclassifications	–1,551	4,560	2,041	–11,942	–6,892
As of December 31, 2012	443,294	143,144	217,235	11,528	815,201
DEPRECIATION					
As of January 1, 2011	183,833	82,376	130,118	0	396,327
Currency translation differences	258	1,718	328	0	2,304
Change in scope of consolidation	–2,511	–88	–2,380	0	–4,979
Acquisitions of subsidiaries	129	378	1,830	0	2,337
Depreciation	11,493	7,332	19,268	0	38,093
Disposals	–4,353	–2,866	–7,804	0	–15,023
Reversals of impairment losses	–431	–402	–6	0	–839
Reclassifications	–779	58	4	0	–717
As of December 31, 2011/January 1, 2012	187,639	88,506	141,358	0	417,503
Currency translation differences	–137	865	24	0	752
Change in scope of consolidation	37	2	210	0	249
Acquisitions of subsidiaries	4,288	2,606	2,924	0	9,818
Depreciation	11,640	9,303	21,168	0	42,111
Impairment losses	453	0	0	0	453
Disposals	–10,137	–1,519	–12,474	0	–24,130
Reversals of impairment losses	–351	0	0	0	–351
Reclassifications to "held for sale"	–2,789	0	0	0	–2,789
Reclassifications	–5,078	–26	23	0	–5,081
As of December 31, 2012	185,565	99,737	153,233	0	438,535
Carrying amount as of December 31, 2012	257,729	43,407	64,002	11,528	376,666
Carrying amount as of December 31, 2011	264,777	33,164	62,578	6,591	367,110

The impairment losses and reversals of impairment losses are recognized in accordance with IAS 36 »Impairment of Assets«.

€ 10,635 thousand of the disposals of land and buildings relate to the sale of real estate to ARMAT Südwest GmbH & Co. KG.

The carrying amounts of finance lease assets recognized under property, plant and equipment break down as follows:

T 35 RECOGNIZED ASSETS UNDER FINANCE LEASES

In €'000	Dec. 31, 2012	Dec. 31, 2011
Land and buildings	1,076	1,208
Technical equipment and machinery	339	120
Other equipment, furniture and fixtures	86	64
	1,501	1,392

The corresponding liabilities from finance leases are presented under financial debt, note 32.

20 | INVESTMENT PROPERTY

T 36 DEVELOPMENT OF INVESTMENT PROPERTY

In €'000	2012	2011
COST		
As of January 1	10,058	8,201
Currency translation differences	13	0
Additions	213	89
Disposals	–6,681	0
Reclassifications	6,892	1,768
As of December 31	10,495	10,058
DEPRECIATION		
As of January 1	4,260	2,826
Currency translation differences	1	0
Depreciation	115	99
Disposals	–2,737	0
Reclassifications	5,079	1,335
As of December 31	6,718	4,260
Carrying amount as of December 31	3,777	5,798

As of December 31, 2012, investment properties had a market value of € 6,585 thousand (prior year: € 10,849 thousand).

A residual carrying amount of € 3,535 thousand of disposals concerns the sale of real estate to ARMAT Südwest GmbH & Co. KG.

If current market data is not available, the market values for properties are determined using the capitalized earnings method. The land value is derived from the purchase prices for comparable properties or the standard land value pursuant to the BauGB [»Baugesetzbuch«: German Federal Building Act]. In order to determine the value of a building, the annual net proceeds from the property in question, reduced by interest on the land value, are determined on the basis of the expected net rent and recognized over its estimated remaining useful life. The interest rate used is a standard land value derived from the market. Characteristics affecting the market value of the respective investment property are taken into account in each valuation step.

Rental income totaling € 610 thousand (prior year: € 595 thousand) was generated in fiscal 2012 from investment properties while the related expenses for repair and maintenance were € 312 thousand (prior year: € 2,862 thousand). In addition, expenses of € 138 thousand (prior year: € 0 thousand) were incurred in connection with investment properties that did not generate rental income.

21 | INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The separate financial statements of associated companies that are accounted for using the equity method give the following financial information; this information has not been adjusted to the share held by the Group.

T 37 ASSOCIATED COMPANIES

In €'000	Dec. 31, 2012	Dec. 31, 2011
Aggregated assets	21,383	21,547
Aggregated liabilities	12,359	13,687
Total amount of unrecognized gains of the period	0	0
Accumulated total amount of unrecognized losses	0	0

In €'000	2012	2011
Aggregated revenue	35,370	32,074
Aggregated net income for the year	2,989	2,501

The following table summarizes financial information on the Group's joint ventures. The information relates to the Group's interest in the respective joint ventures.

T 38 JOINT VENTURES

In €'000	Dec. 31, 2012	Dec. 31, 2011
Aggregated current assets	32,796	25,383
Aggregated non-current assets	149,696	149,910
Aggregated current liabilities	10,571	8,382
Aggregated non-current liabilities	137,640	141,862

In €'000	2012	2011
Aggregated revenue	133,059	114,808
Aggregated net income for the year	7,870	478

The financial data disclosed is on the one hand from the two Turkish joint venture entities TÜVTURK Kuzey, Istanbul, and TÜVTURK Güney, Istanbul. The venturers of the joint ventures are the Dogus group, Turkey, the TÜV SÜD Group and Test A.S., Istanbul, an entity of the Bridgepoint group, UK, which each have a one-third stake in the joint ventures.

In 2007, the TÜVTURK joint venture companies concluded a concession agreement with the Turkish government, governing the implementation of regular vehicle inspections throughout Turkey. Using different contractual partners, the joint venture is the exclusive provider of vehicle inspections in Turkey for the 20-year term of the contract.
In 2012, 6.3 million (prior year: 6.1 million) inspections were performed, generating revenue of TRY 850.2 million or € 367.3 million (prior year: TRY 739.3 million or € 316.6 million).

On the other hand, the table includes the financial data of the operating company in the vehicles inspection business TÜVTURK Istanbul, Istanbul. This entity was established in 2007 and has been included in the consolidated financial statements using the equity method since that time. The interests are held by the same three venturers with equal shareholdings of 16.8% each and by TÜVTURK Kuzey and TÜVTURK Güney, which hold 49.6% of the shares.

In 2012, the TÜVTURK joint venture companies recorded total consolidated profit of € 23,611 thousand (prior year: € 1,435 thousand). Apart from a better operating result, the year-on-year increase is due in the main to the favorable development of the exchange rate of the Turkish lira against the US dollar.

In the course of financing the project in Turkey, the shareholders concluded a share pledge agreement, pledging all shares in the Turkish joint venture companies to UniCredit Bank AG, Munich, as the security agent. However, until an event of default, voting rights and entitlement to dividends remain with the shareholders.

The financing agreements, which meet international standards for project financing, also provide for limits with regard to further loans to the Turkish companies, or distribution limits. A number of additional covenants must also be taken into account by the contracting parties, who are also required to prepare regular, detailed financial reports.

22 | OTHER FINANCIAL ASSETS

T 39 OTHER FINANCIAL ASSETS

In €'000	Dec. 31, 2012	Dec. 31, 2011
Investments in affiliated companies	4,507	3,866
Loans to affiliated companies	0	215
Other participations	24,284	27,565
Loans to participations	85	400
Non-current securities	96,178	90,654
Share of policy reserve from employer's pension liability insurance	80	84
Other loans	642	467
	125,776	123,251

An amount of € 8,373 thousand (prior year: € 8,104 thousand) of the non-current securities is pledged under a trust agreement concluded to secure the value of the settlement claims for employees in the block model of the phased retirement scheme (Altersteilzeit).

23 | OTHER NON-CURRENT ASSETS

Of other non-current assets totaling € 4,420 thousand (prior year: € 4,402 thousand), € 306 thousand (prior year: € 389 thousand) relate to forward exchange transactions recorded at market value.

24 | INVENTORIES

Inventories amounting to € 2,683 thousand (prior year: € 3,230 thousand) primarily consist of supplies.

25 | TRADE RECEIVABLES

T 40 TRADE RECEIVABLES

In €'000	Dec. 31, 2012	Dec. 31, 2011*
Receivables according to the percentage-of-completion method	75,495	62,337
Other trade receivables	249,245	225,411
	324,740	287,748

* Prior-year figures restated; for more information please refer to note 6.

Valuation allowances on trade receivables are recognized on separate accounts and amount to € 12,016 thousand as of the reporting date (prior year: € 9,468 thousand).

The maturity profile of other trade receivables is as follows:

T 41 MATURITY STRUCTURE

In €'000	Dec. 31, 2012	Dec. 31, 2011*
Other trade receivables	249,245	225,411
Thereof neither impaired nor past due	152,285	147,496
Thereof not impaired but past due by:		
up to 30 days	60,540	47,107
31 to 60 days	14,881	13,493
61 to 90 days	5,807	5,726
91 to 180 days	7,056	4,854
181 to 360 days	2,552	1,615
more than 360 days	695	1,376
Thereof impaired as of the reporting date	5,429	3,744

* Prior-year figures restated; for more information please refer to note 6.

There is no indication that customers might not be able to settle their obligations regarding receivables that are neither impaired nor past due.

26 | OTHER RECEIVABLES AND OTHER CURRENT ASSETS

T 42 OTHER RECEIVABLES AND OTHER CURRENT ASSETS

In €'000	Dec. 31, 2012	Dec. 31, 2011*
Receivables from affiliated companies	5,764	2,567
Receivables from other participations	1,341	1,066
Cash pool receivables from related parties	58	887
Fair values of derivative financial instruments	1,230	319
Receivables from the Federal Employment Agency	1,909	3,223
Miscellaneous financial assets	28,511	26,283
Other receivables and other current financial assets	38,813	34,345
Refund claims against insurance	11,855	13,918
Miscellaneous non-financial assets	10,846	10,206
Other current non-financial assets	22,701	24,124
	61,514	58,469

* Prior-year figures restated; for more information please refer to note 6.

Miscellaneous financial assets include in particular other receivables from reimbursable costs in connection with the fleet management as well as accrued interest.

Miscellaneous non-financial assets essentially include deferred expenses.

27 | CASH AND CASH EQUIVALENTS

This item includes cash in hand, checks and bank balances as well as current securities with an original term of a maximum of three months. An amount of € 119 thousand (prior year: € 2 thousand) of the cash and cash equivalents is pledged under a trust agreement concluded to secure the value of the settlement claims for employees in the block model of the phased retirement scheme (Altersteilzeit).

28 | NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Non-current assets and disposal groups held for sale include land and buildings which are very likely to be disposed of in their current condition within twelve months of reclassification. One property was written down by € 453 thousand to the lower fair value.

29 | EQUITY

The **capital subscribed** of TÜV SÜD AG is divided into 26,000,000 no-par value bearer shares.

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

Revenue reserves contain the undistributed profits generated in the fiscal year and in the past by the entities included in the consolidated financial statements. Moreover, the revenue reserves record the offsetting of debit and credit differences resulting from capital consolidation for acquisitions prior to December 31, 2005, as well as the net amount of the adjustments recognized in other comprehensive income in connection with the first-time application of IFRSs. Furthermore, actuarial gains and losses from defined benefit pension plans and similar obligations were allocated directly to revenue reserves, taking into account the related deferred taxes. This reflects the fact that these

amounts will not be reclassified to the income statement in future periods.

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

In addition to ensuring the continued existence of the company as a going concern, TÜV SÜD's capital management aims to achieve an adequate return in excess of the cost of capital in order to increase the value of the company in the long term.

TÜV SÜD AG is not subject to any statutory capital requirements.

30 | PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

T 43 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

In €'000	Dec. 31, 2012	Dec. 31, 2011
Provisions for pensions in Germany	698,677	364,934
Provisions for pensions in other countries	13,043	16,609
Provisions for similar obligations in other countries	5,276	4,764
	716,996	386,307

Pension provisions are recorded as a result of benefit plans for old age, disability and surviving dependants' pension commitments. The Group's obligations vary according to legal, fiscal and economic framework conditions of the country concerned and are usually based on the length of employee service and level of remuneration.

The provisions for similar obligations relate to termination benefits in other countries.

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

In the case of defined contribution plans, the company pays contributions to state or private pension funds on a legal, contractual or voluntary basis. The company has no obligation to provide further benefits once it has made these payments. Ongoing premium payments (including contributions to state pension insurance) are stated as pension expenses for the respective year; in fiscal 2012 they amounted to a total of € 53,455 thousand (prior year: € 49,845 thousand).

In addition to statutory pension insurance, in Germany pension systems maintained by the company are mostly defined benefit plans. The pension commitments are integrated schemes similar to those for civil servants, against which the state pension is offset. The integrated schemes were discontinued for new hires in 1981 and 1992 respectively.

Pension obligations were then granted temporarily in accordance with the »dual pension formula«. The amount of the pension benefit is based on the qualifying period of employment and the pensionable income; different percentage rates are applied to determine the benefit amount depending on whether the pensionable income is above or below the income threshold. These defined benefit plans were likewise discontinued in 1996. New employees currently receive direct benefit commitments at TÜV Hessen only.

Cover is provided in part directly and in part by legally independent pension and welfare institutions. The assets of the welfare institutions are reported as plan assets.

In order to extend the external financing of pension obligations in Germany, operating assets were transferred to TÜV SÜD Pension Trust e.V., established for this purpose, in 2006 and thereafter as part of a contractual trust agreement. The funds

are administered by this association in a fiduciary capacity, and serve solely to finance pension obligations. Pursuant to IAS 19, the transferred funds are to be treated as plan assets, and are therefore offset against pension obligations.

There are defined benefit pension plans in the UK whose amount depends among other things on salary and on length of service. However, the eligible employees have to pay additional contributions. These pension plans were concluded for new employees. To fully fund the obligations, there is a company-based pension plan according to which the plan's assets can only be used to settle the pension obligations under a contractual trust agreement. If, calculated in accordance with actuarial principles, there is a shortfall in these pension plans, the member employer TÜV SÜD (UK) Ltd., Fareham Hants, UK, and the trustee must agree on a restructuring plan that has to be presented to The Pension Regulator (TPR) in the UK for approval. To finance the shortfall of around GBP 17.6 million determined at the end of 2011, the member employer agreed to make an annual contribution of GBP 1.7 million over a period of ten years in addition to the regular employer's contribution.

The amounts of the pension obligation (actuarial present value of earned benefit entitlements, defined benefit obligation) are based on actuarial assumptions. The defined benefit obligation was calculated on the basis of the following actuarial assumptions:

T 44 ACTUARIAL ASSUMPTIONS FOR DETERMINING THE DEFINED BENEFIT OBLIGATIONS

	Dec. 31, 2012		Dec. 31, 2011	
In %	Germany	Other countries	Germany	Other countries
Discount rate	3.30	4.55	5.25	4.80
Future salary increases	2.25	3.36	2.25	3.31
Future pension increases	2.00	3.15	2.00	3.15

The actuarial assumptions were derived in accordance with uniform principles and set out for each country depending on the respective economic circumstances. The discount rate is based on the return from fixed-interest corporate bonds with the same term and in the same currency that rating agencies have awarded an AA rating. The capital market development in 2012 as well as several downgrades in the ratings of corporate bonds denominated in euro led to a considerable reduction in the resulting discount rate in Germany from 5.25% in the prior year to 3.30% as of December 31, 2012. The method used to calculate the discount rate was applied consistently with the prior year.

Adjustment for forecast long-term inflation is taken into account in the development of salaries and wages.

Actuarial gains or losses result from changes in the discount rate as of the respective reporting date, from changes in the portfolio and deviations of actual developments from the assumptions made in the valuation (e.g., salary or pension increases). As of the reporting date, actuarial gains and losses after tax are posted to other comprehensive income.

The assumptions used to calculate the defined benefit obligation as of the respective measurement date of December 31 of the prior year also apply to the calculation of the interest cost and the current service cost in the subsequent fiscal year. The assumptions used in the calculation of the pension expenses for fiscal 2012 were therefore already defined as of the reporting date December 31, 2011.

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

T 45 ACTUARIAL ASSUMPTIONS FOR DETERMINING PENSION EXPENSES

	2012		2011	
In %	Germany	Other countries	Germany	Other countries
Discount rate	5.25	4.80	5.25	5.17
Future salary increases	2.25	3.31	2.25	3.24
Future pension increases	2.00	3.15	2.00	3.05
Return on plan assets	5.20	5.19	4.80	5.10

The assumptions relating to the expected overall return on plan assets are based on the anticipated long-term returns for the individual asset categories, and take into account the target portfolio structure. The actual portfolio structure as of the reporting date is as follows:

T 46 PORTFOLIO STRUCTURE OF PLAN ASSETS AS OF MEASUREMENT DATE

	Share in plan assets	
In %	Dec. 31, 2012	Dec. 31, 2011
Shares (prior to hedging)	19.5	15.9
Fixed-interest securities	66.3	66.0
Real estate and similar assets	8.5	5.6
Other (including cash and cash equivalents)	5.7	12.5

In the Oktagon fund, the investment strategy derived from the 2011 asset/liability study was implemented consistently. This resulted in a slight reshuffle at the beginning of the year from fixed-interest securities to European shares. Additionally, the share of corporate bonds and emerging market public funds was increased, while the share of European government bonds was reduced. In addition to restructuring in the asset classes, the investment decisions taken in 2012 were heavily affected by the ongoing euro debt crisis. Numerous hedging measures were taken both with respect to shares and fixed-interest securities, in order to counter the risks and uncertainties created by the euro debt crisis. The bonds in the Oktagon fund once again did not include any government bonds from Greece, Ireland and Portugal. The share of Spanish and Italian bonds was reduced substantially compared with the benchmark.

In October 2012, TÜV SÜD AG transferred cash of € 29,600 thousand to TÜV SÜD Pension Trust e.V. The trust used the cash transfer to increase its atypical silent partnership in ARMAT Südwest GmbH & Co. KG, which, in turn, purchased land and buildings from TÜV SÜD AG. These transactions led to an increase in the share of »Real estate and similar assets« in plan assets.

The funded status of defined benefit obligations as well as a reconciliation to the amounts recognized in the statement of financial position is shown in the table below:

T 47 FUNDED STATUS OF THE DEFINED BENEFIT OBLIGATION

	Germany		Other countries		Total	
In €'000	2012	2011	2012	2011	2012	2011
Defined benefit obligation	1,584,825	1,183,266	77,578	71,586	1,662,403	1,254,852
Fair value of plan assets	886,148	818,332	59,259	50,213	945,407	868,545
Net obligation = carrying amount as of December 31	698,677	364,934	18,319	21,373	716,996	386,307

Changes in defined benefit obligations and plan assets are as follows:

T 48 DEVELOPMENT OF DEFINED BENEFIT OBLIGATION

	2012			2011		
In €'000	Germany	Other countries	Total	Germany	Other countries	Total
Defined benefit obligation as of January 1	1,183,266	71,586	1,254,852	1,166,247	74,364	1,240,611
Service cost	15,701	2,548	18,249	16,322	2,728	19,050
Interest cost	60,598	3,393	63,991	59,743	3,753	63,496
Benefits paid	–59,056	–2,665	–61,721	–55,718	–2,904	–58,622
Contributions by the beneficiaries	0	774	774	0	739	739
Plan curtailments and settlements	0	–4,159	–4,159	0	–12,456	–12,456
Actuarial gains (–) and losses (+)	384,316	4,877	389,193	–3,328	6,537	3,209
Past service cost	0	0	0	0	–2,365	–2,365
Change in scope of consolidation	0	274	274	0	137	137
Currency translation differences and other	0	950	950	0	1,053	1,053
Defined benefit obligation as of December 31	1,584,825	77,578	1,662,403	1,183,266	71,586	1,254,852
Thereof unfunded	275,958	4,567	280,525	198,619	4,122	202,741
Thereof partially funded	1,308,867	73,011	1,381,878	984,647	67,464	1,052,111

Around 56% of the defined benefit obligation is allocable to pensioners, and 44% to active employees. The duration of the obligations is 15.3 years (prior year: 13.5 years).

The increase in the defined benefit obligation is due above all to the sharp decrease in the discount rate in Germany from 5.25% in the prior year to 3.30% as of the end of the reporting period. In total, actuarial losses from changes in assumptions of € 366,865 thousand and actuarial losses from experience adjustments of € 17,451 thousand were recorded in Germany. The reduction of the discount rate in other countries by an average of 25 base points also led to a loss arising from changes in assumptions there.

The plan curtailments and settlements relate mainly to the contractually agreed redemption of the pension obligations

existing on the acquisition date when the GRC group was purchased in 2010. The obligations were either paid out or transferred to a pension insurance company. The process commenced in the prior year was thus concluded in 2012. The settlement of the plan was funded by the compensation payments of the seller guaranteed in the purchase agreement and by the existing plan assets. A total loss of € 387 thousand was recognized in the income statement from the settlement of the plan.

Total benefits paid of € 65,161 thousand are expected for fiscal 2013.

T 49 DEVELOPMENT OF PLAN ASSETS

	2012			2011		
In €'000	Germany	Other countries	Total	Germany	Other countries	Total
Fair value of plan assets as of January 1	**818,332**	**50,213**	**868,545**	**788,834**	**57,396**	**846,230**
Expected return on plan assets	42,544	2,730	45,274	37,423	2,907	40,330
Actuarial gains (+) and losses (–)	–1,913	2,556	643	–19,759	3	–19,756
Contributions by the employer	76,883	4,289	81,172	58,924	3,537	62,461
Contributions by the beneficiaries	0	774	774	0	739	739
Benefits paid	–49,698	–2,354	–52,052	–47,090	–2,886	–49,976
Plan curtailments and settlements	0	–318	–318	0	–12,456	–12,456
Change in scope of consolidation	0	140	140	0	0	0
Currency translation differences and other	0	1,229	1,229	0	973	973
Fair value of plan assets as of December 31	**886,148**	**59,259**	**945,407**	**818,332**	**50,213**	**868,545**
Actual return on plan assets	40,631	5,301	45,932	17,664	2,910	20,574

The actuarial losses of € 1,913 thousand incurred in Germany in 2012 (prior year: € 19,759 thousand) are primarily attributable to the Oktagon fund. The actual return of 5.2% in total (prior year: 1.9%) was slightly below the target return expected for fiscal 2012, which was based on the expected average long-term return of 5.5% for plan assets. However, the actual return is below the benchmark return calculated for the individual segments, mainly on account of the investment strategy – which is geared to maintaining capital and to prudence – and the hedging measures taken as a result.

In Germany, the pension plan is usually funded by recontributing refunded benefit payments to the plan. The actual contribution is determined each year by resolution of the Board of Management. In addition, cash of € 29,600 thousand was transferred as of October 22, 2012. The Group intends to make a payment of € 48,659 thousand towards the defined benefit plan in the next fiscal year (prior year: € 45,779 thousand) in order to further reduce the existing shortfall in cover.

The total net pension expense for defined benefit pension plans (expenses less income) recorded in the income statement for the fiscal years 2012 and 2011 breaks down as follows:

T 50 NET PENSION EXPENSE FOR DEFINED BENEFIT PLANS

	2012			2011		
In €'000	Germany	Other countries	Total	Germany	Other countries	Total
Service cost	15,701	2,548	18,249	16,322	2,728	19,050
Interest cost	60,598	3,393	63,991	59,743	3,753	63,496
Expected return on plan assets	–42,544	–2,730	–45,274	–37,423	–2,907	–40,330
Past service cost	0	0	0	0	–2,365	–2,365
Losses from plan curtailments and settlements	0	370	370	0	0	0
	33,755	3,581	37,336	38,642	1,209	39,851

Net actuarial losses totaling € 385,909 thousand were recorded in fiscal 2012, which are a result of actuarial losses from pension obligations totaling € 389,193 thousand, actuarial gains from plan assets totaling € 643 thousand, the release of the reserve for the GRC plan of € 2,626 thousand and first-time consolidated entities of € 15 thousand. These were recorded in other comprehensive income, net of deferred taxes. Net actuarial losses of € 22,965 thousand were recorded in the prior year, € 3,209 thousand of which related to pension obligations and € 19,756 thousand to plan assets.

Cumulatively, net actuarial losses amounting to € 311,007 thousand (prior year: net gains of € 74,902 thousand) were posted directly to equity up to the reporting date.

The defined benefit obligation, plan assets, funded status and experience adjustments for this fiscal year and prior fiscal years are as follows:

T 51 DEVELOPMENT OF FUNDED STATUS AND EXPERIENCE ADJUSTMENTS

In €'000	2012	2011	2010	2009	2008
Defined benefit obligation	1,662,403	1,254,852	1,240,611	1,183,316	1,087,214
Plan assets	945,407	868,545	846,230	754,460	701,511
Funded status	716,996	386,307	394,381	428,856	385,703
Experience increase (+)/decrease (–) of the present value of defined benefit obligation	18,482	–5,656	–26,124	17,781	–28,446
Experience increase (+)/decrease (–) of the fair value of plan assets	643	–19,756	–8,169	11,238	–16,853

31 | OTHER PROVISIONS

T 52 OTHER PROVISIONS

In €'000	Dec. 31, 2012 Total	Dec. 31, 2012 Thereof current	Dec. 31, 2011 Total	Dec. 31, 2011 Thereof current
Personnel provisions	103,175	77,186	100,452	79,657
Litigation, warranty and similar obligations	15,159	15,158	18,865	18,865
Restructuring provisions	9,070	9,070	12,234	11,736
Miscellaneous provisions	26,210	5,741	13,345	7,158
	153,614	107,155	144,896	117,416

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

The provisions for litigation costs, warranty and similar obligations are counterbalanced by claims for reimbursement from insurance companies totaling € 11,855 thousand (prior year: € 13,918 thousand) that have been recognized as current assets.

The restructuring provisions mostly relate to adopted and announced restructuring measures in the Industry Service Division.

Miscellaneous provisions contain provisions for asset retirement obligations and legacy burdens that were created for the first time for a property sold free of encumbrances in the reporting year.

Other provisions developed as follows in the reporting year:

T 53 DEVELOPMENT OF OTHER PROVISIONS

In €'000	Personnel provisions	Litigation, warranty and similar obligations	Restructuring provisions	Miscellaneous provisions	Other provisions
Balance as of January 1, 2012	100,452	18,865	12,234	13,345	144,896
Currency translation differences	–31	31	–1	38	37
Change in scope of consolidation	1,092	0	0	203	1,295
Additions	69,470	1,906	252	19,245	90,873
Utilization	–68,935	–432	–1,565	–4,430	–75,362
Reversals	–5,029	–5,211	–1,850	–2,187	–14,277
Unwinding of the discount	6,156	0	0	–4	6,152
Balance as of December 31, 2012	103,175	15,159	9,070	26,210	153,614

32 | FINANCIAL DEBT

Financial debt includes all interest-bearing liabilities of the Group. Financial debt breaks down as follows:

T 54 FINANCIAL DEBT

	Non-current		Current		Total	
In €'000	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Liabilities to banks	67,073	71,575	5,927	8,027	73,000	79,602
Liabilities from finance leases	1,813	1,719	211	218	2,024	1,937
Cash pool liabilities to affiliated companies	0	0	1,039	501	1,039	501
Cash pool liabilities to other related parties	0	0	2,277	993	2,277	993
	68,886	73,294	9,454	9,739	78,340	83,033

Liabilities to banks chiefly include the loan obligations of TUV SUD Invest LP, Atlanta, amounting to € 56,844 thousand or USD 75 million (prior year: € 57,964 thousand or USD 75 million) and of TÜV SÜD Bursa, amounting to € 12,867 thousand or USD 17 million (prior year: € 16,236 thousand or USD 21 million). While the loan of TÜV SÜD Bursa with annual repayment of USD 4 million has a term that runs until 2017, TUV SUD Invest LP's loan takes the form of a money market loan with a renewable term of three months. This money market loan is prolonged as part of the syndicated loan for a total of € 200 million that has a fixed term until July 2017. TÜV SÜD intends to take advantage of the extension agreement for the long term and therefore reports the loan as a non-current item.

All of the liabilities to banks are due in less than five years (prior year: € 773 thousand due in more than five years), and € 791 thousand (prior year: € 914 thousand) of the liabilities from finance leases is due in more than five years.

33 | TRADE PAYABLES

T 55 TRADE PAYABLES

In €'000	Dec. 31, 2012	Dec. 31, 2011*
Liabilities according to the percentage-of-completion method	24,354	22,808
Other trade payables	53,924	41,770
	78,278	64,578

* Prior-year figures restated; for more information please refer to note 6.

34 | OTHER LIABILITIES

T 56 OTHER LIABILITIES

	Non-current		Current		Total	
In €'000	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011*	Dec. 31, 2012	Dec. 31, 2011*
Liabilities to affiliated companies	0	0	3,235	2,008	3,235	2,008
Liabilities to other participations	0	0	768	433	768	433
Fair values of derivative financial instruments	2,986**	2,918**	240	2,331	3,226	5,249
Outstanding invoices	0	0	21,645	22,424	21,645	22,424
Miscellaneous financial liabilities	6,982**	9,236**	18,430	15,854	25,412	25,090
Other financial liabilities	**9,968**	**12,154**	**44,318**	**43,050**	**54,286**	**55,204**
Advance payments received	8	0	26,341	25,607	26,349	25,607
Vacation claims, flexitime and overtime credits	0	0	48,793	43,401	48,793	43,401
Other taxes	0	0	33,034	32,101	33,034	32,101
Social security liabilities	90	1,052	4,388	3,455	4,478	4,507
Miscellaneous non-financial liabilities	0	0	18,503	12,498	18,503	12,498
Other non-financial liabilities	**98**	**1,052**	**131,059**	**117,062**	**131,157**	**118,114**
	10,066	**13,206**	**175,377**	**160,112**	**185,443**	**173,318**

* Prior-year figures restated; for more information please refer to note 6.
** Thereof due in more than five years: € 3,829 thousand (prior year: € 3,713 thousand).

Miscellaneous financial liabilities contain both current and non-current contingent consideration from business combinations and liabilities for reimbursements.

Miscellaneous non-financial liabilities include in particular accrued expenses and deferred income.

35 | CONTINGENT LIABILITIES

TÜV SÜD AG and its subsidiaries have issued or been issued guarantees or warranties in favor of customers or creditors. The following table presents the contingent liabilities where the main debtor is not a consolidated entity:

T 57 CONTINGENT LIABILITIES

In €'000	Dec. 31, 2012	Dec. 31, 2011
Guarantee obligations	36,491	4,843
Contingent liabilities arising from litigation risks	1,082	757
Miscellaneous contingent liabilities	15	11
	37,588	5,611

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

The obligations were entered into for current business transactions where utilization is not expected based on the current assessment of the business situation.

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

36 | LEGAL PROCEEDINGS

TÜV SÜD AG and its subsidiaries are not involved in any litigation which could have a material impact on the economic or financial situation of the individual entities or the Group as a whole. The group entities concerned have formed provisions at suitable amounts to account for any such expenses from other litigation. There are refund entitlements from insurance policies for most of these items.

37 | OTHER FINANCIAL OBLIGATIONS

The following minimum lease payments will be due in future on the basis of existing rental and lease agreements:

T 58 FUTURE OBLIGATIONS FROM RENTAL AND LEASE AGREEMENTS AS OF DECEMBER 31, 2012

In €'000	Due in less than 1 year	Due in 1 to 5 years	Due in more than 5 years	Dec. 31, 2012 Total
Future obligations from rental and lease agreements for real estate	38,599	82,429	40,609	161,637
Future obligations from other operating leases	7,367	10,000	539	17,906
	45,966	92,429	41,148	179,543

T 59 FUTURE OBLIGATIONS FROM RENTAL AND LEASE AGREEMENTS AS OF DECEMBER 31, 2011

In €'000	Due in less than 1 year	Due in 1 to 5 years	Due in more than 5 years	Dec. 31, 2012 Total
Future obligations from rental and lease agreements for real estate	33,390	79,592	45,536	158,518
Future obligations from other operating leases	4,947	6,783	0	11,730
	38,337	86,375	45,536	170,248

Rental and lease expenses amounted to € 49,435 thousand in fiscal 2012 (prior year: € 41,226 thousand).

There are also other financial obligations amounting to € 7,759 thousand (prior year: € 8,882 thousand), which are mainly attributable to service and maintenance agreements.

To close the shortfall in cover for old-age pensions in the UK, the member employer TÜV SÜD (UK) Ltd. agreed to pay an annual contribution of GBP 1.7 million over a period of ten years.

OTHER NOTES

38 | ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

The following tables show financial assets and liabilities by measurement categories relevant under IFRS 7 on the basis of the items of the statement of financial position:

T 60 FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY AS OF DECEMBER 31, 2012

			Measurement categories in accordance with IAS 39			
			Financial assets/ liabilities held for trading	Loans and receivables	Available-for-sale financial assets	Financial liabilities
In €'000		Carrying amount Dec. 31, 2012	At fair value through profit or loss	At amortized cost*	At fair value recognized in equity	At amortized cost*
ASSETS						
Non-current assets						
Other financial assets		125,776				
Securities		96,178			96,178	
Loans and other receivables		807		807		
Financial instruments that do not fall in the scope of IFRS 7		28,791				
Other non-current assets		4,420				
Miscellaneous financial assets		4,114		4,114		
Financial derivatives		306	306			
Current assets						
Trade receivables		324,740		324,740		
Other receivables and other current assets		61,514				
Other receivables and miscellaneous financial assets		37,583		37,583		
Financial derivatives		1,230	1,230			
Other non-financial assets		22,701				
Cash and cash equivalents		212,569				
Cash		192,907		192,907		
Short-term securities		19,662	19,662			
EQUITY AND LIABILITIES						
Non-current liabilities						
Non-current financial debt		68,886				68,886
Other non-current liabilities		10,066				
Other financial liabilities		6,982				6,982
Financial derivatives		2,986	2,986			
Other non-financial liabilities		98				
Current liabilities						
Current financial debt		9,454				9,454
Trade payables		78,278				78,278
Other current liabilities		175,377				
Other financial liabilities		44,078				44,078
Financial derivatives		240	240			
Other non-financial liabilities		131,059				
Total by measurement category in accordance with IAS 39	Assets		21,198	560,151	96,178	
	Liabilities		3,226			207,678

*The carrying amount approximates fair value.

In €'000		Carrying amount Dec. 31, 2011**	Measurement categories in accordance with IAS 39: Financial assets/ liabilities held for trading – At fair value through profit or loss	Loans and receivables – At amortized cost*	Available-for-sale financial assets – At fair value recognized in equity	Financial liabilities – At amortized cost*
ASSETS						
Non-current assets						
Other financial assets		**123,251**				
Securities		90,654			90,654	
Loans and other receivables		1,166		1,166		
Financial instruments that do not fall in the scope of IFRS 7		31,431				
Other non-current assets		**4,402**				
Miscellaneous financial assets		4,013		4,013		
Financial derivatives		389	389			
Current assets						
Trade receivables		**287,748**		287,748		
Other receivables and other current assets		**58,469**				
Other receivables and miscellaneous financial assets		34,026		34,026		
Financial derivatives		319	319			
Other non-financial assets		24,124				
Cash and cash equivalents		**245,285**				
Cash		245,284		245,284		
Short-term securities		1			1	
EQUITY AND LIABILITIES						
Non-current liabilities						
Non-current financial debt		**73,294**				73,294
Other non-current liabilities		**13,206**				
Other financial liabilities		9,236				9,236
Financial derivatives		2,918	2,918			
Other non-financial liabilities		1,052				
Current liabilities						
Current financial debt		**9,739**				9,739
Trade payables		**64,578**				64,578
Other current liabilities		**160,112**				
Other financial liabilities		40,719				40,719
Financial derivatives		2,331	2,331			
Other non-financial liabilities		117,062				
Total by measurement category in accordance with IAS 39	Assets		**708**	**572,237**	**90,655**	
	Liabilities		**5,249**			**197,566**

* The carrying amount approximates fair value.
** Prior-year figures restated; for more information please refer to note 6.

In the case of current loans and receivables and liabilities measured at amortized cost, it is assumed that the nominal value is equal to the fair value on account of the short residual terms. In the case of non-current items, the nominal value less impairment losses approximates their fair values. Investments in affiliated companies and participations reported under other financial assets are measured at amortized cost because their fair value cannot be reliably measured.

Financial instruments that are recognized at fair value in the statement of financial position are required to be allocated to the following three levels of the fair value hierarchy. The hierarchy levels reflect the significance of the inputs used in determining fair value and the extent to which they are observable on the market. The hierarchy levels are as follows:

- Quoted prices in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2)
- Inputs that are not based on observable market data (level 3)

Financial assets and liabilities that are recognized in the statement of financial position at fair value are allocated as follows to the three levels of the fair value hierarchy:

T 61 FAIR VALUE HIERARCHY AS OF DECEMBER 31, 2012

	Fair value hierarchy			
In €'000	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Securities	115,840	0	0	115,840
Financial derivatives	0	1,536	0	1,536
	115,840	1,536	0	117,376
Financial liabilities at fair value				
Financial derivatives*	0	3,226	0	3,226
	0	3,226	0	3,226

*Thereof with a hedging relationship: € 2,971 thousand

T 62 FAIR VALUE HIERARCHY AS OF DECEMBER 31, 2011

	Fair value hierarchy			
In €'000	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Securities	90,655	0	0	90,655
Financial derivatives	0	708	0	708
	90,655	708	0	91,363
Financial liabilities at fair value				
Financial derivatives*	0	5,249	0	5,249
	0	5,249	0	5,249

*Thereof with a hedging relationship: € 2,918 thousand

Net gains and losses by measurement category

The net gains and losses on the financial instruments recognized in the income statement, by measurement category, are as follows:

T 63 NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

In €'000	2012	2011
Financial assets/liabilities at fair value through profit or loss	–59	–1,538
Loans and receivables	–7,180	–4,478
Available-for-sale financial assets	–1,546	–4,420
Liabilities measured at amortized cost	767	–3,802
	–8,018	–14,238

The net gains and losses were mainly attributable to effects from impairment losses and currency translation.

The net gains and losses recorded for assets and liabilities measured at fair value through profit or loss result from hedging instruments and liabilities from contingent consideration measured at fair value as of the end of the reporting period.

The »loans and receivables« category mainly comprises the impairment losses on trade receivables and reversals of impairment losses on loans. It also includes income and expenses from the currency translation of foreign currency receivables.

In the available-for-sale financial assets, the net gains and losses relate to impairment losses on participations and non-consolidated affiliated companies. These are countered by dividend income from participations.

The net gains of the liabilities measured at amortized cost are attributable in particular to effects from currency translation of foreign currency liabilities as of the reporting date. Once again, the main effects here stem from the measurement at closing rate of the US dollar loan of TÜV SÜD Bursa amounting to € 1,101 thousand (prior year: €–3,464 thousand).

Interest on financial instruments and the impairment losses on other securities, loans and participations are posted under other financial result. Impairment losses for trade receivables and other receivables are recorded in other expenses. Exchange rate gains and losses from currency translation are either reported in the financial result under currency translation gains/losses from financing measures or as other expenses or other income, depending on the economic nature of the factors that gave rise to them.

Valuation allowances on financial assets

The development of the valuation allowances on financial assets as well as the impairment losses recognized in the income statement in the fiscal year are as follows:

T 64 DEVELOPMENT OF VALUATION ALLOWANCES ON FINANCIAL ASSETS

In €'000	Other financial assets	Other non-current assets	Trade receivables	Other receivables and other current assets	Total
Valuation allowances as of January 1, 2011	8,794	238	9,396	3,931	22,359
Currency translation differences	–80	0	–34	76	–38
Change in scope of consolidation	–2,093	0	102	–350	–2,341
Additions	14,164	13	4,464	105	18,746
Utilization	–2,912	–154	–1,829	–94	–4,989
Reversals	0	0	–2,631	–11	–2,642
Valuation allowances as of December 31, 2011/ January 1, 2012	17,873	97	9,468	3,657	31,095
Currency translation differences	–47	0	–47	18	–76
Change in scope of consolidation	1,469	0	760	5,755	7,984
Additions	5,551	15	5,680	0	11,246
Utilization	–2,730	–3	–2,303	–70	–5,106
Reversals	0	0	–1,542	–3,155	–4,697
Valuation allowances as of December 31, 2012	22,116	109	12,016	6,205	40,446
Impairment losses 2012	2,320	15	6,155	0	8,490
Impairment losses 2011	14,164	13	4,533	0	18,710

39 | FINANCIAL RISKS

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

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

Trade receivables, percentage-of-completion receivables and loans may be defaulted at most to the value of their carrying amount as of December 31, 2012. Trade receivables that are past due are listed in note 25 »Trade receivables«.

The maximum credit risk at the time of the disposal of available-for-sale assets and derivative financial instruments corresponds to their market value as of December 31, 2012.

The risk of default on securities is minimized by a high degree of diversity in the investment strategy. Only securities with an excellent credit rating are purchased. In spite of the euro debt crisis, the TÜV SÜD Group has not recorded any default on securities. Derivative financial instruments

are only concluded with partners that have an investment grade rating and where a breach of contractual obligations is thus not expected.

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

In order to manage **liquidity risks**, the TÜV SÜD Group always has up-to-date liquidity planning and sufficient liquidity reserves in the form of cash and credit lines. Bank balances are held solely at banks with excellent credit ratings. In addition, maximum investment limits are set for investment funds at various banks based on their credit rating in order to avoid cluster risks. Risks relating to current securities are also minimized by widely diversifying issuers. In addition to cash and securities, the liquidity reserve comprises a syndicated credit line for € 200 million. Approximately € 57 million of this credit line guaranteed by a syndicate of banks until July 2017 had been utilized as of the reporting date. The maturity profile of the anticipated undiscounted cash flows is detailed under note 32 »Financial debt«.

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

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

Derivative financial instruments are marked to market on the basis of market conditions as of the end of the reporting period. Market valuations provided by banks are additionally checked for plausibility on the basis of internal calculations.

The amounts recognized for the derivative financial instruments of the TÜV SÜD Group are presented in the table below.

T 65 DERIVATIVE FINANCIAL INSTRUMENTS

In €'000	Dec. 31, 2012	Dec. 31, 2011
ASSETS		
Forward exchange transactions and cross-currency swaps	1,536	708
	1,536	708
LIABILITIES		
Forward exchange transactions and cross-currency swaps	255	2,331
Interest rate swaps	2,971	2,918
	3,226	5,249

Currency risks as of the reporting date are assessed using sensitivity analyses. The sensitivity analysis approximately quantifies the risk that may arise under the assumptions made if certain parameters change. With respect to the currency risks, it is analyzed what effect would arise from an increase or decrease of 10% in the value of the euro against all other currencies as of the reporting date.

With regard to trade receivables and payables, a 10% increase or decrease in the value of the euro against all other currencies as of December 31, 2012 would only have an immaterial effect on consolidated net income for the year. In the event of a 10% decrease in value of the euro, the market value of forward exchange transactions would fall by € 4,043 thousand (prior year: € 5,529 thousand). The market value of cross-currency swaps would drop by € 335 thousand (prior year: € 382 thousand) accordingly. In the event of a 10% increase in value of the euro against all other currencies, the market value of forward exchange transactions would rise by € 3,312 thousand (prior year: € 4,524 thousand). The market value of cross-currency swaps would increase by € 274 thousand (prior year: € 313 thousand) accordingly.

Interest rate risks may arise for investments in fixed-interest securities. A 1% increase in interest rates would result in a decrease in market value of € 1,101 thousand

(prior year: € 1,095 thousand). A 1% decrease in interest rates would lead to an increase in market value of 285 thousand (prior year: € 1,129 thousand). Financial debt may also be exposed to an interest rate risk. Derivative financial instruments are used on a case-by-case basis to hedge against the interest rate risk.

As of the reporting date, there are interest rate swaps that hedge against future increases in interest rates for the floating-interest loan financing the acquisition of the GRC group. There is also an interest/currency swap that hedges against future increases in interest rates and exchange rate fluctuations for the floating-interest loan denominated in US dollars financing the operator's license for the vehicle inspection business in Turkey. Both of these are cash flow hedges designated as such for hedge accounting purposes in accordance with IAS 39. The variable cash flows from these loans are exchanged for fixed-interest cash flows via interest rate swaps. The currency swap component secures a fixed exchange rate between the US dollar and Turkish lira. For financing of the operator's license, the hedge will be in place permanently until the end of 2017 and interest is payable every six months. Approximately 45% of cash flows have been hedged until May 2015 for financing the acquisition of the GRC group. The cash flow hedge from the acquisition of the GRC group was effective as of the end of the reporting period. The cash flow hedge to finance the operator's license had an ineffective component of € 53 thousand, which was recognized in profit or loss. The recognized negative fair value of this interest/currency swap and the interest rate swap amounts to € –2,971 thousand as of the reporting date (prior year: € –2,918 thousand). A negative amount of € –241 thousand was recognized in other comprehensive income in the fiscal year 2012 (prior year: € –991 thousand). This change in value reflects the effective portion of the hedges.

40 | NOTES TO THE STATEMENT OF CASH FLOWS

The cash and cash equivalents presented in the statement of cash flows contain all highly liquid items shown in the statement of financial position, i.e., cash in hand, checks and bank balances as well as current securities that are available within three months. An amount of € 119 thousand (prior year: € 2 thousand) of the cash is pledged.

The change in liabilities and provisions relates to pension payments of € 45,790 thousand made by trustors and refunded by TÜV SÜD Pension Trust e.V. (prior year: € 43,144 thousand). The trustors subsequently made further payments to TÜV SÜD Pension Trust e.V. again. Together with the additional injection of cash amounting to € 29,600 thousand to TÜV SÜD Pension Trust e.V. as well as further allocations to other plan assets as external financing of pension obligations, these are a component of cash flows from investing activities.

41 | RELATED PARTIES

Related companies

Related parties as defined by IAS 24 are legal entities or natural persons who can exercise significant influence or control over TÜV SÜD AG and its subsidiaries or, alternatively, are subject to the control or significant influence of TÜV SÜD AG or its subsidiaries.

The ultimate parent companies of the TÜV SÜD Group are TÜV SÜD e.V., Munich, and TÜV SÜD Stiftung, Munich (»TÜV SÜD Foundation«). Both TÜV SÜD e.V. and the TÜV SÜD Foundation have transferred their shares in TÜV SÜD AG to the independent shareholder committee, TÜV SÜD Gesellschafterausschuss GbR. The purpose of the civil law association TÜV SÜD Gesellschafterausschuss GbR, the interests in which are held by TÜV SÜD e.V., the TÜV SÜD Foundation and other natural persons as partners, is to hold and manage investments under German stock corporation law held in TÜV SÜD AG. Internally, TÜV SÜD e.V. and the TÜV SÜD Foundation hold 74.9% and 25.1% stakes in the assets of TÜV SÜD Gesellschafterausschuss GbR.

Within the framework of agency contracts, the activities under the accreditation which authorizes TÜV SÜD to operate the road vehicle technical inspectorate and the official vehicles inspection body in Baden-Württemberg are carried out by two operating companies of the TÜV SÜD Group for TÜV SÜD e.V., as principal and recognized

contractor. Business is conducted on behalf of, at the instruction of and in the name of TÜV SÜD e.V. All transactions and business processes are carried out in the TÜV SÜD Group. The Group maintains personnel and material in the scope necessary for the activities and operation. From the cost center accounting, the revenue allocable to TÜV SÜD e.V. is calculated and transferred. In the fiscal year 2012, for the first time 97% of revenue from the business officially mandated was invoiced by the operating entities as a lump-sum payment for agency services. In accordance with Art. 67 (1) EGHGB [»Einführungsgesetz zum Handelsgesetzbuch«: Introductory Law of the German Commercial Code] the payment for agency services increases by the evenly distributed difference from pension provisions in accordance with BilMoG [»Bilanzrechtsmodernisierungsgesetz«: German Accounting Law Modernization Act]. According to the method used to date, the agents were paid the cost price plus an appropriate interest rate on the capital employed. In the fiscal year 2012, a total volume of € 130,331 thousand (prior year: € 122,989 thousand) was charged to TÜV SÜD e.V. which recorded revenue of € 132,227 thousand (prior year: € 124,400 thousand) from this source.

As of December 31, 2012, TÜV SÜD AG recorded a cash pool liability of € 756 thousand (prior year: cash pool receivable of € 868 thousand) due to TÜV SÜD e.V. Cash pool receivables of € 58 thousand (prior year: € 19 thousand) from and cash pool liabilities of € 781 thousand (prior year: € 294 thousand) to subsidiaries of TÜV SÜD e.V. are reported as of the reporting date.

In the fiscal years 2012 and 2011, the TÜV SÜD Group had business relationships with non-consolidated subsidiaries, associated companies and joint ventures that qualify as related parties. In the course of ordinary operations, all service transactions with these entities were carried out at arm's length conditions. In 2012, transactions were carried out with material related parties that led to the following items in the consolidated financial statements:

T 66 ITEMS OF THE STATEMENT OF FINANCIAL POSITION FROM TRANSACTIONS WITH NON-CONSOLIDATED SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

	Non-consolidated subsidiaries		Associated companies		Joint ventures	
In €'000	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Loans	0	215	0	0	0	0
Receivables	5,764	2,567	110	96	0	0
Financial debt	1,039	501	0	0	0	0
Liabilities	3,235	2,008	44	56	289	176

Impairment losses of € 75 thousand (prior year: € 374 thousand) were recognized on loans to non-consolidated subsidiaries. Receivables from non-consolidated subsidiaries include impairment losses amounting to € 6,205 thousand (prior year: € 3,522 thousand).

Financial debt to non-consolidated subsidiaries stems from the central borrowing or investment of cash at TÜV SÜD AG (cash pooling). There is also a cash pool liability of € 740 thousand (prior year: € 699 thousand) due to the welfare association Belegschafts-Unterstützungsverein des TÜV Bayern e.V., Munich.

The business relationships with joint ventures are based primarily on a license agreement between TÜVTURK Kuzey and TÜVTURK Güney (licensors) and TÜV SÜD Bursa (licensee).

Dividend distributions by associated companies totaled € 693 thousand in the fiscal year 2012 (prior year: € 581 thousand).

By agreement dated October 22, 2012, TÜV SÜD AG transferred further cash of € 29,600 thousand to TÜV SÜD Pension Trust e.V., Munich, as a trustee. By shareholder

resolution dated November 15, 2012, TÜV SÜD Pension Trust e.V., Munich, agreed to pay this cash solely and in full into the atypical silent partnership in ARMAT Südwest GmbH & Co. KG, Pullach i. Isartal, and thus to increase further the external financing of the pension obligations in Germany.

By purchase agreement dated December 5, 2012, a property at Ridlerstrasse, Munich, was purchased by ARMAT Südwest GmbH & Co. KG, Pullach i. Isartal, at a market price of € 23,184 thousand. In the agreement, TÜV SÜD AG agreed to demolish the old building and to transfer a site free of legacy burden. Provisions totaling € 12,107 thousand were created for this purpose in the consolidated financial statements.

TÜV SÜD AG issued a letter of comfort for one related company (prior year: two related companies). It is assumed that the company can pay its current obligations itself. Claims are therefore not expected. As in the prior year, no further guarantees were issued for related parties.

Remuneration of the active Board of Management and Supervisory Board

The remuneration of key management personnel in the Group that is subject to mandatory disclosure pursuant to IAS 24 comprises the remuneration of the active Board of Management and Supervisory Board.

The remuneration of active members of the Board of Management amounted to € 4,018 thousand in fiscal 2012 (prior year: € 3,778 thousand). The additional service cost incurred for pension obligations amounted to € 136 thousand (prior year: € 146 thousand). The present value of the defined benefit obligation calculated in accordance with IFRSs amounted to € 4,387 thousand as of the reporting date (prior year: € 2,994 thousand).

The active members of the Supervisory Board received total remuneration of € 811 thousand in fiscal 2012 (prior year: € 838 thousand).

As in the prior year, no loans or advances were granted to members of the Board of Management or Supervisory Board as of the reporting date. Also, as in the prior year, no contingent liabilities were assumed in favor of these persons.

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

The total remuneration of former members of the Board of Management and their surviving dependants including pension payments and other payments (advisory services) amounted to € 957 thousand (prior year: € 953 thousand). Pension obligations (DBOs) amounting to € 13,778 thousand (prior year: € 11,376 thousand) are in place with regard to former members of the Board of Management and their surviving dependants.

Former members of the Supervisory Board did not receive any remuneration in the reporting year.

42 | PROPOSAL FOR THE APPROPRIATION OF PROFITS

The Board of Management and Supervisory Board will propose to the annual general meeting to distribute € 2,080 thousand from the retained earnings under German GAAP of TÜV SÜD AG totaling € 15,280 thousand, equivalent to € 0.08 per share. The remaining amount of € 13,200 thousand is to be transferred to other revenue reserves.

43 | AUDITOR'S FEES

The following fees for the services rendered by KPMG AG Wirtschaftsprüfungsgesellschaft in the fiscal year 2012 were recognized as an expense in accordance with Section 314 (1) No. 9 HGB:

T 67 AUDITOR'S FEES

In €'000	2012	2011
Audit of the financial statements	734	723
Other attestation services	22	24
Tax advisory services	879	1,144
Other services	251	335
	1,886	2,226

44 | CONSOLIDATED ENTITIES

T 68 CONSOLIDATED ENTITIES

NAME AND REGISTERED OFFICES OF THE ENTITY			Share in capital %
FULLY CONSOLIDATED AFFILIATED COMPANIES – GERMANY			
ARMAT GmbH & Co. KG, Pullach i. Isartal	*	SPE	100
ARMAT Hessen GmbH & Co. KG, Pullach i. Isartal	*	SPE	100
ARMAT Südwest GmbH & Co. KG, Pullach i. Isartal	*	SPE	100
Auto-Pflege-Zentrum GmbH & Co. KG, Darmstadt	*		100
Elektro-Beratung Bayern GmbH, Landwirtschaftlicher Prüfdienst, Munich			100
FleetCompany GmbH, Oberhaching			100
LSG-ELAB GmbH, Siegen			100
LSG-Hygiene Institute GmbH, Neu-Isenburg			75
Penders & Janßen GmbH, Oberhausen			100
PIMA-MPU GmbH, Munich			100
SIGNON Deutschland GmbH, Berlin			74.95
TÜV Ecoplan Umwelt GmbH Unternehmensgruppe TÜV Süddeutschland, Munich			100
TÜV Hanse GmbH TÜV SÜD Gruppe, Hamburg	*		90
TÜV Hessen Mobilität und Beratung GmbH, Darmstadt			100
TÜV SÜD Administration Services GmbH, Munich			100
TÜV SÜD Akademie GmbH, Munich	*		100
TÜV SÜD Auto Partner GmbH, Hamburg	*		100
TÜV SÜD Auto Plus GmbH, Leinfelden-Echterdingen			100
TÜV SÜD Auto Service GmbH, Stuttgart	*		100
TÜV SÜD Automotive GmbH, Munich	*		100
TÜV SÜD Battery Testing GmbH, Garching			70
TÜV SÜD Car Registration & Services GmbH, Munich			50
TÜV SÜD Chemie Service GmbH, Leverkusen	*		100
TÜV SÜD Ecoplan Deutschland GmbH, Munich			100
TÜV Süd Energie und Umwelt GmbH, Munich			100
TÜV SÜD Energietechnik GmbH Baden-Württemberg, Filderstadt	*		100
TÜV SÜD Immobilien Service GmbH, Munich	*		100
TÜV SÜD ImmoWert GmbH, Munich	*		100
TÜV SÜD Industrie Service GmbH, Munich	*		100
TÜV SÜD Informatik und Consulting Services GmbH, Munich	*		100
TÜV SÜD Life Service GmbH, Munich	*		100
TÜV SÜD Management Service GmbH, Munich	*		100
TÜV SÜD Pluspunkt GmbH, Munich	*		100
TÜV SÜD Product Service GmbH, Munich			100
TÜV SÜD Rail GmbH, Munich			100
TÜV SÜD Umwelt GmbH, Munich			100
TÜV SÜD Umwelt Messtechnik GmbH, Munich			100
TÜV Technische Überwachung Hessen GmbH, Darmstadt			55

NAME AND REGISTERED OFFICES OF THE ENTITY		Share in capital %
FULLY CONSOLIDATED AFFILIATED COMPANIES – OTHER COUNTRIES		
ARISE (Canada) Inc., Saint John, New Brunswick, Canada	F	100
ARISE Boiler Inspection and Insurance Company Risk Retention Group, Louisville, USA	F	100
ARISE Inc., Wilmington, Delaware, USA		100
Bytest S.r.l., Volpiano, Italy	F	100
ÉMI-TÜV SÜD Minöségügvi és Biztonságtechnikai Korlátolt Felelösségü Társaság, Szentendre, Hungary		62.13
Fleet Logistics France S.A.S, Boulogne, France	F	100
Fleet Logistics International N.V., Vilvoorde, Belgium	F	100
Fleet Logistics Italia S.r.l., Milan, Italy	F	100
Fleet Logistics Netherlands B.V., Osterhout, Netherlands	F	100
Fleet Logistics UK Limited, Birmingham, UK	F	100
Global Risk Consultants (Australia) Pty Ltd, Melbourne, Australia	F	100
Global Risk Consultants (Canada) Co., Halifax, Canada	F	100
Global Risk Consultants (Guangzhou) Co. Ltd., Guangzhou, China	F	100
Global Risk Consultants (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia	F	100
Global Risk Consultants (Singapore) Pte. Ltd., Singapore	F	99.99
Global Risk Consultants Corp., Wilmington, Delaware, USA		100
Global Risk Consultants Ltd., West Byfleet, Surrey, UK		100
Global Risk Consultants, S. de R.L. de C.V., Ciudad Juarez, Mexico	F	100
Global Risk Consultores (Brasil) Ltda., São Paulo, Brasil	F	100
GRC Merlin Holdings, Inc., Wilmington, Delaware, USA		100
Jiangsu TÜV Product Service Ltd., Wuxi, China		51
Magyar TÜV SÜD Müszaki Szakértoi Korlátolt Felelösségü Társaság, Szentendre, Hungary		100
National Association of Boiler and Pressure Vessel Owners and Operators, Inc., Louisville, USA	F	100
Nuclear Technologies plc., Gloucester, UK		100
OOO "TÜV SÜD RUS", Moscow, Russia		100
PetroChem Inspection Services Inc., Pasadena, Texas, USA		100
Project Management Support Services Limited, Romsey, UK	F	100
PSB Management Consulting (Shanghai) Co. Ltd., Shanghai, China		100
Sercura Limited, Kowloon, Hong Kong	F	100
SFDK Laboratório de Análise de Produtos Ltda., São Paulo, Brasil	F	100
SIGNON Schweiz AG, Zurich, Switzerland		100
TÜV Italia S.r.l., Milan, Italy		100
TÜV SÜD (UK) Ltd., Fareham Hants, UK		100
TÜV SÜD América de México S.A. de C.V., Monterrey N.L., Mexico		100
TÜV SÜD America Inc., Danvers, Massachussets, USA		100
TUV SUD Asia Ltd., Shatin, Hong Kong		100
TUV SUD Asia Pacific Pte. Ltd., Singapore		100
TUV SUD Bangladesh (Pvt.) Ltd., Dhaka, Bangladesh		100
TÜV SÜD Benelux B.V.B.A., Baal, Belgium		100
TÜV SÜD Bursa Tasit Muayene Istasyonlari Isletim A.S., Osmangazi-Bursa, Turkey		100
TÜV SÜD Canada Inc., Guelph, Ontario, Canada		100

NAME AND REGISTERED OFFICES OF THE ENTITY		Share in capital %
TÜV SÜD Central Eastern Europe s.r.o., Prague, Czech Republic		100
TUV SUD China Holding Ltd., Shatin, Hong Kong		100
TÜV SÜD Czech s.r.o., Prague, Czech Republic		100
TÜV SÜD France S.A.S., Ecully, France		100
TUV SUD Hong Kong Limited, Shatin, Hong Kong		100
TÜV SÜD Iberia, S.L.U., Barcelona, Spain		100
TUV SUD Industry Service, Inc., Dover, Delaware, USA		100
TUV SUD Industry Services Madagascar S.A., Antananarivo (Renivohitra), Madagascar		100
TUV SUD Invest LP, Atlanta, Georgia, USA		100
TUV SUD Invest Management LLC, Dover, Delaware, USA		100
TÜV SÜD Japan Ltd., Tokyo, Japan		100
TÜV SÜD KOCEN Ltd., Seongnam-si, South Korea		100
TUV SUD Korea Ltd., Seoul, South Korea		100
TÜV SÜD Landesgesellschaft Österreich GmbH, Jenbach, Austria		100
TUV SUD Limited, Glasgow, UK		100
TUV SUD Middle East LLC (Qatar), Doha, Qatar		100
TUV SUD Middle East LLC, Abu Dhabi, United Arab Emirates		51
TÜV SÜD Polska Sp. z.o.o., Warsaw, Poland		100
TUV SUD PSB (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia		100
TUV SUD PSB (Thailand) Ltd., Pathumthani, Thailand		100
TUV SUD PSB Indonesia, PT., Jakarta Barat, Indonesia	F	99
TUV SUD PSB Learning Pte. Ltd., Singapore		100
TÜV SÜD PSB Philippines Inc., Pasig City, Philippines	F	99.99
TÜV SÜD PSB Products Testing (Shanghai) Co., Ltd, Shanghai, China		100
TUV SUD PSB Pte. Ltd., Singapore		100
TUV SUD PSB Vietnam Co. Ltd., Ho Chi Minh City, Vietnam		100
TÜV SÜD Romania S.R.L., Bucharest, Romania		100
TÜV SÜD Sava d.o.o., Ljubljana, Slovenia		100
TUV SUD Serbia d.o.o., Belgrade, Serbia		100
TUV SUD Services (UK) Limited, Fareham Hants, UK		100
TÜV SÜD Slovakia s.r.o., Bratislava, Slovakia		100
TUV SUD South Africa (Pty) Ltd., Cape Town, South Africa		100
TUV SUD South Africa Investments (Pty) Ltd., Cape Town, South Africa	F	74.90
TUV SUD South Africa Pro-Tec (Pty) Ltd., Cape Town, South Africa		100
TUV SUD South Africa Real Estate Services (Pty) Ltd., Cape Town, South Africa	F	74.50
TUV SUD South Asia Pte. Ltd., Mumbai, India		100
TÜV SÜD SZA Österreich Technische Prüf-GmbH, Vienna, Austria		50
TÜV SÜD Teknik Güvenlik ve Kalite Denetim Ticaret Ltd. Sirketi (TGK), Esentepe (Istanbul), Turkey		100
Wallace Whittle (Holdings) Limited, Glasgow, UK		100
Wallace Whittle Limited, Glasgow, UK		100
ZACTA Technology Corporation, Yokohama, Japan	F	94.02
ZWP – Zerstörungsfreie Werkstoffprüfung GmbH, Vienna, Austria		100

NAME AND REGISTERED OFFICES OF THE ENTITY	Share in capital %
CONSOLIDATED ASSOCIATED COMPANIES – OTHER COUNTRIES	
SECTA Société Européenne de Contrôle Technique Automobile S.A., Courbevoie Cedex, France	38.22
Swiss TS Technical Services AG, Wallisellen, Switzerland	49.01
TÜV SÜD Ohtama Ltd., Tokyo, Japan	50
CONSOLIDATED JOINT VENTURES – OTHER COUNTRIES	
TÜVTURK Güney Tasit Muayene Istasyonlari Yapim ve Isletim A.S., Istanbul, Turkey	33.33
TÜVTURK Istanbul Tasit Muayene Istasyonlari Yapim ve Isletim A.S., Istanbul, Turkey	16.80
TÜVTURK Kuzey Tasit Muayene Istasyonlari Yapim ve Isletim A.S., Istanbul, Turkey	33.33

F = First-time consolidation

SPE = Special Purpose Entity

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

Munich, March 22, 2013

TÜV SÜD AG

The Board of Management

Dr. Axel Stepken Dirk Eilers Dr. Peter Klein Horst Schneider Karsten Xander

AUDITOR'S REPORT

»We have audited the consolidated financial statements prepared by TÜV SÜD AG, Munich, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the combined management report of the TÜV SÜD Group and TÜV SÜD AG for the business year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [»Handelsgesetzbuch«: German Commercial Code] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the financial performance and position in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.«

Munich, March 22, 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Huber	Sandhaas
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

CORPORATE BOARDS

SUPERVISORY BOARD

PROF. DR.-ING. HANS-JÖRG BULLINGER
Chairman
Senator of Fraunhofer-Gesellschaft

FRANZ HOLZHAMMER*
Deputy Chairman
Chairman of the central works council of TÜV SÜD AG

FRANK-PETER ARNDT
Member of the Board of Management of BMW AG

JOSEF BICHLER*
Head of Corporate Controlling of TÜV SÜD AG

DR. CHRISTINE BORTENLÄNGER
Managing Director of Deutsches Aktieninstitut e.V.

WOLFGANG DEHEN
Chairman of the Board of Management of OSRAM AG

MICHAEL DICK
Member of the Board of Management of
AUDI AG (retired)

THOMAS EDER*
Chairman of the works council of
TÜV SÜD Auto Service GmbH

PETER KARDEL*
Chairman of the works council of
TÜV SÜD Industrie Service GmbH

THOMAS KOPPOLD*
Expert at TÜV SÜD Industrie Service GmbH

REINHOLD RIEGER*
Expert at TÜV SÜD Industrie Service GmbH

DIETRICH SCHALLEHN*
Trade union secretary for sector 13 »Special services«
on the national executive board of ver.di

EDGAR SCHERNER*
Former chairman of the central works council of TÜV SÜD AG

GEROLD TANDLER
Member of the Board of Management of Linde AG (retired)

DR. EBERHARD VEIT
Chairman of the Board of Management of Festo AG

DR. MANFRED WITTENSTEIN
Chairman of the Board of Management of WITTENSTEIN AG

* Employee representative

BOARD OF MANAGEMENT

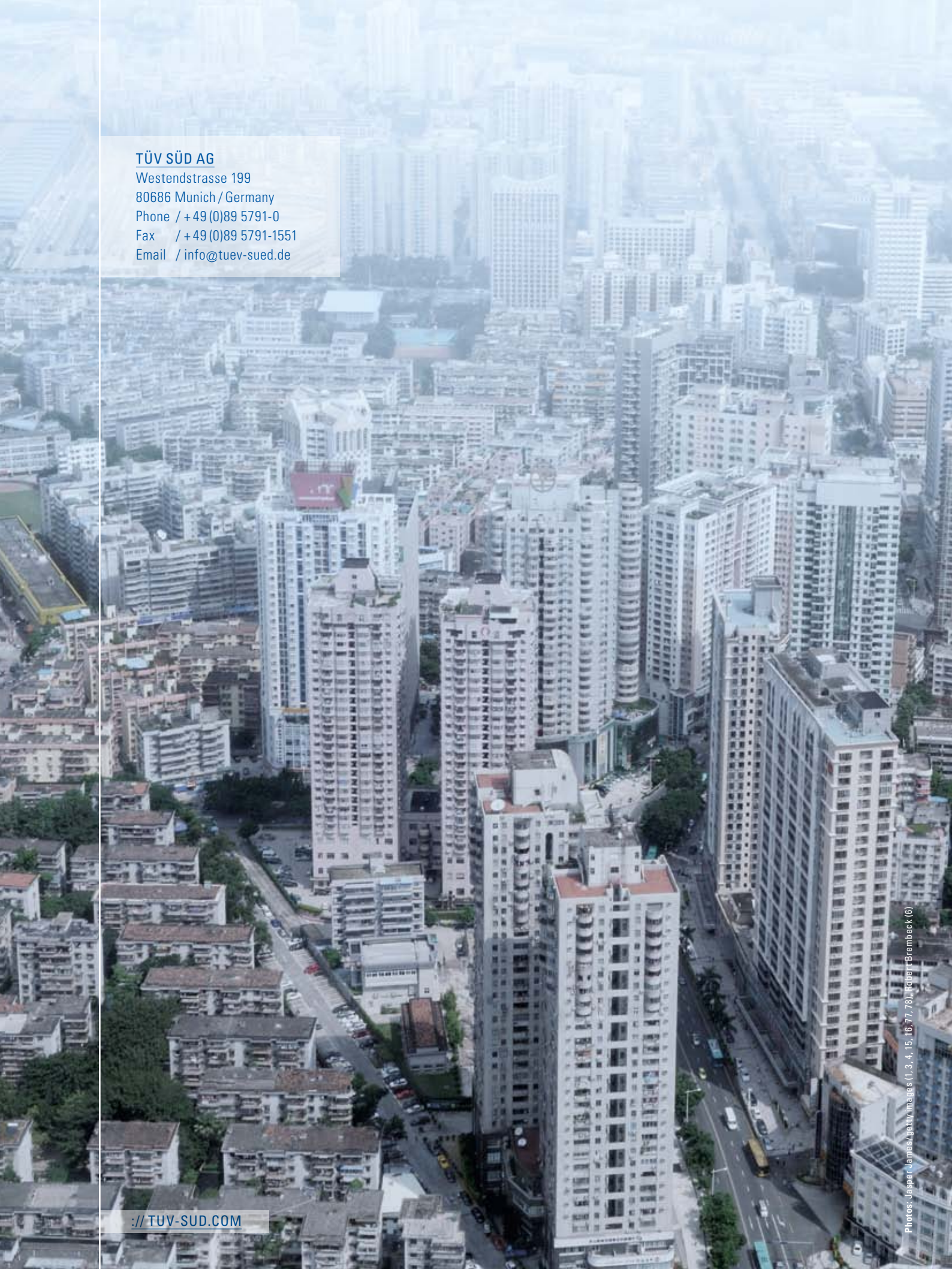
DR.-ING. AXEL STEPKEN
Chairman of the Board of Management

DIRK EILERS
Member of the Board of Management

DR. PETER KLEIN
Member of the Board of Management

HORST SCHNEIDER
Member of the Board of Management

KARSTEN XANDER
Member of the Board of Management



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