Choose certainty.
Add value.

TÜV SÜD AG

ANNUAL REPORT 2015

150 YEARS

INSPIRING TRUST

TÜV®

The Group at a glance 2015

T01 Key figures

	2011[1]	2012[4]	2013	2014	**2015**
	IFRS	IFRS	IFRS	IFRS	IFRS
Business development (in € million)					
Revenue	1,677.7	1,820.6	1,939.0	2,061.4	2,222.0
Personnel expenses	986.2	1,083.3	1,159.0	1,232.1	1,328.6
Cash flow from operating activities	154.6	158.2	189.2	202.3	221.2
Free cash flow[2]	90.2	86.4	109.0	134.3	140.8
Capital expenditures	64.4	71.7	80.2	68.0	80.4
EBIT[3]	159.9	159.2	160.7	172.3	162.4
Income before taxes	133.6	135.1	140.3	146.5	144.4
Consolidated net income	107.2	102.8	102.1	104.4	114.0
EVA (Economic Value Added)[5]		63.6	62.1	66.6	61.0
EBIT margin (%)	9.5	8.7	8.3	8.4	7.3
EBIT margin, adjusted (%)	8.9	9.0	8.8	9.1	8.5
EBT margin (%)	8.0	7.4	7.2	7.1	6.5
EBT margin, adjusted (%)	7.5	7.8	7.6	8.0	7.7
Assets (in € million)					
Non-current assets	824.1	1,001.5	992.9	1,111.7	1,147.5
Current assets	605.9	620.7	713.8	718.6	722.3
Balance sheet total	1,430.0	1,622.2	1,706.7	1,830.3	1,869.8
Equity ratio (%)	37.7	23.0	26.6	21.6	29.8
Employees (annual average)					
Full-time equivalents	16,018	17,227	18,981	19,735	20,228
Headcount					
As of December 31[6]	17,161	18,758	21,146	22,003	22,363

[1] From continuing operations.
[2] Free cash flow: cash flow from operating activities less cash paid for investments in intangible assets, property, plant and equipment and investment property.
[3] EBIT: Earnings before interest, before other financial result and before income tax, but after income from participations.
[4] Restatement in accordance with IAS 19 (revised 2011).
[5] Adjustment for NOPAT calculation.
[6] Calculation method changed from 2013.

2,222.0

REVENUE

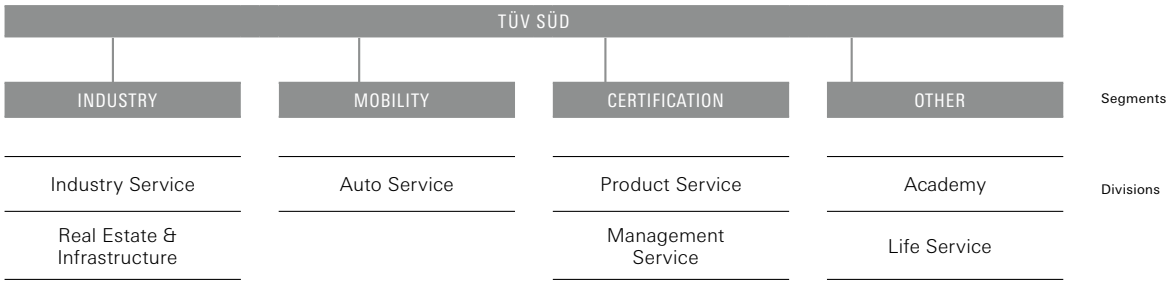
80.4

CAPITAL EXPENDITURES

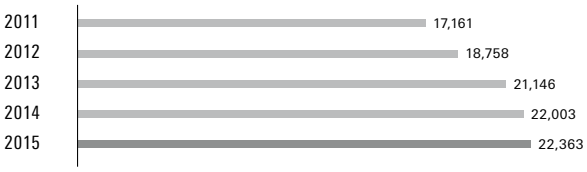
144.4

EARNINGS*

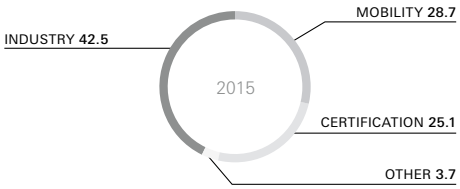
F01 TÜV SÜD structure



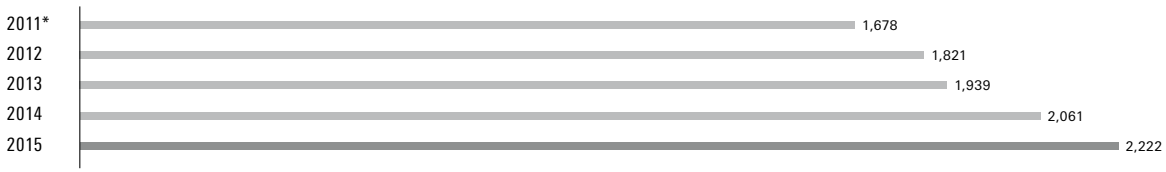
F02 Headcount



F03 Revenue by segment (in %)



F04 Revenue (in € million)



* From continuing operations.

OUR CUSTOMERS HAVE BEEN PLACING THEIR TRUST IN TÜV SÜD FOR 150 YEARS. AS THE LARGEST AND OLDEST TÜV COMPANY, WE BRING TOGETHER PEOPLE, TECHNOLOGY AND THE ENVIRONMENT, FOR A SAFER AND MORE SUSTAINABLE FUTURE – TODAY, JUST AS WE DID IN OUR FOUNDING YEAR, 1866.

MANAGEMENT AND SUPERVISORY BOARDS

COMBINED MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT AND SUPERVISORY BOARDS / 01

01

MANAGEMENT AND SUPERVISORY BOARDS

OUR GOAL IN OUR ANNIVERSARY YEAR? TO SHAPE THE WORLD OF TOMORROW.

From left to right: Karsten Xander, Dirk Eilers, Axel Stepken, Klemens Schmiederer, Matthias J. Rapp

MESSAGE FROM THE BOARD OF MANAGEMENT

Ladies and Gentlemen,

+ We have started our anniversary year 2016 with revenue of more than € 2.2 billion, EBIT of € 162 million and capital expenditures of € 80 million. TÜV SÜD is celebrating the 150th anniversary of its foundation. As the oldest TÜV organization, the company has been helping protect people, the environment and assets since 1866. The idea of making our world a safer place through our work continues to drive us today, just as it drove our predecessors over the decades. We look back with pride on the long history of TÜV SÜD – a company whose activities have always simultaneously fulfilled a social mission.

What began in the 19th century with just one employee, the engineer Carl Isambert, is a success story that continues right up to today. The TÜV SÜD Group currently has almost 24,000 employees. In more than 50 countries around the world, they leverage their expertise to ensure safety in (almost) all areas of life.

In the 150th year of its existence, TÜV SÜD is a global company as well as a valued and indispensable partner for our customers in many industries.

Over the past decade, the pace of our company's growth has increased considerably. Revenue, earnings and cash flow have roughly doubled since 2006, as has the number of employees. By expanding business and making acquisitions in Asia, Europe, the Americas and Africa, we have enhanced our international performance. Significantly more than half of our employees now work outside Germany – in Asia alone, we employ around 5,500 people. Our goal is clear: we want to be present with our services in all the relevant markets worldwide and to be among the leading players in our industry in each of these markets.

The acquisition of Spanish company ATISAE in February 2016 is the latest step in our internationalization strategy. The company is one of the most important providers of inspection services on the Iberian Peninsula. TÜV SÜD ATISAE, as the company has been known since February 2016, is particularly strong in the area of vehicle roadworthiness tests and in the conventional industrial testing business. This acquisition, the largest in our company's history, comes at a time when the Spanish economy is starting to recover following years of crisis and is reporting impressive growth figures. In addition, TÜV SÜD ATISAE can act as a bridgehead for the expansion of our business activities in Latin America.

When 22 visionary entrepreneurs founded the Mannheim-based Association for the Inspection and Insurance of Steam Boilers in 1866, their objective was clear: they wanted to gain control over the state-of-the-art technology of that era, steam power, by means of regular inspections, continuous technological development, and training for operating personnel. In the decades that have followed, the technical inspection associations (TÜV), as they became known from the 1930s onward, have supported and shaped every industrial revolution – in each case, addressing new trends such as electricity, mass mobility, new forms of energy generation, automation and digitization at an early stage and providing services that make them safer. As the 22 founding fathers from Mannheim were aware, new technologies

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will be accepted by the population at large only if their application does not pose a danger. And that principle holds true to the present day: innovations constitute progress only if they are safe.

We are currently in the midst of a new industrial revolution characterized by terms such as Industry 4.0 or the Internet of Things. Digitization is transforming many industries: connected factories, self-driving cars and smart data are just some of the buzzwords here. As a result, our global economy will undergo a digital revolution in the coming years. The associated changes will be no less dramatic than those that accompanied the transition from manual labor to factory production in the 19th century.

Our task and our stated goal is to play our part in shaping this fourth industrial revolution. This is why, back in 2014, we launched a group-wide digital service program, by means of which we systematically sound out the opportunities offered by new technologies. Around a dozen pilot projects have now been implemented, and several of these have already made the transition to regular projects. Further projects will follow this year. We are setting course for the future – by leveraging a concerted central approach, which also involves the TÜV SÜD Group as a whole.

"INNOVATIONS CONSTITUTE PROGRESS ONLY IF THEY ARE SAFE."

To strengthen our digital profile, we are investing heavily in enhancing our IT expertise. In the first quarter of 2016, dedicated Centers of

LOOKING AHEAD
SAFEGUARDING VALUES AND SHAPING THE FUTURE

There are around 150 years separating the portrait of the first TÜV engineer, Carl Isambert (1839 – 1899) – seen on the left in the background – and these photos. For this year's annual report, the Board of Management of TÜV SÜD AG discusses the company's long history and current innovation projects. The jubilee book **"150 years of inspiring trust"** also points far into the future: it contains comprehensive information and entertaining stories – in addition to a wealth of digital functionality.

// tuv-sud.com/jubileebook //

Excellence specializing in digitization were established in Singapore and Munich. In addition to supporting our customers in all matters relating to digitization, these units, which will see a substantial increase in personnel during the coming months, also provide impetus and act as coordinators for the entire TÜV SÜD Group.

We are celebrating our anniversary year 2016 on a solid foundation comprising decades of experience, but with a firm focus on the future. We are not looking back. Rather, we are using our anniversary as an opportunity to kick off wide-ranging dialogue with our employees and customers on the future of TÜV SÜD – through initiatives including numerous specialist events and "Future Talks" around the globe.

"150 years of inspiring trust" – that's the motto of our anniversary year. Our goal is to work hand in hand with our customers, our employees and the public at large to shape the world of tomorrow. Thank you for continuing to place your trust in us going forward.

Munich, April 8, 2016
The Board of Management of TÜV SÜD AG

Prof. Dr.-Ing. Axel Stepken | Dirk Eilers | Dr. Matthias J. Rapp | Klemens Schmiederer | Karsten Xander

ON SITE WORLDWIDE

Americas

NORTH AMERICA
Headquarters: Boston

SOUTH AMERICA
Headquarters: São Paulo

EMEA

GERMANY
Corporate headquarters: Munich

WESTERN EUROPE
Headquarters: Glasgow

CENTRAL & EASTERN EUROPE
Headquarters: Prague

MIDDLE EAST/AFRICA
Headquarters: Abu Dhabi

Asia

ASEAN
Headquarters: Singapore

JAPAN
Headquarters: Tokyo

SOUTH ASIA
Headquarters: Pune

CHINA
Headquarters: Shanghai

KOREA
Headquarters: Seoul

SUPERVISORY BOARD REPORT

Ladies and Gentlemen,

+ In 2015, TÜV SÜD once again proved its economic strength. With revenue of € 2.2 billion, the company achieved a revenue increase (adjusted for currency effects) of 4.1 percent compared to the prior year. This means that TÜV SÜD's revenue has more than doubled in the past decade. In view of the challenging market environment, this is a very respectable achievement. The company remains a creator of jobs, with currently almost 24,000 employees at 800 locations in more than 50 countries on five continents. The company's strategy continues to be aimed at profitable growth and systematic internationalization. As a result, TÜV SÜD is in an outstanding position at the beginning of its anniversary year 2016 and will remain on its successful trajectory, even after a corporate history spanning 150 years.

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. This applies in particular to the acquisitions made in the fiscal year 2015.

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 and strategic orientation. We were informed about the risk situation of TÜV SÜD. The flow of information was supplemented by quarterly reports. Variances from planning were explained to us in detail.

At the four ordinary meetings held in 2015, we discussed topics including the 2014 separate and consolidated financial statements, the Group's strategy, and planning for 2016.

The strategic considerations mainly took into account the challenges of digitization and their effects on TÜV SÜD's business model. Topics such as big data, cyber security and Industry 4.0

will bring fundamental changes in many industries. TÜV SÜD is – like all technical service providers – directly affected by this development. The Supervisory Board supports the Board of Management in its efforts to prepare the company, both strategically and operationally, for these challenges and to align it with future requirements. We remain convinced that, with the programs and measures they have introduced, the Board of Management is laying an important foundation for securing the company's future.

We also dealt in detail with the various business combinations, in particular with the acquisition of the Spanish company ATISAE. The largest acquisition in the history of TÜV SÜD shows yet again how systematically TÜV SÜD is implementing its strategy geared to growth and internationalization. In addition, we addressed the economic situation of various subsidiaries and the corresponding measures of the Board of Management aimed at increasing efficiency and profitability.

Another focus of our discussions was the setting of targets for implementing the statutory requirements regarding female representation at TÜV SÜD AG.

As part of the quarterly reporting, the Supervisory Board was also informed about the development and financial situation of TÜV SÜD Pension Trust as regards the trust assets under management. 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.

At an extraordinary meeting in July, the Supervisory Board was reconstituted following the elections of new employee representatives. Employee representatives Thomas Koppold, Reinhold Rieger, Dietrich Schallehn and Edgar Scherner left the Supervisory Board. They were replaced by the newly elected employee representatives Jörg Frimberger, Harald Gömpel, Wolfram Reiners and Martha Straub. Franz Holzhammer and Thomas Eder were elected to the personnel and audit committee as employee representatives. Peter Kardel left the personnel committee. Harald Gömpel was newly elected to the mediation committee as employee representative. Peter Kardel left this committee.

"TÜV SÜD WILL REMAIN ON ITS SUCCESSFUL TRAJECTORY, EVEN AFTER A CORPORATE HISTORY SPANNING 150 YEARS."

On the employer side, Frank-Peter Arndt and Dr.-Ing. E.h. Manfred Wittenstein left the Supervisory Board at the end of the general meeting on July 15, 2015. Dr. Jörg Matthias Großmann and Angelique Renkhoff-Mücke were newly elected by the general meeting. Dr. Jörg Matthias Großmann also assumed the position of chairman of the audit committee. Prof. Dr. Ing. Ulrich Hackenberg left the Supervisory Board as of December 3, 2015.

The Supervisory Board thanks the departing Supervisory Board members for the working relationship built on reciprocal trust.

The audit committee met four times in 2015. The topics it addressed included the interim financial statements as of March 31, June 30 and September 30, preparations for the audit, the focus of the audit and the independence of the auditor. >>

In particular, the audit committee examined the current risk situation, as well as TÜV SÜD's opportunity and risk management. Furthermore, it dealt with the implementation of the requirements of the German Corporate Governance Code, the internal audit findings for 2015 and further internal audit planning.

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 prepared by the auditors were available to all members of the Supervisory Board. At its meeting on March 16, 2016, the audit committee initially discussed and reviewed these documents. At the Supervisory Board's closing meeting on April 8, 2016, the chairman of the audit committee presented a report. The auditor attended both meetings, reported on the key findings of the audit and answered questions posed by the audit committee and Supervisory Board members.

We conducted an extensive review of the separate financial statements of TÜV SÜD AG, the consolidated financial statements and the combined management report. The Supervisory Board agreed with the findings of the independent 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.

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 2015.

Munich, April 8, 2016

Prof. Dr.-Ing.
Hans-Jörg Bullinger
Chairman of the Supervisory Board of TÜV SÜD AG

COMBINED MANAGEMENT REPORT / 02

02

COMBINED MANAGEMENT REPORT

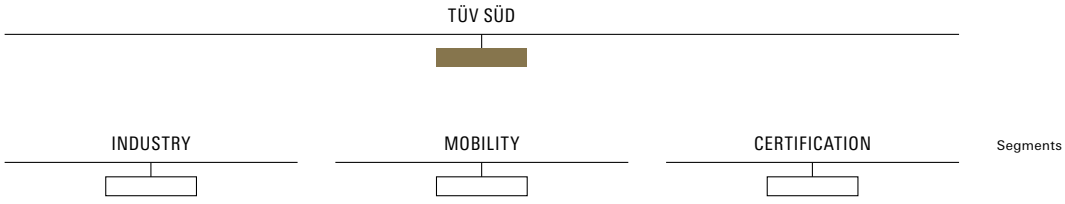
GROUP INFORMATION

Our business model

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 has shaped our work since our company was founded. And although we will be celebrating the 150th anniversary of our company's foundation in 2016, this standard – the promise that we make to our customers – is as relevant today as it has always been.

As a technical services provider, we operate in the TIC (Testing, Inspection, Certification) market. Our range of services covers certification and testing, inspection, auditing and system certification, knowledge services and training. 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. We have combined our services in the three segments INDUSTRY, MOBILITY and CERTIFICATION.

F05 TÜV SÜD structure



International presence and network

TÜV SÜD today operates in more than 50 countries around the world. At more than 800 locations on five continents, more than 22,350 people increase safety and add economic value for our customers. In globally networked competence centers, we make the latest knowledge available to our customers worldwide.

We are working systematically on expanding our international presence in order to be close to our customers. At the same time, we are laying the foundation for the profitable growth of our Group, enabling us to be not only a reliable partner, but also a strong one.

+
MAP OF THE WORLD SEE PAGE 12/13

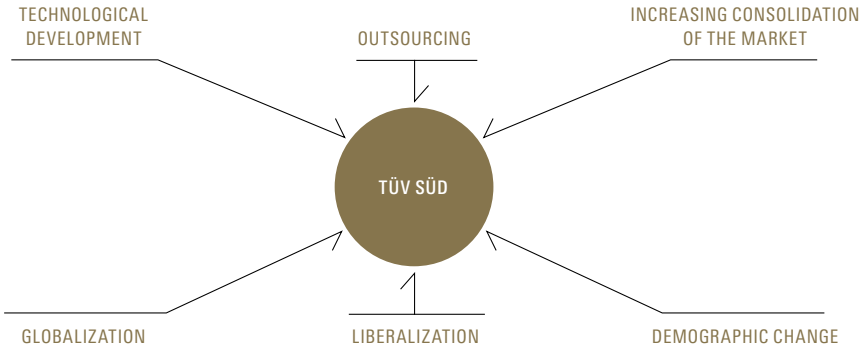
We are continuously developing our business model. The framework for this is provided by our customers and the markets in which we operate. As a basis for enhancing our forward-looking strategy, we constantly monitor key factors such as technological change or increasing consolidation in our markets.

F06 Factors that influence our business

Innovations and new technologies must be safe and sustainable if they are to succeed in the market.

Companies around the world are focusing on their core competencies in order to create more efficient cost structures.

The market for technical services is characterized by continuous change and by consolidation, which has been ongoing for a number of years. It is highly segmented and is served by a few large international companies as well as a large number of small specialists.



In our interconnected world, business activities often extend beyond national borders and across continents. Internationally recognized standards create the foundation for collaboration based on trust by ensuring compliance with defined safety and quality criteria.

Liberalization and deregulation reduce the barriers to market entry, giving rise to more intense competition. At the same time, the importance of protecting people and the environment is rising worldwide. For example, many legislators are issuing comprehensive requirements for products and services whenever the safety of people and the environment could be endangered.

The aging population in the industrialized nations and increasing migration are giving rise to new challenges in the areas of employee recruitment, workplace design and the range of services offered.

Sustainability as the company's purpose

Long-term corporate success and sustainable business activities are codependent. This is particularly true for TÜV SÜD, as sustainable action geared to protecting people and the environment is enshrined in our company's goals. We bring together people, technology and the environment – for a future worth living in. This guiding principle has shaped the company since its foundation 150 years ago and continues to determine our actions today. From the first environment-related appraisals at the end of the 19th century to the countless audits and certifications that we currently offer in areas such as environmental management, energy efficiency, renewable energy, electromobility and corporate social responsibility – when it comes to protecting people and the environment TÜV SÜD is almost always the first port of call.

This is how we support our customers on their way to greater sustainability. Our services in this area range from consulting and training through to documentation of statutory requirements, such as those arising from the EU REACH regulation on chemicals or the German Renewable Energy Act (EEG). Through a large number of certifications, we help our customers credibly document their progress in the area of sustainability. The spectrum here ranges from certification of entire environmental management systems according to ISO 14001, to energy audits according to DIN 16247, right through to documentation of quality, environmental, and social standards across the entire production and supply chain.

For example, we performed an increased number of energy certifications to verify green power in the fiscal year so that consumers can be certain of the origin of the electricity they use.

We also performed more than 2,500 system certifications, including information security, at manufacturers of medical products. After all, the safety requirements that products and data have to satisfy are particularly high when people are directly affected.

At the same time, we apply stringent standards to our own actions. Absolute integrity and strict compliance with laws and standards are essential for a technical service provider. Comprehensive compliance management within the Group ensures that our employees always meet the high standards that our customers and the public expect from us.

The various ongoing programs aimed at increasing efficiency within our segments also continually result in improvements to our sustainability performance. For example, we expect the FIT17 project in the MOBILITY Segment to deliver a sustainable reduction in the number of kilometers driven by our test engineers in the field. In this way, we save resources and contribute to protecting the environment.

In order to meet our responsibilities toward our employees, we offer them not only secure and attractive jobs, but also comprehensive opportunities for advanced vocational training, and appealing social benefits, helping them reconcile the demands of career and family, and providing support in family emergencies, such as caring for family members, are just as important.

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EMPLOYEE REPORT

Legal structure guarantees independence

TÜV SÜD stands for independence and impartiality – which are ensured by the unique legal structure of our 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. Management is by means of a matrix structure 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 Gesellschafterausschuss 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 members of the governing bodies of TÜV SÜD e.V., the TÜV SÜD Foundation and TÜV SÜD Gesellschafterausschuss GbR, are largely independent from those of the supervisory bodies of TÜV SÜD AG. This ensures the independence of the bodies in accordance with the German Corporate Governance Code.

The TÜV SÜD Foundation publishes its own report annually.

F07 Legal structure

TÜV SÜD AG

Subsidiaries in the regions

EMEA	AMERICAS	ASIA
Germany	North America	Asean
Western Europe	South America	China
Central & Eastern Europe		Japan
Middle East/Africa		Korea
		South Asia

Segments

INDUSTRY | MOBILITY | CERTIFICATION

Strategy 2020 – continued focus on growth and efficiency

Growth, internationalization and constantly increasing the value of the company remain the fundamental principles that guide our actions. The underlying strategy is long-term in nature and has already been set out for the period up to 2020. At the heart of the strategy are the two dimensions of action "growth" and "efficiency," for each of which we have defined several value drivers. Through specific measures in the operating units, we are leveraging potential step by step in order to continue our course of profitable growth in the future.

The growth market for TIC (testing, inspection, certification) services offers many opportunities to grow and increase our revenue volume organically. At the same time, we play an active part in shaping the process of concentration that has been ongoing in this market for a number of years and are enhancing our portfolio by acquiring companies in all sectors and regions of relevance for us. We intend to generate at least 50 % of our revenue outside Germany by 2020, as these regions offer particularly attractive growth opportunities.

TÜV SÜD intends to be among the internationally leading providers in all of its segments. In the INDUSTRY Segment, the strategic focus is on expanding business internationally, with particular emphasis on the Asian markets. In the MOBILITY Segment, we focus particularly on enhancing the efficiency of processes in vehicle roadworthiness tests and on service quality. At the same time, the new services such as fleet management or vehicle valuation are being expanded. The CERTIFICATION

Segment focuses on the continued internationalization of business and the customer base, with the goal of developing economies of scale.

In 2015, we made further progress with the implementation of our Strategy 2020. Activities focused in particular not only on our ongoing efforts in the area of efficiency, but also on continued internationalization, especially in Asia, strengthening business involving key accounts and large-scale projects, as well as on expanding our portfolio by adding new, innovative services and business models. Particularly in the area of digitization, which is rapidly gaining ground in virtually all industries and sectors, we see considerable opportunities for our company through the development of new products. In light of this, we continued in 2015 to define our digital strategy, linking it closely to our group-wide innovation process. We want to actively promote developments in this area and – in line with our standard and mission, which is now more than 150 years old – to shape them in a way that delivers certainty and adds value for our customers from the outset.

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INNOVATIONS REPORT

F08 Strategy 2020 – growth and efficiency drivers

BUSINESS VALUE

GROWTH		EFFICIENCY	
Accelerate growth	Increase internationalization	Focus portfolio	Increase strength
Growth drivers		Efficiency drivers	
1 **Customer focus**		6 **Personnel**	
2 **New products**		7 **Productivity**	
3 **Pricing**		8 **Production portfolio**	
4 **Acquisitions**		9 **Capital efficiency**	
5 **Internationalization**		10 **Synergies**	
11 **Digitization**			

Key account management established

With the creation of the Global Customer Operation unit back in 2012, we clearly demonstrated our commitment to intensive and coordinated support for selected key accounts. In addition, we set up a comprehensive customer relationship management (CRM) system over the past two years. This enables a consistent view of our key accounts and creates the prerequisites for end-to-end support. The corresponding rules are defined in a global sales process.

Following successful completion of the start-up phase, the new system is now used by almost 1,500 TÜV SÜD employees worldwide. This has created the foundation for gradually transitioning all operating units to the CRM system and ultimately using it to record all customer activities.

From 2016 onward, other countries and companies will be connected to the CRM system. In the future, a distinction will be drawn not only between individual customers but also between strategic, international and local key accounts in order to even better meet the customers' specific demands and requirements. On the basis of clear definitions and rules – coordinated centrally and supported regionally –, we want to get even closer to our customers and reinforce our position as a recognized process partner.

The structures and processes created in the area of Global Customer Operation will now be transferred step-by-step to other important customers and are also intended to act as a reference for TÜV SÜD's global sales organization.

In this way, we are promoting strategic and cross-divisional collaboration, increasing customer satisfaction and adding value for our customers.

Management system

Our management system comprises the integrated controlling system and strategic corporate planning.

We use various indicators to gauge our company's performance and leverage them to manage our company.

We have defined revenue growth and EBIT as well as EBIT margin as key financial performance indicators. These indicators are supplemented at group level by the value-based indicator Economic Value Added (EVA®), which has been adapted to the requirements of TÜV SÜD. This measures the value added by the Group and takes into account the cost of capital used to generate the respective earnings. The EVA financial indicator flows into the remuneration system for first- and second-tier management as a component of variable remuneration.

As further non-key financial indicators at group level, we use free cash flow at group level and earnings before taxes (EBT). The free cash flow shows the extent to which we generate long-term cash flows from our operating activities.

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EMPLOYEE REPORT

As regards our employees, we use various non-financial indicators such as headcount, average age of employees, percentage of female employees and average length of employment with the Group.

T02 Definition of financial performance indicators at TÜV SÜD

Key indicator	Definition
EBIT	Earnings before interest, before other financial result and before income tax, but after income from participations.
EVA	NOPAT – GROUP'S COST OF CAPITAL **Net operating profit after tax (NOPAT)** = EBIT – income tax (flat rate of 30 %), excluding the at equity result from the flat-rate taxation + correction of the German phased retirement obligations after application of the revised IAS 19 **Capital employed** = non-current operating assets + inventories and receivables – selected non-interest-bearing liabilities and provisions* **Group's cost of capital** = average capital employed x weighted average cost of capital (WACC: 7 %)
Free cash flow	**Cash flow from operating activities** – cash outflow for investments in intangible assets, property, plant and equipment, and investment properties

* Non-interest-bearing liabilities and provisions include current provisions, advance payments received and tax liabilities.

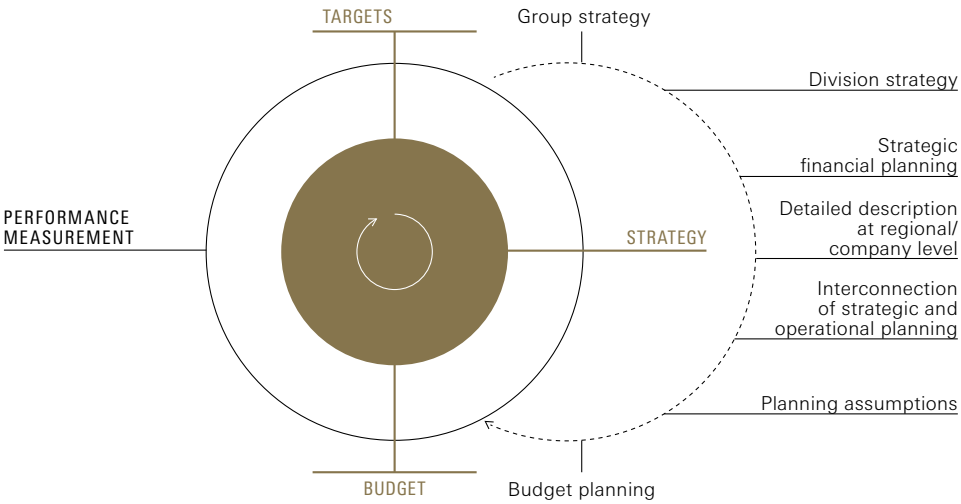
This value-based corporate management is implemented in our **integrated controlling system**. It is based on a group-wide management information system, a harmonized global finance function, and accounting in accordance with International Financial Reporting Standards (IFRSs).

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

The starting point for our planning and monitoring processes is **strategic planning**, which is geared to constantly increasing the value of the company. The strategic goals form the basis for the group strategy. This, in turn, is the basis for the strategy of the segments, which is put into practice in the strategy of the respective divisions. The specifications for the divisions flow into the strategic financial planning and are developed in greater detail at regional level.

The planning derived in this way for the following year, together with three forecasts in the course of the year and timely preparation of monthly and quarterly financial statements, provides the foundation for our analyses, by means of which we gauge the achievement of the strategic goals and identify budget variances.

F09 Strategic and operational planning



Innovations report

FUNDING INNOVATION

The new group-wide innovation process focuses on quick and easy funding for substantive innovation projects that are clearly aligned with the market.

A central element of the new process is the newly established Corporate Innovation Fund for highly promising innovation projects, which covers part of the costs incurred by the TÜV SÜD entity behind the project. This funding aims to strengthen the role of the divisions and regions in the innovation process. The individual projects are initiated locally by the divisions and regions, supported by central innovation management, and are presented to the Board of Management for funding. Project execution is the responsibility of the divisions and regions together with customers and partners.

In order to become a leading provider in the field of digital services, it is also necessary to pool the relevant expertise within the company and to recruit suitable employees for TÜV SÜD and retain them within the company. With the establishment of a Digital Competence Center, which will go into operation in 2016, we are taking a major step in this direction.

As a cross-divisional central function, the new competence center will focus primarily on creating and pooling expertise in the areas of IT security, operating safety and data analysis. This is intended to lay the foundations for supporting particularly complex customer projects. At the same time, the competence center will make TÜV SÜD a more attractive employer for IT specialists. To ensure activities are internationally oriented from the outset, the competence center will have Centers of Excellence in Munich and Singapore.

INNOVATIONS IN THE FISCAL YEAR

The digital transformation now affects virtually all areas of life and every industry. For TÜV SÜD, this brings to new challenges and, most importantly, numerous opportunities in almost all business segments. To leverage this potential, we have been addressing the challenges and prospects of digitization in depth for a number of years now. For example, TÜV SÜD spent € 6.9 million (prior year: € 7.5 million) on research and development in the fiscal year 2015.

The aim is to support this technological development and ensure its safety – as we have been doing successfully (in other areas) for 150 years. To achieve this, we are adapting our service portfolio and systematically developing new products that meet the requirements of digitization. This is creating attractive growth prospects for our company, particularly in the field of Industry 4.0. Alongside operating safety and IT security, the analysis of process and operating data offers extremely promising areas of activity here. Our comprehensive expertise in virtually every industrial sector gives us an important competitive advantage. Our goal and our mission is therefore to become a leading provider of services relating to operating safety, IT security and data analysis in the industrial environment.

Relevant areas of application are arising along the entire value added chain of the various industries in which we operate. Focus topics include:

Monitoring and data analysis in the industrial environment:
Intelligent analytical tools and algorithms help predict damage to or even potential outages of industrial plant in good time. As a result, preventive measures can be initiated, and costs for downtime and costly, time-consuming repairs avoided. On the other hand, if the analysis shows that no action is required, maintenance can be postponed in order to optimize associated costs. Although the concept of predictive maintenance is nothing new, the rapid development of digital technologies and new analytical tools have provided additional impetus for this trend. The combination of digital expertise with industrial experience and sector-specific knowledge enables TÜV SÜD to add real value for its customers.

Industrial IT security
The increasing and cross-company networking of systems in Industry 4.0 also places higher demands on IT security. End-to-end protection requires not only sound IT expertise, but also a profound understanding of industry. TÜV SÜD has been active in this area for several years and helps customers counter threats with suitable protective measures. We inspect industrial plant and processes, analyze weak spots, evaluate the risks and test the security of the systems.

Smart buildings and smart homes
Digitization is also bringing fundamental changes in people's homes. Increasing networking and the deployment of a wide variety of technological components can save energy while boosting convenience and safety. Here, too, the aim is to ensure that these developments are safe. The focus is on operating safety, data protection and interoperability – in other words, functioning interplay and smooth information transfer – between the various components.

Moreover, digitization offers many ways of making our services even more efficient and customer-focused. For example, we are working on using augmented reality – that is, a live direct or indirect view of a physical, real-world environment whose elements are augmented (or supplemented) by computer-generated sensory input – to optimize our processes and are examining the deployment of drones in inspections and of remote-monitoring solutions, wherever the regulatory framework permits this.

To leverage the potential of digitization for TÜV SÜD, we launched various pilot projects in different parts of the company during the past year. One of these projects, for example, addressed predictive maintenance of power plants. Sensors deliver operating data from central components around the clock. By analyzing this data, it is possible to predict required maintenance work based on the condition of components, significantly reducing risks and unplanned downtime. After being successfully piloted on individual critical components, the procedure is now being expanded to cover an entire power plant. Further pilot projects have already been identified and will be implemented during the coming months. In addition to follow-up projects based on the pilot, new project proposals are being launched in order to put them through their paces in practice.

CORPORATE GOVERNANCE REPORT

Corporate governance characterized by responsibility and transparency enhances the trust of our customers and the public in our work and allows us to meet the steadily increasing information requirements of national and international stakeholders. This is a cornerstone of our success and is set out in clearly defined policies and rules that apply throughout the company. 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.

Composition of the Supervisory Board

The Supervisory Board of TÜV SÜD AG comprises 16 members. In accordance with German law, half of the members are employee representatives and half are representatives of business and the public. In order to meet statutory requirements regarding equal representation of women and men in management positions in the private and public sectors, three women have been appointed to the Supervisory Board for the employer side and one woman for the employee side.

The audit committee consists of four members and deals primarily with monitoring the financial reporting process, the effectiveness of the internal control system, the risk management system and the internal auditing system. In addition, it addresses the annual audit of the financial statements and specifically the independence of the auditor, the additional services rendered by the auditor, the award of the audit engagement as well as the definition of the focus of the audit and the fee arrangement.

The personnel committee comprises four members. Its main tasks include preparing appointments and removal of members of the Board of Management, preparing recommendations on remuneration of the individual members of the Board of Management and designing and regularly reviewing the remuneration system. The chairman of the personnel committee regularly reports to the full Supervisory Board on the activities of the personnel committee.

Composition of the Board of Management

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

Cooperation between the Board of Management and the Supervisory Board

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

Further information on collaboration between the Board of Management and Supervisory Board of TÜV SÜD AG can be found in the supervisory board report in the annual report. The members of the Board of Management and Supervisory Board are listed in the notes to the financial statements.

Disclosures in connection with the law regarding equal representation of women and men in management positions in the private and public sectors

The following targets and deadlines were specified for TÜV SÜD AG:

	Share already achieved	Target percentage	Implementation deadline
Supervisory Board	25 %	Unchanged	June 30, 2017
Board of Management	0 %	Unchanged	June 30, 2017
First-tier management	15 %	Unchanged	June 30, 2017
Second-tier management	33 %	Unchanged	June 30, 2017

Targets were also defined for the four German group companies affected by the legislation. Here, too, the target ratios at least match the shares already achieved. The implementation deadline was also set as June 30, 2017.

Compliance

Compliance with international rules and dealing fairly with our business partners and competitors are among our company's most important principles. TÜV SÜD has always felt bound by legal and internal requirements. In addition, ethical principles are an integral part of our corporate culture.

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

The Chief Compliance Officer is supported in his work by the Global Compliance Officer, the Local and Regional Compliance Officers, and the Corporate Compliance Officers.

We have informed all companies of the principles of conduct (TÜV SÜD Code of Ethics) and firmly established these as an essential element of the corporate culture. The TÜV SÜD Code of Ethics comprises a total of ten compliance rules. Its guiding principles are independence, integrity and law-abiding behavior.

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http://www.tuev-sued.de/company/tuev-sued-group/code-of-ethics

Through comprehensive training, including an e-learning program tailored to the company's specific requirements, we ensure that our corporate compliance requirements are put into practice within the company. Employees can contact the Chief Compliance Officer or Global Compliance Officer at any time by letter, email or phone; the respective Local Compliance Officer is also available as a direct contact on site. In addition, the internet-based EthicsPoint platform is available for communication in selected countries.

Employees and business partners can also report indications of breaches and suspected violations to an external system of ombudsmen, who are sworn to secrecy and anonymity. All breaches of laws or internal guidelines are subject to appropriate measures and can have consequences under labor law, including termination of employment.

Risk management

In our day-to-day work, we attach high importance to careful handling of potential risks for the company. Our risk management system is designed to identify risks, evaluate existing risk positions and optimize risks entered into. We continually adapt this system to the changing business environment.

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OPPORTUNITY AND RISK REPORT

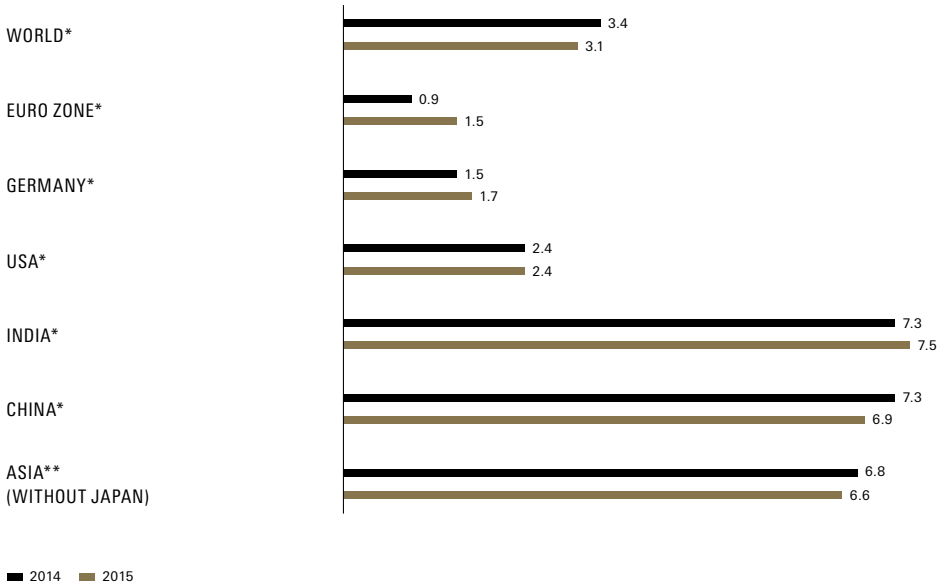
ECONOMIC REPORT

Macroeconomic development

Growth of the global economy weakened in 2015. Global economic output grew by just 3.1 %, the smallest increase since the crisis year 2009.

Although the feared collapse of the global economy has yet to materialize, the weakening of the Chinese economy, lower prices for raw materials and economic problems in some emerging economies had a negative impact. In addition, a number of political risks and a tightening of monetary policy in the USA toward year-end sparked uncertainty regarding economic development.

F10 Economic growth in key markets worldwide (in %)



* Source: Bundesbank (prior-year forecast updated with actual figures)
** Source: IMF world economic outlook (prior-year forecast updated with actual figures)

Positive development in most European economies

In most of the countries of the European Union, the underlying macroeconomic trend in 2015 was positive. There was an increase in real GDP of 1.5 % in the euro zone as a whole for 2015. This is the highest growth rate since 2011. In most countries, this development was again driven by private consumption.

In Germany, the economy remained robust in 2015, with GDP rising by 1.7 % (prior year: 1.5 %). The main driver of economic growth remained private consumption, supported by high employment and a marked increase in real disposable income.

In France, GDP increased significantly year on year, with a rise of 1.0 % after just 0.4 % in the prior year. In the UK, the solid economic growth of the prior year persisted, with economic output increasing by 2.4 %. The main contributory factor here was the continued robust expansion of the service sector, the backbone of the British economy.

With average GDP growth for the year of 0.5 %, the Italian economy also stabilized after three years in recession. In Spain, the dynamic upswing of the prior-year continued. Economic growth again picked up significantly, seeing an increase of 3.23 %.

In the other countries of the euro zone, economic growth generally changed little in comparison to the preceding year. Only Greece and Finland experienced continued economic decline.

USA: strong consumption, weak investment activity

The USA's gross domestic product again grew by 2.5 % in 2015. Here, too, the economy was driven mainly by private consumption, supported by the improved situation on the labor market and low energy prices. By contrast, industrial production was even weaker in 2015 than in prior years. Many companies remain reluctant to invest, above all in the petrochemical industry, which is struggling with the effects of the low oil price.

Varying development in the emerging Asian economies

At 6.9 %, economic growth in China was at its lowest rate for 25 years. The country is still in a process of state-controlled structural change, involving a decline in industrial production and a strengthening of the service sector. Despite these negative effects, China remains one of the drivers of global economic development.

The Indian economy continued the significant expansion of the prior year in 2015, growing by 7.5 %. This trend was driven even more strongly than in the prior year by private consumption, which picked up considerably as inflation slowed.

Weak euro, strong US dollar

The euro depreciated further against the US dollar over the course of 2015. While the exchange rate was still 1.20 US dollars per euro at the beginning of the year, the single European currency traded at just 1.08 dollars per euro on the last trading day of the year. Development against the Japanese yen and other important currencies for TÜV SÜD followed a similar pattern, with the euro also depreciating in value over the course of the year. The euro appreciated only against the Turkish lira over the course of 2015.

The development of the reference currencies is shown in the notes to the consolidated financial statements in note 5.

Industry-specific developments

TÜV SÜD tests, inspects and certifies products, industrial plant and systems around the globe, and also offers its customers services such as consulting and training.

With our range of services, we cover subareas of the highly segmented market for technical services. The business environments in the individual markets are extremely disparate and are shaped both by regional developments and global trends. The total global market for technical services has an annual volume of approximately € 65 billion to € 70 billion, with just over half of this figure being attributable to the EMEA Region, and a quarter to the ASIA and AMERICAS regions respectively. Through our regional focus, we align our core business with market volumes. As a result, our commitment is concentrated mainly on highly industrialized and export-dependent countries in Europe and Asia, but also in the Americas. In addition, we systematically develop new sales markets in many emerging and developing countries.

F11 Influencing factors and selected activities in the fiscal year

GLOBALIZATION

Our customers operate internationally and are expanding worldwide. They rely on our ability to meet their requirements wherever they are in the world. This is because compliance with binding standards is an essential foundation for collaboration built on trust and for the target level of security.

- Expansion of the global test laboratory network
- Certification of international manufacturers' LED components for the European market

OUTSOURCING

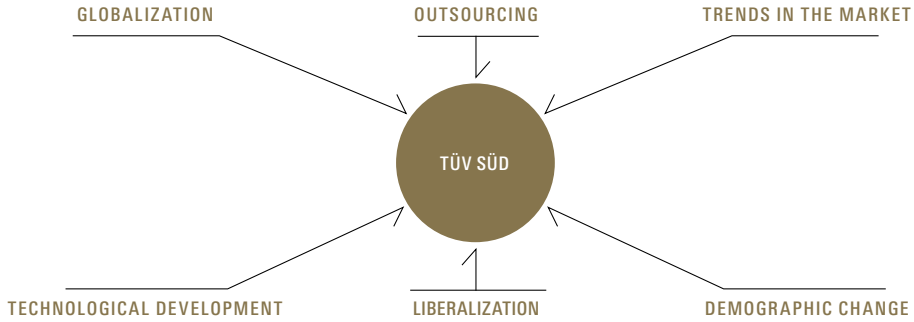
TÜV SÜD offers customers one-stop access to all services throughout the vehicle life cycle. This comprehensive portfolio also makes us the ideal outsourcing partner for multinational companies, particularly when it comes to fleet services.

- Responsibility for vehicle services and fleet management in up to 25 countries for an international beverages manufacturer, a commercial vehicles manufacturer and a car manufacturer

TRENDS IN THE MARKET

A large number of small and midsized companies operate in our technical market environment. For years, the market has been characterized by a high level of consolidation on the supply side.

- Actively contribute in shaping consolidation in the market by selecting suitable acquirees
- Realizing synergies and efficiency potential by aggregating group companies to form powerful business units



TECHNOLOGICAL DEVELOPMENT

Digitization is increasingly gaining ground in virtually all areas of business, posing new challenges for companies and calling entire business models into question. Functional safety and data protection are becoming critical success factors. TÜV SÜD accompanies its customers through this digital revolution as a "partner in change". We offer a comprehensive service portfolio including advisory, testing and certification services for IT security as well as for the functional safety and reliability of technical systems.

- Co-authoring of white paper "Managing security, safety and privacy in Smart Factories" with Munich Network
- Development of management guideline for companies seeking to convert their factories to smart factories
- Honeynet project aimed at demonstrating digital spying on infrastructures and production facilities
- Hosting of an event on the Internet of Things, big data and mobile apps in the healthcare sector

LIBERALIZATION

Market liberalization is leading to tougher, international competition. On the other hand, however, it also offers us opportunities to penetrate new business segments, if we are successful. At the same time, deregulation always has to be handled responsibly. After all, protecting health and safeguarding lives are the top priority.

- Harmonizing the authorization of lift systems in Europe (2014/33/EU)
- Reform of the German Ordinance on Industrial Health and Safety in force since June 1, 2015

DEMOGRAPHIC CHANGE

When it comes to mastering the challenges of demographic change, we support our customers with a wide variety of offerings. For example, we help our customers meet legal requirements and support government agencies as well as aid organizations. Moreover, a large number of internal measures and initiatives create the conditions necessary for TÜV SÜD to remain an attractive employer in the long term.

- Appointment of an expert group for barrier-free construction and renovation
- Development of a standard for sustainable sanitary solutions based on the Reinvent the Toilet Challenge (RTTC) of the Bill & Melinda Gates Foundation
- Corporate healthcare management for employees aimed at promoting the maintenance of performance and employability

Business and economic environment

In the fiscal year 2015, we further simplified our corporate structure by merging and transferring entities in Europe, Asia and the USA. In Germany, we merged the service entities for real estate management, IT services as well as commercial services such as procurement, accounting and HR to create TÜV SÜD Business Services GmbH, Munich, an efficient service unit. At the same time, we are investing in selected growth areas in the INDUSTRY and MOBILITY Segments.

Demand for our services developed positively worldwide. However, it was negatively impacted in some countries by unfavorable conditions such as the low price of oil. In Europe, we recorded an increase in revenue which outstripped GDP growth for the European Union (1.8 %), despite the discontinuation of subsidy programs for wind power in the UK and a stable market volume for roadworthiness tests and exhaust-gas analyses in Germany. Our business development here is driven by our service portfolio and depends to only a small degree on economic development. The low oil price negatively impacted demand for services for the petrochemical industry in the USA. Overall, however, economic developments in the USA stimulated our business development. Our test labs in the Product Service Division benefited especially, with high capacity utilization. In Brazil, we saw a significant fall in demand due to the deteriorating economic situation and current political uncertainties in the construction and infrastructure sector. The stable, if slower, economic growth in the emerging economies of Asia continues to drive our growth, particularly in the area of certification services.

INDUSTRY

With the acquisition of Dunbar & Boardman Partnership Ltd. (D&B), London, in September 2015, we enhanced our offering on the British real estate market to include consulting services for elevator systems. In this way, we are continuing the global expansion of real estate services in the Real Estate & Infrastructure Division.

To streamline corporate structures, we started integrating the small entities that had been in our portfolio since 2010 as a result of the acquisition of US-based Global Risk Consultants Corp. (GRC group), Wilmington, into existing national subsidiaries. Initially this integration drive focused on entities in Asia.

The drop in demand for our services for the petrochemical industry in the USA as a result of the fall in the price of oil made it necessary to recognize impairment losses on selected intangible assets of US-based RCI Consultants Inc. (RCI), Houston, which had been acquired in the prior year. The company specializes in consulting services for developing, constructing and installing conveyor systems and pipelines for long-distance transportation of oil and gas. We will continue our investment in this area, as the sector will show growth potential in the medium-term when oil prices rise again.

The wind power business is developing favorably in Germany, where we are monitoring production, transportation, assembly and commissioning for a new offshore wind park in the North Sea. We also gained a stronger foothold in the Chinese market with component certification of rotor blades for wind turbines. By contrast, our investment in wind power in the UK did not develop satisfactorily. Regulatory changes and the discontinuation of state subsidies mean there is little prospect of a market recovery. Impairment losses have therefore been recognized on the intangible assets related to this business.

Continued weak sales performance and margins in the on-site business, especially in the petrochemical industry, of Bytest Srl. (Bytest), Milan, Italy, resulted in the recognition of impairment losses on selected intangible assets identified as a result of the purchase price allocation. With a clear focus on services for the aerospace industry, we want to strengthen core competencies in order to fuel future growth. The renewed confirmation of Bytest's NADCAP (National Aerospace and Defense Contractors Accreditation Program) accreditation in December 2015 confirms the strategic focus and secures competitive advantages for us in this market environment.

The economic slowdown and unstable political situation in Brazil led to a marked decrease in public infrastructure measures and general construction activities, resulting in the collapse of an important market for our Brazilian subsidiary. Compensatory measures, such as achieving potential cost savings, have already been initiated. Impairment losses were recognized on selected intangible assets from the acquisition of the company in 2013.

With the approval and commissioning of a hotel train that will operate between Berlin and Moscow and be used for the 2018 soccer World Cup in Russia, TÜV SÜD is also demonstrating its international expertise and international collaboration in the area of rail transport. The customer receives one-stop end-to-end service. The project is currently at the stage of testing running characteristics and is scheduled for completion in 2016, when the hotel train will go into service.

MOBILITY

Some companies in the automotive industry were confronted with reports concerning manipulation of emissions in the fiscal year 2015. As a service provider, TÜV SÜD Auto Service GmbH, Stuttgart, is involved in the interplay between the automotive industry, regulatory authorities and consumers. In various European countries, a measurement program for exhaust testing at testing stations was developed on behalf of the local approval authorities – in Germany, this was done at the behest of the Federal Motor Transport Authority. The program was already put into practice during the year on behalf of the automotive industry.

Autonomous driving is one of the central trends in automotive developments and will fundamentally transform personal mobility. In order to take this trend into account in the vehicle roadworthiness test at an early stage, measuring instruments known as "HU adapters" for testing technical driver assistance systems in vehicles were introduced at all testing stations as of July 1, 2015. This has laid the foundation for further developing the vehicle roadworthiness test optimally and efficiently, as well as with a focus on electronic vehicle control.

In 2015, we continued integrating the separately managed fleet logistics entities into existing TÜV SÜD national subsidiaries. The fleet management business in Spain and Switzerland was successfully transferred to the respective national subsidiary.

The Belgian entities TCOPlus B.V.B.A. and 1Vision, both Keerbergen, were acquired in May. The internationally leading provider of fleet-management software solutions expands our portfolio in the area of independent fleet services and applied fleet software solutions, in particular for cost controlling.

The comprehensive portfolio of fleet management services offers made-to-measure solutions for international companies. In the fiscal year, TÜV SÜD was tasked with managing leasing for a commercial vehicles manufacturer in more than 20 countries on three continents. In addition, we

took on responsibility for fleet management for an international beverages manufacturer as well as for as a pharmaceutical company in Europe and selected Asian countries.

In Italy, TÜV SÜD was engaged by a German car manufacturer to perform phantom tests at authorized repair shops and dealerships in order to systematically check the quality of services at the individual service points over a three year period.

Impairment losses had to be recognized on selected test facilities in order to counter overcapacity.

CERTIFICATION

As a member of the Charging Interface Initiative (CharIN), TÜV SÜD is backing the Combined Charging System (CCS) for electric vehicles, because a globally valid standard brings considerable savings for automobile manufacturers in the areas of development, approval and maintenance. The American standards organization SAE and the European Commission also support the standard.

Our international network of test laboratories is constantly working on expanding the range of offerings. Since October 2015, TÜV SÜD has, for instance, been offering comprehensive laboratory services for the textile and leather processing industry in Vietnam. The portfolio includes inspections in accordance with the European Union REACH regulation on chemicals, as well as the chemical, physical and mechanical inspection of leather products and shoes. This enables our customers to optimize their supply chains and be sure that applicable safety requirements are met.

The test laboratory for toys in Hong Kong was accredited in accordance with the international standard ISO/ISC 17025:2005 of the GCC Accreditation Center (GAC). This means that by using TÜV SÜD's inspection services, toy manufacturers and dealers can, with immediate effect, use a simplified procedure to apply for the G mark required for the import of toys into the Gulf states (Bahrain, Qatar, Kuwait, Oman, Saudi Arabia, United Arab Emirates).

Our Indian subsidiary TUV SUD South Asia Pvt., Mumbai, has been accredited by the Indian standards organization Bureau of Indian Standards (BIS) since October 2015 and is therefore permitted to perform inspections for the necessary approvals in accordance with the Compulsory Registration Scheme (CRS). In addition to performing inspections, TÜV SÜD also offers support in the wider approval process, thus ensuring its customers enjoy comprehensive one-stop assistance.

Business development: earnings fall short of expectations

A broad portfolio of innovative services, our global presence close to our customers and currency effects had a favorable effect on the development of our revenue, with the result that the revenue target set out in the 2015 planning was achieved. By contrast, rising costs and one-off effects, such as the slowdown in growth in some emerging economies as well as the low oil price, meant that we fell short of our forecasts for the other financial performance indicators.

T03 Targets and results

	2014	2015 outlook	2015
Revenue Development compared to prior period	€ 2,061.4 million 6.3 %	Up to € 2.2 billion 5 %–6 %	€ 2,222.0 million 7.8 %
EBIT Development compared to prior period	€ 172.3 million 7.2 %	€ 180 million to € 190 million	€ 162.4 million –5.7 %
EBIT margin	8.4 %	High single-digit range	7.3 %
EVA	66.6	€ 70 million to € 75 million	61.0
Headcount Development compared to prior period	4.0 %	Mid-single-digit range	2.5 %

Our expectations regarding business development are derived from our existing services business and defined as organic growth. All segments saw positive revenue growth. However, only the CERTIFICATION Segment met all expectations regarding EBIT growth and EBIT margin. The INDUSTRY Segment failed to achieve the forecast EBIT development, while the MOBILITY Segment fell short of the two EBIT key indicators.

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SEGMENT REPORTING

At € 162.4 million (down 5.7%), earnings before interest, before other financial result and before income tax, but after income from participations (EBIT), did not match our expectations. At 7.3 %, the EBIT margin was within the expected range. However, it was lower than the prior-year EBIT margin (8.4 %). EBIT development was significantly impacted by unexpected impairment losses on intangible and tangible assets. Exchange rate effects, particularly from the Chinese yuan, US dollar and pound sterling, had a negative effect on costs.

Adjusted EBIT (€ 189.9 million), which is better suited for a multi-year comparison with other companies in the industry, is within the forecast range and, at 1.7 %, above to the prior-year figure (€ 186.8 million). At 8.5 %, the adjusted EBIT margin is in the expected forecast range and is 0.6 percentage points below the prior-year figure.

Consolidated earnings before taxes (EBT) fell by 1.4 % compared to the prior year. Consequently, our assumption was not achieved. Despite the increased contribution of our Turkish joint venture company and a decreased burden due to interest effects from the change in the discount rate for measuring provisions, it was not possible to compensate for the lower EBIT starting point. Although adjusted EBT matched the expected figure, the adjusted EBT margin saw a decrease to 7.7 % (prior year: 8.0 %).

At € 61.0 million, EVA for the Group is below the range we expected. This key indicator is calculated from the net operating profit after tax (NOPAT) of € 122.3 million less the Group's cost of capital, yielded by the product of average capital employed (€ 875.7 million) and WACC of 7.0 %. NOPAT was negatively impacted by factors including a lower EBIT contribution from the INDUSTRY and MOBILITY Segments, which resulted from unplanned impairment losses on intangible and tangible assets, increased purchased service cost and higher personnel expenses. At the same time, the cost of capital was higher – from an already high prior-year starting point – following the renewed increase in the average capital employed. This was due not only to the increase in receivables, which was lower than the revenue increase, but also to the write-up recognized in other comprehensive income of the participation measured at fair value in Spanish-based Asistencia Técnica Industrial S.A.E. (ATISAE), Madrid.

The average increase in the number of employees (full-time equivalents) from 19,735 to 20,228 is below the expected range, mainly due to personnel measures initiated in Brazil.

A reliable forecast is not possible for TÜV SÜD AG due to the lack of planning figures for German GAAP purposes. At the same time, the key financial performance indicators defined for the TÜV SÜD Group are not reliable for TÜV SÜD AG in its function as a management holding company.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

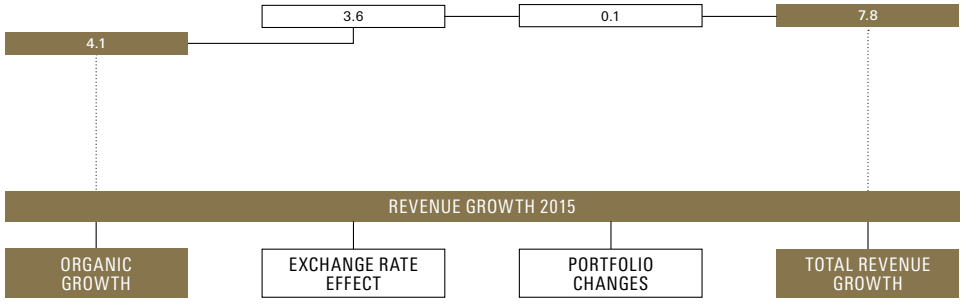
Results of operations

In the fiscal year 2015, TÜV SÜD generated **revenue** of € 2,222.0 million, equivalent to an increase of € 160.6 million or 7.8 % compared to the prior year. In the existing services business, we achieved an increase in revenue of € 84.4 million or 4.1 %. Exchange rate effects increased consolidated revenue by € 74.5 million or 3.6 % and in the fiscal year 2015 contributed significantly to the achievement of our forecast of revenue growth in the range of 5 % to 6 %. Business combinations and divestitures of consolidated companies and business units – external growth (portfolio changes) – did not result in a significant change.

F12 Revenue growth comparable (in %)

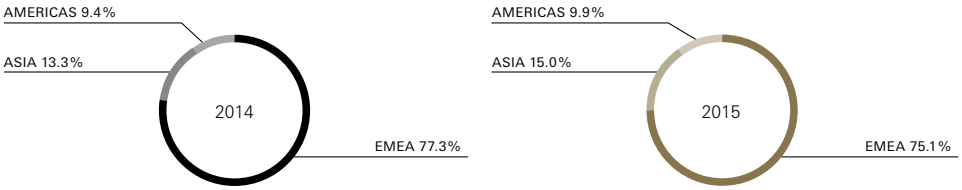
* Adjusted for exchange rate and portfolio effects.
** Prior-year comparable figures restated following change in basis of calculation.

F13 Revenue growth 2015 (in %)



Our internationalization efforts proved effective: we generated almost three quarters of the revenue increase – € 118.8 million or 73.9 % (prior year: 56.4 %) – abroad. Germany contributed € 41.8 million or 26.1 % (prior year: 43.6 %) to the increase in revenue.

F14 Revenue by geographic segment 2014/2015 according to customer location (in %)



We increased the share of total revenue generated outside Germany to 42.3 % (prior year: 39.8 %), in particular by expanding capacity. As a result, we achieved our goal of generating at least 40 % of our revenue outside Germany in 2015.

F15 Development of selected income statement items

	€ million	%	
Revenue	2,222.0	7.8	– More than 40 % of revenue is generated outside Germany – Positive exchange rate effects
Purchased service cost	286.8	10.4	– Large-scale projects with a high level of third-party services in China and the USA – Expansion of vehicle management services in the MOBILITY Segment
Personnel expenses	1,328.6	7.8	– Collective wage increases in Germany – Increase in headcount in Germany and other countries
Amortization, depreciation and impairment losses	82.3	34.9	– Impairment losses on intangible assets and property, plant and equipment
Other expenses	430.6	10.6	– One-time donation for social projects celebrating the 150th anniversary – Increased deployment of temporary workers in ASIA and AMERICAS as well as projects, including for the Bill & Melinda Gates Foundation – Rent expenses for new office building in ASIA – IT costs, for example for extending software licenses and for internal projects such as ASPro

With a rise of 10.4 %, **purchased service cost** increased more than revenue. The ratio of purchased service cost to revenue stands at 12.9 % (prior year: 12.6 %) and remains at a high level. On the one hand, the increase resulted from the successful expansion of our offerings for vehicle management and reconditioning services in Germany. On the other, large-scale international projects in China and the USA contributed to the rise.

In the fiscal year, **personnel expenses** increased in proportion to revenue growth by 7.8 % to € 1,328.6 million. The ratio of personnel expenses to total operating performance increased slightly, from 68.3 % in the prior year to 68.5 % in the fiscal year.

The expenses for wages and salaries including social security contributions rose by 7.3 % compared to the prior year. In addition to collective wage increases in Germany, the rise was caused by currency effects and the increase in headcount due to new hires in Germany and abroad.

Retirement benefit costs increased by 11.5 % to € 97.8 million (prior year: € 87.7 million). The drop in the discount rate in Germany from 3.4 % to 2.0 % as of December 31, 2014 was the key factor here. In fiscal year, this resulted directly in a significant increase in the current service cost (up € 6.4 million).

Amortization, depreciation and impairment losses in the fiscal year comprises one-off impairment losses on intangible assets that had been identified and recognized as hidden reserves as a result of the purchase price allocation, in addition to amortization and depreciation. The adjustments had become necessary due to the unsatisfactory development of business at certain subsidiaries in Brazil, the UK and Italy as well as the USA. In addition, selected items of property, plant and equipment were impaired in the MOBILITY Segment.

In the fiscal year, amortization, depreciation and impairment losses of € 82.3 million were recognized, 34.9 % more than in the prior year. Amortization and depreciation are 12.0 % higher than the prior-year level because the technical service centers in Munich and various laboratories around the world commenced operations.

Other expenses increased by 10.6 % in the fiscal year 2015, thus growing more strongly than revenue. In the prior year, an increase of 1.3 % was recorded. Other expenses are therefore equivalent to almost one fifth of consolidated revenue. A donation for social projects of € 5.0 million, which will be paid out in the anniversary year 2016, as well as IT costs, including costs for extending software licenses and projects such as ASPro or voice over IP, increased other expenses irrespective of business development.

In addition, negative exchange rate effects (€ –6.4 million), expenses for rented properties, particularly in ASIA, and maintenance work, travel expenses and external purchased administrative services, such as the deployment of temporary workers, led to an increase in other expenses.

Other income also rose sharply, increasing by 27.3 % from € 41.8 million in the prior year to € 53.2 million in 2015. In addition to positive exchange rate effects (€ +6.5 million), external rent and lease agreements in Germany (€ +5.7 million) had a particular effect on other income. As a result of a change in the definition of revenue, these are presented as other income, with retrospective effect as of January 1, 2015. The prior year was mainly influenced by the disposal of the Health & Safety (HAS) Business Unit to ias Aktiengesellschaft, Berlin, the sale of property not required for operations in Germany, as well as the reversal of other provisions.

The **financial result** improved by € 12.1 million to € –5.7 million (prior year: € –17.8 million) in the fiscal year 2015. This development is primarily attributable to a € 9.0 million improvement in net interest income as well as a € 3.4 million increase in income from investments accounted for using the equity method.

The income from investments accounted for using the equity method came to € 11.5 million (prior year: € 8.1 million). The higher profit share from the joint venture company in Turkey was attributable to the positive development of business, and above all to the reversal of an existing currency hedge (€ 2.2 million), after the underlying financing in US dollars was refinanced in Turkish lira in the course of the year. At € –1.3 million, the exchange rate effects from the translation of US dollars and Turkish lira were higher than in the prior year (€ –0.7 million).

Other income/loss from participations almost exclusively contains dividend income and impairment losses. In the fiscal year, it increased from € –0.1 million to € 0.8 million, particularly due to the higher dividend income of Asistencia Técnica Industrial S.A.E. (ATISAE), Madrid.

Due to lower interest expenses from the pension obligations and following the repayment of the external loans in the US and in Turkey, the net interest result remained negative at € –16.9 million in 2015 (prior year: € –25.9 million). In the prior-year, the interest expenses were increased by an additional € 3.6 million as a result of the lower discount rate for measuring obligations arising from long-service bonuses and medical benefits.

The negative net finance costs for pension obligations improved by € 4.4 million to € 17.3 million. This was mainly attributable to the fall in the discount rate from 3.40 % to 2.00 % in Germany, which resulted in a lower net interest expense for the net liability, calculated as the total of the pension obligations and the plan assets.

The exchange rate effects from loans and hedges are summarized in the other financial result.

Income before taxes comes to € 144.4 million in the fiscal year 2015. This constitutes a decrease of 1.4 % on the prior year. The income tax expense fell more sharply than this by € 11.7 million to € 30.4 million. The effective tax rate is therefore significantly lower than in the prior year (21.1 % compared with 28.7 % in the prior year). The change in the tax rate results mainly from the increase in the tax-free components of plan assets, tax income for prior years and the reassessment of recoverability of loss carryforwards. In addition, the tax rate reflects the change in composition of earnings before taxes, in which regions with a low tax rate make a larger contribution in 2015.

The development of earnings before taxes is influenced in the fiscal year by overall negative one-off effects. The one-off effects totaled € –27.5 million (prior year: € –17.4 million).

T04 One-off effects

In € million	2015	2014
Personnel matters	1.4	3.8
PPA amortization and impairment losses	22.0	8.7
One-off effects, provisions and effects not relating to the period recognized in other expenses	5.0	1.3
Exchange rate effects from financial transactions at companies accounted for using the equity method	–0.9	0.7
With EBIT effect	**27.5**	**14.5**
Exchange rate effects from financial transactions at subsidiaries	0.0	–0.7
One-off effects in the financial result	0.0	3.6
With EBT effect	**27.5**	**17.4**

In addition to the remeasurement of the provision for German phased retirement obligations pursuant to IAS 19 revised (€ 0.3 million), we adjusted payments in connection with laboratory restructuring performed during the year in Germany in personnel expenses. In the prior year, subsequent bonus payments in connection with a business acquisition from 2011 and coverage for general payroll risks from prior years were recorded here.

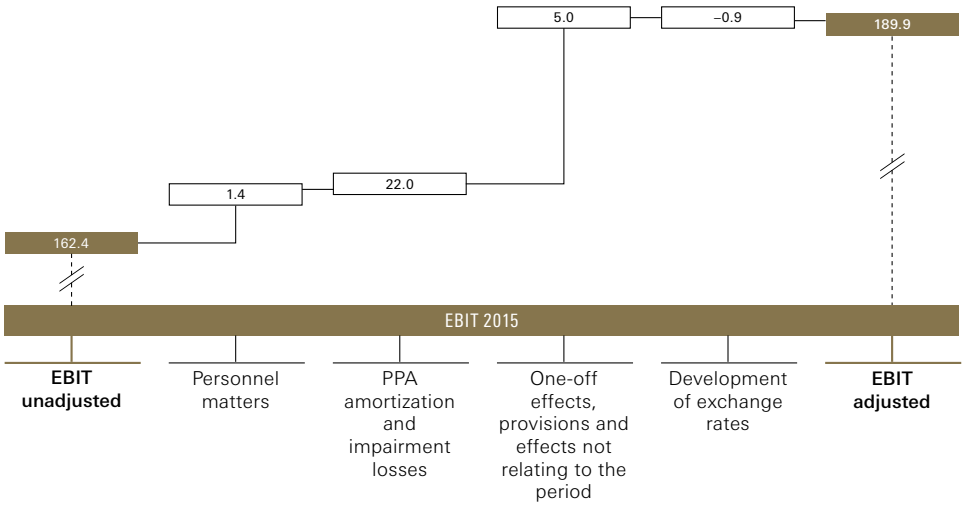
Amortization of intangible assets which we identified as a result of the purchase price allocation (PPA amortization) was adjusted by € 7.9 million. One-off impairment losses of € 14.1 million on accreditations, recognized order backlogs and customer bases in Brazil, Italy and the UK as well as the USA are also recorded here in the fiscal year 2015.

The donation to social projects in the anniversary year 2016 is adjusted in other expenses. In the prior year, we eliminated the coverage for a potential loss due to a planned management buyout for our subsidiary in Russia and payments from a subsequent purchase price obligation from a hitherto unrecognized earn-out agreement here.

The exchange rate effects (€ 0.9 million; prior year: € –0.7 million) from the exchange rate fluctuations between the US dollar and the Turkish lira were reflected in EBIT. These mainly resulted from the measurement of the financing denominated in US dollars at our Turkish joint venture companies (€ –1.3 million) as well as the income from the recycling of an existing hedging relationship there (€ 2.2 million).

In the prior year, we reported the exchange rate effects from the external financing denominated in US dollars of our subsidiaries in Turkey and in the USA, including the effects of existing hedges in earnings before taxes. In addition, the earnings effects from the repayment of this external financing were taken into consideration. Earnings before taxes were also adjusted for effects of the change in the discount rate for measuring provisions for long-service bonuses and medical benefits and the associated addition to the provisions (€ 3.6 million) recorded in the income statement.

F16 EBIT 2015 (in € million)



EBIT decreased by 5.7 % to € 162.4 million in the fiscal year 2015. The EBIT margin decreased compared to the prior year by 1.1 percentage points to 7.3 %. Adjusted EBIT came to € 189.9 million (prior year: € 186.8 million), equivalent to an increase of 1.7 %, while an increase of 9.0 % was seen in the prior year. The adjusted EBIT margin comes to 8.5 % (prior year: 9.1 %). The one-off effects had a total impact of € 27.5 million on EBIT and EBT.

At € 122.3 million, **NOPAT** fell short of the prior-year figure of € 125.0 million. The higher operating performance as the starting point was completely offset by the impairment losses on intangible assets and property, plant and equipment as well as increased other expenses.

Average capital employed increased from € 834.3 million to € 875.7 million due to factors including expansion of laboratories and service stations, the write-up of the shares in the Spanish company ATISAE, as well as the increase in trade receivables in connection with the good business development. Changes in the scope of consolidation, which comprise the entities acquired in the course of 2015 as well as entities included for twelve months for the first time in the fiscal year 2015, also led to an increase in the average capital employed. An increase in non-interest-bearing current provisions had the opposite effect. These pertain in particular to the future demolition and restoration expenses for the Ridlerstrasse property in Munich, which were formerly recognized under non-current liabilities, as well as the provision for outstanding invoices. EVA for the Group reached € 61.0 million and is lower than the prior-year figure of € 66.6 million.

Earnings before taxes amounted to € 144.4 million, almost matching the prior-year level (prior year: € 146.5 million). The adjusted earnings before taxes rose to € 171.9 million (prior year: € 163.9 million).

The return on sales, calculated using earnings before taxes (EBT), stood at 6.5 % in the fiscal year (prior year: 7.1 %) due solely to the more positive financial result compared to the prior year. The adjusted return on sales (adjusted EBT margin), which is more suited for assessing earnings, stands at 7.7 % (prior year: 8.0 %).

The **consolidated net income** rose to € 114.0 million in the fiscal year 2015 and is therefore € 9.6 million higher than the prior-year figure of € 104.4 million.

For further analyses of significant items of the consolidated income statement, we refer to notes 7 through 14 of the notes to the consolidated financial statements.

Financial Position

PRINCIPLES OF FINANCE MANAGEMENT AND 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 our corporate treasury function include managing the foreign exchange risk effectively and optimizing interest rates on an ongoing basis. Due to the significant volume of assets 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 TÜV SÜD's primary source of liquidity. The available cash and cash equivalents are supplemented by a syndicated credit line of € 200 million, with a term until the end of 2019, to give us the financial flexibility necessary to reach our growth targets. The syndicated loan agreement was renegotiated with five primary banks and concluded at better terms at the end of 2014. It provides for an option to extend the term by one year in the third and fourth year of the term, respectively.

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 firmly in the investment grade.

CAPITAL EXPENDITURES

The volume of capital expenditures excluding business combinations and excluding financial assets and securities came to € 80.4 million in the fiscal year (prior year: € 68.0 million).

In our home market of Germany, we invested € 48.2 million, including in the ASPro IT application software, the refrigeration technology lab and testing stations, as part of the modernization of the technical service centers. In the Western Europe region, we invested € 4.9 million, in Central & Eastern Europe € 1.5 million, and in the Middle East/Africa region € 0.6 million. In the ASIA geographic segment, capital expenditures came to € 15.9 million, mainly for technical equipment as well as for leasehold improvements to new company buildings, while the volume of capital expenditures in the AMERICAS geographic segment stood at € 9.4 million.

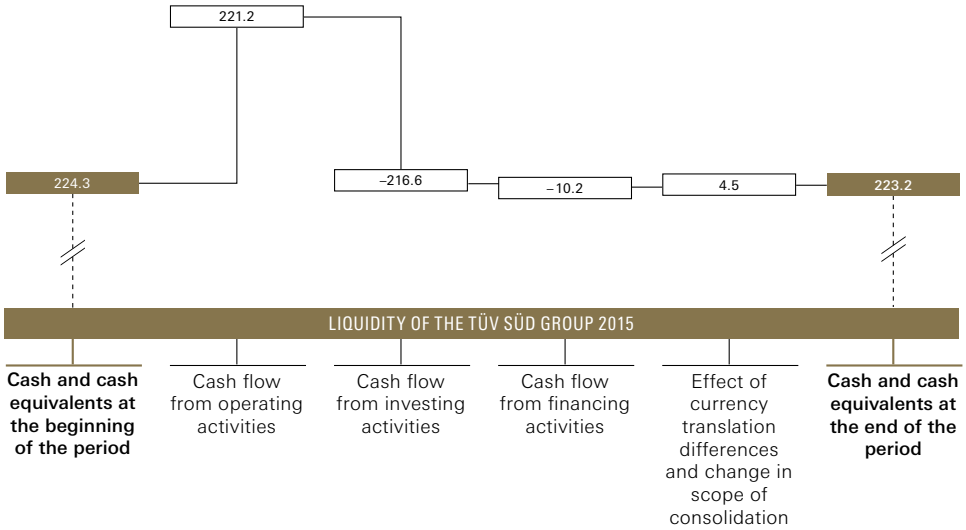
We invested € 13.0 million in entities in 2015 (prior year: € 29.9 million). These investments include the payments for the acquisition of investments in consolidated affiliated companies and payments for the acquisition of further investments in associated companies and non-consolidated affiliated companies.

As of the reporting date, the main capital commitment was for the refrigeration technology laboratory in Germany.

LIQUIDITY

In the fiscal year 2015, cash and cash equivalents decreased slightly by € 1.1 million to € 223.2 million and therefore amount to 11.9 % of total assets (prior year: 12.3 %). The development of cash and cash equivalents in the fiscal year is presented in detail in the consolidated statement of cash flows on page 91 of the notes to the consolidated financial statements.

F17 Liquidity of the TÜV SÜD Group 2015 (in € million)



The consolidated net income is the starting point for the statement of cash flows and at € 114.0 million in 2015 it is € 9.6 million above the prior-year level (€ 104.4 million).

Gains from the disposal of a property belonging to TÜV SÜD AG and from the sale of a fully consolidated entity impacted the starting point by € 1.2 million (prior year: € –2.9 million). In the prior year, this mainly included the gain on sale of the HAS Business Unit, as well as the gains on the sale of various real estate of TÜV SÜD AG.

The impairment losses recognized in the fiscal year on intangible assets, such as order backlog and customer relationships, and on property, plant and equipment increase the non-cash items amortization, depreciation, impairment losses and write-ups by € 21.9 million to € 82.7 million. These items also include the write-off on a loan to a participation which has been sold in the meantime.

The change in deferred tax assets and liabilities results from temporary differences with an effect on income. The other non-cash income/expenses mainly include the income/expenses from investments accounted for using the equity method as well as income from group-wide currency hedging.

The changes in working capital and the other assets and other liabilities resulted in a lower cash inflow compared to the prior year. The capital employed in current assets resulted from the general increase in revenue. However, as a result of the refund of capital gains tax and interest receivables, it is higher than the prior-year level at just under € 5 million. On the liabilities side, the current provisions, trade payables and advance payments received from customers had a favorable effect on

the capital employed. Overall, cash flow from operating activities increased by € 18.9 million (9.3 %) to € 221.2 million.

The **cash outflow from investing activities** rose in the reporting period by € 57.6 million to € 216.6 million. Business acquisitions and divestitures less cash acquired or disposed of and earn-out payments resulted in an outflow of € 13.0 million (prior year: € 29.8 million). Cash paid for investments in intangible assets and property, plant and equipment increased to € 80.4 million (prior year: € 68.0 million) and was thus € 12.4 million higher than the prior-year level. This was due in particular to the expansion of global laboratory capacities and of the German technical service centers, as well as leasehold improvements. Financial assets show net cash paid, which resulted from loans and the acquisition or disposal of non-consolidated participations. The sale of held-to-maturity securities and reinvestment in the special fund resulted in net cash paid of just € 2.0 million (prior year: net cash received of € 30.7 million).

The contribution to pension plans came to € 120.7 million (prior year: € 88.9 million) and was thus € 31.8 million higher than the prior-year level. In addition to the recontribution of refund benefit payments and a one-off addition to TÜV SÜD Pension Trust e.V., there was also a first-time transfer of € 28.0 million to the newly founded TÜV Hessen Trust e.V.

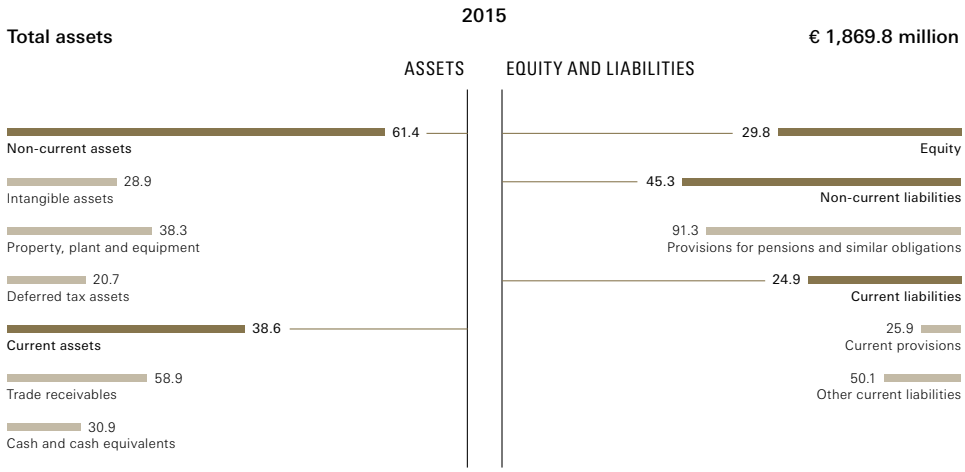
In the fiscal year 2015, the free cash flow – defined as cash flow from operating activities less cash paid for investments in intangible assets, property plant and equipment and investment property – was € 140.8 million (prior year: € 134.3 million). The increase of 4.8 % compared to the prior-year is attributable to the higher cash flow from operating activities and investments in intangible assets and property, plant and equipment, which also increased. At 1.24, the cash conversion rate, which is calculated from the ratio of free cash flow to consolidated net income, was lower than the prior-year figure of 1.29.

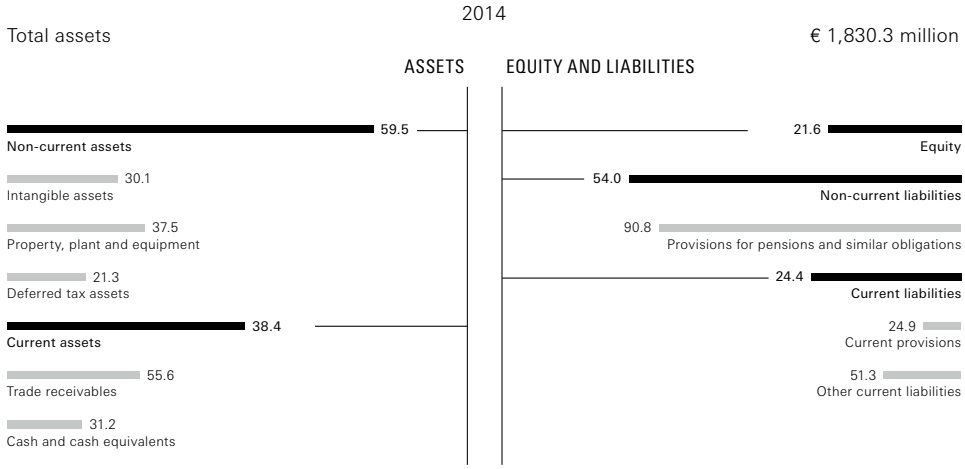
The **cash outflow from financing activities** fell by € 61.1 million to € 10.2 million. The dividend distribution to TÜV SÜD Gesellschafterausschuss GbR remained unchanged. Dividends paid to non-controlling interests were above the prior-year level because outstanding payments relating to non-controlling interests in China and the Middle East for 2014 were made in 2015. In the prior year, financing activities were largely characterized by the repayment of the external financing totaling € 62.9 million at two foreign subsidiaries. Other cash payments and receipts include the optimization of the participation structure in South Africa in accordance with the rulings of the Broad-Based Black Economic Empowerment legislation. In the prior year, the acquisition of the remaining shares in an already fully consolidated company by exercising an existing option was presented here.

Cash and cash equivalents of € 223.2 million – consisting of checks, cash in hand, bank balances and securities with an original term of less than three months – were lower than the prior-year level (€ –1.1 million). With the securities disclosed in other financial assets which can be liquidated at all times, there are unrestricted cash and cash equivalents totaling € 271.3 million (prior year: € 270.5 million). Additional financing flexibility is provided by various credit lines (€ 12.1 million) and the existing syndicated loan agreement of € 200.0 million.

Net Assets

F18 Composition of the statement of financial position of the TÜV SÜD Group: ASSETS/EQUITY AND LIABILITIES (in %)





ASSETS, EQUITY AND LIABILITIES

Total assets increased in the fiscal year by € 39.5 million or 2.2 % to € 1,869.8 million (prior year: € 1,830.3 million).

Non-current assets increased by € 35.8 million to € 1,147.5 million. Current assets increased slightly by € 3.7 million to € 722.3 million.

Intangible assets decreased by € 2.9 million or 0.9 % to € 331.3 million. The impairments of intangible assets, in particular of the accreditation, order backlogs and customer bases, which were identified as a result of the purchase price allocation, came to € 12.1 million. The recognition of goodwill arising from business combinations, and of software modules of the ASPro application software could not compensate for this one-off effect.

Property, plant and equipment was characterized by investments in constructing new and expanding existing laboratory capacities as well as in modernizing or constructing technical service centers. There were also considerable investments in furniture and fixtures. Impairment losses (€ 2.9 million) had the opposite effect.

The decrease in **investments accounted for using the equity method** is due to the dividend distribution of our Turkish joint venture, exchange rate effects, as well as the termination of an existing hedging relationship, which together exceeded the pro rata positive profit contributions and therefore reduced the carrying amount.

Other financial assets increased by € 14.8 million to € 103.3 million, mainly due to the write-up recognized on the shares measured at fair value in ATISAE amounting to € 10.2 million through other comprehensive income. A corresponding pro rata fair value was derived from the agreed purchase price, taking into consideration an assumed deduction for non-controlling interests. In addition, the loan of € 2.3 million to a South African entity is shown here, which was granted to finance the acquisition of shares in connection with the Broad-Based Black Economic Empowerment legislation.

Trade receivables increased by € 26.3 million or 6.6 % in 2015 to € 425.5 million. This means they developed at a slower rate than revenue (7.8 %).

At 4.0 %, the level of trade receivables – without receivables from the measurement of unbilled work in process – saw roughly the same development as organic revenue growth (4.2 %).

At the same time, receivables from the measurement of unbilled work in process were lower in the fiscal year (€ 14.7 million or 13.1 %) than in the prior year (€ 22.1 million or 24.6 %). The weak infrastructure sector in Brazil and the negative effects of the low oil price for the petrochemical industry in the USA had a direct effect on our order situation.

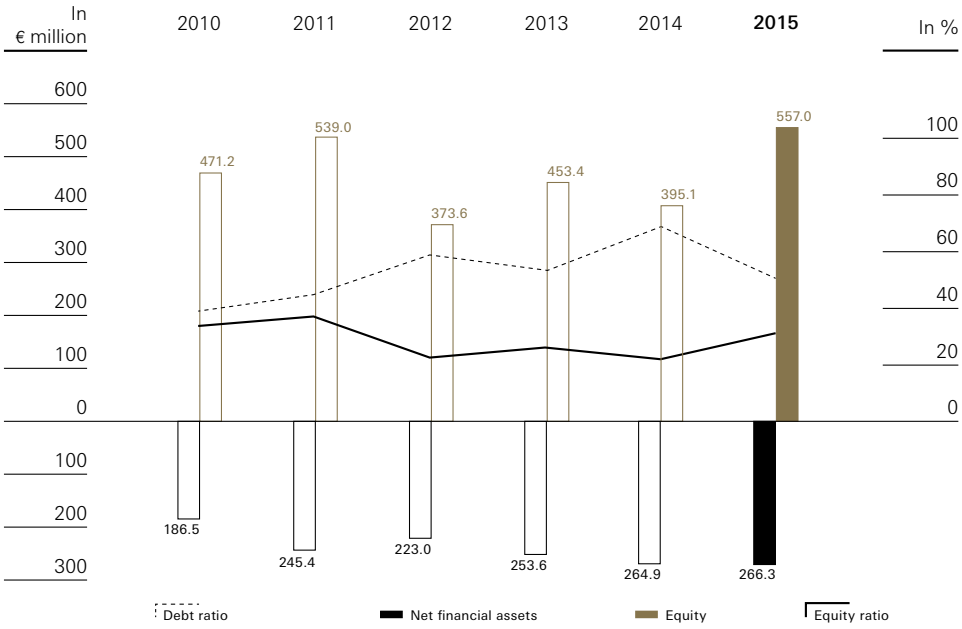
Days sales outstanding (DSO) improved slightly on average throughout the Group and stands at 51 days.

Income tax receivables decreased, mainly due to refunds received in 2015 as a result of the German AIFM Tax Adjustment Act for the retrospective disclosure of hidden reserves when pension obligations are transferred.

Cash and cash equivalents decreased by € 1.1 million to € 223.2 million, despite a higher cash flow from operating activities, and is equivalent to 11.9 % of total assets (prior year: 12.3 %). One-off additions to plan assets of TÜV SÜD Pension Trust e.V. and to the newly founded TÜV Hessen Trust e.V. of around € 30 million and € 28.0 million respectively resulted in a cash outflow. In addition, there was a cash outflow as part of securities transactions in the fiscal year; by contrast, a cash inflow was seen in the prior year. Taken together, the two effects were not covered by the higher cash flow from operating activities.

Equity increased by 41.0 % in the fiscal year, corresponding to € 161.9 million, and stood at € 557.0 million as of the reporting date. The increase is mainly due to the consolidated net income of € 114.0 million (prior year: € 104.4 million) and actuarial gains after taking into account deferred taxes. Equity also includes the write-up on the shares in ATISAE recognized through other comprehensive income (€ 10.2 million). The equity ratio increased by 8.2 percentage points to 29.8 %.

F19 Sound capital basis



Non-current liabilities decreased by € 142.0 million to € 846.8 million. The main change here was from the provisions for pensions and similar obligations (down € 125.2 million). The other non-current provisions decreased, particularly due to the shift to current liabilities (down € 8.8 million).

The **provisions for pensions and similar obligations** decreased by 13.9 % from € 898.0 million to € 772.8 million.

The group-wide defined benefit obligation is € 5.1 million higher than the prior-year figure. In Germany, there was a slight drop of € 5.7 million, which was mainly attributable to the natural development due to the service and interest cost and pension payments. The main actuarial assumptions remain unchanged compared to the prior year. The increase of € 10.8 million in other countries is primarily attributable to exchange rate effects.

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., Munich, established for this purpose, since 2006 under a contractual trust agreement. In 2015, TÜV Hessen Trust e.V., Darmstadt, an association which is similar as regards content, was added. The funds are administered by these two associations in a fiduciary capacity, and serve solely to finance pension obligations. Pursuant to IAS 19, the transferred trust assets are to be treated as plan assets, and are therefore offset

against pension obligations. As of the reporting date, plan assets totaled € 1,253.5 million. Of this figure, € 1,093.6 million was attributable to the trust assets of TÜV SÜD Pension Trust e.V., and € 45.3 million to TÜV Hessen e.V. As of December 31, 2015, there were additional trust assets totaling € 114.6 million, essentially from pension funds in Germany and plan assets for pension plans in other countries.

The group-wide increase in plan assets of € 130.3 million is attributable in particular to the actual return on plan assets in Germany and abroad of € 66.3 million as well as one-off additions in Germany of € 58.0 million. As in the prior years, the refunded benefit payments were recontributed and thus strengthen the plan assets.

Due to the increase in the plan assets, which was higher than the increase in defined benefit obligation, the percentage of pension obligations funded by plan assets improved overall from 55.6 % in the prior year to 61.9 % as of the reporting date. In Germany, coverage stood at 60.8 % (prior year: 54.2 %).

For a detailed presentation of the development of pension obligations and plan assets, please refer to note 26 in the notes to the consolidated financial statements.

In particular due to the partial utilization and reclassification of the remaining share of the obligation for future demolition and restoration expenses for the Ridlerstrasse property, Munich, to current provisions, **other non-current provisions** decreased by € 15.6 million to € 36.8 million.

Current liabilities increased by € 19.6 million to € 466.0 million. In addition to the reclassification effect, the current provisions mainly contain the bonus obligations to employees, which stand at the prior-year level. In contrast to the prior years, when the level of trade payables was continuously reduced, there is an increase in trade payables for invoicing reasons. Other current liabilities increased due to the provisions for outstanding invoices as well as an increase in advance payments received.

Summary review of the situation

The development of revenue in the fiscal year 2015 was characterized by the organic growth of our existing entities. Alongside, the low oil price, lower growth rates and recessionary tendencies hampered business in the emerging economies, which are important markets for us. We achieved the forecast revenue target of € 2.2 billion with the support of positive exchange rate effects.

Our global presence, expertise in our core areas as well our comprehensive and innovative service portfolio guarantee us stable growth.

All segments again made a positive contribution to the Group's growth. The geographic segments, including our core market of Germany, saw positive revenue development.

Adjusted EBIT developed positively. The adjusted EBIT margin came to 8.5 % (prior year: 9.1 %). The main factors here were contract-related service cost and the increase in other expenses. Both factors grew considerably more strongly than our revenue, particularly due to the expansion of our services for vehicle management. Adjusted earnings before taxes (EBT) developed positively, but did not sufficiently affect the adjusted EBT margin, which decreased by 0.3 percentage points to 7.7 % (prior year: 8.0 %).

Despite the positive cash flow from operating activities cash and cash equivalents fell below its prior-year level because of the one-off addition to plan assets. Nevertheless, TÜV SÜD has comfortable liquidity, which is secure for the long term thanks to our good credit ratings and the existing syndicated credit line.

With a balanced product portfolio, we want to offer sophisticated, high-quality services across industries and national borders while maintaining impartiality and objectivity. To be able to respond to any potential changes in market expectations, this objective is regularly reviewed and updated as and when necessary. In this way, we want to ensure the positive business development of TÜV SÜD in the anniversary year and the years to come.

TÜV SÜD's business development in 2015 was in line with our assumptions regarding revenue growth, but fell short of our expectations concerning earnings generated.

TÜV SÜD AG

TÜV SÜD AG is the management holding company of the TÜV SÜD Group. In the fiscal year 2015, the Group comprised a total of 56 (prior year: 57) legal entities in Germany and 154 (prior year: 156) in other countries. In addition to providing support to the participations, TÜV SÜD AG provides central services, in particular in the areas of legal, HR, finance and controlling, innovation, organization, and sales and marketing. Via an agency agreement with TÜV SÜD Business Services GmbH, Munich, the real estate owned by the company is leased at arm's length, primarily to subsidiaries within the TÜV SÜD Group. The success of TÜV SÜD AG thus largely depends on distributions and profit and loss transfer agreements of the participations, income from the leased real estate, income from investments, income from offsetting relating to trademarks, offsetting between divisions and regions, as well as management and other services.

The following summary of the results of operations, net assets and financial position is based on the German GAAP financial statements.

RESULTS OF OPERATIONS

T05 Statement of financial position of TÜV SÜD AG

In € million	2015	2014
Revenue	**52.8**	**50.2**
Operating performance	**52.8**	**50.2**
Other operating income	44.2	31.1
Personnel expenses	–32.4	–31.6
Amortization and depreciation	–9.7	–8.8
Other operating expenses	–76.6	–69,1
Operating result	**–21,7**	**–28.2**
Financial result	**–20.1**	**92.8**
Result from ordinary activities	**–41.8**	**64.6**
Income before taxes	**–41.8**	**64,6**
Income taxes	–14.5	–12.8
Net loss for the year (prior year: net income for the year)	**–56.3**	**51.8**
Profit carried forward	49.7	1.7
Withdrawals from other revenue reserves	15.0	0.0
Contributions to other revenue reserves	0.0	–1.7
Retained earnings	**8.4**	**51.8**

Operating performance increased by € 2.6 million to € 52.8 million in the fiscal year 2015. Income realized from the management services charged to subsidiaries rose due to the increase in the allocation rate in Germany and abroad, as well as the favorable development of revenue at individual subsidiaries.

Other operating income in the fiscal year was influenced by the reversal of a special item with an equity portion.

Personnel expenses rose by € 0.8 million to € 32.4 million, mainly due to higher retirement benefit costs.

Amortization and depreciation stood at € 9.7 million, € 0.9 million higher than in the prior year.

Other operating expenses increased by € 7.5 million to € 76.6 million, primarily due to the donations for social projects totaling € 5.0 million which will be paid out in the anniversary year 2016. Preparations for the anniversary year 2016, with various publications, also drove up expenses, as did IT costs. On the other hand, there were savings in the area of advisory services.

The financial result decreased by € 112.9 million to € –20.1 million, primarily due to negative income from participations, which was heavily burdened by write-downs on shares in subsidiaries and losses absorbed from affiliated companies, as well as a return on plan assets that was below the prior-year level.

The write-downs of financial assets mainly pertained to the shares in TÜV SÜD SFDK Laboratório de Análise de Produtos Ltda. (TÜV SÜD SFDK), São Paulo, Brazil, of € 20.5 million.

The high expenses from profit and loss transfer agreements result in particular from the lower discount rate and the associated increase in additions to pension provisions at the German subsidiaries. Gains from the dividend distributions of individual subsidiaries as well as our Turkish joint venture company (€ 8.4 million) could not compensate for this negative basis.

Income and expenses related to the contractual trust agreement (CTA) are presented net in the interest result. The atypical silent partnership in ARMAT Südwest GmbH & Co. KG, Munich, saw an increase in value of € 38.0 million (prior year: € 2.8 million), equivalent to a return of 44.0 % (prior year: 3.4 %). The Oktagon fund reported a 2.8 % yield (prior year: 9.5 %). A small loss was realized from interest rate and currency hedging.

The result from ordinary activities was therefore € –41.8 million, falling significantly short of the positive prior-year figure of € 64.6 million by € 106.4 million.

Income taxes show tax expenses of € 14.5 million. Income taxes were thus € 1.7 million higher than the prior-year figure of € 12.8 million. The increase results in particular from the adjustment of the average trade tax multiplier from 410 % auf 422 %. In addition, foreign non-deductible withholding taxes increased.

The tax rate of TÜV SÜD AG as the parent company in the consolidated tax group is characterized by one-off effects: not all of the additional expenses from retirement benefits in the tax group could be deducted as operating expenses for tax purposes. This explains why a tax expense has been recorded, despite the negative net income before taxes.

The net loss for the year amounted to € 56.3 million and is therefore € 108.1 million lower than the net income for the year of € 51.8 million from the prior year.

The TÜV SÜD Group is managed using performance indicators based on IFRS figures which are not reliable for the separate financial statements of TÜV SÜD AG as the Group's parent.

TÜV SÜD AG's net income for the year in accordance with German GAAP is primarily influenced by the financial result and its dependence on the interest rate as well a profit contributions from subsidiaries.

NET ASSETS

T06 Statement of financial position of TÜV SÜD AG

In € million	Dec. 31, 2015	Dec. 31, 2014
ASSETS		
Intangible assets	3.5	4.9
Property, plant and equipment	114.6	111.4
Financial assets	822.2	838.0
Fixed assets	**940.3**	**954.3**
Receivables and other assets	26.6	31.6
Cash and cash equivalents	74.3	87.1
Current assets	**100.9**	**118.7**
Prepaid expenses	**1.7**	**1.2**
Excess of covering assets over pension and similar obligations	**193.1**	**105.9**
Total ASSETS	**1,236.0**	**1,180.1**
EQUITY AND LIABILITIES		
Capital subscribed	26.0	26.0
Capital reserve	124.4	124.4
Revenue reserves	405.1	420.1
Retained earnings	8.4	51.8
Equity	**563.9**	**622.3**
Special item with an equity portion	**0.0**	**8.4**
Tax provisions	1.1	2.7
Other provisions	20.1	25.8
Provisions	**21.2**	**28.5**
Liabilities	**650.9**	**520.9**
Total EQUITY AND LIABILITIES	**1,236.0**	**1,180.1**

Within fixed assets, intangible assets decreased primarily as a result of the amortization. Property, plant and equipment is mainly influenced by the technical service centers in Munich that were completed during the fiscal year, as well as the refrigeration and air-conditioning laboratory in Geiselbullach. Financial assets decreased in particular due to the write-down of the shares in TÜV SÜD SFDK.

Receivables and other assets decreased by € 5.0 million to € 26.6 million. Tax receivables and interest receivables from tax refunds for prior years where recognized in the fiscal year.

The excess of covering assets over pension and similar obligations rose by € 87.2 million to € 193.1 million, in particular due to the increase in value of the atypical silent partnership in ARMAT Südwest GmbH & Co. KG, Munich, the Oktagon fund and due to a one-off addition of € 29.9 million.

Other provisions decreased by € 5.7 million to € 20.1 million, in particular due to the utilization of the provision for future demolition and restoration expenses for the Ridlerstrasse property in Munich, as well as lower coverage for personnel-related issues such as one-off payments, additional working hours and vacation. In addition, there was no longer a provision for damage claims.

The liabilities, which were € 130.0 million higher than in the prior year (€ 650.9 million), are mainly due to increased cash pool obligations to affiliated companies or the losses absorbed under profit and loss transfer agreements.

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 € 12.8 million to € 74.3 million. Payments by the subsidiaries from operating activities, which flowed to TÜV SÜD AG via the cash pool, were a key factor. Investments in participations, property, plant and equipment, and the transfer of € 29.9 million to the CTA had the opposite effect.

Equity decreased by € 58.4 million to € 563.9 million. This corresponds to the net loss for the year of € 56.3 million plus the dividend payment of € 2.1 million to TÜV SÜD Gesellschafterausschuss GbR. The profit carried forward from the prior-year and withdrawals from the other revenue reserves during the year completely offset the net loss for the year and result in retained earnings of € 8.4 million.

Total assets increased by € 55.9 million to € 1,236.0 million. The equity ratio decreased from 52.7 % to 45.6 %.

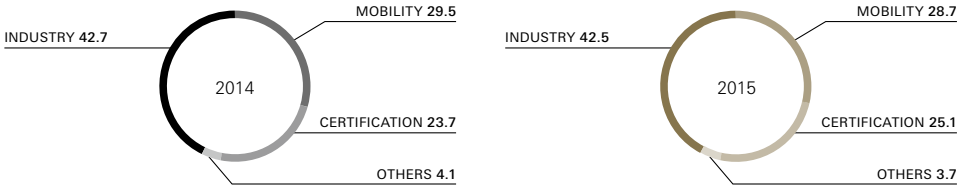
OVERALL STATEMENT ON TÜV SÜD AG'S SITUATION

The fiscal year 2015 developed as expected. The development of revenue, liquidity and the earnings in the separate financial statements was in line with the company management's forecasts. Going forward, TÜV SÜD AG will continue to depend on the business development of its subsidiaries. The discount rate for the pension obligations and the covering assets influence earnings as external factors. The Board of Management of TÜV SÜD AG expects the net assets and financial position to remain stable in the future. The dividend distribution is ensured for the coming years.

Segment reporting

The three segments, INDUSTRY, MOBILITY and CERTIFICATION, continued their growth trajectory in the fiscal year 2015.

F20 Revenue by segment 2014/2015 (in %)



INDUSTRY

In the INDUSTRY segment, 7,494 employees (on average) generated revenue of € 945.4 million. This is equivalent to 42.5 % of consolidated revenue. The revenue increase came to € 65.1 million or 7.4 %, thus meeting our expectations.

The Industry Service Division remains the division with the highest volume of revenue within the segment, accounting for 63.6 % of revenue. Our core steam and pressure business and the business with services for conventional energy generation in Korea also developed favorably. However, as a result of the low oil price, we saw lower demand for our services for the petrochemical industry, particularly in the US market. Development of business in the area of renewable energy in the UK and the on-site petrochemical business in Italy remained weak.

The Real Estate & Infrastructure Division generated 36.4 % of segment revenue. The reform of the German ordinance on industrial health and safety had a positive effect on the order situation in the area of building and transport technology. Positive impetus also came from the Middle East. Revenue growth here stemmed in particular from follow-up projects from the prior year as well as extensive construction activities, including those in connection with the soccer World Cup 2022. There were also growth effects in the UK as a result of the acquisition of Dunbar & Boardman Partnership Ltd. (D&B), London, during the year. Demand for our inspection and homologation services in the field of rail transport is steadily rising, as we can offer one-stop management of large-scale projects across national borders. In Brazil, the sluggish economy and political uncertainties negatively impacted further infrastructure expansion, with the result that Bureau de Projetos e Consultoria Ltda., São Paulo, saw a decrease in orders.

At € 80.6 million, EBIT in the INDUSTRY Segment was 18.8 % below the prior-year figure of € 99.2 million, and thus also fell short of our forecast. This is mainly attributable to impairment losses at subsidiaries in Italy, the UK, the USA and Brazil, which we recognized in order to reflect the unfavorable development of business in these countries. EBIT development was also impacted by the increase in purchased services as well as higher personnel expenses. Both factors saw higher percentage growth than our revenue. At 8.5 %, the EBIT margin still met our expectations.

Segment assets increased slightly to € 515.2 million (prior year: € 514.6 million). A significant portion of investments (€ 18.7 million) flowed into the construction of a new refrigeration technology

laboratory and into the acquisition of technical equipment for testing in the area of petrochemicals as well as performing material tests. By contrast, impairment losses on intangible assets identified as a result of the purchase price allocation led to a decrease in fixed assets. A slight drop in working capital was also seen.

F21 Revenue by region – INDUSTRY

MOBILITY

The 4,712 employees (average) of the MOBILITY Segment generated revenue of € 638.8 million. This is equivalent to 28.7 % of consolidated revenue. The increase in revenue of € 30.3 million or 5.0 % is within the range of our growth forecast.

Roadworthiness tests and exhaust-gas analyses, the core business of the segment, made a stable revenue contribution. More vehicle inspections were performed and more driver's license tests conducted than in the prior year. Growth impetus was provided by our investment in Turkey, by our portfolio of fleet management services and by new vehicle services. Homologation saw good revenue development internationally, with only Germany lagging behind in comparison.

The business model in the MOBILITY Segment is largely geared to subcontracting services. An increase in revenue can therefore be achieved only through an improvement in the ratio of purchased service cost to revenue, which at 14.6 % was higher than the group-wide ratio of purchased service cost to revenue of 12.9 %. In addition, increased personnel expenses as a result of collective wage increases and higher other expenses negatively impacted EBIT. At € 47.5 million, EBIT did not meet our expectations and, at 7.4 %, the EBIT margin also fell slightly short of our forecast.

As of the reporting date, segment assets came to € 273.8 million (prior year: € 258.1 million). A total of € 18.3 million was invested, including in the ASPro IT application system and the associated mobile devices. In addition, measuring instruments known as "HU adapters" were acquired to test technical driver assistance systems in vehicles. Modernization of the technical service centers was also driven forward, including through the acquisition of new brake testers and scissor lifts.

F22 Revenue by region – MOBILITY

CERTIFICATION

With revenue of € 556.7 million, the CERTIFICATION Segment represents a quarter of consolidated revenue. The average headcount here was 5,779 in 2015. With an increase in segment revenue of € 68.5 million or 14.0 %, the segment delivered the largest contribution to revenue growth in the

Group – both in absolute terms and as a percentage. The high single-digit percentage growth we had expected was significantly exceeded.

The Product Service Division generated just under three quarters of segment revenue and accounted for the largest share of the revenue increase, with revenue growth of 15.5 %. Our test laboratory concept, which provides customers worldwide with local access to high-quality services based on uniform standards, had a particularly positive effect on growth. In the field of industrial goods, we recorded increasing revenue, particularly at our battery testing laboratories. In Germany and ASIA, demand for services for cosmetics and medical products was higher during the fiscal year.

The good order situation in Europe also fuelled a positive development in the Management Service Division, which reported revenue of 9.3 % (prior year: 5.3 %).

Purchased services increased more slowly than revenue, with the result that the ratio of purchased service cost to revenue decreased to 14.9 % (prior year: 15.4 %). Personnel expenses developed at roughly the same rate as revenue, with the major share of the increase being attributable to collective wage increases in Germany. EBIT in the CERTIFICATION Segment amounted to € 51.3 million. At 9.2 %, the EBIT margin is within the range we expected.

In the CERTIFICATION Segment, segment assets increased to € 282.3 million. This is equivalent to an increase of € 15.5 million or 5.8 % compared to the prior year. A total of € 22.8 million was invested in the segment. The focus of investment was on increasing capacity for testing services for automobile manufacturers and expanding the network of testing laboratories. The revenue increase and the large number of invoices at the end of the year, particularly for key accounts, additionally increased segment assets.

F23 Revenue by region – CERTIFICATION

OTHER

We have pooled Life Science and Academy along with the corporate functions under OTHER. Together they generated revenue of € 119.5 million in 2015. As a result of the change in the definition of revenue, internal administrative services are presented as other income. These were formerly reported as non-segment revenue. The effect from this change in presentation comes to around € 65 million.

EBIT in OTHER was negative at € –17.5 million. This figure has improved by € 6.6 million compared to the prior year. Segment assets increased by € 1.0 million from € 281.8 million to € 282.8 million. Investments during the fiscal year focused primarily on the hardware of the TÜV SÜD Group as well as construction measures at group headquarters.

For an overview of the development of revenue in the segments, including OTHER, and in the regions, please refer to segment reporting (note 37) in the notes to the consolidated financial statements.

NON-FINANCIAL PERFORMANCE INDICATORS

Employees

TARGETED INCREASE IN THE NUMBER OF EMPLOYEES

As of the end of 2015, TÜV SÜD had a total of 20,446 employees (full-time equivalents). This is 1.8 % more than in the prior year, when there were 20,084 (full-time equivalents) as of the reporting date.

TÜV SÜD created 362 new jobs at the existing companies in 2015: 112 in Germany and 250 in other countries. Headcount increased by 51 as a result of acquisitions. The disposal of an entity in eastern Europe reduced headcount by 16 employees (full-time equivalents).

In the prior year, the disposal of the Health & Safety (HAS) Business Unit and an Asian entity had reduced the headcount by 203 (full-time equivalents) as of the reporting date.

F24 Development of employees (annual average headcount)

The average number of full-time equivalents (FTEs) for the year 2015 was 20,228, which is 2.5 % up on the prior year. Almost 70 % of new employees work outside Germany, where the average number of FTEs rose by 3.9 %.

As a technical services provider, we mainly recruit in the area of natural sciences, where men still significantly outnumber women, particularly in Germany. The share of female employees in Germany increased compared to the prior year (28.2 %) to around 29 %; in other countries, the share continues to be higher than in Germany at just over 31 %, albeit slightly below the prior-year figure (31.5 %). The percentage of female employees in the Group totaled exactly 30.0 %.

Our employees are on average around 40 years of age, with a marked age gap between Germany and other countries. Employees in Germany tend to be older. They stay with the company for an average of twelve years, which is longer than their colleagues abroad, who generally leave TÜV SÜD after five years.

Staff turnover throughout the Group stands at 5.9 %, slightly above the prior-year figure of 5.3 %. At 2.5 % (prior year: 2.6 %), the turnover rate in Germany is at a low level. By contrast, a slight increase from 8.1 % in the prior year to 9.3 % in the fiscal year was seen in other countries.

CHANGES IN HEADCOUNT IN THE SEGMENTS AND REGIONS

The INDUSTRY Segment continues to account for the largest number of employees. The rise in the number of employees is primarily due to the increase in headcount in the field of rail transport in Germany as well as the acquisition of the UK company Dunbar & Boardman Partnership Ltd. (D&B), London.

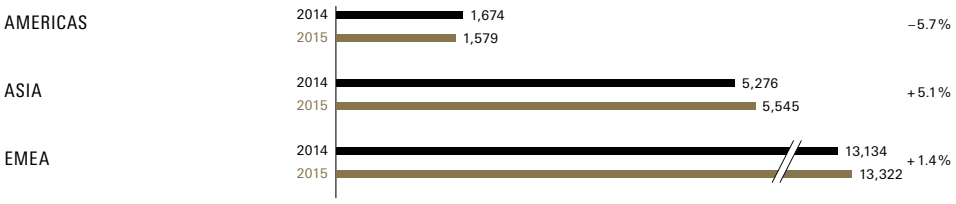
The MOBILITY Segment grew marginally due to the continuing expansion of the Auto Service business in Germany and Europe.

In the CERTIFICATION Segment, we are continuing to increase the number of employees at our companies in China and India so that we can offer our customers our entire range of services, in particular at the test laboratories.

More than half of the total TÜV SÜD workforce was employed outside Germany in 2015. Headcount was increased in all three operating segments. New jobs were also created in the EMEA and ASIA Regions. In AMERICAS, personnel measures were taken to manage the unfavorable economic situation Brazil.

F25 Changes in headcount 2014/2015 by segment

F26 Changes in headcount 2014/2015 by region



WORLDWIDE INCREASE IN EFFICIENCY AND QUALITY IN HUMAN RESOURCES (HR)

To enhance the efficiency and quality of HR work, a new form of HR organization is being rolled out worldwide. Within this organizational structure, in which administrative activities are pooled in shared services areas, HR processes will be optimized and standard HR IT systems introduced. This will give the HR business partners greater freedom when it comes to advising managers. Following the successful introduction in Germany in 2014, implementation was initiated in four other regions in 2015.

UNIFORM ONLINE PERFORMANCE APPRAISAL

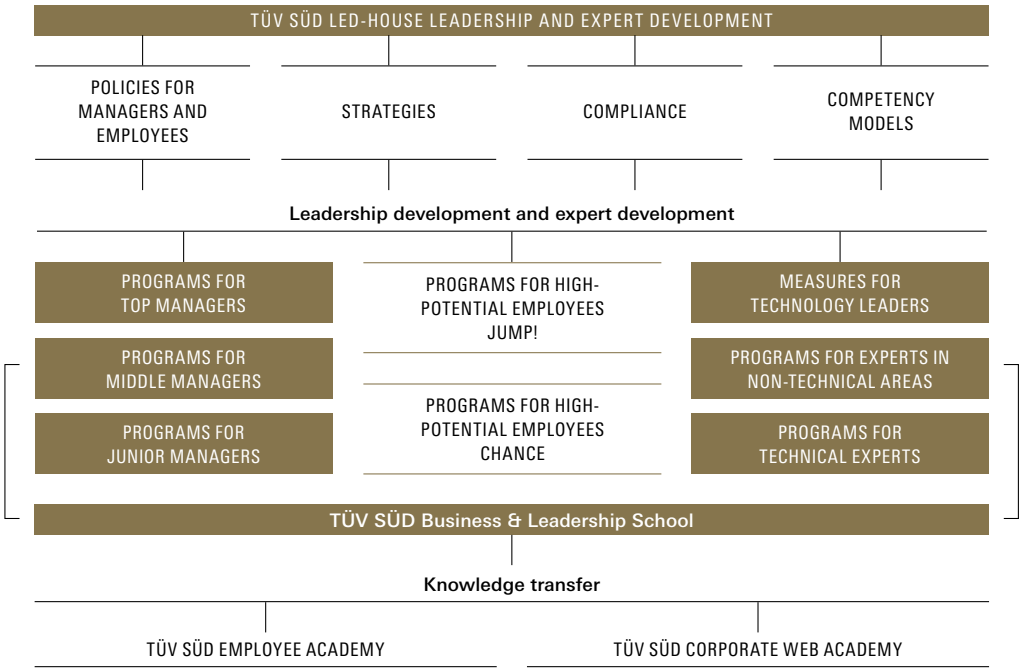
We aim to evaluate the performance of our employees as objectively as possible and on the basis of uniform criteria. To achieve this, we have developed an IT system that enables supervisors and employees to check achievement against goals online and at any time. The system has been used by more than 5,000 employees in Asia since 2010 and is to be deployed in other regions in the course of 2016. The aim is to record more than 10,000 employees online by the end of 2016.

TAILORED DEVELOPMENT FOR EXPERTS AND MANAGEMENT

TÜV SÜD has been growing steadily for many years, and our need for skilled and motivated employees has grown with it. By 2020, more than 27,000 people are likely to be employed by TÜV SÜD. But not only will the number of our employees increase; the demands that we place on them will change, too. The aim is to effectively address changing social and technological trends, and the associated transformation of our business. This is why we have been working intensively for several years to recruit skilled employees for TÜV SÜD in all our markets, retain them and create an environment in which they can continuously develop.

Extensive training measures are intended to put our employees in a position to master current and future challenges. The managers and experts in our company play a key role in achieving this. We want to foster and continuously enhance their talent and knowledge. With the Leadership & Expert Development (LED) project, we have therefore put systematic and continuous development of experts and management at the very heart of TÜV SÜD's international HR work.

F27 Ideal development opportunities for everyone



When the project was launched in 2013, our activities were aimed at the upper management level and were then gradually expanded. This led to the launch of a program for middle management in 2014. Programs for junior managers are also offered in many regions. In 2015, we launched a global program geared to developing experts within the company, preparing them to take on more demanding tasks. In this way, we are making a decisive contribution to TÜV SÜD's ability to meet the challenges of the future, particularly in light of the changed demands arising from the digital transformation.

TRAINING AT TÜV SÜD

In 2015, 127 trainees prepared for their careers at TÜV SÜD in Germany (prior year: 146). Many of them combine theory and practice by participating in dual track courses in collaboration with universities of cooperative education for vehicle engineering and services marketing.

WORLDWIDE EMPLOYEE SURVEY CONDUCTED

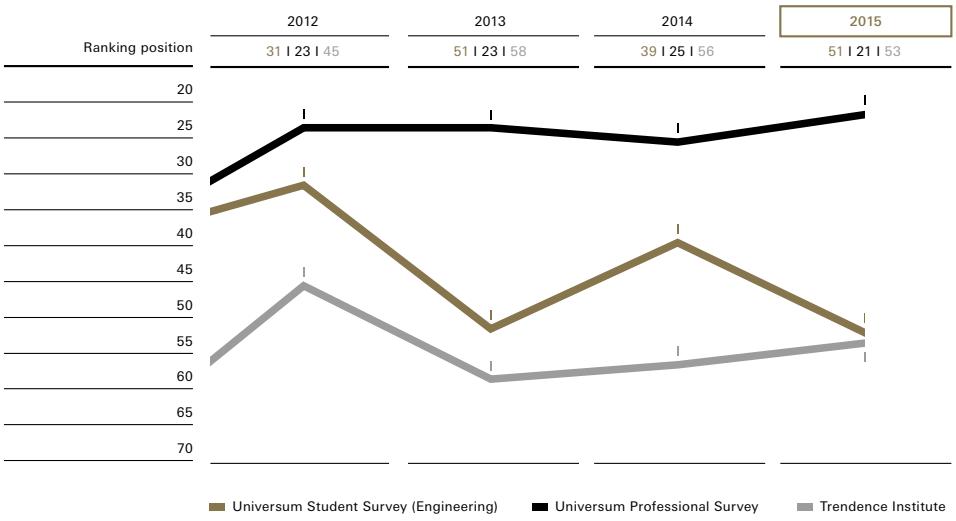
In the company's second global employee survey, around 12,300 TÜV SÜD employees were polled on the topics of working conditions, information and communication, management, cross-functional collaboration, goals and strategy, and working culture from May through October 2015. The positive results of the survey were widely communicated within the company. In collaboration with the employees, fields for development were defined and measures derived. These measures will be triggered both from the bottom up in the individual entities and departments, as well as from the top down in the geographical regions.

ATTRACTIVE EMPLOYER

TÜV SÜD is a highly attractive employer, particularly for engineers and technical specialists. Consistently good results in surveys and employer rankings confirm this time and time again. Students and graduates in technical subjects rate TÜV SÜD highly as a potential employer.

In 2015, we further consolidated our good position and remain active at institutions of higher education in order to reach potential applicants at an early stage and in a targeted manner. We regularly use graduate job fairs, specialist presentations and dedicated in-house events in our recruiting and cooperate closely with student initiatives. We give students in a wide variety of disciplines the opportunity to write their bachelor's and master's dissertations on practical topics at TÜV SÜD. Last but not least, we support a total of 25 students at Munich University of Applied Sciences, TU Kaiserslautern as well as Friedrich-Alexander-Universität Nürnberg-Erlangen, with grants through the "Deutschlandstipendium" initiative.

F28 Employer ranking



"BERUFUNDFAMILIE" CERTIFICATE CONFIRMED AGAIN

Reconciling the demands of career and family is a key element of our corporate social responsibility. A large number of programs and offerings are available to our employees, ranging from searches for child care facilities through to care for family members.

To continuously optimize our commitment, we have regularly participated in the "berufundfamilie" audit since 2009. In 2015, TÜV SÜD and all its German subsidiaries successfully completed this for the third time. The audit is testimony to TÜV SÜD's family-friendly HR policy and at the same time gives us pointers for additional measures and action areas for making our programs even more effective. In the next three years, one focal point of our action will be communicating the wide-ranging offerings. In addition, we want to involve the managers at TÜV SÜD even more closely in the programs – both as designers and users.

T07 Reconciling the demands of career and family

	2015	2014
Employees on parental leave	467	411
Percentage of employees in part-time employment during parental leave	17.8 %	19.2 %
Total percentage of employees in part-time employment	20.3 %	15.7 %
Average duration of parental leave	5.8 months	5.1 months
Thereof women	16.1 months	15.9 months
Thereof men	1.4 months	1.5 months

Only Germany without Hesse

CORPORATE HEALTHCARE MANAGEMENT

On the basis of the concept for corporate healthcare management developed in the prior year, the corresponding structures within the company continued to be established in 2015 in collaboration with the 20 Regional Health Managers worldwide. In line with the increasing internationalization of our company, we are also pursuing an international approach to establishing corporate healthcare management. A Global Health Policy is currently being prepared, which is intended to supplement the group works agreement developed together with the works council in 2014. Additionally, we are working on the definition of specific health key indicators which we intend to use to more accurately measure the success of our activities. In 2015, we ran our first worldwide healthcare campaign focusing on mental fitness. Offerings ranged from global webinars featuring short sequences on strategies for stress reduction or healthy eyes for the workplace, online exercises which change every month, and relaxation techniques. These global components were rounded out by local offerings such as one-to-one meetings focusing on work psychology, training courses and stress check-ups. Another group-wide campaign is planned for 2016, this time focusing on the topic of a “healthy back”.

Proven offerings such as flu shots and colorectal cancer screening were continued during 2015, as were healthcare campaigns at the individual locations.

SUBSEQUENT EVENTS

On February 2, 2016, TÜV SÜD acquired the remaining shares (54.8 %) in Asistencia Técnica Industrial S.A.E. (ATISAE), Madrid, Spain. With its subsidiaries, ATISAE is one of the largest providers of inspection services on the Iberian Peninsula. Its service portfolio comprises industrial inspections, vehicle inspections including vehicle roadworthiness tests, and automotive consulting. In this respect, ATISAE ideally complements our range of offerings.

The Group, which has around 1,300 employees, generated revenue of some € 70 million in 2015 (in accordance with IFRS).

We expect the acquisition of the ATISAE Group to bring additional revenue of roughly the same amount, an EBIT increase, as well as a positive effect on EVA, in addition to the key financial performance indicators presented in the outlook.

+
SUBSEQUENT EVENTS
(NOTES)

In the fiscal year 2015, the acquisition of the ATISAE Group resulted in write-up on the shares measured at fair value (45.2 %) amounting to € 10.2 million through other comprehensive income. This fair value was derived from the purchase price of the new share less a 25% deduction for non-controlling interests.

OPPORTUNITY AND RISK REPORT

One of the prerequisites for TÜV SÜD's success is a responsible approach to risks and opportunities. This is why we use an internal control system and a comprehensive risk management system within the TÜV SÜD Group to identify risks and opportunities arising from our business activities at an early stage and manage them with foresight.

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

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

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

The TÜV SÜD IFRS accounting guidelines ensure uniform recognition and measurement and the exercise of options on the basis of the rules applicable to the parent company. These include in particular specific instructions on applying statutory provisions and dealing with industry-specific matters. The components of the reporting packages which the group companies have to prepare are also described in detail, as are provisions for presenting and handling intercompany transactions and the reconciliation of balances based on these.

Control activities at group level comprise analyzing and, if necessary, adjusting the financial reporting in the reporting packages submitted by the subsidiaries. This takes into account the reports presented by the independent auditor and the results of the closing discussions with representatives of the individual entities. During the meetings, the plausibility of the separate financial statements and critical individual matters at the subsidiaries are discussed. In addition to plausibility checks, other control mechanisms used during the preparation of the separate and consolidated financial statements of TÜV SÜD AG include the clearly defined segregation of responsibilities and the dual-control principle.

Moreover, the financial reporting internal control system is also independently audited by the Group's internal audit function in Germany and abroad and assessed by the group independent auditor.

INTEGRATED CONSOLIDATION AND PLANNING SYSTEM

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

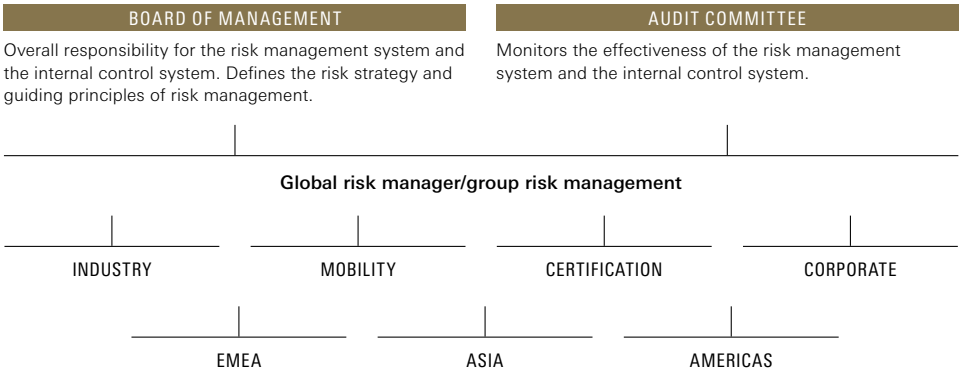
EARLY WARNING SYSTEM FOR DETECTING RISK

The risk situation of the company is continuously recorded, evaluated and documented. As an operational component of the business processes, risk management serves to identify risks at an early stage, assess their extent, promptly initiate necessary countermeasures and report them to the Board of Management in line with internal regulations. The independent auditor annually reviews the procedures and processes implemented for this purpose as well as the appropriateness of the documentation.

We identify risks on the basis of current standards using risk categorization specific to TÜV SÜD. We use standardized criteria to evaluate risks throughout the Group in terms of potential loss and likelihood of occurrence. 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, the audit committee and Supervisory Board on a quarterly basis. Over and above these standardized reporting processes, significant issues are communicated in internal ad hoc reports.

Risk management is firmly rooted in the Group's management process. A risk committee has been established for each of the three segments. In addition, there is a corporate risk committee which handles group-wide issues. These four committees meet every quarter to analyze and evaluate the risk and opportunities situation, and discuss appropriate measures. Implementation of the measures is monitored by the committees.

F29 Organizational structure of the risk management process



The procedural rules, guidelines, instructions and descriptions are set out systematically and are largely available online. Compliance with these regulations is ensured by internal controls.

GOALS AND MECHANISMS OF RISK MANAGEMENT

The Group's risk management aims to identify potential risks so that suitable countermeasures can be taken to avert the threat of loss to the company and rule out any risks that may jeopardize its ability to continue as a going concern at an early stage.

We are prepared to enter into manageable risks which are reasonable in relation to the expected benefit from operating activities.

Events that could give rise to a risk are identified and assessed locally in the divisions as well as in the subsidiaries. Suitable countermeasures are initiated without delay, and their effects are assessed. The results of risk management are factored into budgeting and controlling. Targets agreed in the planning meetings are subject to ongoing review during the revolving revisions to planning.

At the same time, the results of the measures already implemented to counter the risks are promptly factored into the forecasts for further business development. In this way, the Board of Management also receives an overall picture of the current risk situation during the year via the documented reporting channels.

CONTINUOUS MONITORING AND FURTHER DEVELOPMENT

As part of our ongoing monitoring and improvement process, the internal control and risk management system is continually optimized. In this way, we take into account internal and external requirements alike. The aim of the monitoring and improvement process is to ensure the effectiveness of the internal control and risk management system. The results flow into periodic and ad hoc reports to the Board of Management, the audit committee and the Supervisory Board of TÜV SÜD AG.

Risk Report

The ten most significant risks are presented as Top 10 Risks in the internal reporting to the Board of Management and the audit committee. We report here only on the material risks that TÜV SÜD is exposed to in its business operations. As at many German companies, the further reduction in the discount rate represents the largest single risk in terms of exposure. Due to the recognition of measurement gains/losses on German pension obligations and plan assets in equity, this mainly has an effect only on equity. The weighted net risk as of the reporting date amounts to € 55.4 million (prior year: € 51.3 million).

The two greatest risks with an effect on income stem in the MOBILITY Segment from the ASPro IT application, and in the INDUSTRY Segment from the fall in the price of oil. The resulting weighted net risk with an effect on income amounts to € 8.5 million and € 5.1 million respectively. Taken together, these three risks represent over 90 % of the weighted Top 10 net risks. The other Top 10 risks are all below a loss amount, weighted in terms of likelihood of occurrence, of € 2.0 million and are therefore not quantified on grounds of materiality.

In December 2015, it was reported in the media that accreditation pursuant to DIN EN ISO/IEC 17020:2012 for vehicle roadworthiness tests and exhaust-gas analysis at an inspection services provider is to be withdrawn from all inspection organizations in Germany. The grounds for the withdrawal are that the test and measurement instruments provided for workshop tests, such as

brake testers and exhaust-gas analysis equipment, do not meet European calibration and documentation requirements. The possible loss of the accreditation represents a considerable business risk in the MOBILITY Segment. Accreditation is a key requirement for recognition as a vehicle inspection organization by the competent state authorities. Accreditation as an inspection services provider is currently suspended for all inspection organizations; authorization to perform vehicle roadworthiness tests and exhaust-gas analysis has been retained. The regulatory authority is to define a transitional period in order to harmonize the national test requirements for calibration and unit testing with the European calibration and documentation requirements.

These rules do not affect TÜV SÜD's technical service centers, as the requirements of DIN EN ISO/IEC 17020:2012 do not explicitly have to be fulfilled, although they are already complied with. If accreditation as an inspection service provider were to be withdrawn, vehicle roadworthiness tests and exhaust-gas analysis could be handled via TÜV SÜD's network of technical service centers. This would fully compensate for the risk arising from the loss of accreditation as an inspection service provider. Accordingly, the matter is not included in the Top 10 risks.

INDUSTRY AND SYSTEMIC RISKS

TÜV SÜD is exposed to industry and systemic risks that could negatively impact revenue and earnings, in particular in its core European market. These mainly relate to sales risks arising from the liberalization and deregulation of the European market. We successfully mitigate these risks by continuously optimizing our business processes, developing and implementing sales and marketing concepts and diversifying the portfolio of products and services.

Changes to the legal framework also have an effect on the development of business at TÜV SÜD's segments. 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. This also enables us to leverage the opportunities arising as a result of changes in the business environment for our company.

We identify the following industry and systemic risks among the Top 10 risks:

The fall in the price of oil can have an unfavorable impact, as quantified above, on our service portfolio for the oil processing industry in the INDUSTRY Segment. Customers are increasingly requesting price reductions. In individual cases, ongoing projects are being terminated by customers or planned projects are being postponed.

Possible scenarios for withdrawal from conventional energy generation using coal can also negatively impact the development of our business in Germany.

We expect the growing economic and political crisis in Brazil to further impact our investment in the country. Suspicions of corruption in the infrastructure and construction sector are also having a long-term negative effect on public sector investing activities. Restrictions on award of contracts are leading to project delays and cancellations in the construction trade, our traditional customer base.

OPERATING RISKS

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 processing also 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 implemented serve to protect the systems against risks and threats, as well as to avoid damage and reduce risks to an acceptable level.

Our internal IT security policies are based on national and international standards. We monitor the regulations and compliance on an ongoing basis in order to guarantee the target level of security. 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. To protect our IT system against viruses and other harmful codes, we deploy security software, which we keep up to date at all times.

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

The Top 10 risks include three operating risks.

There may be significant additional costs for the ASPro IT application software for vehicle testing and driving tests in the MOBILITY Segment.

A further risk in the MOBILITY Segment arises from the VETAS ALT production system used to record damage assessments, which must be renewed in the near future.

In the INDUSTRY Segment, the commissioning of a new laboratory, which was originally planned for June 2015, was postponed due to delays in the approval of the new laboratory building and problems with a supplier. The resulting default risk was carried forward to the first quarter of 2016.

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.

CURRENCY RISKS FROM TRANSACTIONS

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.

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

CURRENCY RISKS FROM TRANSLATION

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. The fact that the current and foreseeable effects on the consolidated statement of financial position are immaterial is decisive here. 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 interest-bearing investment instruments. A distinction is made between the risk from the pensions portfolio and from 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. 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. This is to be achieved by means of a return on assets, additional new additions or re-contributions 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). This reduces the risks associated with pension liabilities and allows an investment policy that reflects the obligations. A very high percentage of the German segregated pension assets is managed in trust by TÜV SÜD Pension Trust e.V. These assets are invested by external investment companies in accordance with specific investment principles. Interest rate risks, currency risks and price risks relating to special non-current capital investment funds are partly hedged by derivative financial instruments. The portfolio's market value is subject to fluctuations resulting from changes in interest, currency and credit spread levels as well as share prices.

A further reduction in the discount rate used to determine pension provisions could have a significant effect on the structure of the Group's equity. In addition, a change in the discount rate has an effect on income in connection with the measurement of the long-service bonus and medical benefits obligations. The two aspects represent the Top 10 risk quantified above.

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

In 2015, 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.

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

TAX RISKS

There is a Top 10 risk for possible back payments arising from a tax field audit in Germany.

COMPLIANCE AND OTHER 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.

In connection with a pension agreement, an objection and a claim were lodged relating to the benefits from the company pension scheme.

OVERALL STATEMENT ON THE RISKS FACED BY THE GROUP

From a group perspective, we are giving particularly close attention not only to the discount rate risk from the measurement of the pension obligations and the provisions for long-service bonus and medical benefits, but also to the industry and systemic risks. As at other German companies, however, the measurement risks from pension obligations and long-service bonus and medical benefit commitments represent the risk with the greatest exposure for TÜV SÜD.

With regard to the next two years, the risk management system that is in place 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 result from our strategic planning, the business outlook and the individual opportunities of the divisions and segments. Thanks to our global presence, any global economic growth provides positive impetus for our business in all segments. In the following, the main opportunities are presented in accordance with the risk categories mentioned above.

INDUSTRY AND SYSTEMIC OPPORTUNITIES

Our comprehensive service portfolio for all aspects of energy technology enables us to meet all the requirements of our customers in the INDUSTRY Segment and win follow-up orders. In addition to the international construction of new nuclear power plants, the decommissioning of nuclear installations will be important in the future. We offer stress and safety tests for this purpose in accordance with European standards worldwide. We see additional market opportunities in our portfolio for the petrochemical industry and energy providers in international project business.
We are developing additional testing and service offerings based on the ordinance on industrial health and safety, which has been in force in Germany since June 2015. By pooling consulting services for elevator and building systems, we will leverage cross-selling potential and synergies in the UK and the Middle East.

In the MOBILITY Segment, we expect growth opportunities through the introduction of new emissions legislation, which is expected to result in higher capacity utilization at the exhaust-gas laboratories.

By expanding the service portfolio for electromagnetic compatibility testing and high-frequency measurements, we wish to reach all customers in the CERTIFICATION Segment. The innovative capacity of European and American customers and their international production logistics drives business in the field of industrial products. This also includes expanding services to support development at automobile manufacturers. IT security, including the areas of certification and IT security services, is another important growth market and is the focus of attention at companies from all sectors worldwide.

OPERATING OPPORTUNITIES

In the INDUSTRY Segment, an IT platform for managing digital workflows at international level is being introduced. This is intended to enable us to work more efficiently and sustainably. We are systematically expanding our competence centers for conventional power plants in India, the Philippines and Romania so that we can offer customers a comprehensive portfolio of services.

With the renewed confirmation of our Italian subsidiary's NADCAP (National Aerospace and Defense Contractors Accreditation Program) accreditation, we will position ourselves as a strong partner of the aviation industry and set up a highly-automated non-destructive materials testing laboratory for handling large-scale international orders.

In the MOBILITY Segment, we will continue to press ahead with the internationalization of the vehicle management business. We have established ourselves throughout Europe as a reliable partner and expect ongoing tenders to be decided in our favor.

In the CERTIFICATION Segment, we are involved in talks aimed at transferring Japanese activities in the area of software testing in order to promote development of the business.

The high standard of quality and close international cooperation of our testing laboratories enables us to participate in complex international tenders.

FINANCIAL OPPORTUNITIES

An increase in the discount rate used to determine pension obligations as well as for provisions for long-service bonuses and medical benefits could have a significant positive effect on the structure of the Group's equity or income. Positive development of the key risk factors of nominal interest and credit spread results in 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.

The acquisition of the remaining 54.8 % shareholding in Asistencia Técnica Industrial S.A.E. (ATISAE), Madrid, Spain, which was completed on February 2, 2016, results in a write-up (€ 10.2 million) recognized on shares measured at fair value through other comprehensive income. This write-up through other comprehensive income must be reclassified to the income statement in 2016 and recognized in the financial result as part of the first-time consolidation in the TÜV SÜD Group.

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, if required. 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 2016

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

T08 Development of the global economy: outlook for 2016

Global	Stable development
Germany	Moderate upswing
Euro zone	Moderate recovery
USA	Moderate development
Emerging markets	Moderate improvement

The following statements on the outlook for the development of TÜV SÜD are based on the planning for 2016, which was prepared by the Board of Management and approved by the Supervisory Board on December 10, 2015.

In addition, the findings of the scenario analyses, with which we examine the effects of economic development on our segments as part of our strategic planning, have also been included in this outlook. The acquisition of Asistencia Técnica Industrial S.A.E. (ATISAE), Madrid, Spain, and the resulting effects to be expected on our financial and non-financial performance indicators have not been taken into account in the following statements on the outlook.

We assume that development of the global economy will be largely stable in 2016, with growth of around 3.4 %. The Kiel-based Institut für Weltwirtschaft (ifw) expects growth of 3.8 % for 2017.

The German economy is expected to continue its moderate upswing in 2016. The stable situation on the labor market, the Germany-wide introduction of a minimum wage and low energy costs will fuel a continued increase in private consumer spending, which is driving economic development. Government spending, in particular as a result of the influx of refugees, provides additional positive stimulus. However, weak demand from the emerging economies and the continuing recovery in the euro zone are preventing the rapid increase in commercial investment activity. As a result of this, the German economy will continue to see only slight improvement in the forecast period. In 2017, we expect the upturn to continue if foreign demand increases and corporate spending picks up.

We expect moderate economic recovery for the euro zone as a whole. However, some countries are continuing to feel the effects of structural problems, which are negatively impacting local economic development. The vote in the UK on a possible exit from the EU will be a key factor for economic

growth in Europe. The US economy will continue to grow in 2016. This growth is supported by continued favorable financing terms, improved conditions on the labor market and a strong real estate market.

Economic growth in the major emerging economies will be moderate, driven mainly by demand in the developed economies and burdened by low prices for raw materials as well as the lower rate of expansion in China. The Indian economy should see robust development. Expectations for Brazil have been dampened, with the country unlikely to emerge from the current recession in the forecast period.

T09 Revenue growth: outlook 2016

Group	3 % – 5 % up to € 2.3 billion
INDUSTRY Segment	Mid-single-digit growth
MOBILITY Segment	Mid-single-digit growth
CERTIFICATION Segment	Mid-single-digit growth

For 2016, we expect organic revenue growth of three to five percent. Consolidated revenue generated with the existing entities will therefore be € 2,260.0 million and € 2,320.0 million. In 2016, we will continue to generate around 40 % of consolidated revenue outside Germany. The non-German entities will further increase their share of consolidated revenue in the next two years.

We will continue to systematically implement our corporate strategy and concentrate our activities on attractive technologies and sectors with long-term growth prospects. The regional focus is mainly on those markets characterized by high economic growth and a reliable business environment.

We expect mid-single-digit revenue growth for the INDUSTRY Segment in 2016. We currently generate around 45 % of revenue in this segment outside Germany, and we expect the share of revenue generated outside Germany to remain at this level in the future.

The main growth drivers in the INDUSTRY Segment remain our services for the chemical and petrochemical industry. However, the low price of oil is dampening our growth expectations, particularly as regards services for the petrochemical industry in the US market. We also expect continued low demand in the area of conventional energy and renewable energy: in Germany, as a result of the gradual decommissioning of conventional power plants; in the UK, as a result of the collapse of the market for wind energy; and in Korea, due to the change in the political framework conditions, which make it more difficult to access the market. In the core steam and pressure business, which is largely independent of economic developments, we expect stable revenue development in Germany for the anniversary year. In the USA and Asia, we intend to further expand our market share and are focusing on market-specific products such as IT-assisted preventive prediction models for plant maintenance.

In the areas of technical construction supervision and quality management, we expect a decrease in international project business. The weak economic development of the emerging economies forecast for 2016 will have an impact here . On the other hand, enhancing our global leadership in independent technical risk calculation analysis will provide growth impetus for our company.

We intend to continue our growth trajectory in the forecast period with our consulting, testing and certification services for buildings, transport technology and infrastructure, including rail transport.

In Germany, we will defend our market leadership in safety-related services for elevators. At the same time, we want to strengthen our strong market position in selected international markets such as South Africa and the United Arab Emirates. Our comprehensive service portfolio in the area of rail transport continues to set us apart from our competitors. As in past years, we are continuing to focus here on the acquisition of large-scale projects, particularly in the international environment. The tense economic situation in Brazil will negatively impact development of revenue there in the area of infrastructure. By contrast, upcoming large-scale events like Expo 2020 and the soccer World Cup 2022 should continue to have a positive influence on economic development in the Middle East. As a result, we also expect positive impetus for business from there.

The MOBILITY Segment will see growth in the mid-single-digit range in the forecast period. Here we expect business outside Germany to increase, accounting for around ten percent of revenue in 2016.

Our offering for private and business customers in Germany, particularly roadworthiness tests and exhaust-gas analyses, remains our core business. We are systematically leveraging existing in-house knowledge of the regional market environment to expand mass-market business in order to be able to offer existing customers added value and win new customers. As a result, we assume steady development of revenue with a virtually unchanged market volume. We expect positive growth effects from homologation and emissions testing, including in other European countries. In 2016, we want to achieve revenue growth primarily through new services for appraising vehicle electronics and safety, smart repair as well as professional vehicle services, in particular appraisal services. In the fleet business, we are continuing to push forward with internationalization and intend to generate additional growth through targeted cross-selling activities and professional key account management.

We plan revenue growth in the mid-single-digit percentage range for the CERTIFICATION Segment in 2016.

Significant international growth areas include our services for industrial goods as well as food, cosmetics and healthcare products. Our offering in the field of industrial goods benefits in particular from the ongoing internationalization of production logistics in mechanical engineering and the electrical industry. At the same time, we will achieve further growth in the area of food and cosmetics products, as our network of state-of-the-art test laboratories guarantees that our customers with global operations have local access to the TÜV SÜD service portfolio worldwide. We expect further growth impetus in the area of healthcare and medical products, where we will systematically extend our leading position in the global market with new services. This is likely to be supported worldwide by the legal requirement to perform unannounced audits. The significantly lower growth of the Chinese economy will negatively impact development of our revenue in the area of consumer goods. We continue to expect growth in the mid-single-digit range here for 2016.

The Management Service business builds on the services relating to standard certification. Here, we are rounding out the core products, such as ISO 9001, with innovative certification services in the areas of energy, data security, sustainability and corporate social responsibility. We anticipate particularly high growth in 2016 as a result of the expansion of services relating to data security, including certification service offerings in accordance with ISO 27001, the international standard for IT security. In Germany and China, we want to extend our claim to market leadership by systematically growing our customer base. At the same time, we want to leverage our global presence to offer our international customers one-stop certification for global and integrated management systems.

STABLE AND PROFITABLE GROWTH TARGETED

In the development of our business activities, we focus on areas where sustainable profitable growth with target returns of between nine and twelve percent can be expected. The development of our earnings depends crucially on our ability to exactly meet our customers' needs with our services and innovations. Through our international presence, efficient cost structures and flexible working models, we offer our customers made-to-measure services, which are every bit as profitable as they are flexible.

External factors, such as the development of the US dollar or the Singapore dollar exchange rate against the euro, impact directly on the earnings of our subsidiaries. These exchange rate fluctuations also influence the financial result in particular.

We aim to continually increase earnings and profits. In order to achieve this, we develop and systematically implement measures aimed at increasing efficiency on an ongoing basis. For the fiscal year 2016, we anticipate a low double-digit increase in EBT.

T10 Development of earnings: outlook for 2016

Group	Increase in EBIT to between € 185 million and € 190 million
INDUSTRY Segment	Higher EBIT increase
MOBILITY Segment	Moderate EBIT increase
CERTIFICATION Segment	Slight EBIT increase

EBIT will also grow by a factor in the low double-digit percentage range in 2016 and will therefore develop similarly to EBT. As expected, the EBIT margin will remain in the high single-digit percentage range.

Our portfolio of technically sophisticated services and close collaboration with key international customers will continue to have a positive effect on the development of earnings in the coming fiscal year. We therefore expect EBIT to develop positively in all segments in 2016.

In the INDUSTRY Segment, we expect a higher EBIT increase in the low double-digit range. In the MOBILITY Segment, we expect the FIT17 project, which was launched in the fiscal year 2015, to have its first positive effects on EBIT development. The CERTIFICATION Segment will see an EBIT increase in the mid-single-digit range in 2016. The EBIT margin should be almost in the double-digit range for each of the three segments.

With the exception of the effects from the first-time inclusion of Spanish-based company ATISAE, we do not expect any significant one-off effects on earnings before taxes.

Various factors, which are largely independent of each other, influence the positive development of TÜV SÜD's earnings. Economic growth in the developed economies and the slow-down in growth in the emerging markets set the basic trend in 2016. Our global presence close to our customers and our expertise in innovative technical services are of far greater economic significance. In addition, we want to further strengthen our innovative capacity with the newly established innovation process. To this end, an innovation budget of ten million euros was approved, which can be used to fund pioneering projects. The allocation of this funding cannot be planned and is therefore not included in these statements on the outlook. Consequently, EBIT could be ten million euros below

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INNOVATIONS REPORT

the expected figure of € 185 million to € 190 million if the innovation budget were to be used in full in the forecast year 2016.

We will continue to work systematically on streamlining our corporate structure in order to achieve further efficiency increases and cost savings, and increase our power through lean structures.

Enhancing our internal processes is a key element in achieving our Group's goals. The focus is on the phased introduction of shared service organizations in individual countries and regions as well as implementation of harmonized software-based commercial processes. In this way, we are creating the requirements for efficiency increases in the commercial and administrative area.

Economic Value Added (EVA) is a key indicator for measuring the company's success. On the basis of the positive EBIT development described above and increasing average capital employed in line with revenue, we expect EVA of € 65 million to € 70 million for 2016.

It is only thanks to our highly skilled and motivated employees that we are able to implement our growth strategy. This is why we intend to again increase our headcount by around four percent through targeted recruitment of well trained and dedicated women and men in the coming fiscal years.

Since 2014, more than half of our workforce has been employed outside Germany. As internationalization gains ground, this percentage will increase continuously in the coming years.

We do not expect to see any significant change in the other non-financial indicators compared to the prior year.

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

T11 Consolidated income statement for the period from January 1 to December 31, 2015

In € million	Note	2015	2014
Revenue	(37)	**2,222.0**	**2,061.4**
Own work capitalized		3.2	3.3
Purchased services		–286.8	–259.9
Operating performance		**1,938.4**	**1,804,8**
Personnel expenses	(7)	–1,328.6	–1,232.1
Amortization, depreciation and impairment losses	(8)	–82.3	–61.0
Other expenses	(9)	–430.6	–389.2
Other income	(10)	53.2	41.8
Operating result		**150.1**	**164.3**
Income from investments accounted for using the equity method	(12)	11.5	8.1
Other income/loss from participations	(12)	0.8	–0.1
Interest income	(12)	2.8	3.2
Interest expenses	(12)	–19.7	–29.1
Other financial result	(12)	–1.1	0.1
Financial result		**–5.7**	**–17.8**
Income before taxes		**144.4**	**146.5**
Income taxes	(13)	–30.4	–42.1
Consolidated net income		**114.0**	**104.4**
Attributable to:			
Owners of TÜV SÜD AG		100.6	94.2
Non-controlling interests	(14)	13.4	10.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

T12 Consolidated statement of comprehensive income for the period from January 1 to December 31, 2015

In € million	Note	2015	2014
Consolidated net income		**114.0**	**104.4**
Items that will not be reclassified to the income statement:			
Remeasurements of defined benefit pension plans	(26)	44.5	–265.4
Tax effect		–4.3	83.3
Total amount of items in other comprehensive income that will not be reclassified to the income statement		**40.2**	**–182.1**
Items that will be reclassified to the income statement in future periods:			
Available-for-sale financial assets			
Changes from unrealized gains and losses		10.1	–0.1
Changes from realized gains and losses		–0.1	–0.2
Tax effect		0.0	0.1
		10.0	**–0.2**
Currency translation differences[1]			
Changes from unrealized gains and losses		5.8	26.5
Changes from realized gains and losses		0.0	–0.2
		5.8	**26.3**
Cash flow hedges			
Changes from unrealized gains and losses		0.0	0.7
Changes from realized gains and losses		0.0	1.0
Tax effect		0.0	–0.5
		0.0	**1.2**
Investments accounted for using the equity method			
Changes from unrealized gains and losses		–1.9	0.9
Tax effect		0.4	–0.2
		–1.5	**0.7**
Total amount of the items of other comprehensive income that will be reclassified to the income statement in future periods		**14.3**	**28.0**
Other comprehensive income	(13)	**54.5**	**–154.1**
Total comprehensive income		**168.5**	**–49.7**
Attributable to:			
Owners of TÜV SÜD AG		152.7	–55.4
Non-controlling interests		15.8	5.7

[1] Contains income (+)/expenses (–) from investments accounted for using the equity method of € –1.6 million (prior year: € 0.6 million).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

T13 Consolidated statement of financial position as of December 31, 2015

In € million	Note	Dec. 31, 2015	Dec. 31, 2014
ASSETS			
Intangible assets	(15)	331.3	334.2
Property, plant and equipment	(16)	439.4	417.0
Investment property	(17)	3.6	3.5
Investments accounted for using the equity method	(18)	25.2	26.7
Other financial assets	(19)	103.3	88.5
Other non-current assets	(20)	7.3	4.5
Deferred tax assets	(13)	237.4	237.3
Non-current assets		**1,147.5**	**1,111.7**
Inventories	(21)	4.0	4.0
Trade receivables	(22)	425.5	399.2
Income tax receivables		11.4	25.0
Other receivables and other current assets	(23)	58.2	66.1
Cash and cash equivalents	(24)	223.2	224.3
Current assets		**722.3**	**718.6**
Total ASSETS		**1,869.8**	**1,830.3**
EQUITY AND LIABILITIES			
Capital subscribed	(25)	26.0	26.0
Capital reserve	(25)	124.4	124.4
Revenue reserves	(25)	346.4	207.1
Other reserves	(25)	13.6	0.8
Equity attributable to the owners of TÜV SÜD AG		**510.4**	**358.3**
Non-controlling interests	(14)	46.6	36.8
Equity		**557.0**	**395.1**
Provisions for pensions and similar obligations	(26)	772.8	898.0
Other non-current provisions	(27)	36.8	52.4
Non-current financial debt	(28)	1.0	1.1
Other non-current liabilities	(30)	7.4	5.0
Deferred tax liabilities	(13)	28.8	32.3
Non-current liabilities		**846.8**	**988.8**
Current provisions	(27)	120.5	111.1
Income tax liabilities		15.7	20.4
Current financial debt	(28)	4.1	5.3
Trade payables	(29)	92.1	80.6
Other current liabilities	(30)	233.6	229.0
Current liabilities		**466.0**	**446.4**
Total EQUITY AND LIABILITIES		**1,869.8**	**1,830.3**

CONSOLIDATED STATEMENT OF CASH FLOWS

T14 Consolidated statement of cash flows for the period from January 1 to December 31, 2015

In € million	Note	2015	2014
Consolidated net income		114.0	104.4
Amortization, depreciation, impairment losses and write-ups of intangible assets, property, plant and equipment and investment property		81.9	60.6
Impairment losses and write-ups of financial assets		0.8	0.2
Change in deferred tax assets and liabilities recognized in the income statement	(13)	–8.6	1.9
Gain/loss on disposal of non-current assets		–0.9	–1.1
Gain/loss on sale of shares in fully consolidated entities and business units		–0.3	–1.7
Other non-cash income/expenses		–9.2	–11.9
Change in inventories, receivables and other assets		–7.7	–16.4
Change in liabilities and provisions		51.2	66.3
Cash flow from operating activities		**221.2**	**202.3**
Cash paid for investments in			
intangible assets, property, plant and equipment and investment property		–80.4	–68.0
financial assets		–3.9	–5.9
securities		–22.1	–0.6
business combinations (net of cash acquired)	(3)	–13.0	–29.8
Cash received from disposals of			
intangible assets and property, plant and equipment		2.2	2.4
financial assets		0.6	0.0
securities		20.1	31.3
shares in fully consolidated entities and business units (net of cash disposed of)		0.6	0.5
Contribution to pension plans	(36)	–120.7	–88.9
Cash flow from investing activities		**–216.6**	**–159.0**
Dividends paid to owners of TÜV SÜD AG		–2.1	–2.1
Dividends paid to non-controlling interests		–7.6	–4.2
Proceeds from repayments of loans including currency translation differences		–0.7	–62.9
Other cash received or paid		0.2	–2.1
Cash flow from financing activities		**–10.2**	**–71.3**
Net change in cash and cash equivalents		**–5.6**	**–28.0**
Effect of currency translation differences and change in scope of consolidation on cash and cash equivalents		4.5	7.1
Cash and cash equivalents at the beginning of the period		224.3	245.2
Cash and cash equivalents at the end of the period	(36)	**223.2**	**224.3**
Additional information on cash flows included in cash flow from operating activities:			
Interest paid		0.9	1.6
Interest received		6.7	5.1
Income taxes paid		46.4	39.8
Income taxes refunded		14.1	12.0
Dividends received		10.3	1.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

T15 Consolidated statement of changes in equity for the period from January 1 to December 31, 2015

			Revenue reserves		
In € million	Capital subscribed	Capital reserve	Remeasurements of defined benefit pension plans	Other revenue reserves	
As of January 1, 2014	**26.0**	**124.4**	**–193.9**	**484.5**	
Total comprehensive income			–175.3	94.2	
Dividends paid				–2.1	
Change in scope of consolidation				–0.3	
As of December 31, 2014	**26.0**	**124.4**	**–369.2**	**576.3**	
As of January 1, 2015	**26.0**	**124.4**	**–369.2**	**576.3**	
Total comprehensive income			39.3	100.6	
Dividends paid				–2.1	
Other transactions with owners				1.5	
As of December 31, 2015	**26.0**	**124.4**	**–329.9**	**676.3**	

	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**
	–24.9	**0.4**	**–1.2**	**0.8**	**416.1**	**37.3**	**453.4**
	24.0	–0.2	1.2	0.7	**–55.4**	5.7	**–49.7**
					–2.1	–6.5	**–8.6**
					–0.3	0.3	**0.0**
	–0.9	**0.2**	**0.0**	**1.5**	**358.3**	**36.8**	**395.1**
	–0.9	**0.2**	**0.0**	**1.5**	**358.3**	**36.8**	**395.1**
	4.3	10.0		–1.5	**152.7**	15.8	**168.5**
					–2.1	–5.9	**–8.0**
					1.5	–0.1	**1.4**
	3.4	**10.2**	**0.0**	**0.0**	**510.4**	**46.6**	**557.0**

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. The range of services covers testing, inspection, certification and training. TÜV SÜD has a presence in the regions EMEA, ASIA and AMERICAS.

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, 2015 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 2015 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 15, 2016, TÜV SÜD AG's Board of Management approved the 2015 consolidated financial statements for submission to the Supervisory Board.

2 / SCOPE OF CONSOLIDATION

All entities and structured entities over which the Group has control are included in the consolidated financial statements as of December 31, 2015. According to IFRS 10, control exists if the Group has decision-making power over an investee, is exposed to variable returns from the involvement with the investee and has the ability to affect the amount of these returns. Subsidiaries are fully consolidated in the consolidated financial statements on the date on which control is transferred to the Group. They are deconsolidated as soon as control ends.

Associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method. Associated companies are entities with respect to which TÜV SÜD has the ability to exercise significant influence on the business and corporate policy. A joint venture is based on an arrangement through which TÜV SÜD exercises joint control and has rights to the net assets of the arrangement.

Joint operations are consolidated proportionately with their assets and liabilities as well as expenses and income. A joint operation is a joint arrangement where the parties have rights to the assets relating to the arrangement and obligations for its liabilities.

The scope of consolidation changed as follows in the fiscal year 2015:

T16 Scope of consolidation

Number of entities	Germany	Other countries	Total
TÜV SÜD AG and fully consolidated subsidiaries			
January 1, 2015	**38**	**94**	**132**
Additions	0	3	3
Disposals (including mergers)	–2	–10	–12
December 31, 2015	**36**	**87**	**123**
Associated companies accounted for using the equity method			
January 1, 2015	**0**	**1**	**1**
Additions	0	0	0
Disposals	0	0	0
December 31, 2015	**0**	**1**	**1**
Joint ventures accounted for using the equity method			
January 1, 2015	**0**	**2**	**2**
Additions	0	0	0
Disposals	0	0	0
December 31, 2015	**0**	**2**	**2**
Total			
January 1, 2015	**38**	**97**	**135**
Additions	0	3	3
Disposals (including mergers)	–2	–10	–12
December 31, 2015	**36**	**90**	**126**

The scope of consolidation was extended in 2015 to include three acquired entities.

The disposals of fully consolidated subsidiaries stem from the sale of shares in OOO "TÜV SÜD RUS", Moscow, Russia, from the merger of nine subsidiaries into other fully consolidated group entities, one liquidation, as well as from the removal of one entity without operations from the scope of consolidation. The gain on deconsolidation comes to € 0.3 million and is reported in other income.

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 resulted in a 0.0 % decrease in consolidated revenue (prior year: 0.1 %) and a 0.0 % decrease in consolidated equity (prior year: 0.1 %). Moreover, seven associated companies (prior year: eight) were not consolidated due to immateriality.

The affiliated companies, associated companies and joint ventures included in the consolidated financial statements are listed in note 42 "Consolidated entities" along with the consolidation method applied. The list of the Group's entire shareholdings is published in the German Electronic Federal Gazette (Elektronischer Bundesanzeiger) as an integral part of the notes to the financial statements.

Consolidation decisions based on contractual arrangements

The TÜV SÜD Group holds 50 % of the shares in TÜV SÜD Car Registration & Services GmbH, Munich (CRS). This entity is fully consolidated in the Group, as the TÜV SÜD Group is responsible for economic control of CRS on the basis of the cooperation agreement and can thus make decisions regarding the relevant activities of the entity.

As of December 31, 2015, the TÜV SÜD Group holds 25 % of the voting rights in Swiss TS Technical Services AG, Wallisellen, Switzerland. This entity is included as a participation in the consolidated financial statements and is measured at cost, as TÜV SÜD's actual involvement in the financial and operating

policy decisions is not sufficient to claim and substantiate significant influence. For the same reasons, the 45.2 % of the voting rights in Asistencia Técnica Industrial S.A.E., Madrid, Spain (ATISAE), are included as a participation in the consolidated financial statements and in prior years were measured at amortized cost in accordance with the special provision of IAS 39 for equity instruments. On February 2, 2016, TÜV SÜD AG acquired the remaining 54.8 % of the shares in ATISAE (see note 41 "Subsequent events"). As a result of this transaction, there is now a market value for the shares, and the previously held shares are measured at their fair value in these financial statements. This results in a write-up of the shares through other comprehensive income amounting to € 10.2 million.

Risks from structured entities

In its capacity as a limited partner of the structured entities ARMAT GmbH & Co. KG, Pullach, and ARMAT Südwest GmbH & Co. KG, Pullach, TÜV SÜD AG has issued liquidity commitments for the aforementioned entities. These commitments serve to cover the current obligations of the structured entities. TÜV SÜD AG can therefore be required to pay if the entities are unable to settle their commitments themselves. The risk of such a claim is considered low. There are risks typical of ownership resulting from the special fund MI-Fonds F60. No liquidity commitments or guarantees were issued in this connection.

3 / BUSINESS COMBINATIONS

Business combinations in the 2015 fiscal year

In the 2015 fiscal year, TÜV SÜD made four acquisitions (including asset deals) which were immaterial individually and which collectively had the following effect on the consolidated financial statements based on the respective acquisition-date amounts:

T17 Net assets acquired, goodwill and purchase price of business combinations in fiscal year 2015

In € million	Carrying amount before revaluation	Fair value as of acquisition date
Intangible assets and property, plant and equipment	0.3	5.6
Other assets (net of cash)	2.6	2.6
Cash and cash equivalents	0.9	0.9
Current liabilities	2.0	2.0
Non-current liabilities	0.1	1.4
Total net assets acquired	**1.7**	**5.7**
Interest in net assets acquired		**5.7**
Goodwill arising on acquisition		6.9
Consideration transferred in the business combinations (cash consideration)		**12.6**
Less adjustments from the remeasurement of previously held equity interests		–0.4
Less cash acquired		–0.9
Less purchase price payments made in prior years		–0.5
Net cash paid for business combinations 2015		**10.8**
Payments for business combinations from prior years (earn-outs)		2.2
Net cash paid for business combinations		**13.0**

Hidden reserves totaling € 5.3 million were identified in customer relationships and software with useful lives of between eight and ten years. The weighted average useful life of intangible assets with a finite useful life is 9.5 years. There are no assets with an indefinite useful life.

The goodwill arising on these acquisitions includes value drivers that cannot be reported separately pursuant to IFRSs, the value of the acquired workforce and expected synergy effects in particular.

No earn-out agreements (contingent purchase price agreements) were concluded in 2015.

The assets acquired include trade receivables with a fair value of € 2.0 million as of the acquisition date. The gross volume of the contractual receivables amounted to € 2.1 million.

Acquisition-related costs of € 0.2 million were incurred and were recognized in other expenses in the income statement in the reporting year and in the prior year.

Business combinations contributed € 4.6 million to revenue and € 0.4 million to the operating result of TÜV SÜD in the past fiscal year. The operating result does not contain any synergies stemming from business combinations at existing legal entities of the TÜV SÜD Group. If the acquisitions had taken place as of January 1, 2015, the entities acquired would have contributed € 8.8 million to consolidated revenue and € 1.1 million to the Group's operating result for the twelve months ended December 31, 2015.

As of December 31, 2015, the calculation of the fair values of the assets acquired, the liabilities and contingent liabilities assumed and the goodwill for one of the four business combinations was not yet complete. This means that the amounts presented are provisional.

The acquisitions described above are expected to result in tax-deductible goodwill of € 0.2 million.

Business combinations in the 2014 fiscal year

In the fiscal year 2014, TÜV SÜD made five acquisitions (including asset deals) which were immaterial individually and which collectively had the following effect on the consolidated financial statements based on the amounts as of the respective acquisition dates:

T18 Net assets acquired, goodwill and purchase price of business combinations in fiscal year 2014

In € million	Carrying amount before revaluation	Fair value as of acquisition date
Intangible assets and property, plant and equipment	1.2	11.4
Other assets (net of cash)	9.7	9.7
Cash and cash equivalents	3.5	3.5
Current liabilities	4.5	4.5
Non-current liabilities	0.4	1.2
Total net assets acquired	**9.5**	**18.9**
Interest in net assets acquired		**18.9**
Goodwill arising on acquisition		15.4
Consideration transferred in the business combinations (cash consideration)		**34.3**
Less fair value of contingent consideration		–1.6
Less cash acquired		–3.4
Net cash paid for business combinations 2014		**29.3**
Payments for business combinations from prior years (earn-outs)		1.7
Net cash paid for business combinations		**31.0**

Hidden reserves totaling € 10.2 million were identified in customer relationships with useful lives of between eight and ten years. The weighted average useful life of intangible assets with a finite useful life was 9.7 years. There were no assets with an indefinite useful life.

The assets acquired included trade receivables with a fair value of € 6.0 million as of the acquisition date. The gross volume of the contractual receivables amounted to € 6.1 million.

Acquisition-related costs of € 0.8 million were incurred and were recognized in other expenses in the income statement in fiscal years 2013 and 2014.

In the fiscal year 2014, business combinations contributed € 14.3 million to revenue and € –0.2 million to the operating result of TÜV SÜD. The operating result did not contain any synergies stemming from business combinations at existing legal entities of the TÜV SÜD Group. If the acquisitions had taken place as of January 1, 2014, the entities acquired would have contributed € 28.8 million to consolidated revenue and € 1.7 million to the Group's operating result for the twelve months ended December 31, 2014.

The acquisitions described above are expected to result in goodwill of € 5.3 million that will be tax deductible.

In the fiscal year 2015, there were no adjustments to the presentation of business combinations considered provisional as of December 31, 2014.

4 / CONSOLIDATION PRINCIPLES

The consolidated financial statements are based on the separate 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 acquisition-date fair values 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 measured using the historical exchange rate as of the date of the transaction. Differences resulting from such translations are generally recognized in the income statement.

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

T19 Selected exchange rates

	Closing rate		Annual average rate	
	Dec. 31, 2015	Dec. 31, 2014	2015	2014
US dollar (USD)	1.0887	1.2141	1.1097	1.3288
Pound sterling (GBP)	0.7340	0.7789	0.7260	0.8064
Singapore dollar (SGD)	1.5394	1.6033	1.5254	1.6826
Turkish lira (TRY)	3.1765	2.8320	3.0220	2.9069
Chinese renminbi (CNY)	7.0608	7.5358	6.9732	8.1883

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 expensed 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 immediately expensed.

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 (proportionate) 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. The recoverable amount is the higher of fair value less costs to sell and value in use. The fair value less costs to sell and the value in use are 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. Calculation of the fair value for cash generating units containing goodwill falls under level 3 of the fair value hierarchy.

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

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 five and 23 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 cost 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 over a maximum of 40 years using the straight-line method.

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. Calculation of fair value during impairment testing of tangible and intangible assets as well as of cash generating units not containing goodwill falls under level 3 of the fair value hierarchy, unless described otherwise.

Investments accounted for using the equity method are recognized at cost upon acquisition. In subsequent periods, the carrying amounts of 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 using 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.

Other financial assets particularly include shares in non-consolidated affiliated companies, participations, loans and securities. These financial assets are recognized initially on the trade date. 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 measurement are posted directly to other reserves within equity, taking deferred taxes into account. The reserve is released to income, either upon disposal or when there is a prolonged decline in the fair value 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 on temporary differences 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. They are initially recognized on the trade date. 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 customer 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, forward contracts, 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 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. The Board of 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. Remeasurements, comprising actuarial gains and losses and the return on plan assets (excluding interest on the net liability), are recognized in full in the fiscal year in which they occur. They are charged directly against revenue reserves, taking deferred taxes into account, and reported outside of the income statement as a component of other comprehensive income in the statement of comprehensive income. They do not affect the income statement in the subsequent periods either. The net interest expense is obtained by multiplying the discount rate for the respective fiscal year by the net liability (pension obligation less plan assets) as of the reporting date for the prior fiscal year. It is reported in the financial result.

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

Financial debt is measured at amortized cost using the effective interest method. Initial recognition is on the trade date. Transaction costs are also taken into account when determining acquisition cost. Liabilities from finance leases are initially recognized at the lower of the fair value of the leased asset or the present value of the lease installments and then repaid and measured using the effective interest method in subsequent periods.

Trade payables and **other liabilities** are recognized at amortized cost, except for derivative financial instruments and earn-out obligations. The financial obligations are initially recognized as of the trade date.

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 TÜV SÜD. 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. The carrying amounts are based on a best estimate of the expenses expected to meet the contingent liability.

Assumptions, estimation uncertainties and judgments

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 revenue recognition using the percentage-of-completion method, goodwill, deferred tax assets recognized on tax loss carryforwards, the measurement parameters for pension obligations and other provisions, and the calculation of fair values. Actual amounts may differ from 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 used to calculate the cash generating unit's fair value less costs to sell or the value in use would not result in an impairment loss. The same applies for 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.

A number of accounting policies and disclosures of the Group require the **fair values** to be determined for financial and non-financial assets and liabilities. Where possible, external market information is used to measure the fair value. Data models and valuation techniques used for measurement are derived from market data and confirmed on a regular basis. Assets 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 distinguish between and 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)

The **defined benefit obligations** and the pension expenses for the following year are calculated using the actuarial parameters given in note 26. As in the prior year, the discount rate in Germany is calculated in accordance with the procedure developed by the Group's actuary Willis Towers Watson Deutschland GmbH, Wiesbaden, to determine the discount rate for the measurement of pension obligations ("GlobalRate: Link"). Because of changes in conditions, the underlying assumptions may differ from actual development. However, a change in parameters would not have an impact on the consolidated net income for the reporting year, as remeasurements are recognized in equity.

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

Compared to the consolidated financial statements for the fiscal year 2014, the presentation of the financial result was restated so that EBIT can now be seen directly in the consolidated income statement. Income/loss from participations as well as impairment losses and reversals of impairment losses recognized on loans, which were formerly a component of the other financial result, are now presented in a separate row "other income/loss from participations" in the consolidated income statement. As a result, the other financial result no longer contains EBIT-relevant components, and EBIT is the operating result plus income/loss from participations (consisting of the income from investments accounted for using the equity method and other income/loss from participations). The prior-year figures were restated accordingly. EBIT for 2014 has not changed as a result of this change in presentation.

New accounting standards that are not yet mandatory

The following amendments of standards generally relevant for TÜV SÜD were issued by the IASB and adopted by the EU prior to the preparation of TÜV SÜD's consolidated financial statements, but have not yet been applied in the consolidated financial statements as of December 31, 2015. The amendments are mandatory for fiscal years beginning on or after their respective effective dates. TÜV SÜD decided not to early adopt such standards on a voluntary basis.

T20 New accounting standards and interpretations endorsed by the EU that are not yet mandatory

Standard / interpretation	Effective date pursuant to EU endorsement	Anticipated impact on TÜV SÜD AG's consolidated financial statements
Amendments to IAS 1: "Disclosure initiative"	January 1, 2016	The amendments may affect the disclosures in the notes.
Amendments to IAS 16 and IAS 38: "Clarification of Acceptable Methods of Depreciation and Amortisation"	January 1, 2016	No consequences are expected for the consolidated financial statements.
Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions	February 1, 2015	No consequences are expected for the consolidated financial statements.
Amendments to IFRS 11: "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016	Future transactions will be presented accordingly.
"Improvements to IFRSs" issued as a result of the annual improvements project 2010 – 2012	February 1, 2015	No significant consequences are expected for the consolidated financial statements.
"Improvements to IFRSs" issued as a result of the annual improvements project 2012 – 2014	January 1, 2016	No consequences are expected for the consolidated financial statements.

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

T21 New accounting standards and interpretations not yet endorsed by the EU that are not yet mandatory

Standard / interpretation	Effective date	Anticipated impact on TÜV SÜD AG's consolidated financial statements
Amendments to IAS 12 "Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses"	January 1, 2017	No consequences are expected for the consolidated financial statements.
Amendments to IAS 7: "Statement of Cash Flows"	January 1, 2017	The amendments will affect the disclosures in the notes.
IFRS 9 "Financial Instruments"	January 1, 2018	The effects are currently under review.
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018	The effects are currently under review.
IFRS 16 "Leases"	January 1, 2019	The effects have still to be examined.
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Pending	These amendments are currently not relevant for TÜV SÜD.

IFRS 9 "Financial Instruments", which was issued in July 2014, replaces the existing guidelines of IAS 39 "Financial Instruments: Recognition and Measurement". In the future, financial assets will be classified and measured on the basis of the business model underlying the portfolio and the type of cash flows of the financial instrument. The rules for financial liabilities were more or less taken from IAS 39 without change. In addition, IFRS 9 contains the new rules regarding impairment of financial instruments, which are now based on expected credit losses, and regarding accounting for hedging relationships. Adoption of IFRS 9 will have an effect on the accounting for financial instruments, which is currently being reviewed. There are no plans for early adoption of this standard.

IFRS 15 "Revenue from Contracts with Customers" specifies a comprehensive framework for determining whether, in what amount and when revenue is recognized. It replaces the existing guidelines on revenue recognition, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programmes". TÜV SÜD is currently examining what effects the application of this standard will have on the consolidated financial statements. There are no plans for early adoption.

The final version of IFRS 16 "Leases" was published on January 13, 2016. The main changes based on IFRS 16 pertain to the accounting treatment at the lessee. In the future, the lessee must recognize right-of-use assets for the obtained rights to use an asset and liabilities for the payment obligations entered into for all leases. Exceptions are granted for leases of low-value assets and for short-term leases. The effects on the consolidated financial statements have still to be examined.

Notes to the consolidated income statement

7 / PERSONNEL EXPENSES

T22 Personnel expenses

In € million	2015	2014
Wages and salaries	1,064.7	989.7
Social security contributions and other benefit costs	139.9	132.7
Retirement benefit costs	97.8	87.7
Incidental personnel costs	26.2	22.0
	1,328.6	1,232.1

The rise in wages and salaries and in 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. Exchange rate trends abroad, particularly in China and the USA, intensified the development.

Retirement benefit costs also include employer contributions to state pensions. The increase is due to higher current service cost.

Personnel expenses include expenses totaling € 7.5 million (prior year: € 7.9 million) 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 20,228 employees in the reporting year (prior year: 19,735 employees). The Group's workforce mainly comprises salaried employees.

8 / AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES

T23 Amortization, depreciation and impairment losses

In € million	2015	2014
Amortization and depreciation		
of intangible assets	18.5	16.6
of property, plant and equipment	48.7	43.4
of investment property	0.1	0.1
Impairment losses	15.0	0.9
	82.3	61.0

An amount of € 11.1 million of the impairment losses concerns purchased customer relationships and order backlogs, and € 1.0 million relates to licenses and accreditations. Items of property, plant and equipment were written down to their lower fair value by impairment losses of € 2.9 million (prior year: € 0.9 million).

9 / OTHER EXPENSES

T24 Other expenses

In € million	2015	2014
Rental and maintenance expenses	96.0	87.8
Travel expenses	88.4	84.7
Cost of purchased administrative services	43.2	37.4
IT costs	36.0	30.2
Fees, contributions, consulting and audit costs	23.5	22.8
Telecommunication costs	20.1	19.2
Marketing costs	13.8	13.0
Currency translation losses	11.8	5.4
Impairment losses on trade receivables (including amounts derecognized)	8.1	6.6
Other taxes	4.1	3.7
Miscellaneous other expenses	85.6	78.4
	430.6	389.2

10 / OTHER INCOME

T25 Other income

In € million	2015	2014
Currency translation gains	12.3	5.7
Income from the reversal of provisions	6.2	6.4
Income from other transactions not typical for the company	5.1	5.0
Gain on the disposal of non-current assets	1.7	2.0
Miscellaneous other income	27.9	22.7
	53.2	41.8

11 / GOVERNMENT GRANTS

In the reporting year, government grants related to income amounting to € 2.3 million (prior year: € 1.9 million) were recognized through profit or loss in other income. The grants are not contingent on any future conditions being met.

12 / FINANCIAL RESULT

T26 Financial result

In € million		2015		2014
Income from investments accounted for using the equity method		**11.5**		**8.1**
Income/loss from participations				
Financial income from participations	1.3		0.6	
Finance costs from participations	–0.1	1.2	–0.2	0.4
Result from loans				
Finance costs from loans	–0.4	–0.4	–0.5	–0.5
Other income/loss from participations		**0.8**		**–0.1**
Interest income from securities		0.2		0.9
Other interest and similar income		2.6		2.3
Interest income		**2.8**		**3.2**
Net finance costs for pension provisions		–17.3		–21.7
Interest cost from finance leases		–0.1		–0.1
Other interest and similar expenses		–2.3		–7.3
Interest expenses		**–19.7**		**–29.1**
Currency gains/losses from financing measures				
Currency translation gains	21.1		10.8	
Currency translation losses	–22.2	–1.1	–10.7	0.1
Sundry financial result				
Sundry financial income	1.1		0.0	
Sundry finance costs	–1.1	0.0	0.0	0.0
Other financial result		**–1.1**		**0.1**
		–5.7		**–17.8**

The income from investments accounted for using the equity method of € 11.5 million (prior year: € 8.1 million) contains a figure of € 10.6 million (prior year: € 7.1 million) from the proportionate net income generated by the Turkish joint venture companies. The increase in income stems from the positive development of business and the improved financial result due to the reversal of an existing currency hedge.

Other income/loss from participations comprises distributions of € 0.9 million (prior year: € 0.6 million), gains from the re-measurement at fair value of a participation as a result of the acquisition of additional shares of € 0.4 million (prior year: € 0.0 million), losses on disposal of shares in entities not included in the consolidated financial statements of € 0.1 million (prior year: impairment losses recognized on shares in companies not included in the consolidated financial statements of € 0.2 million) as well as write-downs of other receivables from entities not included in the consolidated financial statements of € 0.4 million (prior year: € 0.5 million).

The total interest income from assets not measured at fair value through profit or loss amounts to € 2.8 million (prior year: € 3.2 million). The total interest expense (without net finance costs for pension provisions) amounts to € 2.4 million in the fiscal year 2015 (prior year: € 7.4 million). The decrease in other interest and similar expenses is attributable in particular to the lower effect from unwinding the discount on provisions for long-service bonuses and medical benefits of € 0.7 million (prior year: € 4.5 million), which in the prior year still contained an amount of € 3.6 million attributable to the unwinding of the discount from the interest rate change.

Net finance costs for pension provisions consist of interest costs for pension and termination benefit obligations amounting to € 41.3 million (prior year: € 56.8 million) and the interest income on plan assets totaling € 24.0 million (prior year: € 35.1 million).

Currency gains/losses from financing measures stem from the measurement as of the reporting date of loans in foreign currency and the corresponding hedging effects as well as from current payments received and made.

13 / INCOME TAXES

T27 Income taxes

In € million		2015		2014
Current taxes		39.0		40.2
Deferred taxes				
on temporary differences	–2.2		2.4	
on tax loss carryforwards	–6.4	–8.6	–0.5	1.9
		30.4		**42.1**

Current taxes for the fiscal year 2015 include income of € 1.3 million (prior year: € 1.0 million) for current taxes from prior periods.

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

T28 Tax reconciliation

In € million	2015	2014
Income before taxes	144.4	146.5
Expected tax rate	30.6%	30.2%
Expected income tax expense	**44.2**	**44.3**
Tax rate differences	–5.1	–2.7
Tax reductions due to tax-free income	–8.2	–2.8
Tax increases due to non-deductible expenses	5.8	5.8
Tax increases due to non-deductible income taxes and withholding taxes	2.8	2.3
Tax effect on accounting for associated companies and joint ventures using the equity method	–3.3	–2.4
Current and deferred taxes for prior years	–2.5	–1.1
Changes in valuation allowances on deferred tax assets and unrecognized deferred tax assets on tax loss carryforwards	–2.7	–1.4
Effect of changes in tax rates	–0.9	0.1
Other differences	0.3	0.0
Reported income tax expense	**30.4**	**42.1**
Effective tax rate	**21.1%**	**28.7%**

The expected tax rate of 30.6 % (prior year: 30.2 %) results from applying the unchanged German corporate income tax rate of 15.0 % plus the solidarity surcharge of 5.5 % and a trade tax rate of 14.775 % (prior year: 14.4 %) based on an average trade tax multiplier of 422 % (prior year: 410 %).

Tax reductions due to tax-free income contain a figure of € 5.0 million (prior year: € 0.8 million) from the increase in tax-free components of plan assets.

The positive effect of tax loss carryforwards contains deferred tax income of € 5.4 million (prior year: € 3.7 million) from the reassessment of recoverability of losses that were not recognized in the prior year. By contrast, there were deferred tax expenses of € 2.3 million (prior year: € 1.3 million) from the valuation allowances recognized on deferred taxes on current year losses and from losses recognized in the prior year.

Deferred taxes are generally recognized based on the tax rates applicable at each individual entity. For convenience, a uniform tax rate of 30.6 % (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:

T29 Deferred taxes by item of the statement of financial position

	Deferred tax assets		Deferred tax liabilities	
In € million	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Non-current assets	9.4	6.7	63.9	62.6
Current assets	2.5	2.6	11.4	12.7
Non-current liabilities				
Pension provisions	239.2	242.5	0.8	0.8
Other non-current liabilities	5.8	6.3	1.5	1.4
Current liabilities	18.8	17.9	6.2	3.7
	275.7	**276.0**	**83.8**	**81.2**
Offsetting	–55.0	–48.9	–55.0	–48.9
Deferred taxes on temporary differences	**220.7**	**227.1**	**28.8**	**32.3**
Deferred taxes on tax loss carryforwards	29.5	27.0		
Valuation allowances recognized on deferred taxes on tax loss carryforwards	–12.8	–16.8		
	237.4	**237.3**	**28.8**	**32.3**

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 € 30.7 million (prior year: € 36.0 million) and for trade tax of € 26.4 million (prior year: € 32.3 million). No deferred taxes were recognized on corporate income tax loss carryforwards of € 5.3 million (prior year: € 17.3 million) and trade tax loss carryforwards of € 5.5 million (prior year: € 13.4 million), because it is not likely at present that the tax benefits will be realized. These tax loss carryforwards can be carried forward for an indefinite period. Corporate income tax loss carryforwards in other countries amount to € 67.2 million as of December 31, 2015 (prior year: € 61.1 million). No deferred taxes were recognized on tax loss carryforwards in other countries of € 41.1 million (prior year: € 44.0 million). Of these tax loss carryforwards, € 34.4 million (prior year: € 35.5 million) can be used indefinitely and € 4.8 million (prior year: € 8.4 million) will expire within the next five years.

Differences on investments in subsidiaries totaling € 7.3 million (prior year: € 9.1 million) did not give rise to deferred tax liabilities because the differences are not expected to reverse in the foreseeable future by way of realization (distribution or sale of the entity).

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

T30 Development of the net balance of deferred tax assets and deferred tax liabilities

In € million	2015	2014
As of January 1	**205.0**	**126.4**
Currency translation differences	0.2	–0.7
Change in scope of consolidation	–1.3	–1.5
Income (+)/expense (–) in the income statement	8.6	–1.9
Deferred taxes recognized in other comprehensive income	–3.9	82.7
As of December 31	**208.6**	**205.0**

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

T31 Income taxes recognized directly in other comprehensive income

	2015			2014		
In € million	Before tax	Deferred tax expense/income	After tax	Before tax	Deferred tax expense/income	After tax
Remeasurements of defined benefit pension plans	44.5	–4.3	40.2	–265.4	83.3	–182.1
Available-for-sale financial assets	10.0	0.0	10.0	–0.3	0.1	–0.2
Currency translation of foreign subsidiaries	5.8	0.0	5.8	26.3	0.0	26.3
Cash flow hedges	0.0	0.0	0.0	1.7	–0.5	1.2
Investments accounted for using the equity method	–1.9	0.4	–1.5	0.9	–0.2	0.7
Other comprehensive income	**58.4**	**–3.9**	**54.5**	**–236.8**	**82.7**	**–154.1**

14 / NON-CONTROLLING INTERESTS

The following table summarizes information of the subsidiaries with significant non-controlling interests before elimination of intercompany transactions:

T32 Companies with significant non-controlling interests

	TÜV Technische Überwachung Hessen GmbH, Germany		TUV SUD Certification and Testing (China) Co., Ltd., China	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Non-controlling interest	**45.0%**	**45.0%**	**49.0%**	**49.0%**
In € million				
Non-current assets	81.8	83.6	26.0	23.1
Current assets	22.9	40.1	62.9	53.2
Non-current liabilities	52.5	78.9	0.0	0.0
Current liabilities	17.6	16.7	42.5	40.4
Net assets	**34.6**	**28.1**	**46.4**	**35.9**
Carrying amount of non-controlling interests	15.6	12.7	22.8	17.6
	2015	2014	2015	2014
Revenue	123.1	118.7	152.1	117.0
Net income for the year	6.8	7.3	12.5	9.8
Other comprehensive income	1.9	–14.9	2.3	3.4
Total comprehensive income	**8.7**	**–7.6**	**14.8**	**13.2**
Net income attributable to non-controlling interests	3.0	3.3	6.1	4.8
Other comprehensive income attributable to non-controlling interests	0.9	–6.7	1.1	1.7
Dividends paid to non-controlling interests	1.0	1.1	3.9	1.5
Cash flow from operating activities	13.7	17.9	15.7	7.2
Cash flow from investing activities	–30.0	–2.1	–6.5	–10.2
Cash flow from financing activities	–0.3	–2.4	–9.7	–1.6
Net change in cash and cash equivalents	**–16.6**	**13.4**	**–0.5**	**–4.6**

Notes to the consolidated statement of financial position

15 / INTANGIBLE ASSETS

T33 Development of intangible assets

In € million	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, 2014	**216.6**	**120.0**	**73.9**	**7.0**	**13.2**	**430.7**
Currency translation differences	13.8	8.5	0.4	0.0	0.0	**22.7**
Change in scope of consolidation	–0.7	0.0	0.0	0.0	0.0	**–0.7**
Acquisitions of subsidiaries	15.4	10.2	0.1	0.0	0.0	**25.7**
Additions	0.0	0.1	3.5	0.1	3.0	**6.7**
Disposals	0.0	–0.8	–0.5	0.0	0.0	**–1.3**
Reclassifications	0.0	0.0	0.9	0.5	–1.4	**0.0**
As of December 31, 2014/January 1, 2015	**245.1**	**138.0**	**78.3**	**7.6**	**14.8**	**483.8**
Currency translation differences	8.2	0.7	0.4	0.0	0.0	**9.3**
Acquisitions of subsidiaries	6.9	5.3	0.0	0.0	0.0	**12.2**
Additions	0.0	0.0	3.4	3.6	3.1	**10.1**
Disposals	0.0	0.0	–0.3	0.0	–0.1	**–0.4**
Reclassifications	0.0	0.0	0.5	14.1	–14.4	**0.2**
As of December 31, 2015	**260.2**	**144.0**	**82.3**	**25.3**	**3.4**	**515.2**
AMORTIZATION AND IMPAIRMENT						
As of January 1, 2014	**26.8**	**36.9**	**60.4**	**3.6**	**0.0**	**127.7**
Currency translation differences	2.6	2.7	0.2	0.0	0.0	**5.5**
Change in scope of consolidation	0.0	0.0	0.0	0.0	0.0	**0.0**
Acquisitions of subsidiaries	0.0	0.0	0.1	0.0	0.0	**0.1**
Amortization	0.0	9.1	6.2	1.3	0.0	**16.6**
Impairment losses	0.0	0.9	0.0	0.0	0.0	**0.9**
Disposals	0.0	–0.7	–0.5	0.0	0.0	**–1.2**
As of December 31, 2014/January 1, 2015	**29.4**	**48.9**	**66.4**	**4.9**	**0.0**	**149.6**
Currency translation differences	3.3	0.3	0.3	0.0	0.0	**3.9**
Amortization	0.0	9.2	6.6	2.7	0.0	**18.5**
Impairment losses	0.0	12.1	0.0	0.0	0.0	**12.1**
Disposals	0.0	0.0	–0.2	0.0	0.0	**–0.2**
As of December 31, 2015	**32.7**	**70.5**	**73.1**	**7.6**	**0.0**	**183.9**
Carrying amount as of December 31, 2015	**227.5**	**73.5**	**9.2**	**17.7**	**3.4**	**331.3**
Carrying amount as of December 31, 2014	**215.7**	**89.1**	**11.9**	**2.7**	**14.8**	**334.2**

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

T34 Goodwill

In € million	Dec. 31, 2015	Dec. 31, 2014
Industry Service	107.2	99.1
Real Estate & Infrastructure	49.1	47.1
Auto Service	32.2	30.1
Product Service	33.9	34.3
Other	5.1	5.1
	227.5	215.7

The item "licenses and similar rights and customer relationships" includes expenses of € 10.0 million for the license for regular vehicle inspections by TÜV SÜD Bursa (prior year: € 11.9 million). 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 comes to € 9.5 million (prior year: € 10.2 million), of which € 9.1 million (prior year: € 9.7 million) relates to the Industry Service CGU and € 0.4 million (prior year: € 0.5 million) to the Product Service CGU.

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

Impairment losses of € 11.1 million were recognized on customer relationships as well as order backlogs and of € 1.0 million on licenses and accreditations as part of the annual impairment test of intangible assets. Of these amounts, € 11.6 million is attributable to the INDUSTRY Segment and € 0.5 million to the CERTIFICATION Segment.

In the prior year, impairment losses of € 0.9 million were recognized on purchased customer relationships.

The calculation of fair value less costs to sell per CGU was based on a discount rate of between 6.5 % and 7.7 % taking income taxes into account (prior year: between 6.8 % and 8.2 %). As in the prior year, the sustainable growth rate remained unchanged at 1.0 % for all CGUs.

Research and development expenses totaling € 6.9 million were recognized in the income statement in the reporting year (prior year: € 7.5 million).

16 / PROPERTY, PLANT AND EQUIPMENT

T35 Development of property, plant and equipment

In € million	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures	Assets under construction	Total
COST					
As of January 1, 2014	**460.7**	**146.1**	**225.0**	**12.0**	**843.8**
Currency translation differences	3.3	10.5	2.8	0.4	**17.0**
Acquisitions of subsidiaries	0.6	1.0	1.6	0.0	**3.2**
Additions	8.3	15.3	21.5	16.2	**61.3**
Disposals	–1.7	–3.0	–12.4	–0.2	**–17.3**
Reclassifications	6.0	2.3	5.9	–14.2	**0.0**
As of December 31, 2014/January 1, 2015	**477.2**	**172.2**	**244.4**	**14.2**	**908.0**
Currency translation differences	3.1	7.6	1.6	0.3	**12.6**
Acquisitions of subsidiaries	0.0	0.0	0.6	0.0	**0.6**
Additions	12.8	16.6	29.5	11.4	**70.3**
Disposals	–2.6	–3.8	–12.6	0.0	**–19.0**
Reclassifications	7.0	4.6	4.4	–16.2	**–0.2**
As of December 31, 2015	**497.5**	**197.2**	**267.9**	**9.7**	**972.3**
DEPRECIATION AND IMPAIRMENT					
As of January 1, 2014	**193.0**	**101.0**	**157.4**	**0.0**	**451.4**
Currency translation differences	1.7	6.9	2.1	0.0	**10.7**
Acquisitions of subsidiaries	0.3	0.5	1.2	0.0	**2.0**
Depreciation	12.2	9.5	21.7	0.0	**43.4**
Disposals	–1.2	–3.0	–11.9	0.0	**–16.1**
Reversals of impairment losses	–0.4	0.0	0.0	0.0	**–0.4**
As of December 31, 2014/January 1, 2015	**205.6**	**114.9**	**170.5**	**0.0**	**491.0**
Currency translation differences	1.7	5.0	1.3	0.0	**8.0**
Acquisitions of subsidiaries	0.0	0.0	0.3	0.0	**0.3**
Depreciation	13.6	12.0	23.1	0.0	**48.7**
Impairment losses	1.4	1.5	0.0	0.0	**2.9**
Disposals	–2.1	–3.5	–12.2	0.0	**–17.8**
Reversals of impairment losses	–0.2	0.0	0.0	0.0	**–0.2**
Reclassifications	0.0	0.2	–0.2	0.0	**0.0**
As of December 31, 2015	**220.0**	**130.1**	**182.8**	**0.0**	**532.9**
Carrying amount as of December 31, 2015	**277.5**	**67.1**	**85.1**	**9.7**	**439.4**
Carrying amount as of December 31, 2014	**271.6**	**57.3**	**73.9**	**14.2**	**417.0**

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

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

T36 Recognized assets under finance leases

In € million	Dec. 31, 2015	Dec. 31, 2014
Land and buildings	0.7	0.8
Technical equipment and machinery	0.1	0.2
Other equipment, furniture and fixtures	0.0	0.1
	0.8	1.1

The corresponding liabilities from finance leases are presented under financial debt, note 28.

17 / INVESTMENT PROPERTY

T37 Development of investment property

In € million	2015	2014
COST		
As of January 1	**10.5**	**10.5**
Disposals	–5.4	0.0
As of December 31	**5.1**	**10.5**
DEPRECIATION AND IMPAIRMENT		
As of January 1	**7.0**	**6.9**
Depreciation	0.1	0.1
Disposals	–5.4	0.0
Reversals of impairment losses	–0.2	0.0
As of December 31	**1.5**	**7.0**
Carrying amount as of December 31	**3.6**	**3.5**

As of December 31, 2015, investment properties had a market value of € 7.3 million (prior year: € 5.9 million).

If current market data is not available, the fair values for investment properties are calculated on the basis of a capitalized earnings method pursuant to the ImmoWertV ["Immobilienwertermittlungsverordnung": German Ordinance on the Valuation of Property] and derived from the standard land values as well as the expected rental income. The standard land values are obtained once a year from the expert committees of the respective municipalities where the properties are located. 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. All properties are leased at market conditions. Rent comparisons are prepared on a quarterly basis in order to monitor the market development during the year. Significant input factors in the valuation that are not directly observable on the market include property yield, which is significantly influenced by property location and type. The property yield used in the valuation was 4.75 % (prior year: 5.50 % – 6.75 %). The calculation of capitalized earnings also includes the rentable space of the office and commercial property.

The valuation method chosen assumes that the current usage of properties puts them to the best possible use. In individual cases, appraisals are obtained from the company's own real estate experts. The valuation method was not changed in the current fiscal year.

Measurement at fair value of the investment property is classified as level 3 of the fair value hierarchy. In the current fiscal year, no reclassifications were made between the individual levels of the fair value hierarchy.

Rental income totaling € 0.2 million (prior year: € 0.2 million) was generated in the fiscal year 2015 from investment properties while the related expenses for repair and maintenance were € 0.1 million (prior year: € 0.1 million). In addition, expenses of € 0.3 million (prior year: € 0.1 million) were incurred in connection with investment properties that did not generate rental income.

18 / INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method break down as follows:

T38 Investments accounted for using the equity method

In € million	Dec. 31, 2015	Dec. 31, 2014
Investments in joint ventures	21.9	23.2
Investment in an associated company	3.3	3.5
	25.2	26.7

JOINT VENTURES

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

In 2007, the TÜVTURK 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 2015, 8.1 million (prior year: 7.9 million) inspections were performed, generating revenue of TRY 1,326.5 million or € 438.9 million (prior year: TRY 1,166.5 million or € 401.3 million).

The following table summarizes the financial information for the two joint ventures. The information presented for the reporting year corresponds to the amounts in the preliminary consolidated financial statements of the joint ventures, which were prepared in accordance with IFRSs.

T39 Financial data of the joint ventures (100 %)

	Dec. 31, 2015	Dec. 31, 2014
Percentage share of joint venture	**33.33%**	**33.33%**
In € million		
Non-current assets	256.8	298.1
Current assets	82.0	62.5
thereof cash and cash equivalents	48.6	38.5
Non-current liabilities	207.4	225.8
thereof financial liabilities	38.4	39.0
Current liabilities	80.3	79.8
thereof financial liabilities	57.5	55.9
Net assets	**51.1**	**55.0**
	2015	2014
Revenue	438.9	401.3
Amortization and depreciation	–4.4	–4.0
Interest income	5.5	2.2
Interest expenses	–10.3	–5.7
Income taxes	–7.8	–5.8
Net income for the year	**31.7**	**23.3**
Other comprehensive income	–5.5	2.7
Total comprehensive income	**26.2**	**26.0**
Dividends received	8.4	0.0

In the following table, the summarized financial information is reconciled to the carrying amount of the interest in the joint ventures:

T40 Reconciliation to the carrying amount of TÜV SÜD's interest in the joint ventures

In € million	2015	2014
Net assets (100%) as of January 1	**55.0**	**27.1**
Total comprehensive income	26.2	26.0
Dividends paid	–25.3	0.0
Currency translation differences	–4.8	1.9
Net assets (100%) as of December 31	**51.1**	**55.0**
Attributable to the TÜV SÜD Group	17.0	18.3
Capital gain on disposal of TÜVTURK Istanbul	–8.7	–8.7
Dilution of shares due to acquisition of shares in TÜVTURK Istanbul in 2010 and 2011	–6.4	–6.4
Consolidation effect on acquisition of TÜVTURK Istanbul at TÜV SÜD	20.0	20.0
Carrying amount as of December 31	**21.9**	**23.2**

The Turkish project was refinanced via the Turkish bank Yapı Kredi Bankası with a volume of TRY 190 million in the fiscal year. The interests in the Turkish company TÜVTURK Istanbul Tasit Muayene Istasyonlari Isletim A.S, Istanbul (TÜVTURK Istanbul) as well as the properties of TÜVTURK Güney and TÜVTURK Kuzey in Istanbul serve as collateral. All obligations from the share pledge agreement in favor of UniCredit Bank AG, Munich, have been settled.

ASSOCIATED COMPANIES

TÜV SÜD holds shares in an associated company that is accounted for using the equity method. The carrying amount and the proportionate net income of this associated company break down as follows:

T41 Associated companies

In € million	2015	2014
Carrying amount of investments in associated companies as of December 31	**3.3**	**3.5**
Share of net income for the year	0.9	1.0
Share of total comprehensive income	**0.9**	**1.0**

19 / OTHER FINANCIAL ASSETS

T42 Other financial assets

In € million	Dec. 31, 2015	Dec. 31, 2014
Investments in affiliated companies	7.0	6.9
Other participations	37.8	27.0
Loans to participations	0.0	0.1
Non-current securities	49.9	48.1
Share of policy reserve from employer's pension liability insurance	5.5	5.9
Other loans	3.1	0.5
	103.3	**88.5**

An amount of € 1.8 million (prior year: € 1.9 million) of the non-current securities is pledged under a trust agreement concluded to secure the value of the settlement claims for employees in the block model of the phased retirement scheme (Altersteilzeit).

20 / OTHER NON-CURRENT ASSETS

Of other non-current assets totaling € 7.3 million (prior year: € 4.5 million), an amount of € 0.2 million (prior year: € 0.1 million) relates to financial derivatives marked to market.

21 / INVENTORIES

Inventories amounting to € 4.0 million (prior year: € 4.0 million) primarily consist of supplies.

22 / TRADE RECEIVABLES

T43 Trade receivables

In € million	Dec. 31, 2015	Dec. 31, 2014
Receivables according to the percentage-of-completion method	126.5	111.8
Other trade receivables	299.0	287.4
	425.5	399.2

Valuation allowances on other trade receivables are recognized on separate accounts and amount to € 14.9 million as of the reporting date (prior year: € 13.2 million).

The maturity profile of other trade receivables is as follows:

T44 Maturity structure

In € million	Dec. 31, 2015	Dec. 31, 2014
Other trade receivables	**299.0**	**287.4**
thereof neither impaired nor past due	185.8	175.3
thereof not impaired but past due by		
up to 30 days	69.0	66.1
31 to 60 days	17.4	15.2
61 to 90 days	7.0	7.1
91 to 180 days	10.2	7.0
181 to 360 days	4.5	5.1
more than 360 days	3.3	2.1
thereof impaired as of the reporting date	1.8	9.5

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

23 / OTHER RECEIVABLES AND OTHER CURRENT ASSETS

T45 Other receivables and other current assets

In € million	Dec. 31, 2015	Dec. 31, 2014
Receivables from affiliated companies	0.8	0.5
Receivables from other participations	0.8	0.8
Cash pool receivables from related parties	0.0	0.5
Fair values of derivative financial instruments	0.5	1.5
Receivables from the Federal Employment Agency	0.0	0.3
Miscellaneous financial assets	31.3	39.0
Other receivables and other current financial assets	**33.4**	**42.6**
Refund claims against insurance companies	10.8	11.5
Miscellaneous non-financial assets	14.0	12.0
Other current non-financial assets	**24.8**	**23.5**
	58.2	**66.1**

Miscellaneous financial assets include in particular other receivables from costs allocable in connection with the fleet management as well as deposits receivables.

Miscellaneous non-financial assets essentially include prepaid expenses.

24 / 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 € 0.1 million (prior year: € 0.0 million) 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).

25 / 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, remeasurements of defined benefit pension plans recognized in other comprehensive income 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.

26 / PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

T46 Provisions for pensions and similar obligations (net liability)

In € million	Dec. 31, 2015	Dec. 31, 2014
Provisions for pensions in Germany	743.9	871.5
Provisions for pensions in other countries	21.2	19.3
Provisions for similar obligations in other countries	7.7	7.2
	772.8	898.0

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

Defined contribution plans

In the case of defined contribution plans, the company pays contributions to state or private pension funds on a legal, contractual or voluntary basis. 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 the fiscal year 2015, they totaled € 63.6 million (prior year: € 61.4 million). Apart from TÜV Hessen, new pension commitments entered into in Germany are all defined contribution plans funded by means of contributions paid to the pension fund of Allianz.

Defined benefit plans

Pension provisions are recorded as a result of benefit plans for old age, disability and surviving dependents' 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.

In addition to the defined contribution plans, in Germany the defined benefit plans are of more importance. The pension commitments are integrated schemes similar to those for civil servants, against which the state pension is offset. When the

statutory pension rises, this relieves the burden on TÜV SÜD. When pension values fall, however, the obligation of TÜV SÜD increases. These integrated schemes were closed for new hires in 1981 and 1992.

Furthermore, pension obligations were granted temporarily in Germany in accordance with the "dual pension formula". The amount of the pension benefit is based on the qualifying length of service and the pensionable income; different percentage rates are applied to determine the benefit amount depending on whether the income is above or below the income threshold. These defined benefit plans were likewise closed in 1996. New employees currently receive direct benefit commitments at TÜV Hessen only.

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

In other countries there are defined benefit obligations for annuity and termination benefits, based partly on statutory requirements. The resulting obligations are immaterial from a group perspective and are reported under provisions for pensions and similar obligations.

The obligations are funded directly in some cases and in others by legally independent pension funds. The assets of the welfare institutions are reported as plan assets.

In order to secure the pension entitlements from the defined benefit plans, there are legally separate funds in Germany and the UK that are structured as contractual trust agreements (CTAs). At the trustee TÜV SÜD Pension Trust e.V. in Germany, the executive board comprises three people; in addition, there is an investment committee with four members (one of whom is also an executive board member). Both the board and the investment committee are contractually obliged to administer and use the funds for their designated purpose and to make decisions regarding the investment policy.

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

Funding the pension plans

In Germany, the new commitments are funded as a defined contribution plan via the Allianz pension fund (except for TÜV Hessen). The pension fund is subject to the BaFin ["Bundesanstalt für Finanzdienstleistungsaufsicht": German Federal Financial Supervisory Authority] regulations.

In order to extend the external financing of the defined benefit 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 of individual domestic group companies. Pursuant to IAS 19, the transferred funds are to be treated as plan assets, and are therefore offset against pension obligations. Most of the trust assets are invested in the Oktagon fund. In addition, within the contractual trust agreement there are investments in Alters- und Hinterbliebenen-Versicherungen der Technischen Überwachungs-Vereine – VvaG ("AHV", an old-age and surviving dependents pensions fund for technical inspection associations), an investment fund structured as a stock corporation under Luxembourg law for investments in infrastructure or private debt funds as well as an atypical silent partnership in a German property company. In addition to cash and cash equivalents, a small portion of investments are also made in a retail fund, which is secured by a capital value maintenance concept.

TÜV SÜD Pension Trust e.V. is funded such that the pension payments reimbursed by TÜV SÜD Pension Trust e.V. are contributed back into the CTA by the relevant domestic companies. The actual contribution is determined each year by resolution of the Board of Management.

TÜV Hessen Trust e.V. was founded on August 6, 2015 and entered in the register of associations on September 14, 2015. On the basis of the trust agreement concluded with TÜV Technische Überwachung Hessen GmbH (TÜV Hessen), TÜV Hessen Trust e.V. acts as a trustee as part of a double trust (administrative and security trustee) to secure pension entitlements of former and active employees of TÜV Hessen. This secures the pension entitlements of the employees against the risk of insolvency to the agreed extent by means of assets transferred to the trust. An amount of € 28.0 million was transferred from the operating assets of TÜV Technische Überwachung Hessen GmbH to TÜV Hessen Trust e.V. in two tranches. The funds transferred, which fulfill the requirements of IAS 19 as plan assets, are administered by this association in a fiduciary capacity, and serve

solely their designated purpose. The trust assets consist of cash and cash equivalents, which are intended to be issued in stages as loans to finance the construction of a new administrative building.

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

To fully fund the obligations, in the UK there is a company-based pension plan according to which the fund assets in the form of a trust can only be used to settle the pension obligations and thus constitute plan assets. If, calculated in accordance with actuarial principles, there is a deficit in these pension plans, the member employer TÜV SÜD (UK) Ltd., Fareham Hants, UK, and the trustee must agree on a restructuring plan that is renewed every three years and has to be presented to The Pension Regulator (TPR) in the UK for approval. To finance the deficit of around GBP 11.8 million determined at the end of 2013, the member employer agreed to make an annual contribution of GBP 1.7 million over a period of eight years in addition to the regular employer's contribution.

In the fiscal year 2016, the Group intends to make a contribution to plan assets of € 64.4 million (the planned figure for 2015 was € 62.4 million, the end-of-year figure, including one-off additions of € 58.0 million, amounted to € 120.7 million) in order to further reduce the existing deficit. Of that figure, € 58.7 million relates to Germany as an expected contribution in 2016; this corresponds more or less to the recontribution of the pension payments reimbursed by TÜV SÜD Pension Trust e.V.

The net defined benefit liability from defined benefit plans comprises the balance of pension obligations (actuarial present value of vested pension entitlements, defined benefit obligation) and the fair value of the plan assets. The funded status of defined benefit obligations as well as a reconciliation to the amounts recognized in the statement of financial position are shown in the table below:

T47 Funded status of the defined benefit obligation

	Germany		Other countries		Total	
In € million	2015	2014	2015	2014	2015	2014
Defined benefit obligation	1,897.8	1,903.5	128.5	117.7	2,026.3	2,021.2
Fair value of plan assets	1,153.9	1,032.0	99.6	91.2	1,253.5	1,123.2
Net defined benefit liability = carrying amount as of December 31	**743.9**	**871.5**	**28.9**	**26.5**	**772.8**	**898.0**

The development compared with prior fiscal years is shown below:

T48 Development of funded status

In € million	2015	2014	2013	2012	2011
Defined benefit obligation	2,026.3	2,021.2	1,680.6	1,662.4	1,254.8
Plan assets	1,253.5	1,123.2	998.7	945.4	868.5
Funded status as of December 31	**772.8**	**898.0**	**681.9**	**717.0**	**386.3**

Change in net defined benefit liability

Changes in defined benefit obligations and plan assets are as follows:

T49 Development of defined benefit obligation

	2015			2014		
In € million	Germany	Other countries	Total	Germany	Other countries	Total
Defined benefit obligation as of January 1	**1,903.5**	**117.7**	**2,021.2**	**1,589.1**	**91.5**	**1,680.6**
Service cost	27.0	4.3	31.3	21.6	3.3	24.9
Interest cost	37.4	3.9	41.3	52.9	3.9	56.8
Benefits paid	–68.3	–5.9	–74.2	–66.0	–2.5	–68.5
Contributions by the beneficiaries	0.0	0.7	0.7	0.0	0.7	0.7
Gains (–) and losses (+) from remeasurements						
Actuarial gains and losses from demographic assumptions	0.0	0.1	0.1	0.0	1.1	1.1
Actuarial gains and losses from financial assumptions	–0.6	–1.2	–1.8	315.5	15.9	331.4
Actuarial gains and losses from experience adjustments	–1.2	0.7	–0.5	–11.3	–1.7	–13.0
Past service cost	0.0	0.6	0.6	0.0	0.0	0.0
Currency translation differences and other	0.0	7.6	7.6	1.7	5.5	7.2
Defined benefit obligation as of December 31	**1,897.8**	**128.5**	**2,026.3**	**1,903.5**	**117.7**	**2,021.2**
Thereof unfunded	244.7	6.7	251.4	283.4	6.1	289.5
Thereof partially funded	1,653.1	121.8	1,774.9	1,620.1	111.6	1,731.7

Around 54 % (prior year: 52 %) of the defined benefit obligation is allocable to pensioners, and 46 % (prior year: 48 %) to active employees and vested beneficiaries. The weighted average duration of the obligations is 15.6 years (prior year: 16.0 years).

The main factor influencing the development of the defined benefit obligation is the underlying discount rate. For Germany, this remains unchanged in comparison to the prior year at 2.0 % as of December 31, 2015. In the UK, it was also not necessary to adjust the discount rate in comparison to the prior-year based on the development of the capital markets.

Pension payments of € 76.7 million are expected for the fiscal year 2016.

T50 Development of plan assets

In € million	2015 Germany	2015 Other countries	2015 Total	2014 Germany	2014 Other countries	2014 Total
Fair value of plan assets as of January 1	**1,032.0**	**91.2**	**1,123.2**	**925.0**	**73.7**	**998.7**
Interest income	20.8	3.2	24.0	31.8	3.3	35.1
Gains (+) and losses (–) from remeasurements						
Return on plan assets excluding interest income	44.0	–1.7	42.3	48.1	6.0	54.1
Contributions by the employer	115.3	5.4	120.7	84.0	4.9	88.9
Contributions by the beneficiaries	0.0	0.7	0.7	0.0	0.7	0.7
Benefits paid	–58.2	–5.1	–63.3	–56.6	–1.7	–58.3
Currency translation differences and other	0.0	5.9	5.9	–0.3	4.3	4.0
Fair value of plan assets as of December 31	**1,153.9**	**99.6**	**1,253.5**	**1,032.0**	**91.2**	**1,123.2**
Actual return on plan assets	64.8	1.5	66.3	79.9	9.3	89.2

The net defined benefit liability thus changed as follows:

T51 Development of the net defined benefit liability

In € million	2015 Germany	2015 Other countries	2015 Total	2014 Germany	2014 Other countries	2014 Total
As of January 1	**871.5**	**26.5**	**898.0**	**664.1**	**17.8**	**681.9**
Service cost	27.0	4.3	31.3	21.6	3.3	24.9
Net interest cost	16.6	0.7	17.3	21.1	0.6	21.7
Contributions by the employer	–115.3	–5.4	–120.7	–84.0	–4.9	–88.9
Benefits paid	–10.1	–0.8	–10.9	–9.4	–0.8	–10.2
Gains (–) and losses (+) from remeasurements						
Actuarial gains and losses from demographic assumptions	0.0	0.1	0.1	0.0	1.1	1.1
Actuarial gains and losses from financial assumptions	–0.6	–1.2	–1.8	315.5	15.9	331.4
Actuarial gains and losses from experience adjustments	–1.2	0.7	–0.5	–11.3	–1.7	–13.0
Return on plan assets excluding interest income	–44.0	1.7	–42.3	–48.1	–6.0	–54.1
Past service cost	0.0	0.6	0.6	0.0	0.0	0.0
Currency translation differences and other	0.0	1.7	1.7	2.0	1.2	3.2
As of December 31	**743.9**	**28.9**	**772.8**	**871.5**	**26.5**	**898.0**

Plan assets

Plan assets break down as follows as of the reporting date:

T52 Composition of plan assets

In € million	Dec. 31, 2015	Dec. 31, 2014
Shares (prior to hedging)	336.3	275.0
Fixed-interest securities	635.3	659.0
Share in investment company for infrastructure projects and private debt funds (SICAV)	44.3	13.2
Real estate and similar assets – used by the TÜV SÜD Group	3.7	34.1
Real estate and similar assets – used by third parties, vacant or under construction	124.8	56.3
Other (including cash and cash equivalents)	109.1	85.6
	1,253.5	**1,123.2**

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

The investment strategy for the plan assets is geared to covering the deficit between plan assets and pension obligations on a long-term basis. This is based on the increase in the obligations adjusted for current service cost and pension payments. The investment strategy also includes a controlled downside risk (low probability of a sharp fall in the coverage ratio) and is determined at regular intervals in asset liability management (ALM) studies. The resulting target allocation includes an optimized risk return profile, taking into account the interdependency of plan assets and obligations.

The risks for plan assets stem chiefly from the investments in the Oktagon fund. Among others, these include interest and credit spread risks which, however, run counter to changes in the pension obligations. Further risks stem from fluctuations in share prices. Interest and share price risks can be hedged as needed by means of publicly traded futures in a dedicated control segment. Most of the foreign currency risks relating to investments in fixed-interest securities are hedged in full. The investment in AHV also entails interest, credit spread and share price risks. In the case of infrastructure investments, risks include illiquidity and regulatory intervention by individual countries. Investments in real estate involve technical risks (maintenance) and economic risks (rental price changes for new lets, level of occupancy).

Risk management takes a holistic approach, taking into account the development of plan assets and pension obligations. The main risk relates to a deterioration in the funded status (coverage shortfall) on account of negative developments of the pension obligations and/or plan assets. Risk management is based on the risk budget for pension risks, which breaks down into a budget for non-controllable risks (e.g., the portion of pension obligations not covered by plan assets) and for controllable risks. The controllable risks relate first and foremost to the risks in the CTA. The risk budget requirement and exploitation are determined using value-at-risk methods and monitored periodically.

Implementation of the results of the latest ALM study 2014 started in 2015. For example, broader diversification was achieved by changing an existing mandate to a global orientation as well as through new asset classes such as convertible bonds and multi-asset funds.

Defined benefit obligation

The amount of the pension obligation is based on the following actuarial assumptions:

T53 Actuarial assumptions for determining the defined benefit obligation

	Dec. 31, 2015		Dec. 31, 2014	
In %	Germany	Other countries	Germany	Other countries
Discount rate	2.00	3.18	2.00	3.19
Future salary increases	2.25	2.98	2.25	3.07
Future pension increases	1.80	3.10	1.80	3.20

As far as life expectancy is concerned, the mortality tables 2005 G from HEUBECK-RICHTTAFELN-GmbH were still applied in Germany. Outside Germany, the customary mortality tables for the respective country were used.

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 on fixed-interest corporate bonds with the same term and in the same currency that rating agencies have awarded an AA rating. 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 future salary and pension increase.

A change in the aforementioned assumptions used to determine the defined benefit obligation in Germany as of December 31, 2015 would lead to a corresponding change in this figure. The potential effects of such changes in measurement that seem possible for the period up to the next measurement date are shown. An analysis of historical changes in parameters from this perspective showed that if there was a change in the discount rate of up to 100 base points, a change of up to 75 base points for the development of future salary and pension increase and of up to 5.3 % for life expectancy can be regarded as realistic. The change in the underlying assumptions regarding life expectancy translates into a one-year increase in life expectancy for a currently 65-year-old man. The respective effects are presented on the assumption that all other parameters remain constant.

T54 Sensitivity analyses

	DBO Germany as of Dec. 31, 2015		DBO Germany as of Dec. 31, 2014	
In € million	Increase	Decrease	Increase	Decrease
Discount rate (1% variation)	–275.8	349.7	–280.5	357.1
Future salary/pension increase (0.75% variation)	257.9	–211.0	269.6	–218.2
Life expectancy (5.3% increase for all persons)	81.8	–	81.9	–

Net pension expense

The assumptions made to calculate the defined benefit obligation as of the respective measurement date (December 31) apply to both the calculation of the interest cost and the current service cost and to the interest income on plan assets in the following fiscal year. The assumptions used in the calculation of the pension expenses for the fiscal year 2015 were therefore already defined as of the reporting date December 31, 2014.

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

T55 Actuarial assumptions for determining pension expenses

	2015		2014	
In %	Germany	Other countries	Germany	Other countries
Discount rate	2.00	3.19	3.40	4.18
Future salary increases	2.25	3.07	2.25	3.20
Future pension increases	1.80	3.20	2.00	3.25

The expense recognized for defined benefit pension plans in total comprehensive income for the fiscal years 2015 and 2014 breaks down as follows:

T56 Expenses (+)/income (–) recognized for defined benefit plans in total comprehensive income

	2015			2014		
In € million	Germany	Other countries	Total	Germany	Other countries	Total
Service cost	27.0	4.3	31.3	21.6	3.3	24.9
Net interest cost	16.6	0.7	17.3	21.1	0.6	21.7
Past service cost	0.0	0.6	0.6	0.0	0.0	0.0
Expenses for defined benefit plans recognized in the consolidated income statement	**43.6**	**5.6**	**49.2**	**42.7**	**3.9**	**46.6**
Return on plan assets excluding interest income	–44.0	1.7	–42.3	–48.1	–6.0	–54.1
Gains (–) and losses (+) from remeasurements of the defined benefit obligation	–1.8	–0.4	–2.2	304.2	15.3	319.5
Remeasurements of defined benefit plans recognized in other comprehensive income	**–45.8**	**1.3**	**–44.5**	**256.1**	**9.3**	**265.4**
Expenses recognized for defined benefit plans in total comprehensive income	**–2.2**	**6.9**	**4.7**	**298.8**	**13.2**	**312.0**

27 / OTHER PROVISIONS

T57 Other provisions

	Dec. 31, 2015		Dec. 31, 2014	
In € million	Total	Thereof current	Total	Thereof current
Personnel provisions	105.8	77.4	109.1	79.4
Litigation, warranty and similar obligations	14.2	14.2	15.3	15.3
Restructuring provisions	11.5	11.4	9.9	9.7
Miscellaneous provisions	25.8	17.5	29.2	6.7
	157.3	**120.5**	**163.5**	**111.1**

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 long-service bonuses.

The provisions for litigation costs, warranty and similar obligations are counterbalanced by claims for reimbursement from insurance companies totaling € 10.8 million (prior year: € 11.5 million) that have been recognized as current assets.

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

Miscellaneous provisions contain provisions for demolition obligations and legacy burdens. In connection with the sale of a property, TÜV SÜD AG has committed to transferring a contamination-free property, including an excavation pit, to the purchaser. For 2016, a cash outflow of € 8.8 million is expected for these obligations.

Other provisions developed as follows in the reporting year:

T58 Development of other provisions

In € million	Personnel provisions	Litigation, warranty and similar obligations	Restructuring provisions	Miscellaneous provisions	Other provisions
As of January 1, 2015	**109.1**	**15.3**	**9.9**	**29.2**	**163.5**
Currency translation differences	1.5	0.0	0.0	0.3	**1.8**
Change in scope of consolidation	0.1	0.0	0.0	0.0	**0.1**
Additions	72.0	2.6	2.2	9.0	**85.8**
Utilization	–74.1	–0.5	–0.3	–9.2	**–84.1**
Reversals	–3.5	–3.2	–0.3	–3.5	**–10.5**
Unwinding of the discount	0.7	0.0	0.0	0.0	**0.7**
As of December 31, 2015	**105.8**	**14.2**	**11.5**	**25.8**	**157.3**

28 / FINANCIAL DEBT

Financial debt includes all interest-bearing liabilities of the Group. Financial debt breaks down as follows:

T59 Financial debt

	Non-current		Current		Total	
In € million	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Liabilities to banks	0.1	0.0	2.7	2.3	2.8	2.3
Liabilities from finance leases	0.9	1.1	0.2	0.2	1.1	1.3
Cash pool liabilities to affiliated companies	0.0	0.0	0.2	0.9	0.2	0.9
Cash pool liabilities to other related parties	0.0	0.0	1.0	1.9	1.0	1.9
	1.0	**1.1**	**4.1**	**5.3**	**5.1**	**6.4**

An amount of € 0.5 million (prior year: € 0.6 million) of the liabilities from finance leases is due in more than five years. All the liabilities to banks are due in less than five years.

29 / TRADE PAYABLES

T60 Trade payables

In € million	Dec. 31, 2015	Dec. 31, 2014
Liabilities according to the percentage-of-completion method	25.8	22.1
Other trade payables	66.3	58.5
	92.1	**80.6**

30 / OTHER LIABILITIES

T61 Other liabilities

	Non-current		Current		Total	
In € million	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Liabilities to affiliated companies	0.0	0.0	6.5	6.5	6.5	6.5
Liabilities to other participations	0.0	0.0	0.6	0.6	0.6	0.6
Fair values of derivative financial instruments	0.0	0.0	3.8	6.0	3.8	6.0
Outstanding invoices	0.0	0.0	42.4	37.9	42.4	37.9
Miscellaneous financial liabilities	7.4	4.8	22.2	22.4	29.6	27.2
Other financial liabilities	**7.4** [1]	**4.8** [1]	**75.5**	**73.4**	**82.9**	**78.2**
Advance payments received	0.0	0.0	49.0	42.3	49.0	42.3
Vacation claims, flexitime and overtime credits	0.0	0.0	46.2	45.6	46.2	45.6
Other taxes	0.0	0.1	38.0	38.8	38.0	38.9
Social security liabilities	0.0	0.1	4.4	4.4	4.4	4.5
Miscellaneous non-financial liabilities	0.0	0.0	20.5	24.5	20.5	24.5
Other non-financial liabilities	**0.0**	**0.2**	**158.1**	**155.6**	**158.1**	**155.8**
	7.4	**5.0**	**233.6**	**229.0**	**241.0**	**234.0**

[1] Thereof due in more than five years: € 3.4 million (prior year: € 1.0 million).

In the reporting year, miscellaneous financial liabilities contain a current obligation relating to a donation as well as liabilities from upfront payments in the vehicle fleet business and dividends not yet paid to external shareholders.

Miscellaneous non-financial liabilities include in particular accrued expenses and deferred income.

31 / 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 for which the main debtor is not a consolidated entity:

T62 Contingent liabilities

In € million	Dec. 31, 2015	Dec. 31, 2014
Guarantee obligations	42.5	39.5
Contingent liabilities arising from litigation risks	1.1	1.4
Miscellaneous contingent liabilities	0.9	1.4
	44.5	42.3

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

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

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.

32 / 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.

33 / OTHER FINANCIAL OBLIGATIONS

The following minimum lease payments will be due in future on the basis of existing rental and lease agreements:

T63 Future obligations from rental and lease agreements as of December 31, 2015

In € million	Due in less than 1 year	Due in 1 to 5 years	Due in more than 5 years	Dec. 31, 2015 Total
Future obligations from rental and lease agreements for real estate	50.7	119.2	56.2	226.1
Future obligations from other operating leases	8.0	10.1	0.0	18.1
	58.7	129.3	56.2	244.2

T64 Future obligations from rental and lease agreements as of December 31, 2014

In € million	Due in less than 1 year	Due in 1 to 5 years	Due in more than 5 years	Dec. 31, 2014 Total
Future obligations from rental and lease agreements for real estate	49.5	121.8	54.8	226.1
Future obligations from other operating leases	7.8	9.0	0.0	16.8
	57.3	130.8	54.8	242.9

Rental and lease expenses for the fiscal year 2015 amounted to € 65.2 million (prior year: € 57.7 million).

There are also other financial obligations amounting to € 7.1 million (prior year: € 10.4 million), which are mainly attributable to service and maintenance agreements.

To close the funding deficit 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 eight years.

Other notes

34 / ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

Financial instruments within the Group are classified in the same way as the respective items in the consolidated statement of financial position.

Presented by the measurement categories defined in IAS 39, the carrying amounts of the financial instruments are as follows:

T65 Carrying amounts by measurement category in accordance with IAS 39

In € million	Dec. 31, 2015	Dec. 31, 2014
Financial assets at fair value through profit or loss	7.8	6.6
thereof held for trading	7.8	6.6
Loans and receivables	681.5	661.7
Available-for-sale financial assets	96.6	85.0
Total assets	**785.9**	**753.3**
Financial liabilities at fair value through profit or loss	8.3	10.3
thereof held for trading	8.3	10.3
Financial liabilities measured at amortized cost	170.7	153.7
Total equity and liabilities	**179.0**	**164.0**

The following tables show the carrying amounts of financial instruments and, where they are measured at fair value, their respective classification in the fair value hierarchy:

T66 Carrying amounts and fair values of financial instruments as of December 31, 2015

			Fair value hierarchy		
In € million	Carrying amounts	Fair value	thereof level 1	thereof level 2	thereof level 3
Other financial assets[1, 2, 3]	97.8	82.9	49.9	0.0	33.0
Other non-current assets[2]	6.0	0.2	0.0	0.2	0.0
Non-current assets	**103.8**	**83.1**	**49.9**	**0.2**	**33.0**
Trade receivables[2]	425.5	0.0	0.0	0.0	0.0
Other receivables and other current assets[2, 3]	33.4	2.4	0.3	2.1	0.0
Cash and cash equivalents[2]	223.2	7.1	7.1	0.0	0.0
Current assets	**682.1**	**9.5**	**7.4**	**2.1**	**0.0**
Total assets	**785.9**	**92.6**	**57.3**	**2.3**	**33.0**
Non-current financial debt	1.0	0.9	0.0	0.9	0.0
Other non-current liabilities[2, 3]	7.4	4.4	0.0	0.0	4.4
Non-current liabilities	**8.4**	**5.3**	**0.0**	**0.9**	**4.4**
Current financial debt[2]	4.1	0.2	0.0	0.2	0.0
Trade payables[2]	92.1	0.0	0.0	0.0	0.0
Other current liabilities[2, 3]	75.5	3.9	0.0	3.8	0.1
Current liabilities	**171.7**	**4.1**	**0.0**	**4.0**	**0.1**
Total equity and liabilities	**180.1**	**9.4**	**0.0**	**4.9**	**4.5**

[1] Includes investments in equity instruments for which no quoted prices on an active market are available.
[2] Includes financial assets or liabilities whose carrying amount approximates fair value.
[3] Includes financial assets or liabilities that are not included in the scope of IFRS 7.

T67 Carrying amounts and fair values of financial instruments as of December 31, 2014

In € million	Carrying amounts	Fair value	Fair value hierarchy thereof level 1	thereof level 2	thereof level 3
Other financial assets[1, 2, 3]	82.6	48.1	48.1	0.0	0.0
Other non-current assets[2]	4.5	0.1	0.0	0.1	0.0
Non-current assets	**87.1**	**48.2**	**48.1**	**0.1**	**0.0**
Trade receivables[2]	399.2	0.0	0.0	0.0	0.0
Other receivables and other current assets[2, 3]	42.6	1.5	0.0	1.5	0.0
Cash and cash equivalents[2]	224.3	5.0	5.0	0.0	0.0
Current assets	**666.1**	**6.5**	**5.0**	**1.5**	**0.0**
Total assets	**753.2**	**54.7**	**53.1**	**1.6**	**0.0**
Non-current financial debt	1.1	1.1	0.0	1.1	0.0
Other non-current liabilities[2, 3]	4.8	1.8	0.0	0.0	1.8
Non-current liabilities	**5.9**	**2.9**	**0.0**	**1.1**	**1.8**
Current financial debt[2]	5.3	0.2	0.0	0.2	0.0
Trade payables[2]	80.6	0.0	0.0	0.0	0.0
Other current liabilities[2, 3]	73.4	8.5	0.0	6.0	2.5
Current liabilities	**159.3**	**8.7**	**0.0**	**6.2**	**2.5**
Total equity and liabilities	**165.2**	**11.6**	**0.0**	**7.3**	**4.3**

[1] Includes investments in equity instruments for which no quoted prices on an active market are available.
[2] Includes financial assets or liabilities whose carrying amount approximates fair value.
[3] Includes financial assets or liabilities that are not included in the scope of IFRS 7.

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

The financial instruments allocated to level 2 are derivatives, securities and liabilities from finance leases.

The calculation of the fair values of forward exchange transactions and currency swaps is based on FX forward swap market data used to interpolate the current forward points (FX forward swaps) on a straight-line basis from the information available from Reuters and add them to the spot rate. This makes it possible to calculate the current price at which the hedge can be closed out.

The fair value of interest derivatives is calculated using discounted cash flow methods. To this end, the total value of an interest derivative is broken down into its individual cash flows, each of which is measured individually. Forward interest rates and valuations are recognized at the mean of the buying and the selling rate. The interpolation and any simulations are always based on nominal interest, which is used to determine the zero interest rates and then derive the discount factors. For interest derivatives in foreign currency, the present value is translated to euro at the mean of the buying and the selling rate.

The table below shows the development of the financial instruments recorded in level 3:

T68 Reconciliation of financial instruments in level 3

	Assets		Liabilities	
In € million	2015	2014	2015	2014
As of January 1	**0.0**	**0.0**	**5.4**	**4.7**
Currency translation differences	0.0	0.0	0.1	0.5
Additions	22.8	0.0	2.4	1.6
Changes with an effect on other comprehensive income	10.2	0.0	0.0	0.0
Changes with an effect on net income	0.0	0.0	–0.1	0.3
Changes with an effect on cash and cash equivalents	0.0	0.0	–2.4	–1.7
Disposals	0.0	0.0	–0.9	0.0
As of December 31	**33.0**	**0.0**	**4.5**	**5.4**

On the assets side, the additions of the reporting year as well as the changes with an effect on other comprehensive income mainly pertain to the change in the measurement of the shares previously held in ATISAE. The participation was formerly measured on the basis of the exception permitted by IAS 39 for the measurement of equity instruments at amortized cost. As a result of the acquisition of the remaining shareholding in ATISAE by TÜV SÜD AG, the previously held shares were measured at fair value of € 33.0 million, which was derived from the agreed purchase price, taking into consideration an appropriate deduction for non-controlling interests of 25 %.

On the liabilities side, the financial instruments in level 3 contain liabilities resulting from options that TÜV SÜD cannot prevent being exercised, and contingent considerations. The liabilities resulting from options are measured at the present value of the exercise price. It is assumed that the options will be exercised on the first possible time agreed in each case. The fair value of the contingent considerations is calculated as the present value of probability-weighted pay-out scenarios.

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:

T69 Net gains and losses by measurement category

In € million	2015	2014
Financial assets / liabilities at fair value through profit or loss	–5.0	–5.4
Loans and receivables	–3.8	–5.7
Available-for-sale financial assets	1.5	0.5
Liabilities measured at amortized cost	0.8	4.5
	–6.5	**–6.1**

The net gains and losses were mainly attributable to effects from impairment losses, currency hedging and currency translation.

The net gains and losses recorded for assets and liabilities measured at fair value through profit or loss result from marking hedging instruments for which hedge accounting is not used to market and from marking the liabilities resulting from options to market as of the end of the reporting period.

The "loans and receivables" category mainly comprises the impairment losses on trade receivables as well as currency gains and losses on foreign currency receivables.

In the available-for-sale financial assets, the net gains and losses mainly relate to dividend income from participations and non-consolidated affiliated companies as well as to marking to market of a participation as a result of the acquisition of additional shares.

The net gains of the liabilities measured at amortized cost are attributable to effects from translation of foreign currency liabilities as of the reporting date. The main effects here stem from the measurement at the closing date of a loan denominated in euros issued internally to a subsidiary in the USA. In the prior year, there were negative effects from the dissolution of a hedging relationship pursuant to IAS 39.

Interest on financial instruments and the impairment losses on other securities are posted under other financial result. The impairment losses for loans and participations are recorded in other income/loss from participations, while 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 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 is as follows:

T70 Development of valuation allowances on financial assets

In € million	Other financial assets	Other non-current assets	Trade receivables	Other receivables and other current assets	Total
Valuation allowances as of January 1, 2014	**18.1**	**0.1**	**11.0**	**11.3**	**40.5**
Currency translation differences	0.5	0.0	0.5	0.1	1.1
Change in scope of consolidation	1.5	0.0	0.0	0.0	1.5
Additions	0.2	0.0	5.8	0.6	6.6
Utilization	–0.2	0.0	–2.3	–0.1	–2.6
Reversals	0.0	0.0	–1.8	0.0	–1.8
Valuation allowances as of December 31, 2014/ January 1, 2015	**20.1**	**0.1**	**13.2**	**11.9**	**45.3**
Currency translation differences	0.4	0.0	0.3	0.1	0.8
Change in scope of consolidation	0.6	0.0	0.0	0.0	0.6
Additions	0.8	0.0	6.8	0.1	7.7
Utilization	–0.2	–0.1	–4.0	–1.1	–5.4
Reversals	–10.3	0.0	–1.4	0.0	–11.7
Valuation allowances as of December 31, 2015	**11.4**	**0.0**	**14.9**	**11.0**	**37.3**
Impairment losses 2015	0.3	0.0	8.1	0.1	8.5
Impairment losses 2014	0.2	0.0	6.5	0.7	7.4

35 / 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.

The maximum credit risk for trade receivables, percentage-of-completion receivables and loans is their carrying amount as of December 31, 2015. Trade receivables that are past due are listed in note 22 "Trade receivables".

The maximum credit risk of available-for-sale financial assets and derivative financial instruments corresponds to their market value as of December 31, 2015.

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

According to internal trading policies, derivative financial transactions may only be concluded in close consultation with the corporate 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. The syndicated line has a term until December 2019, with an option of extending the term twice by one year each time. As of the reporting date, payments due within one year of € 171.7 million (prior year: € 159.3 million) and payments due in more than one year of € 8.4 million (prior year: € 5.9 million) are covered by cash and cash equivalents of € 223.2 million (prior year: € 224.3 million) as well as undrawn credit lines of € 212.1 million (prior year: € 212.9 million).

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

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

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.

T71 Derivative financial instruments

In € million	Dec. 31, 2015	Dec. 31, 2014
ASSETS		
Forward exchange transactions and cross-currency swaps	0.7	1.4
Futures contracts	0.1	0.2
	0.8	**1.6**
LIABILITIES		
Forward exchange transactions and cross-currency swaps	3.8	6.0
Interest rate hedge and futures contracts	0.0	0.0
	3.8	**6.0**

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, 2015 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 € 7.5 million (prior year: € 6.2 million); the market value of cross-currency swaps would rise by € 0.5 million (prior year: € 0.0 million) accordingly. In the event of a 10 % increase in value of the euro against all other currencies, the market value of forward exchange transactions would increase by € 6.1 million (prior year: € 5.1 million); the market value of cross-currency swaps would decrease by € 0.4 million (prior year: € 0.0 million) accordingly.

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

As of the reporting date, there are no longer any interest rate swaps due to the repayment of all external, non-current liabilities to banks.

36 / 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 € 0.1 million (prior year € 0.0 million) of the cash is pledged.

The contribution to pension plans relates to contributions to TÜV SÜD Pension Trust e.V. in the amount of pension payments made by trustors of € 54.8 million (prior year: € 52.8 million). Together with one-off additions of € 29.9 million to TÜV SÜD Pension Trust e.V. and € 28.0 million to TÜV Hessen Trust e.V. as well as further additions to other plan assets, these payments are recognized as part of the cash flow from investing activities.

37 / SEGMENT REPORTING

Based on the organizational structure and existing reporting structures, TÜV SÜD has the three reportable segments INDUSTRY, MOBILITY and CERTIFICATION, as defined by the Board of Management, which cover the technical services in the TIC (testing, inspection, certification) market. The segments are identified in line with the basis used for the value-based management of the TÜV SÜD Group. As the highest management level, the entire Board of Management regularly receives comprehensive information in order to assess the profitability of the segments and make decisions regarding the allocation of resources.

Segment information

In accordance with IFRS 8, TÜV SÜD reports on a total of four segments, which are briefly described in the following:

- **INDUSTRY** The Industry Service and Real Estate & Infrastructure Divisions support customers in operating industrial plant, infrastructure facilities, refineries, power plants and buildings safely and economically, as well as ensuring the functionality and safety of rail vehicles, signaling technology and rail infrastructures.
- **MOBILITY** This segment comprises all services for automobiles, which are offered by the Auto Service Division. These include services for homologation, used car valuations, management of vehicle fleets and product and process enhancement services for the automotive industry. For retail customers, roadworthiness tests and exhaust-gas analyses as well as driver's license tests in particular are offered.
- **CERTIFICATION** The activities of the Product Service and Management Service Divisions are bundled in this segment. The Product Service Division offers services for the testing, inspection and certification of consumer goods as well industrial and medical products. The Management Service Division supports companies in the auditing, appraisal, validation and certification of management systems, in particular quality, environmental, energy and safety management systems.
- **OTHER** The other divisions and the holding functions are allocated here. The other divisions comprise basic and advanced vocational training at the Group's own academies as well as driving suitability tests for road users and support with regaining and retaining their drivers' licenses. The holding activities range from corporate management to non-operational tasks, such as controlling, accounting, internal audit, facilities management, marketing, treasury, IT and procurement. Individual assets of subsidiaries that cannot be allocated to actual business operations of the operational segments are also reported here.

T72 Segment information from January 1 to December 31, 2015 and as of December 31, 2015

In € million	INDUSTRY	MOBILITY	CERTIFI-CATION	OTHER	Reconciliation	**Group**
External revenue	937.3	638.0	553.2	93.5	0.0	**2,222.0**
Intersegment revenue	8.1	0.8	3.5	26.0	–38.4	**0.0**
Total revenue	945.4	638.8	556.7	119.5	–38.4	**2,222.0**
Amortization, depreciation and impairment losses	–29.5	–12.8	–17.6	–22.4	0.0	**–82.3**
Income from investments accounted for using the equity method	0.0	11.5	0.0	0.0	0.0	**11.5**
EBIT	80.6	47.5	51.3	–17.5	0.5	**162.4**
Capital expenditures	–18.7	–18.3	–22.8	–20.6	0.0	**–80.4**
Segment assets as of December 31, 2015	515.2	273.8	282.3	282.8	–6.2	**1,347.9**

T73 Segment information from January 1 to December 31, 2014 and as of December 31, 2014

In € million	INDUSTRY	MOBILITY	CERTIFI-CATION	OTHER	Reconciliation	**Group**
External revenue	870.8	607.2	484.6	98.8	0.0	**2,061.4**
Intersegment revenue	9.5	1.3	3.6	85.0	–99.4	**0.0**
Total revenue	880.3	608.5	488.2	183.8	–99.4	**2,061.4**
Amortization, depreciation and impairment losses	–17.4	–9.4	–13.9	–20.3	0.0	**–61.0**
Income from investments accounted for using the equity method	0.0	8.1	0.0	0.0	0.0	**8.1**
EBIT	99.2	54.7	43.6	–23.9	–1.3	**172.3**
Capital expenditures	–11.1	–11.3	–24.2	–21.4	0.0	**–68.0**
Segment assets as of December 31, 2014	514.6	258.1	266.8	281.8	–11.0	**1,310.3**

The same accounting policies are used as for the consolidated financial statements.

OTHER contains revenue from external administrative services which was recorded in the amount of € 4.5 million under external revenue in the prior year as well as revenue from internal administrative services that was included in the amount of € 65.2 million in intersegment revenue in the prior year. As of the reporting year, these administrative services are recorded as other income in line with the group definition of revenue.

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

Segment performance is evaluated based on EBIT. This comprises earnings before interest, before other financial result and before income tax, but after income from participations.

Amortization, depreciation and impairment losses pertain to intangible assets, property, plant and equipment, and investment properties.

Capital expenditures relate to additions to intangible assets, property, plant and equipment, and investment properties.

The segment assets comprise all assets accounted for on the basis of the financial statements prepared by the segments and included in the consolidated financial statements, but exclude interest-bearing assets, deferred tax assets or cash and cash equivalents.

If investments accounted for using the equity method in the consolidated financial statements are directly allocable to a segment, their share in net income for the year and their carrying amount is disclosed there.

Consolidations of business relationships between the segments are recorded in the reconciliation column.

The EBIT from the segment reporting is reconciled to income before taxes in accordance with the consolidated income statement as follows:

T74 Reconciliation of EBIT to income before taxes

In € million	2015	2014
EBIT according to segment reporting	**162.4**	**172.3**
Interest income	2.8	3.2
Interest expenses	–19.7	–29.1
Other financial result	–1.1	0.1
Income before taxes according to consolidated income statement	**144.4**	**146.5**

Information on geographic segments

The main geographic segments in which TÜV SÜD operates are:

- EMEA comprises the home market of Germany as well as Western Europe, Central & Eastern Europe and Middle East/Africa.
- ASIA combines all the countries of the Asia/Pacific and south Asian area.
- AMERICAS covers both American continents, from Canada to the southern tip of South America.

T75 Information on geographic segments – external revenue

In € million	2015	2014
EMEA	1,671.6	1,598.2
thereof Germany	1,361.5	1,314.5
ASIA	339.7	279.3
AMERICAS	210.7	183.9
Total external revenue	**2,222.0**	**2,061.4**

T76 Information on geographic segments – segment assets

In € million	Dec. 31, 2015	Dec. 31, 2014
EMEA	995.8	962.1
thereof Germany	782.3	761.1
ASIA	258.7	231.8
AMERICAS	182.2	186.9
Reconciliation	–88.8	–70.5
Total segment assets	**1,347.9**	**1,310.3**

Assets are allocated according to their geographic location.

Reconciliation of the segment assets to the Group's total assets is as follows as of the reporting date:

T77 Reconciliation of segment assets to group assets

In € million	Dec. 31, 2015	Dec. 31, 2014
Segment assets	**1,347.9**	**1,310.3**
Interest-bearing financial assets	58.5	54.6
Deferred tax assets	237.4	237.3
Cash and cash equivalents	223.2	224.3
Other interest-bearing current assets	2.8	3.8
Group assets	**1,869.8**	**1,830.3**

38 / RELATED PARTIES

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.

Related companies

The ultimate parent companies of the TÜV SÜD Group are TÜV SÜD e.V., Munich, and TÜV SÜD Stiftung, Munich ("TÜV SÜD Foundation"). Both TÜV SÜD e.V. and the TÜV SÜD Foundation have transferred their shares in TÜV SÜD AG to the independent shareholder committee, TÜV SÜD Gesellschafterausschuss GbR, Munich. 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 a company 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. TÜV SÜD Auto Service GmbH 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. 97 % of revenue from the business officially mandated was invoiced by the operating entities as a lump-sum payment for agency services. The payment for agency services increases by the evenly distributed difference from pension provisions in accordance with BilMoG ["Bilanzrechtsmodernisierungsgesetz": German Accounting Law Modernization Act], in accordance with Art. 67 (1) EGHGB ["Einführungsgesetz zum Handelsgesetzbuch": Introductory Law of the German Commercial Code]. In the fiscal year 2015, a total volume of € 137.5 million (prior year: € 134.3 million) was charged to TÜV SÜD e.V. TÜV SÜD e.V. recorded revenue of € 139.6 million (prior year: € 136.2 million) from this source.

As of December 31, 2015, TÜV SÜD AG recorded a cash pool liability of € 0.1 million (prior year: cash pool receivable of € 0.5 million) due to TÜV SÜD e.V. In the fiscal year 2015, TÜV SÜD AG entered into a commitment with TÜV SÜD Foundation to make a monetary donation of € 5.0 million to support social projects in the anniversary year 2016. The relevant projects are to be coordinated by the TÜV SÜD Foundation. This obligation is recognized under other liabilities. Cash pool liabilities of € 0.1 million (prior year: € 1.1 million) to and cash pool receivables of € 0.0 million (prior year: € 0.1 million) from subsidiaries of TÜV SÜD e.V. are recorded as of the reporting date.

In the fiscal years 2015 and 2014, 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 2015, transactions were carried out with material related parties that led to the following items in the consolidated financial statements:

T78 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 € million	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Receivables	0.8	0.5	0.0	0.0	0.0	0.0
Financial debt	0.2	0.9	0.0	0.0	0.0	0.0
Liabilities	6.5	6.5	0.0	0.0	0.1	0.4

Receivables from non-consolidated subsidiaries include impairment losses amounting to € 11.0 million (prior year: € 11.9 million). 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 € 0.7 million (prior year: € 0.8 million) due to the welfare association of TÜV Bayern e.V., Munich.

The business relationships with joint ventures are based primarily on a license agreement between TÜVTURK Kuzey and TÜVTURK Güney (both licensors) and TÜV SÜD Bursa (licensee). In 2015, the dividend distributed by these companies to TÜV SÜD amounted to € 8.4 million (prior year: € 0.0 million).

Dividend distributions of € 1.1 million (prior year: € 0.8 million) were received from associated companies.

As in the prior year, TÜV SÜD AG issued a letter of comfort for one related company. 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 active members of the 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 members of the Board of Management and Supervisory Board.

The total remuneration of active members of the Board of Management amounted to € 4.6 million in the fiscal year 2015 (prior year: € 4.3 million). This includes variable, EVA-based salary components totaling € 1.9 million (prior year: € 1.8 million) that have generally not yet been paid out as of December 31. The additional service cost incurred for pension obligations amounted to € 0.3 million (prior year: € 0.2 million). The present value of the defined benefit obligation calculated in accordance with IFRSs amounted to € 4.8 million as of the reporting date (prior year: € 6.1 million).

The active members of the Supervisory Board received total remuneration of € 1.0 million in the fiscal year 2015 (prior year: € 1.0 million).

As in the prior year, no loans or advances were granted to members of the Board of Management or Supervisory Board in the fiscal year. 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 dependents including pension payments and other payments (advisory services) amounted to € 1.1 million (prior year: € 1.0 million). Pension obligations (DBOs) amounting to € 15.8 million (prior year: € 15.1 million) are in place with regard to former members of the Board of Management and their surviving dependents.

Former members of the Supervisory Board did not receive any remuneration in the reporting year.

39 / PROPOSAL FOR THE APPROPRIATION OF PROFIT

The Board of Management and Supervisory Board will propose to the annual general meeting to distribute € 2.1 million from the retained earnings under German GAAP of TÜV SÜD AG totaling € 8.4 million, equivalent to € 0.08 per share. The remaining amount of € 6.3 million is to be carried forward to new account.

40 / AUDITOR'S FEES

The following fees for the services rendered by KPMG AG Wirtschaftsprüfungsgesellschaft in the fiscal year 2015 were recognized as an expense in accordance with Section 314 (1) No. 9 HGB:

T79 Auditor's fees

In € million	2015	2014
Audit of the financial statements	0.8	0.8
Other attestation services	0.0	0.1
Tax advisory services	0.8	0.9
Other services	0.1	0.4
	1.7	**2.2**

41 / SUBSEQUENT EVENTS

On February 2, 2016, TÜV SÜD acquired the remaining shares (54.8 %) in Asistencia Técnica Industrial S.A.E. (ATISAE), Madrid, Spain.

Taking into account a deduction of 25 % for non-controlling interests, the provisional purchase price of these shares resulted in an increase in the fair value of the previously held shares (45.2 %) of € 10.2 million reported through other comprehensive income. In addition, an earn-out agreement depending on the earnings of certain units in the fiscal years 2015 and 2016 was concluded, which is contingent on the actual earnings generated in these fiscal years.

When the financial statements of the TÜV SÜD Group were released, neither a provisional opening statement of financial position nor a provisional purchase price allocation was available. For this reason, most of the disclosures required by IFRS 3.B64 cannot yet be made.

42 / CONSOLIDATED ENTITIES

T80 Consolidated entities

NAME AND REGISTERED OFFICES OF THE ENTITY		Share in capital in %
FULLY CONSOLIDATED AFFILIATED COMPANIES – GERMANY		
APZ Auto-Pflege-Zentrum GmbH, Darmstadt		100
ARMAT GmbH & Co. KG, Pullach i. Isartal	*)	100
ARMAT Südwest GmbH & Co. KG, Pullach i. Isartal	*)	100
cgmunich GmbH, Munich		100
Elektro-Beratung Bayern GmbH, Landwirtschaftlicher Prüfdienst, Munich		100
FleetCompany GmbH, Oberhaching		100
K + S Haustechnik Planungsgesellschaft mbH, Rheinbach		100
MI-Fonds F60, Munich		100
PIMA-MPU GmbH, Munich		100
SIGNON Deutschland GmbH, Berlin		100
TÜV Hanse GmbH TÜV SÜD Gruppe, Hamburg		90
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 Battery Testing GmbH, Garching		70
TÜV SÜD Business Services GmbH, Munich	*)	100
TÜV SÜD Car Registration & Services GmbH, Munich		50
TÜV SÜD Chemie Service GmbH, Leverkusen	*)	100
TÜV SÜD Ecoplan Deutschland GmbH, Munich		100
TÜV SÜD ELAB GmbH, Siegen		100
TÜV SÜD Energie und Umwelt GmbH, Munich		100
TÜV SÜD Energietechnik GmbH Baden-Württemberg, Filderstadt	*)	100
TÜV SÜD Food Safety Institute GmbH, Neu-Isenburg		100
TÜV SÜD ImmoWert GmbH, Munich	*)	100
TÜV SÜD Industrie Service 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 Sec-IT 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 in %
FULLY CONSOLIDATED AFFILIATED COMPANIES – OTHER COUNTRIES		
ARISE (Canada) Inc., Saint John, New Brunswick, Canada		100
ARISE Boiler Inspection and Insurance Company Risk Retention Group, Louisville, USA		100
ARISE Inc., Wilmington, USA		100
Bureau de Projetos e Consultoria Ltda., São Paulo, Brazil		100
Bytest S.r.l., Volpiano, Italy		100
Dunbar & Boardman Partnership Ltd., London, UK	F	100
ÉMI-TÜV SÜD Minöségügvi és Biztonságtechnikai Korlátolt Felelösségü Társaság, Szentendre, Hungary		62.13
Fleet Logistics Finland Oy, Helsinki, Finland		100
Fleet Logistics France S.A.S, Boulogne Billancourt, France		100
Fleet Logistics International N.V., Vilvoorde, Belgium		100
Fleet Logistics Italia S.r.l., Milan, Italy		100
Fleet Logistics Nordic AB, Malmö, Sweden		100
Fleet Logistics UK Ltd., Birmingham, UK		100
FLTL, Logistics Portugal, unipessoal Lda., Lisbon, Portugal		100
Global Risk Consultants (Australia) Pty Ltd, Melbourne, Australia		100
Global Risk Consultants (Guangzhou) Co. Ltd., Guangzhou, China		100
Global Risk Consultants (India) Private Limited, Bangalore, India		99.99
Global Risk Consultants (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia		100
Global Risk Consultants (Singapore) Pte. Ltd., Singapore		100
Global Risk Consultants Corp., Wilmington, USA		100
Global Risk Consultants Ltd., West Byfleet, Surrey, UK		100
Global Risk Consultores (Brasil) Ltda., São Paulo, Brazil		100
GRC Merlin Holdings, Inc., Wilmington, USA		100
Magyar TÜV SÜD Müszaki Szakértoi Korlátolt Felelösségü Társaság, Szentendre, Hungary		100
National Association of Boiler and Pressure Vessel Owners and Operators, Inc., Louisville, USA		100
Nuclear Technologies plc., Gloucester, UK		100
P.H. S.r.l., Tavarnelle Val di Pesa, Italy		100
PetroChem Inspection Services Inc., Pasadena, USA		100
PT. TUV SUD Indonesia, Jakarta Pusat, Indonesia		99
Railcert B.V., Ede, Netherlands		100
RCI Consultants, Inc., Houston, USA		100
SIGNON Österreich GmbH, Vienna, Austria		51
SIGNON Schweiz AG, Zurich, Switzerland		100
Superfresh Ltd., London, UK	F	100
SWISSI Process Safety GmbH, Basle, Switzerland		67
TCOPlus B.V.B.A., Vilvoorde, Belgium	F	100
TÜV Italia S.r.l., Milan, Italy		100
TUV SUD (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia		100
TUV SUD (Thailand) Ltd., Bangkok, Thailand		100
TÜV SÜD (UK) Ltd., Fareham Hants, UK		100
TUV SUD AL Technologies Pte. Ltd., Singapore		100
TÜV SÜD América de México S.A. de C.V., Monterrey N.L., Mexico		100
TÜV SÜD America Inc., Danvers, USA		100
TUV SUD Asia Ltd., Shatin, Hong Kong		100
TUV SUD Asia Pacific Pte. Ltd., Singapore		100
TUV SUD BABT Unltd., Fareham Hants, UK		100

NAME AND REGISTERED OFFICES OF THE ENTITY	Share in capital in %
TUV SUD Bangladesh (Pvt.) Ltd., Dhaka, Bangladesh	100
TÜV SÜD Benelux B.V.B.A., Boortmeerbeek, Belgium	100
TÜV SÜD Benelux VZW, Boortmeerbeek, Belgium	100
TÜV SÜD Bursa Tasit Muayene Istasyonlari Isletim A.S., Osmangazi-Bursa, Turkey	100
TÜV SÜD Canada Inc., Guelph (Ontario), Canada	100
TÜV SÜD Central Eastern Europe s.r.o., Prague, Czech Republic	100
TUV SUD Certification and Testing (China) Co., Ltd., Wuxi, China	51
TUV SUD China Holding Ltd., Shatin, Hong Kong	100
TÜV SÜD Czech s.r.o., Prague, Czech Republic	100
TÜV SÜD Danmark ApS, Hellerup, Denmark	100
TÜV SÜD France S.A.S., Ecully, France	100
TUV SUD Global Inspection Ltd., Shatin, Hong Kong	100
TUV SUD Hong Kong Ltd., Shatin, Hong Kong	100
TÜV SÜD Iberia, S.A.U., Barcelona, Spain	100
TUV SUD Inspection Authority (Pty) Ltd., Cape Town, South Africa	74
TUV SUD Invest Inc., Dover, 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 Ltd., Glasgow, UK	100
TUV SUD Management Consulting (Shanghai) Co. Ltd., Shanghai, China	100
TUV SUD Middle East Co. LLC, Muscat, Oman	51
TUV SUD Middle East LLC (Qatar), Doha, Qatar	51
TUV SUD Middle East LLC, Abu Dhabi, United Arab Emirates	51
TÜV SÜD Polska Sp. z.o.o., Warsaw, Poland	100
TÜV SÜD Products Testing (Shanghai) Co., Ltd., Shanghai, China	100
TÜV SÜD PSB Philippines Inc., Pasig City, Philippines	99.99
TUV SUD PSB Pte. Ltd., Singapore	100
TÜV SÜD Romania S.R.L., Bucharest, Romania	100
TÜV SÜD Sava d.o.o., Ljubljana, Slovenia	100
TUV SUD Services (UK) Ltd., Fareham Hants, UK	100
TÜV SÜD SFDK Laboratório de Análise de Produtos Ltda., São Paulo, Brazil	100
TÜV SÜD Slovakia s.r.o., Bratislava, Slovakia	100
TUV SUD South Africa (Pty) Ltd., Cape Town, South Africa	74
TUV SUD South Africa Pro-Tec (Pty) Ltd., Middelburg, South Africa	74
TUV SUD South Africa Real Estate Services (Pty) Ltd., Cape Town, South Africa	55.13
TUV SUD South Asia Pte. Ltd., Mumbai, India	100
TÜV SÜD Teknik Güvenlik ve Kalite Denetim Ticaret Ltd. Sirketi (TGK), Istanbul, Turkey	100
TUV SUD Vietnam Co. Ltd., Ho Chi Minh City, Vietnam	100
TÜV SÜD Zacta Ltd., Tokyo, Japan	99.4

NAME AND REGISTERED OFFICES OF THE ENTITY	Share in capital in %
CONSOLIDATED ASSOCIATED COMPANIES – OTHER COUNTRIES	
SECTA Société Européenne de Contrôle Technique Automobile S.A., Courbevoie Cedex, France	38.22
CONSOLIDATED JOINT VENTURES – OTHER COUNTRIES	
TÜVTURK Güney Tasit Muayene Istasyonlari Yapim ve Isletim A. S., Istanbul, Turkey	33.33
TÜVTURK Kuzey Tasit Muayene Istasyonlari Yapim ve Isletim A. S., Istanbul, Turkey	33.33

F = First-time consolidation

*) 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 15, 2016

TÜV SÜD AG

The Board of Management

Prof. Dr.-Ing. Axel Stepken Dirk Eilers Dr. Matthias J. Rapp Klemens Schmiederer 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, 2015. 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 net assets, financial position and results of operations 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 group 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 15, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Feege	Hachmann
Wirtschaftsprüfer	Wirtschaftsprüfer
[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
Former Member of the Board
of Management of BMW AG
(until July 15, 2015)

Josef Bichler*
Head of Corporate Controlling
of TÜV SÜD AG

Dr. Christine Bortenlänger
Member of the Executive Board
of Deutsches Aktieninstitut e.V.

Wolfgang Dehen
Former Chairman of the Board
of Management of OSRAM Licht AG

Thomas Eder*
Chairman of the local works council
of TÜV SÜD Auto Service GmbH

Jörg Frimberger*
Chairman of the central works council
of TÜV SÜD Auto Service GmbH
(since July 15, 2015)

Harald Gömpel*
Chairman of the works council of TÜV
Technische Überwachung Hessen GmbH
(since July 15, 2015)

Dr. Jörg Matthias Großmann
General Manager/CFO of Freudenberg
Chemical Specialities SE & Co. KG
(since July 15, 2015)

Prof. Dr.-Ing. Ulrich Hackenberg
Member of the Board of Management
of AUDI AG
(until December 3, 2015)

Peter Kardel*
Chairman of the works council
of TÜV SÜD Industrie Service GmbH

Thomas Koppold*
Expert at TÜV SÜD Industrie
Service GmbH
(until July 15, 2015)

Wolfram Reiners*
Chairman of the works council in Munich
of TÜV SÜD Business Services GmbH
(since July 15, 2015)

Angelique Renkhoff-Mücke
Chairperson of the Board of Management
of WAREMA Renkhoff SE
(since July 15, 2015)

Reinhold Rieger*
Expert at TÜV SÜD Industrie
Service GmbH
(until July 15, 2015)

Dietrich Schallehn*
Trade union secretary for sector 13
"Special services" on the national
executive board of ver.di
(until July 15, 2015)

Edgar Scherner*
Former chairman of the central works
council of TÜV SÜD AG
(until July 15, 2015)

Christine Siemssen
General Manager of Milupa GmbH

Martha Straub*
Chairperson at the works council
of TÜV SÜD Akademie GmbH
(since July 15, 2015)

Dr. Eberhard Veit
General manager of 4.0-Veit GbR
Former CEO of Festo AG

Dr. Manfred Wittenstein
Member of the Board of Management
of WITTENSTEIN AG
(until July 15, 2015)

*) Employee representative

Board of Management

Prof. Dr.-Ing. Axel Stepken
Chairman of the Board of Management

Dirk Eilers
Member of the Board of Management

Dr. Matthias J. Rapp
Member of the Board of Management

Klemens Schmiederer
Member of the Board of Management
(since February 1, 2015)

Horst Schneider
Member of the Board of Management
(until April 30, 2015)

Karsten Xander
Member of the Board of Management

Notes and future-oriented statements

In this annual report, TÜV SÜD makes statements relating to the future development of business and future financial and non-financial performance indicators. These statements can be recognized by wording such as "expect," "intend," "anticipate," "plan" and similar terms. These statements are based on current expectations and certain assumptions on the part of the company management, many of which are beyond the control of TÜV SÜD. They are subject to a large number of risks, uncertainties and factors, including but not limited to those described in the annual report. If one or more of these risks or uncertainties should occur, or if it should prove to be the case that the underlying expectations do not materialize or that assumptions were incorrect, the actual events, performance and profits of TÜV SÜD can deviate significantly from the events explicitly or implicitly referred to in the outlook.

Due to rounding, it is possible that individual figures in this annual report do not add up to exactly the given total, and that percentages presented do not reflect exactly the absolute figures to which they refer.

In the event of differences between the English translation and the German version of this annual report, the German version is authoritative and has precedence over the English.

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