Company Registration No. 03777795 (England and Wales)

TUV RHEINLAND UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

TUV RHEINLAND UK LIMITED

COMPANY INFORMATION

Director	G J Book
Company number	03777795
Registered office	Friars Gate (Third Floor) 1011 Stratford Road Shirley Solihull West Midlands United Kingdom B90 4BN
Auditor	Azets Audit Services First Floor International House 20 Hatherton Street Walsall West Midlands United Kingdom WS4 2LA

TUV RHEINLAND UK LIMITED

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TUV RHEINLAND UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The director presents the strategic report for the year ended 31 December 2020.

Principle activities

The principle activity of the company during the year was that of a holding company for the group's UK activities along with product assurance certification.

Results, dividends, future developments and business review

The loss for the year was £295,000 (2019 profits were £1,053,000). The profits in 2019 included investment income from 2MC limited, a wholly owned subsidiary of TUV Rheinland UK Limited. There was no investment income in the year from Risktec Solutions limited also wholly owned by TUV Rheinland. The directors are not able to recommend a dividend.

In 2020 there was a 12% increase in sales when compared to 2019. The increase in revenue related to the product assurance certification business over the prior year. New services continue to be implemented and with further growth initiatives planned and a clear strategy the directors expect continued growth in revenues and profits.

Key performance indicators

	2020	2019	
Growth in revenue %	**16%**	39%	**Year on year sales growth expressed as a %**
Net profit £'m	**£(296)k**	**£1.05m**	**Profit (loss) for the financial year**
Total equity £'m	**£39.6m**	**£39.9m**	Total equity

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The management of risks is undertaken at the TUV Rheinland AG consolidated (group) level. Further discussions of these risks and uncertainties, in the context of the group as a whole, is provided within the group's annual report which does not form part of this report.

Impact of Covid-19

The company was negatively impacted by the effects of Covid-19. The effects were twofold; 1) in line with Government advice that all offices were closed and all employees transitioned to working from home; and 2) Most of our customers were also transitioning to a work from home model and therefore there was a slow down in orders received and sales activity. We do not believe this has resulted in lost business, it has simply been delayed. There has been an increase in both order volumes and revenues since the economy has become more settled. A precise estimate of the financial impact of Covid-19 is not possible at this time.

Impact of Brexit

The full impact of the United Kingdom's withdrawal from the European Union are becoming clearer but there is still uncertainty ahead. The directors do not believe it will have a material impact on the business but continues to monitor events closely.

Financial risk management objectives and policies

The company's principle financial instruments comprise of bank borrowings, intra-group loans and cash to finance the company operations; along with trade and other receivables and trade creditors which arise directly from it's operations. The main risks arising are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks.

Interest rate risk

The company's exposure to market risk for changes in interest rates relates primarily to the company's intercompany debt obligations. The company monitors the position closely and additional equity will be raised as required.

Liquidity risk

The company's objective is to maintain an appropriate balance between cash balances and intra group loans. The company prepares annual forecasts and reviews these on a regular basis.

Foreign currency risk

The company does not seek to hedge the exposure to this risk, although does monitor the situation regularly to minimise any risk.

Credit risk

The company trades with only recognised and credit worthy third parties. It is the company policy that all customers who wish to trade on credit terms are subject to certain credit vetting procedures.

G J Book
Director

1 March 2022

TUV RHEINLAND UK LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The director presents his annual report and financial statements for the year ended 31 December 2020.

Principal activities
The principal activity of the company continued to be that of a holding company for the group's UK activities along with product assurance certification.

Results and dividends
The results for the year are set out on page 9.

No ordinary dividends were paid. The director does not recommend payment of a final dividend.

Director
The director who held office during the year and up to the date of signature of the financial statements was as follows:

G J Book	
A Helbig	(Resigned 18 February 2021)
K Raapke	(Resigned 23 February 2021)

Auditor
Azets Audit Services were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of director's responsibilities
The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

G J Book
Director

1 March 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TUV RHEINLAND UK LIMITED

Opinion

We have audited the financial statements of TUV Rheinland UK Limited (the 'company') for the year ended 31 December 2020 which comprise the income statement, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The director is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:
- the information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the director's report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of director
As explained more fully in the director's responsibilities statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF TUV RHEINLAND UK LIMITED

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to him in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Azets Audit Services

John Hegney FCCA (Senior Statutory Auditor)
For and on behalf of Azets Audit Services
Chartered Accountants
Statutory Auditor

21 March 2022

First Floor
International House
Walsall
West Midlands
United Kingdom
WS4 2LA

TUV RHEINLAND UK LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Revenue	3	4,580	3,960
Cost of sales		(1,170)	(1,173)
Gross profit		3,410	2,787
Administrative expenses		(3,787)	(3,787)
Other operating income		175	261
Operating loss	4	(202)	(739)
Investment income	6	193	1,732
Finance costs	7	(286)	60
(Loss)/profit before taxation		(295)	1,053
Tax on (loss)/profit	8	349	-
Profit and total comprehensive income for the financial year		54	1,053

TUV RHEINLAND UK LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		2020		2019	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Non-current assets					
Right-of-use assets	9		342		187
Property, plant and equipment	10		104		137
Investments	11		43,904		43,809
			44,350		44,133
Current assets					
Inventories		-		188	
Trade and other receivables	13	11,927		11,390	
Cash and cash equivalents		103		-	
		12,030		11,578	
Current liabilities	14	(1,418)		(1,010)	
Net current assets			10,612		10,568
Total assets less current liabilities			54,962		54,701
Non-current liabilities					
Trade and other payables	15	14,801		13,605	
Lease liabilities	16	213		69	
			(15,014)		(13,674)
Provisions for liabilities					
Deferred and contingent consideration	18		-		(1,133)
Net assets			39,948		39,894
Equity					
Called up share capital	20		42,410		42,410
Retained earnings			(2,462)		(2,516)
Total equity			39,948		39,894

The financial statements were approved by the board of directors and authorised for issue on 1 March 2022 and are signed on its behalf by:

G J Book
Director

Company Registration No. 03777795

TUV RHEINLAND UK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2019	42,410	(3,569)	38,841
Year ended 31 December 2019:			
Profit and total comprehensive income for the year	-	1,053	1,053
Balance at 31 December 2019	42,410	(2,516)	39,894
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	54	54
Balance at 31 December 2020	42,410	(2,462)	39,948

1 Accounting policies

Company information

TUV Rheinland UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is Friars Gate (Third Floor), 1011 Stratford Road, Shirley, Solihull, West Midlands, United Kingdom, B90 4BN. The company's principal activities and nature of its operations are disclosed in the director's report. The company also acts as an investment holding company for its wholly owned subsidiaries, Risktec Solutions Limited and 2M Consultancy Ltd.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- inclusion of an explicit and unreserved statement of compliance with IFRS;
- presentation of a statement of cash flows and related notes;
- disclosure of the objectives, policies and processes for managing capital;
- disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;
- the effect of financial instruments on the statement of comprehensive income;
- disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date; and
- related party disclosures for transactions with the parent or wholly owned members of the group.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

The company is a qualifying entity for the purpose of FRS 101. TUV Rheinland UK Limited is a wholly owned subsidiary of TUV Rheinland AG. The results of TUV Rheinland UK Limited are included in the consolidated financial statements of the parent company which are available from TUV International GmbH, Am Grauen Stein, D-51105, Cologne, Germany.

1.2 Going concern

The financial statements have been prepared on a going concern basis which assumes the company will continue to trade. The validity of this latter assumption is dependent upon support from the company's intermediate parent undertaking, TUV International GmbH, on which the company is wholly reliant. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do so. The intermediate parent undertaking has indicated their intention to provide continued financial support for the next twelve months from the date of signing the financial statements

1 Accounting policies **(Continued)**

1.3 Revenue

Revenue is measured at the fair value of the consideration received and represents amounts receivable for services supplied. Revenue represents amounts (excluding VAT) derived from the provision of product assurance certification services during the year.

The company transfers control of its performance obligation for work performed over time, as the company's performances does not create an asset with an alternative use and there is an enforceable right to performance completed to date. Revenue from providing services is therefore recognised in the accounting period in which work is performed, and the services provided to the customer.

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	4 - 10 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.5 Non-current investments

Investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

1.6 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

1.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

1.8 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

1 Accounting policies **(Continued)**

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.9 Financial liabilities
Financial liabilities are initially recognised at fair value net of any transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.10 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1 Accounting policies **(Continued)**

1.11 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event and it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases and right-of-use assets

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease. Lease payments included in the measurement of the lease liability comprise fixed payments, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1 Accounting policies **(Continued)**

1.15 Grants

Grants of a revenue nature are recognised in the profit and loss account in the same period as the related expenditure. Government grants represent amounts claimed under the Coronavirus Job Retention Scheme.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Impairment of trade receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers expected credit loss rates based on the ageing profile of receivables and historic experience. The estimates and assumptions used to determine the level of expected credit losses are reviewed periodically. See note 13 for the net carrying amount of the receivables and the associated impairment provision.

Impairment of investments

The company considers the judgement as to whether investment are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

3 Revenue

	2020 £'000	2019 £'000
Revenue analysed by class of business		
United Kingdom	2,626	2,466
Rest of Europe	1,645	1,291
Rest of World	309	203
	4,580	3,960

4 Operating loss

	2020 £'000	2019 £'000
Operating loss for the year is stated after charging/(crediting):		
Other operating income (CJRS income)	(23)	-
Fees payable to the company's auditor for the audit of the company's financial statements	12	26
Non-audit fees paid to the company's auditor	3	6
Depreciation of property, plant and equipment	63	86
Depreciation of right-of-use assets	164	100
Loss on disposal of property, plant and equipment	7	73

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Administrative	14	15
Management	15	15
Technical	27	25
Total	56	55

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	3,224	3,074
Social security costs	380	343
Pension costs	174	161
	3,778	3,578

No director received any aggregate emoluments from the company during the current or prior year as they are directors of a number of subsidiaries within the Group and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries.

6 Investment income

	2020 £'000	2019 £'000
Interest income		
Interest receivable from group companies	193	307
Income from fixed asset investments		
Income from shares in group undertakings	-	1,732
Total income	193	2,039

7 Finance costs

	2020 £'000	2019 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	6	4
Interest payable to group undertakings	280	(64)
	286	(60)

8 Taxation

Deferred tax		
Origination and reversal of temporary differences	(349)	-

The charge for the year can be reconciled to the (loss)/profit per the income statement as follows:

	2020 £'000	2019 £'000
(Loss)/profit before taxation	(295)	1,053
Expected tax (credit)/charge based on a corporation tax rate of 19.00% (2019: 19.00%)	(56)	200
Effect of expenses not deductible in determining taxable profit	4	5
Income not taxable	-	(329)
Unutilised tax losses carried forward	(297)	-
Movement in deferred tax not recognised	-	124
Taxation credit for the year	(349)	-

9 Right-of-use assets

	Buildings £'000	Vehicles £'000	Total £'000
Cost			
At 1 January 2020	213	74	287
Additions	273	54	327
Disposals	(141)	(37)	(178)
At 31 December 2020	345	91	436
Depreciation and impairment			
At 1 January 2020	76	24	100
Charge for the year	129	35	164
Eliminated on disposals	(141)	(29)	(170)
At 31 December 2020	64	30	94
Carrying amount			
At 31 December 2020	281	61	342
At 31 December 2019	137	50	187

See note 16 for details of related lease liabilities.

10 Property, plant and equipment

	Fixtures and fittings £'000
Cost	
At 1 January 2020	394
Additions	37
Disposals	(187)
At 31 December 2020	244
Accumulated depreciation and impairment	
At 1 January 2020	257
Charge for the year	63
Eliminated on disposal	(180)
At 31 December 2020	140
Carrying amount	
At 31 December 2020	104
At 31 December 2019	137

11 Investments

	2020 £'000	2019 £'000
Investments in subsidiaries	43,904	43,809

Investments represent 100% of the share capital of Risktec Solutions Limited and 2M Consultancy Limited, neither of which are publically traded. Both companies are incorporated in the United Kingdom.

Movements in non-current investments

	Shares in subsidiary £'000
Cost	
At 1 January 2020	43,809
Capital contribution regarding 2M Consultancy Limited	95
At 31 December 2020	43,904
Carrying amount	
At 31 December 2020	43,904
At 31 December 2019	43,809

Investments represent 100% of the ordinary share capital of Risktec Solutions Limited and 2M Consultancy Ltd, both registered in England and Wales.

The directors believe that the carrying value of the investments is supported by their value in use. The value in use was calculated using the discounted cash flow (DCF) method, by discounting the operational cash flows generated from each cash generating unit (CGU) of Risktec Solutions Limited and 2M Consultancy Limited separately (net of taxation) at a discount rate representing weighted average cost of capital. The main assumption adopted to calculate the recoverable amount are the discount rate (WACC), the annual terminal growth rate, and the forecast cash flows during the period of reference.

The results of the impairment tests carried out show that the estimated value in use of each of the two CGUs exceeds the carrying amount included above at the reference date. Both businesses have been impacted by COVID-19 in 2020, but this is considered to be an anomalous year and non-recurring, and is not indicative of the expected performance of the CGUs in the future.

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Risktec Solutions Limited	United Kingdom	Ordinary share capital	100.00
2M Consultancy Ltd	United Kingdom	Ordinary share capital	100.00

13 Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	990	914
Provision for bad and doubtful debts	(71)	(65)
	919	849
Amounts owed by fellow group undertakings in > 1 year	8,400	8,233
Amounts owed by fellow group undertakings	1,673	2,084
Prepayments and accrued income	586	224
	11,578	11,390
Deferred tax asset	349	-
	11,927	11,390

Amounts owed by group undertakings are unsecured, interest free and repayable on demand, except for cash pool balances with Risktec Solutions Limited and 2M Consultancy Limited, which earn interest at a variable rate of 0.5% under a loan facility agreement.

14 Liabilities

		Current		Non-current	
	Notes	2020 £'000	2019 £'000 (as restated)	2020 £'000	2019 £'000 (as restated)
Borrowings		-	368	-	-
Trade and other payables	15	1,103	713	14,801	13,320
Taxation and social security		207	105	-	-
Lease liabilities	16	108	109	213	69
		1,418	1,295	15,014	13,389

15 Trade and other payables

	Current		Non-current	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
		(as restated)		(as restated)
Trade payables	32	52	-	-
Amounts owed to fellow group undertakings	610	285	14,801	13,320
Accruals and deferred income	372	279	-	-
Other payables	89	97	-	-
	1,103	713	14,801	13,320

Amounts owed to group undertakings are unsecured and repayable on demand. These balances bear interest at 2% (2019: 2%) per annum. Amounts owed to group undertakings have been restated in the 2019 figures, as outlined in Note 24.

16 Lease liabilities

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020	2019
	£'000	£'000
Current liabilities	108	109
Non-current liabilities	213	69
	321	178

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Tax losses	Short term timing differences	Total
	£'000	£'000	£'000
Deferred tax liability at 1 January 2019 and 1 January 2020	-	-	-
Deferred tax movements in current year			
Charge/(credit) to profit or loss	(335)	(14)	(349)
Deferred tax asset at 31 December 2020	(335)	(14)	(349)

17 Deferred taxation **(Continued)**

As stated in the accounting policies, deferred tax assets are recognised to the extent that it is probable they will be recovered. A deferred tax asset on losses has been recognised on the basis that the company is expected to generate a profit going forwards, and there will be sufficient taxable profits around the group for the losses to be utilised.

18 Provisions for liabilities

	2020 £'000	2019 £'000
Deferred and contingent consideration	-	1,133

Deferred and contingent consideration was payable over three years following the acquisition of Risktec Solutions Limited and 2M Consultancy Limited. The final portion was paid in the year, and the provision has therefore been released.

19 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £174k (2019: £161k)

There were no outstanding contributions at either the current or previous year end dates.

20 Share capital

	2020	2019	2020	2019
Ordinary share capital	**Number**	**Number**	**£'000**	**£'000**
Issued and fully paid				
Ordinary shares of £1 each	42,410,000	42,410,000	42,410	42,410

21 Capital commitments

There were no capital commitments at 31 December 2020 or 31 December 2019.

22 Related party transactions

As the company is a wholly owned subsidiary of TUV Rheinland AG, the company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of TUV Rheinland AG, within which this company is included, can be obtained from the address given in note 23.

23 Controlling party

The Immediate parent company is TUV International GmbH, a company incorporated in Germany.

The company which heads up the smallest and largest group of undertakings for which group financial statements are drawn up is TUV Rheinland AG, a company incorporated on Germany.

The ultimate parent undertaking and ultimate controlling party is TUV Rheinland Berlin Brandenburg Pfalz e.V, an unincorporated body.

The financial statements of TUV Rheinland AG, the operational holding company, can be obtained from *TUV International GmbH, Am Grauen Stein, D-51105, Cologne, Germany.*

24 Prior period adjustment

The prior period financial statements have been restated to appropriately recognise amounts owed to group undertakings as due in more than one year, in order to more accurately reflect the nature and ageing of the balances.

THESE GROUP ACCOUNTS FORM

PART OF THE ACCOUNTS OF TUV RHEINLAND UK LIMITED

COMPANY WITH REGISTERED NUMBER 03777795

Auditor´s Report

TÜV Rheinland Aktiengesellschaft
Cologne

Consolidated Financial Statements for the Period Ending December 31, 2020 and the Group Management Report for the Financial Year 2020

INDEPENDENT AUDITOR'S REPORT

(Translation - the German text is authoritative)

pwc

Appendices Page

Group Management Report

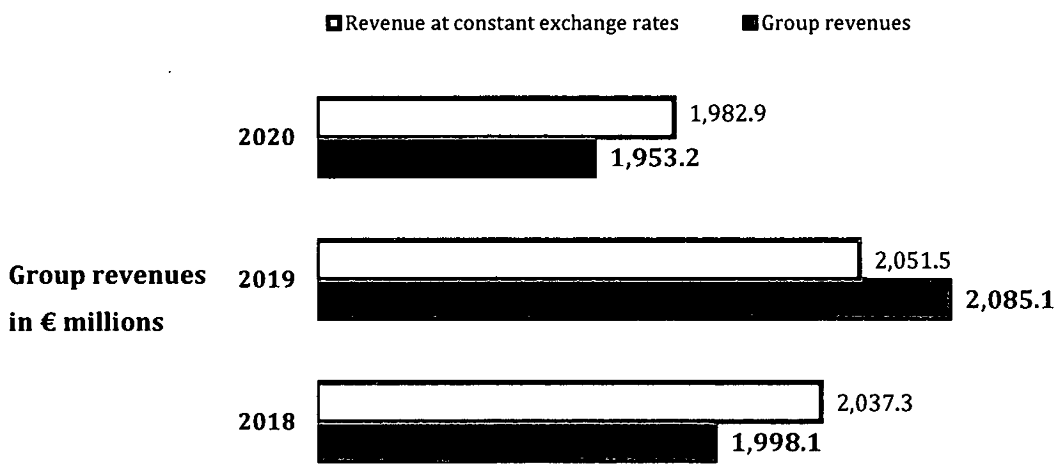
2020

TÜV Rheinland Aktiengesellschaft, Cologne

TÜV RHEINLAND AT A GLANCE

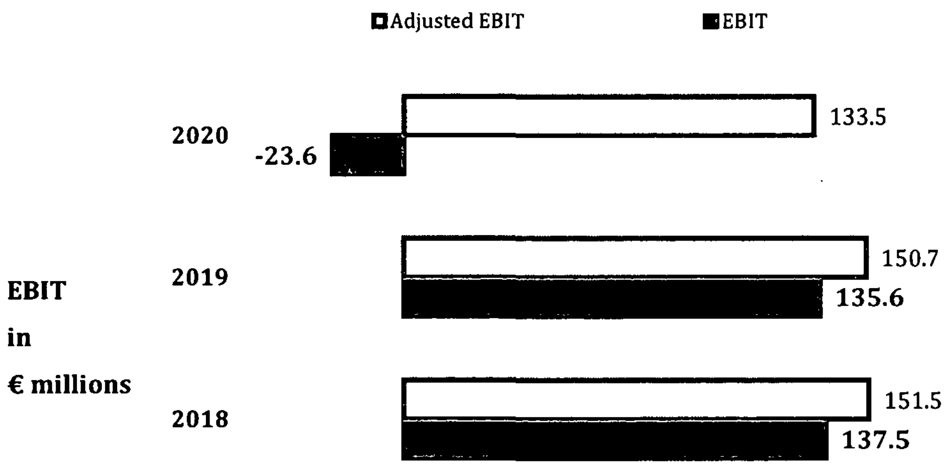
Group revenues

- Under the conditions of the global coronavirus pandemic, group revenues (incl. inventory changes) for the TÜV Rheinland AG Group (hereinafter referred to as "TÜV Rheinland") were 6.3% lower in the 2020 financial year and stood at €1,953.2 million. By comparison – i.e. not taking currency-rate effects into account – revenues totaled €1,982.9 million.
- The €131.9 million year-over-year downturn in total revenue was attributable to both domestic and international business. Domestic business was 6.9% lower. €916.8 of total revenue was ascribable to the international regions. This corresponded to a total revenue share of 46.9% (previous year: 46.6%). In spite of the difficult global economic situation, the Greater China region recorded slight growth of 0.4%. The year-over-year decline in revenue was 1.1% in Europe (excluding Germany), 3.4% in Asia Pacific and 9.8% in India Middle East/Africa (IMEA). The regions of North and South America were the most severely affected, reporting a 25.8% downturn in revenue.



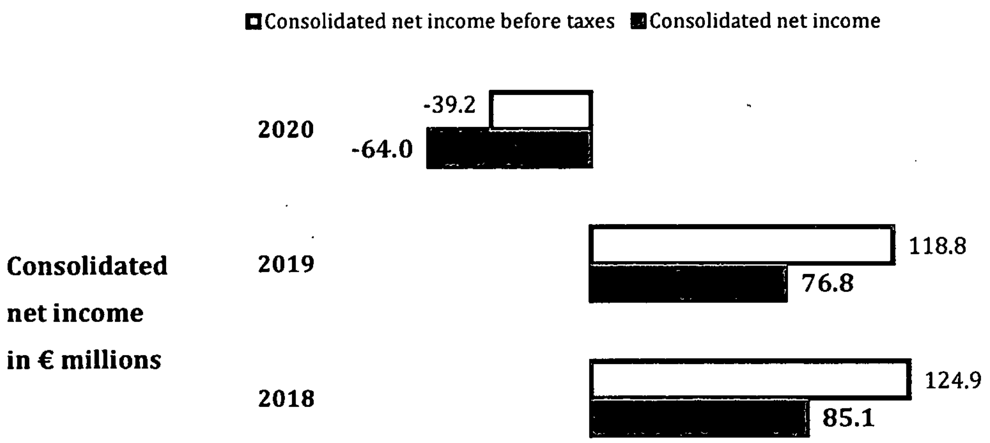
Operating result (EBIT)

- The operating result (EBIT) stood at €-23.6 million in the 2020 financial year; this was well below the previous year's figure of €135.6 million.
- After adjusting for special effects totaling €157.1 million, EBIT was €133.6 million. Special effects mainly consisted of the expected economic burden of €90.3 million resulting from ongoing legal proceedings, personnel and restructuring measures of €56.0 million, effects from past purchase price allocations (PPAs) of €8.0 million, and write-downs of €2.8 million on assets classified as held for sale.
- Amortization of intangible assets and depreciation of property, plant and equipment was €3.1 million higher year-over-year and totaled to €142.2 million.
- With investments of €68.8 million in intangible assets and property, plant and equipment in the 2020 financial year, the investment volume held roughly steady with the previous year's volume of €70.0 million.
- The EBIT margin in the 2020 financial year was -1.2%, down 7.7 percentage points compared to the previous year. Taking special effects into account, the adjusted EBIT margin stood at 6.8%, which was only slightly lower than the previous year's figure of 7.2%.



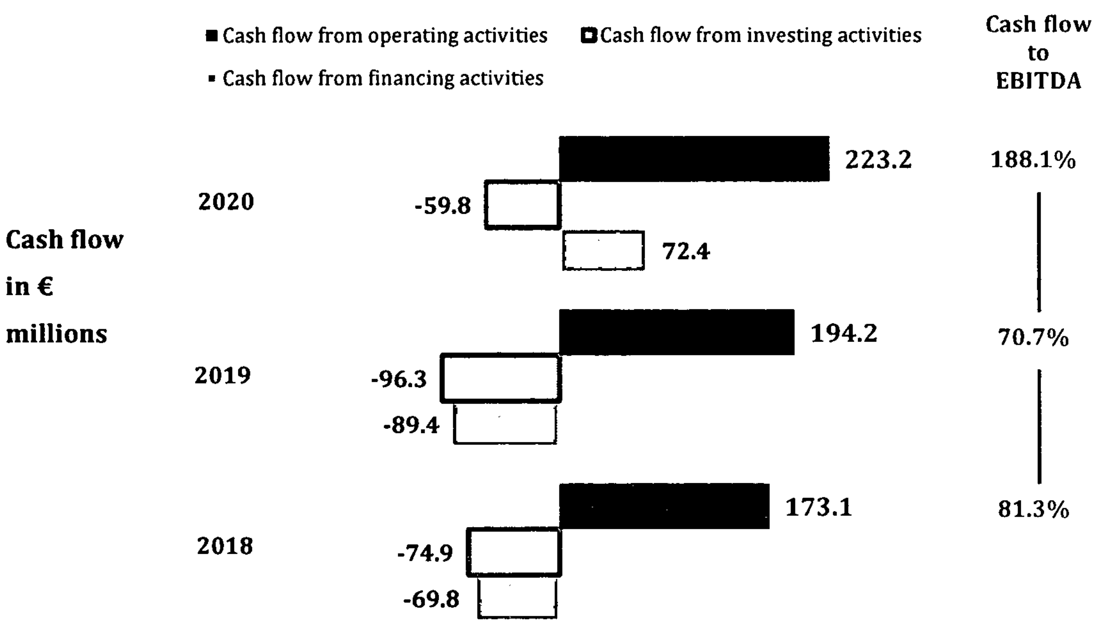
Consolidated net income

- TÜV Rheinland generated a total of €64.0 million in negative consolidated net income for the 2020 financial year; this was €140.8 million lower than the previous year's value. A €159.2 million year-over-year decrease in operating result (EBIT) was the main reason for the significant downturn in consolidated net income.
- The negative financial result was 6.8% higher year-over-year and stood at €-15.6 million in the 2020 financial year.
- As a result of the negative earnings before taxes, income tax expenses were lower, going from €42.1 million in the previous year to €24.7 million in the financial year under report. The relatively high tax expenses in spite of a negative result before taxes owed chiefly to loss carryovers that were not expected to be usable.
- The consolidated net income attributable to non-controlling interests totaled to €8.8 million in the 2020 financial year (previous year: €11.5 million).



Cash flow

- The positive cash flow from operating activities amounted to €223.2 million in the 2020 financial year (previous year: €194.2 million); this represents an increase of 14.9%.
- The negative consolidated net income of €64.0 million contrasted with non-cash depreciation and amortization of €145.0 million (previous year: €139.1 million). The reduction in net working capital, which went from 7.1% in the previous year to 4.2% in 2020, had a positive impact on cash flow from operating activities.
- The ratio between cash flow from operating activities and earnings before interest, taxes, depreciation, and amortization (EBITDA) increased from 70.7% to 188.1%. In contrast to the previous year, TÜV Rheinland was able to fully convert its EBITDA into liquidity in the 2020 reporting year.
- The negative cash flow from investing activities decreased by €36.5 million compared to the previous year. In contrast to the 2019 financial year, there were no significant payouts for corporate acquisitions in the current 2020 reporting year.
- Cash flow from financing activities was positive in the 2020 financial year and amounted to €72.4 million (previous year: €-89.4 million). The positive cash flow from financing activities was mainly the result of successful issuance of green promissory note loans totaling €200.0 million.



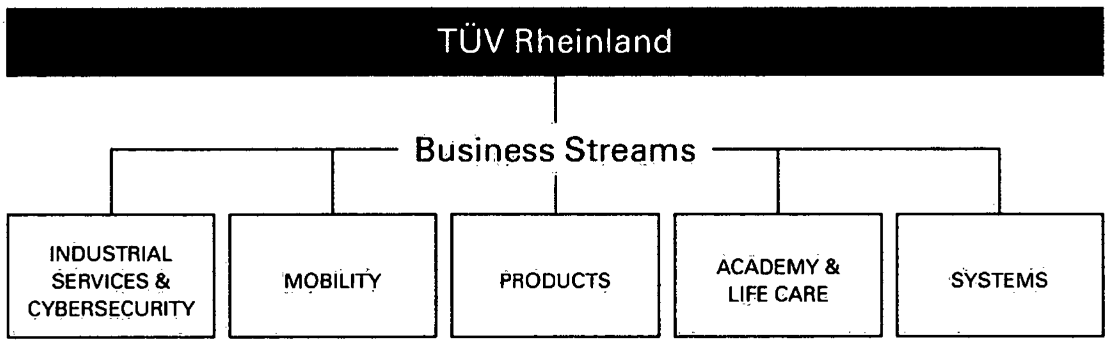
PRESENTATION OF THE BUSINESS STREAMS

As an independent testing company, for nearly 150 years, TÜV Rheinland has stood for quality, efficiency and safety in the interaction between people, technology, and the environment in almost all areas of the economy and life.

As a neutral and independent third party, TÜV Rheinland inspects and tests technical equipment, products, as well as services, and monitors projects and processes for companies. The Group does so on the basis of recognized standards as well as national and international legal requirements. Added to this are services relating to information security, occupational health and safety, as well as training and professional qualifications.

With new ideas, expertise, and a global network, this is how TÜV Rheinland lends a hand in making products, services, systems, and people safer and more competitive.

The work carried out by TÜV Rheinland is based on the conviction that societal and industrial development is not possible without technical progress. That is precisely the reason why the safe and responsible use of technical innovations, products, and systems is of decisive importance for future development. TÜV Rheinland monitors, inspects, tests, trains and certifies. This is how it helps build a future that sustainably does justice to the requirements of humankind and the environment. The work of TÜV Rheinland is organized into five Business Streams:



INDUSTRIAL SERVICES & CYBERSECURITY This Business Stream comprises the Business Fields of Pressure Equipment, Elevators & Lifting Equipment, Electrical Engineering & Building Technology, Industrial Inspection & Material Testing, Infrastructure & Project Supervision, Energy & Environment as well as Cybersecurity & Functional Safety. The services include, for example: testing of pressure vessels, elevators and lifts, and systems in building technology; monitoring of industrial and infrastructure projects; engineering as well as materials inspection and testing; environmental and pollutant analysis; and everything having to do with the topic of cybersecurity.

MOBILITY This Business Stream is responsible for periodic technical inspections, with its network of testing centers in Germany, Spain, France, Latvia and Chile; theoretical and practical testing for driver's licenses; car services and appraisals with its extensive portfolio of services in the field of after-sales; eligibility inspections (homologation) and testing of vehicle components and vehicles, underpinned by a global network of laboratories; as well as the rail sector, comprising test execution/monitoring, assessment and certification. The Business Stream is additionally involved in developing new services for safety in the networked mobility of the future.

PRODUCTS Among other things, this Business Stream conducts testing for product safety, functionality, serviceability and ergonomics, as well as product certification. This is often a prerequisite to ensuring that manufacturers, importers or trading companies can offer their products in certain markets. The Products Business Stream tests products of daily use such as consumer electronics, glass, furniture, textiles, toys, leisure articles or household appliances. Added to this are further tests for aspects such as electromagnetic compatibility (EMC) of electrical and electronic products, machinery and medical devices as well as testing of solar modules, batteries and fuel cells.

ACADEMY & LIFE CARE This Business Stream combines the expertise and services of TÜV Rheinland applicable to the individual in his or her workplace and career environment. This extends to topics in corporate health management, occupational health and safety, HR development and consulting services, further education and seminars, certification of individuals, and labor market services.

There are also specialists to offer technically oriented and independent consulting and project management. These relate to focal topics such as modern infrastructure, e.g. in telecommunications, and its digitalization. The Business Stream also assists with the digital transformation of businesses and government agencies.

SYSTEMS This Business Stream certifies management systems and processes, certain services or entire enterprises as an independent third party based on internationally recognized standards or performance criteria. These include, in particular, quality-management systems (ISO 9001) and environmental management systems of numerous businesses (ISO 14001 and the European EMAS system), as well as service quality, compliance management, and energy management. TÜV Rheinland acts as an independent body to provide conformity assessments within the scope of government programs. This ensures that imported goods and the related documentation are in compliance with national regulations and any requirements stipulated by contract.

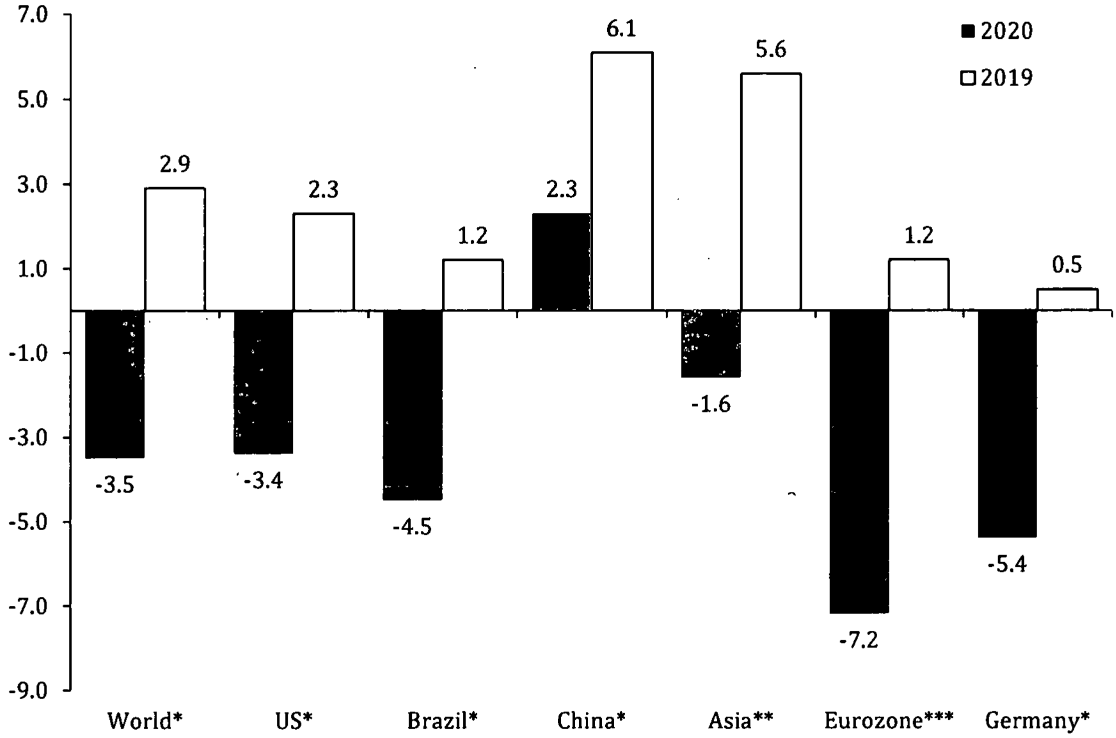
GENERAL CONDITIONS

General economic conditions

The global economy was subject to great pressures during the year under review as a result of the coronavirus and the measures adopted to contain it. The coronavirus pandemic led to one of the most severe recessions of the postwar period and caused an overall economic decline of 3.5% during the reporting year 2020. World economic activity (gross domestic product) was down steeply during the first half of the year, falling by around 10.0%. Despite a rapid recovery in the summer, the increase in rates of infection seen in the autumn showed just how fragile the situation remains. In various areas, a normalization of the economic situation is still not foreseeable. Given the renewed constraints around the pandemic, the recovery is slowing down in many countries around the world. Gross domestic product declined again in Europe during the fourth quarter, but for the most part it continued to rise throughout the rest of the world. The current economic momentum in China is even quite high. There, in contrast to last spring, the pandemic has not had a serious negative impact on production in the manufacturing sector, on international trade or on the prices of raw materials. Compared to pre-crisis levels, the gap is the greatest in India and the United Kingdom, where the economic downturn in spring was particularly pronounced, as well as in some of the countries in which foreign tourism plays a particularly important role, such as Spain, Thailand and the Philippines. The impact of the coronavirus crisis on the labor market is clearly visible, with the unemployment picture distorted in many countries, where generous aid programs have often been put in place. Inflation in the advanced economies of the world stabilized at a low level toward the end of 2020. The rise in oil prices plays a decisive role in the somewhat steeper rise in prices. Monetary policy remains highly expansionary. Most of the central banks in the advanced economies broadened the expansionary measures introduced in the spring in response to the coronavirus crisis or postponed the timing of future tightening measures. To help mitigate the economic impact of measures taken in response to the pandemic, many governments have decided to augment their expenditures, offering tax deferrals and credit programs that work in tandem with cyclical revenue shortfalls and lead to deficits in this year's state budgets; some of these expenditures are of an order of magnitude significantly in excess of 10.0% of gross domestic product.

Economic growth in the markets important to TÜV Rheinland is presented in % below:

Development of the global economy in 2020 and 2019 (in %)



* Source: IMF World Economic Outlook Update Januar 2021
** Source: IfW Kiel, Weltwirtschaft im Winter 2020
*** Source: IMF World Economic Outlook Update January 2021; Group of EU countries that have the euro as their official currency

USA Economic activity in the US economy was 3.4% lower in 2020. The decline seen in the first half of the year was almost three times greater than the low point reached during the global financial crisis of 2007/2008; this underscores the sheer scale of the recession. While the actual decline over the entire year was less than originally forecast, it was still more than an entire percentage point higher than it was in the crisis year 2009. Significant fiscal support for household income, going well beyond comparable measures adopted during the global financial crisis, contributed to a robust initial recovery in the third quarter. This recovery was subsequently interrupted by a resurgence of the pandemic, however. The unemployment rate in November was already well below the level seen in the spring during the first wave of infection, yet it was still more than three percentage points higher than it had been the previous year. At the same time, the rate of inflation stabilized after the low in the spring and by year's end it stood at around 1.5%.

CHINA In China, where the virus first spread, gross domestic product declined steeply at the beginning of the reporting year, but the economy then recovered significantly during the second and third quarters. The Chinese economy reported economic growth of 2.3% in 2020 (previous year: 6.1%), making it one of the few countries in the world to report growth in 2020. Following very strict measures by the Chinese government to contain the virus, gross domestic product was down sharply in the first quarter of 2020. Against the backdrop of low rates of infection and relaxed pandemic measures, the Chinese economy experienced a strong upswing in the second and third quarters, outperforming the pre-crisis level of gross domestic product by 3.2%. Indicators such as industrial production or retail also pointed to a strong recovery. The same was true of Chinese foreign trade. Thus, Chinese exports were 9.5% higher year-over-year in August. By comparison, in February 2020 exports were 17.2% below the previous year's level. While the rates of inflation in consumer prices were still between 4% and 5% from November 2019 to February 2020, the momentum for inflation weakened from March 2020 onwards. At the end of the financial year, the inflation rate was around 0.3%. In an effort to stabilize the economy, the Chinese government announced discretionary fiscal measures such as an easing in social security contributions and tax payments, expansions in state unemployment assistance, and state investment in healthcare. Monetary policy measures have also boosted liquidity in the banking sector, lowered interest rates and encouraged lending to businesses.

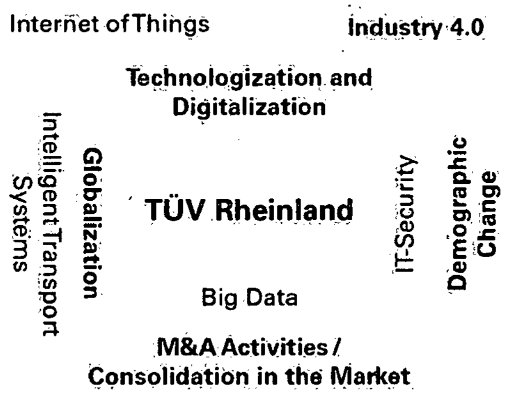
BRAZIL When the effects of the coronavirus pandemic hit the Brazilian economy, it was still recovering from the recession it had experienced from 2014 to 2016. Brazil reported an economic downturn of 4.5% in the reporting year. In 2020, the government instituted a comprehensive, timely and time-limited tax package for social assistance to protect the country's most vulnerable people. The cost of this package is estimated to tally to 10.4% of gross domestic product. The unemployment rate reached 13.3% in June 2020, its highest level in three years. Thanks to the government's extensive social response to support for private consumption, the industrial and commercial sectors recovered partially, while the recovery within the services sector remained uneven.

EUROZONE The coronavirus pandemic and the related containment measures plunged the eurozone into a deep recession during the first half of 2020, temporarily halting activities in some parts of the economy in the spring. With declining infection numbers and the gradual easing of measures taken in response to the pandemic, an economic recovery began in the summer but was then interrupted again by the second wave of infection. Overall, gross domestic product was 7.2% lower in 2020 (previous year: +1.2%). The decline in economic output was much faster than during the financial crisis of 2007/2008, and it affected both industry and the service sector. There was considerable variation in economic trends for the Member States. Spain was the hardest-hit, followed by France and Italy. Although unemployment rose steadily since the onset of the coronavirus crisis, the increase was moderate compared to the drop in gross domestic product. In view of the economic downturn and the decline in consumer price inflation, the European Central Bank adopted and implemented sweeping measures to ensure price stability, stabilize financial markets and buttress the economic recovery in the eurozone. The main component of the policy for monetary stabilization was the Pandemic Emergency Purchase Programme, which was extended to a total amount of €1,350 billion in June 2020.

GERMANY The coronavirus pandemic led to the sharpest single-quarter decline in economic output in Germany since the recording of quarterly national accounts began in 1970. Due to the strong recovery over the summer, gross domestic product fell by 5.4% in 2020, roughly as much as it had in 2009, during the global financial crisis. Policymakers acted swiftly and decisively in the crisis. They took extensive measures in monetary and fiscal policy to support the economy in the crisis. Automatic stabilizers, such as the tax system, unemployment benefits and short-time work allowances contributed significantly to the support. In June 2020, the German federal government launched an economic stimulus package aimed at boosting economic performance. Unemployment was moderately higher in 2020 and stood at 5.9% (previous year: 5.0%) – a level that could be contained thanks to state aid measures.

Market-specific development

TÜV Rheinland offers its testing, inspection, certification and training services through numerous companies on six continents operating in the global TIC (Testing, Inspection, Certification) market. This gives the Group the ability to fully serve clients' often worldwide value chains. Clients from economically strong industrialized countries continue to exhibit high demand for services by TÜV Rheinland, while demand in the emerging markets is still springing up. By and large, the global TIC market, and hence the business of TÜV Rheinland as well, are influenced by the following market factors and trends:



GLOBALIZATION Issues such as energy supply, infrastructure, international division of labor and mobilization are of major importance to a globalized society. For the TIC market, globalization entails opportunities and risks at the same time. Increasing liberalization efforts in individual markets strengthen global trade and open up opportunities to enter new markets. Worldwide supply chains render high-quality and, wherever possible, globally uniform testing standards and certification services indispensable. Due to its strong international orientation and its presence on nearly all continents, TÜV Rheinland is very well-positioned here and can thus offer product approvals for most of the world's markets.

TECHNOLOGIZATION AND DIGITALIZATION The advance of new information technologies is changing society as well as the global markets and products. Against the backdrop of digital transformation, TÜV Rheinland ensures the quality, safety, and controllability of the technologies involved. The following technology trends are of particular importance here:

- **INTELLIGENT TRANSPORT SYSTEMS** The vehicles of tomorrow will drive autonomously, permit remote diagnostics and offer a host of systems for safety and comfort. To master and secure the communication infrastructure that this effort requires, while at the same time ensuring traffic safety, is a key challenge for the mobility market and presents opportunities for growth in TÜV Rheinland's business.

- **INDUSTRY 4.0** In the future, the shape of industrial production will be characterized by strong customization of products under conditions of highly flexibilized production. In production systems like these, complex data networks will link customers and suppliers with production over the entire value chain. Labor-intensive and monotonous activities in production are increasingly being taken over by robots, and networking of machinery will increase. The resulting requirements in terms of the availability, functionality, and security of data and networks will be system-relevant.
- **BIG DATA** The fast pace of growth seen in the use of the Internet, coupled with the rapid increase in data generated by automation and digitalization, are making it increasingly important to ensure that data are handled responsibly and put to beneficial use.
- **INTERNET OF THINGS** Through the networking of technologies of everyday life with the internet, in the area of smart home solutions or industrial components and products, for instance, the physical and online worlds are converging. This gives rise not just to far-reaching new opportunities for providers and consumers, but to security risks as well.
- **IT SECURITY** Round-the-clock availability and transmission of data - with mobile payments, for instance, or data storage in the cloud or in industrial plants - provide a textbook case of the growing importance of IT security. The hazards of hacker attacks and cybercrime are constantly on the rise. The IT security experts at TÜV Rheinland provide support to businesses, including with the "APT Defense Service" (APT - Advanced Persistent Threat), which comprises a sensor-based review of network traffic. In addition, solutions are offered for the essential security issues of networked production facilities, smart home systems or the continuing rise in cloud data storage. Finally, legislation such as the German IT Security Act or the EU Cybersecurity Directive includes obligations to comply with minimum standards with regard to IT security. In this context, TÜV Rheinland offers services worldwide that range from strategic consulting and process optimization to implementation or certification of secure IT systems and telecommunications networks.

DEMOGRAPHIC CHANGE TÜV Rheinland also views the demographic trend toward a globally aging population structure as an opportunity. There is already an increased demand for TIC services in markets such as those for healthcare and nursing.

M&A ACTIVITIES / CONSOLIDATIONS IN THE MARKET Trends toward consolidation continue in the market for technical services, and in the TIC market in particular. These are speeding the transformation in the TIC market, offering companies an opportunity to acquire enterprises that match up with their core business.

TÜV Rheinland provides TIC services in and for different markets and industries all over the world. The macroeconomic trend in these markets is fundamentally important for TÜV Rheinland, but in ordinary years it has only an indirect and delayed impact on business success as a result of cross-sector and regional diversification. The year 2020 was extraordinary in this respect and differed significantly from previous years. Nearly all regions, countries and industries were affected by the coronavirus pandemic to varying degrees, and this created significantly changed economic conditions for TÜV Rheinland in its global and local markets. These coronavirus-related changes in macroeconomic and market-specific conditions affected the business of TÜV Rheinland as follows:

EUROPEAN BUSINESS TÜV Rheinland's European business was 5.9% lower in 2020, but it still outperformed the general economic trend of around -7.0%. Western Europe recorded a 1.0% increase in sales, largely as a result of the acquisition in late 2019 of Certio, the Spanish network of testing centers, with ten locations in Catalonia and two on Menorca. By contrast, Central and Eastern Europe recorded a sharp downturn of 10.6% that tracked relevant macroeconomic trends. Germany's business was also down by 6.9%, mainly due to the ACADEMY & LIFE CARE Business Stream, which was by far the Business Stream hit hardest by the pandemic at TÜV Rheinland.

GREATER CHINA Given the rapid economic recovery in China, with an upturn of 2.3%, TÜV Rheinland's business there plays a significant role in the Group. TÜV Rheinland recorded a 0.4% increase in revenue in the region, with particular emphasis on Shenzhen, Guangdong and Taiwan, as well as the PRODUCTS Business Stream.

ASIA PACIFIC Performance in the Asia Pacific region was slightly worse for TÜV Rheinland, with a decline in revenue of 3.4% compared to the 1.6% downturn in the general economy. The very positive development in Korea, in particular through the PRODUCTS and MOBILITY Business Streams, partly offset the declines in the other countries such as Japan and the Philippines.

IMEA In line with the overall economic trend, TÜV Rheinland's IMEA business shrank by 9.8%. The decline was due not only to the coronavirus pandemic but also to the strategically induced portfolio adjustments and scheduled declines in project volumes in the ACADEMY & LIFE CARE Business Stream in Saudi Arabia.

NORTH AMERICA The US reported an economic downturn of 3.4% in 2020. TÜV Rheinland's business there was down by a total of 20.5%. The decline was mainly attributable to services in the INDUSTRIAL SERVICES & CYBERSECURITY Business Stream that form a part of the oil and gas supply chain and must be performed out on location. Mexico and Canada also closed the reporting year with drops in revenue.

SOUTH AMERICA The economy in South America was very hard-hit by the coronavirus pandemic and shrunk by around 7.0% in 2020. TÜV Rheinland even recorded a decline of 34.2% in the region, with Brazil, Argentina and Peru the worst affected. Particularly in the INDUSTRIAL

SERVICES & CYBERSECURITY Business Stream, in which a significant local presence is required, TÜV Rheinland reported significant negative impacts due to the longer company closures and the resulting delays in orders.

As a globalized service company, the goal of TÜV Rheinland is to systematically strengthen its operations worldwide. TÜV Rheinland focuses its efforts in this regard particularly on expanding its operations in the markets in which the company can optimally develop its competitiveness.

CORPORATE MANAGEMENT

TR+ The business strategy of TÜV Rheinland defines the Group's focus and goals for the coming years.

Profitable growth, reduced complexity, expansion in scalable businesses, accelerating digitalization, and maintaining quality leadership are core elements of the current TR+ corporate strategy.

The area of corporate management relies on a group-wide management information and controlling system, creating cost and income transparency in all areas and thus contributing to a profitable earnings performance. Reporting is standardized worldwide and is based on the International Financial Reporting Standards (IFRS).

The focus is on annual financial targets and control parameters such as revenue, earnings before interest and taxes (EBIT) as well as specifications for optimized working capital management. In addition to this, workflows are managed based on key process indicators. The Group's value-oriented management is further strengthened by making these performance and management figures a fixed component of the executive-level compensation structure.

The Group's TR+ strategy spans several stages of development. Working from environmental and strategy scenarios, first a strategic direction was developed that defines the Group's basic strategic logic. This ensures that TÜV Rheinland remains sustainable and successful in a TIC market characterized by continued consolidation and will reach the target vision set for itself by 2024. A portfolio analysis was also carried out in which the economic setting in the service segments was analyzed, with trends and risk profiles examined and growth forecasts derived. Based on this, the businesses in which TÜV Rheinland wants to operate were identified, along with the ways in which these businesses should develop, both in detail and as a bundle, and over both the short and long terms. Finally, following the strategic thrust and based on the results of the portfolio analysis, the strategies for all of the Business Streams and Business Fields were reviewed and revised where necessary.

TÜV Rheinland views its target vision for 2024 as one of an essential global provider in the industry. The Group will be sustainably profitable and independent, providing its clients with excellent services from a service portfolio that is less broad than it is today. Areas of investment focus for organic and inorganic growth are in scalable services and in measures to boost the quality and efficiency of service delivery. Investments in digitalization will continuously be on a higher level than before. The workforce will be prepared for increasing digitalization and advances in automation.

A top priority alongside these targets will remain to protect the TÜV Rheinland brand and its reputation. In addition, it remains the mission to further reduce the number of accidents at TÜV Rheinland.

TÜV Rheinland's strategic thrust is based on strategic guidelines, four of which are particularly important and constitute the Group's "strategy DNA."

REDUCTION OF COMPLEXITY The current complexity in the Group is based, among other things, on a broad service portfolio, a large number of companies and Business Fields as well as an inhomogeneous process and system landscape in individual areas and regions. The broad portfolio in particular makes it difficult to make use of scaling effects and the continuous digitalization of services and processes. The TR+ strategy envisages streamlining the service portfolio, mainly through the sale or discontinuation of services that are loss-generating, critical or not strategically relevant. The organizational structure will also be subject to a reduction in complexity. In this context, the number of Business Streams was already reduced from six to five in 2019, and the Business Fields of the former DIGITAL TRANSFORMATION & CYBERSECURITY Business Stream were transferred and integrated into other Business Streams.

Further consolidations were made in 2020 to simplify the organizational structure. Among other things, these consolidations included combining existing central functions, such as quality management, accreditation & certification and HSE (Health, Safety, Environment) to create a more comprehensive and integrated QHSE service function.

In a world of continuous change, to ensure that TÜV Rheinland remains optimally positioned for the future, the Group is currently implementing a variety of overarching change projects in Business Streams and service functions.

With this in mind, as early as autumn 2019, the **SPRING** program was initiated for the PRODUCTS and SYSTEMS Business Streams, with the main goal sustainably bolstering profitability. Following a phase of in-depth analysis and preparation in which extensive measures for business improvement were developed, the SPRING program of measures was implemented globally beginning in March 2020.

The action program pursues four overarching goals, with individual measures assigned to each, that can be deployed to consistently and systematically address and improve resources and potential:

- **Simplifying organization** in terms of transparency and acceleration of decision-making processes
- **Portfolio optimization** to improve resource utilization and economies of scale
- **Strengthening performance** by improving process control and sharpening functional descriptions

- **Acting efficiently**, meaning paying attention to costs and making processes leaner and more stable.

Thanks to the successful cooperation and commitment of all stakeholders, a large part of the measures could be completed by the end of 2020. The remaining measures will be completed in 2021, with development of sustainability concepts to ensure long-term effectiveness.

For the MOBILITY Business Stream, similar to SPRING, the **Mobility 2022** project was created. The aim of this global project is to simplify structures in this Business Stream, strengthen leadership and responsibility, and promote a culture of performance in an effort to act more efficiently and thus gain significantly more financial leeway. Mobility 2022 encompasses all Business Fields and regions and has a significant focus on the region of Germany as the strongest and most important market.

The Group's **Future Sales** project was also launched in November 2019. The aim of the project was and is to make sales more powerful and future-proof to ensure continuous, stable revenue growth in the years to come.

TÜV Rheinland operates in a challenging economic environment and must not only continuously optimize itself but also constantly align its service portfolio to clients' and markets' evolving requirements. Under these challenges, to secure the future of TÜV Rheinland in the long term, Group revenues must be continuously and profitably increased. TÜV Rheinland can only achieve continuous, stable revenue growth if the Group is better geared to the needs and requirements of its clients and enables its sales operation to act more effectively.

The **JUMP** project builds on the previous transformation programs and changes the control logic for the service functions, a logic that targets the structure as a strategic management holding.

EXPANDING SCALABLE BUSINESSES Investments are mainly made in businesses that offer the greatest scaling potential, i.e. – put simply – in services with high demand and/or considerable market potential. These potentials are identified across Business Streams, particularly in the case of inspections and laboratory testing. Significant acquisitions are a tried-and-tested means of consistently pursuing economies of scale, provided the relevant opportunities present themselves in the market.

ACCELERATING THE DIGITAL TRANSFORMATION "Digitalization" comprises more than the development of new and digital business models. This also extends to the transfer of currently analog processes to digital ones as well as the structured compilation and analysis of data to generate an additional benefit, for example in the form of client benchmarks. Future investments will focus on these themes. Suitable resources will be leveraged to promote and develop data-driven business models.

RETAINING QUALITY LEADERSHIP Positioning as a provider of high-quality services will be maintained and expanded. The goal is to consistently meet the requirements of clients, standard-setters, and regulators as well as strict internal requirements. To this end, processes in service provision are, wherever possible, standardized and automated, with the understanding of the quality standard in service provision – where necessary – advanced, and quality indicators, where not yet in place, systematically introduced, recorded, and used for control. These measures will also contribute to a reduction in risk.

RESULTS OF OPERATIONS

Group revenues

Consolidated revenue (including inventory changes) of TÜV Rheinland fell from €2,085.1 million in the previous year to a total of €1,953.2 million in the 2020 financial year; this represented a decrease of €131.9 million. Of the total revenue, €916.8 million was attributable to countries other than Germany; this accounted for a 46.9% share of total revenue. Due to fluctuations in exchange rates, the table below shows currency-adjusted values in addition to unconsolidated revenues per Business Stream, as well as intra-group revenues and the central functions in a separate item:

in € millions	2020	2020*	2019
INDUSTRIAL SERVICES & CYBERSECURITY	**538.1**	**542.2**	**597.5**
MOBILITY	**554.0**	**556.2**	**558.9**
PRODUCTS	**557.0**	**560.8**	**570.1**
ACADEMY & LIFE CARE	**228.8**	**229.1**	**298.3**
SYSTEMS	**214.3**	**216.1**	**221.1**
Other (intra-group revenues and central functions)	-138.9	-121.5	-160.8
Group revenues	1,953.2	1,982.9	2,085.1

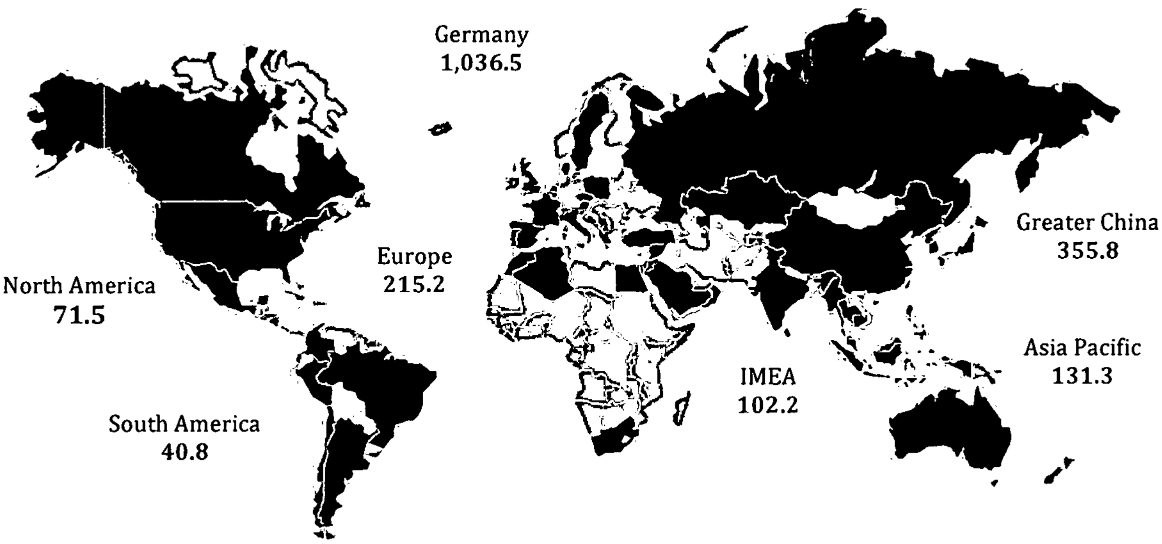
** Revenue at constant exchange rates*

The 6.3% year-over-year decrease in total revenue was mainly due to the coronavirus pandemic, with the ACADEMY & LIFE CARE Business Stream the one most affected in percentage terms. The pre-tax return on sales in the 2020 business year stood at -2.0% (previous year: 5.7%).

GERMANY Germany had a 53.1% share of total revenue and was not in a position to increase its revenue over the previous year. The year-over-year decline in domestic revenue of €76.4 million, to €1,036.5 million, was mainly attributable to the ACADEMY & LIFE CARE Business Stream, which stood at €36.7 million.

OTHER COUNTRIES International revenue totaled to €916.8 million and was 5.7% lower than the previous year (previous year: €972.3 million). The Greater China region accounted for 18.2%

of total Group revenues, followed by the regions of Western Europe (9.2%) and Asia Pacific (6.7%). Each of the remaining accounted for less than 6.0% of revenue. In spite of the coronavirus pandemic, the international regions of Western Europe and Greater China achieved slight revenue growth of 1.0% and 0.4%, respectively. The remaining regions recorded downturns in revenue of up to 34.2%, as in the case of South America. During the 2020 financial year, changes in currency exchange rates resulted in a €29.7 million decrease in Group revenues. The currencies that made a particular contribution to this development were the Argentine peso – as in previous reporting periods – as well as the Brazilian real, the Chinese yuan and the Chilean peso. The positive trend for the Japanese yen was not enough to compensate for this effect. What follows is a global overview of revenue by region in € millions:



INDUSTRIAL SERVICES & CYBERSECURITY This Business Stream reported a 9.9% year-over-year downturn in revenue. While regulated business grew, particularly in Germany, unregulated business, especially abroad, was heavily influenced by the pandemic. Another factor with negative impact on the revenue trend was the sale of two companies in Germany (at the end of 2019 and in March 2020). On the other hand, the Greater China region generated growth momentum, with nearly all Business Fields exhibiting growth. The Business Field for Cybersecurity & Functional Safety fell well short of expectations for 2020, largely as a result of the Cybersecurity sub-segment.

The Industrial Inspection & Materials Testing Business Field fell significantly short of the forecast and short of the previous year's figure. This was due not only to the pandemic but also to the trend in the price of oil, which triggered a downturn in revenue, particularly in North America but also in parts of IMEA as well.

The Energy & Environment Business Field was also severely affected by the pandemic and underperformed expectations, especially in Europe. The influence of the international oil and gas business was also noticeable there. The consulting business also reported a decline.

MOBILITY The revenue trend for this Business Stream showed a strong impact of the coronavirus pandemic; the planned revenue target was not reached as a result. Nevertheless, with €554.0 million in total revenue, the Business Stream almost matched the previous year's level; this was mainly the result of the acquisition of Certio ITV S.L.U.

The largest Business Field, Periodical Technical Inspection, had €323.2 million in revenue; this corresponds to a 6.3% increase. Excluding the effects of the acquisition referenced above, revenue held steady at the previous year's level. The testing activities at the beginning of the year in Germany and Latvia were maintained with some restrictions due to the coronavirus pandemic, but in Spain, France and Chile, business was shut down entirely as part of national lockdown measures. Later on, the resulting quantity losses were partially, but not fully, recovered in the countries affected by the lockdown. Despite the difficult circumstances, Germany reported growth, with the German franchise organization remaining an important component of the nationwide service campaign.

The pandemic posed major challenges for the Driver's License Business Field. The high level of demand following the first lockdown, together with the hygiene concepts introduced governing theoretical and practical testing, in some cases led to capacity bottlenecks. This was counteracted by a significant increase in overtime hours and in opening and examination times, largely compensating for the examinations that had been missed.

The decline in traffic caused by the coronavirus pandemic reduced the number of claims in the Car Services & Appraisal Business Field; this was in line with general developments in the overall market. In spite of downward market trends in new registrations and transfers of ownership, the vehicle registration services area reported significant growth.

Revenue for the Engineering & Type Approval Business Field, which is broadly positioned internationally, was slightly lower in Europe and Asia Pacific. The Mobility Technology Center (MTC) was commissioned in Japan as part of the expansion of the service portfolio. The new laboratory enables EMC and wireless testing in relation to connected vehicles.

The Rail Business Field recorded a 16.5% decline in revenue but managed to continue its path to international expansion. New and long-term projects were acquired, both nationally and internationally, and the international share rose to around 57.7%.

PRODUCTS Despite the coronavirus crisis, this Business Stream was able to hold its revenue levels stable year-over-year and at €557.0 million made the largest contribution to revenue of any of the Business Streams. The Asia Pacific and Greater China regions were once again the main drivers behind this performance.

The Medical Business Field was able to increase its revenue by a considerable 4.2%; the Electrical Business Field held steady at the previous year's level. Revenue decreased by 2.3% across all of the Business Fields. The Business Fields of Softlines (which includes testing of toys, cosmetics and textiles) and Hardlines (furnishings and household goods together with testing of mechanical products) fell largely short of previous year's levels. This was mainly a result of the difficult situation in Germany and the downturn in business there, particularly with clients from the retail sector. In some segments (textiles, toys, household goods), pandemic-driven changes in shopping behavior, especially in Europe, contributed significantly to manufacturers' and distributors' reluctance to award contracts in the inspections business.

ACADEMY & LIFE CARE Revenue in this Business Stream stood at €228.8 million, for a year-over-year downturn of 23.3% and a significantly lower level than in the previous year. This was mainly due to the significant effects of the coronavirus pandemic, strategically induced portfolio adjustments, and forecast declines in project volumes, such as in the area of training and education in Saudi Arabia. As part of the strategy review, it was decided to reduce business with private schools as well as business with temporary employee placement organizations.

Operationally, all of the Business Fields and regions initially reported robust rates of growth in the first quarter of 2020, although the coronavirus pandemic significantly reduced business activities and revenues in China. In the further course of the year, however, due to the significant and worldwide lockdowns, revenue fell sharply, in some cases by up to 35.0% when compared to the same months the previous year. The Business Fields hit hardest here were Training & HR Development and Labor Market Services, where the only factor that prevented an even more dramatic downturn in business was the strength of the existing range of digital and remote services. Step-by-step easing toward the middle of the year permitted an upturn in revenue, even as severe regional or local coronavirus restrictions remained in effect in some places.

Due to the need for consulting on pandemic planning and on implementing the SARS-COV Occupational Health and Safety Standard, the Occupational Health & Safety Business Field experienced increased demand from mid-year. In the Digital Transformation Business Field, following integration into the Business Stream, extensive restructuring was initiated that focused on solid and profit-oriented revenue.

SYSTEMS The coronavirus pandemic meant that this Business Stream was unable to meet its growth targets and reported a 3.1% overall decline in revenue.

The largest Business Field, Certification of Management Systems, was the one hardest-hit by the pandemic. In spite of an encouraging recovery in the second half of the year and the introduction of remote audits, revenue stood at €129.1 million (previous year: €138.2 million) and thus fell short of the previous year's level.

The Customized Services Business Field (auditing based on internal rules and enterprises' individual requirements of suppliers and business partners) fell short of original forecasts as well and stood 1.6% short of the previous year's level. Revenue growth due to a large tourism project in Saudi Arabia, together with increased revenue in the eCommerce area, largely offset the pandemic-based downturn in revenue in the "Supply Chain Audits" area.

The Government Inspections & International Trade Business Field reported 8.2% growth in spite of a global deterioration in framework conditions; it generated €38.3 million in revenue. The regions of Asia Pacific and IMEA reported the largest increases in sales, with the main drivers for growth being the pre-shipment inspection business in Indonesia, the newly introduced program for compliance audit in Morocco, and the SALEEM approval program in Saudi Arabia.

Operating result (EBIT)

The operating result stood at a total of €-23.6 million in the 2020 financial year; this was well below the previous year's figure of €135.6 million. After adjusting for special effects - which mainly consisted of €90.3 million undercoverage from ongoing legal proceedings, personnel and restructuring measures of €56.0 million, effects from past purchase price allocations (PPAs) of €8.0 million, and write-downs of €2.8 million on assets classified as held for sale - the adjusted EBIT stood at €133.6 million.

The following is a presentation of the year-over-year trend in the operating result:

in € millions	**2020**	2019
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**118.7**	**274.7**
Amortization of intangible assets and depreciation of property, plant and equipment	-142.2	-139.1
Operating result (EBIT)	**-23.6**	**135.6**
Financial result	-15.6	-16.8
Earnings before income taxes	**-39.2**	**118.8**
Taxes	-24.7	-42.1
Consolidated net income	**-64.0**	**76.8**

At €118.7 million, earnings before interest, taxes, depreciation, and amortization (EBITDA) for the financial year were 56.8% lower than the previous year's total of €274.7 million.

The operating result and earnings before taxes were significantly below the previous year's level. The EBIT margin for the 2020 financial year totaled to -1.2% (previous year: 6.5%). In addition, the negative operating result of €23.6 million included expenses from currency translation on balance of €7.0 million.

INDUSTRIAL SERVICES & CYBERSECURITY In spite of the significant downturn in revenue, the Business Stream was in a position to generate a slightly improved profit margin of 10.3% and thus achieved the expected target margin. While the focus for most Business Fields was on securing earnings in spite of a downturn in revenue, in the Cybersecurity sub-segment a material investment was made in restructuring in an effort to adapt even more effectively to client requirements in the future, and to be able to draw on further synergies within the Business Stream.

MOBILITY The Business Stream generated a total profit contribution of €32.5 million (previous year: €39.6 million). Consequently, the result was significantly lower than in the previous year as a result of the coronavirus pandemic. The largest decline was in the Car Services & Appraisal

Business Field where, due to the nature of the service, there is no way of making up for lost business. On the other hand, the Periodical Technical Inspection Business Field outperformed the previous year's result due, among other things, to the acquisition in Spain, but also as a result of the first effects of the **Mobility 2022** project, which was set up independently of the pandemic to optimize management levels and manager-to-staff ratios.

PRODUCTS All in all, this Business Stream continued to report healthy demand, even if not all markets reached the earnings targets set. It generated earnings of €92.9 million (previous year: €85.6 million) and thus made by far the largest contribution to earnings at TÜV Rheinland. All of the Business Fields succeeded in increasing their earnings contribution year-over-year; only Softlines remained below the previous year's level. With the aid of the SPRING restructuring project, structures have been consistently adapted, resulting in efficiency gains. A similar picture emerged for EBIT margins, which were higher overall, going from 15.0% to 16.6%.

The lockdowns brought on by the coronavirus pandemic and the associated difficult framework conditions led to different developments regionally, with South America, Germany and India in particular posting weaker results. State-based coronavirus assistance, however, particularly in China, managed to offset some of these effects.

ACADEMY & LIFE CARE The coronavirus-based downturns in revenue were counteracted with sweeping countermeasures that included short-time work (along with comparable support efforts in the international environment) and a reduction in material costs to minimize the negative impact on the earnings situation. Important digitalization projects, on the other hand, such as the establishment and rollout of a modernized webshop, were implemented on schedule. This generated earnings of €4.0 million (previous year: €16.7 million), which in 2020 was additionally affected by a larger valuation allowance of €2.7 million on outstanding receivables in Mexico.

At €6.6 million, the Occupational Health & Safety Business Field made the highest contribution to earnings. The Training & HR Development and Labor Market Services Business Fields posted positive earnings of €1.2 million and €0.6 million, respectively, with the Training & HR Development Business Field recording the Business Stream's most significant downturn in earnings and thus contributing significantly to the decline experienced across the entire Business Stream. In the Digital Transformation Business Field, the high losses from the temporary employee placement business could not be offset.

SYSTEMS Fundamental structural and process adjustments (Project SPRING) made it possible to sustainably cut costs in this Business Stream. Thanks to successful business-continuity management, it was possible to boost earnings in all three Business Fields in spite of lost revenue due to the coronavirus. Totaling to €30.0 million, earnings were significantly higher than in the previous year (€22.4 million), and the margin thus rose from 10.1% to 13.9%.

REGIONS In terms of regions, Greater China was able to increase earnings before interest and taxes by 11.8% to €101.6 million, while the Asia Pacific region increased by 7.2% and stood at €38.0 million. As a result of the economic challenges described above, the South America region experienced a very sharp downturn in earnings.

THIRD-PARTY SERVICES Third-party services totaled to €298.4 million in the 2020 financial year; this was €19.4 million less than in the previous year. The third-party services ratio was 15.3% and was roughly at the previous year's level of 15.2%.

PERSONNEL EXPENSES Personnel expenses were 1.2% lower year-over-year and stood at €1,159.5 million. The personnel expense ratio was 59.4% and increased by 3.1 percentage points in comparison to the previous year. The average number of (full-time) employees on payroll decreased to a total of 20,657 employees in the 2020 reporting year, representing a 3.7% year-over-year decline.

AMORTIZATION AND DEPRECIATION Amortization of intangible assets and depreciation of property, plant, and equipment totaled to €142.2 million and were thus only slightly higher in comparison to the previous year. Not taking amortization of rights of use under IFRS 16 into account, amortization and depreciation stood at €87.4 million (previous year: €84.5 million).

EXPENSES Other expenses in the 2020 reporting year were 72.1% higher year-over-year and amounted to €674.4 million. Specifically noticeable in this connection were the €306.8 million in expenses for the provision for ongoing legal proceedings. This amount included advance payments already made. Chargeable and non-chargeable travel expenses were 46.5% and €33.5 million lower, respectively, by comparison as a result of the travel restrictions in effect during the coronavirus pandemic. Exchange-rate losses, on the other hand, had increased by €9.5 million year-over-year.

INCOME Other income was €224.4 million higher and stood at €297.6 million. This item mainly included income from recourse claims against insurance companies that had not yet come into existence as a matter of law, in the amount of €216.4 million. This amount included advance payments already made. The recourse claims are virtually certain to come about, in our opinion, when the stated charges from pending legal proceedings materialize. In addition to this, other income mainly included €13.7 million in income from subsidies, including income pursuant to the Social Services Providers Act, currency exchange-rate gains of €11.4 million, €11.4 million also in income from the reversal of provisions, €6.8 million in income from services, and rental income of €8.6 million.

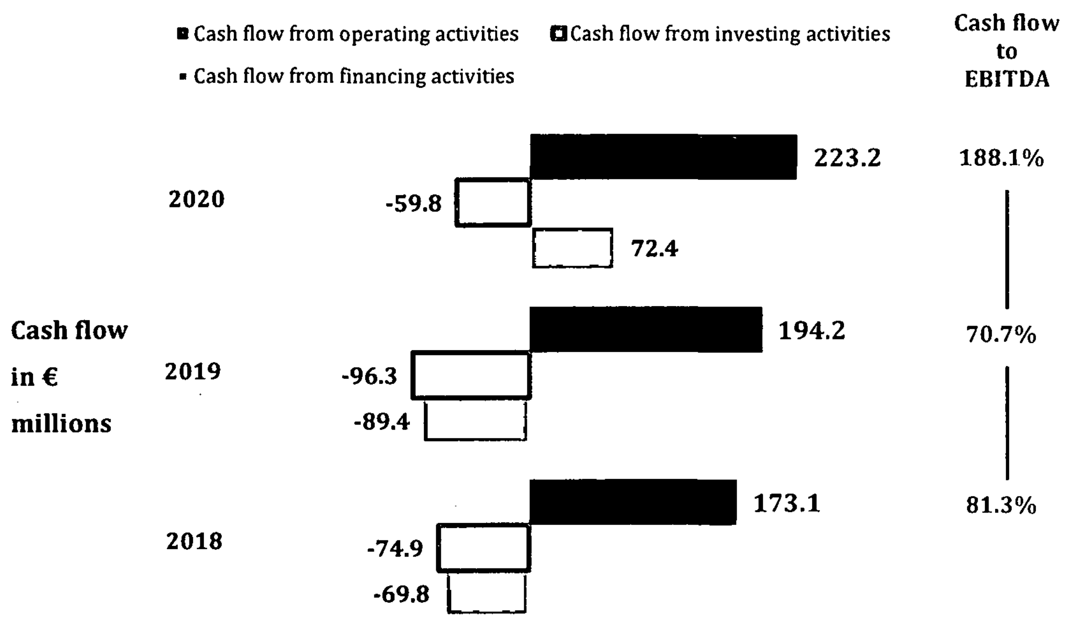
FINANCIAL RESULT The negative financial result in the 2020 reporting year amounted to €15.6 million and was improved by €1.1 million. Interest expenses from financial liabilities amounted to €9.9 million and included €2.8 million in interest expenses arising from the application of IFRS 16.

TAXES Negative earnings before income taxes stood at €39.2 million, which was €158.0 million below the previous year's figure of €118.8 million. Income tax expenses totaled to €24.7 million in the financial year under report. The relatively high tax burden in spite of negative pre-tax earnings was mainly the result of higher losses against which no tax assets could be recognized.

CONSOLIDATED NET INCOME Consolidated net income totaled to €-64.0 million (previous year: €76.8 million).

FINANCIAL POSITION

The financing activities of TÜV Rheinland are designed in such a way as to provide sufficient liquidity at all times and to permit all payment obligations to be met. In this connection, TÜV Rheinland made an even more concerted effort toward continuous effective management of currency risk and interest-rate optimization in the 2020 financial year. One reason for this was, among other things, long-term and sustainable coverage of pension obligations, which totaled to €820.7 million as of December 31, 2020, thus representing 33.3% of total assets.
What follows is a presentation of the trend in cash flow from operating activities and from investing and financing activities (see also "TÜV Rheinland at a Glance", page 5).



CASH FLOW FROM OPERATING ACTIVITIES At €223.2 million, the positive cash flow from operating activities in the financial year was higher than the previous year's figure of €194.2 million, representing an increase of €29.0 million. The negative consolidated net income of €64.0 million was €140.8 million below the figure for the previous year. However, this was offset by €145.0 million in non-cash depreciation and amortization (previous year: €139.1 million). In addition, the reduction in net working capital to 4.2% (previous year: 7.1%) had a positive effect on the cash flow from operating activities. The ratio between cash flow from operating activities and earnings before interest, taxes, depreciation, and amortization (EBITDA) increased from 70.7% to 188.1%. In contrast to the previous year, in the 2020 reporting year, TÜV Rheinland was able to fully convert its EBITDA into liquidity.

CASH FLOW FROM INVESTING ACTIVITIES The negative cash flow from investing activities decreased by €36.5 million year-over-year. Payments of €42.4 million for business acquisitions had also been made in the previous financial year; there were no business acquisitions, and hence no such payments made, during the year under report here. Investments in property, plant and equipment and intangible assets totaled to €68.8 million in the year under report; this is roughly on a par with the previous year's level.

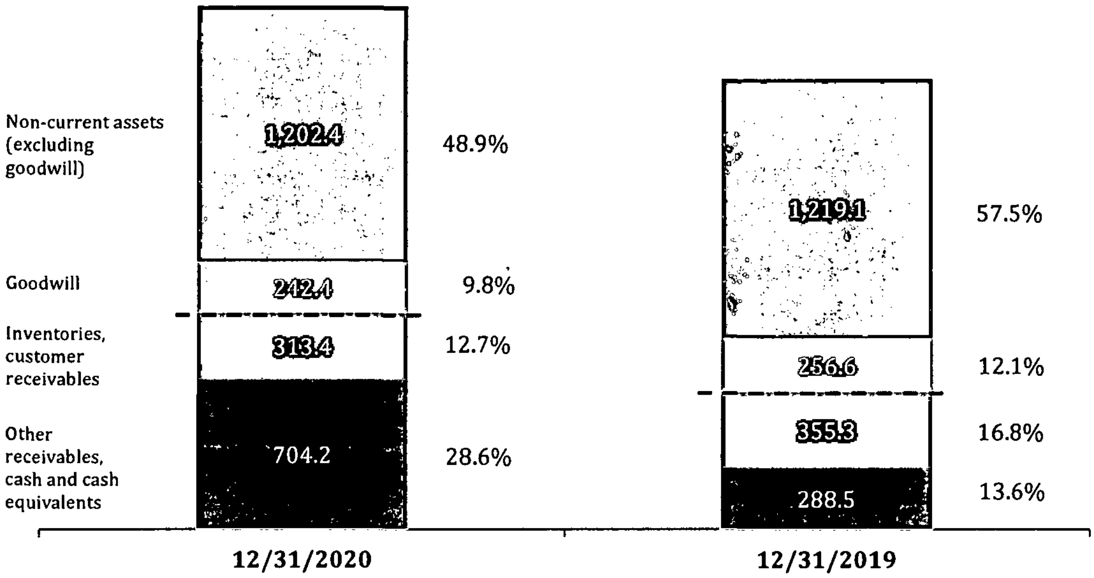
CASH FLOW FROM FINANCING ACTIVITIES Cash flow from financing activities was positive in this financial year; it amounted to €72.4 million, which was €161.8 million higher than the previous year. The change mainly resulted from the successful issuance of €200.0 million in green promissory notes, an amount partially offset by higher repayments of loans. The distribution of the dividend of €15.0 million to the shareholder placed an additional burden on the cash flow from financing activities.

CASH AND CASH EQUIVALENTS Cash and cash equivalents amounted to €444.8 million as of the balance sheet date; this was €244.7 million higher than the previous year. Restrictions affecting the availability of capital totaled to €141.1 million as of the balance sheet date of December 31, 2020. These mainly affected cash and cash equivalents that were subject to restrictions on movements of capital in China.

To ensure its ongoing solvency, TÜV Rheinland also has a line of credit of €155.0 million syndicated for 5 years. This line of credit was signed in March 2020 and had not been used as of December 31, 2020.

NET ASSETS

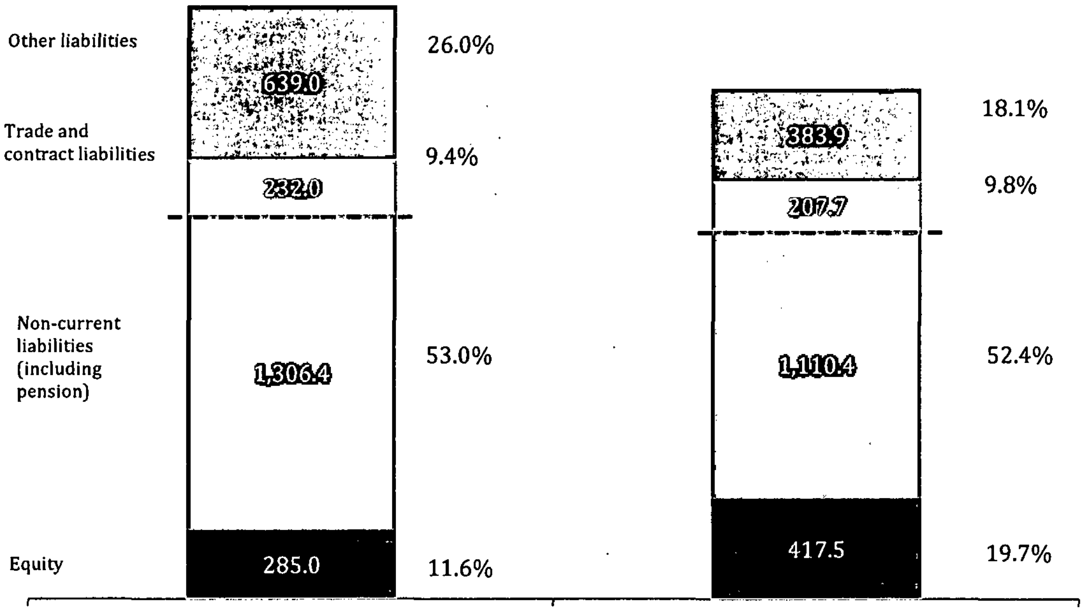
The **assets** (in € millions) of TÜV Rheinland at a glance:



NON-CURRENT ASSETS In the 2020 financial year, total assets increased by €342.9 million or 16.2% and stood at €2,462.4 million (previous year: €2,119.5 million). Non-current assets (excluding goodwill) were €16.7 million lower and totaled to €1,202.4 million. Goodwill as of the balance sheet date of December 31, 2020, amounted to €242.4 million (previous year: €256.6 million) and accounted for 16.8% of non-current assets. The year-over-year change in goodwill was mainly attributable to currency exchange losses of €11.1 million.

CURRENT ASSETS Inventories and customer receivables decreased by 11.8% year-over-year, mainly due to a €45.7 million downturn in the level of trade receivables. The contract assets reported within customer receivables amounted to €82.6 million (previous year: €78.5 million) and were thus slightly higher than the previous year's level. Other receivables increased by €171.0 million year-over-year as a result of €171.4 million in recourse claims against insurance companies that had not yet come into existence as a matter of law. These are virtually certain to come about, in our opinion, when the stated charges from pending legal proceedings materialize. Income tax receivables recognized under other receivables were €4.1 million higher year-over-year. Cash and cash equivalents totaled to €444.8 million as of December 31, 2020, which was 122.3% higher than in the previous year. The increase in cash and cash equivalents was chiefly the result of the successful issuance of green promissory notes totaling €200.0 million.

The **liabilities** (in € millions) of TÜV Rheinland at a glance:



EQUITY Equity was €132.5 million lower and totaled to €285.0 million. In addition to the negative consolidated net income of €64.0 million, this decrease was also the result of a dividend distribution of €15.0 million to the shareholder TÜV Rheinland Berlin Brandenburg Pfalz e.V., and to actuarial losses from the valuation of pension obligations in a total amount of €25.4 million (previous year: €40.3 million). €20.7 million in exchange-rate losses also exerted downward pressure on equity. The equity ratio fell from 19.7% in the 2019 financial year to 11.6% in the current reporting year.

NON-CURRENT LIABILITIES Within non-current liabilities, pension provisions rose from the prior-year value of €786.9 million to €820.7 million in the current financial year. Pension provisions thus accounted for 33.3% of total assets. Pension provisions were offset by an actuarial reserve quota in the form of reinsurance policies with a total value of €327.2 million.

Along with the increase in pension obligations, corresponding liabilities to banks were also recognized in connection with the increased amount of cash and cash equivalents. There were non-current financial liabilities totaling €299.9 million as of the balance sheet date of December 31, 2020, representing an increase of €180.4 million. Changes in pension provisions and financial liabilities were the main drivers of the 17.6% year-over-year increase in non-current debt. Non-current liabilities included non-current lease liabilities of €125.6 million and were €11.9 million lower year-over-year as a result of lease payments made during the current financial year.

CURRENT LIABILITIES Current liabilities were €279.4 million higher year-over-year. The increase was mainly the result of the €261.8 million in the constitution of a provision for claims for ongoing legal proceedings. On the other hand, current liabilities to banks were €28.2 million lower, and income tax liabilities fell by €7.0 million.

INVESTMENTS

Total investment volume in the 2020 financial year stood at €68.8 million.

Since 2019, TÜV Rheinland has increasingly focused on its innovative capacity and has invested in future and digitalization topics (such as wireless, cybersecurity or autonomous driving). In spite of the coronavirus pandemic, the investment volume was held nearly constant year-over-year at around €68.8 million.

The effort to convert to the new application platform, One SAP on HANA, began back in 2018. What is known as "Wave 1" (the merger of two SAP clients) was successfully carried out in 2019. The project came to a conclusion in March 2020 with the completion of Wave 2 (merger of two additional SAP clients). One of the largest IT projects in recent decades was able to be carried to successful completion in 2020 with the transition to the application platform SAP S/4 HANA with the new in-memory database HANA. The total investment volume for the HANA project in 2020 was only €1.0 million.

In addition, the global Wireless Strategy comprises the worldwide provision of radio technology to the testing network. The investment volume in the year under report was around €2.5 million. With these investments, TÜV Rheinland strengthened its position in the briskly expanding global IoT market.

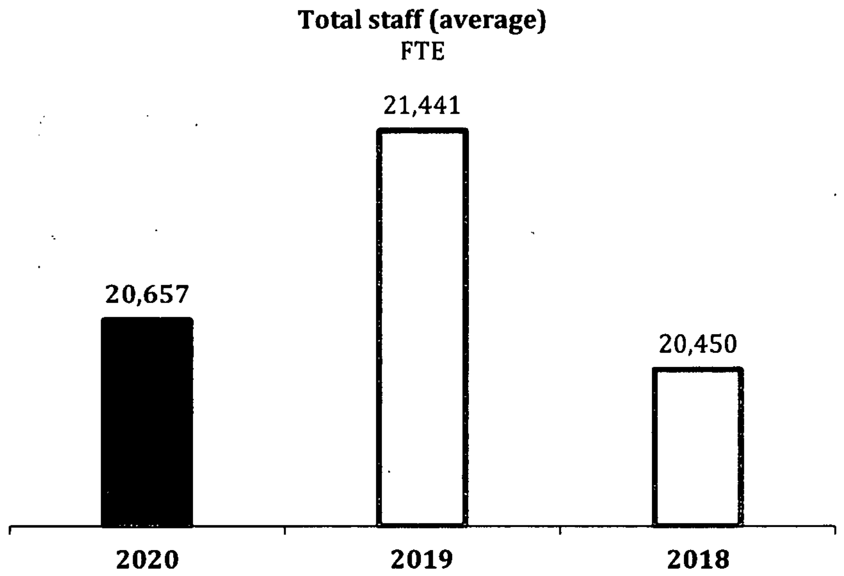
TÜV Rheinland also invested €2.9 million to implement a digital client platform in the PRODUCTS Business Stream (ComPASS). Replacing the IPMS project-management tool with ComPASS represents an important milestone for the Business Stream. Worldwide introduction of the new ComPASS project-management software makes it possible to achieve significant improvements in efficiency. This is based not only on a uniform system for project control but also on the accompanying adaptation to globally standardized and harmonized processes.

TÜV Rheinland additionally strengthened the performance of its IT infrastructure, particularly through investments in improved hardware, targeted increases in server capacity, and better-performing telecommunications equipment. This entails expanding and strengthening the IT infrastructure and acquiring highly specialized testing software and technology. Approximately €21.8 million was invested in this in the financial year under report.

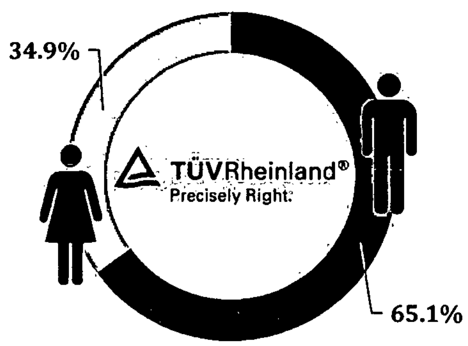
The MOBILITY Business Stream invested €13.6 million in a testing laboratory for electromagnetic compatibility (EMC) in Japan, and in expansion of and improvement in the equipment of the network of motor-vehicle testing centers.

EMPLOYEES

As of the end of the year 2020, a total of 20,365 employees (full-time) or 21,052 employees (headcount) were employed at TÜV Rheinland. The average number of employees (full-time) in the reporting year was 20,657; in a year-over-year comparison, this represented a decline of 784 employees or 3.7%.



65.1% of the employees on the payrolls of TÜV Rheinland were male; the proportion of women thus amounted to 34.9%.



The average workforce size abroad stood at 11,912 employees, which corresponded to a share of around 57.7%. The number of employees abroad remained at the same level as in the previous year. The average number of employees in Germany fell from 9,053 to 8,745 during the financial year under report (3.4%).

The decrease in the number of employees in Germany was mainly the result of a significant decrease in personnel in the ACADEMY & LIFE CARE Business Stream. Internationally, China and South America in particular contributed to the decline in personnel. This was offset by an increase in staffing, particularly in Spain, through the acquisition of Certio.

Information in connection with the law mandating equal participation by men and women in management positions in the private sector and in the civil service

Diversity is a focus in the sustainability strategy of TÜV Rheinland. In concrete terms, this means increasing the share of women in management positions within the Group to 15.0% in 2020 and appointing 20.0% of senior executives from outside of Germany to top-level management bodies. We achieved both targets during the reporting year: The share of women in management positions stood at 18.0% (previous year: 16.0%), and 50.0% of positions on top management bodies were held by executives from outside of Germany.

A quota of 25.0% by the end of 2020 was set for the proportion of women on the Supervisory Board of TÜV Rheinland AG. With four out of 16 positions filled by women, this quota was met in 2020. A quota of 30.0% is set as the target to be met by December 31, 2025. The Supervisory Board had set a quota of 20.0% for the proportion of women on the Executive Board of TÜV Rheinland AG by the end of 2020. Following the appointment of a new female member of the Executive Board in 2018, the target quota of 25.0% had been reached by December 31, 2020. This quota of 25.0% is also set to remain in place until December 31, 2025.

The target for the share of women in the top level of management at TÜV Rheinland AG was 24.0% by December 31, 2020; at 23.5%, we nearly reached this level in the reporting year. There is no second level of management set up at TÜV Rheinland AG.

Targets have also been defined for year's end 2020, together with new targets for December 31, 2025, for the five German Group companies subject to quotas under the law mandating equal participation by men and women in management positions. These are set forth at the website: www.tuv.com.

RISK MANAGEMENT SYSTEM AND CORPORATE GOVERNANCE

For a globally operating company like TÜV Rheinland, a comprehensive internal control system (ICS) relating to IT-assisted business processes, paired with effective and efficient risk management, are indispensable control elements that define the framework for management and monitoring. The ICS is mainly intended to ensure compliance with statutory requirements, TÜV Rheinland-specific guidelines, and its corporate objectives. The primary goal of risk management is for the Executive Board to take appropriate measures to identify and evaluate, at an early stage, threats to the companies, to permit initiation of suitable precautionary, control and protection measures as well as proactive countermeasures. A detailed description in the quality-management system and explicit coverage in the management framework manual define the risk management process of TÜV Rheinland. In addition, risks are recorded as process characteristics in the sense of quality-management documents (Standard Operating Procedure (SOP)) in the group-wide quality-management system "EtQ." These documents are available around the world on the company's intranet. In addition, TÜV Rheinland has a long-standing interdisciplinary risk management unit consisting of the functions of Audit, Finance & Accounting (including Insurance), Legal & Compliance, QHSE (Quality Management, Health & Safety and Environment as well as Accreditation & Certification), Human Resources and IT.

In addition, a coronavirus crisis team was set up at the beginning of the 2020 financial year, which at regular intervals provides German managers at TÜV Rheinland with information on the latest legal regulations in accordance with the Sars-CoV2 Occupational Health and Safety Standard published by the German Federal Ministry for the various areas, and on worldwide cases of infection and suspected infection. This coronavirus crisis team also has the role of issuing instructions on the current protective measures for daily operations and consistently observing these for the protection of our employees and clients. There is also a coronavirus crisis team in place in each region abroad, regularly analyzing the situation and defining, coordinating, and communicating any necessary measures internally.

In keeping with international standards, the German Corporate Sector Supervision and Transparency Act (KonTraG) requires the Executive Board to take suitable steps to ensure that developments which might pose a threat to the company's continued existence are made identifiable at an early stage. This requirement is taken into account in the companies and Business Fields by an effective ICS and TÜV Rheinland's early risk warning system. The Group's internal Corporate Audit Department also works on the basis of a risk-oriented audit approach and based on internationally recognized auditing standards to review the ICS of the

TÜV Rheinland companies around the world. In addition, information derived from quarterly risk reporting by the executives in charge of the Business Streams (Executive Vice Presidents) is subject to detailed analysis in connection with the regions involved. Material risks are also reported to the Executive Board on an ad hoc basis. Based on the information obtained, all of this information is then aggregated into a single risk report, taking the matrix structure into account. This report is then appraised from portfolio and Group viewpoints. Risk determination is based on the areas of risk that are specific to TÜV Rheinland. These areas comprise the categories market/customer, processes, employees, finances, accreditations/standards/regulatory framework, and miscellaneous. Risks are quantified based on the anticipated impact on earnings as well as the likelihood of the risk's occurrence. Additionally, the naming of planned countermeasures also represents a central component of the risk management process.

Dealing with risks is also a part of the ongoing reporting process. Reporting follows the requirements of the matrix structure and, in addition to regularly updating the economic outlook, also takes business-specific early indicators into account. This forms an essential foundation for recognizing risks as well as introducing and consistently pursuing specific efforts to avert possible damage to TÜV Rheinland. In the case of transactions that may have a significant impact on the performance of a Business Stream or Business Field, an approval process established worldwide provides transparency and reduces risk.

Risk management thus forms an integral part of the Group's standard planning, reporting, and control processes and is incorporated into the information and communication system at TÜV Rheinland. It is continuously enhanced and adapted to changing framework conditions. Risk management is therefore suitable for identifying risks at an early stage that pose a threat to the Group's continued existence and for taking appropriate countermeasures.

TÜV Rheinland abides by the basic principles of good corporate governance, which place a focus on the legal and practical framework of managing and monitoring the company. In particular, the Group utilizes a professional compliance management system that is designed with prevention in mind and sets the relevant framework for TÜV Rheinland. Specifically, this framework includes the Code of Conduct, a compliance guideline, a guideline for avoiding conflicts of interest and corruption, a guideline for donations and sponsoring, and an external helpline for matters concerning compliance. An active worldwide network of compliance officers has been established who are available to our employees as competent points of contact.

TÜV Rheinland is convinced that proper corporate governance is of great importance to its long-term success and that the implementation of and adherence to the corresponding guidelines play a key role in permanently strengthening the trust placed in the Group by all interest groups.

Value management and business-related environmental and social factors

TÜV Rheinland is committed to conducting itself in accordance with the principles of the UN Global Compact and the world group for testing, inspection, and certification service providers, the TIC Council. Specifically, this commitment entails explicit consideration of human rights, labor standards, the concerns of environmental protection and the fight against corruption as well as the implementation of these in practice.

TÜV Rheinland systematically continued its activities in regard to social responsibility and sustainability during the 2020 financial year. TÜV Rheinland manages the topics of "Corporate Social Responsibility (CSR)" and compliance on the basis of sustainability management and a compliance management system. Here, the sustainability strategy forms the substantive framework; with its five areas – governance, sustainable human resource management, efficient energy and resource consumption, social commitment, and service responsibility – it helps strengthen the key factors for success, thereby helping achieve the goal of becoming the world's best sustainable and independent service company in the field of testing, inspection, certification, consulting and training. The targets set for TÜV Rheinland in the areas of compliance, energy consumption, emissions, diversity, workplace health and safety, and society were at the root of the substantive continuation of the program for CSR and sustainability again in 2020. A materiality analysis was also carried out in the reporting year, consisting essentially of a compilation and analysis of the requirements of internal and external stakeholder groups at TÜV Rheinland together with a validation by the Management Board of the key sustainability issues in which this results. The materiality analysis forms the basis for the sustainability strategy of TÜV Rheinland, which extends into 2025.

OPPORTUNITIES AND RISKS

In connection with risk management, special attention is paid to opportunities and risks that are not explicit elements of planning. Important aspects result from TÜV Rheinland's global orientation and primarily relate to customers and markets as well as to legal and political framework conditions.

As part of our strategic planning, we regularly identify and evaluate the opportunities and risks that arise in our numerous Business Fields and take actions accordingly. Below is a description of our material opportunities and risks. Unless indicated otherwise, the opportunities and risks relate to all of our Business Streams.

The sequence of the opportunities presented reflects the current assessment of the relative extent for TÜV Rheinland and therefore provides an indication of the current significance of these opportunities for us. The opportunities described are not necessarily the only ones we have. Moreover, our assessment of opportunities is subject to change, as TÜV Rheinland, our markets, and technologies are constantly evolving. It is also possible that some of the opportunities we see today will not materialize.

OPPORTUNITIES

TÜV Rheinland continues to see its opportunities in service innovations, in international growth, in the regulatory environment, and in M&A activities.

SERVICE INNOVATIONS Opportunities are still mainly associated with service innovations in individual Business Streams and Business Fields, as in the case of automation and digitalization, for instance. TÜV Rheinland drives innovation by investing in new technologies to develop sustainable solutions for our clients while strengthening our own competitiveness at the same time. Among other things, this includes digitalization of the appraisal process in the Car Services & Appraisal Business Field as well as the introduction of a new driver's license in the Driver's Licenses Business Field.

One of our goals is to be an innovative corporate group that constantly offers new service technologies that we expect to meet future requirements. The expansion of our digital client platforms will improve the availability of digital products and systems for our clients, boosting their productivity and efficiency in the process. Within the scope of our TR+ strategic orientation, we intend to deploy targeted marketing and sales strategies in our operating companies in an effort to access new markets and clients. This is why we pool our resources and capabilities with a view to these growth fields as we continue developing them further. Investments in new laboratories, in energy and environmental services and in digital data security will continue unchanged from previous years. The institutionalized, close coordination between business-specific and regional expertise results in additional opportunities - for example, in identifying new fields of activity as well as the effective and efficient handling of cross-border projects. Furthermore, reducing complexity and increasing standardization in all Business Streams open up areas of potential. In addition to optimizations in sales and administration, this includes pooling operations across national borders and the use of innovative IT applications according to customer wishes. The opportunities through digitalization or Industry 4.0 are presented in the "Market-Specific Development" section (page 13 ff.).

A positive aspect of the coronavirus pandemic is the demand for new services in which it results. These include, for example, new consulting services in the ACADEMY & LIFE CARE Business Stream to implement occupational safety and health standards or consulting services to expand digital networks. In the PRODUCTS area, new market segments, such as the testing of nose-and-mouth masks, are also being developed. The SYSTEMS area offers new audit services geared toward tourism and the implementation of health and hygiene requirements.

INTERNATIONAL GROWTH Through sales initiatives and client-oriented support, we continuously strive to expand our services in established markets. We are also developing new markets to gain a greater market share and higher profits. We also see great potential in the increased acquisition of large orders in international markets, such as support for infrastructure projects. We continue to focus strongly on the Greater China region, where ongoing growth in our presence and continuous diversification of the range of services will continue.

REGULATORY ENVIRONMENT In the geopolitical environment, we see opportunities for improvement that will quickly contribute to a more positive climate for investment in industry, thus driving demand for our inspection and testing services. State initiatives - for example in the area of infrastructure, energy (e.g. hydrogen) or digitalization - will generate demand potential as well.

M&A ACTIVITIES As TÜV Rheinland, we continuously monitor our current and potential markets with an eye to opportunities for strategic mergers, acquisitions, shareholdings and partnerships with which we can complement our organic growth. Activities like these can help us strengthen our position in our current markets, develop new or underserved markets, or complement our service portfolio in strategic areas. The acquisition of Certio ITV S.L.U. in 2019 has already been successfully implemented, significantly expanding our market presence in Spain in the Periodical Technical Inspection Business Field. In collaboration with the recently founded, Aachen-based company ConAC in regard to a testing laboratory for drive batteries for use in battery-powered electric vehicles in Germany, both the laboratory network and the range of services will be expanded. There were no acquisitions carried out in 2020, but several joint ventures were newly established to help gain a foothold in new markets or grow existing ones. This includes, for example, the joint venture in China with the "National Innovation Centre of NEV Smart Energy Equipment" where accessories for use in electromobility are tested.

Below, we describe risks that may have an adverse impact on our business, assets, financial position, profitability, and reputation. The sequence of the risks presented within the four categories reflects the current assessment of the relative extent of risk for TÜV Rheinland and therefore provides an indication of the current significance of these risks for us. Additional risks of which we are not yet aware, or risks that we currently consider to be insignificant, may also negatively impact our business activities and objectives. Unless indicated otherwise, the following risks apply to all TÜV Rheinland companies.

STRATEGIC RISKS

We continue to see uncertainties surrounding the global economic outlook. One of the main risks to the global economic cycle is undoubtedly the further course of the coronavirus pandemic and the consequent related effects on the demand for our services (see, among other things, "Outlook" on page 50 ff.). As the pandemic is also expected to lead to an increasing number of insolvencies, TÜV Rheinland is experiencing an increased risk of default with regard to its receivables.

We also identify risks associated with significant changes in the structures, policies, or management of the company in an effort to improve our speed, agility, or corporate culture. This includes increased costs, missed financial or performance targets, loss of qualified personnel, loss of synergy effects, and the loss of trust on the part of our clients. We see risks that we might not be flexible enough to adapt our organization and our testing laboratories in order to quickly respond to changing market conditions. Necessary restructuring might fail to be carried out to the extent and time frame planned (due, for example, to local co-determination laws); this could delay expected improvements on the cost side and lead to a loss of qualified personnel. We minimize risks like these by planning and monitoring the implementation of measures in detail, maintaining strict cost management, and conducting ongoing discussions with all stakeholder groups concerned. Late issuance of accreditation, or its possible withdrawal, poses a risk for us as well. In addition to this, in various markets, there is also the challenge of finding skilled workers in numbers sufficient to enable further innovation and growth or of qualifying personnel while avoiding high rates of turnover. Particular mention should be made here of the difficult search for occupational physicians in Germany and specialized engineers.

In some respects, we also see risks associated with an excessive concentration of clients. TÜV Rheinland must continue to gain greater independence of individual major customers in an effort to minimize the impact of a sudden drop in revenue with individual clients.

FINANCIAL RISKS

At TÜV Rheinland, the financial risks are broken down into foreign-currency, interest-rate, translation, and liquidity risks.

FOREIGN-CURRENCY RISK TÜV Rheinland is exposed to risks arising from fluctuations in exchange rates if a TÜV Rheinland company concludes transactions with international contractual partners, if loans are made within the Group, or if profit distributions are collected and will result in future cash flows in foreign currencies that do not correspond to the functional currency of the respective TÜV Rheinland operating company. Foreign-currency risk is largely considered to be low, as the individual Group companies carry out their operating activities predominantly in their respective functional currency. Operating companies are not permitted to accept or invest funds in foreign currencies for speculative reasons. Intra-group financing or investments by the TÜV Rheinland companies are preferably carried out in the respective functional currency, or on a currency-hedged basis. Sensitivity analyses are always performed as of the reporting date in an effort to identify possible risks at an early stage. In trade receivables and liabilities, an appreciation of the euro by 10.0% against all currencies as of the end of the reporting period would have only a minor effect on the result for the year and on equity capital.

INTEREST-RATE RISK Interest-rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in the market rate of interest. The risk always occurs when the conditions governing the rate of interest differ from financial assets and liabilities. There is no doubt that there is a risk of interest-rate changes in the pension obligations, which constitute the largest item in the consolidated balance sheet. Using derivative financial instruments where appropriate, we perform comprehensive, group-wide management of interest-rate risks with the goal of managing the company's interest-rate risk, interest income, and interest expense. In the absence of country-specific regulations to the contrary, intra-group financing takes the form of loans or intra-group fixed income clearing accounts. As of the reporting date, derivative financial instruments are of rather subordinate importance in terms of their volume and risk potential; a shift in the yield curve of +100 (-100) base points would change the market value of the interest-rate swaps by €0.2 million (€-0.2 million).

TRANSLATION RISK Many TÜV Rheinland companies are located outside the eurozone. Because the reporting currency at TÜV Rheinland is the euro, when it draws up its consolidated financial statements, TÜV Rheinland converts the financial statements of these companies into euros. In order to take translation-related foreign-currency risks into account in risk management, the general assumption is that investments in foreign companies are long-term, and that the earnings will be continuously reinvested. The effects of fluctuations of exchange rate in the translation of net asset positions into euros are stated in the Equity item of the consolidated financial statements of TÜV Rheinland.

LIQUIDITY RISK The liquidity risk for TÜV Rheinland is the risk of being unable to meet its financial obligations. As TÜV Rheinland, we follow a well-considered financing policy that is geared toward a balanced financing portfolio, a diversified maturity profile, and a comfortable buffer of liquidity. We circumscribe liquidity risk through effective management of net current assets and cash and cash equivalents, through lines of credit agreed with financial institutions with high ratings, and through long-term promissory notes. Supplemental to this, we continuously monitor the financing opportunities that present themselves in the financial markets and monitor trends in the availability and costs of these financing opportunities. An essential goal is to secure the financial flexibility of TÜV Rheinland and to limit repayment risks. Financing within TÜV Rheinland is provided by means of cash pooling and in-house banking.

COMPLIANCE RISKS

As TÜV Rheinland, our global business is subject to a variety of service- and country-specific regulations, laws and policies that have an impact on our business activities and processes. We monitor the political and regulatory situation in all our important markets in order to anticipate potential problem areas with the aim of quickly tailoring our business activities and processes to changes in framework conditions. Nevertheless, changes in regulations, laws, and policies can adversely affect our business activities and processes as well as our assets, financial position, and profitability. TÜV Rheinland is currently, and in the future may continue to be, confronted with various legal disputes or proceedings in different jurisdictions; after all, risks arise from own entrepreneurial activities as well as from external factors; TÜV Rheinland is mentioned as a notified body in the case of breast implants made by the French company Poly Implant Prothèse (PIP) – in connection with conformity assessment procedures carried out pursuant to the European Medical Devices Directive. PIP continuously deceived the notified body TÜV Rheinland LGA Products GmbH (TRLP) by using, in some cases, a silicone gel for the production of the implants which was not approved for this purpose and was not covered by the certification by TRLP.

To date, the German courts have consistently confirmed that TRLP fulfilled the duties of a notified body responsibly and in compliance with all laws and legal norms applicable in Europe. In one case, the German Federal Court of Justice [Bundesgerichtshof – BGH] referred questions regarding the interpretation of the Medical Devices Directive to the European Court of Justice (ECJ) for a preliminary ruling. In its judgment of February 16, 2017, the ECJ essentially confirmed the legal position of TÜV Rheinland and found that a notified body does not have a general obligation to carry out unannounced inspections, to examine products, and/or to view a manufacturer's business records. Only if there are indications that a medical device does not meet the requirements set out in the Directive must the notified body follow up on these indications. In the case of PIP, to date the German courts have always found that the notified body had not been presented with such evidence. On the basis of the ECJ's replies, in its judgment of June 22, 2017, the German Federal Court of Justice [BGH] finally rejected the petitioners' appeal. The judgment of the BGH is final. As a result, a number of other German courts have issued rulings in favor of TRLP in the first and second instances.

TÜV Rheinland's legal view was also declared correct in a judgment of the appellate court in Aix-en-Provence, France, handed down in 2015. The appellate court found that TRLP fulfilled its duties as the notified body in line with the applicable laws and norms and that the notified body had no indications of a lack of conformity. Other courts in France have repeatedly issued divergent decisions in the first instance, granting compensation claims to plaintiffs. TÜV Rheinland appealed against these decisions handed down by the courts of first instance. The matter was considered for the first time by the top French civil court in 2018. In six decisions issued on October 10, 2018, the Court of Appeal in Aix-en-Provence held that the grounds for the 2015 decision were incorrect or inadequately justified in three respects. The French Supreme Civil Court referred the case to the Court of Appeals in Paris, which will rule on the plaintiffs' claims in the six proceedings once all parties have re-submitted their arguments and evidence.

By judgment of January 14, 2021, the Versailles Court of Appeal ruled in TÜV Rheinland's favor when it found that TRLP "did not violate its duties to exercise care and conduct inspections in the performance of its certification tasks." According to the findings of the Versailles Court of Appeal, at no time did the Notified Body, TRLP, have evidence that PIP's breast implants may not have been in conformity. The court concludes that TLRP "responded adequately to the information available to it."

By two judgments handed down on January 20, 2017, the Toulon Commercial Court of First Instance had upheld the liability of Notified Body TRLP and TÜV Rheinland France SAS in the PIP case vis-à-vis women who claimed to have received silicone gel breast implants from PIP. TÜV Rheinland had appealed against these judgments to the Aix-en-Provence Court of Appeal.

With the Cour d'appel Aix-en-Provence in France, another court of appeal issued a judgment on February 11, 2021, in proceedings against TÜV Rheinland in connection with silicone gel breast implants by French firm Poly Implant Prothèse. In a departure from previous decisions on appeal, the appeals court in Aix-en-Provence found liability on the part of two TÜV Rheinland companies. TÜV Rheinland then immediately commissioned its lawyers to lodge an appeal.

In the present proceedings, the Court of Appeal confirmed the liability of the two companies concerned in more than 13,000 cases. On the other hand, the court dismissed a lawsuit by more than 6,000 women. In these cases, it could not be demonstrated that breast implants were used by PIP that were the subject of the fraud and were covered by the certificates issued by TRLP.

Because a future burden on TÜV Rheinland is highly probable as a result of the judgment by the Court of Appeals in Aix-en-Provence, provisions of €261.8 million for ongoing legal proceedings were constituted in the consolidated financial statements as of December 31, 2020. This stands over against €171.4 million in recourse claims against insurance companies that have not yet come into existence as a matter of law. These are virtually certain to come about, in our opinion, when the stated charges from pending legal proceedings materialize. Further possible recourse claims within the meaning of IAS 37.53 were not recognized, as they cannot be considered as virtually certain at this point in time. There is no resulting impact on other cases in other countries or other court jurisdictions (e.g. due to statutes of limitations), or such an effect is unlikely.

Material uncertainties affect the effort to determine the risk position of the TÜV Rheinland companies involved, as this is a function of the total number of claims made, the amount of damages awarded, and existing recourse claims. Meanwhile, due to a lack of inhibition on enforcement and the de facto consequences, any advance payments made in the interim can lead to an economic burden, even in the event of victory.

In a worst-case scenario, TÜV Rheinland could face a burden in the mid-triple-digit million range. Conversely, however, it is also possible that TÜV Rheinland will not incur any burden. In the event of the theoretical worst-case scenario, the funds currently available and additional opportunities for financing are such that the liquidity of TÜV Rheinland would not be in jeopardy.

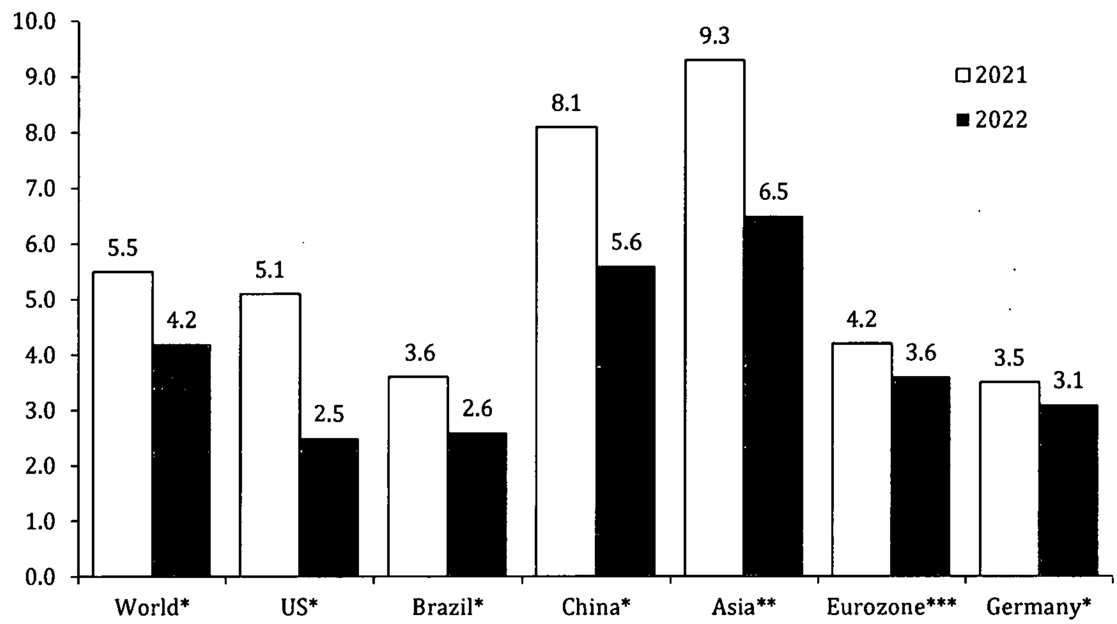
OVERALL ASSESSMENT

Due to the integration of risk management into the management information system of TÜV Rheinland, risk is controlled by appropriate weighting consistently in all Business Streams and companies as well as at the Group level. Targeted countermeasures are undertaken comprehensively at an early stage to minimize risks. The incident of the dam breach in Brazil, which affects our competitor, has shown that focusing risk provisioning measures on the quality of services must be a central part of our corporate strategy. The point, not least, is to prevent negative repercussions for the reputation of the TÜV brand. This applies not only to market, client, and competition issues but also to internal processes in particular, such as systematic integration following M&A transactions. Continuous tracking of measures and updating of risk reports in the course of the year are obligatory. The Executive Board has installed a risk management unit that covers the Audit, Finance & Accounting (including Insurance), Legal & Compliance, QHSE (Quality Management, Health & Safety and Environment, and Accreditation & Certification), Human Resources, and IT functions. Its task is to analyze and evaluate risks. In summary, it can be observed that all of the above-mentioned risks can have an impact on the company's goals, and thus accordingly on the TR+ corporate strategy, and are thus continuously analyzed and evaluated by the Executive Board with the aid of the risk management unit.

The overall risk situation of TÜV Rheinland deteriorated against the backdrop of the liability risks in conjunction with the legal disputes around PIP. The Group addressed a potential liquidity risk by making selective reductions in expenses and the acquisition of new financing. At this point in time, TÜV Rheinland is financially well-positioned to survive the crisis as a going concern. An important key figure in the context of capital management at TÜV Rheinland is the net financial position. This compares cash and cash equivalents, which totaled to €444.8 million as of the balance sheet date, and current financial assets to financial liabilities and totaled to €118.6 million as of December 31, 2020. TÜV Rheinland also has firm commitments of lines of credit that have not yet been utilized. However, since the further course of the coronavirus pandemic has a great deal to do with broad availability of vaccination protection and the effects of any mutations, when exactly a return to normality will be possible is still unforeseeable. Hence, a final assessment of risk is not possible at present. Nevertheless, at this point in time, we do not discern any risks that could jeopardize TÜV Rheinland's ability to continue as a going concern.

OUTLOOK

Future economic outlook: Outlook 2021 to 2022 (in %)



* Source: IMF World Economic Outlook Update Januar 2021

** Source: ifW Kiel, Global Economy in Winter 2020

*** Source: IMF World Economic Outlook Update January 2021;
Group of EU countries that have the euro as their official currency

Following the 3.5% downturn in the global economy in 2020 due to the coronavirus pandemic, as of January 20, 2021, the IMF World Economic Outlook forecasts a 5.5% upturn in the global economy for 2021. Despite the considerable and tightening constraints of the pandemic on the population, economic activity seems to be adapting over time to activity involving reduced contact. It appears that the impact on the economy as a whole will be less pronounced in 2021 than it was in spring of 2020. Multiple vaccine approvals and the launch of vaccinations in some countries in December 2020 give hope for a progressive normalization. The additional political aid packages announced at the end of 2020, in particular in Japan and the US, are also expected to lend further support to the global economy.

Nevertheless, rising rates of infection at the end of 2020, including new mutations of the virus, renewed lockdown measures, and logistical problems in vaccine distribution, clouded the outlook, and this is why the estimate is subject to high uncertainty. Moreover, the extent of the recovery in each region is expected to vary widely, depending on access to medical care, political support, and the structural features in place when the crisis began.

Thus, there is variance in the upward trend even within advanced economies, due in large part to differences between countries in terms of their health response to infections, the flexibility and adaptability of the economy in light of low mobility, trends that already existed, and structural rigidities at the outset of the crisis.

USA Worldwide trade tensions faded into the background in 2020 due to the coronavirus pandemic, but they also remain unresolved. The change of government in the United States could herald an improvement in the climate for trade policy. As early as December 2020, an additional stimulus package in the billions was announced for 2021; it includes additional unemployment subsidies as well as support for healthcare, educational institutions, businesses, and families. Based on strong momentum in the second half of 2020 and the announcement of the package of additional aid, US economic growth of 5.1% is forecast for 2021. Following this upturn, a slowdown in growth, to 2.5%, is expected in 2022.

EUROZONE The forecast for the eurozone is characterized by rising infection rates, renewed closures, and a concomitant economic slowdown at the end of 2020. An increase in economic output of 4.2% in 2021 and 3.6% in 2022 is forecast against the backdrop of better control of infection rates, an increasing rate of vaccination of the population, and a gradual easing of restrictions from spring 2021.

GERMANY In Germany, too, the shutdown measures reintroduced in November 2020 led to a slowdown in the recovery of an economy that is nevertheless expected to gather steam in the course of 2021. Compared to 2020, the burden at the outset of 2021 is expected to focus more on consumer-related industries, with exports set to continue on an upward trend due to the comparatively robust global economy. After a 5.4% decline in gross domestic product in 2020, a 3.5% rate of overall growth is expected for 2021. Assuming that the pandemic can be sustainably repulsed in 2021, gross domestic product is forecast to grow by 3.1% in 2022.

CHINA In China, the recovery from the pandemic-induced economic downturn in 2020 is already particularly advanced. This trend is expected to continue in 2021, with growth forecast at 8.1%, but is expected to be dampened to 5.6% in 2022 by the phase-out of fiscal stimulus effects and tighter monetary and lending policies.

ASIA PACIFIC In a global comparison, the Asia region was particularly successful in curbing the pandemic in 2020. For this reason, economic growth in this region is projected to be less affected by the pandemic in 2021 and on the whole is expected to make the greatest contribution to the overall recovery of the global economy. In addition, an aid package worth billions to combat the economic impacts of the coronavirus pandemic was announced in Japan in December 2020. The measures are designed to support domestic tourism and job security, among other things. The economic upturn the package is intended to bring about can be seen in the projected economic growth of 9.3% in 2021 for the Asia Pacific region. The upward trend is expected to taper to 6.5% in the following year.

Future development of TÜV Rheinland

The future development of TÜV Rheinland is based on the TR+ strategic plan, which was adopted by the Executive Board in the 2019 financial year and acknowledged in support by the Supervisory Board in December 2019. It should be noted that the following projections for the 2021 financial year for the development of TÜV Rheinland may differ from the actual results, due, among other things, to the fact that the global coronavirus pandemic is not over yet and poses a planning risk as a result.

Sub-goals have been derived from the strategic plan, which extends up to 2024, and correspondingly incorporated into the forecast for 2021. Global macroeconomic trends were analyzed, evaluated, and factored into the expectations for 2021 for the individual Business Streams.

The coronavirus pandemic will undoubtedly continue to challenge us in the next financial year. In our view, however, TÜV Rheinland is also well-equipped to survive this situation. As we learned and demonstrated in the 2020 financial year, our global presence permits us to partially offset temporary regional problems. We will also use the reorganization, which we have begun in recent years and will bring to a conclusion, to incorporate the resulting potential into the growth targets for 2021. This means that we will translate the benefits of a lean and efficient organization into competitive advantages. This is expected to pay off for our TÜV Rheinland.

Once again in the 2021 financial year, changes in exchange rates for major currencies will remain a macroeconomic premise for TÜV Rheinland, which has operations worldwide, and we have factored these changes into the 2021 forecast to the best of our knowledge.

We project revenue growth of around 4% for the 2021 financial year. Because the negative impact of the coronavirus pandemic only set in toward the end of the first quarter of 2020, a slightly weaker trend is forecast for the first quarter of 2021. For the second quarter, we expect significant catch-up effects in the form of a roughly 10% upturn in revenue compared to the lockdown focus in the second quarter of 2020. Moderate overall growth is projected for the second half of 2021.

A corona catch-up effect is expected for the 2021 financial year, accompanied by improvements in earnings as a result of the global group projects initiated. Taking into account the widespread elimination of state support measures, followed by a resumption of upward cost effects in personnel expenses and rising material costs, we forecast an EBIT margin of between 5.5% and 6.0%.

Of the twelve guidelines of our TR+ Group Strategy, four core guidelines are particularly important to us as TÜV Rheinland, because they undergird our central guidelines for orientation around sustainable, profitable growth. Simplicity, scalability, digitalization, and quality are the focal points of this orientation. For us as TÜV Rheinland, sustainable profitability and independence are indispensable to our mission as an efficient and digital provider of services worldwide. Where the five Business Streams at TÜV Rheinland are concerned, we project the following developments:

INDUSTRIAL SERVICES & CYBERSECURITY We project slight revenue growth of nearly 2% for this Business Stream, materializing more in the second half of the year. The positive trend should continue in the regulated business in Germany in particular, and the Greater China region should also be on a par with the previous year's growth level. The regions of North and South America will focus on further stabilization and expansion of revenue. On the earnings side, the restructuring measures from 2020 should have a positive impact; consequently, in addition to an absolute upturn in earnings, further improvement in the margin is expected as well.

MOBILITY The coronavirus pandemic is expected to continue to have an impact well into 2021. Nevertheless, as TÜV Rheinland, we expect revenue growth in the mid-single-digit percentage range in this Business Stream for the 2021 financial year. All of the Business Fields are projected to contribute to revenue growth, with a focus on the Periodical Technical Inspection and Engineering & Homologation Business Fields, along with further international expansion in the Rail area. Growth in earnings in line with revenue growth is also projected across all Business Fields. Further effects from the project to optimize management levels and manager-to-staff ratios are expected to contribute to improved earnings across all Business Fields. Despite the pandemic, the Business Stream continues to pursue its growth strategy, investing in both expansion and innovation projects. Among other things, this includes entry into testing of drive batteries; this represents an important contribution for the mobility industry, for which TÜV Rheinland already concluded around €20.0 million in investments in 2020.

PRODUCTS We project revenue growth of around 5% for the 2021 financial year. All of the Business Fields and regions are projected to contribute to this growth. A clear focus will be on successfully completing the SPRING project in an effort to achieve further cost savings in 2021 and thus further increase the margin. With several major investments in laboratory locations planned or already being implemented (e.g. the furniture laboratory in Russia or the expansion of our laboratories with 5G testing equipment), our sights are set on securing future growth, including in Asia. The digitalization projects will be advanced and rolled out further globally. Selective recruitment in fast-growing fields will also consolidate our good market position.

ACADEMY & LIFE CARE Worldwide growth in the revenue volume is expected for this Business Stream again in 2021, with significant restrictions on seminar business projected to remain in place until mid-year. The resulting revenue and earnings gap is expected to be offset by positive developments in other services, e.g. in the field of occupational health and safety, or in the realm of the digital transformation, where it will be compensated through new orders in the field of research management. Areas of focus for growth will also be on personnel certification, digital learning formats and services in occupational health and safety in Germany. In terms of inorganic growth, the phase-out of the Group company TÜV Rheinland Personal (with €7.1 million in revenues in 2020) will be taken into account in 2021. The overall projection is for revenue growth of just under 3%. To achieve a corresponding increase, topics in marketing and visibility will be promoted, along with active sales. At the same time, we will pursue the goal of strengthening the market position in selected regions and topic areas, including through inorganic growth.

SYSTEMS The revenue trend for this Business Stream is projected to be influenced by the further course of the coronavirus pandemic in 2021. Despite the uncertainties that persist, the Business Stream projects revenue growth of around 5% across all Business Fields in the coming year. The Certification of Management Systems Business Field expects a positive effect from an increased number of recertifications in the core portfolio (i.e. ISO 9001, ISO 14001, ISO 45001) and in the automotive sector. Ever since the coronavirus crisis began, the demand for innovative, digital audit procedures has seen a dramatic increase. The already successfully implemented option of remote audits will be retained, with the range of services expanded accordingly. In the Customized Services Business Field, a recovery can be expected in the "Supply Chain Audits" segment. The focus here will be on the further expansion of services in the region of Asia. Additional opportunities for growth have emerged during the pandemic in the "eCommerce" and "Hygiene Audits" areas; these opportunities will be consistently pursued. In addition to a constant development in the IMEA region, the Government Inspections & International Trade Business Field sees considerable future potential in Europe and Asia Pacific. Capacities will be expanded here. Where the new conformity programs are concerned, the African market plays a key role for TÜV Rheinland. Plans are also in place to consistently expand business with services related to commercial inspections, with a particular focus on food and agricultural products. For the Business Stream as a whole, the structural and process adjustments made last year are expected to continue to have a positive impact on earnings.

Cologne, March 31, 2021

TÜV Rheinland Aktiengesellschaft

The Executive Board

Dr.-Ing. Michael Fübi
(Chief Executive Officer)

Vincent Giesue Furnari
(Chief Financial Officer)

Ralf Scheller
(Chief Operating Officer)

Ruth Werhahn
(Human Resources, Law and Labor Relations Director)

TÜVRheinland®
Precisely Right.

Consolidated Financial Statements

2020

TÜV Rheinland Aktiengesellschaft, Cologne

TÜVRheinland®
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Consolidated Statement of Comprehensive Income

€ thousands	Disclosure	2020	2019
Revenue	(10)	1,951,566	2,085,009
Inventory changes	(10)	1,684	94
Cost of purchased services		-298,389	-317,765
Operating performance		**1,654,861**	**1,767,338**
Personnel expenses	(11)	-1,159,465	-1,173,862
Amortization of intangible assets and depreciation of property, plant and equipment	(12)	-142,227	-139,140
Other expenses	(13)	-674,388	-391,944
Other income	(14)	297,644	73,217
Operating result (EBIT)		-23,576	135,609
Interest income		6,095	7,978
Interest expenses		-18,130	-23,642
Other financial result		-3,604	-1,115
Financial result	(16)	**-15,640**	**-16,779**
Earnings before income taxes		**-39,216**	**118,830**
Income taxes	(17)	-24,744	-42,054
Consolidated net income		-63,960	76,777
Thereof attributable to:			
TÜV Rheinland Aktiengesellschaft equity holders		-72,761	65,322
Non-controlling interests	(18)	8,801	11,454
Earnings per share (in €), undiluted and diluted	(19)	-2,079	1,866
Reconciliation to total consolidated net income			
Remeasurement of defined benefit plans	(31)	-37,148	-58,668
Deferred taxes on items of other comprehensive income that will not be reclassified subsequently to profit or loss		11,792	18,386
Items of other comprehensive income that will not be reclassified subsequently to profit or loss		**-25,356**	**-40,282**
Financial assets at fair value through profit or loss		0	-10
Gain or loss on foreign currency translation		-20,690	692
Cash flow hedges		609	91
Share of other comprehensive income accounted for using the equity method		-4	0
Deferred taxes on items of other comprehensive income that may be reclassified subsequently to profit or loss		-188	11
Items of other comprehensive income that may be reclassified subsequently to profit or loss		**-20,273**	**784**
Other comprehensive income		-45,628	-39,498
Thereof attributable to:			
TÜV Rheinland Aktiengesellschaft equity holders		-44,199	-38,435
Non-controlling interests		-1,429	-1,063
Total consolidated net income		-109,588	37,279
Thereof attributable to:			
TÜV Rheinland Aktiengesellschaft equity holders		-116,960	26,887
Non-controlling interests		7,372	10,392

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Consolidated Balance Sheet

€ thousands	Disclosure	Dec. 31, 2020	Dec. 31, 2019
ASSETS			
Intangible assets	(20)	360,274	382,060
Property, plant and equipment	(21)	601,265	645,637
Investments accounted for using the equity method	(23)	3,033	2,902
Other financial assets	(24)	332,443	312,058
Other assets	(25)	24,489	32,158
Deferred tax assets	(17)	123,276	100,885
Non-current assets		**1,444,780**	**1,475,700**
Inventories	(26)	2,945	3,308
Contract assets	(27)	82,607	78,480
Trade receivables	(27)	227,861	273,525
Income tax receivables	(27)	18,195	14,059
Other receivables and other assets	(27)	238,648	71,450
Cash and cash equivalents	(28)	444,827	200,135
Assets classified as held for sale	(29)	2,522	2,816
Current assets		**1,017,605**	**643,773**
TOTAL ASSETS		2,462,385	2,119,472
EQUITY AND LIABILITIES			
Issued capital		35,000	35,000
Capital reserves		23,802	23,802
Other reserves		200,185	330,353
Non-controlling interests	(18)	25,981	28,369
Equity	(30)	**284,968**	**417,524**
Provisions for pensions and similar obligations	(31)	820,749	786,852
Other provisions	(32)	22,674	25,325
Liabilities to banks	(33)	299,928	119,536
Other liabilities	(33)	141,799	154,573
Deferred tax liabilities	(17)	21,202	24,246
Non-current liabilities		**1,306,352**	**1,110,532**
Provisions	(32)	381,794	93,363
Income tax liabilities	(33)	10,515	17,511
Contract liabilities	(33)	91,687	68,575
Trade payables	(33)	140,358	139,098
Liabilities to banks	(33)	26,338	54,554
Other liabilities	(33)	219,892	218,315
Liabilities classified as held for sale	(29)	481	0
Current liabilities		**871,065**	**591,417**
TOTAL EQUITY AND LIABILITIES		2,462,385	2,119,472

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Consolidated Statement of Cash Flows

€ thousands	2020	2019
Consolidated net income	**-63,960**	**76,777**
Amortization, depreciation, and impairment / Reversal of impairment of intangible assets and property, plant and equipment	142,227	139,139
Impairment / Reversal of impairment of financial assets	2,799	-1
Change in non-current provisions	-33,018	-18,204
Change in deferred tax assets and deferred tax liabilities	-13,830	17,327
Profit / Loss from the disposal of intangible assets and property, plant and equipment	2,716	-321
Other non-cash income / expenses	609	81
Change in inventories, receivables, and other assets	-121,768	-50,082
Change in liabilities and current provisions	307,412	29,445
Cash flow from operating activities	**223,186**	**194,161**
Payments for investments in		
intangible assets and property, plant, and equipment	-68,811	-70,008
financial assets	-15,341	-7,971
shares in fully consolidated companies (less cash and cash equivalents taken over)	0	-42,439
Receipts from disposal of		
intangible assets and property, plant, and equipment	6,553	7,369
financial assets	17,816	16,722
Cash flow from investing activities	-59,783	-96,327
Payments to shareholders of TÜV Rheinland Aktiengesellschaft	-15,000	-15,000
Payments to non-controlling shareholders	-7,872	-8,190
Receipts from bank borrowings	201,859	13,714
Payments from lending from banks	-49,682	-23,308
Payments from repayments of leasing liabilities	-56,923	-56,620
Cash flow from financing activities	72,382	-89,404
Change in cash and cash equivalents	**235,784**	**8,430**
Cash and cash equivalents related to currency translation and consolidation	8,906	-27,765
Cash and cash equivalents at beginning of period	200,135	219,470
Cash and cash equivalents at end of period	**444,827**	**200,135**

For additional disclosures on the consolidated cash flow statement, see Notes to the consolidated financial statements, Note (38)

Consolidated Statement of Changes in Equity

€ thousands	Share capital	Capital reserves	Retained earnings	Other reserves: Currency translation difference	Other reserves: Financial assets at fair value through profit or loss	Other reserves: Cash flow hedges	Equity attributable to the shareholders of TÜV Rheinland AG	Non-controlling interests	Total equity
As of Jan. 1, 2019	35,000	23,802	359,033	-31,981	22	-101	385,774	26,380	412,154
Consolidated net income	-	-	65,322	-	-	-	65,322	11,454	76,777
Other comprehensive income	-	-	-38,975	448	-5	97	-38,435	-1,063	-39,498
Total consolidated net income	-	-	26,347	448	-5	97	26,887	10,392	37,279
Dividends paid	-	-	-15,000	-	-	-	-15,000	-8,190	-23,190
Changes in scope of consolidation	-	-	-4,757	-226	-	-	-4,983	-213	-5,196
Other changes	-	-	-3,523	-	-	-	-3,523	-	-3,523
As of Dec. 31, 2019	35,000	23,802	362,100	-31,759	17	-4	389,155	28,369	417,524
As of Jan. 1, 2020	35,000	23,802	362,100	-31,759	17	-4	389,155	28,369	417,524
Consolidated net income	-	-	-72,761	-	-	-	-72,761	8,801	-63,960
Other comprehensive income	-	-	-24,637	-19,983	-	421	-44,199	-1,429	-45,628
Total consolidated net income	-	-	-97,398	-19,983	0	421	-116,960	7,372	-109,588
Dividends paid	-	-	-15,000	-	-	-	-15,000	-7,872	-22,872
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	1,792	-	-	-	1,792	-2,091	-299
Other changes	-	-	-	-	-	-	-	203	203
As of Dec. 31, 2020	35,000	23,802	251,494	-51,742	17	417	258,987	25,981	284,968

For additional disclosures on the consolidated statement of changes in equity, see Notes to the consolidated financial statements, Note (30)

Notes to the Consolidated Financial Statements

General information about the company and the financial statements

(1) Foundation

The TÜV Rheinland Group (hereinafter: TÜV Rheinland) is a leading international service provider that offers services in the INDUSTRIAL SERVICES & CYBERSECURITY, MOBILITY, PRODUCTS, ACADEMY & LIFE CARE and SYSTEMS Business Streams. Its services cover the areas of consulting, testing, certification, and training.

TÜV Rheinland Aktiengesellschaft (AG) – headquartered at Am Grauen Stein, 51105 Cologne, Germany – is registered as the Group's parent company in the commercial register of the Cologne District Court under HRB 23392.

The consolidated financial statements are voluntarily prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable to publicly traded companies in the European Union and with the further applicable requirements of Section 315a of the German Commercial Code (HGB). The financial year corresponds to the calendar year. The TÜV Rheinland AG Executive Board sent the consolidated financial statements for the 2020 reporting year to the Supervisory Board for approval on March 25, 2021.

The reporting currency is the euro (€), the reporting unit is thousands of euros. In individual cases, amounts are stated in millions of euros for purposes of better readability. Totals may differ occasionally due to commercial rounding.

TÜV Rheinland strives to apply gender-neutral language. If only one grammatical form has been used, this has been done exclusively for better readability.

(2) Scope of consolidation

All subsidiaries are included in the consolidated financial statements unless the costs of drawing up the reports required for inclusion by way of full consolidation outweigh the benefits of such reporting; in some instances, this is particularly true of subsidiaries that are considered insignificant from the Group's point of view. In addition to TÜV Rheinland AG, Cologne, the consolidated financial statements for 2020 cover in addition to the 47 German (previous year: 53) and 101 foreign (previous year: 101) subsidiaries in which TÜV Rheinland AG directly or indirectly holds a majority of the voting rights or otherwise exercises control over their financial and business policies.

Furthermore, as in the previous year, two foreign joint ventures were included in the consolidated financial statements using the equity method, see Note (23). With the application of IFRS 10, TÜV Rheinland Grundstücksgesellschaft Nürnberg mbH & Co. KG and TÜV Rheinland Grundstücksgesellschaft mbH & Co. KG remain consolidated as structured entities.

The scope of consolidation has changed in the past financial year as a result of company disposals as well as three mergers. The scope of consolidation was reduced due to the disposal of three companies located in Germany. Deconsolidation of these companies results in €1,737 thousand in overall profit. €+2,884 thousand of this amount applies to Gemeinnützige Gesellschaft TÜV Rheinland Bildungswerk mbH, €+84 thousand to ifes Institut für angewandte Energiesimulation und Facility Management GmbH, and €-1,231 thousand to TÜV Rheinland LGA Bautechnik GmbH.

The subsidiaries, joint ventures and associates included in the consolidated financial statements are listed in Note (42) along with the consolidation method applied. The consolidation methods applied are described in Note (4). The comprehensive list of the Group's shareholdings included in the Notes is published in the electronic edition of the German Federal Gazette (Bundesanzeiger).

(3) Corporate mergers and stakes

There were no corporate mergers or stakes in the 2020 financial year that would be subject to reporting requirements under IFRS 3.

(4) Consolidation principles

(a) Subsidiaries

Subsidiaries are all companies (including structured entities) which are controlled by the parent TÜV Rheinland AG. Cumulatively, control requires the existence of power over the investee, exposure, or rights, to variable returns from its involvement with the investee, as well as the ability to use its power over the investee to affect the amount of the investor's return. The existence and effect of potential voting rights that can be currently exercised or converted are taken into consideration when assessing whether the possibility of exercising control exists.

Subsidiaries are principally included in the consolidated financial statements (full consolidation) from the point in time when the ability to exercise control has been transferred to TÜV Rheinland AG. They are deconsolidated at the point in time when this ability ceases to apply. The balance sheets of subsidiaries acquired are prepared according to the purchase method. The acquisition cost of the acquisition corresponds to the fair value of the assets given, the equity instruments issued and the liabilities incurred or assumed as of the transaction date. Transactions between Group companies are eliminated. In the case of unrealized losses, these are seen as an indication of the need to conduct an impairment test of the asset transferred. Subsidiaries' accounting methods are amended wherever required in order to ensure uniform accounting principles across the Group.

(b) Joint ventures

Joint ventures are companies subject to the joint control of two or more parties, whereby the parties have rights to the net assets of the joint venture. Shares in joint ventures are included in the consolidated financial statements according to the equity method.

(c) Associates

As in the previous year, no company over which TÜV Rheinland AG was in a position to exert significant influence was included in the IFRS consolidated financial statements.

As in the previous year, all of the Group's shareholdings listed under Note (42) correspond to the voting rights held.

(5) Foreign currency translation

The annual financial statements of consolidated companies prepared in foreign currencies are translated into euros on the basis of the functional currency concept. As the foreign subsidiaries are independently operating companies, the local currency is considered to be the functional currency. Balance sheet items are therefore translated as a matter of principle at the mid-market rate at the end of the reporting period. Equity capital is the exception; it is translated at historical rates. Income and expense items are stated at annual average exchange rates. Currency differences arising from the translation of annual financial statements are stated in profit or loss and recognized in equity under other reserves.

The exchange rates of the most important currencies for foreign currency translation developed as follows:

	Closing exchange rate		Annual average exchange rate	
€1 equals	Dec. 31, 2020	Dec. 31, 2019	2020	2019
Chinese yuan (CNY)	7.991	7.815	7.897	7.725
US dollar (USD)	1.223	1.122	1.144	1.120
Japanese yen (JPY)	126.302	121.979	121.901	122.149
New Taiwan dollar (TWD)	34.371	33.633	33.706	34.563
Brazilian real (BRL)	6.353	4.510	5.814	4.407
Hong Kong dollar (HKD)	9.484	8.740	8.877	8.776
Pound sterling (GBP)	0.896	0.848	0.884	0.876

According to IAS 29, the financial statements of companies in hyperinflationary countries are to be prepared using a measuring unit applicable on the balance sheet date. TÜV Rheinland has identified Argentina as a hyperinflationary economy. Due to the insignificance for the consolidated financial statements as of December 31, 2020, no adjustment to this effect was made along the lines set forth of IAS 29.

(6) Accounting policies

The financial statements of TÜV Rheinland AG and its subsidiaries are included in the consolidated financial statements in accordance with the Group's standard accounting methods. Separate statements are prepared on the reporting date of the consolidated financial statements. Assets and liabilities are presented in the balance sheet according to their due dates as either non-current (due dates more than a year after the reporting date) or current. The income statement is prepared according to the nature of expense method, i.e. by cost categories. All expenses for goods and services incurred in the reporting year are shown against the income earned.

REVENUE Revenue consists mainly of the proceeds from services rendered. Proceeds from contracts with customers are recognized when the Company has fulfilled a service obligation, i.e. has transferred the agreed goods or service. The decisive factor is the timing of the transfer of control, i.e. the transfer of the power of disposal. Among other things, if a contract is concluded, IFRS 15 requires a determination of whether proceeds arising out of this contract are to be recognized on a date or time-period basis. During the course of this process, there must be a review of the criteria for period-based revenue recognition for long-term customer orders. In the case of TÜV Rheinland, this review is primarily based on an assessment of whether there are customer-specific services without alternative use involved, for which there is a payment entitlement enforceable at any time. If TÜV Rheinland should come to the conclusion that the conditions for period-based revenue recognition do not exist, then the revenue for these orders is recognized only in subsequent periods. Period-related revenue in TÜV Rheinland is realized mainly through the project business.

For services that involve a third party, TÜV Rheinland determines whether it will act as principal or agent and factors this into its statement of revenue. A significant financing component is not taken into account for the amount and timing of revenue recognition if the period between the transfer of a committed good or service to the customer, and the payment for that good or service by the customer, does not exceed one year. The additional costs of initiating a contract with customers whose depreciation period would not exceed one year are generally recognized immediately as an expense.

GOODWILL Goodwill is analyzed at least once a year for indications of impairment in accordance with IAS 36, with the impairment tests being carried out on the basis of cash-generating units. In accordance with the management approach, TÜV Rheinland's cash-generating units are the individual Business Streams (INDUSTRIAL SERVICES & CYBERSECURITY, MOBILITY, PRODUCTS, ACADEMY & LIFE CARE as well as SYSTEMS).

The calculation basis is the cash-generating unit's recoverable amount. It is calculated by means of the discounted cash flow (DCF) method with data from the medium-term or strategic planning approved by the management. Goodwill impairment losses are not reversed.

Goodwill is stated in the functional currency of the foreign unit acquired.

Negative differences are recognized in profit or loss after a further review.

OTHER ACQUIRED INTANGIBLE ASSETS Other acquired intangible assets, such as software and accreditations, are carried at cost. Assets identified as a part of purchase price allocations, such as contractual relationships with customers, brand rights, and bans on competition, are stated as acquired intangible assets at fair value upon recognition, insofar as the criteria of IFRS 3 and IAS 38 are fulfilled.

INTERNALLY GENERATED INTANGIBLE ASSETS Internally generated intangible assets, such as software or development projects, are stated at cost of manufacture if they fulfill the capitalization criteria of IAS 38. The cost of manufacture comprises the cost directly attributable to the development phase together with borrowing costs (valued with project-related financing cost rates), if they are subject to capitalization under IAS 23. Research costs are recorded as current expenses.

Intangible assets with a limited useful life are depreciated on a straight-line basis; the useful life for software is three years, and for patents, licenses, customer base and concessions, taking into account any contractual restrictions in the individual case. If there are indications of impairment, and if the recoverable amount is less than the carrying amount, an unscheduled impairment of the intangible assets is recorded. If the reasons for this unscheduled impairment no longer apply, the impairment loss is reversed. Intangible assets with an indefinite useful life are not subject to systematic amortization but are checked for impairment at least once a year.

PROPERTY, PLANT AND EQUIPMENT The accounting treatment of property, plant and equipment is carried out at the cost of acquisition or manufacture (incl. borrowing costs (stated at project-related financing cost rates), if these must be capitalized under IAS 23), less scheduled or unscheduled depreciation or impairment losses. Scheduled depreciation is principally undertaken in accordance with the straight-line method. Buildings and building components are depreciated over 80 years at most, and other tangible fixed assets are depreciated over three to 15 years. In Germany, low-value assets are included in an annual compound item at the time of addition. One fifth of the amount is written off in the first year and one fifth in each of the next four years. If there are indications of impairment, and if the recoverable amount is less than the carrying amount, an unscheduled impairment loss of property, plant, and equipment is recognized. If the reasons for this unscheduled impairment no longer apply, the impairment loss is reversed.

For leases (agreements that transfer the right to use of an asset for an agreed period in exchange for payment), TÜV Rheinland, as the lessee, recognizes assets for the rights of use of the assets and liabilities for the payment obligations entered into and shown at present value in the balance sheet.

A determination of lease liabilities takes the following payments into account:

- Fixed (or essentially fixed) future lease payments, less any lease incentives,
- Variable lease payments coupled to an index/interest rate on the basis of the index/interest rate in effect on the start date,
- Expected payment due to residual-value guarantees,
- The strike price of a call option, provided that the exercise is reasonably certain, and
- Contractual penalties for termination if the term includes a termination option.

Leasing expenses for TÜV Rheinland are fixed future payments; there are no variable lease payments included.

Lease payments are discounted at the rate of interest that implicitly underlies the lease, where this is known or can be readily determined. Otherwise – and this is the rule at TÜV Rheinland –

the amount is discounted by the incremental borrowing rate. To determine the incremental borrowing rate, reference rates for different maturity bands are derived from risk-free interest rates that are adequate to the term, increased by credit-risk premiums and adjusted by a country-risk premium.

Right-of-use assets are measured at acquisition cost, the components of which are:

- Amount resulting from initial valuation of the lease liability,
- Lease payments made before or at the start of the lease, less lease incentives/rent reductions received,
- Direct costs initially incurred and
- Asset-retirement obligations.

Subsequent valuation is carried out at amortized cost. Right-of-use assets are written down on a straight-line basis over the term of the contractual relationship.

Exempt from this are leases with a term shorter than twelve months and low-value leasing assets, since TÜV Rheinland exercises corresponding voting rights and recognizes payments in connection with these agreements on a straight-line basis as an expense in the income statement. Moreover, the regulations do not apply to leases of intangible assets. For agreements that include non-leasing components in addition to leasing components, the transaction price is allocated to these components based on their relative unit prices. Non-leasing components are subsequently accounted for in accordance with the standards that apply to them.

A number of leases - real-estate leases in particular - contain renewal and/or termination options. When determining the life of the contract, any changes in maturity due to an exercise or non-exercise of these options are factored in only if these amounts are reasonably certain.

TÜV Rheinland is mainly a lessee, not a lessor. There are no material leasing arrangements in the 2020 reporting year in which TÜV Rheinland acts as lessor.

DEBT INSTRUMENTS Based on the categorization of IFRS 9, debt instruments within TÜV Rheinland are allocated to the "Held to collect" business model. The "Held to collect and sell" business model does not apply. Due to the fact that only interest payments and repayments on debt are made, debt instruments are classified in the "Financial assets/liabilities measured at amortized cost" valuation category. There is no exercise of the fair-value option for valuing financial instruments. There is usually no trading intention for equity instruments. The Group exercises the option of measuring equity instruments at fair value through profit or loss in other comprehensive income (fair value OCI option). Other investments and securities are classified in the "Financial assets at fair value through profit or loss in other comprehensive income" valuation category.

FINANCIAL ASSETS AND LIABILITIES Financial assets other than trade receivables and payables are initially measured at fair value. Trade receivables are measured at their transaction price in accordance with IFRS 15.

Subsequent measurement of trade receivables, other receivables and receivables recognized in other assets is carried out at amortized cost using the effective interest method.

OTHER INVESTMENTS AND SECURITIES Initial valuation of other investments and securities in which there is not at least a material influence held, and which are predominantly recognized as other financial assets, is carried out at fair value. If these securities or shares are traded in an active market, the fair value is the market price on the reporting date. In the absence of an active market, the agreed transaction price is typically treated as fair value. Consequently, valuation is essentially carried out at fair value through profit or loss in other comprehensive income, in accordance with IFRS 9. If the fair value cannot be measured reliably based on the criteria of "margin of fluctuation" and "likelihood of occurrence," the unlisted equity instrument can be measured at cost.

If there are objective indications of a material or continuing impairment of the financial assets, they are depreciated.

DERIVATIVE FINANCIAL INSTRUMENTS The accounting rules for effective hedging transactions are still applied within TÜV Rheinland, in accordance with IAS 39. Financial derivatives that are not part of effective hedge accounting as per IAS 39 are classified as "financial assets or liabilities at fair value through profit or loss." First-time and subsequent measurements are at fair value, with changes recognized in profit or loss. Financial derivatives that form part of effective hedge accounting are also stated at fair value, either in the income statement or in other comprehensive income (consolidated statement of comprehensive income), depending on the nature and characteristics of the hedge.

At TÜV Rheinland, financial derivatives are used in principle to hedge currency and interest rate risks. The fair value of interest rate swaps and forward exchange transactions is established by means of third-party bank appraisals. These appraisals are based on the respective DCF valuation techniques. The requisite parameters are, without exception, market values.

Financial derivatives are stated on the balance sheet from the time when the company becomes a party to the contractual provisions.

TÜV Rheinland uses hedge accounting in accordance with the relevant IAS 39 provisions to hedge future cash flows. The effective portion of the change in market value of the derivative used as a hedge is stated in other comprehensive income (consolidated statement of comprehensive income). The ineffective portion and changes in market value of derivatives that do not fulfill the requirements of hedge accounting are stated directly in the income statement.

The accounting and measurement of financial derivatives with negative fair values corresponds to the accounting and measurement of financial derivatives with positive fair values.

ACTUARIAL RESERVE Actuarial reserve quotas disclosed under other financial investments are reimbursements as defined in IAS 19 and are stated at fair value in accordance with this standard. Income from reimbursement claims is shown in the financial result. Actuarial gains and losses are stated in other comprehensive income (consolidated statement of comprehensive income).

TAX DEFERRALS AND ACCRUALS Tax deferrals and accruals are recognized on temporary (and quasi-permanent) differences between the values stated in the IFRS and tax balance sheets and on certain consolidation measures. Tax deferrals are also recognized for loss carryforwards, interest carried forward, and tax refund entitlements, insofar as they are reasonably certain to be realized. Tax deferrals are not recognized, however, if they result from initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affected neither accounting earnings before taxes nor taxable result (tax loss). TÜV Rheinland states deferred tax liabilities resulting from temporary differences associated with investments in subsidiaries, joint ventures and associates, unless it cannot dictate the timing when the temporary differences will be reversed, and this influence makes it unlikely that the temporary differences will be reversed in the foreseeable future. Tax deferrals are determined on the basis of the tax rates expected to apply at the time of realization. Deferred tax assets are written down if future realization of the corresponding tax advantages is unlikely. This is assessed on the basis of taxable income in the years ahead as planned and considered to be likely by the company in question. Deferred tax assets and liabilities are offset in the balance sheet insofar as the conditions for offsetting are fulfilled. Deferred tax assets and liabilities are stated as non-current items.

INVENTORIES Inventories are stated at the lower of cost of acquisition or manufacture and – to the extent available – net realizable value. The cost of acquisition or manufacture of inventories is measured using the average method. The cost of manufacture of work in progress comprises the cost of materials used, third-party services, directly attributable personnel costs, other direct costs, and overheads attributable to the provision of services. The net realizable value is the estimated sale proceeds realizable in the normal course of business less the estimated necessary selling expenses.

TRADE RECEIVABLES Trade receivables and other receivables are subsequently measured at amortized cost of acquisition. If circumstances warrant it, however, appropriate valuation allowances are made. Both specific and collective valuation allowances are used. Irrecoverable receivables are written off.

To establish collective valuation allowances, financial assets for which a potential write-down requirement exists are grouped by similar default properties and jointly analyzed for allowances and written down if required. Impairments are generally measured in the amount of the credit losses expected over the entire term. Expected losses at TÜV Rheinland are derived by region and are based on maturity analyses of trade receivables as of the reporting date. Computational transition and default probabilities per maturity band are determined working from components in different maturity bands that have been determined in this way. Subsequently, the computationally determined default probabilities are extended by a forward-looking element. This is mapped through recognition of region-specific risk premiums derived from weighted country-risk premiums. In a final step, the expected credit loss per maturity band results as a product of the value of trade receivables in the respective maturity band, the probability of default per maturity band adjusted by the forward-looking element, and an average, Group-wide loss given default. The impairment takes into account such information as is appropriate, reliable, and available without undue expense or time. In establishing future expected cash flows, consideration is given not only to contractually provided cash flow, but also to historic experience of default.

CONTRACT ASSETS Recognized contract assets represent claims for consideration arising out of transfers of goods or services to customers that are not recognized as trade receivables. The revenues from customer contracts belonging to contract assets are collected over a period based on performance progress ("revenue recognition over time"). The stage of completion of each contract is calculated on the basis of the ratio of costs incurred to calculated total costs (the cost-to-cost method). If the result of a customer order cannot be appropriately established, proceeds are only stated commensurate to the amount of costs incurred (the zero profit method).

In the case of long-term contracts, the customer regularly pays a fixed amount determined by means of a payment plan. If the services provided exceed the payment amount, a contract asset is recognized. If payments exceed the services provided, a contract liability is shown. If a contract with customers includes a fixed hourly rate, the proceeds are recognized at the level at which an invoicing claim exists.

Impending losses from work in progress are taken into account if they are foreseeable and deducted directly from the contract assets involved. If the result is a negative balance, it is stated under contract liabilities.

Estimates of revenue, costs or order progress are corrected as circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which this becomes known.

OTHER RECEIVABLES AND OTHER ASSETS Other receivables and other assets are stated at cost of acquisition less value impairment. Individual valuation allowances are undertaken within the scope of the anticipated credit risks.

CASH AND CASH EQUIVALENTS Cash and cash equivalents are allocated to the "Financial assets measured at amortized cost" category in accordance with IFRS 9 and comprise cash and other current liquid financial assets with an original term of three months at most. They are stated at a fair value that corresponds to their nominal value.

PROVISIONS FOR PENSION COMMITMENTS AND SIMILAR OBLIGATIONS For defined benefit pension plans, provisions for pension commitments and similar obligations are measured in accordance with the projected unit credit method. Here, future obligations are measured using actuarial methods and based on a conservative estimate of the relevant factors. Pension commitments are granted either in the form of defined benefit contributions or in the form of pension plans for old age, disability, and survivor benefit commitments. TÜV Rheinland's benefit commitments vary according to the legal, fiscal, and economic circumstances in the country in question and are provided in the form of defined benefit contribution obligations, or else they are based on the employee's length of service and compensation. Commitments consist of both current and projected pensions. Defined benefit obligations are offset against any plan assets in the balance sheet.

Actuarial gains and losses are the result of inventory changes and deviations of actual trends, such as income and pension increases, from the valuation assumptions. They are stated, taking deferred taxes into account, in other comprehensive income (consolidated statement of comprehensive income). The service cost is stated under personnel expenses. Interest expenses and income from plan assets or reimbursement claims are shown in the financial result. The expert reports on the basis of which defined benefit obligations are calculated are almost exclusively those drawn up by Heubeck AG, Cologne.

OTHER PROVISIONS Other provisions are created insofar as legal or constructive obligations to third parties due to past events exist that are likely to lead to an outflow of funds and for which the amount involved can be reliably estimated.

Non-current provisions are stated at the present value of the probable cash outflows with accrued interest added for the period leading up to their expected utilization date.

If an estimate is amended and the estimated commitment is reduced as a result, the provision is reversed accordingly. Insofar as contractual dismantling and removing obligations exist within TÜV Rheinland, these commitments are added to the related assets, and the additional scheduled depreciation and interest expense arising from pro rata contributions to the reserve will affect the income statement.

LIABILITIES Non-derivative liabilities disclosed under trade liabilities, other financial liabilities and miscellaneous liabilities are stated at fair value less transaction costs as of their initial valuation. They are subsequently carried at amortized cost using the effective interest method.

NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE Non-current assets and disposal groups are classified as "held for sale" if their carrying amount is realized primarily through a disposal transaction and not through continued use and if disposal is deemed to be very likely. They are stated at the lower of the carrying amount and fair value less cost of sale. Specifically excluded from this arrangement are assets such as deferred tax assets, assets resulting from employee benefits and financial assets recognized at fair value. An impairment loss is recognized for the initial or subsequent unscheduled depreciation of the asset or disposal group to fair value less cost of sale. A gain or loss not recognized by the date of sale is recognized at the date of disposal.

Non-current assets classified as held for sale, as well as the disposal values of a disposal group classified as held for sale, are recognized separately from other assets in the balance sheet. Liabilities within a disposal group classified as held for sale are recognized separately from other liabilities in the balance sheet.

(7) Estimates

Drawing up consolidated financial statements requires assumptions or estimates to be made in respect to various items for measurement on the balance sheet, for the disclosure of contingent liabilities, and for the disclosure of income and expenses. These estimates relate especially to pension commitments and other reserves, to the amount of goodwill, to the useful life of the fixed assets and to the statement of deferred tax assets for loss carryovers. The actual figures may differ from these estimates.

Impairment tests of goodwill are undertaken at least once a year on the basis of the smallest cash-generating unit to which the goodwill has been allocated and on the management's approved medium-term or strategic plan, assuming long-term growth rates for the reporting units in question over the following period. Not even a 10% reduction in the derived cash flows, on which the calculation of the value in use of the cash-generating units is based, would lead to an unscheduled impairment loss.

Obligations arising from defined benefit pension commitments and from the following year's pension costs are calculated on the basis of the actuarial parameters stated in Note (31). The change in parameters would not, however, influence the current year's consolidated profit, because actuarial gains and losses are stated in other comprehensive income (consolidated statement of comprehensive income).

The interest rate at which future payment obligations are discounted constitutes a significant estimate for use in determining provisions for pensions and similar obligations. Based on the relevant accounting rules, the interest rate must be applied at the rate of the interest on high-quality corporate bonds with matching maturities. For the eurozone, the selection of underlying corporate bonds previously used to calculate the discount rate was refined as of December 31, 2020. As a result, corporate bonds are more accurately segregated where their risk-return profile more closely resembles that of government bonds.

The total interest derived on this basis as of December 31, 2020, is 0.50% (previous year: 1.00%); without adjustment, it would have been 10 percentage points lower. Using the new procedure, as of December 31, 2020, the provision for pension obligations totals to €849,982 thousand. If the rate of interest were 0.40%, the pension obligations would have been approximately €12,023 thousand higher.

In application of IAS 8, the difference is recognized in profit or loss in the consolidated statement of comprehensive income as a change in accounting estimate. The service cost and interest expense in the following year (excluding revaluations) would have decreased by approximately €360 thousand.

For the other balance sheet items, a change in the basis of the original estimate leads to a change in the balance sheet item in question that affects net income. Details of the exercise of discretionary judgment are included in the individual notes.

(8) First-time application of accounting standards

The following IASB announcements were applied for the first time in the reporting year:

- Revised versions of IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (name of the amendment: "Definition of 'material'")
- Revised version of IFRS 3 "Business Combinations" (name of the amendment: "Definition of a business")
- Revised versions of IFRS 9 "Financial Instruments," IAS 39 ("Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" (name of the amendments: "Reform of Reference Interest Rates")
- Revised version of IFRS 16 "Leases" (name of the amendment: "Covid-19-related rent concessions")
- "Amendments to References to the Conceptual Framework in IFRS Standards"

IFRS 16 TÜV Rheinland does not make use of the accounting relief of not assessing whether a lease concession represents a change in the lease agreement due to the COVID-19 pandemic. Instead, rent concessions in this context are treated as a lease modification.

None of the remaining aforementioned rule changes has any material effect on TÜV Rheinland's assets, financial position, profitability, or cash flows.

(9) Accounting standards not applied

The announcements listed below will first be adopted by TÜV Rheinland when their application becomes mandatory. Application of IFRS is contingent upon the European Union's endorsement of these standards, which in some cases is still pending. For the IFRS consolidated financial statements as of December 31, 2020, no interpretations or new or revised standards were applied that are mandatory for reporting years beginning on or after January 1, 2021. The standards and interpretations in question are as follows:

Mandatory initial application in the 2021 reporting year:

- "Amendments to IFRS 4 Insurance Contracts" (name of the amendment: "Extension of the Temporary Exception from Applying IFRS 9"; not yet adopted by the EU)
- "Amendments to IFRS 9/IAS 39/IFRS 7/IFRS 4 and IFRS 16" (name of the amendment: "Interest Rate Benchmark Reform – Phase 2"; not yet adopted by the EU)

None of the aforementioned amendments is expected to have a material effect on the presentation of TÜV Rheinland's assets, financial position, profitability or cash flows.

Mandatory initial application in the 2022 reporting year or later:

- "Amendment to IAS 1 Presentation of Financial Statements" (name of the amendment: "Classification of Liabilities as Current or Non-current"; not yet adopted by the EU)
- "Amendments to IAS 16 Property, Plant and Equipment" (name of the amendment: "Property, Plant and Equipment: Proceeds before Intended Use"; not yet adopted by the EU)
- IFRS 17 "Insurance Contracts" (not yet adopted by the EU)
- "Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets" (name of the amendment: "Onerous Contracts – Cost of Fulfilling a Contract"; not yet adopted by the EU)
- "Amendments to IFRS 3 Business Combinations" (name of the amendment: "Reference to the Conceptual Framework"; not yet adopted by the EU)
- "Annual Improvements to IFRS Standards 2018-2020"

None of the aforementioned amendments is expected to have a material effect on the presentation of TÜV Rheinland's assets, financial position, profitability or cash flows.

Comments on the Consolidated Statement of Comprehensive Income

(10) Revenue

Revenue relates exclusively to proceeds from contracts with customers, including changes in inventories, and breaks down as follows:

Revenue by Business Stream

€ thousands	2020	2019
INDUSTRIAL SERVICES & CYBERSECURITY	538,096	597,456
MOBILITY	553,953	558,921
PRODUCTS	556,973	570,055
ACADEMY & LIFE CARE	228,796	298,330
SYSTEMS	214,287	221,084
Total	**2,092,105**	**2,245,846**
Intra-group revenues and central functions/Other	-138,855	-160,743
Total	**1,953,250**	**2,085,103**

Revenue by region

€ thousands	2020	2019
Germany	1,036,493	1,112,850
Europe (excluding Germany)	215,237	217,548
Asia (including India, the Middle East and Africa)	589,292	603,495
America	112,228	151,210
Total	**1,953,250**	**2,085,103**

Revenues mainly relate to service agreements. They include proceeds from service agreements not yet completed totaling €12,380 thousand (previous year: €18,656 thousand), which were realized according to the performance progress. The total amount of benefit attributable to a benefit obligation outstanding at the end of the financial year is not disclosed, since the value of the service performed regularly corresponds to the invoice amount.

(11) Personnel expenses

€ thousands	2020	2019
Wages and salaries	958,812	983,735
Social security and other benefit costs	166,562	161,100
Pension expenses	34,091	29,027
Total	**1,159,465**	**1,173,862**

TÜV Rheinland's personnel expenses include €9,909 thousand (previous year: €15,648 thousand) for employees whose contracts are maintained with LGA KdöR. Group employees are, for the most part, salaried employees.

Employee capacity (annual average)	2020	2019
Group employees	20,657	21,441
thereof LGA KdöR	136	208

The average number of employees abroad is 11,912, and the average number of employees in Germany is around 8,745. While 65.1% of the employees at TÜV Rheinland are male, the proportion of women is 34.9%.

(12) Amortization of intangible assets and depreciation of property, plant and equipment

€ thousands	2020	2019
Scheduled amortization		
of intangible assets	22,186	23,458
of property, plant and equipment	118,226	115,681
Unscheduled amortization		
of intangible assets	1,235	0
of property, plant and equipment	578	0
Total	142,227	139,140

Of the scheduled depreciation of property, plant and equipment totaling € 118,226 thousand (previous year: € 115,681 thousand), €54,830 thousand (previous year: €54,619 thousand) apply to depreciation and amortization of right-of-use assets that are recognized under leases in accordance with IFRS 16.

(13) Other expenses

Other expenses in the reporting year amounting to €674,388 thousands (previous year: €391,944 thousands). In particular, they include €306,764 thousand in expenses for ongoing legal proceedings. This amount includes advance payments already made. For further details, see Note (34). Other expenses also include amounts for rents, leases, leasing costs and motor vehicle costs, which continue to be recognized on a straight-line basis in the income statement as a result of exercises of the option under IFRS 16, €13,908 thousand (previous year: €17,409 thousand) for current leases and €50,913 thousand (previous year: €47,933 thousand) for leases of low-value assets (each including non-lease components). In addition to this, other expenses mainly include €18,431 thousand in expenses from currency translation (previous year: €8,989 thousand), travel expenses, auditing and consulting costs, real-estate maintenance, repair and maintenance costs, postage costs, consumables as well as advertising costs. This item also includes other tax expenses totaling €6,690 thousand (previous year: € 5,585 thousand).

(14) Other income

Other income amounting to €297,644 thousand (previous year: €73,217 thousand) mainly includes income from recourse claims against insurance companies that had not yet come into existence as a matter of law, in the amount of €216,414 thousand. This amount includes advance payments already made. In our opinion, the recourse claims arise as virtually certain if the accounted burdens materialize from pending legal proceedings. For further details, see Note (34). In addition, other income mainly includes €13,672 thousand in income from subsidies, including income pursuant to the Social Services Providers Act, currency exchange rate gains of €11,407 thousand (previous year: €9,822 thousand), income from the reversal of provisions totaling to €11,405 thousand (previous year: €12,060 thousand), €6,763 thousand in income from services (previous year: €7,067 thousand) and rental income of €8,603 thousand (previous year: €5,813 thousand).

Government grants in the form of suspension of €6,898 thousand in social security contributions were recognized in the 2020 financial year.

(15) Impairment of goodwill

In the reporting year, there was an impairment of goodwill totaling €875 thousand (previous year: €0 thousand), of which €575 thousand was related to the closure of a laboratory location that had been acquired in the past as part of a business acquisition. This depreciation is included in the total amount of unscheduled depreciation of intangible assets as set forth in Note (12).

(16) Financial result

€ thousands	2020	2019
Interest income*	2,776	2,489
Interest expenses from financial liabilities	-9,897	-10,616
Net financial balance from pension provisions	-4,914	-7,537
Net interest income	**-12,036**	**-15,664**
Impairment of investments	-2,799	0
Profit (loss) from dividend distributions / Profit and loss transfer agreements	86	-558
Profit (loss) from other securities	-900	-631
Profit or loss share in associated companies and joint ventures that are accounted for through the equity method	-245	0
Profit (loss) from financial derivatives	253	73
Other financial result	**-3,604**	**-1,115**
Total	-15,640	-16,779

* Excluding interest income contained in the net financial balance from pension provisions.

Net financial balance from pension provisions includes interest cost on the defined benefit obligation after deduction of interest income from plan assets and reimbursements. Of the interest expenses from financial liabilities, €2,780 thousand (previous year: €3,601 thousand) consists of interest expenses from leases accounted for in accordance with IFRS 16.

Total interest expenses from financial assets and financial liabilities not carried at fair value through profit or loss in the reporting year amounted to €9,700 thousand (previous year: €10,343 thousand). Total interest income was €2,776 thousand (previous year: €2,489 thousand).

(17) Income taxes

€ thousands	2020	2019
Current taxes	39,749	39,695
Deferred taxes	-15,005	2,359
- from temporary differences	-2,926	3,687
- from loss carryovers	-12,079	-1,328
Total	24,744	42,054

The following reconciliation for TÜV Rheinland combines the individual, company-related reconciliation statements with their country-specific tax rates, taking consolidation measures into account. The anticipated tax expense is reconciled to the stated current tax expense.

€ thousands	2020	2019
Earnings before income taxes	-39,216	118,830
Anticipated tax rate	31.6%	31.6%
Anticipated income tax expenses	**-12,382**	**37,521**
Tax rate differences	-7,687	-10,365
Tax increases due to non-deductible expenses	1,632	2,045
Tax arrears payments/refunds for previous years (including tax effect of trade tax)	1,535	2,343
Losses for which no tax assets could be stated plus changes in valuation allowances	38,010	7,899
Effect of tax rate changes	-9	1,114
Other differences	3,645	1,497
Stated income tax expenses	**24,744**	**42,054**
Actual tax burden	-63.1%	35.4%

The rate paid by the parent company TÜV Rheinland AG was taken as the anticipated tax rate. It remains unchanged at 31.575% and consists of the German corporation income tax rate (15.0%) plus the 5.5% solidarity surcharge and an average trade tax multiplier of 450.0%. Foreign tax rates range from 0.0% to 40.0%.

Tax deferrals and accruals result from the following balance sheet items and loss carryforwards:

	Deferred tax assets		**Deferred tax liabilities**	
€ thousands	**Dec. 31, 2020**	Dec. 31, 2019	**Dec. 31, 2020**	Dec. 31, 2019
Non-current assets	21,896	17,473	87,464	88,227
Current assets	8,163	10,616	7,232	9,787
Non-current liabilities	169,665	145,881	33,042	16,508
Special reserve with an equity portion	0	0	1,066	1,160
Current liabilities	15,655	16,127	1,688	2,884
Total	**215,379**	**190,097**	**130,492**	**118,566**
Amount offset per tax group	-109,290	-94,319	-109,290	-94,319
Deferred taxes on temporary differences	**106,089**	**95,777**	**21,202**	**24,246**
Deferred taxes on fiscal loss carryovers	20,371	7,750	0	0
Impairment of deferred taxes	-3,184	-2,642	0	0
Total	123,276	100,885	21,202	24,246

The total of deferred tax assets is composed of current deferred tax assets totaling €20,947 thousand (previous year: €17,762 thousand) and of non-current deferred tax liabilities totaling €102,329 thousand (previous year: €83,123 thousand). The total of deferred tax liabilities is composed of current deferred tax liabilities totaling €230 thousand (previous year: €745 thousand) and of non-current deferred tax liabilities totaling €20,972 thousand (previous year: €23,502 thousand). Of the deferred taxes, a total of €107,604 thousand (previous year: €96,342 thousand) was offset against equity capital.

During the reporting year, €11,792 thousand in deferred taxes on actuarial gains or losses (previous year: €18,386 thousand) was recorded in other comprehensive income (consolidated statement of comprehensive income). In respect of financial assets at fair value through profit or loss in other comprehensive income, no amounts have been recorded, as in the previous year. Furthermore, in terms of cash flow hedges, €-188 thousand (previous year: €11 thousand) in deferred taxes were stated in other comprehensive income (consolidated statement of comprehensive income) in the reporting year.

Within TÜV Rheinland, there are unused tax loss carryforwards as of the reporting date totaling €357,721 thousand (previous year: €172,262 thousand). Of this total, €17,187 thousand (previous year: € 5,108 thousand) in deferred taxes were capitalized. Loss carryovers are, for the most part, not time-limited.

There are deferred tax liabilities of €4,915 thousand on the temporary differences of subsidiaries (previous year: €4,845 thousand). These were not constituted, because TÜV Rheinland is able to control the time course of the reversal, and the temporary differences will not be reversed in the foreseeable future.

(18) Non-controlling interests

€ thousands	2020	2019
Shares in profits	9,513	11,758
Shares in losses	-712	-304
Total	**8,801**	**11,454**

The losses attributable to non-controlling interests mainly apply to TUV Rheinland Quality Control (Pty) Ltd. and TUV Rheinland Inspection Services (Pty.) Ltd., South Africa. Profits and distributions of profit attributable to non-controlling interests mainly concern FSP Fahrzeug-Sicherheitsprüfung GmbH & Co. KG in Geltow, TÜV Rheinland Arabia LLC in Jeddah (Saudi Arabia), LUXCONTROL S.A. in Esch-sur-Alzette (Luxembourg), TÜV Rheinland/CCIC (Ningbo) Co., Ltd. in Ningbo (China), SECTA S.A. in Courbevoie (France), and TÜV Rheinland/CCIC (Quingdao) Co., Ltd in Quingdao (China). The above-mentioned companies with significant non-controlling interests reported total assets of €84,610 thousand as well as liabilities of €52,163 thousand in the reporting year.

(19) Earnings per share

		2020	2019
Earnings share of equity holders of TÜV Rheinland AG	(in € thousands)	-72,761	65,322
Number of shares Dec. 31	(in thousands)	35	35
Earnings per share	**(in €)**	**-2,079**	**1,866**

As in the previous year, potential shares that might dilute the result were not issued by TÜV Rheinland AG. As a result, diluted and basic earnings per share are the same.

Notes to the Consolidated Balance Sheet

(20) Intangible assets

€ thousands	Goodwill	Acquired intangible assets: Concessions, industrial property rights and similar rights	Acquired intangible assets: Other intangible assets	Internally generated intangible assets	Advances	Total
Acquisition/ Manufacturing costs						
As of Jan. 1, 2019	**268,463**	**170,220**	**3,302**	**11,571**	**17,227**	**470,784**
Currency changes	2,097	455	155	14	0	2,721
Changes in scope of consolidation	0	7	-2	0	0	5
Addition by acquisitions	7,777	59,747	45	0	0	67,569
Additions	600	4,373	110	154	17,878	23,115
Disposals	0	-1,435	1	0	-3,726	-5,160
Reclassifications	0	13,396	-437	-190	-12,769	0
As of Dec. 31, 2019 / Jan. 1, 2020	**278,937**	**246,763**	**3,174**	**11,549**	**18,610**	**559,033**
Currency changes	-11,132	-1,702	-135	-24	0	-12,993
Changes in scope of consolidation	-325	-571	0	-53	0	-950
Additions	4,671	7,447	82	84	7,087	19,370
Disposals	-6,885	-1,974	0	-47	0	8,906
Reclassifications	0	25,131	4	234	-25,368	0
As of Dec. 31, 2020	265,266	272,092	3,125	11,742	328	555,553
Amortization and depreciation						
As of Jan. 1, 2019	**22,338**	**122,226**	**1,610**	**7,822**	**391**	**154,388**
Currency changes	1	331	75	14	0	421
Changes in scope of consolidation	0	5	-2	0	0	3
Addition by acquisitions	0	0	45	0	0	45
Amortization and depreciation	0	21,656	496	1,279	26	23,458
Changes not recognized in profit or loss	0	120	0	0	0	120
Disposals	0	-1,462	0	0	0	-1,462
Reclassifications	0	816	-440	16	-392	0
As of Dec. 31, 19 / Jan. 1, 2020	**22,339**	**143,692**	**1,784**	**9,131**	**26**	**176,971**
Currency changes	-51	-1,645	-97	-23	0	-1,815
Changes in scope of consolidation	0	-559	0	-53	0	-612
Amortization and depreciation	0	20,655	837	695	0	22,186
Impairment losses	875	0	0	360	0	1,235
Disposals	-292	-2,364	-31	0	0	-2,687
As of Dec. 31, 2020	22,871	159,779	2,493	10,110	26	195,279
Carrying amount Dec. 31, 2020	**242,395**	**115,313**	**631**	**1,632**	**302**	**360,274**
Carrying amount Dec. 31, 2019	256,598	103,072	1,388	2,418	18,585	382,060

There were €360 thousand in impairment losses on internally generated intangible assets accrued as part of the measurement at the lower fair value of assets held for sale; see Note (29).

There were no borrowing costs to be capitalized in the intangible assets during the reporting year.

In the 2020 financial year, expenses for research and development in the area of intangible assets totaled to €882 thousand (previous year: €883 thousand).

The goodwill carrying amounts are allocated to the following Business Streams that are, at the same time, cash-generating units:

€ thousands	Dec. 31, 2020	Dec. 31, 2019
INDUSTRIAL SERVICES & CYBERSECURITY	130,861	140,697
MOBILITY	64,936	65,935
PRODUCTS	12,116	13,759
ACADEMY & LIFE CARE	19,794	21,326
SYSTEMS	14,687	14,882
Total	**242,395**	**256,598**

The year-over-year change in goodwill is mainly the result of currency translation.

The concessions include a brand with an indefinite useful life and a carrying amount of €10,675 thousand that is subject to an impairment test at the cash-generating unit level. It is a company brand the useful life of which was estimated as indefinite due to its comprehensive importance for the company and its long history.

The internally generated intangible assets are software and development projects.

A balanced average discount rate of 4.0% was used across the Group to establish the value in use. No growth rate was forecast for the period after the planning phase.

As part of a sensitivity analysis, the EBIT results for the individual divisions were adjusted by 20.0%. In addition, the discount rate was raised from 4.0% to 5.0% (WACC). The change in parameters did not have any effect on the outcome of the impairment test.

(21) Property, plant and equipment

€ thousands	Land and buildings	Technical plant and machinery	Other plant, operating and office equipment	Advances paid and assets under construction	Total
Acquisition/ Manufacturing costs					
As of Jan. 1, 2019	**527,254**	**309,256**	**162,626**	**12,657**	**1,011,792**
Currency changes	-861	1,486	376	472	1,473
Changes in scope of consolidation	41	48	95	0	184
Addition by acquisitions	4,963	966	255	0	6,184
Additions	218,062	25,611	38,030	5,918	287,621
Disposals	-15,518	-30,074	-12,553	0	-58,145
Reclassifications	5,908	4,711	1,304	-11,923	0
As of Dec. 31, 2019 / Jan. 1, 2020	**739,849**	**312,003**	**190,132**	**7,125**	**1,249,109**
Currency changes	-9,119	-9,852	-2,995	-189	-22,155
Changes in scope of consolidation	-8,911	-4,182	-3,747	-28	-16,869
Additions	44,198	17,202	27,022	15,779	104,201
Disposals	-26,876	-8,717	-14,267	-3,005	-52,865
Reclassifications	3,594	3,082	1,641	-8,317	0
As of Dec. 31, 2020	742,735	309,536	197,785	11,365	1,261,421
Amortization and depreciation					
As of Jan. 1, 2019	**209,298**	**207,023**	**118,838**	**18**	**535,177**
Currency changes	-465	1,065	250	0	851
Changes in scope of consolidation	6	-182	114	0	-62
Addition by acquisitions	0	11	0	0	11
Amortization and depreciation	60,442	28,804	26,790	-355	115,681
Impairment losses	3,040	244	119	0	3,403
Disposals	-10,248	-30,211	-11,128	0	-51,587
Reclassifications	2,438	-2,438	-110	110	0
As of Dec. 31, 2019 / Jan. 1, 2020	**264,511**	**204,316**	**134,873**	**-228**	**603,472**
Currency changes	-3,990	-7,143	-2,407	1	-13,538
Changes in scope of consolidation	-1,762	-3,664	-3,231	0	-8,657
Amortization and depreciation	58,019	32,296	27,902	9	118,226
Impairment losses	221	241	116	0	578
Disposals	-19,153	-6,710	-14,148	86	-39,926
Reclassifications	0	-497	497	0	0
As of Dec. 31, 2020	297,847	218,841	143,601	-133	660,156
Carrying amount Dec. 31, 2020	444,888	90,695	54,184	11,498	601,265
Carrying amount Dec. 31, 2019	475,338	107,687	55,259	7,353	645,637

There were €578 thousand in impairment losses on property, plant and equipment accrued as part of the measurement at the lower fair value of assets held for sale; see Note (29).

There were no borrowing costs to be capitalized in property, plant and equipment during the reporting year.

The following table shows the trend in right-of-use assets by class of underlying assets included in property, plant and equipment within the scope of leases:

€ thousands	Land and buildings	Technical plant and machinery	Other plant, operating and office equipment	Total
Rights of use				
As of Jan. 1, 2019	**180,961**	**884**	**17,174**	**199,019**
Additions	36,433	540	7,887	44,859
Disposals	0	0	0	0
Amortization and depreciation	-45,000	-314	-9,305	-54,619
As of Dec. 31, 2019 / Jan. 1, 2020	**172,393**	**1,110**	**15,756**	**189,259**
Changes in scope of consolidation	-7,145	0	-68	-7,213
Additions	38,392	45	16,323	54,760
Disposals	-8,514	-16	-1,628	-10,158
Amortization and depreciation	-42,595	-284	-11,952	-54,830
As of Dec. 31, 2020	152,531	855	18,432	171,817

(22) Investment property

In the reporting year, as in the previous year, TÜV Rheinland held no investment property.

(23) *Investments accounted for using the equity method*

As in the previous year, the consolidated financial statements of TÜV Rheinland AG contain two joint ventures that are accounted for using the equity method:

Auteko & Latvija GmbH, Riga

TÜV Rheinland AG holds a 49% stake in Auteko & Latvija GmbH, of Riga, Latvia, through its subsidiary, TÜV International GmbH - part of TÜV Rheinland Group, Cologne, Germany. This investment has been held since 1994. Auteko & Latvija GmbH is a vehicle testing center in Riga, Latvia. The capital ratio of Auteko & Latvija GmbH corresponds to the voting rights ratio.

The following table contains summary financial information concerning Auteko & Latvija GmbH based on a 100% shareholding as of December 31, 2020:

€ thousands	2020
Current assets	3,129
Non-current assets	4,052
Current liabilities	1,181
Non-current liabilities	653
Equity	5,346
Revenue	7,724
Net profit for the period	1,203

The carrying amount of the investment amounts to €2,892 thousand as of December 31, 2020, which also corresponds to the fair value.

Risktec Solutions (Muscat) LLC, Muscat

In addition to the above-mentioned investment, TÜV Rheinland AG also holds a 50% share in Risktec Solutions (Muscat) LLC, Muscat in Oman, through its subsidiary Risktec Solutions Ltd., Warrington. This stake was acquired in 2014 as part of the acquisition of the Risktec Group. Risktec Solutions is an established, independent and specialized risk-management consulting and training firm and has offices in numerous countries, including Oman. The capital ratio of Risktec Solutions (Muscat) LLC corresponds to the voting rights ratio.

The following table contains summary financial information concerning Risktec Solutions (Muscat) LLC based on a 100% shareholding as of December 31, 2020:

€ thousands	2020
Current assets	321
Non-current assets	3
Current liabilities	146
Non-current liabilities	0
Equity	178
Revenue	362
Net profit for the period	100

The carrying amount of the investment amounts to €141 thousand as of December 31, 2020, which also corresponds to the fair value.

For reasons of materiality, the above two joint ventures are grouped together for the purpose of presenting the trend of shareholdings:

€ thousands	2020	2019
As of Jan. 1	**2,902**	**2,712**
Changes in proportional equity		
Changes in profit and loss	647	663
Profit distribution	-490	-473
Miscellaneous changes	-26	0
As of Dec. 31	3,033	2,902

(24) Other financial assets

€ thousands	Dec. 31, 2020	Dec. 31, 2019
Shares in affiliated companies	1,132	1,137
Other investments	4,097	1,294
Non-current securities	24	11
Actuarial reserve quotas due to reinsurance policies	327,190	309,616
Total	332,443	312,058

There were €2,799 thousand in impairment losses on investments in the reporting year (previous year: € 0 thousand).

(25) Other assets

Other non-current assets totaling €24,489 thousand (previous year: €32,158 thousand) do not contain any impairment losses.

(26) Inventories

€ thousands	Dec. 31, 2020	Dec. 31, 2019
Raw materials, consumables, and supplies	1,504	1,863
Work in progress	110	382
Finished goods and goods for resale	670	646
Advances paid for inventories	661	417
Total	2,945	3,308

Inventories are - as in the previous year - current and do not include a non-current share. No material impairment losses on inventories were recognized during the reporting year.

(27) Receivables and other current assets

€ thousands	Dec. 31, 2020	Dec. 31, 2019
Contract assets	82,607	78,480
Trade receivables before devaluation	246,669	290,702
Allowances on trade receivables	-18,808	-17,177
Trade receivables	227,861	273,525
Income tax receivables	18,195	14,059
Receivables from affiliated companies	5,768	6,434
Receivables from associates	98	36
Market value of financial derivatives	707	0
Other securities	4	0
Other receivables and other assets	232,072	64,980
Other receivables and other assets	238,648	71,450

Other receivables and other assets mainly include receivables from legal recourse claims against insurance companies amounting to € 171,414 thousand, taking into account prepayments already made. In our opinion, these are virtually certain when the accounted charges from pending legal proceedings materialize. For further details, see Note (34).

Allowances on trade receivables and on contract assets developed as follows:

	Individual valuation allowances		Collective valuation allowances**		Total	
€ thousands	2020	2019	2020	2019	2020	2019
Allowances as of Jan. 1	3,752	5,682	13,425	15,984	17,177	21,666
Addition	3,240	1,060	1,904	8,816	5,144	9,876
Use	-398	-880	-1,295	-8,201	-1,693	-9,081
Reversal	-263	-1,731	-1,847	-3,333	-2,110	-5,063
Other changes*	-415	-379	705	159	289	-219
Allowances as of Dec. 31	5,916	3,752	12,892	13,425	18,808	17,177

* Changes in scope of consolidation, changes in exchange rates and reclassifications.
** Includes expected credit losses on trade receivables.

The Lifetime Expected Credit Loss (ECL) on trade receivables and contract assets amounted to €12,979 thousand as of December 31, 2020, and is distributed across the corresponding maturity bands as follows:

€ thousands	Expected credit loss rate	Gross carrying amount	Lifetime ECL 2020
Not overdue	1.35%	238,763	3,221
Up to 180 days overdue	4.96%	68,394	3,391
Overdue more than 180 but not more than 360 days	18.98%	9,842	1,868
More than 360 days overdue	35.94%	12,276	4,412
Total		329,275	12,892

€ thousands	Expected credit loss rate	Gross carrying amount	Lifetime ECL 2019
Not overdue	0.64%	278,530	1,774
Up to 180 days overdue	9.39%	73,396	6,895
Overdue more than 180 but not more than 360 days	15.73%	7,983	1,256
More than 360 days overdue	37.74%	9,272	3,500
Total		**369,182**	**13,425**

(28) Cash and cash equivalents

As in the previous year, this item consists of cash on hand, checks and credit balances with banks that are available within three months. Restrictions affecting the availability of capital total to €141,094 thousand in the 2020 financial year (previous year: 107,670). These mainly affect cash and cash equivalents that are subject to restrictions on movements of capital in China.

(29) Non-current assets and liabilities held for sale

As of the balance sheet date, there are €2,522 thousand in assets classified as held for sale and €481 thousand in liabilities classified as held for sale within TÜV Rheinland, in application of IFRS 5.

The assets classified as held for sale are mainly land and buildings held for sale in Hungary that are sold for the purpose of local activities and relocation to new, modern locations. Although a sales agreement to this effect was already signed in the 2019 financial year, it contains conditions precedent and provides for transfer of ownership that – according to previous estimates – is not set to be carried out until 2021 at the earliest.

Furthermore, as of the reporting date, the Executive Board decided to sell the wholly-owned subsidiaries TÜV Rheinland Sonovation Holding B.V. and TÜV Rheinland Sonovation B.V. In accordance with IFRS 5, the assets and liabilities of the subsidiaries were classified as a "disposal group" and reported accordingly as "assets classified as held for sale" and "liabilities classified as held for sale." The disposal group will be sold in a single transaction during the financial year 2021. Negotiations with the potential buyer advanced significantly during the first months of the 2021 financial year, and the sale is highly likely to be concluded during the first quarter of 2021. As the expected proceeds from the sale are below the carrying amount of the affected net assets, assets were written down by a total of €2,833 thousand as of the balance sheet date. By comparison, the liabilities classified as held for sale total to €481 thousand.

The principal classes of liabilities classified as held for sale as of December 31, 2020, are as follows:

€ thousands	**Dec. 31, 2020**
Non-current liabilities	171
Current provisions	33
Trade payables	37
Other current liabilities	240
Liabilities classified as held for sale	**481**

(30) Equity

As in the previous year, TUV Rheinland AG's share capital amounts to €35,000 thousand and is divided into 35,000 registered shares, each with a value of €1,000.

The capital reserve consists mainly of the premiums charged on various capital increases since 1993.

Other reserves are the retained earnings and miscellaneous other reserves.

Within retained earnings, the past results of companies included in the consolidated financial statements are stated unless previously distributed. In addition, retained earnings include the net proceeds of adjustments, not recognized in profit or loss, stemming from first-time adoption of IFRS. Retained earnings also include the offset of actuarial gains and losses recognized in defined benefit obligations/ plan assets as well as reimbursement rights against equity.

Miscellaneous other reserves include differences arising from currency translation, not recognized in profit or loss, of the annual financial statements of international subsidiaries and the effects of items classified as "Financial assets at fair value through profit or loss in other comprehensive income." In this regard, in the reporting year as in the previous year, no major amounts were reclassified from equity or from other comprehensive income (consolidated statement of comprehensive income) to the income statement. Miscellaneous other reserves also include the effective amounts resulting from cash flow hedges that were added to equity capital.

In addition to ensuring the company's continued existence as a going concern, TÜV Rheinland's capital management relating to IFRS equity capital as stated on the balance sheet aims to earn adequate interest over and above capital costs and thereby to permanently increase corporate value. The Company is not subject to any further statutory or contractual obligations to maintain capital beyond the provisions of the laws applicable to stock corporations. The financial key indicators (revenue, EBIT) used by the company in the context of corporate management are predominantly performance-oriented.

An important key figure in the context of capital management at TÜV Rheinland is the net financial position. This compares cash and cash equivalents and current financial assets against financial liabilities. As of December 31, 2020, this indicator stands at €118.5 million (previous year: €26.0 million). The aforementioned net financial position does not include financial liabilities to the shareholder TÜV Rheinland Berlin Brandenburg Pfalz e.V. in the amount of €35.9 million (previous year: €16.6 million). The key figure of net financial position is not part of the accounting rules in accordance with International Financial Reporting Standards; the way this parameter is defined and calculated may differ at other companies.

Another key indicator is net working capital, a liquidity metric that furnishes information on the extent to which portions of assets are available for generating revenue in the short term and are not financed by borrowed capital. As of December 31, 2020, net working capital is 4.2% (previous year: 7.1%). This key figure is also not part of the accounting rules in accordance with International Financial Reporting Standards; the way this parameter is defined and calculated may differ at other companies.

In general, the goals, methods and processes of capital management are subordinate to the performance-oriented financial indicators. As of December 31, 2020, and December 31, 2019, there were no changes undertaken to the goals, guidelines or procedures that this entails.

(31) Provisions for pensions and similar obligations

Company pensions at TÜV Rheinland is essentially based on defined benefit plans. There are also defined contribution plans.

For the **defined contribution plans**, the company pays contributions to state or private pension insurers on the basis of contractual provisions. In Germany, the pension schemes involved are Zusatzversorgungskasse der bayerischen Gemeinden, Munich; Ruhegehalts- und Zusatzversorgungskasse des Saarlandes, Saarbrücken; and Versicherungsanstalt des Bundes und der Länder, Karlsruhe. Current contributions are stated as personnel expenses. In the reporting year, contributions to defined contribution pension plans totaled €15,694 thousand (previous year: €16,438 thousand). In addition, employer contributions to statutory pension insurance must be classified as a defined contribution plan. The expenses recognized for this during the reporting year total to €52,545 thousand (previous year: €51,866 thousand).

The supplementary pension funds' financing procedure contains cost-splitting elements. Supplementary pension funds grant benefits to employees of several member companies; as such, this represents a joint plan held by several employers. The system of supplementary pension funds requires a stable level of total membership. There is no evidence that this requirement is not fulfilled. Furthermore, the capital cover continues to grow. A total amount of €2,413 thousand was paid out to supplementary pension funds as well as the federal and state governments' insurance institution for 2020 (previous year: €2,700 thousand). A similar amount is expected to be paid out in 2021. The supplemental pension funds and the federal and state governments' insurance institution hold guarantees for eventual risks arising from defined benefit plans and other gaps in coverage.

In addition to defined contribution plans in Germany, TÜV Rheinland also operates defined contribution pension plans at foreign subsidiaries.

The **defined benefit plans** in Germany are partly civil service-like general contribution systems to which statutory pension insurance is credited. The general contribution systems were closed for new employees in 1986. The systems were amended between 2000 and 2004 for employees who still qualified for the general contribution system. Vested rights were determined as of the date of the change. For the years after the date of change, defined contribution commitments were made; reinsurance policies were taken out to cover these commitments.

Pension commitments were made to employees who joined the Group after 1986 based on the so-called "split pension formula." The pension entitlement is based on qualifying length of service and qualifying income, with different percentages applying above and below the earnings ceiling for qualifying income. This pension plan was closed for new employees between 1993 and 1998. It was amended for existing employees between 2000 and 2004 ("Old Plan"). Vested rights were also determined in this context as of the date of change, and defined contribution commitments were made for the years after the date of change; reinsurance policies were taken out to cover these commitments.

Since January 1, 2007, there has been a defined contribution plan for new employees and for employees with no previous pension entitlement. In this context, each employee's annual pension contribution is dependent on his or her annual income and the company's performance.

These plans include retirement benefits (either as an annuity payment or a lump-sum payment, depending on the amount) as well as a lump-sum payment to survivors, if applicable ("New Plan").

In addition, individual employees also have a pension plan that is largely funded by the employee but to some extent by the employer as well.

Benefits can be paid out in the event of disability, death, or reaching retirement age. Benefits are paid out either as a lump-sum payment or as a lifetime annuity ("Funded Plan").

The net defined benefit liability recognized on the balance sheet for German pension plans is broken down as follows as of December 31, 2020:

	Old Plan		New Plan		Funded Plan		Total	
€ thousands	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Active employees	125,225	123,625	76,129	60,684	5,506	4,440	**206,861**	188,749
Former employees	19,103	18,584	16,055	10,852	5,077	4,656	**40,236**	34,092
Pension recipients	572,374	561,709	2,874	2,190	4,168	3,898	**579,416**	567,797
Total defined benefit obligation	**716,702**	**703,918**	**95,059**	**73,726**	**14,751**	**12,994**	**826,512**	**790,638**
Plan assets	-10,723	-11,105	0	0	-14,751	-12,994	**-25,474**	-24,100
Net defined benefit liability	705,979	692,813	95,059	73,726	0	0	801,038	766,538

Funding for the New Plan and Funded Plan is secured through congruent reinsurance policies, whereby the reinsurance policies for the Funded Plan are typically used as collateral and represent plan assets pursuant to IAS 19.8.

Funding for the remaining pension obligations (Old Plan) is partially secured through reinsurance policies, whereby only a small share (€10,723 thousand; previous year: €11,105 thousand) is used as collateral and represents plan assets. According to IFRS, the reinsurance policies not used as collateral represent "Reimbursement Rights" pursuant to IAS 19.116.

In addition to defined benefit pension plans in Germany, TÜV Rheinland also has further pension plans abroad. The pension plans abroad of material significance are held in Taiwan (defined benefit obligation: €11,083 thousand; previous year: €12,547 thousand) and Japan (defined benefit obligation: €2,378 thousand; previous year: €3,013 thousand). The majority of these pension plans were set up as a result of legal stipulations; their purpose is to enable the employer to pay out (legally defined) benefits to the employee upon leaving the company. Plan assets are usually not formed for foreign pension obligations.

The duration of TÜV Rheinland's pension obligations is 14.4 years (previous year: 13.7 years).

In assessing the defined benefit obligation, parameters that determine the actual cost of payments made after retirement are taken into account. In addition to the biometric parameters used, in a manner with no year-over-year change in Germany - the 2018 G HEUBECK TABLES of Klaus Heubeck (which contain statements on mortality, survivors, and disability) - these are mainly financial assumptions in respect of, for example, the discount rate and future salary and benefit levels. The main assumptions are listed as follows:

	2020		2019	
in %	Germany	Abroad	Germany	Abroad
Discount rate	0.50	1.64	1.00	1.98
Wage and salary trend	2.25	3.86	2.25	3.78
Increase in benefit payments	1.75	-	1.75	-

The following table shows what effects individual changes of single assumptions would have on defined benefit obligations as of December 31, 2020. In this context, it is assumed that the other assumptions remain unchanged.

		2020		2019	
€ thousands	Sensitivity	Germany	Abroad	Germany	Abroad
Discount rate	+0.50	-55,752	-1,072	-50,746	-1,187
	-0.50	63,342	1,158	57,287	1,285
Wage and salary trend	+0.25	355	546	375	615
	-0.25	-347	-570	-372	-594
Increase in benefit payments	+0.25	20,577	-	18,849	-
	-0.25	-19,650	-	-18,034	-

If life expectancy is extended by one year, the scope of the defined benefit obligation changes by +8.1% (previous year: +7.6%)

The net pension provisions stated on the balance sheet changed as follows:

€ thousands	Present value of defined benefit obligations: Germany	Abroad	Total	Plan assets: Germany	Abroad	Total	Total
As of Jan. 1, 2019	**729,335**	**22,614**	**751,949**	**22,317**	**3,899**	**26,216**	**725,733**
Service cost	8,354	1,887	10,241	0	0	0	10,241
Interest expense/(Interest income)	12,509	500	13,009	385	39	424	12,585
Total	**20,863**	**2,387**	**23,250**	**385**	**39**	**424**	**22,826**
Return on plan assets	0	0	0	2,019	145	2,164	-2,164
(Gain)/Loss from changes to demographic assumptions	0	108	108	0	0	0	108
(Gain)/Loss from changes to financial assumptions	73,979	544	74,523	0	0	0	74,523
(Gain)/Loss from adjustments made based on experience	8,124	-30	8,094	0	0	0	8,094
Employee contributions	240	0	240	240	0	240	0
Employer contributions	0	0	0	194	1,154	1,348	-1,348
Benefit payments	-41,903	-2,107	-44,010	-1,055	-1,437	-2,492	-41,518
Business combinations	0	33	33	0	0	0	33
Currency changes	0	743	743	0	177	177	566
As of Dec. 31, 2019 / Jan. 1, 2020	**790,638**	**24,291**	**814,929**	**24,100**	**3,977**	**28,077**	**786,852**
Service cost	8,452	2,018	10,470	0	0	0	10,470
Interest expense/(Interest income)	7,771	463	8,234	238	30	268	7,966
Total	16,223	2,481	18,704	238	30	268	18,436
Return on plan assets	0	0	0	1,814	136	1,950	-1,950
(Gain)/Loss from changes to demographic assumptions	0	-42	-42	0	0	0	-42
(Gain)/Loss from changes to financial assumptions	55,752	943	56,695	0	0	0	56,695
(Gain)/Loss from adjustments made based on experience	5,962	-491	5,471	0	0	0	5,471
Severance payments	0	69	69	0	0	0	69
Plan curtailments	0	-10	-10	0	0	0	-10
Employee contributions	227	0	227	227	0	227	0
Employer contributions	0	0	0	159	966	1,125	-1,125
Benefit payments	-41,785	-2,910	-44,695	-1,064	-1,267	-2,331	-42,364
Business combinations/disposals	-505	0	-505	0	0	0	-505
Currency changes	0	-861	-861	0	-83	-83	-778
As of Dec. 31, 2020	826,512	23,470	849,982	25,474	3,759	29,233	820,749

Reimbursements changed as follows:

€ thousands	2020 Germany	2020 Abroad	2020 Total	2019 Germany	2019 Abroad	2019 Total
Present value of reimbursements Jan. 1	**309,616**	**0**	**309,616**	**290,946**	**0**	**290,946**
Employer contributions	**6,822**	0	**6,822**	6,722	0	6,722
Reimbursements	**-15,149**	0	**-15,149**	-15,005	0	-15,005
Transfers	**0**	0	**0**	0	0	0
Acquisitions/Divestitures	**-505**	0	**-505**	0	0	0
Expected/Standardized return	**3,071**	0	**3,071**	5,066	0	5,066
Actuarial gain/(losses) from remeasurement	**23,335**	0	**23,335**	21,887	0	21,887
Present value of reimbursements Dec. 31	327,190	0	327,190	309,616	0	309,616

The assets of the present value of reimbursement rights and plan assets exclusively include reinsurance policies (with Alters- und Hinterbliebenen-Versicherung der Technischen Überwachungs-Vereine-VVaG, Essen; ERGO Lebensversicherung AG, Düsseldorf; and DBV Deutsche Beamtenversicherung Lebensversicherung AG, Wiesbaden). In Germany, the fair value of plan assets for the Funded Plan and for reimbursement rights within the scope of the New Plan is deemed to be the present value of the related defined benefit obligation in accordance with IAS 19.115 or IAS 19.119.

For the reporting year 2021, reinsurance premiums are expected to total to €7,657 thousand (previous year: €7,932 thousand). Furthermore, €26,019 thousand in pension payments less reimbursements are expected for the reporting year 2021 (previous year: €26,230 thousand).

With regard to the Old Plan in Germany as well as foreign plans, no company-specific risks exist other than the general interest, inflation, longevity, and capital investment risks.

The longevity risk is taken into account through the use of actuarial tables when calculating commitments. The actuarial tables make use of suitable assumptions to take increasing life expectancy into account, among other things. The longevity risk is reduced through the existing reinsurance policies. Due to the regulations governing the calculation of actuarial reserves, the present values to apply to reimbursement rights are subject to only slight fluctuations and, in particular, are only minimally sensitive to interest rates. This leads to fluctuations in the funding status (when taking reimbursement rights into account), since in contrast to this, in the event of interest rate changes, the obligation side is volatile commensurate with the indicated sensitivities.

The risks associated with the New Plan and the Funded Plan were minimized through congruent reinsurance policies for these plans.

(32) Other provisions

€ thousands	Dec. 31, 2020 Total	Dec. 31, 2020 Thereof current	Dec. 31, 2019 Total	Dec. 31, 2019 Thereof current
Personnel provisions	116,818	102,610	87,874	74,343
Other provisions	287,651	279,184	30,814	19,020
Total	404,468	381,794	118,688	93,363

Personnel provisions mainly involve variable compensation paid to employees and management, including applicable social security contributions, obligations arising from partial retirement agreements, benefits, anniversary payments and restructuring measures. The non-current provisions will be utilized for the most part within the next five years.

Other provisions contain €261,764 thousand in provisions for ongoing legal proceedings; for details, see Note (34). In addition, other provisions include provisions for litigation costs, provisions for asset-retirement obligations and provisions for warranties.

Provisions developed as follows in the reporting year:

€ thousands	Opening balance	Addition	Use	Release	Other changes*	**Closing balance**
Personnel provisions	87,874	113,169	73,060	8,109	-3,056	116,818
Other provisions	30,814	278,041	9,888	9,838	-1,478	287,651
Total	118,688	391,210	82,948	17,947	-4,534	404,469

* Changes in the scope of consolidation, currency changes, classification as held for sale and offsetting with actuarial reserve quotas.

In the reporting year, as in the previous year, the discounting effect was not material.

(33) Liabilities

€ thousands	Non-current Dec. 31, 2020	Non-current Dec. 31, 2019	Current Dec. 31, 2020	Current Dec. 31, 2019	Total Dec. 31, 2020	Total Dec. 31, 2019
Income tax liabilities	0	0	10,515	17,511	10,515	17,511
Contract liabilities	0	0	91,687	68,575	91,687	68,575
Trade payables	0	0	140,358	139,098	140,358	139,098
Liabilities to banks	299,928	119,536	26,338	54,554	326,267	174,090
Liabilities to affiliated companies	0	0	37,685	19,454	37,685	19,454
Liabilities to associates	0	0	0	-9	0	-9
Other tax liabilities	0	0	51,694	43,984	51,694	43,984
Social security liabilities	0	344	19,086	19,095	19,086	19,439
Miscellaneous liabilities	141,799	154,229	111,427	135,792	253,226	290,021
Other liabilities	141,799	154,573	219,892	218,315	361,691	372,888
Total	441,728	274,109	488,790	498,054	930,517	772,162

Due to the terms of contracts with customers, contract liabilities become revenue in the following financial year.

Other liabilities include lease liabilities of €169,116 thousand (previous year: €186,303 thousand). In the future, the following payments will be due:

€ thousands	Dec. 31, 2020	Dec. 31, 2019
Future payment obligations		
Due within a year	43,514	48,840
Due within 1-5 years	82,227	90,757
Due in more than 5 years	43,375	46,706
Total	169,116	186,303

(34) Legal proceedings

By two judgments handed down on January 20, 2017, the Toulon Commercial Court of First Instance had upheld the liability of Notified Body TÜV Rheinland LGA Products (TRLP) and TÜV Rheinland France SAS in the PIP case vis-à-vis women who claimed to have received silicone gel breast implants from PIP. TÜV Rheinland had appealed against these judgments to the Aix-en-Provence Court of Appeal.

With the Cour d'appel Aix-en-Provence in France, another court of appeal issued a judgment on February 11, 2021, in proceedings against TÜV Rheinland in connection with silicone gel breast implants by French firm Poly Implant Prothèse (PIP). In a departure from previous decisions on appeal, the appeals court in Aix-en-Provence found liability on the part of two TÜV Rheinland companies. TÜV Rheinland then immediately commissioned its lawyers to lodge an appeal.

At least on occasion, PIP intentionally produced silicone gel breast implants using an undeclared silicone filling. By means of a large-scale and complex fraud, PIP deceived all parties involved – first and foremost the patients, but also the health authorities and the Notified Body TRLP.

PIP has always claimed to have used only the silicone declared to the TÜV Rheinland inspectors as its raw material.

The Notified Body had rescinded the certificates for PIP after the fraud by PIP became known in late March 2010. Within the scope of criminal proceedings, the Criminal Court of Marseille in 2013, the Aix-en-Provence Court of Appeal in 2015 and finally the French Court of Cassation in 2018 all recognized TÜV Rheinland as a victim of the fraud committed by PIP and its managers.

By decision handed down on February 11, 2021, the Court of Appeal in Aix-en-Provence confirmed the liability of the two companies concerned in more than 13,000 cases. On the other hand, the court dismissed a lawsuit by more than 6,000 women. In these cases, it could not be demonstrated that breast implants were used by PIP that were the subject of the fraud and were covered by the certificates issued by TRLP.

Because a future burden on TÜV Rheinland is highly probable as a result of the judgment by the Court of Appeals in Aix-en-Provence, provisions of €261.764 million for ongoing legal proceedings have been constituted in the consolidated financial statements as of December 31, 2020. This stands against receivables in the amount of €171,414 thousand in recourse claims against insurance companies that have not yet come into existence as a matter of law. Further possible recourse claims within the meaning of IAS 37.53 are not recognized, as they cannot be considered as practically certain at this point in time.

(35) Other financial obligations

Other financial obligations exclusively consist of license fees for software and PC rentals. Of these obligations, the following minimum payments will fall due in the future:

€ thousands	**Dec. 31, 2020**	Dec. 31, 2019
Future payment obligations		
Due within a year	11,247	6,050
Due within 1-5 years	20,565	18,700
Due in more than 5 years	0	0
Total	31,812	24,750

Obligations arising out of operating leases that are not based on intangible assets have been accounted for in accordance with the requirements of IFRS 16.

(36) Additional disclosures on financial instruments

Based on the balance sheet items, the following tables present the measurement of financial instrument categories pursuant to IFRS 7 for the reporting year and the previous year:

€ thousands	Carrying amount Dec. 31, 2020	Financial assets/ liabilities at fair value through profit or loss	Financial assets at fair value through profit or loss in other comprehensive income	Financial assets/ liabilities at amortized cost	No IFRS 9 valuation category
ASSETS					
Non-current assets					
Investments accounted for using the equity method	3,033	0	0	0	3,033
Other financial assets	332,443				
Securities	24	0	0	24	0
Investments	5,229	0	0	5,229	0
Financial instruments outside the scope of IFRS 7	327,190	0	0	0	327,190
Other assets	24,489				
Other loss	24,489	0	0	24,489	0
Financial derivatives	0	0	0	0	0
Current assets					
Contract assets	82,607	0	0	82,607	0
Trade receivables	227,861	0	0	227,861	0
Other receivables and other assets	238,648				
Other receivables	177,969	0	0	6,555	171,414
Financial derivatives	707	0	0	0	707
Non-financial loss	59,973	0	0	0	59,973
Cash and cash equivalents	444,827	0	0	444,827	0
EQUITY AND LIABILITIES					
Non-current liabilities					
Liabilities	441,728				
Liabilities to banks	299,928	0	0	299,928	0
Other liabilities	127,794	0	0	2,192	125,602
Financial derivatives	433	433	0	0	0
Non-financial liabilities	13,571	0	0	0	13,571
Current liabilities					
Contract liabilities	91,687	0	0	0	91,687
Trade payables	140,358	0	0	140,358	0
Liabilities to banks	26,338	0	0	26,338	0
Other liabilities	219,892				
Miscellaneous liabilities	81,191	0	0	37,677	43,514
Financial derivatives	97	0	0	0	97
Non-financial liabilities	138,604	0	0	0	138,604
Total by IFRS 9 valuation category		0/ 433	0/ 0	791,592 / 506,494	

€ thousands	Carrying amount Dec. 31, 2019	Financial assets/ liabilities at fair value through profit or loss	Financial assets at fair value through profit or loss in other comprehen-sive income	Financial assets/ liabilities at amortized cost	No IFRS 9 valuation category
ASSETS					
Non-current assets					
Investments accounted for using the equity method	2,902	0	0	0	2,902
Other financial assets	312,058				
Securities	11	0	0	11	0
Investments	2,431	0	0	2,431	0
Financial instruments outside the scope of IFRS 7	309,616	0	0	0	309,616
Miscellaneous assets	32,158				
Miscellaneous loss	32,158	0	0	32,158	0
Financial derivatives	0	0	0	0	0
Current assets					
Contract assets	78,480	0	0	78,480	0
Trade receivables	273,524	0	0	273,524	0
Other receivables and miscellaneous assets	71,450				
Other receivables	4,947	0	0	4,947	0
Financial derivatives	0	0	0	0	0
Non-financial loss	66,502	0	0	0	66,502
Cash and cash equivalents	200,135	0	0	200,135	0
EQUITY AND LIABILITIES					
Non-current liabilities					
Liabilities	274,109				
Liabilities to banks	119,536	0	0	119,536	0
Miscellaneous liabilities	139,890	0	0	2,426	137,463
Financial derivatives	566	566	0	0	0
Non-financial liabilities	14,117	0	0	0	14,117
Current liabilities					
Contract liabilities	68,575	0	0	0	68,575
Trade payables	139,098	0	0	139,098	0
Liabilities to banks	54,554	0	0	54,554	0
Other liabilities	218,315				
Miscellaneous liabilities	69,921	0	0	21,081	48,840
Financial derivatives	0	0	0	0	0
Non-financial liabilities	148,394	0	0	0	148,394
Total by IFRS 9 valuation category		0/ 566	0/ 0	591,686/ 336,695	

The measurement of financial assets and liabilities is undertaken in accordance with the availability of relevant information on the basis of the three-stage fair valuation hierarchy specified in IFRS 13. In the first stage, the listed market prices for identical assets and liabilities in active markets are directly observable. In the second stage, the valuation is based on techniques incorporating parameters observable in the market. The third stage provides for the use of valuation techniques drawing upon input factors not observable in the market. All derivative financial assets and liabilities belong to the second stage.

In the reporting year, the fair value of liabilities to banks was €13,552 thousand above the carrying amount (previous year: €6,871 thousand). For current loans and receivables as well as financial liabilities at amortized cost, the carrying amount is assumed to approximate the fair value.

The net gain/loss by valuation category is as follows:

€ thousands	2020	2019
Financial assets/liabilities at fair value through profit or loss	253	73
Financial liabilities measured at amortized cost	-6,341	-6,431
Financial assets measured at amortized cost	-10,448	-825
Total	-16,653	-7,183

Changes in the market value of derivatives are recorded within financial assets and liabilities stated at fair value through profit or loss. They are stated within the other financial result. Financial assets measured at amortized cost contain allowances on receivables and interest on receivables and loans granted. Allowances and write-ups on receivables are stated within other operating expenses and other operating income, respectively. By contrast, interest from receivables and loans granted is stated as interest income. Financial assets measured at amortized cost also include value adjustments on securities the fair value of which cannot reliably be measured. These allowances are shown in the other financial result. Interest on loans received is recorded within financial liabilities at amortized cost. This interest is stated as interest expense.

(37) Financial risks

TÜV Rheinland is exposed to financial risks in the form of credit, liquidity and market risks. Due to the integration of risk management into TÜV Rheinland's management information system, risk management takes place, with appropriate weighting, consistently on company as well as on Group level.

Credit risks result from operational business, available-for-sale financial assets and financial derivatives. For service transactions in operational business, securities are agreed, credit information is secured, or use is made of historic data from previous business relations, especially about payment behavior, to avoid credit risks subject to the nature and amount of the service in question. Identifiable risks are covered by appropriate valuation allowances that are oriented to actual references in the individual instance or the maturity structure and to actual bad debt losses in the past.

The maximum credit risk for trade receivables, contract assets, and loans is their carrying amount as of December 31, 2020. Trade receivables that are past due are listed in Note (27). The maximum credit risk for available-for-sale financial assets and financial derivatives is equivalent to their market values as of December 31, 2020.

Financial derivatives are only concluded with counterparties that have a high rating and with which default on the contractual obligation is not to be expected.

The fundamental **market risks** for financial instruments are currency and interest rate risks. Financial derivative transactions may only be concluded in connection with a hedged item. To limit risks, subsidiaries are not allowed to purchase securities.

TÜV Rheinland uses derivatives to hedge the risk of interest rate changes and currency risks. For interest hedging, TÜV Rheinland also applies the provisions of IAS 39 on cash flow hedge accounting. Here, the variable interest cash flows of different loans are protected from variable reference interest rate fluctuations. To ensure that the aim of risk management is fulfilled, TÜV

Rheinland documents the effectiveness of hedges at the time of designation (prospective effectiveness) and on every reporting date (retrospective effectiveness).

The scope of activities for currency management is laid down in internal guidelines. Most of the currency risks within TÜV Rheinland consist of intra-group financial transactions such as intra-group loans. Because individual Group companies conduct their business operations predominantly in their respective functional currencies, the operational transactional currency risk is comparatively low. Any currency risks that do exist are hedged through the use of derivative financial instruments. Currency risks as of the reporting date were analyzed by means of sensitivity analyses.

TÜV Rheinland uses forward exchange transactions to hedge against the risk of fluctuations in exchange rate for the loans presented below:

Type of hedge	Type of risk	Nominal value in € thousands	Nominal value in thousands	Currency units	Fair value (positive/ negative) in € thousands
Cash flow hedge	Currency risk	1,309	31,645	MXN	13
Cash flow hedge	Currency risk	3,206	33,000	SEK	-69
Cash flow hedge	Currency risk	8,173	10,000	USD	69
Cash flow hedge	Currency risk	1,531	2,500	SGD	3
Cash flow hedge	Currency risk	979	36,000	THB	9
Cash flow hedge	Currency risk	11,445	14,000	USD	100
Cash flow hedge	Currency risk	122	200	SGD	0
Cash flow hedge	Currency risk	1,413	83,000	PHP	7
Cash flow hedge	Currency risk	184	300	SGD	0
Cash flow hedge	Currency risk	11,669	10,000	GBP	505
Cash flow hedge	Currency risk	3,354	27,000	CNY	-14
Cash flow hedge	Currency risk	2,994	24,000	CNY	-14
Total		46,380			610

In the reporting year, an overall gain after deferred taxes of €188 thousand is shown in other comprehensive income (consolidated statement of comprehensive income). All forward exchange transactions are due within the next financial year.

The following table shows the trend in other comprehensive income from cash flow hedges:

€ thousands	Cash flow hedge
As of Jan. 1, 2020	**-4**
Addition or unrealized change	610
Recycling/realized profit/loss	0
Tax effect/trend in deferred taxes	-188
As of Dec. 31, 2020	417

An interest rate swap with a nominal value of €13,500 and a term through July 21, 2022, is no longer associated with a hedged item.

The interest rate swap is stated as of the end of the reporting period at a fair value ("dirty price") of €-433 thousand (previous year: €-566 thousand). Due to a change in market value over the previous year, an amount of €133 thousand had an impact on the result of TÜV Rheinland. The interest payments incurred are due twice a year and also have a corresponding effect on TÜV Rheinland's result. As in the previous year, there was no income after deferred taxes recognized in other comprehensive income (statement of comprehensive income) in the 2020 reporting year.

The market value of this interest rate swap would change by €205 thousand (€-210 thousand) in the event of a shift in the yield curve of +100 (-100) basis points.

To manage liquidity risks, TÜV Rheinland always has an up-to-date liquidity plan in place and sufficient reserves of liquidity in the form of liquid funds as well as a syndicated credit line of (revolver) €155 million, which was concluded on March 23, 2020. This credit line was granted until 2025, thus constituting an essential component of the Group's liquidity. Bank deposits are held only at banks with a high credit rating. Risks for current securities are minimized by means of diversification of the issuers. As of December 31, 2020, the maturity structure of expected undiscounted cash flows (interest and repayment of principal) was as follows:

€ thousands	Liabilities to banks*	Trade liabilities	**Total**
Due within a year	26,338	140,358	**166,696**
Due in the second year	71,180	0	**71,180**
Due in the third year	80,632	0	**80,632**
Due in the fourth year	15,261	0	**15,261**
Due in the fifth to tenth year	132,856	0	**132,856**
Due after the tenth year	0	0	**0**

* Including payments from derivative financial instruments (interest rate swaps).

(38) Cash flow statement disclosures

Cash and cash equivalents in the cash flow statement comprise all cash and cash equivalents stated in the balance sheet (meaning cash on hand, checks and credit balances with banks) that are available within three months. Restrictions affecting the availability of capital total to €141,094 thousand in the 2020 financial year (previous year: 107,670). These mainly affect cash and cash equivalents that are subject to restrictions on movements of capital in China.

Cash flow from operating activities includes the following payments:

€ thousands	2020	2019
Interest paid	5,722	5,619
Interest received	2,529	2,291
Income taxes paid	29,641	49,250
Income tax received	13,453	3,412
Profit distributions received	333	849

The trend in financial liabilities from financing activities during the 2020 business year was as follows:

			Non-cash changes				
€ thousands	Opening balance sheet value Jan. 1, 2020	Cash flows (cash changes)	Acquisition of businesses	Exchange rate effects	Changes in fair value	Miscellaneous changes	Closing balance sheet value Dec. 31, 2020
Long-term borrowing	119,536	180,392	0	0	0	0	299,928
Short-term borrowing	54,554	-28,216	0	0	0	0	26,338
Leasing obligations	186,303	-56,923	0	0	0	39,736	169,116
Liabilities from financing activities	360,393	95,253	0	0	0	39,736	495,382

(39) Related-party disclosures

The related parties of the TÜV Rheinland are TÜV Rheinland Berlin Brandenburg Pfalz e.V. (TÜV Rheinland AG's sole shareholder) and all of the companies that are not fully consolidated in the Group's financial statements. Individual related parties are members of the Executive Board and Supervisory Board, the Business Executive Vice Presidents (EVPs) and the Regional EVPs. The Executive Board, the Business EVPs and the Regional EVPs together form the management in key positions.

In 2020, TÜV Rheinland companies maintained the following business relationships with TÜV Rheinland Berlin Brandenburg Pfalz e. V.:

€ thousands	2020	2019
Services provided	13,772	13,985
Services received	33,226	23,800
Receivables as of Dec. 31	0	0
Payables as of Dec. 31	36,641	17,604

Services received are mainly tenancies as well as general and financial services. Transactions are charged at market rates.

Service relationships between TÜV Rheinland and other related parties are of minor importance.

Total remuneration paid to the Executive Board, the Supervisory Board and the Management in key positions

The Executive Board, the Supervisory Board and members of management in key positions (see above for composition) of the Group constitute related parties within the meaning of IAS 24, and their remuneration must be disclosed separately in accordance with IAS 24.17.

Remuneration for active members of the Executive Board and management in key positions totaled to €7,153 thousand in the 2020 financial year (previous year: €6,958 thousand). Total remuneration contains short-term benefits in the amount of €6,665 thousand (previous year: €6,733 thousand), other non-current benefits in the amount of €317 thousand (previous year: €225 thousand) and benefits after retirement totaling €171 thousand (previous year: €0 thousand). As of the balance sheet date, the present value of the total obligation for pensions (DBO) determined in accordance with international accounting standards amounts to €1,524 thousand (previous year: €1,110 thousand). There were no benefits upon termination of the employment relationship or share-based payments incurred.

The active members of the Supervisory Board were paid a total of €1,526 thousand in remuneration during the 2020 financial year (previous year: €1,482 thousand). The total expense, including the provision for remuneration to be paid to the Supervisory Board, amounts to €1,658 thousand.

Total remuneration to former members of the Executive Board and their survivors from pension payments and other remuneration amounted to €1,044 thousand (previous year: €1,024 thousand).

There are pension obligations (DBO) to former members of the Executive Board and their survivors as well as members of management in key positions (GEC members) and their survivors in the amount of €20,902 thousand (previous year: €20,468 thousand).

No loans or advances were granted to members of the Executive Board, the Supervisory Board or management in key positions during the year under report.

(40) Events after the reporting period

The Court of Appeal in Aix-en-Provence, France, issued a judgment on February 11, 2021, in proceedings against TÜV Rheinland in connection with silicone gel breast implants by French firm Poly Implant Prothèse ("PIP").

The Court of Appeal affirms TÜV Rheinland's liability in the present proceedings. This decision by the Court of Appeal must be classified as a subsequent event of retrospective relevance for the consolidated financial statements as of December 31, 2020. For further details, see Note (34).

(41) Auditor's fees and services

The fees stated for the audit of the consolidated annual financial statements in the reporting year break down as follows:

	Group auditors		Others		Total	
€ thousands	2020	2019	2020	2019	2020	2019
Fees for audit of annual financial statements	1,588	1,967	405	175	1,994	2,142
Fees for other consulting services	28	10	102	274	130	284
Fees for tax consultancy services	174	258	305	0	480	258
Fees for other services	2,217	545	163	201	2,380	746
Total	4,008	2,780	975	650	4,984	3,430

(42) Included companies

Fully consolidated companies in Germany

Company name	Company domicile	Capital stock in % [2]
AMD TÜV Arbeitsmedizinische Dienste GmbH TÜV Rheinland Group [1]	Berlin	100
DIN CERTCO Gesellschaft für Konformitätsbewertung mbH	Berlin	100
FSP-Fahrzeug-Sicherheitsprüfung Geschäftsführungs-GmbH [3]	Geltow	94
FSP-Fahrzeug-Sicherheitsprüfung GmbH & Co KG [3]	Geltow	5.04
FSP-Fahrzeug-Sicherheitsprüfung Leitung und Service GmbH [3]	Geltow	49.52
FSP-Schaden- und Wertgutachterdienst GmbH [3]	Geltow	49.52
InFES GmbH Resources and Services	Düsseldorf	100
Isits AG International School of IT Security	Bochum	50.17
LGA InterCert Zertifizierungsgesellschaft mbH [1]	Nuremberg	100
SVK – Sachverständigenkontor Gesellschaft für technische Schadenbegutachtung und Unfallforschung mbH	Saarlouis	94
TÜV Immobiliengesellschaft Berlin GmbH [1]	Cologne	88.69
TÜV International GmbH – Unternehmensgruppe TÜV Rheinland [1]	Cologne	100
TÜV Media GmbH [1]	Cologne	100
TÜV Pfalz Verkehrswesen GmbH [1]	Kaiserslautern	100
TÜV Rheinland Akademie GmbH [1]	Berlin	100
TÜV Rheinland Cert GmbH [1]	Cologne	100
TÜV Rheinland Consulting GmbH	Cologne	100
TÜV Rheinland Energy GmbH	Cologne	100
TÜV Rheinland Fahrzeugüberwachung GmbH Brandenburg/Berlin [1]	Cologne	94
TÜV Rheinland Grundstücksgesellschaft mbH & Co. KG	Grünwald	88.36
TÜV Rheinland Grundstücksgesellschaft Nürnberg mbH & Co. KG	Grünwald	94.9
TÜV Rheinland Immobilien GmbH [1]	Cologne	88.36
TÜV Rheinland Industrial Inspection GmbH [1]	Cologne	100
TÜV Rheinland Industrie Service GmbH [1]	Cologne	100
TÜV Rheinland Insitu Calibration GmbH	Cologne	100
TÜV Rheinland Intellectual Property GmbH	Cologne	100
TÜV Rheinland InterTraffic GmbH	Cologne	94
TÜV Rheinland i-sec GmbH [1]	Cologne	100
TÜV Rheinland ISTec GmbH	Cologne	100
TÜV Rheinland Kraftfahrt GmbH [1]	Cologne	94
TÜV Rheinland Lab Services GmbH [1]	Cologne	100
TÜV Rheinland Leben und Gesundheit GmbH [1]	Cologne	100
TÜV Rheinland LGA Beteiligungs GmbH [1]	Nuremberg	100
TÜV Rheinland LGA Products GmbH	Nuremberg	100
TÜV Rheinland Lichttechnik GmbH [1]	Berlin	100
TÜV Rheinland Pension Fund GmbH [1]	Cologne	94
TÜV Rheinland Personal GmbH	Cologne	100
TÜV Rheinland Plus GmbH [4]	Cologne	47.94
TÜV Rheinland Schaden- und Wertgutachten GmbH [1]	Cologne	94
TÜV Rheinland Schniering GmbH [1]	Essen	100
TÜV Rheinland Service GmbH [1]	Cologne	100
TÜV Rheinland Systeme GmbH [1]	Cologne	100
TÜV Rheinland Werkstoffprüfung GmbH [1]	Peitz	100
TÜV Saarland Automobil GmbH	Sulzbach	70.41
TÜV Saarland Kfz-team GmbH	Saarbrücken	74.42
TÜV Rheinland Verkehrsinfrastruktur GmbH	Cologne	94
VTÜ Versicherungsvermittlung GmbH [1]	Cologne	100

Fully consolidated companies in other countries

Company name	Company domicile	Capital stock in % [2]
Arquitectura Ingeniera INTEGRA Proyectos Ltda.	Santiago de Chile	100
AUTESTS SIA	Riga	80
BMG Trada Certifiering AB	Gothenburg	75
Certio ITV, S.L.U.	Sant Cugat del Vallés	100
DUCTOR Implantação de PROJETOS Ltda.	São Paulo	100
ICICT Serveis S.L.	Sabadell	100
ITACS Pty. Ltd.	Adelaide	100
Köln Holding Ltda.	Brasilia	100
LC ACADEMIE S.A. [4]	Esch/Alzette	36.4
LRTDEA - TÜV Rheinland Grupa, SIA	Riga	86.8
LUXCONTROL S.A.	Esch/Alzette	56
MINELL Kft.	Budapest	100
Ogres Servisa Centrs	Riga	100
PT TUV Rheinland Indonesia	Jakarta	90
Risktec Solutions B.V.	Leidschendam	100
Risktec Solutions (Canada) Ltd.	Calgary	100
Risktec Solutions (Glasgow) Ltd.	Glasgow	100
Risktec Solutions DMCC	Dubai	100
Risktec Solutions Inc.	Houston, Texas	100
Risktec Solutions Ltd.	Warrington	100
SECTA S.A.	Courbevoie	51.57
TÜV Rheinland Morocco sarl	Casablanca	100
TUV DCTA SAS	Courbevoie	100
TUV FRANCE SAS- GROUPE TÜV RHEINLAND	Courbevoie	100
TÜV International RUS OOO	Moscow	100
TUV Rheinland Maghreb SARL	Tunis	100
TÜV Rheinland Česká republika s.r.o.	Prague	100
TUV Rheinland AIA Services, LLC	Houston, Texas	100
TÜV Rheinland Andino S.A.	Santiago de Chile	100
TÜV Rheinland Arabia LLC	Jeddah	60
TÜV RHEINLAND ARGENTINA S.A.	Buenos Aires	100
TUV Rheinland Australia Pty. Ltd.	South Melbourne	100
TÜV Rheinland Bangladesh Pvt. Ltd.	Dhaka	100
TÜV Rheinland Belgium NV	Antwerp	99.5
TÜV Rheinland Bulgaria EOOD	Sofia	100
TUV Rheinland Cambodia Co., Ltd.	Phnom Penh	100
TÜV Rheinland Canada Inc.	Toronto	100
TÜV RHEINLAND CHILE S.A.	Santiago de Chile	100
TÜV Rheinland (China) Ltd.	Beijing	100
TÜV RHEINLAND COLOMBIA S.A.S.	Bogotá	100
TUV RHEINLAND DE MEXICO S.A. DE C.V.	Mexico City	100
TÜV Rheinland do Brasil Holding Ltda.	São Paulo	100
TÜV Rheinland do Brasil Ltda.	São Paulo	100
TÜV Rheinland Egypt Ltd.	Cairo	99
TÜV RHEINLAND FRANCE SAS	Courbevoie	100
TÜV Rheinland (Guangdong) Ltd.	Guangzhou	100
TUV Rheinland Gulf LLC [4]	Doha	49
TUV RHEINLAND HONG KONG LIMITED	Hong Kong	100
TÜV Rheinland Ibérica Holding, S.L.	Madrid	100

TÜV Rheinland Ibérica Inspection, Certification & Testing S.A.	Barcelona	100
TÜV RHEINLAND IBÉRICA, S.A.	Madrid	100
TUV Rheinland Immo SAS	Courbevoie	100
TUV Rheinland (India) Private Ltd. [5]	Bangalore	100
TUV Rheinland Industrial Solutions, Inc.	Caledonia, Michigan	100
TUV Rheinland Inspection Services (Pty.) Ltd.	Pretoria	48.96
TÜV Rheinland International Service Solutions LLP	Astana	50
TÜV Rheinland InterCert d.o.o.	Belgrade	100
TÜV Rheinland InterCert Kft.	Budapest	100
TÜV Rheinland Italia S.r.l.	Pogliano Milanese	100
TUV Rheinland Japan Ltd.	Yokohama	100
TÜV Rheinland Kazakhstan LLP	Astana	100
TÜV Rheinland Korea Ltd.	Seoul	100
TÜV Rheinland - KTI Kft.	Budapest	53.75
TUV Rheinland Kuwait WLL [4]	Kuwait	49
TUV Rheinland LLC	Muscat	70
TÜV Rheinland Luxemburg GmbH	Luxembourg	100
TUV Rheinland Malaysia SDN BHD	Shah Alam	100
TUV Rheinland Middle East - L.L.C.	Abu Dhabi	100
TUV Rheinland Middle East FZE	Dubai	100
TÜV RHEINLAND NAVARRA SA	Pamplona	100
TÜV Rheinland Nederland AACI B.V.	Arnhem	100
TÜV Rheinland Nederland B.V.	Arnhem	100
TUV Rheinland NIFE Academy Private Ltd. [5]	Bangalore	100
TUV Rheinland North America Holding, Inc.	Littleton, Massachusetts	100
TUV Rheinland of North America, Inc.	Newtown, Connecticut	100
TUV Rheinland OpenSky Inc.	Tolland, Connecticut	100
TÜV Rheinland Peru S.A.C.	Lima	100
TÜV Rheinland Philippines, Inc.	Manila	100
TÜV Rheinland Polska Sp. z o.o.	Warsaw	100
TÜV Rheinland Portugal Inspecçoes Técnicas, Ltda.	Algés	100
TUV Rheinland Quality Control (Pty.) Ltd.	Pretoria	95
TUV Rheinland Quality Services (Pty.) Ltd.	Pretoria	100
TUV Rheinland Mobility Inc.	Scottsdale, Georgia	100
TÜV Rheinland Romania S.R.L.	Bucharest	100
TÜV Rheinland Schweiz GmbH	Worblaufen	100
TUV Rheinland Serviços Industriais Ltda.	São Paulo	100
TUV Rheinland (Shanghai) Co., Ltd.	Shanghai	100
TÜV Rheinland (Shenzhen) Co., Ltd.	Shenzhen	100
TUV RHEINLAND SINGAPORE PTE. LTD.	Singapore	100
TÜV Rheinland Slovensko s.r.o.	Bratislava	100
TÜV Rheinland Sonovation B.V.	Oosterhout	100
TÜV Rheinland Sonovation Holding B.V.	Oosterhout	100
TÜV Rheinland Sweden AB	Lund	100
TÜV RHEINLAND TAIWAN LTD.	Taipei	100
TUV Rheinland (Thailand) Ltd.	Bangkok	100
TÜV Rheinland Türkiye A. S.	Istanbul	100
TUV Rheinland UK Ltd.	Solihull	100
TÜV Rheinland Vietnam Co. Ltd.	Ho Chi Minh City	100
TÜV Rheinland/CCIC (Ningbo) Co., Ltd.	Ningbo	51
TÜV Rheinland/CCIC (Qingdao) Co., Ltd.	Qingdao	55
2M Consultancy Ltd	London	100

Joint ventures included in other countries

Company name	Company domicile	Capital stock in % [2]
Auteko & Latvija GmbH	Riga	49
Risktec Solutions (Muscat) LLC	Muscat	50

Unconsolidated companies in Germany

Company name	Company domicile	Capital stock in % [2]
Certif-ID International GbR	Cologne	70
Deutsche TÜV GmbH - Unternehmensgruppe TÜV Rhld./BB	Cologne	100
Fahrsicherheitszentrum am Nürburgring GmbH & Co. KG	Nürburg	13.54
FMG Fuhrparkmanagement GmbH	Tübingen	100
HKP Ingenieur-Team GmbH	Neuss	94
TRB GmbH	Cologne	88.36
TÜV 1 GmbH - Unternehmensgruppe TÜV Rhld./BB	Cologne	100
TÜV Rheinland Global Customer Services GmbH	Cologne	100
TÜV Rheinland Automotive Component Testing GmbH	Aachen	70.41
TÜV Berlin Brandenburg Gesellschaft von KFZ-Sachverständigen mbH	Cottbus	100
TÜV Berlin Brandenburg Verwaltungs-GmbH	Berlin	95
TÜV Berlin GmbH	Berlin	100
TÜV Ostdeutschland Sicherheit und Umweltschutz GmbH	Halle	100
TÜV WEST AG	Cologne	50
www.tuv.com GmbH TÜV Rheinland Group	Cologne	100
@rge.tp21	Dresden	23.5

Unconsolidated companies in other countries

Company name	Company domicile	Capital stock in % [2]
CATARC-LUXCONTROL TECHNICAL SERVICE CO., LTD	Tianjin	27.44
Ductor Colombia SAS	Bogotá	100
LUXCONTROL DETROIT LLC	Plymouth	56
National Innovation of New Energy Testing Technology (China) Co., Ltd.	Jiangsu	30
TUV Rheinland Algeria SARL	Algiers	49
TÜV Quality Control Ltd.	Cairo	100
TÜV Rheinland Akademie Chile Ltda.	Santiago de Chile	100
TUV Rheinland Automotive Georgia LLC	Tbilisi	51
TÜV RHEINLAND BELGIUM A.S.B.L.	Antwerp	100
TÜV Rheinland Business Information Service Company Ltd.	Guangzhou	100
TÜV Rheinland Brasil	Brasilia, D. F.	50
TÜV RHEINLAND ENERJİ A.Ş.	Ankara	51
TUV Rheinland Industrial Solutions Malaysia Sdn Bhd	Kuala Lumpur	49
TÜV Rheinland Persia LLC	Tehran	100
TÜV Rheinland Rail Certification B.V.	Utrecht	94
TÜV Rheinland Sonovation Ltd.	Warrington	100
TUV Rheinland South Africa (Pty) Ltd.	Pretoria	100
TÜV Rheinland Vehicle Inspection Services (Shanghai) Co., Ltd.	Shanghai	60
TUV Telecom Services, Inc.	Houston, Texas	100

[1] Recourse is made to Section 264 (3) HGB for this company.

[2] The share of voting rights corresponds to the stated capital stock, with the exception of the companies under 3.

[3] The share of voting rights does not correspond to the stated capital stock.

[4] Fully consolidated by virtue of corporate body rights.

[5] Different reporting period as of March 31, 2020, due to the relevant provision of the Indian Company Act of 2013.

Corporate bodies

Supervisory Board

Shareholder representatives on the Supervisory Board	
Prof. Dr. Michael Hüther, Wiesbaden, Chairman	Director and member of the Presidium of the Cologne Institute for Economic Research
Prof. Dr.-Ing. habil. Bruno O. Braun, Cologne, Honorary Chairman	CEO, TÜV Rheinland Berlin Brandenburg Pfalz e.V.
Dr. Patrick Adenauer, Cologne	Managing Partner, Bauwens GmbH & Co. KG
Dipl.-Wirtsch.-Ing. Heinz-Werner Binzel Langenselbold	Managing Director, Densys GmbH, Langenselbold
Uta-Micaela Dürig, Stuttgart	Corporate and foundation consultant, Stuttgart
Dr. jur. Jürgen Frodermann, Düsseldorf	Attorney and Partner, CMS Hasche Sigle Partnerschaft von Rechtsanwälten und Steuerberatern mbH
Dr. Klaus Schäfer Dormagen	Member of the Board of Management, Covestro AG
Dr.-Ing. Rolf-Martin Schmitz, Essen	CEO of RWE AG, Essen
Univ.-Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Dieter Spath, Sasbachwalden	Director, Institute for Human Factors and Technology Management IAT at the University of Stuttgart and Director, Fraunhofer Institute for Industrial Engineering IAO Member of the Executive Board, TÜV Rheinland Berlin Brandenburg Pfalz e.V. (from July 1, 2020)
Employee representatives on the Supervisory Board	
Dipl.-Ing. Reiner Schon, Berlin, Acting Chairman	Qualified Expert, TÜV Rheinland Industrie Service GmbH
Andrea Becker, Düsseldorf	Regional Unit Officer for Special Services, ver.di Landesbezirk NRW
Attorney Björn Clüsserath, Bonn	TÜV Rheinland Aktiengesellschaft, Cologne
Birgit Ladwig, Berlin	ver.di-Vereinte Dienstleistungsgewerkschaft Federal Administration Department 1, Berlin
Volker Lück, Münchenbernsdorf	TÜV Rheinland Akademie GmbH, Gera
Beate Rieser, Berlin	TÜV Arbeitsmedizinische Dienste GmbH, Berlin
Dipl.-Ing. Johannes Scholz, Frechen	TÜV Rheinland Kraftfahrt GmbH
Dipl.-Geograph Thomas Wolkenstörfer Leinburg	TÜV Rheinland LGA Products GmbH

Executive Board

Dr.-Ing. Michael Fübi	Chief Executive Officer
Vincent Giesue Furnari	Chief Financial Officer
Ralf Scheller	Chief Operating Officer
Ruth Werhahn	Human Resources, Law and Labor Relations Director

Cologne, March 31, 2021

TÜV Rheinland Aktiengesellschaft

The Executive Board

Dr.-Ing. Michael Fübi
(Chief Executive Officer)

Vincent Giesue Furnari
(Chief Financial Officer)

Ralf Scheller
(Chief Operating Officer)

Ruth Werhahn
(Human Resources, Law and Labor Relations Director)

INDEPENDENT AUDITOR'S REPORT

To TÜV Rheinland Aktiengesellschaft, Cologne

Audit Opinions

We have audited the consolidated financial statements of TÜV Rheinland Aktiengesellschaft, Cologne, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of TÜV Rheinland Aktiengesellschaft for the financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f Abs. [paragraph] 4 HGB [Handelsgesetzbuch: German Commercial Code] (disclosures on the quota for women on executive boards).

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

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

Basis for the Audit Opinions

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

Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f Abs. 4 HGB (disclosures on the quota for women on executive boards).

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

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Cologne, April 14, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Bernd Boritzki) Wirtschaftsprüfer (German Public Auditor)	(sgd. Harald Wimmer) Wirtschaftsprüfer (German Public Auditor)