COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT

Group information

▷ World map see pages 10–11

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

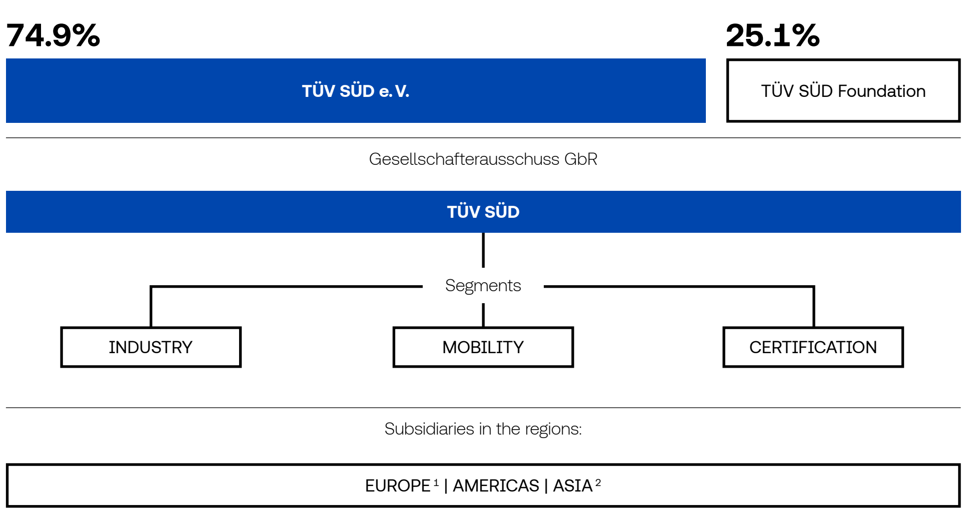
Legal structure guarantees independence

TÜV SÜD stands for independence and impartiality, on the basis of our specific structure of the Group. In its capacity as management holding company, the parent company TÜV SÜD AG with registered offices in Munich, manages its subsidiaries around the world. The beneficial owners of TÜV SÜD shares are TÜV SÜD e. V., Munich, and the TÜV SÜD Foundation, Munich. Both have transferred their rights to the independent TÜV SÜD Gesellschafterausschuss GbR, a shareholder committee with registered offices in Munich. The purpose of the civil law association is to hold and manage this shareholding under stock corporation law.

The governing bodies of TÜV SÜD e. V., the TÜV SÜD Foundation and TÜV SÜD Gesellschafter-ausschuss GbR, are largely independent of the supervisory bodies of TÜV SÜD AG.

The TÜV SÜD Foundation publishes its own report annually.

Legal structure 01



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

Clearly defined management structure

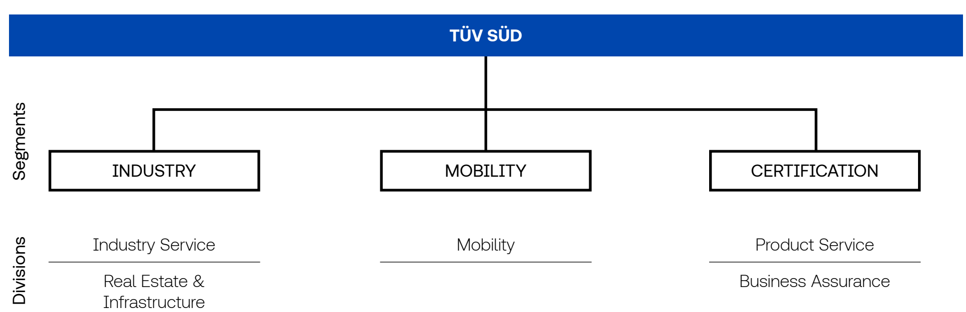
The Board of Management of TÜV SÜD consists of three members: the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Operating Officer (COO).

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

TÜV SÜD is managed as a matrix organization. While the divisions are responsible for implementing global strategies, local business development is the responsibility of the regions. The divisional and regional structure of our activities remained unchanged in the financial year 2023.

TÜV SÜD's services are grouped into three segments: INDUSTRY, MOBILITY and CERTIFICATION. The INDUSTRY Segment comprises the Industry Service and Real Estate & Infrastructure Divisions. The MOBILITY Segment contains the Mobility Division. The Product Service and Business Assurance Divisions make up the CERTIFICATION Segment.

TÜV SÜD structure 02



Business model

As a reliable and trustworthy partner for improved safety and sustainability, we create measurable added value for our customers with our portfolio of services in the areas of testing and certification, inspection, auditing and system certification, technical consulting and training, in the physical and digital world.

Add value across the entire business cycle

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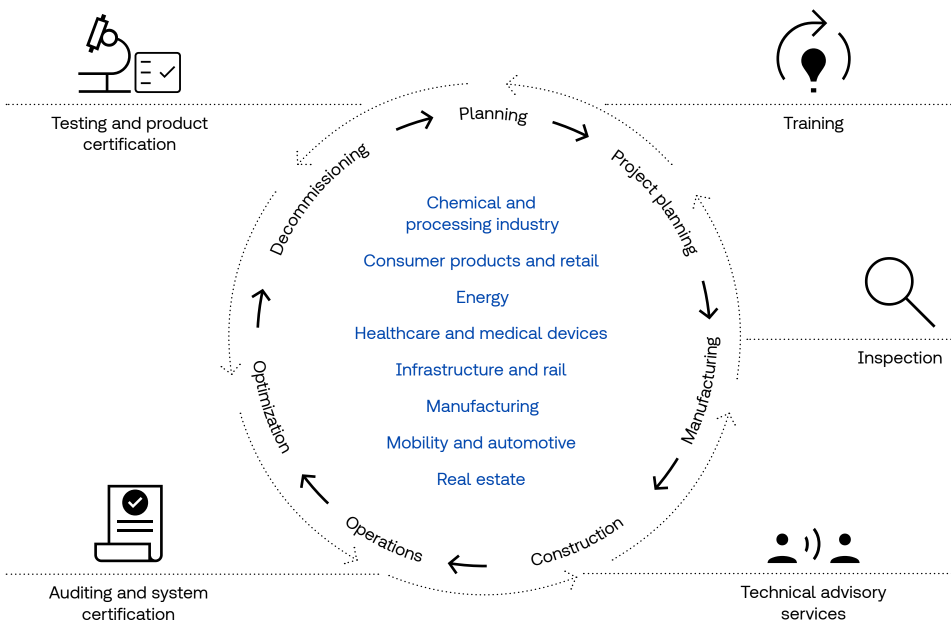


With the auditing, assessment, validation and certification of management systems in virtually all specialist fields and industries, we ensure reliability, safety, quality and cost-effectiveness along the entire value chain.

We support our customers with testing and product certification. Through extensive testing, we identify deviations from regulatory, statutory and other requirements that would prevent products from being placed on the market.

We support learning and personal development with global training programs for individuals and organizations in the areas of management, technology, health and sustainability.

In our capacity as an independent third party, we ensure that the systems, business processes and methods of our customers comply with the applicable requirements, guidelines and standards. Our services include the inspection of infrastructure and buildings, production facilities and plants.

We offer technical consulting and risk analyses to optimize safety, quality and environmental protection programs and thus reduce risks. These services range from supporting infrastructure and construction projects to providing consulting services in the areas of energy management and business process optimization, thus creating the conditions for plant safety, process efficiency and sustainable business decisions.

The market for technical services

The market for TIC services (technical services for Testing, Inspection, Certification) currently has an estimated volume of around € 90 billion. Experts expect the market volume to grow to around € 100 billion in 2025, which represents a market growth rate of 5% over the next few years.

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

The largest markets for technical services are the US, China and Germany. The US market is growing steadily, with low energy prices and government investment buoying the robust domestic economy. At the same time, the US market is highly fragmented and, especially in the food and pharmaceutical sectors, highly regulated.

In China, the world's second-largest TIC market, the focus is slowly shifting from export-oriented to domestic demand. International market players still predominantly serve sectors with a strong focus on exports, while the Chinese market is mainly supplied by domestic companies.

In Germany, the third-largest TIC market, high energy prices are dampening the outlook for the chemical and process industry while moderate growth in the automotive sector is curbing market development. Nevertheless, the market is growing in line with the expected global growth of the TIC market. The German market is home to three of our biggest competitors.

We are seeing strong market growth in the Indian market in particular, where technical services are in demand, especially in the energy and manufacturing sectors, as well as in Indonesia, Malaysia and the Middle East.

TÜV SÜD is active in all major TIC markets as well as in those with high market growth, with a particular focus on Germany, China, the US, India, the UK, Spain and Italy. Our direct competitors include national testing service providers as well as large, internationally active companies.

The development of the TIC market is and will continue to be influenced by geopolitical tensions in the next few years. Trade embargoes and regional conflicts are putting a strain on global supply chains and influencing the development of the economy. In the European market, the European Green Deal presents business and society with the challenge of operating more sustainably and, in particular, driving forward the expansion of renewable energies.

Industry-specific environment

Since it was established almost 160 years ago, TÜV SÜD has made use of technological advances and the challenges these present to realizing the company's purpose: to make technological progress attainable, safe and sustainable for people and the environment.

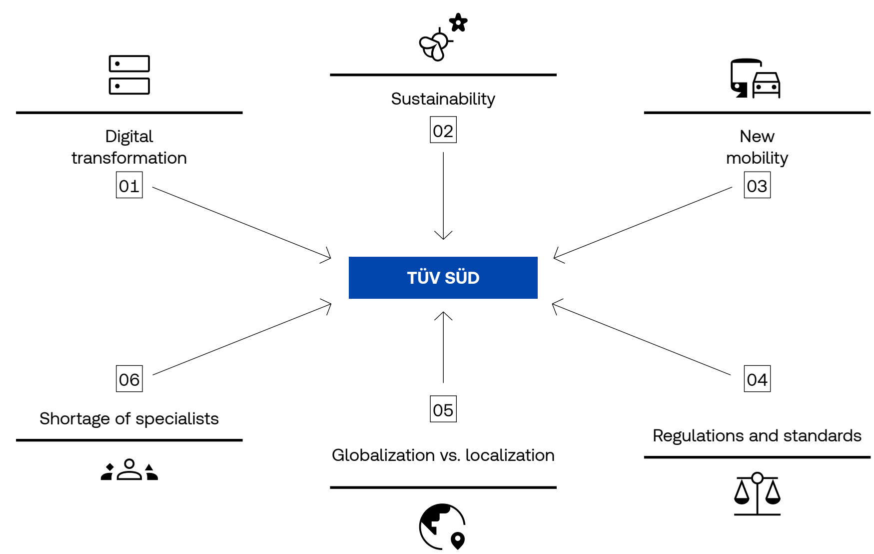
Advancing digitalization and the pursuit of greater sustainability in almost all areas of life are driving social change. We see these changes as challenging, but also and above all as opportunities for the further development of TÜV SÜD.

We support our customers with this digital transformation and develop new processes to respond to the changing requirements and framework conditions. This includes cybersecurity services to mitigate the security risks associated with the increasing digitalization of products, processes and transactions. It also includes remote services such as remote audits and online training, as well as digital concepts for internal processes and customer interactions along the entire value chain.

Governments around the world as well as internationally established bodies are introducing a large number of rules and regulations on sustainability, while at the same time investors and consumers are exerting additional pressure on the economy and politics to make business models verifiably more sustainable. In light of this, we offer our customers comprehensive services on their path towards greater sustainability. At the same time, we have set ourselves specific goals as a company so as to integrate the topic of sustainability in our value chain. We report on the achievement of our targets in a separate sustainability report.

Challenges and trends for TÜV SÜD

04



Our business is shaped by these trends and challenges:

01 Digital transformation
Digitalization is giving rise to new demands, business models and partnerships in the TIC industry. At the same time, new competitors are also moving into the market. The development of digital technologies is gathering pace, particularly in the field of analytics and artificial intelligence (AI). For us and for our customers, this opens up numerous opportunities for new services, for new processes and for the way in which technical services will be provided efficiently in the future.
▷ **Innovations report see pages 28 – 30**

02 Sustainability
More and more companies are striving to operate sustainably and preserve resources, ensure the protection of human rights and design their supply chains accordingly. Stricter regulations and regulatory requirements, but also a change in the mindset of society are accelerating this trend. This is also shifting the focus for our industry. Skills and services relating to sustainability, and in particular climate and environmental protection, as well as social aspects, are becoming increasingly important. There is also a growing focus on the avoidance of greenwashing and the requirements for good corporate governance.
▷ **Sustainability transformation see page 27**

03 New mobility
The future of mobility is connected and highly automated. More and more vehicles are being powered by electric batteries and, in the near future, also by hydrogen-based fuel cells. This goes hand-in-hand with higher demands on physical and digital safety and sustainable vehicle operation. This will present new challenges for the testing of vehicles, driver assistance systems and the entire charging infrastructure.

04 Regulations and standards
Regulations and standards must be constantly adapted to keep up with rapid technological developments if they are to continue to offer security and value to society. To support this process, we contribute our experts' wealth of experience in the development process and are involved in the relevant organizations worldwide. These include international standardization bodies such as the International Electrotechnical Commission (IEC) and the International Organization for Standardization (ISO).

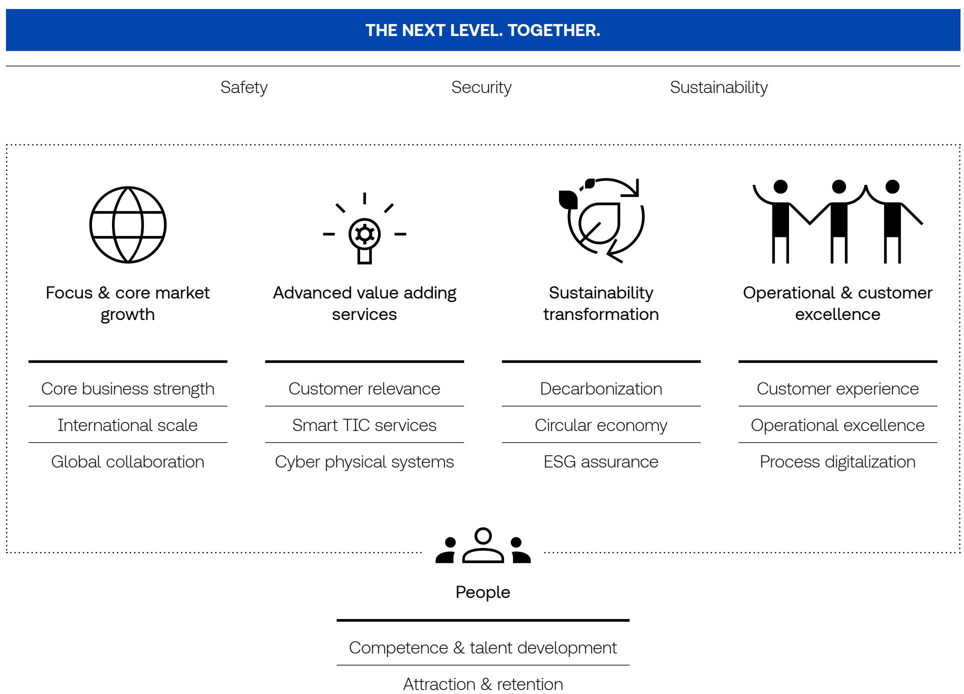
05 Globalization vs. localization
Companies operate globally with closely intertwined supply chains. This requires an understanding of and compliance with the various different national and international standards in effect at any point in time. At the same time, the local markets in economies such as China are becoming more important. Local know-how and representation are required in order to serve these markets. In addition, the past years have demonstrated how fragile global supply chains are. As a consequence, manufacturers are looking for alternative sources of supply and local suppliers to reduce dependencies.
▷ **The market for technical services see page 23**

06 Shortage of specialists
Both today and in the future, the TIC market needs well-trained experts who are also capable of operating in an internationally networked environment. Continuous growth will only be achieved by those companies that are successful in attracting and retaining such employees. Specialists are in high demand and keenly sought after around the world. In addition, demographic change is making it more difficult to recruit experts in many countries.
▷ **People see page 28**
▷ **Employee report see pages 71 – 74**

Strategy

With our strategy “The Next Level. Together.”, we want to take advantage of the opportunities that new trends and developments present to our company. Building on our focus in recent years and taking into account the current challenges facing the economy and society, in 2021 we strengthened our strategy in the areas of sustainability and digitalization and in 2023 combined it into five clear strategic pillars.

Pillars of our Group strategy 05



Our five strategic pillars are:

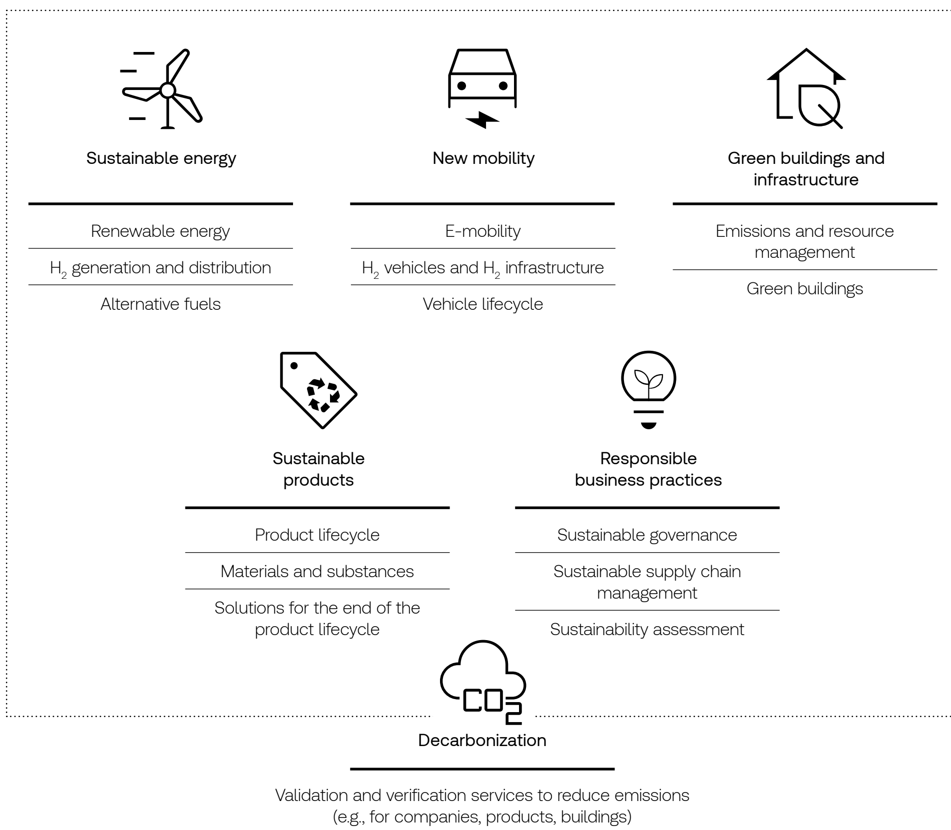
1. Focus and core market growth
Our core products are and will remain the basis of our success. We want to strengthen this business in the future and systematically exploit existing growth opportunities, for instance in the areas of medical technology, mobility and consumer goods. Our goal is to be among the market leaders in our focus countries. At the same time, we are focusing on scaling our business internationally driving it forward through intensive collaboration worldwide.

2. Advanced value adding services
Based on our expertise in our core business, we want to expand our range of services to include innovative solutions. Our expertise in almost every industry, combined with knowledge of the possibilities of digitalization, enables us to develop smart digital testing services as well as standards and services for new technologies.

3. Sustainability transformation

With the targeted expansion of the product portfolio as well as newly developed tests, TÜV SÜD enables customers to make their activities more sustainable and demonstrate this accordingly. We focus our strategic activities on six clearly defined areas.

Our sustainability-related services 06



As a company we also want to become increasingly sustainable and win over our stakeholders through our actions. Our objective is and remains: TÜV SÜD wants to be the number one independent expert in all matters relating to sustainability.

In order to achieve this goal, we are strengthening sustainability aspects within our organization as well. A newly established Corporate Sustainability Office, whose head reports directly to the Chairman of the Board of Management, will coordinate internal activities in the future and drive forward the development of our sustainable service portfolio across the Group.

4. Operational and customer excellence
We want to impress our customers with operational excellence and thus become the partner of choice for them in the TIC market. We are constantly looking for ways to provide our services faster and more efficiently in the interest of our customers. To this end, we use the opportunities offered by digitalization and implement innovative processes, systems and solutions. For example, we are offering more and more customers worldwide access to selected services via a central platform. We also want to reduce the complexity of our processes and systems in order to be able to perform our tasks even more efficiently, for example by rolling out uniform laboratory software that standardizes the workflows and processes in our testing facilities around the world.

5. People
The fifth pillar of our strategy concerns our nearly 28,000 employees around the world. The success of our company is based on their performance and commitment. We want to be an attractive employer and offer them a modern working environment with a wide range of opportunities for individual development. This applies equally to the existing workforce and to people who are new to TÜV SÜD.

▷ Employee report see pages 71 – 74

The implementation of our strategy is being driven forward with a broad portfolio of more than 60 strategic initiatives across all divisions, countries and companies. We have also launched the transformation program FORWARD, which we expect to produce the first concrete results in the course of 2024.

In this way, we will continue to be a partner for our customers in the future with respect to safety and sustainability, in both the physical and the digital world. With further growth, we want to sustainably improve the revenue and profitability of our business in the future. But above all, we want to live up to the claim that we have been pursuing for nearly 160 years: to protect people, assets and the environment against technical risks and thus to facilitate technological progress.

Success factor innovation

The ability to understand the latest technological developments, implement them in customer-relevant services and also use them in our own processes and systems is decisive for the success of our strategy. To this end, we engage in active innovation management, which includes the development of new products and process innovations.

In 2023, we invested more than € 26 million (prior year: around € 23 million) in the research and development of innovative services and processes. An additional amount of around € 3 million was capitalized in connection with development projects.

The TÜV SÜD Innovation Board was established at the end of the financial year to evaluate and promote cross-divisional innovation. It is made up of the heads of selected divisions, regions and corporate functions and is chaired by the CEO of TÜV SÜD.

SHAPING THE DIGITAL TRANSFORMATION – WITHIN AND OUTSIDE THE COMPANY

We want to continue to play an active role in shaping digital transformation with our innovations. We are benefiting more and more from the groundwork we have laid and can therefore scale up the solutions we have developed. Examples include our cybersecurity services, or the insights we gained into drone and AI-based inspections of facades in Singapore.

Our activities are currently focused on two areas in particular:

Cybersecurity
In an increasingly networked world, the demands on operators of critical infrastructure and systems, which need to be monitored, in order to ensure cybersecurity, are also growing. TÜV SÜD supports them with comprehensive testing and consulting services on standards or in preparation for new legal requirements.

Against this backdrop, TÜV SÜD expanded its range of services for the lift industry in 2023. In addition to ensuring functional safety, it is also important to ensure robustness against cyber-attacks and random errors, as required by the new ISO 8102-20 standard. TÜV SÜD supports manufacturers with an independent cyber-assessment. We are also working to commercialize the Lift Manager, a solution for the smart inspection of lifts, that enables AI-based remote monitoring and diagnostics in addition to functional safety testing.

Artificial intelligence (AI)
To support our customers in the development and use of high-quality, market-driven and standards-compliant AI applications, we have developed a standards and regulation-based framework that includes training programs, quality analyses, risk assessments and conformity assessments relating to the use of AI, as required by the recently enacted EU AI Act.

Since this financial year, TÜV SÜD and the standard-setting Institute of Electrical and Electronics Engineers Standards Association (IEEE Standards Association) have been pooling knowledge and capacities to design AI applications responsibly and safely. The strategic partnership involves cooperation in the development of standards as well as training and certification programs. For example, we have integrated the first global AI ethics standard from the IEEE Standards Association into our AI services.

Our experts are also involved in the TÜV AI.Lab GmbH, which was founded in 2023 by various TÜV organizations. The TÜV AI.Lab aims to define the technical and regulatory requirements for the use of artificial intelligence and develop requirements for the testing of AI applications that are critical for safety.

We also want to use the possibilities offered by AI for our internal processes. A focus here is on the analysis of the extensive information required for inspections and certifications. For example, AI can automatically check documents for completeness and plausibility. This increases speed and efficiency in processing, while at the same time relieving the experts of routine work. We are currently working on a pilot project for AI-supported document analysis in order to subsequently use the solution across the company.

Our management system

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

We have defined organic revenue growth and earnings before interest, before other financial result and before income tax, but after income/loss from participations (EBIT) and the EBIT margin as key financial performance indicators for the Group.

These indicators are supplemented at Group level by the value-based indicator Economic Value Added (EVA®), which has been adapted to the requirements of TÜV SÜD. This measures the value added and takes into account the cost of capital used to generate the respective earnings. The EVA indicator is a key component of variable compensation in the compensation system for the first and second levels of management.

At Group level, we also use free cash flow and earnings before taxes (EBT) as additional financial indicators. The free cash flow shows the extent to which we generate long-term cash flows from our operating activities. ≡ 02

We also use a number of non-financial performance indicators to assess the quality, diversity and growth of our organization. These include operational metrics such as productivity and capacity utilization of our Technical Service Centers and testing facilities. We also analyze key personnel metrics such as the number and average age of our employees. Futhermore, we measure the proportion of women in the workforce, the number of training hours completed and the average retention period of our employees in the company.

Definition of financial performance indicators at TÜV SÜD

02

Key indicator	Definition
EBIT	Earnings before interest, before other financial result and before income tax, but after income/loss from participations
EVA	**NOPAT – Group's cost of capital** **Net operating profit after tax (NOPAT)** = EBIT – income tax (flat rate of 30%); without repeated taxation of the at-equity result **Capital employed** = non-current operating assets + inventories and receivables – non-interest bearing liabilities and provisions[1] **Group's cost of capital** = average capital employed × weighted average cost of capital (WACC: 7%)
Free cash flow	**Cash flow from operating activities** – Cash outflow for investments in intangible assets, property, plant and equipment and investment properties

1 Non-interest bearing liabilities and provisions include current provisions and tax liabilities.

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

INTEGRATED CONTROLLING SYSTEM AS THE BASIS FOR VALUE-BASED MANAGEMENT

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

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

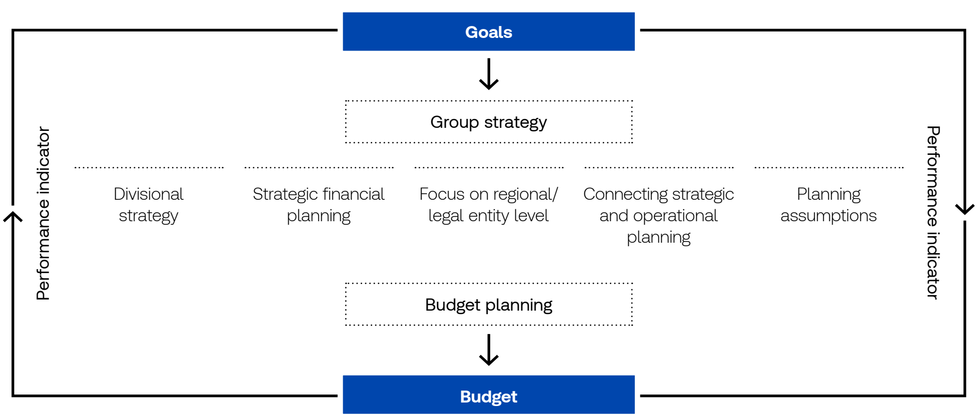
STRATEGIC PLANNING SETS GOALS

The starting point for our planning and control processes is **strategic planning**. This aims to achieve profitable and sustainable growth and a continuous increase in the value of the company.

In addition to quantitative factors and hitting operating targets, the reputation of the TÜV SÜD brand as well as sustainable business are at the forefront of everything we do. To achieve this, the expertise and performance of our employees, the quality of the services we provide and the satisfaction of our customers are crucial.

The Group's strategy, which is broken down into the respective divisional strategies, is derived from the long-term strategic goals. The divisions' targets are incorporated into the strategic financial planning and are specified in more detail at a regional level. The planning for the next year that is derived in this way, and three forecasts during the year in progress, combined with prompt monthly financial statements, form the basis for our evaluations which we use to measure the implementation of strategic goals and analyze deviations from the plan.

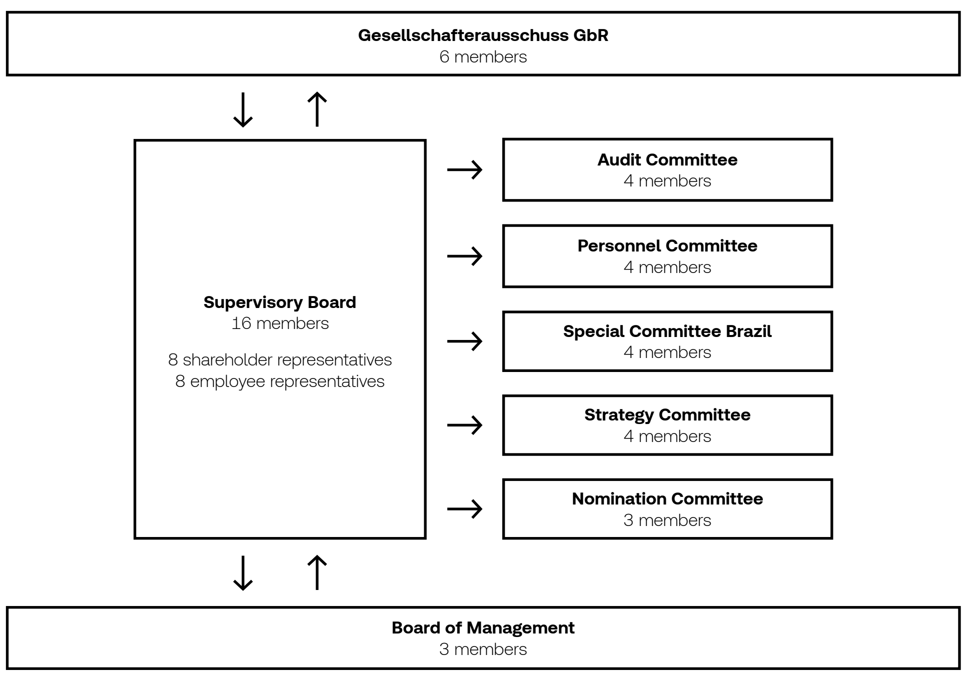
Strategic and operational planning 07



Corporate governance report

TÜV SÜD AG and its boards are guided by the principles, recommendations and suggestions of the German Corporate Governance Code for capital market-oriented companies. We consider good corporate governance to mean responsible, transparent, sustainable and values-based management. It is explained in greater detail in clear guidelines and regulations that apply throughout the company. These principles are reviewed regularly and adapted in line with new findings, changed legal provisions, and national and international standards.

Overview of the bodies and committees of TÜV SÜD AG 08



Composition and operation of the Supervisory Board

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

The Supervisory Board takes care to avoid conflicts of interest in its own composition. To this end, a requirements profile for the full Supervisory Board was drawn up in 2023, consisting of a skills profile and a diversity concept including specific targets for the composition of the Supervisory Board. The requirements profile refers to the various professional and personal qualifications of the members as well as the fulfillment of the provisions of the Act on the Equal Participation of Women and Men in Management Positions in the Private Sector and the Public Sector. Each member of the Supervisory Board ensures that they have sufficient time to perform their duties. It is the responsibility of the members of the Supervisory Board, with the company's support, to participate in the training required for their duties.

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

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

The Audit Committee deals primarily with monitoring the financial reporting process, the effectiveness of the internal control system, the risk management system, the compliance management system and the internal audit system. In particular, it receives reports on the Group's risk situation, the findings of internal audits, including possible compliance breaches, as well as planned investment and portfolio measures. In addition, it examines material accounting issues and, as part of the year-end statutory audit, discusses the assessment of audit risk, audit strategy and planning, and audit results together with the appointed auditor. It also deals with the independence of the auditors, the additional services provided by the auditors, the awarding of the audit engagement and the definition of audit focus areas and the agreement of fees.

The main tasks of the Personnel Committee include preparing appointments and the removal of members of the Board of Management. The selection process for the appointment of members of the Board of Management takes into account various aspects such as the desired competence profile and the promotion of diversity within the company. In addition, the Personnel Committee is responsible for drafting recommendations on the remuneration of the individual members of the Board of Management as well as designing and regularly reviewing the remuneration system. The Personnel Committee meets at least once a year.

The Special Committee Brazil is tracking the internal and external handling of the dam collapse in Brazil. It receives regular status updates, also from independent technical experts and law firms engaged for this purpose.

Effective April 1, 2023, the Supervisory Board established a Nomination Committee, which is tasked with identifying suitable candidates for the Supervisory Board in the context of succession planning and preparing related proposals of the Supervisory Board for the Annual General Meeting.

The Supervisory Board also established a Strategy Committee, effective October 1, 2023. This committee primarily addresses topics relating to corporate strategy, technologies and innovation, digitalization, sustainable corporate governance, business activities in the areas of the environment, social affairs and good corporate governance (ESG criteria) and advises the Board of Management on these matters.

Committees of the Supervisory Board

≡ 03

	Affiliation	Supervisory Board	Audit Committee	Personnel Committee	Special Committee Brazil	Strategy Committee[1]	Nomination Committee[2]
Shareholder representatives							
Dr. Christine Bortenlänger	May 13, 2011 – present	Member					Member
Wolfgang Dehen	Nov. 20, 2003 – present	Chair	Member	Chair	Chair		Chair
Prof. Dr. Hermann Eul	Jul. 7, 2023 – present	Member					
Dr. Jörg Matthias Grossmann	Jul. 15, 2015 – present	Member	Chair		Member		
Angelique Renkhoff-Mücke	Jul. 15, 2015 – present	Member				Deputy chair	
Dr. Nathalie von Siemens	Jul. 10, 2020 – present	Member					Member
Prof. Dr. Rudolf Staudigl	Jul. 13, 2018 – present	Member					
Dr. Eberhard Veit	May 12, 2006 – present	Member		Member		Member	
Employee representatives							
Harald Gömpel	Jul. 15, 2015 – May 9, 2022[3]/ Jun. 9, 2022[4] – Mar. 31, 2023	Deputy chair (until Mar. 31, 2023)		Member (until Mar. 31, 2023)	Member (until Mar. 31, 2023)		
Matthias Andreesen Viegas	Jul. 10, 2020 – May 9, 2022[3]/ Jun. 9, 2022[4] – present	Member		Member (since Jan. 1, 2024)	Member	Chair	
Manuela Dietz	Mar. 31, 2022[4] – present	Member					
Thomas Eder	Aug. 1, 2006 – May 9, 2022[3]/ Jun. 9, 2022[4] – present	Member			Member (since Apr. 1, 2023)		
Jens Krause	Jul. 10, 2020 – May 9, 2022[3]/ Jun. 9, 2022[4] – present	Member	Member			Member	
Marcel Rath	Jul. 10, 2020 – May 9, 2022[3]/ Jun. 9, 2022[4] – present	Deputy chair (since Apr. 1, 2023)	Member	Member (since Apr. 1, 2023)			
Katrin Volkmann	Aug. 16, 2023[4] – present	Member					
Dr. Katharina Wagner	Jun. 9, 2022[4] – present	Member					
Rainer Wich	Jul. 10, 2020 – May 9, 2022[3]/ Jun. 9, 2022[4] – Dec. 31, 2023	Member (until Dec. 31, 2023)		Member (until Dec. 31, 2023)			
Number of meetings							
		4	4	5	8	1	3

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

Composition and operation of the Board of Management

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

▷ **Clearly defined management structure see page 21**

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

Cooperation between the Board of Management and the Supervisory Board

The Supervisory Board monitors and advises the Board of Management on business operations. TÜV SÜD's strategic direction is coordinated closely between the Board of Management and Supervisory Board of TÜV SÜD AG. The boards jointly discuss the status of strategy implementation at regular intervals. The Board of Management informs the Supervisory Board regularly, comprehensively and without delay about all relevant questions regarding business development, corporate planning and the current situation of the company, including risks and opportunities, revenue development, profitability as well as internal risk management and compliance. The Board of Management also regularly informs the Supervisory Board about sustainability management and the progress made on key sustainability targets.

▷ **Boards of TÜV SÜD AG see page 154**

Further information on collaboration between the Board of Management and Supervisory Board of TÜV SÜD AG can be found in the Supervisory Board report. The members of the Board of Management and Supervisory Board are listed in the Boards of TÜV SÜD AG section.

Globally uniform framework

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

Accounting and auditing

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

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

Diversity

As an internationally active company, TÜV SÜD views openmindedness and diversity as being essential to economic success. When filling management positions, TÜV SÜD focuses on the professional and personal suitability of the candidate. In addition, diversity is considered as part of candidate evaluation and selection.

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

Declaration on the equal representation of women and men in management positions

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

Women in management positions ≡ 04

	Target rate	Share already achieved (December 31, 2023)	Implementation deadline
Supervisory Board	25%	37.5%	December 31, 2026
Board of Management	1 Woman	0%	December 31, 2026
First management level	30%	27%	December 31, 2026
Second management level	50%	43%	December 31, 2026

The target of 25% for the proportion of women on the Supervisory Board of TÜV SÜD AG set by the Supervisory Board was achieved with at present six out of the 16 members being women, giving a proportion of women of 37.5% (prior year: 31%). Three thereof represent the shareholders and three represent the employees on the Supervisory Board.

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

We were able to again increase the proportion of women in the first and second management levels below the Board of Management of TÜV SÜD AG compared to the prior year (23% and 39% respectively). For the coming years, the Board of Management is adhering to its goal of further increasing the proportion of women in top management levels. Against the backdrop of an increasingly difficult situation on the skilled labor market, various measures were initiated to achieve the newly defined targets.

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

Corporate social responsibility

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

Remuneration of the Board of Management

The remuneration system of the Board of Management, which was revised in 2023, includes fixed basic remuneration along with variable remuneration components geared to the long-term successful, sustainable development of the company. The achievement of specific ESG targets is also taken into account when calculating variable remuneration. The remuneration system for the Board of Management was approved by the Supervisory Board and acknowledged by the Gesellschafterausschuss. Information on the total remuneration of the Board of Management and the Supervisory Board can be found in the notes to the consolidated financial statements.

Compliance

Compliance with international rules and dealing fairly with our business partners and competitors are among our company's most important principles. Integrity and compliance with rules and regulations are an integral part of our corporate culture and our actions. TÜV SÜD takes a preventive approach to compliance and endeavors to achieve a corporate culture that proactively prevents potential breaches by raising employee awareness and educating the workforce. The compliance culture is shaped by the "tone from the top" and our brand message: "Add value. Inspire trust."

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

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

▷ See www.tuvsud.com/en/about-us/code-of-ethics

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

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

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

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

In 2023, Deloitte GmbH Wirtschaftsprüfungsgesellschaft conducted an audit of the description, appropriateness and implementation of TÜV SÜD AG's Compliance Management System for the areas of corruption, antitrust law and export control (sanctions) as of July 1, 2023, taking into account the IDW Assurance Standard: Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Compliance Management Systems (IDW AsS 980 (Revised) (09.2022)) and reported to TÜV SÜD AG on the results of the audit they conducted. The summarized audit opinion in its entirety did not lead to any qualification.

TÜV SÜD TRUST CHANNEL

Integrity and transparency are top priorities for TÜV SÜD. In order to meet this requirement, it is essential that we become aware of any compliance breaches in order to remedy them and continuously improve our TÜV SÜD CMS. It is particularly important to us that we learn of breaches of international and local laws, regulations and standards as well as of our internal compliance requirements such as the TÜV SÜD Code of Conduct. The electronic whistleblowing system, TÜV SÜD Trust Channel, enables employees and third parties worldwide to report breaches or suspected cases anonymously. This option was also used by employees and external parties in 2023. In the majority of cases, no breach of legal compliance was identified. In a few isolated cases, breaches of the law or internal policies were sanctioned appropriately and, if necessary, resulted in consequences under labor law.

Risk management system

▷ **Opportunity and risk report see pages 76 – 86**

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

Quality management

Quality management is a mandatory prerequisite for TÜV SÜD to obtain and maintain all necessary national, European and international recognitions as a testing, inspection and certification organization. It is based on regulatory and official requirements as well as the requirements of the ISO/IEC 17000 family of international standards. The quality management organization is responsible for managing and monitoring the recognitions at Group level and at the subsidiaries. It ensures compliance with technical guidelines and methods (technical compliance) that have been defined within the company and are in line with the requirements of the regulatory, accreditation and standard-setting authorities. This is also regularly monitored externally.

Monitoring and further development of governance systems

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

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

If breaches are suspected, special audits are also carried out by the Internal Audit function and by external auditors where necessary. Breaches of law or internal policies will be appropriately sanctioned and may result in consequences for our employees under labor law, up to and including termination of employment.

Economic report

Macroeconomic conditions

The pace of economic recovery slowed in 2023 on account of several factors. In particular, the war in Ukraine and the increase in geopolitical tensions had a dampening effect on economic development. Restrictive monetary policies implemented in many countries to combat inflation contributed to this effect. Against this backdrop, the differences in growth between the regions increased. Economic output grew at a moderate pace in advanced economies, although the differences in economic momentum were considerable. There were also major differences in economic growth in emerging markets.

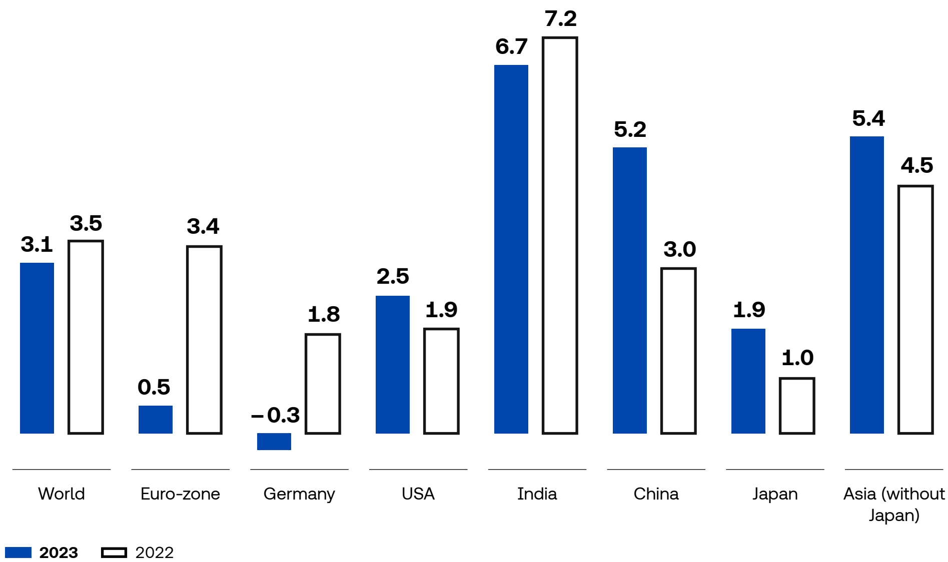
WEAK GROWTH IN EUROPE

Economic development in the European Economic Area was weak in 2023, not least due to the war in Ukraine and the after-effects of the energy price shock in the prior year. At the same time, the European Central Bank's interest rate hikes during the year increased the cost of financing for commercial and government investment. Private consumer demand declined due to the loss of purchasing power of disposable income. The labor market developed positively after the labor supply continued to tighten due to demographic change. Overall, gross domestic product in the euro-zone increased by 0.5%, following growth of 3.4% in the prior year. The inflation rate was still at 9.2% at the beginning of the year, but fell continuously to 2.9% by the end of the year.

Germany remained in a phase of economic weakness. The loss of purchasing power as a result of high inflation and the tightening of financing conditions had a negative impact on private consumption and investment. Although the disposable income of private households increased, the positive effects were neutralized by even higher inflation rates for consumer goods. The construction industry continues to be burdened by high interest rates on loans. There was also an unsatisfactory development in foreign demand. German exports to China in particular fell significantly and trade in goods with the euro-zone, which is important for Germany, was also weak. The unemployment rate remained largely stable, with more than 80% of the workforce participating in the labor market. Overall, gross domestic product declined by 0.3%, following growth of 1.8% in the prior year. Inflation fell significantly over the course of the year and stood at 3.8% at the end of 2023 (prior year: 9.6%).

In most other European countries, the economy was not as severely dampened as in Germany. For example, Italy recorded an increase in gross domestic product of 0.7%, while growth in Spain amounted to 2.4%. In the UK, the persistently high inflation rate dampened companies' willingness to invest. The positive effect of higher wages on the purchasing power of private households was reduced by weak employment development. Overall, economic output in the UK grew by 0.5%.

Economic growth in key markets worldwide[1] 09
in %



1 IMF World Economic Outlook January 2024 (prior-year forecast updated with actual figures).

USA: FAVORABLE ECONOMIC DEVELOPMENT

The US economy expanded by 2.5% in 2023 (prior year: 1.9%). Rising real incomes, savings from the pandemic and the dynamic labor market supported private consumption. The restrictive monetary policy has so far had a particularly negative impact on residential construction, while extensive government subsidy programs have boosted construction investment by companies. The US is also promoting the ecological transformation of its economy with extensive subsidies under the Inflation Reduction Act.

ROBUST GROWTH IN EMERGING MARKETS

In China, deteriorating employment prospects and high youth unemployment had a negative impact on the consumer climate. In addition, during the Covid pandemic there were fewer government transfers to private households than in Europe and the US. The construction sector continued to suffer from delays in the completion of infrastructure and residential construction projects, partly as a result of lower income and rising debt. However, consumer prices and energy prices in particular also rose only slightly. The Chinese economy grew by 5.2% in 2023 (prior year: 3.0%).

The persistently low growth rates in China and falling commodity prices slowed economic development in emerging markets worldwide, with the economy mostly driven by domestic demand. However, the Asian emerging markets expanded strongly, with the Indian economy growing particularly dynamically (6.7%; prior year: 7.2%).

GLOBAL MONETARY POLICY ALIGNED

Central banks around the world maintained a restrictive monetary policy in 2023 in order to curb inflation. As a result of these measures, it is assumed that key interest rates in the advanced economies have peaked and will fall again in the future.

▷ **Notes to the consolidated financial statements, currency translation see page 105**

The euro appreciated against the US dollar in the course of the financial year 2023 and stood at US 1.10 dollar (prior year: US 1.07 dollar) at the end of the year. The development of the most important reference currencies is shown in the notes to the consolidated financial statements.

Business and economic environment

The financial year 2023 was characterized by weak global economic development. The prior-year inflation shock continued to have an impact, while geopolitical tensions led to uncertainty and additional burdens. Embargo restrictions continued, although the lifting of pandemic measures eased global supply chains.

▷ **The market for technical services see page 23**

TÜV SÜD was also unable to escape this situation, as our business activities in individual areas and markets are dependent on economic developments and the free movement of people and goods. Another important factor for our business success is the availability of our experts, as well as their qualification and loyalty to the company.

Against this backdrop, TÜV SÜD's robust business model has once again proven its worth in the financial year 2023. The tense labor markets in various countries and regions had a negative impact on our business development, as did wage increases and the general price trend. However, the high level of commitment of our employees, their expertise and their flexibility made a decisive contribution to ensuring that the financial year was a most satisfactory one for TÜV SÜD. Their commitment continues to form the basis for our technical service spectrum and our local presence being valued by our customers worldwide. This enabled us to further strengthen our market position in 2023 and implement necessary price adjustments in some areas.

We focus on our core competencies and regularly review our product portfolio and our business activities. Key criteria in this regard are the strategic significance of the services offered and their relevance on the TIC market. Against this backdrop, in February we divested a subsidiary, which offers independent real estate valuations in Germany.

In the financial year 2023, we continued to invest extensively in building infrastructure and expanded our network of testing facilities.

We also expanded our portfolio in 2023 by acquiring parts of businesses and companies. In May, for example, we expanded our testing capacities in Switzerland by taking over the process safety laboratory of the Swiss company Lonza AG. In addition, we also acquired the business operations of Ingenieur- und Sachverständigenbüro Ehricke in June in order to strengthen our network of Technical Service Centers in Germany. In August, we acquired three business operations of ZECH, a German group specializing in emission control and building physics. We also included US-based Ruby Canyon Environmental Inc., Grand Junction (Colorado), which was acquired at the end of the prior year, in the scope of consolidation for the first time.

At the same time, we made adjustments to our portfolio in the financial year by means of write-downs and impairments. In Germany, an impairment loss was recognized on the goodwill related to our cloud services and digital vehicle valuations as part of our strategic realignment. We also recognized impairment losses on assets identified in purchase price allocations and on software which will not be developed further. In China, impairment losses were recognized on assets identified in purchase price allocations and on a testing facility due to underutilization.

▷ Segment report see pages 65 – 70

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

Overall statement on business development

The financial year 2023 was a most satisfactory one for TÜV SÜD. The company was able to grow worldwide. All targets defined for the Group in the 2023 forecast were exceeded.

Targets and results ≡ 05

	2022	2023 Outlook	2023
Revenue Development compared to prior year	€ 2,863.3 million 7.3%	€ 2,700 million to € 3,000 million Up to 4.5%	€ 3,139.3 million 9.6%
EBIT Development compared to prior year	€ 195.0 million – 13.4%	€ 155 million to € 200 million	€ 217.7 million 11.6%
EBIT margin	6.8%	Mid-single-digit percentage range	6.9%
EVA	€ 48.9 million	Roughly at the prior year's level	€ 61.7 million
Employees Development compared to prior year	23,957 3.2%	 1.5% to 2.5%	25,023 4.4%

The forecast of business development for the financial year is always derived from the existing service business at the time of planning. This is defined as the starting point for organic revenue growth.

We recorded revenue growth in all segments and regions. Overall, **revenue development** exceeded our expectations, although organic growth was slightly reduced by negative currency effects. There were no portfolio effects in the financial year 2023.

In the INDUSTRY Segment, revenue growth and the EBIT-related target figures reached the targeted corridor. Higher personnel expenses and travel expenses as well as the impairment losses recognized on intangible assets and property, plant and equipment, including a testing facility in China, were fully offset by the good business performance.

The MOBILITY Segment exceeded both the defined revenue target and the EBIT-related targets. The positive business development compensated for higher personnel costs due to new collective wage agreements and an impairment on digital vehicle valuations. The sale of an emissions testing facility in Germany also had a positive effect on earnings.

Revenue in the CERTIFICATION Segment developed well and revenue growth fell just short of expectations. The weak consumer sentiment in Europe, lower export volumes from China and delays in the nomination as a notified body led to delays in incoming orders. Higher costs, including restructuring costs, and impairment losses on goodwill and intangible assets had an additional negative effect on earnings. The forecast EBIT targets were therefore not met.

OVERALL MOST SATISFACTORY DEVELOPMENT OF EARNINGS

The positive revenue trend in the Group was offset by higher expenses from operating activities. In addition, amortization, depreciation and impairments were significantly higher than in the prior year, as impairment losses were recorded on goodwill in the financial year in addition to impairment losses on intangible assets and property, plant and equipment. Gains from the disposal of a subsidiary and the sale of property, plant and equipment as well as the income from investments accounted for using the equity method provided positive impetus. **EBIT** thus reached € 217.7 million, exceeding the prior-year figure and the forecast target. At 6.9%, the **EBIT margin** was almost at the prior-year level (6.8%) and therefore within the targeted corridor. In a market environment characterized by uncertainties and challenges, we consider the development of earnings to be most satisfactory.

▷ One-off effects see pages 51 – 52

The higher operating performance (up 8.9%) was carried through to net operating profit after tax (NOPAT), which increased by 14.0% to € 158.5 million (prior year: € 139.0 million). Adjusted EBIT reached € 239.3 million in the financial year, and was thus 8.1% or € 17.9 million above the prior-year figure (€ 221.4 million). The adjusted EBIT margin reached 7.6% (prior year: 7.7%). The one-off effects underlying the adjustments are presented in detail in the financial performance.

Consolidated earnings before taxes (EBT) increased by € 42.4 million or 23.2% to € 225.1 million. No additional adjustments for one-off effects were made to EBT, meaning that adjusted EBT amounted to € 246.7 million (prior year: € 203.6 million). At 7.2% and 7.9% respectively, the EBT margin and the adjusted EBT margin are therefore above the prior-year level (6.4% and 7.1% respectively).

At € 1,382.3 million, average capital employed rose by € 94.5 million on the prior-year figure of € 1,287.8 million. This was due to the increase in assets as a result of extensive investment projects. This was counterbalanced by an increase in other non-interest-bearing liabilities, which was not fully offset by the increase in working capital. As of the reporting date, capital employed likewise showed an increase compared with the prior year (up € 62.2 million).

The higher NOPAT and the simultaneous increase in average capital employed resulted in a **Group EVA** of € 61.7 million, which exceeded both the prior-year figure (€ 48.9 million) and the targeted corridor for EVA development. This key indicator is calculated from NOPAT, less the Group's cost of capital, yielded by the product of average capital employed and 7.0% WACC.

The higher consolidated net income was further supported by a cash inflow for working capital, resulting in a higher cash flow from operating activities. The extensive investment projects were financed entirely from cash flow from operating activities. Cash and cash equivalents at the end of the period were € 157.9 million above the prior-year level. TÜV SÜD continues to enjoy a good credit standing and a comfortable level of liquidity, secured by the syndicated credit line that runs until July 2026.

The average **number of employees** (FTE average) grew by 4.4%, more than assumed in the 2023 forecast, increasing from 23,957 to 25,023 employees. The planned expansion of the employee base was implemented primarily through the creation of jobs in Germany, India and China.

The planning and management of the TÜV SÜD Group is based on International Financial Reporting Standards (IFRSs). The key financial performance indicators defined for the TÜV SÜD Group are not relevant for TÜV SÜD AG in its function as a management holding company and have therefore no informative value.

▷ Opportunity and risk report see pages 76–86

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

Financial performance

TÜV SÜD generated **revenue** of € 3,139.3 million in the financial year 2023, corresponding to a year-on-year increase in revenue volume of € 276.0 million or 9.6%. The forecast targets of revenue growth of up to 4.5% and revenue of between € 2,700 million and € 3,000 million were thus significantly exceeded.

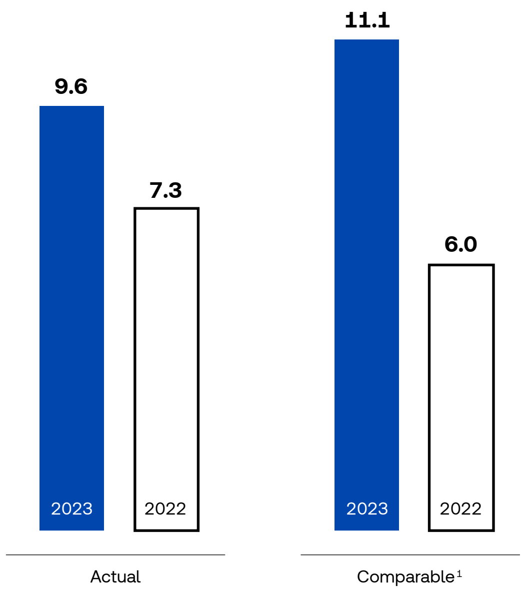
Organic growth with our existing service business amounted to € 317.8 million or 11.1%. Negative currency effects of € 41.8 million (down 1.5%) had a negative impact on revenue development. The portfolio effects from the change in the scope of consolidation had no impact on revenue development in 2023, as the effects from the disposal of a company in Germany and the first-time consolidation of a company in the US acquired at the end of the prior year canceled each other out.

10/11

Revenue growth comparable

10

in %

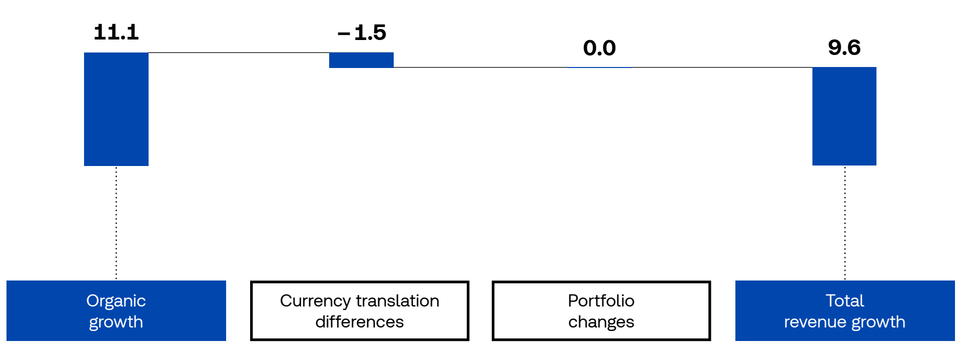


1 Adjusted for exchange rate and portfolio effects.

Revenue growth 2023

11

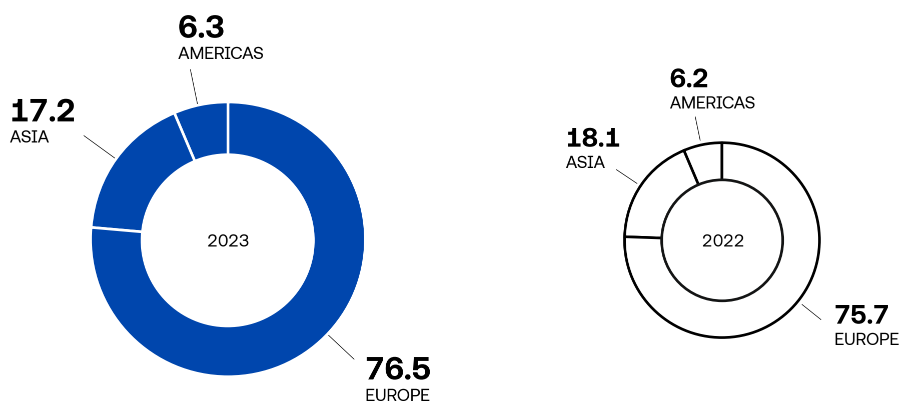
in %



The German companies contributed € 193.7 million to the **revenue growth** of € 276.0 million, which corresponds to a 70.2% share of total growth (prior year: 46.8%). The companies based outside Germany generated € 82.3 million or 29.8% (prior year: 53.2%) of the increase in revenue. The foreign subsidiaries contributed a total of 36.5% (prior year: 37.1%) to the Group's revenue. Our European home market remains the strongest region in terms of revenue. 12

Revenue by region 2022/2023
in %

12



Purchased service cost increased by 13.7% or € 52.3 million to € 433.2 million and thus at a faster rate than revenue. The ratio of purchased service cost to revenue increased accordingly from 13.3% to 13.8%. A large part of the increase is due to the positive business development of vehicle management services, which are heavily dependent on purchased services, in the MOBILITY Segment in Germany. In the CERTIFICATION Segment, scaling effects were realized in the Academy business, resulting here in a smaller increase in purchased services. In China, currency translation curbed the increase in purchased service cost. On the other hand, the first-time consolidation and subsequent merger of an entity acquired in the US in the prior year increased expenses further.

Personnel expenses rose from € 1,734.1 million to € 1,875.9 million (€ 141.8 million or 8.2%). At 69.2%, the ratio of personnel expenses to operating performance was slightly below the prior-year level (69.7%).

Expenses for wages and salaries including social security contributions rose by 8.9% compared to the prior year. In addition to the group-wide increase in personnel due to new hires, the main factors in Germany were collective wage increases, the voluntary payment of an inflation compensation bonus and provisioning for the agreed-upon restructuring of a business area.

Retirement benefit costs decreased by 1.0% or € 1.2 million to € 115.3 million. A higher discount rate and the declining number of active employees with direct pension commitments led to a decrease in current service costs. This fully compensated for higher employer contributions to statutory pension insurance due to the increase in capacity in Germany.

Higher expenses for further education and training measures in particular led to an increase in incidental personnel expenses of € 2.3 million to € 36.4 million.

At € 183.4 million, **amortization, depreciation and impairment losses of intangible assets, right-of-use assets from leases, property, plant and equipment and investment property** was slightly higher than in prior year (€ 183.0 million). Amortization and depreciation of € 175.0 million exceeded the prior-year level by 3.4% or € 5.8 million (prior year: € 169.2 million). Of this amount, € 75.7 million (prior year: € 72.4 million) is attributable to the depreciation of right-of-use assets from leases.

Impairment losses were again recorded on intangible assets and property, plant and equipment. Impairments were required in Germany on software – some of which was still under development – and assets that were identified in the purchase price allocation. In addition, assets identified in the purchase price allocation and items of property, plant and equipment were impaired due to underutilization of a testing facility in China.

Impairment losses of € 15.3 million (prior year: € 0.1 million) were recorded on **goodwill** in the financial year 2023. These relate to our cloud services and digital vehicle valuations in Germany.

Other expenses increased by 18.4% or € 87.9 million to € 566.6 million, mainly due to additional legal and consulting costs in connection with the accident at the dam in Brazil, increased travel by our experts and higher IT costs. The latter increased mainly due to software license expenses, ongoing maintenance expenses for IT hardware and consulting services for ongoing IT and digitalization projects in Germany. Purchased administrative services, including the use of temporary workers, also included expenses to create the framework conditions for the responsible use of AI in testing procedures. The rise in energy prices is reflected in the development of expenses for rent and maintenance.

Other income increased by 34.9% or € 33.1 million to € 128.0 million. In addition to exchange rate gains, the item mainly includes income from the reversal of provisions as well as rental and lease income. The sale of the independent real estate valuation business and various assets including a testing facility in Germany also had a positive effect. Government grants received primarily for funded projects and research projects amounted to € 8.5 million.

The **financial result** for the financial year amounted to € 28.4 million (prior year: € – 4.5 million), an increase of € 32.9 million. In addition to the positive contribution to earnings from investments accounted for using the equity method, this development was supported by the positive net interest income.

Income from investments accounted for using the equity method increased by € 12.1 million to € 20.4 million and was therefore above the prior-year level (€ 8.3 million). The contribution to earnings (€ 20.2 million) from the joint ventures TÜVTÜRK in Türkiye was € 10.1 million above the prior-year figure. Earnings were significantly affected by the exchange rate between the euro and the Turkish lira. Our investment in France, which is accounted for using the equity method, made a positive contribution to earnings. The joint venture in Spain made a negative contribution to earnings.

Other income/loss from participations includes the reversal of impairment on a German investment and a Turkish joint venture as well as dividend distributions. This item also includes the loss on disposal of a Turkish joint venture. Overall, other income/loss from participations improved by € 1.1 million and rose to € 0.6 million (prior year: € – 0.5 million).

Due to the higher funding ratio of pension obligations and an increase in the discount rate, the financing balance for pension provisions was positive at € 9.5 million (prior year: € – 1.2 million). At the same time, the general rise in interest rates led to higher interest income from securities and other investments. By contrast, interest expenses from lease liabilities increased from € 9.5 million to € 11.6 million. The interest result thus improved by a total of € 12.9 million to € 7.3 million.

The other financial result of € 0.1 million includes earnings from a special fund and expenses arising from the application of IAS 29 “Financial Reporting in Hyperinflationary Economies” to our fully consolidated Turkish subsidiaries. The item also comprises currency gains/losses from financing measures.

The **income tax expense** decreased by € 1.8 million or 3.6% to € 48.3 million. Due to various special effects, the effective tax rate of 21.5% was below the rate of the prior-year of 27.4%.

One-off effects that were negative on a net basis totaling € 21.6 million (prior year: € 20.9 million) had an impact on the development of earnings in the financial year.

One-off effects

06

in € million	2023	2022
PPA amortization and impairment losses	13.5	18.8
One-off effects, provisions and reversals of impairments	1.2	4.2
Gain/loss on disposal, result from deconsolidation	– 8.4	0.0
Impairment of goodwill	15.3	0.0
One-off effects in income from investments accounted for using the equity method and in income/loss from participations	0.0	3.4
With EBIT effect	**21.6**	**26.4**
One-off effect in interest income	0.0	– 5.5
With EBT effect	**21.6**	**20.9**

In **personnel expenses**, we corrected the provisions made for the agreed redundancy plan and the settlement of interests in connection with the restructuring of a business area in Germany.

In the financial year, we adjusted **amortization, depreciation and impairment losses** on assets of € 5.4 million, which we identified in the course of a purchase price allocation (PPA amortization). This item also includes one-off impairment losses of € 8.1 million on intangible assets – such as software and assets identified in the course of purchase price allocations – and on property, plant and equipment at a testing facility in China. In the prior year, one-off impairment losses totaled € 12.9 million.

A provision was recognized for future obligations to make additional contributions from the disposal of a joint venture in Germany; this expense was adjusted in **other expenses**.

The proceeds from the sale of the independent real estate valuation business and the sale of a testing facility in Germany were corrected in **other income**. The reversal of a provision for subsequent costs from the disposal of a joint venture was also eliminated in this item.

We also adjusted the **impairment of goodwill** for cloud services and our digital vehicle valuations.

EBIT rose to € 217.7 million in the financial year 2023, up 11.6% on the prior-year figure of € 195.0 million. At 6.9%, the EBIT margin remained nearly on par with the prior year (6.8%) as the positive revenue trend was offset by higher expenses from operating activities as well as impairment losses. The adjustments of € 21.6 million (prior year: € 26.4 million) resulted in an adjusted EBIT of € 239.3 million. This exceeded the prior-year figure (€ 221.4 million) by 8.1% or € 17.9 million due to the higher EBIT starting point, although the extent of the adjustments was lower than in the prior year. The adjusted EBIT margin also remained almost constant at 7.6% (prior year: 7.7%). TÜV SÜD's most satisfactory business performance fully compensated for the lower net adjusted special effects.

The positive financial result further boosted the development of earnings. As a result, **EBT** rose by 23.2% to € 225.1 million and was therefore € 42.4 million higher than in the prior year (€ 182.7 million). Adjusted earnings before taxes increased by 21.2% or € 43.1 million to € 246.7 million (prior year: € 203.6 million). The return on sales, calculated in proportion to EBT, came to 7.2% in the financial year (prior year: 6.4%). However, the adjusted EBT margin is more suitable for assessing results over time. As no additional adjustments were made, it developed in line with the EBT margin and rose to 7.9% (prior year: 7.1%).

▷ **Notes to the consolidated financial statements, notes to the consolidated income statement see pages 112–118**

In the financial year 2023, **consolidated net income** amounted to € 176.8 million, exceeding the prior-year figure of € 132.6 million by € 44.2 million or 33.3%.

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

Financial position

PRINCIPLES OF FINANCE MANAGEMENT AND FINANCIAL STRATEGY

With our financing activities, we maintain a sound financial profile and ensure that TÜV SÜD has sufficient liquidity reserves to meet its payment obligations at all times. Further objectives of our corporate Treasury function include managing the foreign exchange risk effectively and optimizing interest rates on an ongoing basis. Due to the significant volume of assets outsourced to cover pension obligations, the investment and risk management of these positions is of very great importance to us.

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

CAPITAL STRUCTURE

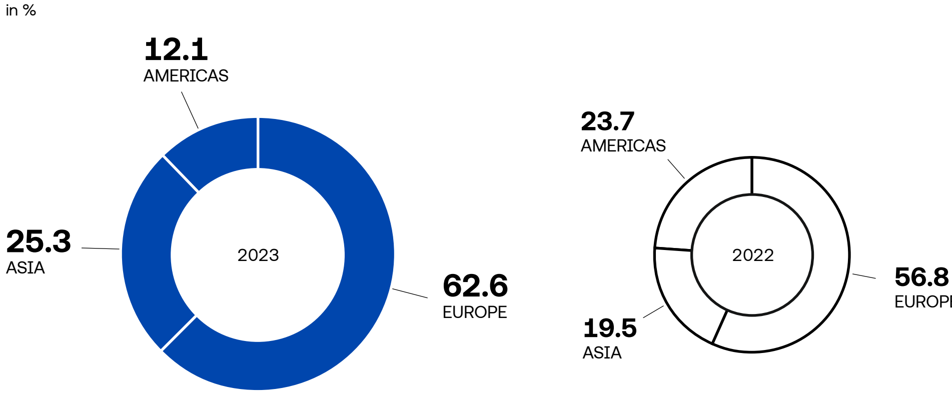
TÜV SÜD finances itself with cash flows from operating activities. The available cash and cash equivalents are supplemented by a syndicated credit line of € 300.0 million, with a term until July 2026, to give us the financial flexibility necessary to reach our growth targets. With this credit facility,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

CAPITAL EXPENDITURES

Excluding business combinations, financial assets and securities, capital expenditures amounted to € 180.5 million in the financial year 2023 (prior year: € 153.8 million).

Capital expenditures
in %

13



At € 84.1 million, 46.6% of capital expenditures were carried out in our home market Germany. Investments were made in various IT application systems and again in the construction of our new “Algorithmus” building on the site of our Group headquarters in Munich. The shell of the new office building was completed in May 2023. The building will be built according to the highest sustainability standards and should be ready for occupancy in late 2024.

Further funds were invested in the conversion of the Technical Service Centers and in the technical equipment of these services centers, in the expansion of testing facilities and in other equipment, furniture and fixtures.

In Western Europe, we invested a total of € 13.2 million, primarily in equipment for testing facilities and other equipment, furniture and fixtures for our locations in the UK and Spain. Resources were also invested in the renovation and energy-efficiency optimization of our office building in Bologna, Italy.

Investment activities (€ 15.7 million) in Central & Eastern Europe in 2023 focused on the expansion of the network of Technical Service Centers in Slovakia and the completion of our extensively renovated and modernized facility and office building in Szentendre, Hungary, including the corresponding equipment for testing facilities and other equipment, furniture and fixtures.

We invested € 45.7 million in the ASIA Region, which corresponds to 25.3% of the total investment volume. The resources were primarily used to set up and expand testing facilities for electro-magnetic compatibility (EMC) in China and Taiwan as well as testing facilities in Thailand and India. In India, the “Bengaluru Campus” was opened in December 2023, designed to be energy efficient and sustainable using the latest technologies and building materials. The campus offers testing facilities for electrical safety and EMC as well as for biocompatibility, toxicity and micro-biology of medical devices. We also invested in software projects in the Product Service Division in Singapore.

We spent around € 21.9 million or 12.1% of our total investment volume in the AMERICAS Region, where the focus was on expanding and extending facility and testing capacities, particularly for testing batteries for electric vehicles and for biochemical tests.

We invested € 2.7 million in the acquisition of entities in 2023 (prior year: € 5.2 million). This includes payments to acquire shares in a non-consolidated affiliated company.

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

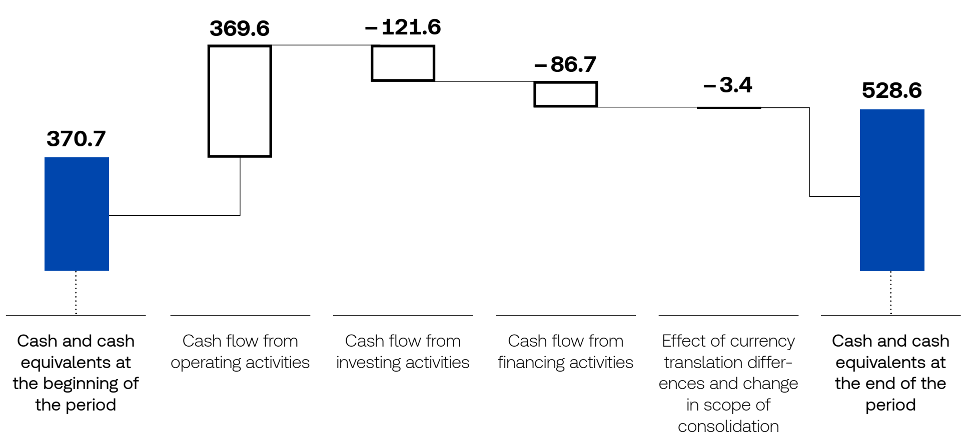
LIQUIDITY

▷ **Consolidated financial statements, consolidated statement of cash flows see page 101**

Cash and cash equivalents increased by € 157.9 million or 42.6% to € 528.6 million in the financial year 2023, corresponding to 16.0% of total assets (prior year: 12.1%). The development of cash and cash equivalents in the financial year is presented in detail in the consolidated statement of cash flows.

Liquidity of the TÜV SÜD Group 2023
in € million

14



The starting point for the cash flow statement is the consolidated net income for the year, which amounted to € 176.8 million in the financial year and was therefore € 44.2 million higher than the prior-year figure (€ 132.6 million).

Gains on the disposal of property, plant and equipment and financial assets, in particular from the disposal of securities in the special fund, as well as the result from the disposal and deconsolidation of a German subsidiary reduced this starting point by € 8.2 million (prior year: € 1.3 million). The non-cash items amortization, depreciation, impairment losses and reversals of impairments totaled € 198.2 million and were thus € 10.1 million higher than the prior-year figure of € 188.1 million. Alongside the scheduled amortization and depreciation, impairment losses were again recognized on goodwill and intangible assets identified in a purchase price allocation. Software, including advance payments made on it, and property, plant and equipment were also impaired. At the same time, an impairment on a German participation was reversed. Other non-cash income and expenses primarily originate from the subsequent measurement of the investments accounted for using the equity method.

Changes in the working capital and other assets and liabilities resulted in a cash inflow of € 19.3 million (prior year: cash outflow of € 57.2 million). The capital tied up in current assets resulted on the one hand from the general increase in revenue and the associated rise in trade receivables, particularly in Germany. This item was also affected by the higher level of contract assets, which resulted in particular from order processing in Germany and the US in the INDUSTRY and CERTIFICATION Segments. The increase in trade payables and contract liabilities as well as the increase in other provisions and other liabilities led to a higher tied up capital on the liabilities side. **Cash flow from operating activities** thus increased by a total of € 76.9 million or 26.3% to € 369.6 million (prior year: € 292.7 million).

Cash outflow from investing activities decreased by € 27.3 million to € 121.6 million in the financial year. Cash paid for investments in intangible assets, property, plant and equipment and investment property of € 182.7 million were € 40.1 million higher than in the prior year (€ 142.6 million). Investments were made mainly in IT application systems and software, the new “Algorithmus” building in Munich, in Technical Service Centers and testing facilities. Proceeds from the disposal of assets mainly relate to the sale of property and an emissions testing facility in Germany.

There was a net cash outflow in financial assets due to the acquisition of a non-consolidated subsidiary in Germany. In addition, loans were granted.

The corporate transactions during the year including the disposal of the independent real estate valuation business and, conversely, the acquisition of business operations in the MOBILITY Segment in Germany and in the INDUSTRY Segment in Germany and Switzerland, resulted in a total cash outflow of € 1.9 million.

The disposal of securities in the special fund in the course of its liquidation was counterbalanced by investments in money market funds and time deposits of TÜV SÜD AG and its subsidiaries in China, the Middle East and the US, resulting in a net cash inflow of € 56.9 million. In the prior year, there was also a net cash inflow (€ 33.1 million), particularly after securities in the special fund were sold.

The external financing of pension obligations was reduced by € 31.5 million to € 4.9 million (prior year: € 36.4 million). No extraordinary cash-effective contributions were made to TÜV SÜD Pension Trust e. V., Munich, and TÜV Hessen Trust e. V., Darmstadt, as these pension plans were overfunded. In the prior year, an extraordinary contribution of € 30.0 million was made to the TÜV SÜD Pension Trust.

Free cash flow – defined as cash flow from operating activities less cash paid for investments in intangible assets, property, plant and equipment and investment property – stood at € 186.9 million in the financial year 2023 (prior year: € 150.1 million). This represents an increase of 24.5% on the prior year. Despite the 28.1% increase in investment volume, it was possible to finance investments in intangible assets, property, plant and equipment and investment property entirely from the cash flow from operating activities.

Cash outflow from financing activities increased by € 8.8 million to € 86.7 million (prior year: € 77.9 million). While the distribution to TÜV SÜD Gesellschafterausschuss GbR remained unchanged on the prior year, payments to non-controlling interests increased significantly compared to the prior year. In addition, repayments of lease liabilities increased on account of a larger lease portfolio, while the loans taken out to finance the “Bengaluru Campus” in India had the opposite effect.

The value of cash and cash equivalents – consisting of checks, cash in hand, bank balances and securities with an original term of less than three months – stood at € 528.6 million as of the reporting date. Including the securities disclosed in other financial assets and in current assets which can be liquidated at any time, there are cash and cash equivalents totaling € 615.9 million (prior year: € 519.7 million). Further headroom is provided by various credit lines (€ 5.5 million) and the syndicated credit line of € 300.0 million, with a term until July 2026.

Financial position

Asset and capital structure

in %

15

	Assets 2023	Assets 2022
Non-current assets	59.4	64.1
thereof[1]:		
Intangible assets	14.5	15.5
Right-of-use assets	22.5	21.4
Property, plant and equipment	34.6	30.8
Other non-current assets	19.3	19.8
Current assets	40.6	35.9
thereof[1]:		
Trade receivables	33.8	37.6
Cash and cash equivalents	39.5	33.6

	Equity and liabilities 2023	Equity and liabilities 2022
Equity	54.7	54.6
Non-current liabilities	19.7	20.2
thereof[1]:		
Pensions and similar obligations	23.4	22.2
Non-current lease liabilities	59.8	59.9
Current liabilities	25.6	25.3
thereof[1]:		
Current provisions	23.3	21.7
Other current liabilities	28.1	29.0
Total assets	€ 3,301.2 million	€ 3,073.9 million

1 As a percentage of current or non-current item, not of total assets.

Total assets increased by € 227.3 million or 7.4% to € 3,301.2 million in the financial year (prior year: € 3,073.9 million).

Non-current assets decreased by € 8.3 million to € 1,961.7 million because investments in right-of-use assets and property, plant and equipment and higher deferred tax assets were more than compensated for by a decline in other items. Current assets increased by € 235.6 million to € 1,339.5 million, primarily due to higher balances of cash and cash equivalents as well as trade receivables.

Intangible assets fell by € 22.3 million to € 283.7 million, mainly due to impairment losses. In terms of goodwill, we recognized impairment losses on cloud services and digital vehicle valuations. Impairment losses were also recorded on other intangible assets, in particular on various software projects – some of which are still under development – including the prepayments made for these, as well as on other assets identified in purchase price allocations. Overall, impairment losses amounted to € 19.8 million.

Right-of-use assets from leases increased by € 20.3 million to € 442.2 million, mainly consisting of additions in Germany. Depreciation amounted to € 75.7 million in the financial year (prior year: € 72.4 million).

Additions to **property, plant and equipment** related to investments in the construction, expansion and modernization of buildings and facilities in Germany, Slovakia, China and Taiwan, India and the US, with a significant portion of ongoing projects being recorded as assets under construction. At € 5.5 million, **investment property** is € 1.1 million above the level of the prior year.

Investments accounted for using the equity method increased by € 8.9 million to € 36.7 million. The increase is mainly due to the subsequent measurement of earnings - applying also IAS 29 “Financial Reporting in Hyperinflationary Economies” at our Turkish joint ventures TÜVTÜRK.

Other financial assets decreased by € 93.6 million to € 12.4 million, mainly on account of the disposal of the special fund. The effect was strengthened by the merger of previously non-consolidated subsidiaries in Spain and the US. The acquisition of shares in a non-consolidated subsidiary in Germany had the opposite effect.

Other non-current assets mainly comprise assets from overfunded pension plans (€ 367.3 million).

The increase in **deferred tax assets** of € 18.6 million to € 124.4 million primarily stemmed from the changes to deferred taxes on actuarial losses on the net pension obligations, which are posted directly to other comprehensive income without affecting income.

Contract assets increased by € 9.6 million or 6.2% to € 164.9 million, particularly in Germany and the US and primarily in the INDUSTRY and CERTIFICATION Segments. This development was less pronounced than the increase in revenue, after staff shortages due to illness had led to a delay in order processing in the prior year.

Trade receivables increased by € 37.9 million or 9.1% to € 452.8 million in 2023. They thus increased almost in line with revenue, which rose by 9.6%. The change was due to invoicing around the reporting date, mainly at the entities in Germany. Days sales outstanding (DSO) averages 55 days (prior year: 56 days) throughout the Group.

Other current assets increased by € 24.1 million to € 159.7 million (prior year: € 135.6 million), in particular due to the increase in money market funds in China and the investment in time deposits. In addition, prepaid IT costs in Germany increased due to ongoing IT and digitalization projects.

▷ **Consolidated financial statements, consolidated statement of cash flows see page 101**

Cash and cash equivalents increased by € 157.9 million to € 528.6 million. This is thus equivalent to 16.0% of total assets (prior year: 12.1%).

Equity increased by € 127.0 million (up 7.6%) in the financial year, and stood at € 1,804.6 million as of the reporting date. The increase resulted from the positive consolidated net income of € 176.8 million (prior year: € 132.6 million). This was offset by distributions, currency translation effects including the hyperinflationary effects of our fully consolidated Turkish subsidiaries and actuarial losses after taking deferred taxes into account. The equity ratio remained virtually unchanged at 54.7% (prior year: 54.6%).

Non-current liabilities increased by € 30.4 million to € 650.3 million, mainly due to the increase in pension obligations and higher non-current lease liabilities.

The net obligation from defined benefit plans is determined from the balance of the present value of defined benefit obligations and the fair value of the plan assets as of the reporting date. Based on the balance of the individual plans, the pension plans that are overfunded by € 367.3 million (prior year: € 378.6 million) are reported under non-current assets while the underfunded pension plans are reported under **provisions for pensions and similar obligations,** which increased to € 152.4 million (prior year: € 137.7 million).

The group-wide defined benefit obligation is reported at € 1,626.9 million, € 62.3 million above the prior-year figure (€ 1,564.6 million). An increase of € 57.7 million was recorded in Germany. Actuarial losses from the change in the discount rate to 3.2% (prior year: 3.7%) and the sum of service cost and interest cost exceed pension payments and experience gains. The increase outside Germany (€ 4.6 million) is mainly attributable to actuarial losses from the change in the discount rate, particularly in the UK.

In order to extend the external financing of pension obligations in Germany, TÜV SÜD has outsourced operating assets to TÜV SÜD Pension Trust e.V. and TÜV Hessen Trust e.V. under a contractual trust agreement (CTA). The funds are administered by these two associations in a fiduciary capacity, and serve solely to finance pension obligations. The transferred trust funds are to be treated as plan assets, and are therefore offset against pension obligations.

As of the reporting date, the plan assets totaled € 1,841.8 million, of which € 1,624.7 million consists of the assets held in trust by TÜV SÜD Pension Trust e. V., and € 63.9 million of the assets held in trust by TÜV Hessen Trust e. V. The remaining plan assets of € 153.2 million consist mainly of policy reserves of employer's pension liability insurance and assets for pension plans in other countries.

Across the entire Group, plan assets increased by € 35.6 million. The increase was attributable in particular to actual gains of € 112.6 million recorded in Germany and other countries, exceeding the pension payments of € 84.6 million. This is counterbalanced by additions to plan assets of € 4.9 million.

Since the increase in the defined benefit obligation exceeds that of the plan assets, the percentage of pension obligations funded by plan assets decreased from 115.4% in the prior year to 113.2% as of the reporting date. In Germany, coverage stood at 115.0% (prior year: 117.3%).

▷ **Notes to the consolidated financial statements, provisions for pensions and similar obligations see pages 127 – 134**

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

Other non-current provisions fell by € 7.4 million to € 79.6 million. They include provisions for long-service bonuses and medical benefits. The non-current portion of the provisions in connection with the dam collapse in Brazil is also recognized under this item.

The increase in **non-current lease liabilities** of € 17.7 million to € 388.8 million is attributable, among other things, to the addition of leases for buildings in Germany.

Current liabilities increased by € 69.9 million to € 846.3 million as a result of the increase in current provisions, contract liabilities and other current liabilities.

Current provisions mainly relate to bonus obligations to employees, provisions for legal and advisory costs as well as provisions for restructuring and severance payments in Germany.

The build-up of trade payables in Europe was partially offset by a corresponding reduction in the US. As a result, at € 101.9 million, total **trade payables** hardly changed compared to the prior year (€ 98.1 million).

Contract liabilities increased by € 15.2 million to € 190.7 million, mainly due to the CERTIFICATION Segment in China. This development was reinforced by the increase in advance payments received for services still to be rendered in insurance-driven construction inspection.

Other current liabilities increased by € 12.5 million to € 237.5 million. Among other things, these include obligations to employees for vacation and overtime, as well as obligations for outstanding invoices. Liabilities from other taxes and social security are also included here.

Comments on TÜV SÜD AG

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

TÜV SÜD AG is the management holding company of TÜV SÜD Group. In the financial year 2023, the Group comprised a total of 43 (prior year: 43) German and 103 international entities (prior year: 113). In addition to providing support to the subsidiaries, TÜV SÜD AG provides other shared services, in particular in the areas of legal, HR, finance and controlling, innovation, organization, sustainability, as well as sales and marketing. Thus, the economic development of TÜV SÜD AG depends on dividend distributions and profit and loss transfer agreements of the subsidiaries, income from the leased real estate, income from investments, income from charges relating to trademarks, offsetting between divisions and regions, charges of company-specific holding services, as well as management and other services.

FINANCIAL PERFORMANCE

Income statement of TÜV SÜD AG

≡ 07

in € million	2023	2022
Revenue	**161.7**	**140.2**
Total operating performance	161.7	140.2
Other operating income	48.5	39.1
Cost of materials	– 66.4	– 50.7
Personnel expenses	– 43.8	– 41.4
Amortization, depreciation and impairment losses	– 11.1	– 17.4
Other operating expenses	– 110.8	– 71.6
Financial result	362.6	– 59.3
Income taxes	– 19.8	– 8.8
Earnings after taxes = net income for the year (prior year: net loss for the year)	**320.9**	**– 69.9**
Profit carried forward	320.3	392.3
Retained earnings	**641.2**	**322.4**

Total operating performance increased by € 21.5 million or 15.3% to € 161.7 million in the financial year 2023. The increase is primarily attributable to the cross charging of higher prepaid expenses and income received from trademarks.

Other operating income increased by € 9.4 million to € 48.5 million. This item mainly includes income from the reversal of provisions, from insurance benefits, from currency translation and from forward exchange transactions as well as gains from the disposal of properties.

In the financial year 2023, TÜV SÜD AG bore the incidental costs from the real estate portfolio directly for the first time, whereas in the prior year they had been charged via a subsidiary. In conjunction with increased costs for the operation of IT applications, higher insurance premiums and an increase in other purchased services, this led to an increase in the cost of materials of € 15.7 million or 31.0% to € 66.4 million. Personnel expenses increased by € 2.4 million or 5.8% to € 43.8 million. This is mainly due to the increase in the headcount, a collective wage increase and the payment of an inflation compensation bonus.

After the prior year was characterized by the impairment of a testing facility in Heimsheim, amortization of intangible assets and depreciation of property, plant and equipment returned to normal in the financial year and amounted to € 11.1 million.

Other operating expenses increased by € 39.2 million or 54.7% to € 110.8 million. The reasons for this included general inflation and increased legal and consulting expenses. In addition to legal and consulting expenses, this item also includes maintenance costs, currency translation expenses and operating and administrative costs, including IT costs.

The financial result rose by € 421.9 million to € 362.6 million. The increase is mainly due to higher earnings contributions from subsidiaries with profit and loss transfer agreements and the significant increase in the result from plan assets.

In income/loss from participations, higher profit contributions from subsidiaries with profit and loss transfer agreements (€ 188.9 million; prior year: € 29.5 million) were offset by lower expenses (€ 9.2 million; prior year: € 29.8 million) from loss absorption. Income from profit distributions of € 120.1 million (prior year: € 56.0 million) reinforced this development. This was partly offset by impairment losses on shares in affiliated companies in Germany and Türkiye. Our Turkish joint ventures TÜVTÜRK, despite negative currency effects, made a positive contribution to earnings (€ 10.8 million; prior year: € 7.9 million).

Income and expenses related to the CTA are presented net in the interest result. CTA investments generated income of € 80.6 million (prior year: loss of € 113.1 million) in the financial year. This was partly offset by write-downs on loans to affiliated companies in the amount of € 7.9 million. Expenses of € 1.1 million were realized from currency hedging transactions in the financial year.

The operating result, defined as earnings before taxes and the financial result, of € – 21.9 million was below the prior-year figure of € – 1.8 million.

Income tax expenses increased by € 11.0 million to € 19.8 million (prior year: € 8.8 million). The increase is mainly due to the tax effect of the higher profit contributions from subsidiaries with profit and loss transfer agreements.

Overall, this resulted in net income for the year of € 320.9 million, compared with a net loss for the year of € 69.9 million in the prior year.

The TÜV SÜD Group is managed on the basis of performance indicators. The underlying data were determined in accordance with IFRS and are therefore not relevant for the separate financial statements of TÜV SÜD AG as the parent company of the Group. Financial and non-financial performance indicators and forecasts of these indicators are of lesser significance to TÜV SÜD AG as the parent company of the Group. However, this does not affect the need to comply with the relevant legal requirements.

TÜV SÜD AG's net result for the year in accordance with German GAAP is primarily influenced by the financial result, which depends on the interest rate as well as on the profit distributions from subsidiaries.

FINANCIAL POSITION

Statement of financial position of TÜV SÜD AG

≡ 08

in € million	December 31, 2023	December 31, 2022
Assets		
Intangible assets	17.6	13.6
Property, plant and equipment	136.6	110.1
Financial assets	967.0	1,072.8
Fixed assets	**1,121.2**	**1,196.5**
Receivables and other assets	78.7	52.3
Securities	368.2	0.0
Cash and cash equivalents	39.2	206.9
Current assets	**486.1**	**259.2**
Prepaid expenses	**4.4**	**2.6**
Excess of covering assets over pension and similar obligations	**135.8**	**55.6**
Total assets	**1,747.5**	**1,513.9**
Equity and liabilities		
Capital subscribed	26.0	26.0
Capital reserve	124.4	124.4
Revenue reserves	405.1	405.1
Retained earnings	641.2	322.4
Equity	**1,196.7**	**877.9**
Tax provisions	30.3	31.6
Other provisions	71.1	73.4
Provisions	**101.4**	**105.0**
Liabilities	**449.4**	**531.0**
Total equity and liabilities	**1,747.5**	**1,513.9**

In fixed assets, intangible assets increased due to the acquisition of the GRC Global Risk Consultants brand from the previous owner, a subsidiary in the US. Property, plant and equipment increased significantly due to investments in assets under construction. The resources were mainly invested in a new administration building in Westendstrasse, Munich, as well as in Technical Service Centers. Financial assets declined primarily due to the liquidation of a special fund. By contrast, shares in affiliated companies increased due to the transfer of subsidiaries and capital increases, which was offset by reductions in capital reserves and impairment losses. In addition, loans were repaid.

Receivables and other assets increased by € 26.4 million to € 78.7 million, mainly on account of receivables from affiliated companies arising from in-house cash transactions (cash pool) and from trade receivables. Receivables from income tax prepayments increased slightly.

Following the liquidation of the existing special fund, the returns were invested in securities held as current assets.

The excess of covering assets over pension and similar obligations amounted to € 135.8 million and was therefore € 80.2 million higher than in the prior year.

At € 30.3 million, tax provisions were almost at the prior-year level (€ 31.6 million).

Other provisions decreased slightly by € 2.3 million to € 71.1 million. The position included provisions for various liability risks and advisory and legal costs that are expected for coming years as a result of the accident in Brazil.

Liabilities decreased by € 81.6 million and stood at € 449.4 million at the end of the financial year, mainly as a result of lower liabilities to affiliated companies as a result of in-house cash transactions (cash pool). By contrast, loan liabilities increased due to a loan taken out from TÜV SÜD Japan Ltd, Tokyo (Japan). In addition, trade payables increased to € 28.1 million.

CASH FLOWS AND CAPITAL STRUCTURE

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

At € 39.2 million, cash and cash equivalents are € 167.7 million below the prior-year level (€ 206.9 million). In the financial year, the existing cash and cash equivalents, the liquidity from the sale of the special fund and the current income were invested in securities held as current assets, which amounted to € 368.2 million at year end. Cash received stems from payments from subsidiaries from current business, which flowed to TÜV SÜD AG via the cash pool, as well as pension reimbursements from TÜV SÜD Pension Trust e. V.

Equity increased by € 318.8 million to € 1,196.7 million. This increase corresponds to the net income for the year of € 320.9 million less the dividend payment of € 2.1 million to TÜV SÜD Gesellschafterausschuss GbR, Munich. Together with the profit brought forward from the prior year, retained earnings come to € 641.2 million.

Total assets increased by € 233.6 million to € 1,747.5 million. The equity ratio increased from 58.0% to 68.5%.

OVERALL STATEMENT ON TÜV SÜD AG'S SITUATION

The financial year 2023 exceeded the expectations of the Board of Management with regard to the development of plan assets. The general business development of TÜV SÜD AG was in line with expectations.

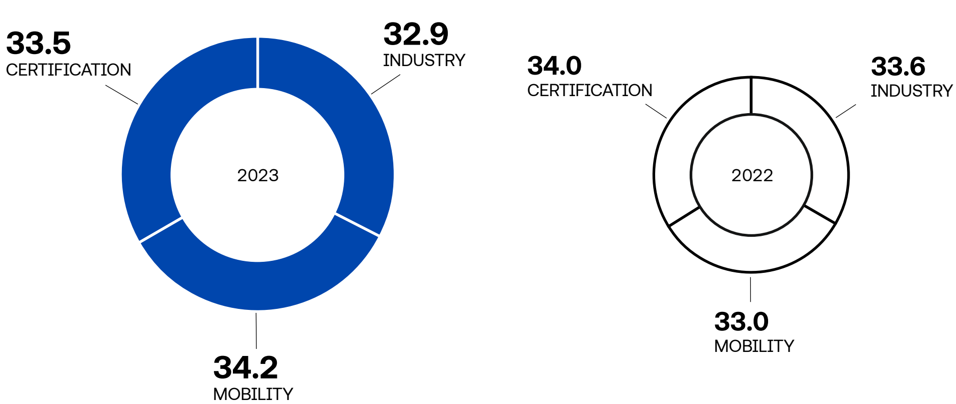
Going forward, TÜV SÜD AG will continue to depend on the business development of its subsidiaries. In addition, TÜV SÜD AG's earnings continue to be influenced by external factors such as the discount rate for pension obligations and covering assets. The Board of Management of TÜV SÜD AG expects the financial position and cash flows to remain stable in the future. The dividend distribution is considered to be secured for the coming years.

Segment report

In an economically challenging environment characterized by political uncertainty, all segments continued to grow in the financial year. Developments in the MOBILITY Segment were particularly satisfactory.

Revenue by segment 2022/2023[1]
in %

16



1 Without OTHER and before reconciliation.

INDUSTRY

In the INDUSTRY Segment, we have bundled our range of plant safety services, services for the chemical and petrochemical industry, independent technical risk calculation and analysis, functional safety inspection of lifts and the appraisal of buildings and rail vehicles.

Digitalization and sustainability are the key topics in this segment. We are therefore continuously expanding our range of services to include digital inspection services and asset integrity management solutions, as well as services that cover the entire lifecycle of buildings. We have also supplemented our offering in the TIC market with sustainability-related services, with a focus on decarbonization and climate protection, the challenges of the energy transition and the use of renewable energies, particularly hydrogen. We are also continuing to develop our customer portals to improve the digital customer experience. Internationally, we are intensifying the development of local and regional competence centers in order to be able to offer our services directly on site.

The war in Ukraine, the increasing shortage of skilled labor, the high inflation rate and persistently high energy prices as well as disrupted supply chains posed challenges for many of our customers. The number of insolvencies increased in the construction and rail industry, as well as in industries with high energy consumption or heavy dependence on international supply chains. At the same time, there was an increased reluctance to invest, and national and international projects were postponed or canceled. These factors hampered business activities in the INDUSTRY Segment. They also influence our business models, making it necessary to continuously review our service portfolio. We reduced the impact on our business through cost optimization programs, the targeted use of digital solutions and the flexible scheduling of inspections and testing services. It was also possible to implement price increases in selected areas to compensate for wage cost increases due to inflation. In the financial year, we were also still benefiting from catch-up effects from the pandemic years.

The 7,310 employees (FTE average) of the INDUSTRY Segment generated revenue of € 1,033.0 million, equivalent to 32.9% of consolidated revenue. The 7.4% increase in revenue, or € 71.2 million, was in line with our expectations.

The **Industry Service Division** made the largest contribution to segment revenue with a share of around 60%. A revenue increase of nearly 9% was achieved in the financial year. The division thus generated the largest share of the segment's sales growth, both in percentage and absolute terms.

There was increased demand for our plant safety services. In both absolute and percentage terms, we thus achieved the largest growth in the division. Demand continued to rise for our range of services relating to renewable energies, our traditional environmental technology business and our sustainability-related services. This development was supported by the business of US-based Ruby Canyon Environmental Inc., which was included in the scope of consolidation in 2023. Business in services for the chemical and petrochemical industries improved slightly, although some projects were still delayed and others postponed. As expected, independent technical risk calculation and analysis developed positively and services relating to technical construction supervision, energy generation and quality management also made a bigger contribution to revenue.

The **Real Estate & Infrastructure Division** generated almost 40% of the segment's revenue. As part of this, the lift inspection business continued to develop positively. Growth was driven by digital products such as the Lift Manager and cybersecurity solutions. There was also strong demand for building appraisal services, with building inspections in particular driving growth in the insurance-driven market environment. Revenue from sustainability certifications for new and existing buildings also continued to rise, while demand for other services relating to the sustainability of buildings also developed favorably. Due to the positive business development, the effect of the sale of the independent real estate valuation business was fully offset. The project and inspection business in the rail sector continued to be characterized by restraint, particularly in the Chinese market. However, initial revenue was realized with validation and inspection services for rail vehicles in India.

The positive revenue trend continued into earnings, but was reduced by higher personnel expenses and increased travel costs. The impairment losses on intangible assets and property, plant and equipment at a testing facility in China in the Real Estate & Infrastructure Division also had an impact on the earnings trend. By contrast, the gains on the disposal of the independent real estate valuation business had a positive effect. Overall, EBIT in the INDUSTRY Segment amounted to € 101.1 million, up 12.3% on the prior-year figure of € 90.0 million. Our expectations for EBIT development were thus exceeded. The EBIT margin of 9.8% (prior year: 9.4%) was in line with expectations.

Segment assets increased by € 12.6 million to € 516.2 million (prior year: € 503.6 million). The decline in fixed assets resulted from the disposal of the independent real estate valuation business and the impairment losses recognized, which was compensated for in full by higher trade receivables.

Investments of € 11.6 million were made in the expansion and equipping of testing facilities and in web-based portal solutions, for example for our range of sustainability-related services.

MOBILITY

The automotive industry is in transition: alternative powertrains and highly automated vehicles, the use and security of vehicle and customer data, and regulatory changes are challenging the industry. At the same time, it is important to take account of sustainability aspects in the production, maintenance, use and disposal of vehicles. The MOBILITY Segment is supporting this transformation. The focus of our services remains on making mobility safe. In order to be able to continue to guarantee safety, we are optimizing and digitalizing our inspection processes and expanding and internationalizing our service portfolio.

The core business includes services relating to roadworthiness tests and exhaust-gas analyses, driver's licenses and damage assessment reports for corporate and private customers. We perform these activities in Germany, Austria, Spain, Slovakia and Türkiye in a government-regulated environment. The range of services for the automotive industry is aimed at car dealers, manufacturers, suppliers and lease companies as well as insurance companies, and includes services relating to homologation, remarketing and highly automated driving.

Business development in the MOBILITY Segment was positive. Demand for our services developed well overall, which compensated for the impact of the collective wage increases and the inflation compensation bonus for our employees. We were also able to implement price increases in some areas, reducing inflationary pressure. The sale of the emissions testing facility in Germany, which was closed in the prior year, had a cost-reducing effect.

The headcount of 6,543 employees (FTE average) in the MOBILITY Segment generated revenue of € 1,073.0 million in the financial year. This is equivalent to 34.2% of consolidated revenue. Revenue increased by € 128.0 million or 13.5% and significantly exceeded our expectations. Fee increases in the regulated core business contributed to the positive revenue development.

The regulated market in Germany developed well, with almost 6.3 million roadworthiness tests carried out. International business varied from one region to another: While an increasing number of roadworthiness tests were carried out, our activities in Türkiye are still affected by hyperinflationary developments. In Spain, the number of roadworthiness tests carried out fell short of our expectations, but improved compared to the prior year. In addition, the three Technical Service Centers in Slovakia provided impetus for growth.

With our services for the automotive industry, which are aimed at car dealers, manufacturers, suppliers and lease companies as well as insurance companies, we were able to realize revenue growth. In China in particular, new car manufacturers are requesting our services.

The significantly higher revenue base was also offset by increased expenses for purchased services and personnel as well as impairment of goodwill from digital vehicle valuations. In certain regions, a partner office network (PTI partner model) is used in the MOBILITY Segment for the provision of roadworthiness tests and exhaust-gas analyses services. Due to the positive business development in this area, the ratio of purchased services to revenue in the segment increased to 19.5% (prior year: 17.8%) and is therefore above the group-wide average of 13.8%. Income from the sale of an emissions testing facility in Germany, which had been closed and written-off in full in the prior year, had a positive effect.

At € 102.1 million, EBIT almost doubled year on year (98.6% or € 50.7 million) and thus significantly exceeded the targeted corridor. The further increase in income from investments accounted for using the equity method, which includes the business development of our joint ventures TÜVTÜRK, also had a positive effect on EBIT development. Accordingly, the EBIT margin was also significantly higher than expected.

Segment assets increased by € 50.9 million to € 499.7 million (prior year: € 448.8 million), mainly due to capital expenditures and, to a much lesser extent, higher trade receivables.

In 2023, € 44.0 million was invested in the modernization of the Technical Service Centers in Germany and the expansion of the network of Technical Service Centers in Slovakia. In addition, a considerable number of particle measuring devices were purchased and photovoltaic systems were installed at the Technical Service Centers.

CERTIFICATION

We have combined our standardized testing and certification services for consumer and industrial goods and for medical products in the CERTIFICATION Segment. In addition, the services for the certification of management systems and cybersecurity as well as the Academy business are located here.

The digital transformation is changing the business models of our customers and therefore also the basis of our business. Connected and sustainable products, development in the field of medical products or alternative powertrains and renewable energies are opening up additional areas of growth for us. This is especially true as systems and business models become increasingly connected, resulting in turn in more and more sensitive data and growing cyber threats. We help our customers around the world transform their business models and enable them to access global markets through efficient and streamlined processes, digital solutions, and the innovative services developed for greater sustainability and cybersecurity. We render our services in our testing facilities, virtually or on site at our customers.

Geopolitical uncertainties and changes in customer requirements, consumer restraint and shifts in supply chains, as well as the associated decline in export volume from China, impacted business development in the segment. Increased inflationary pressure and the impact of collective wage increases made it necessary to adjust the price and cost structure. However, our international orientation and our comprehensive range of services enabled us to branch out into regional markets and focus on the requirements of local customers. At the same time, we benefited from our global local presence and the strong growth in our online and remote service offering, which continued to be in high demand.

There were 8,908 employees (FTE average) in the CERTIFICATION Segment in the financial year. They generated € 1,050.6 million, which corresponds to 33.5% of Group revenue. Revenue growth came to € 76.8 million or 7.9% and thus fell slightly short of our expectations.

The **Product Service Division**, which saw revenue growth of around 6%, accounted for around 70% of segment revenue. Demand for consumer goods services was weak. In Germany in particular, a change in customer demand behavior and a decline in Chinese exports led to a drop in revenue. However, this was offset by the positive sales trend in China, which is particularly attributable to our focus on the requirements of the local market. Strong growth was recorded in the business with testing and certification services for industrial products. This applies in particular to the future topics of electromobility (with the testing of batteries for electric vehicles) and renewable energies. The latter focuses in particular on services for components for hydrogen systems, photovoltaic and storage technology. Demand for our cybersecurity products was also good, with the main markets being Germany, the US and North Asia. Our medical device certification business remained on course for growth despite the extended transition periods for the introduction of the EU Medical Device Regulation (MDR). As the largest notified body in Europe, we benefit from the growth of the global medical market in all countries. At the same time, we continued to expand our laboratory capacities worldwide and are offering increasingly successful testing services for biocompatibility, chemical characterization, electrical and electromagnetic compatibility and cybersecurity.

The **Business Assurance Division** recorded an increase in revenue of nearly 13% in the financial year. Our services relating to quality, environmental, energy and IT security management systems continued to account for the majority of the division's revenue. In order to comply with existing accreditation guidelines, selected services abroad had to be discontinued, which led to a small loss of revenue. There was a significant increase in revenue from ancillary certification services and the range of products and services relating to sustainability and information security. Cybersecurity services such as data protection consulting, cybersecurity audits or penetration tests recorded an increase in demand. In the Academy business, the general growth was positively reinforced by the resumption of classroom training, also the virtual classroom training courses have proven successful on the market and were thus in demand.

In the Academy business, it is common practice to commission external trainers to conduct training courses, which has a significant impact on the development of purchased services in the segment. In the financial year, purchased services developed almost in line with revenue, and the ratio of purchased services to revenue remained stable at 14.1% (prior year: 14.1%). Personnel expenses increased due to the general increase in personnel in the segment as well as collective wage increases and a provision for the restructuring of a business area in Germany. At the same time, other expenses increased, in particular travel and IT costs as well as rental and maintenance expenses. In addition, impairment losses recognized on software and the goodwill of our cloud services had a significant negative impact on earnings in both divisions.

EBIT in the CERTIFICATION Segment decreased by 44.2% to € 41.0 million, thus falling short of the targeted corridor. The EBIT margin also fell short of expectations.

Capital expenditures and higher trade receivables compensated for the decrease in intangible assets due to impairment, which ultimately increased the segment assets by € 30.1 million to € 640.5 million.

The investment volume in the segment amounted to € 70.6 million. The focus was on the establishment and expansion of testing facilities, for example in the US, Hungary and India, while facility capacities in Germany and China, for example for EMC testing and hydrogen testing, were expanded.

OTHER

The corporate functions are combined in OTHER. Revenue amounted to € 37.6 million in the financial year.

The EBIT of the OTHER Segment amounted to € – 25.1 million in the financial year and is thus below the prior year (€ – 19.5 million). Segment assets increased by € 27.3 million in 2023 from € 517.6 million to € 544.9 million.

▷ **Notes to the consolidated financial statements, segment reporting see pages 145 – 147**

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

Non-financial performance indicators

Employee report

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

PERSONNEL STRATEGY

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

In order to support these initiatives, we rely on the systematic digitalization of standard processes as well as the close and trusting cooperation of HR employees with their internal business partners. At the same time, we are developing instruments to attract and retain employees and enable their achievements to be recognized. Last but not least, we are developing key competencies in the area of human resources and are consistently working on simplifying internal structures to enable even more efficient collaboration. In this way, we want to create the conditions for prevailing over the global competition and attracting the best talent so as to successfully master the challenges facing TÜV SÜD arising from new technologies and market developments.

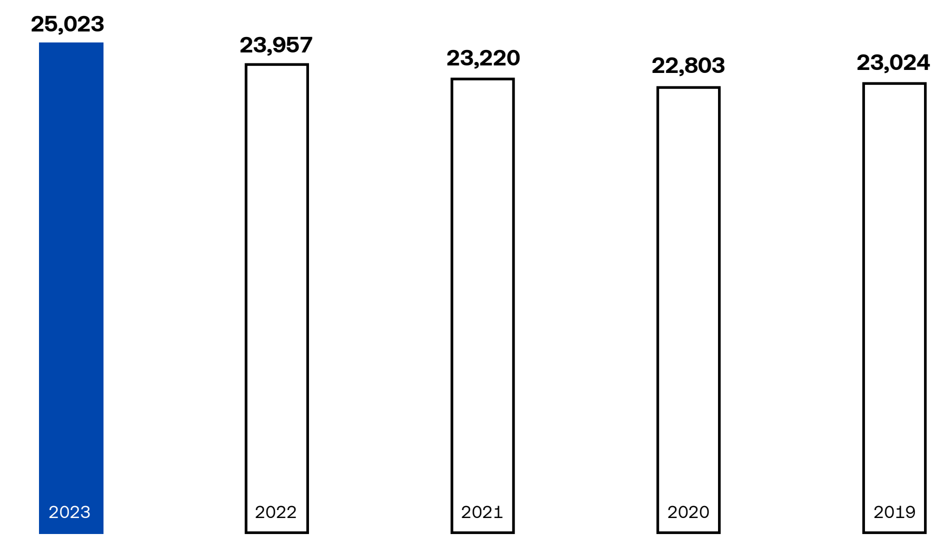
CHANGES IN HEADCOUNT

At year end 2023, TÜV SÜD employed nearly 28,000 people (prior year: more than 26,000), nearly half of whom worked outside Germany.

Employee development

Employee capacity on an annual average

17



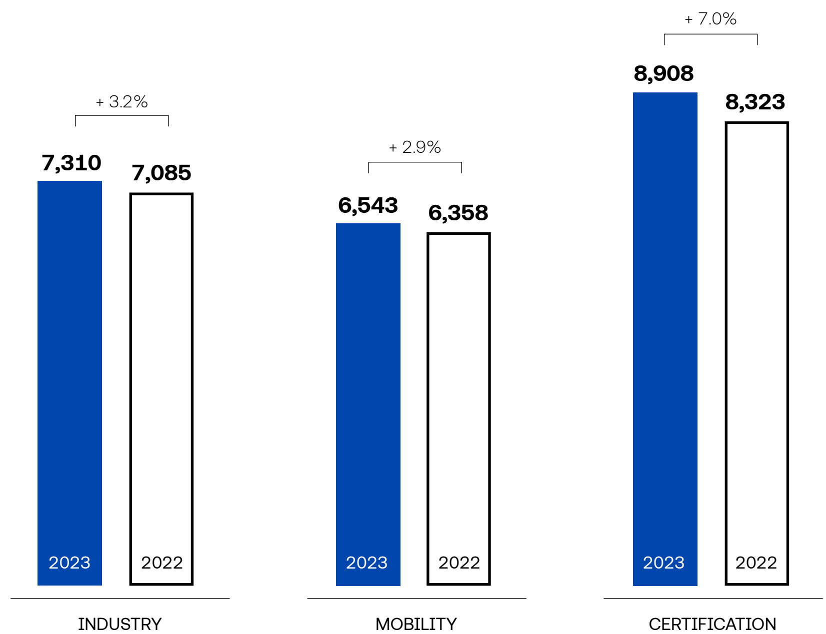
The average headcount in 2023 was 25,023 (adjusted for full-time equivalents), up 4.4% on the prior year (23,957 FTEs). Growth therefore exceeded the expected range. There was an increase of 2.9% in Germany, while outside Germany the increase was 6.0%.

As of December 31, 2023 25,728 employees (FTE) were employed by TÜV SÜD (prior year: 24,468). Employment capacity in Germany increased by 462 jobs as of the reporting date. The reduction of 36 jobs and capacity (prior year: 0 jobs) as part of the disposal of a subsidiary in Germany was offset in full. 798 new jobs were created abroad.

Changes in employee capacity 2022/2023 by segment[1]

on an annual average

18



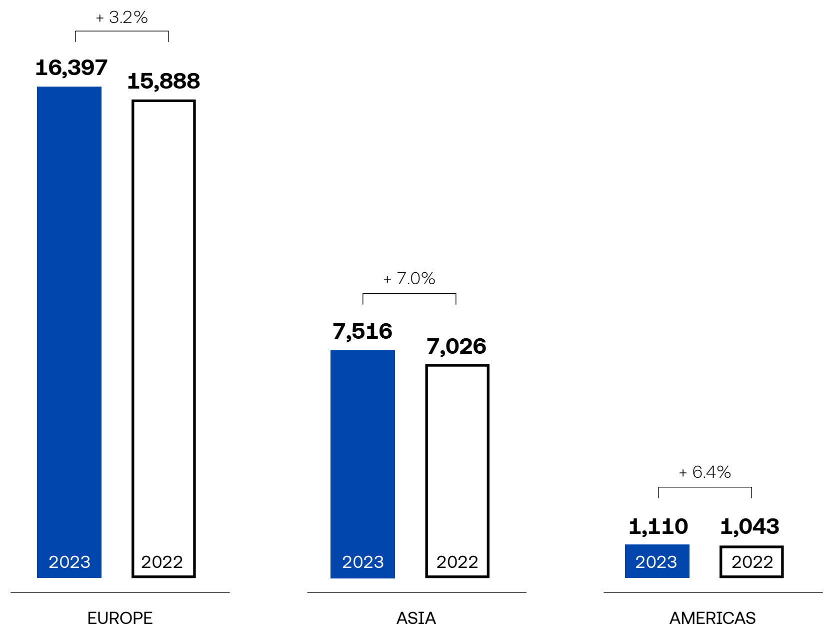
1 Excludes OTHER.

In the INDUSTRY Segment, the number of employees increased in 2023, particularly in Germany, India and the Middle East, where the insurance-driven construction inspection business has grown significantly. The increase in personnel in the MOBILITY Segment resulted predominantly from new hires in Germany. The CERTIFICATION Segment continues to have the most employees and continued to expand capacity in testing facilities as well as in the area of medical devices with a focus on Germany, China and India.

Changes in employee capacity 2022/2023 by region

on an annual average

19



The headcount of the EUROPE Region is above the level of the prior year. Our home market of Germany accounted for most of the new hires. In the ASIA Region, the increase in headcount was stable compared to the prior year (prior year: 7.0%), while the AMERICAS Region recorded an increase (prior year: 3.5%).

FURTHER RELEVANT NON-FINANCIAL INDICATORS

The group-wide proportion of women at the first level of management below the Board of Management rose to 7.5% (prior year: 5.9%). At 14.9%, the proportion of women one management level below was above the prior-year level 12.8%. Group-wide, the proportion of women remained stable at 32% (prior year: 32%), with the proportion at TÜV SÜD's international locations 35% (prior year: 35%) being again higher than in Germany (30%; prior year: 30%).

A balanced age structure of the workforce is also crucial for TÜV SÜD in order to retain knowledge in the company and build up experience. The average age of our employees in Germany is around 44 (prior year: 44), making them older than their colleagues in other countries (39; prior year: 39). At eleven years (prior year: eleven years), the average period of service in the company is also higher in Germany than the seven years in other countries (prior year: six years).

At 12.6%, the employee turnover across the Group was lower in 2023 than in the prior year (13.4%). In Germany, employee turnover increased to 9.5% (prior year: 8.9%). By contrast, a decrease to 15.7% was recorded outside Germany (prior year: 17.9%).

In line with our expectations, most non-financial indicators remained virtually stable in the financial year. The number of hours spent on training again clearly exceeded the target figure. In the financial year 2023, our employees attended a total of around 131,100 days of basic and advanced training (prior year: approx. 128,800 days), corresponding to an average of around 38 hours of training per employee (prior year: 39 hours of training). We have thus again already achieved the target of an average of 35 hours of training per employee by 2026 despite the increase in personnel in the financial year 2023.

Opportunity and risk report

Dealing responsibly with risks and opportunities is key to our success. For this reason, TÜV SÜD Group uses an internal control system and a comprehensive risk management system to identify and proactively manage the risks and opportunities arising from our business activities.

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

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

The TÜV SÜD Group has a decentralized accounting organization. Affiliated companies handle accounting tasks independently and at their sole responsibility or transfer them to regional shared service centers.

The TÜV SÜD IFRS accounting guidelines ensure uniform recognition and measurement of transactions and the exercise of options on the basis of the rules applicable to the parent company. These include in particular specific instructions on applying statutory provisions and dealing with industry-specific matters. They also detail the components and contents of the financial reporting packages to be prepared by the Group companies, as well as the guidelines for reporting and processing internal transactions.

Control activities at Group level include analyzing the financial reporting in the reporting packages prepared by the subsidiaries. This takes into account the reports presented by the independent auditor and the results of the closing discussions with representatives of the individual affiliated companies. During the closing meetings, the plausibility of the separate financial statements and critical individual matters at selected subsidiaries are discussed. In addition to plausibility checks used during the preparation of the separate and consolidated financial statements of TÜV SÜD AG, other control mechanisms include the clearly defined segregation of responsibilities and the dual control principle. Moreover, the financial reporting internal control system is also independently audited by the Group's Internal Audit function in Germany and abroad and assessed by the Group's independent auditor.

RISK MANAGEMENT SYSTEM

As an operational component of the business processes, the risk management of the Group is geared toward identifying potential risks at an early stage and in a structured manner and assessing their extent. Along with the impact on the financial performance, the impact on non-financial metrics such as strategic goals or our reputation are also taken into account in the risk analysis. Bids are reviewed of the basis of a set of criteria, including potential reputational risks, during the contract acceptance process. In this way, appropriate countermeasures can be taken in a timely manner against pending damage to the company and any risk to the company's ability to continue as a going concern can be identified at an early stage where possible.

As part of the continuous development of our risk management system, risks relating to sustainability and climate change are also analyzed and taken into account. As a service company, we are affected by transformation risks to a far lesser extent than industry and manufacturing companies, for example. We also recognize the impact of our business activities on society and the environment.

The aim of our risk management process is to optimize TÜV SÜD's opportunity and risk profile by creating transparency and using active management. The risk management process forms a connection between the strategic and financial targets and is described in greater detail in risk management policies. The transparent presentation and ongoing monitoring of the cause-and-effect cycle of the risks that have been identified and the measures that have been taken allow us to take manageable risks. The risk-bearing capacity, risk tolerance and risk appetite of TÜV SÜD set the framework for this.

Risk management process 20

We identify risks and opportunities based on commonly used standards. The categories for risks and opportunities have been adapted to suit the needs of TÜV SÜD. The risks are assessed on a standardized basis throughout the Group according to the potential loss amounts and likelihood of occurrence. When assessing qualitative risks, we also take into account, among other things, their potential impact on the achievement of corporate goals, TÜV SÜD's reputation as well as the sustainability goals targeted by TÜV SÜD.

The risk situation of the company is continuously recorded, evaluated and documented as part of the risk management system. Events that could give rise to a risk are identified and assessed during regular surveys and local risk workshops in the divisions, regions as well as in the subsidiaries. Suitable countermeasures are initiated without delay, and their impact assessed over time. Risk Committees have been set up at the division level, and there is also a Corporate Risk Committee for group-wide issues. These committees convene every quarter to analyze and evaluate the situation with respect to risks and opportunities, and to discuss corresponding measures. Local implementation of the measures is monitored by the committees.

The results of risk management are factored into budgeting and controlling. The strategic risks relevant for TÜV SÜD are addressed and assessed as a part of the internal processes for strategy implementation. Together with targets agreed in the planning discussions, these are subject to ongoing review during the revolving revisions to planning. At the same time, the results of the measures already implemented for risk management are promptly included into the forecasts for further business development. In this way, the Board of Management also receives an overall picture of the current risk situation during the year via transparent reporting channels.

Reporting on identified risks and implemented countermeasures is firmly anchored in the Group's leadership process. It is also incorporated in TÜV SÜD's information and communication system. Risk and opportunity reports are submitted to the Board of Management, the Audit Committee and Supervisory Board on a quarterly basis. Over and above these standardized reporting processes, significant issues are communicated via internal ad hoc reports.

The procedural rules, guidelines and instructions are recorded systematically and are available in a digital format for every TÜV SÜD employee. Compliance with these regulations is ensured by internal controls and must be confirmed annually by executives. Training is also available for employees involved in the risk management process. This is regularly adapted to the changing environment and new requirements.

The independent auditor annually verifies the procedures and processes implemented for the early warning system for the detection of risks as well as the appropriateness of the documentation.

Risk report

The main risks to which TÜV SÜD is exposed in its business activities are addressed in the internal reporting to the Board of Management, Audit Committee and Supervisory Board. Significant risks affecting earnings or cash are always reported here, but at least the top 10 risks. Qualitative risks are also considered in the analysis as soon as the net risk position is deemed to be worthy of reporting.

The top 10 risks arising from the largest risks affecting earnings add up to a weighted net risk of around € 12 million, a manageable risk position for the size of the company in relation to equity and earnings. By weighted net risks, we mean the gross value of a risk less identified counter-measures, weighted by its probability of occurrence. In the prior year, the weighted net risk of the top 10 risks amounted to around € 44 million.

Of the top 10 risks, three are attributable to the MOBILITY Segment, with a total weighted net risk of € 5 million. Four top 10 risks with a weighted net risk of € 3 million are managed in the Group. There are also two top 10 risks in the CERTIFICATION Segment with a weighted net risk of € 3 million. The INDUSTRY Segment has one top 10 risk with a weighted net risk of € 1 million.

Significant qualitative risks with a potential risk volume of more than € 5 million could arise from our activities in areas that are no longer attractive to our customers in the future. This may be the case, for example, if economic, regulatory and political conditions in the market change. Further risks may arise if investments made to date cannot be amortized as a result of new market developments or ongoing projects, particularly in the digitalization of our services, cannot be successfully completed. Macroeconomic risks can also affect us indirectly, particularly via our customers.

INDUSTRY AND SYSTEMIC RISKS

Risks from changes to regulations
Risks from changes to the regulatory environment can negatively impact revenue and earnings. This include sales risks from liberalization, deregulation, but also protectionist measures in our core markets as well as new regulations on such matters as supply chains or climate and environmental protection. We successfully mitigate these risks by continuously optimizing our business processes and models, developing and implementing sales and marketing concepts and diversifying the portfolio of products and services.

The business development of our segments is also influenced by changing legal and regulatory conditions. We therefore monitor the markets closely and take an active role in the public debate on relevant topics. In this way, we seek to identify risks at an early stage and counteract their effects. This also enables us to leverage the opportunities arising as a result of changes in the business environment for our company.

Our customers are establishing new industry standards and demand that their business partners provide prompt documentation of the implementation of and compliance with these standards, for example in the form of new accreditations or assessments. A delay in obtaining new accreditations or not having the requisite accreditation or inadequate assessment could lead to being excluded from invitations to tender or contract award processes.

Significant industry and systemic risks:
In the INDUSTRY Segment, we see cost risks in the US amusement park business, which could potentially affect our future activities in this market.

In Spain, we see a risk for the MOBILITY Segment that the assets in selected regions may be impaired, unless the number of roadworthiness tests carried out increases and the long-term earnings outlook brightens. At the same time, there is volatility in the demand for roadworthiness tests and exhaust-gas analyses in Germany, partly due to fluctuating vehicle registrations as a result of supply chain problems in recent years. This may result in shifts in demand and ultimately also in the development of the segment's revenue and earnings.

The weak market for electromobility in Thailand may lead to reduced capacity utilization at a battery testing facility in the CERTIFICATION Segment, which may result in an impairment of this facility. In addition, the loss of a subcontracted testing facility could result in a loss of revenue in Germany in subsequent years.

OPERATING RISKS

Technological risks and risks from digitalization

As a technical service provider, TÜV SÜD has a global presence with various business models. Changes in the technology used, shorter innovation cycles along with digitalization and global connectivity and its manifestations have a direct impact on our customers' needs and the way we work. We meet these challenges by developing innovative services, also in the framework of strategic partnerships, with research institutes or our customers. We focus on the digitalization and automation of our internal processes and sales channels.

IT risks

The IT security measures implemented at TÜV SÜD serve to protect the systems against risks and increasing threats, as well as to avoid damage. They are intended to reduce IT risks to an acceptable level, which cannot be completely ruled out even in an intact IT environment.

Our internal IT security policies are based on national and international standards. We monitor the regulations and compliance on an ongoing basis in order to guarantee the target level of security. Our IT security organization is led by a Chief Information Security Officer. Implementation of further technical IT safeguards and the recruitment of additional capacity are progressing as scheduled in light of the growing cybersecurity threats.

The central IT systems of TÜV SÜD are monitored and regularly tested in such a way as to enable a swift response to any disruption. Our corporate data are protected by adequate measures according to the level of protection required for the respective data. To protect our IT system against viruses and other malware, we maintain security mechanisms which we keep up to date at all times. The current incident response processes are tested and improved on a regular basis.

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

Recruitment risks
With their commitment, motivation and skills, our employees are key success factors for TÜV SÜD. We see our experts' training and international orientation as well as their ability to translate innovations into customer benefits as personnel-related opportunities. However, risks arise if we are unable to recruit suitable staff or retain high performers. We also perceive there to be a risk of the loss of competency and experience stemming from the age structure of our workforce in some business divisions. We have implemented a large number of measures to ensure the appeal of TÜV SÜD as an employer and support the long-term retention of employees within the Group.

Significant operating risks:
If the MOBILITY Segment is unable to meet its staffing requirements, the existing workforce could have to work more hours in order to ensure the prescribed opening hours of the Technical Service Centers.

FINANCIAL RISKS

Interest rate and price risks
Interest rate risks arise from interest-bearing items and items that are directly linked to interest rates. For securities, transaction risks arise from the market prices of the various interest-bearing investment instruments. In principle, a distinction is made between the risk from the pensions portfolio and that from the operations of the TÜV SÜD Group.

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

The risk strategy in the pensions portfolio is designed to limit some of the market risk from pension obligations by means of structured, dedicated financial assets. The objective is to compensate for the interest cost of the hedged pension obligations by means of a corresponding asset allocation wherever possible and to maintain coverage over time. This is to be achieved through a net return on assets structured on the basis of the maturity pension payments.

The pension obligations are covered by financial assets that are for the most part segregated from operating assets through the CTA. In this way, the risks associated with pension liabilities are reduced and we ensure that the investment policy reflects the obligations. A very high percentage of the German segregated pension assets is managed in trust by TÜV SÜD Pension Trust e. V. These assets are invested by external investment companies in accordance with specific investment principles. Interest rate risks, currency risks and price risks relating to investment funds for non-current capital investment are partly hedged by derivative financial instruments. The portfolio's market value is subject to fluctuations resulting from changes in interest, currency and credit spread levels.

A reduction in the discount rate should only have a moderate impact on the Group's equity position with regard to the measurement of pension obligations due to the chosen strategies for cash flow matching (cash flow-driven investment; CDI) and liability-driven investment (LDI).

The focus at TÜV SÜD Pension Trust e. V. remained firmly on a sustainable investment strategy in 2023. The primary goal of the sustainability strategy is among other things to reduce the potential risk of loss and damage to reputation by avoiding risky investments and investments that are not sustainable.

Significant financial risks:
At Group level, there is a risk of increased corporate insolvencies in Germany due to the uncertain overall economic situation, which could increase the contribution to the mutual pension guarantee association (Pensions-Sicherungs-Verein; PSVaG). As the energy price situation has begun to stabilize, we view there to be significantly lower risk compared to the prior year.

COMPLIANCE AND OTHER RISKS

Risks from accreditations and designations
In the regulated business, we carry out our activities based on accreditations and designations from authorities and other government bodies. Non-compliance, quality defects or breaches of regulatory requirements could lead to a restriction, temporary suspension or revocation of the accreditation or designation. This can give rise to significant costs, for example for training or process adjustments in quality management in order to regain the authorization. Along with a drop in revenue and earnings, the suspension or revocation of accreditations and designations can also lead to reputational damage. To limit risks, we regularly analyze the legal environment in the regulated business, ensure compliance with TÜV SÜD compliance requirements and ensure adherence to technical guidelines and methods (technical compliance) through quality management measures. We also systematically provide training to our employees in the relevant divisions.

Liability risks
Potential damage events and liability risks could lead to significant indemnification claims, loss of reputation and costs for defense against damages. A contractual limitation of liability is generally agreed with the customer in order to mitigate the risk. Contracts without a contractually agreed limitation of liability are continuously monitored. In addition, TÜV SÜD has also taken out insurance policies to the extent that is customary in the industry. However, the possibility cannot be ruled out that the available insurance coverage is not sufficient in individual cases.

Other significant risks:
The Group's structures are complex, not least because of TÜV SÜD's international orientation. There are currently no significant tax risks that would have to be taken into account through additional provisions over and above those already recognized. However, it cannot be ruled out that additional risks may arise in the course of tax field audits.

Despite implemented procedures and guidelines, there is the general risk of a breach of legal or regulatory requirements such as the European General Data Protection Regulation (GDPR). At the same time, we assume that governments will intensify monitoring of compliance with data protection regulations in the future. The implementation and continuous development of the relevant guidelines and processes will therefore also be of great importance.

In order to meet the requirements of an accreditation authority, selected business areas are being restructured and transferred to other subsidiaries within the Group. The transfers themselves and any delays in the transaction process could lead to an interruption of business activities in the affected units, which could have negative operational and financial effects.

Risks from legal proceedings
As of the end of the reporting period, several legal proceedings were still pending in connection with services rendered by TÜV SÜD which are not related to the dam collapse in Brazil. Due to the existing global insurance coverage, no material financial risks arise from these proceedings. Sufficient provisions were recognized to cover these residual risks.

On January 25, 2019, the tailings dam of a retention basin for an iron ore mine belonging to mining company Vale S.A. close to the village of Brumadinho, Brazil, collapsed. The dam had been inspected by TÜV SÜD BRASIL CONSULTORIA LTDA. (TÜV SÜD BRASIL), São Paulo, Brazil, in September 2018. This has resulted in various legal risks based on the pending and threatened proceedings in Brazil and Germany. Along with bases for claims under civil law, especially relating to the assertion of indemnification claims, there are also claims under Brazilian environmental law and aspects relating to criminal law.

If these legal risks materialize, the financial implications for TÜV SÜD BRASIL, TÜV SÜD SFDK Laboratório de Análise de Produtos Ltda. (TÜV SÜD SFDK), São Paulo, Brazil, and possibly TÜV SÜD AG may be substantial and have a significant impact on our financial performance and position for the financial year 2024 and future financial years. The risks mainly stem from various possible liability claims as well as technical appraisal and consulting fees. There may also be risks from loss of reputation. These risks cannot be quantified at this time due to the expected duration of the proceedings.

OVERALL STATEMENT ON THE RISKS FACED BY THE GROUP

From a Group perspective, we pay particular attention to strategic risks.

There continue to be risks in connection with the dam collapse in Brazil. Based on the current estimate, there may be further negative effects on current business activities in Brazil and significant negative financial implications for TÜV SÜD, in particular from legal risks. Should the outcome of the ongoing legal proceedings associated with the dam collapse in Brazil find to the detriment of TÜV SÜD, this may result in substantial damages or other payments that could have a significant negative impact upon the Group's financial performance and position for the financial year 2024 and future financial years and its reputation.

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

Looking ahead at the next two years and based on the information available to us in accordance with the risk management system that is in place, there are no apparent risks that could jeopardize the continuing existence of other TÜV SÜD entities. All organizational preconditions necessary to recognize developing risks at an early stage have been met.

Opportunity report

Thanks to our global presence, global economic growth generally provides positive impetus for business in our segments, while an increase in geopolitical and global economic risks can have a negative impact on our business activities.

Significant opportunities for the favorable business development of TÜV SÜD result from the implementation of strategic planning, the business outlook and the individual opportunities of the divisions and segments. In the following, the main opportunities are presented in accordance with the risk categories mentioned above.

INDUSTRY AND SYSTEMIC OPPORTUNITIES

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

In the INDUSTRY Segment, there is an opportunity to realize additional growth from the general economic environment, in particular through the expert knowledge of its employees and the international market presence on site at the customer. We also believe that we have opportunities to win contracts to support the construction of new power generation plants and their supply with our occupational health and safety, risk prevention and environmental impact assessment services. In some business areas, the redesign, separate commissioning and invoicing of selected services will lead to a potential increase in revenue.

In this segment, we also see opportunities in participating in tenders for major projects relating to the exit from nuclear power in Germany. Tenders are currently being invited for advisory services in planning, quality assurance and construction supervision, in which our nuclear safety experts are participating.

An approval of the application for an increase in fees for roadworthiness tests as well as for the driving license test by the German Federal Ministry of Transport and Digital Infrastructure would improve earnings prospects in the MOBILITY Segment. New requirements for highly automated driving open up additional business opportunities in the segment.

OPERATING OPPORTUNITIES

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

OPPORTUNITIES FROM COMPLIANCE AND OTHER OPPORTUNITIES

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

Risk report of TÜV SÜD AG

TÜV SÜD AG is an investment and management holding company. As such, its risk situation is primarily determined by the economic situation of the subsidiaries.

There are financial risks in the form of interest rate risks, currency risks and price risks. Interest rate risks arise in connection with the disposition of liquidity and refinancing. To hedge these risks, derivative financial instruments in the form of interest rate swaps are also used, if required. Foreign currency risks can arise from every existing or forecast receivable or liability denominated in foreign currency. They are mainly hedged using forward exchange contracts. Currency risks arise from changes in the market price of held securities.

Industry and systemic risks arising from changes in the market conditions in the segments and regions are recorded on the basis of market and competitive analyses. Possible measures are discussed in strategy meetings.

Please refer to the explanations on Group risks in respect of the dam collapse in Brazil.

Subsequent events

▷ **Notes to the consolidated financial statements, Events after the reporting date see page 149**

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

Outlook

Forecast for the overall economic development

We assume that the global economy will grow at a modest pace in 2024. Growth will likely be varied from one region to another, with growth in the advanced economies likely to lag behind that of emerging and developing countries.

Geopolitical conflicts continue to dominate the situation and, combined with increasing protectionism worldwide, are making global trade more difficult. High energy prices in Europe and the effects of a tighter monetary policy to combat inflation continue to have a negative impact. Last but not least, extreme weather events as a result of climate change could also have a negative impact on economic growth worldwide, even if they only occur regionally and selectively. Against this backdrop, uncertainty will remain high for companies and consumers in the forecast year 2024.

The Kiel Institute for the World Economy (IfW) expects global economic growth of 2.9% for the forecast period, following an increase of 3.1% in 2023. For 2025, a growth rate of 3.2% is expected.

Development of the global economy: Forecast for 2024 ≡ 09

Global	Restrained growth
Germany	Slight recovery
Euro-zone	Low-level recovery
USA	Further growth
Emerging markets	Moderate growth

The German economy will likely recover slightly in 2024. Inflation easing will have a positive impact on the disposable income of private households. Both private consumption and corporate investment should increase. In addition, the export-oriented German industry is likely to benefit from higher global demand. However, persistently high energy costs are preventing a more dynamic upturn, particularly in energy-intensive sectors such as the chemical and steel industries and plant engineering.

Economic activity in the euro-zone should also recover somewhat in the forecast year. The stable labor market, an increase in real wages and the normalization of the inflation rate are stimulating private consumption, which is in turn aiding economic recovery. Even with inflation easing overall, high interest rates are dampening overall economic demand. Against the backdrop of geopolitical uncertainty, the development of energy prices remains a risk factor for economic development in the euro-zone. At the same time, increasing productivity and the success of the green transformation depend on Europe's ability to drive innovation and make investments. Overall, Europe's competitiveness compared to other regions of the world is likely to weaken further.

The economic outlook for the UK is cautious. The positive effect of falling energy prices on the purchasing power of private households will be offset by increasing tax burdens and unfavorable financing conditions. At the same time, unemployment is expected to rise further. Companies are faced with weak earnings prospects and higher financing costs, which means that corporate investment is expected to decline slightly.

The US economy, which has proved resilient to date, will continue to grow as a result of the expected reduction in interest rate. However, households have used up the savings they amassed during the pandemic, consumer credit remains under pressure and the labor market could lose momentum. As a result, private consumption is expected to weaken. Companies' willingness to invest should remain stable, although the upcoming presidential election is adding to the uncertainty.

In China, economic development is growing moderately. The ongoing real estate crisis is weighing on private households and the private sector as they remain cautious with their spending and new investments. Foreign demand and foreign investment activity in China are also weakening.

In the major emerging markets in Asia, strong private consumption and the recovery of the service sector, particularly tourism, are buoying growth. Together with India, one of the fastest growing economies, these countries are making a significant contribution to global economic growth.

Future development of the TÜV SÜD Group

The following statements on the outlook for the development of TÜV SÜD in the next financial year are based on the planning for 2024. This was prepared by the Board of Management and approved by the Supervisory Board in November 2023.

The interim targets for the 2024 forecast are derived from the strategic plan. Further developments are assessed in regular scenario analyses and their influence on TÜV SÜD's future business development is reviewed and evaluated.

In the 2024 forecast, we expect that the TIC market will see stable growth overall. For our planning, we have also assumed that the inflation rate and energy prices will stabilize. However, the prevailing geopolitical tensions and macroeconomic uncertainties in some markets and sectors may have an unfavorable impact on future developments. The shortage of skilled workers could also have a negative impact.

We are concentrating on our own core competencies and aligning with forward-looking developments, particularly in the areas of digitalization and sustainability. We are also investing in the expansion of our workforce and in their basic and advanced training in order to be able to continue to grow organically. At the same time, we are focusing our global activities from which we expect long-term growth on markets that exhibit stable economic growth and reliable framework conditions.

Revenue growth: Forecast for 2024 ≡10

		Development in the forecast year 2023	Development in the financial year 2023	Development in the forecast year 2024
Group	4% to 5% € 3,220 million to € 3,360 million	→	↗	↗
INDUSTRY Segment	Mid-single-digit percentage rate growth	→	↗	→
MOBILITY Segment	Mid-single-digit percentage rate growth	→	↗	→
CERTIFICATION Segment	Growth in the low double-digit percentage range	↗	→	↗

Based on the above assumptions and developments, we expect TÜV SÜD to achieve organic revenue growth of 4% to 5% in the forecast period. The Group's revenue from its existing entities is therefore expected to range between € 3,220 million and € 3,360 million.

INDUSTRY

For the INDUSTRY Segment, we expect revenue growth in the forecast year to be in the mid single-digit percentage range. The Industry Service Division should generate 60% of segment revenue, while the Real Estate & Infrastructure Division will contribute around 40% to segment revenue.

Around 40% of the segment's revenue is currently generated outside Germany. This share will increase slightly in 2024, with the Industry Service Division continuing to contribute a higher share to the international business.

The **Industry Service Division** will grow worldwide. Around 50% of the revenue is generated outside Germany. Plant safety services account for the largest share of revenue. This is where we supplement our existing range of services with modern testing methods, such as non-destructive acoustic emission testing, and sustainable technologies, such as the verification of low carbon hydrogen and ammonia in accordance with the new CMS77 standard. Demand for our technical construction supervision, energy generation and quality management services will increase slightly. Following the shutdown of the last German nuclear power plants, we see growth opportunities in the internationalization of our core services for conventional power plants, in the amusement park sector and in the international project business. An increase in revenue is also expected for independent technical risk calculation and analysis in the forecast year. Against the backdrop of climate change, services relating to renewable energies and sustainability are becoming increasingly important worldwide. We expect growth in the wind and hydrogen business in particular, as well as in carbon footprint certification. By contrast, expectations regarding the development of demand for services for the chemical and petrochemical industries are cautious, as this sector is particularly burdened by geopolitical and macroeconomic uncertainties.

We expect the **Real Estate & Infrastructure Division** to perform well, particularly in Germany and the ASMEA region. Around 30% of the revenue is generated outside of Germany.

The market is developing robustly despite uncertainty in the construction industry. The demand for our safety-related services for lifts will increase worldwide. Our services for lift manufacturers and operators in regulated markets will continue to drive growth. We also anticipate higher demand for services relating to cybersecurity and the functional safety of lifts. Insurance-driven construction inspection will also continue to increase. Additional growth impetus is provided by services relating to sustainability and digitalization in construction. Catch-up effects from project postponements in prior years are having a positive impact on revenue development in the railway industry, which should benefit the testing facility business in Germany.

MOBILITY

In the MOBILITY Segment, we expect growth in the forecast year to be stable in the mid single-digit percentage range. The international business will account for approximately 10% of revenue in 2024.

The core business in this segment includes roadworthiness tests and exhaust gas analyses, but also damage and valuation reports, as well as driver's license tests. We offer these to individuals and corporate customers in Germany, Austria, Spain, Slovakia and Türkiye. For the forecast year, we expect demand for general roadworthiness tests and exhaust gas analyses to remain constant. The business with damage and valuation reports remains the driver of revenue. Due to the demographic trend, we expect business in driver's license tests to remain constant. By contrast, we expect revenue growth in medical/psychological examinations. We offer a comprehensive range of services for our customers in the automotive industry. We will achieve revenue growth with homologation and services for highly automated driving. The remarketing business with services for car dealers, manufacturers, suppliers and lease companies as well as insurance companies should develop steadily.

CERTIFICATION

We anticipate revenue growth in the CERTIFICATION Segment in the forecast year to be in the low double-digit percentage range. The Product Service Division is expected to contribute just over 70% to segment revenue, while the Business Assurance Division will generate the remaining revenue of almost 30%.

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

The **Product Service Division** continues to grow. In absolute terms, Germany generates the largest share of revenue. We expect the highest growth rates in China and the German market.

Standardized testing and certification services, in particular for electromagnetic compatibility and chemical testing, are driving revenue growth. We expect a strong surge in demand for our services relating to cybersecurity, quality assurance in the supply chain and the sustainability of consumer goods. With the extension of the transitional periods for the introduction of the European Medical Device Directive (MDR) by the government, we anticipate slower growth for medical device services overall. The certifications of in-vitro diagnostics on In-Vitro Diagnostic Devices (IVDR) and our range of biological and chemical tests are exempt from this. The trend towards greater sustainability and new regulatory requirements in Europe and the UK are accelerating the switch to alternative and renewable energies. This opens up attractive growth opportunities for us through services relating to hydrogen and fuel cells, batteries and other energy storage systems including the cybersecurity of such systems.

For the forecast year 2024, we expect continuous revenue growth in all areas of the **Business Assurance Division**. Around 40% of revenue is generated abroad, primarily in Europe and the ASIA Region.

The business with certifications and ancillary certification services will grow consistently at a high level. An increase in revenue is expected in the combined management system certification, as the next cycle of repeat audits is due. Other growth drivers are the certification of information security management systems, including TISAX, as well as audit services for the Supply Chain Management Act and ESG. The training business will record an increase in revenue in the forecast year. The focus is on traditional training courses in face-to-face or digital format on the one hand and new training content on AI and sustainability on the other, particularly on sustainability reporting in accordance with the European Union's Corporate Sustainability Reporting Directive (CSRD). Our cybersecurity services will show robust revenue growth. We expect growth momentum from data protection services in Germany and especially in India, where the Digital Personal Data Protection Act came into force in 2023.

FURTHER EARNINGS GROWTH EXPECTED

TÜV SÜD's business success is derived from the economic development of the markets, but also from regulatory and political decisions as well as global trends and events. Thanks to our recognized competence in our core markets, our balanced customer base and our global presence, we are less susceptible to temporary and localized market volatility. TÜV SÜD is supporting the global transformation of the economy and society through digitalization and sustainability by continuing to expand its related portfolio of services. The focus of our business activities lies on sectors and markets where stable and profitable growth is anticipated, with targeted returns of 8% to 10%.

The development of the operating business is supported by transparent and harmonized cost and process structures. We regularly analyze our business processes and derive measures to improve quality and efficiency in order to optimize internal processes and make them more sustainable. To this end, we are also driving forward the digitalization of our business and sales processes, always with an eye to continuous earnings and profit development.

EBIT development: Forecast for 2024

≡ 11

		Development in the forecast year 2023	Development in the financial year 2023	Development in the forecast year 2024
Group	Range of € 200 million to € 250 million	→	↗	↗
INDUSTRY Segment	Mid-single-digit percentage growth	↗	↗	→
MOBILITY Segment	High single-digit percentage growth	→	↗	↗
CERTIFICATION Segment	Low double-digit percentage growth	↗	↘	↗

Taking into account the agreed collective wage increases and the promised inflation compensation bonuses in Germany as well as market-dependent salary increases abroad, EBIT in the forecast year should reach a range of € 200 million to € 250 million. However, the increase could be lower should the geopolitical tensions or macroeconomic uncertainties persist, or should there be additional negative effects in connection with the dam collapse in Brazil for which it was not possible to recognize provisions as of December 31, 2023. The EBIT margin is expected to be in the mid-range to high single-digit percentage range. EBT will follow the forecast EBIT development.

We expect EBIT to develop positively in all segments. In 2024, we are budgeting for an increase in EBIT for the INDUSTRY Segment that is expected to lie in the mid single-digit percentage range and an EBIT margin in the upper single-digit percentage range. We expect EBIT growth in the MOBILITY Segment to be in the upper single-digit percentage range, resulting in an EBIT margin also in the mid-single-digit range. In the CERTIFICATION Segment, we expect an increase in EBIT in the low double-digit percentage range. The EBIT margin is expected to be in the upper single-digit percentage range.

Economic Value Added (EVA) is a key indicator used to measure the business performance of TÜV SÜD. Based on the forecast EBIT development and a rise in the average capital employed, we are forecasting EVA for the forecast year 2024 to slightly exceed the level of 2023.

We are investing in innovations, particularly in the areas of digitalization and sustainability, as well as in transformation projects such as the introduction of S/4HANA, and in the expansion of our core and focus markets. For the forecast year 2024, we have earmarked a total investment framework of € 140 million to € 170 million for future-oriented projects, the expansion of our testing facility capacity and the modernization of existing facilities and buildings. Derived from the statement of cash flows and taking into account the planned investment volume, free cash flow should be roughly at the level of 2023.

We want to grow our staff base by up to 5% annually. Depending on the needs at the individual locations and expected growth, we want to recruit well qualified and committed people for our company in the forecast year 2024. The focus of our recruitment activities will be placed on the CERTIFICATION and INDUSTRY Segments in ASIA. In addition, we want to increase the share of female employees in management positions to 30% across the whole Group by 2026. We also intend to continue investing in the further training of our employees, setting ourselves the target of maintaining average of 35 hours of training per employee per year by 2026.

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

We expect TÜV SÜD's business to continue to develop successfully in the coming years. Proximity to our customers, our expertise in technical services and above all the trust that our customers place in TÜV SÜD are the basis for this long-term success – today and in the future.