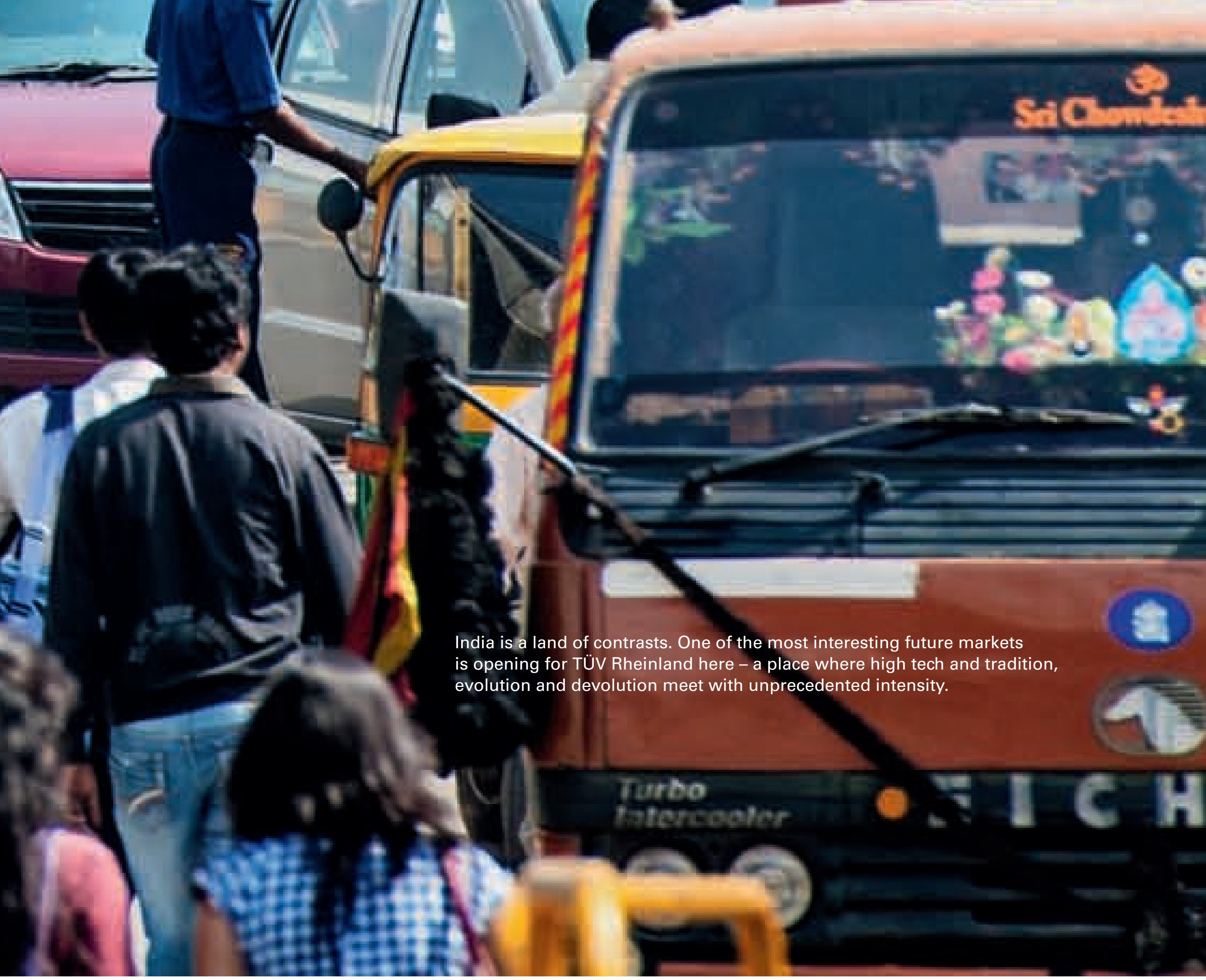
# CLOSER

markets tradition future sustainability expansion knowledge passion efficiency trust training quality goals respect people commitment growth solutions technology environment success reliability innovation service transparency expertise advice society safety employees

## CORPORATE REPORT 2012

TÜVRheinland®
Precisely Right.




India is a land of contrasts. One of the most interesting future markets is opening for TÜV Rheinland here – a place where high tech and tradition, evolution and devolution meet with unprecedented intensity.

# TÜV RHEINLAND AG GROUP FIGURES

| in € millions | 2008 | 2009 | 2010 | 2011 | **2012** |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Industrial Services | 315 | 322 | 377 | 453 | **488** |
| Mobility | 289 | 295 | 311 | 336 | **366** |
| Products | 241 | 301 | 350 | 372 | **396** |
| Life Care | 59 | 64 | 55 | 51 | **55** |
| Training and Consulting | 139 | 150 | 160 | 160 | **194** |
| Systems | 117 | 116 | 123 | 127 | **118** |
| **Figures, consolidated (according to IFRS)** | | | | | |
| **Total Revenues** | 1,100 | 1,181 | 1,303 | 1,417 | **1,531** |
| Germany | 662 | 689 | 713 | 734 | **756** |
| Foreign | 438 | 492 | 590 | 683 | **775** |
| Earnings before interest and taxes (EBIT) (in € millions) | 91.4 | 91.9 | 112.1 | 124.0 | **113.2** |
| Profit margin (in %) | 8.3 | 7.8 | 8.6 | 8.8 | **7.4** |
| Net capital expenditure (in € millions) | 71.8 | 66.5 | 78.9 | 87.7 | **83.2** |
| Cash flow (in € millions) | 77.8 | 77.8 | 100.1 | 112.3 | **108.0** |
| Equity capital (in € millions) | 214.4 | 236.2 | 288.6 | 325.3 | **291.8** |
| Equity ratio (in %) | 19.0 | 19.7 | 22.2 | 24.1 | **20.1** |
| **Staff (annual average)** | 12,987 | 13,804 | 14,412 | 15,961 | **17,218** |
| Germany | 6,382 | 6,753 | 6,766 | 6,774 | **7,035** |
| Abroad | 6,605 | 7,051 | 7,646 | 9,187 | **10,183** |

## CLOSER TO MARKETS


By intelligently combining organic growth and acquisitions, we are consolidating our position as the »most international« TÜV and, in doing so, are strengthening the relationships with our globally active customers. Pages 22–27

## CLOSER TO THE PEOPLE


As a consumer protection authority, we advocate quality and transparency in the global world of products and services. With our new test mark, we strengthen the confidence of users in our services. Pages 28–33

## CLOSER TO THE FUTURE


We are meeting the major technological challenges of our time with expertise and innovative spirit and, in doing so, secure the sustainability of companies and society. Pages 34–39

# CLOSER

We are convinced that business success is a question of closeness and proximity.

Being closer means understanding: we recognize the needs of our customers and society early on and satisfy them with first-class solutions. Being closer means being present: we are in the place where we are needed – at all times and in all cases. Being closer means providing support: we are actively committed to achieving a common goal. And last but not least, being closer means trusting: as a neutral, financially independent company, we are extremely reliable.

Living this proximity in all its facets will bring us closer to our ambitious corporate goal: becoming the best sustainable, self-financed, and independent provider of testing, inspection, and certification services in the world.

# TÜV RHEINLAND
## PROFILE

Since its founding in 1872, TÜV Rheinland has developed from a regional testing agency to a leading international provider of testing, inspection, and certification services that is trusted by people and companies around the world. With new ideas, expertise, and a global network, we lend a hand in making products, services, systems, and people safer and more competitive. We support, develop, promote, test, and certify. In this way, we help to build a future that does lasting justice to the requirements of humankind and the environment.

### INDUSTRIAL SERVICES

- Pressure Equipment and Materials Technology
- Elevator, Conveyor, and Machine Technology
- Electrical Engineering and Building Technology
- Supply Chain & Integrity Services
- Civil Engineering
- Energy and Environment
- Project Management and Supervision

### MOBILITY

- Periodical Technical Inspection
- Driver's License
- Car Services and Appraisal
- Engineering/Type Approval
- Rail
- Intelligent Transport Systems
- Aviation
- Maritime

### PRODUCTS

- Softlines
- Hardlines
- Electrical
- Commercial
- Medical
- Solar/Fuel Cell Technology
- Food

### LIFE CARE

- Occupational Health and Safety
- Health and Supply Management
- Medical Center Services

### TRAINING UND CONSULTING

- Professional Training
- Schools
- Personnel Certification
- Personnel Management
- Business Consulting
- Publishing and Media
- R & D and Innovation Management
- Information Security

### SYSTEMS

- Certification of Management Systems
- Customized Services

In 2012, approximately 2,000 of our 17,218 global employees were employed at our headquarters in Cologne.

# EXECUTIVE BOARD

OF TÜV RHEINLAND AG

**Thomas Biedermann**
Chief Human Resources Officer

**Ulrich Fietz**
Chief Financial Officer

**Dr.-Ing. Manfred Bayerlein**
Chief Executive Officer

**Volker Klosowski**
Chief Technology Officer

**Stephan Schmitt**
Chief International Officer

# FOREWORD

BY THE CHIEF EXECUTIVE OFFICER OF TÜV RHEINLAND AG

**Dr.-Ing. Manfred Bayerlein**
Chief Executive Officer

Ladies and Gentlemen,
Dear Readers,

Operating in a difficult and fiercely competitive market environment, TÜV Rheinland achieved all of its major goals in the 2012 business year and simultaneously laid the foundation for further growth. For the first time, our revenues climbed significantly above 1.5 billion euros. With an EBIT of more than 113 million euros, we once again achieved an excellent result.

And for the first time in our company's 140-year history, we generated more than half of our revenues outside of Germany in 2012. This clearly reflects our firm conviction that we can only meet the needs of our internationally active customers with a truly global market presence, which is precisely why we expanded it during the reporting year, investing a total of 83 million euros, a third of which we invested in our global network of laboratories alone. Our productivity is further increased by the successful integration of five value-creating acquisitions – particularly in the mobility and education sectors – and intensifying our marketing and sales activities.

We want to be the best sustainable, self-financed, and independent provider of testing, inspection, and certification services in the world. The next stage on the path to achieving this goal is defined in our Strategy 2017. Until then, we want to nearly double our revenues to 2.7 billion euros while increasing our profitability at the same time. Our global team should grow to approximately 32,000 employees.

We are striving for above-average growth particularly in our Industrial Service, Training and Consulting, and Products Business Streams. Viewed from a regional perspective, our most important growth markets lie outside of Europe: in the BRICS nations and the Next Eleven countries, which include Indonesia, Vietnam, and Mexico. Across all our Business Streams and regions, we are also seeing continuously increasing demand for complete packages of solutions, and we will meet this demand with an appropriate range of service offers. In addition, we expect to see additional growth spurred on by our new test mark, which we introduced in 2013.

Another fixed component of our Strategy 2017 is our unwavering commitment to sustainable operations and the principles of the UN Global Compact. Our aspiration to play a key role in shaping a sustainable future that meets the needs of both society and the environment is clearly laid out in our corporate mission statement, which we updated in 2012. We provide a detailed look at our wide range of sustainable activities in the CSR section of this Corporate Report.

On behalf of the Executive Board, I would like to sincerely thank all of our employees, whose performance in 2012 was once again remarkable. With their technical expertise, their knowledge of the market, and their unbridled enthusiasm, they are the key to the success of TÜV Rheinland Group and also guarantee our continued existence and further growth in this environment of fierce international competition.

Walt Disney once said »If you can dream it, you can do it.« For TÜV Rheinland, I would like to state: we have a number of dreams – and together we will make them a reality in 2013 and beyond.

I hope you find the information in this Corporate Report both informative and inspirational. Happy reading!

Yours
Manfred Bayerlein

**Dr.-Ing. Manfred Bayerlein**
Chief Executive Officer of TÜV Rheinland AG

»At TÜV Rheinland, we are united by a mutual philosophy, and our strategy also brings us together in pursuit of a clear goal: becoming the best independent testing and certification company in the world.«

Dr.-Ing. Manfred Bayerlein, Chief Executive Officer of TÜV Rheinland AG


TÜV

# FOREWORD

## BY THE SUPERVISORY BOARD CHAIRMAN OF TÜV RHEINLAND AG

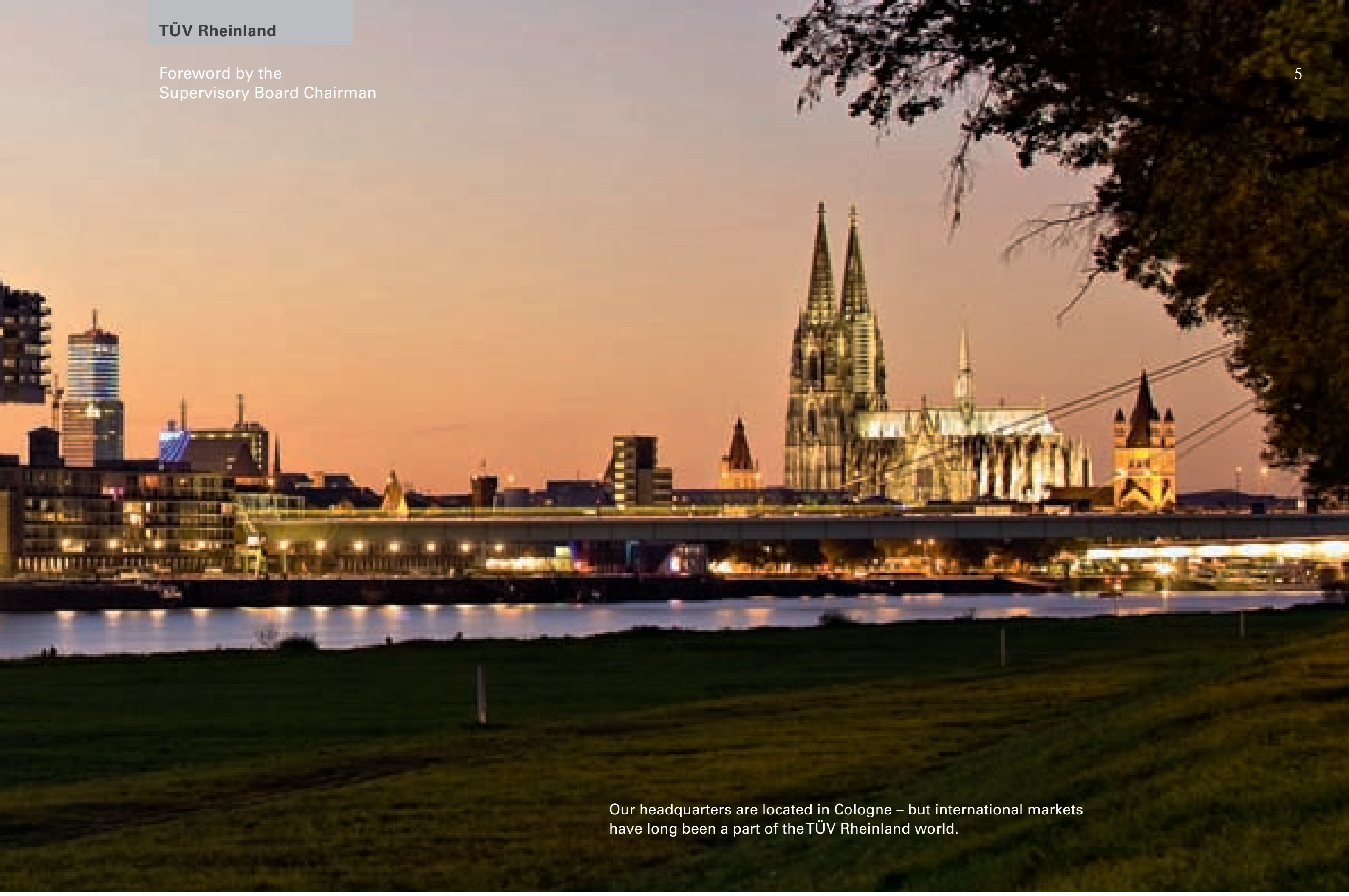
*Dear Readers,*

Thanks to its wide-ranging portfolio of services and its international presence, TÜV Rheinland was affected by the slowdown in the global economy in 2012 to a comparatively little extent. We can be happy with the growth and income the company achieved. To secure further dynamic growth and profitability for the future, TÜV Rheinland can make use of its existing strengths and develop them further.

Prof. Dr.-Ing. habil. Bruno O. Braun

To do so, the Executive Board worked closely together with management to develop important strategic ideas. The key components include international expansion and marketing our services across different regions; continuing to strengthen the company's innovative spirit is another. We seek to achieve this by recognizing the market's needs at an early stage, playing a role in designing solutions, and subsequently offering our customers appealing services. We need to react flexibly to a constantly changing environment for testing and certification services and to the needs of our customers.

In most cases, this also requires a local presence. TÜV Rheinland's international subsidiaries have established new locations and expanded their range of industry-specific services using laboratories. Recruiting highly specialized employees is another challenge we need to meet if we wish to achieve our goals and enforce our work ethic – a fixed part of our mission statement –



Our headquarters are located in Cologne – but international markets have long been a part of the TÜV Rheinland world.

among our staff. We can build on the appeal of the TÜV Rheinland brand, which offers reliable values to both customers and employees.

In the previous business year, the Supervisory Board assisted the Executive Board in a consultative and monitoring capacity in accordance with the articles of incorporation and the law, and thoroughly discussed a variety of the Executive Board's projects during five meetings. This particularly applies to all measures requiring Supervisory Board approval. We thoroughly discussed and approved the plans within the scope of Strategy 2017. The Supervisory Board of TÜV Rheinland AG was also provided extensive information on the TÜV Rheinland AG Group's business development and financial and risk situation. In this context, the work done by the board's committees played a key role. In March 2012, the election was held for the members of the Supervisory Board acting as labor representatives. Angelika Hecker resigned from the Supervisory Board and Andrea Becker was newly appointed representing ver.di NRW. All other labor representatives were reelected. Reiner Schon was once again elected as Chairman of the Supervisory Board.

The auditing firm PricewaterhouseCoopers audited the annual financial statements prepared by the Executive Board of TÜV Rheinland AG for the reporting period ending December 31, 2012, and the management report as well as the company's accounting. The audit of the annual financial statements, the management report, and the proposed appropriation of profits did not result in any objections. The Supervisory Board accepted and formally approved the annual financial statements.

The Supervisory Board would like to thank the Executive Board, the members of management around the world, and all the Group's employees for their excellent work during the previous year.

We wish TÜV Rheinland AG and all the companies in the Group all the best for the future.

**Prof. Dr.-Ing. habil. Bruno O. Braun**
Chairman of the Supervisory Board of TÜV Rheinland AG

# CLOSER TO INDIA

The second-largest country in the world. A nation of extremes. With its remarkable growth rates, India is on a sure path toward developing into a major economic power. German companies are responsible for a considerable share of this boom – and that includes TÜV Rheinland. Our roots on the subcontinent stretch back to the year 1996. What started back then as a small office has now grown into a network of 23 locations and seven state-of-the-art testing laboratories. Come join some of our more than 400 employees on a trip through one of our most exciting growth markets.

Life without electricity – inconceivable to people in industrialized nations, the bitter reality for around 40 percent of Indian households. India's problems with electricity are an enormous obstacle to the country's development. Our power plant specialists are supporting the urgently needed modernization of India's energy industry.


TÜVRheinland


OMEGA


Streets are a country's lifelines, as they bring people together and support business and trade. Yet the booming economy and the increase in personal vehicles threaten to block these lifelines, particularly in major cities. By designing and implementing intelligent traffic systems, we are working toward a lasting solution to prevent gridlock.

India, the second-largest market for two-wheeled vehicles behind China, is discovering the car. Low-priced options like the Tata Nano have put the dream of four-wheeled transportation just within reach for millions of Indians. And our experts have been along for the ride since the development stage to ensure that quality and safety don’t get left in the dust.

With an estimated potential capacity of 300,000 MW, India is one of the world's largest wind power markets. But currently less than ten percent of this immense potential has been tapped. As a full-service supplier for the planning, construction, and operation of wind power plants, we are helping to ensure that nothing takes the wind out of the Indian energy revolution's sails.

Up top traffic jams, down below an easy ride. The Indian government is fighting the impending gridlock in major cities with a billion-dollar program to expand public transportation systems. We are contributing more than 30 years of experience in testing and certifying local public transport infrastructures and safety concepts to this ambitious project.


7643

Altogether 300 days of sunshine per year make India one of the sunniest countries in the world. The goal of the government's »Solar Mission« project, which plans to install a total of 20 GW of solar power capacity by 2022, is to better tap this potential. With a state-of-the-art testing lab and our global network of experts, we too are extremely well positioned for this mission.


SEWING
SEWING
3


The textile industry is one of the subcontinent’s most important economic sectors. Yet small companies in particular are grappling with the growing competition from other Asian nations and increasing international standards. With our Softlines laboratories and comprehensive consulting services, we help them remain competitive over the long term.

The demand for safety and quality inspections is growing around the world. In order to remain the »most international« TÜV, we are strengthening our relationships with our globally active customers.

# CLOSER TO MARKETS

service further training satisfaction certifications quality TÜV sticker innovation growth tradition vision testing center independent presence worldwide advice problem-solving skills road safety people commitment culture progress

**As complex as the phenomenon of globalization may be and in light of many customers' global value chains, companies in our industry need only follow one simple rule: go with the flow or get washed out to sea! As the »most international« TÜV, we have subsidiaries on all five continents and, as a result, bring both our expertise in providing solutions and our sustainable philosophy to nearly all the nations of world.**

## A Small Sticker with Great Potential

Products that aren't popular with consumers don't last in the market for over 50 years. And it's even more rare that they grow into global export hits. There is one exception that proves this rule, however, and it is small, round, and available in one of six bright colors. We're talking about the TÜV sticker for motor vehicles, which we issue more than 2.6 million times a year across Germany.

We admit that the sticker isn't always purchased altogether voluntarily, but sometimes you have to both lead the horse to water and force it to drink, so to speak – or in this case, gently push people do what is in their best interest. And the success of the general vehicle inspection speaks for itself: in recent years, the number of fatalities as a result of traffic accidents in Germany dropped to the same level as in the early 1950s, despite the number of cars on the road being many times greater.

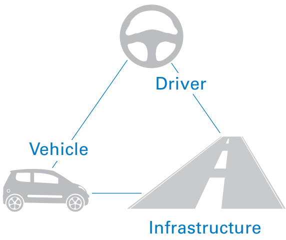
In the meantime, the general vehicle inspection is now responsible for making the road safer in many other countries as well. And in turn, we are responsible for carrying out the inspection. We already conduct more than 5.8 million vehicle inspections annually in France, Spain, Latvia, Argentina, and Chile. In fact, our inspection center in the Latvian capital of Riga has a total of 12 inspection lanes, making it the largest inspection station in the world.

But this doesn't mean we see any reason to rest on our laurels. We further expanded our international position in 2012 with a combination of both organic and inorganic growth. Early in the year, for example, we acquired a majority stake in the French vehicle inspection company Secta Autosur, whose franchise partner network comprising 870 automobile and 36 truck inspection centers conducts a total of 3.6 million vehicle inspections annually. In Spain, we expanded our network of inspection centers to 27 locations, with more scheduled to open in 2013. In this context, our growing presence in the major European markets simultaneously strengthens our position in the current political

**OVER 5.8 M**

vehicle inspections worldwide in 2012.

**THE »MAGIC TRIANGLE« OF ROAD SAFETY**




debates on unifying the general vehicle inspection in Europe.

Meanwhile, outside of Europe, we are seeing a significant increase in overall awareness for the issue of traffic safety, which is also reflected in initiatives by many governments. Particularly countries on the African continent, such as Morocco, Ghana, Congo, and South Africa, have recognized that they were not successful in achieving any significant progress in road safety with their existing – often only rudimentary – control systems. Interesting new markets are opening up here, in which our consulting expertise for the complete »magic triangle« of road safety will be in demand.

## An ITelligent Move

Courage to fill a gap. The principle that generations of high school and college students have used to successfully maneuver through their academic career proves to be less and less of a recipe for success for providers of professional qualification and advanced training programs. Complete packages of solutions, ideally coupled with a transnational presence, are popular. This particularly applies to the IT training sector, which has grown into a gigantic global market – a market in which our Training and Consulting Business Stream is to play an important role.

By acquiring the campus GmbH, one of the largest and most successful providers of professional IT training in Germany, we closed an important gap in our training portfolio in 2012. As a premium training partner to renowned hardware and software suppliers like Microsoft, Oracle, and Apple, campus trains approximately 40,000 people annually with its 120 employees. In this context, the standards of quality are high: each training session is based on the respective manufacturer's seminar concept and is conducted by certified trainers.

The acquisition of e/t/s GmbH in early 2012 was another important strategic step – the comparatively small but specialized premium supplier of mobile and electronic training formats is an outstanding addition to our portfolio and particularly provides us with additional powerful sales arguments in the international e-learning solutions business.

Together, we wish to prove once again that the whole is more than the sum of its parts. Our vision is that of a powerful ICT service provider under the umbrella of the TÜV Rheinland Group that offers its international customers consulting services, training seminars, and solutions all from one source. And if nothing else, this should also be reflected in the figures of the Training and Consulting Business Stream: the goal is thus to increase the share of revenue from customers in the IT and communications industries from approximately 35 percent today to more than 50 percent.


As of 2012, TÜV Rheinland has already opened 27 vehicle inspections centers in Spain.

# »WE WANT TO RETAIN INDIVIDUAL STRENGTHS AND LEARN FROM ONE ANOTHER.«

An interview with Siegfried Schmauder, Executive Vice President of the Training and Consulting Business Stream at TÜV Rheinland.

**SIEGFRIED SCHMAUDER,** Executive Vice President of TÜV Rheinland's Training and Consulting Business Stream, which generated revenues of more than 194 million euros in 2012.

Mr. Schmauder, a key motivation behind the acquisition of campus GmbH was to further the company's international focus in the field of IT training. Can you tell us specifically where the trip will head to?

We will initially begin in Eastern Europe in 2013 and then expand our area of operations in the direction of the emerging markets in China and South America. In this context, we will draw upon our excellent working relationships with software manufacturers such as Microsoft, which will make it easier for us to enter these markets.

What exactly made campus the right partner for these plans? After all, the company has so far only been active in Germany.

In order to understand the logic behind this acquisition, you need to look at the big picture. The question shouldn't be what can campus achieve, but rather what can campus and TÜV Rheinland achieve in the future together. Through our academy, we already have a presence in 25 countries, and I believe we have made a name for ourselves and earned a good reputation. What campus brings to the table is outstanding training expertise in a field that we have not been active in up until now. And in addition, they have a large client base, excellent relationships with all the major hardware and software companies, and a strong sales organization – which altogether makes us a really powerful team.

A merger of two companies is also always a merger of two cultures. How did you approach the issue of integration and how far along in this process are you today?

We certainly had the advantage that our merger wasn't a slam-bang affair, but slowly took place over a longer period of time. During this time, we already had the chance to discover many similarities pertaining to our view of the market and our future strategic course of action.

With regard to the actual integration process, we initially set an extremely pragmatic goal – namely, the integration of our administrative processes. Here I would say that we have completed about 90 percent of the process. It goes without saying that the aspect of integrating our corporate cultures is a more sensitive issue. From our perspective as TÜV Rheinland, it is extremely important to us that we don't simply force acquired companies to fit into our cultural mold. In fact, the opposite is true: we want to retain individual strengths and learn from one another.


**A FOCUS ON ORGANIC GROWTH**
In 2012, TÜV Rheinland invested a total of 83 million euros internationally – a third of which was invested in the Group's worldwide network of laboratories alone.

## Ten and a Half in One Fell Swoop

In 2012, we drastically increased our international presence by opening ten new laboratories.

Four new locations were added to our global network of Softlines laboratories, where we serve the rapidly growing demand for quality and fabric testing from customers in the textiles, clothing, and leather goods industry. As such, our new, fully equipped laboratory in Istanbul, Turkey, has devices for the chemical testing of organic and inorganic materials and for conducting food contact tests as well as systems for testing the physical properties of textiles, color fastness, and flammability. This lab's counterpart is located in the Indian city of Gurgaon, is double the size, and works together with our other new laboratories in Bangalore and Tiruppur to tap the vast market on the subcontinent.

We solidified our leading position as a provider of testing, inspection, and certification services for the solar industry by opening our seventh testing laboratory for solar panels in the Korean city of Gyeongsan. Incidentally, the photovoltaic lab set up in cooperation with Yeungnam University is the first laboratory on Korean soil that operates according to international standards.

Inspecting and testing photovoltaic systems is also the job of a new TÜV Rheinland laboratory in Osaka, Japan. The focus of its work, however, will be on testing rechargeable energy storage systems such as lithium-ion batteries or supercapacitors for a wide variety of applications. As the first large-scale facility of its kind operated by an independent service provider, our battery testing laboratory is equipped with state-of-the-art safety technology and an array of devices for testing battery performance in abnormal conditions.

We are also entering into uncharted waters with the opening of our first testing center for electronic products and automotive spare parts in Saudi Arabia. The city of Jeddah, which we se-


lected as the location for the laboratory, is home to the country's largest harbor, making it perfectly suited to meet the needs of countless importers and exporters active in the automotive, electronics, IT, and telecommunications industries.

Our new testing center for wireless electrical devices, telecommunications devices, and medical products in the Dutch municipality of Leek represents a further unique position held by our company – it is the first accredited laboratory in the Netherlands that measures the effects of electromagnetic radiation on people.

And the new TÜV Rheinland DIN CERTCO laboratory in Nuremberg is dedicated to protecting human health – or more specifically, the eyes and face. This is where our experts test the safety, suitability, and quality of sunglasses and sport sunglasses as well as complex eye protection devices such as laser and welding goggles or helmet visors pursuant to national and international standards.

And we have recently begun taking a closer look at personal protective equipment in the broadest sense – from reflective vests to fire boots and even tents – in a modern testing center in Leipzig. With a 60 percent larger space and new testing equipment here, we have created all the infrastructural conditions necessary to achieve our goal of being the market leader in this testing segment by 2015.

And last but not least, our largest and most state-of-the-art testing center in the Asian region, the Global Technology Assessment Center in the Chinese city of Shanghai, may not be completely new, yet still appears in a fresh new look. In the second remodeling stage, we expanded the range of tests we offer – including the laboratory's equipment – primarily in the fields of photovoltaics and consumer products. This means even more efficient local service and shorter test cycles for our customers. And for us, we have once again come to the conclusion that we either do things right or we don't do them at all!

# CLOSER TO THE PEOPLE

independent trademark protection commitment advancement salutogenic satisfaction confidence advice environment technology health quality tradition partner reliability team center of expertise service safety tradition test mark

**No matter how much we love technology – we provide our services for people. Preserving people's trust in the seemingly infinite world of global products and services, permanently improving their living conditions, and promoting people's individual development are the challenges we rise to face each day – with expertise, dedication, and a heaping portion of humanity.**

## There Can Only Be One!

Humans truly are strange creatures. They send remote control cars on joyrides around Mars, transplant organs, and turn sunlight into power. And yet humans really like it best when things are simple – everything in view, everything under control. This is because, in the positive sense, simplicity creates confidence – and for a state-of-the-art provider of testing and inspection services, that's the most important currency there is.

For consumers, it is primarily our TÜV Rheinland test mark that gives them exactly this confidence. But our mark isn't just proof of the quality of the products and services we inspect – it is also symbolic of our company and the TÜV Rheinland brand. As the shape and color of our test mark changed over time, so rose the danger that our calling card would be misused for deceptive reasons, however. In order to preserve the high reputation of our brand and the consumers' confidence in our services for the future, we were forced to act: we needed to return to a contemporary, distinctive, and simple design.

And since the year 2013, we are back to a clear rule of thumb: There Can Only Be One! Whether products, services, systems, or processes – in the future, they will all carry a test mark with an identical design, allowing customers and end consumers to immediately recognize quality that has been tested by an unmistakable company.

Depending on the customer's order, we sometimes only examine individual characteristics instead of testing the entire product. In the future – thanks to approximately 100 easy-to-understand, identical keywords used worldwide – it will be easier for consumers to see whether we tested an entire electric bicycle, or only examined the heavy metal content of its battery, for example. In fact, a customer will only be allowed to use our test mark without explanatory keywords when we actually conducted a complete safety test.

TÜVRheinland® CERTIFIED

**THE TÜV RHEINLAND TEST MARK**
Since the year 2013, we follow a clear rule of thumb: There Can Only Be One!


In a globalized world of products, consumer protection and confidence in independent testing services are becoming increasingly important. This is where we are setting new standards.

## OUR NEW TEST MARK

Behind our new test mark stand ...

... over 17,000 employees worldwide ...

... and a clear philosophy.

The test mark in our advertising:

Clear, easy to read, and modern: this is what TÜV Rheinland's redesigned test mark looks like **»solo,«** such as in our advertising.

The test mark with space for additional information, keywords, web address, and ID number:

So what's the point? Approximately 100 **keywords** provide specific information about the service we provide in a space for additional information.

The test mark with space for additional information, foreign marks like GS, Web address, ID number, and QR code:

Everything you need to know: A **QR code** provides direct access to our extensive certification database.

In the testing industry, unfortunately, things aren't any different than in the clothing and jewelry industry – sooner or later, a strong brand compels copycats with ulterior motives to enter the scene. Since the launch of our test mark, we have been forced to deal with its misuse – for better or for worse. But no matter how distinctive our new test mark is and no matter how ingenious our keywords are, they are certainly not unforgeable on their own – Which means we had to think up something else ...

The solutions are square, practical, and covered in black and white dots: a QR code. By scanning the code with a smartphone, the consumer is taken directly to our certification database, where they can easily access a wide variety of information about the product itself, its manufacturer, the specific service we provided, and about the test mark. For product and test mark forgers, thankfully, QR codes are a fairly difficult nut to crack. So if scanning the QR code takes you to a digital dead end instead of TÜV Rheinland's database, be extremely careful.

### The Bodyguard for Consumers

Promotion is part of the trade, and that goes for brand management as well. Because in addition to being unique and trustworthy, being well known is a key factor that determines a brand's strength. But what's the best way to promote yourself, particularly when you want to offer people more than just hollow marketing rhetoric? We found our way: it's called active consumer protection. Or rather: promotion with social value.

In this context, we carry out a wide variety of activities in which we use our core competencies in the field of product testing for the gen-

The experts from TÜV Rheinland always focus on consumer safety, and inspecting sunglasses is no exception.

eral good, we look into everyday topics and current issues, and we do not shy away from bringing uncomfortable truths to light. We also often receive inquiries from media outlets, who value us as an expert partner and adviser on topics pertaining to consumer protection.

During the summer of 2012, we went on a Europe-wide shopping spree for the third time. Right on time for the summer break, experts from our Products Business Stream headed out to the most popular European vacation destinations to hunt for beach vendors and souvenir stores. On their shopping lists were toys, sunglasses, and soccer shirts. Back in Germany, the alleged bargains were inspected in our test laboratories in Cologne and Nuremberg – with shocking results: 52 of the 134 items purchased did not meet the European Union’s minimum safety requirements, meaning that they were never allowed to be sold in the first place. And yet it isn’t even that difficult to protect yourself from aggravating or even hazardous shopping experiences when on vacation. With our ten golden rules for souvenir shopping, our experts came up with tips for consumers to protect themselves that will even fit into a fully packed suitcase.

While wobbly earpieces on sunglasses and strange-smelling T-shirts are comparatively easy to spot, it’s nearly impossible for ordinary people to judge the quality of drinking water – since bacteria and germs do their work in secret. In 2012, we demonstrated that even fresh and clean-looking water should be approached with caution as part of a wide-scale drinking water test that we conducted in public buildings in several German cities. To ensure that samples were collected in conditions that were as true

**OUR SUMMER CAMPAIGN** had a certified reach of over 105,000,000 contacts within the German population.

In 2012, our water tests in public buildings caught many building operators by surprise – and moved them to take immediate action.

to life as possible, we decided against flame-treating the water spouts as is required when conducting analyses in accordance with the Drinking Water Ordinance.

The results of our test showed that one third of the 25 samples we took from train stations, city halls, and shopping centers was contaminated. This contamination can represent an acute health hazard, particularly for people with weakened immune systems. And it gets worse – the level of Legionella bacteria in three of the samples exceeded the legally allowable limit. The possible consequences include life-threatening lung diseases. Every year around the world, more people die from pneumonia caused by Legionella bacteria than in traffic accidents. In light of the acute health hazards, we informed the affected institutions before publishing the results. The effect was that the people in charge in almost every location took emergency action within a few hours. So there's no question – for successes like these, we will keep right on promoting.

### We Go All Out

Salutogenic. In the quiz show »Who Wants to Be a Millionaire?,« popular the world over, knowing the correct meaning of this word would probably be worth a six-figure sum. Are you trying to figure it out, too? Here's a tip: the range of services offered by a new TÜV Rheinland Center of Excellence that we opened in 2012 in Bad Neuenahr, located in the German state of Rhineland-Palatinate, are salutogenic, for example. Still no idea? Okay, we'll solve the puzzle – salutogenic means nothing more than promoting human health and well-being.

That we have long focused on safety and occupational health in all its many forms – from testing particular workplaces with regard to heat and noise exposure to certifying entire companies pursuant to internationally recognized standards like OHSAS 18001 or SCC – is not really new. But for a long time, our work was also primarily conducted from the perspective of the question »what makes us sick?« In contrast, not much attention was given to the topic of prevention and the related question »what keeps us healthy?«

This is something we want to end once and for all with our new center of excellence for health management. Here in Bad Neuenahr, a team of doctors, sports medicine specialists, sports scientists, and health experts focus specifically on how we can not only maintain, but in fact improve health and performance by systematically training body and soul. In this context, one focus of the services we offer are health checkups for people engaged in high-stress activities, both personally and professionally, such as managers or competitive athletes. Depending on the goal of the checkup, our experts use state-of-the-art technological analyses – as well as the latest psychometric diagnostic options – to make conclusions about the patient's health and current level of performance. As a result, the experts can recommend specific actions for the patient to take tailored specifically to their living and working situation.

Above and beyond promoting the personal health of athletes and top performers, our experts in Bad Neuenahr also pursue the goal of persuading as many companies as possible of the benefits of a health-conscious style of management. In custom-tailored measures, from talks to team workshops and integrated approaches that combine theoretical knowledge with movement and relaxation elements, we get managers and employees fit for their important role as key communicators within the company. In order to offer this comprehensive service, the center has access to an interdisciplinary network of medical specialists, psychologists, sports scientists, and health experts.


Before your back goes out – TÜV Rheinland helps companies with health management.

**RETURNING WITH SOMEONE BY YOUR SIDE**

Sometimes it's a stroke of misfortune whose coming had long been foreseen – and sometimes it's simply a short moment of carelessness. When working people suffer severe illnesses or accidents, it often means months away from their job. And when they return, things aren't always the way they were before they left. With our new BEM Plus service – which stands for »Betriebliches Eingliederungsmanagement« in German, or »occupational reintegration management« in English – we want to encourage companies to act early and approach their employees who are often sick or out sick for long periods of time, in order to work together to find solutions that will allow them to return to work as quickly and comfortably as possible.

Similar to air traffic controllers, our BEM Plus managers coordinate all the internal and external processes, also providing support, motivating, and helping to alleviate fears. Who does the application for rehab need to be submitted to? When does the Federal Integration Agency need to become involved? Our experts know the answers and are exactly what life sometimes isn't – predictable and reliable.

The energy revolution is not simply a German phenomenon – we are also an important partner on an international level when it comes to a change of perspective toward a sustainable and efficient use of energy.

# CLOSER TO THE FUTURE


**No matter how hard we try – we will never succeed in catching up with the future. But we can most certainly play an important role in turning visions for the future into very real and, above all, sustainable solutions to the challenges of our customers or even society as a whole. It is in pursuit of this goal that each and every day, our approximately 17,000 employees around the globe research, test, certify, and provide advice.**

## We Know Every Wave in the Ocean

For centuries, if a company was in deep waters it was normally viewed as a bad thing – until the economists Renée Mauborgne and W. Chan Kim came up with a remarkable new business concept in 2005. Basically, they stated that the best thing a company could do was to be in deep waters – as long as the deep waters were in the right ocean.

In their Blue Ocean Strategy, they divided the business world into two distinct areas: red oceans represent existing markets with fierce competition and enormous price pressure; on the other hand, blue oceans are home to companies that offer completely new and subsequently unrivaled products – with corresponding business success. So what does this story have to do with TÜV Rheinland?

That's simple: we can help your company make the swim from the red to the blue ocean. For instance, by issuing you our new Green Product certification. This combines countless EU guidelines and rules as well as our own Green Product requirements into an integrated test mark that provides benefits to both manufacturers and consumers. With this test mark, manufacturers can clearly stand out from the competition. And for environmentally conscious consumers, our certification serves as a valuable guide when making purchases.

We issued the very first Green Product certifications in June 2012 for two televisions manufactured by the South Korean electronics giants, Samsung Electronics and LG Electronics. Prior to doing so, we thoroughly tested the TVs for both companies with respect to the chemical substances contained within, their recyclability or rather their reuse of materials, their $CO_2$ footprint, and their energy consumption and energy efficiency.

From televisions to tapas: with its sparkling blue waters, Spain is an extremely popular vacation destination for people across the globe. But viewed through the eyes of Mauborgne and Kim, the water there has been a deep red for

**DESTINED TO SUCCEED**

The Blue Ocean strategy was responsible for successful products like Nespresso, Cirque du Soleil, and the Nintendo Wii.

### GREEN PRODUCT CERTIFICATION

Our unique Green Product certification is based on tests in the following areas:

**Carbon Footprint**
The carbon footprint is a method of calculating the greenhouse gas emissions that a product causes during its entire life cycle, or parts thereof.

**Energy Consumption and Efficiency**
Our tests contain an evaluation of the energy consumption and energy efficiency of electronic devices.

**Responsible Use of Chemical Substances**
Successful certification depends on fulfilling countless EU guidelines and requirements – such as the REACH chemical regulation (Registration, Evaluation, Authorization, and Restriction of Chemicals) applicable in all EU member states – which restrict the use of hazardous materials in electrical and electronics products.

**Recyclability**
We evaluate how recyclable a product is, as stipulated in the EU WEEE (Waste of Electrical and Electronic Equipment) guideline. In addition, we certify the correct use and labeling of recycled material.

TÜVRheinland CERTIFIED
Green Product
www.tuv.com
ID 0000047336

quite some time. For too long the country relied on its booming real estate industry, which was responsible at the beginning of the financial crisis for nearly a third of its gross domestic product. When the real estate bubble burst, unemployment doubled within a few years to almost 25 percent.

The Spanish government realized that their country needed a plan: a plan for the future. Through the systematic funding of sustainable strategies and innovative technologies, it wants to improve the competitive ability of Spain's economy across the board. But how do you make sure that subsidies and tax breaks actually reach the right people? The solution is hidden behind two rather cryptic series of numbers. And behind the much less cryptic name TÜV Rheinland.

As a state-authorized service provider, we advise and certify companies in the IT and communications sector, the food industry, the chemical industry, and the mechanical engineering sector pursuant to the Spanish standards 166001 and UNE 16602. While the first is a guideline for planning and implementing a specific research, development, or innovation project, the second acts – independent of any individual project – as a guideline for the systematic optimization of entire administrative and quality management processes in the field of R & D. Only companies that can produce a certification pursuant to one of these two standards can qualify for public subsidies.

In addition to outstanding business prospects – we are aiming at a tenfold increase in the number of certifications carried out in the coming years – another aspect of the Spanish economy's rejuvenation is becoming increasingly appealing to us: expanding our relationships with universities and research institutes. After all, ensuring that a development engineer's apparent flash of genius doesn't turn out to be a pipe dream as it moves down the path to market readiness, certification requires the opinion of an established expert in the respective field. As part of our activities to recruit fitting candidates, we have already established promising contacts with a dozen or so renowned institutions.

### Smart Minds for Smart Grids

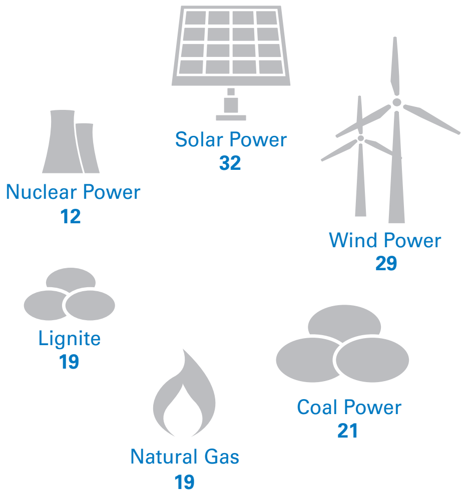
However you do it, you do it wrong. At least when it comes to change, this saying seems to prove itself true over and over again. Because while Spain battles with its tough economic structural change, in Germany another government-initiated process of change threatens to exceed the speed limit: we are talking about the energy revolution.

When electronic devices meet key environmental criteria, they get our Green Product certification – and their manufacturers get decisive competitive advantages.

Driven by generous subsidies, expanding the use of renewable energy sources in recent years has led to a downright flood of green power. Based on information from Germany's Federal Network Agency, photovoltaics and wind power now by far top the list of the most powerful sources of power in terms of figures. And according to Germany's Minister of the Environment, Peter Altmaier, in 2020 renewable energy sources will most likely exceed the current goal of providing 35 percent of the total power generation.

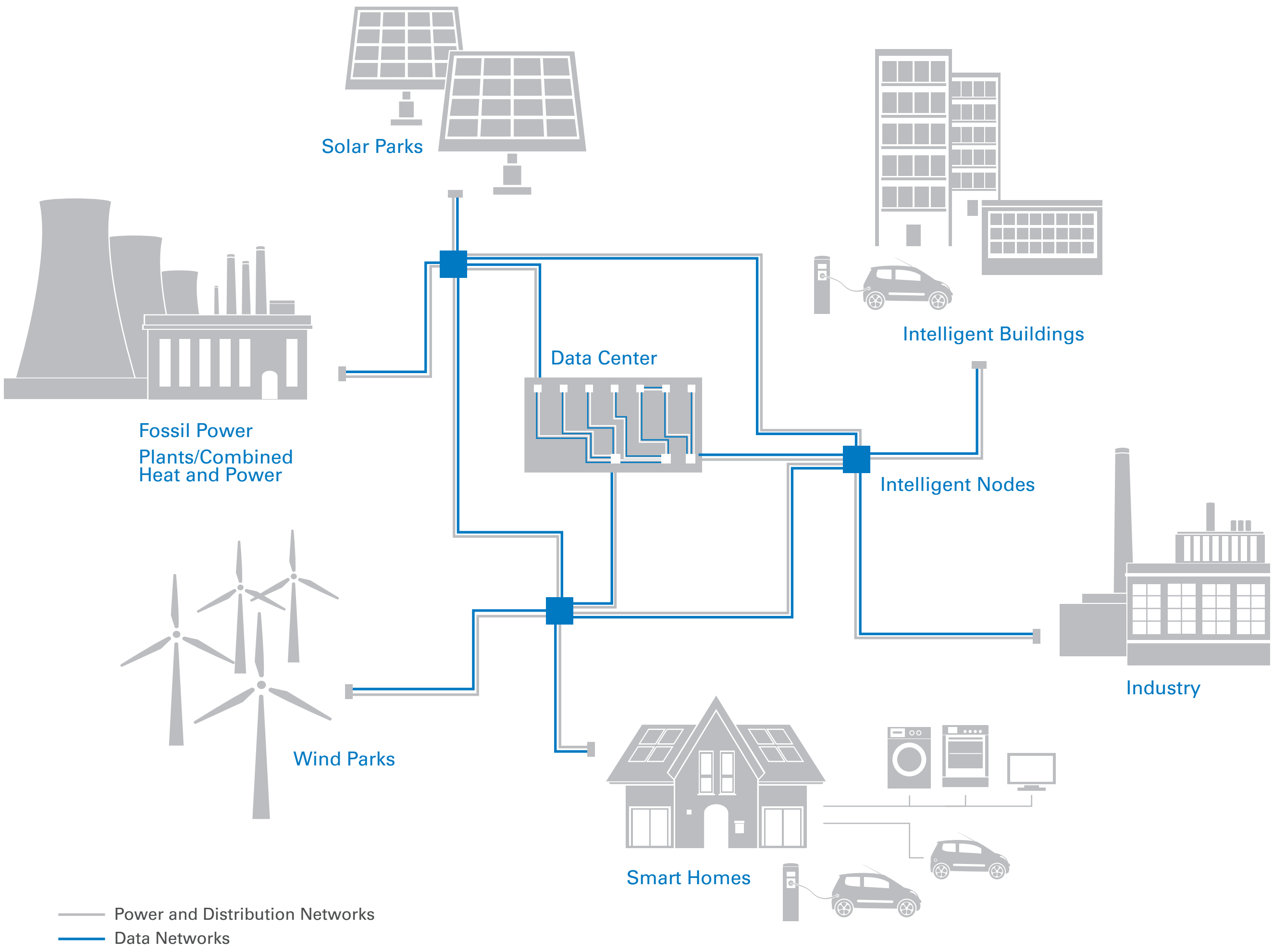
But what at first glance looks like a huge success turns out to be a serious problem when analyzed more thoroughly. This is because power from renewable energy sources is, by nature, not always available when industrial and private consumers need it. Take solar power, for example. Since the sun stands low on the horizon during the winter months, it supplies the least amount of power just when people are turning up their thermostats. And wind power is also subject to similar natural fluctuations, which unfortunately do not coincide with the biorhythms of the economy and the population.

The consequences are dire – on the one hand, the risk of supply shortages during peak load times increases; on the other hand, the number of voltage fluctuations in the grid increases, which are particularly dangerous for highly sensitive production systems. So how do we solve this problem?




**MATHEMATICAL POWER GENERATION POTENTIAL**
of the most important energy sources in Germany (in gigawatts).

Source: Federal Network Agency's Power Plant List, December 2012




**SMART GRIDS: A MAMMOTH TASK**
The German Association of Municipal Companies estimates that the creation of intelligent power grids will require an investment of 25 billion euros by the year 2030.

The solution lies in a fundamental change of perspective. When the time comes that we are limited in our ability to control power generation, we will be forced to control power consumption. The idea is that in the future, smart grids will balance out the fluctuations in energy production and consumption by collecting consumption information from countless devices, exchanging this information, and precisely controlling the supply of power they receive. Here's an example from everyday life: if all the air-conditioning units and freezers in a city could be controlled like a smartphone, an energy provider could, during peak load times, disconnect the devices from the grid for a few minutes without any significant decline in their effect.

As simple as this sounds in theory – the complexity of smart grids poses completely new challenges to technological testing service providers, which we, as the »Power TÜV,« are more than happy to face. Because whether conventional power generation, renewable energy sources, energy efficiency, communications technology, or data security – our experts have, in some cases, decades of experience in all the fields relevant to the successful implementation of smart grids.

Among other projects, we contribute this experience to the project, »Energy and Climate-Efficient Structures in Urban Growth Centers,« initiated by Germany's Federal Ministry of Research, since urban metropolitan areas and the inexorably growing megacities in developing and emerging nations represent the most important locations of worldwide power consumption. Although they only cover two percent of the Earth's surface, they are responsible for three quarters of the world's energy consumption and about 70 percent of global greenhouse gas emissions. Smart grids would thus allow us to have an enormous impact in comparatively little space.

## FOOD FOR THOUGHT

Lately, the media has been portraying the future of electric-powered transportation – once a beacon of hope in the fight to protect the climate – in a truly dismal light. But are the dreams of this alternative form of power for our transportation needs actually dead?

There is no doubt that costs of the battery technology are still far from making electric vehicles really competitive. And there is no doubt that the sales of electric vehicles – partly because of these costs – fell far below expectations. There is also no doubt that, in light of this trend, several automakers stopped what were once ambitious development projects. And maybe we all need to admit that up until now, our expectations had been too optimistic and our patience too thin.

But the electric car isn't the first technology that has to overcome setbacks on the way to becoming a widely used product, and it certainly won't be the last one. But does that change anything about the enormous potential this technology has in order to make our transportation in the future more environmentally friendly?

When answering this question, we should not equate electric-powered transportation with the electric car. Because one form of electric-powered transportation has been around since the late 19th century, and has been incredibly successful – the railroad. In this particular traffic segment, the train of electric-powered transportation has long left the station on its way toward the future.

In contrast, another form of electric-powered transportation is just at the beginning of what is bound to be a long life cycle – electric-powered two-wheeled vehicles. Viewed in the West as more of a recreational product, motorcycles and scooters are the main form of transportation for wide swaths of the population in developing and emerging nations. Anyone who has spent time on the streets of Calcutta or Bangkok has most likely been amazed at the huge swarms of zippy little bikes, and also probably felt a twinge of discomfort due to the sounds and smells that they produce. In the short term, this is where the viable prospects of electric vehicles lie a million times over – not on the highways of Europe or the United States.

China showed us how it's done, with over 200 million electric scooters on the road in the People's Republic today. According to estimates by the research institute Pike Research, the figure will double by 2016. As TÜV Rheinland, we also have the ability to continue writing this success story in other countries. So let's give the electric car the time it needs to develop – after all, there's enough to do in the meantime.

We inspect the safety of electric vehicles – even in two-wheeled form.

**GROWTH MARKET**
The global market for electric-powered two-wheeled vehicles is forecast to grow to a value of 12 billion US dollars by 2018.

# RESPONSIBILITY

values
networks
employees
safety
training
resource conservation
commitment
confidence
environment
corporate strategy
diversity
society
code of conduct
ecology
compliance
global compact
environmental performance
transparency
public-private partnership

# CSR-MANAGEMENT

## CSR – THE FOUNDATION OF OUR CORPORATE STRATEGY

With the end of the year 2012, our company's 140-year anniversary also came to a close: 140 years, during which TÜV Rheinland, as a partner to businesses and society, has constantly stood for quality, safety, and efficiency in conjunction with people, the environment, and technology. Therefore, the concept of sustainability has always been deeply rooted in our corporate self-understanding.


The years that now lie ahead carry great challenges for all of us – resource scarcity, population growth, megacities and the associated infrastructure needs, and food security, just to name a few. We firmly believe that social and technological progress is inextricably linked together. And we are there every step of the way in order to make this progress safe and sustainable for both mankind and the environment.

But there is no doubt that we cannot overcome these challenges with the knowledge and technologies that exist today alone. In light of this fact, in 2012 we began with the implementation of a generic innovation process across the Group, which we want to use to create the conditions and methodological skills necessary for a successful culture of innovation in all of our Business Streams and regions. And experience shows – innovations from TÜV Rheinland also make our customers successful over the long term.

With the growing need for solutions that address large-scale societal challenges in a viable and environmentally friendly way, sustainability is rapidly developing into a strategic success factor. Our stated goal is to be the world's best sustainable and independent provider of technical services for testing, certification, consulting, and training.

Our employees are firmly committed to this goal. In 2012, we reaffirmed our resulting responsibility in our revised Mission Statement, which forms the foundation of our corporate culture. In our Mission Statement, we explicitly commit to our aspiration to play a role in helping to create a future that meets human and environmental needs on a sustainable basis.

To ensure that this commitment truly becomes a way of life for our employees, we launched the »Meet[ing] our Mission Statement« initiative. Within the scope of a pyramid system, each of our employees will complete playful exercises to become better acquainted with the content of our revised Mission Statement. This is how we want to ensure that every single employee gets on board and carries out their daily duties in line with our principles in a neutral, independent, environmentally friendly, and socially responsible way.

## ORGANIZATION OF OUR CSR ACTIVITIES

At TÜV Rheinland, the issues of CSR and sustainability are managed and guided by our Corporate CSR & Compliance Office. In this context, the Global Head of CSR & Sustainability reports directly to the Chief Executive Officer. In addition to other duties, he is responsible for the following:

- Developing and implementing TÜV Rheinland's sustainability strategy
- Internal CSR and sustainability activities and projects
- Maintaining a dialogue and collaborating with institutions and initiatives such as the UN, UN Global Compact, GIZ, or the Round Table Codes of Conduct
- Committee work
- IFIA Compliance Committee
- Philanthropic activities

During the reporting year, a total of four employees worked in our Corporate CSR & Compliance Office at our headquarters in Cologne. The CSR Office formulates, communicates, and monitors the company's CSR and sustainability strategy. In addition, it manages all CSR projects across the Group, initiates internal and external activities, and is responsible for reporting to the UN Global Compact and within the scope of the annual Corporate Report. Regional and local CSR Officers as well as CSR Officers in the individual German Operations support the office in carrying out its duties. These officers adapt Group requirements to local cultures and provide information about local CSR and sustainability activities. In regular meetings and experiance exchanges, information is shared within the network and summarized for the Group.

Since 2009, the organizational structure of our sustainability management has been outlined in a comprehensive CSR Guideline that forms part of the Group's quality management. The Guideline was not changed in 2012. In contrast, one key change was made with regard to our occupational health and environmental protection management systems: to account for the fact that the content and organization of the two systems are steadily becoming more intertwined, we combined the two into an integrated HSE (Health, Safety, and Environment) management system in 2012. More information on this topic can be found in the »Employees« and »Environment« sections on pages 50 and 61 of this Coprorate Report.

**CSR** – a key part of our understanding for over 140 years.

## ACTING WITH AMBITION – REPORTING WITH TRANSPARENCY

To our company, responsibility also means transparency. This is why we were one of the first companies to publish a statement of compliance with the German Sustainability Code (GSC), the new standard of transparency for sustainable business operations. In doing so, we want to embrace our responsibility to society, transparently present our company's operations, and promote the easy comparison of how sustainable the operations of companies truly are. On April 17, 2012, Professor Ralf Wilde, Executive Vice President Products and Member of the Management Board of TÜV Rheinland Berlin Brandenburg Pfalz e.V., took part in a discussion on background information with other corporate representatives at the Federal Chancellery to report on our experiences with the code and the value it brings. Within the scope of this meeting, representatives of the Federal Chancellery affirmed their support of the German Sustainability Code. As such, Germany's federal government will recommend that all companies who receive public funds should consider the application of the code.

German SUSTAINABILITY Code

But we do not simply present our impact on the environment and society. More importantly we report on how we handle the responsibility that stems from this impact.

Our goal by 2020:
**–25%**
specific $CO_2$ emissions.

At the end of 2011, we set forth sustainability goals pertaining to climate change and diversity: based on the levels from the base year 2010, by 2020 we want to cut our specific $CO_2$ emissions by 25% and our energy consumption per employee in Germany by 20%. Moreover, we are focusing on diversity in management positions. We are working on making the management level more international and increasing the share of female managers.

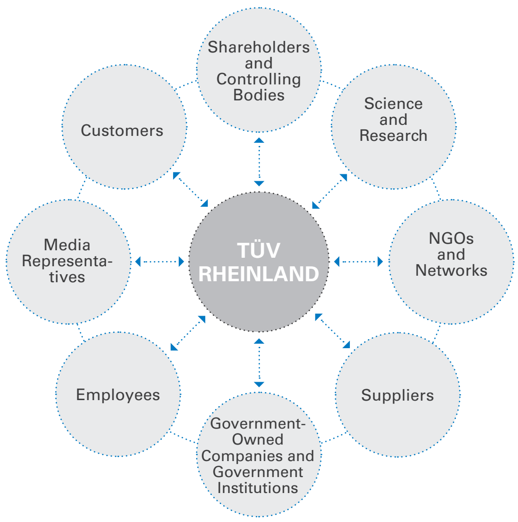
But since a goal is only as valuable as the measures taken to achieve it, we worked closely in 2012 with the departments and our Group's internal CSR network to begin drawing up a comprehensive package of measures for the years 2013 to 2020. In addition to measures taken across the Group, this package also sets forth numerous local and/or regional projects in order to best account for individual local conditions. Furthermore, the different respective departments have already carried out a variety of activities in 2012 in pursuit of this aspiration. You can read more about these activities in the »Employees« section on page 50 and in the »Environment« section on page 61.

## UNDERSTANDING IN ORDER TO IMPROVE

Whether formulating goals, developing appropriate measures, or evaluating completed projects – we attach a great deal of importance to the opinions of our stakeholders. Your suggestions and feedback give us important ideas for ways to enhance our corporate and sustainability strategy. We are absolutely certain that the better this strategy is tailored to the needs and interests of our stakeholders, the more successfully TÜV Rheinland will operate in its markets.

In order to foster a better understanding of the positions and goals of the other party, we began establishing a systematic stakeholder dialogue in 2009. The selection of stakeholders was carried out with the requirement that the different stakeholder groups would be taken into account as comprehensively as possible and that all groups with a connection to our company would be incorporated into the survey. In this context, the TÜV Rheinland Stakeholder Roundtable which we hold once annually has developed into a particularly important instrument besides stakeholder surveys.

In late 2012, we conducted our second extensive stakeholder survey with the help of an external service provider. By the end of the year, a total of 229 participants had submitted answers to a survey divided into two sections, »Sustainability Strategy« and »Sustainability Communication«, either by telephone or online. Nearly half of the completed surveys we received were filled out by one of our key stakeholder groups, our employees. About one fifth had been filled out by customers. This distribution allows us to see both internal and external expectations. The remaining nearly 25% comprised suppliers, non-governmental organizations (NGOs), business and research institutes, federally owned companies, stockholders, and media representatives.




**STAKEHOLDER UNIVERSE**
TÜV Rheinland's most important stakeholder groups

Nearly 80% of the stakeholders surveyed confirmed that sustainability is of key importance to corporate strategy. We were rated very highly when it comes to compliance, while our stakeholders believe that we have room for improvement when it comes to our company's activities on behalf of our employees and protecting the environment.

Our stakeholders believe that TÜV Rheinland's greatest scope of influence to make an impact on sustainable development lies in our core business. Around two thirds attach great or even extremely great importance to offering explicit sustainability services. And according to the participants, our role as a multiplier both internally and externally can also have a positive impact.

Traditionally, the knowledge gained from our stakeholder surveys is also used as an important element for identifying relevant topics. Comparing the stakeholders' assessments with where we have set our priorities provides us with information about which topics are viewed as important aspects of TÜV Rheinland's sustainability strategy by both ourselves and our stakeholders.

As a result, the topics of greatest importance to TÜV Rheinland with regard to sustainability are presented in the figure below.

## STAKEHOLDER ROUNDTABLE

In addition, on January 18, 2013, the third TÜV Rheinland Sustainability Roundtable with representatives from key stakeholder groups was held. The meeting followed rounds of talks held on February 10, 2011, and January 19, 2012. The dialogue process pertaining to sustainability is held regularly, and in addition to the extensive stakeholder surveys conducted in 2010 and 2012, is part of TÜV Rheinland's stakeholder activities.

The discussions, which were moderated by two independent experts, focused on enhancing and expanding TÜV Rheinland's sustainability strategy and goals across the Group and in the individual Business Streams as well as on internal and external communication about our sustainability activities. Participants included representatives from a variety of stakeholder groups such as employees, suppliers, customers, non-governmental organizations, and shareholders.

The participants see great potential for sustainable development in TÜV Rheinland's core business and will support the company by providing constructive criticism. In addition, they all agree that the stakeholder forum helps strengthen TÜV Rheinland's orientation to sustainable economics.

Moreover, the participants agreed to keep their discussions confidential in order to collaborate objectively, with complete trust, and as effectively as possible. Further results of the roundtable will be published at the appropriate time upon mutual agreement by all parties.

### KEY ISSUES FOR TÜV RHEINLAND

**ECONOMICS**

- Offering sustainability services
- Compliance
- Partnerships with public and private foundations and development institutions

**ENVIRONMENT**

- Energy consumption
  - Building management
  - Mobility
- Resource consumption
  - Water
  - Paper

**SOCIAL AFFAIRS**

- Training and further education
- Demographic change
  - Maintaining employability
  - Supporting young people
- Diversity
  - Work–life balance
  - Increasing diversity in management positions
- Occupational health and safety

## MEMBERSHIPS AND NETWORKS

TÜV Rheinland is a member of a wide variety of groups and associations. As a result of the collaborative work carried out with members of these networks, we have been able to establish valuable connections and forge new relationships with companies, NGOs, and both national and international institutions. It is not unusual for these contacts and partnerships to later result in joint business activities.

We signed the principles of the UN Global Compact in 2006 and pegged it into our corporate Mission Statement as well as our Company Policy on Values and Responsibilities. This particularly applies to the regulations and declarations on human and labor rights, children's rights, maintenance of sustainable protection of the environment, and fighting all forms of compulsory labor and corruption.

Furthermore, the values and principles of the UN Global Compact form a central guiding principle for our dealings with business partners. By actively participating in international projects – such as in the field of environmental protection, training seminars on compliance and the UN principles, or in discussions on the role of corporations in conflict regions – we strengthen our position as a reliable and valuable partner that plays its role in implementing and spreading ethical business practices and sustainable development.

We are convinced that the UN principles must play a larger role in everyday corporate activities. That is why we have taken on an active role in the German Global Compact Network (DGCN) and regularly participate in its workshops.

Above and beyond the Global Compact, we also actively participate in a number of other major initiatives:

- TÜV Rheinland has been active in the Round Table Codes of Conduct since 2006. The roundtable is concerned with the role of corporations in procurement from and outsourcing to developing countries, and discusses current social and labor policy issues. The roundtable is also a multi-stakeholder forum where unions, corporations, associations, and non-governmental organizations collaborate with one another, leading to joint initiatives, positions, and projects, if necessary.

- As a member of the International Federation of Inspection Agencies (IFIA) – the global umbrella organization for testing service providers – we have established a strong, industry-specific network on topics relating to ethics and compliance. The umbrella organization – which, among other things, comes together to discuss compliance regulations, professional ethical principles, and scientific standards and methods – is a global leader and sets standards for the entire industry. As one of its four largest members, we are represented in almost all of its expert groups.

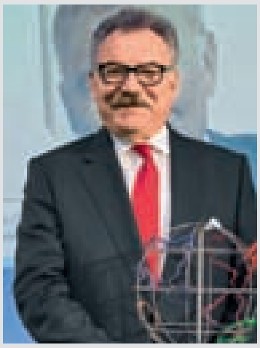
- In turn, the German testing organizations have joined to form the TÜV Association (VdTÜV), which represents their interests at national level. TÜV Rheinland has once again been a member of the VdTÜV and its alliance of brands since 2011. Among other associations, Dr.-Ing. Manfred Bayerlein represents the VdTÜV on the board of directors of the Federation of German Industry (BDI). In addition, we are represented through the brand alliance in the CEOC (Confederation of Inspection and Certification Organizations).

- As a company with its roots in the engineering sector, it makes sense that a large number of our employees are members of the Association of German Engineers (VDI). Prof. Dr.-Ing. Bruno O. Braun, Chairman of the Management Board of TÜV Rheinland Berlin Brandenburg Pfalz e.V. and Chairman of the Supervisory Board of TÜV Rheinland AG was president of the association from 2007 until late 2012. The VDI promotes the discussion of scientific ideas and advocates Germany as a location for technology. Initiatives like Women in MINT Professions (Mathematics, Information technology, Natural sciences, and Technology) and systematic activities to instill an ethusiasm for technology in young people are just two examples of a wide variety of projects the association carries out to support technology and innovation.

▲ In his role as VDI president, Prof. Dr.-Ing. Bruno O. Braun was also active in 2012 as the spokesman for the »Rhine Ruhr Power« business cluster. This alliance of around 80 engineering firms, suppliers, energy companies, service providers, and research institutes in the field of power plant technology also counts TÜV Rheinland as one of its members. In this context, we actively support, among other things, cluster's initiative to set up a Future through Innovation Center for energy issues in North Rhine-Westphalia.

### PROF. DR.-ING. BRAUN RECEIVES THE ÖKOGLOBE AWARD FOR LIFETIME ACHIEVEMENT

The walk to the awards ceremony was a short one – on October 17, 2012, our Chairman of the Supervisory Board, Prof. Dr.-Ing. Bruno O. Braun, accepted an ÖkoGlobe award for lifetime achievement at TÜV Rheinland's headquarters in Cologne. The jury of the internationally recognized environmental award honored Prof. Dr.-Ing. Bruno O. Braun for his outstanding contributions to the establishment of an international, knowledge-based company. The performance artist and co-initiator of the ÖkoGlobe, HA Schult, praised the award winner as someone »who approaches his work with farsightedness, business courage, and expert knowledge«.



Prof. Dr.-Ing. Bruno O. Braun at the awards ceremony in Cologne.

# COMPLIANCE

## LEGAL COMPLIANCE AND VALUES WITHIN TÜV RHEINLAND

In our corporate Mission Statement which we revised in 2012, we commit ourselves to the values of competence, reliability, incorruptibility, independence, and openness as well as corporate, social, environmental, and economic responsibility. For over 140 years, our customers have trusted in our integrity as a globally active provider of testing, certification, consulting, and training services. We want to live up this trust.

We believe that the working conditions of our employees or our environmental standards need to measure up to both the UN Global Compact and our own internal corporate guidelines and adhere to our Company Policy on Values and Responsibility. We can only achieve this goal when our employees internalize the applicable laws and our corporate guidelines as binding rules, and carry out their daily work in accordance with them.

TÜV Rheinland has been a member of the International Federation of Inspection Agencies (IFIA) since 2007, and has introduced a compliance management system in line with the IFIA's Compliance Code. By signing the UN Global Compact in 2006, we also accepted the principles stipulated within for our company. Issues such as human rights, environmental protection, occupational safety, and anticorruption are of elementary importance to the long-term success of our company. Our compliance management system is evaluated annually pursuant to select criteria of the IFIA's Compliance Code. The results of this evaluation are then reported to the IFIA. We continuously make advancements and improvements to the system on the basis of the recommendations generated from this analysis.

## THE COMPLIANCE MANAGEMENT SYSTEM'S FAR-REACHING SPHERE OF INFLUENCE

Our compliance management system is set forth in a number of different guidelines, codes, and recommended actions that are binding for all employees. In this context, we have drawn up the following binding documents, among others:

- TÜV Rheinland Code of Conduct
- Compliance Guideline
- Guideline for the Prevention of Conflicts of Interest and Corruption
- Sponsoring and Donation Guideline

These documents are available in both German and English. We have also made several guidelines available in the national language of the respective country. Our compliance guidelines are available in nine different languages. Our application processes stipulates that we present our compliance rules online to new employees. We then provide more detailed information about these rules during a voluntary two-day seminar, »New at TÜV Rheinland.«

**LANGUAGE DIVERSITY**
Our compliance guidelines are available in nine languages.

When entering into business relationships with TÜV Rheinland, we have defined general terms and conditions of purchase for our suppliers, and we work toward getting these companies to accept them. Within the scope of these terms, suppliers agree to adhere to our compliance guidelines, applicable laws, human rights, and the principles of the UN Global Compact. If a supplier breaches one of these binding rules, we reserve the right to terminate the agreement for cause.

## BLACKLIST OF COUNTRIES

With our Company Policy on Values and Responsibility and our Code of Conduct, we have committed ourselves to maintaining high ethical standards. Our collaboration with customers is also governed by these guidelines – and they are incorporated into the process even before entering into a business relationship. We are committed to avoiding business with companies whose main product is land mines or weapons of mass destruction. In addition, TÜV Rheinland's Executive Board created a »Blacklist of Countries« in 2012. This stipulates that doing business with companies from risky countries must first be evaluated, and that it may only be allowed with certain conditions, or be partially or completely prohibited. This particularly applies to business with countries which pose an increased risk to the safety of our employees or an increased financial risk.

## INTERMEDIARIES

We have set up a process which sets forth that new agreements between companies in the TÜV Rheinland Group and intermediaries (such as agents, external sales partners, and consultants that provide intermediary services) that exceed a certain financial value must be entered into on the basis of an applicable catalog of approval requirements. In this case, the Compliance Office works with Corporate Legal toward incorporating compliance stipulations into the agreements.

## ORGANIZATION

We operate a compliance system with international branches. It is managed centrally by the Chief Compliance Officer, who reports directly to the CEO. In addition to the Corporate Compliance Office, 65 Compliance Officers have been appointed who are responsible for compliance-related issues in the individual German Operations and at the local level. They regularly report to the Chief Compliance Officer about regional compliance activities. We secure the continuous dialogue among the Compliance Officers themselves and with the Corporate CSR & Compliance Office at the company headquarters through various virtual meetings. In addition, we held a global Compliance Officer meeting for the very first time in Cologne last year. A total of 22 Compliance Officers from our domestic and international subsidiaries participated in the event. The Compliance Officers from China, India, and Poland, among others, presented their local compliance programs. The next meeting is already scheduled for 2013.

Last year, we carried out a risk analysis for TÜV Rheinland. As a result of this analysis, we created a risk matrix which applies to the entire business field. This was drawn up in collaboration with numerous general managers from our domestic and international subsidiaries and in coordination with a variety of divisions (including Legal, Controlling, and Finance). The results are used to analyze the risks currently facing our business operations.

## DEFINED PROCEDURE FOR DEALING WITH COMPLIANCE CASES

We introduced a procedure for dealing with compliance cases that is standardized for all employees and companies in the Group. This procedure stipulates that the respective Compliance Officer is responsible for initiating the required steps at the local level. In this context, the Local Compliance Officers can also seek legal counsel from external attorneys, if necessary. The Corporate Compliance Office is to be informed of the matter and provides support and advice to the Local Compliance Officer. In this way, we can guarantee that the matter is dealt with transparently and that all the necessary measures are taken. In certain cases, the Compliance Board is also involved in the matter as the highest committee. Under the terms of this procedure, misconduct on the part of employees may lead to consequences affecting their employment and criminal charges. Fines or government sanctions for breaches of statutory provisions were not imposed on companies in the TÜV Rheinland Group in 2012.

## COMPLIANCE INQUIRIES IN 2012

In the previous year, the Compliance Office handled a total of 110 compliance incidents. The majority of these were inquiries. The smaller portion of this total related to cases of suspected misconduct and agreements with intermediaries. The inquires received can be particularly attributed to the following categories:

- Accepting gifts/invitations from business partners
- Critical customer relationships (such as with arms manufacturers)
- Customer relationships with companies from »risk countries«
- Ethics
- Sponsoring

Some of the cases of suspected misconduct pertained to criminal actions. The investigated cases typically concerned the following areas:

- Fraud
- Corruption
- Inaccurate test reports
- Personnel
- Forgery of documents

Our employees have access to a compliance hotline which can be used to provide anonymous information about employee misconduct. It is available to employees of both domestic and international companies in the Group, and is serviced by external attorneys who handle all calls in a strictly confidential manner.

## TRAINING

All of our employees are required to take part in a compliance training. Most employees are trained using a compliance e-learning program. The program, which is currently available in 44 countries around the world, was translated into French, Polish and Russian in 2012. As a result, our compliance training program is now available in nine different languages. During the program, employees become familiar with the topic of compliance and guidelines applicable in our company using model cases. The e-learning program particularly covers the issues of anticorruption, our Code of Conduct, and human rights. At the end of the previous year, a total of 11,767 employees had successfully completed the e-learning program. The issue of compliance is of special importance to new general managers. We are quite aware of this importance, which is why we held a training seminar on the topic (both nationally and internationally) for the first time that was specifically geared for general managers and authorized representatives to familiarize them with their responsibilities.

**COMPLIANCE TRAINING**
Close to 70% of our employees have successfully completed our compliance e-learning program.

# EMPLOYEES

## AN EMPLOYER WITH A CLEAR PROFILE

Technical testing services are TÜV Rheinland's core business. As such, our company's success – and our contribution to sustainable development – is based on the skills and dedication of our employees. Our personnel policy therefore aims to continuously enhance both our employees' qualifications and their motivation. This is because knowledge first becomes an asset to our company when it is used to the company's benefit and constantly advanced.

Every single employee is both the face and an ambassador of our company. That is why we strive to internalize, live out, and represent both internally and externally the corporate values – such as reliability, diligence, transparency, openness, dedication, and enthusiasm – documented in our Mission Statement (revised in 2012 and applicable across the Group) and in our management principles. Our corporate culture is just as conscious of traditions as it is focused on the future, sustainable, and international. We interact with one another in a manner that seeks to strengthen the ability to give and take criticism and expects everyone to be prepared to engage in constructive dialogue.

This corporate culture also has a direct impact on our reputation as an employer. The umbrella brand TÜV Rheinland is particularly well known in Germany and has an excellent reputation. Not long ago the employer TÜV Rheinland stood primarily for stability and security, but today we also acquire potential high performers through our credible, sustainable operations and wide-ranging development opportunities in an international environment. The significant progress we have made when it comes to our image as an employer is reflected in a number of renowned rankings. Continuously expanding and constantly improving our image is what drives our department responsible for employer branding day in and day out.

## NOT ADMINISTRATION – MANAGEMENT!

At a company like TÜV Rheinland, whose success is highly dependent on the performance of its employees, Human Resource (HR) management fulfills much more than just an administrative function – it is a key success factor. Our dynamic international expansion and numerous acquisitions in recent years have caused certain inefficiencies to arise in structures and responsibilities pertaining to personnel matters. In 2012, we achieved important milestones in optimizing these structures, thus creating the foundation for even more efficient and high-quality HR work.

### MODEL HR MANAGEMENT

Every year, the CRF Institute identifies companies with exemplary human resource management on the basis of international standards. In 2012, we received the »Top Employer« employer award for the fifth time in a row. We particularly stood out in the categories »Career Opportunities« and »Training and Development.«

### MOST POPULAR TESTING SERVICE PROVIDER

In the trendence research institute's »Graduate Barometer 2012,« we jumped from 50th to 37th on the list – making us the most popular testing service provider among engineering graduates.

### POPULAR AMONG EMPLOYEES, TOO

The Internet platform kununu gives employees the ability to anonymously rate their employers. Our employees have rated us so highly that kununu has named us a »Top Company.«


## HUMAN RESOURCE MANAGEMENT

Our Chief Human Resources Officer oversees a total of seven administrative departments across our regions and German Operations. In 2012, we restructured them with a particular focus on increasing the autonomy of the previously consolidated functions of employer branding, employee relationship management, recruiting, and employee development. As a result, we now have the ability to carry out projects, especially ones across the Group, much more systematically and ultimately more efficiently. Another important measure we took was the establishment of an internal social service as its own independent department. This department is now responsible for coordinating and enhancing our »Family and Career« program, our activities in health management, and our initiatives to promote women in scientific careers, among other duties. In order to give our wide-ranging initiatives and the necessity to develop, implement, and optimize processes and tools in the field of human resources an organizational home and responsibility, the Global Human Resources (HR) Process Development department was established as of January 1, 2013.

Four heads of human resources for our six major German Operations and seven HR managers and/or coordinators according to our regions represent the point of contact in the operative divisions, and have the goal of ensuring that our human resources strategy is implemented uniformly throughout the Group

## THE DIFFERENCE IS WHAT COUNTS

We view diversity in all of its many aspects as a strength that we want to systematically expand, and this is also clearly reflected in our sustainability goals. In order to document this aspiration and its achievement, we have begun work on a Diversity Charter that will initially apply to Germany; extending it to other Group regions is planned. The focus of our goals and a variety of activities in the field of human resources reflect this ideal of diversity. For example:

»A GLOBAL PLAYER«
with over 500 locations in 65 countries.

- We want our most important decision-making bodies to be as international as possible
- We seek to promote the employment of women, particularly in leadership positions
- We wish to create a working environment for our older, experienced employees that does justice to their individual working capacity

Although the name might not sound like it, with over 500 locations in 65 countries, TÜV Rheinland is a true global player in the inspection industry. We now employ almost 60% of our workforce outside of Germany. We want to use our internationalism as a strength and expand it in the coming years. In addition to exchanging technical knowledge across borders, we attach significant value to the mutual exchange of cultural values. Our global orientation should be present and felt every day through the greatest possible share of our employees. In this context, it goes without saying that we advocate fair, comparable working conditions in our different regions and areas of operation.

In 2012, we particularly dedicated a whole series of initiatives to the advancement of our current and potential female employees. For example, Thomas Biedermann, our Chief Human Resources Officer, spent an entire day within the scope of TÜV Rheinland's first Women's Day answering questions and discussing suggestions and constructive criticism in person and by e-mail on the issue of »Advancement of Women.« In addition, our company took part in the national Girls' Day for the first time at not one, not two, but five of our locations – namely Cologne, Nuremberg, Berlin, Dresden, and Rostock. The goal of this event is to spark girls' interest in technical careers.

During this somewhat different school day, the students can take matters into their own hands and witness technical careers live and in action.

## IT'S GIRLS'DAY!

Fashion, horses, cute boys? As if! On April 26, 2012, more than 100 girls between the ages of 10 and 16 were captivated by very different topics at a total of five German locations: topics such as solar technology, cars, chemistry, and technology. For example, at our headquarters in Cologne the participants took a look behind the scenes of a vehicle testing center and the solar and chemical lab. In Nuremberg, the exciting topic of inspecting toys was on the agenda and, in addition, our vocational trainees provided first-hand information about our »Chemical Laboratory Assistant« and »Construction Material Tester« vocational training programs. Vocational trainees from the TÜV Rheinland academies in Berlin, Dresden, and Rostock also present their programs in the fields of metal, wood, electronics, and vehicles in an event entitled »Careers You Can Touch!«

We will continue our diversity campaign in 2013 with additional new activities. For instance, we are striving to establish a women's network across the Group that will give our female employees the opportunity to regularly discuss their experiences – including with external participants. By launching a blog about International Women's Day, we also want to use digital media as a forum for this issue. Besides that, we are planning an event with the purpose of developing initial ideas for institutionalizing the volunteer work carried out by retired or soon to be retired TÜV Rheinland employees.

## OUR WORKFORCE IN FACTS AND FIGURES

Our workforce once again grew steadily over the past year, with our company employing an average of 17,218 people (previous year: 15,961). With nearly 11% growth at our companies outside of Germany to a total of 10,183 employees, we continued the trend toward an increasingly international workforce which we have seen in recent years. Yet also the number of employees in Germany (full-time equivalent) increased from 6,774 to 7,035 over the previous year.

For a growing business, highly loyal employees – and safeguarding and expanding the knowledge that comes with it – is one of our foremost objectives in the human resources sector. Compared with the German economy's average, our 5.44% turnover rate remained low in 2012. In Germany in 2012, 163 female employees and 230 male employees left our company.

The share of full-time employees in Germany remained constant year-over-year, at about 85%.

With respect to cultural diversity and regional origin, our employee structure in Germany (including management bodies) probably matches the German average due to our nationwide presence. By the same standard, our international locations favor local personnel.

In Germany and abroad, female employees comprise approximately 40% of our workforce. The share of women in management positions is lower; in Germany the upper levels of management (1st and 2nd levels) comprise 11% women – abroad, this figure lies at 16%.

Most of our employees in Germany are between the ages of 30 and 50 – this group includes 60% of the total workforce. Abroad, this figure stands at 53%. Our employees' level of education in Germany continues to be high, with 50.7% holding university degrees.

## BLACK BELTS AVAILABLE

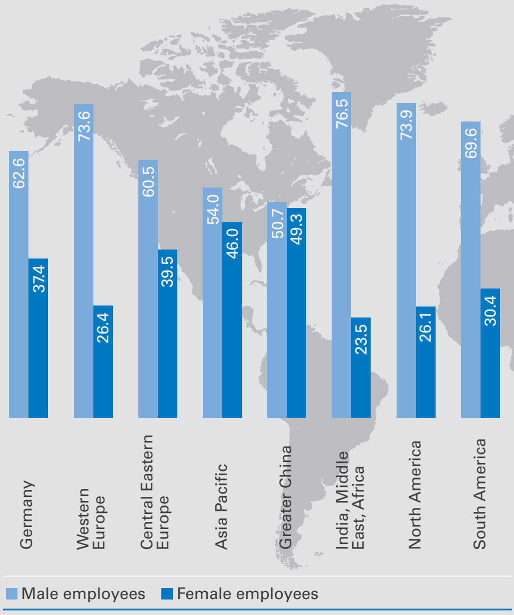
Knowledge is the ultimate production factor for companies. But of all things, this factor is also particularly difficult to manage, since knowledge is a resource that changes and expands almost incessantly as a result of new information, ideas, and experience. This makes the challenge that TÜV Rheinland's knowledge management faces just as complex – making our collective knowledge available and usable for every employee worldwide at any time.

In this context, our global corporate portal »blueye« plays a key role. As what might be called the organization's collective memory, it consolidates all of TÜV Rheinland's information in one place and makes it accessible through a uniform interface using a document management system. The lion's share of the content comprises technical information and information from sales and marketing. In 2012, HR management took it upon itself to work on both presenting its information in more detail and an integrated interaction over blueye; implementation is planned for the second quarter of 2013.

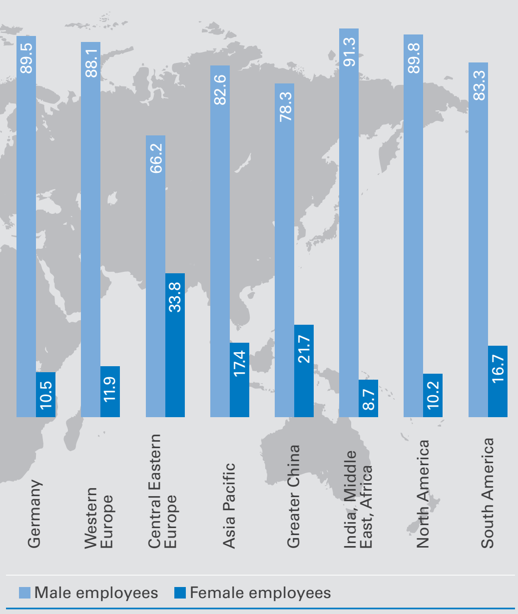
**»BLACK BELT« PROGRAM**
TÜV Rheinland has offered advanced training for experts since 2012. In addition to technical and methodological skills, these training seminars also help participants improve their social skills.

# CENTRAL EMPLOYEE DATA*

**Workforce by Gender**
in %



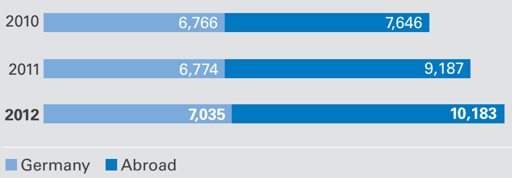

**Managers by Gender**
in %




In Germany, 37.4% of our employees are female; abroad, the figure is 36.3%. A total of 58% of our employees in Germany are between 30 and 50 years old. Abroad, this figure stands at 53.4%.

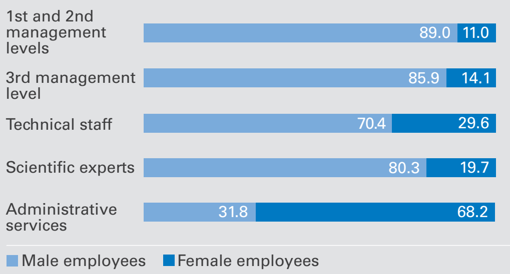
Similar to the distribution in our workforce, men are also represented more strongly in management.

**Employees in Germany and Abroad**
Full-time equivalent



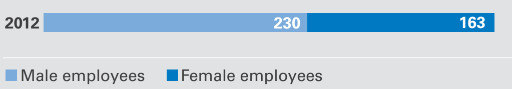

In 2012, we employed an average of 17,218 employees (full-time equivalent on the reporting date, [previous year: 15,961 employees]). With nearly 11% growth abroad, we continued the trend toward an increasingly international workforce.

**Employees by Function and Gender in Germany**
in %



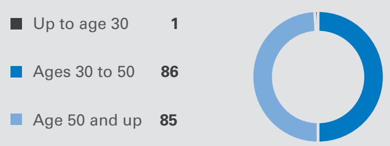

The generally low percentage of women in technical careers, which applies all the way from vocational training programs through to management levels, is also reflected in our employee structures.

**Employee Turnover by Gender in Germany**




In 2012, our employee turnover rate in Germany remained low, at 5.44%. The average length of employment in Germany stands at about 11 years. In addition, 92.5% of our employees in Germany have a permanent employment agreement.

**Age Distribution in Germany**
1st and 2nd levels of management




* All employment statistics for Germany are based on per-head data as of the reporting date, and all employee information about foreign subsidiaries is based on full-time equivalent data as of the reporting date (December 31, 2012). Deviations from this practice are stated in the text. The statistics apply to 90% of foreign subsidiaries.

As good and important as digital knowledge management is, it can never fully replace the personal transfer of skills and the extensive wealth of experience of many of our long-term employees – skills and experience that are both of elementary importance to the company and particularly to vocational and advanced training of our specialized experts. Conscious of this fact, under the direction of the divisional heads, we pushed forward with advancements to our training for specialized experts in 2012. Over the short term, we are striving to standardize and simultaneously optimize the »initial training« of our employees – which, upon successful completion, officially authorizes them to carry out inspections in a certain field. The long-term goal of this initiative is to elevate the expertise of as many of our employees as possible to »black belt« level – namely, develop them into qualified experts and key communicators of knowledge in their field. In addition to technical and methodological skills, we also want our employees to systematically develop their social skills. Within the scope of training seminars for specialized experts, we also want to make much better use of the potential offered by systematic mentoring in the future.

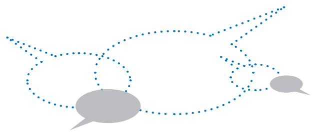
As a rule, we motivate all of our employees to become involved in networks, working groups, and specialty and project teams – both inside and outside of our company. Aside from gaining and transferring knowledge, we also want this process to promote general communication among employees.

## WE NEED TO TALK

An open and fair feedback culture is absolutely critical to successful HR and corporate development. It is extremely important to us that giving and receiving do not get reduced to purely a question of hierarchical position, but instead equally represent a right and a duty for all of our employees.

All of our managers around the world undergo a comprehensive annual management review. Furthermore, in Germany the structured employee interview is, in addition to a possible additional performance review, required across all levels of the company. In order to do justice to the significant importance of this instrument, we strengthened our focus on it in 2012. We were quite pleased with the result – the vast majority of our managers actively support the use of regular employee interviews. Alternating every other year at two-year intervals, everyone has the opportunity to either provide feedback through a global employee survey, or employees have the option to provide specific feedback to their supervisor; in both cases, the feedback is completely anonymous.

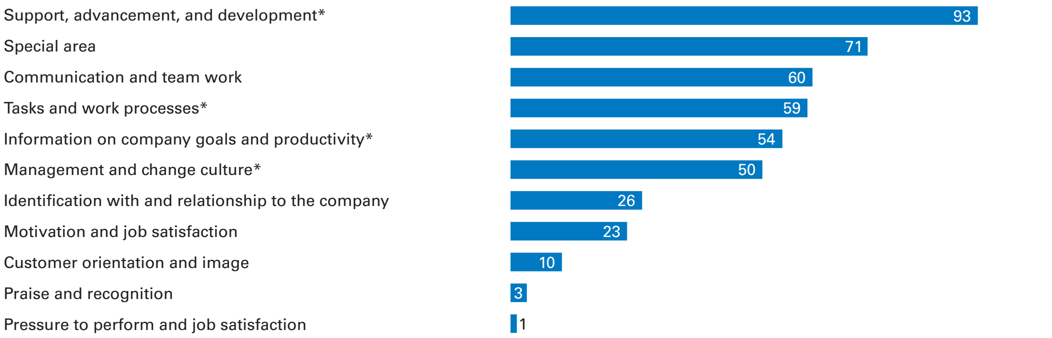
In 2011, we launched an event series entitled »Local Dialogue« in Germany, and since then it has successfully taken root and was continued in 2012 around the globe. As such, in 2012, a total of 12 dialogues were held in China, Hungary, Poland, Brazil, the United States, and Japan. At each fully booked event, our CEO Dr.-Ing. Manfred Bayerlein and members of senior management provided information about TÜV Rheinland and its many aspects before answering the numerous questions posed by the participating employees. We already plan to invite our employees to the next »Local Dialogue« events in 2013.



**»LOCAL DIALOGUE«**
was held in Brazil, China, Hungary, Poland, the United States, and Japan in 2012.

In 2011, we conducted the first of the aforementioned employee surveys, named »together«, and received a pleasing number of completed surveys, some praise, but also clear tips on areas where we can stand to improve. Our employees particularly saw the latter with regard to »Information on Company Goals and Profitability« and »Management and Change Culture.« The impressive number of measures we initiated in 2012 – a significant portion of which we also completed over the course of the year – in reaction to the results of this survey, namely 450, is evidence of how seriously we take this feedback.

**Actions Taken**
as a result of the employee survey




*Areas of focus.

We will see whether or not our efforts were successful in 2013, because we want to repeat the survey during the current year, and in doing so, establish this tool as a fixed element of our feedback culture. A key goal in this context will also be to further improve on the number of participants in order to increase the significance of the survey and receive even more constructive suggestions.

## GROWING TOGETHER

In 2011, we created the Talent Teams, a highly promising staff development tool. We are using this tool to implement our »development teams« concept, which is well established and proven in Germany, for the first time on an international scale. Equipped with fundamental knowledge in the field of project management and various control and support functions, the selected employees work in small groups focused on a specific task for a period of several months. For example, our first Talent Team in the Asia Pacific region came up with approaches to improve the certification process.

## CLIMBING THE CORPORATE LADDER – STRATEGICALLY

We offer our employees a wide range of development and advanced training opportunities at every stage of their career. In order to best determine an employee's development potential and possibly also ascertain their direct eligibility for certain fields of activity, like sales or project management, we created the »Talent Potential Evaluation,« a tool used to identify potential. The results of this evaluation are used to initiate the fitting general and individual development. In addition, we also identify promising young professionals through direct inquiries at management level. To get to know the suggested candidates better, we invite them to events like our »Young Professional Conferences.« Subsequent programs like our Assessment/Development Center, Talent Teams, Management Development, and the Management Academy modules all comprise possible elements of the development program.

When it comes to our advanced training opportunities, we generally utilize a flexible mix of tried-and-tested (seminars, workshops, coaching) and innovative methods (e-learning, virtual classrooms). All employees around the world can access selected e-learning courses via the CONECT learning platform irrespective of their location, business stream, and learning times. Our in-house service provider intr@in, which has over 20 years of experience in education and training, is responsible for the development, organization, administration, and management of our interdisciplinary training needs.

Our managers are expected to be completely at home in an international environment. And our specialists with project management and training duties also need to increasingly incorporate an international focus into their work. As a result, longer assignments abroad are increasingly becoming a part of our employees' careers and an increasingly important instrument in HR policy. We support the advancement of our upper-level managers with comprehensive training programs with the aforementioned Management Academy. A series of seminars held in 2012 was especially geared toward managers with more than five years of management experience, and gave them the opportunity to improve their coaching skills and better fill their role as mentors. A more intensive interdisciplinary exchange of information and ideas is also an important goal that we are pursuing in Germany with our »Management Workshop.«

But our employees without management responsibilities are also more frequently presented with opportunities for assignments abroad or the ability to work on international projects or as part of an exchange program. As part of our internal communications, we repeatedly invite our employees to actively express their interest in an international assignment. In the future, an international trainee program will also support internal job rotation. In 2012, we launched a corresponding pilot project in Controlling. We give our employees the skills they need for their assignment abroad in a variety of courses and seminars. These range from our in-house language program »let's go international« to intercultural training courses. And since a foreign assignment is usually associated with a whole mountain of administrative work, an expert team from HR is available to assist and advise the employees concerned.

**Documented Training and Further Education Days in Germany**

| | 2011 | **2012** |
|---|---|---|
| **Trained employees** | 3,325 | **4,131** |
| Training days for new experts | 4,674 | **7,675** |
| Seminar days for new employees | 633 | **887** |
| Further education days | 10,695 | **14,773** |
| **Total training and further education days** | **16,002** | **23,335** |

## STARTING A CAREER FROM POLE POSITION

As a company that operates in a responsible manner, it is only natural that we give young people the ability to launch their career by participating in a qualified vocational training program.

We offer vocational training programs in both administrative and industrial/technical careers at different German locations. The spectrum of professions ranges from office workers and qualified IT specialists to chemical laboratory workers and medical assistants, as well as cooks and building material testers. Our goal for the coming years is to increasingly move the previous focus of our vocational training programs from administrative positions – office workers regularly comprise the largest share of trainees – to professions with a more productive focus. In doing so, we want to systematically increase the number of young talents in the areas where a lack of specialized employees is already becoming apparent today and will particularly be the case in the future.

The number of trainees we accept each year is determined by our current needs and the fields of application available in our German Operations. We promise all of our trainees that we will hire them for at least six months after they successfully complete their training program. We also endeavor to provide our trainees with a permanent employment agreement in our company.

In addition to the conventional manner using job listings, we also call potential applicants' attention to the wide variety of development opportunities at TÜV Rheinland through partnerships with schools, open house events, and guided tours through our facilities. In addition, social networks are becoming an increasingly important recruiting tool, especially when it comes to young people.

We are convinced that talent and motivation are not expressed through good grades or a spotless record alone. That's why we also gladly give people consideration who, for a variety of reasons, are unable to submit an immaculate résumé. These applicants are given the opportunity to demonstrate their dedication and practical skills during an assessment day, for example, which in addition to an aptitude test represents a newer, yet fixed component of our selection process. As a partner in the »Joblinge« initiative, we also want to enable select youth without a high school diploma to participate in a vocational training program. In this context, the idea is that experienced employees act as mentors to closely support and advise them in their professional and personal development.

With extensive contacts to universities and colleges – particularly in North Rhine-Westphalia – we are also considered an attractive employer among young academic professionals. We provide guided tours and lectures, take part in subject weeks, invite students to take part in the Night of Technology in Cologne, offer specialized internships, and supervise project assignments and bachelor's and master's degree theses. The internships abroad that we offer are also very attractive to students. Contacts established in one of these ways frequently lead to an employment contract later on.

In cooperation with the Südwestfalen University of Applied Sciences, the TÜV Rheinland Academy offers part-time degree programs in mechanical and electrical engineering. In fact, we are fully financing the entire degree program for five employees through scholarships. As a part of the NRW Scholarship Program, we also provide funding for students at the University of Cologne, the Cologne University of Applied Sciences, the Bonn-Rhein-Sieg University of Applied Sciences, and the Hochschule Niederrhein University of Applied Sciences in Krefeld.

We are also conducting two projects in cooperation with the NRW Sports Foundation. As part of the »Coach the Coach« initiative, we brought together sports coaches and representatives from the company for the first time for an inspiring exchange of ideas in 2012. And the »Twin Career« initiative is geared toward a very specific audience, namely competitive athletes. Through internships and ongoing personal assistance and advice, we offer aspiring Olympic athletes the ability to establish a professional career early on. In this context, the athletes can gain a closer look at the professional world without it having a negative affect on their training. In addition, we have also supported the German Sport University Cologne since 2012 by making internships at our company available to the university's students.

## MOBILITY IS ATTRACTIVE

Our experience from countless hiring and employee interviews has shown that job flexibility is an extremely important criterion for many people when selecting an employer today. As a result, our goal is to give every employee as much flexibility as possible within the scope of our management needs so that they can best coordinate their professional and private obligations to their current phase of life and/or living situation.

By doing so, we not only increase our employees' job satisfaction and motivation, but also the profitability of our company as a whole. Because every time we need to refill a position, every longer period of absence, and every time we need to reintegrate returning employees entails significant costs, effort, and – in most cases – a loss of knowledge for TÜV Rheinland. There are no steps we can take to completely prevent them, but we can at least reduce them considerably.

In 2012, we established an internal social service as its own independent department, and it acts as the main point of contact for issues pertaining to work–life balance. Through full-time support of the »Family and Career« program and a number of different new initiatives, this department coordinates and develops ways to become familiar with the true needs of the company's employees and offers services that are tailored to these needs.

Within the scope of this program, we offer our employees a variety of different measures such as flextime schedules, telecommuting and part-time work during parental leave, opportunities to stay in contact, and spots for children in day-care centers. One issue that is becoming increasingly important is caring for family members. We must prepare for the fact that over the long term, a significant number of our employees – especially in Germany – will exercise their legal right to take leave to care for loved ones.

## GOOD HEALTH BEGINS IN THE MIND

Permanently maintaining our employees' health, productive capacity, and quality of life is of utmost concern to our company. Through the aforementioned Social Services department, we have further increased the effectiveness of our workplace health management. This is because it is initially important, in many cases, to create sufficient awareness of health risks. Our employees can then counteract them with a wide range of preventative measures. Our measures to increase awareness in the reporting year included, among other things, working with a health coach and numerous health days in our German Operations and subsidiaries.

As has long been the tradition, in Germany we once again offered influenza vaccinations in 2012, which 577 employees took us up on. Other preventive measures relate to modern ailments such as lung cancer, weight problems, back pains, and diabetes. In addition, we also took measures that are tailored to fit the special needs of specific careers – employees who drive a vehicle as part of their work, for example, are offered a corresponding eye exam, while employees who work at computer screens are entitled to a checkup in accordance with computer workplace regulations.

Last but not least, a healthy way of life includes a balanced diet and sufficient exercise. As a result, when carrying out promotional activities, we are increasingly moving away from offering sweet calorie bombs and instead provide fruit. And in 2012, we showed our employees how to quickly convert an office into a gym within the scope of our »Sport in the Workplace« training program. In Germany, our extensive company sports program, which includes around ten different athletic disciplines, is complemented by about 20 to 25 special sports projects – including sailing tours, ski trips, and charity runs.

But even the best occupational health management will never fully prevent individual employees from being forced to leave their job as a result of disability. In 2012, we began offering our employees in Germany disability insurance coverage, where we bear half the cost of the premiums. As a result, we play an important role in at least partially eliminating income shortfalls in the event that an employee should become disabled.

## WE PLAY IT SAFE

Ensuring the health and safety of our employees while they do their work is our highest priority at all times. That is why our occupational safety management system applies to all companies across Germany and is part of our integrated ISO 9001:2000-compliant management system. As an independent management system, it is also certified pursuant to OHSAS 18001 for numerous German companies. Incidentally, we are also accredited certifiers of occupational safety management systems ourselves.

The core of our system is the Occupational Safety Management (OSM) Guideline, which we have augmented with subordinate guidelines, process descriptions, and forms. Responsibility for developing and administering this system rests with the Group's full-time Occupational Safety and Radiation Protection Officer. To account for the fact that the content and organization of occupational protection and environmental protection management systems are steadily becoming more intertwined, we began

**FAMILY AND CAREER**

Our Social Services department is responsible for a range of topics – the »Family and Career« program, with its numerous new initiatives, and measures to prevent serious illnesses are two good examples.

combining the two into an integrated HSE (Health, Safety, and Environment) management system in 2012. In the future, this system will also form the basis of the HSE organization at our foreign subsidiaries. A further focal point of our work in the reporting year was on developing key performance indicators to evaluate our performance in the field of occupational health and safety.

Efficient occupational health and safety measures require prior knowledge of the potential hazards specific to an individual activity. Only then can we determine which measures – such as briefings, personal protective equipment, and occupational medical checkups – are required in each individual case. In 2012, we laid the groundwork for the introduction of a database which, starting in 2013, should help us record hazard evaluations that we have conducted in a structured way and make them accessible throughout the group.

**ASSESSMENT**
In Germany alone, a total of 35 occupational health and safety committees review the effectiveness of occupational health and safety measures.

In Germany, we evaluate the effectiveness of our occupational health measures using, among other things, a network of 35 German Operations-related occupational safety committees (OSC) that meet four times a year. All of our employees in Germany are represented by these committees.

More than 89% of our employees in Germany have been personally briefed at least once on the specific hazards that lie within their area of activity. In the future, we also want to complement personal conversations with self-teaching programs, which will further increase the reach of our briefings. In the reporting year, we completed important preliminary work in this regard, and have already progressed to the implementation stage.

In 2012, in contrast, our new IT-based accident notification system was successfully launched. This system is used to systematically record occupational accidents and accident-related downtimes in Germany using standardized criteria. We will progressively implement the system at our foreign subsidiaries as well.

In 2012, our foreign subsidiaries reported a total of 123 injuries (accidents).

**Occupational Safety in Germany**
in terms of reportable accidents

| | 2011 | **2012** |
|---|---|---|
| Number of employees covered in % | 100 | **100** |
| Accidents | 135 | **140** |
| Accident rate* | 11.76 | **11.75** |
| Days lost due to accidents | 2,120 | **2,607** |
| Days lost due to accident per accident | 15.7 | **18.62** |

* Occupational accidents per 1,000,000 working hours.

# ENVIRONMENT

## KNOWLEDGE PROTECTS – EVEN THE ENVIRONMENT

Our experts around the world utilize their comprehensive technological expertise to develop solutions that, among other things, minimize negative environmental influences in many areas of our life, and help to make them controllable. In this process, we act in a close dialogue with partners from the worlds of research, politics, civil society, and industry.

To account for the fact that the content and organization of occupational protection and environmental protection management systems are steadily becoming more intertwined, we began combining the two in 2012 into an integrated HSE management system. HSE stands for health, safety, and environment – an indication that we are vigorously striving to integrate our processes from both a technical and interdisciplinary perspective. Accordingly, the integrated management system should in future also form the basis of the HSE organization at our foreign subsidiaries. Additions specific to the individual country will ensure that the respective local laws are observed.

In 2012, we once again hired an external appraiser to certify the quality management of a large portion of TÜV Rheinland companies with more than 50 employees pursuant to ISO 9001 within the scope of a Group certification. At the end of 2012, in addition to our five certifiable German Operations – as a company that itself issues certifications, the German Operation Systems is prohibited from being certified by an external company – the following countries in our Group's regions have already been certified:

- Western Europe: Spain
- India, Middle East, Africa: India, Saudi Arabia, United Arab Emirates
- Asia Pacific: Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Thailand, Vietnam
- Greater China: China (mainland), Hong Kong, Taiwan, and four other Chinese subsidiaries
- North America: USA

Furthermore, additional German and international companies in the Group have also been certified outside of the Group certification by various certification companies pursuant to ISO 9001. In 2012, we generated approximately 80% of total turnover in certified companies. We are convinced that through the continued harmonization of our quality management systems, we will simplify our international collaboration and increase the efficiency of our processes. The certification of additional companies in the Group is planned for 2013.

At the same time, we will also have our environmental management systems certified pursuant to the international standards ISO 14001 and OHSAS 18001. In 2012, our two Spanish companies, TÜV Rheinland Iberica S.A. and TÜV Rheinland Navarra S.A., were both certified in accordance with ISO 14001.

In addition to the Group Officer, two HSE managers and five environment management officers were active in Germany in 2012. This is how we implemented the organizational structure with regard to HSE with the six German Operations and our administrative divisions. They monitor the observation of our Environmental Protection Guideline, promote ecological awareness among our employees, and ensure that neither the law nor valid environmental regulations are violated. We are not aware of any such breaches internationally in the reporting year.

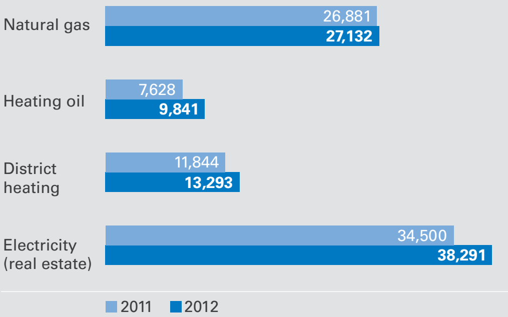
## SMALL IMPROVEMENTS ADD UP!

As a service provider, our direct environmental impact – compared to manufacturing companies – is relatively moderate. Our impact mainly stems from the use of our offices and testing facilities as well as from business travel.

Nevertheless, we do not believe this limits the role we can play in protecting the environment. As a result, we have set the goal of reducing our specific $CO_2$ emissions by 25% from their level in 2010 by the year 2020. We also want to reduce our energy use per employee in Germany by 20% during the same period. In order to achieve these goals, it is critical that we increase all of our employees' awareness of the fact that

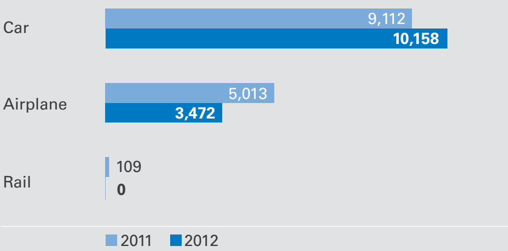
# CENTRAL ENVIRONMENTAL DATA

**Energy Consumption in Germany**
in MWh




The increase in electricity use is primarily the result of a change to data collection methods which put more weight on the large and more electricity-consuming laboratories and/or locations.

**Business Travel in Germany**
Emissions in metric tons of $CO_2$




Once again in 2012, the lion's share of business travel in Germany was by car (59 million kilometers compared to 51 million kilometers in 2011). Specific $CO_2$ emissions per vehicle declined significantly, however.

**$CO_2$ Emissions in Germany**

| in t | 2011 | 2012 |
|---|---|---|
| Natural gas | 5,376 | **5,426** |
| Heating oil | 2,012 | **2,596** |
| District heating | 3,186 | **3,576** |
| Electricity (real estate) | 22,185 | **24,653** |

The stated levels of $CO_2$ emissions from the use of properties and from indirect emissions are both highly contingent on the changes to data collection.

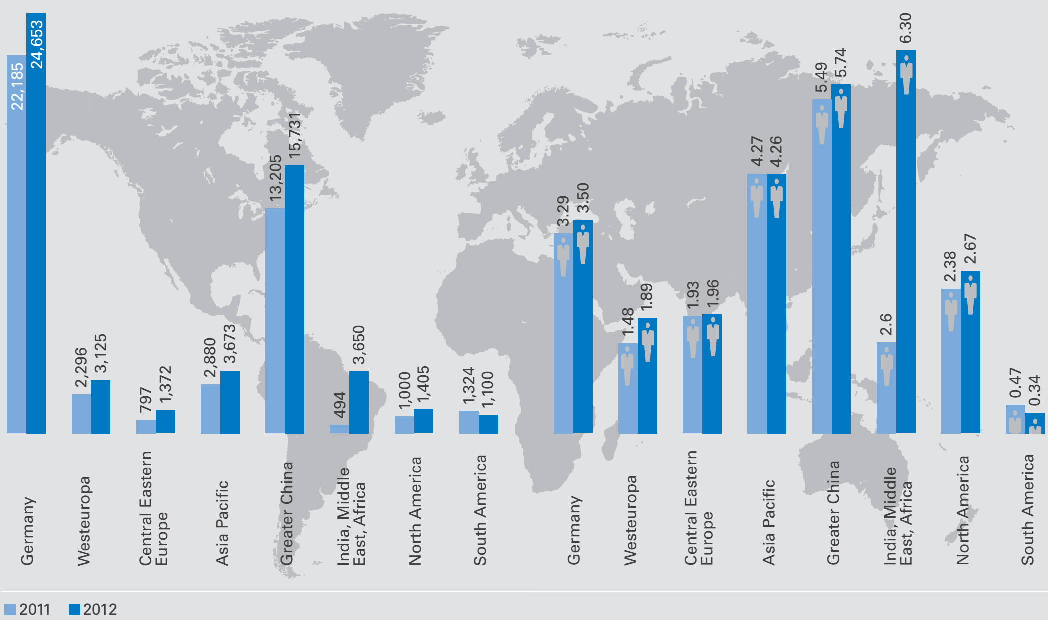
**$CO_2$ Emissions**

| in 1.000 tons of $CO_2$ | 2011 | 2012 |
|---|---|---|
| **Total** | 101 | **95.9** |
| directly | 51 | **36.7** |
| indirectly | 50 | **59.2** |
| **Germany** | 47 | **49.9** |
| directly | 21.5 | **21.7** |
| indirectly | 25.5 | **28.2** |

Reduced $CO_2$ emissions as a result of direct energy use can partially be attributed to the modernized fleet of vehicles. The use of district heating, natural gas, and heating oil is not incorporated into the calculation for our foreign subsidiaries.

**Real Estate Electricity Consumption**
in metric tons of $CO_2$

in metric tons of $CO_2$ per employee




The growth in China can be attributed to the strong growth of our business there. The significant increase in the region India, Middle East, Africa resulted primarily from the operation of a newly constructed photovoltaic laboratory in India.

When it comes to specific $CO_2$ emissions in the region India, Middle East, Africa, the impact of the new photovoltaic laboratory is particularly significant.

together, many small improvements can add up to a respectable contribution to improving our environmental performance.

In 2012, we once again initiated and/or enhanced measures and projects both across the Group and at the local level in order to improve our energy efficiency and cut our greenhouse gas emissions. Expenditures and investments in this context were primarily focused on:

- Using more energy-efficient technology to run our buildings
- Avoiding or at least reducing business travel
- Reducing fuel consumption and emissions through the use of more fuel-efficient company cars
- Using state-of-the-art technologies to operate our IT centers, testing labs, and facilities

At the present time, our most comprehensive individual measure is the modernization of the TÜV Rheinland House (known as the »T-Bau«) at our headquarters' grounds in Cologne, a building complex comprising three tracts that was built in the late 1960s. By completing the renovation of tract B's roof areas and facades in the reporting year, we have now updated all three tracts to a contemporary level as far as energy efficiency is concerned.

The final measure to improve energy efficiency will be completely modernizing the entire heating supply system of the building complex, and the planning in this regard has already begun.

Furthermore, we also implemented measures to reduce the energy required for heating at other German locations in 2012. Our budget for building renovations in Germany, particularly for renovating facades and windows, totaled 3.1 million euros in the previous business year.

## 2012 ENVIRONMENTAL PERFORMANCE

When considering the key environmental variables, in 2012, TÜV Rheinland's performance per employee was as set forth in the following table.

According to our calculations, in the 2012 business year, we generated 96,000 tons (previous year: 101,000 tons) $CO_2$ emissions across the Group as a result of our business operations. This calculation does not include district heating, natural gas, and heating oil used by our foreign subsidiaries. Of this total, 59,000 tons (previous year: 50,000 tons) of $CO_2$ was produced as a result of using indirect energy sources (electricity and district heating) at our properties. About 37,000 tons (previous year: 51,000 tons) of $CO_2$ was emitted as a result of consuming direct forms of energy – natural gas, heating oil, or fuel – used for heating and business travel by car or airplane. In contrast to 2011, both national and international commuter travel is not factored into this calculation.

## ENERGY

Direct sources of energy include fuel, natural gas, and heating oil. In contrast, electricity is considered an indirect source of energy. We use electricity to operate computers, lighting, and our technical systems. We buy district heading from local utility companies. Due to our global presence, we assume that TÜV Rheinland's electricity mix is comparable to the general electricity mix of the respective country. As a result, we also drew upon the recognized »GaBi« database in 2012 to incorporate national and local energy mixes into our calculations. TÜV Rheinland does not produce any energy of its own.

**MODERNIZING BUILDINGS**

In 2012, we invested 3.1 million euros in environmental protection.

**TÜV Rheinland Environmental Performance per Employee***

| | | Germany 2011 | **Germany 2012** | Global 2011 | **Global 2012** |
|---|---|---|---|---|---|
| $CO_2$** | t | 6.94 | **7.09** | 6.33 | **5.57** |
| Energy** | MWh | 32.5 | **33.3** | 26.9 | **23.92** |
| Business travel | km | 11,499 | **13,000** | 14,956 | **10,910** |
| Paper | kg | 61.3 | **55.7** | 41.7 | **37.9** |
| Water | l | 17,480 | **18,671** | 15,380 | **16,404** |

* Full-time equivalent.
** District heating, natural gas, and heating oil are not incorporated into the calculation for our foreign subsidiaries.

With regard to the locations being examined, in 2012 power consumption in Germany – including power used for heating – is projected to total around 38,300 megawatt hours (previous year: approximately 34,500 megawatt hours [MWh]). The power consumption for all of the Group's properties is projected to total 71,400 MWh (previous year: 62,000 MWh). In contrast to total projected consumption, the national energy mix used by the locations in the region was incorporated into the projections for the individual regions, as a regional comparison is more accurate.

## WATER

We have set the goal of steadily reducing our water consumption and improving the quality of the wastewater that we generate. The corresponding measures form an integral part of our environmental programs.

In 2012, we used 90,000 cubic meters (previous year: 98,000) cubic meters of water from the local water system at the properties in Germany which we analyzed. This water is from local surface and groundwater reservoirs and is used for standard purposes – for example, in bathrooms, for cleaning purposes, and in the cafeteria. Extrapolating this figure to all our German locations results in a water consumption of approximately 131,350 cubic meters (previous year: approximately 118,000 cubic meters). This corresponds to 18,700 liters per employee in the reporting period (previous year: 17,500 liters).

## MATERIALS

Since our business activities do not involve producing or processing raw materials or semi-finished products, we do not keep records of the materials we use by weight and volume. One exception to this is the paper we order, the amount of which we regularly record.

According to our records, we purchased a total of 392 tons (previous year: 415 tons) of paper in Germany in 2012. The standard paper we use is »Multi Copy,« a paper from sustainable forests that is FSC-certified.

**A GREEN CONSCIENCE**

Per ton of $CO_2$ emissions saved, AMD will plant 30 trees as part of »Plant for the Planet.«

### AN EXTREMELY SPECIAL DIET

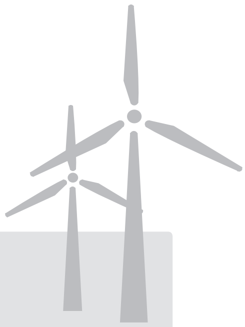
Meals and business travel have one astounding thing in common – the people taking part in them are not conscious of how many calories they are consuming or emissions they are creating, respectively. That is why in 2012, the environmental management officer from our subsidiary AMD launched a direct awareness campaign called »AMD TÜV Arbeitsmedizinische Dienste GmbH is shedding the $CO_2$ kilos.« Using basic sample calculations, he clearly showed his colleagues how many kilometers and $CO_2$ emissions could be saved through the increased use of telephone and video conferences instead of traveling. In addition to the unquestionably abstract benefit to the environment, he also emphasized the truly tangible benefits to the individual employees: no more tiring travel days, more time to actually work, and the bottom line – noticeably less stress. An incentive that, in future, should increase employees' appetite for video conferences in other Business Streams.

## MOBILITY (BUSINESS TRAVEL AND COMPANY CARS)

Our sales activities, the countless number of jobs completed on-site at our clients' premises, and the increasingly international structure of our Group make business travel necessary. Wherever possible, however, we try to reduce our travel or to switch to more environmentally friendly means of transportation. The corresponding environmental criteria are an integral part of our business travel policies. We are making increased use of telephone and video conferences to replace events held in person – particularly those that would otherwise require air travel.

We estimate that in 2012, our employees logged approximately 59 million kilometers (previous year: 51 million kilometers) of business travel by car (either company car, rental car, or private car). This calculation continues to be based on the assumption that the employees that have access to one of our leased vehicles use their company car about 70% of the time for business purposes. Our roughly 1,130 leased cars (previous year: 970 cars) in Germany accounted for an estimated 26.8 million kilometers of the aforementioned total (previous year: 20.8 million kilometers). For these business trips, our employees used an estimated 1.8 million liters of fuel (previous year: 1.4 million liters).

By issuing a new policy governing company cars which, for the first time, contained a $CO_2$ emissions criterion for the different vehicle classes, we set the goal in 2011 of cutting the specific fuel consumption of our fleet of company cars in Germany by 3% each year compared to the year prior. Through the use of the fleet management database »Speedfleet,« which we first began using completely in 2011, we can clearly demonstrate that we achieved this goal in 2012. While average fuel consumption across the entire fleet totaled nearly seven liters per 100 km in 2011 (equal to 182 grams of $CO_2$ per kilometer), in 2012 we succeeded in reducing consumption to 6.6 liters per 100 kilometers (equal to 173 grams of $CO_2$ per kilometer) – a reduction of almost 5%.

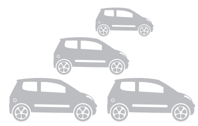


### NEW MOMENTUM FOR TÜV RHEINLAND

If at some point we decide to write down our success story in the field of wind power, 2012 will play a key role – with good reason. Or better said, with two good reasons.

Because after two years of intensive preparations, we were recognized by the Deutsche Akkreditierungsstelle (German Accrediting Body) as a certifying organization for wind power systems – certifications pursuant to the international IEC 61400-22 series of standards. As a result, we are now not only limited to conformity evaluations of onshore and offshore wind power systems and their components, but can also issue the corresponding internationally recognized certifications. This opens up a wide range of new business opportunities for us, particularly abroad.

In addition, our strategic partnership with EuroWind, an innovative company for wind and energy yield reports, increases the attractiveness of our portfolio of services for international wind power projects even further. With its internal, highly adjustable method of calculation, EuroWind is considered an expert when it comes to long-term energy yield forecasts, particularly with regard to offshore systems. As one of the market leaders for short-term wind power forecasts across all of Europe and China, our new partner also plays a key role in optimizing the integration of renewable energy sources into the power grid. We are certain that by pooling our strengths, we can significantly expand our position in the future market of wind power.



**FLEET CONSUMPTION**
We have set the goal of cutting the specific fuel consumption of our company's fleet of vehicles by 3% compared to the previous year.

Our German employees logged approximately 26.8 million kilometers on business trips by air (previous year: 22.6 million kilometers). This figure includes both domestic and international flights. Taking our international companies into account, we recorded a total of 88.6 million kilometers traveled by air in the reporting year (previous year: 83.3 million kilometers traveled by air). The decline in $CO_2$ from air travel in 2012 is largely due to adjusting the $CO_2$ conversion factor for flights from 346 grams per mile to 240 grams per mile. By making this adjustment, we are now using a standard conversion factor that was provided to us by our travel agency. In contrast, airlines continue to calculate kerosene consumption per kilometer flown at extremely different rates. For the purposes of comparison, in 2012 we settled on a realistic average consumption of 0.05 liters of kerosene per person (previous year: 0.07 liters). On this basis, our kerosene consumption in 2012 totaled about 4.4 million liters across the Group (previous year: 5.9 million liters).

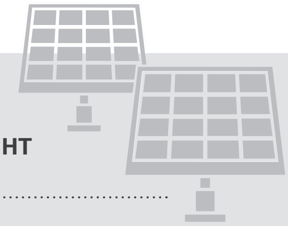
Our employees traveled approximately 5.9 million kilometers (previous year: 4.8 million kilometers) long-distance on Deutsche Bahn trains. In doing so, they consumed 388 MWh of electricity (previous year: 313 MWh). We continue to take part in Deutsche Bahn's bahn.corporate »Umwelt-Plus« service, meaning that all business trips with Deutsche Bahn in 2012 were climate- and $CO_2$-neutral.

## WASTE

Relevant quantities and more significant types of waste mainly accumulate at just a few main locations, where they are recorded by either quantity or weight. At the smaller locations, ordinary business waste and used paper is disposed and recycled within the scope of the public garbage collection. We do not record the quantity of waste that accumulates at these locations. We can only estimate an amount based on the number of containers, their volume, the collection schedule, and average density of a full container.

All of our German Operations and all of our employees are actively involved in separating all waste by type. We increase our employees' awareness in this regard through systematic awareness training programs. In 2012, for example, we once again reminded the employees at our headquarters in Cologne of the importance of carefully separating waste and selecting paper.

Commercial waste, general trash, special waste, and recyclable materials are immediately separated upon accumulating. Waste disposal is handled exclusively by regional waste disposal companies and – in the case of hazardous waste – by certified companies that specialize



### FOOD FOR THOUGHT

The facts have never been more clear – over the long term, Germany will not play a significant role as a manufacturing market for solar panels. Does that mean it is time to start writing the German solar industry's obituary? Not at all! With its powerful research and development, Germany can take on the role of a global pioneer in the field of photovoltaics in the future. The goal here is to develop practical, mass-market solutions for integrating photovoltaics into intelligent power and storage systems for buildings. And we should not forget another point – with about 1.4 million systems in use, Germany is currently the largest test market for the practical application of photovoltaics. Instead of exporting panels, we need to export expertise. Expertise in quality assurance. Expertise when it comes to the permanent, reliable operation of solar power systems. Without quality, the solar industry will not be able to develop in a sustainable manner, because people only invest in quality, and only quality can be insured at reasonable terms. The associated market potential for SMEs, planning offices, and testing service providers like TÜV Rheinland is enormous. It is time for a German solar revolution. And we are ready!

in hazardous waste and do not, as far as we are currently aware, conduct international business and therefore do not dispose of special waste by sending it across borders. For the most part, the only hazardous waste that accumulates consists of old computer monitors, other electronic waste, and used chemicals. Certified waste disposal companies collect electronic scrap for disassembling and recycling. Other hazardous waste accumulates only in small quantities and is handled properly by waste disposal companies.

Waste disposal and adherence to applicable laws, provisions, and regulations is coordinated and monitored by our environment management officers and/or the HSE managers in the individual German Operations. They are assisted in this task by additional local employees.

In the course of our ordinary business activities, we do not generate any further significant waste other than our documented waste, emissions, and wastewater.

**Waste in Germany***
Key locations

| in t | 2011 | 2012 |
|---|---|---|
| Waste for recycling** | 715 | **734** |
| Paper** | 514 | **435** |
| Metal | 117 | **98** |
| Wood | 146 | **99** |
| Construction waste | 200 | **143** |
| Separator content | 20 | **33** |
| Electric/Electronic waste | 48 | **42** |
| Other hazardous waste | 13 | **15** |

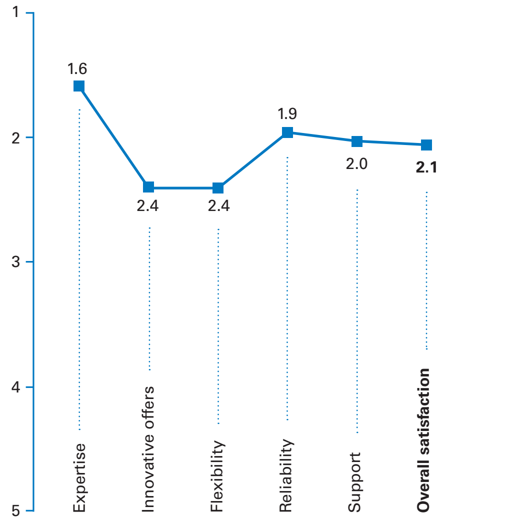
* These figures are partially based on assumptions and contain estimates.
** These figures are based on the stated volume of waste containers from 2010 and were not weighed specifically.

# SOCIETY

## IF YOU DON'T ASK, YOU'LL NEVER ... MOVE AHEAD

In order to make continuous advancements and meet the needs of our customers, TÜV Rheinland regularly communicates with this important stakeholder group. When our customers are satisfied, we have achieved one of our most important corporate goals. If we receive critical feedback from customers, it is a clear signal that there is room for improvement somewhere in our business activities or in our processes. In the end, a constructive dialogue with our customers is always beneficial. That is why we also systematically look to enter into a dialogue with customers outside of our daily operations – such as in the form of comprehensive surveys that almost all of our German Operations conduct every two years. These surveys not only help us identify areas with room for improvement in our respective business activities and decide on actions to take, but are also always an important source of inspiration for new product and service concepts.

**Customer Satisfaction Survey in 2012**
Illustration of selected criteria




Evaluation scale
(1) very good (2) good (3) fair (4) poor (5) very poor

TÜV Rheinland Industrie Service GmbH

The most recent customer survey conducted by the German Operation Industrial Service demonstrated that, as was the case previously in 2010, we are in a good place when it comes to expertise and reliability. Our customers do see room for improvement in terms of a flexible selection of our services and a range of innovative product solutions.

Customer satisfaction and trust in our company is increasingly becoming dependent on the security of their often highly sensitive data. In order to guarantee constant, comprehensive data and information security, we have established binding basic rules and guidelines that apply across the Group. These contain strict requirements regarding the use of IT and communications technology devices as well as the collection, processing, and use of personal data. In addition, thanks to the Group company TÜV Rheinland i-sec, we have a team of qualified data protection specialists in-house that provide our customers with personal, competent support.

Our brand strategy and corporate identity are two additional factors that influence how third parties view our company. That is why both areas are managed centrally at TÜV Rheinland. We regularly analyze our brand awareness using representative surveys. According to these surveys, TÜV Rheinland is the best known of the three large major TÜV organizations in Germany.

**NEW TEST MARK**
Find out more about our new test mark on page 28 of this report.

## NEUTRAL OPERATIONS – POSITIVE EFFECTS

We can honestly say that inspecting the effects of products and services on health, safety, and the environment is our core area of expertise. In some of the testing services offered by TÜV Rheinland, we have more than a century of experience. This has allowed us to perfect these services when it comes to adhering to standards to protect health and safety.

In contrast to manufacturing companies, conducting valid »impact assessments« of our products in relation to the environment, health, and society is a significantly more complex process. Despite this difficulty, we go to great lengths to tailor our processes to be as environmentally friendly as they are socially responsible – and in doing so, we reduce the harmful effects of our business operations to an absolute minimum. This is reflected, among other areas, in our ambitious goals when it comes to cutting our emissions and energy consumption and our efforts to reduce the amount of business travel through the increased use of remote assistance and e-learning services as well as video conference centers.

## A NEW SIGN OF TRUST

Product labeling requirements or laws governing the usage of our products largely do not apply to our testing, training, and consulting services because the result of our testing is usually a seal, certificate, or expert report with no socio-ecological effects of its own. That said, the awarding of these seals, certificates, and expert reports is itself subject to high standards, legal requirements, and regional and/or industry-specific safety and functional standards, as well as current research findings. We are only allowed to undertake many of our tests after acquiring a certificate of competence and after regular inspections by an accreditation body.

In order to ensure that we adhere to all the applicable standards and guarantee the integrity of the services we provide, we implemented a comprehensive compliance system early in our company's history. And our new test mark can play an important role in better protecting consumers, because beginning in 2013, TÜV Rheinland will only issue one mark for every type of test conducted worldwide. In addition to its unmistakable appearance, new features will guarantee maximum transparency – for example, a QR code which leads to our Internet platform Certipedia will allow consumers to be absolutely sure of the validity of the statement the mark is making within a matter of seconds.

## TOGETHER, WE CAN ACHIEVE MORE

All over the world, public-private partnership projects have proven to be an effective instrument in achieving goals related to development policy. These projects create jobs, improve production processes and living conditions, and open doors to badly needed technologies. PPP projects' recipe for success is as simple as it is effective – you take the best from each individual part! Because when several strong partners combine their individual strengths, they can do great things.

We are involved in various PPP projects in developing and transition countries together with non-profit organizations or public development agencies, such as the German Investment and Development Company (DEG). In this context, we contribute our technical expertise on our own behalf to do our part for social progress. Our partner organizations then monitor whether the progress we were striving for is actually achieved and maintained.

## HELPING WITH COMMON SENSE

Another aspect of our corporate citizenship activities is supporting philanthropic projects. Due to the enormous range of initiatives that deserve support, deciding on a specific area of support is anything but easy. That is why it is important to us that the projects we sponsor are a good match – namely, that they embody the values we represent, are closely linked to our business activities, or are established in our locations' local environment or markets. We like to be active in areas that are related to the UN Global Compact's ten principles and support local social and cultural projects.

We take projects and activities into consideration that:

- Promote education and science
- Improve people's living conditions or help to guarantee their survival
- Serve to safeguard aid and disaster-relief services

We usually cooperate with non-profit aid organizations when carrying out our activities. In this context, we want to stress the organization Engineers Without Borders. This organization plans its own technical aid projects and carries them out locally, supports other aid organizations and those in need by providing knowledge to overcome problems of an engineering nature, and conducts research and explanatory work in the field of sustainable technological development. We explicitly encourage our employees to volunteer in one of the organization's many regional groups and use their knowledge and time in service of a good cause. In addition, we have provided financial support to Engineers Without Borders for many years now.

As part of another long-term initiative launched by Germany's Ministry of Foreign Affairs and the Asia Pacific Committee of German Business, since 2008 we have been involved in rebuilding schools in several Chinese provinces that were severely affected by strong earthquakes. Our focus is currently on Yunnan province, where we are helping to reconstruct school buildings in danger of collapsing. After an approximately one-year construction phase, in December 2012 we were able celebrate the reopening of not one, but two schools. We provided a total of 240,000 euros for the construction work over a two-year period that concluded at the end of 2012.

Our sponsorship of the Thimmaiah Reddy School in the Indian metropolis of Bangalore is still comparatively new, yet also has a long-term focus, with a time frame of five years. The construction of bathroom and drinking water facilities and classrooms is already in full gear, as our Chief International Officer Stephan Schmitt was able to see for himself during his visit in October 2012. He also used the opportunity to open a brand-new »Medical Camp« that provides medical services free of charge to the students. In addition, we want to help create a peaceful and productive learning environment by donating books and providing security personnel.

**PPP**
stands for public-private partnership projects. We are involved in development partnerships with organizations such as the German Investment and Development Company (DEG).

No matter what region you look at, volunteer days at TÜV Rheinland companies are now more or less customary CSR practice. This also applies to our Greater China region, where in the reporting year a total of 85 employees participated in a tree-planting event and a public beach cleanup. In other cases, volunteer days quickly become volunteer weeks or even volunteer months. For example, a total of 14 employees took part in two programs to provide advanced training to teachers in Sichuan province and the Guangxi autonomous region. In this context, TÜV Rheinland not only provided office space for the program, but also looked out for the physical well-being of the participants.

The Cologne Volunteer Days have also had a fixed spot on our agenda for several years. In 2012, our employees had the ability to register for two very different projects: »Out of School – Into the Working World« and »Gardening in the City.« While in the former project, we gave

# 9 »P«s FOR A GOOD CAUSE

## DEVELOPMENT PARTNERSHIPS

**From Opening Doors ...**

REACH: these five simple letters pose a significant challenge even for leading chemical companies. Successfully meeting the requirements of this European regulation governing the registration, evaluation, and authorization of chemicals is anything but a walk in the park. Without expert assistance, it is an almost insurmountable obstacle for the countless small manufacturers of leather goods and home textiles as well as their suppliers in the Indian state of Tamil Nadu.

Together with the German Investment and Development Company (DEG), a team from TÜV Rheinland provides exactly this much-needed assistance locally within the scope of a PPP project. Our initial task in this context was conveying basic knowledge about REACH and its potential effects on the competitive ability of the affected companies. A total of 37 trainers, who we had trained to carry out compliance management training seminars, acted as key communicators in this regard. In comprehensive training seminars, our experts got the candidates fit for REACH and, in doing so, ensured that the door to the important European markets remains open.

The Indian electronics industry and its suppliers know similar problems all too well. Their major challenge goes by the name HSPM – Hazardous Substance Process Management. Even in the purported technology capital of Bangalore and the metropolis Chennai, many companies are lagging far behind the international standards for handling hazardous substances. Changing this fact was the goal of another PPP project in which we participated in 2012.

The foundation of our work was a stakeholder roundtable, which not only provided us with valuable data on companies and their current level of compliance, but also a feeling for the obstacles that particularly small companies are facing when it comes to implementing contemporary HSPM standards. Increasing awareness and providing information to as many affected companies as possible was the focus of the second phase of the project. In this case as well, our extensively trained local key communicators proved to be a valuable tool. But in India, as is the case elsewhere, theoretical knowledge is only half of the story. In the third phase of the project, we proved that obstacles once believed to be insurmountable could in fact – with the right knowledge and the will to change – turn students from various secondary schools the opportunity to get a taste of our employees' working life in a variety of positions at TÜV Rheinland as well as pick up some valuable tips for their own job applications, in the latter project our volunteers spent their time treating an area of a municipal garden in Cologne where the ground was contaminated with hazardous substances. In keeping with the tradition of incorporating our service expertise into the projects, we integrated an applicant training session and an occupational safety briefing, respectively, into the day's activities.

Since 2009, we offer a forum for all of our employees interested in volunteering so that they can discuss experiences working on projects with like-minded colleagues, propose new projects, or find inspiration for a project to get involved in themselves over an interactive online platform on our company's intranet.

out to be stepping stones. We selected ten companies, and at the end of a period of intensive preparation, they even passed a simulated audit

They passed the test: a total of 23 companies have successfully implemented the REACH Compliance Management System.

**... to Opening Eyes**

Whether economic growth or fighting poverty – many Latin American countries have achieved great success in recent decades. But unfortunately, their environmental performance has not kept pace with these other positive trends. Changing this was the goal of a three-year partnership between local subsidiaries of the TÜV Rheinland Group and university institutions and government agencies. Equipped with the necessary skills and tools, the goal for these partners is to act as key communicators in the future and support industries and municipalities in a variety of Latin American countries in implementing social, cost-effective, and environmentally sustainable energy and environment management systems.

Our experts initially approached the task at hand where it promises to have the greatest effect – in energy-intensive industries like the oil and steel industries, agriculture, and the building sector. What are the features of an energy management system pursuant to ISO 16001? How do you calculate a carbon footprint? What is the meaning of the »Voluntary Gold Standard«? These are all questions that interested companies receive competent answers to within the scope of seminars and workshops, hopefully motivating them to tackle specific projects. And wherever people are talking about energy efficiency, the topic of »renewable energy sources« is of course not far behind. As a result, it represents the initiative's second area of focus.

# FINANCIAL REPORT

growth targets assets
asset management corporate goverance
business streams risk management
business conditions
opportunities operating profit
forecast
financial situation capital earnings
revenue growth
investments

# GROUP MANAGEMENT REPORT

TÜV RHEINLAND AKTIENGESELLSCHAFT FOR 2012

## HIGHLIGHTS

- The TÜV Rheinland Group successfully concludes the business year 2012 with record revenues. The Group continues to consolidate its market position after 140 years of company history, pursuing its course for the future as part of its newly defined »Strategy 2017«.

- The most important facts and figures for 2012 at a glance:

  - Despite difficult economic conditions, revenues, including inventory changes, grows by 8.1% from €1,417 million to €1,531 million.
  - Earnings before interest and taxes (EBIT) reaches €113.2 million (previous year: €124.0 million).
  - Earnings before tax (EBT) are €94.1 million (previous year: €103.6 million).
  - The profit margin is 6.1% (previous year: 7.3%).
  - International sales in 2012 account for 50.6% of revenues; international employees for 59.5% of the Group's headcount.

- In 2012, the mission statement and the business strategy were revised and adapted to future requirements.

  In line with to the motto »About us«, the new mission statement describes the corporate identity and the goals of TÜV Rheinland: »We want to be the world's best independent provider of technical services for testing, inspection, certification, consulting, and training.« The mission statement creates an international framework for all employees, provides orientation for personal action, and represents the company's culture and goals.

  Additionally, Strategy 2017 has been defined, in which the orientation and company goals for the next few years are specified. Profitable growth and consistent customer orientation make up the essential foundations: in the next five years, TÜV Rheinland plans to expand its employee headcount to 32,000 and to generate revenues totaling €2.7 billion.

  Another important part of Strategy 2017 for the years to come is expanding the portfolio through value-enhancing acquisitions. Dr. Manfred Bayerlein emphasizes: »In the years to come, the focal points of our investments will include industrial business. Progressive industrialization in many developing countries will be an important driver of innovation. Additionally, we will invest in the areas of further IT education and certification.«

- In January 2013, TÜV Rheinland's new test mark was officially introduced to the market. The test mark signals the highest quality in product testing, services, systems, and processes. It stands for the company as a whole. To achieve better recognition for customers and end consumers, the new test mark will be used in the future.

- International expansion – TÜV Rheinland continues to grow:

  - An essential focus of growth in 2012 lies in the Training and Consulting Business Stream: on July 1, 2012, TÜV Rheinland Akademie GmbH took over the prestigious IT training provider the campus GmbH Center of Competence (Campus), with headquarters in Düsseldorf. The company, which was founded in 1984 and has over 100 employees at 19 sites, is among the largest providers of professional international IT training in Germany, with premium training partnerships with well-known hardware and software providers, and conducts over 600 IT training sessions with more than 40,000 participants. In 2012, the campus contributes €10.1 million to consolidated revenues.

In this connection, the integration of the business operations of e/t/s Didaktische Medien GmbH in February 2012 into the Training and Consulting Business Stream also deserves mentioning. The company, which specializes in complex electronic training formats, strengthens the strategic direction in the area of Workplace Learning Solutions.

With these targeted acquisitions, TÜV Rheinland has made a meaningful addition to its training portfolio in the IT field.

- Prof. Dr. Jürgen Brauckmann, Head of German Operations Mobility, was unanimously elected president of Société Européenne de Contrôle Technique Automobile S.A. (SECTA) at the Advisory Board meeting held in April2012. At the end of 2011, TÜV Rheinland had already acquired the majority of shares in the French automobile administrator, which is based in Courbevoie. As a result, SECTA was already completely integrated into the TÜV Rheinland Group from the second quarter, and contributed revenues totaling €10.7 million.

  The company, founded in 1992, operates a franchise partner network with 61 employees, including over 800 automobile inspection stations.

- In January 2012, TÜV Rheinland Rail Sciences, Inc. (RSI) took over the business operations of Rail Safety Consulting (RSC), which is based in Pittsford (New York/USA). RSI is one of the leading consulting firms in the rail industry, specializing in the use of highly analytical procedures for rail transport. The newly acquired company has the expertise to cover all relevant inspections on the topic of safety in rail transport. In 2012, RSC earned revenues of €2.2 million.

- At the beginning of the year, TÜV Rheinland Cambodia Co., Ltd. with headquarters in Phnom Penh, the capital of Cambodia, was founded. The new company serves to acquire projects, observe the market, and develop market shares in Southeast Asia.

▲ In the business year 2012, TÜV Rheinland also expanded its international range of testing centers:

- In Japan, TÜV Rheinland founded a new testing lab for photovoltaic and energy storage systems with an investment volume totaling €4.5 million and 25 new jobs. The focus of the testing lab, which is located in Osaka and has 2,500 square meters of floor space, is testing rechargeable energy storage systems, such as lithium-ion batteries and super capacitors for various applications, as well as products in the solar technology field. With this new testing lab, TÜV Rheinland emphasizes its global investment strategy with regard to creating a comprehensive testing infrastructure for renewable energies such as solar, wind power, and fuel cells, as well as providing services in the field of electromobility.

- TÜV Rheinland responded to increasing demand from Turkish industry for quality and substance testing for export products with investments totaling €2.6 million. With 750 square meters of floor space, the new Softlines laboratory in Turkey has equipment for chemically testing inorganic and organic substances, for performing food contact tests, and facilities for testing textile properties, colorfastness, and flammability.

- In March 2012, TÜV Rheinland opened its seventh testing lab for photovoltaic modules in Gyeongsan, South Korea. This laboratory is the first one in South Korea that is operated according to international standards. In addition to Yeungnam University, the Korean Ministry of Knowledge Economy was also involved in its establishment. With investments totaling €1.5 million, TÜV Rheinland sets another milestone for developing its position as the worldwide industry leader in testing the safety of solar modules.

- With the opening of its new laboratory in Gurgaon, India, TÜV Rheinland continued expanding its worldwide capabilities for Softlines testing. The investment in the laboratory, 1,500 square meters in size, was about €1 million. An additional €1.5 million was invested in laboratories in Bangalore and Tiruppur. TÜV Rheinland's global network of Softlines laboratories now includes testing facilities in nine countries and offers customers the benefit of one-stop testing services for global markets.

- To preserve the environment and resources in terms of ecological sustainability and to avoid or reduce pollutants, TÜV Rheinland is involved in various projects:

  - In January 2012, TÜV Rheinland founded its new service »Green Product Certification.« The Green Product certificate represents an independent, voluntary certification ensuring that various requirements in the area of sustainability are met. Certified manufacturers can position their products as safe, sustainable, energy-saving, and environmentally friendly. The first customers came from the IT sector. An expansion to additional products in the consumer goods sector is being planned.

  - In February 2012, TÜV Rheinland became one of the first companies to sign the statement of conformity with the German Sustainability Code (DNK). The code includes 20 sustainability criteria with selected performance indicators on ecology, social aspects, and questions of company management. With regard to these indicators, companies provide information about their sustainability strategies and goals, as well as existing rules, processes, and incentive systems for them. In addition, information on compliance with employee and human rights, the use of natural resources and ecological standards is required along the entire value chain. As a testing services provider, TÜV Rheinland claims to develop safe, economical, and sustainable solutions in cooperation with people, technology, and the environment.

  - In June 2012, TÜV Rheinland Energie und Umwelt GmbH from the Industrial Services Business Stream was accredited by the American National Standards Institute (ANSI) according to ISO 14065. The accreditation makes it possible to verify the greenhouse gas inventories from companies (known as corporate carbon footprints) and to validate and verify emissions reduction projects. TÜV Rheinland Energie und Umwelt GmbH is the first European company to receive this ANSI accreditation. With this action, TÜV Rheinland further develops its position in climate protection by adding an important service product.

- Strong population growth in São Paulo (Brazil) is overwhelming the city's infrastructure. The result is informal settlements known as favelas, where difficult hygienic conditions prevail because there is no supply of water and electricity; waste disposal is also lacking. To raise the standard of living in the favelas, São Paulo's city government initiated an urbanization program (São Paulo Slums Urbanization Program), which became the largest in Latin America in 2005. The goal is to develop infrastructure and to connect all households to the power and water supply. TÜV Rheinland Ductor supports the housing society SEHAB by taking over process and content management – currently, for example, in the »Paraisópolis« urbanization program in São Paulo.

- For the fifth time in a row, TÜV Rheinland is one of the top employers in Germany: the study »Germany's Top Employers 2012« attests to outstanding and modern personnel management. TÜV Rheinland is particularly impressive in the areas of career opportunities criteria and training and development. Since 2003, companies with a high-quality personnel strategy and practice are recognized that offer good working and career conditions to young academics, in particular. In 2012, 118 companies were evaluated across different industries.

On October 17, the winner was awarded the ÖkoGlobe 2012. The ÖkoGlobe is the first internationally recognized environmental prize for the mobility industry, and is awarded in nine categories for forward-looking innovation in sustainable mobility. Another category honors special personalities: in this category, Prof. Dr.-Ing. Bruno O. Braun was awarded the ÖkoGlobe for his lifetime achievement. The chairman of the Supervisory Board and long-time CEO of TÜV Rheinland AG has contributed significantly to promoting forward-looking technologies and creating an innovation-friendly climate. After receiving the award, Prof. Dr.-Ing. Bruno O. Braun said: »When looking at award-winning innovations today, one senses what it means to be an engineer – it means making life easier in a sustainable way.« He is a passionate engineer, who introduced the globalization of TÜV Rheinland early on. His vision of a knowledge-based testing company that inspects and certifies the worldwide safety and environmental impact of technical products has now become a reality.

On the event of Prof. Dr.-Ing. Bruno O. Braun's 70th birthday in August 2012, the renowned Frankfurter Allgemeine Zeitung acknowledged his commitment and honored him as »Germany's top engineer.«

## GENERAL CONDITIONS

### Macroeconomic Developments in 2012

Global economic growth slowed somewhat in 2012. Altogether, worldwide gross domestic product increased by 3.2% as compared with the previous year (3.9%). In 2012, the global economy was particularly influenced by the European sovereign debt crisis and the uncertainty connected with financial policy in the United States. The consolidations in the industrialized countries and the uncertainty of consumers and investors about future economic trends acted as dampening factors on the growth of the global economy. Additionally, there was a weakening of economic activity in developing countries. Immediately after the financial crisis, the economy of developing countries experienced powerful expansion, thus functioning as a stabilizing element on the global economy. However, due to the lack of demand from industrialized countries and internal economic problems, there has been a powerful slowdown of economic growth. Nevertheless, the mood in the developing countries has improved somewhat by the end of the year, so that the indicator for the global economic climate in the fourth quarter of 2012 slightly increased once again. However, it is still below its non-current average.

USA: The US gross domestic product increased by 2.3% in the year 2012, after having grown by 1.8% in the previous year. The North American economy is therefore steering a course of moderate growth. Real estate prices have apparently stabilized overall. Private residence investments also registered a strong plus, so that a general reduction of the structural problems on the real estate market can be assumed. The level of debt of private households declined, but private consumer spending increased only moderately. However, the situation on the labor market is still restrained. Overall, uncertainty about future economic policy is putting a noticeable strain on economic development in the United States.

BRICS Countries: Because TÜV Rheinland has a presence in the BRICS countries (Brazil, Russia, India, China, and South Africa), the economic development of these countries is particularly important to the Group. In 2012, the BRICS countries made a significant contribution to international economic expansion with their dynamic development. Of the five BRICS countries, Brazil brought up the rear in terms of economic development.

China: Economic activity in China gradually accelerated over the course of 2012, although the tempo was slower than in the previous year. Gross domestic product rose only 7.8%

(previous year: 9.3%). The rise of economic growth can be particularly attributed to a rapid surge of industrial production and a significant increase in the investment rate over the course of 2012. The drastic decline of the inflation rate also stimulated domestic demand. In contrast, dampening effects came from foreign trade. Against the background of slowing expansion in the eurozone, the Chinese export business experienced a significant loss of momentum in the third quarter of 2012. However, a rebound of the Chinese export business could be seen at end of the year.

Brazil: The economy in Brazil accelerated again somewhat in the second half of the year, while economic development before then was characterized by economic weakening and a stagnation of gross domestic product. The gradual economic upturn in the second half of the year can be particularly attributed to stronger growth of private consumer spending and exports, although another sharp decline of investments was recorded. Brazil's gross domestic product rose by 1% overall (previous year: 2.7%).

Europe: In 2012, the economy in the eurozone remained in recession due to the European sovereign debt crisis. The gross domestic product fell by a total of 0.4% in the year 2012, after having grown by 1.4% in the previous year. Economic development in the eurozone in 2012 was particularly influenced by consolidations, debt reduction in the private sector, and uncertainty about how the European sovereign debt crisis would be handled in the future. Uncertainty about how economic and financial policy would proceed in the future with regard to the European sovereign debt crisis led to a decline in corporate investments, and therefore acted as a burden on the economy in the eurozone. However, the European economy was supported by an expansive monetary policy. Overall the eurozone recorded very heterogeneous economic development. In countries directly affected by the crisis, macroeconomic production continued to decline. Particularly Spain, Italy, and Portugal saw a noticeable decline of their gross domestic product. In contrast, Germany and France in particular – as in the previous year – made important contributions to the European economy. The situation on the labor market continued to worsen; the unemployment rate rose continuously over the course of 2012, whereby the situation on the labor market in Spain was particularly critical.

Germany: The German economy grew somewhat more slowly in 2012 as compared with the previous year. According to information from the International Monetary Fund (IMF), gross domestic product rose by 0.9%, after having grown by 3.1% in the previous year. The reason for the current period of weakness is primarily the debt and confidence crisis in Europe. In addition to uncertainty about the economic procedure to manage the crisis, the weak foreign policy environment also leads to negative growth effects. Macroeconomic production fell sharply in the fourth quarter of 2012. A significant reduction of exports could also be seen at the end of the year. Particularly manufacturers of investment products recorded a sharp decline due to depressed demand from both foreign and domestic customers. Due to the weak economy, the situation on the labor market also worsened. The number of unemployed persons rose slightly in 2012. With regard to new orders in industry, however, since the beginning of the fall, a slight tendency toward revival was noticed, which can presumably be attributed to rallying demand from developing countries. Additionally, in November 2012, the Ifo Business Climate Index improved again for the first time in six months, and also continued to show an upward trend in December 2012.

Effects on Business: As a service provider in the TIC (testing, inspection, and certification) sector, the TÜV Rheinland Group provides products and services across various industries. As a result, it is largely independent of industry-specific trends. This particularly applies to the implementation of statutory tests and inspections.

In many business areas, TÜV Rheinland is a market leader. Overall economic development in its principal markets Europe, Asia, and America may be important for TÜV Rheinland, but is not, in view of its industrial and regional diversification, the sole determining factor.

## NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATION

The TÜV Rheinland Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

### Development of Revenues

Consolidated revenues, including inventory changes, are broken down worldwide as follows:

**Revenues by Business Stream**

| in € millions | 2011 | 2012 |
|---|---|---|
| Industrial Services | 453 | **488** |
| Mobility | 336 | **366** |
| Products | 372 | **396** |
| Life Care | 51 | **55** |
| Training and Consulting | 160 | **194** |
| Systems | 127 | **118** |
| Other* | –82 | **–86** |
| **Total** | **1,417** | **1,531** |

* Intra-Group revenues and central functions.

**Revenues by Region**

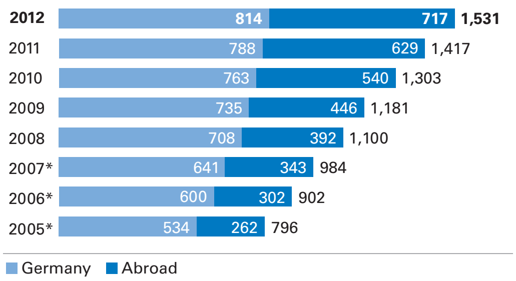
| in € millions | 2011 | 2012 |
|---|---|---|
| Germany | 788* | **814*** |
| Europe (excl. Germany) | 165 | **171** |
| Asia (incl. IMEA**) | 274 | **329** |
| America | 190 | **217** |
| **Total** | **1,417** | **1,531** |

* Includes €57.9 million of exports (previous year: €53.7 million).
** IMEA: India, Middle East, Africa.

TÜV Rheinland Group revenues (including inventory changes) totaled €1,531.4 million in 2012. That amounted to a revenue increase of €114.3 million or relative revenue growth of 8.1% year-over-year.

This additional revenue (€73.6 million) was earned mainly in the range of existing services. Both the expansion of the basis for consolidation in the amount of €21.9 million and currency changes, which amount to €18.8 million in comparison with the previous year, had a positive effect on the development of revenue.

**Development of Revenues**
(including inventory changes)
in € millions

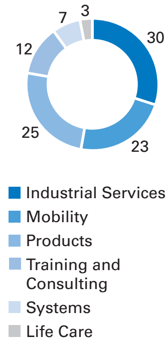



*Acc. to HGB.

Domestic revenue growth was predominantly organic, but was also partially influenced by acquisitions such as the acquisition of the campus Group in the Training and Consulting Business Stream. Internationally, the Group also achieved largely organic growth. Acquisitions such as TÜV Rheinland AIA Services, LLC, in the United States, which was acquired at the end of 2011, or the first-time full consolidation of SECTA S.A. in France, contributed only a small fraction here. Growth was generated in all regions.

The Industrial Services Business Stream again made the largest contribution. In comparison with the previous year, revenue grew by €35.0 million or 7.7%. The Project Management, Energy and Environment Technology, and Pressure Equipment and Materials Technology Business Fields were the main contributors to the increase in revenue. The repeated significant increase in the Project Management Business Field is attributable to consistently high demand in the infrastructure sector, primarily in Brazil.

**Revenues by Business Stream**
in %



In 2012, significant revenue growth was also recorded in the newly defined Supply Chain Services Business Field, in which the organization and handling of large global projects from the growth sectors oil and gas, renewable energies, and infrastructure are bundled. The Business Field also supports sales.

Internationally, the Business Stream grew particularly in the regions South America, Greater China, and IMEA.

The Mobility Business Stream increased its revenues by €30 million or 8.9%. The dynamic growth in the traditional Business Fields Periodical Technical Inspection, Car Services and Appraisal, and Rail was decisive. The revenue increase of the Periodical Technical Inspection Business Field was connected with the inclusion of SECTA S.A. as a fully consolidated company beginning in April 2012. Furthermore, in the Rail Business Field, both the acquisition of the business operations of Rail Safety Consulting in the United States and strong business development in Germany at the beginning of the business year had a positive effect. The Mobility Business Stream therefore achieved above-average growth rates internationally in the regions Western Europe and North America.

The Products Business Stream improved on its previous year's revenue by €24.0 million or 6.5%. The growth was due (in addition to positive currency effects) mainly to increased demand for testing services in the Electrical (safety and quality inspections of electrical products) and Commercial (testing of components and power tools) Business Fields. In contrast, the Solar and Softlines Business Fields (including testing of household goods, cosmetic products, and textiles) saw decreased revenue due to a more difficult market environment. The growth of the Products Business Stream came from the Asia Pacific region and also from Greater China, essentially due to currency factors.

In 2012, the Life Care Business Stream recorded an increase in revenue of 7.8% overall, mainly based on the welcome development of the Occupational Health and Safety Business Field. For this Business Stream, which is traditionally active in Germany, foreign markets such as in Middle and Eastern Europe are becoming increasingly important.

The Training and Consulting Business Stream showed a strong increase in revenue in 2012, at €34 million. On the one hand, the increase in revenue was due to the takeover of the IT training provider the campus GmbH on July 1, 2012. On the other hand, the Information Security Business Field, which grew dynamically in 2012 and had previously been assigned to the Systems Business Stream, was transferred to the responsibility of the Training and Consulting Business Stream due to the emphasis on consulting in the current business year. The Professional Training, Human Resources Management, and Business Consulting Business Fields reported stable revenues in 2012.

Revenue in the Systems Business Stream fell by €9 million. This is due to the reclassification of the Information Security Business Field into the Training and Consulting Business Stream, as described above. Adjusted for this effect, the Systems Business Stream grew by €11 million or 10.2% in the Business Fields Certification of Management Systems and particularly Customized Services. Internationally, revenues increased particularly in the Greater China and Asia Pacific regions.

In Germany, the operations achieved 3.3% growth overall. In addition to Training and Consulting, particularly Industrial Services and Mobility – the Business Streams with the highest revenue – continued to post stable growth in 2012, whereas, due to declining revenue in the Hardlines Business Field (testing services for furniture, toys, and electrical products), the German operation Products did not reach its previous year's revenue.

With revenues of €88 million, the Group's international subsidiaries clearly exceeded the previous year's total of €629 million by 14%. Taking exports from Germany into account, 50.6% of the Group's output was earned either internationally or with international customers. The main growth drivers were the regions IMEA, North America, Asia Pacific, Greater China, and South America.

In Western Europe, revenues rose by 3.5%. France achieved the highest growth – due to the full inclusion of SECTA S.A. – while in the other Western European countries, such as Spain and Portugal, revenues declined slightly.

In Middle and Eastern Europe, revenues continued to increase, which, as in the previous year, can be particularly attributed to welcome growth in Poland, Ukraine, and Hungary.

The Asia Pacific region reported 22.2% growth in revenue, also partly due to currency factors. Revenue grew in all of the countries in this region, where, in addition to Japan, Korea, Thailand, and Indonesia, special mention should also be made of the Philippines.

In the Greater China region, revenues built on the high growth rates of previous years with a 16.4% increase due exclusively to organic factors. In addition to positive currency effects in China and Taiwan, the Industrial Services Business Stream contributed to the increase, while revenues in the Products Business Stream declined.

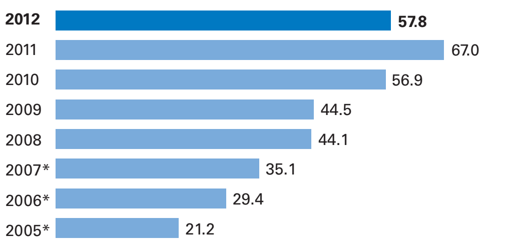
The IMEA region reported the highest growth momentum in the Group, with a growth rate of 31.5%. This was due mainly to the positive business developments in the Gulf states, India, and South Africa.

In North America, revenues grew considerably at 24%. In addition to positive currency effects, this resulted, on the one hand, from the purchase of Rail Safety Services Inc. and, on the other hand, from a consolidation effect of the stockpiling of shares of TÜV Rheinland AIA Services, LLC, which had already happened in 2011. Furthermore, strong Industrial Services business in Mexico contributed to the increase in revenue.

Revenues in South America rose again significantly with a 10.8% increase; adjusted for currency effect, growth was just under 20%. With this, South America resumes its high revenue growth. Consistently high demand for services in the areas of energy and infrastructure was the revenue driver for the region.

## Development of Income

**Consolidated Net Income for the Year**
in € millions




*Acc. to HGB.

| in € millions | 2011 | 2012 |
|---|---|---|
| **Earnings before interest, taxes, depreciation, and amortization (EBITDA)** | **171.2** | **167.2** |
| Amortization of intangible assets and depreciation of property, plant, and equipment | –47.2 | **–54.0** |
| **Earnings before interest and taxes (EBIT)** | **124.0** | **113.2** |
| Financial result | –20.4 | **–19.1** |
| **Earnings before tax (EBT)** | **103.6** | **94.1** |
| Income taxes | –36.6 | **–36.3** |
| **Consolidated net income** | **67.0** | **57.8** |

At €167.2 million, earnings before interest, taxes, depreciation, and amortization (EBITDA) almost reached the high previous year's total of €171.2 million.

Earnings before interest and taxes (EBIT) and earnings before tax (EBT) were slightly lower than in the previous year, with a change of 8.7% and 9.2% respectively.

The Business Streams Industrial Services and particularly Systems improved on the previous year's figures with pleasing incomes. While the Mobility and Life Care Business Streams posted stable results, the Products and Training and Consulting Business Streams registered declining incomes.

In the Products Business Stream, the Solar and Softlines Business Fields in particular posted reduced contributions to operating income compared with the previous year. In the Training and Consulting Business Stream, the revenues for the Business Consulting and Human Resources Management Business Fields declined.

Overall EBIT, however, fell below the figure for the previous year by €10.8 million.

While the regions Western Europe, Middle and Eastern Europe, and South America are particularly affected by declines in 2012, the regions Greater China and Asia Pacific continue to improve. In particular, the still noticeable effects of the financial crisis in some European countries contributed to this development. Necessary efforts to stabilize or increase revenue beginning in 2013 have been implemented and are already showing their first signs of success.

Compared with the previous year, the quota of the cost of purchased services changed as a percentage of total output from 12.8% to 13.4%.

The quota of personnel expenses rose only slightly from 55.5% in the previous year to 56.1% in 2012, which, in relation to growth in revenue, was due to a largely proportional 7.9% increase in employee numbers.

At 22.2%, the quota of other expenses remained largely constant (previous year: 22.1%).

Impairment increased – in relation to revenues – from 3.3% in the previous year to 3.5%.

The improvement in the financial result was predominantly due to a more favorable net funding figure for pension commitments and further reduced loan interest rates.

Earnings before tax at €91.4 million were below the previous year's €103.6 million.

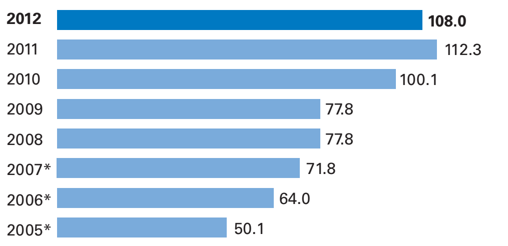
Income taxes totaling €36.3 million (previous year: €36.6 million) were primarily in foreign countries, at €19.7 million. The tax ratio was 38.5% after 35.3% in the previous year; this change was essentially due to higher negative effects on earnings in international companies, for which no asset-side deferred taxes could be created.

Consolidated net income for the year thereby fell 13.7%, from €67.0 million to €57.8 million.

## Financial Position

The cash flow statement was prepared on the basis of the consolidated financial statements.

**Gross cash flow**
in € millions




*Acc. to HGB.

Gross cash flow was €108.0 million, down slightly at €4.3 million below the previous year (€112.3 million).

At €93.2 million, the operating cash flow decreased on the previous year (€101.1 million). In addition to a reduced Group net balance, working capital – increased due to growth – led to this change.

Taking the 2012 asset disposals into account, investments (including the increase in reinsurance policies) led on balance to a €76 million net outflow of funds that was financed entirely from the operating cash flow.

In financing activities, more current bank liabilities were redeemed than new non-current bank liabilities were entered into, and a dividend was paid to the shareholder. That leads to a €22.1 million net cash outflow from financing activity.

Liquid assets amounted to €88.4 million as at December 31, 2012. With financial liabilities dropping to €128.6 million, net financial liabilities were reduced to €40.2 million (previous year: €38.5 million).

The dynamic debt–equity ratio, which specifies the length of time required to repay the Group's financial liabilities, was less than a year in relation to EBITDA.

To ensure its ongoing solvency, the TÜV Rheinland Group maintains extensive current- and non-current lines of credit, of which only a fraction was used as at December 31, 2012.

## Balance Sheet and Capital Structure

The balance sheet total rose by 7.7% or €103.6 million to €1,452 million.

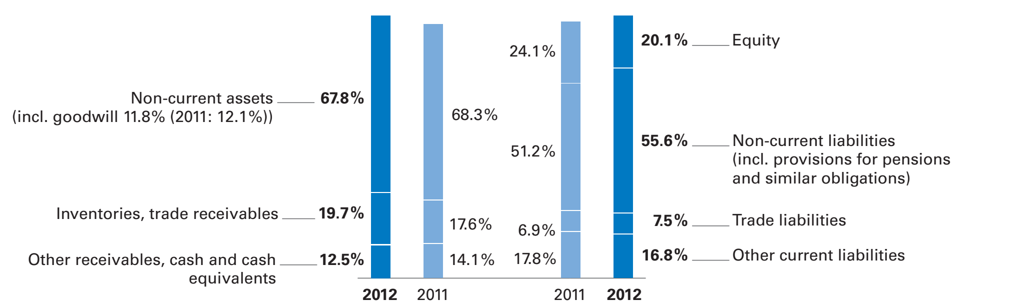
Non-current assets increased by €65.6 million overall. The main reasons for the increase in non-current assets were acquisition-related increase in goodwill and intangible assets as well as investments in property, plant, and equipment. Goodwill and the intangible assets identified in connection with acquisitions increased by a total of €24.6 million. Investments in fixed assets (including intangible assets) totaling €73.9 million were accompanied by €54.0 million in depreciation and €8.6 million in net disposals. In other financial assets, alongside an increase of the actuarial reserve quotas by €6.0 million, the scheduled repayment of non-current securities totaling €4.2 million also had an effect. Asset-side deferred taxes increased by €30.7 million, particularly in connection with the significantly increased pension commitments.

Current assets rose by €38.0 million, which, on the one hand, was due to a revenue- and consolidation basis-related €48.2 million increase in inventories and trade receivables; on the other hand, there was also a reduction – primarily attributable to tax refunds – of income tax receivables totaling €6.6 million and a €4.8 million decline of cash and cash equivalents.

Equity capital changed by a total of €33.5 million, from €325.3 million to €291.8 million. Essential factors for this were, on the one hand, the positive addition from the consolidated net income for the year totaling €57.8 million and, on the other hand, the significant increase of the actuarial losses totaling €105.4 million, which resulted from a reduction of the actuarial interest rate from 5.0% to 3.5% for the discounting of pension commitments. The €15.6 million dividend for the 2011 business year paid to the Group's shareholder TÜV Rheinland Berlin Brandenburg Pfalz e. V. also reduced equity capital. Other changes, such as negative impact from foreign currency translation and positive impact from deferred taxes, had the effect of increasing equity capital by €29.7 million.

As a result, the equity ratio changed from 24.1% to 20.1% despite the higher balance sheet total.

**Balance Sheet and Capital Structure**



If external financing of pension commitments were undertaken as part of a contractual trust arrangement (CTA), the TÜV Rheinland Group's equity ratio would amount to 24.6%.

Under non-current liabilities, the Group's pension commitments were reduced by €100.4 million to €656.3 million, due mainly to the 150 basis point discount rate reduction. Furthermore, non-current financial liabilities rose by a total of €9.4 million, due to an increased balance from new loans and repayments. The €3.6 million increase of liabilities-side deferred taxes was mainly linked to the statement of tax reversal effects from purchase price allocations. The €19.8 million increase in current liabilities resulted from higher current provisions and trade liabilities, on the one hand, and lower current financial liabilities, on the other.

Assets committed on a non-current basis along with some of the Group's current assets were financed by non-current capital (non-current asset cover: 111.5%).

### Investments

The volume of investments in the business year, not including corporate acquisitions, totaled €73.9 million. Investments were made mainly in laboratories, software, and testing sites.

Numerous investments were made particularly in testing labs for the Battery, Solar, and Softlines divisions. Asia Pacific, IMEA, and Greater China were their regional focal points. Special mention should be made of the putting into operation of the new KTAC (Kansai Technology Assessment Center) testing lab for photovoltaic and energy storage systems in Osaka, Japan, with an investment volume of €4.5 million. Furthermore, the strategically significant expansion of the laboratory network for Softlines and Electrical in the growth markets India and Turkey with €3.4 million deserves mentioning.

Another focal point for investments in 2012 was the unification of the software landscape in the TÜV Rheinland Group. The project »TÜV Rheinland Workplace,« which was started in 2011, has been continued consistently. With the worldwide coordinated introduction of Microsoft products, the IT infrastructure across the Group will be further standardized and improved to develop TÜV Rheinland's international network further. A total of €3.3 million was invested in 2012.

Moreover, additional investments were made in the IPMS (Integrated Project Management System) and ICMS (Integrated Certification Management System) projects. IPMS and ICMS are uniform IT system solutions for mapping the entire value chain from tender preparation to order follow-up in the Products and Systems Business Streams. In 2012, IPMS was successfully introduced in the TÜV Rheinland Group after the conclusion of a short implementation phase.

In the course of the deregulation of the Spanish automobile market, which started years ago, TÜV Rheinland Ibérica S.A. made further investments in automotive testing locations. Greater Madrid also represented a special focus here in 2012.

## BUSINESS SITUATION

The TÜV Rheinland Group consolidated its position as one of the world's leading technical service providers in the TIC market.

The Group's aspiration and guiding principle is to be the best independent provider of technical services for testing, inspection, certification, consulting, and training.

TÜV Rheinland employees are guided in their work by the conviction that societal and technical progress are inseparably connected.

That is precisely the reason why the safe and responsible use of technical innovations, products, and plants is of decisive importance.

## Industrial Services

The Industrial Services Business Stream also built on the successes of previous years in 2012. In addition to the growth drivers Germany and the South America region, the IMEA, Asia Pacific, and Greater China regions in particular showed positive developments, while growth in the Middle and Eastern Europe region and North America tended to stagnate.

Today, the Industrial Services Business Stream's broad service portfolio extends from the traditional testing of boilers, pressure tanks, and steam generators to integrated project management and industry-specific solutions. In the process, it also became clear again in 2012 that both national and international project planners, property developers, investors, operators, and manufacturers find these services convincing. In addition to the technical competence of TÜV Rheinland's experts and their focus on customers and the market, the continuous optimization of internal work flows and processes provides a recipe for success.

TÜV Rheinland reached a milestone as a service provider in the wind power industry: the German accreditation body DAkkS recognized the Group as a certification organization for the type and component certification of wind energy plants according to the international standard IEC 61400-22. This means that, in the certification of wind energy plants, TÜV Rheinland offers complete one-stop service, and has already improved the order situation in 2012 in this sector accordingly. Furthermore, the position in the offshore market was strengthened by the completion of an extensive audit assignment on the safety of maritime operations in the installation of wind projects.

With newly obtained large projects in the IMEA and Asia Pacific regions, TÜV Rheinland further developed its market presence as a testing service and provider of services for the oil and gas industry and its customer base for risk assessment on the international level. For example, as a result of handling a large order in Taiwan, the Group was able to consolidate its position as a leading and proficient testing service for industrial safety and minimizing risks at petrochemical plants.

In addition, in 2012, the conventional energy sector continued to rely on TÜV Rheinland's expertise: customers benefit from the expertise of TÜV Rheinland's employees, specifically when dealing with high-temperature materials. In addition, newly obtained orders for nuclear energy projects in Korea, Japan, and Brazil created demand for experts.

Of particular note are advances in the area of supply chain and integrity services. Here, TÜV Rheinland has been recognized by the German accreditation body DAkkS as an inspection site for plants, systems, and components according to the international standard EN/ISO/IEC 17020. As a result, since 2012, the Group has been able to offer its customers an expanded service portfolio at the same level of quality and safety they are accustomed to.

Focal points in 2013 remain further developing the service portfolio and, in particular, developing services for conventional, nuclear, and renewable energies internationally for both the oil and gas industry. In the process, the implementation of innovations is constantly promoted in all areas. In addition to Europe, regional focal points will be the BRICS and the Next Eleven countries.

## Mobility

The Mobility Business Stream again experienced good development in the business year 2012. Against the background of domestic business, which was very sound once again, priorities were on developing activities abroad. Here, important steps were taken in 2012 for the implementation of services.

In the future, Eastern Europe, Asia, Africa, and South America will remain target markets for commercializing TÜV Rheinland's core competencies. The approach pursued to accomplish this, of both growing organically in the regions and securing market share through acquisitions, was successfully implemented in 2012.

In the automotive sector, the takeover of an engineering company in Kaufbeuren was a further step in the regional expansion into southern Germany. The acquisition of a service provider in the automotive sector in Düsseldorf helped expand the service portfolio in the car dealership and fleet service sector. Internationally, acquiring a majority stake in SECTA S.A., Courbevoie, France, had a clearly positive affect on revenues and income.

By further developing the service bandwidth in the Car Services and Appraisal Business Field, a very good basis for future growth was created, with a focus on the international sector. This commitment will be continued in 2013 by concentrating resources in West Europe, Asia, and South America.

The Rail Business Field achieved above-average development in all operational regions. Accompanied by very strong revenue and earnings growth in Germany, international activities in this Business Field also saw favorable increases. The investments of the past are already paying off here.

The field of electromobility also recorded successes in 2012. In addition to numerous training services, a cooperation agreement was signed with one of the world's foremost German automobile companies, which plans for TÜV Rheinland to serve in an advisory capacity in the development of necessary electrical infrastructure for customers with electric cars in over 90 countries.

As part of the provision of services and central sector support, IT has implemented a number of projects to improve process sequences. Additionally, via its global Business Field leader, the Business Stream began an initiative to document and harmonize accreditation, procedure, and process descriptions.

The new Strategy 2017 defines the objective for the next five years. The implementation of the efforts already began in 2012 with high priority, creating the basis for a continuing successful development of the Mobility Business Stream in the years to come.

## Products

The Products Business Stream also continued to grow in 2012, although at a slightly slower pace than in previous years. The Commercial and Medical Business Fields showed the highest growth rates in revenue. Electrical remained the most important Business Field, with the largest share of revenue. In the Electrical Business Field, TÜV Rheinland again asserted its market leadership in 2012 with regard to CB certificates issued in the international certification procedure for electronic consumer goods. The Electrical Business Field is in an excellent position for current market trends such as testing 3-D screens, LED systems, wireless technologies, and lithium batteries.

For the first time since its market launch, the Solar and Fuel Cell Technology Business Field recorded a decline in revenue, although TÜV Rheinland was able to defend its global market leadership in this area and generate a clearly positive EBIT margin. The reasons for the decline in revenue are complex: economic crises in Europe and America; reduction of compensation for electricity fed into the grid in important markets; Asian mass production with a dramatic decline in prices in the modules, resulting in more manufacturer insolvencies domestically; and a German energy and climate policy that is difficult to forecast.

Meanwhile, three quarters of the revenue in the Products Business Stream are generated abroad, with focal points in the Greater China and Asia Pacific regions. However, the strongest growth is in the IMEA and South America regions. In Germany, the Products Business Stream was able to maintain its high-level position as a market leader.

A focal point of investments in 2012 was the further development of the worldwide labor network. TÜV Rheinland responded to increasing demand from Turkish industry for quality and substance testing for export products with a new Softlines laboratory. In Gurgaon (India), the Group invested in a Softlines laboratory that is 1,500 square meters in size; additional Softlines laboratories in Bangalore and Tiruppur (India) are scheduled to follow in 2013. This means that the global network of Softlines laboratories now has testing facilities in nine countries.

In Jidda (Saudi Arabia), a new testing center was opened for automobile industry products (brake linings and oil filters) and for household appliances, office supplies, lighting materials, and IT as well as telecommunications products. In cooperation with Yeungsam University, another testing lab for photovoltaic modules was built in Gyeongsan, South Korea. This new testing lab is the first one in Korea that is operated according to international standards. In 2012, a new testing lab for photovoltaic and energy storage systems was inaugurated in the Technology Assessment Center in Osaka (Japan), with 2,500 square meters of space. Rechargeable energy storage systems such as lithium-ion batteries and super capacitors are tested here.

A testing center was built in Leek in the Netherlands that specializes in tests and certifying wireless devices, electric and electronic products, medical devices, and telecommunications products. The new testing center is the only accredited laboratory in the Netherlands that measures the influence of electrical radiation on people. In Leipzig, Germany, the testing center for personal protective equipment was expanded substantially and the laboratory equipment was modernized. As a result, the foundations were laid for achieving market leadership in this segment.

The founding of the Food-Cert-Alliance, a network of German analytical laboratories under the umbrella of TÜV Rheinland, offers our customers a unique and flexible network in the food sector, supplemented by a new test seal – »controlled food quality.« With this alliance, TÜV Rheinland will set new standards in the German food market.

After successful introduction in Germany, the new IT process management IPMS (Integrated Project Management System) for worldwide harmonization and standardization of testing processes and procedures has also been implemented in China and North America. As a result, testing times are shortened again and the high quality of the tests is ensured.

»Further strengthened, the Products Business Stream will position itself as the leading service provider regarding energy efficiency and sustainability,« emphasizes Prof. Ralf Wilde, Executive Vice President of the Products Business Stream. Examples in this field would be corporate social responsibility, green services, climate protection, and smart grid.

### Life Care

In the past year, the Life Care Business Stream almost completely reached its revenue and income goals. The project to strategically reorient and improve work flows as well as efficiency and service quality was successfully concluded in the business year 2012. Additionally, last year a new integrated standard software began to be introduced, rounding off the success of the concluded project.

The services for customers have been further focused: health management and occupational safety as the main area of work and medical center services as a supplementary offering for the health-care industry. These Business Fields were expanded in Germany and successfully marketed internationally in selected target regions. Of particular note in Germany is the opening of the first TÜV Rheinland center of expertise for integrative health management in Bad Neuenahr. Additional projects in other regions as well as new contracts with prestigious key accounts that also want to use the offering internationally will follow. TÜV Rheinland has already successfully overseen large projects in Eastern Europe and South America. Numerous international planned projects have also been addressed in cooperation with the Industrial Services and Products Business Streams.

As part of Strategy 2017, the Business Stream confirms its growth and income goals and underlays them with promising, increasingly international projects. The implementation has started and will be intensified in the business year 2013. In 2013 the Business Stream expects stronger growth – both in Germany and internationally.

## Training and Consulting

In the business year 2012, the Training and Consulting Business Stream recorded significant growth compared to the previous year, with total revenues of €194 million. Two corporate acquisitions in the training area contributed to this, as did strong organic growth in the area of Information Security.

Despite continuing reduction of state support of advanced professional training in the training area, TÜV Rheinland not only affirmed its position as the leading training provider in Germany, but also developed it. In particular, the free-market seminar business for corporate and private customers also grew again significantly in 2012, and was able to offset declines in the publicly supported qualification business. Additionally, at the beginning of the year, with the takeover of the business operations of e/t/s GmbH in the increasingly important field of Workplace Learning Solutions (WLS), such as e-learning and mobile learning, it was possible to significantly expand the range of services.

In the middle of 2012, TÜV Rheinland acquired 100% of the shares in the campus GmbH, a certified provider and market leader of IT seminars and qualification products for software products from well-known producers such as Microsoft, Oracle, and Linux. With the acquisition of e/t/s and campus in connection with its already existing training and consulting services in the IT sector, TÜV Rheinland is considerably strengthening its strategic direction and its service portfolio in the area of information and communications technology.

In the Consulting Business Field, business activities focused on consulting projects in the telecommunications sector, and particularly on coordinating the creation of the nationwide digital wireless network for the German police and other authorities and organizations with security tasks. Another focal point was the further development of the nationwide broadband atlas, which was commissioned by the Federal Ministry of Economics and Technology.

Despite changes to the framework conditions resulting from new tariff regulations in traditional temporary employment, in the HR Services area TÜV Rheinland was able to maintain its market position and gain key contracts, particularly in the project-oriented business of »Engineering Services.«

In the Information Security Business Field, TÜV Rheinland saw encouragingly strong and profitable growth in the year 2012. In general, revenues developed more positively than anticipated due to large contracts in financial informatics. There were also successes in the area »Production Safety/Critical Infrastructures.« For the new service »Security in the Cloud,« it was possible to acquire important reference customers.

In the year 2013, the significant expansion of international business had high priority. In particular, the rollout of IT training services in key markets such as China and Brazil, as well as the construction and expansion of professional training centers in India are the focus of this strategy of internationalization. »Our experiences and successes as the leading training provider in Germany create a strong foundation for the rollout of these services in international markets,« said Siegfried Schmauder, Executive Vice President of the Training and Consulting Business Stream at TÜV Rheinland.

### Systems

In the business year 2012 – adjusted for carry-over effects – the Systems Business Stream saw a revenue increase again, thereby continuing the positive development of recent years.

The Business Stream evaluates management systems, IT processes, and companies according to internationally recognized standards or according to individual criteria. In 2012, the introduction of the new DIN EN ISO 50001 generated broad interest, so that growth was achieved particularly through the certification of energy management systems. The standard supports companies in the creation of systems to improve their energy efficiency and their energy-related performance.

Among the non-accredited services, in 2012 services in the area of sustainability, CSR, service quality, and data and information technology continued to develop well. Above all, the Business Stream benefited from experiences from CRS audits that it performed – for example, in China: an international project team with experts from Asia, South America, and Europe defined unified structures for the global CSR business. This includes data and information exchange, harmonizing working guidelines, and optimizing international cooperation. Several CSR contracts have already been successfully implemented as part of the project such as a pilot project to protect the international supply chain of the pharmaceutical industry. The goal is to expand the established structures, so that international CSR audit programs can be successfully carried out within TÜV Rheinland's global network.

Due to the introduction of ICMS, large advances have been made with regard to optimizing and stabilizing processes. ICMS makes it possible to standardize processes internationally, minimize interfaces, and use an integrated SAP platform that maps all processes, beginning with customer contacts and covering tender preparation, audit processing, and sending invoices.

In 2012, the ICMS project ran according to plan, and entered a decisive phase in 2013 with its rollout in Germany, Netherlands, China, and the United States. Experiences from the pilot phase reveal more effective and optimized processes that lead to quality improvements.

In 2013, the further internationalization of service offers is of primary importance. The expansion of the global network has priority, particularly for sales, in order to be more competitive with key international accounts and bids.

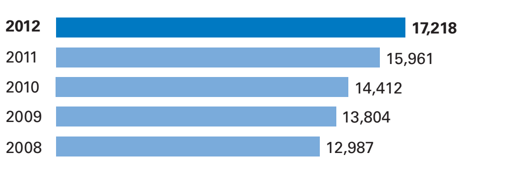
In the development of innovative product ideas, a large step forward could be made with the help of the strategic marketing instrument »Blue Ocean Methodology.« A project team developed ideas for expanding business activities – of these, ten innovations were presented to a broad internal and external public, which then evaluated them. The feedback, in addition to a systematic potential and implementation analysis with appropriately calculated business cases, flowed into the selection of the concept ideas. Several services and IT-based concepts showed high business potential and will be realized in 2013. Following successful introduction, the performance of further international projects in the regions is planned.

## EMPLOYEES

As at the reporting date December 31, 2012, a total of 18,274 employees (full-time) are employed at TÜV Rheinland Group. In the annual average, the number of employees rose from 15,961 to 17,218; this represents an increase of 7.9% compared to the previous year.

The strong personnel development overall is based, on the one hand, on a continuous addition in Germany of 3.8% and, on the other hand, based on an increase of 10.8% internationally due to high revenue growth in Brazil, China, India, and the Gulf States.

**Total staff**
(annual average)




Human resources management that appreciates employees makes a sustainable corporate structure visible and perceptible. In addition to performance-based compensation systems and business-unit-based conditions, all employees in Germany were therefore offered disability insurance financed on a parity basis, which was accepted by about 30% of them.

In the 2017 corporate strategy, the elements of developing, winning over, and creating relationships with new employees for TÜV Rheinland are essential. As anchored in the new mission statement, constructive dialogue with employees is the core of the corporate philosophy. This is manifested in regular and structured employee reviews, which in turn form the basis for future development measures. In 2011, a worldwide employee survey was also conducted, which had a participation rate of 63.1%. The analysis of the survey led to about 500 improvement measures in the regions, most of which were completed in 2012. The topics of communication and management were addressed in particular. The employee survey will be conducted again in the fall of 2013. Further improvement measures will be made on the basis of the survey results, including the revision of personnel development measures.

In 2012, the new training module »Leadership« was presented for the first time in Bangkok with participants from Asia. Furthermore, the Talent Team Program, which was established in Germany, was held for the first time in Brazil and Asia Pacific. The program introduces future managers to the topics of project work, management, and communications. Additional regions will follow in 2013. In 2012, the instrument for evaluating the management performance of managers, which had been in common use for two years, was implemented in a revised and expanded version.

In 2013, TÜV Rheinland is concerned with an additional management-development component and also offers a module that deals with the management functions and abilities (coaching skills) of young managers in more depth. In addition, TÜV Rheinland is setting up a mentoring program encompassing all its different business units, which will qualitatively improve management skills and culture.

As part of a project started in 2012, TÜV Rheinland has been testing required adjustments to the management structure. Due to the high rate of growth in recent years, this will help to harmonize the hierarchy levels, job specifications, and functions. A transparent specialist and leadership career path with coordinated development measures and title structures that are uniform throughout the Group will be derived from this.

Successful efforts to strengthen the employer brand were also made in 2012. In addition to its certification as a TOP Employer in 2012, TÜV Rheinland improved its position in some ranking lists to a favorite employer among engineers. In addition to contacts with universities, investments were also made in collaborations – for example, with the German Sport University and the NRW Sports Foundation. In this way, athletes are approached specifically who would like to work in a predominantly technical profession after their athletic careers. At the same time, the collaboration has a positive effect on operational health management.

Efforts to increase the proportion of women in the workforce will continue to be pursued in

2013, particularly in Europe. For this purpose, in addition to participation in Girls' Day (a vocational orientation day for girls, supported by the Federal Ministry for Families, Senior Citizens, Women, and Youth, among others), internal discussions with female employees are used to discuss further options to improve the compatibility of family and career.

With numerous offers and activities, TÜV Rheinland is committed to equal opportunity and the advancement of women. With a family-friendly personnel policy, the intention is to create an environment in which family and career can be combined. In Germany, this includes efforts such as the »Family and Career« project, with advice on parental leave and a child-care option.

In 2012 the conceptual foundations for a global human capital management system continued to be laid. In a joint project with employees from China and Germany, it was possible to bundle a number of Chinese payroll accounting systems in a single SAP system. In the medium term, this means that a global and uniform database can be accessed, with uniform data quality, as well as reduced IT costs and higher integration into other SAP applications.

## RISK MANAGEMENT SYSTEM AND CORPORATE GOVERNANCE

For a globally active company like TÜV Rheinland, a comprehensive internal control system (ICS) – in relation to IT-assisted business processes and effective and efficient risk management – is an indispensable control element marking the framework for management and monitoring. The ICS is mainly intended to ensure compliance with statutory requirements, TÜV-specific guidelines, and its corporate objectives.

In addition, risk management aims to identify and evaluate risks at an early stage so that suitable precautions, controls, and safeguards can be put in place and proactive countermeasures can be initiated. TÜV Rheinland AG's Executive Board is responsible for the Group's risk management system. In accordance with German law, the tasks of the Chief Executive Officer and the chairman of the Supervisory Board are strictly separate and distinct from one another.

A documented procedure in the management framework manual and a detailed description in the planning manual define the risk management process. These documents are available around the world in several languages on the company's intranet. In particular, an interdisciplinary risk management group has been established at TÜV Rheinland AG in this context.

Several statutory initiatives were launched in recent years to improve corporate governance. In keeping with international standards, the Corporate Sector Supervision and Transparency Act (KonTraG) requires the Executive Board to take suitable measures to ensure that developments which might pose a threat to the company's continued existence are made identifiable at an early stage. This requirement is taken into account by an effective ICS and TÜV Rheinland's early risk-warning system. Based on a risk-oriented audit approach, the Group's Corporate Audit Department checks the ICS of TÜV Rheinland companies around the world in accordance with international auditing standards.

Furthermore, information gained from the semi-annual risk reports of the German and international TÜV Rheinland companies and the Business Stream Executive Vice Presidents is analyzed in detail. Based on the information obtained in the matrix organization, all of this information is then aggregated to create a Group report, which is appraised from portfolio viewpoints. Risk determination is based on risk indicators that are specific to TÜV Rheinland. The different risks can be arranged under the headings of market/

customer, processes, employees, finance, and miscellaneous – such as legal framework conditions. Risk quantification is based on the anticipated result – or, in other words, the likelihood of the risk occurring. Additionally, the naming of planned efforts also represents a central aspect.

Dealing with risks is also a part of the ongoing reporting process. Reporting follows the requirements of the matrix structure and, in addition to regularly updating the economic outlook, also takes business-specific early indicators into account. This provides an essential foundation for recognizing risk areas, as well as introducing and consistently pursuing specific efforts to prevent possible damage to TÜV Rheinland. In addition, the Executive Board is informed of significant circumstances by means of ad hoc statements.

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

The Group abides by the basic principles of good corporate governance that is focused on the legal and practical framework of managing and supervising the company. In particular, it has professional compliance management with a prevention remit that sets out the relevant framework for TÜV Rheinland. Specifically, this framework includes the Code of Conduct, Anticorruption Guideline, Sponsorship Guideline, and a compliance hotline.

TÜV Rheinland is convinced that good corporate governance is of great importance for its sustainable success and that the implementation and observance of these guidelines make a material contribution to permanently building up the trust placed in the Group by all interest groups.

## VALUE MANAGEMENT AND BUSINESS-RELEVANT ENVIRONMENTAL AND SOCIAL FACTORS

In the business year 2012, the TÜV Rheinland Group continued to extend its corporate social responsibility (CSR) activities systematically on the basis of the principles of the UN's Global Compact initiative and of the IFIA (International Federation of Inspection Agencies).

The goal of becoming the best independent provider of technical services for testing, certification, consulting, and training was affirmed in the 2012 revision of the mission statement. The goals set for the TÜV Rheinland Group in the areas of climate change and diversity determine how the CSR program is continued in terms of content. The development of the two management systems environment and occupational safety into one integrated HSE (health, safety, and environment) management was continued. Additionally, the compliance system was expanded, and risk analysis for the company is being deepened in the Business Fields and on the regional level.

In 2012, TÜV Rheinland also identified new business opportunities with regard to sustainability and environmental issues. In particular, the energy transformation decided upon by the Federal Republic of Germany makes specific engineering expertise and technical solutions necessary in the area of energy and energy efficiency. Here, the German accreditation body recognized TÜV Rheinland as a certification organization for wind energy plants. Furthermore, the market was expanded as a result of cooperation with EuroWind, so that, in addition to business opportunities in the European market, new contracts are expected, particularly in China. The Industrial Services Business Stream also continues to benefit from increasing demand for low-emission power stations. For the Products Business Stream, opportunities can be seen in the smart grid services area.

Market opportunities are developing in the area of quality assurance and in the non-current, reliable operation of photovoltaic power plants. In 2012, TÜV Rheinland opened two new testing centers in Japan and Korea, thus strengthening its position as the worldwide industry leader in testing the safety of solar modules.

Further business opportunities are developing from the demand for solutions for infrastructure challenges in metropolitan areas. Particularly in Brazil, India, and China, infrastructure projects are being initiated or continued. Thus, TÜV Rheinland is involved in projects such as expanding local public rail service in São Paulo.

The political trend toward demanding more compliance from and sustainable performance by businesses continued in 2012. In addition to the European Commission's demand for a binding obligation to report and publish regarding specific environmental and social sustainability indicators, the adoption of the German Sustainability Code in Germany has established a national tool for disclosure. In 2012, Germany's Federal Government affirmed its support for the German Sustainability Code. TÜV Rheinland is one of the first companies to have signed the statement of conformity with the new transparency standard. This trend opens up new perspectives for TÜV Rheinland in assisting and certifying businesses in sustainability and compliance.

## OPPORTUNITY AND RISK REPORT

In connection with risk management, special attention is paid to opportunities and risks that are not explicit elements of planning.

Important aspects result from TÜV Rheinland's global orientation and primarily relate to customers and markets and to legal and political framework conditions.

Externally oriented opportunities are mainly associated with service innovations in individual Business Streams and Fields. Prominent examples of this are new services in connection with climate neutrality, e-mobility, supply chain services, and innovative services for the photovoltaic sector. Increased acquisition of large-scale orders such as support for large-scale plants and infrastructure projects offers further potential. Here, too, additional opportunities open up through the option of offering customers a comprehensive package of services in a global network. As a result, market-related risks are compensated for such as declines in demand due to regulatory changes or a downturn in certain sectors like photovoltaics.

Major opportunities also continue to exist in the ongoing dynamic development of international markets. By being present in other markets with strong growth – such as Brazil, China, and India – and continuous expansion of the range of services in developing countries, further protection is developed. At the same time, the global position ensures a certain balancing of risks with regard to economic crises that may occur in individual countries and regions.

In addition to developing markets that are currently being attended to, penetrating new markets is also given special significance. Apart from other Asian countries, these include the Persian Gulf. Developments in both directions will be systematically supported by increased M&A activities. Targeted acquisitions offer further potential through structured integration. The overall resulting network, which will follow globalized value chains even more closely, also forms one of the most important columns of Strategy 2017.

It will be implemented within the established matrix structure. The institutionalized, close coordination between business-specific and regional expertise results in additional opportunities – for example, in identifying new fields of activity and the effective and efficient handling of projects and services.

Reduction of complexity in all areas opens up further potential in the form of a lean management approach. In addition to optimizations in the sales and administration area, this particularly includes the pooling of operating activities and the use of unified IT applications according to customer wishes. Finally, optimized project management can help reduce risks in implementing internal and external development projects and large projects.

The business opportunities that arise for TÜV Rheinland from the growing importance of corporate social responsibility in companies around the world are discussed in the section on Value Management and Business-Relevant Environmental and Social Factors.

Relevant risks naturally first arise from changes in the legal framework conditions. Liberalization steps can result in challenges in markets due to rising competitive pressure. One example is Spain for the Mobility and Industrial Services Business Streams. Nevertheless, this also helps to open up additional potential by providing an opportunity for supraregional operations. In Germany, the Mobility and Industrial Services Business Streams show that a systematic market and service offensive in saturated markets is a suitable means of ensuring survival in the face of competition.

Risks may arise from own business activity as well as through external factors. In the case of the French company Poly Implant Prothèse's (PIP), TÜV Rheinland was mentioned as Notified Body in connection with conformity assessment procedures according to the European Medical Devices Directive for CE marking. PIP had continually deceived TÜV Rheinland in that they were using a silicone gel to produce its implants that was not approved for that purpose. Immediately after obtaining knowledge of the fraud, TÜV Rheinland suspended its certification and initiated legal action against PIP. In 2012, claims were asserted both judicially and extrajudicially. According to TÜV Rheinland's legal opinion, these claims are unfounded, as there is no conduct giving rise to liability.

In Germany, in addition to general economic risks, exempting educational services from the value-added tax can have a deleterious effect on the area of Professional Training. This risk is countervailed by potentials from an even stronger interconnection of sales-related and administrative processes following the acquisition of the campus Group. Furthermore, opportunities exist due to additional growth in defined foreign markets.

General imponderables exist with regard to the stability of international finance systems and possible effects on the economy. In this regard, the high and still-rising proportion of international sales has a risk-reducing effect. This is also true for political instabilities, as are currently occurring in the Near and Middle East. Moreover, progressive consolidation in the TIC industry combined with pressure on prices and margins and fiercer competition pose an ongoing challenge.

In Middle and Eastern Europe, ambitious growth and yield targets continue to face relatively difficult economic framework conditions which are countervailed by strategic and operational changes. However, a change of this kind will at least temporarily involve a risk of falling margins.

The associated risks will be manageable or their unwanted effects will be weakened by TÜV Rheinland's distinctive business and regional diversification as well as its systematic risk management. Due to the integration of risk management into TÜV Rheinland's management information system, risk is controlled by appropriate evaluation on a universal basis in all businesses and Business Streams as well as on the Group level.

The Executive Board has set up a risk unit to which the Controlling, Finance, Corporate Audit, Legal, Quality Management, Compliance, and Insurance Divisions belong. Its remit is to analyze and evaluate the individual opportunities and risks. Targeted countermeasures are undertaken comprehensively at an early stage to minimize risks and strengthen opportunities. In addition to market, customer, and competition issues, this particularly relates to internal processes (such as integration tasks after M&A transactions) and to personnel in terms of the shortage of qualified staff, for example. Continuous action tracking and updating of opportunity and risk reports in the course of the year are obligatory.

TÜV Rheinland counteracts liquidity risk by means of active financial management, the overriding objective of which is to ensure that all Group companies are solvent at all times. Specifically, this includes systemic working capital and treasury management. The latter particularly includes implementing cash pooling and in-house banking. Financial derivatives are used to hedge currency and interest rate risks.

As far as possible, risks are hedged by taking out insurance cover to minimize at least their financial consequences up to a defined percentage share.

## OUTLOOK

### Future Economic Conditions

Recovery of economic development will gradually set in during 2013. Economic experts at the International Monetary Fund (IMF) anticipate 3.5% growth in the global gross domestic product. With regard to the sovereign debt crisis in the eurozone it is expected that the situation on the financial markets will slowly ease once again. In the industrialized countries, monetary policy will continue to provide impetus, as interest rates are expected to remain at an extremely low level. However, financial policy in 2013 will continue to have a dampening effect, which – due to consolidation efforts in the eurozone and planned deficit reduction in the United States – will be strongly contractionary. In the United States, a successive improvement of the capital situation in private households and a further stabilization of real estate prices is expected in 2013. However, planned tax increases and spending cuts for budget consolidation will have a dampening effect. Nevertheless, a slight upward trend for the economy in the United States is expected. Due to increasingly expansive monetary policy, economic growth in developing countries is expected to accelerate during 2013. Overall, the economic recovery during the outlook period will progress further, although this will proceed very differently in the individual economic spheres.

In 2013, the European economy will gradually stabilize again. On the one hand, this is suggested by an improvement of company sentiment at the end of 2012. On the other hand, a reduction of uncertainty with regard to the further progression on the European sovereign debt crisis is expected due to the latest consolidation successes. Because of consolidation efforts, the budget deficit will fall noticeably in 2013. However, a 0.2% decline of gross domestic product is expected for the eurozone. In 2013, dampening effects for the economy will emanate from financial policy, in particular, which will continue to have a clearly restrictive orientation. The unfavorable financial conditions in some countries give reason to expect a reduction of corporate investments. Furthermore, declining real wages will result in weaker demand for consumer goods. In addition, a further increase in the unemployment rate is expected for 2013. The recession is expected to continue in Spain, Italy, and Portugal.

In Germany, gross domestic product is only expected to grow 0.6% in 2013. This means that, as in the previous year, economic growth is moving at a relatively low level. Reasons for this development are a slowing of the world economy and the adjustment recessions in the eurozone, which are severe in some cases. Despite otherwise favorable framework conditions, which are due to a low interest level, among other factors, a period of weakness can therefore be initially expected. However, first signs suggest a slow recovery of the German economy, which is supported by expected moderate growth of the world economy. The calming of the financial markets and an expected increase of private consumer spending will, in all likelihood, have a positive influence on the German economy. In addition, export opportunities for companies are again seen more positively. After important indicators for Germany – like the Ifo Business Climate Index – had deteriorated considerably during the course of the year, the business climate stabilized again toward the year's end. Business prospects are now considered more positive altogether. Due to macroeconomic weakening, the situation on the labor market in 2013 will worsen slightly and the unemployment rate is expected to rise to 7.2%. After the overall government budget was nearly balanced in 2012, a noticeable deficit is expected in 2013 due to the period of economic weakness. The deficit rate in 2013 is expected to be about 0.5%. However, overall these estimates depend to a significant extent on the manageability of the European debt crisis and the attendant sustained calming of the financial markets.

## TÜV Rheinland Group Forecast

Against the background of slightly increasing economic growth in 2013, the TÜV Rheinland Group expects its successful development to continue. Forecast scenarios show that even in the unexpected event of a crisis like we saw in 2009, the TÜV Rheinland portfolio is robust enough to record only slight declines in income and no significant declines in revenue.

In this environment, revenue growth in the current year 2013 is expected to be similar to what it was in 2012. The annual result should rise again, as will the employee headcount.

High revenue growth is expected in the Industrial Services Business Stream, which will be driven predominantly by international business and new acquisitions, but also by the Germany's reliable domestic market. This market continues to show positive development at its already high level. The focus markets continue to be energy, oil, gas, and infrastructure. The highest growth rate is expected in Asia Pacific, IMEA, and the Americas.

The Mobility Business Stream will post slightly below-average growth. In Germany, solid growth will continue in all Business Fields. Strong revenue growth is expected throughout Asia as a result of testing labs that have been put into operation. Additionally, the Rail Business Field is developing well in IMEA and North America.

For the Products Business Stream, higher revenue growth is expected after a weaker previous year. This applies to business in Germany, but especially to international regions. In this, the addition of new labs in the IMEA will make a significant contribution. Aside from the traditional Business Fields such as Solar Testing and Softlines, services in the innovative fields of wireless communications, LED, and smart grid will again account for additional growth. New process control software will continue to be introduced worldwide.

The Life Care Business Stream plans further attractive business volume for 2013. In Germany, this is true both for the core business of occupational safety/health management and for medical center services.

International revenue will improve – in Europe but also worldwide, with increasing participation in major facility construction projects and infrastructure across Business Streams.

The Training and Consulting business steam will continue to grow considerably in the current year. This is true for all Business Fields. In Germany, acquisitions from the previous year will also contribute to this.

The share of international business will increase considerably. In all regions, the growth rates will be higher than in Germany.

The Systems Business Stream, which focuses on accredited and non-accredited certification of management systems, expects somewhat lower revenue growth compared with the previous year. This is true for Germany and Middle and Eastern Europe, Greater China, as well as Asia Pacific. The proven standards are at the forefront, but they are also joined by newer standards such as supply chain management, food safety, and energy management. Non-accredited services like mystery shopping, compliance, and service quality will also continue to improve.

The new process standard software will be introduced worldwide on the basis of uniform processes, which will be to everyone's benefit.

## EVENTS AFTER THE REPORTING PERIOD

There are no events of particular significance after the end of the business year that will have a significant effect on the Group's course of business.

Executive Board

Dr.-Ing. Manfred Bayerlein
Chief Executive Officer

Thomas Biedermann
Chief Human Resources Officer and Director of Industrial Relations

Ulrich Fietz
Chief Financial Officer

Volker Klosowski
Chief Technology Officer

Stephan Schmitt
Chief International Officer

# CONSOLIDATED FINANCIAL STATEMENTS

## TÜV RHEINLAND AKTIENGESELLSCHAFT FOR 2012

### Income Statement

| In '000 € | Note | 2011 | 2012 |
|---|---|---|---|
| **Revenues** | (10) | **1,417,790** | **1,528,900** |
| Inventory changes | (10) | –751 | **2,472** |
| Cost of purchased services | | –181,826 | **–205,772** |
| **Operating performance** | | **1,235,213** | **1,325,600** |
| Personnel expenses | (11) | –786,537 | **–858,624** |
| Amortization of intangible assets and depreciation of property, plant, and equipment | (12) | –47,231 | **–54,018** |
| Other expenses | (13) | –312,616 | **–339,564** |
| Other income | (14) | 35,208 | **39,790** |
| **Operating result** | | **124,037** | **113,184** |
| Interest income | | 17,377 | **16,637** |
| Interest expenses | | –37,957 | **–36,211** |
| Other financial result | | 188 | **462** |
| **Financial income** | (16) | **–20,392** | **–19,112** |
| **Earnings before tax** | | **103,645** | **94,072** |
| Income taxes | (17) | –36,626 | **–36,248** |
| **Consolidated net income** | | **67,019** | **57,824** |
| | | | |
| Thereof attributable to: | | | |
| TÜV Rheinland Aktiengesellschaft equity holders | | 63,932 | **52,986** |
| Non-controlling interests | (18) | 3,087 | **4,838** |
| **Earnings per share in €** | (19) | **1,827** | **1,514** |

## Balance Sheet

| In '000 € | Note | 2011-12-31 | 2012-12-31 |
|---|---|---|---|
| **Assets** | | | |
| Intangible assets | (20) | 210,303 | **238,834** |
| Property, plant, and equipment | (21) | 404,138 | **409,198** |
| Other financial assets | (25) | 265,539 | **267,976** |
| Other non-current assets | (26) | 12,151 | **11,014** |
| Deferred tax assets | (17) | 28,489 | **59,163** |
| **Non-current assets** | | **920,620** | **986,185** |
| Inventories | (27) | 11,729 | **20,019** |
| Trade receivables | (28) | 226,134 | **266,036** |
| Income tax receivables | (28) | 12,463 | **5,888** |
| Other receivables and other current assets | (28) | 84,367 | **85,526** |
| Cash and cash equivalents | (29) | 93,157 | **88,369** |
| **Current assets** | | **427,850** | **465,838** |
| **Total assets** | | **1,348,470** | **1,452,023** |
| **Equity and liabilities** | | | |
| Issued capital | | 35,000 | **35,000** |
| Capital reserves | | 23,802 | **23,802** |
| Other reserves | | 255,616 | **217,223** |
| Non-controlling interests | (18) | 10,853 | **15,744** |
| **Equity** | (31) | **325,271** | **291,769** |
| Provisions for pensions and similar obligations | (32) | 555,865 | **656,302** |
| Other non-current provisions | (33) | 13,479 | **14,948** |
| Non-current liabilities | (34) | 107,363 | **119,113** |
| Deferred tax liabilities | (17) | 13,489 | **17,082** |
| **Non-current liabilities** | | **690,196** | **807,445** |
| Current provisions | (33) | 64,778 | **72,518** |
| Income tax liabilities | (34) | 24,990 | **26,480** |
| Trade liabilities | (34) | 92,423 | **109,313** |
| Other current liabilities | (34) | 150,812 | **144,498** |
| **Current liabilities** | | **333,003** | **352,809** |
| **Total equity and liabilities** | | **1,348,470** | **1,452,023** |

## Cash Flow Statement*

| In '000 € | 2011 | 2012 |
|---|---|---|
| **Consolidated net income** | **67,019** | **57,824** |
| Amortization/write-ups of intangible assets and depreciation/write-ups of property, plant, and equipment | 47,231 | **54,018** |
| Depreciation/write-ups of financial assets | 147 | **0** |
| Change in non-current provisions | –2,066 | **–3,867** |
| Change in deferred tax assets and deferred tax liabilities | 1,291 | **5,652** |
| Profit/loss from the disposal of intangible assets and property, plant, and equipment | –98 | **1,400** |
| Other non-cash income/expense | –9,335 | **–4,645** |
| Change in inventories, receivables, and other assets | –11,528 | **–33,268** |
| Change in liabilities and current provisions | 8,395 | **16,059** |
| **Cash flow from operating activities** | **101,056** | **93,173** |
| Payments for investments in | | |
| Intangible assets and property, plant, and equipment | –71,971 | **–73,944** |
| Financial assets | –19,033 | **–19,963** |
| Shares in fully consolidated companies (less cash and cash equivalents taken over) | –10,486 | **–7,129** |
| Receipts from disposal of | | |
| Intangible assets and property, plant, and equipment. | 2,419 | **7,243** |
| Financial assets | 13,579 | **17,831** |
| Shares in fully consolidated companies (less cash and cash equivalents disposed of) | 2,395 | **0** |
| **Cash flow from investing activities** | **–83,097** | **–75,962** |
| Payments to equity holders | –12,000 | **–15,600** |
| Payments to minority interests | –2,047 | **–3,420** |
| Receipts from bank borrowings | 19,345 | **24,700** |
| Payments from lending from banks | –32,329 | **–27,800** |
| **Cash flow from financing activities** | **–27,031** | **–22,120** |
| **Change in cash and cash equivalents** | **–9,073** | **–4,908** |
| Change in cash and cash equivalents related to currency translation and consolidation | 1,310 | **120** |
| Cash and cash equivalents at beginning of period | 100,920 | **93,157** |
| **Cash and cash equivalents at end of period** | **93,157** | **88,369** |

* For further details, see Note (39).

## Statement of Comprehensive Income

| In '000 € | 2011 | **2012** |
|---|---|---|
| Actuarial profit/loss | –19,194 | **–105,375** |
| Available-for-sale financial assets (securities) | –27 | **214** |
| Gain or loss on foreign currency translation | –1,761 | **–5,344** |
| Cash flow hedges | –493 | **–302** |
| Deferred taxes | 6,223 | **32,734** |
| **Other comprehensive income** | **–15,252** | **–78,073** |
| **Consolidated net income** | **67,019** | **57,824** |
| **Consolidated comprehensive income** | **51,767** | **–20,249** |
| | | |
| Thereof attributable to: | | |
| TÜV Rheinland Aktiengesellschaft equity holders | 49,055 | **–22,644** |
| Non-controlling interests | 2,712 | **2,395** |

## Statement of Changes in Equity*

| In '000 € | Issued capital | Capital reserves | Retained earnings |
|---|---|---|---|
| **As at 2011-12-31** | **35,000** | **23,802** | **214,805** |
| Recognized income and expenses | 0 | 0 | 51,296 |
| Dividends paid | 0 | 0 | –12,000 |
| Changes in basis for consolidation | 0 | 0 | –489 |
| Minority transactions | 0 | 0 | –928 |
| Other changes | 0 | 0 | 0 |
| **As at 2012-12-31/2012-01-01** | **35,000** | **23,802** | **252,684** |
| Recognized income and expenses | 0 | 0 | –17,302 |
| Dividends paid | 0 | 0 | –15,600 |
| Changes in basis for consolidation | 0 | 0 | –148 |
| Minority transactions | 0 | 0 | 0 |
| Other changes | 0 | 0 | 0 |
| **As at 2012-12-31** | **35,000** | **23,802** | **219,634** |

* For further details, see Note (31).

| Other reserves: Foreign currency translation | Other reserves: Available-for-sale financial assets (securities) | Other reserves: Cash flow hedges | Equity before minority interests | Non-controlling interests | Total |
|---|---|---|---|---|---|
| **5,543** | **–10** | **–231** | **278,909** | **9,738** | **288,647** |
| –1,887 | –17 | –337 | 49,055 | 2,712 | **51,767** |
| 0 | 0 | 0 | –12,000 | –2,047 | **–14,047** |
| –129 | 0 | 0 | –618 | 376 | **–242** |
| 0 | 0 | 0 | –928 | 74 | **–854** |
| 15 | 0 | –15 | 0 | 0 | **0** |
| **3,542** | **–27** | **–583** | **314,418** | **10,853** | **325,271** |
| –5,248 | 118 | –213 | –22,645 | 2,394 | **–20,251** |
| 0 | 0 | 0 | –15,600 | –3,420 | **–19,020** |
| 0 | 0 | 0 | –148 | 5,610 | **5,462** |
| 0 | 0 | 0 | 0 | 0 | **0** |
| 0 | 0 | 0 | 0 | 307 | **307** |
| **–1,706** | **91** | **–796** | **276,025** | **15,744** | **291,769** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE REPORTING YEAR 2012

## GENERAL INFORMATION

### (1) Fundamentals

The TÜV Rheinland Group is a leading international service provider that offers services in the Industrial Services, Mobility, Products, Life Care, Training and Consulting, and Systems Business Streams. Its services cover the areas of consulting, testing, certification, and training.

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

The TÜV Rheinland Group's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable by publicly traded companies in the European Union and with the further applicable requirements of Section 315a of the German Commercial Code (HGB). The TÜV Rheinland AG Executive Board referred the consolidated financial statements for the reporting year 2012 to the Supervisory Board on Monday, March 18, 2013.

The reporting currency is the euro (€), and the reporting unit is €'000 (thousands of euros).

### (2) Basis for Consolidation

In addition to TÜV Rheinland AG, Cologne, the consolidated financial statements cover 51 German (previous year: 47) and 81 international (previous year: 78) subsidiaries in which TÜV Rheinland AG directly indirectly holds a majority of the voting rights or otherwise exercises control over their financial and business policies.

Furthermore, two international (previous year: three) joint ventures were included in the corresponding capital stock and one international associate (previous year: one) was included in the consolidated financial statements using the equity method.

The basis for consolidation was expanded by the first-time inclusion of four German and three international affiliated companies. These additions affect three acquisitions, one newly founded company, and three first-time inclusions of companies not previously consolidated for reasons of materiality. The basis for consolidation was reduced by the merger of one international company.

The subsidiaries, joint ventures, and associates included in the consolidated financial statements are listed in Note (43) along with the consolidation method. The comprehensive list of the Group's shareholdings included in the Notes is published in the electronic edition of the German Federal Gazette (Bundesanzeiger).

### (3) Acquisitions

Effective July 1, 2012, the TÜV Rheinland Group acquired all of the shares in the campus GmbH Center of Competence (including two fully consolidated subsidiaries). The company with headquarters in Düsseldorf is a provider of certified IT training for users, professionals, experts, and management. The purchase price was €9,952 thousand and is being paid in four interest-bearing tranches. Acquisition-related costs totaled €386 thousand and are stated as expenses incurred during the reporting period.

Intangible assets totaling €4,429 thousand were stated as a part of the purchase price allocation. Goodwill amounted to €7,848 thousand as at July 1, 2012.

The acquisition will increase the expansion and development of the IT training business, particularly internationally.

The consolidated financial statements include revenues from the campus GmbH Center of Competence (including two fully consolidated subsidiaries) amounting to €10,140 thousand and income totaling €305 thousand for the period July 1 to December 31, 2012. If the acquisition had been made at the beginning of the reporting period, revenues amounting to €19,086 thousand and income totaling €339 thousand would have been realized.

Furthermore, effective April 1, 2012, the controlling interest in Société Européenne de Contrôle Technique Automobile S.A. (SECTA), Courbevoie, was obtained and, as a result, was fully consolidated for the first time, after the capital stock had already been increased from 35.1% to 50.51% in 2011. The acquisition serves the targeted expansion of our engagement in one of Europe's most important automobile markets. A positive difference of €4,475 thousand was expected in the course of reassessing the holding before the initial consolidation at fair value (€9,671 thousand). The consolidated financial statements include revenues amounting to €10,707 thousand and income totaling €1,361 thousand for the period April 1 to December 31, 2012. If the acquisition had been made at the beginning of the reporting period, revenues amounting to €14,190 thousand and income totaling €1,831 thousand would have been realized.

At the time of acquisition, the assets and liabilities of the companies acquired in 2012 are as follows:

## (4) Consolidation Methods

### (a) Subsidiaries

Subsidiaries are all companies, including special-purpose vehicles, in which the parent company TÜV Rheinland AG holds a controlling interest, control being defined as the ability to set a company's financial and business policy in order to derive benefit from it. This is regularly the case when the shareholding exceeds 50%. The existence and effect of potential voting rights that can be currently exercised or converted are taken into consideration when assessing whether the possibility of exercising control exists.

Subsidiaries are principally included in the consolidated financial statements (full consolidation) from the point in time when the opportunity to exercise control has been transferred to TÜV Rheinland AG. They are deconsolidated at the point in time when this opportunity ceases to apply. The balance sheets of subsidiaries acquired are prepared according to the purchase method. The acquisition costs correspond to the fair value of the assets offered, the equity instruments issued, and the debts incurred or taken over at the time of the transaction plus costs directly attributable to the acquisition. Transactions between Group companies are eliminated. In the case of unrealized losses, these are seen as an indicator of the need to conduct an impairment test of the asset transferred. Subsidiaries' accounting methods were amended wherever required to ensure uniform accounting principles across the Group.

| | campus Group | | SECTA S.A. | |
|---|---|---|---|---|
| In '000 € | Before acquisition | After acquisition | Before acquisition | After acquisition |
| Non-current assets | 643 | 4,938 | 2,126 | 13,504 |
| Cash and cash equivalents | 37 | 37 | 3,182 | 3,182 |
| Other current assets | 6,237 | 6,237 | 2,288 | 2,288 |
| | | | | |
| Non-current liabilities | 443 | 1,803 | 752 | 4,507 |
| Current liabilities | 7,306 | 7,306 | 3,024 | 3,024 |

### (b) Associates

As at the end of the reporting period, one company (previous year: one) on which TÜV Rheinland AG can exercise material influence was included in the consolidated financial statements pursuant to IFRS. The equity method as per IAS 28 was used for this associate.

### (c) Joint Ventures

Joint ventures are companies managed jointly by at least two shareholders. TÜV Rheinland AG states holdings in joint ventures by means of quota consolidation as per IAS 31. As in the previous year, all of the capital stock listed under Note (43) corresponds to the voting rights held.

## (5) Foreign Currency Translation

The annual financial statements of consolidated companies prepared in foreign currencies are translated into euros on the basis of the functional currency concept. As the foreign subsidiaries are independently operating companies, the local currency is considered to be the functional currency. Balance sheet items are therefore translated as a matter of principle at the mid-market rate at the end of the reporting period. Equity capital is the exception; it is translated at historic rates. Income and expense items are stated at annual average exchange rates. Currency differences arising from the translation of annual financial statements are treated as having no effect on profit or loss and are stated under equity capital as other reserves.

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

| | Closing exchange rate | | Annual average exchange rate | |
|---|---|---|---|---|
| | As at 2011-12-31 | **As at 2012-12-31** | 2011 | **2012** |
| Brazilian real (BRL) | 2.416 | **2.695** | 2.322 | **2.513** |
| Chinese yuan renminbi (CNY) | 8.149 | **8.212** | 8.991 | **8.137** |
| Japanese yen (JPY) | 100.117 | **113.611** | 110.775 | **102.909** |
| US dollar (USD) | 1.294 | **1.318** | 1.392 | **1.291** |
| New Taiwan dollar (TWD) | 39.193 | **38.287** | 40.981 | **38.173** |
| Hong Kong dollar (HKD) | 10.051 | **10.219** | 10.835 | **10.014** |
| South Korean won (KRW) | 1,490.141 | **1,411.372** | 1,542.389 | **1,449.814** |

## (6) Accounting Policies

The financial statements of TÜV Rheinland AG and its subsidiaries are included in the consolidated financial statements in accordance with the Group's standard accounting methods. Statements are prepared as at the reporting date. Assets and liabilities are subdivided in the balance sheet according to their due dates as either non-current (due dates more than a year after the reporting date) or current. The income statement is prepared according to the nature of expense method, i.e. by cost categories. All expenses for goods and services incurred in the reporting year are shown against the income earned. Income and expenses do not necessarily occur in the same reporting year; this is taken into account using the changes in inventory method, allocating work in progress to the reporting period at cost of manufacture.

Revenues consist mainly of income earned from services and are stated, insofar as the criteria are fulfilled, in accordance with the percentage of completion (PoC) method as per IAS 18.20 in combination with IAS 11.22 et seq. For the most part, revenues are stated when the risk arising from the service provided is transferred to the customer. Revenues are also booked in accordance with the stage of completion of orders.

Goodwill is analyzed at least once a year for signs of value impairment in accordance with IAS 36, with the impairment tests being carried out on the basis of cash-generating units. In accordance with the management approach, the TÜV Rheinland Group's cash-generating units are the individual Business Streams (Industrial Services, Mobility, Products, Life Care, Training and Consulting, and Systems).

The calculation basis is the cash-generating unit's recoverable amount. It is calculated by means of the discounted cash flow (DCF) method with data from the medium-term or strategic planning approved by the management. No goodwill write-ups are made.

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

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

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

Internally generated intangible assets such as software or development projects are stated at cost of manufacture if they fulfill the capitalization criteria of IAS 38. Costs of manufacture are costs directly attributable to the development stage and borrowing costs if IAS 23 requires them to be capitalized. Research costs are recorded as current expenses.

Intangible assets with a finite useful life are amortized on a straight-line basis over a period of between three and 20 years. If there are indications of value impairment and if the recoverable amount is lower than the amortized costs of acquisition or manufacture, extraordinary impairment of the intangible assets is taken. If the reasons for this extraordinary impairment no longer apply, corresponding write-ups are undertaken. Intangible assets with an indefinite useful life are not subjected to systematic amortization, but are checked for value impairment at least once a year.

Property, plant, and equipment is stated at either cost of acquisition or cost of manufacture (including borrowing costs if IAS 23 requires them to be capitalized) less scheduled or extraordinary write-downs. Scheduled depreciation is principally undertaken in accordance with the straight-line method. Buildings and building components are amortized over 80 years at most and other tangible fixed assets are amortized over three to 15 years. In Germany, low-value assets are included in an annual compound item at the time of addition and one fifth of the amount is written off in the first year and one fifth in each of the next four years. If there are indications of value impairment and if the recoverable amount is lower than the amortized costs of acquisition or manufacture, extraordinary impairment of property, plant, and equipment is taken. If the reasons for these extraordinary write-downs no longer apply, corresponding write-ups are undertaken.

If, from an economic viewpoint, the majority of risks and opportunities in connection with rented or leased property, plant, and equipment are transferred to the tenant (lessee), these items must be recognized in the lessee's IFRS balance sheet in accordance with IAS 17 and a corresponding liability must be stated for the finance lease.

Rental agreements that, from an economic viewpoint, do not transfer the majority of risks and opportunities in connection with the leased assets are classified as operating leases.

In accordance with IAS 27 in combination with SIC 12, TÜV Rheinland Grundstücksgesellschaft Nürnberg mbH & Co. KG and TÜV Rheinland Grundstücksgesellschaft mbH & Co. KG were classified as special-purpose leasing vehicles for TÜV Rheinland AG's consolidated IFRS financial statements due to the majority of risks being borne or the majority of opportunities being gained.

On the basis of the IAS 39 categories, financial assets are classified as loans and receivables, available-for-sale financial assets, and financial assets at fair value through profit or loss. The held-to-maturity valuation category does not occur at the TÜV Rheinland Group. Classification depends on the purpose for which the financial assets were purchased. The management specifies the classification of financial assets on first stating them and reviews it at the end of every reporting period. The initial measurement of financial assets is at fair value. Ordinary market purchases are stated uniformly on the trading date. The TÜV Rheinland Group does not make use of the fair value option.

Receivables stated as trade receivables, other receivables, and other assets are classified as loans and receivables in accordance with IAS 39. They are subsequently valued at amortized cost using the effective interest method.

Securities and investments in companies that are mainly stated under other financial assets and in which a material influence is not held are classified as available-for-sale financial assets in accordance with IAS 39. If these securities or shares are traded in an active market, the fair value is the market price as at the end of the reporting period. If there is no active market, the fair value is established by means of suitable valuation techniques. Assets for which there is no fair value or a fair value cannot be established are carried at cost of acquisition. Changes in fair value are shown without effect on profit or loss in the consolidated statement of comprehensive income. On disposal, the proceeds stated in the consolidated statement of comprehensive income are transferred to the income statement.

If there is objective evidence of a material or permanent value impairment of assets classified as loans and receivables or as available-for-sale financial assets, they are amortized and recognized in profit or loss.

Financial derivatives that are not part of effective hedge accounting as per IAS 39 are classified as financial assets or liabilities at fair value through profit or loss. First-time and subsequent measurements are at fair value, with changes recognized in profit or loss. Financial derivatives that form part of effective hedge accounting are also stated at fair value in either the income statement or the consolidated statement of comprehensive income, depending on the nature and characteristics of the hedge.

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

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

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

Actuarial reserve quotas shown under other financial investments are reimbursements as defined in IAS 19 and are stated at fair value in accordance with this standard. Income from reimbursement claims is shown in the financial result. Actuarial profit/loss is taken into consideration in the consolidated statement of comprehensive income.

Tax deferrals and accruals are undertaken on temporary (and quasi-permanent) differences between the values stated in the IFRS and fiscal balance sheets and on certain consolidation measures. Tax deferrals are also made on loss carryovers, interest carried forward, and tax refund entitlements insofar as they are reasonably certain to be realized. Tax deferrals are not undertaken, however, if they result from the first-time statement of an asset or a liability in connection with a transaction that is not a business combination and, at the time of the transaction, influenced neither the accounting profit nor the taxable profit (tax loss). The TÜV Rheinland Group states deferred tax liabilities resulting from temporary differences in connection with shareholdings in subsidiaries and associates, except when it can decide the time when the temporary differences will be reversed, and it is unlikely that the temporary differences will be reversed in the foreseeable future due to this influence. Tax deferrals are determined on the basis of the tax rates that are expected to apply at the time of realization. Deferred tax assets are written down if future realization of the tax advantages is unlikely. This is assessed on the basis of taxable income in the years ahead as planned and considered to be likely by the company in question. Deferred tax assets and liabilities are offset in the balance sheet insofar as the conditions for offsetting are fulfilled. Deferred tax assets and liabilities are stated as non-current items.

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

Trade receivables and other receivables are subsequently valued at amortized cost of acquisition. If necessary, however, appropriate valuation allowances are made. Use is made of both individual and collective valuation allowances (global valuation allowance) with recourse in both cases to a valuation allowance account. Irrecoverable receivables are amortized. To establish flat-rate specific valuation allowances, financial assets for which a potential write-down requirement exists are grouped by similar default properties and jointly investigated for allowances and written down if required. In establishing future expected cash flows, consideration is given not only to contractually provided cash flow, but also to historic experience of default.

Receivables from service agreements that have yet to be invoiced are stated using the PoC method in accordance with IAS 18.20. The stage of completion per order is calculated on the basis of the ratio of costs incurred to calculated total costs (the cost-to-cost method). If the result of a construction contract cannot be reliably established, income is only stated to the amount of costs incurred (the zero profit method). Impending losses from work in progress are taken into account if they are foreseeable and deducted directly from the receivables involved. If the result is a negative balance, it is stated under liabilities from PoC. Advance payments received toward customer orders are stated under current liabilities.

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

Cash and cash equivalents are allocated to the loans and receivables category in accordance with IAS 39 and comprise cash and other current liquid financial assets with an original term of three months at most. They are stated at a fair value that corresponds to their nominal value.

Non-current assets held for sale are individual assets held with the intention of disposal. They are stated at the lower of the carrying amount or fair value less cost of sale.

Pension commitments and similar obligations are stated for defined benefit pension plans in accordance with the actuarial entitlement cash value procedure or the projected unit credit method. Future obligations are assessed using actuarial processes and a prudent assessment of the relevant parameters. Provisions for pensions are created on the basis of pension plans for old age, disability, and survivor benefit commitments. The TÜV Rheinland Group's commitments vary according to the legal, fiscal, and economic circumstances in the country in question and, as a rule, are based on the employee's length of service and remuneration. Commitments consist of both current and projected pensions. Pension commitments are offset against plan assets in the balance sheet.

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

Miscellaneous provisions are created insofar as legal or actual obligations to third parties due to past events exist that are likely to lead to an outflow of funds and the amount involved can be reliably estimated.

Non-current provisions are stated at the present value of the probable cash outflows with accrued interest added for the period leading up to when they are expected to be utilized.

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

Trade liabilities, other financial liabilities, and nonderivative liabilities shown under miscellaneous liabilities are stated at fair value less transaction costs on first mention and are subsequently carried at amortized cost using the effective interest method.

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

### (7) Estimates

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

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

Obligations arising from defined benefit pension commitments and from the following year's pension costs are calculated on the basis of the actuarial parameters mentioned in Note (32). The change in parameters would not, however, influence the current year's consolidated profit because actuarial profits and losses are stated in the consolidated statement of comprehensive income.

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

### (8) First-Time Application of Accounting Standards

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

- Revised version on IFRS 7 »Financial Instruments: Disclosures« (Amendment: »Reclassification of Financial Assets«);
- Revised version of IAS 12 »Income Taxes« (Amendment: »Deferred Taxes: Recovery of Underlying Assets«);
- Revised version of IFRS 1 »First-time Adoption of International Financial Reporting Standards« (Amendment: »Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters«)

The revised version of IFRS 7 contains additional disclosure requirements in the event that at the end of the reporting period either transferred but not yet derecognized financial assets exist or a continuing involvement still exists during the transfer of financial assets.

As part of the amendment to IAS 12, a procedure is described for determining deferred taxes in investment property, which are evaluated subsequent to the fair value.

The revised version of IFRS 1 contains additional requirements for the first-time use of the IFRS in the event that the functional currency of the reporting entity before the date of transition was a currency with pronounced hyperinflation.

All of the aforementioned rule changes have no effect on the TÜV Rheinland Group's assets, financial position, profitability, or cash flows.

## (9) Accounting Standards Not Applied

For the IFRS consolidated financial statements as at Monday, December 31, 2012, no interpretations, new, or revised standards were applied voluntarily that are mandatory for reporting years beginning on or after January 1, 2013. The standards and interpretations in question are as follows:

Mandatory initial application in the reporting year 2013:

- Revised version of IAS 1 »Presentation of Financial Statements«;
- Revised version of IAS 19 »Employee Benefits«;
- IFRS 13 »Fair Value Measurement«;
- Revised version of IFRS 7 (Amendment: »Disclosures – Offsetting Financial Assets and Financial Liabilities«);
- Revised version of IFRS 1 »First-time Adoption of International Financial Reporting Standards« (Amendment: »Government Loans«);
- »Improvements to International Financial Reporting Standards« (published in 2012; not yet adopted by the EU);
- IFRIC 20 »Stripping Costs in the Production Phase of a Surface Mine«.

Mandatory initial application in the reporting year 2014 or later:

- Revised version of IAS 27 »Consolidated and Separate Financial Statements« (in the future: »Separate Financial Statements«);
- Revised version of IAS 28 »Investments in Associates« (in the future: »Shares in Associates and Joint Ventures«);
- IFRS 10 »Consolidated Financial Statements«;
- IFRS 11 »Joint Arrangements«;
- IFRS 12 »Disclosures of Interests in Other Entities«.
- Revised versions of IFRS 10, IFRS 11, and IFRS 12 (Amendment: »Consolidated Financial Statements, Joint Arrangements, and Disclosure of Interests in Other Entities: Transition Guidance« and »Investment Entities«; not yet adopted by the EU);
- Revised version of IAS 32 (Amendment: »Presentation – Offsetting Financial Assets and Financial Liabilities«);
- IFRS 9 »Financial Instruments« (not yet adopted by the EU);
- Revised versions of IFRS 9 and IFRS 7 (Amendment: »Mandatory Effective Date and Transition Disclosures«; not yet adopted by the EU).

The pronouncements listed above will first be adopted in the TÜV Rheinland Group when their application becomes mandatory. Application of International Financial Reporting Standards presupposes that the European Union endorses them, which is not yet the case in every instance.

Additionally, the TÜV Rheinland Group does not, as yet, apply IFRS 8 (Operating Segments); applying it is mandatory only for publicly traded companies.

These amendments will probably have no material effect on the presentation of the TÜV Rheinland Group's assets, financial position, profitability, or cash flows.

The latter is also true for the revised version of IAS 19 that must be used from the reporting year 2013, although the standard is the framework for regulating the accounting of provisions for pensions and similar obligations (see Note (32)) and the other personnel provisions listed under Note (33), which are essential for the TÜV Rheinland Group. In this regard, the revised version of IAS 19 ensures the following changes:

- Regarding the accounting of provisions for pensions, from the reporting period 2013 the anticipated income (estimated at the end of the previous reporting period) from plan assets or reimbursements is no longer stated as interest income in the income statement. Instead, the interest income for the reporting period is determined on the basis of the actuarial interest rate which is used to discount the pension commitment at the end of the previous reporting period. The difference between the actual income for the reporting period from plan assets or reimbursements and the interest income determined on the basis of the actuarial interest rate represents a gain or loss from the reassessment of the plan assets or the reimbursements, which should be stated outside the income statement, in the consolidated statement of comprehensive income. The interest income stated for the reporting year 2013 in the consolidated statement of comprehensive income as determined by the initial application of the amended IAS 19 is approximately €3.4 million lower.
- In the accounting of the remaining personnel provisions, there could be changes regarding the amount of the stated commitments from partial retirement agreements. On the basis of the previous regulations, supplementary amounts are treated as termination benefits, meaning that they are stated as a liability in the full amount at the time of the contribution plan. With the revised version of IAS 19, the definition of termination benefits has been changed; subsequent to the revision, they include no payments in exchange for future work performance. However, the latter may also apply to the supplementary amounts, which would mean that they would no longer need to be designated as termination benefits but rather, as other long-term employee benefits over the vesting period, as a provision. The partial retirement agreement, which may have been overestimated on the basis of the revised IAS 19, would have to be partially appropriated outside the income statement and subsequently recreated over the remaining vesting period using the income statement. Because in the TÜV Rheinland Group the existing partial retirement contracts are largely fulfilled, the future expense possibly resulting from this is not material to the assessment of the TÜV Rheinland Group's assets, financial position, and profitability.

## NOTES TO THE INCOME STATEMENT

### (10) Revenues

Revenues including inventory changes are earned in the individual Business Streams and regions as follows:

**Revenues by Business Stream**

| In '000 € | 2011 | 2012 |
|---|---|---|
| Industrial Services | 453,323 | **487,621** |
| Mobility | 335,801 | **365,949** |
| Products | 372,080 | **396,405** |
| Life Care | 51,477 | **54,521** |
| Training and Consulting | 159,522 | **194,070** |
| Systems | 126,615 | **118,268** |
| **Total** | **1,498,818** | **1,616,834** |
| Intra-Group revenues and central functions/Other | –81,779 | **–85,462** |
| **Total** | **1,417,039** | **1,531,372** |

**Revenues by Region**

| In '000 € | 2011 | 2012 |
|---|---|---|
| Germany | 787,902 | **814,152** |
| Europe (excluding Germany) | 165,246 | **171,263** |
| Asia (including India, the Middle East, and Africa) | 274,026 | **329,328** |
| America | 189,866 | **216,629** |
| **Total** | **1,417,039** | **1,531,372** |

Revenues mainly relate to service agreements. They include the proceeds of service agreements not yet definitively invoiced, totaling €27,156 thousand (previous year: €29,874 thousand), which were realized according to the percentage of completion.

### (11) Personnel Expenses

| In '000 € | 2011 | 2012 |
|---|---|---|
| Wages and salaries | 657,431 | **717,200** |
| Social security and other benefit costs | 117,479 | **125,962** |
| Pension expenses | 11,627 | **15,462** |
| **Total** | **786,537** | **858,624** |

The TÜV Rheinland Group's personnel expenses include €20,788 thousand (previous year: €22,270 thousand) for employees whose contracts are managed at LGA KdöR. Group employees are for the most part salary earners.

**Employee Capacity**
Annual Average

| | 2011 | 2012 |
|---|---|---|
| Group employees | 15,961 | **17,218** |
| of which with LGA KdöR | 321 | **297** |
| of which with companies included proportionately | 219 | **166** |

### (12) Amortization of Intangible Assets and Depreciation of Property, Plant and Equipment

| In '000 € | 2011 | 2012 |
|---|---|---|
| Scheduled depreciation | | |
| of intangible assets | 7,268 | **9,586** |
| of property, plant, and equipment | 39,955 | **44,432** |
| **Total** | **47,223** | **54,018** |

In the reporting year, extraordinary write-downs in the amount of €0 (previous year: 8 thousand) were recorded, of which €0 (previous year: €8 thousand) was of property, plant, and equipment.

## (13) Other Expenses

Other expenses amounting to €339,564 thousand (previous year: €312,616 thousand) consist mainly of rents, leases, leasing costs, travel costs, postage costs, real estate maintenance and advertising costs, consumables, auditing and consulting costs, repair and maintenance costs, vehicle costs, and impairment losses on exchanges. This item also includes other tax expenses totaling €5,965 thousand (previous year: €6,020 thousand).

## (14) Other Income

Other income amounting to €39,790 thousand (previous year: €35,208 thousand) consists mainly of income from the reversal of provisions, exchange rate gains, income from services, income from reducing valuation allowances on receivables, other services, and rental income and income from ancillary business.

## (15) Amortization of Goodwill

As in the previous year, no amortization of goodwill was required.

## (16) Financial Result

| In '000 € | 2011 | 2012 |
|---|---|---|
| Interest income* | 4,684 | **3,763** |
| Interest expenses from financial liabilities | –10,026 | **–8,714** |
| Net funding figure for pension commitments | –15,238 | **–14,623** |
| **Net interest income** | **–20,580** | **–19,574** |
| Write-downs on investments | –148 | **0** |
| Profit (loss) from dividend distributions/profit and loss transfer agreements | 159 | **407** |
| Profit (loss) from other securities | 211 | **121** |
| Profit (loss) from financial derivatives | –34 | **–66** |
| **Other financial result** | **188** | **462** |
| **Total** | **–20,392** | **–19,112** |

* Excluding interest income in the net funding figure for pension commitments.

The net funding figure for pension commitments is the interest costs of pension commitments after deduction of income from plan assets and reimbursements.

Total interest expenses from financial assets and financial liabilities not carried at fair value through profit or loss in the reporting year amounted to €8,663 thousand (previous year: €9,993 thousand). Total interest income was €3,763 thousand (previous year: €4,684 thousand).

## (17) Income Tax

| In '000 € | 2011 | 2012 |
|---|---|---|
| Actual taxes | 36,918 | **36,687** |
| Deferred taxes | –292 | **–439** |
| from temporary differences | 1,214 | **3,636** |
| from loss carryovers | –1,506 | **–4,075** |
| **Total** | **36,626** | **36,248** |

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

**Reconciliation**

| In '000 € | 2011 | 2012 |
|---|---|---|
| Earnings before income tax | 103,645 | **94,072** |
| Anticipated tax rate | 32 % | **32 %** |
| **Anticipated income tax expenditure** | **32,917** | **29,703** |
| Tax rate differences | –4,232 | **–2,878** |
| Tax increases due to non-deductible expenses | 3,581 | **4,439** |
| Tax arrears payments/refunds for previous years (incl. tax effect of trade tax) | 1,024 | **743** |
| Losses for which no tax assets could be stated in the previous year, plus changes in valuation allowances | 2,244 | **2,779** |
| Effect of tax rate changes | 228 | **48** |
| Other differences | 864 | **1,414** |
| **Stated income tax expenditure** | **36,626** | **36,248** |
| **Actual tax burden** | **35.3 %** | **38.5 %** |

The tax rate paid by the parent company TÜV Rheinland AG was taken as the anticipated tax rate. It amounts to 31.575% and consists of the German corporation income tax rate (15.0%) plus the 5.5% solidarity surcharge and an average trade tax rate of 450.0%. Foreign tax rates range from 10.0% to 40.07%.

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

**Deferred Tax Assets**

| In '000 € | As at 2011-12-31 | **As at 2012-12-31** |
|---|---|---|
| Non-current assets | 10,508 | **10,028** |
| Current assets | 11,660 | **13,397** |
| Non-current liabilities | 37,175 | **64,829** |
| Special reserve with an equity portion | 0 | **0** |
| Current liabilities | 5,120 | **6,982** |
| **Total** | **64,463** | **95,236** |
| Amount offset per tax group | –37,466 | **–40,148** |
| Latente Steuern auf zeitliche Bewertungsunterschiede | 26,997 | **55,088** |
| Latente Steuern auf steuerliche Verlustvorträge | 3,124 | **5,994** |
| Wertberichtigung auf latente Steuern | –1,632 | **–1,919** |
| **Total** | **28,489** | **59,163** |

**Deferred Tax Liabilities**

| In '000 € | 2011-12-31 | **2012-12-31** |
|---|---|---|
| Non-current assets | 27,978 | **34,539** |
| Current assets | 11,105 | **10,447** |
| Non-current liabilities | 10,049 | **5,989** |
| Special reserve with an equity portion | 217 | **209** |
| Current liabilities | 1,606 | **6,046** |
| **Total** | **50,955** | **57,230** |
| Amount offset per tax group | –37,466 | **–40,148** |
| Deferred taxes on valuation differences | 13,489 | **17,082** |
| Deferred taxes on fiscal loss carryovers | 0 | **0** |
| Impairment of deferred taxes | 0 | **0** |
| **Total** | **13,489** | **17,082** |

The total of deferred tax assets is composed of current deferred tax assets totaling €7,226 thousand (previous year: €5,870 thousand) and of non-current deferred tax assets totaling €51,937 thousand (previous year: €22,619 thousand). The total of deferred tax liabilities is composed of current deferred tax liabilities totaling €1,060 thousand (previous year: €1,207 thousand) and of non-current deferred tax liabilities totaling €16,022 thousand (previous year: €12,282 thousand). Of the deferred taxes, €36,165 thousand (previous year: €–4,534 thousand) was offset against equity capital.

In the reporting year, deferred taxes on actuarial profits or losses of €–31,555 thousand (previous year: €6,059) were stated in the consolidated statement of comprehensive income. Concerning »Available-for-sale financial assets,« amounts totaling €14 thousand (previous year: €0) were booked. In addition, €–89 thousand (previous year: €–164 thousand) in deferred taxes was stated in the consolidated statement of comprehensive income in the reporting year in respect of cash flow hedges.

Within the TÜV Rheinland Group, unused tax carryovers totaling €42,208 thousand (previous year: €29,428 thousand) existed as at the end of the reporting period. Of this total, €4,075 thousand in deferred tax assets was recognized. Loss carryovers are for the most part not time-limited.

No deferred tax liabilities were created for temporary differences in shareholdings in subsidiaries and associates amounting to €3,118 thousand (previous year: €2,863thousand) because the TÜV Rheinland Group is able to control the time course of the reversal, and the temporary differences will not be reversed in the foreseeable future.

## (18) Non-Controlling Interests

| In '000 € | 2011 | 2012 |
|---|---|---|
| Shares in profits | 3,444 | **5,030** |
| Shares in losses | –357 | **–192** |
| **Total** | **3,087** | **4,838** |

Losses attributable to non-controlling interests relate mainly to TUV Rheinland PTL LLC in Tempe, Arizona; profits relate mainly to SECTA S.A. in Courbevoie, France, LUXCONTROL S.A. in Esch/Alzette, and TÜV Rheinland/CCIC (Ningbo) Co., Ltd. in Ningbo, China.

## (19) Earnings per Share

| | 2011 | 2012 |
|---|---|---|
| Earnings share of equity holder TÜV Rheinland AG (in €'000) | 63,932 | **52,986** |
| Number of shares as at 12/31/2012 (in thousands) | 35 | **35** |
| **Earnings per share (in €)** | **1,827** | **1,514** |

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

# NOTES TO THE BALANCE SHEET

## (20) Intangible Assets

| In '000 € | Goodwill | Acquired intangible<br>Concessions, industrial property rights, and similar rights |
|---|---|---|
| **Acquisition/Manufacturing costs** | | |
| **As at 2011-01-01** | **173,034** | **69,012** |
| Currency changes | –1,817 | 444 |
| Changes in basis for consolidation | –527 | –187 |
| Addition by acquisitions | 13,194 | 1,709 |
| Additions | 6,817 | 2,409 |
| Disposals | 0 | 642 |
| Reclassifications | 0 | 278 |
| **As at 2011-12-31/2012-01-01** | **190,701** | **73,023** |
| Currency changes | –1,816 | –896 |
| Changes in basis for consolidation | 0 | 0 |
| Addition by acquisitions | 6,677 | 15,936 |
| Additions | 3,069 | 10,879 |
| Disposals | 276 | 3,035 |
| Reclassifications | 0 | 12,958 |
| **As at 2012-12-31** | **198,355** | **108,865** |
| | | |
| **Amortization** | | |
| **As at 2011-01-01** | **27,200** | **36,854** |
| Currency changes | 0 | 503 |
| Changes in basis for consolidation | –246 | –130 |
| Scheduled depreciation | 0 | 6,228 |
| Impairment costs | 0 | 0 |
| Disposals | 0 | 652 |
| Write-ups | 0 | 0 |
| Reclassifications | 0 | –84 |
| **As at 2011-12-31/2012-01-01** | **26,954** | **42,719** |
| Currency changes | 0 | –815 |
| Changes in basis for consolidation | 0 | 0 |
| Scheduled depreciation | 0 | 8,280 |
| Impairment costs | 0 | 0 |
| Disposals | 0 | 2,728 |
| Write-ups | 0 | 0 |
| Reclassifications | 0 | 0 |
| **As at 2012-12-31** | **26,954** | **47,456** |
| | | |
| **Carrying amount as at 2012-12-31** | **171,401** | **61,409** |
| **Carrying amount as at 2011-12-31** | **163,747** | **30,304** |

assets

| Other intangible assets | Internally generated intangible assets | Advances paid | Total |
|---|---|---|---|
| 484 | 5,435 | 3,511 | 251,476 |
| 0 | 256 | 2 | –1,115 |
| 0 | 0 | 0 | –714 |
| 0 | 0 | 0 | 14,903 |
| 20 | 179 | 9,628 | 19,053 |
| 8 | 193 | 0 | 843 |
| 0 | 0 | –278 | 0 |
| 496 | 5,677 | 12,863 | 282,760 |
| 0 | –368 | –25 | –3,105 |
| 0 | 0 | 0 | 0 |
| 168 | 0 | 0 | 22,781 |
| 14 | 735 | 3,954 | 18,651 |
| 2 | 1,220 | 11 | 4,544 |
| 14 | 0 | –12,958 | 14 |
| 690 | 4,824 | 3,823 | 316,557 |
| | | | |
| 276 | 1,198 | 302 | 65,830 |
| 0 | 88 | 0 | 591 |
| 0 | 0 | 0 | –376 |
| 80 | 903 | 57 | 7,268 |
| 0 | 0 | 0 | 0 |
| 10 | 194 | 0 | 856 |
| 0 | 0 | 0 | 0 |
| 0 | 84 | 0 | 0 |
| 346 | 2,079 | 359 | 72,457 |
| 0 | –150 | 0 | –965 |
| 0 | 0 | 0 | 0 |
| 153 | 1,123 | 30 | 9,586 |
| 0 | 0 | 0 | 0 |
| 2 | 639 | 0 | 3,369 |
| 0 | 0 | 0 | 0 |
| 14 | 0 | 0 | 14 |
| 511 | 2,413 | 389 | 77,723 |
| | | | |
| 179 | 2,411 | 3,434 | 238,834 |
| 150 | 3,598 | 12,504 | 210,303 |

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

| In '000 € | 2011-12-31 | **2012-12-31** |
|---|---|---|
| Industrial Services | 74,717 | **72,651** |
| Mobility | 45,282 | **47,905** |
| Products | 13,374 | **12,661** |
| Life Care | 7,792 | **7,798** |
| Training and Consulting | 1,712 | **9,549** |
| Systems | 20,870 | **20,837** |
| **Total** | **163,747** | **171,401** |

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

The internally generated intangible assets are software and development projects.

The impairment test of intangible assets, including goodwill, did not require any write-downs. A balanced average discount rate of 5.75% was used across the Group to establish value in use. An annual growth rate of 1.50% was forecast after the planning period.

Research and development expenditure totaling €93 thousand (previous year: €59 thousand) was recorded in the income statement for the reporting year.

## (21) Property, Plant, and Equipment

| In '000 € |
|---|
| **Acquisition/Manufacturing costs** |
| **As at 2011-01-01** |
| Currency changes |
| Changes in basis for consolidation |
| Addition by acquisitions |
| Additions |
| Disposals |
| Reclassifications |
| **As at 2011-12-31/2012-01-01** |
| Currency changes |
| Changes in basis for consolidation |
| Addition by acquisitions |
| Additions |
| Disposals |
| Reclassifications |
| **As at 2012-12-31** |
| |
| **Impairment** |
| **As at 2011-01-01** |
| Currency changes |
| Changes in basis for consolidation |
| Scheduled depreciation |
| Impairment costs |
| Disposals |
| Reclassifications |
| **As at 2011-12-31/2012-01-01** |
| Currency changes |
| Changes in basis for consolidation |
| Scheduled depreciation |
| Impairment costs |
| Disposals |
| Reclassifications |
| **As at 2012-12-31** |
| |
| **Carrying amount as at 2012-12-31** |
| **Carrying amount as at 2011-12-31** |

| Real estate and buildings | Technical plant and machinery | Other plant, operating, and office equipment | Advances paid and plants under construction | Total |
|---|---|---|---|---|
| | | | | |
| **400,368** | **152,632** | **119,630** | **8,874** | **681,504** |
| –1,300 | 1,412 | –329 | 163 | **–54** |
| 0 | –245 | –325 | 0 | **–570** |
| 69 | 741 | 21 | 0 | **831** |
| 11,011 | 18,245 | 12,531 | 11,131 | **52,918** |
| 2,224 | 2,586 | 4,777 | 2,155 | **11,742** |
| 4,484 | 5,693 | 486 | –10,663 | **0** |
| **412,408** | **175,892** | **127,237** | **7,350** | **722,887** |
| 1,045 | –936 | –1,113 | –339 | **–1,343** |
| 0 | 0 | 4 | 0 | **4** |
| 9 | 0 | 1,547 | 0 | **1,556** |
| 7,531 | 17,591 | 12,300 | 17,871 | **55,293** |
| 3,923 | 5,367 | 5,902 | 3,982 | **19,174** |
| 6,299 | 5,542 | 1,351 | –13,192 | **0** |
| **423,369** | **192,722** | **135,424** | **7,708** | **759,223** |
| | | | | |
| | | | | |
| **112,612** | **89,172** | **83,719** | **1,250** | **286,753** |
| 334 | 1,531 | 145 | –103 | **1,907** |
| 0 | –207 | –259 | 0 | **–466** |
| 13,595 | 15,229 | 10,938 | 193 | **39,955** |
| 0 | 3 | 5 | 0 | **8** |
| 1,801 | 2,804 | 4,598 | 205 | **9,408** |
| 3 | 137 | –140 | 0 | **0** |
| **124,743** | **103,061** | **89,810** | **1,135** | **318,749** |
| –64 | –711 | –564 | –111 | **–1,450** |
| 0 | 0 | 0 | 0 | **0** |
| 13,678 | 18,394 | 12,212 | 148 | **44,432** |
| 0 | 0 | 0 | 0 | **0** |
| 1,427 | 5,027 | 5,160 | 92 | **11,706** |
| 145 | –164 | 6 | 13 | 0 |
| **137,075** | **115,553** | **96,304** | **1,093** | **350,025** |
| | | | | |
| **286,294** | **77,169** | **39,120** | **6,615** | **409,198** |
| **287,665** | **72,831** | **37,427** | **6,215** | **404,138** |

## (22) Investment Property

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

## (23) Investments Accounted for Using the Equity Method

TÜV Rheinland AG's consolidated financial statements contain one associate (previous year: one), which has been accounted for according to the equity method. The investment is of no material significance for the presentation of the TÜV Rheinland Group's assets, financial position, or profitability.

## (24) Joint Ventures

The key balance sheet and earnings parameters of joint ventures are as follows in relation to the share held by TÜV Rheinland AG:

| In '000 € | 2011 | **2012** |
|---|---|---|
| Non-current assets | 3,434 | **2,499** |
| Non-current liabilities | 1,802 | **2,089** |
| Current assets | 3,646 | **1,856** |
| Current liabilities | 3,024 | **1,333** |
| Revenues | 9,837 | **6,596** |
| Operating income | 70 | **28** |
| Operating expenses | 8,604 | **6,085** |
| Financial income | 5 | **46** |
| Financial expenses | 34 | **35** |

## (25) Other Financial Assets

| In '000 € | 2011-12-31 | **2012-12-31** |
|---|---|---|
| Shares in affiliated companies | 1,426 | **1,933** |
| Other investments | 924 | **1,104** |
| Non-current securities | 4,438 | **201** |
| Actuarial reserve quota on the basis of reinsurance policies | 258,751 | **264,738** |
| **Total** | **265,539** | **267,976** |

No value impairment costs were recorded (previous year: €148 thousand) in the reporting year.

## (26) Other Non-current Assets

Other non-current assets amounting to €11,014 thousand (previous year: €12,151 thousand) include no value impairments.

## (27) Inventories

| In '000 € | 2011-12-31 | **2012-12-31** |
|---|---|---|
| Raw materials, consumables, and supplies | 1,945 | **2,094** |
| Work in progress | 8,678 | **16,075** |
| Finished goods and goods for resale | 376 | **748** |
| Advances paid for inventories | 730 | **1,102** |
| **Total** | **11,729** | **20,019** |

## (28) Receivables and Other Current Assets

| In '000 € | 2011-12-31 | **2012-12-31** |
|---|---|---|
| Percentage of completion receivables | 42,098 | **59,128** |
| Other trade receivables | 195,023 | **218,060** |
| Allowances on trade receivables | –10,987 | **–11,152** |
| **Trade receivables** | **226,134** | **266,036** |
| **Income tax receivables** | **12,463** | **5,888** |
| Receivables from affiliated companies | 51,454 | **45,470** |
| Receivables from associates | 535 | **617** |
| Market value of financial derivatives | 144 | **0** |
| Other securities | 30 | **30** |
| Other receivables and assets | 32,204 | **39,409** |
| **Other receivables and other current assets** | **84,367** | **85,526** |

| In '000 € | 2011-12-31 | **2012-12-31** |
|---|---|---|
| **Other trade receivables** | **195,023** | **218,060** |
| of which neither impaired nor past due | 125,650 | **136,788** |
| of which past due but not impaired | | |
| due within 180 days | 47,077 | **58,000** |
| due within 181 to 360 days | 3,628 | **5,529** |
| due in over 360 days | 2,873 | **3,790** |
| of which impaired | 15,795 | **13,953** |

Within the TÜV Rheinland Group, trade receivables have been sold to an external credit institution since 2006 as part of an asset-backed securities transaction. As the disposal requirements of IAS 39 were not fulfilled due to the retention of opportunities and risks (credit risks), the transaction was carried in the same way as a secured loan with the result that the IFRS receivables in question have remained in the Group and continue to be included in the balance sheet. The carrying amount of receivables sold as at the end of the reporting period was €16,469 thousand (previous year: €16,501 thousand), and after deducting reserves €15,000 thousand (previous year: €15,000 thousand).

Impairment of trade receivables has developed as follows:

| | Individual valuation allowances | | Global valuation allowances | | Total | |
|---|---|---|---|---|---|---|
| In '000 € | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** |
| **Impairment as at 01-01** | **6,459** | **7,312** | **2,824** | **3,675** | **9,283** | **10,987** |
| Addition | 1,328 | **1,523** | 1,219 | **1,787** | 2,547 | **3,310** |
| Use | 201 | **786** | 470 | **29** | 671 | **815** |
| Reversal | 435 | **1,785** | 52 | **723** | 487 | **2,508** |
| Other changes* | 161 | **297** | 154 | **–119** | 315 | **178** |
| **Impairment as at 12-31** | **7,312** | **6,561** | **3,675** | **4,591** | **10,987** | **11,152** |

* Change in basis for consolidation, change in exchange rates, and reclassifications.

## (29) Cash and Cash Equivalents

As in the previous year, this item consists of cash on hand, checks, and credit balances with banks that are available within three months.

## (30) Non-current Assets Held for Sale

In the reporting year, no non-current assets were held by the TÜV Rheinland Group that are classified as non-current assets held for sale in accordance with IFRS 5.

## (31) Equity Capital

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

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

Other reserves are the retained earnings and miscellaneous other reserves. Of the retained earnings, the past results of companies included in the consolidated financial statements are stated unless previously distributed. In addition, retained earnings include the net proceeds of adjustments, not recognized in profit or loss, of the first-time adoption of IFRS. They also include the effect of offsetting actuarial profits and losses from pension commitments/plan assets and reimbursement claims against equity capital in the retained earnings.

Miscellaneous other reserves include differences arising from currency translation, not recognized in profit or loss, of the annual financial statements of international subsidiaries and the effects of taking items classified as assets available for sale directly to equity. In this regard, in the reporting year, earnings of €0 (previous year: €43 thousand) were transferred from equity capital or from the consolidated statement of comprehensive income to the income statement. Miscellaneous other reserves also include the actual amounts transferred to equity capital in cash flow hedges.

In addition to ensuring the company's continued existence as a going concern, the TÜV Rheinland Group's capital management relating to IFRS equity capital as stated in the balance sheet aims to earn adequate interest over and above capital costs and thereby to permanently increase the corporate value.

TÜV Rheinland AG's Articles of Incorporation make no special capital requirement provisions.

### (32) Pension Commitments and Similar Obligations

Occupational pensions at the TÜV Rheinland Group consist mainly of defined benefit plans. There are also defined contribution plans.

For defined contribution plans, the company pays contributions to state or private pension insurers on the basis of contractual provisions. In Germany, the pension schemes involved are Zusatzversorgungskasse der bayerischen Gemeinden, Munich; Ruhegehalts- und Zusatzversorgungskasse des Saarlandes, Saarbrücken; and Versicherungsanstalt des Bundes und der Länder, Karlsruhe. Current contributions, including employer's contributions to the statutory pension insurance, are stated as personnel expenses. In the reporting year, contributions to defined contribution pension plans totaled €2,285 thousand (previous year: €1,492 thousand).

The defined benefit plans in Germany are partly civil service-like overall provision systems toward which statutory pension insurance counts. The overall provision systems were closed for new employees in 1986. The systems were amended between 2000 and 2004 for employees who still qualified for the overall provision system.

Pension commitments relating to employees who have joined the Group since 1986 are based on the so-called split pension formula. The pension entitlement is based on qualifying length of service and qualifying income, with different percentages applying above and below the earnings ceiling. This pension plan was closed for new employees between 1993 and 1998 and amended for existing employees between 2000 and 2004.

Since January 1, 2007, there has been a defined contribution plan for new employees and for employees with no previous occupational pension entitlement.

With the exception of some reinsurance cover and €18.8 million (previous year: €17.1 million) in assigned reinsurance policies, there are no assets that fulfill the requirements of plan assets as defined in IAS 9.7. However, reinsurance policies according to IFRS reimbursement rights by the terms of IAS 19.104A et seq. have been taken out for the majority of direct pension commitments.

A 0.5% increase or decrease in the discount rate would lead to a reduction or increase in pension commitments by €37.3 million (previous year: €28.0 million) or €39.2 million (previous year: €29.6 million), respectively. Differences between the assumed salary and pension trend and actual wage tariff increases and deviations between anticipated and actual income from plan assets in the year in question also have an effect, but to a much lesser extent.

Defined benefit pension plan expenses break down as follows:

| | 2011 | | | 2012 | | |
|---|---|---|---|---|---|---|
| In '000 € | Germany | Abroad | Total | **Germany** | **Abroad** | **Total** |
| Current service cost | 5,255 | 1,142 | 6,397 | **5,429** | **1,266** | **6,695** |
| Interest expense | 27,991 | 74 | 28,065 | **27,271** | **307** | **27,578** |
| Anticipated income from plan assets | 749 | 23 | 772 | **691** | **26** | **717** |
| Anticipated income from reimbursements | 12,059 | 0 | 12,059 | **12,238** | **0** | **12,238** |
| Amortization of retroactive service cost | 0 | 2 | 2 | **0** | **2** | **2** |
| Plan reduction/settlement | 0 | –25 | –25 | **0** | **–158** | **–158** |
| **Net pension expense** | **20,438** | **1,170** | **21,608** | **19,771** | **1,547** | **21,318** |

The amounts that must be stated in the balance sheet are as follows:

| | 2011-12-31 | | | 2012-12-31 | | |
|---|---|---|---|---|---|---|
| In '000 € | Germany | Abroad | Total | **Germany** | **Abroad** | **Total** |
| Pension commitments not financed via a fund | 527,806 | 2,792 | 530,598 | **641,633** | **8,978** | **650,611** |
| Pension commitments financed via a fund | 33,429 | 8,900 | 42,329 | **17,293** | **7,193** | **24,486** |
| **Pension commitments** | **561,235** | **11,692** | **572,927** | **658,926** | **16,171** | **675,097** |
| Plan assets | –15,744 | –1,308 | –17,052 | **–17,130** | **–1,659** | **–18,789** |
| Retroactive service cost | 0 | –10 | –10 | **0** | **–6** | **–6** |
| **Pension commitments stated in the balance sheet** | **545,491** | **10,374** | **555,865** | **641,796** | **14,506** | **656,302** |

In assessing the defined benefit obligation, variables that determine the actual cost of payments made after retirement are taken into account. In addition to the biometric parameters used – the 2005 G Klaus Heubeck tables (with statements on mortality, survivors, and disability) – these are mainly financial assumptions in respect of, for example, the discount rate and future salary and payment levels.

The main assumptions are as follows:

| | 2011 | | 2012 | |
|---|---|---|---|---|
| | Germany | Abroad | **Germany** | **Abroad** |
| Actuarial interest rate | 5.00 % | 1.86 % | **3.50 %** | **2.09 %** |
| Wage and salary trend | 2.25 % | 3.87 % | **2.25 %** | **3.88 %** |
| Increase in current payments | 2.00 % | – | **2.00 %** | **–** |
| Yield of plan assets in following year | 4.79 % | 2.00 % | **n.a.*** | **n.a.*** |
| Yield of reimbursements in following year | 4.76 % | – | **n.a.*** | **–** |

* From the reporting year 2013, interest income will be determined on the basis of the actuarial interest rate.

Taking the respective calculation basis into account, the position as regards the main provision- and fund-financed pension commitments is as follows:

| | 2011 | | | 2012 | | |
|---|---|---|---|---|---|---|
| In '000 € | Germany | Abroad | Total | **Germany** | **Abroad** | **Total** |
| **Defined benefit obligation as at 01-01** | **548,160** | **10,061** | **558,221** | **561,235** | **11,692** | **572,927** |
| Addition to plan assets | 0 | 0 | 0 | **0** | **0** | **0** |
| Current service cost | 5,255 | 1,142 | 6,397 | **5,429** | **1,266** | **6,695** |
| Interest expense | 27,991 | 74 | 28,065 | **27,271** | **307** | **27,578** |
| Actual payments | –37,456 | –406 | –37,862 | **–38,469** | **–428** | **–38,897** |
| Transfer | 0 | 172 | 172 | **–97** | **68** | **1,043** |
| Company purchase/sale | –262 | 0 | –262 | **0** | **0** | **0** |
| Plan reduction/settlement | 0 | –25 | –25 | **0** | **–159** | **–159** |
| Salary conversion | 577 | 0 | 577 | **597** | **0** | **597** |
| Exchange rate effects | 0 | 405 | 405 | **0** | **–233** | **–233** |
| Actuarial profit/loss | 16,970 | 269 | 17,239 | **102,960** | **3,658** | **105,546** |
| **Defined benefit obligation as at 12-31** | **561,235** | **11,692** | **572,927** | **658,926** | **16,171** | **675,097** |
| | | | | | | |
| **Plan assets as at 01-01** | **15,615** | **1,199** | **16,814** | **15,744** | **1,308** | **17,052** |
| Transfer | 0 | 0 | 0 | **–164** | **0** | **1,066** |
| Company purchase/sale | –205 | 0 | –205 | **0** | **0** | **0** |
| Plan reduction/settlement | 0 | 0 | 0 | **0** | **0** | **0** |
| Contributions to plan assets | 577 | 89 | 666 | **597** | **307** | **904** |
| Anticipated income | 749 | 22 | 771 | **691** | **26** | **717** |
| Payments | –34 | 0 | –34 | **–4** | **0** | **–4** |
| Exchange rate effects | 0 | –3 | –3 | **0** | **30** | **30** |
| Actuarial profit/loss | –958 | 1 | –957 | **266** | **–12** | **–976** |
| **Plan assets as at 12-31** | **15,744** | **1,308** | **17,052** | **17,130** | **1,659** | **18,789** |
| | | | | | | |
| **Present value of reimbursements as at 01-01** | **254,386** | **0** | **254,386** | **258,655** | **0** | **258,655** |
| Contributions | 5,336 | 0 | 5,336 | **5,105** | **0** | **5,105** |
| Reimbursements | –12,069 | 0 | –12,069 | **–12,476** | **0** | **–12,476** |
| Transfer | 0 | 0 | 0 | **166** | **0** | **166** |
| Company purchase/sale | –57 | 0 | –57 | **0** | **0** | **0** |
| Anticipated income | 12,059 | 0 | 12,059 | **12,238** | **0** | **12,238** |
| Actuarial profit/loss | –1,000 | 0 | –1,000 | **805** | **0** | **805** |
| **Present value of reimbursements as at 12-31** | **258,655** | **0** | **258,655** | **264,493** | **0** | **264,493** |

At the end of the reporting period on December 31, 2012, equity capital included actuarial losses totaling €115,314 thousand (previous year: profits of €13,416 thousand). These are primarily due to the interest rate-related increase of the defined benefit pension commitment.

The assets of the present value of reimbursements and plan assets include reinsurance policies with Alters- und Hinterbliebenen-Versicherung der Technischen Überwachungs-Vereine-VVaG, Essen; ERGO Lebensversicherung AG, Düsseldorf; and DBV Deutsche Beamtenversicherung Lebensversicherung AG, Wiesbaden. In Germany, the fair value of plan assets and part of the reimbursements as per IAS 19.104 or IAS 19.104D is determined in accordance with the defined benefit obligation amount. Anticipated income from reimbursements and plan assets is based on average yields.

Actual income from reimbursement claims totaled €13.0 million (previous year: €11.1 million), and actual income from plan assets was €–273 thousand (previous year: €–209 thousand).

For the reporting year 2013, reinsurance premiums are expected to amount to €5.8 million (previous year: €9.5 million).

IAS 19.120A (p) requires a five-year history of defined benefit obligations to be stated from January 1, 2007:

| In '000 € | As at 2007-12-31 | As at 2008-12-31 | As at 2009-12-31 | As at 2010-12-31 | As at 2011-12-31 | **As at 2012-12-31** |
|---|---|---|---|---|---|---|
| **Defined benefit pension plans** | | | | | | |
| Defined benefit obligation | 538,700 | 533,346 | 558,177 | 558,221 | 572,927 | **675,097** |
| Plan assets | 2,375 | 2,062 | 2,647 | 16,814 | 17,052 | **18,789** |
| **Funding status** | **536,325** | **531,284** | **555,530** | **541,407** | **555,875** | **656,308** |
| **Experience adjustments** | | | | | | |
| of the defined benefit obligation | 4,776 | –431 | 5,868 | 1,235 | 2,973 | **1,332** |
| of the plan assets | 34 | 0 | 239 | –104 | 1,065 | **–462** |

## (33) Other Provisions

| | As at 2011-12-31 | | **As at 2012-12-31** | |
|---|---|---|---|---|
| In '000 € | Total | of which current | **Total** | **of which current** |
| Personnel provisions | 57,459 | 45,504 | **60,047** | **47,106** |
| Miscellaneous provisions | 20,798 | 19,274 | **27,419** | **25,412** |
| **Total** | **78,257** | **64,778** | **87,466** | **72,518** |

Personnel provisions mainly involve variable remuneration of employees and management, including applicable social security contributions, obligations arising from partial retirement agreements, benefits, and anniversary payments. Non-current provisions will also be utilized within the next five years for the most part.

Provisions developed as follows in the reporting year:

| In '000 € | **Opening balance** | Addition | Use | Reversal | Other changes* | **Closing balance** |
|---|---|---|---|---|---|---|
| Personnel provisions | **57,459** | 41,695 | 33,265 | 4,716 | –1,126 | **60,047** |
| Miscellaneous provisions | **20,798** | 20,841 | 11,297 | 4,279 | 1,356 | **27,419** |
| **Total** | **78,257** | **62,536** | **44,562** | **8,995** | **230** | **87,466** |

* Change in basis for consolidation, exchange rate, and account balancing with actuarial reserves.

In the reporting year, as in the previous year, there was no material accrued interest on non-current provisions.

## (34) Liabilities

| In '000 € | Non-current | | Current | | Total | |
|---|---|---|---|---|---|---|
| | As at 2011-12-31 | **As at 2012-12-31** | As at 2011-12-31 | **As at 2012-12-31** | As at 2011-12-31 | **As at 2012-12-31** |
| **Income tax liabilities** | **0** | **0** | **24,990** | **26,480** | **24,990** | **26,480** |
| Trade liabilities | 0 | **0** | 70,068 | **74,321** | 70,068 | **74,321** |
| Advance payments for orders | 8 | **0** | 22,355 | **34,993** | 22,363 | **34,993** |
| **Trade liabilities** | **8** | **0** | **92,423** | **109,314** | **92,431** | **109,314** |
| Liabilities due to banks | 93,435 | **102,826** | 38,250 | **25,759** | 131,685 | **128,585** |
| Liabilities due to affiliated companies | 0 | **0** | 656 | **686** | 656 | **686** |
| Liabilities to associates | 0 | **0** | 514 | **329** | 514 | **329** |
| Other tax liabilities | 141 | **362** | 34,920 | **36,137** | 35,061 | **36,499** |
| Social security liabilities | 2,411 | **1,693** | 17,366 | **21,129** | 19,777 | **22,822** |
| Miscellaneous liabilities | 11,368 | **14,232** | 59,106 | **60,457** | 70,474 | **74,689** |
| **Other liabilities** | **107,355** | **119,113** | **150,812** | **144,497** | **258,167** | **263,610** |
| **Total** | **107,363** | **119,113** | **268,225** | **280,291** | **375,588** | **399,404** |

## (35) Legal Proceedings

TÜV Rheinland AG and its subsidiaries are not involved in legal proceedings that could have a material effect on the Group's economic or financial position. Appropriate provision has been made for charges arising from other legal proceedings.

## (36) Other Financial Obligations

The following minimum lease payments will fall due in the future in relation to existing rental, least, and leasing agreements:

| In '000 € | As at 2011-12-31 | **As at 2012-12-31** |
|---|---|---|
| **Future rental, lease, and leasing agreement obligations** | | |
| Due within a year | 55,806 | **49,329** |
| Due within 1–5 years | 86,695 | **85,696** |
| Due in over 5 years | 48,615 | **41,315** |
| **Total** | **191,116** | **176,340** |

The future obligations listed are for the most part rent for business premises. Leasing expenses in the reporting year totaled €68,862 (previous year: €65,244) and consisted mainly of rent for business premises in connection with operating leases.

# OTHER DISCLOSURES

## (37) Additional Disclosures on Financial Instruments

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

| In '000 € | Carrying amount as at 2012-12-31 | Financial assets/ liabilities at fair value through profit or loss | Available-for-sale financial assets stated at fair value with no effect on incom | Financial assets/ liabilities valued at amortized cost | No IAS 39 valuation category |
|---|---|---|---|---|---|
| Assets | | | | | |
| **Non-current assets** | | | | | |
| Other financial assets | 267,976 | | | | |
| Securities | 201 | | 201 | | |
| Investments | 3,037 | | | 2,463 | 574 |
| Financial instruments unrelated to the remit of IFRS 7 | 264,738 | | | | 264,738 |
| Other non-current assets | 11,014 | | | | |
| Other assets | 10,919 | | | 10,919 | |
| Financial derivatives | 95 | 95 | | | |
| **Current assets** | | | | | |
| Trade receivables | 266,036 | | | 266,036 | |
| Other receivables and other current assets | 85,526 | | | | |
| Other receivables | 48,757 | | 30 | 48,727 | |
| Financial derivatives | | | | | |
| Non-financial assets | 36,769 | | | | 36,769 |
| Cash and cash equivalents | 88,369 | | | 88,369 | |
| Equity and liabilities | | | | | |
| **Non-current liabilities** | | | | | |
| Non-current liabilities | 119,113 | | | | |
| Liabilities due to banks | 102,826 | | | 102,826 | |
| Trade liabilities | | | | | |
| Miscellaneous liabilities | 13,247 | | | 12,549 | 698 |
| Financial derivatives | 986 | | | | 986 |
| Non-financial liabilities | 2,054 | | | | 2,054 |
| **Current liabilities** | | | | | |
| Trade liabilities | 109,314 | | | 74,321 | 34,993 |
| Other current liabilities | 144,497 | | | | |
| Liabilities due to banks | 25,759 | | | 25,759 | |
| Miscellaneous liabilities | 733 | | | 686 | 47 |
| Financial derivatives | 111 | | | | 111 |
| Non-financial liabilities | 117,894 | | | | 117,894 |
| **Sum total by IAS 39 valuation category** | | **95/ 0** | **231** | **0/ 216,141** | |

| In '000 € | Carrying amount as at 2011-12-31 | Financial assets/ liabilities at fair value through profit or loss | Available-for-sale financial assets stated at fair value with no effect on income | Financial assets/ liabilities valued at amortized cost | No IAS 39 valuation category |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Other financial assets | 265,540 | | | | |
| Securities | 4,438 | | 4,438 | | |
| Investments | 2,350 | | | 1,973 | 377 |
| Financial instruments unrelated to the remit of IFRS 7 | 258,752 | | | | 258,752 |
| Other non-current assets | 12,151 | | | | |
| Other assets | 12,034 | | | 12,034 | |
| Financial derivatives | 117 | 117 | | | |
| **Current assets** | | | | | |
| Trade receivables | 226,134 | | | 226,134 | |
| Other receivables and other current assets | 84,367 | | | | |
| Other receivables | 54,638 | | 30 | 54,608 | |
| Financial derivatives | 144 | 144 | | | |
| Non-financial assets | 29,585 | | | | 29,585 |
| Cash and cash equivalents | 93,157 | | | 93,157 | |
| **Equity and liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Non-current liabilities | 107,363 | | | | |
| Liabilities due to banks | 93,435 | | | 93,435 | |
| Trade liabilities | 8 | | | | 8 |
| Miscellaneous liabilities | 10,602 | | | 10,133 | 469 |
| Financial derivatives | 765 | | | | 765 |
| Non-financial liabilities | 2,553 | | | | 2,553 |
| **Current liabilities** | | | | | |
| Trade liabilities | 92,423 | | | 70,068 | 22,355 |
| Other current liabilities | 150,812 | | | | |
| Liabilities due to banks | 38,250 | | | 38,250 | |
| Miscellaneous liabilities | 811 | | | 656 | 155 |
| Financial derivatives | 30 | | | | 30 |
| Non-financial liabilities | 111,721 | | | | 111,721 |
| **Sum total by IAS 39 valuation category** | | **261/ 0** | **4,468** | **387,906/ 212,542** | |

The measurement of financial assets and liabilities is undertaken in accordance with the availability of relevant information on the basis of the three-stage fair valuation hierarchy specified in IFRS 7. In the first stage, the listed market prices for identical assets and liabilities in active markets are directly observable. In the second stage, the valuation is based on techniques into which parameters observable in the market flow. The third stage provides for the use of valuation techniques that fall back on input factors not observable in the market. All derivative financial assets and liabilities come under the second stage. Securities can also be allocated to this stage.

The fair value of liabilities due to banks was €656 thousand above the carrying amount in the reporting year (previous year: €3,037 thousand). For current loans and receivables and financial liabilities at amortized cost of acquisition, the carrying amount is assumed to be close to the fair value.

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

| In ‘000 € | 2011 | **2012** |
|---|---|---|
| Financial assets/liabilities at fair value through profit or loss | 261 | **–166** |
| Loans and receivables | 162 | **–1,019** |
| Available-for-sale financial assets | 60 | **121** |
| Financial liabilities valued at amortized cost | –9,699 | **–7,467** |
| **Total** | **–9,216** | **–8,531** |

Changes in the market value of derivatives are recorded under financial assets and liabilities stated at fair value through profit or loss. They are stated under other financial result. Loans and receivables contain allowances on receivables and interest on receivables and loans granted. Allowances on receivables are stated under other operating income or other operating expenses. In contrast, interest from receivables and loans granted is stated as interest income. Available-for-sale financial assets include allowances on securities that are shown under other financial result. Interest on loans received is recorded under financial assets at amortized cost and is stated as interest income.

## (38) Financial Risks

The TÜV Rheinland Group is exposed to financial risks in the form of credit risks, liquidity risks, and market risks. Due to the integration of risk management into the TÜV Rheinland Group’s management information system, risk is controlled by appropriate evaluation on a universal basis in all companies as well as on the Group level. The Executive Board has set up a risk management unit and instructed it to carry out an analysis and assessment of individual risk and opportunity reports. Comprehensive, early, and systematic countermeasures are undertaken to minimize risks and strengthen opportunities.

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

The maximum credit risk for trade receivables, receivables based on percentage of completion, and loans is their carrying amount as at December 31, 2012. Trade receivables that are past due are listed in Note (28).

The maximum credit risk for available-for-sale financial assets and financial derivatives is equivalent to their market values as at December 31, 2012.

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

The fundamental market risks for financial instruments are currency and interest rate risks.

Financial derivatives may only be concluded in connection with a hedged item. To limit risks, subsidiaries are not allowed to purchase securities.

The TÜV Rheinland Group uses derivatives to hedge the risk of interest rate changes and currency risks. For interest hedging, the TÜV Rheinland Group also applies the provisions of IAS 39 on cash flow hedge accounting. In the process, the variable interest cash flows of different loans are protected from variable reference interest rate fluctuations. To ensure that the aim of risk management is fulfilled, the TÜV Rheinland Group documents the effectiveness of hedges at the time of designation (prospective effectiveness) and at the end of every reporting period (retrospective effectiveness).

In relation to a nominal amount of €1,146 thousand, a loan is hedged against fluctuations in the three-month Euribor reference interest rate. The hedge instrument is an interest rate swap with a nominal amount of €1,146 thousand as at the end of the reporting period and contracted to run until August 29, 2014, which corresponds to the hedged item in its fundamental terms and conditions – above all, the nominal amount, the variable market interest rate, interest rate adjustment, and interest due dates. The interest rate swap is stated as at the end of the reporting period at a fair value (»dirty price«) of €–34 thousand (previous year: €–64 thousand). The interest payments hedged are due quarterly and have a chronologically corresponding effect on the TÜV Rheinland Group's profit and losses. In the reporting year, a sum after deferred taxes of €20 thousand (previous year: €25 thousand) was recorded in the consolidated statement of comprehensive income. No ineffective sums were shown in the income statement.

Moreover, a loan with a nominal amount of €15,000 thousand is hedged against changes in the three-month Euribor reference interest rate by means of an interest rate swap with the same nominal value. The hedge instrument runs until September 30, 2015, and corresponds to the hedged item in its fundamental terms and conditions – above all, the nominal amount, the variable market interest rate, interest rate adjustment, and interest due dates. The interest rate swap is stated as at the end of the reporting period at a fair value (»dirty price«) of €–316 thousand (previous year: €–185 thousand). The interest payments hedged are due quarterly and have a chronologically corresponding effect on the TÜV Rheinland Group's profits and losses. In the reporting year, a sum after deferred taxes of €69 thousand (previous year: €201 thousand) was recorded in the consolidated statement of comprehensive income. Additionally, a cost of €30 was shown in the income statement due to the ineffectiveness of the hedge accounting.

The TÜV Rheinland Group has also hedged a loan with a nominal amount of €10,000 thousand against fluctuations in the three-month Euribor reference interest rate. The hedge instrument is an interest rate swap with an identical nominal amount that is contracted to run until September 30, 2016, which corresponds to the hedged item in its fundamental terms and conditions – above all, the nominal amount, the variable market interest rate, interest rate adjustment, and interest due dates. The interest rate swap is stated as at the end of the reporting period at a fair value (»dirty price«) of €–338 thousand (previous year: €–156 thousand). The interest payments hedged are due quarterly and have a chronologically corresponding effect on the TÜV Group's profit and losses. In the reporting year, a sum after deferred taxes of €124 thousand (previous year: €107 thousand) was recorded in the consolidated statement of comprehensive income. No ineffective sums were shown in the income statement.

The TÜV Rheinland Group has also hedged a loan with a nominal amount of €2,788 thousand against fluctuations in the three-month Libor reference interest rate. The hedge instrument is an interest rate swap with a nominal amount of €2,788 thousand that corresponds to the hedged item in its fundamental terms and conditions and runs until August 30, 2016. The interest rates are settled quarterly and have a chronologically corresponding effect on the income statement. The fair value of the interest rate swap as at the end of the reporting period is €–204 thousand (previous year: €–276 thousand). In the reporting year, a sum after deferred taxes of €50 thousand (previous year: €0) was recorded in the consolidated statement of comprehensive income. No ineffective sums are due.

The TÜV Rheinland Group has also hedged one loan with a nominal value of TCLP (thousand Chilean pesos) 453,000 with a foreign exchange transaction against the risk of exchange rate fluctuations. The foreign exchange transaction reports an identical nominal amount and runs until October 21, 2013, and is stated as at the end of the reporting period with a fair value of €–125 thousand (previous year: €–79 thousand). In the reporting year, a sum after deferred taxes of €32 thousand (previous year: €20 thousand) was recorded in the consolidated statement of comprehensive income. No ineffective sums were shown in the income statement.

Furthermore, a loan with a nominal amount of €15,000 thousand is hedged against changes in the six-month Euribor reference interest rate. An interest rate swap with a nominal amount of €15,000 thousand as at the end of the reporting period functions as a hedge instrument. The hedge instrument runs until August 18, 2017, and corresponds to the hedged item in its fundamental terms and conditions – above all, the nominal amount, the variable market interest rate, interest rate adjustment, and interest due dates. The interest rate swap is stated as at the end of the reporting period at a fair value (»dirty price«) of €–93 thousand. The interest payments hedged are due quarterly and have a chronologically corresponding effect on the TÜV Rheinland Group's profits and losses. In the reporting year, a sum after deferred taxes of €64 thousand was recorded in the consolidated statement of comprehensive income No ineffective sums were stated in the income statement.

Furthermore, in connection with hedge accounting, a loan with a nominal amount of TAUD (thousand Australian dollars) 600 is hedged with a foreign exchange transaction against the risk of exchange rate fluctuations. The foreign exchange transaction reports an identical nominal amount and runs until March 28, 2013. The foreign exchange transaction is stated as at the end of the reporting period with a fair value of €14 thousand. In the reporting year, a sum after deferred taxes of €9 thousand was recorded in the consolidated statement of comprehensive income. No ineffective sums were shown in the income statement.

The market value of these interest rate swaps would change by €407,000 (€–888,000) in the event of a shift in the yield curve of +100 (–100) basis points. Interest rate risks also exist for fixed income securities. A 1% increase in the interest rate would not, however, lead to a material change in market value.

The action framework for currency management is laid down in internal guidelines. Currency risks do not, for the most part, exist within the TÜV Rheinland Group because individual Group companies largely conduct their operational activities in their respective functional currencies. Currency risks run in operational business may be hedged by the use of financial derivatives. Currency risks as at the end of the reporting period were investigated by means of sensitivity analyses. In trade receivables and liabilities, a revaluation of the euro by 10% against all currencies as at the end of the reporting period would have only a minor effect on the result for the year and on equity capital. As at the end of the reporting period, the TÜV Rheinland Group held no significant currency derivatives.

To manage liquidity risks within the TÜV Rheinland Group, there is always an up-to-date liquidity plan and a sufficient liquidity reserve in the form of cash and lines of credit. Bank deposits are held only at banks with a high credit rating. Risks are minimized for current securities by diversification of the issuers. As at December 31, 2012, the maturity structure of expected undiscounted cash flow (interest and repayment of principal) was as follows:

| In '000 € | Liabilities due to banks* | Trade liabilities | Total |
|---|---|---|---|
| Due within a year | 43,181 | 74,321 | **117,502** |
| Due in 2nd year | 27,930 | | **27,930** |
| Due in 3rd year | 26,419 | | **26,419** |
| Due in 4th year | 11,932 | | **11,932** |
| Due in 5th to 10th years | 18,784 | | **18,784** |
| Due after 10th year | 8,472 | | **8,472** |

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

The amount of €43,181 thousand due to banks (and due within a year) includes lines of credit for unlimited periods and therefore with significantly longer due dates.

## (39) Cash Flow Statement Disclosures

Cash and cash equivalents in the cash flow statement comprise all cash and cash equivalents stated in the balance sheet (i.e. cash on hand, checks, and credit balances with banks) that are available within three months. There are no restrictions on the disposal of cash and cash equivalents.

The cash flow from operating activities includes the following payments:

| In '000 € | 2011 | 2012 |
|---|---|---|
| Interest paid | 9,974 | **7,855** |
| Interest received | 4,664 | **3,756** |
| Income tax paid | 48,391 | **40,993** |
| Income tax received | 10,604 | **12,463** |
| Dividends received | 160 | **407** |

## (40) Related Party Disclosures

The related parties of the TÜV Rheinland Group are TÜV Rheinland Berlin Brandenburg Pfalz e. V. (TÜV Rheinland AG's sole shareholder) and all of the companies that are not fully consolidated in the Group's financial statements. Individual related parties are members of the Executive Board and Supervisory Board, Executive Vice Presidents, Heads of German Operations and international Chief Regional Officers.

In 2012, TÜV Rheinland Group companies maintained the following business relationships with TÜV Rheinland Berlin Brandenburg Pfalz e. V.:

| In '000 € | 2011 | 2012 |
|---|---|---|
| Services provided to the e.V. | 11,757 | **11,843** |
| Services received from the e.V. | 14,262 | **14,379** |
| Receivables as at 12-31 | 48,262 | **42,144** |
| Liabilities as at 12-31 | 437 | **0** |

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

Service relations between the TÜV Rheinland Group and other related parties are of minor importance.

### Supervisory Board Remuneration

The members of the Supervisory Board were paid a total of €930 thousand in remuneration in the reporting year (previous year: €921 thousand).

No loans were made to Supervisory Board members in the reporting year.

### (41) Events After the Reporting Period

The TÜV Rheinland AG Executive Board proposes to the Annual Shareholder's Meeting that a dividend of €16.5 million be paid to the sole shareholder, TÜV Rheinland Berlin Brandenburg Pfalz e. V., from the 2012 balance sheet profit of €52,655,353.97, and that €20 million be allocated to retained earnings, with the remaining €16,155,353.97 being carried forward to new account.

### (42) Auditor's Fees and Services in Accordance with Section 314 HGB

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

| | Group auditors | | Other | | **Total** | |
|---|---|---|---|---|---|---|
| In '000 € | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** |
| Fees for audit of annual financial statements | 1,163 | **1,251** | 243 | **275** | 1,406 | **1,526** |
| Fees for other audit services | 94 | **19** | 10 | **3** | 104 | **22** |
| Fees for tax consultancy services | 201 | **134** | 29 | **50** | 230 | **184** |
| Fees for other services | 439 | **107** | 0 | **0** | 439 | **107** |
| **Total** | **1,897** | **1,511** | **282** | **328** | **2,179** | **1,839** |

## (43) Companies Included

**Fully Consolidated Companies in Germany**

| Company name | Company domicile | Capital stock in %[2] |
|---|---|---|
| AMD TÜV Arbeitsmedizinische Dienste GmbH TÜV Rheinland Group[1] | Berlin | 100 |
| The Campus GmbH Center of Competence | Düsseldorf | 100 |
| DIN CERTCO Gesellschaft für Konformitätsbewertung mbH | Berlin | 80,2 |
| DIN GOST TÜV Berlin-Brandenburg Gesellschaft für Zertifizierung in Europa mbH | Berlin | 51 |
| FSP-Fahrzeug-Sicherheitsprüfung Leitung und Service GmbH[3] | Geltow | 47 |
| FSP-Schaden- und WertgutachterdienstGm bH[3] | Geltow | 47 |
| Gemeinnützige Gesellschaft TÜV Rheinland Bildungswerk mbH | Berlin | 100 |
| InFES GmbH Resources and Services | Düsseldorf | 100 |
| LCH Eurocontrol GmbH | Hamburg | 56 |
| LGA InterCert Zertifizierungsgesellschaft GmbH[1] | Nuremberg | 100 |
| Luxcontrol GmbH | Hamburg | 56 |
| move GmbH – Unternehmensgruppe TÜV Rheinland | Düsseldorf | 100 |
| TÜV Fahrzeug-Lichttechnik GmbH TÜV Rheinland Group[1] | Berlin | 100 |
| TÜV Immobiliengesellschaft Berlin GmbH | Cologne | 83,94 |
| TÜV International GmbH – Unternehmensgruppe TÜV Rheinland[1] | Cologne | 100 |
| TÜV Media GmbH[1] | Cologne | 100 |
| TÜV Pfalz Anlagen und Betriebstechnik GmbH[1] | Kaiserslautern | 94 |
| TÜV Pfalz GmbH[1] | Kaiserslautern | 94 |
| TÜV Pfalz Verkehrswesen GmbH[1] | Kaiserslautern | 94 |
| TÜV Rheinland Agroisolab GmbH | Jülich | 76,7 |
| TÜV Rheinland Akademie GmbH[1] | Berlin | 100 |
| TÜV Rheinland Cert GmbH[1] | Cologne | 100 |
| TÜV Rheinland Consulting GmbH[1] | Cologne | 100 |
| TÜV Rheinland Energie und Umwelt GmbH[1] | Cologne | 100 |

**Fully Consolidated Companies in Germany**

| Company name | Company domicile | Capital stock in %[2] |
|---|---|---|
| TÜV Rheinland Fahrzeugüberwachung GmbH Brandenburg/Berlin[1] | Potsdam | 94 |
| TÜV Rheinland Grebner Ruchay Consulting GmbH | Frankfurt | 81,35 |
| TÜV Rheinland Grundstücksgesellschaft mbH & Co. KG | Grünwald | 100 |
| TÜV Rheinland Grundstücksgesellschaft Nürnberg mbH & Co. KG | Grünwald | 94,9 |
| TÜV Rheinland Immobiliengesellschaft mbH & Co KG[1] | Cologne | 88,36 |
| TÜV Rheinland Industrie Service GmbH[1] | Cologne | 100 |
| TÜV Rheinland Insitu Calibration GmbH | Cologne | 100 |
| TÜV Rheinland InterTraffic GmbH | Cologne | 94 |
| TÜV Rheinland i-sec GmbH[1] | Cologne | 100 |
| TÜV Rheinland Kraftfahrt GmbH[1] | Cologne | 94 |
| TÜV Rheinland Leben und Gesundheit GmbH[1] | Cologne | 100 |
| TÜV Rheinland LGA Bautechnik GmbH[1] | Cologne | 100 |
| TÜV Rheinland LGA Beteiligungs GmbH[1] | Cologne | 100 |
| TÜV Rheinland LGA Products GmbH[1] | Cologne | 100 |
| TÜV Rheinland Pension Fund GmbH[1] | Cologne | 94 |
| TÜV Rheinland Personal GmbH | Cologne | 100 |
| TÜV Rheinland Plus GmbH[3] | Cologne | 47,94 |
| TÜV Rheinland Schaden- und Wertgutachten GmbH[1] | Cologne | 94 |
| TÜV Rheinland Schniering GmbH[1] | Essen | 100 |
| TÜV Rheinland Service GmbH[1] | Cologne | 100 |
| TÜV Rheinland Sonovation GmbH | Böhlen | 100 |
| TÜV Rheinland Systeme GmbH[1] | Cologne | 100 |
| TÜV Rheinland Werkstoffprüfung GmbH[1] | Peitz | 100 |
| TÜV Saarland Automobil GmbH | Sulzbach | 70,41 |
| TÜV Saarland Kfz-team GmbH | Saarbrücken | 55,62 |
| TÜV Umwelt Berlin-Brandenburg GmbH | Berlin | 100 |
| VTÜ Versicherungsvermittlung GmbH[1] | Cologne | 100 |

**Fully Consolidated Companies in Other Countries**

| Company name | Company domicile | Capital stock in %[2] |
|---|---|---|
| AUTESTS SIA | Riga | 80 |
| Benelux NDT & Inspection Supplies B.V. | Oosterhout | 100 |
| DUCTOR Implantacao de PROJETOS Ltda. | São Paulo | 100 |
| GERIS Engenharia e Serviços Ltda. | São Paulo | 100 |
| ICICT Serveis S.L. | Sabadell | 100 |
| ITACS Pty. Ltd. | Adelaide | 100 |
| LRTDEA – TÜV Rheinland Grupa, SIA | Riga | 83,3 |
| LUXCONTROL S.A. | Esch/Alzette | 56 |
| Ogres Servisa Centrs | Riga | 100 |
| PT TUV Rheinland Indonesia | Jakarta | 90 |
| SECTA S.A. | Courbevoie | 50,51 |
| TÜV Akademia Polska Sp. z o.o. Unternehmensgruppe TÜV Rhld./BB | Zabrze | 100 |
| TUV DCTA SAS | Montrouge | 100 |
| TUV FRANCE SAS-GROUPE TUV RHEINLAND | Montrouge | 100 |
| TÜV International RUS OOO | Moscow | 100 |
| TÜV International s.r.o. | Prague | 100 |
| TUV Rheinland AIA Services, LLC | Houston | 80,17 |
| TUV Rheinland AIMEX Ltd. | Taipei | 100 |
| TÜV Rheinland Andino S.A. | Santiago de Chile | 100 |
| TÜV Rheinland Arabia LLC | Jidda | 60 |
| TÜV RHEINLAND ARGENTINA S.A. | Buenos Aires | 100 |
| TUV Rheinland Australia Pty. Ltd. | South Melbourne | 100 |
| TÜV Rheinland Bangladesh Pvt. Ltd. | Dhaka | 100 |
| TÜV Rheinland Belgium NV | Antwerp | 90 |
| TÜV Rheinland Bulgaria EOOD | Sofia | 100 |
| TÜV Rheinland Canada Inc. | Toronto | 100 |
| TÜV Rheinland CHILE S.A. | Santiago de Chile | 100 |
| TÜV RHEINLAND (China) Ltd. | Beijing | 100 |
| TÜV RHEINLAND COLOMBIA S.A.S. | Bogotá | 100 |
| TUV RHEINLAND DE MEXICO S.A. DE C.V. | Mexico City | 100 |

**Fully Consolidated Companies in Other Countries**

| Company name | Company domicile | Capital stock in %[2] |
|---|---|---|
| TÜV Rheinland do Brasil Holding Ltda. | São Paulo | 100 |
| TÜV Rheinland do Brasil Ltda. | São Paulo | 100 |
| TÜV Rheinland Egypt Ltd. | Cairo | 99 |
| TÜV RHEINLAND FRANCE SAS | Montrouge | 100 |
| TÜV Rheinland (Guangdong) Ltd. | Guangzhou | 100 |
| TUV RHEINLAND HONG KONG LIMITED | Hong Kong | 100 |
| TÜV Rheinland Ibérica Holding, S.L. | Madrid | 100 |
| TÜV Rheinland Ibérica Inspection, Certification & Testing S.A. | Barcelona | 100 |
| TÜV Rheinland IBÉRICA, S.A. | Madrid | 100 |
| TUV Rheinland Immo SAS | Montrouge | 100 |
| TUV Rheinland (India) Private Ltd. | Bangalore | 100 |
| TUV Rheinland Industrial Solutions, Inc. | Caledonia | 100 |
| TÜV Rheinland Inspection Services (Pty.) Ltd. | Pretoria | 74 |
| TÜV Rheinland InterCert d.o.o. | Belgrade | 100 |
| TÜV Rheinland InterCert Kft. | Budapest | 100 |
| ÜV Rheinland Italia S.r.l. | Pogliano Milanese | 100 |
| TUV Rheinland Japan Ltd. | Yokohama | 100 |
| TÜV Rheinland Korea Ltd. | Seoul | 100 |
| TÜV Rheinland Luxemburg GmbH | Luxemburg | 100 |
| TUV Rheinland Malaysia SDN BHD | Subang Jaya | 100 |
| TUV Rheinland Middle East – L.L.C. | Abu Dhabi | 100 |
| TUV Rheinland Middle East FZE | Dubai | 100 |
| TÜV Rheinland NAVARRA SA | Pamplona | 100 |
| TÜV Rheinland Nederland B.V. | Amsterdam | 100 |
| TUV Rheinland North America Holding, Inc. | Boston | 100 |
| TUV Rheinland of North America, Inc. | Newtown | 100 |
| TÜV Rheinland Peru S.A.C. | Lima | 100 |
| TÜV Rheinland Philippines, Inc. | Manila | 100 |
| TÜV Rheinland Polska Sp. z o.o. | Warsaw | 100 |
| TÜV Rheinland Portugal Inspeccoes Tecnicas, Lda. | Algés | 100 |

[1] Recourse is made to Section 264 (3) HGB for this company.
[2] The share of the voting rights corresponds to the stated capital stock.
[3] Fully consolidated by virtue of corporate body rights.

## Fully Consolidated Companies in Other Countries

| Company name | Company domicile | Capital stock in %[2] |
|---|---|---|
| TUV Rheinland PTL LLC | Tempe | 85,26 |
| TÜV Rheinland Quality Control (Pty.) Ltd.[3] | Pretoria | 49 |
| TÜV Rheinland Quality Services (Pty.) Ltd. | Pretoria | 100 |
| TUV Rheinland Rail Sciences, Inc. | Scottdale | 100 |
| TÜV Rheinland Romania S.R.L. | Bucharest | 100 |
| TUV Rheinland (Shanghai) Co., Ltd. | Shanghai | 100 |
| TÜV Rheinland (Shenzhen) Co., Ltd. | Shenzhen | 100 |
| TÜV RHEINLAND SINGAPORE PTE. LTD. | Singapore | 100 |
| TÜV Rheinland Slovensko s.r.o. | Bratislava | 100 |
| TÜV Rheinland Sonovation B.V. | Oosterhout | 100 |
| TÜV Rheinland Sonovation Holding B.V. | Oosterhout | 100 |
| TÜV RHEINLAND TAIWAN LTD. | Taipei | 100 |
| TUV Rheinland Thailand Ltd. | Bangkok | 100 |
| TÜV Rheinland Türkiye A. S. | Istanbul | 100 |
| TUV Rheinland UK Ltd. | Solihull | 100 |
| TÜV Rheinland Ukraine GmbH | Kiev | 100 |
| TÜV Rheinland Vietnam Co. Ltd. | Ho Chi Minh City | 100 |
| TUV RHEINLAND VISTORIAS LTDA. | Santana de Parnaiba | 100 |
| TÜV Rheinland (Wuxi) Automotive Testing Co., Ltd. | Shanghai | 70 |
| TÜV Rheinland/CCIC (Ningbo) Co., Ltd.[3] | Ningbo | 50 |
| TÜV Rheinland/CCIC (Qingdao) Co., Ltd. | Qingdao | 55 |

## Joint Ventures Included

| Company name | Company domicile | Capital stock in %[2] |
|---|---|---|
| Auteko & Latvija GmbH | Riga | 49 |
| TÜV Rheinland TNO Automotive International B.V. | Helmond | 47 |

## Associates Included

| Company name | Company domicile | Capital stock in %[2] |
|---|---|---|
| CDN Serviços de Água e Esgoto S.A. | Rio de Janeiro | 32,5 |

## Non-Consolidated Companies in Germany

| Company name | Company domicile | Capital stock in %[2] |
|---|---|---|
| autocon GmbH | Düsseldorf | 100 |
| BNDT Prüftechnik GmbH | Böhlen | 100 |
| Deutsche TÜV GmbH – Unternehmensgruppe TÜV Rhld./BB | Cologne | 100 |
| Deutsche TÜV GmbH Mitte | Cologne | 100 |
| FMG Fuhrparkmanagement GmbH | Tübingen | 100 |
| TRB GmbH | Cologne | 88,36 |
| TÜV 1 GmbH – Unternehmensgruppe TÜV Rhld./BB | Cologne | 100 |
| TÜV Alliance GmbH | Cologne | 100 |
| TÜV Rheinland AUTO EUROSERVICE GmbH | Cologne | 94 |
| TÜV Rheinland STEP International GmbH | Cologne | 94 |
| TÜV Berlin Brandenburg Gesellschaft von KFZ-Sachverständigen mbh | Cottbus | 100 |
| TÜV Berlin Brandenburg Verwaltungs-GmbH | Berlin | 95 |
| TÜV Berlin GmbH | Berlin | 100 |
| TÜV Ostdeutschland Sicherheit und Umweltschutz GmbH | Halle | 100 |
| TÜV Union Deutschland GmbH | Cologne | 100 |
| TÜV WEST AG | Cologne | 50 |
| www.tuv.com GmbH TÜV Rheinland Group | Cologne | 100 |

### Non-Consolidated Companies in Other Countries

| Company name | Company domicile | Capital stock in %[2] |
|---|---|---|
| LC LUXCONTROL asbl | Esch/Alzette | 56 |
| Luxcontrol Nederland B.V. | Utrecht | 94 |
| SEINCOSA S.L. | Barcelona | 100 |
| TÜV Quality Control Ltd. | Cairo | 83 |
| TÜV Rheinland Akademie Chile Ltda. | Santiago de Chile | 100 |
| TUV Rheinland/ANTAEAN Co., Ltd. | Kunshan | 50 |
| TÜV RHEINLAND BELGIUM A.S.B.L. | Antwerp | 100 |
| TUV Rheinland Cambodia Co., Ltd. | Phnom Penh | 100 |
| TUV Rheinland Kuwait WLL | Kuwait | 49 |
| TUV Rheinland Mandy Ltd. | Fuzhou | 75 |
| TÜV Rheinland Sonovation Ltd. | Cheshire | 100 |
| TÜV Rheinland Sonovation NV | Antwerp | 100 |
| TÜV Rheinland Sonovation Products & Systems B.V. | Oosterhout | 100 |
| TUV Telecom Services, INC. | Houston | 100 |
| TÜV ZSSM GmbH | Moscow | 65 |

[1] Recourse is made to Section 264 (3) HGB for this company.
[2] The share of the voting rights corresponds to the stated capital stock.
[3] Fully consolidated by virtue of corporate body rights.

# AUDIT OPINION

## AUDIT OPINION

We have audited the consolidated financial statements – consisting of the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement, and the notes – as well as the Group Management Report for the business year from January 1 to December 31, 2012, prepared by TÜV Rheinland Aktiengesellschaft, Cologne. Preparation of the consolidated financial statements and Group management report according to IFRS as applicable in the EU and, additionally, to German commercial law regulations pursuant to Section 315a (1) of the German Commercial Code (HGB) is the responsibility of the company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on the audit we have undertaken.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB), taking into consideration the generally accepted accounting principles as set out by the German Institute of Public Auditors (IDW). These standards require us to plan and perform audits in such a way that misstatements and violations materially affecting the presentation of assets, financial position, and profitability results in the consolidated financial statements in accordance with the applicable accounting rules and in the Group Management Report are detected with reasonable certainty. Knowledge of the Group's business activities and of its economic and legal environment, and expectations of possible misstatements are taken into account when determining auditing procedures. The effectiveness of internal control mechanisms related to accounting and evidence supporting the disclosures in the consolidated financial statements and in the Group Management Report are assessed mainly by checking random samples. The audit includes the assessment of the annual financial statements of the companies included in the Group accounts, the delimitation of the Group companies being consolidated, the accounting and consolidation principles used, and the significant estimates made by the Executive Board, as well as the evaluation of the overall presentation of the consolidated financial statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not find any irregularities with the exception of the following qualification: contrary to IAS 24.17, as well as Section 315a (1) in conjunction with Section 314 (1) 6 (a) and (b) of the German Commercial Code (HGB), the emoluments of the management employees in key positions and the total earnings of the present and former members of the Executive Board were not stated in the notes.

In our opinion, based on what we learned from our audit, the consolidated financial statements comply with IFRS as applicable in the EU and with the German commercial law regulations additionally applicable pursuant to Section 315a (1) of the German Commercial Code (HGB). The consolidated financial statements give a true and fair view of the assets, financial position, and profitability of the Group in accordance with these regulations. The Group Management Report is consistent with the consolidated financial statements conforming to the statutory regulations and overall provides an accurate and fair view of the financial status of the Group and of the opportunities and risks attendant on its future development.

Cologne, March 18, 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Andreas Menke
Auditor

Thomas Husemeyer
Auditor

# CORPORATE BODIES

## SUPERVISORY BOARD

**Shareholder representatives on the Supervisory Board**
Prof. Dr.-Ing. habil. Bruno O. Braun,
Cologne, Chairman of the Supervisory Board
CEO, TÜV Rheinland Berlin Brandenburg Pfalz e. V.

Dipl.-Wirtsch.-Ing. Heinz-Werner Binzel,
Langenselbold, Managing Director, Energy & Water Consulting International GmbH

Dr. jur. Hermann H. Hollmann,
Cologne, Board Member, Ford-Werke GmbH

Dipl.-Ing. Bodo F. Holz,
Meerbusch, Advisory Council Chairman, Management Engineers GmbH & Co. KG

Dr.-Ing. Herbert Lütkestratkötter,
Essen

Dr. jur. Gerd Schäfer,
Tribsees/Landsdorf, Attorney
CMS Hasche Sigle

**Employee representatives on the Supervisory Board**
Dipl.-Ing. Reiner Schon,
Berlin, Acting Chairman
TÜV Rheinland Industrie Service GmbH

Andrea Becker,
Essen, Regional Unit Officer for Special Services, ver.di North Rhine-Westphalia
(from March 29, 2012)

Rechtsanwalt Jan Bley,
St. Augustin, TÜV Rheinland Aktiengesellschaft, Attorney

Angelika Hecker,
Moers, Wage Scale Secretary, ver.di North Rhine-Westphalia (until March 29, 2012)

Dipl.-Pädagoge Gerhard Meusel,
Cologne, TÜV Rheinland Consulting GmbH

Dipl.-Ing. Johannes Scholz,
Frechen, TÜV Rheinland Kraftfahrt GmbH

Dr. Wolfgang Uellenberg-van Dawen,
Berlin, Divisional Director of Politics and Planning, Federal Administration ver.di

## EXECUTIVE BOARD

Dr.-Ing. Manfred Bayerlein
Chief Executive Officer

Thomas Biedermann
Chief Human Resources Officer and Director of Industrial Relations

Ulrich Fietz
Chief Financial Officer

Volker Klosowski
Chief Technology Officer

Stephan Schmitt
Chief International Officer

Cologne, March 18, 2013

TÜV Rheinland Aktiengesellschaft

The Executive Board

Dr.-Ing. Manfred Bayerlein
Chief Executive Officer

Thomas Biedermann
Chief Human Resources Officer and Director of Industrial Relations

Ulrich Fietz
Chief Financial Officer

Volker Klosowski
Chief Technology Officer

Stephan Schmitt
Chief International Officer

# VERIFICATION STATEMENT

## CERTIFICATION OF INDEPENDENT AUDIT

To TÜV Rheinland AG, Cologne

Based on a contractual agreement, we have conducted an audit to establish a limited assurance about the statements on corporate social responsibility (CSR) made by TÜV Rheinland AG, Cologne, in the chapter »Responsibility« on pages 42–71 of the printed version of its Corporate Report for the business year 2012.

### Responsibility of the Legal Representatives

TÜV Rheinland AG's Executive Board is responsible for compiling the aforementioned chapter of CSR information in keeping with the criteria listed in the Sustainability Reporting Guidelines Vol. 3.0 (pages 7–17) of the Global Reporting Initiative (GRI):

- Materiality,
- Stakeholder inclusiveness,
- Context of sustainability,
- Completeness,
- Balance,
- Clarity,
- Accuracy,
- Timeliness,
- Comparability, and
- Reliability.

The responsibility consists of selecting and applying appropriate methods of data collection used in drawing up the aforementioned chapter on sustainability on pages 42–71 and of confirming that assumptions and estimates on individual CSR statements are plausible under the circumstances. It also comprises the conception, implementation, and maintenance of systems and processes insofar as they are of importance for compiling the aforementioned chapter on sustainability.

### Auditor's Responsibility

Our task is to make an assessment on the basis of the work we have undertaken as to whether we have become aware of circumstances that lead us to assume that the statements on CSR for the 2012 business year made in the above-named chapter on sustainability on pages 42–71 of the Corporate Report for 2012 do not comply in material respects with the criteria of the GRI's Sustainability Reporting Guidelines Vol. 3.0 (pages 7–17). In addition, we were instructed to make recommendations on the basis of our audit findings on the further development of CSR management and CSR reporting.

We conducted our audit with due regard for the International Standard on Assurance Engagements (ISAE) 3000, which requires us to abide by our professional duties and to plan and implement the commission with due regard for the principle of materiality so as to be able to make our assessment with a limited degree of certainty.

In an audit to establish “limited assurance,” the audit activities are less extensive than those undertaken in an audit to establish a sufficient degree of certainty such as is required for annual financial statements in accordance with Section 317 of the German Commercial Code (HGB), so that a correspondingly lower degree of certainty is achieved.

The choice of audit activities is subject to the auditor's judgment. In the course of our audit, we undertook, among others, the following activities:

- An inspection of the documents on CSR strategy, CSR management, and stakeholder dialogue along with obtaining an understanding of the topic-finding process for the CSR report;

- Interviews with employees at the Group's headquarters in Cologne who are responsible for compiling the aforementioned chapters on CSR (the responsible areas include CSR and Sustainability, Human Resources, Occupational Health and Safety, Environment, Global Process Management, Compliance, TÜV Rheinland Immobiliengesellschaft mbH & Co KG, and other various responsibilities in the area of training and further education) or for supplying details of the processes used to draw up CSR statements and consolidate data, and of the internal control system relating to these processes;
- An on-site visit to TÜV Rheinland Japan Ltd. and the conduct of site-related interviews and surveys;
- An inspection of the documentation of the systems and processes used to record, analyze, and aggregate statements on CSR and spot checks of the implementation;
- An assessment of adherence to compliance guidelines according to the Compliance Code of the International Federation of Inspection Agencies (IFIA) for selected subsidiaries of TÜV Rheinland;
- An analytical assessment of CSR data;
- Spot checks of the evidence provided in support of individual CSR details, including inspection of internal documents, external reports, and invoices as well as an understanding of conversions, estimates, and projections.

## Judgment

On the basis of our audit to establish a »limited assurance,« we have not become aware of any circumstances that lead us to believe that the statements on CSR for the 2012 business year made in the above-named chapter on sustainability on pages 42–71 of the Corporate Report for 2012 do not comply in material respects with the criteria of the GRI's Sustainability Reporting Guidelines Vol. 3.0 (pages 7–17).

## Supplementary Notes – Recommendations

Without prejudice to our audit findings outlined above, we make the following recommendations on further development of CSR management and CSR reporting:

- Further implementation of the CSR Strategy and continuous reporting on the articulated CSR goals as well as progress made toward the ultimate goal: the derivation of the overall goals in a comprehensive CSR program that covers the essential spheres of activity.
- Development of systematic and documented internal control procedures for explaining and annotating changes on a central level as well as the level of individual businesses and business streams.
- Further formalizing and ensuring the consistent international adoption of definitions for all key figures for CSR.

Düsseldorf, March 18, 2013

Auditing firm
PricewaterhouseCoopers

Hendrik Fink
Auditor

pp Aissata Touré
Auditor

# ABOUT THIS REPORT

TÜV Rheinland presents its third integrated Corporate Report. The report is based on the internationally recognized IFRS and Global Reporting Initiative (GRI) reporting standards, the principles of the Global Compact, and the anticorruption guidelines of the UN and Transparency International. It takes into account the Group companies included in the consolidated financial statements. The current GRI Guideline (G3) dated October 2006 comprises over 120 indicators that describe both the company and its output and the report itself. Furthermore, this report is in accordance with the COP Advanced Level of the UN Global Compact.

The GRI Content Index lists the indicators in the current GRI Guideline that were raised in TÜV Rheinland's 2012 Corporate Report.

The previous Corporate Report was published in April 2012 and the annual publication frequency is to be maintained in the future.

## METHODOLOGY USED IN THE REPORT

The reporting period is the business year 2012. If, at the time of publication (deadline: March 19, 2013), the final figures for 2012 were not yet available, comparable annual figures for 2011 have been used as the basis.

## ENVIRONMENTAL INDICATORS

### Germany:

Of the more than 300 properties in Germany, only office locations with 20 or more employees were covered in the past year, as were motor vehicle testing centers with more than three employees. That led to a total of approximately 80 sites and approximately 80% of the employees in Germany were considered. For 2012, data collection has been limited to 29 essential sites, while still covering 68% of the employees. Nevertheless this results in a few deviations in the specific consumption data, as test and laboratory sites receive a higher weight in the collective being considered. The data collected was then projected for the entire workforce in Germany and the figures were rounded up or down. Other bases of calculation are stated separately. Several figures were newly aggregated and calculated with average figures for the year. Although some details are lost in the process, it nonetheless permits reliable long-term comparisons and goals to be formulated; estimates and assumptions are identified as such.

### International Companies:

To achieve a global coverage of key figures for environmental protection, data was collected from all seven TÜV Rheinland regions. Each of the international companies that has an environmental or an occupational health and safety management system or that has more than 50 employees was considered at the company level. This covered 60–80% of the employees in international companies to a large extent. The data collected was then projected for the entire workforce in international companies and the figures were rounded up or down. Other bases of calculation are stated separately. Data for economic factors and personnel information cover all of the Group's consolidated companies.

## KEY EMPLOYEE FIGURES

If not marked as full-time equivalent (FTE) numbers, details concerning employee structure are based on numbers of employees. Both refer to the cutoff date figures (December 31, 2012) unless otherwise indicated. The coverage of information on the structure of the workforce according to age and gender in the international companies is over 90%.

The present TÜV Rheinland Sustainability Report takes full account of the Global Reporting Initiative's (GRI) reporting framework. The report corresponds to the highest GRI application level (Application Level A+), as confirmed by the GRI in the course of an inspection. The figures stated in the report were audited by PricewaterhouseCoopers subject to the limitations stated in the inspection certificate.

# GRI INDEX

## GRI-Index
## UN Global Compact/Transparency International Reporting Guidance on Anticorruption

| Indicators | | Corporate Report and Web References | Comments | UNGC-Principles | |
|---|---|---|---|---|---|
| **1** | **Strategy and Analysis** | | | | |
| 1.1 | Statements from the most senior decision makers | pp 2–3 | | | ■ |
| 1.2 | Description of key impacts, risks, and opportunities | pp 42, 61, 63, 93–95 | | | ■ |
| **2** | **Organizational Profile** | | | | |
| 2.1 | Name of the organization | | TÜV Rheinland AG | | ■ |
| 2.2 | Primary services | Reportagen, pp 84–89 www.tuv.com | | | ■ |
| 2.3 | Operational structure, including main divisions | pp 136–139, 152 | | | ■ |
| 2.4 | Location of organization's headquarters | | Am Grauen Stein, 51105 Cologne, Germany | | ■ |
| 2.5 | Names of countries with major operations | pp 77–79 | | | ■ |
| 2.6 | Nature of ownership and legal form | p 104 | | | ■ |
| 2.7 | Markets served | pp 79–81 www.tuv.com | | | ■ |
| 2.8 | Scale of the reporting organization | pp 79, 89 | | | ■ |
| 2.9 | Significant changes regarding size, structure or ownership | p 144 | | | ■ |
| 2.10 | Awards received in the reporting period | p 50 | | | ■ |
| **3** | **Report Parameters and Limits** | | | | |
| 3.1 | Reporting period | p 144 | | | ■ |
| 3.2 | Date of most recent previous report | p 144 | | | ■ |
| 3.3 | Reporting cycle | p 144 | | | ■ |
| 3.4 | Contact point for questions regarding the report or its contents | Impressum, www.tuv.com/nachhaltigkeit | | | ■ |
| 3.5 | Process for defining report content | p 144 | Topics that are defined as essential are introduced on pages 44 and 45. They are the basis for this report. | | ■ |
| 3.6 | Boundaries of the report | p 144 | | | ■ |
| 3.7 | Limitations on the scope of the report | p 144 | | | ■ |
| 3.8 | Basis for reporting on joint ventures, subsidiaries, and other entities | p 144 | | | ■ |
| 3.9 | Data measurement techniques and bases of calculations | p 144 | | | ■ |
| 3.10 | Re-statements of information provided in earlier reports | p 144 | | | ■ |
| 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report | p 144 | | | ■ |
| 3.12 | GRI content index | p 145–150 | | | ■ |
| 3.13 | External assurance for the report | p 142–143 | | | ■ |
| **4** | **Governance, Commitments, and Engagement** | | | | |
| 4.1 | Governance structure and responsibility for sustainability | p 42–43, 48 | | 1–10 | ■ |
| 4.2 | Independence of the Chair of the highest governance body | | In accordance with German law, the tasks of the Chief Executive Officer and the Supervisory Board chairman are strictly separate and distinct from one another. | 1–10 | ■ |
| 4.3 | Details of organizations that have no unitary board structure | | In accordance with the German Companies Act, TÜV Rheinland has a dual management system consisting of an Executive Board and a Supervisory Board. | 1–10 | ■ |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body | p 52, 55 | In accordance with Germany's Work Constitution Act, the employees are represented by staff representatives on the Supervisory and Management Boards. | 1–10 | ■ |
| 4.5 | Linkage between compensation for members of the highest governance body and the organization's sustainability performance | | Sustainability is an integral part of our business model. A more detailed consideration of social and ecological aspects with regard to the variable salary components does not exist. | 1–10 | ■ |

* Additional indicator ■ Fully reported ■ Partially reported □ Not reported

| Indicators | | Corporate Report and Web References | Comments | UNGC-Principles | |
|---|---|---|---|---|---|
| 4.6 | Processes in place to ensure conflicts of interest are avoided | | Consulting services and auditing services are kept separate within our organization to prevent conflicts of interest. Furthermore, the Guideline for the Prevention of Conflicts of Interests and Corruption are part of the compliance system. | 1–10 | ■ |
| 4.7 | Qualifications and expertise of the members of the highest governance body concerning sustainability | www.tuv.com/de/deutschland/ueber_uns/ueber_uns.jsp | Because sustainability is an integral part of our business model, these requirements are integrated into the general selection processes. | 1–10 | ■ |
| 4.8 | Internally developed statements of mission or values and codes of conduct | pp 43, 47–48, 50 | | 1–10 | ■ |
| 4.9 | Procedures of the highest governance body for overseeing the organization's management of economic, environmental, and social opportunities and risks | pp 47–48 | | 1–10 | ■ |
| 4.10 | Processes for evaluating the highest governance body's own environmental performance | | Because sustainability is an integral part of our business model, no specific procedures for sustainability performance assessment are used. | | ■ |
| 4.11 | Implementation of the precautionary approach | pp 42–43 | | 7 | ■ |
| 4.12 | Externally developed initiatives to which the organization subscribes or endorses | pp 43, 46 | | 1–10 | ■ |
| 4.13 | Memberships in associations | pp 46–47 | | 1–10 | ■ |
| 4.14 | List of stakeholder groups engaged by the organization | p 44 | | | ■ |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage | p 44 | | | ■ |
| 4.16 | Approaches to stakeholder engagement | pp 44–45 | | | ■ |
| 4.17 | Response to key topics and concerns of the stakeholders | p 45 | | | ■ |
| | **Economic** | | | | |
| | **Economic Performance Indicators** | | | | |
| | **Management Approach** | pp 42, 65, 69, 74–104 | | 1, 4, 6, 7 | |
| EC 1 | Direct economic value generated and distributed | pp 84, 98, 102 | | | ■ |
| EC 2 | Financial implications and other risks and opportunities of climate change | pp 92–93 | The business risks and opportunities with regard to climate change are indicated, but they cannot be precisely quantified. | 7 | ■ |
| EC 3 | Coverage of the organization's defined benefit plan obligations | p 114 | | | ■ |
| EC 4 | Significant financial assistance received from government | | In the consideration of the grand total of revenue, financial contributions from the government are not significant. | | ■ |
| EC 5* | Range of ratios of standard entry-level wage compared to local minimum wage | | Because our employees are all highly educated, we set our wage systems above the legal minimums. | 1 | ■ |
| EC 6 | Policy, practices, and proportion of spending on locally-based suppliers | | As a service provider, purchasing products is less relevant and primarily concerns office supplies. | | □ |
| EC 7 | Procedures for local hiring | | By the same standard, our international locations favor local personnel. This also applies to management positions. | 6 | ■ |
| EC 8 | Infrastructure investments and services provided primarily for public benefit | p 67–71 | | | ■ |
| EC 9* | Significant indirect economic impacts | p 67–71 | | | ■ |
| | **Environmental Performance Indicators** | | | | |
| | **Management Approach** | pp 45, 47, 61, 63, 65, 66, 68 | | 7, 8, 9 | |
| EN 1 | Materials used by weight or volume | p 64 | Unlike manufacturing companies, as a service provider we only use consumable materials; for the most part paper. | 8 | ■ |
| EN 2 | Percentage of materials used that are recycled input materials | | Unlike manufacturing companies, we only use consumable materials as a service provider. Therefore, the indicator is not material for our business activities. In our electronic ordering catalog, however, we explicitly refer to recycled products so that they may be considered in purchasing. | 8–9 | □ |
| EN 3 | Direct energy consumption by primary energy source | pp 62–66 | We comprehensively report on direct energy consumption according to primary energy sources in the units relevant for the TÜV Rheinland Group. An exposition in joules is not considered productive for the internal management. | 8 | ▨ |
| EN 4 | Indirect energy consumption by primary energy source | pp 62–64 | We comprehensively report on indirect energy consumption according to primary energy sources in the units relevant for the TÜV Rheinland Group. An exposition in joules is not considered productive for the internal management. | 8 | ▨ |

* Additional indicator ■ Fully reported ▨ Partially reported □ Not reported

| Indicators | | Corporate Report and Web References | Comments | UNGC-Principles | |
|---|---|---|---|---|---|
| EN 5* | Energy saved due to conservation and efficiency improvements | pp 65, 68 | | 8–9 | ■ |
| EN 6* | Initiatives to provide energy-efficient or renewable energy-based products and services | pp 65–66 | | 8–9 | ■ |
| EN 7* | Initiatives to reduce indirect energy consumption and reductions achieved | p 63 | | 8–9 | ■ |
| EN 8 | Total water withdrawal by source | pp 63–64 | | 8 | ■ |
| EN 9* | Water sources significantly affected by withdrawal of water | p 64 | | 8 | ■ |
| EN 10* | Percentage and total volume of water recycled and reused | | Our wastewater discharge corresponds to the previously used drinking water from the communal network. Moreover, no additional wastewater is created. The wastewater discharge goes through communal canal systems and is directed to the usual processing. | 8–9 | □ |
| EN 11 | Land in, or adjacent to, protected areas. | | All land at our German locations is adjacent to utilizable or green spaces. They are treated as gardens but are not considered protected or restored habitats. | 8 | □ |
| EN 12 | Significant impacts of services on biodiversity | | As a service provider, we do not create pollution in the way that traditional manufacturing companies do; thus, our properties do not harm the environment any more than other urban development areas. | 8 | □ |
| EN 13* | Habitats protected or restored | | All land at our German locations is adjacent to utilizable or green spaces. They are treated as gardens but are not considered protected or restored habitats. | 8 | □ |
| EN 14* | Strategies, current actions, and future plans for managing impacts on biodiversity | | As a service provider, this is not a significant issue for us. | 8 | □ |
| EN 15* | Conservation list species with habitats affected by services | | All of our German properties are in urban areas where, to the best of our knowledge, no endangered species currently live. | 8 | □ |
| EN 16 | Total direct and indirect greenhouse gas emissions by weight | pp 62–63 | | 8 | ■ |
| EN 17 | Other relevant indirect greenhouse gas emissions by weight | | Our business activities produce only $CO_2$ emissions but no other relevant air emissions. | 8 | ■ |
| EN 18* | Initiatives to reduce greenhouse gas emissions | pp 63–64 | For some initiatives, the direct emissions savings cannot yet be quantified. | 7–9 | ■ |
| EN 19 | Emissions of ozone-depleting substances by type and weight | | The cooling systems are state of the art and operate without CFCs. Due to considerations of relevance, only $CO_2$ emissions are examined in the report. | 8 | ■ |
| EN 20 | NOx, SOx, and other significant air emissions by type and weight | | Due to considerations of relevance, only $CO_2$ emissions are examined in the report. | 8 | ■ |
| EN 21 | Total water discharge by quality and destination | | Our wastewater discharge corresponds to the previously used drinking water from the communal network. Moreover, no additional wastewater is created. The wastewater discharge goes through communal canal systems and is directed to the usual processing. | 8 | ■ |
| EN 22 | Total weight of waste by type and disposal method | pp 66–67 | | 8 | ■ |
| EN 23 | Total number and volume of significant spills | | There were no significant spills in the reporting year. | 8 | ■ |
| EN 24* | Waste deemed hazardous under the terms of the Basel Convention | pp 66–67 | | 8 | ■ |
| EN 25* | Effects of discharges of water on ecosystems | | We do not conduct any wastewater into natural bodies of water. We currentlly do not collect data on rainwater channeled through sealed areas. | 8 | ■ |
| EN 26 | Initiatives to mitigate environmental impacts of services | p 68 | | 7–9 | ■ |
| EN 27 | Percentage of products sold and their packaging materials that are reclaimed by category | | As a service provider, we do not need packaging for our products. Our packaging materials are limited to the postal envelopes, etc. that we use to send our inspection reports in. Our customers can dispose of these in wastepaper bins to have them recycled. | 8–9 | □ |
| EN 28 | Fines for noncompliance with environmental laws and regulations | | We are not aware of any such breaches across the entire Group in the reporting year. | 8 | ■ |
| EN 29* | Significant environmental impacts from transport | p 65 | | 8 | ■ |
| EN 30* | Total environmental protection expenditures | p 63 | | 7–9 | ■ |

| Indicators | | Corporate Report and Web References | Comments | UNGC-Principles | |
|---|---|---|---|---|---|
| | **Labor Practices and Employment** | | | | |
| | **Management Approach** | pp 50–52, 61 | | 1, 3, 6 | |
| LA 1 | Total workforce by employment type, employment contract, and region | pp 53–54 | | | ■ |
| LA 2 | Total number and rate of employee turnover by age group, gender, and region | | In the reporting year 2012 in Germany, 230 male employees and 163 female employees left the company (incl. retirement, expiration of contract, etc.). Our newly hired employees in Germany were predominantly between 30 and 50 years old.<br><br>More detailed reporting is currently not possible because appropriate data will only become available through gradual unification of the personnel systems. | 6 | ▨ |
| LA 3* | Benefits provided to full-time employees | p 114 | In addition to actual basic compensation, we provide additional payments in a number of our German companies, predominantly based on collective bargaining. These include a Christmas bonus, holiday pay, and capital-forming payments. Other payments, such as a company pension plan, disability insurance, and Group accident insurance, are granted throughout the company based on consolidated agreements. | | ■ |
| LA 4 | Percentage of employees covered by collective bargaining agreements | | The compensation for about 65% of our employees in Germany is subject to a collective bargaining agreement. | 1, 3 | ■ |
| LA 5 | Minimum notice periods regarding significant operational changes | | On the basis of legal regulations (Sections 111, 112 Works Constitution Act), the responsible works council is notified comprehensively and in a timely manner of planned organizational changes that could result in significant disadvantages to the workforce or substantial parts of the workforce. The planned organizational changes are discussed with the works council. The minimum notice period for operational changes is four weeks. | 3 | ■ |
| LA 6* | Percentage of total workforce represented in formal joint management-worker health and safety committees | p 60 | | 1 | ■ |
| LA 7 | Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | p 60 | In the reporting year, no occupational diseases were reported in Germany. | 1 | ■ |
| LA 8 | Measures in place to provide assistance regarding serious diseases | p 59 | | 1 | ■ |
| LA 9* | Health and safety topics covered in formal agreements with trade unions | pp 60–61 | | 1 | ■ |
| LA 10 | Average hours of training per year per employee by employee category | pp 56–57 | | | ■ |
| LA 11* | Programs for skills management and lifelong learning | pp 53 | | | ■ |
| LA 12* | Percentage of employees receiving regular performance and career development reviews | pp 55 | | | ■ |
| LA 13 | Composition of governance bodies and breakdown of employees per category according to gender, age group, and minority group membership | pp 53–54 | | 1, 6 | ■ |
| LA 14 | Ratio of basic salary of women to men by employee category | | At TÜV Rheinland, an employee's wage is oriented on the employee's work activities, qualifications, and professional experience. | 1, 6 | ■ |
| | **Human Rights** | | | | |
| | **Management Approach** | pp 47–49 | | 1–6 | |
| HR 1 | Investment agreements that include human rights clauses or that have undergone human rights screening | | In the reporting year, we have not become aware of any investment agreements that include human rights clauses or that have undergone human rights screening. | 1–6 | ■ |
| HR 2 | Percentage of suppliers and contractors that have undergone screening on human rights | | All suppliers sign our general purchasing terms and conditions, which obligate them to respect human rights. There is no separate screening. If a supplier violates the rules, we reserve the right of an extraordinary termination of contractual agreements. | 1–6 | ■ |
| HR 3* | Employee training on policies and procedures concerning humanr ights | p 49 | Not significant. Because it is an e-learning program, the processing and training time depends on the user. | 1–6 | ▨ |
| HR 4 | Incidents of discrimination and actions taken | | No cases of discrimination in Germany were reported during the reporting year. | 1–2, 6 | ■ |

* Additional indicator ■ Fully reported ▨ Partially reported □ Not reported

| | Indicators | Corporate Report and Web References | Comments | UNGC-Principles | |
|---|---|---|---|---|---|
| HR 5 | Operations identified in which the right to exercise freedom of association or collective bargaining may be at risk | | In all of our companies, employees' right to establish or participate in organizations is permitted in accordance with local laws. | 1–3 | ■ |
| HR 6 | Principles and measures taken to contribute to the elimination of child labor | | Due to the nature of our business activities, there is no compliance risk with regard to child labor or forced labor in the performance of our activities. Nonetheless, the prohibition on child labor and forced labor is an integral part of our guidelines and a regular subject of compliance trainings. | 1–2, 5 | ■ |
| HR 7 | Principles and measures taken to contribute to the elimination of forced or compulsory labor | | Due to the nature of our business activities, there is no compliance risk with regard to child labor or forced labor in the performance of our activities. Nonetheless, the prohibition on child labor and forced labor is an integral part of our guidelines and a regular subject of compliance trainings. | 1–2, 4 | ■ |
| HR 8* | Security personnel training concerning human rights | | Not relevant. Security forces employed at TÜV Rheinland are familiarized with human rights issues as part of an obligatory compliance training session. External security personnel are currently not seen as a risk group requiring special focus. | | □ |
| HR 9* | Incidents involving rights of indigenous people and actions taken | | Due to our business activities, the limitation of the rights of indigenous people do not represent a risk. | | □ |
| | **Society** | | | | |
| | **Management Approach** | pp 47, 49, 69 | | 10 | |
| SO 1 | Programs that assess the impacts of operations on communities | pp 58, 69–71 | TÜV Rheinland keeps a record of the effects of its actions on the environment. We can measure our development using key figures. Due to our business activities, the effect on the community (e.g. with regard to health and safety aspects) is low. Therefore, we also have no programs or systematic procedural method to assess and regulate the effects of business activities on the local communities. | | ■ |
| SO 2 | Business units analyzed for risks related to corruption | pp 48–49 | | 10 | ■ |
| SO 3 | Employee training in anti-corruption policies | p 49 | | 10 | ■ |
| SO 4 | Actions taken in response to incidents of corruption | p 49 | | 10 | ■ |
| SO 5 | Public policy positions and participation in public policy development and lobbying | | We hold positions as experts on various national and international committees; however, we neither take a political position nor support political parties. | 1–10 | ■ |
| SO 6* | Total value of financial and in-kind contributions to political parties and politicians | | As in previous years, we did not support any political parties in 2012. | 10 | ■ |
| SO 7* | Legal actions for anti-competitive behavior | | We conform with anti-competitive regulations and no legal actions have been taken against us in this regard. | | ■ |
| SO 8 | Fines for noncompliance with laws and regulations | p 49 | | | ■ |
| | **Product Responsibility** | | | | |
| | **Management Approach** | pp 46–47, 68 | | 1, 8 | |
| PR 1 | Life cycle stages in which health and safety impacts of products are assessed | p 68 | | 1 | ■ |
| PR 2* | Incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts | p 68 | | 1 | ■ |
| PR 3 | Type of product information required by procedures | p 68 | | 8 | ■ |
| PR 4* | Incidents of non-compliance with regulations and voluntary codes concerning product and service labeling | p 68 | | 8 | ■ |
| PR 5* | Customer satisfaction, including results of surveys | pp 67–68 | | | ■ |
| PR 6 | Programs for adherence to laws, standards, and voluntary codes related to marketing communications | | Our marketing policy follows the fairness principle. We not only adhere to the IFIA's code in this regard, but have also formulated corresponding rules in our company's own Code of Conduct. | | ■ |
| PR 7* | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications | | We have also not become aware of any fines in the reporting year 2012 for unfair competition or competition-related violations. | | ■ |
| PR 8* | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | p 68 | There were no legitimate complaints relevant to breaches of customer privacy or losses of customer data during the period. | 1 | ■ |
| PR 9 | Fines for non-compliance with laws and regulations concerning the provision and use of products and services | | No significant fines for noncompliance with laws concerning the provision and use of products and services were issued. | | ■ |

| Indicators | | Corporate Report and Web References | Comments | UNGC-Principles |
|---|---|---|---|---|
| | **UNGC/TI Reporting Guidance on Anti-Corruption** | | | |
| | **Commitment and Policy** | | | |
| B 1 | Publicly stated commitment to work against corruption | p 47 | | |
| B 2 | Commitment to be in compliance with all anti-corruption laws | p 47 | | |
| D 1 | Publicly stated formal policy of zero tolerance for corruption | p 47 | | |
| D 2 | Statement of support for international and regional legal frameworks, such as the UN Convention against Corruption | p 47 | | |
| D 3 | Carrying out risk assessment of potential areas of corruption | pp 48–49 | | |
| D 4 | Detailed policies for high-risk areas of corruption | pp 47–48 | | |
| D 5 | Policy on anti-corruption regarding business partners | p 48 | | |
| | **Implementation** | | | |
| B 3 | Translation of anti-corruption commitment into actions | pp 48–49 | | |
| B 4 | Support by the organization's leadership for anticorruption | pp 3, 48 | | |
| B 5 | Communication and training on the anti-corruption commitment for all employees | p 49 | | |
| B 6 | Internal checks and balances to ensure consistency with the anti-corruption commitment | p 48 | | |
| D 6 | Communication and other actions taken to encourage business partners to implement anti-corruption commitments | p 48 | | |
| D 7 | Management responsibility and accountability for implementation of the anti-corruption measures or policy | p 48 | | |
| D 8 | Human resources procedures supporting the anti-corruption measures or policy | pp 48–49 | | |
| D 9 | Communications channels (whistle-blowing) and follow-up mechanisms for possible reporting of concerns or seeking advice | p 49 | | |
| D 10 | Internal accounting and auditing procedures related to anti-corruption | pp 48–49 | | |
| D 11 | Participation in voluntary anti-corruption initiatives | p 47 | | |
| | **Monitoring** | | | |
| B 7 | Monitoring and improvement processes | pp 48–49 | | |
| D 12 | Review of monitoring and improvement processes by the management | pp 48–49 | | |
| D 13 | Dealing with incidents | p 49 | | |
| D 14 | Public legal cases regarding corruption | p 49 | | |
| D 15 | Use of independent external assurance of anti-corruption programs | p 49 | | |

* Additional indicator ■ Fully reported ■ Partially reported □ Not reported

Global Reporting Initiative™

# Statement
# GRI Application Level Check

GRI hereby states that **TÜV Rheinland AG** has presented its report "Corporate Report 2012" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 14 March 2013

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

A+
GRI REPORT
GRI CHECKED

The "+" has been added to this Application Level because TÜV Rheinland AG has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance

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# BUSINESS STREAMS AND REGIONS

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**Industrial Services**

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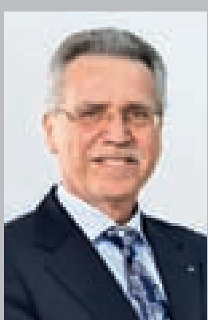
**Mobility**

Dr. Thomas Aubel

**Products**



Prof. Dr. Ralf Wilde

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**Systems**

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## CHIEF REGIONAL OFFICERS

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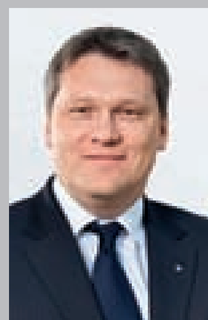

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Michael Jungnitsch

**Greater China**

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**North America**

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## HEADS OF GERMAN OPERATIONS

**Industrial Services**

Stephan Frense

**Mobility**

Prof. Dr. Jürgen Brauckmann

**Products**

Jörg Mähler

**Training and Consulting**

Siegfried Schmauder

**Systems**

Volker Klosowski

**A matrix organization is implemented at TÜV Rheinland:**

The Executive Vice Presidents are responsible for the global strategic alignment of their respective Business Streams, run global and transnational business developments, and exercise executive authority over quality, products, innovations, and processes. The Chief Regional Officers are responsible for business operations in their respective regions and ensure quality in sales, production, and service. The Heads of German Operations are in charge of business operations and quality assurance for business units in Germany. All three levels jointly prepare the content of important Executive Board decisions.

The Group Executive Council is TÜV Rheinland AG's highest operational management team below the Executive Board. It is composed of TÜV Rheinland AG's Executive Board, Executive Vice Presidents, Chief Regional Officers, and the Heads of German Operations.

The TÜV Rheinland Group comprises more than 120 companies. The operational parent company is TÜV Rheinland, the shares of which are entirely in the possession of TÜV Rheinland Berlin Brandenburg Pfalz e. V.

In accordance with Germany's Work Constitution Act, the employees are represented by staff representatives on the Supervisory and Management Boards.


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