TÜV Rheinland has enjoyed a successful fiscal 2016. The international testing service provider for quality and safety saw net income for the year increase by more than 34% to €122.6 million (2015: €91.3 million). TÜV Rheinland’s revenues climbed by 1.9% from €1.88 billion to €1.92 billion. On a constant currency basis, revenues would have amounted to €1.94 billion or increased by 3.1% as against the previous year. The EBIT margin increased by 1.5 percentage points, from 4.9% to 6.4%. TÜV Rheinland’s investments again exceeded the €90-million mark – as in the 2015 fiscal year – reaching €92.8 million.

“To put it briefly: We are making good progress. 2016 was a good year for our company. We recorded growth in terms of both earnings and profitability. We significantly increased our return on sales while simultaneously growing, albeit moderately. In the process, we have taken the first steps on our chosen path. All in all, we have reason to be satisfied,” said Dr. Michael Fübi, CEO of TÜV Rheinland AG. Significant investments and further growth are also anticipated for the coming years. TÜV Rheinland currently has over 500 vacant positions worldwide, half of which are in Germany.
Revenues reflect internationality and variety of services

TÜV Rheinland currently generates just over half of its revenues outside Germany. In 2016, revenues in Germany rose by 2.8% or €26 million to €955 million. Revenues outside Germany rose slightly to €963 million (up €11 million).

Once again, Asia and the India, Middle East and Africa region were the most significant growth regions. In 2016, TÜV Rheinland acquired a new subsidiary in the Maghreb region. A new subsidiary was also founded in Switzerland, with a particular view to establishing operations in the rail and energy sectors. Business in Brazil remained challenging in 2016. Its economy faced another downturn, resulting in a dramatic contraction of 3.5%.

Development also varied in the six business streams into which TÜV Rheinland is organized: Industrial Service, Mobility, Products, Academy & Life Care, ICT & Business Solutions, and Systems.

Overall, the largest business stream, Industrial Services, saw a slight downturn in revenues to €520 million in 2016. This was particularly due to the low oil price and development in Brazil. By contrast, activities in Germany performed positively. The Mobility business stream, which includes traditional vehicle inspection and car services, recorded moderate revenue growth of €15 million or 3.2% to €486 million. Every year, TÜV Rheinland inspects over 9.5 million vehicles around the world.

In 2016, the Systems business stream generated revenues of €166 million from the certification of management.
systems, an increase of 2.5%. This particularly applies to customer-specific audits conducted by our experts, which were in demand. Academy & Life Care increased the revenues generated from services for people and their working environments by 6.8% to €219 million. Educational topics and the aspects of health management and occupational safety had a positive impact on TÜV Rheinland’s business performance. The ICT & Business Solutions business stream developed less favorably, with revenues falling slightly by €2 million to €131 million. The acronym ICT stands for Information and Communication Technology. This business stream bundles IT, cyber security and telecommunications infrastructure services. In particular, IT services and cyber security developed positively here. There is a significant need for qualified specialists here, which TÜV Rheinland is seeking around the world.

Product Testing enjoyed the strongest revenue growth in 2016. The increase of 7% or €34 million to €519 million was due in particular to developments in Germany and Asia. Demand for testing was especially high in the harmful substances, textiles and electrical segments. Developments in the area of electrical testing are being driven by new tests for new products and technologies, especially in the areas of networking and wireless.

Dr. Fübi: “We improved our earnings performance in almost all areas. TÜV Rheinland’s wide-ranging, globally positioned services mean we are well equipped to respond rapidly to changes in the market and compensate for weaknesses in individual industries thanks to our strength in other areas.”

**Global demand for specialists**

At TÜV Rheinland, the number of employees worldwide
increased slightly by 41 to 19,671 people in 2016. These figures represent full-time equivalents as an average for the year as a whole. The company employed 8,286 people in Germany, 243 more than in 2015. The number of employees outside Germany fell by 202. This was due entirely to developments in Brazil, whereas the number of employees in other countries continued to rise.

“We are continuing to create jobs: More than 10,000 in the last ten years,” said Dr. Fübi. The significant demand for specialist staff is evident: TÜV Rheinland is currently looking to fill over 500 posts worldwide, with 280 vacant positions in Germany alone. According to Dr. Fübi, the reasons for this are simple: “As a companion of technical innovation, we are involved in many future-oriented topics. As the economy and our lives change, so too do the challenges facing us. At the same time, the importance of technical monitoring, inspection and certification is continuing to grow in many countries.” Even a megatrend like digitalization will not ultimately change the fact that TÜV Rheinland depends on the knowledge and expertise of its employees, added the CEO.

**Financial situation develops positively**

TÜV Rheinland’s equity increased by €28.4 million to €346.2 million in 2016. The equity ratio also improved from 17.7% to 18.4%. Cash flow amounted to €163.4 million, a substantial year-on-year increase of 5.4%. This was due to the consolidated net profit of €66 million and our systematic approach to net working capital management. The development of the financial situation is also considered to be positive: “The better our cash flow, the easier it is for us to make investments and acquisitions,” said Vincent Furnari, CFO of TÜV Rheinland, with regard to the past fiscal year.
In 2016, TÜV Rheinland made further significant investments amounting to €92.8 million, especially in testing facilities, laboratories, IT infrastructure and software. As a result, investments almost reached the level recorded in 2015 (€97.3 million). TÜV Rheinland intends to at least maintain this level of investment in the coming years irrespective of any acquisitions it may make. In addition to investments in recent years totaling almost €70 million at the Group’s headquarters in Cologne, TÜV Rheinland invested in particular in strategic future business areas.

For instance, laboratories were established for the testing of harmful substances, energy efficiency and the electromagnetic compatibility of products. The company also expanded its internal IT infrastructure and invested in telecommunications and software, which not only are essential for further growth worldwide but also form the basis for the rise in digitalization in the testing business.

For TÜV Rheinland, digitalization has three simultaneous dimensions. Firstly, the expansion of its internal IT infrastructure. Secondly, the digitalization of testing services and tested products, especially for processing measurement data and advancing connectedness. And thirdly, the development of new services for companies and organizations in the IT sector and the online business itself. CEO Dr. Fübi: “The aim is to empower the entire TÜV Rheinland organization in our increasingly digitalized world.”
New opportunities via digitalization, connectedness and automation

The growing connectedness of products, components and objects has dramatically changed TÜV Rheinland’s business. This connectedness is establishing itself not only in our personal lives thanks to trends such as smart homes and mobile communications but also throughout large swathes of the economy, including industrial production, logistics and mobility. This is why TÜV Rheinland is investing significantly in testing facilities for electrical components and wireless technologies. This involves the testing and certification of wireless standards, such as 2G, 3G, 4G, Bluetooth, Wi-Fi, ZigBee or the future 5G standard. Other new technologies are in the implementation phase, such as technologies for exchanging small data volumes over long distances with low energy consumption. This is why TÜV Rheinland opened a second, 1,100-square meter laboratory center in Silicon Valley, California, in the spring of 2017. This center uses state-of-the-art technology to reduce test cycles to a fraction of their previous duration and hence reduce costs. Tests that used to take up to 30 minutes can now be conducted in around ten seconds.

The trend towards increased digitalization, automation and connectedness is occupying TÜV Rheinland’s specialists even in the traditional business streams of Mobility and Industrial Services. In the latter, highly specialized experts are working on every aspect of functional safety for components, plants and systems. Functional safety is aimed at minimizing the safety risks for technical plants and systems that have a direct impact on whether an installation works as it should. By its very definition, the process of technical change is transforming the nature of work permanently, but the opportunities and risks associated with automation have a particularly rapid and extensive impact here. TÜV Rheinland’s concept of “Security by Design” is therefore bringing together the expertise of specialists for the functional safety of industrial systems.
and cyber security experts.

“Future Mobility Solutions” is becoming increasingly significant at TÜV Rheinland, which addresses alternative propulsion systems and automation and digitalization in the mobility sector, especially with regard to the trend towards autonomous vehicles on public roads. This involves vehicles and their homologation, function and technical monitoring in addition to the creation of “intelligent” infrastructure. Everything needs to be created in a reliable and flexible way in order to allow for the gradual trend toward autonomous vehicles – a process that will last decades.

**Improving the quality of life as the “powerhouse of a modern society”**

TÜV Rheinland will make use of these trends to sustain growth in the years to come. It considers itself to be in an excellent position to positively shape digital changes for people and business. CEO Dr. Michael Fübi: “We have been responsible for quality and safety for people, technology and the environment for 145 years now. This is our mission. This triad is being supplemented by new dimensions of quality and safety in areas such as digitalization and globalization. For us, bringing technical innovations to market maturity means the products and technologies involved should ideally benefit people and the environment by helping to improve the quality of life and address global challenges together. In this respect, we see ourselves as the powerhouse of a modern society.”

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TÜV Rheinland is a global leader in independent inspection services, founded nearly 150 years ago. The group maintains a worldwide presence of more than 20,000 people; annual turnover is EUR 2 billion. The independent experts stand for quality and safety for people, technology and the environment in nearly all aspects of life. TÜV Rheinland inspects technical equipment, products and services, oversees projects, and helps to shape processes and information security for companies. Its experts train people in a wide range of careers and industries. To this end, TÜV Rheinland employs a global network of approved labs, testing and education centers. Since 2006, TÜV Rheinland has been a member of the United Nations Global Compact to promote sustainability and combat corruption.

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