

Financial Report 2018

At a glance

On the road, at work and at home, millions of people around the world rely on DEKRA's safety expertise. This leading unlisted expert organization is fulfilling its corporate mission of improving safety with impartiality and independence. With a workforce of nearly 45,200, DEKRA is synonymous with innovative services in the safety segment in more than 60 countries across five continents. This vision to be realized by our centenary in 2025 is as follows: DEKRA is becoming the global partner for a safe world.

Until the end of 2018, the portfolio of the Business Units DEKRA Automotive, DEKRA Industrial and DEKRA Personnel comprised the twelve strategic business areas Vehicle Inspection, Expertise, Automotive Solutions, Homologation & Type Approvals, Claims Service, Industrial & Construction Inspection, Material Testing & Inspection, Product Testing & Certification, Business Assurance, Insight, Training & Education and Temporary Work.

From fiscal year 2019, DEKRA's comprehensive service offering will be distributed across eight regions worldwide and is grouped into the eight Service Divisions Vehicle Inspection, Consulting, Claims & Expertise, Audits, Product Testing, Industrial Inspection, Training and Temp Work.

KEY DATA DEKRA SE

		2016	2017	2018
Revenue and income				
Total revenue	in million EUR	2.903,6	3.134,8	3.340,5
Share of international revenue	in %	40,1	39,3	39,3
Adjusted EBIT	in million EUR	220,6	236,1	242,3
Adjusted EBIT margin	in %	7,6	7,5	7,3
Adjusted EBT	in million EUR	200,9	228,9	227,9
Statement of financial position				
Total assets	in million EUR	2,091.3	2,090.2	2,267.0
Equity	in million EUR	543.5	635.5	748.8
Equity ratio	in %	26.0	30.4	33.0
Employees				
Number as of Dec. 31		39,357	44,057	45,197
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Contents

02 Foreword

23

24

Opportunities report

Forecast report

GROUP MANAGEMENT REPORT CONSOLIDATED FINANCIAL STATEMENTS

03 03	Corporate information Group business model	27	Consolidated statement of comprehensive income
04 05	<u>Vision 2025</u> System of management	28	Consolidated statement of financial position
06 08	Research and development Report on economic position	30	Consolidated statement of changes in equity
80	General economic and industry-specific conditions	32	Consolidated statement of cash flows
09 12	Business performance Environmental protection and sustainability	34	Notes to the consolidated financial statements
13	Personnel report	104	Independent auditor's report
15 19	Financial position and performance Risk, opportunities and forecast report	108	Report by the Chairman of the Supervisory Board
19	Risk report		

6 GROUP MANAGEMENT REPORT Corporate Information

Foreword by the Chairman of the Management Board



STEFAN KÖLBL

Chairman of the Management Board

DEKRA e.V. and DEKRA SE

Dear business partners, Dear readers,

When it comes to the safety of people on the road, at work and at home, DEKRA is a top partner on a global scale. Our comprehensive range of testing, inspection, certification and consulting services is valued in around 60 countries across the world. That is why we continued to grow in fiscal year 2018.

We were able to increase revenue by 6.6 percent to 3.3 billion euros. Adjusted operating earnings rose by 2.6 percent to 242 million euros. In this 15th successive year of growth, the number of employees also increased, by 1,140, to 45,197.

Business development was positive across all three Business Units: DEKRA Automotive grew by 5.2 percent to 1.64 billion euros.

DEKRA Industrial generated an increase of 4.9 percent and revenue of 940 million euros. DEKRA Personnel also achieved a sharp rise of 13.1 percent to 735 million euros.

Our successes are based in particular on organic growth through strong market positions in established and future markets as well as on targeted acquisitions, with which we have developed new potential in the area of digitalization.

At the beginning of fiscal year 2019, DEKRA also further developed its organization. With eight Service Divisions and eight regions, we now network our expertise worldwide and focus even more on the needs of our customers. I am therefore sure that DEKRA will continue to grow and thus fulfill our statutory mission to ensure technical safety.

Sincerely,

STEFAN KÖLBL Chairman of the Management Board DEKRA e.V. and DEKRA SE

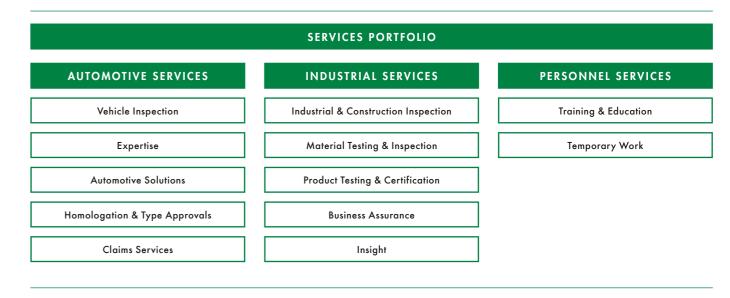
Group management report for the fiscal year 2018

CORPORATE INFORMATION

Group business model DEKRA ensures safety

For over 90 years now, DEKRA has strived to ensure people's safety in all of life's situations. What started out in 1925 with the technical monitoring of motor vehicles, today comprises wide-ranging services for testing, inspecting and certifying products, processes and plants. DEKRA is the world's largest non-listed expert organization in the TIC industry (testing, inspection, certification), and benefits from the lasting and global trend toward more safety. The Company's mission pursuant to its articles of incorporation is just as valid today as when it first started out.

Stuttgart-based DEKRA SE coordinated the business operations of the Business Units DEKRA Automotive, DEKRA Industrial and DEKRA Personnel in the fiscal year. In seven Service Units and five Service Lines, more than 45,200 people worked in more than 60 countries on five continents in 2018. DEKRA is the global market leader in vehicle inspection, and is one of the leading companies in other business segments.



DEKRA Automotive

Road safety and the associated services are at the heart of the Business Unit DEKRA Automotive. The service portfolio includes periodical vehicle inspection for private individuals and commercial fleets as well as homologation and type approvals. DEKRA prepares expertises for insurance companies and private vehicle owners, and also handles claims services. Automobile dealerships, vehicle manufacturers, car rental companies and operators of business vehicle fleets benefit significantly from DEKRA's know-how in the Automotive Solutions Service Unit (used car management and consulting). Besides the key European markets Germany, France, Sweden, the Czech Republic, Portugal and Italy, markets in other European countries as well as in the regions of North America and Asia Pacific are gaining importance in the Business Unit DEKRA Automotive.

DEKRA Industrial

The Business Unit DEKRA Industrial has become an important pillar of the Company's business since early 2005. The Company has responded to growing international demand from businesses for specialized service packages and consulting skills focusing on the safety of processes, plants and entire organizations. The portfolio covers the areas of environmental and industrial safety, machinery, plant and building inspection, material and product testing, certification and consulting services focusing on process and organizational safety. Customers include medium-sized and large corporations in particular.

DEKRA Personnel

Training and education are the foundation for ensuring and promoting prosperity in Germany and Europe. Both the public and private sectors therefore invest in basic training and further development. The Business Unit DEKRA Personnel, which includes DEKRA Akademie Group and DEKRA Arbeit Group, is one of the largest private educational institutions in Germany and one of the leading personnel service providers with a strong market position in the Top 10 for temporary work throughout Germany.

Vision 2025

We will become the global partner for a safe world

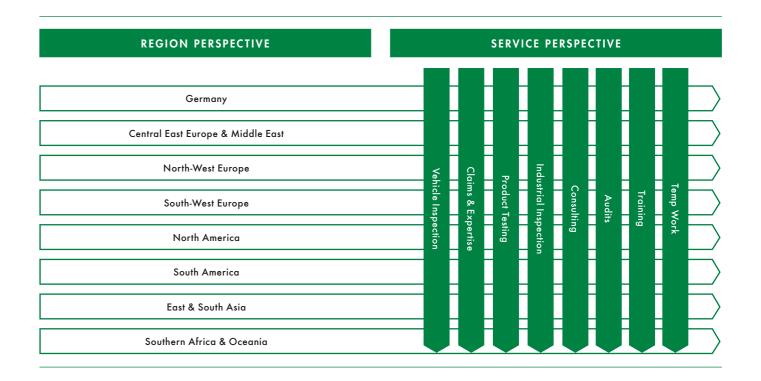
The strategy and operational management of DEKRA are guided by the principle of stable and healthy growth. Professional expertise, innovative power and customer proximity therefore remain our primary tasks. Through its strategic "Vision 2025" program, launched in its 90th anniversary year in 2015, with its focus on the three relevant areas of life – on the road, at work and at home – DEKRA has mapped its course for the coming years. In this context, DEKRA has set itself the goal of becoming the global partner for a safe world in its centenary year of 2025. In the reporting year 2018, DEKRA once again demonstrated its full commitment to achieving this long-term objective.

An important step in this direction is the further expansion of the Company's international presence. DEKRA is still concentrating on both organic expansion in existing markets and also making strategic acquisitions aimed at strengthening existing business sectors at a regional level and developing new markets.

As part of the Group's strategy 2020, six specific initiatives were launched to achieve the vision: "Thought Leadership", "Strategic Marketing & Sales", "Innovation Strategy & Processes", "GLOBEX", "Change Management Vision 2025" and "Corporate Culture & Communication".

DEKRA developed its Target Operating Model 2020 (TOM 2020) on this basis in the reporting year, and already started implementing it at the end of the fiscal year. DEKRA has been working with the new organizational structure since the start of the fiscal year 2019. TOM 2020 stands for the forward-looking development of the entire organization in order to make better use of opportunities for growth in the years ahead.

The four, core goals of TOM 2020 are promoting a focus on the customer, accelerating the process of globalization, fostering innovation and digitalization, and utilizing the Group's strength in order to continue expanding. These goals are to be achieved by means of eight regional clusters around the world, and by setting up a global distribution organization charged with the focused cultivation of markets and provision of services in the future. The existing structure of the Business Units is also



being scrapped. A distinction will no longer be made between Service Units and Service Lines. DEKRA's services will instead be bundled in eight global service divisions in the future. These will be responsible for developing the content of services and safeguarding DEKRA's standard of quality. The main purpose of this is to enhance the Company's responsiveness and capacity for innovation.

Systems of management

Compliance management system

DEKRA's compliance management function is based on a sense of responsibility on the part of every employee, combined with business activity based on general ethical principles. The observance and implementation of compliance is a high-profile issue throughout the Group. In 2018, DEKRA's compliance management function was expanded and adapted in response to changing requirements. DEKRA's Compliance Office drew up new,

strictly value-based training concepts with the involvement of the operating units. The Compliance function is being developed as part of the TOM 2020 project in order to put more of a focus on interaction with the regions. The Compliance Office is working to identify new, international fields of risk and to reinforce the international team and global teamwork.

The Chief Compliance Officer and the Compliance Office are a confidential and neutral point of contact for employees and externals. DEKRA has an internal system that allows potential misconduct or violations of the law to be addressed via the Company's website. Communication relating to the Compliance Guidelines is found on all important digital platforms such as the intranet, DEKRA Connect and the internet. The low number of compliance incidents reported and processed in the reporting year once again showed that the atmosphere at DEKRA is characterized by integrity and fairness, and that the compliance program is accepted and applied in practice.

Internal monitoring system

Internal monitoring makes an important contribution to generating confidence among shareholders, customers, suppliers, employees and all other stakeholders in the management and control of the Company. It forms part of DEKRA's corporate governance and assists the Supervisory Board with overseeing the Company's management and the Management Board with the future-proof management of the Company. The internal monitoring system (IMS) defines the standards for a uniform reporting procedure. The IMS ensures that the companies comply with statutory requirements and internal policies, and act in accordance with applicable standards on the market. Internal audit and other monitoring functions implemented at the DEKRA Group support management by ensuring the objective and unbiased monitoring of the design and functionality of the processes. Audits also serve to safeguard the Company's operating assets. The internal audit system at group level comprises financial audits for auditing and assessing financial accounting for informative value, reliability and compliance as well as operational audits, which are used to audit and assess the efficiency and effectiveness of business processes. These are complemented by compliance audits geared to ensuring adherence to statutory requirements and internal policies, project audits for performing process analyses and project evaluations, as well as special investigations in cases of potential misconduct. The Management Board receives regular reports on the findings of audits and progress on the implementation of improvement measures.

Quality management

Integrity, reliability and impartiality are crucial to DEKRA's success as an independent expert organization. DEKRA's reputation and ability to compete on the market, and our impartiality when rendering our services and public duties, are heavily dependent on the conduct of each and every individual. Authorities, clients, customers and business partners can reasonably expect that all DEKRA staff, that is employees, middle management, executives and board members, work on the basis of these standards, and can be relied on to fulfill their duties and conduct themselves as fair-minded business partners. The quality management system defines the internal requirements and obligations. Last year too,

due to the modification and updating of internationally valid standards, such as the updating of the accreditations DIN/ISO/EN/IEC 17011, 17021, 17024 and 17025, the modified requirements were implemented in the processes and included in a risk assessment process.

Quality management (QM) not only sets the requirements, but also constantly inspects and optimizes the processes and services at DEKRA. In addition to annual external inspections conducted by the authorities, all subsidiaries with certified or accredited QM systems ensure the quality of their products and processes by means of regular and planned audits. QM also manages and secures DEKRA's accreditations and official permits. The number of accreditations increased from 329 to 347 due to changed regulatory requirements, new services and the acquisition of new companies within the DEKRA Group.

DEKRA Industrial has successfully completed all major reaccreditations worldwide and has obtained numerous extensions in accreditation scopes. New accreditations were also completed in the Product Testing & Certification Service Unit, for example in the field of cyber security for the Internet of Things. In addition, required transitions to new standards and to modified regulatory frameworks were undertaken during the fiscal year. One important milestone was the conversion and expansion of the Company's accreditation as a Notified Body for testing medical devices and products to the new legal framework of the Medical Devices Regulation (MDR) and In Vitro Devices Regulation (IVDR). One important expansion in the field of Vehicle Inspection at the Business Unit DEKRA Automotive in the reporting year was the accreditation process for the new DEKRA calibration laboratory in accordance with ISO 17025.

Research and development

DEKRA has been an independent expert organization since 1925. For more than 90 years, the Company has been working in the area of road safety – with periodical vehicle inspections, with the deployment of accident analysts and accident researchers, with crash tests, public campaigns and cooperation in national and international organizations. Crash tests and accident analyses support automobile manufacturers and system suppliers in particular. In the reporting year 2018, DEKRA's

accident investigation function marks 40 years of working to improve road traffic safety. The function's ongoing mandate is to analyze real accidents on the roads in order to draw conclusions for road traffic safety. Furthermore, DEKRA uses its status as an international expert organization to inform the public in workshops and publications about relevant technical requirements for more road safety.

The journey to Vision Zero

The DEKRA VSR ["Verkehrssicherheitsreport": Road Safety Report] was presented for the eleventh time in the fiscal year 2018. The DEKRA VSR, published annually since 2008, provides up-to-date information and advice on the ongoing development of road safety for decision-makers in politics, associations and companies. The multilingual report has met with a good response for years, not only in Brussels and Berlin, but also in many other cities such as Madrid, Paris, Rome and Beijing. The DEKRA VSR 2018 looks at the question of what steps are necessary in order to achieve Vision Zero (i.e., reduce the number of road traffic fatalities to zero).

The DEKRA VSR is complemented by the DEKRA online road safety portal: www.dekra-roadsafety.com. There is additional content available to supplement the printed report, such as videos or interactive graphics. The portal is also concerned with many other topics relating to road safety, including vehicle technology, infrastructure or the human factor of being distracted by smart phones when driving.

In 2018, DEKRA presented the third "DEKRA Vision Zero Award". The award is presented to a European city that has not registered any road traffic fatalities for several years. The city of Bad Homburg in the German federal state of Hesse was recognized in 2018 for eight successive years without a single fatal accident in its inner-city transport network.

The future of mobility

DEKRA has been accompanying the technological developments in the automotive sector for many years. The development toward the mobility of the future represents a special challenge for all players in the automotive industry. That is why DEKRA has a team to develop services for the connected car that pools

the whole range of knowledge gained from laboratory tests through material testing to homologation and type approval, across organizational and national borders.

Following the acquisition of the Lausitzring in Klettwitz, Germany, at the end of 2017, DEKRA merged the race track with the adjoining DEKRA Technology Center in 2018 to create Europe's largest independent testing center for automated and networked driving. Together with other DEKRA facilities in Spain and China, the Lausitzring and the Technology Center in Klettwitz also form part of a highly effective international testing network. In Málaga, Spain, the current focus is on the secure connectivity and electromagnetic compatibility of cell phones, smart home products and Industry-4.0-applications as well as a test area for connected driving. The focus there is on product testing, the development of early-stage test procedures and the testing of V2X (vehicle-to-everything) technologies. The international testing network for connected and automated driving is being expanded in Klettwitz by means of a partnership with Deutsche Telekom that was entered into in 2018. At the Lausitzring, DEKRA and Deutsche Telekom will offer automotive manufacturers and suppliers alike a test field based on 5G technology in the future. This will allow a wide variety of scenarios to be tested involving the networked communication of vehicles with each other and with their environment.

Measuring and reducing respirable dust pollution

As part of its development activities, in 2018 DEKRA continued a project from the prior year involving measuring respirable dust pollution in Stuttgart and using that data to develop effective measures for reducing it. The project was launched in early 2017 with a large-scale clean-up attempt in partnership with the city of Stuttgart and the street-cleaning specialists from the companies Faun, Kärcher, Reuther, Oberheiden and the Stuttgart Municipal Waste Disposal Company (AWS). A high proportion of particles can be removed by targeted, regular and intensive street cleaning. DEKRA accompanied the trial with comprehensive measurements and laboratory analyses. Street cleaning can make an effective contribution to reducing respirable dust pollution on busy streets in large cities.

Professional driver 2030 project ("FutureDRV")

"FutureDRV" is a three-year project supported by the European Commission that runs until the end of August 2019 and is being implemented by partners in six different EU countries. The aim is to investigate the future working world for professional drivers. DEKRA Akademie GmbH is coordinating the project, and contributing its expertise in the training of professional drivers. As part of the research, a profile is being defined with the skills that are expected to be necessary for professional drivers in the year 2030, based on the existing profile. Learning solutions are being developed for training that take into account both the skills that will be required in the future and also innovative (digital) applications.

Innovative materials

DEKRA's expertise has also been incorporated into Thyssen-Krupp's 246-meter-high elevator testing tower in Rottweil. Around 17,000 square meters of the glass fiber mesh designed by Werner Sobek, which is coated with the high-performance plastic PTFE, lend the tower its unmistakable silhouette. The laboratory for technical textiles and films at DEKRA Automobil GmbH, Stuttgart, carried out the materials testing and prepared the expert opinion for the use of the high-tech mesh that covers the tower.

EU research project "Shearios"

DEKRA is a partner of the EU's "Shearios" research project. The aim of the initiative is the remote-controlled inspection of wind turbine rotor blades using the new measuring process of shearography. DEKRA Visatec GmbH, Sulzberg, which specializes in robotics, belongs to the consortium of seven partners. The plan is for the remote-controlled inspection of wind turbine rotors to bring about significant improvements. People will no longer be at risk as a result of inspections, and the technology also expedites the inspection process. Rotor blades are currently checked for damage by industrial climbers on behalf of the operators. DEKRA Visatec GmbH's remote-controlled inspection systems are mainly used in power plants and the oil and gas industry. Its applications consist of inspection activities in areas that are inaccessible or hazardous for people.

REPORT ON ECONOMIC POSITION

General economic and industry-specific conditions

Robust global economy

The global economy was once again characterized by robust growth in 2018. According to World Bank data, global GDP grew by 3.0%, which is roughly on a par with the prior year (3.1%). Developing and emerging economies generated the highest growth at 4.2% (prior year: 4.3%). Advanced economies achieved an increase of 2.2% (prior year: 2.3%). In the Euro Area, GDP increased by 1.9% compared to the prior year (2.4%).

Unemployment fell to its lowest level in years, both in the Euro Area and in the EU28 countries. In the Euro Area, at 7.9% in December 2018, it remained below the figure of the same month in the prior year (8.6%). According to calculations by the statistical office of the European Commission (EUROSTAT), the unemployment rate in the EU28 was also down on the prior year at 6.6% in December 2018 (prior year: 7.2%). Overall, around 16.3 million people were unemployed in the EU28 in December 2018. The lowest figures were recorded in the Czech Republic (2.1%), Germany (3.3%), Poland (3.5%) and the Netherlands (3.6%). Unemployment was highest in Greece (18.6%), Spain (14.3%) and Italy (10.3%).

According to EUROSTAT, inflation in the Euro Area rose year-on-year from 1.4% in the prior year to 1.6% in December 2018. EUROSTAT also reported that consumer prices in Germany rose by 1.7% in December 2018 compared with 1.6% in December 2017.

Solid framework conditions for DEKRA

2018 saw a slowdown in growth in the automotive industry, which is an important market for DEKRA. According to data provided by the VDA ["Verband der Automobilindustrie": German Association of the Automotive Industry], the number of passenger cars sold in Western Europe was down by 0.8% on the prior year. Of the 14.2 million units, 3.4 million units were registered in Germany alone, which is on a par with the high figure for the prior year. Unit sales in the US market were also on a par with the prior year at 17.2 million units. The trend in China, on the other hand, was in decline (down 3.8%). With sales of new vehicles of 23.3 million units, however, the People's Republic of China remains the world's largest passenger car market by far.

DEKRA Industrial business is influenced by the German and international industrial economy. Despite rising geopolitical trade conflicts between the US, Europe and China, German industry and DEKRA benefited from favorable conditions on the whole. According to the BDI ["Bundesverband der deutschen Industrie": Federation of German Industries], manufacturing output in Germany is expected to increase by 2.5% in 2018. The BDI expects industrial output to rise by around 2.0% in the EU28 and 3.5% globally.

The factors most relevant for DEKRA Personnel are the award of public sector contracts and above all the demand for temporary workers. According to the latest data provided by the German Federal Employment Agency ["Bundesagentur für Arbeit"], the moving average number of temporary workers in Germany from July 2017 to June 2018 was approximately one million. The number of temporary employment agencies fell by 400 compared to the prior year to 52,300. In light of the changing demands on the qualifications of employees, the Bundesagentur für Arbeit also invested around 2.1 billion euros in the promotion of vocational training in 2019.

Business performance

Group

Improved global positioning ensures growth

In the fiscal year 2018, DEKRA benefited from people's long-term need for more safety on the road, at work and at home, as well as its global position. Revenue increased by 6.6 % to 3.3 billion euros. Headcount increased by 1,140 to 45,197 (prior year: 44,057) through strong organic growth and acquisitions. DEKRA further improved its earnings before interest and taxes (EBIT) from 203.0 million euros in the prior year to 212.4 million euros in the reporting year.

DEKRA Automotive

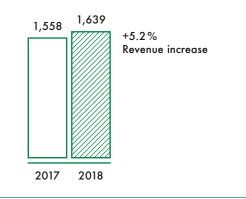
Consistent internationalization drive

As one of the world's leading providers of automotive services in the TIC-industry, the Business Unit DEKRA Automotive increased its revenue by 5.2 % to 1,638.6 million euros. The business of the Vehicle Inspection Service Line in particular grew, both nationally and internationally. The Business Unit's other Service Lines also experienced growth.

In the fiscal year 2018, 31.0% (507.8 million euros) of revenue in the automotive sector was generated abroad compared to 30.8% (479.4 million euros) in the prior year.

REVENUE DEKRA AUTOMOTIVE

worldwide in million euros



As in prior years, DEKRA Automobil GmbH in Germany contributed a significant portion of the total revenue of the Business Unit Automotive.

The Company's position as market leader in the core business of vehicle inspection in Germany was maintained, with more than 11.3 million inspections (prior year: 11.3 million inspections) and a market share of approximately 33.4% (prior year: 33.5%). In order to continue to be a leader in this important business field, investments in new and modern test centers and measuring equipment were again made throughout Germany in 2018. For example, DEKRA developed a dynamic process for calibrating brake dynamometers in vehicle workshops. The patented procedure can be used to quickly and simply calibrate most vehicle dynamometers irrespective of manufacturer and type.

DEKRA is the market leader, testing some 26 million vehicles worldwide. The Company continued its international expansion drive in 2018. DEKRA now also inspects vehicles in Denmark following the acquisition of a local provider. It also increased the number of its testing stations in European countries including Sweden, Bulgaria, Austria, Slovakia and the Czech Republic. The acquisition of Jiffy Smog in Nevada with 24 emissions testing stations reinforced the Company's position in North America, where DEKRA now has a presence in six US states.

Success was also achieved in the business with other automotive services. Gain Solutions, a specialist for vehicle condition inspections and fleet management, was acquired in the UK for example. In 2018 and January 2019 DEKRA opened three of its own testing facilities in Brazil in order to promote fleet management services in South America. There are plans to open two more facilities in the first quarter of 2019. One major achievement was also expanding the business relationship with the PSA Group (Peugeot-Citroën). Following PSA's acquisition of Opel, DEKRA is now assisting the automotive manufacturer with the entire vehicle return process involving more than 200,000 fleet vehicles a year, for all of the Group's brands and in ten European countries.

In New Zealand DEKRA has developed the digital inspection platform INSPEKT and introduced it at around 200 facilities across the country on its journey toward the digitalization of vehicle inspection processes. DEKRA is also working with a Swiss start-up on a software solution for more innovative claims management.

DEKRA Industrial

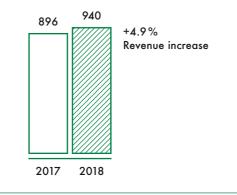
High market acceptance

The Business Unit DEKRA Industrial has performed well thanks to its strong position on the market and its range of digital services, despite at times challenging economic conditions in certain regions and markets. Revenue increased by 4.9% to 940.0 million euros. This included periodic industry testing services in Germany rendered by DEKRA Automobil GmbH via its Germany-wide network of branches. The strong market position is reflected, for example, in elevator and pressure tank inspections. Several new lines of business were tapped into in 2018 in order to secure future growth. In total, the Industrial & Construction Inspection Service Line generated a revenue increase of 5.9% to 429.6 million euros (prior year: 405.8 million euros). In addition to Germany, the important French market also contributed to growth, generating revenue of 251.3 million euros (prior year: 240.9 million euros).

REVENUE DEKRA INDUSTRIAL worldwide in million euros

GROUP MANAGEMENT REPORT

Report on Economic Position



The Product Testing & Certification Service Unit is exploiting the opportunities presented by the Internet of Things and the digitalization of mobility, and has a global network of test laboratories. The services it offers include a wide variety of high-tech testing services with a particular focus on the sharply rising requirements of the automotive industry. This includes chemical analyses, material testing, safety tests and certifications, electromagnetic compatibility tests, reliability tests, error analyses and connectivity tests. In 2018, a new laboratory was opened in China specifically for the testing of WiFi connections.

The Company's global position allowed it to move into new sectors in 2018. As a result, DEKRA now operates in all important markets, from medical equipment and energy infrastructure and facilities through to e-mobility and network technology. For example, the Company now also assists medical equipment manufacturers with the certification of their products in accordance with the Medical Device Single Audit Program (MDSAP) organization's standard. This certification is important for example in order to gain access to the important markets Australia, Japan, Brazil, Canada and the US. DEKRA's high level of acceptance in the international industrial inspection markets is also reflected

by other accreditations. In Japan, for example, DEKRA has been recognized as a certifying body for products used in areas where there is a high risk of explosion.

The international expansion of the Insight Service Unit was characterized by strategic acquisitions and the targeted expansion of expertise. The acquisition of the Industrial Safety Group in the Netherlands enabled the Company to improve its position as a safety consultant for companies in the oil and gas, chemicals, and pharmaceuticals sectors. The approximately 100 specialists in workplace and fire protection as well as health and prevention assist international corporations with construction and assembly projects, change processes and inspection turnarounds. A laboratory was also opened in Shanghai that is dedicated to the testing of dangers arising from chemical processes. DEKRA's new Chemical Reaction Hazard (CRH) laboratory means that it now offers this expertise on three separate continents.

DEKRA has enhanced its digital security expertise by refining its portfolio of behavior-based solutions. Exposure-Based Safety technology, for example, enhances the reliability of organizations and processes at industrial companies. The solution can be used to record data on behavior at the workplace, which can then be used to improve safety. Human behavior also plays an important part in the future field of cyber security. DEKRA has developed a "360° Cyber Safe" solution that takes this into account.

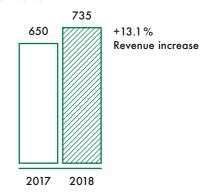
DEKRA Personnel

Recognized expert for education and temporary work

The revenue of the Business Unit DEKRA Personnel rose sharply in 2018 by 13.1% to 735.2 million euros, following a 24.8% increase in revenue in the prior year. Both the Temporary Work Service Unit of DEKRA Arbeit Group and the Training & Education Service Unit of DEKRA Akademie Group contributed to this development in fiscal year 2018.

REVENUE DEKRA PERSONNEL

worldwide in million euros



DEKRA Arbeit Group climbed from seventh to sixth place in the list of Germany's biggest HR services companies in 2018. There was a sharp, 14.6 % increase in revenue to 455.0 million euros (prior year: 396.9 million euros). In addition to the German market, the Company is maintaining its focus on international expansion. DEKRA Arbeit Group now operates in 17 different countries after expanding into France and Austria in 2018. There are plans to open more international branches in 2019. A peak of around 19,500 temporary workers were employed in 2018. This is a 14.7 % increase on the prior year. Business with large clients in particular set new records. At the same time, DEKRA is developing into a service provider for young mobility companies with new services relating to recruitment and the monitoring of driver safety.

Report on Economic Position

As one of Germany's biggest private educational institutions, DEKRA Akademie Group doubled the number of users of DEKRA Safety Web, its digital workplace safety instruction portal. The new "DEKRA Tag.it" software also makes it possible to call up location-specific content on smart phones or tablets. This enhances safety at the workplace, because many workplaces require employees to observe information regarding risk situations and safety measures.

DEKRA Akademie GmbH has supported the integration of immigrants throughout Germany since 2016 through language and integration courses. Many immigrants now have good German language skills, which allow them to complete professional training. These people are trained and placed directly in partnership with the German Federal Employment Agency, the Job Centers and a number of companies. DEKRA Akademie GmbH offers innovative training measures aimed at helping people achieve partial qualifications with the potential to lead to a vocational qualification. DEKRA Akademie GmbH's revenue was down slightly year-on-year in the fiscal year. This decline was offset by the international revenue of DEKRA Akademie Group.

Employees are now trained for around 75 clients in Eastern Europe in order to combat the shortage of specialists in Germany, for example in the nursing professions and in IT security. They are given specialist and language training in order to be able to come to Germany with a firm offer of a job. Currently more than 3,000 participants are receiving training. Around 1,300 specialists were placed at German hospitals and nursing facilities in 2018.

Overall statement by management

In 2018, DEKRA recorded growth for the fifteenth year in a row. In the fiscal year 2018, the increase in revenue was largely the result of organic growth. The Company's large footprint in terms of expertise and geographies makes it easier for it to compensate for economic and regulatory challenges in individual business segments through growth in others. Thanks to its global pres-

ence, DEKRA will participate in the global trend toward more technical and organizational security. The chances of sustainable and stable growth remain good. The evolution of the organization through TOM 2020 has prepared DEKRA to make full use of opportunities on the market.

Environmental protection and sustainability

Sustainability management

The development of DEKRA's sustainability management was continued in the fiscal year 2018. The Company's direction in the field of sustainability is still based on DEKRA's corporate values as well as the requirements of the German and international sustainability codes. DEKRA has complied with the internationally recognized German sustainability code since May 2017. The ongoing dialog with the Company's internal and external stakeholders was further intensified. In initiatives, and in a dialog with its customers, DEKRA is working to achieve sustainability even outside the Company. DEKRA's sustainability magazine provides information on the Company's direction and achievements in the field of sustainability, and highlights the concrete link between sustainability and safety. DEKRA mainly contributes to a sustainable trend for the economy, environment and society through its know-how and expert services with a focus on safety, as well as by specifically supporting customers in matters of sustainability and corporate social responsibility.

Environmental protection

Protecting the environment is a priority for DEKRA. Internal environmental management is managed by the Environment, Health and Safety (EHS) corporate unit and works worldwide to further optimize environmental protection and resource efficiency at DEKRA. DEKRA employees receive regular training in environmentally friendly behavior and their awareness for environmental protection issues is sharpened. What is more, DEKRA offers expert services in the areas of environment and energy, thus also contributing to environmental protection outside the Company.

Personnel report

Headcount has been increasing for the last 15 years

The number of employees working for the Company reached a new record level of 45,197 at the end of 2018 (prior year: 44,057). This is an increase of 1,140 (prior year: 4,700) or 2.6 % (prior year: 11.9%). In Germany, the core workforce increased by 4.9% compared to the prior year (prior year: 5.0%) from 12,515 to 13,122. This was boosted by the generally good state of employment in the automotive and industrial sectors. The number of temporary employees fell 11.5 % year-on-year as of the end of 2018 (prior year: up 25.2%), from 10,178 to 9,008. In Europe (excluding Germany), the total headcount rose from 15,709 to 17,853 (up 13.6%, prior year: up 11.9%). This was very positively influenced by the growth of the core workforce in countries such as the Netherlands (up 92), Sweden (up 60) and the Czech Republic (up 54), as well as the increase in temporary employees in North Macedonia (up 959) and Montenegro (up 475). Outside Europe, the increase in headcount in East Asia continued, from 1,349 to 1,460 employees (up 8.2%; prior year: up 7.3%). In the power plant business in South Africa, with the associated contract term limitations, and in the employee leasing business in Morocco, there were far fewer employees on board in a 2018 year-end comparison. On the whole, the number of employees outside Europe fell from 5,655 in the prior year to 5,214 (down 7.8 %; prior year: up 7.2 %).

Declaration of compliance

Targets were set for the number of women represented on the most important corporate bodies in first- and second-tier management. The target figure for the composition of the Supervisory Board of DEKRA SE is 16.7%. This quota has been reached. A target figure has yet to be set for the Management Board. A quota of 15% and 20% has been set for the first management level (Executive Committee/Operational Committee) and second management level (Management Committee), respectively. The target figure for the Executive Committee/Operational Committee was not reached (11.1%). The target figure remains in place and efforts are constantly being made to achieve this. The target figure for the Management Committee was reached (20.8%).

Global management and junior talent development

DEKRA has implemented a global management development program for the first time in the Company's history. In the reporting year, the Managerial Foundation Programme (MFP) was completed for around 400 mid-level managers, with a total of around 2,000 days of participation. The training modules were held in eight different countries, in the relevant national languages. This concept was complemented by international participant groups, who communicated in English. With MFP, DEKRA has created a uniform concept of management and the management culture that is required in order to implement the Company's strategy. Efforts to enable managers to implement the necessary changes in a targeted manner are being expanded. The implementation of the program also contributes to ongoing integration at all levels, as well as improved collaboration in the countries in question. Following the training of all mid-level managers in the first wave, the program is being continued in 2019 for newly appointed or hired managers, making it a key component of a globally managed onboarding process.

For years, DEKRA has used the International Advancement Programme (IAP) to promote junior talents who are working in or are to be prepared for international functions. In this multi-modular program with international participants, specific business cases for digital business models were prepared and presented to the Management Board as a final task in 2018. The outputs of the projects are incorporated into ongoing work by the relevant specialist departments.

In addition to the centrally managed development measures mentioned above, various event series were held in Germany, France and China under local responsibility.

Dialog and exchange with employees and managers

The year 2018 was characterized, among other things, by the implementation of findings from the global employee survey conducted in the prior year. In almost 1,000 team dialogs, managers analyzed the statistical results of the survey together with their teams and derived targeted measures. This process also made it possible to define and implement measures in adjacent management levels. The survey and the implementation processes also provided important input for the relevant specialist departments. Web-based learning programs were made available to managers in order to support and manage the implementation processes.

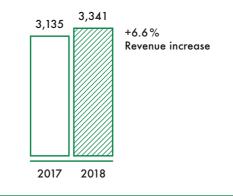
Intensive communication with managers across all levels of the hierarchy is required in order to ensure a common and effective alignment, particularly in times of change. All managers at levels 1 through 3 were invited to a joint conference for the third time since 2011. The Global Management Meeting in June 2018 brought together around 500 managers from around the world in Dresden. In addition to the Management Board's report on the current business situation, the focus of the two-day event was on a dialog to prepare and implement the Company's realignment through "TOM 2020". The Global DEKRA Day was held at the end of June for the third time at many of DEKRA's facilities. While the last two years' events were all about "Safety" and "Partnership", the focus this year was on "Winning by Collaboration" and the ongoing development of the organizational structure. Around 9,000 participants around the world prepared a total of almost 1,500 contributions.

Financial position and performance

Financial performance

The DEKRA Group increased its revenue by 205.7 million euros in the fiscal year 2018 (prior year: 231.2 million euros) to 3,340.5 million euros (prior year: 3,134.8 million euros), which is equivalent to a revenue increase of 6.6% (prior year: 8.0%). This means that the 2018 target for revenue was met in full.





Of this growth 6.0% (prior year: 7.7%) was achieved through organic growth and first-time consolidations while 1.3% of this revenue growth in 2018 (prior year: 0.3%) stems from the acquisitions in the fiscal year and full consolidation of entities acquired during the prior year. Changes in exchange rates reduced revenue by 0.7% (prior year: negative effect of 0.1%).

The increase in revenue in the Business Unit DEKRA Automotive was primarily due to revenue generated in Germany where the volume in vehicle inspection in particular developed positively compared to the prior year. In the Business Unit

DEKRA Industrial, significant revenue increases were reported in the Industrial & Construction Service Line, especially in Germany and France, as well as in the Service Units Product Testing & Certification and Business Assurance. In the Business Unit DEKRA Personnel, revenue in the Temporary Work Service Line was increased by a further increase in market share and the continued good economic situation. The training and education business was also increased internationally.

Of the revenue, 2,027.7 million euros (prior year: 1,901.3 million euros) are attributable to Germany, 408.0 million euros (prior year: 396.2 million euros) to France and 904.8 million euros (prior year: 837.3 million euros) to other countries.

Other operating income increased by 1.4 million euros to 33.3 million euros (prior year: 31.9 million euros).

At 3.0%, the increase in the cost of materials was significantly below that in revenue. The ratio of cost of materials to revenue thus decreased to 9.5% (prior year: 9.8%). Personnel expenses increased by 8.3% to 2,189.4 million euros (prior year: 2,021.6 million euros). Personnel expenses as a percentage of revenue increased from 64.5% to 65.5% in the fiscal year 2018. The disproportionately weak respectively strong changes in these expense ratios can mainly be attributed to the strong growth of the temporary employment business.

Other operating expenses grew more slowly than revenue (3.5%), corresponding to a decrease in the ratio of expenses to revenue of 0.5 percentage points to 17.2% (prior year: 17.7%). This was due in part to the disproportionately small increase in travel expenses, as well as a fall in other personnel costs and legal and consulting costs. IT expenses, on the other hand, increased to 77.1 million euros (prior year: 71.0 million euros).

The volume of write-downs rose at a slightly slower rate than revenue, by 2.5 million euros to 90.8 million euros in the fiscal year 2018 (prior year: 88.2 million euros).

Operating profit – calculated as earnings before taxes and the financial result – improved by $4.6\,\%$ to a total of 212.4 million euros (prior year: 203.0 million euros). This was fully in line with the expectation for the fiscal year that the Group's operating profit would again improve in comparison to the prior year. The return on sales calculated in relation to operating profit fell slightly by 0.1 percentage points year-on-year to $6.4\,\%$.

The reduction of the financial result by 7.1 million euros to -17.6 million euros mainly stems from income of 6.5 million euros generated in the prior year from the disposal of financial assets. This was offset by a reduction in net financing from pension obligations in comparison to the prior year amounting to 2.3 million euros.

Earnings before taxes rose 1.2 % to 194.8 million euros (prior year: 192.5 million euros). The return on sales, calculated in relation to income before taxes, fell to 5.8 % (prior year: 6.1 %).

The Group tax rate fell 0.6 percentage points on the prior year to 30.4% (prior year: 31.0%). This decline is largely attributable to the capitalization of tax losses at individual subsidiaries that have been carried forward and can be used in the future.

The consolidated net income for the fiscal year 2018 increased by 2.7 million euros to 135.5 million euros (prior year: 132.8 million euros).

Other comprehensive income increased by 11.9 million euros to –5.2 million euros (prior year: –17.2 million euros). This positive trend can mainly be attributed to the adjustment of the carrying amounts of non-consolidated subsidiaries to fair value through other comprehensive income due to the application of IFRS 9 for the first time, amounting to 20.4 million euros. The currency translation reserve declined by 6.1 million euros (prior year: 19.0 million euros), mainly due to the subsidiaries in South Africa, Sweden and Brazil. This was countered by the currency translation effects of subsidiaries in the US. Changes to the actuarial parameters for pension obligations resulted in a

decline of 19.8 million euros in other comprehensive income (prior year: increase of 4.6 million euros). These mainly stem from changes to demographic assumptions as well as adjustments based on experience. The interest rate remained at 1.75 % (prior year: 1.75 %) in the fiscal year. This results in total comprehensive income, taking into account expenses and income recognized directly in equity, of 130.3 million euros (prior year: 115.7 million euros).

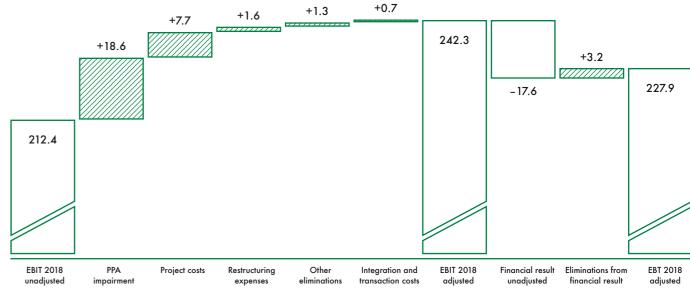
To aid comparison of the operating result, the operating result and earnings before taxes for 2018 and 2017 were adjusted for the following non-operating (special) effects:

- amortization of intangible assets identified as part of a purchase price allocation (PPA amortization),
- project costs for the significant improvement of the IT infrastructure, as well as for market entry in new countries or business segments,
- restructuring expenses, M&A costs and integration costs,
- earnings from the sale of entities and individual items of property, plant and equipment, as well as from the subsequent measurement of purchase price components (earn-out agreements) and from purchase price reimbursements,
- exchange rate effects in relation to loans within the Group (effect on the financial result),
- special effects from the measurement of put and call options (effect on the financial result).

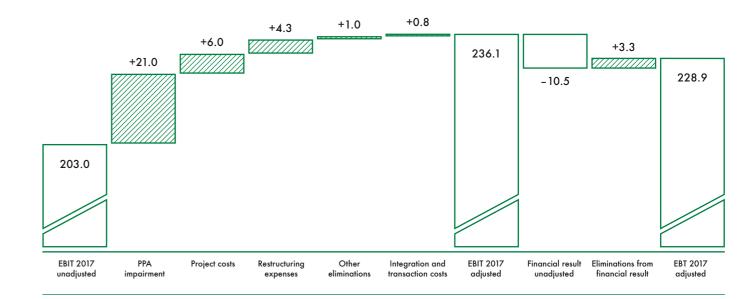
Adjusted operating profit rose by 2.6% to 242.3 million euros (prior year: 236.1 million euros). As a result, the margin for the adjusted operating profit fell by 0.2 percentage points to 7.3%. Adjusted earnings before taxes amounted to 227.9 million euros in the fiscal year (prior year: 228.9 million euros). This represents a margin of 6.8% (prior year: 7.3%).







RECONCILIATION OF ADJUSTED EBIT AND EBT FOR 2017 in million euros



Financial Position

Financial management

The significant principles and goals of the DEKRA Group's financial management are described in the notes.

Capital expenditure

Capital expenditure on property, plant and equipment and intangible assets in the fiscal year 2018, excluding business combinations, amounted to 123.7 million euros (prior year: 89.2 million euros). Spending mainly related to land and buildings, technical and other equipment, furniture and fixtures as well as intangible assets. Most capital expenditure was carried out by DEKRA Automotive and DEKRA Industrial.

Liquidity analysis

The development of the DEKRA Group's liquidity in the fiscal year 2018 was mainly influenced by the improved operating result and the contribution of cash and cash equivalents to secure pension obligations.

At 94.0 million euros (prior year: 104.3 million euros), cash flow from operating activities does not fully reflect the good business development in the course of the reporting year. The reduction of non-current provisions in the amount of 45.8 million euros (prior year: 66.8 million euros) is characterized by the pension liability insurance payments made in the fiscal year in connection with the transfer of pension commitments to the DEKRA company pension. In the fiscal year, cash and cash equivalents amounting to 41.4 million euros (prior year: 59.0 million euros) were used to build up the Company's plan assets. In addition, net working capital recorded a cash outflow of 77.0 million euros (prior year: 41.7 million euros) due to cutoff effects. These are primarily attributable to increased trade receivables, mainly as a result of the increase in revenue of the Business Unit DEKRA Personnel. In contrast, the improved operating result adjusted for non-cash income and expenses had a positive effect on the cash flow from operating activities.

The net cash outflow from investing activities came to 174.9 million euros (prior year: 130.1 million euros). The increase is influenced by the continuing high level of investment in property, plant and equipment and intangible assets. Investment in acquisitions and equity investments was down year-on-year to 40.1 million euros (prior year: 53.6 million euros).

Cash flow from financing activities saw a cash inflow of 79.1 million euros (prior year: cash outflow of 31.9 million euros), and was influenced by the utilization of lines of credit and borrowings. There was also a cash inflow resulting from the cut-off-related change in the cash pool with DEKRA e. V., Stuttgart, amounting to 33.5 million euros (prior year: outflow of 22.0 million euros), as well as a contribution to equity amounting to 10.0 million euros (prior year: 30.0 million euros). This was off-set by a transfer of profits to DEKRA e. V., Stuttgart, amounting to 54.0 million euros (prior year: 37.3 million euros), as well as cash outflows relating to the payment of interest and installments on financial loans.

Cash and cash equivalents (consisting of checks, cash in hand, bank balances and other cash equivalents) rose by a total of 2.1 million euros to 78.5 million euros (prior year: 76.4 million euros).

Composition of assets, equity and liabilities

Total assets rose by 176.8 million euros (prior year: reduction of 1.1 million euros) from 2,090.2 million euros to 2,267.0 million euros in the past fiscal year. This represents a change of 8.5% (prior year: -0.1%).

The growth consists of an increase in non-current assets of 111.5 million euros to 1,350.9 million euros (prior year: 1,239.4 million euros) as well as an increase in current assets of 65.3 million euros to 916.0 million euros (prior year: 850.7 million euros).

Of the non-current assets property, plant and equipment increased by 19.4% to 376.1 million euros (prior year: 314.8 million euros). This increase is largely due to the acquisition, construction and modernization of properties for the Group's own use as well as the acquisition of land.

The increase in current assets mainly stems from the increase in trade receivables of 39.5 million euros to 523.8 million euros after adjusting for the change in the reporting of contract assets. The maturities of trade receivables at the overall Group level increased by about a day to 57 days (prior year: 56 days) due to cut-off-related effects and individual increases in certain lines of business and regions. The increase in other current financial assets of 12.1 million euros (prior year: 31.3 million euros) to 185.4 million euros also had an impact on current assets. Cash and cash equivalents also increased by 2.0 million euros (prior year: decrease of 59.4 million euros).

Equity increased by 113.3 million euros to 748.8 million euros (prior year: 635.5 million euros). This is largely attributable to the consolidated net income for the year of 135.5 million euros (prior year: 132.8 million euros). The transfer of profits to DEKRA e.V., Stuttgart, and the addition to the capital reserves by DEKRA e.V., Stuttgart, in the fiscal year came to 37.4 million euros (prior year: 54.0 million euros) and 10.0 million euros (prior year: 30.0 million euros) respectively. The measurement of non-consolidated subsidiaries through other comprehensive income at the time of the transition to IFRS 9 (17.3 million euros) and in the ongoing fiscal year (20.4 million euros) also had a positive impact on the Group's equity. This was partially offset by the recognition of the remeasurement of pension obligations through other comprehensive income (less deferred tax assets) amounting to 19.8 million euros (net) (prior year: increase of 4.6 million euros), as well as the effects of 6.1 million euros from currency translation (prior year: reduction of 19.0 million euros), which reduced equity. The equity ratio increased to 33.0 % from 30.4% in the prior year.

Non-current liabilities increased by 8.7 million euros to 789.4 million euros (prior year: 780.7 million euros), largely due to the increase in liabilities to banks of 33.6 million euros to 261.7 million euros. By contrast, provisions for pensions decreased by 22.9 million euros (prior year: decrease of 136.7 million euros). This can largely be attributed to the additional increase of 54.0 million euros in plan assets to secure pension obligations, and the offsetting increase in pension obligations amounting to 31.1 million euros (prior year: 11.7 million euros). Current liabilities rose 8.1%, from 674.0 million euros to 728.7 million euros, due to the borrowing reported in loan liabilities, used in some cases to repay existing loans, and also due to a cut-off-related increase in personnel liabilities. The current and non-current liabilities are mainly denominated in euros.

The DEKRA Group requires sufficient liquidity for future investments, which is ensured by promissory notes and by longer-term loan commitments. As of December 31, 2018, there are lines of credit of 226.2 million euros pledged in writing that have not yet been drawn.

Summary assessment of financial position and performance

The DEKRA Group's performance in the fiscal year 2018 was good, exceeding both expectations and the trend for the prior year. The financial position and cash flows allow sufficient headroom for the Group to pursue its goals.

RISK, OPPORTUNITIES AND FORECAST REPORT

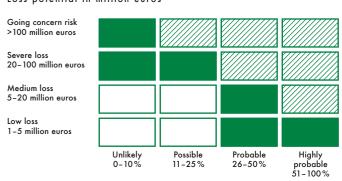
Risk repo

Systematic management of transparent risks

As part of its planning and control process, DEKRA leverages an established risk management system in order to systematically identify potential risks and to rate the probability as high, moderate or low.

QUANTIFICATION OF RISKS

Loss potential in million euros



Probability in %

Low risk Medium risk High risk

DEKRA Financial Report 2018

On this basis, the responsible management levels promptly develop countermeasures. The Management Board is regularly informed through defined reporting channels. DEKRA communicates particularly urgent issues at short notice via internal ad hoc announcements. DEKRA's risk management system, which again proved its worth in 2018, is continuously amended in response to changes in legal and economic conditions. In the following, we outline and assess the risks that, from today's perspective, could have a significant influence on DEKRA's financial position and performance. The total potential risk has fallen slightly in comparison to the prior year.

Environment and industry risks

Disruptive technologies and political, regulatory and economic conditions are very important to DEKRA's success as an expert organization with global operations. Changes in circumstances may give rise to risks relating to revenue and income. DEKRA therefore closely and continuously monitors markets and sectors – particularly with respect to whether and how the development of technology could cast doubt on existing business models.

The Business Unit DEKRA Automotive is exposed to the general regulatory risk of changes to the law for vehicle inspection in the EU. Following the organizational realignment under TOM 2020, the regions Germany, South-West Europe, North-West Europe and Central East Europe & Middle East are potentially affected. This risk is currently deemed to be low. However, fierce competition and changing technologies in the important Vehicle Inspection Service Line pose a moderate risk as cost increases can only be passed on to the customers to a limited extent. DEKRA reduces this risk by constantly improving productivity by means of optimized processes and new technologies to ensure more road safety and fewer traffic fatalities.

The economic outlook also determines the willingness to invest of customers of the Business Unit DEKRA Industrial. The risk of a drop in orders grows with real or suspected economic uncertainty. This affects the Material Testing & Inspection and Insight Service Units, for example, and the regions North-West Europe, Germany, Southern Africa & Oceania and North America. DEKRA mitigates these risks, which it classifies as low, by expanding its service offering and increasing the globalization of its business.

The Business Unit DEKRA Personnel is particularly dependent on cyclical developments. This applies to both the employee leasing activities of the Temporary Work Service Line as well as training opportunities in the Training & Education Service Line. In both these areas, revenue and earnings may be affected by fluctuations in orders caused by cyclical developments. As part of TOM 2020, this particularly affects the regions Germany and Central East Europe & Middle East. DEKRA combats these risks, which it classifies as moderate, by moving into new markets, broadening its portfolio of services and making customized offers. New statutory regulations may lead to high risks in the Temporary Work Service Unit. In accordance with the AÜG ["Arbeitnehmerüberlassungsgesetz": German Employee Leasing Act], the legal requirement of equal pay applies from January 1, 2018, and the limitation of temporary work to 18 months, with a few exceptions, applies from October 1, 2018. DEKRA is responding to these regulatory interventions in the employee leasing markets by expanding its business with key accounts and by investing in its position as a quality provider.

Business strategy risks

DEKRA hopes that the new TOM 2020 organizational model introduced on January 1, 2019 will allow it to take better advantage of growth opportunities. DEKRA considers the potential failure of the stronger focus on internal networking and greater proximity to the customer to be one of the biggest risks to its

income at present. The Group is combating this by means of professional project management in connection with the introduction of the new organization. DEKRA will also continue its policy of organic growth supplemented by targeted acquisitions. DEKRA broadens its footprint in terms of both expertise and geography by means of strategic acquisitions. However, the integration of acquired companies may fail or be delayed. Budgets may be unrealistic and synergy effects unattainable. These risks are also classified as medium, as is the resulting risk that could arise for the portfolio of services and the Group's general performance on the market. There are also measurement risks for capitalized assets. Such risks are considered moderate overall under the new organizational model for the regions. Overall, DEKRA counters business strategy risks with professional project and integration management.

The regulatory frameworks in other non-European countries differ from the conditions in Germany and Europe. As a result, the ongoing business internationalization entails – albeit low – liability risks and risks to the Group's reputation. That is why DEKRA is constantly working to enhance its risk and compliance management activities. This includes the ongoing adjustment of the liability protection offered by insurance policies to changing circumstances.

Operating risks

Accreditations and official authorizations are important factors on which DEKRA's success depends. With its internal monitoring system for safeguarding service quality and by means of insurance, DEKRA reduces risks arising from liability for its inspections, expertises, certifications and seals. Risks arising from missing or amended government authorizations are mitigated by targeted committee work. This allows changes to laws and standards to be identified in time and DEKRA services to be rapidly adapted. Particularly important in this context is the often time-consuming training and education of the examiners

and inspectors as well as the timely planning and provision of the necessary equipment.

The adjustments to the national regulations in Germany demanded by DAkkS ["Deutsche Akkreditierungsstelle": Germany's national accreditation body] in recent years specifically concerned the handling of test and measurement equipment. In Germany, national requirements for the main inspection previously required that test and measurement equipment be regularly gauged, calibrated and individually tested in accordance with various different standards.

The standard to be audited by DAkkS requires consistent ISO-compliant calibration. A certification procedure was therefore introduced in 2016 that prescribes a mandatory step-by-step program for the universal implementation of the ISO 17020 standard and the respective necessary ISO-compliant calibration for all test and measurement equipment. This also concerns the test and measurement equipment used in test centers. DEKRA has developed the necessary calibration procedures to such an extent that all accreditations by DAkkS have so far been completed successfully. DAkkS carried out additional audits in 2018 in order to test the proof of calibration. The measures needed to adjust and implement the calibration procedure have been initiated. There are no discernible risks on DEKRA's side that the assessment procedure will not be successfully completed by 2020.

One element for the identification and assessment of risks worldwide from accreditations, and from internal process risks as well as for monitoring the compliance of internal basic processes is the Control Self Assessment. This is carried out in parallel with risk management surveys and results in a risk inventory that lists and evaluates internal process risks and market risks.

Overall, the risk of approvals based on accreditations being revoked is classified as low due to extensive precautionary and risk mitigation measures.

Personnel risks

In the area of personnel, there is a moderate risk in the form of dependency on individual employees who, with their know-how, play a key role in the success of individual business segments. This risk is minimized, among other things, by a globally-integrated talent and performance process. Attractive personnel development programs also help retain know-how and top performers within the Group. Moderate personnel risks can also arise if the Group fails to integrate the employees of acquired businesses, which is why quick and systematic post-merger integration takes top priority. To continue its growth trajectory, it is also important to attract ambitious professional and qualified young employees. This is why DEKRA invests regularly in its employer branding, thereby further reducing the low risk of not having the personnel necessary for further expansion.

IT risks

For a company that operates in around 60 countries, IT security and data protection is of utmost importance. DEKRA mitigates the medium risks associated with the reliability and security of its IT security systems by investing in a modern IT infrastructure. DEKRA counters the risk of critical data getting damaged, lost or getting into the hands of unauthorized third parties by constantly monitoring and assessing IT risks as part of its internal control system, risk management and compliance management. Risks of penalty payments and damage to the Company's reputation, which have arisen in the field of data protection following the entry into force of the General Data Protection Regulation (GDPR), are classed as low thanks to the Company's adequate data protection processes.

Financial risks

Although there is a certain risk of bad debts and late payments, it is deemed to be low. DEKRA protects itself from defaults by means of active customer and contract management, global key account management and thorough creditworthiness checks. By planning ahead and systematically taking preventive measures, DEKRA is also able to reduce interest rate risk. As most of DEKRA's transactions are conducted in euros, the exchange rate risk is low. Debt financing of the Group is primarily provided by loans against a promissory note as well as through approved bank loans. Interest derivatives are used for floating rate loans in order to minimize the interest rate risk inherent in the financing of the Group. The portfolio of interest derivatives as of the reporting date amounts to 14.0 million euros (prior year: 28.5 million euros).

The liquidity headroom required for the operating business is secured by means of cash and cash equivalents, as well as via approved lines of credit at DEKRA SE. The central cash pool is used to control the liquidity of and supply liquidity to both the national and increasingly also the international subsidiaries. The resulting transparency prevents possible risks. Short-term investments of cash and cash equivalents are only made with top-rated financial institutions and on the basis of current ratings by rating agencies as well as taking into account current CDS spreads.

The risk of DEKRA being unable to fulfill its payment obligations in connection with financial instruments in the future is also classed as low.

Overall assessment of the Management Board on risks to the Group's ability to continue as a going concern

The total potential risk has fallen slightly. Both the structure and distribution of risk remain stable. The overall risk situation is acceptable in relation to the Group's annual results and operating cash flow. The total volume of individual risks is within the normal range for the business, and does not pose an existential threat to DEKRA. There are no identifiable risks that jeopardize the Group's ability to continue as a going concern. The Management Board ensures the long-term existence of the Group through sustainable business management based on sound finances and a proven business model.

Opportunities report

Opportunities relating to conditions and sectors

Safety is a basic necessity for people across the entire globe. This is why demand for corresponding services is not only growing in western industrial nations, but also in the developing and emerging economies. This applies, for example, on the road, at work and at home: three aspects of life where DEKRA is positioned for further growth.

Based on its wide range of automotive services, DEKRA does not only have further growth potential in Germany, it also expects further mid-term growth potential primarily in growth regions such as North America and Asia. DEKRA also expects further growth in the regions of North-West Europe (Scandinavia), South-West Europe (Portugal) and Southern Africa & Oceania (South Africa) in the years ahead.

The strength of the German industry, for instance in exports, and the potential in the North American and Asian growth markets promise to boost business development in the industrial segment.

Given the stability of Germany's economy, it is also assumed that demand for qualified specialists and temporary employees will continue to grow.

Strategic opportunities

Promoting safety has been DEKRA's mission pursuant to its articles of incorporation since its foundation in 1925. The strategic orientation towards this important socio-political concern was strengthened further. With its "Vision 2025", DEKRA will continue to expand its position as a global partner for safety in years to come. This strategic and operational focus of the Group offers considerable growth opportunities. Safety pays off – for individuals and society as a whole as well as for DEKRA's customers and thus for the Company.

The organizational development of "TOM 2020", the redefinition of the matrix, sales activities, improved collaboration and the exploitation of the Group's strengths will enable DEKRA to continue developing into an innovative, global solution provider. In so doing, DEKRA is enhancing its ability to compete and facing up to the changing demands of the market – particularly with respect to digitalization. The ongoing development of the organization concerns the entire "Target Operating Model (TOM)".

As part of the new organization, the Service Divisions will focus on service development and quality. Operating responsibilities are being consistently organized on a regional basis, tailored to the markets and customers. The responsibilities of the regions are being focused on sales and the provision of services. One important aspect of this task is the implementation of an overarching and shared sales organization.

Operating opportunities

Through its strategic acquisitions and globalization in recent years, DEKRA is set for further growth. The facts that the Group is highly diversified both geographically and in terms of expertise with respect to the issue of safety as well as the new Company structure, are expected to lead to considerable business growth, especially outside Germany.

Forecast report

Challenging conditions

The economic environment is expected to remain positive in the current year. According to estimates by the World Bank, global GDP is to increase by 2.9 %. The developing and emerging economies are expected to record growth of 4.2 %, the advanced economies of 2.0 %. The World Bank anticipates the highest growth rates in individual countries in India (7.5 %) and China (6.2 %).

At the same time, economic conditions are becoming more demanding. Geopolitical challenges are increasing: protectionist aspirations and the resulting barriers to trade are not yet precisely foreseeable. Brexit and possible political instability with resulting economic impact also weigh on the development of the global economy. DEKRA is not completely immune to these develop-

ments. Thanks to its good international positioning and the strong basic human need for safety, DEKRA expects further growth. Revenue is expected to increase by 4% to 6% in the fiscal year 2019. Organic growth is expected to be higher than external growth driven by acquisitions. The planning for 2019 also includes a slight increase in EBIT. To achieve this, DEKRA will expand its activities in high-margin business activities, exploit synergies within and between its business units and continue to optimize the global structures in sales and the Service Divisons as well as its processes. Headcount is also expected to continue to rise in line with revenue growth. DEKRA expects the number of its employees to increase by between 1,000 and 2,000 as of year-end 2019. Following a successful fiscal year 2018, the Management Board of DEKRA expects the strategic alignment of the Group and TOM 2020 to create further impetus for growth.

Stuttgart, March 21, 2019

DEKRA SE The Management Board

Kölbl, Chairman

/ Klinke

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24 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

CONTENTS

108

27	conso	LIDATED STATEMENT OF COMPREHENSIVE INCOME
28	CONSO	LIDATED STATEMENT OF FINANCIAL POSITION
30	CONSO	LIDATED STATEMENT OF CHANGES IN EQUITY
32	CONSO	LIDATED STATEMENT OF CASH FLOWS
3 4	NOTES	TO THE CONSOLIDATED FINANCIAL STATEMENTS
	34	1 General comments
	34	2 Accounting principles
	34	3 Accounting policies
	50	4 Business combinations
	51	5 Statement of comprehensive income / income statement
	57	6 Statement of financial position
	76	7 Statement of cash flows
	78	8 Other disclosures in the notes
	79	9 Capital management
	79	10 Financial management
	92	11 Related party disclosures
	94	12 Disclosures on the Management Board and Supervisory Board
	95	13 Subsequent events
	95	14 Other disclosures
104		INDEPENDENT AUDITOR'S REPORT

REPORT BY THE CHAIRMAN OF THE SUPERVISORY BOARD

DEKRA SE

Consolidated statement of comprehensive income for fiscal year 2018

IN THOUSAND EUR	Notes	2018	2017
Revenue	5.1	3,340,549	3,134,827
Increase in inventories of work in process		1,101	267
Own work capitalized		8,371	7,850
Other operating income	5.2	33,293	31,923
Cost of materials	5.3	-316,865	-307,612
Personnel expenses	5.4	-2,189,391	-2,021,636
Other operating expenses	5.5	-573,912	-554,338
Depreciation, amortization and impairment losses on property, plant and equipment and intangible assets	5.6	-90,770	-88,236
Profit/loss from financial assets accounted for using the equity method	5.7	782	1,353
Interest income	5.7	6,004	6,170
Interest expense	5.7	-21,723	-23,781
Other financial result	5.7	-2,672	5,753
Financial result	5.7	-17,609	-10,505
Earnings before taxes	İ	194,767	192,540
Income taxes	5.8	-59,250	-59,697
Net income for the year	5.9	135,517	132,843
thereof attributable to owners of DEKRA SE	6.12	133,886	131,418
thereof attributable to non-controlling interests	6.13	1,631	1,425
Net loss/gain on			
Available-for-sale assets at fair value through other comprehensive income	6.9	0	-4,509
Hedging instruments at fair value through other comprehensive income	6.16	444	492
Deferred taxes recognized through other comprehensive income	5.8	-135	1,262
Translation reserve		-6,108	-18,999
Items that can be recycled through profit or loss in future		-5,799	-21,754
Net loss/gain on			
Remeasurement of defined benefit plans	6.14	-27,859	5,865
Equity instruments at fair value through other comprehensive income	6.5	20,351	0
Deferred taxes recognized through other comprehensive income	5.8	8,069	-1,290
Items that will not be recycled through profit or loss in the future		561	4,575
Other comprehensive income		-5,238	-17,179
Total comprehensive income		130,279	115,664
thereof attributable to			
Owners of DEKRA SE		128,648	114,239
Non-controlling interests		1,631	1,425

DEKRA Financial Report 2018

DEKRA Financial Report 2018

DEKRA SE

Consolidated statement of financial position as of December 31, 2018

SSETS IN THOUSAND EUR	Notes	Dec. 31, 2018	Dec. 31, 2017
on-current assets			
Intangible assets	6.1/6.2	727,135	698,493
Property, plant and equipment	6.3	376,083	314,849
Financial assets accounted for using the equity method	6.4	11,755	10,974
Other non-current financial assets	6.5	-	
		77,147	60,25
Other non-current assets	6.6	7,341	5,777
Deferred income tax assets	5.8	151,481	149,093
		1,350,942	1,239,44
urrent assets			
Inventories	6.7	8,908	7,52
Contract assets	6.8	44,767	
Trade receivables	6.8	523,789	526,57
Other current financial assets	6.9	185,406	173,31
Other current assets	6.10	33,799	29,35
Current income tax receivables	5.8	40,894	37,51
Cash and cash equivalents	6.11	78,450	76,44
<u> </u>		916,013	850,73
tal assets		2,266,955	2,090,17

QUITY AND LIABILITIES IN THOUSAND EUR	Notes	Dec. 31, 2018	Dec. 31, 2017
quity			
Issued capital	6.12	25,565	25,565
Capital reserve	6.12	560,529	550,529
Revenue reserves	6.12	398,299	308,823
Accumulated other comprehensive income	6.12	-247,933	-260,020
Total equity of the owner		736,460	624,897
Non-controlling interests	6.13	12,348	10,562
		748,808	635,459
iabilities			
Non-current liabilities			
Provisions for pensions and similar obligations	6.14	469,473	492,415
Other non-current provisions	6.15	19,775	18,85
Non-current financial liabilities	6.16	265,104	232,19
Other non-current liabilities	6.18	3,549	2,94
Deferred income tax liabilities	5.8	31,528	34,33
		789,429	780,743
Current liabilities			
Other current provisions	6.15	15,663	20,902
Trade payables	6.17	93,767	98,350
Contract liabilities	6.17	46,852	(
Current financial liabilities	6.16	238,315	182,86
Other current liabilities	6.18	328,000	362,48
Current income tax liabilities	5.8	6,121	9,36
		728,718	673,970
Total liabilities		1,518,147	1,454,713
otal equity and liabilities		2,266,955	2,090,172

CONSOLIDATED FINANCIAL STATEMENTS CONSOLIDATED FINANCIAL STATEMENTS

DEKRA SE

Consolidated statement of changes in equity 2018

IN THOUSAND EUR										_	
					Accumulate	ed other comprehens	ive income		Equity		Group equity
	Issued capital	Capital reserve	Revenue reserves	Translation reserve	Available-for-sale assets at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Hedging instru- ments at fair value through other comprehensive income	Remeasurement of defined benefit plans	Owners	Non-controlling interests	
As of Dec. 31, 2016	25,565	520,529	230,859	7,849	3,100	0	-738	-253,052	534,112	9,395	543,507
Profit and loss transfer agreement/dividend distribution			-53,984						-53,984	-536	-54,520
Capital increase		30,000							30,000	921	30,921
Other changes			544						544	-643	-99
Changes to the consolidated group			-14						-14	0	-14
Consolidated net income for the year			131,418						131,418	1,425	132,843
Other comprehensive income for the period				-18,999	-3,097		342	4,575	- 17,179	0	- 1 <i>7</i> ,179
Total comprehensive income	0	0	131,418	-18,999	-3,097	0	342	4,575	114,239	1,425	115,664
As of Dec. 31, 2017	25,565	550,529	308,823	-11,150	3	0	-396	-248,477	624,897	10,562	635,459
Change of measurement category upon first-time application of IFRS 9			3		-3	17,328			17,328	0	17,328
Change in loss allowance upon first-time application of IFRS 9			-3,210						-3,210	-18	-3,228
As of Jan. 1, 2018 – adjusted	25,565	550,529	305,616	-11,150	0	17,328	-396	-248,477	639,015	10,544	649,559
Profit and loss transfer agreement/dividend distribution			-37,402						-37,402	-31	-37,433
Capital increase		10,000							10,000	0	10,000
Other changes			-77						-77	152	75
Changes to the consolidated group			-3,724						-3,724	52	-3,672
Consolidated net income for the year			133,886						133,886	1,631	135,517
Other comprehensive income for the period				-6,108		20,351	309	-19,790	-5,238	0	-5,238
Total comprehensive income	0	0	133,886	-6,108	0	20,351	309	-19,790	128,648	1,631	130,279
As of Dec. 31, 2018	25,565	560,529	398,299	-17,258	0	37,679	-87	-268,267	736,460	12,348	748,808

DEKRA SE

Consolidated statement of cash flows for fiscal year 2018

OPERATING ACTIVITIES IN THOUSAND EUR	2018	2017
Consolidated net income for the year	135,517	132,843
Depreciation/amortization/impairment losses/reversals of impairment losses	94,022	89,107
Gain/loss from the disposal of financial and intangible assets and property, plant and equipment	-784	-3,609
Interest income/expenses and dividends	7,121	6,565
Current income taxes	59,250	59,697
Change in non-current provisions	-4,481	-7,774
Contribution of cash and cash equivalents to cover pension assets	-41,353	-59,000
Other non-cash expenses/income	-4,255	-17,804
Change in inventories, receivables and other assets	-63,347	-74,972
Change in liabilities and current provisions	-15,103	33,277
Profit or loss from associates	-904	-1,491
Interest received	3,412	2,900
Taxes paid	-75,475	-56,097
Taxes received	132	254
Dividends received	258	408
Cash flow from operating activities	94,010	104,304

INVESTING ACTIVITIES IN THOUSAND EUR	2018	2017
Cash paid for investments in		
Intangible assets and property, plant and equipment	-132,470	-101,386
Financial assets and other assets	-13,003	-14,454
Subsidiaries and other business entities	-40,147	-53,620
Cash received from disposals of		
Intangible assets and property, plant and equipment	8,782	12,210
Financial assets and other assets	1,935	27,117
Cash flow from investing activities	-174,903	-130,133

FINANCING ACTIVITIES IN THOUSAND EUR	2018	2017
Cash received from equity contributions from owners	10,000	30,000
Cash received from equity contributions from non-controlling interests	0	921
Cash paid to owners and non-controlling interests from profit transfers/dividends	-54,051	-37,801
Cash received/paid in relation to loans to owners	33,474	-22,006
Cash repayments of loans	-10,500	-14,434
Cash received from borrowing	109,201	19,482
Cash repayments of liabilities from finance leases	-1,380	-892
Interest paid	-7,653	<i>-7</i> ,151
Cash flow from financing activities	79,091	-31,881

CASH AND CASH EQUIVALENTS IN THOUSAND EUR	2018	201 <i>7</i>
Changes in cash and cash equivalents	-1,802	-57,710
Changes in cash and cash equivalents due to exchange rates and changes in the consolidated group	3,853	-1,614
Cash and cash equivalents at the beginning of the period	76,442	135,766
Cash and cash equivalents at the end of the period	78,493	76,442

IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements of DEKRA SE, Stuttgart, for fiscal year 2018

1 GENERAL COMMENTS

DEKRA SE has its registered office at Handwerkstrasse 15 in Stuttgart, Germany, and is entered in the commercial register at Stuttgart local court under HRB no. 734316.

DEKRA is an international, independent expert organization operating in the areas of Automotive, Industrial and Personnel.

The consolidated financial statements as of December 31, 2018 include DEKRA SE and its consolidated subsidiaries.

The Management Board authorized the issue of the consolidated financial statements of DEKRA SE for the fiscal year from January 1 to December 31, 2018 on March 21, 2019 and presented them to the Supervisory Board for review and approval.

The prior-year financial statements and management report were filed for publication in the Bundesanzeiger [German Federal Gazette] in the reporting year.

All shares in DEKRA SE are held by DEKRA e.V., Stuttgart. DEKRA e.V., Stuttgart, is also the ultimate parent of the Company.

2 ACCOUNTING PRINCIPLES

The Company has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU as of the reporting date.

The principles of the Framework and the IFRS of the International Accounting Standards Board (IASB) as well as the interpretations of the IFRS Interpretations Committee (formerly: IFRIC) effective as of the reporting date were applied.

Information on the adoption of specific IFRS is provided in the comments on the individual items of the statement of financial position later on in these notes.

The consolidated financial statements are presented in euros. Unless otherwise stated, all amounts have been rounded up or down to the nearest thousand euros in accordance with customary commercial practice.

The consolidated financial statements comply with the requirements of Sec. 315e (3) HGB ["Handelsgesetzbuch": German Commercial Code].

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous reporting period. In addition, the new or revised standards that were subject to mandatory adoption for the first time in the fiscal year 2018 in accordance with the respective transitional provisions are presented below.

STANDARD/INTERPRETATION; EFFECTIVE DATE	IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF DEKRA SE
The following IFRS standards and interpreta- tions were subject to mandatory application for the first time in the fiscal year:	
IAS 40 Investment Property; January 1, 2018	Clarification that reclassification from or to investment property can only occur if there is evidence and not just the intention of a change in use. The list of evidence of a change in use of Paragraphs 57a to 57d is declared as non-exhaustive. The amendment does not have any effect on the consolidated financial statements.
IFRS 2 Share-based Payment; January 1, 2018	The amendments to IFRS 2 relate to the inclusion of guidelines on the effect of vesting conditions on the fair value of cash-settled share-based payments as well as on accounting for a reclassification from a cash-settled share-based payment to a equity-stettled share-based payment. Furthermore, clarification of the recognition of share-based payments with withholding tax. The amendment does not have any effect on the consolidated financial statements.

STANDARD/INTERPRETATION; EFFECTIVE DATE	IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF DEKRA SE
IFRS 4 Insurance Contracts; January 1, 2018	The amendment clarifies how entities that issue insurance contracts within the scope of IFRS 4 are to recognize certain income and expenses after the effective date of IFRS 9. The amendment does not have any effect on the consolidated financial statements.
IFRS 9 Financial Instruments; January 1, 2018	In July 2014, the IASB published the standard IFRS 9 replacing IAS 39. Application of IFRS 9 is mandatory for fiscal years beginning on or after January 1, 2018. The standard includes the classification and measurement of financial instruments using the contractually agreed cash flows and the business model. It also implements a new impairment model as well as new requirements for hedge accounting. Refer to notes 3 and 10. DEKRA is applying IFRS 9 for the first time as of January 1, 2018 and exercises the option not to restate comparative figures for 2017. Any differences between the previous carrying amount and the carrying amount at the beginning of the fiscal year are recognized in equity. The effects can be seen in the consolidated statement of changes in equity.
IFRS 15 Revenue from Contracts with Customers; January 1, 2018	IFRS 15 was issued by the IASB in May 2014. It replaces existing guidelines on recognizing revenue, including IAS 18 Revenue Recognition, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The objective of IFRS 15 is to establish principles that provide the users of financial statements with useful information on revenue and cash flows arising from contracts with customers. The standard provides a uniform principles-based five-step model for calculating and recognizing revenue that must be applied to all contracts with customers. The standard also contains a number of other rules on details and expands the required disclosures in the notes. The application of the new regulations does not have any significant effects on the consolidated financial statements. The effects are presented in note 3, note 5 and note 6.
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration; January 1, 2018	It was clarified that prepayments and other non-monetary assets and liabilities denominated in a foreign currency must be translated at the date of initial recognition. The amendment does not have any significant effects on the consolidated financial statements.
Improvements to IFRS (2014–2016 Cycle); January 1, 2018	The Annual Improvements to IFRSs 2014–2016 Cycle relate to an omnibus of standards. The resulting amendments effective as of January 1, 2018 relate to IFRS 1: First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures. IAS 28 clarifies that the option to measure investments in associates held by a qualifying entity at fair value can be exercised differently per investment. The amendment does not have any effect on the consolidated financial statements.

DEKRA Financial Report 2018

DEKRA Financial Report 2018

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The IASB and the IFRS IC have issued the standards, interpretations and amendments listed below that were not yet mandatory as of December 31, 2018. There are no plans to early adopt these new pronouncements.

STANDARD/INTERPRETATION; EFFECTIVE DATE	ADOPTED BY THE EU COMMISSION	ANTICIPATED IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF DEKRA SE
Amended standards and interpretations		
IAS 1 Presentation of Financial Statements; January 1, 2020	No	Currently being assessed
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; January 1, 2020	No	Currently being assessed
IAS 19 Employee Benefits; January 1, 2019	No	Immaterial
IAS 28 Investments in Associates and Joint Ventures; January 1, 2019	No	None
IFRS 3 Business Combinations; January 1, 2020	No	Currently being assessed
IFRS 9 (changes) Financial Instruments; January 1, 2019	Yes	None

STANDARD/INTERPRETATION; EFFECTIVE DATE	ADOPTED BY THE EU COMMISSION	ANTICIPATED IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF DEKRA SE
New standards		
IFRS 16 Leases; January 1, 2019	Yes	IFRS 16 was published in January 2016 and provides new regulations for the recognition, measurement, presentation and disclosure requirements for leases for fiscal years beginning on or after January 1, 2019. IFRS 16 will primarily affect lease accounting for lessees and lead to all leases being recognized in the statement of financial position. Pursuant to IFRS 16, a lease exists when the concluded contract grants the lessee the right to control the use of an identified asset over a fixed period of time in exchange for consideration. The lease components of a contract must be accounted for separately from the nonlease components of the contract. DEKRA has analyzed and digitized the contracts within the scope of the IFRS 16 project. DEKRA will make use of the exceptions of IFRS 16 and not recognize any assets and liabilities from leases in the statement of financial position, which have an expected life of 12 months or less or for which the underlying asset is of low value. The distinction between finance and operating leases required to date will no longer apply with respect to the lessee. A right-of-use asset as well as a lease liability must now be recognized on the assets and the liabilities side. The lease liability is measured as the present value of the payments to be made over the lease term and includes fixed payments, indexinked variable payments, residual value guarantees, purchase options that will be exercised with reasonable certainty and penalty payments that will be incurred with reasonable certainty. The right of use is measured at cost. This includes the value on initial recognition of the lease liability, the initial direct costs of the conclusion of the lease, the present value of dismantling cost and, a negative component, all incentives the lessee receives prior to or at the beginning of the use. The initial application of IFRS 16 is expected to result in an increase in total assets of 400 - 600 million euros. In subsequent periods, the lease liabilities accrue interest according to

STANDARD/INTERPRETATION; EFFECTIVE DATE	ADOPTED BY THE EU COMMISSION	ANTICIPATED IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF DEKRA SE
IFRS 17 Insurance Contracts; January 1, 2021	No	None
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments; January 1, 2019	Yes	Immaterial
Improvements to IFRS (2015–2017); January 1, 2019	No	None
Amendments to references to the conceptual framework; January 1, 2020	No	Currently being assessed

3.1 Principles of consolidation

All companies over which the Group's ultimate parent exercises direct or indirect control are included in full in the consolidated financial statements. Control is assumed as soon as the parent company has decision-making power over the subsidiary due to voting or other rights, is exposed to, or has rights to, variable returns from the subsidiary and has the ability to affect those returns through its power over the investee. First-time consolidation is carried out as of the date on which DEKRA SE obtains control of the subsidiary. The subsidiary is removed from the consolidated group as soon as control ends.

During the reporting period and as of the reporting date, there were no joint ventures or joint operations which would have had to be consolidated using the equity method or with their pro rata assets and liabilities as well as income and expenses.

Associates are accounted for using the equity method. An associate is an entity over which the owner exercises significant influence, but that is neither a subsidiary nor a joint venture or joint operation. In the consolidated financial statements of DEKRA SE, a total of two German (prior year: two) companies were consolidated using the equity method. These companies were capitalized at cost. Subsequently, the carrying amounts of the equity investments are increased or reduced each year by the proportionate share of profit or loss, dividends distributed or other changes in equity. The principles of purchase price allocation for full consolidation apply in the same way to the initial measurement of investments. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortized. As of each reporting date, DEKRA tests whether the carrying amount is impaired pursuant to IAS 36.

Since January 1, 2018, subsidiaries, joint ventures, joint operations and associates that, on account of their low level of business activity, are immaterial for the Group and the presentation of a true and fair view of the financial position and performance, have generally been included in the consolidated financial statements at fair value. Until December 31, 2017, they had been included at amortized cost.

Non-controlling interests in the total comprehensive income and equity of subsidiaries are presented separately in the statement of comprehensive income and in equity. On acquisition of control, non-controlling interests are generally recognized at their proportionate share of the identifiable net assets measured at fair value.

The consolidated group included DEKRA SE and the other entities listed in "Other Disclosures" accordingly as of December 31, 2018. The financial statements of the individual subsidiaries are included in the consolidated financial statements as of December 31, 2018 using the uniform accounting policies stipulated by DEKRA SE. In addition to DEKRA SE, Stuttgart, a total of 25 German (prior year: 25) and 136 foreign (prior year: 123) entities are included.

Effects of first-time inclusion of previously immaterial subsidiaries and associates are recognized in the statement of changes in equity under changes to the consolidated group.

Business combinations are accounted for using the acquisition method on the basis of carrying amounts as of the date of transfer of control (IFRS 3). Where there are non-controlling interests, a proportionate share of goodwill in accordance with IFRS 3 (purchased goodwill method) has always been recorded to date.

In the course of business combinations, sometimes arrangements are made concerning contingent consideration, and call and put options are sometimes agreed with non-controlling interests with respect to those interests. These obligations are included in the purchase price calculation at their estimated fair value. On the equity and liabilities side, a financial liability is recognized pursuant to IAS 32. Changes in fair value in subsequent periods are recognized with an effect on profit or loss. In the case of call and put options, the acquiree is included in the consolidated financial statements in full and no non-controlling interests are presented.

Transactions between the consolidated entities are netted. Profits from intercompany transactions are eliminated. Effects of consolidation on income taxes are accounted for by recognizing deferred taxes.

Currency translation

The consolidated financial statements of DEKRA SE are presented in euros. The concept of a functional currency is applied when translating financial statements of consolidated entities prepared in foreign currencies. The functional currency is generally the local currency of the respective subsidiary. Assets and liabilities are translated at the closing rate, expenses and income at the annual average rate. The items within equity are carried at historical rates. The resulting difference is recognized directly in equity and presented separately in the statement of comprehensive income.

In the separate financial statements of the subsidiaries, business transactions in foreign currencies are translated using the exchange rate on the date of the transaction. Pursuant to IFRIC 22, assets as well as expenses and income arising from the payment or receipt of advance consideration, and which are not measured at fair value upon initial recognition, are translated at the exchange rate at which the payment or receipt of advance consideration has been recognized for the first time. In subsequent periods, monetary assets and liabilities in foreign currencies are translated at the exchange rate as of the reporting date. Translation differences are generally recorded in the statement of comprehensive income under "Other operating income" or "Other operating expenses". In the case of financial receivables and liabilities, exchange rate effects are disclosed in the financial result. Non-monetary assets and liabilities are not generally remeasured in subsequent periods.

The following table shows the exchange rates of material entities listed in foreign currencies.

1 EURO =	RATE AS OF RE	RATE AS OF REPORTING DATE		ANNUAL AVERAGE RATE	
	Dec. 31, 2018	Dec. 31, 2017	2018	2017	
Brazilian real (BRL)	4.4440	3.9729	4.3087	3.6041	
Czech koruna (CZK)	25.7240	25.5350	25.6432	26.3272	
Chinese renminbi (CNY)	7.8751	7.8044	7.8074	7.6264	
Danish krone (DKK)	7.4673	7.4449	7.4532	7.4387	
Pound sterling (GBP)	0.8945	0.8872	0.8847	0.8761	
Croatian kuna (HRK)	7.4125	7.4400	7.4182	7.4644	
Hungarian forint (HUF)	320.9800	310.3300	318.8250	309.2725	
Moroccan dirham (MAD)	10.9476	11.2239	11.0524	10.9439	
New Zealand dollar (NZD)	1.7056	1.6850	1.7059	1.5895	
Hong Kong dollar (HKD)	8.9675	9.3720	9.2599	8.8012	
Polish zloty (PLN)	4.3014	4.1770	4.2606	4.2563	
Swedish krona (SEK)	10.2548	9.8438	10.2567	9.6369	
US dollar (USD)	1.1450	1.1993	1.1815	1.1293	
South African rand (ZAR)	16.4594	14.8054	15.6134	15.0434	
Taiwan dollar (TWD)	35.1827	35.7502	35.6551	34.3752	
Swiss franc (CHF)	1.1269	1.1702	1.1549	1.1116	
Japanese yen (JPY)	125.8500	n/a	130.4100	n/a	

3.2 Significant accounting policies

The financial statements have been prepared on a cost basis, except for financial instruments classified as "at fair value through profit and loss or other comprehensive income" pursuant to IFRS 9 as well as derivative financial instruments designated as part of an effective hedge. At the DEKRA Group, this primarily includes investments in non-consolidated subsidiaries, securities, obligations from options and contingent purchase price elements as well as interest derivatives.

Goodwill

The amount by which the purchase price of a business combination exceeds the fair value of the individually identifiable acquired net assets is recognized as goodwill. Incidental acquisition costs are recognized in profit of loss.

Under IAS 38, goodwill from acquisition accounting is not amortized. Where necessary, impairment losses are recognized in accordance with IAS 36 (impairment only approach).

Intangible assets

Acquired intangible assets are recognized at cost less any accumulated amortization. The useful lives of all intangible assets are classified as finite and are generally between three and eight years. Useful lives of trademarks or customer relationships of ten to 15 years are used for purchase price allocations. Intangible assets are amortized using the straight-line method. Where necessary, impairment losses are recognized, and then reversed if the reasons for the impairment cease to apply at a later date.

Internally generated intangible assets such as software are stated at cost if they meet the recognition criteria under IAS 38. Cost includes directly and indirectly allocable costs. Research costs are treated as period expenses and were immaterial in the past fiscal year. Borrowing costs are capitalized if they relate to a qualifying asset.

Property, plant and equipment

Pursuant to IAS 16, property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. If there are indications of impairment and the recoverable amount is below the cost less any accumulated depreciation and impairment losses, then an impairment loss is recognized.

Costs of conversion include direct materials and labor costs as well as production overheads. Subsequent costs are capitalized when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the asset, will flow to the Company. All other subsequent expenditure is recognized directly as an expense. Maintenance expenses are recognized through profit or loss in the statement of comprehensive income.

Property, plant and equipment are depreciated on a straight-line basis over the economic useful lives of the individual components. The useful lives of buildings and their individual components are between ten and 50 years, plant and machinery between ten and 25 years, and furniture and fixtures between three and 20 years. There were no significant residual values within the meaning of IAS 16.53 to be taken into account in the calculation of the depreciation charge.

Leased assets for which both the economic risk and the economic benefit lie with DEKRA (finance lease) are recognized in the statement of financial position pursuant to IAS 17 and depreciation expense and impairment losses are charged. The useful lives are measured using the shorter of lease term and the economic useful life. The payment obligation is recognized at the fair value of the asset or the lower present value of all future lease payments. Interest expenses are recognized through profit or loss in the statement of comprehensive income.

Lease payments for operating leases are recognized through profit or loss on a straight-line basis over the lease term.

Gains and losses from the disposal of non-current assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income under other operating income or other operating expenses.

Pursuant to the revised IAS 23, borrowing costs are capitalized only if they are incurred for the financing of the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Inventories

Inventories are measured at the lower of cost and net realizable value pursuant to IAS 2. Cost is calculated according to the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale that have yet to be incurred.

Financial assets and financial liabilities

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are contractual rights to receive cash or other financial assets from another entity or to exchange financial assets or liabilities with another entity at potentially favorable terms. They primarily consist of trade receivables, securities and shares in subsidiaries, which are not included in the consolidated financial statements for reasons of materiality. Moreover, loans to non-consolidated subsidiaries and investees are included. At DEKRA, the financial instruments are reported on the settlement date.

Financial liabilities comprise contractual obligations to deliver cash or other financial assets to another entity or to exchange financial assets or obligations with another entity at potentially unfavorable terms. These primarily include liabilities to banks and trade payables as well as other financial liabilities.

IFRS 9 replaces the recognition, measurement and impairment requirements for financial instruments as well as the hedge accounting requerements of IAS 39. DEKRA has applied the requirements in IFRS 9 since January 1, 2018. In accordance with the transitional provisions of IFRS 9.7.2.15 f, comparative figures were not restated retrospectively.

Financial assets

IFRS 9 introduces principle-based classification of financial assets. Under IFRS 9, financial assets are divided into three categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Financial assets at amortized cost

This category includes debt instruments with contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Furthermore, the debt instruments in this category are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

They are initially recognized at fair value, which generally matches the acquisition cost, plus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest rate method. Impairment losses are recognized through profit or loss.

At the DEKRA Group, this category includes loans to not consolidated subsidiaries and other loans, trade receivables, cash and cash equivalents, receivables from affiliates and other financial assets.

Financial assets at fair value through other comprehensive income

Debt instruments that, although satisfying the cash flow criterion, are held in a business model for collecting contractual cash flows and selling financial assets are classified as "at fair value through other comprehensive income".

Furthermore, there is an irrevocable option to allocate equity instruments not held for trading to this category when being classified for the first time. The cumulative changes in fair value are not reclassified to profit or loss even when these equity instruments are derecognized.

Both the initial recognition and subsequent measurement of the assets is at fair value. Transaction costs are recognized through profit or loss. Changes in value are generally recognized in the statement of comprehensive income. By contrast, information on the collection of contractual cash flows, such as interest income for debt instruments and dividends for equity instruments are recognized through profit and loss.

The DEKRA Group uses this category to account for shares in affiliates and investees. These shares are held as long-term, strategic investments that are not expected to be sold in the short to medium term.

/ Financial assets at fair value through profit or loss

This category includes debt instruments that do not satisfy the cash flow and/or business model conditions. There is also the option for debt instruments to be allocated to this category upon initial recognition in order to overcome or significantly reduce an accounting mismatch.

This category also includes equity instruments for which the option for measurement at fair value through other comprehensive income is not exercised as well as derivatives that are not recognized as part of an effective hedge.

The assets are initially recognized at fair value. Transaction costs are recognized through profit or loss. Subsequent measurement is also at fair value. Changes in value in this category are recognized through profit or loss.

The DEKRA Group allocates the securities held to this category.

Accounting policies for financial assets applied until December 31, 2017

Pursuant to IAS 39, financial assets were allocated using the following categories:

Financial assets at fair value through profit or loss

Under the standard, this category includes assets that had to be measured at fair value through profit or loss (trading book) and assets that could be optionally assigned to this category. The trading book comprised assets that were held for speculative purposes or were part of a trading portfolio. Under the standard, derivatives were assigned to the trading book, unless they were recognized as part of an effective hedge. Other financial assets could also be assigned to this category under certain circumstances.

Under the standard, the assets were initially recognized at cost. Transaction costs had to be recognized through profit or loss. Subsequent measurement had to be at fair value. This corresponded to the amount that could be recovered if the asset were traded under current market conditions. If the financial asset was traded on an active market, this generally meant the market price. Changes in value in this category were recognized through profit or loss.

The DEKRA Group did not use this category.

Loans issued and receivables at amortized cost

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted on an active market.

They were initially recognized at cost plus directly attributable transaction costs. Subsequent measurement was at amortized cost using the effective interest method. Valuation allowances, for example due to the counterparty's inability to pay, were recognized through profit or loss.

The DEKRA Group used this category for some of its financial assets.

DEKRA Financial Report 2018

DEKRA Financial Report 2018

Held-to-maturity investments

As a requirement for classification in this category, the standard provided the Company's intention or ability to hold the financial instrument until maturity. In addition, the assets had to have fixed or determinable payments, and fixed terms, and be quoted on an active market.

Under the standard, initial recognition had to be performed at cost plus transaction costs. Subsequent measurement had to be at amortized cost. Permanent impairment losses had to be recognized through profit or loss.

The DEKRA Group did not use this category.

Available-for-sale assets at fair value not through profit or loss

Financial instruments that could not be allocated to the other categories were classified as available-for-sale.

They were initially recognized at cost plus transaction costs. Subsequent measurement was at fair value. Changes in value were recognized in the statement of comprehensive income until the item was disposed of. If there was objective evidence of permanent or significant impairment, i.e., a decrease in the fair values of more than nine months or 20% lower than cost, the impairment loss was recognized through profit or loss. In addition to duration and extent of the decline in value, all information available, such as market conditions, market prices and asset-specific factors were taken into account.

The DEKRA Group used this category for some of its financial assets.

Financial liabilities

Pursuant to IFRS 9, financial liabilities are classified into two categories: financial liabilities at amortized cost and financial liabilities at fair value through profit or loss.

Financial liabilities at amortized cost

Financial liabilities are allocated to this category with the exception of derivatives, liabilities held for trading and when exercising the fair value option.

They are initially recognized at fair value plus any directly attributable transaction costs. Subsequent remeasurement is at amortized cost using the effective interest rate method.

The DEKRA Group uses this category for most of its financial liabilities. Participation capital was measured using the effective interest rate method due to the guaranteed interest payments.

Financial liabilities at fair value through profit or loss

Derivatives with negative fair values must be assigned to this category, unless they are recognized as part of an effective hedge. This category also includes all liabilities held for speculative purposes and all contingent liabilities recognized by an acquirer in a business combination pursuant to IFRS 3. Other liabilities can optionally be assigned to this category, in the same way as "Financial assets at fair value through profit or loss".

With the exception of the fair value option, measurement is the same as for "Financial assets at fair value through profit or loss".

At the DEKRA Group, liabilities from business combinations are allocated to this category.

Accounting policies for financial liabilities applied until December 31, 2017

Pursuant to IAS 39, financial liabilities were allocated using the following categories:

Financial liabilities at fair value through profit or loss

Derivatives with negative fair values had to be assigned to this category, unless they were recognized as part of an effective hedge. All liabilities held for speculative purposes also belonged to this category. Other liabilities could optionally be assigned to this category, in the same way as "Financial assets at fair value through profit or loss" under IAS 39.

Measurement was the same as for "Financial assets at fair value through profit or loss".

The DEKRA Group only used this category for liabilities from business combinations.

Financial liabilities at amortized cost

All other financial liabilities were measured at amortized cost using the effective interest rate method and assigned to this category. Participation capital was measured using the effective interest rate method due to the guaranteed interest payments.

The DEKRA Group used this category for most of its financial liabilities.

Derivative financial instruments and hedge accounting

The DEKRA Group uses derivative financial instruments in the form of cash flow hedges. These serve to control and secure future cash flows. Derivative financial instruments are recognized at fair value in the statement of financial position and reported under financial assets or under financial liabilities. The fair values are calculated on the basis of corresponding market prices or using appropriate valuation techniques.

The effective portion of the change in the fair value is recognized in other comprehensive income, taking into account the related tax effect. The ineffective part is recognized through profit or loss. When the hedged transaction occurs, the cumulative "other income" is reclassified through profit or loss. For further information, we refer to the comments on financial management in "Financial instruments and hedging activities".

Trade receivables, contract assets and other financial assets Trade receivables and other financial assets are recognized at nominal value less impairment losses. Non-current non-interest bearing receivables are stated at present value using a matching

Contract assets contain receivables from unbilled service contracts. In the prior year, these had been included under trade receivables and were recognized using the percentage-of-completion method in accordance with IAS 18.20 et seq. Since January 1, 2018, their recognition has been governed by IFRS 15 "Revenue from Contracts with Customers".

DEKRA recognizes revenue over time, when there is a continuous flow of benefits to the customer or an asset is created with no alternative use. In both cases, an ordinary termination right by the customer gives rise to a reimbursement claim for the respective proportionate selling price. DEKRA therefore recognizes revenue based on the respective degree of completion of the performance obligation. Selecting the method to determine the percentage of completion requires judgment and depends on the type of service being rendered. To determine the stage of completion for the respective contract, the cost-to-cost method is generally used as the ratio of costs incurred to the estimated total costs. Payments received for unbilled service contracts are disclosed net of contract assets on a contract-by-contract basis. If the prepayments received exceed the contract assets, they are reported on a net basis under contract liabilities.

As of January 1, 2018, trade receivables, contract assets and other financial assets are subject to the impairment model of IFRS 9. See section "Impairment or reversal pursuant to IFRS 9".

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and short-term deposits and are recognized at nominal value less any expected credit losses. The expected credit losses are also determined using the impairment model pursuant to IFRS 9. This is described in more detail in the section "Impairment or reversal pursuant to IFRS 9".

Deferred taxes and income taxes

Income taxes include expenses and income from current and deferred taxes as well as tax allocations to the parent DEKRA e.V., Stuttgart, with which the Company forms a tax group for income tax purposes.

Current income tax liabilities/income tax assets are measured at the amount expected to be paid to/recovered from the tax authorities. The calculation is based on the tax rates enacted or substantively enacted as of the reporting date.

Deferred taxes are recognized in accordance with the liability method pursuant to IAS 12 for temporary differences between the tax accounts and the consolidated financial statements – with the exception of goodwill resulting from acquisition accounting that cannot be recognized for tax purposes – and for unused tax losses. Deferred tax assets are only considered to the extent that it is sufficiently probable that they will be realized. Probable usability is based on a multi-year plan for the respective entity. Deferred taxes are calculated using the respective local tax rates on the basis of the tax rates that are expected to apply for the period of reversal of the difference. Changes to tax rates adopted by the reporting date are taken into account when calculating deferred taxes.

Deferred taxes are recorded as tax income or expense through profit or loss unless they relate to items recorded in other comprehensive income; in this case, the deferred taxes are likewise recorded in other comprehensive income.

Deferred tax assets for unused tax losses are only recognized to the extent that it is probable that future taxable profit will be available against which they can be utilized.

Deferred tax assets and liabilities are disclosed net in the consolidated statement of financial position, if there is a legally enforceable right to offset current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Accordingly, offsetting is carried out at entity and tax group level.

Impairment losses and reversals of impairment losses

Impairment losses and reversals of impairment losses pursuant to IAS 36

The carrying amounts of the assets that fall under the scope of IAS 36 are tested on each reporting date for indications that an asset may be impaired. If such indications are found to exist, the recoverable amount of the asset concerned is estimated. The recoverable amount is the higher of an asset's net realizable value and its value in use (present value of future cash flows). If the recoverable amount is lower than its carrying amount, an impairment loss must be recognized to reduce the carrying amount to the recoverable amount. Impairment losses recognized in prior years must be reversed when there is a change in estimate and the recoverable amount is higher than the carrying amount.

In addition, annual impairment tests must be carried out for goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet available for use. As goodwill and other intangible assets cannot generally be sold independently and cannot generate cash flows independently of other assets, impairment tests can only be carried out in connection with a cash-generating unit.

The cash-generating units relevant for the goodwill impairment tests are defined at business unit level. The Business Units Automotive, Industrial and Personnel were identified as the smallest cash-generating units. This is due to single management, shared customer service and uniform product policy, a joint advertising strategy, as well as joint management and monitoring of the respective units.

As a result of the organizational realignment under the Targeting Operating Model 2020 (TOM 2020), management and monitoring is performed by eight regional clusters as well as the globally operating Temporary Work Service Unit as of January 1, 2019. As a result, there is a change in the reporting structure pursuant to IAS 36.87 such that goodwill is reallocated to the

new cash-generating units. The reallocation is performed as of fiscal year 2019 pursuant to IAS 36.87 using the relative value approach of the business value of the allocated units in relation to the business value of the former Business Units.

In the course of the impairment test of a cash-generating unit, the carrying amount of the cash-generating unit is compared to the recoverable amount. The cash-generating unit includes those assets that can be allocated directly or indirectly on a reasonable and consistent basis to the cash-generating unit and will generate the future cash inflows. If the net sales proceeds and the present value of the cash flows of a cash-generating unit are lower than its carrying amount, the impairment expense recognized through profit or loss is allocated to the individual assets of the cash-generating unit. This allocation is made in proportion to the individual assets' share in the cash-generating unit's carrying amount. If goodwill is assigned to the cash-generating unit, any identified impairment expense is first assigned to goodwill and then allocated proportionately to the other assets of the cash-generating unit.

Impairment or reversal pursuant to IFRS 9

The impairment model introduced by IFRS 9 is based on future expected credit losses and is applicable for all financial assets (debt instruments) that are not measured at fair value through profit or loss. The impairment approach provides a three-stage model for the allocation of impairment losses.

Stage 1: 12-month expected credit losses

Stage 1 comprises all instruments, for which there has not been a significant increase in credit risk since initial recognition. The expected default within the next 12 months is taken into account as an impairment loss.

Stage 2: lifetime expected credit losses credit standing not impaired

Stage 2 comprises allinstruments, for which there has been a significant increase in credit risk on the reporting date compared to the date of initial recognition, but there is no evidence of impairment. The expected losses over the residual term of the instrument are recognized as impairment. A past due status of more than 30 days is used as objective evidence for a significant increase in credit risk.

Stage 3: lifetime expected credit losses – credit standing impaired

If there is also objective evidence of impairment in addition to a significant increase the credit risk as of the reporting date, the expected losses over the entire lifetime of the instrument are recognized as impairment. A past due status of more than 90 days is used as objective evidence of impairment as well as further indications of financial difficulties on the part of the debtor.

The assessment as to whether the credit risk of a financial asset has increased significantly is performed at regular intervals, at least once a year, based on internally or externally available information on the counterparty (e.g., rating information). Past due information is also used to assess the probability of default especially for trade receivables and other financial assets.

For trade receivables and contract assets, DEKRA uses a simplified approach to determine the expected credit losses based on the lifetime expected credit losses. A review as to whether there has been a significant increase in the credit risk is, therefore, not necessary. Portfolio allowances for the expected credit losses are calculated on the basis of historical data adjusted for supportable, forward-looking macroeconomic factors. For example, this involves analyzing and weighting GDP growth rates published by the OECD for the regions in which DEKRA operates. In addition, the volume of receivables is regularly analyzed (without undue cost or effort) for any new findings that could have an impact on the expected loss. The findings are accounted for using adequate specific bad debt allowances. For further information, we refer to the comments on impairment in section 6.8.

For bank balances and short-term deposits loans and other financial assets, the expected credit losses pursuant to IFRS 9 are determined annually on the basis of probabilities of default derived from the respective rating of the contractual partner, the loss given default and the amount at risk of default.

A financial asset is derecognized if it is assumed after thorough analysis that it can no longer be realized, for example after the end of insolvency proceedings or after court rulings.

Pensions and other post-employment benefits

Provisions for pensions and similar obligations are calculated according to the projected unit credit method prescribed by IAS 19. In addition to biometric bases of calculation, this method primarily takes into account current assumptions regarding future increases in salaries and pensions as well as the relevant long-term capital market interest rate, which is determined on the basis of the market yields of high-quality fixed interest corporate bonds as of the reporting date. The provision is recognized at an amount equivalent to the defined benefit obligation.

Plan assets that are invested in order to cover defined benefit pension plans and other similar benefits are measured at fair value and offset against the corresponding obligations.

The return on plan assets and the interest charged on the defined benefit obligation use the same interest rate. It is presented net in the financial result.

Actuarial gains and losses, which result primarily from changes in the assumptions made, are recorded in other comprehensive income in the period in which they occur. Past service cost from plan amendments is immediately recognized in personnel expenses in the fiscal year, in which the amendments are made.

Actuarial reports are obtained for the calculation of the pension provisions.

Other provisions

Provisions are recognized in the amount required, based on a best estimate, to cover all present obligations as of the reporting date. Future events, which may have an effect on the amount needed to satisfy the obligation are considered in the provisions, provided that they can be forecast with an adequate, objective degree of certainty and that the obligation results from past events. In addition, provisions for potential losses from onerous contracts are recognized in accordance with IAS 37.

A provision is measured as the most probable amount of a range of expected values. Where possible, it is determined and measured using contractual agreements; otherwise calculations are based on past experience and estimates by the Management Board.

Non-current provisions are recognized at present value and discounted at market interest rates that match the risk and the period to realization.

Contract liabilities

DEKRA recognizes contract liabilities for obligations to transfer goods or services to a customer for which it has received consideration. If a customer pays consideration before the Group has transferred the goods or services, a contract liability is recognized when the payment is made or is due. Contract liabilities are recognized as revenue as soon as the Group has satisfied its contractual obligations.

Revenue recognition

In the current fiscal year, DEKRA applied IFRS 15 "Revenue from Contracts with Customers" for the first time. IFRS 15 provides a uniform, principles-based five-step model for calculating revenue that must be applied to all contracts with customers. DEKRA recognizes revenue over time, when there is a continuous flow of benefits to the customer or an asset is created with no alternative use. In both cases, an ordinary termination right by the customer gives rise to a reimbursement claim for the respective proportionate selling price. DEKRA therefore recognizes revenue based on the respective degree of completion of the performance obligation.

DEKRA uses the option for simplified first-time application, limiting the retrospective application of IFRS 15 to contracts that had not yet been fulfilled as of the date of first-time application January 1, 2018. They are recognized as if they had been presented in accordance with IFRS 15 from the outset.

Aside from a change in presentation as well as more detailed disclosures on revenue recognition in the notes to the financial statements, the application of IFRS 15 did not have any significant effects on the consolidated financial statements. It does not have any effect on equity. Comparative figures from prior-year periods are not restated but instead presented in section 6.8.

DEKRA uses the following practical expedients:

- Contracts concluded before the date of transition in accordance with IAS 11 and IAS 18 were not restated
- Using the practical expedient in paragraph 121 of IFRS 15, DEKRA does not disclose any information on remaining performance obligations with an original expected duration of one year or less or performance obligations recognized in accordance with IFRS 15.B16.

Dividends are recognized when the right to receive payment arises.

Government grants

In accordance with IAS 20, government grants are only recognized where there is reasonable assurance that all attaching conditions will be complied with and the grant will be received. They are recognized through profit or loss at the date the subsidized expenses are incurred, unless they relate to subsidies for an asset. Government grants are disclosed without offsetting under other operating income.

Accounting judgments and estimates

In applying the accounting policies, the Management Board has made the following judgments, which have a significant effect on the amounts recognized in the consolidated financial statements.

The consolidated financial statements include assumptions and estimates, which have an effect on the carrying amounts and recognition of assets and liabilities as well as income and expenses. Actual amounts may differ from the amounts based on these estimates and assumptions.

In particular, assumptions and estimates were made concerning the useful lives of non-current assets, the recoverability of goodwill and other intangible assets, the recoverability of receivables, the adequate valuation of securities, the parameters for measuring pension and other provisions, and the recoverability of deferred tax assets. In addition, we refer to the above explanations and to the comments in note 6 on the individual items in the statement of financial position.

The Group tests goodwill for impairment at least once a year. The impairment tests carried out are mainly based on estimates. Various scenarios were, therefore, worked out for the individual cash-generating units. The main estimates were the future net cash flows, based on market developments, as well as assumptions about the economic development and an estimate of increases in personnel costs, the growth rates and the weighted average cost of capital. Even if the estimates should change, the recoverable amount is currently expected to exceed the carrying amount of goodwill. Especially with regard to the assumptions concerning goodwill impairment or the expected future cash flows and weighted average of cost of capital, we refer to note 6.2.

Loss allowances on trade receivables relate to assumptions regarding the credit risk and the expected loss given default. DEKRA makes these assumptions based on past experience, existing market conditions as well as estimates concerning the future as of the end of the reporting period.

Selecting the method to determine the degree of completion of customer contracts requires judgment and depends on the type of service being rendered. To determine the stage of completion for the respective contract, the cost-to-cost method is generally used as the ratio of costs incurred to the estimated total costs.

The obligation from defined benefit pension plans and the pension benefit payments of the subsequent year are determined based on actuarial parameters such as interest rate, future salary and pension increases, and age. Changes in parameters can have a significant effect on the benefit obligation. For further explanations, we refer to note 6.14.

DEKRA Financial Report 2018

DEKRA Financial Report 2018

In some business combinations, contingent consideration has been arranged or call or put options for non-controlling interests have been agreed with the seller. The resulting purchase price liabilities are subject to estimates as to whether future targets can be achieved and in terms of assumptions regarding the present value of future purchase price payments. For further explanations, we refer to note 3.1.

Deferred tax assets are recognized to the extent that they are likely to be used. The probability of their being used in the future is assessed taking into account various factors such as future taxable profits in the planning periods. DEKRA uses a planning horizon of three years. The actual amounts may differ from the estimates. These are then adjusted in other comprehensive income or through profit or loss, depending on how they were initially recognized.

4 BUSINESS COMBINATIONS

Presentation of significant business combinations in the fiscal year

Effective July 16, 2018, 100 % of the shares in Industrial Safety Group B.V., Rotterdam, Netherlands, and its subsidiaries were acquired for a purchase price of 9.5 million euros.

The acquired net assets amounted to 0.8 million euros. As of the date of acquisition, the carrying amounts of the acquired assets and liabilities totaled 2.6 million euros and 1.8 million euros respectively.

An amount of 2.2 million euros in assets relates to trade receivables, while an amount of 0.3 million euros relates to other assets and 0.1 million euros relate to property, plant and equipment and cash and cash equivalents. The carrying amount of the receivables corresponds to their fair value. All liabilities are current.

In the course of the purchase price allocation, intangible assets (customer list) of a total of 3.0 million euros and deferred taxes of 0.7 million euros were recognized. The resulting good-will on the acquisition date amounted to 6.4 million euros. In addition to synergy effects within the Service Unit, the goodwill arising includes intangible assets that cannot be measured separately from goodwill such as the permanent workforce and know-how. Under local law, goodwill is not tax deductible.

The main purpose of the transaction was to expand the service portfolio of the Insight Service Unit. Accordingly, the entities were allocated to the Business Unit DEKRA Industrial. As a result of the organizational realignment under TOM 2020, the company has been allocated to the North-West Europe region as of January 1, 2019.

The purchase price for this business combination was paid in cash. The directly allocable incidental costs of 0.1 million euros incurred in the transaction were recognized in other operating expenses.

Furthermore, the assets of Jiffy Smog, LLC, Henderson, USA, were acquired effective as of April 17, 2018 for a purchase price of 9.1 million euros.

The acquired net assets amounted to -0.01 million euros and consist of property, plant and equipment and non-current liabilities.

In the course of the purchase price allocation, intangible assets (customer list) totaling 2.7 million euros were recognized. The resulting goodwill on the acquisition date amounted to 6.4 million euros. In addition to synergy effects in the Service Line, the goodwill arising includes intangible assets that cannot be measured separately from goodwill such as the permanent workforce and know-how. Under local law, goodwill is tax deductible.

The transaction was carried out mainly in order to expand the service portfolio of the Vehicle Inspection Service Line. Accordingly, the company was allocated to the Business Unit DEKRA Automotive. As of fiscal year 2019, the company is allocated to the North America region.

The purchase price was paid in cash. The directly allocable incidental costs of 0.3 million euros incurred in the transaction were recognized in other operating expenses.

Further Business Combinations

Furthermore, 100 % of the shares in HESPO s.r.o., Zlin-Malenovice, Czech Republic, were acquired effective as of January 1, 2018. Likewise effective as of January 1, 2018, the company was merged into DEKRA CZ a.s., Prague, Czech Republic. In addition, 100 % of the shares in Gain Solutions Ltd., Chippenham, UK, and 100 % of the shares in SINISTRAUTO Gabinete Tecnico de Regulação de Sinistros Automove Lda., Linda-a-Velha, Portugal, were acquired effective as of July 1, 2018 and August 1, 2018, respectively. The total purchase prices of 8.3 million euros were paid in cash.

The acquired net assets amounted to 2.9 million euros. As of the date of acquisition, the carrying amounts of the acquired assets and liabilities totaled 3.7 million euros and 0.8 million euros respectively.

An amount of 1.9 million euros in assets relates to cash and cash equivalents, while an amount of 1.3 million euros relates to property, plant and equipment and 0.5 million euros to trade receivables and other assets. The carrying amount of the receivables corresponds to their fair value.

Of the liabilities, 0.2 million euros relate to non-current liabilities and 0.6 million euros relate to current liabilities.

In the course of the purchase price allocation, intangible assets (customer list) of 1.2 million euros and deferred taxes of 0.3 million euros were recognized. The resulting goodwill on the acquisition date amounted to 4.5 million euros. In addition to synergy effects within the Service Lines, the goodwill arising includes intangible assets that cannot be measured separately from goodwill such as the permanent workforce and know-how. Under local law, goodwill is not tax deductible for any of the acquisitions.

The transactions were carried out mainly in order to expand the service portfolio of the Vehicle Inspection and Expertise Service Lines. Accordingly, the entities were allocated to the Business Unit DEKRA Automotive. As of fiscal year 2019, the companies are allocated to the regions Central East Europe & Middle East, North-West Europe and South-West Europe. The directly allocable incidental costs of 0.1 million euros incurred in the transactions were recognized in other operating expenses.

The entities acquired during the fiscal year are included in the consolidated financial statements with revenue of 12.2 million euros and operating profit before taxes taking into consideration depreciation, amortization and impairment in the course of the purchase price allocation of 1.2 million euros. If the entities had been included in the consolidation for the entire year, they would have contributed 20.9 million euros to group revenue and 2.3 million euros to the Group's earnings before taxes.

Presentation of significant business combinations in the prior year

In 2017, the significant business combinations were the acquisition of 100% of the shares in Master Test, SGPS, S.A.; Lisbon, Portugal, as well as their respective subsidiaries, and 100% of the shares in VEIKI-VNL Villamos Nagylaboratóriumok

Korlátolt Felelősségü Társaság, Budapest, Hungary. These acquisitions resulted in goodwill totaling 25.8 million euros.

Master Test, SGPS, S.A. and its subsidiaries were included in the consolidated financial statements from July 31, 2017. VEIKI-VNL Villamos Nagylaboratóriumok Korlátolt Felelősségü Társaság was included in the consolidated financial statements from March 31, 2017. The companies contributed 13.7 million euros (prior year: 6.6 million euros) to group revenue.

5 STATEMENT OF COMPREHENSIVE INCOME/ INCOME STATEMENT

The statement of comprehensive income has been prepared using the nature of expense method. Income and expenses attributable to the fiscal year are recognized through profit or loss. Non-owner-based transactions reported as other comprehensive income are presented after the income statement (one statement approach).

5.1 <u>Revenue</u> Revenue by Service Line

IN THOUSAND EUR	2018	2017
Vehicle Inspection	1,007,018	955,189
Expertise	322,819	318,085
Automotive Solutions	197,966	188,852
Homologation & Type Approvals	37,841	29,696
Claims Services	43,117	36,428
Other Automotive income	29,879	29,277
Automotive Services	1,638,640	1,557,527
Industrial & Construction Inspection	429,599	405,756
Materials Testing & Inspection	159,753	160,353
Product Testing & Certification	188,309	177,028
Business Assurance	91,010	82,213
Insight	71,334	71,023
Industrial Services	940,005	896,373
Training & Education	205,660	197,260
Temporary Work	529,570	452,830
Personnel Services	735,230	650,090
Other	26,674	30,837
	3,340,549	3,134,827

Within the business units, revenue is broken down by services that exist regionally and internationally throughout the Group. The revenue results from ordinary activities.

Revenue also includes income from unbilled service contracts (over time) as of year-end of 39,123 thousand euros (prior year: 38,375 thousand euros), which are recognized proportionately over the performance period.

DEKRA's performance obligations are generally satisfied when the service has been rendered (e.g., training, consulting) or completed (e.g., vehicle inspection, certification cycle).

At DEKRA, the terms of payment differ according to region and service. Across the Group, the terms of payment generally range between 30 and 90 days and do not contain any significant financing components.

For customer contracts that have an original expected duration of more than one year or performance obligations not recognized in accordance with IFRS 15.B16, the transaction price for the remaining unsatisfied or partially unsatisfied performance obligations can be broken down as of December 31, 2018 as follows:

IN THOUSAND EUR	2018
Within one year	7,362
More than one year	848
	8,210

5.2 Other operating income

Other operating income of 33.3 million euros (prior year: 31.9 million euros) chiefly includes current income of 23.4 million euros (prior year: 19.4 million euros). This includes income from compensation of 4.3 million euros (prior year: 1.8 million euros) as well as reintegration and wage subsidies totaling 3.3 million euros (prior year: 2.6 million euros). Other operating income also includes income from disposal of assets of 3.1 million euros (prior year: 6.3 million euros), exchange gains of 2.7 million euros (prior year: 2.0 million euros) as well as income from the reversal of allowances of 2.2 million euros (prior year: 1.5 million euros).

5.3 Cost of materials

Cost of materials breaks down as follows:

2018	2017
287,153	279,305
29,712	28,258
0	49
316,865	307,612
	287,153 29,712

5.4 Personnel expenses

IN THOUSAND EUR	2018	2017
Wages and salaries	1,813,230	1,676,352
Social security costs (excl. pension insurance premiums)	243,965	219,091
Pension costs	132,196	126,193
	2,189,391	2,021,636

Pension costs also include employer contributions to the statutory pension insurance fund of 100.6 million euros (prior year: 91.9 million euros). The majority of group employees are salaried employees.

The Group's employees are distributed as follows (annual average):

ANNUAL AVERAGE	2018	2017
Business Unit DEKRA Automotive	16,460	15,579
Business Unit DEKRA Industrial	8,330	8,134
Business Unit DEKRA Personnel	16,979	16,756
DEKRA SE/Regional central units	884	780
	42,653	41,249

5.5 Other operating expenses

Other operating expenses of 573.9 million euros (prior year: 554.3 million euros) chiefly include rent and rent incidentals of 130.7 million euros (prior year: 124.7 million euros), travel expenses of 104.5 million euros (prior year: 103.3 million euros), administrative expenses of 85.8 million euros (prior year: 79.4 million euros), IT and telephone costs of 77.1 million euros (prior year: 71.0 million euros) and vehicle costs of 46.3 million euros (prior year: 44.5 million euros). Other operating expenses contain exchange differences of 2.9 million euros (prior year: 2.8 million euros).

5.6 <u>Depreciation, amortization and impairment losses on property, plant and equipment and intangible assets</u>

The composition of depreciation, amortization and impairment losses is presented in the statements of changes in intangible assets and property, plant and equipment. See notes 6.1 and 6.3.

5.7 Financial result

The financial result breaks down as follows:

IN THOUSAND EUR	2018	2017
Investment result from companies accounted for using the equity method	782	1,353
Dividends from equity instruments at fair value through other comprehensive income	258	0
Other investment result	0	721
Expenses from loans to affiliates and investees *)	-2,135	-1,370
Result from securities	50	6,402
Result from loans	-845	0
Other financial result	-2,672	5,753
		6,170
Interest income	6,004	0,170
Interest expenses	-21,723	-23,781
	·	·
Interest expenses	-21,723	-23,781
Interest expenses thereof other interest expenses thereof net lending from German phased retirement	-21,723 -13,383	-23,781 -13,144
Interest expenses thereof other interest expenses thereof net lending from German phased retirement scheme obligations thereof net lending from	-21,723 -13,383	-23,781 -13,144
Interest expenses thereof other interest expenses thereof net lending from German phased retirement scheme obligations thereof net lending from pension provisions	-21,723 -13,383 4 -8,344	-23,781 -13,144 15 -10,652

*) Prior year: Expenses from investments and shares in affiliates

The investment result from companies accounted for using the equity method of 782 thousand euros (prior year: 1,353 thousand euros) relates to the recognition of profit shares of FSD Fahrzeugsystemdaten GmbH, Dresden, Germany and Euro Transport Media Verlags- und Veranstaltungsgesellschaft mbH, Stuttgart, Germany.

Other financial result mainly comprises impairments of loans to non-consolidated subsidiaries and of other loans. The decrease in other financial result is attributable to the fact that income from the reclassification without affecting income of remeasurement effects of AfS securities from other comprehensive income to the income statement due to the contribution of these securities to the Contractual Trust Arrangement (CTA) was included in the prior year.

Interest income primarily stems from interest income from loans and receivables of 3,026 thousand euros (prior year: 2,531 thousand euros). Measurements in foreign currencies had an effect of 1,846 thousand euros (prior year: 2,520 thousand euros) on interest income.

Other interest expenses of 13,383 thousand euros (prior year: 13,144 thousand euros) chiefly stem from short-term and long-term loans. Moreover, this includes expenses from the increase in liabilities from put and call options in connection with subsidiaries acquired in prior years of 2,518 thousand euros (prior year: 3,750 thousand euros) as well expenses from currency effects of 2,404 thousand euros (prior year: 2,023 thousand euros) in the fiscal year.

Net lending from pension provisions results from interest expenses arising from pension obligations of 16,556 thousand euros (prior year: 16,356 thousand euros) less the expected return on plan assets of 8,212 thousand euros (prior year: 5,704 thousand euros).

5.8 Income taxes

Income taxes include taxes paid or owed on income as well as deferred taxes.

Tax allocations to DEKRA e.V., Stuttgart, of 35.8 million euros (prior year: 48.8 million euros) are also recognized under income taxes. The tax allocation corresponds to the actual tax incurred up to the level of DEKRA SE. The resulting receivables and liabilities are included under receivables and liabilities to affiliates.

IN THOUSAND EUR	2018	2017
Current taxes	58,355	72,831
Deferred taxes		
Temporary differences	4,390	-13,858
Unused tax losses	-3,495	724
	59,250	59,697

Current taxes contain tax expenses of –787 thousand euros (prior year: –262 thousand euros) relating to other periods.

As of the reporting date, the DEKRA Group disclosed 33,070 thousand euros in total of unused tax losses (prior year: 16,090 thousand euros), which resulted in deferred tax assets of 9,183 thousand euros (prior year: 5,108 thousand euros). The Group considers it probable that future taxable profit will be available against which they can be utilized. The respective local tax rate was used in each case.

Deferred taxes from temporary measurement differences were determined using future anticipated local tax rates, e.g., 30.5% (prior year: 30.5%) for Germany, 28.0% (prior year: 28.0%) for France and 25.0% (prior year: 25.0%) for the Netherlands.

No deferred taxes were recognized on retained earnings from subsidiaries, since the profits are to remain invested in the subsidiaries for the time being.

The deferred taxes as of December 31, 2018 break down as follows:

IN THOUSAND EUR	DEFERRED 1	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	
Non-current assets	82,235	61,669	34,823	29,936	
Current assets	4,294	8,704	4,903	4,150	
Non-current liabilities					
Pension provisions	137,810	128,006	79,197	57,011	
Other non-current liabilities	1,479	3,485	1,900	8,364	
Current liabilities	6,002	8,094	227	844	
Deferred taxes on temporary measurement differences	231,820	209,958	121,050	100,305	
Deferred taxes on unused tax losses	9,183	5,108	0	0	
Total deferred taxes	241,003	215,066	121,050	100,305	
Offsetting at tax group level	-89,522	-65,971	-89,522	-65,971	
Disclosure	151,481	149,095	31,528	34,334	

The following tax reconciliation clarifies the difference between the effective tax expense according to the statement of comprehensive income and the tax expense that would theoretically arise if the tax rate of DEKRA SE were to be applied to consolidated earnings before taxes. As in the prior year, the DEKRA Group's tax rate is 30.525 %.

IN THOUSAND EUR	2018	2017
Consolidated earnings before tax	194,767	192,540
Expected tax expense (30.525%)	59,453	58,773
Losses for which no deferred taxes were recognized	604	1,253
Differences from foreign tax rates	-2,974	-1,569
Tax-free income	-2,506	-4,164
Non-deductible expenses	7,809	4,748
Tax items relating to other periods	-3,334	611
Other tax effects	198	45
Effective tax expense	59,250	59,697

Deferred income tax assets and current income tax assets

The Group has unused tax losses that can be carried forward indefinitely of 20,749 thousand euros (prior year: 30,908 thousand euros), for which no deferred taxes were recognized, since it is not yet sufficiently certain that they will be usable for tax purposes.

Deferred tax assets and liabilities were offset at tax group level provided the requirements for offsetting pursuant to IAS 12.74 were met.

Of the change in deferred taxes, an amount of 7,934 thousand euros (prior year: –28 thousand euros) was reported in other comprehensive income. There were also changes in the deferred taxes from first-time consolidations as well as from currency translation effects.

The current income tax receivables primarily pertain to claims for tax credits to promote competitiveness and employment in France.

Deferred income tax liabilities and current income tax liabilities

Besides those from effective tax obligations, tax liabilities arise mainly from deferred tax liabilities. The recognition and measurement differences determined from adjustments of the statements of financial position of the consolidated companies according to local GAAP to IFRSs and consolidation entries recognized through profit or loss, which resulted in deferred tax assets or liabilities, are presented in the table above. Deferred taxes of 2.3 million euros (prior year: 2.8 million euros) were recognized in the first-time consolidations.

Current tax liabilities mainly relate to income tax liabilities of foreign entities. Of the liabilities from tax allocations to DEKRA e.V., Stuttgart, an amount of 35.8 million euros has been offset against receivables from affiliates.

5.9 Statement of comprehensive income

The consolidated net income for the year under IFRS stands at 135.5 million euros (prior year: 132.8 million euros). This serves as a basis for developing the income statement into the statement of comprehensive income. Items affecting other comprehensive income, which will not be recycled through profit or loss in the future, include the remeasurement of defined benefit pension plans of -27.9 million euros (prior year: 5.9 million euros), less associated deferred taxes of 8.1 million euros (prior year: -1.3 million euros), as well as the change in the fair value of equity instruments at fair value through other comprehensive income of 20.4 million euros (prior year: 0 million euros). Other items affecting other comprehensive income are the remeasurement of hedging instruments of 0.4 million euros (prior year: 0.5 million euros). In the prior year, this item also included effects from the remeasurement of available-for-sale securities of -4.5 million euros. It is possible that these items will be recycled through profit and loss in the future together with the associated deferred taxes of -0.1 million euros (prior year: 1.3 million euros).

Reclassification adjustments from other comprehensive income to profit or loss in the fiscal year are explained in note 10.

In addition, expenses from currency translation of 6.1 million euros (prior year: 19.0 million euros) were recognized in other comprehensive expenses. The effects of foreign currency translation are primarily due to translation of items from the South African rand, the Swedish krona and the Brazilian real. This was mainly countered by the effects from the translation of items from the US dollar. These items could also be recycled through profit and loss in the future if certain conditions are met.

6 STATEMENT OF FINANCIAL POSITION

Non-current assets

6.1 Intangible assets

In addition to goodwill, items include customer lists acquired for a consideration, franchises, industrial and similar rights and assets, and internally generated intangible assets (IT developments).

Internally generated intangible assets of 4,384 thousand euros (prior year: 6,442 thousand euros) were recognized for software developments in the reporting year.

No impairments were necessary for goodwill and for internally generated intangible assets in the reporting year.

IN THOUSAND EUR	_	INT	ANGIBLE ASSET	·s		
	Goodwill	Franchises, industrial and similar rights	Other intangible assets	Internally generated intangible assets	Prepayments and intangible assets under development	Total
Cost as of Jan. 1, 2017	534,083	134,475	216,445	31,243	10,968	927,214
Exchange difference on opening balance	-14,521	-69	-5,157	-274	-2	-20,023
Exchange difference in current year	-280	-18	-61	- 157	1	-515
Additions	313	9,397	2,330	6,442	7,662	26,144
Additions to the consolidated group	32,184	51	10,776	0	0	43,011
Disposals	-1,915	-416	-1,546	-53	-296	-4,226
Reclassifications	-18	10,839	-1,923	1,116	-8,024	1,990
As of Dec. 31, 2017 / Jan. 1, 2018	549,846	154,259	220,864	38,317	10,309	973,595
Exchange difference on opening balance	-3,157	23	-1,195	-194	0	-4,523
Exchange difference in current year	167	5	36	43	6	257
Additions	0	7,102	2,164	4,384	10,379	24,029
Additions to the consolidated group	35,373	21	11,334	0	0	46,728
Disposals	-936	-284	-1,951	-883	-79	-4,133
Reclassifications	32	6,436	-4,634	-132	-2,669	-967
As of Dec. 31, 2018	581,325	167,562	226,618	41,535	17,946	1,034,986
Amortization and impairment losses As of Jan. 1, 2017	-516	-96,432	-127,209	-15,146	0	-239,303
Exchange difference on opening balance	62	35	2,837	49	0	2,983
Exchange difference in current year	-28	16	315	43	0	346
Additions	0	-14,175	-23,276	-3,264	0	-40,715
Disposals	482	373	1,415	39	0	2,309
Reclassifications	0	-3,123	2,401	0	0	-722
As of Dec. 31, 2017 / Jan. 1, 2018	0	-113,306	-143,517	-18,279	0	-275,102
Exchange difference on opening balance	0	-12	1,052	40	0	1,080
Exchange difference in current year	0	-4	-32	-3	0	-39
Additions	0	-12,972	-20,932	-4,124	0	-38,028
Disposals	0	283	1,976	609	0	2,868
Reclassifications	-72	-2,390	2,556	1,276	0	1,370
As of Dec. 31, 2018	-72	-128,401	-158,897	-20,481	0	-307,851
Carrying amount as of Dec. 31, 2018	581,253	39,161	67,721	21,054	17,946	727,135
Carrying amount as of Dec. 31, 2017	549,846	40,953	77,347	20,038	10,309	698,493
Carrying amount as of Jan. 1, 2017	533,567	38,043	89,236	16,097	10,968	687,911

6.2 Goodwill

Of the goodwill, 213.7 million euros (prior year: 198.6 million euros) relates to Business Unit DEKRA Automotive, 321.2 million euros (prior year: 308.9 million euros) to Business Unit DEKRA Industrial and 46.4 million euros (prior year: 42.3 million euros) to Business Unit DEKRA Personnel.

Additions of 35.4 million euros to goodwill are attributable to business combinations and asset deals that took place in 2018 as well as the inclusion in the consolidated group of entities previously considered to be immaterial. In contrast, goodwill decreased by 3.0 million euros (prior year: 14.8 million euros) due to currency translation differences.

The recoverable amount of each cash-generating unit was determined using the value in use of the relevant unit. Cash flow forecasts are based on detailed plans by management, covering a three-year planning period. Management's plans reflect past

experience and expectations of future market and corporate developments. Cash flows after the three-year period were extrapolated taking into account estimated growth rates of 0.5% (prior year: 0.5%). The estimated growth rates came from forecasts by the Company. For Business Units DEKRA Automotive and DEKRA Industrial, cash flows were discounted using a risk-adjusted interest rate after tax as in the prior year of 7.0%. For Business Unit DEKRA Personnel, a risk-adjusted interest rate after tax of 7.6% (prior year: 8.5%) was used.

A 10% decrease in the expected cash flows as well as a 1% increase in the discount rate underlying the value in use calculation for the cash-generating unit, either individually or in combination, would not result in any impairment losses.

For more information, please refer to the explanations in the descriptive section of the notes on impairment losses.

6.3 Property, plant and equipment

IN THOUSAND EUR					
	Land and buildings	Technical equipment and machines	Other equipment, furniture and fixtures	Prepayments and assets under construction	Total
Cost as of Jan. 1, 2017	185,243	196,023	215,577	12,087	608,930
Exchange difference on opening balance	-1,285	-4,188	-1,043	-261	-6,777
Exchange difference in current year	73	-251	-20	-221	-419
Additions	12,374	21,076	33,706	11,344	78,500
Additions to the consolidated group	6,277	1,880	473	201	8,831
Disposals	-3,964	-7,675	-14,225	-61	-25,925
Reclassifications	2,122	2,756	1,176	-8,249	-2,195
As of Dec. 31, 2017 / Jan. 1, 2018	200,840	209,621	235,644	14,840	660,945
Exchange difference on opening balance	-290	-1,182	-222	165	-1,529
Exchange difference in current year	-134	201	95	-79	83
Additions	36,447	23,974	32,825	14,442	107,688
Additions to the consolidated group	7,953	2,206	457	2,543	13,159
Disposals	-3,953	-6,103	-16,472	-675	-27,203
Reclassifications	911	-255	6,661	-12,478	-5,161
As of Dec. 31, 2018	241,774	228,462	258,988	18,758	747,982
Depreciation and impairment losses as of Jan. 1, 2017	-61,792	-116,278	-140,277	22	-318,325
Exchange difference on opening balance	427	2,365	366	-1	3,157
Exchange difference in current year	50	51	4	133	238
Additions	-7,228	-18,400	-24,187	0	-49,815
Disposals	-97	7,224	10,596	0	17,723
Reclassifications	1,611	2,965	-193	-3,457	926
As of Dec. 31, 2017 / Jan. 1, 2018	-67,029	-122,073	-153,691	-3,303	-346,096
Exchange difference on opening balance	37	550	76	-55	608
Exchange difference in current year	68	27	-68	0	27
Additions	-6,961	-19,570	-26,211	0	-52,742
Disposals	2,203	6,213	13,160	0	21,576
Reclassifications	2,564	4,126	-1,962	0	4,728
As of Dec. 31, 2018	-69,118	-130,727	-168,696	-3,358	-371,899
Carrying amount as of Dec. 31, 2018	172,656	97,735	90,292	15,400	376,083
Carrying amount as of Dec. 31, 2017	133,811	87,548	81,953	11,537	314,849
Carrying amount as of Jan. 1, 2017	123,451	79,745	75,300	12,109	290,605

6.4 Financial assets accounted for using the equity method
The separate financial statements of entities accounted for using
the equity method provide the following financial information,
which has not been adjusted to the share held by the Group:

IN THOUSAND EUR	Dec. 31, 2018	Dec. 31, 2017
Aggregated non-current assets	20,929	18,555
Aggregated current assets	38,080	37,487
Aggregated non-current liabilities	20,511	19,395
Aggregated current liabilities	5,426	6,357
IN THOUSAND EUR	2018	2017
Aggregated revenue	39,753	40,343
Aggregated net income for the year	2,773	3,301

As in the prior year, the majority of assets, liabilities, revenue and net income for the year is attributable to FSD Fahrzeugsystemdaten GmbH, Dresden.

6.5 Other non-current financial assets

		_
IN THOUSAND EUR	Dec. 31, 2018	Dec. 31, 2017
Shares in affiliates 1)	51,150	25,513
Other investments 1)	1,661	1,662
Loans to affiliates	10,409	21,968
Other loans	410	1,558
Securities 2)	6,942	5,349
Sundry other non-current financial assets	6,575	4,204
	77,147	60,254

 ^{2017:} at cost; 2018: at fair value through other comprehensive income
 2017: available for sale; 2018: at fair value through profit or loss

Other non-current financial assets contain accumulated reversals of impairments of 34,694 thousand euros. This was counterbalanced by accumulated impairments of 4,599 thousand euros (prior year: impairments of 6,109 thousand euros (net)).

The development of the impairments resulted from the first-time application of IFRS 9 in fiscal year 2018, as did the increase in shares in affiliates not included in the consolidated financial statements. Since January 1, 2018, DEKRA has measured equity instruments at fair value through other comprehensive income. The accumulated reversals of impairments of the shares in affiliates amount to 34.4 million euros. Of this, 20.4 million euros had a positive effect on other comprehensive income in the fiscal year. This is counterbalanced by the first-time consolidation of entities in fiscal year 2018. The fair values of the shares in affiliates not included in the consolidated financial statements break down by region as follows:

	Fair value IN MILLION EUROS	Number of entities	Fair value spread IN MILLION EUROS
Region			
Germany	2.6	6	0.1 - 2.4
Central East Europe & Middle East	25.4	46	0.0 - 5.1
North-West Europe	8.6	11	0.0 - 3.7
South-West Europe	4.4	11	0.0 - 1.6
North America	0.6	1	0.6
South America	2.5	2	0.0 - 2.5
East & South Asia	8.7	2	1.9 - 6.8
Southern Africa & Oceania	0.0	1	0.0

The decrease in loans to affiliates is mainly due to the first-time consolidation of companies in 2018.

The increase in securities primarily results from the acquisition of securities as well as from marking them to market as of the reporting date, with an overall positive effect. Net reversals of impairments of 389 thousand euros (prior year: 1,556 thousand euros) were recognized in 2018. The accumulated reversals of impairments of the securities amount to 261 thousand euros.

Risk provisioning for the loans to affiliates and other loans developed in the reporting period as follows:

	Level 1	Level 2	Level 3
Loss allowances as of December 31 prior year	-1,656	0	0
December of prior year	-1,030		
Effect of first-time application of IFRS 9	-14	0	0
Loss allowances			
as of January 1	-1,670	0	0
Additions	-2,764	0	0
Utilization	345	0	0
Reversal	6	0	0
Loss allowances as of December 31	-4,083	0	0

The risk provisioning for the other non-current financial assets amounts to -245 thousand euros (prior year: -314 thousand euros). There is no significant effect from first-time application of IFRS 9.

6.6 Other non-current assets Other non-current assets break down as follows:

IN THOUSAND EUR	Dec. 31, 2018	Dec. 31, 2017
Reimbursement claims in accordance with IAS 19.104a	1.229	1.125
Other non-current assets	6.112	4.652
	7.341	5.777

Current assets

6.7 Inventories

IN THOUSAND EUR	Dec. 31, 2018	Dec. 31, 2017
Materials and supplies	1,463	1,759
Work in progress	2,484	1,465
Merchandise	4,961	4,305
	8,908	7,529
	6,706	7,52

6.8 Contract assets and trade receivables

Foreign currency receivables are initially translated at the exchange rate on the transaction date in accordance with IAS 21.21; they are measured at the closing rate in accordance with IAS 21.23. The difference is recognized through profit or loss.

IN THOUSAND EUR	Dec. 31, 2018	Dec. 31, 2017
Contract assets (prior year: receivables from percentage of completion)	46,251	42,277
Trade receivables, gross	544,003	502,318
Loss allowances on contract assets and trade receivables	-21,698	-18,018
	568,556	526,577

Contract assets are recognized for unbilled services as of the reporting date. These services are largely allocated to the Industrial & Construction Service Line as well as the Product Testing & Certification, Materials Testing & Inspection and Business Assurance and Insight Service Units. Amounts recognized under contract assets are reclassified to trade receivables after defined invoicing dates or after the service has been concluded and inspected by the customer. Any remaining performance obligations from contracts included under contract assets are usually satisfied and invoiced within the following fiscal year.

Trade receivables do not bear interest and are usually due for payment between 30 and 90 days.

The first-time application of IFRS 15 results in the following changes in the recognition of trade receivables, contract assets and receivables from percentage of completion.

IN THOUSAND EUR	Dec. 31, 2017	Reclassi- fication	Jan. 1, 2018
Trade receivables, gross	502,318	-1,181	501,137
Receivables from percentage of completion	42,277	-42,277	0
Contract assets	0	40,081	40,081
Portfolio-based specific valuation allowances on trade receivables	-18,018	0	-18,018
Contract liabilities	0	42,734	42,734
Prepayments received	31,114	-31,114	0
Deferred revenue	14,997	-14,997	0
Sundry other current provisions	12,994	-832	12,162
Liabilities from refunds	0	832	832
<u> </u>			

The maturities of trade receivables and contract assets break down as follows:

		_
IN THOUSAND EUR	Gross amount Dec. 31, 2018	Loss allowance Dec. 31, 2018
Not past due – 180 days past due	564,600	<i>-7,</i> 986
Past due between 181 – 240 days	7,338	-1,013
Past due between 241 – 360 days	5,623	-1,821
Past due more than 360 days	12,693	-10,878
	590,254	-21,698
<u> </u>		

Loss allowances on trade receivables and contract assets developed as follows:

IN THOUSAND EUR	2018	2017
Loss allowances as of December 31 prior year	- 18,018	-19,864
Effect of first-time application of IFRS 9	-3,229	n/a
Loss allowances as of January 1	-21,247	-19,864
Additions	-6,680	-3,868
Utilization	4,136	2,449
Reversal	2,093	3,265
Loss allowances as of December 31	-21,698	-18,018
	Ĭ	

Loss allowances on contract assets amount to 1,484 thousand euros as of the reporting date (prior year: 0 thousand euros). The effect from first-time application of IFRS 9 on valuation allowances of contract assets amounts to 52 thousand euros.

Expenses incurred for the allocation to loss allowances are included under other operating expenses.

6.9 Other current financial assets

IN THOUSAND EUR	Dec. 31, 2018	Dec. 31, 2017
Securities *)	171	503
Receivables from affiliates and other investees and investors	99,609	108,737
Sundry other current financial assets	85,626	64,073
	185,406	173,313

*) 2017: available for sale; 2018: at fair value through profit or loss

Receivables from affiliates and other investees and investors contain liabilities from income tax and VAT, profit transfers from DEKRA SE and other cost allocations to the owner totaling 72,050 thousand euros, which are offset against receivables from the cash pool and other cost allocations of 162,639 thousand euros. The decrease in this item is primarily attributable to the lower receivables from the cash pool compared to the prior year.

The increase in other financial assets is primarily attributable to an increase in reimbursement claims from loss adjustments.

Impairment of other current financial assets developed as follows:

IN THOUSAND EUR	2018	2017
Loss allowances as of December 31 prior year	-3,359	-3,531
Effect of first-time application of IFRS 9	-312	n/a
Loss allowances as of January 1	-3,671	-3,531
Additions	-372	-188
Utilization	2,193	350
Reversal	0	10
Loss allowances as of December 31	-1,850	-3,359

6.10 Other current assets

This item principally contains prepaid expenses and other current tax receivables.

6.11 Cash and cash equivalents

The development of cash and cash equivalents as defined by IAS 7 is presented in the statement of cash flows.

Cash and cash equivalents break down as follows:

IN THOUSAND EUR	Dec. 31, 2018	Dec. 31, 2017
Cash at banks	76,643	74,098
Cash on hand	1,222	1,249
Cash equivalents less than 3 months	585	1,095
	78,450	76,442

Cash at banks includes short-term deposits with terms of up to three months.

Bad debt allowances on cash and cash equivalents developed as follows:

IN THOUSAND EUR	2018	2017
Loss allowances as of December 31 prior year	0	0
Effect of first-time application of IFRS 9	-37	n/a
Loss allowances as of January 1	-37	0
Additions	-6	0
Loss allowances as of December 31	-43	0

6.12 Equity

For information on the development of equity, refer to the statement of changes in equity. Effects of the first-time application of new accounting standards are also presented in the statement of changes in equity.

The capital stock of DEKRA SE remains unchanged at 25,565 thousand euros. It is divided into 10,000,000 no-par value bearer shares.

The capital reserves of 560,529 thousand euros (prior year: 550,529 thousand euros) mainly include contributions from DEKRA e.V., Stuttgart. A contribution of 10,000 thousand euros was made to the capital reserves in the reporting year.

Revenue reserves contain the group profit for the period and the profits of consolidated companies generated in prior years to the extent these have not been distributed or transferred. There is a profit and loss transfer agreement in place between DEKRA SE and the parent. The profit transfer is reported in other comprehensive income as a transaction with the equity investor. The difference between the profit transfer in accordance with German commercial law and the IFRS result is recorded in the revenue reserves. Changes in actuarial gains and losses from

defined benefit plans, the gains or losses from the fair value measurement of hedging instruments and shares in non-consolidated subsidiaries, and deferred taxes not recognized through profit or loss, and the translation reserve are contained in accumulated other comprehensive income.

As of the reporting date, issued shares had all been fully paid in.

6.13 Non-controlling interests

For the change in non-controlling interests, please refer to the statement of changes in equity.

There are non-controlling interests in those entities that are shown in the list of shareholdings (note 14) with a share in capital of less than 100%, unless options to the non-controlling interests were arranged in the course of the business combination. A purchase price liability is recognized for these interests in accordance with IAS 32 and non-controlling interests are therefore not presented.

Pursuant to the revised IAS 27, the profit or loss for the year attributable to non-controlling interests must be allocated to non-controlling interests even if the losses exceed the share of non-controlling interests in capital. Negative non-controlling interests are not reported for those non-controlling interests to which IFRS 3 (old version) applies.

The information below presents the required pro rata financial information of the significant entities with non-controlling interests (DEKRA iST Reliability Services Inc., Hsinchu, Taiwan, DEKRA iST Reliability Services Limited, Kunshan, China, and DEKRA Testing Services (Zhejiang) Ltd., Zhejiang, China).

IN THOUSAND EUR	Dec. 31, 2018	Dec. 31, 2017
Aggregated non-current assets	9,979	7,392
Aggregated current assets	8,524	8,543
Aggregated non-current liabilities	498	232
Aggregated current liabilities	4,871	3,486

IN THOUSAND EUR	2018	2017
Aggregated revenue	9,411	8,814
Aggregated profit for the year	1,335	1,137

Of these amounts, non-current assets of 8,275 thousand euros, current assets of 3,366 thousand euros, non-current liabilities of 417 thousand euros, current liabilities of 3,018 thousand euros, revenue of 4,846 thousand euros and net income for the year of 516 thousand euros are attributable to DEKRA iST Reliability Services Inc., Hsinchu, Taiwan.

6.14 Pensions and other post-employment benefits

IN THOUSAND EUR	Dec. 31, 2018	Dec. 31, 2017
Pension provisions in Germany	455,540	478,232
Pension provisions in other countries	13,933	14,183
	469,473	492,415
	ī —	i

The Group has both defined benefit and defined contribution plans for commitments for retirement, invalidity and surviving dependants' pensions based on works agreements and individual contractual agreements.

These pension plans grant pension benefits, the level of which depends on the length of service and eligible income. The age limit is the respective legal retirement age for the statutory pension insurance. The pension is paid in part directly by the companies that make the pension commitments and in part by a legally independent welfare fund (DEKRA Unterstützungskasse e.V., Stuttgart).

The obligations relating to the consolidated member companies are included in full in these consolidated financial statements. The benefits are partly financed internally by systematic accumulation of provisions and partly by contribution payments to employer's pension liability insurance. The direct and indirect commitments are defined benefit obligations for which assets (among other things through the conclusion of employer's pension liability insurance policies) have been set aside within DEKRA Unterstützungskasse e.V., Stuttgart. In addition, DEKRA implemented the setting up of a Contractual Trust Arrangement (CTA) effective October 24, 2017 to safeguard the pension obligations from these pension plans. A trust agreement to safeguard pension entitlements was entered into with Allianz Treuhand GmbH, Stuttgart, which acts as the trustee in a two-tier trust arrangement (administrative trust and collateral trust). The funds transferred to fund the pension obligations are managed in trust by Allianz Treuhand GmbH, Stuttgart, and are earmarked for use solely for the settlement of pension obligations.

The company pension scheme was reorganized with effect as of January 1, 2012 (DEKRA company pension). Claims vested prior to this date were not affected. Within the scope of the reorganization, direct commitments were made as defined contribution plans in accordance with the rules of separately concluded works agreements. The pension plan is described as a defined contribution plan, as the amount of the benefit is derived from and determined by previously defined pension contributions. In addition to the pension contribution paid by the employer, employees can increase this amount by converting salary components (deferred compensation).

The employer's pension liability insurance and assets of DEKRA Unterstützungskasse e.V., Stuttgart, and the legally separate funds of the CTA are treated as plan assets in accordance with IAS 19.113. DEKRA Unterstützungskasse e.V., Stuttgart, has an advisory board which is regularly informed about the situation of the assets in the fund.

In the reporting year, the DEKRA Group transferred part of the pension commitments to its employees from DEKRA Unterstützungskasse e.V., Stuttgart, to the DEKRA company pension with the aim of bundling existing pension plan components into one pension fund. This did not affect existing vested claims. To finance the transfer, employer's pension liability insurance policies were taken out with Allianz Lebensversicherungs-AG, Stuttgart in the reporting year, in return for paying one-off premiums of 41,353 thousand euros, which were classified as covering assets. In the future, only retirement benefits from the DEKRA company pension will therefore be granted for these employees.

The pension provisions in other countries mainly relate to pension plans and one-off termination benefits when employees commence retirement.

The defined benefit obligations are generally calculated annually by independent actuaries using the projected unit credit method. The 2018 G mortality tables (prior year: 2005 G) of Prof. Dr. Klaus Heubeck are used for the German pension obligations while generally accepted mortality tables are used for the foreign obligations.

At some foreign entities, there are multi-employer plans for defined benefit plans. The volume of these plans is immaterial for the DEKRA Group.

Apart from the general interest, inflation, longevity and jurisdiction risks, there are no particular company-specific risks for the existing plans. The longevity risk is taken into consideration by using mortality tables when calculating the obligation. In particular, the mortality tables take into account the expected continued increase in life expectancy by means of appropriate assumptions. When calculating the obligation, the inflation risk is adequately taken into account at 1.75 % p.a. using a long-term approach and according to information currently available. It also has an effect on the review of current pensions. No employment-law related risks due to Supreme Court rulings that could affect the plans are currently known.

Defined benefit plans

Details of the carrying amount posted to the statement of financial position for provisions for pensions and similar obligations are as follows:

IN THOUSAND EUR	Benefit obligation	Plan assets (-)	Total
As of Jan. 1, 2017	970,221	-341,152	629,069
Current service cost	20,779	0	20,779
Past service cost/plan curtailment	854	0	854
Net interest cost (standard interest)	16,356	-5,704	10,652
Net pension cost	37,989	-5,704	32,285
Actual return on plan assets less "net interest cost"	0	-1,101	-1,101
Actuarial gain/loss from changes in demographic assumptions	1,195	0	1,195
Actuarial gain/loss from changes in assumptions based on experience	0	0	0
Actuarial gain/loss from changes in financial assumptions	-6,848	0	-6,848
Change from asset ceiling unless contained in net interest expense	889	0	889
Remeasurement of defined benefit pension plans	-4,764	-1,101	-5,865
Benefits paid	-27,294	14,796	-12,498
Plan settlements	0	0	0
Employer contributions	-402	- 150,189	- 150,591
Employee contributions	6,185	-6,185	0
Total payments	-21,511	-141,578	-163,089
Changes in the consolidated group	28	-13	15
As of Dec. 31, 2017	981,963	-489,548	492,415

thereof funded	932,247
thereof unfunded	49,716

IN THOUSAND EUR	Benefit obligation	Plan assets (-)	Total
As of Jan. 1, 2018	981,963	-489,548	492,415
Current service cost	20,340	0	20,340
Past service cost	562	0	562
Net interest cost (standard interest)	16,556	-8,212	8,344
Net pension cost according to the income statement	37,458	-8,212	29,246
Actual return on plan assets less "net interest cost"	0	6,300	6,300
Actuarial gain/loss from changes in demographic assumptions	11,167	0	11,167
Actuarial gain/loss from changes in assumptions based on experience	4,346	4,828	9,174
Actuarial gain/loss from changes in financial assumptions	778	0	778
Change from asset ceiling unless contained in net interest expense	461	-21	440
Remeasurement of defined benefit pension plans	16,752	11,107	27,859
Benefits paid	-29,536	15,834	-13,702
Plan settlements	521	-374	147
Employer contributions	0	-66,981	-66,981
Employee contributions	5,931	-5,401	530
Total payments	-23,084	-56,922	-80,006
Changes in the consolidated group	-30	-11	-41
As of Dec. 31, 2018	1,013,059	-543,586	469,473

thereof funded	962,225
thereof unfunded	50,834

DEKRA Financial Report 2018

Plan settlements are attributable to the settlement of obligations due to the termination of employment relationships.

The weighted average term of the remainder of benefit obligations is 14.26 years (prior year: 15.31 years).

The expected future pension payments for the coming five fiscal years are as follows:

IN THOUSAND EUR	2019	2020	2021	2022	2023
Expected pension benefit payments	33,099	34,661	36,146	37,846	38,503

The benefit obligation in proportion to plan assets reflects the funded status of the benefit plan in question, with any excess of the benefit obligation over plan assets constituting a plan deficit. Both the benefit obligation and plan assets can vary over time, leading to an increase/decrease in the plan deficit. Reasons for such fluctuation can include changes in market interest rates and thus in the discount rate, or adjustments to actuarial assumptions.

The DEKRA Group's plan assets mostly comprise employer's pension liability insurance policies and are subject to only limited fluctuation on account of the existing minimum returns. The CTA was primarily funded by the contribution of specialized funds and cash and cash equivalents. In principle, the separate trust assets of the CTA are subject to the same risks as direct capital investments. We refer in this respect to our explanations in note 10. The recognized plan deficit is mostly covered by cash flow from operating activities.

It is the long-term goal of the DEKRA Group to gradually increase plan assets in order to cover the deficit.

Key parameters

When calculating the benefit obligation according to the projected unit credit method, the following key parameters apply for the DEKRA Group:

IN %	GERM	IANY	OTHER COUNTRIES		
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	
Interest rate	1.75	1.75	1.67	1.18	
Increase in salaries	2.00	2.00	1.00	1.00	
Increase in pensions	1.75	1.75	1.50	1.50	

The figures given are averages weighted with the present value of the benefit obligation in question. The obligations in other countries, which are determined taking into account country-specific measurement bases and parameters, are immaterial.

German pension commitments are partly financed through DEKRA Unterstützungskasse e.V., Stuttgart. The assets of DEKRA Unterstützungskasse e.V., Stuttgart, met the criteria necessary to qualify as plan assets in accordance with IAS 19.

For individual entities, pension commitments are financed through payments to an insurance company. The resulting plan assets include qualifying insurance policies only.

Sensitivity analysis

The table below shows the effects on the benefit obligation as a result of any change in the parameters. The analysis relates to parameters where a change was considered possible as of the reporting date. Any correlation between the parameters was not taken into account in the calculation.

	Changes in assumptions	Increase in assumption	Decrease in assumption
Interest rate	0.5%	5.9 % decrease	6.6% increase
Increase in salaries	0.5%	0.1 % increase	0.1 % decrease
Increase in pensions	0.5%	5.6% increase	5.1 % decrease
Employee turnover	0.5%	0.1% decrease	0.1% increase
Age	One year	4.5% increase	4.6% decrease

Plan assets The fair value of plan assets breaks down as follows by asset class:

IN THOUSAND EUR	Dec. 31, 2018	thereof market price quoted on an active market	Dec. 31, 2017	thereof market price quoted on an active market
Employer's pension liabil- ity insurance	360,179	0	297,245	0
Securities	175,517	0	178,542	0
Other	7,890	0	13,761	0
	543,586	0	489,548	0
	i	i		

The employer contributions to plan assets are expected to amount to 12.6 million euros in the next fiscal year (prior year: 11.1 million euros). In addition, it was decided in the prior year that the Group would contribute an additional 60.0 million to 65.0 million euros to finance plan assets with a view to reducing the existing deficit further. In this regard, 41.4 million euros was paid in fiscal year 2018 in connection with transferring the vested benefit claims to the employer's pension liability insurance.

Defined contribution plans

Part of the pension costs relating to the majority of employees, especially in Germany, is the statutory pension. For several German and foreign entities, there are voluntary defined contribution plans for post-employment benefits. Expenses related to defined contribution plans, including pension insurance contributions, amounted to 108.9 million euros in the reporting year (prior year: 101.4 million euros). The future amount of these expenses essentially depends on the development of the underlying pension insurance systems.

6.15 Non-current and current provisions

IN THOUSAND EUR							
	As of Jan. 1, 2018	Allocation	Additions to the consoli- dated group	Utilization	Reversal	Reclassi- fications	As of Dec. 31, 2018
Non-current provisions							
Other personnel provisions	4,835	1,347	0	-937	-602	0	4,644
Phased retirement	216	17	0	-36	0	0	197
thereof from phased retirement obligation	1,505	264	0	-169	0	0	1,600
thereof from phased retirement plan assets	-1,289	-247	0	133	0	0	-1,403
Long-service award	3,377	405	0	-258	0	-836	2,688
Sundry other personnel provisions	1,243	925	0	-643	-602	836	1,759
Other non-personnel provisions	14,018	3,019	3	-1,042	-827	-40	15,131
Warranty provisions	6,057	1,040	0	0	0	0	7,097
Litigation, warranty and similar obligation provisions	5,513	1,696	0	-682	-800	0	5,727
Other provisions	2,448	283	3	-360	-27	-40	2,307
	18,853	4,366	3	-1,979	-1,429	-40	19,775
Current provisions							
Other personnel provisions	2,347	3,700	0	-2,999	-702	-164	2,182
Restructuring provision	0	0	0	0	0	0	0
Other non-personnel provisions	17,723	4,998	468	-3,926	-5,089	-693	13,481
Other restructuring	196	133	0	-172	0	0	157
Potential losses	1,317	364	0	-452	-38	0	1,191
Litigation, warranty and similar obligation provisions	4,048	1,529	0	-254	-622	299	5,000
Other provisions *)	12,162	2,972	468	-3,048	-4,429	-992	7,133
The state of the s							

*) The opening balance was reduced b	v the effect of first-time application of IFRS	15 of 832 thousand euros. Refer to note 6.8.
The opening balance was readced b	y me errect of mar-time application of mike	15 of 052 illousaila euros. Refer to flore 0.0.

IN THOUSAND EUR							
	As of Jan. 1, 2017	Allocation	Additions to the consoli- dated group	Utilization	Reversal	Reclassi- fications	As o Dec. 31, 201
Non-current provisions							
Other personnel provisions	5.194	1.664	0	-1.086	-343	-594	4.83
Phased retirement	177	747	0	-114	0	-594	21
thereof from phased retirement obligation	1.488	298	0	-281	0	0	1.50
thereof from phased retirement plan assets	-1.311	449	0	167	0	-594	-1.28
Long-service award	3.279	783	0	-685	0	0	3.37
Sundry other personnel provisions	1.738	134	0	-287	-343	0	1.24
Other non-personnel provisions	13.527	1.958	0	-756	-711	0	14.01
Warranty provisions	0	459	0	0	0	5.598	6.05
Litigation, warranty and similar obligation provisions	144	1.316	0	-725	-622	5.400	5.51
Other provisions	13.383	183	0	-31	-89	-10.998	2.44
	18.721	3.622	0	-1.842	-1.054	-594	18.85
Current provisions Other personnel provisions	4.471	2.825	0	-2.988	-564	-1.397	2.34
Restructuring provision	1.108	-5	0	-886	-217	0	
Other non-personnel provisions	15.424	6.138	0	-3.234	-1.218	1.445	18.55
Other restructuring	364	128	0	-296	0	0	19
Potential losses	1.449	944	0	-636	-440	0	1.31
Litigation, warranty and similar obligation provisions	46	1.810	0	-30	-576	2.798	4.04

In France, there are non-current obligations relating to warranties of 12,746 thousand euros (prior year: 11,403 thousand euros), the risks of which exceed the insurance cover. There are also long-term obligations based on country-specific dues. As in the prior year, non-current provisions do not include significant effects of unwinding the discount.

21.003

The provisions cover all identifiable obligations to third parties in accordance with IAS 37. They are recognized in the amount that will probably be required.

48

20.902

-1.999

8.958

0

-7.108

6.16 Non-current and current financial liabilities

Non-current financial liabilities

	_	
IN THOUSAND EUR	Dec. 31, 2018	Dec. 31, 2017
Liabilities to banks	261,739	228,159
	<u> </u>	· ·
Derivative financial instruments	125	105
Lease liabilities	1,521	2,275
Other financial liabilities	0	41
Liabilities from business		
combinations	1,719	1,616
	265,104	232,196

Current financial liabilities

		_
IN THOUSAND EUR	Dec. 31, 2018	Dec. 31, 2017
Liabilities to banks	132,593	65,439
Profit participation rights	14,197	14,883
Financial liabilities to affiliates	23,622	26,350
Financial liabilities to associates	1,059	921
Financial liabilities to investees and investors	92	0
Derivative financial instruments	0	465
Lease liabilities	1,180	1,219
Liabilities from business combinations	19,438	19,916
Liabilities to employees	30,104	33,049
Other financial liabilities	16,030	20,626
	238,315	182,868

The overall increase in liabilities to banks of 100,734 thousand euros is mainly due to borrowing non-current and current loans. This is counterbalanced by the repayment of promissory notes that fall due in the fourth quarter of the fiscal year.

Financial liabilities to affiliates include liabilities from the cash pool, income tax and VAT as well as other cost allocations, some of which were netted with receivables from affiliates. The decrease of 2,728 thousand euros is mainly due to lower trade payables.

The decrease in current liabilities to employees by 2,945 thousand euros is mainly cut-off related.

The decrease in other financial liabilities by 4,637 thousand euros is primarily attributable to the decrease in liabilities to DEKRA Unterstützungskasse e.V.

DEKRA SE granted its managers and employees the option of subscribing to profit participation rights of up to 10,737 thousand euros (4.2 million profit participation rights at 2.55645 euros each). Of this total, 2,700,281 (prior year: 2,825,536) profit participation rights were subscribed. The subscribed participation capital ensures participation in the adjusted consolidated earnings of DEKRA SE with a minimum return of 4% p.a. and a maximum return of 30% p.a. Subscribed profit participation rights can be terminated unilaterally by the recipient at short notice at any time.

6.17 Trade payables and contract liabilities

In the fiscal year, trade payables and contract liabilities come to the following amounts:

IN THOUSAND EUR	Dec. 31, 2018	Dec. 31, 2017
Trade payables	93,767	98,350
Contract liabilities	46,852	0
	140,619	98,350

Contract liabilities include prepayments received from customers for uncompleted services. Prepayments are generally current. Prepayments received were recognized under other current liabilities in the prior year. The changes in recognition as a result of the first-time application of IFRS 15 are presented in note 6.8.

DEKRA receives payments from customers based on a settlement schedule that is an integral part of the contracts. Contract assets relate to the conditional right to consideration for the full satisfaction of the contractual obligations. Receivables are recognized as soon as DEKRA fulfills its contractual obligations. Contract liabilities relate to payments that are received prematurely, i.e., before the contractual obligations have been satisfied. Contract liabilities are recognized as income as soon as the contractual service has been rendered. In fiscal year 2018, revenue included in contract liabilities as of January 1, 2018 was recognized as follows:

IN THOUSAND EUR	2018
Revenue recognized in the fiscal year:	
Amounts recognized in the contract liability at the beginning of the period	34,695
Performance obligations satisfied in previous periods	1,110
	35,805

6.18 Other non-current and current liabilities

Other non-current non-financial liabilities primarily include liabilities to the pension guarantee association and security deposits received.

Other current liabilities break down as follows:

		_
IN THOUSAND EUR	Dec. 31, 2018	Dec. 31, 2017
Personnel-related liabilities	205,898	198,458
Deferred revenue	0	14,997
Other liabilities for taxes	56,929	53,966
Prepayments received from		
loss adjustments	6,867	6,717
Prepayments received	0	31,114
Social security	37,964	36,721
Sundry other	20,342	20,512
	328,000	362,485

Personnel-related liabilities chiefly relate to outstanding variable salary components and accrued vacation.

Liabilities from taxes principally relate to VAT and wage tax. On account of the first-time application of IFRS 15 as of January 1, 2018, deferred revenue and billings in excess of costs on uncompleted contracts are no longer recognized under other current liabilities. The changes in recognition due to IFRS 15 are presented in note 6.8.

The liabilities are carried at fair value.

7 STATEMENT OF CASH FLOWS

The statement of cash flows shows how the cash and cash equivalents changed in the course of the reporting year as a result of cash inflows and outflows. In accordance with IAS 7, a distinction is made between cash flows from operating, investing and financing activities. Cash flows from operating activities are determined indirectly while cash flows from investing and financing activities are determined directly.

The composition of cash and cash equivalents matches the net cash and cash equivalents disclosed in the statement of financial position as of the reporting date prior to the consideration of credit losses pursuant to IFRS 9. Cash and cash equivalents are not subject to any restrictions.

The cash flow from investing activities includes the following payments from the acquisition and disposal of fully consolidated subsidiaries:

IN THOUSAND EUR	Dec. 31, 2018	Dec. 31, 2017
Total purchase/sale price	-33,951	-38,017
thereof settled in cash	-33,951	-38,017
thereof not yet settled/received	0	0
Amount of cash and cash equiva- lents acquired/disposed of	2,021	2,603
Amount of assets and liabilities acquired/disposed of		
Non-current assets	29,835	47,808
Current assets	5,032	4,404
Non-current liabilities	180	11,707
Current liabilities	2,418	4,702

The cash flow from investing activities takes account of purchase price liabilities from the acquisition of fully consolidated subsidiaries from prior years amounting to 2,754 thousand euros. Payments were not higher than the liabilities recognized in prior years.

In addition, the cash flow from investing activities comprises purchase price payments of 4,541 thousand euros (prior year: 15,911 thousand euros) for further subsidiaries and other units. These acquisitions did not result in any liabilities due to variable purchase price components (prior year: 2,062 thousand euros).

The carrying amount of the receivables acquired approximates the fair value.

The development of liabilities stemming from financing activities is as follows.

IN THOUSAND EUR	Carrying amount	Cash changes		Non-cash	changes		Carrying amount
	Dec. 31, 2017	changos	Exchange rate effects	Business combina- tions	Change in fair value	Other changes	Dec. 31, 2018
Non-current loans	228,159	1,443	615	0	0	31,522	261,739
Current loans	65,439	95,501	1,104	0	0	-29,451	132,593
Derivative financial instruments	570	0	0	0	-444	-1	125
Lease liabilities	3,494	-1,380	10	92	0	485	2,701
Total liabilities from financing activities	297,662	95,564	1,729	92	-444	2,555	397,158

8 OTHER DISCLOSURES IN THE NOTES

8.1 Other financial obligations

The following rental and lease obligations from operating leases relate primarily to obligations from property and vehicle leases.

Operating lease

IN THOUSAND EUR	Dec. 31, 2018	Dec. 31, 2017
Rental and lease obligations in the current year	124,187	123,316
Residual term of less than 1 year	108,720	108,595
Residual term of 1 to 5 years	217,158	181,322
Residual term of more than 5 years	62,028	66,321
Total obligations for future years	387,906	356,238

The rental and lease obligations of the current year contain contingent lease payments of 762 thousand euros (prior year: 144 thousand euros). Property leases generally have residual terms of up to ten to 15 years. Subleases result in lease income of 5,474 thousand euros (prior year: 4,157 thousand euros).

Finance lease

		_
IN THOUSAND EUR	Dec. 31, 2018	Liability from lease obligations
Rental and lease obligations in the current year	1,411	-
thereof interest portion	31	-
Residual term of less than 1 year	1,189	1,180
Residual term of 1 to 5 years	1,568	1,521
Residual term of more than 5 years	0	0
Total obligations for future years	2,757	2,701

Finance lease

N THOUSAND EUR	Dec. 31, 2017	Liability from lease obligations
Rental and lease obligations n the current year	1,076	
thereof interest portion	184	-
Residual term of less than 1 year	1,224	1,219
Residual term of 1 to 5 years	2,306	2,275
Residual term of more than 5 years	0	0
Total obligations for future years	3,530	3,494

The difference between the total obligations for future years and the lease liabilities recognized is the present value difference. The assets recognized on the basis of the existing finance leases amount to 3,953 thousand euros (prior year: 4,324 thousand euros). Of this total, an amount of 1,791 thousand euros is attributable to land and buildings and 2,162 thousand euros to other plant and equipment. The leases contain purchase options. No restrictions were imposed under the terms of these leases.

In 2018, the Group reported other financial obligations including purchase commitments of 32,122 thousand euros (prior year: 47,388 thousand euros). These are mainly attributable to agreements concluded on commissioned construction projects as well as to long-term framework agreements.

8.2 Contingent liabilities, other contingencies and collateral provided

As in the prior year, there are no significant bank guarantees or contingencies. Collateral and warranties of 825 thousand euros (prior year: 1,218 thousand euros) have been issued. The risk of utilization is currently deemed to be low.

The DEKRA Group is not involved in any court proceedings that could have a significant influence on its economic or financial situation.

8.3 Government grants

Government grants of 3,339 thousand euros (prior year: 2,608 thousand euros) were received in the past fiscal year. Most of these relate to personnel-related grants.

9 CAPITAL MANAGEMENT

DEKRA pursues the goal of sustainably increasing equity. The aim is to maintain an appropriate debt-to-equity ratio while improving the EBIT margin. Equity was strengthened in the fiscal year by a contribution to the capital reserves of 10.0 million euros as well as an increase in the revenue reserves of 92.7 million euros. Differences from the currency translation of the financial statements prepared in foreign currency by consolidated subsidiaries had a negative effect of 6.1 million euros on equity. The DEKRA Group's equity ratio stood at 33.0% (prior year: 30.4%) as of the end of the reporting period.

10 FINANCIAL MANAGEMENT

The Group's financial management includes cash and liquidity management as well as the management of market price risks (interest, currency) and credit risks.

Cash management determines the required or surplus cash for all DEKRA entities. Timely account management ensures that the necessary funds for payments are available where they are needed, with the aim of keeping external investment and borrowing to a minimum.

Liquidity management ensures all payment obligations of the entities in the DEKRA Group are always met. To this end, the liquidity planning determines cash flows from operating activities, secures foreseeable liquidity requirements at an early stage and invests surplus liquidity on the money market. Market price risk management is responsible for limiting the impact of interest rate and currency fluctuations on the Group's earnings. For this purpose, the market price risks are determined and used as a basis for hedging decisions. Such decisions include the selection of hedging instruments, the volume to be hedged and the period to be covered. DEKRA used derivative financial instruments in the fiscal year to hedge variable-rate finance arrangements.

The risk volume involved in the management of default risk includes securities investments and the investment of cash and cash equivalents in financial institutions as part of liquidity management, as well as the credit risk relating to end customers due to the granting and systematic monitoring of payment terms from trade.

Short-term investments of cash and cash equivalents are only made with top-rated financial institutions and on the basis of current ratings of rating agencies as well as taking into account current CDS spreads. We use commercial credit agencies to assess the creditworthiness of our customers and in cases of doubt, upfront payment or bank guarantees are required.

Financial instruments

Since January 1, 2018, the application of IFRS 9 is mandatory for the accounting of financial instruments. IFRS 9 requires financial assets and liabilities to be classified in one of the following categories:

- a) Financial assets at amortized cost
- b) Financial assets at fair value through other comprehensive income
- c) Financial assets at fair value through profit or loss
- d Financial liabilities at amortized cost
- e) Financial liabilities at fair value through profit or loss
- f) Derivative financial instruments designated as hedging instruments

Until December 31, 2017, IAS 39 had to be applied for the accounting of financial instruments. IAS 39 required financial assets and liabilities to be classified under one of the following categories:

- a) Financial assets at fair value through profit or loss
- b) Loans issued and receivables at amortized cost
- c) Held-to-maturity investments
- d) Available-for-sale assets at fair value not through profit or loss
- e) Financial liabilities at fair value through profit or loss
- f) Financial liabilities at amortized cost

The following table shows the net gains/losses for each category:

IN THOUSAND EUR	Dec. 31, 2018	Dec. 31, 2017
Financial assets at fair value through profit or loss	1,200	0
Financial assets at amortized cost *)	-2,228	439
Financial assets at fair value through other comprehensive income	258	0
Available-for-sale assets at fair value not through profit or loss	0	7,423
Financial liabilities at fair value through profit or loss	-2,328	-1,621
Financial liabilities at amortized cost	-7,497	-4,971
	-10,595	1,270

^{*)} Prior year: Loans issued and receivables at amortized cost

Net gains and losses mainly comprise interest expenses, interest income, dividends, increases and impairments in value and impairment losses as well as gains or losses on disposal. The increase in net losses for financial assets at amortized cost primarily results from higher expenses incurred for the allocation to specific bad debt allowances. The derecognition of assets accounted for at amortized cost led to the recognition of losses of 794 thousand euros.

The net gains from assets at fair value through other comprehensive income mainly result from dividend-equivalent distributions.

Income from assets at fair value through profit or loss is attributable to income from changes in market value and distributions.

The expense from financial liabilities at fair value through profit or loss stems from the increase in liabilities from put options.

The revaluation surplus for equity instruments at fair value through other comprehensive income increased on account of gains and losses arising from changes in fair value amounting to 20.4 million euros (effect from first-time application of IFRS 9: increase of 17.3 million euros) which were reported in other comprehensive income. The measurement of the derivative financial instruments before tax effects through other comprehensive income increased the reserve for hedging instruments by 0.4 million euros to -0.2 million euros (prior year: -0.6 million euros). In the prior year, this item also included effects from the remeasurement of available-for-sale securities of -4.5 million euros. Deferred taxes of -0.1 million euros (prior year: a total of 1.2 million euros) had the opposite effect.

The two tables below show the original measurement categories and carrying amounts of the financial assets and liabilities pursuant to IAS 39 as well as the new measurement categories and carrying amounts of these financial assets and liabilities pursuant to IFRS 9. The tables also contain a reconciliation of the carrying amounts of the financial assets and liabilities pursuant to IAS 39 as of December 31, 2017 with the carrying amounts pursuant to IFRS 9 as of January 1, 2018.

	Measurement category pursuant to IAS 39	Measurement category pursuant to IFRS 9	Carrying amount pursu- ant to IAS 39 Dec. 31, 2017	Effect from the transition	Carrying amount pursu- ant to IFRS 9 Jan. 1, 2018
Assets					
Non-current assets					
Shares in affiliates and investees	AfS	FVOCI	27,175	17,328	44,503
Securities	LaR/AfS	FVPL	5,349	0	5,349
Loans	LaR	AC	23,526	-14	23,512
Other financial assets	LaR	AC	4,204	-4	4,200
Current assets					
Trade receivables including contract assets	LaR	AC	526,577	-3,229	523,348
Trade receivables including contract assets (prior year: percentage of completion)	LaR LaR	AC AC	526,577 76,442	-3,229 -37	523,348 76,405
Trade receivables including contract assets (prior year: percentage of completion)					· · · · · · · · · · · · · · · · · · ·
Trade receivables including contract assets (prior year: percentage of completion) Cash and cash equivalents Securities	LaR	AC	76,442	-37	76,405
Trade receivables including contract assets (prior year: percentage of completion) Cash and cash equivalents Securities Receivables from affiliates and investees	LaR/AfS	AC FVPL	76,442 503	-37 0	76,405 503
Trade receivables including contract assets (prior year: percentage of completion) Cash and cash equivalents Securities Receivables from affiliates and investees	LaR LaR/AfS LaR	AC FVPL AC	76,442 503 108,737	-37 0 -2	76,405 503 108,735
Trade receivables including contract assets (prior year: percentage of completion) Cash and cash equivalents	LaR LaR/AfS LaR	AC FVPL AC	76,442 503 108,737 64,073	-37 0 -2 -310	76,405 503 108,735 63,763

AC: Financial assets at amortized cost
AfS: Available-for-sale assets at fair value not through profit or loss
FVOCI: Financial assets at fair value not through profit or loss
FVPL: Financial assets at fair value through profit or loss

LaR: Loans issued and receivables at amortized cost

The transition effect of the shares in affiliates and investees of 17,328 thousand euros is due to the fair value remeasurement pursu-
ant to IFRS 9. The other transition effects are due to the first-time application of the impairment requirements in IFRS 9.

IN THOUSAND EUR				_	_
	Measurement category pursuant to IAS 39	Measurement category pursuant to IFRS 9	Carrying amount pursu- ant to IAS 39 Dec. 31, 2017	Effect from the transition	Carrying amount pursu ant to IFRS 9 Jan. 1, 2018
Equity and liabilities	_				
Non-current liabilities					
Derivative financial instruments designated as hedging instruments	n/a	n/a	105	0	105
Liabilities from business combinations	FVPL	FVPL	1,616	0	1,616
Financial liabilities	AC	AC	228,159	0	228,159
Finance lease liabilities*)	n/a	n/a	2,275	0	2,275
Other non-current liabilities	AC	AC	41	0	41
	_		232,196	0	232,196
Community little					
Current liabilities	4.0	A.C.	00 250	^	00 250
Trade payables	AC	AC	98,350	0	98,350
Profit participation rights	AC	AC	14,883	0	14,883

n/a

FVPL

AC

AC

AC

AC

AC

n/a

FVPL

AC

AC

AC

AC

AC

465

19,916

65,439

26,350

53,675

1,219

281,218

513,414

921

465

19,916

65,439

26,350

53,675

281,218

0 513,414

1,219

921

0

0

0

0

0

0

0

instruments

Financial liabilities

Liabilities to affiliates

Liabilities to associates

Other current liabilities

Finance lease liabilities*

Derivative financial instruments designated as hedging

Liabilities from business combinations

^{*)} Measured in accordance with IAS 17.

AC: Financial liabilities at amortized cost
FVPL: Financial liabilities at fair value through profit or loss

The following tables show a breakdown of line items into categories and classes and the allocation of financial assets and liabilities at fair value in the statement of financial position to the fair value hierarchy:

IN THOUSAND EUR								
	Carrying amount Dec. 31, 2018	Financial assets at amortized cost	Financial assets at fair value not through profit or loss	Financial assets at fair value through profit or loss	Fair value	thereof fair value level 1	thereof fair value level 2	thereof fair value level 3
Assets								
Non-current assets								
Shares in affiliates and investees	52,811	0	52,811	0	52,811	0	0	52,811
Securities	6,942	0	0	6,942	6,942	819	6,123	0
Loans	10,819	10,819	0	0	n/a	n/a	n/a	n/a
Other financial assets	6,575	6,575	0	0	n/a	n/a	n/a	n/a
	77,147	17,394	52,811	6,942	59,753	819	6,123	52,811
Current assets Trade receivables including contract assets (prior year: percentage of completion)	568,556	568,556	0	0	n/a	n/a	n/a	n/a
Cash and cash equivalents	78,450	78,450	0	0	n/a	n/a	n/a	n/a
Securities	171	0	0	171	171	171	0	0
Receivables from affiliates and investees	99,609	99,609	0	0	n/a	n/a	n/a	n/a
Other financial assets	85,626	85,626	0	0	n/a	n/a	n/a	n/a
	832,412	832,241	0	171	171	171	0	0
	909,559	849,635	52,811	7,113	59,924	990	6,123	52,811
	707,337	047,033	32,011	7,113	37,724	770	0,123	32,011

	644,038	125	21,157	622,756	21,282	0	125	21,157
			, ,		,			,
	378,934	0	19,438	359,496	19,438	0	0	19,438
Finance lease liabilities	1,180	0	0	1,180 *)	n/a	n/a	n/a	n/a
Other current liabilities	46,134	0	0	46,134	n/a	n/a	n/a	n/a
Liabilities to other investees and investors	92	0	0	92	n/a	n/a	n/a	n/a
Liabilities to associates	1,059	0	0	1,059	n/a	n/a	n/a	n/a
Liabilities to affiliates	23,622	0	0	23,622	n/a	n/a	n/a	n/a
Financial liabilities	132,593	0	0	132,593	n/a	n/a	n/a	n/a
Liabilities from business combinations	19,438	0	19,438	0	19,438	0	0	19,438
Profit participation rights	14,197	0	0	140,017	n/a	n/a	n/a	n/a
Current liabilities Trade payables including contract assets	140.619	0	0	140,619	n/a	n/a	n/a	n/a
	265,104	125	1,719	263,260	1,844	0	125	1,719
Other non-current liabilities	0	0	0	0	n/a	n/a	n/a	n/a
Finance lease liabilities	1,521	0	0	1,521 *)	n/a	n/a	n/a	n/a
Financial liabilities	261,739	0	0	261,739	n/a	n/a	n/a	n/a
Liabilities from business combinations	1,719	0	1,719	0	1,719	0	0	1,719
Non-current liabilities Derivative financial instruments designated as hedging instruments	125	125	0	0	125	0	125	0
Equity and liabilities		:			!	!	!	<u>;</u>
	Dec. 31, 2018	fair value not through profit or loss	fair value through profit or loss	amortized cost		level 1	level 2	level 3
IN THOUSAND EUR	Carrying amount	Financial liabilities at	Financial liabilities at	Financial liabilities at	Fair value	thereof	thereof	thereof fair value

^{*)} Measured in accordance with IAS 17.

IN THOUSAND EUR							
	Carrying amount Dec. 31, 2017	Loans issued and receiv- ables at amortized cost	Available- for-sale assets at fair value not through profit or loss	Fair value	thereof fair value level 1	thereof fair value level 2	thereof fair value level 3
Assets							
Non-current assets							
Shares in affiliates and investees	27,175	0	27,175 ¹⁾	n/a	n/a	n/a	n/a
Securities	5,349	3	5,346	5,346	861	4,485	0
Loans	23,526	23,526	0	n/a	n/a	n/a	n/a
Other financial assets	4,204	4,204	0	n/a	n/a	n/a	n/a
	60,254	27,733	32,521	5,346	861	4,485	0
						•	
Trade receivables including	526,577	526,577	0	n/a	n/a	n/a	n/a
Trade receivables including percentage of completion				n/a n/a	n/a n/a		n/a n/a
Current assets Trade receivables including percentage of completion Cash and cash equivalents Securities	526,577	526,577	0			n/a	
Trade receivables including percentage of completion Cash and cash equivalents	526,577 76,442	526,577 76,442	0	n/a	n/a	n/a n/a	n/a
Trade receivables including percentage of completion Cash and cash equivalents Securities Receivables from affiliates and investees	526,577 76,442 503	526,577 76,442 343	0 0 160	n/a 160	n/a 160	n/a n/a 0	n/a 0
Trade receivables including percentage of completion Cash and cash equivalents Securities Receivables from affiliates	526,577 76,442 503 108,737 64,073	526,577 76,442 343 108,737 64,073	0 0 160 0	n/a 160 n/a n/a	n/a 160 n/a n/a	n/a n/a 0 n/a n/a	n,
Trade receivables including percentage of completion Cash and cash equivalents Securities Receivables from affiliates and investees	526,577 76,442 503 108,737	526,577 76,442 343 108,737	0 0 160	n/a 160 n/a	n/a 160 n/a	n/a n/a 0 n/a	n/c n/c
Trade receivables including percentage of completion Cash and cash equivalents Securities Receivables from affiliates and investees	526,577 76,442 503 108,737 64,073	526,577 76,442 343 108,737 64,073	0 0 160 0	n/a 160 n/a n/a	n/a 160 n/a n/a	n/a n/a 0 n/a n/a	n/a 0 n/a

	Carrying amount Dec. 31, 2017	Financial liabilities at fair value not through profit or loss	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Fair value	thereof fair value level 1	thereof fair value level 2	thereof fair value level 3
Equity and liabilities						<u> </u>	<u> </u>	
Non-current liabilities								
Derivative financial instruments designated as hedging instruments	105	105	0	0	105	0	105	0
Liabilities from business combinations	1,616	0	1,616	0	1,616	0	0	1,616
Financial liabilities	228,159	0	0	228,159	n/a	n/a	n/a	n/a
Finance lease liabilities	2,275	0	0	2,275 ²⁾	n/a	n/a	n/a	n/a
Other non-current liabilities	41	0	0	41	n/a	n/a	n/a	n/a
	232,196	105	1,616	230,475	1,721	0	105	1,616
Current liabilities Trade payables	98,350	0	0	98,350	n/a	n/a	n/a	n/a
Profit participation rights	14,883	0	0	14,883	n/a	n/a	n/a	n/a
Derivative financial instruments designated as hedging instruments	465	465	0	0	465	0	465	0
Liabilities from business combinations	19,916	0	19,916	0	19,916	0	0	19,916
Financial liabilities	65,439	0	0	65,439	n/a	n/a	n/a	n/a
Liabilities to affiliates	26,350	0	0	26,350	n/a	n/a	n/a	n/a
Liabilities to associates	921	0	0	921	n/a	n/a	n/a	n/a
Liabilities to other investees and investors	0	0	0	0	n/a	n/a	n/a	n/a
Other current liabilities	53,675	0	0	53,675	n/a	n/a	n/a	n/a
Finance lease liabilities	1,219	0	0	1,2192)	n/a	n/a	n/a	n/a
	281,218	465	19,916	260,837	20,381	0	465	19,916

²⁾ Measured in accordance with IAS 17.

IN THOUSAND EUR

¹⁾ This contains available-for-sale assets at amortized cost of 27,175 thousand euros for which it is not possible to reliably determine a fair value. No sale is expected. In the absence of a specific term, the non-current assets were allocated to the available-for-sale category. The fair values would factor in future effects.

The levels of the fair value hierarchy and their application to our assets and liabilities are described below:

- Level 1: Market prices quoted on active markets for identical assets or liabilities;
- Level 2: Other information than quoted market prices that can be directly (e.g., prices) or indirectly (e.g., derived from prices) observed; and
- Level 3: Information relating to assets and liabilities that is not based on observable market data.

Development of level 3 of the fair value hierarchy:

IN THOUSAND EUR	2018	2017
As of January 1	21,532	22,664
Additions	58,270	2,062
Disposals	-28,064	-4,815
Fair value changes	22,230	1,621
As of December 31	73,968	21,532

The first-time application of IFRS 9 results in a one-time addition of 44.5 million euros.

The contingent purchase price liabilities were recognized at present value.

The non-observable input parameters of liabilities from business combinations primarily include factors such as the operating result, earnings before depreciation and amortization, financial result and income tax or the development of the working capital of the acquired business.

As of the reporting date, there are significant purchase price liabilities for DEKRA New Zealand Ltd., Wellington, New Zealand, and Core Visual Inspection Services, Inc., Austin, USA.

Assuming a change of +10%/-10% in the underlying parameters regarding non-observable input factors as of the next possible exercise date, the amount of the purchase price obligation, including put options and earn-outs, for the significant obligations from business combinations would be 4% higher or 4% lower.

Contingent purchase price liabilities of 2,328 thousand euros were expensed through profit or loss. The amount results from liabilities that still exist as of the reporting date.

Any future changes in value in the purchase price liabilities will be recognized through profit or loss in subsequent periods.

Shares in affiliates and investees are measured using the discounted cash flow method. If the interest rate used changes by +1 %/-1 % and at the same time the cash flows change by -10 %/+10 %, the amount of shares in affiliates and investees changes by -14.2 %/+43.6 %.

The majority of contractually agreed maturity dates for financial instruments at amortized cost are within twelve months of the reporting date. As such, their carrying amounts as of the reporting date approximately equate to their fair values. For all items of non-current financial assets and liabilities not recognized at fair value (except for non-current financial liabilities), the carrying amount is equal to the fair value.

For loans with longer terms, the present value largely corresponds to the carrying amount as, for the most part, variable interest rates based on market-dependent interest rates are used in the contractual agreements.

As regards financial liabilities, the fair value of non-current liabilities due to banks bearing a fixed interest rate is determined based on the present value of the expected future cash flows. The discount rates are based on market interest rates with reference to the maturities. The fair value of non-current financial liabilities with a carrying amount of 265,104 thousand euros comes to 264,992 thousand euros (level 2).

Risks from financial instruments

Principles of financial management

The main goals of the DEKRA Group's financial management are to ensure solvency at all times and to limit financial risks.

Financial derivatives are only used for hedging purposes for existing or foreseeable hedged items. This does not give rise to any additional risks for the Group. The transactions are only carried out with marketable instruments.

Liquidity risks

The liquidity required for operations and for implementing strategic measures is ensured through the cash and cash equivalents held and bank loans committed in writing (working capital credit and acquisition lines). Cash and cash equivalents are held in bank accounts or invested in the form of overnight money and time deposits as well as short-term money market papers. A central cash pool has been set up at DEKRA SE for German subsidiaries as well as the increasing number of international subsidiaries from the euro zone. Cash pools have also been established for the subsidiaries in the US (USD), in the UK (GBP) and in Sweden (SEK).

The entities are generally financed centrally through DEKRA SE.

In order to visualize liquidity risks, the DEKRA Group prepares an overview of maturities for its undiscounted payment obligations arising from financial instruments.

As of December 31, 2018, the DEKRA Group was exposed to only a very small risk of being unable to meet its payment obligations arising from financial instruments in the future. The DEKRA Group requires sufficient liquidity for future acquisitions, which is ensured by the promissory notes and by longer-term loan commitments. As of December 31, 2018, there are medium-term credit lines of 226.2 million euros granted in writing that have not yet been drawn.

As of the reporting date, the contractually agreed undiscounted financial liabilities including interest breaks down as follows:

DEC. 31, 2018 IN THOUSAND EUR	< 1 year	1 to 5 years	> 5 years
Trade payables	93,767	0	0
Financial liabilities	135,069	237,452	34,712
Other financial liabilities	85,103	0	0
Derivative financial instruments (negative) designated as hedging instruments	73	95	0
Finance lease liabilities	1,189	1,568	0
	315,201	239,115	34,712

			-
DEC. 31, 2017 IN THOUSAND EUR	< 1 year	1 to 5 years	> 5 years
Trade payables	98,350	0	0
Financial liabilities	68,906	137,648	99,775
Other financial liabilities	95,829	41	0
Derivative financial instruments (negative) designated as hedging			
instruments	536	168	0
Finance lease liabilities	1,224	2,306	0
	264,845	140,163	99,775

We also refer to our explanations on the contingent liabilities in note 8.2, which have an unlimited term.

In addition to liabilities from promissory notes, the liabilities to banks mostly include short- and medium-term utilization of credit lines as well as investment financing of foreign subsidiaries.

Credit risk (default risk)

In the course of its operations, DEKRA is exposed to the risk of default on outstanding receivables. The DEKRA Group counters this risk with timely receivables management, which entails the regular monitoring of outstanding items as well as timely dunning and collection of receivables. Potential defaults are accounted for using specific bad debt allowances and portfolio-based bad debt allowances. The maximum default risk is the carrying amount of the receivables as of the reporting date. There were no significant risk concentrations as of the reporting date.

DEKRA is also exposed to default risk in relation to cash investments. In order to minimize these risks as far as possible, we restrict our cash deposits to counterparties with first-class credit ratings subject to defined counterparty limits. In addition, there is a limit on the proportion of the entire investment volume that may be invested with any one counterparty. Investments in securities are only made with investment grade institutions.

The maximum risk of counterparty default is calculated in accordance with the carrying amounts of the financial assets as an equivalent for the maximum default risk. As of December 31, 2018, therefore, the DEKRA Group was exposed to the theoretical maximum possible risk of counterparty default apparent from the table above for the breakdown of carrying amounts of the financial instruments.

No collateral is pledged by the counterparties for the financial instruments held. As of December 31, 2018, with the exception of trade receivables and loans, no material financial assets were overdue or affected by amendments to contracts.

Interest rate risks

In the course of our investing and financing activities, we are exposed to interest rate risks. For borrowings, such risks are generally managed using interest rate derivatives in defined interest rate hedge ranges. In relation to investing, interest rate fluctuations result in changes in the fair values of fixed income securities. For bonds most (and for shares all) long-term investments are made via funds. In order to manage price risks for these investment items, financial derivatives are recognized by the fund management by way of a hedge as necessary.

The risk for the statement of comprehensive income is measured in the DEKRA Group using a sensitivity analysis. This analysis tests for the impact on interest income or interest expense of a shift in the term structure of interest rates by 100 base points.

An upward shift of 100 base points would result in an increase in the interest result of 838 thousand euros (prior year: 1,282 thousand euros). A downward shift of 100 base points would result in a decrease in the interest result of 838 thousand euros (prior year: 1,280 thousand euros).

An upward shift of 100 base points would result in an increase in the fair value of hedging instruments reported in equity of 221 thousand euros not taking tax effects into consideration. A downward shift of 100 base points would result in a decrease in the fair value reported in equity of 228 thousand euros before deferred taxes.

Interest derivatives were concluded to hedge the interest risk for material variable-interest loans and reported as hedging transactions as defined by IFRS 9.

Cash flow hedges for variable-interest loans

In order to hedge the interest risk of the promissory note loans, interest derivatives (interest rate swaps) were concluded in prior fiscal years, thus largely fixing the interest expense on the loans.

The regulations on cash flow hedge accounting were applied for derivatives with a nominal volume of 14.0 million euros and for hedging underlying transactions with a nominal volume of 48.5 million euros. This resulted in a hedge ratio of 29%.

	Residual term Dec. 31, 2018				
	< 1 year	1-2 years	2-3 years	3-4 years	
Nominal amount					
IN THOUSAND EUR	0	0	10,000	4,000	
Average hedged					

The hedging instruments DEKRA designated in hedges have the following effects on the consolidated statement of financial position as of December 31, 2018:

IN THOUSAND EUR	Nominal value	Carrying amount	Item in the consolidated statement of financial position	Changes in fair value in the report- ing period
Derivative financial instruments desig- nated as hedging instruments	14,000	125	Non-current financial liabilities	21

The fair value of the derivative financial instruments, which are interest rate hedges, is determined using the mark-to-market method. This involves using the discounted cash flow method and customary market interest rates.

Interest swaps are recognized at fair value. The effective portion of the changes in the fair value of the interest swap determined as a cash flow hedge is recognized in equity; the ineffective portion of the changes in the fair value is recognized through profit or loss. The cash flow hedges for the variable-interest portions of the loans did not lead to any ineffective hedges in the fiscal year to be recognized in profit or loss. The payments received and made from these interest swaps were netted in the interest expense and are thus a component of the interest result. Interest expense of 509 thousand euros was recorded in the fiscal year.

Currency risks

Currency risks from the operating activities are immaterial, since the local entities bill the services they render locally almost

exclusively in their local currency. In connection with investments and intragroup transactions, liabilities occasionally arise in foreign currencies, for which hedging is decided on a case-bycase basis.

A 10% change in the rate of the euro against the Swedish krona, the Brazilian real and the US dollar would affect the result from the translation of short-term and long-term loans to affiliates by approximately 4.9 million euros not taking tax effects into consideration. Decisions on necessary currency hedges are taken on a case-by-case basis. No material effects are expected from currency fluctuations for the other financial assets or liabilities. Group revenue includes revenue of 560.3 million euros (prior year: 538.8 million euros) that was not recorded in a euro zone country.

Other price risks

As part of the presentation of market risks, IFRS 7 also requires disclosures on how hypothetical changes in risk variables affect prices of financial instruments. Possible risk variables include in particular stock market prices or indices. As of December 31, 2018, the Group had financial assets at fair value through profit or loss totaling 7.11 million euros (prior year: 32.7 million euros as available-for-sale financial assets), which are subject to fair value fluctuations. These risks are mainly due to interest rate, credit and price risks. The fair value changes averaged 5.51 % in 2018 and 5.13 % in 2017.

Securities and restricted assets

As in the prior year, there were no restrictions on title or disposal for legally and beneficially owned property, plant and equipment, with the exception of the assets recognized under finance leases. Other assets include 1.2 million euros (prior year: 1.1 million euros) of premium reserve from employer's pension liability insurance policies pledged as collateral for pension obligations, but not to the entitled employees.

No financial assets were pledged as collateral for liabilities or contingent liabilities.

11 RELATED PARTY DISCLOSURES

Pursuant to IAS 24 "Related Party Disclosures," transactions with related parties must be disclosed. The Management Board and Supervisory Board as well as owners qualify as related parties within the meaning of IAS 24.9.

Remuneration of the Management Board

The remuneration paid to Management Board members (shortterm benefits) comprises fixed annual compensation and a performance-related variable bonus.

Remuneration for the Management Board of DEKRA SE including reimbursement of expenses amounted to 2,571 thousand euros (prior year: 2,556 thousand euros).

In addition, there were further expenses (among other things, for pensions of DEKRA SE) of 842 thousand euros (prior year: 805 thousand euros) and obligations of 11,716 thousand euros (prior year: 9,891 thousand euros) relating to this group of persons.

This results in total remuneration of 3,413 thousand euros (prior year: 3,361 thousand euros).

Total remuneration paid to former members of the Management Board amounts to 711 thousand euros (prior year: 399 thousand euros). There are also pension obligations of 3,340 thousand euros.

Remuneration of the Supervisory Board

The remuneration paid to the Supervisory Board for the reporting year came to 261 thousand euros (prior year: 203 thousand euros), of which a total amount of 261 thousand euros (prior year: 203 thousand euros) is reported as liabilities as of the reporting date.

In addition, there were further expenses (among other things, for pensions of DEKRA SE) of 599 thousand euros (prior year: 667 thousand euros) and obligations of 1,066 thousand euros (prior year: 1,021 thousand euros) relating to this group of persons.

Transactions with DEKRA e.V., Stuttgart

There are liabilities of 22.6 million euros (prior year: 24.8 million euros) to DEKRA e.V., Stuttgart, as of December 31, 2018, which mainly stem from VAT liabilities. There are also receivables of 90.6 million euros (prior year: 93.7 million euros) that primarily result from the cash pooling less profit and loss

There are lease agreements in place between DEKRA e.V., Stuttgart, as lessor and various companies of the DEKRA Group as tenants. Rent for business premises amounted to 19.7 million euros in fiscal year 2018 (prior year: 19.8 million euros). Receivables from and liabilities to DEKRA e.V., Stuttgart, gave rise to interest income of 1.5 million euros (prior year: 1.5 million euros) and interest expenses of 0.6 million euros (prior year: 0.3 million euros). Tax allocations amounted to 35.8 million euros (prior year: 48.8 million euros). In addition, services totaling 3.3 million euros (prior year: 1.5 million euros) were purchased from DEKRA e.V., Stuttgart.

Under a corporate lease agreement, activities are primarily performed in the field of German automotive testing and expertises by an operating company of the DEKRA Group for DEKRA e.V., Stuttgart. Business is generally conducted in the name of and for the account of DEKRA Automobil GmbH, Stuttgart. All transactions and business processes are carried out at DEKRA Automobil GmbH.

As remuneration for the activities, a flat-rate percentage of the profit generated before income taxes or of revenue is invoiced. In fiscal year 2018, a total volume of 5.2 million euros (prior year: 5.4 million euros) was charged to the DEKRA Group. DEKRA e.V., Stuttgart, recorded revenue of the same amount from this source.

In addition, the DEKRA Group rendered services of 10.9 million euros (prior year: 9.6 million euros) for DEKRA e.V., Stuttgart, in the fiscal year.

There is a profit and loss transfer agreement in place between DEKRA SE and DEKRA e.V., Stuttgart, as well as a tax group for income tax and VAT purposes.

Transactions with non-consolidated entities, associates as well as investees

SUBSIDIARIES THAT ARE NOT FULLY CONSOLIDATED IN MILLION EUROS	Dec. 31, 2018	Dec. 31, 2017
Services rendered	4.6	4.7
Services purchased	4.7	5.1
Finance income	0.3	0.6
Receivables and loans	19.1	36.7
Liabilities*)	1.0	1.6
ASSOCIATES IN MILLION EUROS	Dec. 31, 2018	Dec. 31, 2017
Services rendered	0.2	0.1
Services purchased	10.3	11.2
Liabilities	1.1	0.9
INVESTEES IN MILLION EUROS	Dec. 31, 2018	Dec. 31, 2017
Services rendered	0.4	0.3
Services purchased	1.1	0.8
Finance income	0.2	0.3
Receivables and loans	0.3	0.3

	ESTEES MILLION EUROS	Dec. 31, 2018	Dec. 31, 2017
Serv	vices rendered	0.4	0.3
Serv	vices purchased	1.1	0.8
Fina	ince income	0.2	0.3
Rece	eivables and loans	0.3	0.3
Liab	oilities*)	0.1	0.0
	<u> </u>		

^{*)} Liabilities are partially netted with the receivables in the statement of financial

12 DISCLOSURES ON THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The members of the **Management Board** are:

• Stefan Kölbl

Chairman

Leinfelden-Echterdingen

• Clemens Klinke

Boffzen

• Roland Gerdon (bis 16. Mai 2018)

Stuttgart

• Thomas Müllerschön (17. Mai bis 31. Dezember 2018) Emerkingen

• Wolfgang Linsenmaier (ab 1. Januar 2019)
Freiberg am Neckar

• Ivo Rauh

Stuttgart

The members of the Company's **Supervisory Board** in the reporting year were:

• Thomas Pleines

Chairman of the Supervisory Board

Former chairman of the Management Board Allianz Versicherungs-AG President of the Presidential Board of DEKRA e.V., Stuttgart

• Dipl.-Ing. Hartwig Meis*)

Deputy Chairman of the Supervisory Board (until June 30, 2018)

Chairman of the Central Works Council of DEKRA Automobil GmbH and publicly appointed and sworn expert at Münster branch of DEKRA Automobil GmbH, Stuttgart

• Monika Roth-Lehnen*)

Deputy Chairwoman of the Supervisory Board since November 8, 2018

Chairwoman of the Works Council of DEKRA SE, Chairwoman of the Central Works Council of DEKRA Akademie GmbH, Stuttgart Service Center Wuppertal of DEKRA Akademie GmbH, Stuttgart • Ulrich Beiderwieden *)

Formerly ver.di federal administration Head of sector

Sector 13 Special Services

• Frank Beimborn *)

(since July 1, 2018)

Chairman of the central works council of DEKRA Automobil GmbH at Dortmund branch of DEKRA Automobil GmbH, Stuttgart

• Prof. Dr. Sabine Fließ

Douglas endowed Chair of Service Management, University of Hagen, Hagen

• Jean-Luc Inderbitzin*)

Deputy chairman of the Works Council of DEKRA SE, Representative of the French trade union CFDT DEKRA Industrial S.A.S., Limoges, France

• Dipl.-Ing. (FH) Wilfried Kettner*)

Deputy Chairman of the Works Council of DEKRA SE, Chairman of the Central Works Council of DEKRA Automobil GmbH at Suhl branch of DEKRA Automobil GmbH, Stuttgart

• Dipl.-Wirtsch.-Ing. Arndt G. Kirchhoff

Managing partner of the Kirchhoff Group, Iserlohn

• Laurent Masquet *)

Deputy production manager IT DEKRA Automotive Solutions, Bordeaux, France

• Dipl.-Ing. (FH) Wilhelm Oberfranz

Head of the branch

 $DEKRA\ Automobil\ GmbH, Stuttgart$

 $\bullet \quad \text{Dipl.-Wirtsch.-Ing. Peter Tyroller} \\$

General manager

Robert Bosch GmbH, Stuttgart

• Prof. Dr. Wolfgang Weiler

Chairman

German Insurance Association (GDV)

*) Employee

13 SUBSEQUENT EVENTS

There were no significant events after the reporting date.

14 OTHER DISCLOSURES

Audit of the financial statements

The Annual General Meeting on April 24, 2018 appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as auditors of the separate and consolidated financial statements for fiscal year 2018.

The auditors' fees recognized in the fiscal year are shown in the following table.

IN THOUSAND EUR	2018	2017
Audit services	866	840
Tax advisory services	170	183
	1,036	1,023

List of shareholdings and consolidated group

The Group's entire shareholdings pursuant to Sec. 313 (2) HGB as well as all of the entities included in the consolidated financial statements in addition to DEKRA SE are presented in the following list.

IN %	Share	e of capital
Affiliates in Germany:		
DEKRA Automobil GmbH, Stuttgart	4)	100.00
DEKRA Akademie GmbH, Stuttgart	4)	100.00
DEKRA Arbeit GmbH, Stuttgart	4)	100.00
DEKRA Qualification GmbH, Stuttgart	4)	100.00
DEKRA Certification GmbH, Stuttgart	4)	100.00
DEKRA Personal GmbH, Stuttgart	4)	100.00
DEKRA Claims Services GmbH, Stuttgart	4)	100.00
DEKRA Beteiligungs- und Finanzierungs GmbH, Stuttgart	4)	100.00
DEKRA Assurance Services GmbH, Stuttgart	4)	100.00
DEKRA Media GmbH, Mönchengladbach	1)	100.00
DEKRA Personaldienste GmbH, Stuttgart	4)	100.00
DEKRA Event & Logistic Services GmbH, Stuttgart	4)	100.00
DEKRA EXAM GmbH, Bochum	4)	100.00
PRO-LOG Beteiligungs GmbH, Stuttgart		100.00
PRO-LOG Ruhr GmbH, Bochum		100.00
PRO-LOG Personal GmbH, Stuttgart		100.00
DEKRA Immobilien GmbH, Stuttgart	4)	100.00
PRO-LOG IV GmbH, Stuttgart		100.00
DEKRA Industrial International GmbH, Stuttgart	4)	100.00
UPDOWN Ingenieurteam für Fördertechnik GmbH, Hamburg		100.00
GKK Gutachten GmbH, Düsseldorf	4)	100.00
DEKRA Inspection Services GmbH, Stuttgart		100.00
DEKRA Automotive Solutions Germany GmbH, Frankfurt am Main	4)	100.00
DEKRA INCOS GmbH, Ingolstadt	4)	100.00
DEKRA Cargo & Security Services GmbH, Stuttgart	1)	100.00
DEKRA Visatec GmbH, Sulzberg		100.00
DEKRA Testing and Certification GmbH, Stuttgart (formerly: Dresden)	4)	100.00
Affiliates in other countries:		
DEKRA Automotive Solutions S.A.S.U., Bordeaux, France		100.00
DEKRA Foncier S.N.C., Trappes, France		100.00
Auto Bilan France S.A.S.U., Trappes, France		100.00
DEKRA Automotive S.A.S., Trappes, France		100.00
C.T.A. S.A.R.L., Trappes, France		90.00
DEKRA Automotive Maroc S.A., Casablanca, Morocco		80.00

IN %	Share	e of capital
DEKRA Test Center S.A., Montredon des Corbières, France		100.00
DEKRA Expertise S.A.S., Cormelles le Royal, France		100.00
DEKRA Service Maroc S.A., Casablanca, Morocco		80.00
DEKRA Certification Tanúsító és Szolgáltató Kft., Budapest, Hungary	1)	92.00
DEKRA Certification (Proprietary) Ltd., Centurion, South Africa		100.00
DEKRA CZ a.s., Prague, Czech Republic		100.00
DEKRA POLSKA Sp. z o.o., Warsaw, Poland		100.00
DEKRA Services S.A., Barcelona, Spain		100.00
DEKRA Claims Services Luxembourg S.A., Luxembourg, Luxembourg	1)	100.00
DEKRA Claims Services Netherlands B.V., Rotterdam, Netherlands		100.00
DEKRA Claims Services UK Ltd., London, UK		100.00
DEKRA France S.A.S., Bagneux, France		100.00
DEKRA Belgium N.V., Zaventem, Belgium		100.00
DEKRA Certification S.L., Barcelona, Spain	1)	100.00
DEKRA Certification Sp. z o.o., Wroclaw (Breslau), Poland		100.00
DEKRA Services Inc. (formerly: DEKRA Automotive North America, Inc.), Marietta, USA		100.00
DEKRA Portugal S.A., Lisbon, Portugal		100.00
DEKRA North America, Inc., Marietta, USA		100.00
DEKRA Austria Automotive GmbH, Vienna, Austria		100.00
DEKRA zaposljavanje i zastupanje d.o.o., Zagreb, Republic of Croatia		100.00
DEKRA Hellas EPE, Athens, Greece	1)	100.00
DEKRA Claims Services Austria GmbH, Vienna, Austria	1)	100.00
DEKRA Claims Services Hungary Service Ltd., Budapest, Hungary	1)	100.00
DEKRA Certification S.R.L., Cluj-Napoca, Romania	1)	100.00
DEKRA Claims & Expert Services (Suisse) S.A., Thônex, Switzerland (formerly: DEKRA Claims Services Switzerland S.A., Geneva, Switzerland)		100.00
DEKRA Italia S.r.l., Arese (Milan), Italy		100.00
DEKRA Industrial Holding S.A.S., Limoges, France		100.00
DEKRA Arbeit Magyaroszag Szolgáltató Kft., Budapest, Hungary		100.00
DEKRA Claims Services Trust reg., Vaduz, Liechtenstein	1)	100.00
DEKRA Zaposljavanje d.o.o., Belgrade, Serbia	1)	100.00
DEKRA za privremeno zaposljavanje d.o.o., Zagreb, Republic of Croatia		100.00
DEKRA zaposljavanje d.o.o., Sarajevo, Republic of Bosnia-Herzegovina	1)	100.00
DEKRA Certification S.A.S., Bagneux, France		100.00
DEKRA Expert OOO, Kiev, Ukraine	1)	80.00
DEKRA kvalifikácia a poradenstvo s.r.o., Bratislava, Slovak Republic		100.00
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IN %	Share	e of capital
DEKRA Automotive AB, Eskilstuna, Sweden		100.00
DEKRA (Shanghai) Co., Ltd., Shanghai, China		100.00
DEKRA Automotive EOOD (formerly: DEKRA Automotive OOD), Sofia, Republic of Bulgaria	1)	100.00
Consorzio DEKRA Revisioni S.r.l., Arese (Milan), Italy	1)	99.00
DEKRA Expertises Ltda., Atibaia, Brazil	1)	100.00
DEKRA kvalifikace a poradenství s.r.o., Prague, Czech Republic	1)	100.00
DEKRA Servicios Recursos Humano S.L., Barcelona, Spain		100.00
DEKRA Empleo ETT S.L., Barcelona, Spain		100.00
DEKRA Automotiv d.o.o., Sesvete, Republic of Croatia	1)	100.00
DEKRA Russ O.O.O., Moscow, Russia	1)	99.99
DEKRA Akademie Kft., Budapest, Hungary		100.00
DEKRA Hasar Servisi Ltd. Sti., Istanbul, Turkey	1)	100.00
DEKRA Claims Services Maroc S.A.R.L., Casablanca, Morocco	1)	100.00
DEKRA Claims Services Portugal S.A., Lisbon, Portugal		100.00
DEKRA Claims and Expertise B.V., Alkmaar, Netherlands		100.00
DEKRA Industrial (Guangzhou) Co., Ltd., Guangzhou, China	1)	100.00
DEKRA Finland Oy, Vantaa, Finland		100.00
DEKRA Industrial Oy, Vantaa, Finland		100.00
DEKRA Automotive Pty. Ltd., Johannesburg, South Africa		100.00
DEKRA Zaposljavanje d.o.o., Podgoriza, Republic of Montenegro		100.00
SLOVDEKRA s.r.o., Bratislava, Slovak Republic		100.00
DEKRA Netherlands Holding B.V., Arnheim, Netherlands		100.00
DEKRA Claims Services, Kiev, Ukraine	1)	70.00
Checkauto Consultatoria Tecnica E Informacoes veiculares Ltda., Atibaia, Brazil		100.00
DEKRA Vistorias e Serviços Ltda., Atibaia, Brazil		100.00
DEKRA South Africa Pty. Ltd., Johannesburg, South Africa		100.00
Hangzhou DEKRA WIT Certification Co., Ltd., Hangzhou, China		60.00
DEKRA Industrial AB, Gothenburg, Sweden		100.00
DEKRA Sweden AB, Gothenburg, Sweden		100.00
DEKRA Industrial AS, Soli, Norway	1)	100.00
DEKRA Egypt for Services and Consulting, Cairo, Egypt	1)	51.00
DEKRA Motores - Vistoria Veicular Ltda., Atibaia, Brazil	1)	100.00
DEKRA UK Ltd., Southampton, UK		100.00
Chilworth Technology Ltd., Southampton, UK		100.00
DEKRA (India) Pvt. Ltd. (formerly: Chilworth Technology (Pvt) Ltd.), New Delhi, India		100.00
Chilworth Technology Inc., Plainsboro, USA		100.00

IN %		Share of capital	
Chilworth France S.A.S., St. Jonage, France		100.00	
Safety Consulting Engineers Inc., Schaumburg, USA		100.00	
DEKRA ITV España S.L., Madrid, Spain		100.00	
Centro Revisione Auto s.c.a.r.l., Genoa, Italy	1)	51.11	
DEKRA Canada Inc., Saint John NB, Canada	1)	100.00	
DEKRA Kalite Kontrol Hizmetleri A.S., Ankara, Turkey		100.00	
Behavioral Science Technology (BST) Inc., Oxnard, USA		100.00	
Behavioral Science Technology International (BSTI) Inc., Oxnard, USA		100.00	
DEKRA Akademie A/S, Brondby, Denmark		100.00	
BST Consultants Pte. Ltd., Singapore, Republic of Singapore		100.00	
Behavioral Science Technology Consultores do Brasil Ltda., Sao Paulo, Brazil		100.00	
DEKRA Services ApS, Brondby, Denmark		100.00	
DEKRA AMU Center Sydjylland A/S, Vejen, Denmark		100.00	
DEKRA AMU Center Nordsjaelland ApS, Ishoj, Denmark		100.00	
DEKRA AMU Center Midtjylland ApS, Skjern, Denmark		100.00	
DEKRA Uddannelser A/S, Braband, Denmark		100.00	
DEKRA Equipment & Services A/S (formerly: Grøn Køreteknisk Anlæg A/S), Orbaek, Denmark		100.00	
DEKRA Praca Sp. z o.o., Krakow, Poland	1)	100.00	
DEKRA Caribbean B.V., Willemstad, Curação		100.00	
DEKRA Management (Shanghai) Co., Ltd., Shanghai, China		100.00	
Road Safety Consulting N.V., Brussels, Belgium	1)	50.10	
DEKRA Outsourcing d.o.o., Belgrade, Republic of Serbia	1)	100.00	
DEKRA People B.V., Alkmaar, Netherlands		100.00	
DEKRA Privremeno Zaposljavanje Podgorica d.o.o., Podgorica, Republic of Montenegro		100.00	
DEKRA Insight Australia Pty Ltd., South Melbourne, Australia		100.00	
DEKRA usluge d.o.o., Zagreb, Republic of Croatia	1)	100.00	
DEKRA Revisión Técnica SpA, Santiago de Chile, Chile	1)	100.00	
DEKRA Services (PTY) Ltd., Vereeniging, South Africa		100.00	
DEKRA Industrial RSA (Pty) Ltd., Vereeniging, South Africa		100.00	
DEKRA Quality Management AB, Frösön, Sweden		100.00	
DEKRA Inspecoes Portugal - Unipessoal LDT, Lisbon, Portugal		100.00	
DEKRA Vrabotuvanje dooel, Skopje, Republic of North Macedonia	1)	100.00	
DEKRA AMU Center Fyn ApS, Odense, Denmark		100.00	
European Road Stars Academy (ERSA) SPRL, Brussels, Belgium	1)	50.10	
DEKRA New Zealand Ltd., Wellington, New Zealand		60.00	
Vehicle Testing New Zealand Ltd. (VTNZ), Wellington, New Zealand		60.00	

IN %	Shar	e of capital
DEKRA Services s.r.o., Bratislava, Slovak Republic	1)	100.00
PRO-LOG CG d.o.o., Podgorica, Republic of Montenegro	1)	100.00
DEKRA Automotive d.o.o., Belgrade, Republic of Serbia	1)	100.00
DEKRA AMU Center Sjaelland A/S, Naestved, Denmark		100.00
DEKRA Lesotho (Pty) Ltd., Lesotho, South Africa	1)	100.00
VEIKI-VNL Villamos Nagylaboratóriumok Korlátolt Felelősségü Társaság, Budapest, Hungary		100.00
TATRA TRUCK s.r.o., Krásny Brod, Slovak Republic	1)	100.00
Master Test Chile SpA., Santiago de Chile, Chile	1)	100.00
Master Test – Inspeção de Veículos, S.A., Évora, Portugal		100.00
Core Visual Inspection Services, Inc., Austin, USA		100.00
D. Invest S.r.I., Cinisello Balsamo, Italy	1)	100.00
Epoche & Espri S.L.U., Madrid, Spain		100.00
DEKRA Arbeit (Schweiz) Holding AG, Sargans, Switzerland (formerly: Transteam Personal Holding AG, Mels, Switzerland)		100.00
DEKRA Arbeit AG St.Gallen (formerly: TP Handels- und Dienstleistungs AG), Mels, Switzerland		100.00
DEKRA Arbeit AG Wil (formerly: Transteam Personal AG Wil), Wil, Switzerland		100.00
DEKRA Arbeit AG Basel (formerly: Transteam Personal AG), Basel, Switzerland		100.00
DEKRA Arbeit AG Buchs (formerly: Transteam Personal AG), Buchs, Switzerland		95.00
DEKRA Arbeit AG Chur (formerly: Transteam Personal AG), Chur, Switzerland		90.00
DEKRA Arbeit AG Sargans (formerly: Transteam Personal AG), Sargans, Switzerland		94.00
DEKRA Arbeit (Schweiz) Verwaltungs AG (formerly: TPVAG Transteam Personal Verwaltungs AG), Sargans, Switzerland		100.00
DEKRA Arbeit Bulgaria EOOD, Sofia, Republic of Bulgaria	1)	100.00
PROTEC Services, Limoges, France	1)	100.00
STK Žatec s.r.o., Žatec, Czech Republic	1)	100.00
Autoservis u Oharky s.r.o., Žatec, Czech Republic	1)	100.00
DEKRA Arbeit Austria GmbH, Vienna, Austria	1)	100.00
Beijing DEKRA Vehicle Inspection Co., Ltd, Beijing, China	1)	100.00
PRO-LOG SR DOO, Belgrade, Republic of Serbia	1)	100.00
SINISTRAUTO Gabinete Tecnico de Regulação de Sinistros Automove Lda., Linda-a-Velha, Portugal		100.00
Bureau d'Expertises Despretz SA/NV, Brussels, Belgium	1)	100.00
Gain Solutions Ltd., Chippenham, UK		100.00
Industrial Safety Group B.V., Rotterdam, Netherlands		100.00
Arbo Support B.V., Rotterdam, Netherlands		100.00
Industrial Safety BVBA, Antwerp, Belgium	1)	100.00
DEKRA Arbeit Anstalt, Eschen, Liechtenstein	1)	100.00
DEKRA Personnel France SAS, Bagneux, France	1)	100.00

AL-SYN ApS, Silkeborg, Denmark 1000.00 DEKRA TW s.r.o., Bratislava, Slovak Republic 1000.00 DEKRA Arbeit L.L.C., Prishtina, Republic of Kosovo 1000.00 DEKRA Arbeit SHPK, Tircina, Albania 1000.00 DEKRA Arbeit SHPK, Tircina, Albania 1000.00 DEKRA Industrial SAS, Limoges, France 1000.00 DEKRA Industrial SAS, Limoges, France 1000.00 DEKRA Industrial S.A. (Formerly: DEKRA AMBIO S.A.U.), Barcelona, Spain 1000.00 DEKRA Lindustrial SA. (formerly: DEKRA AMBIO S.A.U.), Barcelona, Spain 1000.00 DEKRA Certification B.V., Arnheim, Netherlands 1000.00 DEKRA Certification B.V., Arnheim, Netherlands 1000.00 DEKRA Certification S.V., Arnheim, Netherlands 1000.00 DEKRA Certification S.V., Arnheim, Netherlands 1000.00 DEKRA Certification K.K., Tokyo, Japan 1000.00 DEKRA Testing and Certification (Shanghai) Itd., Shanghai, China 1000.00 DEKRA Certification Ltd., Pershore Worcestershire, UK 1000.00 DEKRA Certification Ltd., Tel Aviv, Israel 1000.00 DEKRA Certification Hong Kong Itd., Fanling, Hong Kong 1000.00 DEKRA Certification Hong Kong Itd., Fanling, Hong Kong	IN %	Share	e of capital
DEKRA Arbeit L.L.C., Prishtina, Republic of Kosovo 1 00.00 DEKRA Arbeit SHPK, Tirana, Albania 1 100.00 DEKRA Industrial SAS, Limoges, France 100.00 DEKRA Solutions (Pty) Ltd., Centurion, South Africa 100.00 DEKRA Industrial SA. R.L., Algiers, Algeria 99.50 DEKRA Industrial SA. (formerly: DEKRA AMBIO S.A.U.), Barcelona, Spain 100.00 DEKRA Inspection S.A., Casablanca, Morocco 100.00 DEKRA Solutions B.V., Arnheim, Netherlands 100.00 DEKRA Certification B.V., Arnheim, Netherlands 100.00 DEKRA Certification S.r.l., Osnago, Italy 100.00 DEKRA Testing and Certification S.r.l., Osnago, Italy 100.00 DEKRA Testing Services (Zhejiang) Ltd., Zhejiang, China 51.00 DEKRA Testing and Certification (Shanghai) Ltd., Shanghai, China 100.00 DEKRA Certification Ltd., Pershore Worcestershire, UK 1 00.00 DEKRA Certification Ltd., Fel Aviv, Israel 100.00 DEKRA Certification Hong Kong Ltd., Fanling, Hong Kong 100.00 DEKRA Certification Lnd., North Wales, USA 100.00 DEKRA Certification Lnd., North Wales, USA 100.00 DEFARA Certification Lnd., North Wales, USA 10	AL-SYN ApS, Silkeborg, Denmark	1)	100.00
DEKRA Arbeit SHPK, Tirana, Albania 19 100.00 DEKRA Industrial SAS, Limoges, France 100.00 DEKRA Solutions (Pty) Ltd., Centurion, South Africa 100.00 DEKRA Industrial S.A.R.L., Algieris, Algeria 99.50 DEKRA Industrial S.A. (Formerly: DEKRA AMBIO S.A.U.), Barcelona, Spain 100.00 DEKRA Inspection S.A., Casablanca, Morocco 100.00 DEKRA Certification B.V., Arnheim, Netherlands 100.00 DEKRA Solutions B.V., Arnheim, Netherlands 100.00 DEKRA Certification S.r.I., Osnago, Italy 100.00 DEKRA Testing and Certification S.r.I., Osnago, Italy 100.00 DEKRA Testing Services (Zhejiang) Ltd., Zhejiang, China 51.00 DEKRA Testing and Certification (Shanghai) Ltd., Shanghai, China 100.00 DEKRA Certification Ltd., Pershore Worcestershire, UK 19 100.00 DEKRA Certification Ltd., Fershore Worcestershire, UK 10 0.00 DEKRA Certification Hong Kong Ltd., Fanling, Hong Kong 100.00 DEKRA Certification Hong Kong Ltd., Fanling, Hong Kong 100.00 DEKRA Certification Hong Kong Ltd., Fanling, Hong Kong 30.00 DEKRA Certification Hong, North Wales, USA 100.00 Associates in Germany:	DEKRA TW s.r.o., Bratislava, Slovak Republic	1)	100.00
DEKRA Industrial SAS, Limoges, France 100.00 DEKRA Solutions (Pty) Ltd., Centurion, South Africa 100.00 DEKRA Industrial S.A.R.L., Algiers, Algeria 99.50 DEKRA Industrial SA. (formerly: DEKRA AMBIO S.A.U.), Barcelona, Spain 100.00 DEKRA Inspection S.A., Casablanca, Morocco 100.00 DEKRA Certification B.V., Arnheim, Netherlands 100.00 DEKRA Solutions B.V., Arnheim, Netherlands 100.00 DEKRA Testing and Certification S.r.I., Osnago, Italy 100.00 DEKRA Testing and Certification S.r.I., Osnago, Italy 100.00 DEKRA Testing Services (Zhejiang) Ltd., Zhejiang, China 51.00 DEKRA Testing Services (Zhejiang) Ltd., Shanghai, China 100.00 DEKRA Certification Ltd., Pershore Worcestershire, UK 100.00 DEKRA Certification Ltd., Tel Aviv, Israel 100.00 DEKRA Certification Hong Kong Ltd., Fanling, Hong Kong 100.00 DEKRA Certification Hong Kong Ltd., Fanling, Hong Kong 100.00 DEKRA Certification Inc., North Wales, USA 30.50 Associates in Germany: 20.00 Euro Transport Media Verlags- und Veranstaltungsgesellschaft mbH, Stuttgart 40.00 FSD Fahrzeugsystemdaten GmbH, Dresden	DEKRA Arbeit L.L.C., Prishtina, Republic of Kosovo	1)	100.00
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·	DEKRA Claims Services France S.A., Levallois Perret, France	2)	50.00
DEKRA Services Spolka z.o.o, Krakow, Poland ²⁾ 50.00	NDT Training Center AB, Västeras, Sweden	2)	33.00
	DEKRA Services Spolka z.o.o, Krakow, Poland	2)	50.00

IN %		Share of capital	
Equity investments:			
ARGE "Technische Prüfstelle für den Kraftfahrzeugverkehr 21" GbR, Dresden	3) 5)	25.00	
Magility GmbH, Kirchheim unter Teck	3) 5)	25.10	
DYNAE S.A., Villefontaine, France		19.93	
Société Coopérative de Promotion S.A., Trappes, France		< 5.00	
Credit Agricole S.A., Paris, France		< 1.00	
Credit Mutuel, Paris, France		< 1.00	
ITT Technology Transfer s.r.l., Ferrara, Italy		1.00	

1) Not included in the consolidated financial statements by way of full consolidation.

Not accounted for using the equity method due to insignificance for assets and liabilities, financial position and financial performance.
 The disclosures pursuant to Sec. 313 (2) No. 4 HGB are not made since they are insignificant for the presentation of a true and fair view of the Group's assets and liabilities, financial position and financial performance.
 Utilization of the exemption pursuant to Sec. 264 (3) HGB.
 Significant influence is not exercised.

Stuttgart, March 21, 2019

DEKRA SE

The Management Board

Kölbl, Chairman

/ Klinke

Independent auditor's report

105

Translation of the German independent auditor's report concerning the audit of the consolidated financial statements and group management report prepared in German.

DEKRA SE

Independent auditor's report

To DEKRA SE

Opinions

We have audited the consolidated financial statements of DEKRA SE, Stuttgart, and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income for the fiscal year from January 1 to December 31, 2018, the consolidated statement of financial position as of December 31, 2018, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from January 1 to December 31, 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of DEKRA SE for the financial year from January 1 to December 31, 2018. In accordance with the German legal requirements, we have not audited the content of the group corporate governance statement contained in the "Declaration of corporate governance" section of the group management report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the corporate governance statement referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

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

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information. The other information comprises the group corporate governance statement contained in the "Declaration of corporate governance" section of the group management report as well as the remaining components of the annual financial report, with the exception of the audited consolidated financial statements and combined management report as well as our independent auditor's report, in particular the sections "At a glance", "Foreword by the Chairman of the Management Board" and "Report by the Chairman of the Supervisory Board". We received a version of this other information by the time this auditor's report was issued.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon. In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

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

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

107

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Stuttgart, March 22, 2019

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft

Hummel Fischer

Wirtschaftsprüfer Wirtschaftsprüferin [German Public Auditor] [German Public Auditor]

Report by the Chairman of the Supervisory Board

Report by the Chairman of the Supervisory Board



President of the Presidential Board of DEKRA e.V. and Chairman of the Supervisory Board of DEKRA SE.

The Supervisory Board fulfilled its oversight and advisory function for the Management Board of DEKRA SE in the reporting year 2018 in a comprehensive manner. We were regularly informed verbally and in writing about important business transactions. In addition, the main business transactions were discussed in detail at two Supervisory Board meetings as well as at meetings and discussions between the Chairman of the Supervisory Board and the Management Board. The economic situation and strategic alignment of DEKRA were discussed in the context of achieving long-term stable and healthy corporate development.

The Supervisory Board determined that 2018 was yet another successful year for DEKRA SE. The key business indicators such as

revenue and result improved. The number of employees worldwide increased by over 1,000 to more than 45,000.

The Supervisory Board appointed Ernst & Young GmbH, Wirtschaftsprüfungsgesell-schaft, Stuttgart, as auditors for the annual financial statements and management report as well as for the consolidated financial statements and consolidated management report of DEKRA SE together with the accounting system for the 2018 financial year. The Supervisory Board duly notes and concurs with the unqualified audit opinion of the auditor. The Supervisory Board's own review raised no objections to the annual financial statements, management report, consolidated financial statements and consolidated management report. The annual financial statements compiled by the Management Board are endorsed by the Supervisory Board and are therefore finalized.

The Supervisory Board would like to thank the Management Board for its successful work during the reporting year. We wish to thank all employees for their commitment to DEKRA.

Stuttgart, April, 2019 The Supervisory Board

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THOMAS PLEINES, Chairman **Imprint**

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