Financial report 2017

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 more than 44,000, DEKRA is synonymous with innovative services in the safety segment in more than 50 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.

The portfolio of the Business Units DEKRA Automotive, DEKRA Industrial and DEKRA Personnel comprises twelve strategic business sectors: Vehicle Inspection, Expertise, Automotive Solutions, Homologation & Type Approvals, Claims Services, Industrial & Construction Inspection, Material Testing & Inspection, Product Testing & Certification, Business Assurance, Insight, Training & Education and Temporary Work.

KEY DATA DEKRA SE		2015	2016	2017
Revenue and income				
Total revenue	in million EUR	2,720.3	2,903.6	3,134.8
Share of international revenue	in %	39.3	40.1	39.3
Adjusted EBIT	in million EUR	201.1	220.6	236.1
Adjusted EBIT margin	in %	7.4	7.6	7.5
Adjusted EBT	in million EUR	178.1	200.9	228.9
Statement of financial position				
Total assets	in million EUR	1,977.4	2,091.3	2,090.2
Equity	in million EUR	503.4	543.5	635.5
Equity ratio	in %	25.5	26.0	30.4
Employees				
Number as of Dec. 31		36,673	39,357	44,057

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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,

With a comprehensive range of testing, inspection and certification services, DEKRA ensures safety on the road, at work and at home in more than 50 countries. And it does so with great success: In the 2017 financial year, DEKRA revenue increased by 8.0 percent to 3.1 billion euros. Adjusted operating earnings rose to 236 million euros. As a result of acquisitions and, above all, organic growth, the number of employees has increased by over 4,000 to more than 44,000. The 14th successive year of growth was characterized by positive developments across all three business units.

With revenue of 1.56 billion euros, the DEKRA Automotive Business Unit generated an increase of 3.8 percent. The DEKRA Industrial Business Unit also continued its successful trajectory. Revenue climbed by 5.3 percent to 896 million euros. On the back of innovative training, qualification and personnel services, the DEKRA Personnel Business Unit grew by 24.8 percent to 650 million euros.

DEKRA will continue on its stable growth path – based on our active role in shaping the megatrend of "safety" and an international positioning that gives us a disproportionately high share of its growth. For more than 90 years, we have fulfilled our statutory mission to ensure the safety of people. With this in mind, we have set ourselves the goal of becoming the global partner for a safe world by the time of our 100th anniversary in 2025. Join us on this journey.

Sincerely,

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

Group management report for the fiscal year 2017

CORPORATE INFORMATION

Group business model

DEKRA ensures safety

For over 90 years now, DEKRA has strived to ensure people's safety. What started out in 1925 with the technical monitoring of motor vehicles, today comprises a wide range of services for testing, inspecting and certifying products, processes and plants. DEKRA is the world's fourth largest expert organization in the TIC industry (testing, inspection, certification) and is the largest unlisted entity. It benefits from the lasting and global trend for 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 coordinates the business operations of the Business Units DEKRA Automotive, DEKRA Industrial and DEKRA Personnel. In seven Service Units and five Service Lines, some 44,000 people work in more than 50 countries on five continents. DEKRA is the global market leader in vehicle inspection, and is one of the leading companies in other business segments.

SERVICES PORTFOLIO

AUTOMOTIVE SERVICES	INDUSTRIAL SERVICES	PERSONNEL SERVICES
Vehicle Inspection	Industrial & Construction Inspection	Training & Education
Expertise	Material Testing & Inspection	Temporary Work
Automotive Solutions	Product Testing & Certification	
Homologation & Type Approvals	Business Assurance	
Claims Services	Insight	

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

Since 2005, the Business Unit DEKRA Industrial has become a cornerstone of DEKRA in just 13 years. The Company has responded to growing demand from businesses for specialized service packages and consulting skills focusing on the safety of processes, plant and entire organizations. The portfolio covers the areas of environmental and industrial safety, machinery, plant and building inspection, material and product testing, certification as well as consulting services focusing on process and organizational safety. Customers include SMEs and large corporations.

DEKRA Personnel

Training and education are the foundation for ensuring 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 are therefore ongoing tasks. Through its strategic "Vision 2025" program, launched in its 90th anniversary year in 2015, with its focus on the three 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 2025. In the reporting year 2017, DEKRA demonstrated its full commitment to the implementation of this long-term strategic focus.

An important step in this direction is the further expansion of the Company's international presence. DEKRA is concentrating on organic growth as well as strategic acquisitions to strengthen existing business sectors at 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".

Systems of management

Compliance management system

Society's expectations of responsible corporate governance are high. For some time, DEKRA has been equipped with a systematic Compliance Management System (CMS), which is tightly meshed with its risk management system. The CMS is constantly being further developed and adapted to the changing DEKRA organization as well as the changing legal requirements. The worldwide "Compliance Executives Dialog" rolled out in 2016 was continued in the fiscal year 2017. This involves executives informing their employees about compliance-relevant issues and their implementation in accordance with the rules and regulations. Communication relating to the Compliance Guidelines is found on all important digital platforms such as Intranet, DEKRA Connect and the Internet. In addition DEKRA has regional compliance managers as well as a group-wide modular training concept.

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 supports the Supervisory Board in overseeing the Company's management as well as the Management Board in 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 to audit and assess financial accounting for its 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 ensure 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 is regularly informed about the findings of the IMS reviews.

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 employees, that is employees, middle management, executives and board members, work on the basis of these standards, and can be relied upon to fulfil their duties and conduct themselves as fair-minded business partners. The internal requirements and obligations are defined in the quality management system. Last year too, due to the modification and updating of internationally valid standards, such as the updating of the accreditations DIN/ISO/EN/IEC 17020, 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 285 to 329 due to modified regulatory requirements and also new services added to the portfolio recently, in some cases in connection with newly acquired companies within the DEKRA Group.

DEKRA Industrial has successfully completed all major reaccreditations worldwide and has obtained numerous extensions in accreditation scopes. Furthermore, new accreditations were concluded in the Product Testing & Certification Service Unit. These include short circuit and high voltage tests in the area of energy transmission and distribution as well as in particular cyber security in the Internet of Things. In addition, required transitions to new standards and to modified regulatory frameworks were undertaken during the fiscal year. An important milestone in the reporting year was the conclusion of the reaccreditation procedure for the DEKRA inspection body according to ISO 17020 in vehicle testing.

Research and development

DEKRA has been an independent expert organization in the area of road safety for more than 90 years - with 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. 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.

In September 2017, DEKRA joined forces with AUTO BILD to launch the campaign “Handy weg! Dein Leben zählt” (“Put away your cell phone! Your life counts”) at the International Motor Show (IAA) in Frankfurt. The declared aim is to inform about the high risk of accidents and losing your life through being distracted when driving. More than half of all drivers who own a cell phone regularly use it while driving. This is the result of a Forsa survey commissioned by DEKRA. According to the report, 55 % use their smartphones every now and again while at the wheel. At any given time, an average of 7 % of drivers are distracted from driving by their cell phones. This was determined by DEKRA accident research in a nationwide traffic survey.

The DEKRA traffic safety report (TSR) was presented for the tenth time in the fiscal year 2017. The DEKRA TSR, published annually since 2008, provides up-to-date information and advice on the further 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 TSR 2017 focuses on tried-and-tested road safety measures in various countries all over the world to increase road safety. DEKRA shows just how many different ways and means are available to sustainably reduce the number of accident victims on the roads and how success stories can be transferred to other countries.

DEKRA TSR is flanked by the DEKRA online portal, set up in 2016, on road safety: www.dekra-roadsafety.com. Additional content in the form of videos or interactive graphics supplement the printed report. 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 smartphones when driving.

DEKRA has been accompanying the technological developments in the automotive sector for many years. The development towards the mobility of the future represents a special challenge for all players in the automotive industry. Therefore, DEKRA has created 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.

In the fiscal year 2017, DEKRA took over the Lausitzring in Klettwitz, Brandenburg, Germany, and combined it with the adjacent DEKRA Technology Center to further expand its expertise in the mobility of the future. This largest manufacturer-independent test and inspection center in Europe for automated and connected driving further expanded DEKRA’s international test network in Klettwitz, Málaga and in laboratories in China. In Spanish Málaga the current focus is on 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 technologies (Vehicle-to-Everything). In addition, the site in Málaga is already getting ready for the technology of tomorrow, the 5G mobile communications standard.

In early 2017 in Hsinchu, Taiwan, DEKRA’s largest laboratory for autonomous and electrical mobility services opened. The focus there is on inspecting and certifying automotive parts and components.

As part of its research and development activities, DEKRA initiated a project in Stuttgart at the beginning of 2017 to reduce the highest levels of respirable dust pollution, particularly at Neckartor. A large-scale cleaning trial was started together with the city of Stuttgart and the street cleaning specialists of the companies Faun, Kärcher, Reuther, Oberheiden and Stuttgart municipal waste management (AWS): targeted, regular and intensive street cleaning can remove a high proportion of particles. DEKRA accompanied the trial with comprehensive measurements and laboratory analyses. Street cleaning can make an effective contribution to reducing fine dust on busy streets in large cities. That was the conclusion DEKRA came to following a trial in Stuttgart lasting approximately five weeks in March and April 2017. To obtain more detailed analyses of the impact on the fine dust values, street cleaning will continue in winter 2017/18.

The radical changes brought about by digitization also lead to profound changes in career and training profiles and revolutionize the methods of teaching and learning. DEKRA Akademie Group is a provider in the education sector that is keen to shape and support these trends. One example is a project in the area of e-mobility: Deutsche Post DHL relies on electromobility and is already using more than 5,000 electric StreetScooters. The tests to obtain EG type approval were carried out by the DEKRA Technology Center in Klettwitz. Within the space of a few months, DEKRA has provided specialist training to the employees of a repair shop chain in customer-specific handling of high-voltage vehicles in order to ensure the necessary maintenance and repairs of e-StreetScooters.

REPORT ON ECONOMIC POSITION

General economic and industry-specific conditions

Global economy growing

Global economic growth accelerated in 2017. According to data of the World Bank, the global gross domestic product (GDP) of 3.0 % was 0.6 percentage points above the prior-year level (2.4 %). Developing and emerging economies generated the highest growth at 4.3 % (prior year: 3.7 %). Industrialized countries achieved an increase of 2.3 % (prior year: 1.6 %). In the euro zone, GDP increased by 2.4 % compared to the prior year (1.8 %).

Unemployment fell to its lowest level in years, both in the euro area and in the EU28 countries. In the euro zone countries, at 8.7 % in December 2017, it remained below the figure of the same month in the prior year (9.7 %). 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 7.3 % in December 2017 (prior year: 8.2 %). Overall, around 18 million people were unemployed in the EU28 in December 2017. The Czech Republic (2.3 %) and Germany (3.6 %) recorded the lowest levels. Unemployment was highest in Greece (20.7 %) and Spain (16.4 %).

According to EUROSTAT, inflation in the euro zone rose year-on-year from 1.1 % in the prior year to 1.4 % in December 2017. According to the German Federal Statistical Office, consumer prices in Germany rose by 1.8 % in December 2017 compared with December 2016.

Good framework conditions for DEKRA

The automotive industry, of such importance for DEKRA, also reported growth in 2017. According to data provided by the VDA [“Verband der Automobilindustrie”: German Association of the Automotive Industry], the number of passenger car sales in Western Europe was up almost 2.5 % on the prior year. Of the 14.3 million units, 3.4 million units were sold in Germany alone, up 3 % on the prior year. The US market fell by 1.9 % to 17.1 million units. The development in China was positive where the prior year’s passenger car sales volume increased by 2 %. With sales of new vehicles of 24.2 million units, the People’s Republic of China is the world’s largest passenger car market.

DEKRA Industrial business is influenced by the German and international industrial economy. Economic impetus in Europe, robust development in China, an upturn in the US economy and stabilization in the emerging markets created a positive environment for German industry and for DEKRA in 2017. According to the German Chemical Industry Association [“Verband der Chemischen Industrie”: VCI], for example, the sector companies increased production significantly, achieving revenue growth of 5.5 %. Overall, German industry is in very good shape, exports continued to develop favorably. According to the German Federal Statistical Office, export growth stood at 6.3 % in 2017. The continuous recovery of the price of oil will provide further growth impetus in the core industry services.

The factors most relevant for DEKRA Personnel are the award of public sector contracts and 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 2016 to June 2017 was approximately one million. The number of temporary employment agencies compared to the prior year rose by about 1 % to 52,700. In a highly fragmented market, approximately three quarters of all agencies have fewer than ten temporary workers. In view of the changing demands on the qualifications of the employees, the Bundesagentur für Arbeit also budgeted around 1.7 billion euros in the promotion of vocational training in 2018.

Business performance

Group

Solid global positioning ensures growth

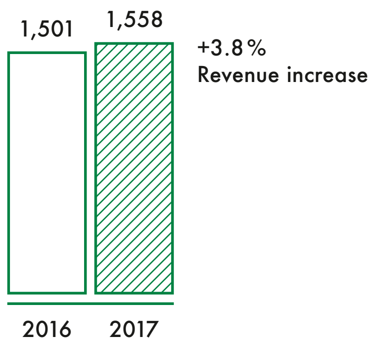
In the fiscal year 2017, DEKRA benefited from the global position and people's long-term need for more safety at work, at home and on the road. Revenue increased by 8.0 % to 3.1 billion euros. Headcount increased by 4,700 to 44,057 (prior year: 39,357) through strong organic growth and acquisitions. DEKRA further improved its earnings before interest and taxes (EBIT) from 181.0 million euros in the prior year to 203.0 million euros in the reporting year.

DEKRA Automotive

Firmly on track

As one of the world's leading providers of automotive services in the TIC industry, the Business Unit DEKRA Automotive increased its revenue by 3.8 % to 1,557.5 million euros. In both the Vehicle Inspection and Homologation & Type Approval service lines, as well as in the Automotive Solutions service unit, business grew on both a national and international scale. The Expertise Service Line also grew. In the fiscal year 2017, 30.8 % (479.4 million euros) of the revenue was generated abroad compared to 31.2 % (468.3 million euros) in the prior year.

REVENUE DEKRA AUTOMOTIVE
worldwide in million euros



DEKRA Automobil GmbH in Germany contributed 1,211.8 million euros to group revenue, an increase of 5.5 % on the prior year (prior year: 1,148.5 million euros). This included around 168.9 million euros from industry testing services rendered by DEKRA Automobil GmbH and reported in the Business Unit DEKRA Industrial. This represents an increase in revenue of more than 12.7 % (revenue 2016: 149.9 million euros). The strong market position is reflected, for example, in elevator and pressure tank inspections. The position of market leader in the core business of vehicle inspection in Germany was consolidated, with more than 11.3 million inspections and a market share of approximately 34 %. 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 in 2017.

DEKRA is the market leader, testing around 26 million vehicles worldwide. The global vehicle inspection business developed well. DEKRA increased its number of test centers in many countries: in Portugal, for example, after entering the main market in 2016, the test center network was significantly expanded by taking over eleven stations. DEKRA now operates 14 stations in Portugal and has taken a major step towards its goal of becoming one of the top three providers in the country by 2020. In France, DEKRA's second home after Germany, DEKRA captured additional market share in the regular vehicle inspection business. Moreover, a leading French business magazine selected DEKRA as the leading brand in vehicle inspection. The first test station was inaugurated in Luxembourg in December and customer operations will start on February 1, 2018.

Business in inspection and other automotive services developed positively in markets such as Sweden, South Africa, the Czech Republic and Slovakia. Business in New Zealand also reported growth. The Service Unit DEKRA Automotive Solutions was successful, with services in used car management and in after sales, and generated revenue of 188.9 million euros (prior year: 178.0 million euros). Operations in France, Germany, Italy and the Netherlands were particularly successful.

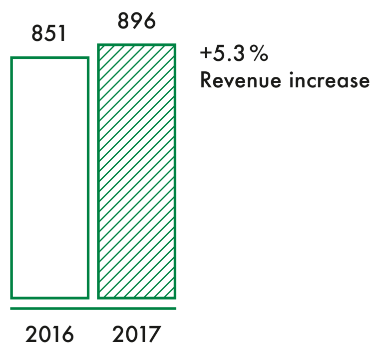
Innovative digital technologies are employed for used car management, expertises and claims adjustment. This ranges from the use of drones in the preparation of accident analysis reports, the analysis of building damage through to digital data management via an app for leased car returns.

DEKRA Industrial

Well-positioned in growth areas

Despite a somewhat challenging economic environment in a number of regions and markets, Business Unit DEKRA Industrial has done well thanks to its strong market position and services it offers for the digital world. Revenue increased by 5.3 % to 896.4 million euros. This includes 168.9 million euros (prior year: 149.9 million euros) from regular industry testing services in Germany rendered by DEKRA Automobil GmbH via its Germany-wide network of branches. In total, the Industrial and Construction Inspection Service Line generated revenue of 405.8 million euros (prior year: 378.0 million euros). In addition to Germany, the important French market also contributed to growth, generating revenue of 240.9 million euros (prior year: 232.0 million euros).

REVENUE DEKRA INDUSTRIAL
worldwide in million euros



The Product Testing & Certification Service Unit responded to the challenges posed by the Internet of Things and digitization of mobility and now has a global network of test laboratories. For example, the laboratory in Shanghai, China, provides a variety of high-tech testing services under one roof with a particular focus on the fast growing requirements of the automotive industry. This includes chemical analyses, material testing, safety tests and certifications, electromagnetic compatibility tests as well as reliability tests and damage analyses. The laboratory in Linkou, Taiwan, provides cutting-edge technologies and state-of-the-art services with a particular focus on connectivity.

An important topic is cyber security. Here DEKRA was able to strengthen its market position in the evaluation and auditing of IT-security standards by taking over the Spanish specialists Epoche & Espri. In addition to other international regulations, the company with registered offices in Madrid, Spain, focuses on certification according to Common Criteria and FIPS (Federal Information Processing Standard), the leading methods to evaluate the cyber security of products and software.

In the equally strategically important power and energy market, the Service Unit improved its position with the acquisition of the Hungarian high power and high voltage laboratory VEIKI-VNL. VEIKI-VNL, based in Budapest, Hungary, is specialized in the testing and certification of electrical transmission and distribution equipment. It offers a broad range of services including high voltage testing, temperature rise testing, as well as aging tests.

The strategic acquisition of the specialist Core Visual Inspection Services with registered offices in Charlotte, North Carolina, USA, enabled the Service Unit Materials Testing & Inspections to enter the inspection and testing business for power plants in the USA. This success marks another important step in DEKRA's strategy to be present as a global partner with its services on all continents.

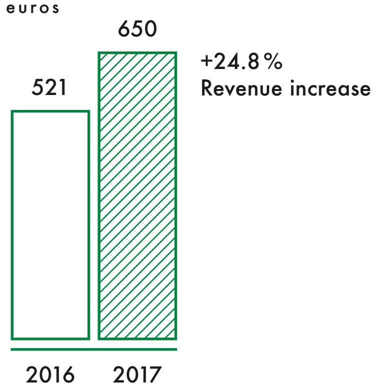
In the Service Unit Business Assurance the integration of AQS Managements Systems, Minnesota, USA, acquired in 2016 was completed according to plan. Thanks to AQS, DEKRA has become a leading provider of training and courses for system management in the US. In addition – as in other Service Units – competence in the future field of cyber security was expanded, in keeping with standard ISO 27001 for data security.

DEKRA Industrial France has developed well; the turnaround has been completed and the Company is back on a growth course.

DEKRA Personnel
Expert for education and temporary work

The revenue of the Business Unit DEKRA Personnel grew by 24.8 % to 650.1 million euros in 2017. Both the Temporary Work Service Unit of DEKRA Arbeit Group and the Training & Education Service Line of DEKRA Akademie Group contributed to this success.

REVENUE DEKRA PERSONNEL
worldwide in million euros



In the case of personnel services, DEKRA Arbeit Group maintained its position as the seventh largest temporary employment and personnel service company in Germany and increased its revenue significantly to 396.9 million euros (prior year: 302.0 million euros). DEKRA is now successful in 14 other European countries beyond its home market of Germany. Bulgaria was added as a location in 2017. The opening of additional locations abroad, such as in France and Austria for example, is also planned in 2018. At its peak, more than 17,000 temporary workers were employed in 2017. New framework agreements were concluded with existing and new clients in 2017 thanks to DEKRA's leading position in the temporary hire of employees.

The Training & Education Service Unit has succeeded in expanding the commercial customer business and foreign business, for example in the area of occupational safety and fire protection. Revenue from training in fire safety alone increased tenfold in the past two fiscal years. Projects for the training and education and placement of nursing staff from different European countries for German hospitals and nursing homes continued to develop positively. The first skilled workers from southeast Europe are being prepared for their transfer to Germany. A total of 2,500 participants from eastern European countries were in training at the end of 2017. In the growth market for online training and education DEKRA registered a strong demand for its online training portal DEKRA Safety Web. On top of this, additional blended learning offers combining virtual lessons and classroom training were expanded further.

Overall statement by management

In 2017, DEKRA recorded growth for the fourteenth year in a row. In the fiscal year 2017, the increase in revenue was largely the result of organic growth. The Company's large footprint in terms of expertise and geographies enables it to compensate for economic and regulatory challenges in individual business segments through growth in others. Thanks to its global presence and thought leadership, DEKRA will participate in the global trend towards more technical and organizational security. The chances of sustainable and stable growth remain good.

Environmental protection and sustainability
Sustainability management

In the fiscal year 2017, DEKRA continued the accelerated development and expansion of sustainability management in the Company of the prior years and continued the development of an individual sustainability profile. The focus lay on the preparation and implementation of the requirements of the German Sustainability Code (GSC) and the structural enhancement of communication with the Company's stakeholders via the new DEKRA sustainability magazine. Furthermore, the foundations were laid for meeting future and current requirements, including those in the areas of the supply chain, social standards and environmental management.

The Sustainability Code

DEKRA has officially fulfilled the requirements defined by "The Sustainability Code" since May 5, 2017. It is an important step for DEKRA to underscore so credibly the sustainability performance of the Company. This is also demonstrated in positive sustainability ratings received by DEKRA, for example from EcoVadis (Silver Recognition Level 2017).

Business model sustainability

As a company, DEKRA benefits from sustainable development in the economy, environment and social responsibility. With its expert services, the Company aims to make a contribution to sustainable development. Services in the areas of sustainability and corporate social responsibility (CSR) have become highly relevant in view of increasingly complex regulatory conditions and rising political and social expectations. DEKRA helps promote safety in the environment and society through the expert services it offers. These are complemented by the large number of CSR-specific services offered by the sustainability specialist team.

Environmental protection

Protecting the environment is a matter of course for DEKRA: Because the protection of the environment and its resources is part of DEKRA's understanding of safety. 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. A group-wide guideline for environmental protection and occupational health and safety was adopted in 2017. DEKRA employees receive regular training in environmentally friendly behavior and their awareness for environmental protection issues sharpened. What is more, DEKRA offers expert services in the area of environment and energy, thus also contributing to environmental protection outside the Company.

Personnel report
Headcount reaches record high

At the end of 2017, with 44,057 employees the threshold of 40,000 employees was exceeded for the first time. The prior-year figure of 39,357 was thus clearly surpassed. As in prior years the number of employees at the end of the reporting year rose by 4,700 (prior year: 2,684) or by 11.9 % (prior year: 7.3 %).

In Germany, the headcount rose by 13.2 % compared to the prior year (prior year: 5.2 %) from 20,050 to 22,693. The employment situation in temporary work as well as in the regional automotive and industrial business had a positive effect here. In Europe (excluding Germany), the headcount rose from 14,034 to 15,709 (up 11.9 %, prior year: up 10.8 %). There were very positive developments to be seen here, among others in France (up 152), Portugal (up 128), Spain (up 667) and Denmark (up 230). Outside Europe, DEKRA grew from 5,273 to 5,655 employees and thus by 7.2 % (prior year: 6.5 %).

Disclosures on the proportionate representation of women on executive boards

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. For the Executive Committee and the Management Committee, quotas of 15 % and 20 % have been defined. The target figure for the Executive Committee was reached (15.8 %) while that for the Management Committee was nearly met and the latter will be attained in the medium term.

Spotlight on employee orientation

The reporting year was marked by many topics derived from Vision 2025. The first-time implementation of a global employee survey was one of the highlights. 26,000 employees in 38 countries in total were asked about their specific work situation. The response rate was 64 %. Overall the survey includes not only statistical analyses but also the elaboration of follow-up measures that the Company should further develop in terms of impact and employer attractiveness. Corresponding measures were defined on a team level in team dialogues between management and its employees. In a further step, overarching measures will be derived from these results, which will be applied at the plant or company level. Since the employee survey is intended as a management instrument, it will be carried out on a regular basis in the future. The quality of the worldwide implementation was supported by a package of measures including specially developed media packages and interactive self-learning modules for managers.

The code of values developed as part of Vision 2025 was deliberately reflected on by management and employees in 2017 and transferred to the own work area. DEKRA People Values workshops designed for this purpose were conducted by the Management Board for all levels of management. This supported the general objective of bringing DEKRA even closer together through a uniform global value orientation in order to achieve the goals of Vision 2025.

A partner for a safe world also takes care of the safety of its own employees in all areas of work. In order to prepare for possible risks during business trips or to be able to quickly obtain support in emergencies on business trips and assignments, a respective partnership was entered into with an external service provider. Since 2017, all employees worldwide have had access to a web-based information and transaction portal at all times. This service is supplemented by automated travel information and a single emergency number for the whole world which is available around the clock and can be called in the event of related emergencies.

Management development

Vision 2025 and the derived strategy, as well as recently developed global harmonization policies, guidelines and processes increasingly make a contribution to the integration of the DEKRA Group. This was the prerequisite for global management training to be offered in a uniform DEKRA format for the first time in 2017. As part of the DEKRA Managerial Foundation Program over 200 managers from middle management were trained in the reporting year to reflect on the above standards and their concrete implementation in day-to-day management. We are thus supporting a uniform DEKRA management culture including the ability to actively shape change and transformation. Trainings mainly took place outside Germany. In addition to training programs in China, France, South Africa, Italy, Spain, the USA and Brazil, which were held in the local language, seven international training sessions took place for managers from various countries. The training series will be continued in 2018 with the focus on management from German entities and additional managers participating in international formats. By the end of 2018, all managers from middle management (about 350 worldwide) will have participated in the Managerial Foundation Program.

Up-to-date personnel recruitment

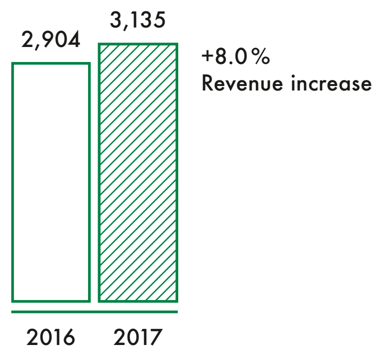
DEKRA will continue to grow and is competing with many other companies for the best talent. In order to better satisfy the requirements of modern recruitment processes, these have been revised and supplemented with new, modern tools. A multilingual and responsive "e-recruiting portal" facilitates the application process at DEKRA and creates transparency across all process steps. It has been rolled out in Germany first. The recruitment tools and processes will be rolled out step-by-step in other countries in connection with global SAP introduction.

Financial position and performance

Financial performance

The DEKRA Group increased its revenue by 231.2 million euros in the fiscal year 2017 (prior year: 183.3 million euros) to 3,134.8 million euros (prior year: 2,903.6 million euros), which is equivalent to a revenue increase of 8.0 % (prior year: 6.7 %). This means that the 2017 revenue target was met in full.

GROUP REVENUE
worldwide in million euros



Of this growth 7.7 % (prior year: 5.5 %) was achieved through organic growth and first-time consolidations while 0.3 % of this revenue growth in 2017 (prior year: 1.2 %) 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 0.1 % (prior year: negative effect of 0.5 %).

The increase in revenue in the Business Unit DEKRA Automotive was primarily due to revenue generated in Germany where the volume in vehicle inspection and expertise developed very 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 Product Testing & Certification Service Line. 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, 1,901.3 million euros (prior year: 1,739.9 million euros) relates to Germany, 396.2 million euros (prior year: 379.7 million euros) to France and 837.3 million euros (prior year: 784.0 million euros) to other countries.

Other operating income increased by 4.0 million euros to 31.9 million euros (prior year: 27.9 million euros).

At 2.0 % the increase in cost of materials was significantly below that in revenue. The ratio of cost of materials to revenue thus decreased to 9.8 % (prior year: 10.4 %).

Personnel expenses increased by 10.3 % to 2,021.6 million euros (prior year: 1,832.4 million euros). Personnel expenses as a percentage of revenue increased from 63.1 % to 64.5 % in the fiscal year 2017, primarily as a result of strong growth in temporary work.

At 3.4 %, other operating expenses grew more slowly than revenue, corresponding to a decrease in the ratio of expenses to revenue of 0.8 percentage points to 17.7 % (prior year: 18.5 %). This was mainly due to lower expenses for bad debt allowances and a disproportionately small increase in rent and building costs, and administrative costs in comparison to the prior year.

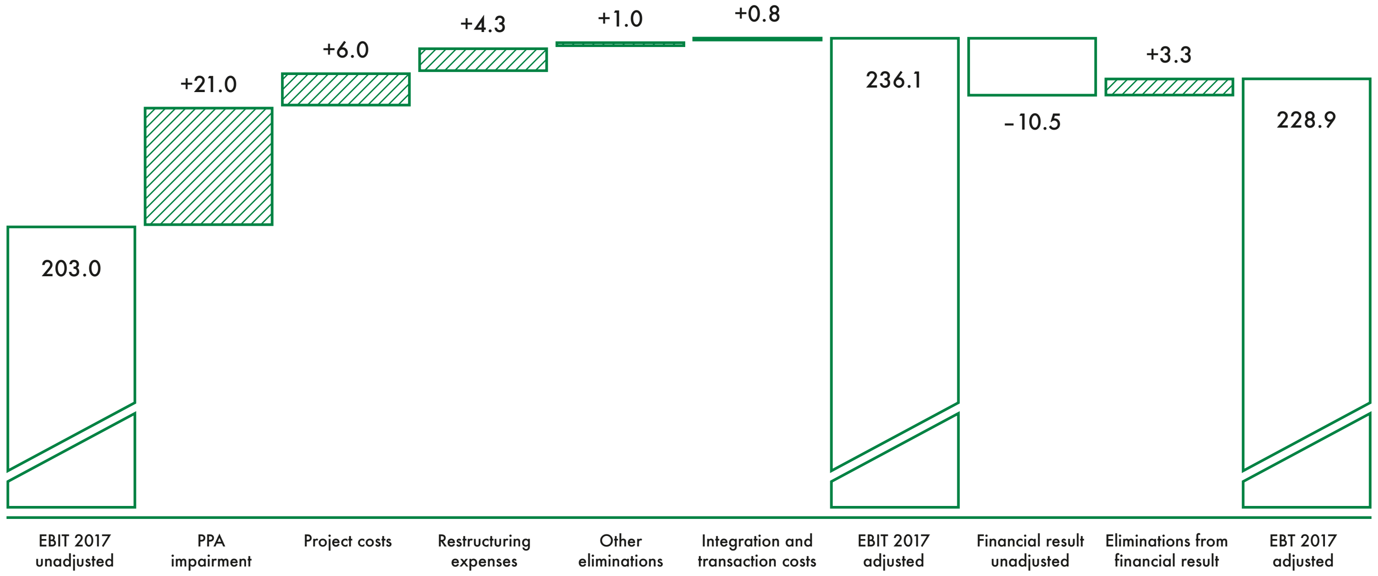
The depreciation volume matched the prior-year level with 88.2 million euros (prior year: 88.0 million euros).

Operating profit – calculated as earnings before taxes and the financial result – improved by 12.2 % to a total of 203.0 million euros (prior year: 181.0 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. Return on sales, calculated in relation to operating profit, increased by 0.3 percentage points to 6.5 %.

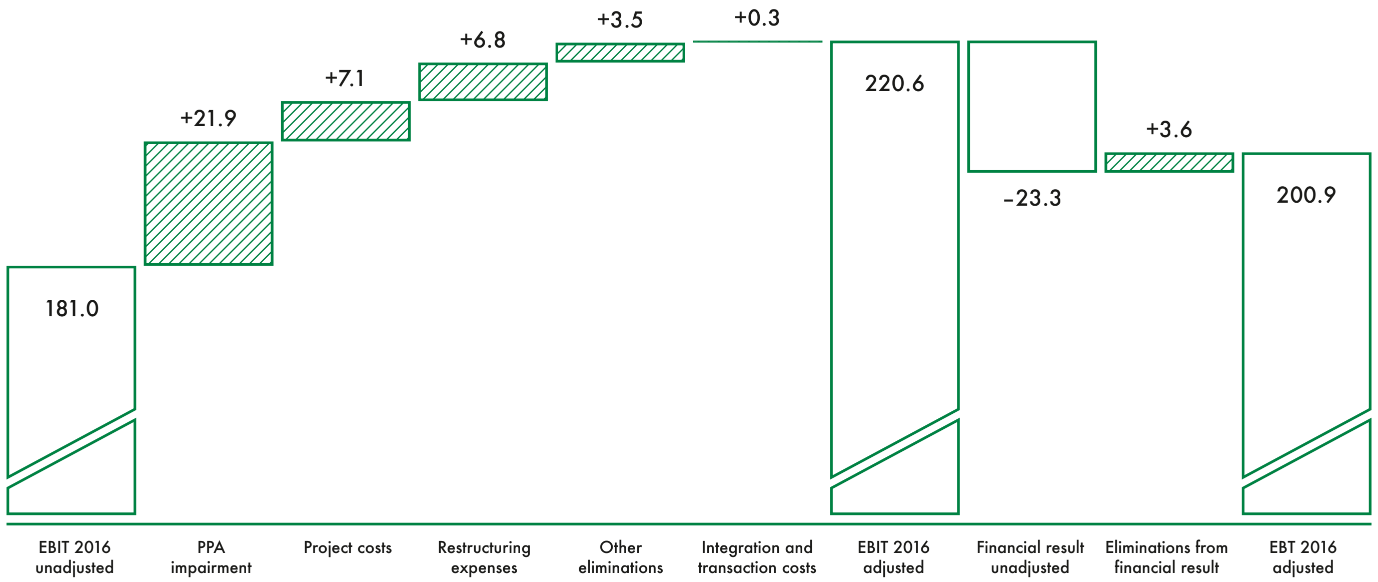
The improvement in the financial result by 12.8 million euros to –10.5 million euros is largely due to income from the disposal of financial assets of 6.5 million euros, 3.6 million euros lower interest expenses from loans as well as from the positive effect from measurements in foreign currencies totaling 0.5 million euros (prior year: –1.7 million euros).

Earnings before taxes rose 22.1 % to 192.5 million euros (prior year: 157.7 million euros). Return on sales, calculated in relation to income before taxes, increased to 6.1 % (prior year: 5.4 %).

RECONCILIATION OF ADJUSTED EBIT AND EBT FOR 2017
in million euros



RECONCILIATION OF ADJUSTED EBIT AND EBT FOR 2016
in million euros



The Group tax rate fell 0.6 percentage points on the prior year to 31.0 % (prior year: 31.6 %). The decline is due mainly to slightly lower non-deductible expenses and a disproportionate increase in tax-free income.

The consolidated net income for the fiscal year 2017 increased by 25.0 million euros to 132.8 million euros (prior year: 107.9 million euros).

Other comprehensive income increased by 18.3 million euros to –17.2 million euros in 2017 (prior year: –35.5 million euros). This positive development is mainly due to changes to the actuarial parameters for pension obligations. The interest rate remained at 1.75 % (prior year: 1.75 %) in the fiscal year. Changes to the actuarial parameters for pension obligations resulted in an improvement of 4.6 million euros in other comprehensive income (prior year: decrease of 42.3 million euros). In contrast, the reserve for currency translation declined by 19.0 million euros (prior year: increase 5.2 million euros), which mainly concerns the subsidiaries in the USA, New Zealand, Brazil, Taiwan and Sweden. This was countered by currency translation effects of subsidiaries in the Czech Republic. This results in total comprehensive income, taking into account expenses and income recognized directly in equity, of 115.7 million euros (prior year: 72.4 million euros).

To aid comparison of the operating result, the operating result and earnings before taxes for 2017 and 2016 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 Group's IT infrastructure, as well as for market entries 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 7.0 % (prior year: 9.7 %) to 236.1 million euros (prior year: 220.6 million euros). As a result, the margin for the adjusted operating profit fell by 0.1 percentage points to 7.5 % The adjusted operating profit before taxes increased by 0.4 percentage points and stands at 7.3 % in the fiscal year (prior year: 6.9 %).

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 2017, excluding business combinations, amounted to 89.2 million euros (prior year: 81.2 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 2017 was heavily influenced by the improved operating result and the use of cash and cash equivalents as collateral for pension obligations.

At 104.3 million euros (prior year: 209.3 million euros), cash flow from operating activities does not fully reflect the good development of business in the course of the reporting year. The decrease in long-term accrued liabilities of 66.8 million euros (prior year: 6.0 million euros) is influenced by the initial allocation to a contractual trust arrangement (CTA) as collateral for pension obligations. Cash and cash equivalents of 59 million euros were used for this purpose. In addition, working capital recorded a cash outflow of 41.7 million euros (prior year: inflow 6.0 million euros) due to cut-off effects. These are mainly attributable to increased trade receivables resulting not least from 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 operative cash flow.

The net cash outflow from investing activities came to 130.1 million euros (prior year: 104.6 million euros). The increase is influenced by the continuing high level of investment in property, plant and equipment and intangible assets. Furthermore, the level of investment in business combinations and equity investments increased year-on-year.

The net cash outflow from financing activities came to 31.9 million euros (prior year: 60.1 million euros). The cash outflow results from the profit transfer of 37.3 million euros (prior year: 29.4 million euros) to DEKRA e. V. as well as from the change in the cash pool of 21.1 million euros (prior year: 1.0 million euros) due to cut-off effects. The remaining change in cash outflow is mainly due to interest and principal payments of loans. This was offset by an equity contribution of 30.0 million euros (prior year: 15.0 million euros).

Cash and cash equivalents (consisting of checks, cash in hand, bank balances and other cash equivalents) decreased by 59.4 million euros to 76.4 million euros (prior year: 135.8 million euros).

Composition of assets, equity and liabilities

Total assets fell by 1.1 million euros (prior year: increase of 114.0 million euros) from 2,091.3 million euros to 2,090.2 million euros in the past fiscal year. The decrease is due to the setting up of a CTA to secure pension obligations. The assets transferred to the CTA qualify as plan assets and are recognized in pension obligations.

Non-current assets increased by 13.2 million euros to 1,239.4 million euros (prior year: 1,226.2 million euros). Current assets, on the other hand, decreased by 14.4 million euros to 850.7 million euros (prior year: 865.1 million euros).

Under non-current assets, property, plant and equipment increased by 8.3 % to 314.8 million euros (prior year: 290.6 million euros). This increase is largely due to the acquisition, construction and modernization of properties for the Group's own use as well as from the acquisition of land. Contrary to this, other long-term financial assets decreased as a result of the assignment of special funds to the CTA.

The decrease in current assets mainly stems from the decline in cash and cash equivalents by 59.4 million euros (prior year: increase of 46.2 million euros). Moreover, the decrease in other current financial assets by 31.3 million euros to 173.3 million euros affects current assets (prior year: increase of 7.4 million euros). In contrast, trade receivables increased by 66.7 million euros to 526.6 million euros. As a result of isolated increases seen in some business segments and regions due to end-of-period effects, days receivable outstanding at group level were prolonged by around one day to 61 days (prior year: 55 days), resulting in an increase in receivables at a higher rate than revenue (14.5 %).

Equity increased by 92.0 million euros to 635.5 million euros (prior year: 543.5 million euros). This is largely attributable to the consolidated net income for the year of 132.8 million euros (prior year: 107.9 million euros). The transfer of profits to DEKRA e.V. and the addition to the capital reserves by DEKRA e.V. in the fiscal year came to 54.0 million euros (prior year: 37.3 million euros) and 30.0 million euros (prior year: 15.0 million euros) respectively. Moreover, recognizing the remeasurement of pension provisions through profit or loss less deferred tax assets of 4.6 million euros (net) increased equity (prior year: decrease 42.2 million euros). Currency translation effects reduced equity by 19.0 million euros (prior year: increase 5.2 million euros). The equity ratio increased to 30.4 % from 26.0 % in the prior year.

Non-current liabilities fell by 18.9 % to 780.7 million euros (prior year: 962.1 million euros), largely due to the decrease in pension provisions of 136.7 million euros (prior year: increase of 52.2 million euros). This is mainly due to the initial allocation of 122.2 million euros to the CTA to secure pension obligations and the associated offsetting of the plan assets against the pension provisions. In contrast, the increase in pension provisions of 11.7 million euros (prior year: 79.9 million euros) affects non-current liabilities. The increase in current liabilities by 15.1 % from 585.7 million euros to 674.0 million euros is the result of maturity-related changes concerning loan payables and an increase in liabilities to employees due to end-of-period effects. The current and non-current liabilities are mainly denominated in euros.

In the fiscal year, loans against promissory notes due in 2018 were reclassified from non-current to current liabilities. Refinancing is planned for the following fiscal year.

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, 2017, there are medium-term credit lines of 325.1 million euros granted in writing that have not yet been drawn.

Summary assessment of financial position and performance

The DEKRA Group's financial performance in the fiscal year 2017 was very good, exceeding both expectations and prior-year developments. The financial position allows sufficient headroom for the Group to pursue its goals.

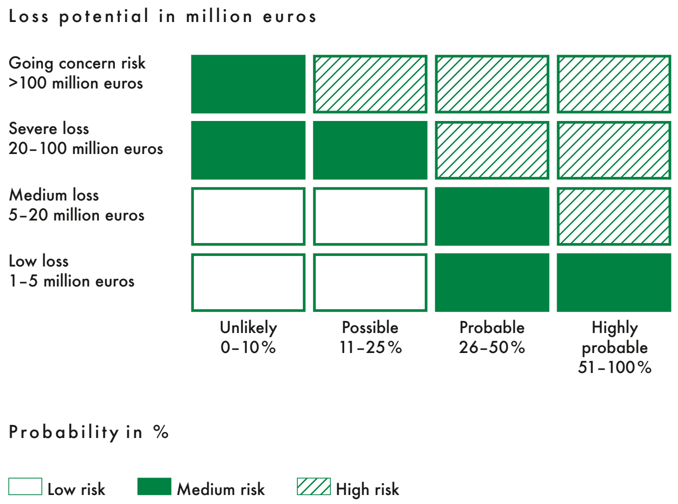
RISK, OPPORTUNITIES AND FORECAST REPORT

Risk report

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



On this basis, the management levels responsible 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 2017, 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 individual risks have increased slightly in comparison to the prior year.

Environment and industry risks

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. That is why DEKRA always closely monitors its markets and industries.

The Business Unit DEKRA Automotive is exposed to the general regulatory risk for vehicle inspection in the EU. 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 be passed on to the customers only to a limited extent. DEKRA lowers this risk by constantly improving productivity based on 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 is the case, for example, for the Material Testing & Inspection and Insight Service Units. DEKRA prepares itself for 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 the economy. 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. 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. The new German AÜG ["Arbeitnehmerüberlassungsgesetz": Law on Temporary Employment], which came into force on April 1, 2017, will affect the entire temporary employment market. The legal requirement of equal pay applies from January 1, 2018, and the limitation of temporary work to 18 months, with a few exceptions, will apply as from October 1, 2018. DEKRA is responding to these regulatory interventions in the employee leasing markets by building up its business with key accounts and by investing in its position as a quality provider.

Business strategy risks

DEKRA will 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 classified as low for the Business Units DEKRA Automotive and DEKRA Personnel and medium for DEKRA Industrial. 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 internationalization of business 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 Germany's national accreditation body (DAkkS) 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 already developed all necessary calibration procedures to such an extent that all accreditation by DAkkS have so far been completed successfully.

In a first step of the step-by-step program, two pilot test centers of every inspection organization were assessed by DakkS in accordance with the DIN/ISO standard 17020-2012. This assessment by DAkkS was successfully completed for DEKRA in June 2017.

The measures needed to adjust and implement the calibration procedure have been initiated.

There are no recognizable 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 minimization 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 win 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 more than 50 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 or 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.

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 the 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. In order to minimize the interest rate risk inherent in the financing of the Group, interest derivatives for floating rate loans were used in the fiscal year. The portfolio of interest derivatives as of the reporting date amounts to 28.5 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 credit lines at DEKRA SE. The central cash pool is used to control the liquidity and supply of 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 of rating agencies as well as taking into account current CDS spreads.

Finally, DEKRA rates the risk of being unable to meet its payment obligations arising from financial instruments as of December 31, 2017 as low.

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

The overall risk potential and average probability of occurrence increased slightly in 2017 due to general economic and political conditions as well as the systematic continuation of globalization efforts. However, the risk structure and risk distribution remain stable. The overall risk situation is acceptable in relation to the Group's annual results and operating cash flow. The sum total of the individual risks does not endanger DEKRA's existence. 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

Environment and industry opportunities

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 in which DEKRA is positioned for further growth.

Based on its wide range of services, DEKRA Automotive does not just 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 growth in regions such as South America, Scandinavia and countries such as Portugal and South Africa in the coming years.

The strength of German industry, for instance in exports, and the dynamic development in the North American and Asian growth markets promise to boost business development in the Business Unit DEKRA Industrial.

Against the background of favorable economic conditions in Germany, demand for qualified specialists and temporary workers could continue to increase, thereby supporting the business of DEKRA Personnel.

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.

Operating opportunities

Through its strategic acquisitions and globalization in recent years, DEKRA is set for further growth. The fact that the Group is highly diversified in terms of both geography and areas of expertise is expected to lead to considerable business growth, especially abroad. This is the case for DEKRA Automotive and DEKRA Industrial in areas such as vehicle and plant inspections. DEKRA Personnel is also gradually tapping new foreign markets, such as in the training and education of nursing staff for German clinics and in employee leasing activities.

Forecast report

Stable development

The economic environment is expected to remain positive in the current year. According to estimates by the International Monetary Fund (IMF), global GDP is to increase by 3.1 %. The developing and emerging economies are expected to record growth of 4.5 %, the industrial nations 2.2 %. The World Bank anticipates the highest growth rates in individual countries India (7.3 %) and China (6.4 %).

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 developments. Thanks to its good international positioning and the strong basic human need for safety, DEKRA expects further growth. Revenue is expected to increase by between 5 % and 8 % in the fiscal year 2018. Organic growth is expected to be higher than external growth driven by acquisitions.

Planning for the next two years also anticipates a slight increase in operating profit. To achieve this, DEKRA will expand its activities in high-margin business activities, exploiting synergies within and between its business units, and will continue to optimize its global structures and processes. Headcount is also expected to continue to rise in line with revenue growth. By the end of 2018, the number of employees is expected to exceed the threshold of 45,000.

Following a successful fiscal year 2017, the Management Board of DEKRA expects the strategic alignment of the Group to create further impetus for growth.

Stuttgart, March 22, 2018

DEKRA SE
The Management Board

Kölbl, Chairman

Gerdon

Klinke

Rauh

Consolidated financial statements

CONTENTS

DEKRA SE

Consolidated statement of comprehensive income for fiscal year 2017

IN THOUSAND EUR	Notes	2017	2016
Revenue	5.1	3,134,827	2,903,645
Increase in inventories of work in process		267	467
Own work capitalized		7,850	6,862
Other operating income	5.2	31,923	27,887
Cost of materials	5.3	–307,612	–301,443
Personnel expenses	5.4	–2,021,636	–1,832,440
Other operating expenses	5.5	–554,338	–535,947
Depreciation, amortization and impairment losses on property, plant and equipment and intangible assets	5.6	–88,236	–88,009
Profit/loss from financial assets accounted for using the equity method	5.7	1,353	959
Interest income	5.7	6,170	5,391
Interest expense	5.7	–23,781	–30,188
Other financial result	5.7	5,753	543
Financial result	**5.7**	**–10,505**	**–23,295**
Earnings before taxes		**192,540**	**157,727**
Income taxes	5.8	–59,697	–49,840
Net income for the year	**5.9**	**132,843**	**107,887**
thereof attributable to owners of DEKRA SE	6.12	131,418	106,913
thereof attributable to non-controlling interests	6.13	1,425	974
Net loss/gain on			
Available-for-sale assets	6.9	–4,509	287
Hedging instruments	6.16	492	2,043
Deferred taxes recognized in other comprehensive income	5.8	1,262	–708
Translation reserve		–18,999	5,172
Items that can be recycled through profit or loss in future		–21,754	6,794
Net loss/gain on			
Remeasurement of defined benefit plans	6.14	5,865	–60,234
Deferred taxes recognized in other comprehensive income	5.8	–1,290	17,974
Items that will not be recycled through profit or loss in future		4,575	–42,260
Other comprehensive income		**–17,179**	**–35,466**
Total comprehensive income		**115,664**	**72,421**
thereof attributable to			
Owners of DEKRA SE		114,239	71,447
Non-controlling interests		1,425	974

DEKRA SE
Consolidated statement of financial position as of December 31, 2017

ASSETS IN THOUSAND EUR	Notes	Dec. 31, 2017	Dec. 31, 2016
Non-current assets			
Intangible assets	6.1/6.2	698,493	687,911
Property, plant and equipment	6.3	314,849	290,605
Financial assets accounted for using the equity method	6.4	10,974	9,621
Other non-current financial assets	6.5	60,254	88,931
Other non-current assets	6.6	5,777	5,536
Deferred income tax assets	5.8	149,095	143,593
		1,239,442	**1,226,197**
Current assets			
Inventories	6.7	7,529	8,521
Trade receivables	6.8	526,577	459,940
Other current financial assets	6.9	173,313	204,577
Other current assets	6.10	29,359	26,400
Current income tax receivables	5.8	37,510	29,919
Cash and cash equivalents	6.11	76,442	135,766
		850,730	**865,123**
Total assets		**2,090,172**	**2,091,320**

EQUITY AND LIABILITIES IN THOUSAND EUR	Notes	Dec. 31, 2017	Dec. 31, 2016
Equity			
Issued capital	6.12	25,565	25,565
Capital reserve	6.12	550,529	520,529
Revenue reserves	6.12	308,823	230,859
Accumulated other comprehensive income	6.12	-260,020	-242,841
Total equity of the owner		**624,897**	**534,112**
Non-controlling interests	6.13	10,562	9,395
Total equity		**635,459**	**543,507**
Liabilities			
Non-current liabilities			
Provisions for pensions and similar obligations	6.14	492,415	629,069
Other non-current provisions	6.15	18,853	18,721
Non-current financial liabilities	6.16	232,196	270,633
Other non-current liabilities	6.18	2,945	3,535
Deferred income tax liabilities	5.8	34,334	40,189
		780,743	**962,147**
Current liabilities			
Other current provisions	6.15	20,902	21,003
Trade payables	6.17	98,350	89,540
Current financial liabilities	6.16	182,868	115,738
Other current liabilities	6.18	362,485	351,187
Current income tax liabilities	5.8	9,365	8,198
		673,970	**585,666**
Total liabilities		**1,454,713**	**1,547,813**
Total equity and liabilities		**2,090,172**	**2,091,320**

DEKRA SE
Consolidated statement of changes in equity 2017

IN THOUSAND EUR

				Accumulated other comprehensive income				Equity		Group equity
	Issued capital	Capital reserve	Revenue reserves	Translation reserve	Available-for-sale assets	Hedging instruments	Remeasurement of defined benefit plans	Owners	Non-controlling interests	
As of Dec. 31, 2015	**25,565**	**505,529**	**165,957**	**2,677**	**2,891**	**–2,151**	**–210,792**	**489,676**	**13,772**	**503,448**
Profit and loss transfer agreement/dividend distribution			–37,265					–37,265	–45	–37,310
Capital increase		15,000						15,000	0	15,000
Other changes								0	59	59
Changes to the consolidated group			–4,269					–4,269	–5	–4,274
Acquisition of non-controlling interests			–477					–477	–5,360	–5,837
Consolidated net income for the year			106,913					106,913	974	107,887
Other comprehensive income for the period				5,172	209	1,413	–42,260	–35,466	0	–35,466
Total comprehensive income	**0**	**0**	**106,913**	**5,172**	**209**	**1,413**	**–42,260**	**71,447**	**974**	**72,421**
As of Dec. 31, 2016	**25,565**	**520,529**	**230,859**	**7,849**	**3,100**	**–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
Acquisition of non-controlling interests								0	0	0
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	–17,179
Total comprehensive income	**0**	**0**	**131,418**	**–18,999**	**–3,097**	**342**	**4,575**	**114,239**	**1,425**	**115,664**
As of Dec. 31, 2017	**25,565**	**550,529**	**308,823**	**–11,150**	**3**	**–396**	**–248,477**	**624,897**	**10,562**	**635,459**

DEKRA SE
Consolidated statement of cash flows for fiscal year 2017

OPERATING ACTIVITIES IN THOUSAND EUR	2017	2016
Consolidated net income for the year	132,843	107,887
Depreciation/amortization/impairment losses/reversals of impairment losses	89,107	89,041
Gain/loss from the disposal of financial and intangible assets and property, plant and equipment	–3,609	–1,460
Interest income/expenses and dividends	6,565	11,850
Current income taxes	59,697	49,840
Change in non-current provisions	–7,774	–6,047
Contribution of funds to the Contractual Trust Arrangement (CTA)	–59,000	0
Other non-cash expenses/income	–17,804	–2,190
Change in inventories, receivables and other assets	–74,972	–37,426
Change in liabilities and current provisions	33,277	43,467
Profit or loss from associates	–1,491	–959
Interest received	2,900	3,260
Taxes paid	–56,097	–48,542
Taxes received	254	3
Dividends received	408	538
Cash flow from operating activities	**104,304**	**209,262**

INVESTING ACTIVITIES IN THOUSAND EUR	2017	2016
Cash paid for investments in		
Intangible assets and property, plant and equipment	–101,386	–87,651
Financial assets and other assets	–14,454	–10,366
Subsidiaries and other business entities	–53,620	–14,897
Cash received from disposals of		
Intangible assets and property, plant and equipment	12,210	6,459
Financial assets and other assets	27,117	1,850
Cash flow from investing activities	**–130,133**	**–104,605**

FINANCING ACTIVITIES IN THOUSAND EUR	2017	2016
Cash received from equity contributions from owners	30,000	15,000
Cash received from equity contributions from non-controlling interests	921	0
Cash paid to owners and non-controlling interests from profit transfers/dividends	–37,801	–29,478
Cash paid for the acquisition of non-controlling interests	0	–5,837
Cash paid in relation to loans to owners	–22,006	–1,010
Cash repayments of loans	–14,434	–144,873
Cash received from borrowing	19,482	119,417
Cash repayments of liabilities from finance leases	–892	–599
Interest paid	–7,151	–12,755
Cash flow from financing activities	**–31,881**	**–60,135**

CASH AND CASH EQUIVALENTS IN THOUSAND EUR	2017	2016
Changes in cash and cash equivalents	–57,710	44,522
Changes in cash and cash equivalents due to exchange rates and changes in the consolidated group	–1,614	1,687
Cash and cash equivalents at the beginning of the period	135,766	89,557
Cash and cash equivalents at the end of the period	**76,442**	**135,766**

Notes to the consolidated financial statements of DEKRA SE, Stuttgart, for fiscal year 2017

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 on December 31, 2017 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, 2017 on March 22, 2018 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 2017 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 interpretations were subject to mandatory application for the first time in the fiscal year:	
Amendments to IAS 7 Statement of Cash Flows; January 1, 2017	The amendments to IAS 7 related to extended disclosures in the notes for liabilities resulting from the financing activities of an entity. A statement of reconciliation was used to apply the amendments. See note 7 in this regard.
Amendments to IAS 12 Income Taxes; January 1, 2017	Clarification that unrealized losses from debt instruments measured at fair value lead to a deductible temporary difference if the taxable value of the debt instrument corresponds to its cost. Furthermore, the amendments provide general guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The rules for the treatment of unrealized losses from debt instruments are already applied in the DEKRA Group. As a result, there is no effect on the consolidated financial statements.
Annual Improvements to IFRSs (2014–2016 Cycle); January 1, 2017	The Annual Improvements to IFRSs 2014–2016 Cycle relate to an omnibus of standards. The resulting amendments applicable from January 1, 2017 relate to IFRS 12 Disclosures of Interests in Other Entities. IFRS 12 clarifies that the disclosures pursuant to IFRS 12 also apply for any interests in subsidiaries, joint ventures or associates that are classified as held for sale in accordance with IFRS 5, with an exception for the disclosures pursuant to IFRS 12.B10-B16 (financial information). The amendment does not have any effect on the consolidated financial statements.

The IASB and the IFRS IC have issued the standards, interpretations and amendments listed below that were not yet mandatory as of December 31, 2017. 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		
IFRS 4 Insurance Contracts; January 1, 2018	Yes	None
IFRS 15 Revenue from Contracts with Customers (Clarifications); January 1, 2018	Yes	See explanations for IFRS 15 Revenue from Contracts with Customers.
IAS 19 Employee Benefits; January 1, 2019	No	Currently being assessed
IAS 28 Investments in Associates and Joint Ventures; January 1, 2019	No	Currently being assessed
IAS 40 Investment Property; January 1, 2018	No	None
IFRS 2 Share-based Payment; January 1, 2018	Yes	None
IFRS 9 Prepayment Features with Negative Compensation; January 1, 2019	No	None
Improvements to IFRSs (2014–2016 Cycle); January 1, 2018	Yes	None
Improvements to IFRSs (2015–2017 Cycle); January 1, 2019	No	None
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration; January 1, 2018	No	Immaterial
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments; January 1, 2019	No	Immaterial

STANDARD/INTERPRETATION; EFFECTIVE DATE	ADOPTED BY THE EU COMMISSION	ANTICIPATED IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF DEKRA SE
New standards		
IFRS 9 Financial Instruments; January 1, 2018	Yes	In July 2014, the IASB published IFRS 9, which is to replace IAS 39. IFRS 9 is mandatory for fiscal years beginning on or after January 1, 2018. The standard relates in part to the classification and measurement of financial instruments using the contractually agreed cash flows and the business model. The standard also implements a new impairment model and introduces revised accounting for hedges. DEKRA analyzed the financial assets and liabilities across the Group and expects the following effects from the application of IFRS 9. Financial instruments classified as "Loans issued and receivables/financial liabilities measured at amortized cost" pursuant to IAS 39 are also recognized at "Amortized cost" under IFRS 9. There is no change in the accounting treatment for these financial instruments. For financial liabilities since measured "at fair value through profit or loss", under the new rules the fair value option will be used. Changes in fair value will thus be recognized in profit or loss, as was the case in the past. The majority of debt instruments currently held that are allocated to the category "Available-for-sale assets at fair value not through profit or loss" under IAS 39 must be recognized "at fair value through profit or loss" according to IFRS 9. This means that fair value changes must in future be recognized through profit or loss and no longer in other comprehensive income. By contrast, equity instruments in this category will in future be likewise recognized "at fair value not through profit or loss". Fluctuations in fair value will be recognized in other comprehensive income. Based on the new rules on impairment using the expected credit loss model, expected losses will in some cases in future be expensed sooner than under the incurred loss model existing under IAS 39. To calculate risk provisions, a distinction is now made between different levels of risk provisioning. The allocation takes place by analyzing the probability of default and the further development since initial recognition. At a minimum, the "12-month expected loss" is recognized for risk provisioning (level 1). If the credit default risk of the financial instrument has increased significantly since initial recognition, a risk provision is recognized for the "lifetime expected loss" (level 2 and 3). For trade receivables and contract assets pursuant to IFRS 15, the simplified approach is used in the DEKRA Group. Financial guarantee contracts are also included in the scope of the expected credit loss model although they fall under the scope of IAS 37. The expected impairment loss must be recognized as a provision.

STANDARD/INTERPRETATION; EFFECTIVE DATE	ADOPTED BY THE EU COMMISSION	ANTICIPATED IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF DEKRA SE
IFRS 9 Financial Instruments; January 1, 2018	Yes	DEKRA is applying IFRS 9 for the first time as of January 1, 2018 and will exercise 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 the profit carryforward. The estimated overall effect is expected to be in the mid double-digit millions.

STANDARD/INTERPRETATION; EFFECTIVE DATE	ADOPTED BY THE EU COMMISSION	ANTICIPATED IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF DEKRA SE
IFRS 15 Revenue from Contracts with Customers; January 1, 2018	Yes	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 users of financial statements with useful information on revenue and cash flows arising from a contract with a customer. IFRS 15 is mandatory for fiscal years beginning on or after January 1, 2018. 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. DEKRA is currently finalizing the group-wide analysis of contracts in terms of their accounting in accordance with IFRS 15. The analysis of cash flows was carried out for all major business models of the subsidiaries. The analysis resulted in the following findings: – Specifying the principal/agent relationship using the principle of control does not lead to any material change. – The vast majority of contracts currently accounted for according to the percentage of completion method meet the requirements for recognizing revenue over time. – Later recognition of revenue in the case of granting variable consideration does not lead to any material effect in terms of the timing of revenue recognition. – The effect on total assets and the statement of comprehensive income from capitalizing the expenses for contract acquisition and fulfillment is classified as immaterial. – The contracts in the DEKRA Group do not contain any significant financing components that would have to be considered in the transaction price. – Depending on the customer contract, contract liabilities must be netted with contract assets. This corresponds more or less to current practice and does not lead to any material effect on total assets. Based on this current assessment by management, DEKRA does not expect any significant effect on the Group's financial position and performance. DEKRA will apply the modified retrospective method as a transitional method as of January 1, 2018. Contracts not yet completed as of that date will be recognized as if they had been presented in accordance with IFRS 15 from the beginning. The cumulative effect from first-time application will be recognized in the revenue reserves. DEKRA does not expect any material effect from transition.

STANDARD/INTERPRETATION; EFFECTIVE DATE	ADOPTED BY THE EU COMMISSION	ANTICIPATED IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF DEKRA SE
IFRS 16 Leases; January 1, 2019	Yes	IFRS 16 will primarily affect lease accounting for lessees and lead to all leases being recognized in the statement of financial position. The distinction between finance and operating leases required to date will no longer apply with respect to the lessee. A right of use to the underlying asset must be recognized that corresponds to the present value of future lease payments plus directly attributable costs. The lessee must also recognize a financial liability for the obligation for future lease payments. There is an optional exemption for short-term leases and for leases with an underlying asset of low value. DEKRA expects these new developments to have material effect on the presentation of its financial position and performance. The new rules relate in particular to the following: – Payment obligations from leases must in future be recognized as rights of use and lease liabilities, regardless of whether the lease is an operating lease or a finance lease. DEKRA expects a significant increase in total assets and total equity and liabilities as of the date of first-time application on account of the rise in lease liabilities and fixed assets. – In the future, write-downs and interest expenses will be recognized in the income statement instead of lease expenses. This leads to a significant improvement in the EBITDA and an increase in the cash flow from operating activities in the statement of cash flows. The overall effects are being analyzed as part of a group-wide project. It is not yet possible to make a reliable estimate due to the large number of contracts.
IFRS 17 Insurance Contracts; January 1, 2021	No	None

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.

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, are generally included in the consolidated financial statements at amortized cost.

Non-controlling interests in the total comprehensive income and equity of subsidiaries are presented separately under equity in the statement of comprehensive income. 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, 2017. The financial statements of the individual subsidiaries are included in the consolidated financial statements as of December 31, 2017 using the uniform accounting policies stipulated by DEKRA SE. In addition to DEKRA SE, Stuttgart, a total of 25 German (prior year: 25) and 123 foreign (prior year: 136) 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.

The opening IFRS statement of financial position as of January 1, 2008 adopted the carrying amounts of the goodwill recognized as of December 31, 2007 in accordance with previous GAAP, the German Commercial Code (HGB). No remeasurement was made.

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. 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 REPORTING DATE		ANNUAL AVERAGE RATE	
	Dec. 31, 2017	Dec. 31, 2016	2017	2016
Brazilian real (BRL)	3.9729	3.4305	3.6041	3.8616
Czech koruna (CZK)	25.5350	27.0210	26.3272	27.0343
Chinese renminbi (CNY)	7.8044	7.3202	7.6264	7.3496
Danish krone (DKK)	7.4449	7.4344	7.4387	7.4454
British pound sterling (GBP)	0.8872	0.8562	0.8761	0.8189
Croatian kuna (HRK)	7.4400	7.5597	7.4644	7.5345
Hungarian forint (HUF)	310.3300	309.8300	309.2725	311.4600
Moroccan dirham (MAD)	11.2239	10.6705	10.9439	10.8721
New Zealand dollar (NZD)	1.6850	1.5158	1.5895	1.5895
Hong Kong dollar (HKD)	9.3720	8.1751	8.8012	8.5900
Polish zloty (PLN)	4.1770	4.4103	4.2563	4.3636
Swedish krona (SEK)	9.8438	9.5525	9.6369	9.4673
US dollar (USD)	1.1993	1.0541	1.1293	1.1066
South African rand (ZAR)	14.8054	14.4570	15.0434	16.2772
Taiwan dollar (TWD)	35.7502	34.0622	34.3752	35.7138
Swiss franc (CHF)	1.1702	1.0739	1.1116	1.0902
Turkish lira (TRL)	4.5464	3.7072	4.1214	3.3428
Indian rupee (INR)	76.6055	71.5935	73.4980	74.3553

3.2 Significant accounting policies

The financial statements have been prepared on a cost basis, except for financial instruments in the available-for-sale and at fair value through profit or loss categories, as well as derivative financial instruments, obligations from options and conditional purchase price elements.

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 over a useful life. 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 lease term or 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 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 or 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 included at amortized cost 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.

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

- **Financial assets at fair value through profit or loss**
  This category includes assets that must be measured at fair value through profit or loss (trading book) and assets that can be optionally assigned to this category. The trading book comprises assets that are held for speculative purposes or are part of a trading portfolio. Derivatives are assigned to the trading book, unless they are recognized as part of an effective hedge. Other financial assets can also be assigned to this category under certain circumstances.
  The assets are initially recognized at cost. Transaction costs are recognized through profit or loss. Subsequent measurement is at fair value. This corresponds to the amount that could be recovered if the asset were traded under current market conditions. If the financial asset is traded on an active market, this generally means the market price. Changes in value in this category are recognized through profit or loss.
  The DEKRA Group only classifies derivatives in this category that do not constitute a hedging relationship.

- **Loans issued and receivables measured at amortized cost**
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.
  They are initially recognized at cost plus directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method. Valuation allowances, for example due to the counterparty's inability to pay, are recognized through profit or loss.
  The DEKRA Group uses this category for some of its financial assets.

- **Held-to-maturity investments**
  The requirement for classification in this category is the Company's intention or ability to hold the financial instrument until maturity. In addition, the assets must have fixed or determinable payments, and fixed terms, and be quoted on an active market.
  They are initially recognized at cost plus transaction costs. Subsequent recognition is at amortized cost. Permanent impairment losses are recognized through profit or loss.
  The DEKRA Group does not use this category.

- **Available-for-sale assets at fair value not through profit or loss**
  Financial instruments that cannot be allocated to the other categories are classified as available-for-sale.
  They are initially recognized at cost plus transaction costs. Subsequent measurement is at fair value. Changes in value are recognized in the statement of comprehensive income until the item is disposed of. If there is 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 is 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 are taken into account.
  The DEKRA Group uses this category for some of its financial assets.

- **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. All liabilities held for speculative purposes also belong to this category. Other liabilities can optionally be assigned to this category, in the same way as "Financial assets at fair value through profit or loss".
  Measurement is the same as for "Financial assets at fair value through profit or loss".
  The DEKRA Group only uses this category for derivatives that do not constitute a hedging relationship as well as for liabilities from business combinations.

- **Financial liabilities measured at amortized cost**
  All other financial liabilities are 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 secured interest payments.
  The DEKRA Group uses this category for most of its financial liabilities.

Derivative financial instruments and hedge accounting

The DEKRA Group mainly 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 "Financial instruments and hedging activities".

Trade receivables and other financial assets

Trade receivables and other financial assets are recognized at nominal value. Non-current non-interest bearing receivables are stated at present value using a matching interest rate.

Credit risks are accounted for using adequate specific bad debt allowances. Impairment losses on trade receivables are posted via a separate allowance account. If a bad debt is identified, based on the fact that a receivable has become uncollectible for instance, the corresponding amount is directly deducted from the receivable. An impairment of the other financial assets leads to a direct reduction of the carrying amount. Impairment losses are estimated taking into account payment histories, age structure, a substantial deterioration in the borrower's creditworthiness and the probability of insolvency of a debtor.

Trade receivables also include receivables from service contracts not yet billed. In accordance with IAS 18.20 et seq., they are recognized using the percentage-of-completion method. The stage of completion of each service contract is calculated using the cost-to-cost method as the ratio of costs incurred to the estimated total costs. If the outcome of a service contract cannot be reliably determined, revenue is only recognized to the extent of the contract costs incurred. Payments received for unbilled service contracts are disclosed net of receivables from percentage of completion on an order-by-order basis.

Cash and cash equivalents

Cash and cash equivalents are recognized at nominal value and comprise cash on hand, bank balances and short-term deposits.

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 also 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

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.

In the course of the impairment test of a cash-generating unit, the carrying amount of a 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.

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 primarily result from deviations from 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 adequately objective degree of certainty and that the obligation results from past events. In addition, provisions for potential losses for onerous contracts are recognized in accordance with IAS 37.

The provision is measured at 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.

Revenue recognition

Revenue mainly consists of income from services and is recognized through profit or loss when the services have been rendered. Services are recognized according to their percentage of completion, if the requirements pursuant to IAS 18.20 et seq. are met. This mainly relates to services in the service lines Material Testing & Inspection, Product Testing & Certification, Industry & Construction as well as Claims Services. The percentage of completion is determined in accordance with the cost-to-cost method. The contract costs incurred as of the reporting date are compared to the expected total contract costs. Contract costs are recognized as expenses in the period in which they are incurred. If it is foreseeable that total contract costs will exceed total revenue, the expected loss is recognized as an expense immediately.

Dividends are recognized when the right to receive payment arises.

For all financial assets and liabilities recognized at amortized cost, interest is recognized in accordance with the effective interest method.

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 as of 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 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 on the expected future cash flows and weighted average of cost of capital, we refer to note 6.2.

The obligation from defined benefit pension obligations 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.

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 future is assessed taking into account various factors such as future taxable profit 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 31, 2017, 100 % of the shares in Master Test, SGPS, S.A., Lisbon, Portugal, and its subsidiaries were acquired for a purchase price of 20.6 million euros.

The acquired net assets amounted to –8.4 million euros. As of the date of acquisition, the carrying amounts of the acquired assets and liabilities totaled 4.6 million euros and 13.0 million euros respectively.

An amount of 2.1 million euros in assets relates to cash, while an amount of 2.0 million euros relates to property, plant and equipment; 0.5 million euros relates to trade receivables and other assets. The carrying amount of the receivables corresponds to their fair value. The liabilities were repaid as part of the acquisition.

In the course of the purchase price allocation, intangible assets (customer list and brand) totaling 7.6 million euros and deferred tax liabilities of 1.6 million euros were recognized. The resulting goodwill on the acquisition date amounted to 23.0 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 not tax deductible.

The main purpose of the transaction is to expand the service portfolio of the Vehicle Inspection service unit. Accordingly, the entity was allocated to the Business Unit DEKRA Automotive.

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.

In addition, 100 % of the shares in VEIKI-VNL Villamos Nagylaboratóriumok Korlátolt Felelősségü Társaság, Budapest, Hungary, were acquired with effect as of March 31, 2017. The purchase price amounted to 5.3 million euros.

The acquired net assets amounted to 0.6 million euros. As of the date of acquisition, the carrying amounts of the acquired assets and liabilities totaled 2.2 million euros and 1.6 million euros respectively.

An amount of 1.4 million euros in assets relates to property, plant and equipment, while an amount of 0.7 million euros relates to trade receivables and other assets and 0.1 million euros to cash. 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) totaling 2.1 million euros and deferred tax liabilities of 0.2 million euros were recognized. The resulting goodwill on the acquisition date amounted to 2.8 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 Material Testing & Certification service unit. Accordingly, the entities were allocated to the Business Unit DEKRA Industrial.

The purchase price was paid in cash. The directly allocable incidental costs of 0.2 million euros incurred in the transaction were recognized in other operating expenses.

The entities acquired during the fiscal year are included in the consolidated financial statements with revenue of 6.6 million euros and operating profit before taxes taking into consideration amortization in the course of the purchase price allocation of 0.7 million euros. Taking into account the inclusion for the entire year, the entities would have contributed 12.2 million euros to group revenue and 2.1 million euros to the Group’s earnings before taxes.

In addition, shares of 15.9 million euros were acquired in the fiscal year in entities that were not included in the consolidated financial statements. This figure relates mainly to the shares in Core Visual Inspection Services, Inc., Austin, USA, Transteam Personal Holding AG, Mels, Switzerland, and its subsidiaries, and Epoche & Espri S.L.U., Madrid, Spain.

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 Revenue

Revenue by Service Line

IN THOUSAND EUR	2017	2016
Vehicle Inspection	955,189	916,634
Expertise	318,085	302,067
Automotive Solutions	188,852	177,957
Homologation & Type Approvals	29,696	30,450
Claims Services	36,428	38,951
Other Automotive income	29,277	35,224
Automotive Services	**1,557,527**	**1,501,283**
Industrial & Construction Inspection	405,756	377,990
Material Testing & Inspection	160,353	155,071
Product Testing & Certification	177,028	164,256
Business Assurance	82,213	76,547
Insight	71,023	74,888
Other Industrial income	0	2,700
Industrial Services	**896,373**	**851,452**
Training & Education	197,260	185,494
Temporary Work	452,830	335,423
Personnel Services	**650,090**	**520,917**
Other	**30,837**	**29,993**
	3,134,827	**2,903,645**

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 as of year-end of 38,375 thousand euros (prior year: 34,594 thousand euros), which are recognized according to their percentage of completion.

Of the revenue, 1,901.3 million euros (prior year: 1,739.9 million euros) relates to Germany, 396.2 million euros (prior year: 379.7 million euros) to France and 837.3 million euros (prior year: 784.0 million euros) to other countries.

5.2 Other operating income

Other operating income of 31.9 million euros (prior year: 27.9 million euros) chiefly includes current income of 19.4 million euros (prior year: 19.3 million euros). This includes income from the disposal of non-current assets of 6.3 million euros (prior year: 2.9 million euros) as well as reintegration and wage subsidies totaling 2.6 million euros (prior year: 2.1 million euros). Other operating income also includes exchange gains of 2.0 million euros (prior year: 1.7 million euros), income from compensation of 1.8 million euros (prior year: 1.6 million euros) as well as income from the reversal of allowances of 1.5 million euros (prior year: 1.8 million euros).

5.3 Cost of materials

Cost of materials breaks down as follows:

IN THOUSAND EUR	2017	2016
Cost of purchased services	279,305	274,715
Cost of purchased merchandise	28,258	26,728
Expenses from the write-down of inventories	49	0
	307,612	**301,443**

5.4 Personnel expenses

IN THOUSAND EUR	2017	2016
Wages and salaries	1,676,352	1,522,055
Social security costs (excl. pension insurance premiums)	219,091	196,620
Pension costs	126,193	113,765
	2,021,636	**1,832,440**

Pension costs also include employer contributions to the statutory pension insurance fund of 91.9 million euros (prior year: 81.5 million euros). The majority of group employees are salaried employees.

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

ANNUAL AVERAGE	2017	2016
Business Unit DEKRA Automotive	15,579	15,772
Business Unit DEKRA Industrial	8,134	7,777
Business Unit DEKRA Personnel	16,756	13,388
DEKRA SE/Regional central units	780	688
	41,249	**37,625**

5.5 Other operating expenses

Other operating expenses of 554.3 million euros (prior year: 536.0 million euros) chiefly include rent and rent incidentals of 124.7 million euros (prior year: 121.3 million euros), travel expenses of 103.3 million euros (prior year: 97.5 million euros), administrative expenses of 79.4 million euros (prior year: 76.9 million euros), IT and telephone costs of 64.8 million euros (prior year: 61.3 million euros) and vehicle costs of 44.5 million euros (prior year: 39.7 million euros). Other operating expenses contain exchange differences of 2.8 million euros (prior year: 1.3 million euros).

5.6 Depreciation, amortization and impairment losses on property, plant and equipment and intangible assets

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

5.7 Financial result

The financial result breaks down as follows:

IN THOUSAND EUR	2017	2016
Investment result from companies accounted for using the equity method	**1,353**	**959**
Other investment result	721	1,556
Expenses from investments and shares in affiliates	–1,370	–1,071
Result from securities	6,402	59
Result from loans	0	–1
Other financial result	**5,753**	**543**
Interest income	6,170	5,391
Interest expenses	–23,781	–30,188
thereof other interest expenses	–13,144	–17,781
thereof net lending from German phased retirement scheme obligations	15	13
thereof net lending from pension provisions	–10,652	–12,420
Interest result	**–17,611**	**–24,797**
Financial result	**–10,505**	**–23,295**

The investment result from companies accounted for using the equity method of 1,353 thousand euros (prior year: 959 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 income from the reclassification 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). Reference is made to the explanations in section 6.14 with regard to the CTA.

Interest income primarily stems from interest income from loans and receivables of 2,531 thousand euros (prior year: 2,928 thousand euros) and from securities held for sale of 1,020 thousand euros (prior year: 1,139 thousand euros). Moreover, measurements in foreign currencies had an effect of 2,520 thousand euros (prior year: 907 thousand euros) on interest income.

Other interest expenses of 13,144 thousand euros (prior year: 17,781 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 3,750 thousand euros (prior year: 2,320 thousand euros) as well expenses from currency effects of 2,023 thousand euros (prior year: 2,616 thousand euros). The decrease in other interest expenses is mainly due to loans maturing as well as derivative financial instruments in the prior year.

Net lending from pension provisions results from interest expenses arising from pension obligations of 16,356 thousand euros (prior year: 19,329 thousand euros) and the expected return on plan assets of 5,704 thousand euros (prior year: 6,909 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 48.8 million euros (prior year: 33.6 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	2017	2016
Current taxes	72,831	56,123
Deferred taxes		
Temporary differences	–13,858	–7,095
Unused tax losses	724	812
	59,697	**49,840**

Current taxes contain tax expenses of –262 thousand euros (prior year: –496 thousand euros) relating to other periods.

As of the reporting date, the DEKRA Group disclosed 16,090 thousand euros in total of unused tax losses (prior year: 22,228 thousand euros), which resulted in deferred tax assets of 5,108 thousand euros (prior year: 7,024 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: 33.3 %) 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, 2017 break down as follows:

IN THOUSAND EUR	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Non-current assets	61,669	22,700	29,936	36,250
Current assets	8,704	4,869	4,150	4,978
Non-current liabilities				
Pension provisions	128,006	126,099	57,011	16,376
Other non-current liabilities	3,485	2,260	8,364	8,201
Current liabilities	8,094	6,477	844	220
Deferred taxes on temporary measurement differences	**209,958**	**162,405**	**100,305**	**66,025**
Deferred taxes on unused tax losses	5,108	7,024	0	0
Total deferred taxes	**215,066**	**169,429**	**100,305**	**66,025**
Offsetting at tax group level	–65,971	–25,836	–65,971	–25,836
Disclosure	**149,095**	**143,593**	**34,334**	**40,189**

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	2017	2016
Consolidated earnings before tax	192,540	157,727
Expected tax expense (30.525%)	58,773	48,146
Losses for which no deferred taxes were recognized	1,253	3,836
Differences from foreign tax rates	−1,569	−1,032
Tax-free income	−4,164	−2,767
Non-deductible expenses	4,748	4,782
Tax items relating to other periods	611	−3,242
Other tax effects	45	117
Effective tax expense	**59,697**	**49,840**

Deferred income tax assets and current income tax assets
The Group has unused tax losses that can be carried forward indefinitely of 30,908 thousand euros (prior year: 36,288 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 −28 thousand euros (prior year: 17,266 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 taxes. 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 tax liabilities of 2.8 million euros (prior year: 0.7 million euros) were recognized due to first-time consolidation.

Current tax liabilities mainly relate to income tax liabilities of foreign entities. The liabilities from tax allocations to DEKRA e.V., Stuttgart, amounting to 48.8 million euros have been offset against receivables from affiliates.

5.9 Statement of comprehensive income
The consolidated net income for the year under IFRSs stands at 132.8 million euros (prior year: 107.9 million euros). This serves as a basis for developing the income statement into the statement of comprehensive income. Items affecting other comprehensive income include the remeasurement of defined benefit plans of 5.9 million euros (prior year: −60.2 million euros). This effect and the related deferred taxes of −1.3 million euros (prior year: 18.0 million euros) will not be recycled through profit or loss in future. Other items affecting other comprehensive income are the remeasurement of available-for-sale securities of −4.5 million euros (prior year: 0.3 million euros) and hedging instruments of 0.5 million euros (prior year: 2.0 million euros). It is possible that these items will be recycled through profit and loss in future together with the associated deferred taxes of 1.3 million euros (prior year: −0.7 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 19.0 million euros (prior year: income of 5.2 million euros) were recognized in other comprehensive expenses. The effects of foreign currency translation are primarily due to translation of items from the US dollar, New Zealand dollar and Brazilian real. These items could also be recycled through profit and loss in 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).

The additions to amortization are recognized under the item “Depreciation, amortization and impairment losses”. In the fiscal year, franchises, industrial rights and similar rights of 1,825 thousand euros (prior year: 4,912 thousand euros) were impaired as they were no longer expected to be used. In addition, impairment losses were recognized for customer lists of 1,577 thousand euros (prior year: 5,009 thousand euros).

Internally generated intangible assets of 6,442 thousand euros (prior year: 3,811 thousand euros) were recognized for software developments in the reporting period.

No impairments were necessary for goodwill in the reporting year.

IN THOUSAND EUR	INTANGIBLE ASSETS					
	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, 2016	**514,007**	**107,791**	**212,016**	**22,274**	**30,543**	**886,631**
Exchange difference on opening balance	3,111	30	291	89	3	3,524
Exchange difference in current year	1,040	–8	353	–79	–2	1,304
Additions	1,722	6,642	2,696	3,811	10,178	25,049
Additions to the consolidated group	15,133	2	2,009	0	–2	17,142
Disposals	–834	–1,004	–1,117	0	–3,289	–6,244
Reclassifications	–96	21,022	197	5,148	–26,463	–192
As of Dec. 31, 2016 / 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	**549,846**	**154,259**	**220,864**	**38,317**	**10,309**	**973,595**
Depreciation and impairment losses as of Jan. 1, 2016	**0**	**–87,406**	**–102,178**	**–12,486**	**0**	**–202,070**
Exchange difference on opening balance	0	–14	–549	–142	0	–705
Exchange difference in current year	–24	6	–484	83	0	–419
Additions	–492	–9,846	–25,099	–3,323	–2,945	–41,705
Disposals	0	899	1,103	726	2,945	5,673
Reclassifications	0	–71	–2	–4	0	–77
As of Dec. 31, 2016 / 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	**0**	**–113,306**	**–143,517**	**–18,279**	**0**	**–275,102**
Carrying amount as of Dec. 31, 2017	**549,846**	**40,953**	**77,347**	**20,038**	**10,309**	**698,493**
Carrying amount as of Dec. 31, 2016	**533,567**	**38,043**	**89,236**	**16,097**	**10,968**	**687,911**
Carrying amount as of Jan. 1, 2016	**514,007**	**20,385**	**109,838**	**9,788**	**30,543**	**684,561**

6.2 Goodwill

Accumulated goodwill amortization up to and including 2007, prior to application of IFRSs, was offset against cost.

Of the goodwill, 198.6 million euros (prior year: 176.5 million euros) relates to DEKRA Automotive, 308.9 million euros (prior year: 316.4 million euros) to DEKRA Industrial and 42.3 million euros (prior year: 40.7 million euros) to DEKRA Personnel.

Additions of 32.5 million euros to goodwill are attributable to business combinations and asset deals that took place in 2017 as well as the inclusion in the consolidated group of entities previously considered to be immaterial. However, goodwill decreased by 14.8 million euros (prior year: increase of 4.2 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 DEKRA Automotive and DEKRA Industrial, future cash flows were discounted using a risk-adjusted interest rate after tax of 7.0 % (prior year: 6.6 %) and for DEKRA Personnel of 8.5 % (prior year: 7.9 %).

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, 2016	**181,308**	**175,045**	**208,213**	**10,064**	**574,630**
Exchange difference on opening balance	–181	497	–16	122	422
Exchange difference in current year	130	673	–73	158	888
Additions	7,915	21,867	25,243	8,484	63,509
Additions to the consolidated group	2,089	1,928	205	39	4,261
Disposals	–1,003	–4,946	–13,886	–923	–20,758
Reclassifications	–5,015	959	–4,109	–5,857	–14,022
As of Dec. 31, 2016 / 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	**200,840**	**209,621**	**235,644**	**14,840**	**660,945**
Depreciation and impairment losses as of Jan. 1, 2016	**–57,123**	**–104,940**	**–138,624**	**–240**	**–300,927**
Exchange difference on opening balance	84	–338	–75	–70	–399
Exchange difference in current year	–58	–375	5	38	–390
Additions	–6,140	–18,544	–21,773	–8	–46,465
Disposals	521	3,996	10,686	291	15,494
Reversal of impairment	0	74	0	0	74
Reclassifications	924	3,849	9,504	11	14,288
As of Dec. 31, 2016 / 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	**–67,029**	**–122,073**	**–153,691**	**–3,303**	**–346,096**
Carrying amount as of Dec. 31, 2017	**133,811**	**87,548**	**81,953**	**11,537**	**314,849**
Carrying amount as of Dec. 31, 2016	**123,451**	**79,745**	**75,300**	**12,109**	**290,605**
Carrying amount as of Jan. 1, 2016	**124,185**	**70,105**	**69,589**	**9,824**	**273,703**

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, 2017	Dec. 31, 2016
Aggregated non-current assets	18,555	18,041
Aggregated current assets	37,487	30,680
Aggregated non-current liabilities	19,395	16,729
Aggregated current liabilities	6,357	5,004

IN THOUSAND EUR	2017	2016
Aggregated revenue	40,343	40,034
Aggregated net income for the year	3,301	2,945

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, 2017	Dec. 31, 2016
Shares in affiliates measured at cost	25,513	8,922
Other investments	1,662	1,613
Loans to affiliates	21,968	8,897
Other loans	1,558	4,418
Available-for-sale securities	5,349	60,467
Sundry other non-current financial assets	4,204	4,614
	60,254	**88,931**

Other non-current assets contain impairment losses of 6,109 thousand euros (prior year: 780 thousand euros).

The increase in shares in affiliates measured at cost primarily results from the acquisition of other entities. This was counterbalanced by the consolidation of entities that were not included in the consolidated financial statements in the prior year. In the fiscal year, net impairment losses less reversals of impairment losses of 757 thousand euros (prior year: 0 thousand euros) were recognized.

The increase in loans to affiliates stems chiefly from the reclassification of loans to subsidiaries that are not fully consolidated due to changes in maturities. The loans contain accumulated impairments of 1,517 thousand euros (prior year: 1,730 thousand euros), which burdened the financial result for the fiscal year by 159 thousand euros (prior year: 757 thousand euros).

The decrease in other loans is due first and foremost to the maturity of promissory notes.

The decline in available-for-sale securities primarily results from the contribution of securities to the CTA. Market valuation in the fiscal year had an overall positive effect on the portfolio. Net reversals of impairments of 1,556 thousand euros (prior year: 258 thousand euros) were recognized in this item in 2017. Because of the contribution of the securities to the CTA, remeasurement effects of 6,163 thousand euros were reclassified from other comprehensive income to the income statement.

The maturities of the material sundry other non-current financial assets excluding the shares in affiliates measured at cost, other equity investments and available-for-sale securities break down as follows:

IN THOUSAND EUR	Dec. 31, 2017	Thereof not impaired	Dec. 31, 2016	Thereof not impaired
Not past due	26,535	26,535	16,992	16,992
Past due between 1 and 90 days	3	0	0	0
Past due between 91 and 180 days	1	0	123	0
Past due more than 180 days	4,913	1,132	814	52
	31,452	**27,667**	**17,929**	**17,044**

Most of the sundry other non-current financial assets that are not past due and not impaired are loans.

6.6 Other non-current assets

Other non-current assets break down as follows:

IN THOUSAND EUR	Dec. 31, 2017	Dec. 31, 2016
Reimbursement claims in accordance with IAS 19.104a	1,125	1,031
Other non-current assets	4,652	4,505
	5,777	**5,536**

Current assets

6.7 Inventories

IN THOUSAND EUR	Dec. 31, 2017	Dec. 31, 2016
Materials and supplies	1,759	1,488
Work in progress	1,465	3,141
Merchandise	4,305	3,892
	7,529	**8,521**

6.8 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, 2017	Dec. 31, 2016
Trade receivables, gross	502,318	440,290
Receivables from percentage of completion	42,277	39,514
Portfolio-based specific valuation allowances on trade receivables	-18,018	-19,864
	526,577	**459,940**

The maturities break down as follows:

IN THOUSAND EUR	Dec. 31, 2017	Thereof not impaired	Dec. 31, 2016	Thereof not impaired
Not past due	332,123	332,123	344,621	344,621
Past due between 1 and 90 days	145,847	128,339	84,883	64,883
Past due between 91 and 180 days	37,795	34,179	16,901	10,806
Past due more than 180 days	28,830	12,814	33,399	12,347
	544,595	**507,455**	**479,804**	**432,657**

The increase in receivables that are not impaired is mainly due to the increase in revenue.

Bad debt allowances on trade receivables developed as follows:

IN THOUSAND EUR	Dec. 31, 2017	Dec. 31, 2016
Bad debt allowances as of January 1	**-19,864**	**-18,657**
Additions	-3,868	-6,443
Utilization	2,449	3,103
Reversal	3,265	2,133
Bad debt allowances as of December 31	**-18,018**	**-19,864**

Expenses incurred for the addition to specific bad debt allowances are included under other operating expenses.

6.9 Other current financial assets

IN THOUSAND EUR	Dec. 31, 2017	Dec. 31, 2016
Available-for-sale securities	503	2,362
Receivables from affiliates and other investees and investors	108,737	128,753
Sundry other financial assets	64,073	73,462
	173,313	**204,577**

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 101,800 thousand euros, which are offset against receivables from the cash pool and other cost allocations of 195,522 thousand euros. The decrease in this item is primarily attributable to the higher liabilities from profit transfers and income tax allocations compared to the prior year.

Sundry other financial assets primarily contain reimbursement claims from adjustment claims as of reporting date. The decline is chiefly attributable to the maturity of time deposits with a term of more than three months.

Impairment of other current financial assets developed as follows:

IN THOUSAND EUR	Dec. 31, 2017	Dec. 31, 2016
Bad debt allowances as of January 1	-3,531	-6,606
Additions to impairment	-188	-3,025
Change in fair value	10	35
Disposals	350	2,861
Disposals from the consolidated group	0	3,204
Bad debt allowances as of December 31	-3,359	-3,531

Impairment losses recognized through profit or loss mainly relate to loans to non-consolidated subsidiaries.

The maturities of receivables from affiliates, investees and investors and other current financial assets break down as follows:

IN THOUSAND EUR	Dec. 31, 2017	Thereof not impaired	Dec. 31, 2016	Thereof not impaired
Not past due	165,021	165,021	189,940	189,940
Past due between 1 and 90 days	4,953	4,450	6,083	3,333
Past due between 91 and 180 days	466	455	3,684	1,685
Past due more than 180 days	5,781	1,954	2,508	904
	176,221	**171,880**	**202,215**	**195,862**

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, 2017	Dec. 31, 2016
Cash at banks	74,098	133,303
Cash on hand	1,249	1,106
Cash equivalents less than 3 months	1,095	1,357
	76,442	**135,766**

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

At present, no cash and cash equivalents are past due that are not impaired.

6.12 Equity

For information on the development of equity, please see 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 550,529 thousand euros (prior year: 520,529 thousand euros) mainly include contributions from DEKRA e.V., Stuttgart. A contribution of 30,000 thousand euros was made to the capital reserves in the fiscal year.

Revenue reserves contain the group profit for the period and the profits of consolidated companies generated in prior years to the extent these are not 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 available-for-sale securities not recognized through profit or loss, 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 movement 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 on 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, 2017	Dec. 31, 2016
Aggregated non-current assets	7,392	6,811
Aggregated current assets	8,543	7,591
Aggregated non-current liabilities	232	279
Aggregated current liabilities	3,486	2,991

IN THOUSAND EUR	2017	2016
Aggregated revenue	8,814	7,765
Aggregated profit for the year	1,137	782

Of these amounts, non-current assets of 5,848 thousand euros, current assets of 3,893 thousand euros, non-current liabilities of 232 thousand euros, current liabilities of 1,701 thousand euros, revenue of 4,719 thousand euros and net income for the year of 710 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, 2017	Dec. 31, 2016
Pension provisions in Germany	478,232	616,171
Pension provisions in other countries	14,183	12,898
	492,415	**629,069**

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. In addition, DEKRA set up 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 payment of pension obligations.

The company pension scheme was reorganized with effect as of January 1, 2012. 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. and the legally separate funds of the CTA are treated as plan assets in accordance with IAS 19.113. DEKRA Unterstützungskasse e.V. has an Advisory Board which is regularly informed about the situation of the assets in the fund.

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 2005 G mortality tables of Prof. Dr. Klaus Heubeck are used for the German pension obligations and recognized mortality tables are used for the foreign obligations.

At some foreign entities, there are multi-employer plans for defined benefit plans, for which insufficient information is available.

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, 2016	**890,294**	**–313,408**	**576,886**
Current service cost	19,666	–361	19,305
Past service cost/plan curtailment	707	0	707
Net interest cost (standard interest)	19,329	–6,909	12,420
Net pension cost	39,702	–7,270	32,432
Actuarial return on plan assets less net interest cost	0	–2,114	–2,114
Actuarial gain/loss from changes in demographic assumptions	102	0	102
Actuarial gain/loss from changes in financial assumptions	61,618	0	61,618
Change from asset ceiling unless contained in net interest expense	628	0	628
Remeasurement of defined benefit pension plans	62,348	–2,114	60,234
Benefits paid	–26,354	13,951	–12,403
Employer contributions	1	–27,999	–27,998
Employee contributions	4,348	–4,348	0
Total payments	–22,005	–18,396	–40,401
Changes in the consolidated group	–118	36	–82
As of Dec. 31, 2016	**970,221**	**–341,152**	**629,069**

thereof funded	924,141
thereof unfunded	46,080

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 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
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

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

The weighted average term of the vast majority of benefit obligations is 15.31 years (prior year: 15.73 years).

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

IN THOUSAND EUR	2018	2019	2020	2021	2022
Expected pension benefit payments	31,066	32,435	34,290	35,617	37,531

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 initial addition to the CTA of 122.2 million euros was made primarily from 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 %	GERMANY		OTHER COUNTRIES	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Interest rate	1.75	1.75	1.18	1.65
Increase in salaries	2.00	2.00	1.00	1.85
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, which was included in the consolidated financial statements through the consolidated member companies. The assets of DEKRA Unterstützungskasse e.V., Stuttgart, meet 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%	6.7% decrease	7.5% increase
Increase in salaries	0.5%	0.2% increase	0.2% decrease
Increase in pensions	0.5%	6.1% increase	5.5% decrease
Employee turnover	0.5%	0.1% decrease	0.1% increase
Age	One year	4.6% increase	4.6% decrease

Plan assets

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

IN THOUSAND EUR	Dec. 31, 2017	thereof market price quoted on an active market	Dec. 31, 2016	thereof market price quoted on an active market
Employer's pension liability insurance policies	297,245	0	274,234	0
Securities	178,542	0	54,687	0
Other	13,761	0	12,231	0
	489,548	**0**	**341,152**	**0**

The employer contributions to plan assets are expected to amount to 11.1 million euros in the next fiscal year (prior year: 27.8 million euros). In addition, the Group intends to contribute an additional 60.0 to 65.0 million euros to the CTA in subsequent years to reduce the existing deficit further.

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 101.4 million euros in the fiscal year (prior year: 90.6 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, 2017	Allocation	Additions to the consolidated group	Utilization	Reversal	Reclassifications	As of Dec. 31, 2017
Non-current provisions							
Other personnel provisions	5,194	1,664	0	-1,086	-343	-594	**4,835**
Phased retirement	177	747	0	-114	0	-594	**216**
thereof from phased retirement obligation	1,488	298	0	-281	0	0	**1,505**
thereof from phased retirement plan assets	-1,311	449	0	167	0	-594	**-1,289**
Long-service award	3,279	783	0	-685	0	0	**3,377**
Sundry other personnel provisions	1,739	134	0	-287	-343	0	**1,243**
Other non-personnel provisions	13,527	1,958	0	-756	-711	0	**14,018**
	18,721	**3,622**	**0**	**-1,842**	**-1,054**	**-594**	**18,853**
Current provisions							
Other personnel provisions	4,471	2,825	0	-2,988	-564	-1,397	**2,347**
Restructuring provision	1,108	-5	0	-886	-217	0	**0**
Other non-personnel provisions	15,424	6,138	0	-3,234	-1,218	1,445	**18,555**
Other restructuring	364	128	0	-296	0	0	**196**
Potential losses	1,449	944	0	-636	-440	0	**1,317**
Sundry other non-personnel provisions	13,611	5,066	0	-2,302	-778	1,445	**17,042**
	21,003	**8,958**	**0**	**-7,108**	**-1,999**	**48**	**20,902**

IN THOUSAND EUR	As of Jan. 1, 2016	Allocation	Additions to the consolidated group	Utilization	Reversal	Reclassifications	As of Dec. 31, 2016
Non-current provisions							
Other personnel provisions	5,425	1,529	18	-1,622	-399	243	**5,194**
Phased retirement	188	182	0	-436	0	243	**177**
thereof from phased retirement obligation	1,629	338	0	-479	0	0	**1,488**
thereof from phased retirement plan assets	-1,441	-156	0	43	0	243	**-1,311**
Long-service award	3,485	942	18	-1,167	0	0	**3,279**
Sundry other personnel provisions	1,752	405	0	-19	-399	0	**1,739**
Other non-personnel provisions	10,658	4,183	0	-561	-753	0	**13,527**
	16,083	**5,712**	**18**	**-2,183**	**-1,152**	**243**	**18,721**
Current provisions							
Other personnel provisions	3,739	2,018	93	-475	-904	0	**4,471**
Restructuring provision	21	1,087	0	0	0	0	**1,108**
Other non-personnel provisions	12,398	5,875	0	-2,053	-796	0	**15,424**
Other restructuring	0	364	0	0	0	0	**364**
Potential losses	1,010	727	0	-267	-21	0	**1,449**
Sundry other non-personnel provisions	11,388	4,784	0	-1,786	-775	0	**13,611**
	16,158	**8,980**	**93**	**-2,528**	**-1,700**	**0**	**21,003**

In France, there are non-current obligations in relation to warranties of 11,403 thousand euros (prior year: 10,998 thousand euros), the risks of which exceed the insurance cover. There are also long-term obligations based on country-specific dues. Non-current provisions do not include significant effects of unwinding the discount (prior year: 256 thousand euros).

Other current provisions primarily include legal, consulting and litigation risks as well as costs in connection with accreditations.

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.

6.16 Non-current and current financial liabilities

Non-current financial liabilities

IN THOUSAND EUR	Dec. 31, 2017	Dec. 31, 2016
Liabilities to banks	228,159	266,782
Trade payables	0	130
Derivative financial instruments	105	1,062
Lease liabilities	2,275	2,124
Other financial liabilities	41	82
Liabilities from business combinations	1,616	453
	232,196	270,633

Current financial liabilities

IN THOUSAND EUR	Dec. 31, 2017	Dec. 31, 2016
Liabilities to banks	65,439	12,741
Profit participation rights	14,883	15,197
Financial liabilities to affiliates	26,350	21,036
Financial liabilities to associates	921	926
Financial liabilities to investees and investors	0	27
Derivative financial instruments	465	5
Lease liabilities	1,219	700
Liabilities from business combinations	19,916	22,211
Liabilities to employees	33,049	24,341
Other financial liabilities	20,626	18,554
	182,868	115,738

The overall increase in non-current and current liabilities to banks of 14,075 thousand euros is mainly due to borrowing short-term loans. The shift from non-current to current liabilities to banks is essentially attributable to changes in the remaining terms.

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 increase of 5,314 thousand euros is primarily attributable to higher VAT liabilities.

The increase in current liabilities to employees by 8,708 thousand euros is mainly due to the business development in the Temporary Work Service Unit.

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, 2,825,536 (prior year: 2,893,170) 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

Compared with the prior year trade payables rose by 8,810 thousand euros to 98,350 thousand euros.

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, 2017	Dec. 31, 2016
Personnel-related liabilities	198,458	188,400
Deferred revenue	14,997	16,818
Other liabilities for taxes	53,966	49,347
Prepayments received	37,831	39,765
Social security	36,721	32,135
Sundry other	20,512	24,722
	362,485	351,187

Personnel-related liabilities chiefly relate to outstanding variable salary components and accrued vacation.
Liabilities from taxes principally relate to VAT and wage tax.
The carrying amount of the liabilities is their fair value.

7 STATEMENT OF CASH FLOWS

The statement of cash flows shows how the cash and cash equivalents changed during the course of the fiscal 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. 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, 2017	Dec. 31, 2016
Total purchase/sale price	–38,017	–11,451
thereof settled in cash	–38,017	–10,620
thereof not yet settled/received	0	–831
Amount of cash and cash equivalents acquired/disposed of	2,603	286
Amount of assets and liabilities acquired/disposed of		
Non-current assets	47,808	8,796
Current assets	4,404	2,015
Non-current liabilities	11,707	1,231
Current liabilities	4,702	1,683

The cash flow from investing activities takes account of purchase price liabilities from the acquisition of fully consolidated subsidiaries from prior years amounting to 4,771 thousand euros. Payments were 14 thousand euros higher than the liabilities recognized in prior years.

In addition, the cash flow from investing activities comprises purchase price payments of 15,911 thousand euros (prior year: 2,372 thousand euros) for further subsidiaries and other units. These acquisitions resulted in liabilities due to variable purchase price components of 2,062 thousand euros (prior year: 0 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 Dec. 31, 2016	Changes in cash	Non-cash changes				Carrying amount Dec. 31, 2017
			Exchange rate effects	Business combinations	Change in fair value	Ohter changes	
Non-current loans	266,782	–11,518	–728	8,055	0	–34,432	228,159
Current loans	13,019	16,566	–1,614	3,028	0	34,440	65,439
Derivative financial instruments	1,067	0	0	0	–492	–5	570
Lease liabilities	2,824	–892	18	650	0	894	3,494
Total liabilities from financing avtivities	**283,692**	**4,156**	**–2,324**	**11,733**	**–492**	**897**	**297,662**

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, 2017	Dec. 31, 2016
Rental and lease obligations in the current year	123,316	126,137
Residual term of less than 1 year	108,595	109,417
Residual term of 1 to 5 years	181,322	182,566
Residual term of more than 5 years	66,321	63,498
Total obligations for future years	**356,238**	**355,481**

The rental and lease obligations of the current year contain contingent lease payments of 144 thousand euros (prior year: 917 thousand euros). Property leases generally have residual terms of up to ten to 15 years. Subleases result in lease income of 4,157 thousand euros (prior year: 1,586 thousand euros).

Finance Lease

IN THOUSAND EUR	Dec. 31, 2017	Liability from lease obligation
Rental and lease obligations in 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**

Finance Lease

IN THOUSAND EUR	Dec. 31, 2016	Verbindlichkeit aus Leasing-verpflichtung
Rental and lease obligations in the current year	684	–
thereof interest portion	86	–
Residual term of less than 1 year	758	700
Residual term of 1 to 5 years	2,263	2,124
Residual term of more than 5 years	0	0
Total obligations for future years	**3,021**	**2,824**

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 4,324 thousand euros (prior year: 3,360 thousand euros). Of this total, an amount of 1,844 thousand euros is attributable to land and buildings and 2,480 thousand euros to other plant and equipment. The leases contain purchase options. No restrictions were imposed under the terms of these leases.

In 2017, the Group reported other financial obligations including purchase commitments of 47,388 thousand euros (prior year: 19,576 thousand euros). These are mainly attributable to agreements concluded to purchase land and buildings as well as to long-term framework agreements.

8.2 Contingent liabilities, other contingencies and collateral provided

Contingent liabilities of 6,729 thousand euros (prior year: 5,571 thousand euros) mainly include bank guarantees and contingencies from guarantees. In addition, collateral and warranties of 1,218 thousand euros (prior year: 1,003 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 significantly affect its economic or financial situation.

8.3 Government grants

Government grants of 2,608 thousand euros (prior year: 2,072 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 30.0 million euros as well as an increase in the revenue reserves of 78.0 million euros. Differences from the currency translation of the financial statements prepared in foreign currency by consolidated subsidiaries had a negative effect of 19.0 million euros on equity. The DEKRA Group's equity ratio stood at 30.4 % (prior year: 26.0 %) 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 default 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 investing and lending 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

IAS 39 requires 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 measured 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

All financial assets of the DEKRA Group to be classified belong to the categories "Loans issued and receivables at amortized cost" or "Available-for-sale assets at fair value not through profit or loss". All financial liabilities belong to the categories "Financial liabilities at fair value through profit or loss" or "Financial liabilities at amortized cost".

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

IN THOUSAND EUR	Dec. 31, 2017	Dec. 31, 2016
Loans issued and receivables measured at amortised cost	439	–4,597
Available-for-sale assets at fair value not through profit or loss	7,423	1,200
Financial liabilities at fair value through profit or loss	–1,621	–2,456
Liabilities measured at amortised cost	–4,971	–7,790
	1,270	**–13,643**

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 decrease in net losses for loans and receivables primarily results from lower expenses incurred for the allocation to specific bad debt allowances.

The increase in net gains from available-for-sale assets measured at fair value in other comprehensive income is based chiefly on the transfer of the specialized funds and other AfS securities to the CTA.

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

Before tax effects, the available-for-sale reserve decreased on account of gains and losses arising from changes in fair value amounting to 4.5 million euros (prior year: increase of 0.3 million euros) which were reported in other comprehensive income. This includes a decrease of 6.2 million euros in the AfS reserve from the reclassification of measurement effects of specialized funds as well as of other AfS securities from other comprehensive income to the income statement due to the contribution of those securities to the CTA. The measurement of the derivative financial instruments not through profit or loss increases the reserve for hedging instruments by 0.5 million euros to –0.6 million euros (prior year: –1.1 million euros). Deferred taxes of 1.2 million euros (prior year: –0.7 million euros) had the opposite effect.

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

IN THOUSAND EUR	Carrying amount Dec. 31, 2017	Loans issued and receivables measured at amortised 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**
Current assets							
Trade receivables including percentage of completion	526,577	526,577	0	n/a	n/a	n/a	n/a
Cash and cash equivalents	76,442	76,442	0	n/a	n/a	n/a	n/a
Securities	503	343	160	160	160	0	0
Receivables from affiliates and investees	108,737	108,737	0	n/a	n/a	n/a	n/a
Other financial assets	64,073	64,073	0	n/a	n/a	n/a	n/a
	776,332	**776,172**	**160**	**160**	**160**	**0**	**0**
	836,586	**803,905**	**32,681**	**5,506**	**1,021**	**4,485**	**0**

[1] This contains available-for-sale assets measured at 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.

IN THOUSAND EUR	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 measured at amortized cost	Fair value	thereof fair value level 1	thereof fair value level 2	thereof fair value level 3
Equity and liabilities								
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
Derivative financial instruments not designated as hedging instruments	0	0	0	0	0	0	0	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	1,219[2]	n/a	n/a	n/a	n/a
	281,218	**465**	**19,916**	**260,837**	**20,381**	**0**	**465**	**19,916**
	513,414	**570**	**21,532**	**491,312**	**22,102**	**0**	**570**	**21,532**

[2] Measured in accordance with IAS 17.

IN THOUSAND EUR

	Carrying amount Dec. 31, 2016	Loans issued and receivables measured at amortised 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	10,535	0	10,535[1]	n/a	n/a	n/a	n/a
Securities	60,467	566	59,901	59,901	9,124	50,777	0
Loans	13,315	13,315	0	n/a	n/a	n/a	n/a
Other financial assets	4,614	4,614	0	n/a	n/a	n/a	n/a
	88,931	**18,495**	**70,436**	**59,901**	**9,124**	**50,777**	**0**
Current assets							
Trade receivables including percentage of completion	459,940	459,940	0	n/a	n/a	n/a	n/a
Cash and cash equivalents	135,766	135,766	0	n/a	n/a	n/a	n/a
Securities	2,362	202	2,160	2,160	2,160	0	0
Receivables from affiliates and investees	128,753	128,753	0	n/a	n/a	n/a	n/a
Other financial assets	73,462	73,462	0	n/a	n/a	n/a	n/a
	800,283	**798,123**	**2,160**	**2,160**	**2,160**	**0**	**0**
	889,214	**816,618**	**72,596**	**62,061**	**11,284**	**50,777**	**0**

[1] This contains available-for-sale assets measured at cost of 10,535 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.

IN THOUSAND EUR

	Carrying amount Dec. 31, 2016	Financial liabilities at fair value not through profit or loss	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Fair value	thereof fair value level 1	thereof fair value level 2	thereof fair value level 3
Equity and liabilities								
Non-current liabilities								
Derivative financial instruments designated as hedging instruments	1,062	1,062	0	0	1,062	0	1,062	0
Liabilities from business combinations	453	0	453	0	453	0	0	453
Financial liabilities	266,782	0	0	266,782	n/a	n/a	n/a	n/a
Finance lease liabilities	2,124	0	0	2,124[2]	n/a	n/a	n/a	n/a
Other non-current liabilities	212	0	0	212	n/a	n/a	n/a	n/a
	270,633	**1,062**	**453**	**269,118**	**1,515**	**0**	**1,062**	**453**
Current liabilities								
Trade payables	89,540	0	0	89,540	n/a	n/a	n/a	n/a
Profit participation rights	15,197	0	0	15,197	n/a	n/a	n/a	n/a
Derivative financial instruments designated as hedging instruments	0	0	0	0	0	0	0	0
Derivative financial instruments not designated as hedging instruments	5	0	5	0	5	0	5	0
Liabilities from business combinations	22,211	0	22,211	0	22,211	0	0	22,211
Financial liabilities	12,741	0	0	12,741	n/a	n/a	n/a	n/a
Liabilities to affiliates	21,036	0	0	21,036	n/a	n/a	n/a	n/a
Liabilities to associates	926	0	0	926	n/a	n/a	n/a	n/a
Liabilities to other investees and investors	27	0	0	27	n/a	n/a	n/a	n/a
Other current liabilities	42,895	0	0	42,895	n/a	n/a	n/a	n/a
Finance lease liabilities	700	0	0	700[2]	n/a	n/a	n/a	n/a
	205,278	**0**	**22,216**	**183,062**	**22,216**	**0**	**5**	**22,211**
	475,911	**1,062**	**22,669**	**452,180**	**23,731**	**0**	**1,067**	**22,664**

[2] Measured in accordance with IAS 17.

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
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	Dec. 31, 2017	Dec. 31, 2016
As of January 1	22,664	23,449
Additions	2,062	823
Disposals	–4,815	–4,064
Fair value changes	1,621	2,456
As of December 31	**21,532**	**22,664**

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, Core Visual Inspection Services, Inc., Austin, USA, Transteam Personal Holding AG, Mels, Switzerland and DEKRA AQS Solutions, Inc., Minneapolis, 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 5 % higher (9 % lower).

Contingent purchase price liabilities of 4,815 thousand euros were paid in the current fiscal year. An amount of 1,705 thousand euros was expensed through profit or loss. This entire 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.

The majority of contractually agreed maturity dates for financial instruments measured 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 228,159 thousand euros comes to 226,600 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) and in the UK (GBP).

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, 2017, the DEKRA Group was exposed to only a very small risk of being unable to meet its payment obligations arising from financial instruments in 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, 2017, there are medium-term credit lines of 325.1 million euros granted in writing that have not yet been drawn.

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

DEC. 31, 2017 IN THOUSAND EUR	< 1 year	1–5 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**

DEC. 31, 2016 IN THOUSAND EUR	< 1 year	1–5 years	> 5 years
Trade payables	89,540	0	0
Financial liabilities	15,073	118,691	159,237
Other financial liabilities	82,311	212	0
Derivative financial instruments (negative) designated as hedging instruments	462	563	89
Finance lease liabilities	758	2,263	0
	188,144	**121,729**	**159,326**

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 investment strategy and the development of securities are discussed by the investment committee at regular intervals.

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, 2017, 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, 2017, with the exception of trade receivables and loans, no material financial assets were overdue or affected by amendments to contracts.

Interest rate risk

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 interest rate risk for fixed-income securities is reflected in the price of the financial instrument. Temporary changes in value are reflected in the available-for-sale reserve in other comprehensive income; permanent impairments are recognized through profit or loss. For variable-rate securities, changes in interest rates impact directly on the financial result.

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 1,282 thousand euros (prior year: 1,621 thousand euros). A downward shift of 100 base points would result in a decrease in the interest result of 1,280 thousand euros (prior year: 1,036 thousand euros).

As there are no longer fixed-income securities in the portfolio, an upward shift of 100 base points would, as in the prior year, have no effect on the available-for-sale reserve. A corresponding downward shift would also, as in the prior year, have no effect on the available-for-sale reserve.

An upward shift of 100 base points would result in an increase in the fair value of hedging instruments reported in equity of 434 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 452 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 IAS 39.

Cash flow hedges for variable-interest loans

The rules on cash flow hedge accounting were applied for derivatives with a nominal volume of 28.5 million euros.

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

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.

The hedging transactions have remaining terms of between one and five years.

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

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-by-case 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 4.0 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 538.8 million euros (prior year: 520.1 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, 2017, the Group had available-for-sale financial assets totaling 32.7 million euros (prior year: 72.6 million euros), which are subject to fair value fluctuations. The changes in fair value are presented in equity unless the conditions for an impairment loss are satisfied. These risks are mainly due to interest rate, credit and price risks. The fair value changes averaged 5.13 % in 2017 and 0.47 % in 2016.

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 1.1 million euros (prior year: 1.0 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 (short-term 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 2,556 thousand euros (prior year: 2,511 thousand euros).

In addition, there were further expenses (among other things, for pensions of DEKRA SE) of 805 thousand euros (prior year: 725 thousand euros) and obligations of 9,891 thousand euros (prior year: 8,685 thousand euros) relating to this group of persons.

This results in a total remuneration of 3,361 thousand euros (prior year: 3,236 thousand euros).

Total remuneration paid to former members of the Management Board amounts to 399 thousand euros (prior year: 399 thousand euros). There are also pension obligations of 3,281 thousand euros.

Remuneration of the Supervisory Board

The remuneration paid to the Supervisory Board for the reporting year came to 203 thousand euros (prior year: 218 thousand euros), of which a total amount of 203 thousand euros (prior year: 218 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 667 thousand euros (prior year: 671 thousand euros) and obligations of 1,021 thousand euros (prior year: 983 thousand euros) relating to this group of persons.

Transactions with DEKRA e.V., Stuttgart

There are liabilities of 24.8 million euros (prior year: 20.3 million euros) to DEKRA e.V., Stuttgart, as of December 31, 2017, which mainly stem from VAT liabilities. There are also receivables of 93.7 million euros (prior year: 103.1 million euros) that primarily result from the cash pooling less profit and loss transfer.

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 19.8 million euros in fiscal year 2017 (prior year: 19.6 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 0.3 million euros (prior year: 0.3 million euros). Tax allocations amounted to 48.8 million euros (prior year: 33.6 million euros). In addition, services totaling 1.5 million euros (prior year: 1.6 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 expertise 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 2017, a total volume of 5.4 million euros (prior year: 5.0 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 9.6 million euros (prior year: 9.9 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 equity investments

SUBSIDIARIES THAT ARE NOT FULLY CONSOLIDATED IN MILLION EUROS	Dec. 31, 2017	Dec. 31, 2016
Services rendered	4.7	3.1
Services purchased	5.1	4.1
Finance income	0.6	0.5
Receivables and loans	36.7	34.3
Liabilities*	1.6	0.7

ASSOCIATES IN MILLION EUROS	Dec. 31, 2017	Dec. 31, 2016
Services rendered	0.1	0.1
Services purchased	11.2	10.0
Liabilities	0.9	0.9

EQUITY INVESTMENTS IN MILLION EUROS	Dec. 31, 2017	Dec. 31, 2016
Services rendered	0.3	0.4
Services purchased	0.8	0.2
Finance income	0.3	0.4
Receivables and loans	0.3	0.3
Liabilities*	0.0	0.1

* Liabilities are partially netted with the receivables in the statement of financial position.

12 DISCLOSURES ON THE MANAGEMENT BOARD AND SUPERVISORY BOARD

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

- **Stefan Kölbl**
  Chairman
  Leinfelden-Echterdingen
- **Roland Gerdon**
  Stuttgart
- **Clemens Klinke**
  Boffzen
- **Ivo Rauh**
  Stuttgart

The members of the company's **Supervisory Board** in the fiscal 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
  Chairman of the Central Works Council of DEKRA Automobil GmbH and publicly appointed and sworn expert at Münster branch of DEKRA Automobil GmbH, Stuttgart
- **Ulrich Beiderwieden***
  Formerly ver.di head office
  Head of sector
  Sector 13 Special Services
- **Prof. Dr. Sabine Fließ**
  Douglas Endowed Chair of Service Management
  University in Hagen, Hagen
- **Jean-Luc Inderbitzin***
  Representative of the French trade union CFDT
  DEKRA Industrial S.A.S., Limoges, France
- **Dipl.-Ing. (FH) Wilfried Kettner***
  2nd deputy Chairman of the Central Works Council of DEKRA Automobil GmbH, Stuttgart
  Engineer at the Bad Salzungen external 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
- **Monika Roth-Lehnen***
  Chairman of the Central Works Council of DEKRA Akademie GmbH, Stuttgart
  Project coordination and quality assurance officer at the Service Center Wuppertal of DEKRA Akademie GmbH, Stuttgart
- **Dipl.-Wirtsch.-Ing. Peter Tyroller**
  General manager
  Robert Bosch GmbH, Stuttgart
- **Prof. Dr. Wolfgang Weiler**
  Former Chairman
  HUK-Coburg Versicherungsgruppe

* Employee

13 SUBSEQUENT EVENTS

By agreement dated July 13, 2017, DEKRA acquired the land, items and rights belonging to the Eurospeedway Lausitzring racing track. Due to conditions precedent, economic title was not transferred to DEKRA until after the reporting date. Accordingly, the obligations outstanding as of the reporting date are reported as other financial obligations (note 8.1).

There were no significant events after the reporting date.

14 OTHER DISCLOSURES

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 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 (CSS), Stuttgart	1)	100.00
DEKRA Visatec GmbH (formerly: Visatec Gesellschaft für visuelle Inspektionsanlagen mbH), Sulzberg		100.00
DEKRA Testing and Certification GmbH, Dresden	4)	100.00

IN %		Share of capital
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. (formerly: DEKRA Automotive S.A.), Trappes, France		100.00
C.T.A. S.A.R.L., Trappes, France		90.00
DEKRA Automotive Maroc S.A., Casablanca, Morocco		80.00
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., (formerly: DEKRA Claims Services Spain, 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. (formerly: DEKRA Claims and Expert Services International 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 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	1)	100.00
DEKRA zaposljavanje i zastupanje d.o.o., Zagreb, 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 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

IN %		Share of capital
DEKRA Zaposljavanje d.o.o., Belgrade, Serbia	1)	100.00
DEKRA za privremeno zaposljavanje d.o.o., Zagreb, Croatia		100.00
DEKRA zaposljavanje d.o.o., Sarajevo, Bosnia-Herzegovina	1)	100.00
DEKRA Certification S.A.S., Bagneux, France		100.00
DEKRA Expert OOO, Kiev, Ukraine	1)	80.00
DEKRA Sertifikasyon A.S., Kavacık, Turkey	1)	100.00
DEKRA kvalifikácia a poradenstvo s.r.o., Bratislava, Slovakia		100.00
DEKRA Automotive AB, Eskilstuna, Sweden		100.00
DEKRA (Shanghai) Co., Ltd., Shanghai, China		100.00
DEKRA Automotive OOD, Sofia, Bulgaria	1)	90.00
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. (formerly: DEKRA Ekspert d.o.o,) Sesvete, 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 Expert Limited, Stokenchurch High Wycombe, UK		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, Montenegro		100.00
SLOVDEKRA s.r.o., Bratislava, Slovakia		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. (formerly: DEKRA Automotive Holding Pty. Ltd.), Johannesburg, South Africa		100.00
Hangzhou DEKRA WIT Certification Co., Ltd., Hangzhou, China		60.00
DEKRA Industrial AB, Gothenburg, Sweden		100.00

IN %		Share of capital
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 Test Center 34 S.A.R.L., Mireval, France		100.00
DEKRA UK Ltd., Southampton, UK		100.00
Chilworth Technology Ltd., Southampton, UK		100.00
Chilworth Technology (Pvt) Ltd., New Delhi, India		100.00
Chilworth Technology Inc., Plainsboro, USA		100.00
Chilworth France S.A.S., St. Jonage, France		100.00
Safety Consulting Engineers Inc., Schaumburg, USA		100.00
DEKRA Personnel Ltd., Southampton, UK	1)	100.00
DEKRA ITV España S.L., Madrid, Spain		100.00
CABINET D'EXPERTISE R.TANFERRI S.A.S., Vitry-sur-Orne, France		100.00
DEKRA Arbeit Işgücü Seçme ve yerleştirme Hizmetleri Ltd., Istanbul, Turkey	1)	51.00
DEKRA Arbeit Istihdam ve insan Kaynaklari Hizmeti Ltd., Istanbul, Turkey	1)	51.00
Centro Revisione Auto s.c.a.r.l., Genoa, Italy	1)	51.12
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, 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 Hovedstaden A/S, Brondby, Denmark		100.00
DEKRA Job ApS, Brondby, 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 (formerly: DEKRA Vognmandsuddannelser A/S), Braband, Denmark		100.00
Grøn Køreteknisk Anlæg A/S (formerly: DEKRA Equipment & Services A/S), Orbaek, Denmark		100.00
DEKRA Praca Sp. z o.o., Krakow, Poland	1)	100.00
DEKRA Caribbean B.V., Willemstad, Curaçao	1)	100.00
DEKRA Management (Shanghai) Co., Ltd., Shanghai, China		100.00
Road Safety Consulting N.V., Brussels, Belgium	1)	50.10

IN %		Share of capital
DEKRA Outsourcing d.o.o., Belgrade, Serbia	1)	100.00
DEKRA People B.V., Alkmaar, Netherlands		100.00
DEKRA Privremeno Zaposljavanje Podgorica d.o.o., Podgorica, Montenegro		100.00
DEKRA Insight Australia Pty Ltd., South Melbourne, Australia		100.00
DEKRA usluge d.o.o., Zagreb, 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	1)	100.00
DEKRA Vrabotuvanje dooel, Skopje, 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
D Akademie S.r.l., Verona, Italy	1)	80.00
DEKRA Akademie SRL, Bucharest, Romania	1)	100.00
Spearhead Communications Ltd., Stokenchurch, UK		100.00
DEKRA Automotive Ltd., Stokenchurch, UK		100.00
DEKRA España S.L., Madrid, Spain		100.00
DEKRA Akademie EPE, Thessaloniki, Greece	1)	100.00
DEKRA Automotive La Reunion S.A.S., Sainte-Clotilde, France		100.00
DEKRA Rail B.V., Utrecht, Netherlands		100.00
DEKRA agencija d.o.o., Sarajevo, Bosnia-Herzegovina	1)	100.00
Regulatory Consultants, Inc. Safety, Horton, USA		100.00
Arbeit De Agency for Temporary Employment, Skopje, Macedonia	1)	100.00
DEKRA zaposlitev d.o.o., Ljubljana, Slovenia	1)	100.00
ADA 1214DEKRA s.r.o., Prague, Czech Republic		100.00
DEKRA OMAN LLC, Muscat, Oman		70.00
UAB DEKRA Industrial, Visaginas, Lithuania		100.00
COMENIUS Oktató és Kiadó Kft., Pecs, Hungary	1)	100.00
Comenius Szakközépiskola és Szakiskola, Pecs, Hungary	1)	100.00
DEKRA Testing and Certification Co., Ltd. (formerly: QuieTek Corporation), New Taipei City, Taiwan		100.00
DEKRA Testing & Certification (Suzhou) Co., Ltd., Suzhou, China		100.00
QTK Asia Electronics, Road Town (Tortola), British Virgin Islands		100.00
DEKRA Middle East Fze, Dubai, United Arab Emirates	1)	100.00

IN %		Share of capital
DEKRA AQS Solutions, Inc., Minneapolis, USA		100.00
DTS Service Aps., Odense, Denmark	1)	100.00
DEKRA iST Reliability Services Inc., Hsinchu, Taiwan		51.00
DEKRA iST Reliability Services Limited, Hong Kong, Hong Kong		51.00
DEKRA iST Reliability Services Limited, Kunshan, China		51.00
Optimus Seventh Generation Holding Ltd., Aberdeen, Scotland		100.00
DEKRA Organisational Reliability Ltd. (formerly: Optimus Seventh Generation Ltd.), Aberdeen, Scotland		100.00
DEKRA Testing and Certification, S.A.U. (formerly: AT4 wireless S.A.U.), Malaga, Spain		100.00
DEKRA Testing and Certification Inc., (formerly: AT4 wireless Inc.), Herndon, USA		100.00
DEKRA Testing and Certification Ltda., (formerly: AT4 wireless Ltda.), Santiago de Chile, Chile		99.90
DEKRA Akademie sh.p.K, Tirana, Albania	1)	100.00
DEKRA Arbeit (Schweiz) AG, Oftringen, Switzerland	1)	100.00
DEKRA Inspection Oy, Vantaa, Finland	1)	100.00
DEKRA AMU Center Nordjylland A/S (formerly: Grons Transport Uddannelser A/S), Saeby, Denmark		100.00
DEKRA Services France SAS, Bagneux, France		100.00
DEKRA Automotive S.à r.l., Munsbach, Luxembourg	1)	100.00
QC Plzeň s.r.o., Plzeň, Czech Republic		82.00
DEKRA Services s.r.o., Bratislava, Slovakia	1)	100.00
PRO-LOG CG d.o.o., Podgorica, Montenegro	1)	100.00
DEKRA Automotive d.o.o., Belgrade, Serbia	1)	100.00
DEKRA AMU Center Sjaelland A/S, Naestved, Denmark		100.00
DEKRA Lesotho (Pty) Ltd., Lesotho, South Africa	1)	100.00
Centre Control Securite S.A.S., Tinqueux, France	1)	100.00
LIBOLT S.A.S., Auxerre, France	1)	100.00
VEIKI-VNL Villamos Nagylaboratóriumok Korlátolt Felelősségü Társaság, Budapest, Hungary		100.00
TATRA TRUCK s.r.o.,Krásny Brod, Slovakia	1)	100.00
DELTA-TECH, Fourques, France	1)	100.00
Master Test Chile SpA., Santiago de Chile, Chile	1)	100.00
Master Test – Inspeção de Veículos, S.A. (formerly: Master Test Sul - Inspecção de Veiculos S.A.), Évora, Portugal		100.00
Core Visual Inspection Services, Inc., Austin, USA	1)	100.00
D. Invest S.r.l., Cinisello Balsamo, Italy	1)	100.00
Epoche & Espri S.L.U., Madrid, Spain	1)	100.00
Transteam Personal Holding AG, Mels, Switzerland	1)	100.00
TP Handels- und Dienstleistungs AG, Mels, Switzerland	1)	100.00
Transteam Personal AG Wil, Wil, Switzerland	1)	99.00
Transteam Personal AG, Basel, Switzerland	1)	100.00

IN %		Share of capital
Transteam Personal AG, Buchs, Switzerland	1)	95.00
Transteam Personal AG, Chur, Switzerland	1)	90.00
Transteam Personal AG, Sargans, Switzerland	1)	90.00
TPVAG Transteam Personal Verwaltungs AG, Sargans, Switzerland	1)	100.00
Group Fimmers BVBA, Kalmthout, Belgium	1)	100.00
MERMOZ BASTIE S.C.I., Limoges, France		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 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.l., Osnago, Italy		100.00
DEKRA Certification K.K., Tokyo, Japan	1)	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)	100.00
DEKRA Certification Ltd., Tel Aviv, Israel		100.00
DEKRA Certification Hong Kong Ltd., Fanling, Hong Kong		100.00
DEKRA Certification Inc., North Wales, USA		100.00

IN %		Share of capital
Associates in Germany:		
Euro Transport Media Verlags- und Veranstaltungsgesellschaft mbH, Stuttgart		40.00
FSD Fahrzeugsystemdaten GmbH, Dresden		35.54
Associates in other countries:		
TRANSDEKRA AG, Moscow, Russia	2)	50.00
DEKRA - EXPERT Müszaki Szakértöi Kft., Budapest, Hungary	2)	50.00
DEKRA Claims Services France S.A., Levallois Perret, France	2)	50.00
NDT Training Center AB, Västeras, Sweden	2)	33.00
S.T.I. Salvage Transport Incident, Arnheim, Netherlands	2)	33.00
Equity investments:		
ARGE „Technische Prüfstelle für den Kraftfahrzeugverkehr 21“ GbR, Dresden	3) 5)	25.00
Magility GmbH, Kirchheim unter Teck	3) 5)	25.00
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.
2) Not accounted for using equity method due to insignificance to financial position and performance (Sec. 311 (2) HGB).
3) The disclosures pursuant to Sec. 313 (2) No. 4HGB are not made since they are insignificant to the presentation of a true and fair view of the Group's financial position and performance.
4) Utilization of the exemption pursuant to Sec. 264 (3) HGB.
5) Significant influence is not exercised.

Audit of the financial statements

The shareholder meeting on April 25, 2017 appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as auditors of the separate and consolidated financial statements for fiscal year 2017.

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

IN THOUSAND EUR	2017	2016
Audit services	840	792
Tax advisory services	183	135
	1,023	927

Stuttgart, March 22, 2018

DEKRA SE
The Management Board

Kölbl, Chairman

Gerdon   Klinke

Rauh

Translation of the German audit opinion 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, 2017, the consolidated statement of financial position as of December 31, 2017, the consolidated statement of changes in equity, the consolidated statement of cash flows for the fiscal year from January 1 to December 31, 2017, 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 fiscal year from January 1 to December 31, 2017. In accordance with German legal requirements, we have not audited the content of the group statement on corporate governance in the "Disclosures on the proportionate representation of women on executive boards" 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 ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2017, and of its financial performance for the fiscal year from January 1 to December 31, 2017, 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 group statement on corporate governance contained in the "Disclosures on the proportionate representation of women on executive boards" section of the group management report.

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 statement on corporate governance contained in the "Disclosures on the proportionate representation of women on executive boards" section of the group management report. It also comprises the other components of the annual report except for the audited consolidated financial statements and group management report as well as our auditor's report, in particular the "Foreword of the Chairman of the Management Board" section and the "Report of the Chairman of the Supervisory Board" section. 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 preperation of the consolidated financial statementes 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.

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 23, 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Hummel	Fischer
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Report by the Chairman of the Supervisory Board

THOMAS PLEINES

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 2017 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 2017 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 4,000 to more than 44,000.

The Supervisory Board appointed Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, 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 2017 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, 2018
The Supervisory Board

THOMAS PLEINES,
Chairman

Imprint

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