

GL Industrial Services UK Limited

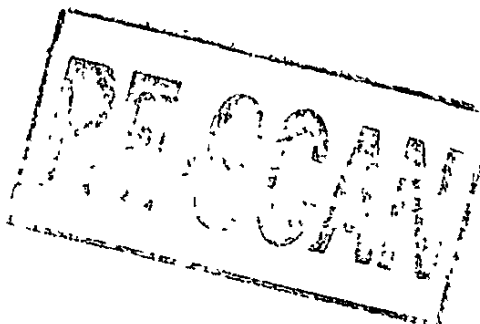
Report and Financial Statements

Year Ended

31 December 2011

Company Number 3294136

6/8/12 053



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GL Industrial Services UK Limited

**Report and financial statements
for the year ended 31 December 2011**

Contents

Page:

1	Report of the directors
6	Independent auditor's report
8	Profit and loss account
9	Balance sheet
10	Notes forming part of the financial statements

Directors

P F Shrieve
A W Stoddart
L H O Wittenberg

Registered office

Holywell Park, Ashby Road, Loughborough, Leicestershire, LE11 3GR

Company number

3294136

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

GL Industrial Services UK Limited

Report of the directors for the year ended 31 December 2011

The directors present their report together with the audited financial statements for the year ended 31 December 2011

Results and dividends

The profit and loss account is set out on page 8 and shows the profit for the year

During the year an interim dividend amounting to £2,600,000 (2010 - £5,068,800) was paid. The directors do not recommend the payment of a final dividend (2010 - £Nil)

Principal activities

GL Industrial Services UK Ltd delivers value adding technical and engineering solutions to UK gas transportation companies and other energy sector and utility infrastructure owners and operators internationally. It is also a specialist provider of technology products and services that support the development of gas markets. The company employs world leaders in many disciplines, enabling it to offer bespoke consultancy services. GL Industrial Services UK Ltd is particularly active in the gas and pipelines markets, centering on transmission pipelines, distribution networks and gas measurement, with niche skills in relation to upstream asset performance improvement and energy utilisation.

Review of business and future developments

GL Industrial Services UK Ltd continued to provide technology-based solutions to UK gas distribution companies and other utilities and pipeline operators worldwide. Turnover for the year was in line with expectations.

The results for the company show a profit before taxation of £4,584,000 (2010 - £14,179,000) and a profit of £4,085,000 (2010 - £10,834,000) after tax. The previous year's profit was higher because during 2010 the company made the sale of two business operations resulting in a profit before tax of £8,969,000.

Cash collection has remained strong during the year and the company has continued to transfer surplus cash balances to the group head office.

The company foresees further opportunities worldwide as it extends its range of services across the Germanischer Lloyd global network.

Financial risk management

The company uses financial instruments, other than derivatives, comprising cash and other liquid resources and various other items such as debtors and creditors that arise directly from its operations. The main risks from the company financial instruments have been considered below along with the policy for managing these risks.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

GL Industrial Services UK Limited

Report of the directors for the year ended 31 December 2011 (*continued*)

Financial risk management (*continued*)

Currency risk

The company is exposed to transaction and translation foreign exchange risk on intercompany transactions. Exposures are managed through fixed group exchange rates.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

Liquidity risk

Sufficient liquidity of the company, in order to meet foreseeable needs, is achieved through retained profits.

Exceptional items

During the year, the company incurred redundancy charges amounting to £Nil (2010 - £294,000) relating to the restructuring of the business.

Charitable and political donations

The company made no political donations during 2011 (2010 - £Nil).

The company made charitable donations during 2011 of £20,000 (2010 - £Nil).

Branches outside UK

The company had a representative branch office in Beijing, China. The de-registration process for this office was completed during 2011.

Land and buildings

There are no material differences between the book value and market value of assets classified under land and buildings. These assets represent costs incurred in altering leased premises.

Research and development

Costs incurred in relation to research and development activity are charged to the profit and loss account in the period in which they are incurred, other than costs of plant and equipment, which are capitalised.

As part of the company's services to customers, the company undertakes certain research and development activities on their behalf. Turnover and costs associated with such activities are treated in the same way as all other service activities.

GL Industrial Services UK Limited

Report of the directors for the year ended 31 December 2011 (*continued*)

Key performance indicators ("KPIs")

Germanischer Lloyd SE manages the group's operations on a divisional basis. The development, performance and position of Germanischer Lloyd SE's activities are discussed in the group's annual report, which does not form part of this report.

For GL Industrial Services UK Limited, the key performance indicators during the year were as follows:

	2011 £'000	2010 £'000
Turnover	48,993	46,990
Turnover growth rate	4%	5%
Operating profit	4,189	5,179
Profit margin	9%	11%
Shareholders' funds	33,662	32,177
Return on capital	12%	34%

Turnover has increased year on year due to the company focusing on winning larger projects and extending its range of services across the Germanischer Lloyd global network.

Profit margin has reduced due to the tighter economic environment, whilst return on capital employed was boosted in 2010 from the sale of the two business operations.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company and how they are mitigated is set out below.

The loss or modification of large contracts

The company has a broad customer base with a significant number of individual contracts which limits the impact of potential adverse changes to or loss of projects.

The competitive nature of the industry

The strength of customer relationships founded on the company's reputation for quality service delivery combined with the scale and geographical coverage of the group underpins the company's ability to win new business.

Changes in laws or regulation

The group has invested in internal quality controls and training provision to ensure the highest standards are maintained in line with legal and regulatory requirements.

Breaches in environmental or health and safety law or regulation

The group has invested in internal HSE controls and training provision to ensure the highest standards are maintained in line with legal and regulatory requirements.

Disabled persons

The company remains committed to fair treatment of people with disabilities in relation to job applications, training, promotion and career development. Every effort is made to find appropriate alternative jobs for those who are unable to continue in their existing job due to disability.

GL Industrial Services UK Limited

Report of the directors for the year ended 31 December 2011 (continued)

Employee involvement

The company and Germanischer Lloyd SE have well established and effective arrangements, through electronic mail, intranet and in-house publications, as well as videos and briefing meetings, at each business location, for communication and consultation with both employees and trade union representatives and for communication of the company's and Group's results and significant business issues

Policy and practice on payment of creditors

It is the company's policy to agree the terms of the payment at the start of business with each supplier, ensure that suppliers are aware of the terms of payment, and to pay in accordance with contractual and other legal obligations

The company had 46 days' purchases outstanding at 31 December 2011 (2010 - 46 days) based on the average daily amount invoiced by suppliers during the year

Directors' insurance

The company has purchased insurance to cover the directors against liabilities in relation to the company

Directors

The directors of the company during the year were

P F Shneve
A W Stoddart
L H O Wittenberg

No director had an interest in any contract that the company was a party to

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures, disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

GL Industrial Services UK Limited

Report of the directors for the year ended 31 December 2011 (*continued*)

Directors' responsibilities (*continued*)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Ultimate parent company

The ultimate parent company is Germanischer Lloyd SE, which is registered in Germany and consolidates the accounts of the company. Copies of the consolidated accounts of Germanischer Lloyd SE may be obtained from Companies' House.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

On behalf of the Board


A W Stoddart

Director

Date 13/ MARCH/ 2012

GL Industrial Services UK Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GL INDUSTRIAL SERVICES UK LIMITED

We have audited the financial statements of GL Industrial Services UK Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

GL Industrial Services UK Limited

Independent auditor's report

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

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*Nicholas Carter-Pegg (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom*

14 March 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

GL Industrial Services UK Limited

Profit and loss account for the year ended 31 December 2011

	Note	Total 2011 £'000	Continuing operations 2010 £'000	Discontinued operations 2010 £'000	Total 2010 £'000
Turnover	2	48,993	46,588	402	46,990
Other operating income		7,047	2,845	-	2,845
Net operating expenses		(51,851)	(44,343)	(313)	(44,656)
Operating profit		4,189	5,090	89	5,179
Exceptional items	5	-	(294)	-	(294)
Profit on sale of operations		-	6,297	2,672	8,969
Profit on ordinary activities before interest and other income	5	4,189	11,093	2,761	13,854
Interest receivable and similar income	6	396			331
Interest payable and similar charges	7	(1)			(6)
Profit on ordinary activities before taxation		4,584			14,179
Tax on profit on ordinary activities	8	(499)			(3,345)
Profit for the financial year	17	4,085			10,834

All amounts in the current year relate to continuing activities

There are no recognised gains or losses which have not been included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the profit on ordinary activities before taxation and the profit for the year and their historical cost equivalents

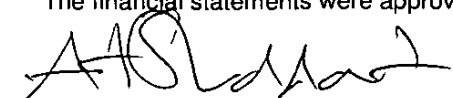
The notes on pages 10 to 21 form part of these financial statements

GL Industrial Services UK Limited

Balance sheet at 31 December 2011

<i>Company number 3294136</i>	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Fixed assets					
Intangible assets	9		1,485		833
Tangible assets	10		1,246		1,133
Investments	11		8,116		9,770
			<hr/>		<hr/>
			10,847		11,736
Current assets					
Stocks	12	18		23	
Debtors	13	37,907		27,521	
Cash at bank and in hand		2,917		9,064	
		<hr/>		<hr/>	
		40,842		36,608	
Creditors: amounts falling due within one year	14	18,027		16,167	
		<hr/>		<hr/>	
Net current assets			22,815		20,441
			<hr/>		<hr/>
Total assets less current liabilities			33,662		32,177
			<hr/>		<hr/>
Net assets			33,662		32,177
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	16		30,882		30,882
Profit and loss account	17		2,780		1,295
			<hr/>		<hr/>
Total shareholders' funds	18		33,662		32,177
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 13/MARCH/2012


A W Stoddart
Director

The notes on pages 10 to 21 form part of these financial statements

GL Industrial Services UK Limited

Notes forming part of the financial statements for the year ended 31 December 2011

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

Consolidated financial statements

The financial statements provide information about GL Industrial Services UK Ltd as an individual company and do not contain consolidated financial information as the parent company of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent company, Germanischer Lloyd SE, a company registered in Germany

Turnover

Turnover is based on invoiced values to customers for goods and services, excluding value added tax. Long-term contracts are included in turnover on the basis of the sales value of work performed during the year by reference to the total contract value and stage of completion of these contracts. The amount by which turnover is in excess of payments on account is included in debtors as accrued income. Payments in excess of recorded turnover are included in creditors as deferred income.

Other operating income

Other operating income represents management charges and costs, which are recharged to other members of the group.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Fixed assets and depreciation

Depreciation of tangible fixed assets is provided on cost in equal instalments over the estimated useful economic life. The principal rates of depreciation are as follows:

Leasehold improvements	-	15 years
Fixtures, fittings and equipment	-	5 years
Short life computer equipment	-	3 years

Investments

Fixed asset investments are valued at cost, less provision for any impairment.

GL Industrial Services UK Limited

Notes forming part of the financial statements for the year ended 31 December 2011 (*continued*)

1 Accounting policies (*continued*)

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated at the rates of exchange ruling at the year end. Differences on translation are dealt with through the profit and loss account for the year. Foreign currency transactions are translated at the rates ruling when they occur.

Leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease. Income from operating leases is recognised on a straight-line basis over the life of the lease. Reverse premiums and similar incentives received to enter into operating lease arrangements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

Pensions

The majority of employees of the company were members of the National Grid UK Pension Scheme (formerly named the Lattice Group Pension Scheme) (the Scheme), sponsored by National Grid plc, the company's former parent company. The Scheme is a group scheme, although the company's employees were only included for an interim period until 29 February 2008. The company accounts for the Scheme as a defined contribution scheme, as required by FRS 17 (Retirement Benefits). Reported pension costs will be equal to the amounts payable by the company to National Grid plc. The disclosures required by FRS 17 in respect of Scheme assets and liabilities are reported in the accounts of National Grid plc.

The company is now a member of a defined contribution scheme, the GL Industrial Services UK Defined Contribution Pension Scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension contributions into the scheme are charged to the profit and loss account in the year that they fall due.

Research and development

Costs incurred in relation to research and developments are charged to the profit and loss account in the year in which they are incurred.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value on a first in first out basis.

Goodwill

On acquisitions, fair values are attributed to the net assets acquired. Goodwill, which represents the difference between the purchase consideration and the fair value of the net assets acquired, is capitalised. Goodwill capitalised is amortised on a straight-line basis over a period of 20 years.

Impairment of Goodwill

In accordance with FRS 10 (Goodwill and intangible assets), goodwill is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. In the opinion of the directors goodwill attributable from past acquisitions made is not recoverable and has therefore been written down to nil.

Other intangibles

Under FRS 10, the company accounts for its other intangible assets at cost less accumulated amortisation. Amortisation is charged on other intangibles over equal instalments over the estimated useful economic life. This has been set at 5 years for the rights to software packages.

GL Industrial Services UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

1 Accounting policies (*continued*)

Provisions

Under FRS 12 (Provisions, contingent liabilities and contingent assets), the company accounts for provisions where an obligation has arisen as a result of a past event and the liability is of an uncertain amount or of uncertain timing

Legal claims

The company is subject to claims. These claims are generally insured, subject to insurance policy excesses. The company estimates its uninsured liability for such claims based on the detailed evaluation of claims and past experience. The nature of these claims is such that these estimates are inherently uncertain as to the likelihood of their being realised and quantum.

2 Segmental reporting

A geographical analysis of turnover, profit before taxation and net assets is provided below

Geographical analysis

	Turnover 2011 £'000	Turnover 2010 £'000	Profit before taxation 2011 £'000	Profit before taxation 2010 £'000	Net assets 2011 £'000	Net assets 2010 £'000
UK	34,157	29,373	2,541	11,274	23,469	20,114
Europe	6,817	6,301	686	855	4,684	4,315
Americas	2,829	5,547	412	858	1,943	3,799
Asia Pacific & Africa	5,190	5,769	550	867	3,566	3,949
Total	48,993	46,990	4,189	13,854	33,662	32,177

All activities above relate to the company's principal activity by destination

3 Employees

	2011 £'000	2010 £'000
Staff costs consist of		
Wages and salaries	19,169	18,124
Social security costs	2,318	1,756
Other pension costs (note 25)	2,774	2,442
	24,261	22,322

The prior year wages and salaries charge includes costs in respect of redundancies (see note 5)

GL Industrial Services UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

3 Employees (*continued*)

The average monthly number of persons (including executive directors) employed by the company during the year was

	2011 Number	2010 Number
By activity		
Technical	337	324
Selling and distribution	32	31
Administration	54	66
	<u>423</u>	<u>421</u>

4 Directors' emoluments

The aggregate amount of emoluments paid to directors in respect of qualifying services was £388,736 (2010 - £647,999) for the year under review. The highest paid director received aggregate emoluments totalling £227,090 (2010 - £286,282). His accrued pension at the year end was £Nil (2010 - £Nil). The aggregate value of company contributions paid, or treated as paid, to a money purchase pension scheme in respect of directors' qualifying services was £23,005 (2010 - £43,592).

As at 31 December 2011, no retirement benefits were accruing to any of the directors (2010 - none) under a defined benefit scheme.

During the year ended 31 December 2011, the company made a short-term interest free loan to a director amounting to £9,975 which was repaid in full on 13 January 2012.

5 Profit on ordinary activities before interest and tax

	2011 £'000	2010 £'000
This has been arrived at after charging		
Depreciation of tangible fixed assets - owned assets	473	365
Amortisation of other intangible fixed assets	109	-
Loss on disposal of fixed assets	2	14
Operating lease rentals - machinery and equipment	831	830
Other operating lease rentals - land and buildings	2,022	2,434
Loss on foreign exchange	481	281
Auditors fees		
- statutory audit	37	49
- taxation services	16	-
Exceptional items		
- exceptional redundancy costs	-	294
Profit on sale of operations	-	8,969
	<u></u>	<u></u>

GL Industrial Services UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

6 Interest receivable and similar income

	2011 £'000	2010 £'000
Bank interest receivable	-	1
Interest receivable from group undertakings	396	330
	<u>396</u>	<u>331</u>

7 Interest payable and similar charges

	2011 £'000	2010 £'000
Interest payable to group undertakings	-	-
Bank and other interest payable	1	6
	<u>1</u>	<u>6</u>

8 Taxation on profit from ordinary activities

	2011 £'000	2010 £'000
<i>Current tax</i>		
UK corporation tax on profit for the year	733	2,986
Adjustment in respect of previous years	(537)	(301)
Overseas tax	325	431
	<u>521</u>	<u>3,116</u>
<i>Deferred tax</i>		
Current year deferred tax charge	(9)	229
Adjustment in respect of previous years	(23)	-
Movement due to changing tax rates	10	-
	<u>(22)</u>	<u>229</u>
	<u>499</u>	<u>3,345</u>

GL Industrial Services UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

8 Taxation on profit from ordinary activities (*continued*)

The tax assessed for the year is different to the standard rate of corporation tax in the UK. The differences are explained below

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	4,584	14,179
Profit on ordinary activities at the standard rate of corporation tax in the UK of 26.5% (2010 - 28%)	1,214	3,970
Effects of		
Expenses not chargeable for tax purposes	(9)	(420)
Capital allowances for year in excess of depreciation	10	(58)
Movement in other short term timing differences	(270)	(180)
Overseas tax suffered	325	431
Double tax relief	(211)	(326)
Group Relief	(1)	-
Adjustments in respect of previous years	(537)	(301)
Current tax charge for year	521	3,116

9 Intangible assets

	Goodwill £'000	Other £'000	Total £'000
<i>Cost</i>			
At 1 January 2011	6,533	1,124	7,657
Additions	-	761	761
Eliminated on disposal	-	(291)	(291)
At 31 December 2011	6,533	1,594	8,127
<i>Accumulated depreciation</i>			
At 1 January 2011	(6,533)	(291)	(6,824)
Charge for the year	-	(109)	(109)
Eliminated on disposal	-	291	291
At 31 December 2011	(6,533)	(109)	(6,642)
<i>Net book value</i>			
At 31 December 2011	-	1,485	1,485
At 31 December 2010	-	833	833

GL Industrial Services UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

10 Tangible assets

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
<i>Cost</i>			
At 1 January 2011	229	5,252	5,481
Additions	35	551	586
	<hr/>	<hr/>	<hr/>
At 31 December 2011	264	5,803	6,067
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2011	(57)	(4,291)	(4,348)
Charge for the year	(21)	(452)	(473)
	<hr/>	<hr/>	<hr/>
At 31 December 2011	(78)	(4,743)	(4,821)
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2011	186	1,060	1,246
	<hr/>	<hr/>	<hr/>
At 31 December 2010	172	961	1,133
	<hr/>	<hr/>	<hr/>

The net book value of £186,000 (2010 - £172,000) in respect of leasehold improvements all relates to short leaseholds

11 Investments

	Subsidiary companies £'000	Other investments £'000	Total £'000
<i>Cost</i>			
At 1 January 2011	10,710	447	11,157
Additions	506	-	506
Disposals	(2,160)	-	(2,160)
Liquidations	(940)	-	(940)
	<hr/>	<hr/>	<hr/>
At 31 December 2011	8,116	447	8,563
	<hr/>	<hr/>	<hr/>
<i>Accumulated amortisation</i>			
At 1 January 2011	(940)	(447)	(1,387)
Liquidations	940	-	940
	<hr/>	<hr/>	<hr/>
At 31 December 2011	-	(447)	(447)
	<hr/>	<hr/>	<hr/>

GL Industrial Services UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

11 Investments (*continued*)

	Subsidiary companies £'000	Other investments £'000	Total £'000
<i>Net book amount</i>			
At 31 December 2011	8,116	-	8,116
At 31 December 2010	9,770	-	9,770

The company owns 100% of the ordinary shares of Advantica Corporate Ventures Limited, a company registered in England and Wales, and whose principal activity is to make investments in the equity of small innovative companies, either through a venture capital fund or via direct investment. The cost of investment is £2.

The company owns 100% of the ordinary shares of Advantica Intellectual Property Limited, a company registered in England and Wales, and whose principal activity is that of holding the corporate trademarks and patents of the company and certain of its subsidiaries. The cost of investment is £780,000.

The company owns 100% of the ordinary shares of GL Industrial Holdings USA Inc (219 shares of US \$0.01 per share), a company registered in Delaware USA, and whose principal activity is that of holding the US trading subsidiary. The cost of investment is £1.

The company has made a US\$ loan of £7,050,000 to a subsidiary undertaking, GL Noble Denton Holdings Inc. The amount bears interest at a three month US Libor rate. Although the loan is technically repayable on the earlier of 31 December 2012 and on a request being made by the company, the directors believe that this is effectively a long term investment as it will be rolled over each year. As such, the long term loan has been treated as a fixed asset investment balance and is held at the historical exchange rate rather than being retranslated at the year end exchange rate. Additions of £506,000 represent interest accrued on the loan and disposals of £2,160,000 relate to a repayment of capital.

The company owns 100% of the ordinary shares and preference shares of Germanischer Lloyd Industrial Services (UK) Ltd, a company registered in England and Wales, and whose principal activity was that of technical assurance and industrial inspection services.

12 Stocks

	2011 £'000	2010 £'000
Raw materials and consumables	18	23

There is no material difference between the replacement cost of stocks and the amounts stated above.

GL Industrial Services UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

13 Debtors

	2011 £'000	2010 £'000
Trade debtors	8,663	7,569
Amounts owed by group undertakings	22,331	14,494
Corporation Tax	911	-
Prepayments	682	425
Amounts recoverable on contracts	5,180	4,915
Deferred taxation (note 15)	140	118
	<u>37,907</u>	<u>27,521</u>

All amounts shown under debtors fall due for payment within one year

Amounts owed by group undertakings are unsecured, interest bearing at 2% per annum and repayable on demand

14 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	2,076	1,407
Amounts owed to group undertakings	6,214	5,073
Other creditors	32	32
Taxation and social security	1,786	1,301
Corporation tax	-	105
Accruals and deferred income	4,394	4,177
Payments on account	3,525	4,072
	<u>18,027</u>	<u>16,167</u>

The amounts owed to group undertakings are unsecured, interest bearing at 2% per annum and repayable on demand

GL Industrial Services UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

15 Deferred taxation

	2011 £'000	2010 £'000
Accelerated capital allowances	140	118
Other short term timing differences	-	-
Losses	-	-
	<hr/>	<hr/>
Deferred tax asset	140	118
	<hr/>	<hr/>
Asset at the start of the year	118	347
Deferred tax movement - against profit and loss	22	(229)
Deferred tax movement - against reserves	-	-
	<hr/>	<hr/>
Asset at the end of the year	140	118
	<hr/>	<hr/>

The deferred tax asset is recognised within debtors (note 13)

16 Share capital

	2011 Number	Authorised 2010 Number	2011 £'000	2010 £'000
Ordinary shares of £1 each	50,000,000	50,000,000	50,000	50,000
	<hr/>	<hr/>	<hr/>	<hr/>
	2011 Number	Allotted and fully paid 2010 Number	2011 £'000	2010 £'000
Ordinary shares of £1 each	30,881,700	30,881,700	30,882	30,882
	<hr/>	<hr/>	<hr/>	<hr/>

17 Reserves

	Profit and loss account £'000
At 1 January 2011	1,295
Profit for the year	4,085
Dividends paid	(2,600)
	<hr/>
At 31 December 2011	2,780
	<hr/>

GL Industrial Services UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

18 Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Profit for the year	4,085	10,834
Dividends paid	(2,600)	(5,069)
Opening shareholders' funds	32,177	26,412
	<hr/>	<hr/>
Closing shareholders' funds	33,662	32,177
	<hr/>	<hr/>

19 Commitments under operating leases

As at 31 December 2011, the company had annual commitments under non-cancellable operating leases as set out below

	2011 Land and buildings £'000	2011 Other £'000	2010 Land and buildings £'000	2010 Other £'000
Operating leases which expire				
Within one year	179	2	306	13
In two to five years	200	460	1,683	355
Over five years	1,442	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,821	462	1,989	368
	<hr/>	<hr/>	<hr/>	<hr/>

20 Related party transactions

The company has taken advantage of the FRS 8 (Related party disclosures) exemption not to disclose transactions with Germanischer Lloyd SE companies on the basis that 100% of its voting rights are controlled by Germanischer Lloyd SE and consolidated financial results in which the company's financial results are included are publicly available

During the year ended 31 December 2011, the company made sales of £113,403 (2010 - £73,692) to, charged interest amounting to £16,894 (2010 - £28,131) and purchases of £3,799 (2010 - £14,395) from, Cogsys Ltd, a company in which GL Industrial Services UK Ltd controls less than 100% of the voting rights. The balance due from Cogsys Ltd at 31 December 2011 is £435,609 (2010 - £804,600)

21 Cash flow statement

The company has taken advantage of the exemption in FRS1 (revised 1996) Cash flow statements not to prepare a cash flow statement on the basis that 100% of its voting rights are controlled by Germanischer Lloyd SE and consolidated financial results in which the company's financial results are included are publicly available

GL Industrial Services UK Limited

**Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)**

22 Capital commitments

The company had capital commitments contracted for but not provided as at 31 December 2011 of £70,000 (2010 - £Nil)

23 Ultimate holding company and controlling parties

At 31 December 2011, the company was a wholly owned subsidiary of Germanischer Lloyd Industrial Services Holdings (UK) Ltd, a company registered in England

As at 31 December 2011 the ultimate holding company and ultimate controlling party was Germanischer Lloyd SE, which is registered in Germany and consolidates the accounts of the Company. Copies of the ultimate parent's consolidated financial statements may be obtained from Companies' House, Crown Way, Maindy, Cardiff, CF14 3UZ

24 Pensions and post-retirement benefits

GL Industrial Services UK Ltd participated in the National Grid UK Pension Scheme (formerly named the Lattice Group Pension Scheme) (the Scheme), sponsored by National Grid plc, the company's previous parent company for an interim period until 29 February 2008. National Grid plc charges its subsidiary undertakings with an allocation of the total Scheme cost. GL Industrial Services UK Ltd's share of the underlying assets and liabilities of the Scheme cannot be identified separately. GL Industrial Services UK Ltd costs of the Scheme for the year, together with unfunded pension costs, were £Nil (2010 - £Nil)

Contributions by GL Industrial Services UK Ltd employees to the National Grid UK Pension Scheme ceased on 29 February 2008 as a requirement of the change of ownership of the company. Employees were given the option to become members of the Advantica UK Defined Contribution Pension Scheme. GL Industrial Services UK Ltd costs of the Scheme for the year were £2,774,000 (2010 - £2,442,000)

The company operates a defined contribution pension plan, the Advantica UK Defined Contribution Pension Scheme, whereby it contributes to the personal pension plans of certain individual employees up to 8.25% of the gross salary of the individuals. There were no amounts outstanding or prepaid in respect of pension costs at year end.

Free Translation of the Original German

Consolidated financial statements,
group management report and
audit opinion
for the business year
from January 1, 2011 to
December 31, 2011
of
Germanischer Lloyd SE
Hamburg

THESE GROUP ACCOUNTS FORM
PART OF THE ACCOUNTS OF
COMPANY 3294136

BDO

FREE TRANSLATION OF THE GERMAN AUDIT OPINION

We have audited the consolidated financial statements of Germanischer Lloyd SE, Hamburg – consisting of balance sheet, comprehensive income statement, profit and loss statement, consolidated statement of changes in shareholders' equity, cash flow statement and notes – as well as the group management report for the business year from January 1, 2011 to December 31, 2011. The presentation of the consolidated financial statements and the group management report in accordance with IFRS, as they are to be applied in the EU, and the supplementary commercial law regulations according to § 315a para. 1 HGB is the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the consolidated annual financial statements and the group management report, based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and generally accepted German standards for the audit of financial statements promulgated by the 'Institut der Wirtschaftsprüfer' (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and profit situation in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group Management Report are detected with reasonable assurance. When planning the audit, we take our knowledge of the Group's business activity, the business and legal environment as well as expectations on possible misstatements into consideration. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, and in the consolidated financial statements and group management report are examined primarily on a random basis. The audit includes the assessment of the financial statements of the companies included in the consolidated financial statements, the segregation of the consolidated group, the accounting and consolidation principles used, and the significant estimates made by legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We are of the opinion that our audit provides a sufficiently sound basis for our assessment.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements, in accordance with the IFRS, as they are to be applied in the EU, and the supplementary commercial law regulations according to § 315a para. 1 HGB, convey an accurate picture commensurate with the actual condition of the net assets, financial position and profit situation of the Group. The group management report is consistent with the consolidated financial statements, conveys a true picture of the overall position of the Group and correctly presents the future opportunities and risks.

Hamburg, April 20, 2012

BDO AG
Wirtschaftsprüfungsgesellschaft



Dr. Probst
Wirtschaftsprüfer



Glaser
Wirtschaftsprüfer

IFRS Consolidated Financial Statements
Germanischer Lloyd SE

31 December

2011



Table of contents

1	General information about the company and group	9
2	Accounting policies	10
2 1	Basis of preparation	10
	a) Applied IFRS, IAS, SIC and IFRIC regulations	10
	b) New standards, interpretations and amendments to that are mandatory for the first time for the financial year beginning 1 January 2011, not currently relevant to the group (but potentially applicable in the future)	10
	c) New standards, interpretations and amendments of endorsed standards that are not mandatory for the financial year 2011 and have not been adopted early by the group	11
2 2	Principles and methods of consolidation	14
	a) Consolidation principles	14
	b) Transactions with non-controlling interests	15
	c) Consolidated entity	15
	d) Significant acquisitions 2011	15
	e) Significant acquisitions 2010	16
2 3	Currency translation	16
	a) Functional currency and presentation currency	16
	b) Foreign currency transactions and balances	16
	c) Financial statements of the subsidiaries	17
2 4	Revenue recognition / service agreements	17
2 5	Intangible assets	18
	a) Goodwill	18
	b) Trademarks, licenses, technology and know how	19
	c) Contractual customer relationships	19
	d) Computer software	19
2 6	Property, plant and equipment	20
2 7	Leases	20
2 8	Impairment of non-financial assets	21
2 9	Non-financial assets held for sale and discontinued operations	21
2 10	Investment property	21
2 11	Financial assets	21
	a) Classification	21
	b) Recognition and measurement	22
	c) Derivative financial instruments and hedging	23
2 12	Trade accounts receivable	23
2 13	Cash and cash equivalents	24
2 14	Pensions and similar obligations	24
2 15	Provisions	25
2 16	Liabilities	25
2 17	Deferred and current income tax	26
	a) Deferred income tax	26
	b) Current income tax	26
2 18	Critical accounting estimates and judgements	26
3	Notes to the cash flow statement	29
4	Notes to the income statement	30
4 1	Revenue	30
4 2	Other operating income	30
4 3	Cost of purchased services	30

4 4	Personnel expenses	.	...	31
4 5	Amortisation and depreciation	.	...	31
4 6	Impairments of non-financial assets	.	..	32
4 7	Other operating expenses and other taxes	..	.	32
4 8	Financial income	.	...	33
4 9	Financial expenses	.	...	33
4 10	Income taxes	.	.	33
4 11	Dividends per share	.	..	34
5	Notes to the balance sheet	..	.	35
5 1	Goodwill	.	...	35
5 2	Other intangible assets	.	..	39
5 3	Property, plant and equipment	.	.	40
5 4	Investment property	..	..	41
5 5	Financial assets available for sale	...	..	42
5 6	Trade receivables and other receivables and assets	.	.	42
5 7	Derivative financial instruments	.	.	45
5 8	Other non-current assets	..	...	45
5 9	Deferred income taxes	.	..	46
5 10	Cash and cash equivalents	.	..	48
5 11	Non-current assets held for sale	.	.	48
5 12	Share capital	.	.	48
5 13	Retained earnings	.	...	48
5 14	Non-controlling interests	.	.	49
5 15	Provisions for pensions and similar obligations	.	.	49
5 16	Other provisions	.	.	52
5 17	Financial liabilities	.	..	53
5 18	Current trade liabilities	.	.	54
5 19	Other liabilities	..	...	54
6	Financial instruments and financial risk management	.	.	55
6 1	Principles of financial risk management	..	.	55
6 2	Market risks	.	..	55
a)	Foreign currency risks	.	.	55
b)	Interest risks	.	.	56
c)	Market price risks	.	.	57
6 3	Default risks	.	..	58
6 4	Liquidity risks	.	..	58
6 5	Capital risk management	..	...	60
6 6	Estimation of fair value	.	.	61
6 7	Derivative financial instruments and hedging	.	.	62
6 8	Additional disclosures concerning financial instruments	.	.	62
a)	Carrying amounts and fair values	.	..	62
b)	Aggregation in accordance with measurement categories of IAS 39	.	.	63
c)	Net results of financial instruments	..	.	65
7	Other disclosures	.	.	66
7 1	Contingencies and contingent liabilities	.	..	66
7 2	Other financial obligations	.	.	66
7 3	Utilisation of § 264 para 3 and § 264b HGB	..	.	66
7 4	Services of the group auditor	.	.	67
7 5	Related party disclosures in accordance with IAS 24	.	.	67
7 6	Group relations	..	.	68
7 7	Subsequent events	..	.	69
8	Appendix I Statement of shareholdings Germanischer Lloyd group 2011	.	.	70

IFRS Consolidated Financial Statements Germanischer Lloyd SE | 2011

Germanischer Lloyd Societas Europaea Consolidated income statement for the year 1 January to 31 December 2011

	Notes	2011	2010 k€
Revenue	4 1	765,426	739,379
Other operating income	4 2	53,799	113,252
Operating income		819,225	852,631
Cost of purchased services	4 3	-129,843	-122,020
Personnel expenses	4 4	-387,981	-389,533
Amortisation and depreciation	4 5	-31,381	-35,724
Impairments of non-financial assets	4 6	-877	-8,094
Other operating expenses	4 7	-175,644	-168,096
Operating taxes	4 7	-7,540	-5,563
Operating expenses		-733,266	-729,030
Operating result (EBIT)		85,959	123,601
Financial income	4 8	10,562	12,613
Financial expenses	4 9	-24,906	-28,441
Profit before tax		71,615	107,773
Income taxes	4 10	-24,268	-23,458
Profit for the year		47,347	84,315
Shareholders of GL SE		47,421	84,617
Non-controlling interests		-74	-302

Consolidated statement of comprehensive income for the year 1 January to 31 December 2011

	2011 k€	2010 k€
Profit for the year	47,347	84,315
Other comprehensive income		
Currency translation differences	11,490	10,879
Tax effect	-	-
Actuarial losses on post employment benefit obligations	-1,151	-3,683
Tax effect	-487	1,491
Losses from financial assets available for sale	-7,379	-412
Tax effect	2,596	4,592
Total comprehensive income for the year	52,416	97,182
Shareholders of GL SE	52,162	97,478
Non-controlling interests	254	-296

IFRS Consolidated Financial Statements Germanischer Lloyd SE | 2011

Germanischer Lloyd Societas Europaea Consolidated statement of financial position

ASSETS	Notes	Dec 31, 2011 k€	Dec 31, 2010 k€
Non-current assets			
Goodwill	5 1	190,052	185,742
Other intangible assets	5 2	61,786	69,233
Property, plant and equipment	5 3	179,526	216,170
Investment property	5 4	3,373	3,482
Financial assets available for sale	5 5	122,633	127,968
Trade receivables and other receivables and assets	5 6	58	174
Derivative financial instruments	5 7	0	49
Other non-current assets	5 8	6,029	4,350
Deferred income tax assets	5 9	30,199	28,265
		<u>593,656</u>	<u>635,433</u>
Current assets			
Trade receivables and other receivables and assets	5 6	273,197	244,224
Financial assets available for sale	5 5	447	433
Derivative financial instruments	5 7	0	282
Current income taxes		12,955	16,184
Cash and cash equivalents	5 10	149,658	149,801
Non-current assets held for sale	5 11	21,767	0
		<u>458,024</u>	<u>410,924</u>
		<u>1,051,680</u>	<u>1,046,357</u>

IFRS Consolidated Financial Statements Germanischer Lloyd SE | 2011

Germanischer Lloyd Societas Europaea Consolidated statement of financial position

EQUITY AND LIABILITIES	Notes	Dec 31, 2011 k€	Dec 31, 2010 k€
Equity			
Share capital	5 12	10,000	10,000
Retained earnings	5 13	452,062	400,695
		462,062	410,695
Non-controlling interests	5 14	2,846	2,808
Total equity		464,908	413,503
Non-current liabilities			
Provisions for pensions and similar obligations	5 15	178,502	170,835
Other provisions	5 16	1,902	1,302
Financial liabilities	5 17	68,527	71,102
Derivative financial instruments	5 7	0	216
Other non-current liabilities	5 19	14,398	12,177
Deferred income tax liabilities	5 9	18,660	17,369
		281,989	273,001
Current liabilities			
Other provisions	5 16	6,314	11,709
Trade liabilities	5 18	32,586	43,166
Financial liabilities	5 17	102,962	144,743
Derivative financial instruments	5 7	815	1,209
Current income tax liabilities		17,683	19,214
Other current liabilities	5 19	144,423	139,812
		304,783	359,853
		1,051,680	1,046,357

IFRS Consolidated Financial Statements Germanischer Lloyd SE | 2011

Germanischer Lloyd Societas Europaea Consolidated statement of cash flows

	Dec 31, 2011 k€	Dec 31, 2010 k €	Movement k €
Profit before tax	71,615	107,773	-36,158
Adjustments for			0
Depreciation of property, plant and equipment	15,453	15,014	439
Amorisation of intangible assests	15,928	20,712	-4,784
Impairment of non-financial assets	877	8,094	-7,217
Losses /gains from disposal of assests	-965	-102	-863
Net financial result	14,344	16,420	-2,076
Gains /losses from currency translation from operating activities	2,610	-4,082	6,692
Trade receivables and other receivables	-28,748	-8,647	-20,101
Available for sale financial assets	-2,134	0	-2,134
Derivative financial instruments (assets)	331	-285	616
Other non-current assets	-4,056	-1,674	-2,382
Provisions	-6,111	-12,064	5,953
Trade liabilities	-6,396	8,163	-14,559
Derivative financial instruments (liabilities)	-609	-295	-314
Other liabilities	11,624	7,209	4,415
Interest paid	-4,436	-8,343	3,907
Income tax paid	-21,148	-31,672	10,524
Cash flow from operating activities	58,179	116,221	-58,042
Acquisition of property, plant and equipment	-14,388	-30,131	15,743
Disposal of property, plant and equipment	14,172	5,339	8,833
Acquisition of intangible assets	-4,911	-6,397	1,486
Disposal of intangible assets	201	2,417	-2,216
Disposal of financial assets available for sale	0	877	-877
Disposal of investment property	0	263	-263
Interest received	1,383	1,017	366
Cash flow from investing activities	-3,543	-26,615	23,072
Payments made for redemption of financial liabilities	-46,780	-33,507	-13,273
Acquisition of non-controlling interests	0	-11,690	11,690
Payments of purchase price installments for acquisitions	-11,649	-9,210	-2,439
Exchange rate losses from financing activities	-906	-389	-517
Dividends paid to non-controlling interests	-216	0	-216
Cash flow from financing activities	-59,551	-54,796	-4,755
Cash effective changes of cash and cash equivalents	-4,915	34,810	-39,725
Cash and cash equivalents at beginning of period	149,801	110,377	39,424
Currency related changes of cash and cash equivalents	1,765	4,614	-2,849
Cash and cash equivalents at end of period	146,651	149,801	-3,150

IFRS Consolidated Financial Statements Germanischer Lloyd SE | 2011

Germanischer Lloyd Societas Europaea Consolidated statement of changes in equity for the year ended 31 December 2011

k€	Attributable to owners of the parent company						Non-controlling interests			Total equity
							Non-controlling interests	Reserve for currency translation	Total	
	Share capital	Other reserves	Reserve for actuarial gains and losses	Revaluation of financial instruments available for sale	Reserve for currency translation	Retained earnings				
Notes	5 12					5 13	Total			5 14
Balance at 31 December 2009	10,000	320,772	680	468	-18,253	303,667	313,667	2,877	-9	2,868
Profit for the year	0	84,617	0	0	0	84,617	84,617	-302	0	-302
Currency translation differences	0	0	0	0	10,873	10,873	10,873	0	6	6
Other changes	0	-449	-2,193	4,181	0	1,539	1,539	0	0	0
Total comprehensive income	0	84,168	-2,193	4,181	10,873	97,029	97,029	-302	6	-296
Changes in ownership interest in subsidiaries	0	0	0	0	0	0	0	236	0	236
Dividends	0	0	0	0	0	0	0	0	0	0
Balance at 31 December 2010	10,000	404,940	-1,513	4,649	-7,380	400,696	410,696	2,811	-3	2,808
Profit for the year	0	47,421	0	0	0	47,421	47,421	-74	0	-74
Currency translation differences	0	0	0	0	11,121	11,121	11,121	0	369	369
Other changes	0	-796	-1,597	-4,783	0	-7,176	-7,176	-41	0	-41
Total comprehensive income	0	46,625	-1,597	-4,783	11,121	51,366	51,366	-115	369	254
Dividends	0	0	0	0	0	0	0	-216	0	-216
Balance at 31 December 2011	10,000	451,565	-3,110	-134	3,741	452,062	462,062	2,480	366	2,846
										464,908

1 General information about the company and group

Germanischer Lloyd Societas Europaea ("GL SE"), the parent company of Germanischer Lloyd Group, is an European public company with its registered office in 20457 Hamburg, Brooktorkai 18. The company is registered in the commercial register of the Hamburg county court (HRB 115442). With effect from 7 October 2010, Germanischer Lloyd AG was transformed into a European public company (SE) changing the legal title to Germanischer Lloyd SE, under which it currently operates.

GL SE and its subsidiaries operate as an independent technical supervisory organisation in the intragroup business units Maritime Services, Oil & Gas and Renewables.

As the leading classification company, GL's Maritime Services segment aims at increasing safety for ships and crew, its customers' efficiency and minimising maritime environment pollution. The non-classification unit Maritime Solutions includes the business units Software, Consulting (FutureShip), Training (GL Academy) and Systems Certification.

The Oil & Gas segment (GL Noble Denton) comprises a comprehensive portfolio of technical services, including all relevant safety and efficiency aspects with regard to facilities for energy generation, energy storage and energy transport.

The Renewables segment bundles the consulting business for clients in the renewable energy sources sector (GL Garrad Hassan) as well as certification of wind farms, wind power stations and components (GL Renewables Certification).

The financial year of GL SE corresponds to the calendar year. The financial year ends of the subsidiaries are equivalent to the parent company GL SE.

The consolidated financial statements as at 31 December 2011 were prepared and presented to the executive board on 21 March 2012.

The consolidated financial statements were prepared in euro. The individual reporting items are presented in the notes to the consolidated financial statements in thousand euro (k€).

To some extent, the preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that might affect the reported amounts and presentation of assets and liabilities, income and expenses as well as contingent liabilities. Information about material estimates and judgements are included in section 2.18.

2 Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of GL SE and its subsidiaries for the year ended 31 December 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standard Board (IASB) in consideration of the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the German commercial law regulations to be supplementary applied in accordance with § 315a para 1 HGB.

a) Applied IFRS, IAS, SIC and IFRIC regulations

IFRS were applied in the form in which they were adopted into national law in the scope of endorsement procedure of the European Commission for the application in the EU and to the extent that their application is mandatory for the year ending 31 December 2011.

b) New standards, interpretations and amendments to that are mandatory for the first time for the financial year beginning 1 January 2011, not currently relevant to the group (but potentially applicable in the future)

The following new standards, amendments of standards and interpretations are mandatory for periods starting on 1 January 2011 or later, which were not early adopted by the group:

- IAS 24 (as revised in 2009) *Related Party Disclosures* clarifies the definitions of a related party and eliminates inconsistencies from the definition. Additionally, the standard provides a partial exemption from the disclosure requirements for transactions with government-related entities. The adoption of the revised standard did not have any impact on the related party disclosure of GL Group.
- IAS 32 (revised October 2009) clarifies the accounting of certain subscription rights if the issued instruments are not in the functional currency of the issuer. If such instruments are offered to the current owners on a pro rata basis at a fixed price, they should be classified as equity instruments even if their subscription rate is in a currency other than that of the functional currency of the issuer.
- IFRIC 14 (revised November 2009) "Prepayments in the scope of Minimum Funding Requirements" is supposed to eliminate an unintended consequence of IFRIC 14 in cases in which an entity that is subject to a minimum funding requirement pays an advance contribution and would otherwise have to recognize this as an expense under certain circumstances. If a minimum funding requirement exists for a defined benefit asset, IFRIC 14 now states that this prepayment has to be treated as an asset just like any other prepayment. The amendment is applicable for periods starting on or after 1 January 2011. Adjustments resulting from the application of the amendment have to be recognised in the revenue reserves on the opening

balance sheet of the comparative period. The group will apply the new provision starting 1 January 2011.

- **IFRIC 19** (revised November 2009) "Extinguishing Financial Liabilities with Equity Instruments" provides a guideline for accounting for equity instruments that a debtor issues for full or partial redemption of a financial liability after renegotiation of such liability. The group will apply the new provision starting 1 January 2011. We do not expect material consequences for the group.
- In the scope of the annual updating, the IASB published improvements to the IFRS to tighten international accounting standards and make them easier to understand. Most of these changes concern clarifications or adjustments of existing IFRS or changes that result from previously made amendments to IFRS. The changes of IFRS 1, IFRS 3, IFRS 7, IAS 1 and subsequent changes due to IAS 27r to IAS 21, IAS 28 and IAS 31, IAS 34 and IFRIC 13 include changes of existing requirements or additional guidelines for implementing these requirements.

c) New standards, interpretations and amendments of endorsed standards that are not mandatory for the financial year 2011 and have not been adopted early by the group

The application of the following standards, which were recently postponed, revised, or newly adopted by the IASB, was not mandatory during the financial year 2011.

Standard/ interpretation		Effective for annual periods beginning on or after
IAS 1 (amendments)	Presentation of Items of Other Comprehensive Income	1 July 2012
IAS 12 (amendments)	Deferred Tax – Recovery of Underlying Assets	1 January 2012
IAS 19 (amendments)	Employee Benefits	1 January 2013
IAS 27	Separate Financial Statements	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	1 January 2013
IAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 7 (amendments)	Disclosures – Transfers of Financial Assets	1 July 2011
IFRS 7 (amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013

IAS 1 Financial statement presentation (amended June 2011) requires the grouping of items of other comprehensive income into those that are reclassified subsequently into profit or loss and those that will not be reclassified. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The group does not opt for an early application of the standard. The standard has not been endorsed by the EU.

IAS 12 Income Taxes (amended December 2010) was issued due to the amendment 'Deferred Tax recovery of Underlying Assets', providing an exception to the general principles. The measurement of deferred tax assets or liabilities arising on investment property measured using the fair value model should reflect the tax consequence that would follow from the manner in which the entity expects to recover the carrying amount of the asset. The amendment is effective for periods after 1 January 2012. The group does not opt for an early application of the standard. The standard has not been endorsed by the EU.

IAS 19 Employee Benefits (amended June 2011) amends the recognition of actuarial gains and losses. The amendment of the standard requires all actuarial gains and losses to be recognised immediately through other comprehensive income and eliminates the option to either recognise the gains or losses in profit or loss, other comprehensive income or the delayed profit or loss recognition under the corridor approach. There are not expected changes to the financial statements of GL group as actuarial gains and losses are already recognised in other comprehensive income. In addition, the amendment also includes an adjustment, which requires that the management no longer estimates the expected interest on the basis of the asset allocation, but rather a return on the basis of the expected interest by applying the discount rate.

A further change relates to the recognition of past service costs, which are recognised immediately and are no longer allocated over the time up to expiry of the entitlement.

The amendments are effective for annual periods beginning on or after 1 January 2013. The standards can be applied early. The standard has not been endorsed by the EU.

IAS 32 Financial Instruments Presentation (amended December 2011) clarifies its requirements for offsetting financial instruments. The amendment of the standard comments on the legally enforceable right to offset. Furthermore, the standard lists criteria under which some gross settlements of financial assets and liabilities lead to an offset. The amendment is effective for annual periods beginning on or after 1 January 2014 and be applied early. The standard has not been endorsed by the EU.

IFRS 7 Financial Instruments Disclosures (amended October 2010) increases the disclosure requirements for transactions involving transfers of financial assets and improve the users's understanding of the risk exposure. The amendments are effective for annual periods beginning on or after 1 July 2011. Early adoption is not permitted. The standard has not been endorsed by the EU.

IFRS 7 Financial Instruments Disclosures (amended December 2011) increases the disclosure requirements for the offset of financial instruments. The disclosure requirements are compulsory irrespective of the actual offset of financial assets and liabilities. The amendments are effective for annual periods beginning on or after 1 January 2014. The standard has not been endorsed by the EU.

IFRS 9 Financial Instruments (issued November 2009) represents the first phase of the three phase project (classification and measurement, impairment methodology, hedge accounting) replacing *IAS 39 Financial Instruments Recognition and Measurements*. IFRS 9 changes the classification and measurement of financial instruments fundamentally and the group expects the changes to have an impact on

the financial statements. Due to the amendments of IFRS 9 in December 2011 the standard is not effective until 1 January 2015, but can be adopted early.

The amendments to IFRS 9 in December 2011 include the different impact on IFRS 9 depending on the effective adoption of the standard. With the adoption between 1 January 2012 and 31 December 2012 all comparative figures must be amended or additional disclosures made. With the adoption after 1 January 2013 comparatives must not be amended, but modified disclosures shall be made. The relevant disclosures are included in an amendment of *IFRS 7 Financial instruments Disclosures*. The standards and its amendment and the amendments of IFRS 7 have not been endorsed by the EU.

IFRS 10 Consolidated financial statements (issued May 2011) establishes a uniform definition of control and defines the basis of whether an investor controls an investee and therefore must consolidate the investee. The new definition of control requires that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power can be based on voting rights or other legal bases. Further requirements for control are that the investor is exposed to variable returns or that there is a link between power and returns. IFRS 10 also defines general consolidation principles (i.e. the use of uniform accounting principles, treatment of non-controlling interests and loss of control), which have not substantially changed from IAS 27 (2008). The new standard replaces the relevant parts of *IAS 27 (2008) Consolidated financial statements* and *SIC-12 Consolidation – Special Purpose Entities*.

IFRS 11 Joint arrangements (issued May 2011) defines the classification of joint ventures and joint operations. The new standard no longer permits the proportional method of consolidation for joint ventures, which have to be accounted for using the equity method of accounting. The joint operator of jointly controlled operations recognised and measures assets, liabilities, expenses and income in relation to its interest in the arrangement. The outcome of this approach is similar to the proportional method. Unlike IAS 31 a jointly controlled operation under IFRS 11 can also be a joint operation in a separate legal entity. The new standard replaces *IAS 31 Interest in Joint Ventures* and *SIC-13 Jointly Controlled Entities – Special Purpose Entities*.

IFRS 12 Disclosure of interests in other entities extends the disclosure requirements for interests in other entities.

The amendments of IAS 27 und IAS 28 result from adjustments to IFRS 10, 11 and 12.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The standards have not been endorsed by the EU.

IFRS 13 Fair value measurement (issued May 2011) offers a framework for the measurement of fair value, if the measurement is required by other IFRSs. The standard defines the fair value as an exit price. In relation to an asset the fair value is the price that would be received to sell the asset in an orderly transaction in the principal market. The highest and best use of the acquirer should be taken into account. For liabilities it should represent the amount necessary to settle the obligation. The fair value is established from the perspective of the acquirer, on the basis of publicly available information. Internal assumptions are secondary. The

standard also defines the disclosure requirements and is effective for annual periods beginning on or after 1 January 2013. Early application is permitted. The standard has not been endorsed by the EU.

All of the above exclusively concern new and revised standards that – subsequent to EU endorsement – will be compulsory for the consolidated financial statements of the period 2012 and after.

The group currently investigates the consequences of future application of these standards and interpretations on the consolidated financial statements. Initial indications are that the application will not have a material effect on the consolidated financial statements.

2.2 Principles and methods of consolidation

a) Consolidation principles

All significant entities (subsidiaries) whose financial or operating policies can be indirectly or directly governed by GL SE are fully consolidated in the group financial statements. As a basic rule, GL SE has control over another entity if it holds more than 50% of the voting rights. The subsidiaries Trident Consultants Far East (TCFE), Germanischer Lloyd GLM SDN BHD Inc. and Germanischer Lloyd Saudi Arabia Ltd are fully consolidated as GL SE has contractual control over these entities, although only 49% of the voting rights are held.

The existence and effect of potential voting rights that are currently exercisable or convertible are taken into consideration when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control was transferred to the group. They are deconsolidated from the date that control ceases.

The preparation of the consolidated financial statements is based on single entity financial statements of GL SE and its subsidiaries that are prepared with uniform accounting and consolidation principles and – to the extent to that they are significant – subject to annual audits or audit reviews by auditors.

Acquired subsidiaries are recognised in accordance with the acquisition method (IFRS 3) by offsetting the consideration transferred for the acquisition of a subsidiary with the identifiable net assets acquired. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, equity interest issued and liabilities incurred. Identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess between the consideration transferred and the share of identifiable net assets acquired is recorded as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit and loss after reassessing the identification and measurement of the assets acquired and the liabilities assumed. The option to capitalise the proportionate goodwill on non-controlling interests is not applied. Transaction costs incurred in connection with a business combination are recognised as expenses.

All intercompany transactions, balances and unrealised gains and losses on transactions between group companies are fully eliminated

A list with GL SE's shareholdings is presented in Appendix I

b) Transactions with non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group ("economic entity" model). A difference between the consideration paid and the respective share in the carrying amount of the subsidiary's net assets resulting from the acquisition of a non-controlling interest is recognised in equity. Gains or losses resulting from the disposal of non-controlling interests are also recognised in equity.

c) Consolidated entity

In addition to GL SE, 15 (2010: 13) domestic and 146 (2010: 152) foreign subsidiaries are included in the consolidated financial statements. One subsidiary is included through proportionate consolidation.

In the course of the period, 5 foreign subsidiaries were merged with other group entities. The foreign subsidiary "Offshore Dynamics Singapore Pte Limited" was deconsolidated. The entities Brooktorkai 18 Immobilien GmbH & Co. KG and Brooktorkai 18 Immobilien Verwaltungsgesellschaft mbH were established and consolidated for the first time in 2011.

Subsidiaries and associated companies that do not have significant impact on the group's financial position and financial performance either individually or in their entirety are not consolidated.

d) Significant acquisitions 2011

Germanischer Lloyd did not make any significant acquisitions in 2011.

e) Significant acquisitions 2010

In 2010, Germanische Lloyd did not make any significant acquisitions

The year was characterised by integration of the entities Noble Denton and Garrad Hassan that had been acquired in prior years. To continue managing the strong growth of the industrial services segment in an efficient manner, it became necessary to restructure the organisation. For this purpose, the segments Oil & Gas and Renewables were established after the acquisition of Noble Denton and Garrad Hassan.

The individual entities from acquisitions of the prior years were integrated in the relevant business segments. For the most part, direct allocation was possible. Transferral of business activities to other segments can be regarded as insignificant.

Classification of Companies	Oil & Gas	Renewables	Maritime Services
PVI	x		
Helimax		x	
Advantica	x		
MCS	x		
Trident	x		
Noble Denton	x		
Garrad Hassan		x	
IRS	x		
Friendship Consultant			x
Friendship Systems			x

2.3 Currency translation**a) Functional currency and presentation currency**

Single entity financial statements are prepared in the functional currency of each entity. The functional currency of an entity is the currency of the economic environment in which the company primarily operates. The functional currency of the subsidiaries corresponds with that of the country in which the subsidiary has its registered seat. The currency of the consolidated financial statements is Euro, which is the functional currency of the parent company and the reporting currency of the group.

b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate effective at the dates of transaction. Gains and losses that result from the settlement of such transactions as well as the translation at year-end exchange rates of monetary assets and liabilities carried in foreign currency are recognised on the income statement.

Translation differences that result from a monetary item that is part of a net investment in a foreign entity are initially recognised as equity in the consolidated financial statements. The amount is recognised and transferred to the income statement upon disposal of the entity.

c) Financial statements of the subsidiaries

For consolidation in the consolidated financial statements, subsidiaries whose functional currency is not the Euro translate their single entity financial statements that are prepared in their country's currency into the presentation currency Euro. Assets and liabilities are translated at the closing rate at the date of the balance sheet while income and expenses are translated at average rates.

Goodwill and adjustments of fair values resulting from the acquisition of a foreign entity allocated to the foreign subsidiaries are treated as assets and liabilities of the foreign entity and also translated at period-end exchange rate. The items of the income statement and thus the profit or loss for the year shown on the income statement are translated at average exchange rates.

Differences from the translation of annual financial statements of foreign subsidiaries are initially recognised without affecting profit and loss but separately shown as differences from currency translation on the statement of changes in equity. The respective accumulated translation differences are reversed through profit and loss upon deconsolidation of consolidated companies.

2.4 Revenue recognition / service agreements

Revenue includes the fair value of the consideration received for the sale of services in the ordinary course of the group's activities. Revenue is recognised without VAT and less returns, rebates and discounts and after elimination of intergroup relations.

As a basic rule, revenue and other income is recognised after the service and/or delivery of the assets is rendered and thus upon transfer of risks.

(a) Revenue – Maritime Services

Revenue for **newbuilding classification contracts** that are not completed are realised according to the percentage of completion at balance sheet date if the following requirements are met:

- the amount of revenue can be measured reliably,
- the economic benefits associated with the transaction will flow to GL entities,
- the stage of completion of the transaction can be measured reliably, and
- the expenses incurred for the order as well as the expenses to be incurred until completion can be measured reliably.

The percentage of completion is determined by reference to the work already completed and expected overall work volume. The respective contractually agreed fees form the basis of the revenue to be realised.

If the outcome of an order cannot be estimated reliably, revenue for unfinished orders shall be recognised only to the extent of the expenses recognised without taking into account a profit margin or in the amount of the total order value less progress billings ("zero profit" method).

This methodology is applied to some newbuilding classifications orders and the majority of orders relating to headquarters, materials and construction parts as well as orders regard to fleet in service

Expected losses from orders that cannot be recovered are recognised as an expense immediately and are deducted from the gross amount due from customers balance. Expected losses with regard to service contracts are determined exclusive of general administration costs

(b) Revenue – Industrial Services

Revenue for contracts in progress is realised at balance sheet date according to the percentage of completion. The percentage of completion is determined by reference to the costs already incurred and expected overall cost. The contractually agreed fees are the basis for the realisation of revenue. If the percentage of completion cannot be estimated reliably, revenue for incomplete contracts are determined in accordance with the zero-profit method as described in section (a) for the Maritime Services segment.

(c) Interest income

Interest income is recognised using the effective interest method on a pro rata basis for the applicable period.
Recognised

(d) Dividends

Dividend income is recognised when the right to receive payment is established.

2.5 Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the group's share of net identifiable assets at the date of acquisition. GL does not recognise the share of the goodwill of the non-controlling interest. Goodwill is not subject to regular amortisation but tested annually for impairment. It is carried at cost less accumulated impairment losses. According to IAS 36, the reversal of impairments recognised for goodwill is not permitted.

The impairment test is conducted on the level of the cash generating units. The allocation is made to the cash generating units that will probably benefit from the business combination in which the goodwill arose. A cash generating unit in terms of the impairment test is the entirety of all general cash generating units that is most likely to generate cash inflow from the acquisition without depending on other assets.

In 2010, the basis for the impairment test of goodwill was adjusted to the new organisational structure of Germanischer Lloyd. Goodwill was tested for impairment for the units Maritime Services, Oil & Gas and Renewables.

b) Trademarks, licenses, technology and know how

Acquired licenses are carried at historical cost less accumulated amortisation. Trademarks, licenses, technologies that are not patented and know how acquired in the scope of business combinations are recognised at fair value at the time of acquisition. The fair value is determined in accordance with the license fee analogy method. They are subject to limited useful lives and are measured at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the period of the estimated useful life of 10 to 20 years. Know-how and technology acquired in a business combination have estimated useful lives of 3 to 16 years. If the useful life of an asset cannot be determined, these assets must be tested annually for impairment.

c) Contractual customer relationships

Contractual customer relationships that are acquired in the scope of business combinations are recognised at fair value at the time of acquisition. The fair value is based on the application of the residual method. Contractual customer relationships are subject to limited useful lives and are carried at cost less accumulated amortisation and impairments plus reversals of impairments. The amortisation is calculated using the straight-line method over the expected useful life recognised of 5 to 15 years due to differences in the acquired relationships of the acquired entities.

d) Computer software

Acquired computer software licenses are recognised at cost including incidental acquisition cost and are subject to straight-line amortisation over the course of the expected useful life of between three and five years.

Development costs for self-developed software for the purpose of in-house use are recognised at cost to the extent that the capitalisation requirements for recognition of internally generated intangible assets of IAS 38 57 are met.

Costs consist of individual costs and directly allocable overhead costs as well as in case of qualifying assets according to IAS 23 borrowing costs directly attributable to the creation period. As a basic rule, these software programs are subject to an amortisation period of three to five years.

Research costs are recognised as expense in the year in which they are incurred.

2.6 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation in consideration of impairments and reversals of impairments.

Historical cost includes all considerations paid to acquire an asset and bringing it to the condition necessary for it to be capable of operating

The directly attributable costs are determined on the basis of individual costs and directly attributable overhead costs and depreciation

Borrowing costs that are directly attributable to the construction or creation of qualifying assets are recognised as part of cost. A qualifying asset is an asset that requires a significant period of time until it is ready for use or sale

Depreciation is calculated using the straight-line method over the period of the expected useful life. The following useful lives are used as a basis for the material groups of property, plant and equipment

	Useful life
Buildings	33
Technical equipment and machinery	2 to 25
Other equipment and furniture and fittings	2 to 25

The asset's residual values, useful lives and applied depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period

Gains and losses from disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amounts of property, plant and equipment and recognised as other operating income (4.2) or expenses (4.7)

2.7 Leases

Leasing contracts for vehicles and copying systems concluded by GL group as the lessee, in which all risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments are recognised and charged to the income statement in the period in which they are incurred

Rented property, plant and equipment (in the area of IT technology, especially servers) for which GL group has substantially all the risks and rewards of ownership connected with the asset (IAS 17) are classified as finance leases

Finance leases are capitalised at the lower of the fair value of the asset and the present value of the minimum lease payments. Depreciation is charged straight-line over the shorter of the economic useful life and the term of the lease agreement, corresponding to the method applied for similar acquired or generated assets

Upon initial recognition of the asset GL group recognises a corresponding lease liability. The liability is measured at amortised costs

Each leasing payment is allocated between the liability and finance charges. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period recognised (4.9)

2.8 Impairment of non-financial assets

Assets with indefinite useful lives, such as goodwill, are not subject to regular amortisation and depreciation and are tested annually for impairment. Assets that are subject to regular amortisation and depreciation are examined for impairment if events or changes of the circumstances indicate that carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and value in use. For the purpose of the impairment test, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). With the exception of goodwill, non-monetary assets that suffered an recognised impairment in the past are reviewed for a possible reversal of the impairment at each balance sheet date.

2.9 Non-financial assets held for sale and discontinued operations

Non-current assets are classified as assets held for sale in terms of IFRS 5 when their carrying amount is supposed to be recovered through a sales transaction utilisation rather than through continuing use. This can concern an individual asset, a disposal group or part of an entity. They are measured at the lower of carrying amount and fair value less cost to sell.

2.10 Investment property

Commercial and residential properties that are not used for operations and solely serve for the generation of rental income and profits from capital appreciation are recognised at cost less accumulated depreciation, impairments and reversals of impairments. The depreciation period stretches over a maximum period of fifty years.

2.11 Financial assets**a) Classification**

The group classifies its financial assets in the following categories:

- at fair value through profit or loss - afv
- loans and receivables - lar
- available for sale - afs

The fourth financial asset category of IAS 39 ('held to maturity') will not be discussed in detail due to its insignificance for the GL group.

The division into the categories depends on the purpose for which the financial assets were acquired. The classification is made upon first time recognition and examined for adequacy at each balance sheet date.

(a) Financial assets at fair value through profit or loss - afv

This category has two subcategories: financial assets that were held for trading; those that were qualified as "measured at fair value through profit and loss" from the beginning (fair value option).

A financial asset is allocated to the afv category if it was acquired with the intention to dispose of it in the short term or management designated the financial asset accordingly. Derivatives are also categorised as held for trading unless they were designated as hedges. Assets of this category are recognised as current assets if they are either held for trading or will probably be realized within 12 months of the balance sheet date. GL group does not apply the fair value option.

GL group has financial instruments held for trading in the form of derivative financial instruments that were concluded for hedging purposes but were not subjected to the strict IAS 39 requirements for hedge accounting (compare c))

(b) Loans and receivables - lar

Loans and receivables are non-derivative financial assets with fixed or identifiable payments that are not listed in an active market. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Loans and receivables are recognised in the position trade and other receivables (compare 2.12).

(c) Financial assets available for sale – afs

Financial assets available for sale are non-derivative financial assets that were either designated in this category or were not classified in either of the other described categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. All financial assets held in special funds are designated in this category.

b) Recognition and measurement

Regular acquisitions and disposals of financial assets are recognised on the trading day, i.e. at the day that the company commits to purchasing or selling the asset.

Financial assets that are not included in the category “measured at fair value through profit and loss” (afv) are initially recognised at fair value plus transaction costs. Financial assets that are included in the afv category are initially recognised at fair value and related transaction costs are expensed in the income statement recognised.

Financial assets available for sale (afs) and assets of the category “at fair value through profit and loss” (afv) are measured at fair value after initial recognition. Loans and receivables (lar) are subsequently carried recognised at amortised cost using the effective interest method.

Gains or losses arising from financial assets that are measured at fair value through profit and loss (afv) including income from interest and dividends are recognised in the income statement within the financial result in the period in which they arise.

Changes in the fair value of securities that are categorised as available for sale (afs) are recognised in other comprehensive income deducting deferred taxes. If securities that are classified as available for sale (afs) are sold or impaired, the

accumulated changes in fair value previously recognised in equity have to be recognised in the income statement as gains / losses from securities within financial result. Dividends on equity instruments available for sale (afs) have to be recognised in the income statement at the time the legal entitlement of the group for payment arises.

Fair values of listed investments are determined in accordance with the current offer price. If no active market exists for financial assets or the assets are not listed, the fair value is to be determined using appropriate measurement methods. These include references to recently conducted transactions between independent business partners, utilisation of current market prices of other assets that show basic similarities with the respective asset, discounted cash flow (DCF) methods and option price models. These should primarily be based on market data and use as little company specific data as possible. To the extent to that this cannot be done in a reliable way, measurement is conducted at amortised cost, if no reliable measurement can be made with the above mentioned methods.

At each balance sheet date the group assessed whether there is (objective) evidence that a financial asset or a group of financial assets are impaired. With regard to equity instruments that are classified as assets available for sale (afs), a significant or prolonged decline in the fair value below the amount of the equity instruments' cost is considered an indicator for impairment.

If such indication exists for assets available for sale, the accumulated loss (determined as difference between cost and current fair value) less previous impairment losses recognised for the financial asset is derecognised from equity and recognised in the income statement. Impairment losses of equity instruments recognised in the income statement are not reversed through profit and loss. Impairment tests for trade receivables are presented in 2.12.

Financial assets are derecognised if the rights to receive payment from the investment have ceased or were transferred and the entity basically transferred all risks and opportunities connected with ownership.

c) Derivative financial instruments and hedging

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into. Derivatives are subsequently measured at fair value at the end of each reporting period. The method for recognising profits and losses depends on the classification of the derivative financial instrument as hedging instruments and, if applicable, on the type of the hedged item. In 2010 and 2011, GL group did not designate any derivative financial instruments for hedging purposes, i.e. the IAS 39 option for hedge accounting was not utilised.

2.12 Trade accounts receivable

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If receipt of payment is expected within one year or sooner, receivables are classified as current.

Trade receivables are recognised initially at fair value and subsequently at amortised cost less provision for impairments. Impairments of trade receivables are recognised

in the income statement if objective indications suggest that the due amounts cannot be recovered in full

The impairment is the difference between the carrying amount of the receivable and the cash value of the estimated future cash flows from this receivable, discounted using the original effective interest rate

Subsequent cash receipts of previously derecognised receivables are recognised in profit and loss under other operating income

2.13 Cash and cash equivalents

Cash and cash equivalents include cash, deposits held at call with banks, other current highly liquid financial assets with original maturities of a maximum of three months and current account surplus

2.14 Pensions and similar obligations

GL group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate non-group entity (funds). The group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to their employee service in the current and prior periods. On the contrary, a defined benefit plan typically defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The pension obligations for defined benefit plans are measured in accordance with IAS 19 (employee benefits) using the projected unit credit method.

The liability recognised in the balance sheet corresponds to the present value of the defined benefit obligation at balance sheet date (DBO) less the fair value of the plan assets.

The defined benefit obligation is calculated annually by independent actuaries. The defined benefit obligation is calculated by using market interest rates and wage/salary, pension and fluctuation trends.

Actuarial gains and losses arising from experience adjustments and changes of actuarial assumptions are charged or credited directly to equity deducting deferred taxes in the period in which they arise.

Although the actual obligation is presented in the balance sheet, the application of this method does not result in substantial fluctuations in the income statement. Also in following years, actuarial gains and losses are not recycled through profit and loss.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employee remaining in service for a specified period of time. In the last named case, the past service costs are amortised on a straight-line basis over the vesting period.

If individual benefit obligations are financed using external assets (e.g. through qualified insurances), provisions for pension benefits and similar obligations, which

match the fair value of defined benefit obligation on the balance sheet date, are recorded after deducting the fair value of the plan assets

A negative net pension obligation resulting from advance payments for future contributions is included as an asset only insofar as it leads to a reimbursement from the plan or a reduction in future contributions. Any surplus amount is set off against equity with no effect on income (asset ceiling)

Due to their benefit character, similar obligations of individual foreign group companies are also recognised under pension obligations. Similar obligations include obligations for severance payments. These are determined using actuarial rules.

2.15 Provisions

Provisions are recognised if the group has a present legal or constructive obligation as a result of a past event, with the probability of a claim (leading to an outflow of resources) exceeding 50% and to the extent that the amount of the provision can be reliably measured. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Non-current provisions are recognised taking into account the time value of money of the expected expenditure. Increases of the provisions due to the passage of time are recognised as interest payables in the income statement.

2.16 Liabilities

Financial liabilities are classified into the following IAS 39 categories:

a) Financial liabilities measured at cost (other liabilities - ol)

This category includes non-derivative financial liabilities such as trade liabilities, bank loans and overdrafts and other financial liabilities.

b) Financial liabilities at fair value through profit or loss - lafv

This category includes derivatives with negative market values that are not subject to hedge accounting and financial liabilities for which the fair value option was used. GL group applies neither hedge accounting nor the fair value option.

Financial liabilities measured at cost are recognised **at the time of their origin** at fair value less transaction cost. The liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised upon redemption, i.e. once the obligations named in the agreement are paid, cancelled or expired. Liabilities are classified as current to the extent that the group does not have the absolute right to shift redemption of the liability to a point in time that is more than at least twelve months after balance sheet date.

2.17 Deferred and current income tax

a) Deferred income tax

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the IFRS accounts as well as on tax losses carry forwards (IAS 12) ("Balance Sheet Liability Method")

Deferred income tax is determined using the tax rates (and tax regulations) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised and the deferred income tax liability is settled. With regard to the German entities, this tax rate includes an average trade tax rate in addition to an uniform corporate income tax rate and the applicable solidarity surcharge.

Deferred tax assets for temporary differences and tax loss carry forwards are recognised to the extent that it is probable that future taxable income will be available at the level of the relevant tax authority for utilisation.

Deferred tax assets and liabilities are offset to the extent that they relate to the same taxation authority and the same taxable entity.

b) Current income tax

In 2011, the domestic income of German entities in the GL group is subject to an average trade tax rate of 16% as in the prior year. The corporate income tax rate remains unchanged in 2011 and amounts to 15% plus 5.5% solidarity surcharge on the corporate income tax. Calculation of foreign income taxes is based on the laws and regulations applicable in the individual countries.

Income tax provisions are offset with corresponding tax credit claims if they exist in the same tax jurisdiction and are similar as regards type and maturity.

2.18 Critical accounting estimates and judgements

All estimations and evaluations are continually evaluated and are based on historical experience and further factors, including expectations of future events.

The carrying amount of goodwill was tested for impairment for the year ended 31 December 2011. Details on the impairment tests can be found in section 2.5 of these notes. The recoverable amounts of the cash generating units have been determined based on value-in-use calculations. This calculation requires the use of estimates.

In the scope of accounting for business combinations, identifiable acquired assets, liabilities and contingent liabilities are measured at fair value.

As a general rule, cash flow-based processes are used that can lead to different results due to the judgements made. The estimation of economic useful lives and future cash flows of intangible assets are particularly prone to uncertainties.

The actual shaping of the cash flows used as a basis greatly depends on the occurrence of the external influences and conditions set forth in the premises of the

business plans, the realisation of expected sales of the developed technologies and the competitive behaviour and realisation of future contracts

Reliable measurement of **service contracts** requires that the amount of cost incurred and cost to be incurred can be reliably determined for each contract. In particular, the estimation of future costs (and their assumption by the individual customer) is subject to uncertainties, which can lead to expected losses in individual cases.

In addition, the receipt of cash inflows for each contract is subject to uncertainties. A contractually fixed agreement of fees is the basis for the measurement, but fixed fee agreements do not always cover the entirety of the contract.

The calculation of the percentage of completion – as the relation of work already performed to expected overall working hours – is based on full and accurate recordings of hours worked on the contract as well as adequate planning.

GL group is subject to income taxes in numerous jurisdictions. Determining the **provisions for income taxes** requires significant judgement. There are many transactions and calculations for which the ultimate tax determination is uncertain.

GL group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. If necessary, estimations made are adjusted in the period of final determination of taxation.

The amount of **deferred taxes** recognised on loss carry forwards in the group is primarily dependent on the estimation of future usability of the tax loss carry forwards. In this respect, the amount of the deferred tax assets depends on the budgeting of future tax results. Deviations of the actual trend from the budgeted trend can lead to adjustments of these amounts in future periods.

The present value of **pension obligations** materially depends on the selection of the discount rate, which is redetermined at the end of each year. The interest rate is determined on the basis of market yields achieved for subordinated fixed-interest industrial bonds at balance sheet date. Details can be found in 2.14.

Provisions for **litigation costs** relate to legal disputes that are already pending but not yet concluded and for which the probability of the entity's losing is estimated to amount to at least 50%. In this process, assumptions with regard to the plaintiff's damages, the extent of the damages and possible warranty claims have to be made.

Upon estimating litigation cost (including court fees) and the probability of their occurrence, particularly the course of each litigation, existing court expert's appraisals and out-of-court settlements already made are taken into consideration. When determining the extent of the provisions, the attorneys on the respective case are consulted.

Additional uncertainties upon estimating possible litigation cost exist with regard to pending legal proceedings with foreign venues.

Other provisions and other liabilities concern amounts regarding employee claims. The accuracy of determination depends – amongst others – on IT systems used in the HR department (anniversaries, flexitime and vacation) and is based on the capabilities of SAP/HCM.

In addition, the critical estimations and judgements refer to the assessment of economic useful lives and recoverable amounts for non-current assets

3 Notes to the cash flow statement

The cash flow statement is prepared in accordance with IAS 7 and is divided into cash flows from operating, investing and financing activities

Presentation of cash flows from operating activities is conducted in accordance with the indirect method while the presentation of cash flows from investing and financing activities is carried out in accordance with the direct method

Cash and cash equivalents comprise those that are readily convertible into cash and are subject to an insignificant risk of changes in value

As compared to 2010, **cash flow from operating activities** decreased in 2011 by € 58 0 million to € 58 2 million (2010 € 116 2 million) The decrease results predominantly from a reduction of profit before tax by € 36 2 million

Prior year's income was positively affected through the compensation claim against a former acquirer of the real estate at Brooktorkai (€ 44 8 million) Moreover, the development of receivables and liabilities had a negative effect (netted € - 23,5 million)

Cash outflow from investing activities in the amount of € 3 5 million (2010 € 26 6 million) is primarily due to the balance between cash inflows from the disposal of property, plant and equipment and cash outflows due to the acquisition of property, plant and equipment In 2010 cash outflows from disposals of property, plant and equipment amounted to € 30,1 million

The **cash outflow from financing activities** in the amount of € 59 6 million (2010 € - 54 8 million) mainly results from the further redemption of financial liabilities in the amount of € 46 8 million as well as the payment of further purchase price installments in the amount of € 11 6 million (2010 € 9 2 million) In 2010, furthermore, cash outflows related mainly to payments with regard to the acquisition of non-controlling interests (€ 11 7 million)

At the end of the reporting period, **cash and cash equivalents** of € 146 7 million (2010 € 149 8 million) remain almost unchanged

4 Notes to the income statement**4.1 Revenue****Revenue (with third parties) in accordance with business segments**

k€	2011	2010	Change	in %
Maritime services	328,917	322,364	6,553	2.0%
Oil&Gas	344,929	331,892	13,037	3.9%
Renewables	91,580	85,123	6,457	7.6%
Total	765,426	739,379	26,047	3.5%

Due to expanding business, revenue increased by € 26,047k (+3.5%) to € 765,426k. Revenue includes the changes of unfinished contracts.

4.2 Other operating income

k€	2011	2010	Change	in %
Income from currency translation	20,527	24,849	-4,322	-17.4%
Income from reversal of provisions and from expected losses from customer orders recognised in earlier periods	14,627	16,649	-2,022	-12.1%
Income from reversal of bad debt allowance	4,904	10,512	-5,608	-53.3%
Income from the disposal of property, plant and equipment and rented property	4,212	2,730	1,482	54.3%
St Annen (contractual indemnification)	0	44,759	-44,759	-100.0%
Other income (incl. insurance refunds)	9,529	13,753	-4,224	-30.7%
Total	53,799	113,252	-59,453	-52.5%

Other operating income of € 53,799k (2010: € 113,252k) decreased by € 59,453k as compared to the prior year. The reason for the decrease in other operating income mainly relates to income received in 2010 in the amount of € 44,759k from the former acquirer of the Brooktorkai property. Furthermore, lower income from currency translation (€ -4,322k), reduced income from the reversal of bad debt allowances (€ -5,608k), as well as a reduction in income from the reversal of provision and from expected losses from customer orders (€ -2,022k) led to the reduction of total other operating income.

Lower currency translation gains compared to 2010 oppose lower currency translation losses (section 4.7), leading to a net currency translation gain of € 746k (2010: € 4,082k).

Gains on disposal of property, plant and equipment primarily relate to the sale of the residential building at Brooktorkai 22 (€ 1,134k).

4.3 Cost of purchased services

Cost of purchased services primarily concern compensation to foreign cooperation partners and other classification entities as well as services rendered to GL SE by non-consolidated subsidiaries.

Third party services in the amount of € 129,843k (2010 € 122,020k) were increasingly utilised in 2011 and raised by € 7,823k

4.4 Personnel expenses

k€	2011	2010	Change	in %
Salaries	336,649	338,089	-1,440	-0.4%
Social security costs	38,853	38,751	102	0.3%
Expenses for pensions and other benefits	12,479	12,693	-214	-1.7%
Total	387,981	389,533	-1,552	-0.4%

Expenses for pensions and other benefits include amongst others expenses for defined benefit plans. Interest cost from the measurement of pension obligations as well as expected return on plan assets are recognised in financial expenses and financial income, respectively. Details on employee benefits are discussed in 5.15.

As compared to 2010, personnel expenses (without freelance staff) decreased by € -1,552k (-0.4%), primarily due to the reduction in salaries following the decrease in employees during the year.

Group employees (average)

number of employees	2011	2010	Change	in %
Qualified staff (mostly engineers)	3,542	3,547	-5	-0.1%
Management, sales and administrative staff	2,202	2,312	-110	-4.8%
Total	5,744	5,859	-115	-2.0%

Staff decreased by 2.0% in 2011.

At the end of the reporting period 2011 5,887 (2010 5,707) employees were employed by GL group, of which 3,626 employees are qualified staff and 2,261 employees work in management, sales and administrative functions.

4.5 Amortisation and depreciation

Amortisation and depreciation decreased by € 4,343k to € 31,381k (2010 € 35,724k) as compared to the prior year. The decrease is predominantly due to the decrease of amortisation by € 3,790k for intangible assets and € 991k for assets recognised in connection with the purchase price allocations in 2008 and 2009. In 2011, amortisation on assets recognised in connection with the purchase price allocations amounted to a total of € 9,408k (2010 € 10,399k).

4.6 Impairments of non-financial assets

In the financial year 2011 GL recognised an impairment of € 877k for part of the Brooktorkai property, which is held for sale (section 5 11)

In 2010, impairments in an amount of € 8,094k were recognised. An impairment of € 2,839k relates on the one hand to the brands 'Advantica' and 'Helimax' (€ 1,276k in total) and on the other hand to the Norwegian entities GL Noble Denton Brevik AS and Norge AS due to the impairment of internally generated and purchased software in the amount of € 1,563k.

In addition an impairment of € 5,255k was recognised in relation to the Brooktorkai headquarter due to the assessment that the amount recoverable at the properties market was lower than the carrying amount.

4.7 Other operating expenses and other taxes

k€	2011	2010	Change	in %
Purchased services and travel and automobile costs (non order related)	28,634	29,241	-607	-2.1%
Expenses for property and real estate	28,149	28,117	32	0.1%
Information technology and office supplies	23,285	20,335	2,950	14.5%
Exchange rate losses	19,781	20,767	-986	-4.7%
Legal, audit and consulting fees	18,791	15,447	3,344	21.6%
Impairment and write-down of receivables	11,844	11,904	-60	-0.5%
Recruitment and other personnel services	9,730	7,024	2,706	38.5%
Insurances	7,565	6,650	915	13.8%
Publications	7,191	6,097	1,094	17.9%
Mail and telecommunication	6,765	7,598	-833	-11.0%
Other material expenditure and losses from the disposal of property, plant and equipment	2,384	3,279	-895	-27.3%
Training costs	3,386	2,499	887	35.5%
Addition to provisions for costs of litigation, onerous contracts and others	1,903	6,146	-4,243	-69.0%
Other expenses	6,236	2,992	3,244	108.4%
Operating taxes	7,540	5,563	1,977	35.5%
Total	183,184	173,659	9,525	5.5%

Other operating expenses increased by € 9,525k (+5.5%) to € 183,184k as compared to the prior year. This was mainly due to increased legal, audit and consulting fees (+ € 3,344k), information technology and office supplies (+ € 2,950k), recruitment and personnel services (+ € 2,706k) as well as other expenses (+ € 3,244k) and operating taxes (+ € 1,977k). An adverse effect relates to the reduction in additions to provisions (- € 4,243k).

4.8 Financial income

k€	2011	2010	Change	in %
Currency translation gains from financing activities	4,661	5,118	-457	-8.9%
Income from the measurement of other derivative financial instruments	3,340	5,051	-1,711	-33.9%
Other interest and similar income	1,394	1,288	106	8.2%
Interest income from plan assets for financing pension obligations	1,167	1,156	11	1.0%
Total	10,562	12,613	-2,051	-16.3%

4.9 Financial expenses

k€	2011	2010	Change	in %
Interest cost from the measurement of pension obligations	9,204	8,894	310	3.5%
Losses from derivatives	5,691	7,377	-1,686	-22.9%
Currency translation losses from financing activities	5,567	5,507	60	1.1%
Other interest expenses and similar obligations	4,444	6,663	-2,219	-33.3%
Total	24,906	28,441	-3,535	-12.4%

4.10 Income taxes

Income taxes included in profit and loss contain the following

k€	2011	2010	Change	in %
Current tax expense	22,464	31,931	-9,467	-29.6%
Deferred tax income/ expense	1,804	-8,473	10,277	-121.3%
Total income taxes	24,268	23,458	810	3.5%
• thereof relating to other periods	513	2,378	-1,865	-78.4%

As in the prior year, the average tax rate of the German entities amounts to 32.0%

Reconciliation from expected to actual income tax expenses:

k€	2011	2010	Change	in %
Profit before tax	71,615	107,773	-36,158	-33,6%
Expected income tax	22,917	34,487	-11,570	-33,5%
Deviation actual tax rates from expected group tax rate	-5,850	-13,768	7,918	-57,5%
Tax-exempt income and non-deductible expenses	3,725	4,988	-1,263	-25,3%
Deviations of the assessment base for trade tax	-2,015	-7,086	5,071	-71,6%
Losses without recognition of deferred taxes	1,923	1,069	854	79,9%
Change of tax rate and tax laws	-9	968	-977	100,0%
Non-deductible withholding tax	3,061	1,621	1,440	88,8%
Deferred taxes relating to other periods	513	1,135	-622	-54,8%
Other effects	3	44	-41	-93,2%
Effective income tax	24,268	23,458	810	3,5%
Effective income tax rate	33,9%	21,8%	12,1%	

4.11 Dividends per share

k€	2011	2010
Distributed dividends (in k€)	0	0
Dividends per share (in €)	0	0

At the annual shareholders' meeting on 15 June 2012, the executive board and the supervisory board will suggest that no dividends are distributed for the year ended 31 December 2011

5 Notes to the balance sheet

Non-current assets**5.1 Goodwill**

k€	2011	2010
Costs		
At 1 January	186,252	178,891
Disposal of subsidiary	0	-382
Currency translation differences	4,310	7,743
At 31 December	190,562	186,252
Accumulated amortisation		
At 1 January	510	510
At 31 December	510	510
Carrying amount at 31 December	190,052	185,742

In 2010 and 2011 no business combinations were conducted that resulted in any significant changes of recognised goodwill

In 2011 the goodwill in relation to the acquisition of the International Refinery Services group was adjusted by € -589k due to an amendment of the contingent consideration. Other assets were not subsequently adjusted.

In relation to the acquisition of Noble Denton, adjustments to goodwill were made in 2010 due to a change in the purchase price payments. Other assets were not subsequently adjusted.

The net book value of the total goodwill is significantly influenced by the acquisitions of Noble Denton and Garrad Hassan in 2009. In addition goodwill was calculated on the basis of purchase price allocations of other acquired entities.

Goodwill of the acquired groups and entities was allocated to the different operating segments on acquisition, which are expected to achieve synergies after the acquisition. The allocation to operating segments was adjusted in financial year 2010 in order to represent the new organisational structure.

Subsequently, management tests goodwill for impairment on the level of the Oil & Gas and Renewables segments with the exception of Friendship Consultant and Friendship Systems, which are tested on the level of Maritime Services. Impairment tests are carried out at the end of the respective period.

Goodwill is recognised in the functional currency of the subsidiary and translated into Euro in the scope of the preparation of the consolidated financial statements. Differences due to exchange rate fluctuations between the currency at the time of acquiring the subsidiary and the applicable closing rate at balance sheet date are also recognised in the other comprehensive income such as differences from the translation of subsidiaries' annual financial statements.

The impairment test did not result in any impairment for the financial year 2011 as

well as in 2010

Impairment tests for goodwill:

Goodwill recognised in the consolidated financial statements was subject to an impairment test at the end of the reporting period. Goodwill recognised for the acquired entities is allocated to GL SE's cash generating units identified, namely the operating segments Maritime Services, Oil & Gas and Renewables.

The identification of cash generating units is based on the actual structures of the entities. In addition to the actual management of the entities, presentation within management reports was taken into account.

The following shows a summary of goodwill allocation on segment level.

k€	2011	2010
Oil & Gas	134 649	131 375
Renewables	54 266	52 718
Maritime Services	1 137	1 649
Total	190.052	185.742

The recoverable amount of the cash generating units has been determined based on fair value less costs to sell. Measurement is based on the three-year budgeting and forecasts for 2012 as confirmed by management. Budgeted cash flows for 2015 and thereafter were interpolated as perpetuity on the basis of budgeted cash flows for 2014.

The growth rate of perpetuity reflects the long-term expectations regarding the growth of the segments:

- 1.0 % growth of Maritime Services
- 1.5 % growth of the Oil & Gas segment
- 2.0 % growth of the Renewables segment

In accordance with IAS 36 19, the value in use was not calculated.

Budgeting and forecasts include the following material assumptions

Maritime Services	2012	2013	2014	2015 ff
Operating Margin	15,9%	16,9%	17,1%	17,2%
Growth rate	1,4%	1,7%	2,9%	1,0%
Discount rate	8,0%	8,0%	8,0%	8,0%
Oil & Gas	2012	2013	2014	2015 ff
Operating Margin	8,7%	11,5%	13,8%	13,8%
Growth rate	7,1%	6,8%	8,9%	1,5%
Discount rate	9,4%	9,4%	9,4%	9,4%
Renewables	2012	2013	2014	2015 ff
Operating Margin	12,0%	14,2%	15,5%	15,6%
Growth rate	12,0%	7,8%	11,4%	2,0%
Discount rate	8,2%	8,2%	8,2%	8,2%

The future development of the gross margin was assumed and carried forward from the 2012 budgeting figures. Expected income and expenses form the basis of the estimates. Effects from the measures taken for further optimisation of the profit margins were not taken into account as they cannot be clearly identified yet.

The growth rate of cash flows is based on the budget growth of the individual segments depending on the current market environment, strategic alignment and expected development of expenses. Only organic growth was taken into account while planned acquisitions were eliminated from budgets.

For the purpose of calculating fair value, cash flows were discounted at GL group's 2011 weighted average cost of capital rate.

Costs to sell were calculated as a margin on the basis of the determined goodwill, representing the costs of a transaction dependent on its size.

In addition, scenario calculations were carried out upon derivation of the recoverability. In 2011, the scenarios were adjusted to the new framework. Scenarios used in prior years were not changed but the characteristic of the values in the individual scenarios was adjusted. The principal idea remained unchanged. The scenarios were selected to reflect the drastic deterioration of the framework in the current market environment to examine whether an impairment had to be conducted in these cases.

In detail, the following three scenarios were examined:

- Increase of expenses by 3%,
- Increase of the weighted average cost of capital rate by 30%,
- Zero growth of revenue and profit margin

For the first time, in the financial year 2011, one scenario leads to a necessary calculative adjustment of goodwill. This relates to the segment Oil & Gas. The amount exceeding the carrying amount of the segment Oil & Gas of € 196,7 million (Buffer) would be absorbed in the scenario 'zero growth'.

The abstract scenario 'zero growth' simulates a constant profit contribution due to zero growth of revenue and a constant profit margin.

Input parameters of the scenario were adjusted as follows:

Oil & Gas	2012	2013	2014	2015 ff
Operating Margin	8,7%	8,7%	8,7%	8,7%
Growth rate	0,0%	0,0%	0,0%	0,0%
Discount rate	9,4%	9,4%	9,4%	9,4%

A goodwill adjustment would not arise, if an average growth of the overall performance of 1,4% would be achieved with a constant gross margin or an average gross margin of 7,6% was attained with the expected development of the overall performance in the budget.

Except for the above mentioned abstract case 'zero growth' there are no indications for impairment from the scenarios of the three cash generating units.

In total, goodwill of the three cash generating units on the basis of scheduled development is recoverable and there is no need for impairment of the carrying amounts. The scenario and threshold value calculations confirm that the carrying amounts of all units are reliable even in the event of future fluctuations.

5.2 Other intangible assets The following table presents other intangible assets excluding goodwill assets

	EDP Programs	Capitalised developm costs	Trademarks, licenses and non-compete	Customer relations	Know-how and technology	Total
Costs						
At 1 January 2010	22,023	21,016	7,851	55,351	26,269	132,510
Additions	2,103	2,253	0	0	2,905	7,261
Disposals	-1,462	0	0	0	-4,517	-5,979
Disposal of subsidiaries	-110	0	0	0	0	-110
Currency translation differences	67	685	409	3,168	2,050	6,379
At 31 December 2010	22,621	23,954	8,260	58,519	26,707	140,061

Accumulated amortisation						
At 1 January 2010	13,970	13,661	645	8,649	10,240	47,165
Amortisation	5,267	2,677	144	7,759	4,865	20,712
Impairment	0	0	1,276	0	1,563	2,839
Disposals	-1,429	0	0	0	-961	-2,390
Disposal of subsidiaries	-108	0	0	0	0	-108
Currency translation differences	237	580	116	858	819	2,610
At 31 December 2010	17,937	16,918	2,181	17,266	16,526	70,828

Costs						
At 1 January 2011	22,621	23,954	8,260	58,519	26,707	140,061
Additions	853	2,759	0	0	1,299	4,911
Disposals	-1,377	-477	0	0	-3,173	-5,027
Transfers	749	-5	0	0	2,477	3,221
Currency translation differences	34	388	208	1,810	99	2,539
At 31 December 2011	22,880	26,619	8,468	60,329	27,409	145,705

Accumulated amortisation						
At 1 January 2011	17,937	16,918	2,181	17,266	16,526	70,828
Amortisation	2,912	2,687	0	7,142	3,187	15,928
Disposals	-1,311	-17	0	0	-3,174	-4,502
Transfers	619	-4	0	0	19	634
Currency translation differences	-273	252	28	612	412	1,031
At 31 December 2011	19,884	19,836	2,209	25,020	16,970	83,919

Carrying amounts at 31 December 2010	4,684	7,036	6,079	41,253	10,181	69,233
Carrying amounts at 31 December 2011	2,996	6,783	6,259	35,309	10,439	61,786

The transfers largely relate to a reclassification of prepayments for EDP programs of € 2,377k from other non-current assets to intangible assets

Other intangible assets that are not subject to amortisation relate to trademarks with a carrying amount of € 6.3 million (2010: € 6.1 million). Development expenses for internally generated software that are not capitalised are recognised in the income statement in the amount of € 1,858k (2010: € 2,648k).

5.3 Property, plant and equipment

The following schedule shows the development of property, plant and equipment in the reporting period

	Land and buildings	Technical equipment and machinery	Other equipment, office and factory equipment	Prepayments and construction in process	Finance leasing	Total
Costs						
At 1 January 2010	15,809	8,770	62,026	2,738	1,756	91,099
Additions	181,977	338	21,477	127	1	203,920
Acquisition of subsidiaries	15	0	3	0	0	18
Disposals	-3,211	-203	-12,723	-446	-53	-16,636
Disposals of subsidiaries	0	0	-920	0	0	-920
Transfers	613	0	1,705	-2,318	0	0
Currency translation differences	930	6	1,951	7	58	2,952
At 31 December 2010	196,133	8,911	73,519	108	1,762	280,433
Accumulated depreciation						
At 1 January 2010	3,515	4,862	41,273	16	1,233	50,899
Acquisition of subsidiaries	4,232	386	10,156	14	226	15,014
Disposals	5,255	0	0	0	0	5,255
Disposals of subsidiaries	0	0	-859	0	0	-859
Depreciation	-259	-112	-7,139	0	0	-7,510
Transfers	-38	0	38	0	0	0
Currency translation differences	194	-44	1,288	3	23	1,464
At 31 December 2010	12,899	5,092	44,757	33	1,482	64,263
Costs						
At 1 January 2011	196,133	8,911	73,519	108	1,762	280,433
Additions	3,405	829	10,056	86	12	14,388
Disposals	-24,630	-138	-5,960	-30	-805	-31,563
Transfers	-23,014	713	-1,114	-69	0	-23,484
Currency translation differences	-132	-1	510	0	0	377
At 31 December 2011	151,762	10,314	77,011	95	969	240,151
Accumulated depreciation						
At 1 January 2011	12,899	5,092	44,757	33	1,482	64,263
Depreciation	4,798	876	9,670	0	0	15,344
Impairment	877	0	0	0	0	877
Disposals	-11,908	-96	-5,879	-29	-686	-18,598
Transfers	-1,004	517	-1,023	-1	0	-1,511
Currency translation differences	0	-1	250	0	1	250
At 31 December 2011	5,662	6,388	47,775	3	797	60,625
Carrying amounts 31 December 2010	183,234	3,819	28,762	75	280	216,170
Carrying amounts 31 December 2011	146,100	3,926	29,236	92	172	179,526

In the financial year 2011 parts of the property Brooktorkai with a carrying amount of € 10,018k were disposed of for a disposal value of € 11,230k

The transfers in property, plant and equipment include the reclassification of other parts of the Brooktorkai property with a carrying amount of € 21,767k into non-current assets held for sale (section 5 11)

The carrying amount of property, plant and equipment subject to restrictions of ownership was € 91.2 million as at the balance sheet date. These property restrictions mainly pertain to collateral in the amount of € 178.2 million for a loan from Hamburger Sparkasse AG.

Factory and office equipment include leased assets (IT equipment, predominantly servers) with contract terms between three and five years. Economic ownership of the assets lies within the group due to the design of the underlying contracts as finance leasing.

5.4 Investment property

k€	2011	2010
Costs		
At 1 January	5,689	6,091
Disposals	0	-402
At 31 December	5,689	5,689
Accumulated depreciation		
At 1 January	2,207	2,237
Depreciation	109	109
Disposals	0	-139
At 31 December	2,316	2,207
Carrying amounts at 31 December	3,373	3,482

In general, property owned by the group is used in the scope of ordinary operations. In addition, the group holds commercial property and rented property that are considered investment property in terms of IAS 40. The carrying amount recognised in the position property, plant and equipment at 31 December 2011 amounts to € 3,373k (2010: € 3,482k).

The fair values of € 3,540k (2010: € 3,425k) were subject to in-house calculations (i.e. no third party expert was used) on the basis of comparable market rent.

Determination of the market values was conducted in accordance with § 194 BauGB in connection with the German Valuation Ordinance and the corresponding directives, applying the income based approach. The sales agreements were partially used as an estimate of fair value to the extent that these contracts existed with respect to individual objects.

There were no impairments on investment property in the financial years 2011 and 2010.

**5.5 Financial assets
available for sale**

in k€	31 December, 2011		31 December, 2010	
	Residual term up to 1 year	Residual term more than 1 year	Residual term up to 1 year	Residual term more than 1 year
Shares in affiliates and non- consolidated entites	0	554	0	181
Participations	0	485	0	485
Securities	447	2,529	433	775
Investment fund Kinesis	0	119,065	0	126,527
Total	447	122,633	433	127,968

Investments in associates and participations were measured at amortised cost if no market price was listed on the active market for the interests held and other methods for determining objectifiable market values do not give reliable results

No impairments were recognised on financial assets of this category in the reporting period (as in the prior year)

Recognised securities mainly include shares in an investment fund held for liquidity investment purposes. They are measured at listed market prices. A proportion of the investments in Allianz Institutional Plus (former Cominvest) securities are pledged for securing the assets in the partial retirement block model and are subject to restrictions on disposal in an amount of € 3,700k as per 31 December 2011 (2010 € 3,670k). Recognised long-term securities are the residual value after the offset with the retirement benefit obligations.

The investment fund Kinesis is measured at fair value based upon listed market prices.

**5.6 Trade receivables
and other receivables
and assets**

k€	31 December, 2011		31 December, 2010	
	Residual term up to 1 year	Residual term more than 1 year	Residual term up to 1 year	Residual term more than 1 year
Trade and other receivables from third parties	242,934	0	220,723	0
Receivables from related parties and participations	1,287	0	1,041	0
Other receivables and assets	28,976	58	22,460	174
Total	273,197	58	244,224	174

Age structure of current financial instruments from trade receivables

k€	Carrying amount financial instruments	Of which neither overdue nor impaired	After impairment and overdue within the following periods			
			Less than 30 days	Between 30 and 90 days	Between 91 and 180 days	More than 180 days
31 December 2011						
Trade receivables	159 437	70 752	34 056	30 370	15 838	8 421
Work in progress	83 497	83 497				
Subtotal	242.934					
Receivables from related parties and participations	1 287	1 287				
Total (trade receivables)	244.221	155.536	34.056	30.370	15.838	8.421
in % of total		63,7%	13,9%	12,4%	6,5%	3,4%
% allocation of receivables		44,3%	21,4%	19,0%	9,9%	5,3%
31 December 2010						
Trade receivables	146 590	59 783	46 580	19 917	10 062	10 248
Work in progress	74 133	74 133	0	0	0	0
Subtotal	220.723					
Receivables from related parties and participations	1 041	1 041	0	0	0	0
Total (trade receivables)	221.764	134.957	46.580	19.917	10.062	10.248
in % of total		60,9%	21,0%	9,0%	4,5%	4,6%
% allocation of receivables		40,7%	31,8%	13,6%	6,9%	7,0%

With regard to the amounts recognised as receivables neither overdue nor impaired, there is no indication that the debtors will not meet their payment obligations. In the reporting period, financial assets of the IFRS 7 classification – loans and receivables (LAR) – were impaired in an amount of € 17 886k (2010 € 15,922k)

Trade receivables

k€	2011	2010
Receivables from third parties	243,279	220,723
Receivables from affiliated companies not consolidated	1,274	1,023
Receivables from participations	13	18
Total	244,566	221,764

Gross amount due from customers for service contracts included in trade and other receivables

k€	2011	2010
Gross amount due from customers	83,497	74,133
Gross amount due to customers	-10,780	-19,517
	72,717	54,616

Advances received for projects not yet completed amounted to € 32,067k at 31 December 2011 (2010 € 33,889k)

Other receivables and assets

k€	2011	2010
VAT receivables	6,440	3,153
Interest receivables	65	194
Rent deposit from third parties	3,260	3,085
Receivables from employees	1,762	1,925
Other receivables	17,449	14,103
Subtotal	28,976	22,460
Loan receivables (non current)	58	174
Total	29,034	22,634

Other receivables primarily relate to GL SE (€ 3,320k), GLIS UK (€ 794k), GL Noble Denton Consultants (€ 813k) and GL Noble Denton International Inc (€ 816k) In case of the Garrad Hassan group this position largely includes receivables from the employee benefit trust

5.7 Derivative financial instruments

k€	31 December, 2011		31 December, 2010	
	Assets	Liabilities	Assets	Liabilities
Currency forward	0	815	331	1,425
Total	0	815	331	1,425

Derivative financial instruments are recognised at fair value (market value) All derivative financial instruments were classified as current liabilities in 2011

The residual terms of derivative assets and liabilities are as follows

k€	31 December, 2011				31 December, 2010			
	Residual terms				Residual terms			
	up to 1 year	1-5 years	more than 5	Total	up to 1 year	1-5 years	more than 5	Total
Receivables from derivative financial instruments	0	0	0	0	282	49	0	331

k€	31 December, 2011				31 December, 2010			
	Residual terms				Residual terms			
	up to 1 year	1-5 years	more than 5 years	Total	up to 1 year	1-5 years	more than 5 years	Total
Liabilities from derivative financial instruments	815	0	0	815	1,209	216	0	1,425

Gains and losses due to changes of fair values are recognised in the financial result (compare 4 8 and 4 9)

5.8 Other non-current assets

k€	2011	2010
Prepayments for EDP programs	2,433	2,551
Other assets	3,596	1,799
Total	6,029	4,350

5.9 Deferred income taxes

Basis for calculating deferred taxes is presented in detail in 2.17 (a) and 4.10. The tax rates used as a basis for calculating deferred taxes are based on the application of the tax rates expected in the individual countries at realisation date.

Deferred tax assets and liabilities can be divided into maturities as follows:

k€	31 Dec, 2011	31 Dec, 2010
Deferred tax assets		
- realised after more than 12 months	24,861	21,832
- realised within 12 months	5,338	6,433
Total	30,199	28,265

k€	31 Dec, 2011	31 Dec, 2010
Deferred tax liabilities		
- realised after more than 12 months	18,222	17,073
- realised within 12 months	438	296
Total	18,660	17,369

According to IAS 12.71ff, GL Group offsets deferred tax assets and liabilities when there is a legally enforceable right. The offset of deferred tax assets and liabilities amounts to € 18,383k (2010: € 23,350k) and relates primarily to GL SE (€ 13,784k, 2010: € 18,378k).

Deferred tax assets and liabilities relate to the following balance sheet items:

in k€	31 Dec, 2011		31 Dec, 2010	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	14,843	0	17,686
Property, plant and equipment	1,174	9,228	842	534
Investment property	0	466	0	455
Gross amount due from customers for service contracts	1,885	689	3,262	2,058
Derivative financial instruments	0	0	0	90
Financial assets available for sale	7,215	0	5,194	28
Financial instruments measured at fair value through profit and loss	0	6	0	0
Receivables and other assets	427	2,598	1,427	1,473
Special tax items	0	9	0	9,198
Pension provisions	18,974	2,894	17,766	3,535
Other provisions	544	4,450	721	1,777
Financial liabilities	354	0	536	0
Gross amount due to customers for service contracts	981	0	1,748	0
Other liabilities	4,128	1,856	4,639	3,733
Other transactions	25	4	186	152
Loss carry forwards	12,875	0	15,294	0
Deferred taxes (gross)	48,582	37,043	51,615	40,719
Netting	-18,383	-18,383	-23,350	-23,350
Deferred taxes (net)	30,199	18,660	28,265	17,369

Deferred taxes not affecting profit or loss result from the treatment of actuarial gains and losses in connection with pension obligations and from the measurement of financial instruments. In 2011, equity changes by € 2,109k (2010 € 6,083k) due to the recognition of deferred taxes in other comprehensive income.

No deferred tax liabilities were recognised for temporary differences of € 8,123k (2010 € 7,412k) between net assets and the tax carrying amount of subsidiaries because a reversal of these temporary differences is not expected in the near future.

For the following tax loss carry forwards no deferred tax assets have not been recognised:

in k€	31 Dec, 2011	31 Dec, 2010
Unrecognised tax loss carry forwards	30,180	27,070
of which loss carry forwards expire in less than five years (excl. expired loss carry forwards)	15	0
of which loss carry forwards expire in more than five years (excl. expired loss carry forwards)	26,821	22,955
Tax losses carry forwards without expiry	4,072	4,115
Total amount of unutilised tax loss carry forwards	30,908	27,070

Based on new findings reallocations from losses carry forwards without expiry were necessary in prior year's column

Loss carry forwards primarily concern subsidiaries in the USA

No deferred tax assets were recognised for tax loss carry forwards of the US subsidiaries mentioned above, as at this stage the realisation of tax claims is not expected. These losses are generally utilisable after restructuring of the US group, if the individual entities generate enough future taxable profits. Furthermore, loss carry forwards are restricted to a maximum yearly amount.

5.10 Cash and cash equivalents

k€	31 Dec, 2011	31 Dec, 2010
Cash in hand and cheques	223	268
Bank balances	115,486	121,985
Short term deposits	33,949	27,548
Total	149,658	149,801

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

k€	31 Dec, 2011	31 Dec, 2010
Cash and cash equivalents	149,658	149,801
less current amounts owed to banks	-3,007	0
Total	146,651	149,801

5.11 Non-current assets held for sale

k€	31 Dec, 2011	31 Dec, 2010
Part of the property Brooktorkai (Maander)	21,767	0
Total	21,767	0

At 31 December 2011, the balance sheet position relates to part of the property Brooktorkai due to the disposal planned for 2012.

5.12 Share capital

GL SE's subscribed capital (share capital) is divided into 100,000 non-par restrictively transferrable registered shares. The pro rata amount of each share in the share capital is € 100.

Mayfair Beteiligungs BV, Hamburg, informed us in accordance with § 20 para. 4 AktG that it holds the majority interest in our company since August 16, 2007.

5.13 Retained earnings

Other revenue reserves include the additions from profits of the reporting period or prior years. The statutory reserve of € 1,000k is not available for distribution to the shareholders.

In accordance with § 58 para. 2 AktG, the unappropriated retained earnings shown in the commercial financial statements of GL SE are decisive for distributions to shareholders.

Differences from currency translations include differences from currency

translation of financial statements of foreign subsidiaries and the translation of goodwill held in foreign currency

Reserves for changes in value of financial instruments include – considering deferred taxes - the changes of fair values of financial instruments available for sale with the exception of impairments and gains from currency translation

Reserves for actuarial gains or losses include gains and losses directly recognised in equity amongst others from the change of actuarial parameters in connection with the measurement of pension obligations and related plan assets considering deferred taxes

5.14 Non-controlling interests

The interests of other shareholders in a total amount of € 2 8 million (2010 € 2 8 million) mainly concern the entities GLM (Malaysia) with € 1 6 million (2010 € 2 1 million), CLPR with € 0 3 million (2010 € 0 3 million) and GELSA with € 0 2 million (2010 € 0 3 million)

5.15 Provisions for pensions and similar obligations

In the scope of GL group's pension schemes defined contribution plans and defined benefit plans exist. The design of the pension plans depends on the legal, tax and economic conditions in the respective country and is usually based on length of service and remuneration of the employees. The direct and indirect obligations comprise those from pensions in the retirement phase and those for future pensions.

Provisions for pension obligations are set up on the basis of pension commitments regarding old age, disability and survivorship pensions. In this connection, provisions are recognized only for defined benefit plans under which the entity guarantees the employees a certain amount of benefit.

To the extent that defined benefit plans are not financed through provisions, financing is carried out through independently administrated funds. This form of financing concerns pension plans in Korea, Norway, Spain and the UK.

While the plan assets are determined at fair value using market values of the invested funds, pension obligations are measured by way of actuarial assumptions in accordance with the projected unit credit method.

At December 31 2011, measurements for domestic obligations are based on the guideline tables RT 2005 G by Dr. Klaus Heubeck. Furthermore, the following actuarial assumptions were used:

Actuarial assumptions

In % p. a.	2011		2010	
	Germany	Other countries	Germany	Other countries
Discount rate	5.0	4.9	5.0	4.9
Expected return on plan assets	n/a	5.5	n/a	6.0
Expected re-muneration increase	3.0	3.6	3.0	3.4
Expected increase in pensions	2.0	3.1	2.0	3.1

The discount rate for determining pension provisions reflects the effective market interest rate of high-value corporate bonds (determined on the basis of modified IBoxx-indices) at balance sheet date the term of which corresponds with that of the pension obligations.

An average from foreign actuarial reports was calculated in the other countries.

Development of the present value of defined benefit obligation (DBO) of the pension commitments:

k€	2011	2010
Present value of DBO at Jan, 1	191,765	182,596
Current service cost	6,567	5,782
Interest cost	9,204	8,894
Contributions by plan participants	365	0
Actuarial gains (-) / losses (+)	1,845	-1,133
Past service cost	319	131
Curtailments	-85	0
Settlements	-887	0
Benefits paid	-10,118	-9,444
Currency exchange rate and other changes	1,934	4,939
Present value of DBO at Dec, 31	200,909	191,765

Development of the fair value of plan assets.

k€	2011	2010
Fair value of plan assets at Jan, 1	20,930	11,354
Expected return on plan assets	1,167	1,156
Actuarial gains (+) / losses (-)	-323	-253
Contributions by the employer	2,161	1,883
Settlements	-844	0
Benefits paid	-779	-763
Currency exchange rate and other changes	435	7,553
Fair value of plan assets at Dec, 31	22,747	20,930

Composition of plan assets

k€	31 Dec, 2011	31 Dec, 2010
Equity securities	27%	25%
Debt securities	16%	15%
Funds	22%	25%
Insurances	23%	23%
Others	12%	12%

The actual return on plan assets amounted to € 844k (2010 € 903k) at balance sheet date

Reconciliation of present value of DBO and plan assets to recognised pension obligations

k€	31 Dec, 2011	31 Dec, 2010
Present value of defined benefit obligation wholly or partly funded	28,301	27,061
Fair value of plan assets	22,747	20,930
Shortage	5,554	6,131
Present value of defined benefit obligation wholly unfunded	172,608	164,573
Net defined benefit obligation	178,162	170,704
Past service cost not recognised	0	131
Amount not recognised as an asset because of the limit in 19 58 (b)	340	0
Liabilities recognised in the statement of financial position	178,502	170,835

Due to the immediate recognition of actuarial gains and losses in equity (note 2 15) (i.e. without affecting profit or loss), total pension obligations were presented on the balance sheet setting off existing plan assets

Actuarial losses newly recognised directly in equity per December 31, 2011 amount to € 2,168k (2010 € 3,683k). Furthermore, an adjustment of € -340k was recognised as at December 31, 2011 because an economic benefit of the surplus in the plan is not probable.

Accumulated actuarial losses recognised directly in equity amount to € 3,536k (2010 € 2,398k).

Amounts recognised in profit or loss:

k€	2011	2010
Current service cost	6,567	5,782
Interest cost	9,204	8,894
Expected return (-) on plan assets	-1,167	-1,156
Past service cost	450	540
Curtailements/settlements	-128	-41
Total	14,926	14,019

Interest cost and expected return on plan assets were recognised on the income statement in the line items financial income and financial expenses in total € 8,037k (2010 € 7,738k) (note 4 8 and 4 9) The other amounts of € 6,889k (2010 € 6,281k) are components of personnel expenses (notes 4 4)

In the following year, direct pension payments of € 9,893k and contributions to plan assets of € 1,824k are expected

Historical development as at 31 December beginning 2008

k€	2011	2010	2009	2008
Present value of DBO	200,909	191,765	182,596	166,938
Fair value of plan assets	22,747	20,930	11,354	1,604
Shortage	178,162	170,835	171,242	165,334
Experience adjustments arising on plan liabilities	143	741	-3,011	3,816
Experience adjustments arising on plan assets	-323	-253	1,069	5

Defined contribution plans

The expenses for defined contribution plans mainly concern contributions to governmental pension schemes In 2011, the total cost from payments under defined contribution plans amounted to € 12 4 million (2010 € 11 1 million)

5.16 Other provisions

The breakdown of other provisions in current and non-current amounts can be taken from the following chart

k€	Litigation risks	Others	Total
Opening balance at 1 January 2010	17,441	7,226	24,667
<i>of which non-current</i>	0	2,986	2,986
Currency translation differences	422	217	639
Disposal of subsidiaries	0	-609	-609
Addition	5,571	4,344	9,915
Utilisation	-4,857	-1,095	-5,952
Reversal	-10,380	-5,269	-15,649
Closing balance at 31 December 2010	8,197	4,814	13,011
<i>of which non-current</i>	0	1,302	1,302
Opening balance at 1 January 2011	8,197	4,814	13,011
<i>of which non-current</i>	0	1,302	1,302
Currency translation differences	-72	38	-34
Addition	1,941	1,292	3,233
Utilisation	-685	-3,210	-3,895
Reversal	-3,962	-137	-4,099
Closing balance at 31 December 2011	5,419	2,797	8,216
<i>of which non-current</i>	0	1,902	1,902

Provisions for litigation risks mainly concern pending legal disputes that are in the stage of appeals procedures

In addition to personnel-related provisions, that primarily concern special payments and holiday entitlements, as well as partial retirement credits, other provisions include storage costs, subsequent fee discounts, bankruptcy defaults, accident insurance and a number of further facts and circumstances that are not significant

5.17 Financial liabilities

k€	31 Dec, 2011			31 Dec, 2010		
	current	non-current	total	current	non-current	total
Bank loans and overdrafts	102,869	68,426	171,295	144,639	70,450	215,089
Amounts owed to shareholders	0	12	12	0	345	345
Liabilities from finance lease	93	89	182	104	307	411
Total	102,962	68,527	171,489	144,743	71,102	215,845

Bank loans and overdrafts of € 171,295k relate to mortgages and utilised line of credits mainly with Commerzbank, Unicredit, Haspa und Deutsche Bank. The credit line with Commerzbank available to the amount of € 96 0 million was utilised in the amount of € 51 0 million, the credit line to the amount of € 80 0 million with Unicredit was drawn on with € 48 9 million, the credit with Haspa in the amount of € 68 0 million was fully used and the credit line with Deutsche Bank to the amount of € 10 0 million was utilised in the amount of € 2 1 million

GL group's bank loans and overdrafts are exclusively denominated in Euro

Moreover, material unused credit lines with terms of more than one year, respectively, are available to the group in the amount of € 10 0 million, USD 3 6 million (€ 2 7 million), AED 3 7 million (€ 0 7 million), QAR 4 4 million (€ 0 9 million) and MYR 2 3 million (€ 0 6 million)

Liabilities from finance lease mainly result from property, plant and equipment, which are assigned to the group as the economic owner due to the design of the underlying contracts

Reconciliation of total future lease payments at balance sheet date to the corresponding fair value

k€	2011	2010
Total future lease payments		
up to 1 year	100	109
1-5 years	84	335
more than 5 years	7	0
Total	191	444
less interest included	9	33
Fair value of total future lease payments	182	411

Payment obligations resulting from future lease payments are recognized as liabilities in the amount of the present value of the future lease payments of € 182k (2010 € 411k)

5.18 Current trade liabilities

k€	31 Dec, 2011	31 Dec, 2010
Trade payables (to third parties)	21,223	19,880
Amounts owed to affiliated companies	534	528
Amounts owed to participating interests	49	3,241
Gross amounts due to customers for service contracts	10,780	19,517
Total	32,586	43,166

Trade liabilities to third parties include an amount of € 10,780k (2010 € 19,517k) resulting from negative service contracts (compare 5.6)

5.19 Other liabilities

k€	31 Dec, 2011			31 Dec, 2010		
	current	non-current	total	current	non-current	total
Other liabilities from other taxes	13,386	0	13,386	9,643	0	9,643
Other liabilities to employees	42,739	890	43,629	43,939	835	44,774
Other liabilities in the scope of social security	2,888	0	2,888	3,536	0	3,536
Payments received on account	32,067	0	32,067	33,889	0	33,889
Other liabilities	26,444	0	26,444	26,398	5	26,403
Other liabilities	117,524	890	118,414	117,405	840	118,245
Deferrals	26,899	13,508	40,407	22,407	11,337	33,744
Total	144,423	14,398	158,821	139,812	12,177	151,989

The deferrals mainly result from GL SE (€ 22.2 million, 2010 € 17.9 million), GLIS UK (€ 6.0 million, 2010 € 3.4 million), GLIS USA (€ 4.0 million, 2010 € 3.9 million), Garrad Hassan group (€ 2.1 million, 2010 € 2.1 million) and Noble Denton group (€ 1.4 million, 2010 € 1.5 million)

6 Financial instruments and financial risk management

6.1 Principles of financial risk management

Due to its international operations, GL group is subject to different financial risks, market risk (comprises foreign currency risk, interest rate risk and market price risk), credit risk and liquidity risk

The group's comprehensive risk management focuses on unpredictability of the developments on the financial markets and aims at minimising possible negative consequences for the group's financial position. Derivative financial instruments are used for hedging certain risks. All hedging is based on transactions either recognised on the balance sheet or contracted for the future

Risk management is the responsibility of the fiscal committee of the executive board, which is supported by associated company Mayfair as an advisor. This committee monitors the strategic fiscal risks and makes corresponding policy decisions. The operational quantitative monitoring of risks and developments is carried out by the 'Finance and Accounting' department on the basis of the risk strategy provided by the executive board's fiscal committee. The 'Finance and Accounting' department reports to the committee. Risk management aims at minimising default risks (exchange rate and counterparty risks), price risks (stock prices) and liquidity risks. Instruments of risk management are the utilisation of derivative and non-derivative financial instruments and the investment of liquidity surpluses.

6.2 Market risks

For presenting market risks, IFRS 7 requires sensitivity analyses that show the consequences of hypothetical changes of relevant risk variables on profit before tax and equity. The consequences are determined by applying the hypothetical changes of the risk variables to the portfolio of financial instruments at balance sheet date. In the process, it is assumed that the portfolio at balance sheet date is representative for the entire period.

a) Foreign currency risks

Currency risk is the risk of fluctuations of the fair value or future cash flows of a financial instrument due to exchange rate changes.

Currency exchange risks in terms of IFRS 7 originate through financial instruments that are recognised on the balance sheet in a currency different from the functional currency or through future foreign currency transactions. Exchange rate related differences from the translation of annual financial statements of the subsidiaries into the group currency (translation risk) remain unconsidered. Thus, relevant risk variables are all non-functional currencies in which GL group holds financial instruments. Due to the international alignment of GL group with its headquarters in Hamburg and many subsidiaries in Europe, the Euro is the presentation currency. Risks for Germanischer Lloyd result from cash flows from operating activities if the contract or payment currency is different from the functional one and these are subject to fluctuations with regard to the Euro. Currency risks also result from investments in foreign business operations.

Foreign currency risks from expected future transactions in the newbuilding classifications sector are hedged through forward exchange transactions with the principal banks. At year-end, the extent of these forward exchange transactions includes orders that were concluded in US\$ until and including 2012.

The positive market value of the forward exchange transactions that serve for hedging future receivables amounted to € 0,0 million (2010: € 0,3 million) per balance sheet date while the negative market value amounted to € 0,8 million (2010: € 1,4 million). The nominal values amounted to € 44,0 million (2010: € 30,7 million) of which all fall due within one year (2010: € 28,7 million). Nominal values show the value of all purchase amounts of derivative financial transactions.

In consideration of the different functional currencies within GL group, the sensitivities of those currencies that were identified as decisive risk variables are shown below. If the respective functional currencies – principally Euro and US Dollar – depreciate or appreciate by 5% as compared to the other currencies while all other variables remained unchanged, the following effects on profit before income tax would be the consequence:

Sensitivity analysis currency risks

Entirety of all relevant exchange rates

Profit before tax	-638	417	-442	431
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Exchange rates of important currencies

EUR/USD	1 3577	1 2284	1 3946	1 2618
Profit before tax	1,823	-2,044	1,442	-1,682

EUR/GBP	0 8799	0 7961	0 9062	0 8199
Profit before tax	-57	57	-5	5

EUR/KRW	1566 8405	1416 6676	1582 6020	1431 8793
Profit before tax	-227	227	-124	257

EUR/SGD	1 7630	1 5951	1 8031	1 6313
Profit before tax	-114	114	-28	132

EUR/AED	4 9854	4 5106	5 1224	4 6346
Profit before tax	-54	54	-29	26

EUR/CNY	8 5407	7 7273	9 2082	8 3312
Profit before tax	-2,009	2,009	-1,698	1,693

b) Interest risks

Interest rate risks represent the risk that the fair value or future cash flows of a financial instrument fluctuate due to changes of the market interest rate.

Market value interest rate risks, i.e. the possible change of the fair value of a financial instrument due to changes of market interest rates primarily exist in the scope of current and non-current fixed interest receivables and liabilities.

Since GL group recognises these non-derivative financial instruments at amortised cost, there is no direct impact on profit or loss and equity. The Allianz Institutional Plus (former ComInvest) shares acquired in 2008 however, present a market value interest risk for GL group (market value year ended 2011 € 3,7 million). Their strategy is to close a future contract for the disposal of each share parallel to the purchase of a share value.

With regard to financial instruments that are based on variable interest rates, GL group is subject to cash flow interest risks with an effect on profit. This particularly affects the variable interest financial liabilities for financing the **Brooktorkai construction project** and variable interest short-term credit lines. For the rest, GL group uses equity financing.

Sensitivity analysis interest risks

k€	31 Dec, 2011		31 Dec, 2010	
Changeable variable interest level for borrowings with variable interest	+100 basis points	-100 basis points	+100 basis points	-100 basis points
Loan obligations				
Profit before tax	-1,019	1,019	-2,145	2,145
Allianz Institutional				
Other comprehensive income	-1	0	-2	1

Profit before tax would increase/decrease due to gains/losses of a change in interest payable due to lower/higher market interest rates.

Changes in value of the Allianz Institutional Plus shares held by GL SE that were classified as available for sale would lead to decreases/increases of equity without affecting profit or loss.

c) Market price risks

GL group is subject to market price risks from original equity instruments (shares and shares in open-ended funds) that are classified on the balance sheet either as available for sale or at fair value through profit and loss. To minimise price risks from these instruments, GL group diversified its portfolio and combined the largest part of it in a professionally managed special fund.

The following sensitivity analysis shows the consequences of an assumed simultaneous increase/decrease of all relevant share indices by 5% on profit before income taxes if all other variables remained unchanged.

Sensitivity analysis market price risk

k€	31 Dec, 2011		31 Dec, 2010	
Changeable variable stock indices	+5%	-5%	+5%	-10%
Other comprehensive income	6,356	-6,356	4,933	-4,933

The other components of equity would increase/decrease due to gains/losses from the securities that are measured and classified at fair value through profit and loss. These concerns the shares in open-ended funds in the special fund Kinesis One measured at fair value and classified as available for sale.

6.3 Default risks

In the scope of financing activities and operations, Germanischer Lloyd is subject to default risks. To reduce these risks to the greatest possible degree, financing transactions are concluded only with contract partners of good and first-class credit rating.

Hedging of customer receivables is carried out through the consistent application of Germanischer Lloyd's claims management, which – amongst others – schedules close cooperation with sales representatives, credit assessments of customers, graded dunning process and utilisation of collection agencies. Accounts receivable that concern operations are constantly monitored while possible default is taken into account by way of valuation allowances. The maximum default risk can be taken from the carrying amount of each financial asset as recognised on the balance sheet.

6.4 Liquidity risks

Liquidity risk means the risk of not being able to raise the necessary financial means for meeting payment obligations in due time or only via refinancing means at unfavorable market conditions.

GL's finance policy is one of long-term financial planning, which is centrally managed and constantly monitored within GL SE. The objective is to provide sufficient liquidity for the group at all times.

If necessary, liquid funds are provided to the group entities in the scope of a monthly liquidity forecast (by the individual entities) and central liquidity planning.

GL SE's financial department informs executive board and management about the development of liquidity on a regular basis and suggests possible investment options. After consultation with the financial committee, group management determines investments for excess liquidity.

To ensure solvency and financial flexibility of the group at all times, liquidity reserves exist in the scope of investment management. In addition, the group's principal banks provide credit lines.

To ensure liquidity and monitor cash flows, GL's financial planning and financing is centrally handled by GL SE. Due to the centralisation of group financing, excess liquidity and liquidity requirements within the group can be optimised. In the scope of the liquidity planning system, GL therefore identifies risks from cash flow fluctuations early on.

The following chart shows the group's financial liabilities and derivative financial liabilities in accordance with maturity classes on the basis of the residual terms at balance sheet date.

2011 k€	Carrying amounts	2012		2013-2014		2014-2015		after 2016	
		Redemp-tion amount	Interest payments	Redemp-tion amount	Interest payments	Redemp-tion amount	Interest payments	Redemp-tion amount	Interest payments
Financial liabilities	171,489								
Bank loans and overdrafts	171,295	86,256	3,660	63,039	3,916	4,000	2,369	18,000	8,691
Liabilities from finance lease	182	93	7	89	2				
Amounts owed to shareholders	12							12	
Derivative financial instruments	815								
Currency forwards - inflow		43,974							
Currency forwards - outflow		44,789							
Trade liabilities	32,586	32,586							
Other liabilities	66,851	52,198	3	14,243		54		355	

2010 k€	Carrying amounts	2011		2012-2013		2014-2015		ab 2016	
		Redemp-tion amount	Interest payments	Redemp-tion amount	Interest payments	Redemp-tion amount	Interest payments	Redemp-tion amount	Interest payments
Financial liabilities	215,845								
Bank loans and overdrafts	215,088	62,000	3,611	78,500	5,834	4,000	830	70,588	3,808
Liabilities from finance lease	412	105	12	307	21				
Amounts owed to non- controlling interests	345			345					
Derivative financial instruments	1,425								
Currency forwards - inflow		28,734		2,041					
Currency forwards - outflow		27,190		1,825					
Trade liabilities	43,166	43,166							
Other liabilities	59,694	48,356		11,338					

6.5 Capital risk management

Capital risk management comprises equity and financial liabilities as recognised in the consolidated balance sheet. The main objectives are going concern, provision of means for defined growth targets and a sustainable increase of shareholder value.

Financial liabilities include borrowings from banks, liabilities from finance leases, negative derivative financial instruments and loan payables to shareholders.

In general operations are equity financed.

The following chart shows the ratio between equity and current and non-current financial liabilities as at 31 December 2011 and 31 December 2010.

k€ / %	31 Dec, 2011	31 Dec, 2010
Financial liabilities	171,489	215,845
Less: cash and cash equivalents	-149,658	-149,801
Net debt	21,831	66,044
Total equity	464,908	413,503
Gearing ratio	4.7%	16.0%

The reduction of the gearing ratio in the financial year 2011 can primarily be explained by the reduction of bank loans and overdrafts by € 43.8 million to € 171.3 million (section 5.17).

6.6 Estimation of fair value

Upon measurement at fair value, a hierarchical classification providing for the significance of the factors included in the calculation needs to be conducted. This includes three steps:

- prices for identical assets or liabilities listed (adopted unchanged) on active markets (level 1),
- input factors that are not the listed prices included in level 1, that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2) and
- factors that are not based on observable market data for the measurement of the asset or liability (unobservable input factors) (level 3)

The following chart shows GL group's assets and liabilities that are measured at fair value at 31 December 2011:

k€	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value				
Derivative financial instruments		0		0
Financial assets available for sale				
Shares in investment fund Kinesis		119 065		119 065
Shares in Allianz Institutional Plus	3 700			3 700
Total	3.700	119.065	0	122.765
Equity and liabilities				
Financial liabilities measured at fair value				
Derivative financial instruments		815		815
Total	0	815	0	815

The lowest level's input that is material for the measurement as a whole is what determines the level at that measurement at which fair value will be classified. The importance of an input factor is determined on the basis of overall measurement.

6.7 Derivative financial instruments and hedging

The group uses derivative financial instruments for active risk hedging

Forward exchange transactions are used for limiting currency risks. This concerns future cash inflows in US\$ from contracts already concluded. The currency forward transactions have terms of up to 1 year (Previous year terms up to 2 years)

Derivatives used for hedging are recognised at fair value without using hedge accounting

6.8 Additional disclosures concerning financial instruments

a) Carrying amounts and fair values

Fair values of financial instruments traded in an active market are based on the exchange price at balance sheet date. Fair values of financial instruments that are not traded in an active market are determined using suitable measurement methods.

The fair value of derivative financial instruments can be positive or negative. If market values are not available, fair values are determined using generally accepted methods of financial mathematics, e.g. discounting of the expected future cash flows. The forward price of forward transactions follows the spot rate in consideration of forward premiums and forward discounts.

For fair value determination of original financial instruments, GL group uses in-house measurement models (e.g. DCF method) and makes assumptions that are based on the market conditions at balance sheet date.

With regard to financial means, current trade receivables and liabilities and other current financial assets the assumption is that the nominal amount less impairments equals the fair value.

The fair values of other non-current receivables falling due in more than one year equal the cash value of the payments connected to the assets in consideration of each current interest parameter, which reflect market and partner related changes of conditions and expectations.

Financial instruments classified as available for sale include investments in partnerships and corporations in an amount of € 1 040k (2010: € 666k). The fair value of these unlisted investments was not measurable, as cash flows cannot be reliably determined. Reliable fair values could also not be determined by way of comparable transactions.

b) Aggregation in accordance with measurement categories of IAS 39

GL group conducts the classification of financial instruments required by IFRS 7 in analogy with the balance sheet items. The following charts show a reconciliation of the carrying amounts for each IFRS 7 class (balance sheet item) to the IAS 39 measurement categories at each balance sheet date.

Financial assets by category at 31 December 2011

k€	Total carrying amount	Loans and receivables (lar)	Financial investments held to maturity (htm)	Financial instruments measured at fair value through profit and loss (aafv)		available for sale (afs)	Carrying amount financial instruments
				held for trading	derivative financial instruments		
Financial assets available for sale	123,080					123,080	123,080
Trade receivables and other receivables	273,255	264,994	58				265,052
Other non-current assets	6,029	2,433					2,433
Cash and cash equivalents	149,658	149,658					149,658

Financial liabilities by category at 31 December 2011

k€	Total carrying amount	Financial liabilities measured at fair value through profit and loss (lafv)	Financial liabilities measured at amortized cost (ol)	Carrying amount financial instruments
Financial liabilities	171,489		171,489	171,489
Trade liabilities	32,586		32,586	32,586
Derivative financial instruments	815	815		815
Other liabilities	158,821		66,851	66,851

Financial asset by category at 31 December 2010

k€	Total carrying amount	Loans and receivables (lar)	Financial investments held to maturity (htm)	Financial instruments measured at fair value through profit and loss (aafv)		available for sale (afs)	Carrying amount financial instruments
				held for trading	derivative financial instruments		
Financial assets available for sale	128,401					128,401	128,401
Trade receivables and other receivables	244,398	239,146	174				239,321
Derivative financial instruments	331				331		331
Other non-current assets	4,350	2,551					2,551
Cash and cash equivalents	149,801	149,801					149,801

Financial liabilities by category at 31 December 2010

k€	Total carrying amount	Financial liabilities measured at fair value through profit and loss (lafv)	Financial liabilities measured at amortized cost (ol)	Carrying amount financial instruments
Financial liabilities	215,845		215,433	215,433
Trade liabilities	43,166		43,166	43,166
Derivative financial instruments	1,425	1,425		1,425
Other liabilities	151,989		59,698	59,698

c) Net results of financial instruments

Net results from financial instruments categorized in accordance with the individual measurement categories of IAS 39 can be taken from the following chart

k€	Net result 2011			Net result 2010		
	Interest	Other net result	Total	Interest	Other net result	Total
Financial assets available for sale (afs)	0	5	5	0	366	366
Loans and receivables (lar)	1,142	-2,264	-1,122	6,524	3,348	9,872
Financial instruments measured at fair value through profit or loss (afv/lafv)	0	-2,354	-2,354	0	-2,636	-2,636
Financial liabilities measured at cost (ol)	-4,194	-4,023	-8,217	-20,308	816	-19,492
Total	-3,052	-8,636	-11,688	-13,784	1,894	-11,890

7 Other disclosures**7.1 Contingencies and contingent liabilities**

GL group is subject to potential liabilities from legal proceedings and asserted claims. Estimations regarding possible future expenses are subject to numerous uncertainties. GL group does not expect material negative consequences on the group's economic and financial situation.

The international alignment of Germanischer Lloyd requires the consideration of a large number of national laws and guidelines. Risks arising from their amendment can be minimised by consistent observation of the legal environment. Legal disputes in connection with Germanischer Lloyd's performance are met by consulting of the 'Legal Affairs and Compliance' department and third party legal counsels early on. As a basic rule, all contracts are subject to preliminary legal assessment. Comprehensive insurance coverage exists for remaining potential cases of damage and **contingencies**, which is adjusted and continuously optimised.

Framework agreements with provisions for limitation of liability are continuously developed and rolled. As in the prior years, adequate provisions were set up for possible financial obligations from legal risks.

Contingencies principally have a low (up to 20%) probability of occurrence and mainly concern asserted mistakes regarding the following activities:

- faulty, missed or class-unsuitable inspections and related damages
- missing repair suggestions or omitted arrangement of repairs,
- wrongly issued class certificate,
- unsatisfactory advice

7.2 Other financial obligations

At balance sheet date, GL had other financial obligations mainly from long-term rent, lease and maintenance contracts for movable, immovable and intangible assets as well as for consulting and other service contracts, the underlying contracts are subject to terms of up to five years and some include prolongation options and price adjustment clauses.

million €	2011	2010
of which due in <1 year	16,8	10,8
of which due in 1 to 5 years	24,8	15,4
of which due in > 5 years	3,6	2,0
Total	45,2	28,2

7.3 Utilisation of § 264 para. 3 and § 264b HGB

The following consolidated affiliated companies of Germanischer Lloyd SE used the exemption of § 264 para. 3 or § 264b HGB with regard to the disclosure and preparation of notes and management report. Accordingly, the consolidated financial statements of Germanischer Lloyd SE exempt the following entities from preparing consolidated financial statements:

- Germanischer Lloyd Industrial Services GmbH (GLIS)
- ELBE Holding GmbH (ELBE)

- FutureShip GmbH
- GL Garrad Hassan Deutschland GmbH
- Germanischer Lloyd Certification GmbH (GLC)
- Germanischer Lloyd Finanzanlagegesellschaft mbH & Co KG
- St Annen Platz GmbH & Co KG
- Germanischer Lloyd Prüflabor GmbH
- Brooktorkai 18 Immobilien GmbH & Co KG

7.4 Services of the group auditor

Expenses of € 521k were recognised for the services of the group auditor, BDO AG Wirtschaftsprüfungsgesellschaft, that were rendered in the reporting period. Thereof € 255k concerned annual audit activities while the remaining fees (€ 266k) concerned other consulting and confirmation services.

7.5 Related party disclosures in accordance with IAS 24

Announcement in accordance with §20 para. 6 AktG

In accordance with § 20 para. 4 AktG, Mayfair Beteiligungs BV, Hamburg, informed us that it owns a majority interest in our company since August 16, 2007.

On 27 February, 2009, Mayfair group acquired the remaining 6 share certificates (635 non-par value shares) and therefore owns 100% of the shares in GL SE.

The consolidated subsidiaries can be taken from the statement of shareholdings. Subsidiaries and associated entities that are – both individually and in their entirety – insignificant for giving a true and fair view of the assets, liabilities, financial position and financial performance of the group are not included.

For the period 31 January to 31 December 2011, the executive board of GL Societas Europaea prepared a **dependency report** regarding relationships to associated entities in accordance with §312 AktG.

In its concluding statement, the executive board states that the company (GL SE) received adequate considerations for each of the listed transactions in accordance with the circumstances that were known to the executive board at the time of the transactions.

The following transactions were conducted with related parties:

Purchase of goods and services

million €	2011	2010
Purchase of goods		
- parent company (Mayfair)	-	-
- non-consolidated subsidiaries	-	-
- associated companies	-	-
Purchase of services		
- parent company (Mayfair)	-	-
- non-consolidated subsidiaries	-	-
- associated companies	-	0.4
Total	-	0.4

Outstanding balances from purchase of goods and services at year-end

million €	2011	2010
Amounts owed by related parties		
- parent company (Mayfair)	-	-
- non-consolidated subsidiaries	-	-
- associated companies	-	-
Amounts owed to related parties		
- parent company (Mayfair)	-	-
- non-consolidated subsidiaries	-	-
- associated companies	-	0 03
Total	-	0 03

Loans from related parties

million €	2011	2010
Loans from parent company (Mayfair):		
- beginning of the period	-	83,8
- granting of loans	-	0,0
- redemption of loans	-	-84,2
- interest charged	-	1,9
- currency translation gains	-	-1,5
Total	-	0,0

Remuneration of management

million €	2011	2010
Salaries and other current items	2 4	1 4
Post-employment benefits	0 2	0 1
Other non-current items		
- of which share based remuneration	0 6	0 8
Total	3.2	2.3

Overall remuneration of the members of the executive board amounted to € 3,214k in 2011 (2010 € 2,357k)

Total remuneration includes performance-based remuneration, the fair value of which amounts to € 597k (2010 € 820k)

Post-employment benefits refer to the current service costs relating to pension provisions for the active members of the executive board and amount to € 208k (2010 € 130k)

Total remuneration of former members of the executive board and their surviving dependents amounted to € 556k (2010 € 582k) Pension provisions of € 7,128k (2010 € 6 248k) are set up for this group of people

Remuneration for the members of the supervisory board amounted to € 108k (2010 € 116k) while € 15k (2010 € 16k) were paid in attendance fees

7.6 Group relations

The consolidated financial statements of Germanischer Lloyd SE are included in the consolidated financial statements of Mayfair Vermögensverwaltungs SE, Hamburg

7.7 Subsequent events In March 2012 the real estate at Brooktorkai recognised under non-current assets held for sale as at December 31, 2011 was disposed of
Further subsequent events of importance did not occur

Hamburg, March 21, 2012

The executive board

van der Noordaa

Dr Segatz

Paasivaara

8 Appendix I: Statement of shareholdings Germanischer Lloyd group 2011

No	Affiliated consolidated companies	Registered office	Country	Shares (in %)	Investment held by
1	Germanischer Lloyd Societas Europaea (GL SE)	Hamburg	Deutschland		
2	ELBE Holding GmbH (ELBE)	Hamburg	Deutschland	100	GL SE
3	Germanischer Lloyd Industrial Services GmbH (GLIS)	Hamburg	Deutschland	100	GL SE
4	Advantica Corporate Ventures Ltd (Advantica Corp)	Loughborough	Großbritannien	100	GLIS UK
5	Advantica Intellectual Property Ltd	Loughborough	Großbritannien	100	GLIS UK
6	ATP Meßstelle Nord GmbH	Elze	Deutschland	100	GL SE
7	Noble Denton Poland Sp z o o (ex Brevik Engineering Poland Sp z o o)	Gdansk	Polen	100	Brevik AS
8	Cesky Lodní a průmyslový registr, s r o	Prag	Tschechische Republik	75	GL SE
9	Cogsys Ltd	Warrington	Großbritannien	94	Advantica Corporate Ventures
10	EURL German Lloyd GL	Algier	Algerien	100	ELBE
11	Friendship Systems GmbH	Potsdam	Deutschland	75	FutureShip
12	FutureShip GmbH	Hamburg	Deutschland	100	GL SE
13	Garrad Hassan & Partners Ltd	Bristol	Großbritannien	100	GH Group Ltd
14	GL Garrad Hassan Deutschland GmbH (GHD)	Kaiser-Wilhelm-Koog	Deutschland	100	GH Group Ltd
15	Garrad Hassan (Beijing) Technology and Service Corp Ltd	Peking	China	100	GH Group Ltd
16	Garrad Hassan America Inc	Peterborough	USA	100	GH Group Ltd
17	Garrad Hassan Canada Inc	Ottawa	Kanada	100	GH Group Ltd
18	Garrad Hassan Denmark Aps	Kopenhagen	Danemark	100	GH Group Ltd
19	Garrad Hassan France SARL	Paris	Frankreich	100	GH Group Ltd
20	Garrad Hassan Group Ltd (GH Group Ltd)	Bristol	Großbritannien	100	GL SE
21	Garrad Hassan Iberica SLU	Zaragoza	Spanien	100	GH Group Ltd
22	Garrad Hassan India Private Ltd	Bengaluru	Indien	100	GH Group Ltd
23	Garrad Hassan Ireland Limited	Dublin	Irland	100	GH Group Ltd
24	Garrad Hassan Italia Srl	Imola	Italien	100	GH Group Ltd
25	Garrad Hassan Japan Ltd	Tokyo	Japan	100	GH Group Ltd
26	Garrad Hassan Mexico S de RL de CV	Monterrey	Mexiko	100	GH Group Ltd
27	Garrad Hassan Pacific Ltd	Wellington	Neuseeland	100	GH Group Ltd
28	Garrad Hassan Pacific Pty	Melbourne	Australien	100	GH Group Ltd
29	Germanischer Lloyd - Lebanon S A R L	Amchit	Libanon	100	ELBE, GL SE, ATP
30	Germanischer Lloyd (Australia) Pty Ltd	Sydney	Australien	100	ELBE, GL SE
31	Germanischer Lloyd (Chile) Servicios Técnicos, Marítimos e Industriales Ltda	Valparaiso	Chile	100	ELBE, GL SE
32	Germanischer Lloyd (China) Co Ltd	Shanghai	China	100	GL SE
33	Germanischer Lloyd (Cyprus) Ltd	Limassol	Zypern	100	ELBE, GL SE
34	Germanischer Lloyd (Malaysia) SDN BHD	Kuala Lumpur	Malaysia	100	ELBE
35	Germanischer Lloyd (USA) Inc	New York	USA	100	ELBE

IFRS Consolidated Financial Statements Germanischer Lloyd SE | 2011

No	Affiliated consolidated companies	Registered office	Country	Shares (in %)	Investment held by
36	Germanischer Lloyd Anlageverwaltungsgesellschaft mbH	Gadebusch	Deutschland	100	GL SE
37	Germanischer Lloyd Argentina S A	Buenos Aires	Argentinien	100	ELBE, GL SE
38	Germanischer Lloyd Austria GmbH	Wien	Österreich	100	ELBE
39	Germanischer Lloyd Bangladesh Ltd	Chittagong	Bangladesch	100	ELBE, GL SE
40	Germanischer Lloyd Bautechnik GmbH	Hamburg	Deutschland	100	GLIS
41	Germanischer Lloyd Belgie N V	Antwerpen	Belgien	100	ELBE, GL SE
42	Germanischer Lloyd Bulgana Ltd	Varna	Bulgarien	100	GL SE
43	Germanischer Lloyd Canada Ltd	Montreal	Kanada	100	ELBE
44	Germanischer Lloyd Certification GmbH (GLC)	Hamburg	Deutschland	100	GL SE
45	Germanischer Lloyd Certification Mexico S de R L de C V	Mexiko D F	Mexiko	100	GLC, GLIS
46	Germanischer Lloyd Certification Middle East Ltd	Kairo	Ägypten	100	GL SE, ELBE
47	Germanischer Lloyd Colombia Ltda	Cartagena	Kolumbien	100	ELBE, GL SE
48	Germanischer Lloyd Colombo (Pvt) Ltd	Colombo	Sn Lanka	100	ELBE, GL SE
49	Germanischer Lloyd Curaçao Ltd	Willemstad	Curaçao	100	ELBE
50	Germanischer Lloyd De Panama Ltd	Panama-City	Panama	100	ELBE
51	Germanischer Lloyd de Venezuela Servicios Maritimos e Industriales S A	Caracas	Venezuela	100	ELBE, GL SE
52	Germanischer Lloyd Denizcilik Teknik Hizmetler Limited Sirket	Istanbul	Türkei	100	ELBE, GL SE
53	Germanischer Lloyd Denmark A/S	Hvidovre	Danemark	100	ELBE
54	Germanischer Lloyd do Brasil Ltda	Rio de Janeiro	Brasilien	100	ELBE, GL SE
55	Germanischer Lloyd España S L	Madrid	Spanien	100	ELBE
56	Germanischer Lloyd Estonia OÜ	Tallin	Estland	100	ELBE
57	Germanischer Lloyd Finanzanlagegesellschaft mbH & Co KG	Gadebusch	Deutschland	100	GL SE
58	Germanischer Lloyd Finland Oy	Turku	Finnland	100	GL SE
59	Germanischer Lloyd France SARL	Marseille	Frankreich	100	ELBE
60	Germanischer Lloyd Gabon SARL	Port Gentil	Gabun	100	ELBE, GL SE
61	Germanischer Lloyd GLM SDN BHD Inc	Kuala Lumpur	Malaysia	49	GLIS
62	Germanischer Lloyd Hellas Survey E P E	Piraeus	Griechenland	100	ELBE
63	Germanischer Lloyd Hong Kong Ltd	Hong Kong	China	100	ELBE, GL SE
64	Germanischer Lloyd Hungary, Műszaki Vizsgáló Kft	Budapest	Ungarn	100	ELBE
65	Germanischer Lloyd Iceland Ltd	Reykjavik	Island	100	ELBE
66	Germanischer Lloyd Industrial Services (Shanghai) Co Ltd	Shanghai	China	100	GLIS
67	Germanischer Lloyd Industrial Services (Thailand) Ltd	Bangkok	Thailand	100	GLIS
68	Germanischer Lloyd Industrial Services Asia SDN BHD (GLIS Asia)	Kuala Lumpur	Malaysia	100	GLIS
69	Germanischer Lloyd Industrial Services Cyprus Ltd	Limassol	Zypern	100	ELBE
70	Germanischer Lloyd Industrial Services do Brasil Ltda	Sao Paulo	Brasilien	100	GL SE, GLC, GL do Brasil
71	GL Noble Denton Egypt Ltd	Kairo	Ägypten	100	GLIS, GL SE
72	Germanischer Lloyd Industrial Services Holding (Canada) Inc (GLIS Holdings CAN)	Dartmouth	Kanada	100	GLIS
73	Germanischer Lloyd Industrial Services Holdings (UK) Limited (GLIS Holdings UK)	Loughborough	Großbritannien	100	GLIS

IFRS Consolidated Financial Statements Germanischer Lloyd SE | 2011

No	Affiliated consolidated companies	Registered office	Country	Shares (in %)	Investment held by
74	Germanischer Lloyd Industrial Services Italia S R L	Mailand	Italien	100	GLIS
75	Germanischer Lloyd Industrial Services Kazakhstan Limited	Atyrau City	Kasachstan	100	GLIS
76	Germanischer Lloyd Industrial Services Romania S R L	Bukarest	Rumanien	100	GLC, GL Rumanien
77	Germanischer Lloyd Industrial Services Russland (LCC)	Moskau	Russland	100	GLIS
78	Germanischer Lloyd Industrial Services Saudi Arabian Co Ltd	Al-Khobar	Saudi-Arabien	100	GLIS, GL SE
79	Germanischer Lloyd Industrial Services Vietnam Co Ltd	Vung Tau City	Vietnam	100	GLIS
80	Germanischer Lloyd Investment s r o	Prag	Tschechische Republik	100	ELBE
81	Germanischer Lloyd Ireland Ltd	Dublin	Irland	100	ELBE
82	Germanischer Lloyd Israel Ltd	Haifa	Israel	100	ELBE
83	Germanischer Lloyd Italy S r l	Genua	Italien	100	ELBE, GL SE
84	Germanischer Lloyd Japan KK	Kobe	Japan	100	ELBE
85	Germanischer Lloyd Malta Ltd	Pieta	Malta	100	ELBE, GL SE
86	Germanischer Lloyd Morocco SARL	Casablanca	Marokko	100	ELBE, GL SE
87	Germanischer Lloyd Netherlands B V	Rotterdam	Niederlande	100	GL SE
88	Germanischer Lloyd New Zealand Ltd	Auckland	Neuseeland	100	ELBE
89	Germanischer Lloyd Nigeria Ltd	Lagos	Nigeria	100	ELBE, GL SE
90	Germanischer Lloyd Norge AS	Oslo	Norwegen	100	ELBE
91	Germanischer Lloyd Offshore and Industrial Services Korea Ltd Co	Seoul	Korea	100	GLIS
92	Germanischer Lloyd Peru S A C	Lima	Peru	100	ELBE, GL SE, GLIS Cyprus
93	Germanischer Lloyd Philippines Inc	Manila	Philippinen	100	ELBE
94	Germanischer Lloyd Polen Sp z o o	Szczecin	Polen	100	ELBE, GL SE
95	Germanischer Lloyd Portugal - Inspeção de Navios Lda	Lisbon	Portugal	100	ELBE, GL SE
96	Germanischer Lloyd Prufaktor GmbH	Hamburg	Deutschland	100	GLIS
97	Germanischer Lloyd Saudi Arabia Ltd	Jeddah	Saudi-Arabien	49	GL SE
98	Germanischer Lloyd Singapore PTE Ltd	Singapur	Singapur	100	ELBE
99	Germanischer Lloyd Slovenija d o o	Portoroz	Slovenien	100	GL SE
100	Germanischer Lloyd South Africa (Pty) Ltd	Durban	Südafrika	100	ELBE
101	Germanischer Lloyd Split d o o	Split	Kroatien	100	ELBE
102	Germanischer Lloyd St Petersburg GmbH	St Petersburg	Russland	100	ELBE, GL SE
103	Germanischer Lloyd Sweden AB	Stockholm	Schweden	100	GL SE
104	Germanischer Lloyd Thailand Co Ltd	Bangkok	Thailand	100	ELBE, GL SE
105	Germanischer Lloyd UAB	Klaipėda	Litauen	100	ELBE
106	Germanischer Lloyd Universal Industrial Services Ltd	Mellieha	Malta	100	GLIS, GL SE
107	GL Industrial Services Australia Pty Ltd	Helensvale	Australien	100	GLIS Singapore
108	GL Industrial Services Singapore Pte Ltd	Singapur	Singapur	100	GLIS Asia
109	GL Industrial Services UK Ltd (ex Advantica Ltd)	Loughborough	Großbritannien	100	GLIS Holdings UK
110	GL Luxembourg GmbH	Luxemburg	Luxemburg	100	GL SE

IFRS Consolidated Financial Statements Germanischer Lloyd SE | 2011

Lfd Nr	Gesellschaften im Konzernabschluss einbezogen	Sitz	Land	Anteil (in %)	Beteiligung gehalten von
111	Hélimax Energy Inc	Montréal	Kanada	100	Garrad Hassan Canada Inc
112	Helimax Renewables Inc	New Berlin (WI)	USA	100	Hélimax
113	Germanischer Lloyd Industrial Services (HK) Co Limited	Hong Kong	China	100	GLIS Singapore
114	International Reliability Services (B) Sdn Bhd	Kuala Belait	Negara Brunei Darussalam	100	GLIS Singapore
115	Lloyd Alman Kish Ltd	Teheran	Iran	55	GLIS
116	Lloyd German Iran Kish Ltd	Kish Island	Iran	100	ELBE, GL SE
117	Lloyd Germanico de Mexico S de R L de C V	Mexiko D F	Mexiko	100	ELBE, GL SE
118	GL Noble Denton International Inc (ex Lowe Offshore International Inc)	Houston	USA	100	Lowe Management Hold Com LLC
119	GL Maritime Software GmbH (ex MS Logistik Systeme GmbH)	Rostock	Deutschland	75	GL SE
120	Noble Denton Group Ltd	London	Großbritannien	100	GLIS
121	Noble Denton & Associates Sdn Bhd	Kuala Lumpur	Malaysia	100	ND Holdings UK
122	Noble Denton & Associates Servicos Maritimos Limitada	Rio de Janeiro	Brasilien	100	ND Holdings UK
123	Noble Denton Borel Limited	London	Großbritannien	100	ND Holdings UK
124	Noble Denton Canada Limited	St John's	Kanada	100	ND Group Ltd
125	Noble Denton Consultants Limited	London	Großbritannien	100	ND Holdings UK
126	Noble Denton Espana SL	Madrid	Spanien	100	ND Holdings UK
127	Noble Denton Holdings Inc	Wilmington	USA	100	ND Holdings UK
128	Noble Denton Holdings Limited	London	Großbritannien	100	Noble Denton Group
129	Noble Denton India Pvt Limited	Mumbai	Indien	100	ND Holdings UK
130	Noble Denton Malaysia Sdn Bhd	Kuala Lumpur	Malaysia	100	ND & Ass MYS
131	GL Noble Denton Inc (ex ND Management Services Inc)	Houston	USA	100	ND Holdings USA
132	Noble Denton Middle East Limited (trading in Dubai)	Jersey	Großbritannien	100	ND Switzerland
133	Noble Denton Norge A/S	Oslo	Norwegen	100	ND Holdings UK
134	Noble Denton Property Management Inc	Houston	USA	100	ND Holdings USA
135	Noble Denton Sandefjord AS	Sandefjord	Norwegen	100	ND Norge
136	Noble Denton Singapore Pte Limited	Singapur	Singapur	100	ND Holdings UK
137	Noble Denton Switzerland SA	Genf	Schweiz	100	ND Holdings UK
138	Noble Denton Tanker Services Limited (trading in Dubai)	Jersey	Großbritannien	100	ND Middle East
139	Offshore Dynamics Limited (trading in Sharjah)	Jersey	Großbritannien	100	ND Middle East
140	P T Noble Denton Utama	Jakarta	Indonesien	100	ND Holdings UK
141	P T Germanischer Lloyd Indonesia Corporation	Jakarta	Indonesien	100	ELBE, GL SE
142	P T Germanischer Lloyd Nusantara Corporation	Jakarta	Indonesien	95	GL SE, GLIS
143	Poseidon Maritime (UK) Limited	London	Großbritannien	100	ND Holdings UK
144	S C Germanischer Lloyd Romania S R L	Romania	Rumanien	90	GL SE
145	S C Germanischer Lloyd Ukraine	Odessa	Ukraine	100	ELBE
146	SIA Germanischer Lloyd Latvia	Riga	Lettland	100	ELBE
147	St Annen Platz GmbH & Co KG	Hamburg	Deutschland	100	GL SE
148	Tndent Consultants Far East (M) SDN BHD (TCFE)	Kuala Lumpur	Malaysia	100	GLIS Asia

No	Affiliated consolidated companies	Registered office	Country	Shares (in %)	Investment held by
149	Trident Consultants SDN BHD	Kuala Lumpur	Malaysia	49	TCFE
150	Windtest Iberica S L	Madrid	Spanien	100	GLIS, GHD
151	Garrad Hassan Netherlands	Heerenveen	Niederlande	100	GH Group Ltd
152	Germanischer Lloyd Industrial Services Oman LLC	Muscat	Oman	70	GLIS
153	Germanischer Lloyd Industrial Services Trinidad Ltd	Port of Spain	Trinidad & Tobago	100	GLIS USA Inc
154	Germanischer Lloyd Industrial Services Tunisia SARL	Tunis	Tunesien	100	GLIS, GL SE
155	Noble Denton Russia	Moskau	Russland	100	ND Consultants Ltd UK
156	Noble Denton Brasil Services Offshore Limitada	Rio de Janeiro	Brasilien	100	GL Noble Denton Inc
157	Brooktorkai 18 Immobilien GmbH & Co KG	Oststeinbek	Deutschland	100	GL SE
158	Brooktorkai 18 Immobilien Verwaltungsgesellschaft mbH	Oststeinbek	Deutschland	100	GL SE
159	Noble Denton Services Limited (in Liquidation)	London	Großbritannien	100	ND Holdings UK
160	Offshore Dynamics Limited (in Liquidation)	London	Großbritannien	100	ND Holdings UK
161	GL Garrad Hassan Energia Renovavel do Brasil Ltda	Porto Alegre	Brasilien	100	GH Group Ltd , Garrad Hassan Iberica SLU

No	Proportionately consolidated companies	Registered office	Country	Shares (in %)	Investment held by
1	Germanischer Lloyd Offshore and Industrial Services (B) SDN BHD	Kuala Belait	Negara Brunei Darussalam	50	GLIS

No	Non-consolidated companies	Registered office	Country	Shares (in %)	Investment held by
1	Germanischer Lloyd Industrial Services India Pvt Ltd	Chennai	Indien	50	GLIS
2	Germanischer Lloyd Kenya Ltd , Nairobi, Kenya	Nairobi	Kenia	100	ELBE, GL SE
3	Germanischer Lloyd Tunisie SARL	Tunis	Tunesien	100	ELBE
4	LLC Russian German Consortium on Sakhalin	Sakhalin	Russland	33	GLIS
5	Navitas SARL	Tunis	Tunesien	49	GL SE
6	Verwaltungsgesellschaft St Annen Platz mbH	Hamburg	Deutschland	65	GL SE
7	Offshore Dynamics (Singapore) Pte Limited	Singapur	Singapur	100	ND Holdings UK
8	FutureShip Hong Kong Ltd	Hong Kong	China	100	FutureShip
9	Germanischer Lloyd Industrial Services USA LLC	Milwaukee	USA	100	GL IS
10	SC SWISS Certification AG (in Liquidation)	Richterswil	Schweiz	100	GLC

1. Business and operating environment

1.1 Corporate structure

Germanischer Lloyd (GL) SE is an independent classification, certification, inspection and consultancy company offering technical services and solutions for the maritime industry, as well as for companies in the energy industry. GL SE is operationally active and, at the same time, undertakes holding tasks. As a holding, its activities encompass holding and administering equity interests in Germany and abroad and their consolidation under common management. As the management company of the GL Group, GL SE is responsible for the strategic orientation of the group of companies, as well as definition and monitoring of corporate goals. As of 31.12.2011, the GL Group employed 5,887 highly qualified staff at 211 offices in 77 countries.

The Group consists of three business units.

As one of the world's leading classification and consultancy companies, the GL Group's Maritime Services business unit pursues the goal of improving safety for ships and crews at sea, increasing the economic efficiency of its clients and minimising environmental impact. The non-classificatory division of Maritime Solutions includes the business fields of software, consultancy (FutureShip), training (GL Academy) and systems certification.

The Oil & Gas business unit (GL Noble Denton) covers an extensive range of technical services involving all aspects of relevance to the safety and profitability of energy generation and storage plants, as well as energy transportation. Here the focus lies on the upstream and midstream markets.

In the Renewables business unit, the consulting business is bundled for customers in the field of renewables (GL Garrad Hassan) and the certification of wind farms, wind turbines and components (GL Renewables Certification). GL Garrad Hassan has succeeded in maintaining and expanding its position as the leading independent service provider for the onshore and offshore wind energy industry.

1.2 Corporate goals (vision, mission, values)

The vision of the GL Group is to be the worldwide most respected technical advisor and trusted partner for its clients in all areas and aspects of its international project business.

Through the unique combination of technical competence and an understanding of its markets and customers, the GL Group will further expand its position and safeguard the respect and trust of its business partners through the creativity and motivation of its extraordinary employees.

The mission of the GL Group is to support its customer in becoming more effective and environmentally conscious in their actions ("safer, smarter, greener"). The avoidance of damage to people and property is always paramount.

Based on its extensive experience, its worldwide network and its comprehensive service portfolio, the GL Group will also achieve excellent results in the future. The aim is also to inspire future business partners and employees and to lower their environmental impact.

The values of the GL Group include justifying the trust of its clients and staff, embracing change, implementing every worthwhile improvement and delivering measurable results for its business partners and employees

1.3 Corporate strategies

In the Maritime Services business unit, the GL Group pursues the goal of continuously expanding its services and further extending its worldwide presence. Moreover, its aim is to sustainably increase market share and continuously enhance its effectiveness. The classification of ships and ship components will also continue to be GL's core business in the future. In addition, its focus is on exploiting growth opportunities in the consultancy business (Maritime Solutions) and non-classificatory certification.

The goal of the Oil & Gas business unit is to become the leading, independent, technical service provider on questions of plant safety, integrity and productivity. Besides selective expansion of the service portfolio and steadily increasing market share, the establishment and development of business in previously insignificant regions and quality and efficiency enhancement will be implemented in operative business.

The objective of the Renewables business unit is to continue expanding its position as the leading technical service provider in the wind energy industry. The key areas here are selective expansion of the service portfolio, especially in the areas of offshore wind and services for wind farm operators, as well as intensification of its worldwide presence. The renewable sources of solar, wave and tidal energy, as well as services for network integration of renewables, will become evermore important for the GL Group in the future.

The pursuit of inorganic growth by acquiring companies that expand the GL Group's performance spectrum is a further component of corporate strategy.

1.4 Economic environment and corporate development

The International Monetary Fund (IMF) assumes for 2011 a 3.8% growth in the world economy (2010: 5.2%). This represents a slow down in growth of 1.4 percentage points compared with the preceding year (IMF, World Economic Outlook, January 2012).

The leading industrial nations are essentially the cause of the deceleration in growth. Japan's economic output has been hard hit, especially by the natural catastrophe and the resulting nuclear disaster in Fukushima, declining by 0.9% in 2011 (2010: 4.4%). Owing to weak domestic demand, growth in the US economy was comparatively low at 1.8% (2010: 3.0%).

The BRIC countries (Brazil, Russia, India, and China) were already the growth drivers of the world economy. Especially China (2010: 10.4%, 2011: 9.2%) and India (2010: 9.9%, 2011: 7.4%) managed to mark up high growth on the back of increasing industrialisation. By comparison, Brazil's growth cooled down sharply compared with the preceding year (2010: 7.5%, 2011: 2.9%). Russia's 4.1% growth roughly maintained the previous year's level (2010: 4.0%).

Analogous to the decline in world economic growth, the growth in global trade in goods and services also dropped from 12.7% in the previous year to 6.9% in 2011 (IMF, World Economic Outlook, January 2012).

The difficult economic conditions previously described, worldwide, as well as in the euro-zone in particular, made 2011 a challenging business year for the GL Group. Moreover the Arab spring and the Macondo accident had influenced specific markets of the GL Group.

Against this backdrop, the GL Group succeeded in raising gross operating income over the preceding year by 26.0 mil. EUR (+3.5%) to 765.4 mil. EUR (2010: 739.4 mil. EUR). Growth rate adjusted by currency effects was 6.0%.

Through its international activities and a varied range of services, the GL Group has diverse economic opportunities, as well as risks.

1.4.1 Maritime Services market and business unit development

The global growth in seaborne container transportation (measured in TEU) amounted to 8.1% in 2011 (2010: 12.3%) (Clarkson, Container Intelligence Monthly, January 2012).

As in the previous year, the growing demand for ship tonnage is matched by continuous expansion in fleet capacity. As a result, a comparably high number of new ships were delivered in 2011 in all the significant ship divisions, mainly from orders originating before the financial crisis. In some ship divisions this resulted in a higher freight capacity than the available demand. This development had implications for the level of incoming orders and also cancellations.

The total tonnage of the global merchant fleet (> 100 gt) grew in 2011 by 8.1% (2010: 8.5%) to 1,075 mil. gt (2010: 994 mil. gt) (Fairplay, January 2012). The worldwide container fleet tonnage recorded growth of 7.8% (2010: 8.7%). By contrast, the capacity of the multipurpose fleet only changed marginally (2010: 2.0%, 2011: -0.1%). Growth in the bulk carrier fleet maintained a high level at 14.3% (2010: 17.7%). Worldwide tanker fleet tonnage increased by 5.0% (2010: 3.5%).

The world orderbook for new sea ships of 229 mil. gt in 2011 was well down on the previous year's 275 mil. gt. The decline in 2011 is attributable to the large number of ships completed in 2011, the comparatively low level of incoming orders and the numerous cancellations.

The increasing worldwide demand for ship components in the maritime supply industry therefore boosted the earnings situation of the Maritime Services business unit. The gross operative income for the business unit of 328.9 mil. EUR was therefore 2.0% higher than the previous year (2010: 322.4 mil. EUR). Consequently, the target value for 2011 was attained. GL managed to consolidate and partly expand its position in the essential market segments in a difficult market environment.

The fleet under the classification of GL continued its double-digit percentage growth over the previous year by 10.0% to 103.4 mil. gt (2010: 11.2% to 94.0 mil. gt). So the GL fleet in service broke the 100 mil. gt barrier in 2011. With a market share of 9.6% (2010: 9.5%) of the worldwide fleet, the GL fleet in service forms a solid basis for continuous business development in the Maritime Services sub-business unit.

GL is the unrivalled world leader with its Container Ship business unit. With a market share of 41.5% (next biggest competitor 14.9%), GL managed to further improve its position (2010: 40.8%). In GL's second important business unit of multipurpose ships, its market share of fleet in service increased to 13.3% (end of 2010: 12.3%) (IHS Fairplay). GL's market share for bulk carriers was 3.0% (2010: 2.6%) and for tankers 2.0% (2010: 2.0%). In the passenger/RoRo ship business unit, GL held a market share of 3.4% at the end of 2011 (end of 2010: 3.2%).

Germanischer Lloyd managed to show a slight recovery in incoming orders in 2011. With 9.0 mil. gt in newbuilding classification of sea ships applied for, significantly more orders were issued than in the previous year (2010: 3.5 mil. gt). Completions in 2011 remained on a very high level of 10.2 mil. gt (2010: 10.5 mil. gt).

GL's order backlog for newbuilding tonnage to be classified also declined in 2011. At the end of 2011 there was 24.3 mil. gt and therefore 22% less newbuilding orders on the books than at the end of the previous year (2010: 31.2 mil. gt). The lifetime of the order backlog is about 2.6 years. The order backlog in the newbuilding business, without materials and components testing and fleet in service, reduced to 116.7 mil. EUR as of 31.12.2011 (2010: 154.4 mil. EUR). Two factors were decisive in the development of the newbuilding orderbook.

As in the preceding year, there were more old orders completed than new orders acquired. The effect of this is -1.2 mil. gt and -7.1 mil. EUR in order value. Furthermore, 2011 were also characterised by cancellations (-6.0 mil. gt / -32.6 mil. EUR). Old orders from previous years that were unlikely to be realised were adjusted (-1.4 mil. gt / -10.5 mil. EUR).

1.4.2 Oil and Gas market and business unit development

Despite the debt crisis, the worldwide investment volume relevant for the oil and gas market also grew considerably in 2011 by 14% (2010: 15%) (Global Data, November 2011). Around 930 billion USD was invested in total. The former peak from 2008 of around 880 billion USD was therefore clearly exceeded. The consistently high energy demand in China and India had a major influence here.

Due to the instable political situation in North Africa and the Middle East, as well as the prolonged nuclear conflict with Iran, the 2011 price for crude oil (Brent) at 108 USD/barrel (year-end value) was around 16% above the previous year's figure of 93 USD/barrel.

The average number of active drilling rigs increased in 2011 by 16% to 3,466 (2010: around 2,985 rigs) (Baker Hughes). The recovery in activities in the Gulf of Mexico following the Macondo accident in the course of the year was the reason for this.

The markets for technical consultation, certification and inspection services for the oil and gas industry profited from the overall positive global developments. Nonetheless, the order volume continued to be influenced by reduced or postponed investments, financial restrictions, cutbacks in maintenance activities, as well as insourcing of previously externally assigned activities.

The Fukushima nuclear catastrophe in Japan led to a global discussion of the use of nuclear energy. Probably Gas and Wind will significantly increase their share of the energy mix (e.g. Germany, UK, USA, Italy).

The Oil & Gas business unit of GL Group grew by 3.9% (2010: 2.1%) in 2011, the gross operative income totalled 344.9 mil. EUR (2010: 331.9 mil. EUR). A considerable contribution to this growth was made by the Asian region, which demonstrated its good recovery, and also the stable development in Europe. On the other hand, the Americas and the Middle East caused problems. In the Americas the market environment was extremely difficult, caused among other things by a significant decrease of activities in the Gulf of Mexico after the Macondo accident that has been recovered in the course of the year. In the Middle East, the so-called Arab Spring left its mark on sales development in 2011. Nevertheless the business in the Middle East still grew with 4.0%, but remained behind expectations.

The order backlog rose by 8% over the preceding year and was 194 mil. EUR as of 31.12.2011 (2010: 179 mil. EUR).

Integration of the Noble Denton Group Limited, London, acquired in 2009, continued to plan. Besides the global range offered by a completed service portfolio, this also included merging sites. In addition, intensified collaboration was achieved with the Maritime Services and Renewables business units, in the offshore activities etc.

1.4.3 Renewables market and business unit development

According to GL Group's estimates, the cumulative worldwide installed wind energy capacity increased in 2011 to 238.6 Gigawatt (GW) (2010: 197.2 GW). This equates to a 21.0% increase over the previous year. The 41.4 GW capacity newly installed in 2011 (2010: 38.5 GW) was 7.5% up on the previous year's level.

Whereas the newly installed capacity in Europe grew by 5.0% to 10.6 GW (2010: 10.1 GW), the 21.6 GW newly installed capacity in the Asian-Pacific region remained on the same level as the previous year (2010: 21.6 GW). China accounted for around 80% of the newly installed capacity in the Asian-Pacific region.

After the newly installed capacity in the Americas region had almost halved for reasons of unclear political objectives and more stringent loan conditions, the region succeeded in generating remarkable growth of 40.0% in 2011 (2011: 9.1 GW, 2010: 6.5 GW).

In 2011, the worldwide newly installed offshore capacity was markedly lower than in the previous year at 0.5 GW (2010: 0.8 GW). In this context, it has to be considered that the construction of some wind farms was delayed and could therefore not be completed in 2011 as originally planned. With around 65%, Great Britain had by far the highest share of worldwide newly installed offshore capacity.

By the end of 2011, the globally cumulated installed offshore capacity was 3.4 GW (2010: 2.9 GW). Hence the share of offshore installations in the globally cumulated installed capacity was 1.4% (2010: 1.5%).

The other renewable energy sources also continued their expansion in 2011. Thanks to government subsidies, particularly solar energy managed to post substantial growth rates in Germany.

Growth in the Renewables business unit amounted to almost 7.6% in 2011 and therefore fell approx. 9.4% short of expectations. The gross operating income totalled 91.6 Mio. EUR (2010: 85.1 mil. EUR). The regional development was very varied. The American market has still not recovered from the consequences of the banking crisis, so GL Garrad Hassan sales were slightly down on the previous year's level. As GL Garrad Hassan is strongly involved in the conception of new projects, this business was hardly able to profit of an increase in the worldwide installed capacity. In contrast, the strong development in Asia, especially in China, continued. Europe presented a stable picture in 2011. Under these circumstances, especially the certification of wind turbines and consultation on the development of turbines showed very encouraging growth.

The order backlog of 62 mil. EUR as of 31.12.2011 was on a par with the preceding year (62 mil. EUR).

Overall, GL Garrad Hassan further consolidated its position as the leading independent service provider for the onshore and off shore wind energy industry.

1.5 Research, development and innovation

Key aspects of the strategic research and development of the Maritime Services business unit - characterised by the keywords safer, smarter, greener - are still risk and emission minimised sea transport, increased availability, reduction in lifecycle costs and improvement in processes through the use of modern IT technologies.

The key research and development areas of the Renewables business unit are offshore wind energy, new materials for wind turbines and other renewable sources of energy (solar, tidal, wave). In the Oil & Gas business unit, GL Noble Denton is involved in various research programmes as part of client projects. Its success can be seen in the fact that GL Noble Denton won the coveted Award for Innovation at the 2011 UK Gas Industry Awards.

1.6 Performance indicators for corporate control

The essential financial performance indicators for corporate control are the operating results of the group companies, plants and organisational units. Here the sales and earnings performance is recorded by business fields and regions. The financial control parameters adjusted according to economic aspects include gross operating income, gross profit, sales costs, research and development costs, administrative costs, earnings before interest, taxes and amortization (EBITA), order intake, order backlog, as well as sales productivity per employee.

The non-financial control parameters include employee utilisation, the ratio of employees working directly for clients to non-operative employees and staff turnover. Furthermore, regular information on staff and client satisfaction, as well as GL's environmental balance, are surveyed and evaluated accordingly.

1.7 Information systems

The SAP-BI platform was developed on the corporate level and the associated reporting and analysis functions extended. Additionally, the consolidation of financial figures has been raised to a new platform (SAP BOFC).

Major emphasis was placed on the harmonisation of the corporate information systems for the Oil & Gas and Renewables business units. This included preparation for the group-wide establishment of a SAP-ERP system whose introduction is planned for Great Britain in 2012. Worldwide implementation is planned thereafter. In this context significant investments were made.

Within the scope of the ABC project, the priorities for the Maritime Services business unit were reviewed for all IT projects. Development of a Master Data Management (MDM) system to support the core processes of the classification business will take high priority in the future. The system launch is intended for the start of 2012. Another key area is the launch of the SAP-ERP system that will start in 2012 for the Maritime Services business unit.

1.8 Personnel

The GL Group employed 5,887 staff worldwide as of 31.12.2011 (2010: 5,707) in 77 countries, which is a 3.2% increase in headcount.

At the end of 2011, of the 5,887 employees, 5,165 had unlimited employment contracts and 163 (2010: 100) temporary working contracts. In the Maritime Services business unit there were 2,121 (2010: 2,100) staff employed as of 31.12.2011 and 309 (2010: 258) in Corporate Services. Of the 3,457 (2010: 3,349) employees in the Industrial Services business line, 2,570 were assigned to the Oil & Gas business unit and 850 to the Renewables business unit as of 31.12.2011.

3. Income, financial situation and assets of the GL Group

3.1 Income situation

3.1.1 Operating expenses and income

Operating income of the GL Group comprises sales revenues of 765.4 mil. EUR (2010: 739.4 mil. EUR) and miscellaneous operating income of 53.8 mil. EUR (2010: 113.2 mil. EUR). The previous year was influenced by one-off income relating to the Brooktorkai construction project (44.8 mil. EUR), as well as income from the sale of business operations of 8.2 mil. EUR.

Conversely, the rise in operating expenses by 4.3 mil. EUR (+0.6%) to 733.3 mil. EUR (2010: 729.0 mil. EUR) was somewhat more moderate and was in line with increased sales revenues.

Services provided by third parties (expenses for services purchased) were taken up more frequently in 2011 and rose by 7.8 mil. EUR (+6.4%) to 129.8 mil. EUR.

Personnel costs dropped in comparison with the previous year by 1.6 mil. EUR (-0.4%) to 388.0 mil. EUR.

Compared with the preceding year, scheduled depreciation on property, plant and equipment and other intangible assets dropped by 4.3 mil. EUR (-12.0%) to 31.4 mil. EUR.

Miscellaneous operating expenses (incl. operating taxes) climbed compared with the prior year by 9.5 mil. EUR (+5.5%) to 183.2 mil. EUR. Particular causes for this were increased legal and consultancy costs, expenses for data processing and information systems, as well as other material expenditure.

3.1.2 Earnings before interest and taxes (EBIT) The operating result (EBIT) in the group fell compared with the previous year by 37.6 mil. EUR (-30.4%) to 86.0 mil. EUR (2010: 123.6 mil. EUR). The reduction is mainly attributable to the 53.0 mil. EUR one-off effects included in the miscellaneous operating income from the previous year (Brooktorkai construction project, sale of business operations).

3.1.3 Consolidated net profit In 2011 the GL Group generated a consolidated net profit (including minority interests) of 47.3 mil. EUR (2010: 84.3 mil. EUR), which is a decline of 37.0 mil. EUR (-43.9%) over the previous year.

Without taking into account special effects of 53.0 mil. EUR (construction project Brooktorkai, disposal of technologies) the consolidated net profit 2011 increased by 16.0 mil. EUR from 31.3 mil. EUR in 2010 to 47.3 mil. EUR.

3.2 Assets and financial situation

3.2.1 Cash Flow Statement The cash flow from operating activities dropped by 58.0 mil. EUR to 58.2 mil. EUR (2010: 116.2 mil. EUR). The decline is largely attributable to a 36.2 mil. EUR reduction in pre-tax operating result. The previous year's result was positively influenced by the compensation claim of a former purchaser of the property on Brooktorkai of 44.8 mil. EUR. Moreover, the development of the receivables and liabilities had a negative impact (net -23.5 mil. EUR).

The cash outflow from investment activities of 3.5 mil. EUR (2010: 26.6 mil. EUR) is essentially influenced by the balanced receipts from the disposal of tangible assets and disbursements for the acquisition of property, plant and equipment. In the previous year there was a disbursement for tangible assets (30.1 mil. EUR).

The negative cash flow from financing activities of 59.6 mil. EUR (2010: 54.8 mil. EUR) essentially resulted from further repayment of bank liabilities of 46.8 mil. EUR, as well as the payment of further purchase price instalments for acquisitions of 10.8 mil. EUR (2010: 9.2 mil. EUR). In 2010 there were also payments for the acquisition of minority interests (11.7 mil. EUR).

The cash funds of 146.7 mil. EUR (2010: 149.8 mil. EUR) are almost unchanged as of 31.12.2011. Furthermore, the company holds available-for-sale financial assets of 123.1 mil. EUR.

With the capability of generating cash inflows from ongoing business activities, from liquidity and from financial assets, the GL Group is convinced of its adequate flexibility for covering capital requirements, including scheduled servicing of financial debts, pension plans, as well as financing of its operative business activity.

3.2.2 Financing

The financial management of the GL Group pursues central control of all financial positions of the GL group of companies. The aim is to guarantee liquidity at all times, financial stability and the management of financial risks. The GL Group has sufficient liquid funds at its disposal and ensures liquidity of the group companies. Counterparty risks from financial assets are actively controlled. Loans from banks of impeccable standing form the basis for long-term financial position. Foreign currency and interest risks are monitored continuously and hedging strategies are implemented to reduce existing risks. Guidelines and defined processes exist for financial management. The

contents of these trading rules apply Group-wide, in line with the principle of audit security and are continuously developed

Equity capital rose largely due to the consolidated net profit (including minority interests) of 47.3 mil. EUR to 464.9 mil. EUR (2010: 413.5 mil. EUR). This corresponds to an equity ratio of 44.2% (2010: 39.5%) on the date of reporting. Financial debt amounted to 171.5 mil. EUR compared with 215.9 mil. EUR as of 31.12.2010, i.e. the financial debt could be reduced by 44.3 mil. EUR (20.5%). The financial is balanced against cash and available-for-sale financial assets of 272.8 mil. EUR.

3.2.3. Assets

The balance sheet total for the GL Group increased slightly in the fiscal year 2011 over the previous year's value by 5.3 mil. EUR (+0.5%) to 1,051.7 mil. EUR (2010: 1,046.4 mil. EUR).

The long-term assets dropped to 593.7 mil. EUR compared with the preceding year's value of 635.4 mil. EUR largely due to divestments of parts of the corporate headquarters on Brooktorkai already completed or planned. As a consequence of the divestment plans, parts of buildings were reorganised into current assets, which significantly influenced the rise in current assets from 410.9 mil. EUR to 458.0 mil. EUR.

3.2.4 Balance sheet structure and ratios The balance sheet structure and its key ratios are essentially unchanged from the previous year or developed positively. The balance sheet total of the GL Group increased slightly by 5.3 mil. EUR to 1,051.7 mil. EUR compared with the previous year (1,046.4 mil. EUR).

On the assets side, long-term assets reduced by 41.7 mil. EUR to 593.7 mil. EUR primarily due to divestments of parts of the corporate headquarters on Brooktorkai already completed or planned. One part of the building was sold (residence tower). A further construction plot has been sold in spring 2012 and is therefore classified as held for sale (21.8 mil. EUR) in 2011. This reorganisation of long-term to current assets, as well as the increase in trade receivables by 28.8 mil. EUR, is the cause for the 47.1 mil. EUR increase in current assets from 410.9 mil. EUR to 458.0 mil. EUR on the reporting date.

On the liabilities side, the long-term liabilities increased by 9.0 mil. EUR from 273.0 mil. EUR in the previous year to 282.0 mil. EUR. The pension obligations contained therein rose by 7.7 mil. EUR to a total of 178.5 mil. EUR as of 31.12.2011.

The short-term liabilities fell by 55.1 mil. EUR from 359.9 mil. EUR to 304.8 mil. EUR on the reporting date. This is mainly due to the reduction of financial liabilities by 41.7 mil. EUR to 103.0 mil. EUR as of 31.12.2011.

Long-term assets were 78.3% covered by equity capital (2010: 65.1%) as of 31.12.2011. With the inclusion of the long-term outside funds available (pension provisions), the remaining sum of long-term assets (2010: 92%) and 10.9% of the current assets are covered.

3.3 Overall assessment of the economic situation

The worldwide difficult economic conditions led to a challenging past fiscal year for the GL Group. Here the rapidly changing currency parity, the global economic slowdown, the effects of the Macondo accident and the Arab spring should be particularly stressed, which counteracted a stronger upturn of the GL Group, whereby the three different business units have to be

assessed in a differentiated manner

The Maritime Services business unit profited among other things from the heightened demand for ship components, hence gross operating income rose 2.0% to 328.9 mil. EUR and the targets were attained. Despite declining order volume for new tonnage to be classified, the GL fleet in service forms a solid basis for continuous business development of the segment.

The gross operating income of the Oil & Gas business unit increased by 3.9% in comparison with the previous year to 344.9 mil. EUR, whereby the respective regions have to be considered separately. Owing to the poor performance in the Middle East and the Americas, the segment underperformed overall. However, since the second half of 2011, the Oil & Gas business shows a strong development that continues in 2012.

In the Renewables business unit, GL Garrad Hassan further consolidated its position as the leading independent service provider for the onshore and offshore wind energy industry in 2011. Although, as a result of differences in regional developments, the gross operating income rose 7.6% to 91.6 mil. EUR, it still fell short of expectations.

4 Forecast report

4.1 Overall market outlook

Due to the ongoing financial crisis, the IMF forecasts 3.3% growth for the world economy in 2012 (2011: 3.8%) and a drop in growth for global trade of goods and services to 3.8% (2011: 6.9%) (IMF, World Economic Outlook, January 2012).

The IMF predicts a mild recession for the euro zone. Due to the high debts, many euro countries are planning extensive austerity programmes, which are likely to weaken the economy. According to IMF estimates, economic growth for the euro zone is -0.5% (2011: 1.6%). Low growth of 0.3% is forecasted for Germany (2011: 3.0%).

The growth rate for the US economy remains unchanged at 1.8%. Following the 1.7% decline in the previous year (2011: -0.9%), the Japanese economy should achieve a positive growth rate again in 2012.

Although the IMF predicts a slight dip in economic growth for China (2011: 9.2%, 2012: 8.2%) and India (2011: 7.4%, 2012: 7.0%), these countries will remain the essential growth drivers for the world economy in 2012.

Uncertainty on the financial markets, particularly due to the high debts of some EU countries, will continue to play a key role for the development of the global economy. The continued restrictive credit policies pose the risk of delays and cancellations for major projects. Moreover, there is the risk of a possible devaluation or revaluation of the euro against other currencies.

Further risks arise from the political unrest in North Africa and in the Middle East.

4.2 Maritime Services business unit

Despite the gloomy economic forecasts at present, which have led to corrected estimates for world economic growth from 3.8% to 3.3%, the worldwide container traffic by sea (TEU) will continue to grow in 2012 and 2013. GL Group assumes 8% growth over the preceding year.

For 2012, GL Group predicts a decline in orders for new container ships after a significant volume of newbuildings were ordered in 2011. A constant order volume on a low level is anticipated for bulk carriers and tankers. A slight rise in order volume is expected for 2013.

Based upon its existing order volume, GL Group expects to expand its market position in its core business units over the next two financial years. For 2012 and 2013, GL Group anticipates delivering 10 mil. gt of new ship tonnage (2011: 10 mil. gt). This means that the GL fleet will increase to over 112 mil. gt by the end of 2012 and to over 121 mil. gt by end of 2013 (end of 2011: 103.4 mil. gt).

Risks continue to exist due to prevailing tonnage overcapacity in individual ship divisions, because of further postponements or cancellations of newbuildings already placed, as well as the future development of newbuilding volume that fails to meet expectations.

GL sees main opportunities in building energy efficient ships. For several years now, GL has invested in research and development and now has unique technologies in this field that differentiate itself from competitors. The customers achieve with GL optimised ships considerable efficiency gains compared with the existing fleet. Overall, the increased bunker costs can lead to an upturn in business in the next years, if older ships can no longer be used economically.

For the Maritime Services business unit, the 2012 forecasts of GL Group provide for a gross operating income (GOI) on the same level as in 2011. Nevertheless, GL Group expects to raise its GOI in 2013. This represents a slight change in the composition of the sub-business units in favour of the consulting business (Maritime Solutions) and the fleet in service. However, these developments and the continuing strong pressure on the maritime markets means that the expected result (EBITA) will turn out lower in 2012 than in 2011, but will recover slightly in 2013.

4.3 Oil & Gas business unit

The GL Group looks forward to positive development for the Oil & Gas business unit in 2012. The demand for crude oil is set to further increase due to the sustained high demand for energy in the newly industrialised countries. In addition, the ongoing political unrest in the Middle East and North Africa spells an enduring restriction in production capacity. This is likely to keep the crude oil price (Brent) on a high level and raise global investments in the oil and gas market accordingly (Global Data, February 2012).

The mid-term prospects for the Oil & Gas business unit are positive. Exploration for new sources is increasingly underway offshore in inaccessible deep sea regions, which will positively influence demand for technical consulting, certification and inspection services.

A significant risk factor for the Oil & Gas business unit is world economic development, which has a notable impact on global investments in the oil and gas market. Risks also originate from potential political unrest, especially in producer countries and due to possible disasters.

GL Group sees its main opportunities in a disproportionately rising share of Gas and Oil that is produced off the deep sea. GL Group has extensive expertise and many years of experience in both areas.

GL Group expects the Oil & Gas business unit to continue its growth in gross operating income into 2012, as well as a marked improvement in its result (EBITA) compared with 2011.

For 2013, GL Group forecasts a rise in gross operating income, as well as further improvement in its result (EBITA).

4.4 Renewables business unit

Overall positive development in the relevant markets is also expected for the Renewables business unit. GL Group assumes a rise in worldwide installed capacity of 18% to 282.0 GW (2011: 238.6 GW). The newly installed capacity is likely to rise by 5% in 2012 to 43.4 GW (2011: 41.4 GW). The key growth driver remains the Asian market (primarily China). Europe will particularly profit in the future from the offshore sector for which considerable growth potential is forecast.

High project volumes and a long established strong position of the GL Group in this segment makes the offshore sector attractive.

The mid-term prospects for the Renewables business unit are also positive. Increasing prices for fossil fuels will improve the profitability of alternative sources of energy. Furthermore, state incentive programmes will continue to benefit growth in the field of renewable energy sources.

Risks arise for the Renewables business unit due to the squeeze on funding options for customer-related activities, a slow down in the expansion of the electricity grids, as well as possible changes in the political framework affecting certain regional markets. The shortage of qualified engineers continues to hamper the entire industry.

GL Group forecasts noticeable growth in gross operating income for the Renewables business unit for 2012, as well as a result (EBITA) well up on 2011.

GL Group expects further improvement in gross operating income and result (EBITA) for 2013.

4.5 Consolidated income and result

Against the backdrop of the existing order backlog and projected growth, the GL Group expects a single-figure percentage rise in gross operating income in 2012 compared with 2011.

The result (EBITA) is likely to be below the previous year's level. The reason for this prognosis are changes in the market situation in the maritime sector, as well as increased expenses for strategic structural and infrastructure projects.

For 2013, the GL Group awaits a mid single-figure percentage rise in gross operating income, as well as an improvement in the result (EBITA).

Group Management Report

5. Risk report

With its international positions and a varied range of services, the GL Group has diverse economic opportunities, but also entrepreneurial and industry-specific risks. These risks especially relate to external influences, the market environment, but also operative risks that may result from core and supportive processes.

Competition has intensified in all areas of business. Numerous orders for classification of newly built ships have been cancelled or postponed. GL is traditionally focussed on container and multipurpose ships and is therefore hit by a possible renewed weakness in these two segments in the future. This dependency can represent a risk for future business development.

5.1 Risk management system

The Group-wide risk management system is continually developed and its functionality is regularly tested.

Risk identification is performed by the manager responsible from the business unit. The classification and evaluation of the risks relevant throughout the Group is undertaken centrally, supported by a risk committee covering all business units. Risk owners have been appointed for all risks to identify and track the necessary countermeasures. The Management Board reports on the current risk situation in quarterly risk reports. If the risk situation changes decisively, significant individual risks are revealed with the aid of ad-hoc reporting.

5.2 Compliance

Compliance risks include legal risks, risks from violation of compliance regulations and risks from violation against applicable law. GL Group has a compliance organisation that tackles these risks with compliance guidelines, compliance testing and staff training. The GL Group Compliance System is continuously developed and adapted to changing demands. The Compliance Officer reports three times a year to the Executive Board and to the Supervisory Board on the structure and development of the Compliance Organisation, as well as on cases of non-compliance and measures taken to educate, prevent and, where necessary, to sanction. Significant specific compliance risks are not apparent from today's perspective.

Moreover, the GL Group has extended considerably and professionalized its central internal business auditing department in 2010.

5.3 Personnel risks

Important expertise can be lost through staff fluctuation. For this reason we nurture a strong bond with our technical specialists and managers with specialist and support programmes, performance-related remuneration systems and international development perspectives.

Risks of deliberate unlawful acts by individual employees cannot be eliminated. These risks are countered by separating functions, the two man rule, as well as procedural guidelines and the code of conduct applicable throughout the group of companies. Possible misconduct is followed up consistently.

5.4 IT risks

High priority precautions are constantly implemented which serve the security of information systems in order to avoid system failure which may have severe consequences for the entire company. This risk is minimised with diverse security measures, such as admittance control systems, emergency plans and uninterruptible power supply for important systems and by data mirroring. Firewall systems and virus scanners, as well as so-called penetration tests, are used against data security risks. In 2010 a backup data centre was established outside the corporate headquarters on Brooktorkai.

In 2011 significant investments in modernizing the IT infrastructure has been made to increase the data and system security and availability.

5.5 Risks from acquisitions

Acquisition and investment decisions entail complex risks. In order to minimise such risks, the GL Group conducts detailed analyses as part of due diligence processes with which opportunities and risks are analysed and qualified. This involves external advisors, as well as auditing and tax consulting companies.

Furthermore, standardised processes are in place for implementation and integration control. Acquired companies are promptly integrated in the GL Group risk management process.

No acquisitions took place in 2011.

5.6 Risks from equity investments Equity investment risks in the GL Group are potential losses in value due to losses on disposals and reduction in book values and hidden reserves.

All shareholdings are continuously controlled or monitored within the scope of ongoing centralised and decentralised controlling activities. Moreover, the shareholdings are systematically reviewed by the central auditing department.

5.7 Research and development risks

The GL Group profit situation can be negatively impacted by new products and services that prove unsuccessful.

The GL Group counteracts this risk by continuously monitoring the strategy implementation of the group of companies as part of a standardised process. Financial and non-financial control parameters are also continuously monitored.

5.8 Financial risks

Detailed guidelines and specifications exist for dealing with financial risks. Currency risks exist, especially for receivables and liabilities concluded in currencies other than the local currency of the GL Group company or in future foreign currency transactions. These risks are dealt with by the GL Group by concluding derivatives for hedging purposes. Forward exchange deals and currency swaps are handled and monitored by a central department of the GL Group.

Financial planning and financing is ensured by a central department of the GL Group. As part of its liquidity planning system, the GL Group recognises risks from cash flow fluctuations at an early stage. Liquidity surpluses will be used for loan repayments.

The financing policy of the company group is geared to long-term financial planning and is controlled centrally and continuously monitored. Sufficient liquidity of all the group companies is ensured at all times on the basis of a timely liquidity preview.

Risks from bad debt losses are countered by the GL Group with the common means of securing debts, as well as with a special emphasis on active receivables management.

5.9 Liability risks

The international orientation of the GL Group necessitates observance of a large number of national laws and directives. Litigation that can arise in conjunction with the provision of services is met with timely involvement of the Legal Affairs and Compliance central department, as well as external local legal advisors. In the Maritime Services business unit, contracts are generally drafted by suitably trained personnel on the basis of legally verified sample contracts. A preliminary examination of contracts often drafted by the client is also conducted in the Oil & Gas und Renewables business units as part of a standardised risk evaluation procedure.

Wherever possible, insurance cover is taken out for any damage claims and liability risks from daily business. Liability and property insurance policies customary in the industry exist within the company group. These are regularly reviewed and adjusted as required. As in recent years, the appropriate provisions have been set aside for possible financial burdens from legal risks.

5.10 Litigation

All litigation is processed by the central legal department immediately it becomes known. Risks arising are considered in the annual financial statement by forming suitable provisions.

There is currently no litigation of material importance in progress.

5.11 Overall risk

The GL Group's overall risk situation is evaluated and controlled within the scope of risk management. Overall, the evaluation of the current risk situation has shown that no risks exist that threaten continuity and future risks that threatening existence are discernible at present.

Both known and unknown risks or influencing factors can lead to the actual corporate development deviating from that presented in the Management Report. The GL Group assumes no obligation of any kind to update any forward-looking statements.

6. Dependent company report

The Executive Board of Germanischer Lloyd SE created a dependent company report for the period from 1 January to 31 December 2011 concerning the relationships with affiliated companies in accordance with section 312 of the German Stock Corporation Act (Aktiengesetz, AktG).

In its final statement, the Executive Board declares that the GL Group received the appropriate compensation for each legal transactions listed that was conducted under the circumstances known to the Executive Board at the time the legal transaction was conducted. Furthermore, other reportable actions were neither taken nor omitted.

7. Supplementary report

Business transactions of particular significance did not occur after the close of the financial year

The last conditions of the contract for the sale of a building complex along the Brooktorkai concluded in 2011 will be fulfilled in spring 2012

Hamburg, 21 March 2012

The Executive Board

van der Noordaa

Dr Segatz

Paasivaara