

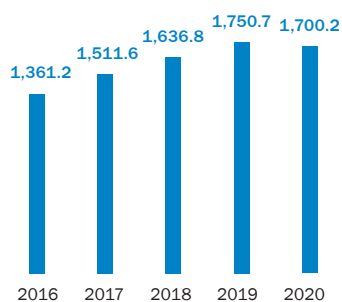
AT A GLANCE

KEY FIGURES

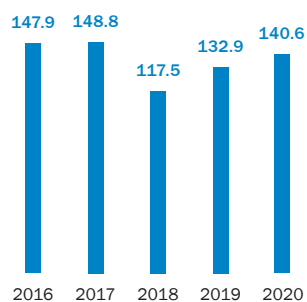
| | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Change in % |
|-----------------------------|----------------|---------|---------|---------|---------|---------|---------|-------------|
| Sales | in EUR million | 1,267.6 | 1,361.2 | 1,511.6 | 1,636.8 | 1,750.7 | 1,700.2 | -2.9 |
| EBITDA | in EUR million | 175.4 | 198.8 | 204.5 | 180.1 | 220.1 | 231.7 | 5.3 |
| EBIT | in EUR million | 129.1 | 147.9 | 148.8 | 117.5 | 132.9 | 140.6 | 5.8 |
| Net income | in EUR million | 90.8 | 104.0 | 104.3 | 81.7 | 93.9 | 101.1 | 7.7 |
| Cash flow | in EUR million | 112.1 | 122.8 | 101.8 | 20.2 | 212.7 | 227.7 | 7.1 |
| Employees | | | | | | | | |
| on December 31 ¹ | | 7,575 | 8,253 | 8,997 | 9,948 | 10,204 | 10,433 | 2.2 |
| annual average ¹ | | 7,397 | 8,006 | 8,694 | 9,565 | 10,169 | 10,389 | 2.2 |
| trainees | | 267 | 293 | 324 | 364 | 365 | 384 | 5.2 |
| Personnel expenses | in EUR million | 526.3 | 574.3 | 639.8 | 699.3 | 753.5 | 757.8 | 0.6 |
| Investments | in EUR million | 83.8 | 82.8 | 95.3 | 107.1 | 100.5 | 60.2 | -40.1 |
| Depreciation | in EUR million | 46.4 | 50.9 | 55.7 | 62.6 | 87.2 | 91.1 | 4.5 |
| R&D expenditure | in EUR million | 129.0 | 143.4 | 169.4 | 192.5 | 202.0 | 201.1 | -0.4 |
| Total assets | in EUR million | 862.9 | 950.1 | 1,066.2 | 1,265.7 | 1,433.8 | 1,487.2 | 3.7 |
| Equity | in EUR million | 451.8 | 522.0 | 584.4 | 635.6 | 696.6 | 737.7 | 5.9 |
| Equity ratio | in % | 52.4 | 54.9 | 54.8 | 50.2 | 48.6 | 49.6 | |
| Net return on equity | in % | 25.2 | 24.9 | 21.7 | 14.7 | 15.6 | 15.9 | |
| ROCE | in % | 21.1 | 21.8 | 19.5 | 12.5 | 12.8 | 14.6 | |
| Net return on sales | in % | 7.2 | 7.6 | 6.9 | 5.0 | 5.4 | 5.9 | |
| Earnings per share | in EUR | 3.47 | 3.97 | 3.98 | 3.12 | 3.58 | 3.86 | 7.8 |

¹ Number was adjusted to internal company guidelines

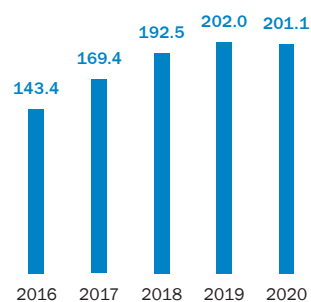
SALES in EUR million



EBIT in EUR million



R&D EXPENDITURE in EUR million



OUR BUSINESS FIELDS



Factory Automation

The automotive and consumer goods industries, mechanical engineering, the electronics and solar industries, and drive technology are the target industries within the Factory Automation business field. Non-contact sensors, camera systems, encoders, and distance measurement systems all serve to control manufacturing, packaging, and assembly processes, to carry out quality assurance, and to ensure machine safety.



Logistics Automation

In the Logistics Automation business field, the focus is on airports, industrial vehicles, building management, building safety and security, ports, trade and distribution centers, courier, express, parcel and postal service providers, cranes, and the traffic sector. In all of these areas, SICK's sensors shape and optimize the entire logistics chain: Whether automating material flow processes or increasing the speed, efficiency, and reliability of sorting, picking, and warehousing processes.



Process Automation

Within the Process Automation business field, SICK delivers sensors, customized systems, and services for analysis and process measurement technology. SICK thus provides smart solutions for waste incineration plants, power, steel and cement plants, oil and gas industry applications, as well as for chemical and petrochemical plants and refineries. Together, these solutions make an important contribution to protecting our environment.

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MESSAGE FROM THE EXECUTIVE BOARD

Dear Shareholders, Business Partners, Employees, and Friends of SICK,

During the challenging 2020 fiscal year we succeeded in almost maintaining the previous year's level despite the difficult global economic conditions due to the coronavirus pandemic.

Demand for sensor solutions was also on the whole satisfactory during the past fiscal year. The development of incoming orders varied in intensity across the business units and was particularly positive in Logistics Automation. The SICK Group's broad positioning thus proved its worth.

The massive order restraint caused by the coronavirus crisis impaired business development in all regions during the first half of the year, in particular. Considerable catch-up effects in the growth regions of Asia, which also led to satisfactory business development in the other regions in the fourth quarter of 2020, were not sufficient to achieve the forecasted sales growth. At the same time, SICK significantly outperformed the sales development of the entire German mechanical engineering industry. According to the VDMA's estimate for 2020, German mechanical engineering production fell by around 14 percent.

We significantly developed the Group's digital infrastructure in order to counter the coronavirus-related restrictions. This has enabled our employees to work from home almost seamlessly, where desired or necessary, and to network via a variety of tools. Thanks to the flexibility of our workforce, we successfully mastered the challenges of the past year and achieved a very good result despite the coronavirus crisis. Their support and drive, their willingness to give their best even in a stressful situation, made this outstanding performance possible. As a result, SICK has emerged from the challenging year of 2020 stronger in many respects.

During the 2020 fiscal year, the SICK Group continued to invest heavily in future technologies and the company's innovative strength. The expenditure ratio for R&D even exceeded the previous year's level.

We are well positioned to continue developing data-based business models with our customers and to exploit the opportunities of digitalization. Together, we can achieve efficiency gains in the form of savings and optimization along the value chain.



The Executive Board of SICK AG: Dr. Tosja Zywietz, Dr. Mats Gökstorp, Dr. Robert Bauer, Markus Vatter, Dr. Martin Krämer, Feng Jiao (from left to right)

This Annual Report contains a detailed Sustainability Report for the first time. Protecting the environment and people, securing stable jobs through long-term economic success, and contributing to society: This has been SICK's understanding of sustainability since the company was founded 75 years ago. As a family-owned company, sustainability has a long tradition, is a matter of course, and an integral part of our corporate philosophy.

Over the past 75 years, SICK has helped pave the way for intelligent sensor technology, automation, Industry 4.0, and digitalization. In the process, we have pushed boundaries and implemented visions for our customers and our environment. We celebrate our jubilee year with confidence and trust in our innovative strength.

With best regards

Dr. Robert Bauer (Chairman)

Dr. Mats Gökstorp

Feng Jiao

Dr. Martin Krämer

Markus Vatter

Dr. Tosja Zywietz

REPORT BY THE SUPERVISORY BOARD

Report on the 2020 fiscal year by the Supervisory Board of SICK AG in compliance with Section 171 (2) German Stock Corporation Act (AktG)



Klaus M. Bukenberger,
Chairman of the Supervisory Board

The course of the 2020 fiscal year was strongly impacted by the negative effects of the Covid-19 pandemic. The SICK Group achieved solid results despite the more difficult business conditions, almost reaching the previous year's level. During the year, sales and orders received were able to gain considerable momentum, largely supported by strong growth in the Logistics Automation segment. At the same time, measures to increase cost efficiency had a positive effect on profitability. Working together, we not only succeeded in weathering the pandemic well, but were able to drive forward the company's further development. During the past fiscal year, the SICK Group also consistently invested in future technologies and in the company's innovative strength. The Supervisory Board of SICK AG is convinced that this has created a good basis for further expanding business activity and sustainable growth. SICK is well on the way towards becoming a worldwide supplier of complete solutions. In our opinion, the Group is also very well positioned to exploit the opportunities of digitalization with data-based business models – in the interests of the company and its customers – even in the continuing coronavirus crisis, with its associated economic uncertainties.

COLLABORATION BETWEEN THE EXECUTIVE BOARD AND SUPERVISORY BOARD

During the 2020 fiscal year, the Supervisory Board comprehensively and carefully performed all the duties incumbent upon it under the law, the articles of incorporation, and the rules of procedure. It provided regular advice to the Executive Board on running the company while continually monitoring and reviewing its management activities, whereby particular attention was paid to the legality, regularity, expediency, and the economic efficiency of the Group-wide management activities carried out by the Executive Board. The Supervisory Board discussed company organization with the Executive Board to assure itself of the performance capabilities of this organization. The Executive Board and the Supervisory Board also continuously coordinated the company's strategic alignment. The current status of strategic implementation was discussed at regular intervals. The Supervisory Board was directly involved in all Executive Board decisions of fundamental importance for the company.

The Executive Board notified the Supervisory Board – both verbally and in writing – promptly, comprehensively, and on a regular basis. The Supervisory Board was thus kept informed throughout the year about the planning, implementation of the strategy, the business situation and development of SICK AG and the Group – including the risk situation, risk management, and compliance. The Supervisory Board was also always informed about business of special significance for the company or the Group. Deviations in business development from the plans and targets were proactively communicated, and the reasons for these deviations were explained.

The subject matter and scope of the reports submitted by the Executive Board complied fully with the requirements stipulated by the Supervisory Board. In addition to the reports, the Supervisory Board had the Executive Board provide additional information. In particular, the Executive Board used Supervisory Board meetings to explain and answer any outstanding issues. The Supervisory Board examined the plausibility of the information provided by the Executive Board, critically assessing and challenging it where necessary. The Executive Board also always kept the Chairman of the Supervisory Board and the Chairman of the Audit Committee informed in detail about developments between meetings of the Supervisory Board and its committees. The Chairman of the Executive Board, in particular, held regular consultations with the Chairman of the Supervisory Board in order to discuss strategy, planning, the current business situation and development, including the risk situation, risk management, and compliance, as well as key specific issues and decisions. The Chairman of the Supervisory Board was informed immediately about any major events of fundamental importance for assessing the business situation and development, as well as for the management of the SICK Group.

No conflicts of interest involving members of the Supervisory Board regarding the execution of their duties arose during the reporting year.

MEETINGS AND DECISIONS OF THE SUPERVISORY BOARD

The Supervisory Board of SICK AG held four ordinary meetings during the 2020 fiscal year. The Board used these meetings to address all issues of relevance to the company and make the necessary decisions. For some time during each meeting, the Supervisory Board met without the presence of the Executive Board, enabling the Supervisory Board to discuss points on the agenda that either concerned the Executive Board itself or which required strictly internal discussion within the Supervisory Board. The Supervisory Board meetings focused on the following topics, in particular:

At the ordinary Supervisory Board meeting held on March 23, 2020, the Executive Board informed the Supervisory Board comprehensively and in detail about business development during 2019, particularly regarding industries and business fields, Global Business Centers, Sales and Services, as well as Human Resources. Then, in the presence of the auditor, the Supervisory Board examined the accounting and Group accounting for SICK AG for the fiscal year 2019, with the audits of the financial statements conducted by the auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY) and with the Executive Board's proposed appropriation of the retained earnings generated during the 2019 fiscal year. The Audit Committee reported on all aspects for which it is responsible within the context of the accounting and Group accounting of SICK AG, in particular regarding the nature and scope of its audit of the documents relating to the financial statements. The Committee recommended that the entire Board approve these documents. The auditor then explained its audit results and the discussions that took place during the meeting of the Audit Committee on March 17, 2020, during which these results were comprehensively discussed. Subsequently the Auditor answered any questions raised. The Supervisory Board approved the result of the audit of the financial statements. Following the final results of its own review, the Supervisory Board raised no objections and approved the accounting and Group accounting of SICK AG for the fiscal year 2019. The Supervisory Board also reviewed the Executive Board's proposal for the use of the retained earnings and approved it on the recommendation of the Audit Committee. In addition, the Supervisory Board passed its proposed resolutions for the agenda of the Annual General Shareholders' Meeting on May 19, 2020. During this meeting, the Executive Board also provided information on the course of the first months of the 2020 fiscal year and gave a brief description of the prospects for the following months. In addition, against the background of the upcoming generational change in the Executive Board, the Supervisory Board unanimously approved the appointment of Mr. Feng Jiao to the Executive Board with responsibility for the Sales & Service portfolio with effect from January 1, 2021.

At its ordinary meeting on May 19, 2020, the Supervisory Board examined the current business situation, particularly the effects of the Covid-19 crisis, and the economic forecasts for the rest of the year, whereby the Executive Board provided an overview of potential business development against the background of various coronavirus crisis scenarios. In addition, the Executive Board presented the package of measures introduced to combat the coronavirus pandemic and explained the savings potentials that they would provide. This was followed by a report on the continued development of the organization with an overview of the progress of the strategy process for the long-term alignment of the SICK Group. After this, an overview was provided on organizational changes following the age-related departure of Executive Board member Reinhard Bösl after expiration of his employment contract on June 30, 2020. Against the background of the SICK Group's future orientation, and the development of the Executive Board structure necessary in response to this, the Supervisory Board unanimously approved that Dr. Mats Gökstorp, previously responsible for the Sales & Service portfolio, take over the newly created Executive Board portfolio of Products & Marketing with effect from January 1, 2021. As a consequence, the employment contract with Dr. Gökstorp (due to end on April 30, 2021) was extended for a further five years with the circular resolution of May 29, 2020, and Dr. Gökstorp was reappointed to the Executive Board for this period.

The ordinary meeting on September 24 & 25, 2020, opened with the analysis and discussion of the current business situation. This was followed by a detailed description of the strategic and organizational alignment of the company until 2030, taking into account the future development of the automation industry, strongly characterized by the digital transformation and the resultant changes in the competitive environment. The financial mid-term planning from 2021 to 2023 was also described in detail. Both were taken notice of and approved by the Supervisory Board. The Supervisory Board also discussed further steps towards implementing the future Executive Board structure.

During the ordinary meeting on December 18, 2020, the Executive Board reported on current business development, whereby the focus was mainly on the negative effects on earnings of the exchange rate situation, as well as the effects of measures for increasing cost efficiency on the earnings situation. In addition, the Executive Board provided an overview of the detailed budget and mid-term planning for all Group units and the entire company for the 2021 fiscal year. Together with the Executive Board, the Supervisory Board discussed in detail the targets, framework conditions and assumptions contained in them, as well as the resultant opportunities and risks involved in the planning. The Supervisory Board approved the budget presented for 2021 and the corresponding investment measures – also against the background of the financing presented.

WORK IN THE SUPERVISORY BOARD COMMITTEES

The work of the Supervisory Board was supported by comprehensive preparation and monitoring of subject areas assigned to particular committees. The Audit Committee met twice during the reporting year, the Human Resources Committee met five times, and the Investment Committee once. The committee chairs reported in detail on the work of their respective committees at each of the subsequent plenary sessions. As in previous years, it was not necessary to convene the Mediation Committee in accordance with Sec. 27 (3) German Co-Determination Act (MitbestG). As a result of the extensive preparatory work carried out by the committees, the entire Board had a broad and comprehensive information base regarding all the fields assigned to the committees. It was therefore always in a position to address the relevant topics thoroughly and efficiently.

The following Supervisory Board members are on the committees:

- Audit Committee: Franz Bausch (Chairman), Prof. Dr. Mark K. Binz, Klaus M. Bukenberger, Dr. Matthias Müller, Thomas Weckopp
- Human Resources Committee: Klaus M. Bukenberger (Chairman), Franz Bausch, Sebastian Glaser, Hermann Spieß, Susanne Tröndle
- Investment Committee: Klaus M. Bukenberger (Chairman), Karl-Heinz Barth, Dr. Bernd Cordes, Sebastian Glaser
- Mediation Committee in accordance with Sec. 27 (3) MitbestG: Klaus M. Bukenberger (Chairman), Renate Sick-Glaser, Hermann Spieß, Susanne Tröndle

The committees focused on the following key areas in 2020:

- The Audit Committee concentrated on its assigned duties regarding preparation of the audits of the financial statements and recommendations for the entire Board regarding the financial statements. It also examined compliance, risk management, internal auditing, Group taxes, and financing.
- The Human Resources Committee also examined, in particular, the further development of the structure and composition of the Executive Board against the background of the generational change that will take place in coming years. In this connection, the Committee prepared the reorganization of the Executive Board structure with effect from January 1, 2021, which was then unanimously approved by the entire committee. In addition, the structure and amount of remuneration of Executive Board members underwent the regular review, taking into account the views of independent external remuneration experts.
- Work in the Investment Committee focused on examining the investment plans for 2021 and the corresponding financial planning.

ANNUAL AND GROUP ACCOUNTING FOR THE FISCAL YEAR 2020

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY) was responsible for auditing the accounting and Group accounting of SICK AG for the fiscal year 2020. On May 19, 2019, EY was chosen as the auditor and Group auditor by the Annual General Shareholders' Meeting of SICK AG. The Annual General Shareholders' Meeting thus approved the proposal of the Supervisory Board, which corresponded to the recommendation from the Audit Committee. Prior to the Supervisory Board proposing EY to the Annual General Shareholders' Meeting for selection as the auditor, EY had confirmed that there were no circumstances that could compromise its independence as an auditor, or justify any doubts as to its independence. In this context, EY also declared the scope of any services rendered to the company beyond the audit of the financial statements in the previous fiscal year, and any services contractually agreed upon for the following year. EY audited the annual financial statements of SICK AG, prepared in compliance with the German Commercial Code (HGB); the consolidated financial statements, prepared in line with the International Financial Reporting Standards (IFRS); as well as the combined group management report and management report of SICK AG – and provided unqualified audit opinions. The auditor thus confirmed that, in its opinion and based on the findings of the audit in accordance with the applicable financial reporting framework, the annual financial statements and consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of SICK AG and the SICK Group. Moreover, the auditor confirmed that the combined group management report and management report of SICK AG are consistent with the corresponding annual financial statements and the consolidated financial statements; that, overall, they provide an appropriate view of the position of the SICK Group and SICK AG; and that they suitably represent the opportunities and risks of future development. All Audit Committee and Supervisory Board members received, in good time, the audit documents mentioned above, the audit reports prepared by EY, and the Executive Board's proposal concerning the appropriation of retained earnings.

On March 17, 2021, the Executive Board of SICK AG finalized the accounting and Group accounting of SICK AG for the fiscal year 2020, consisting of the annual financial statements, the consolidated financial statements, as well as the combined group management report and management report of SICK AG, and approved these documents for submission to the Supervisory Board.

At the meeting of the Audit Committee on March 17, 2021 and at the accounts meeting of the Supervisory Board on March 23, 2021, the Executive Board explained the accounting and Group accounting of SICK AG and its proposals concerning the appropriation of retained earnings. Members of the Executive Board also answered questions from members of the Audit Committee and the Supervisory Board.

After explanations by the Executive Board, the Audit Committee and Supervisory Board reviewed the audit documents for the company and the Group in the light of EY's audit reports. The auditor who attended the Audit Committee meeting and the Supervisory Board's accounts meeting presented detailed reports on the audit and its results, and explained the audit reports, whereby the auditor also reported that it had not found any material weaknesses in the company's internal control and risk management systems in relation to the accounting process. Both the Audit Committee and the Supervisory Board asked the auditor detailed questions on the results of the audit and on the form and scope of the auditing activities. Discussions with the auditor also dealt with the issue of the legality of the company management, of which the Supervisory Board had assured itself. The Audit Committee also reported to the Supervisory Board on its own review of the accounting and Group accounting of SICK AG, its discussions with the Executive Board and with the auditor, as well as its supervision of the accounting process. The Committee confirmed that as part of its supervisory function it had addressed the effectiveness of the internal control, risk management, and internal auditing systems – and found them effective.

The Audit Committee also reported that according to the information provided by EY, there were no circumstances that might give cause for concern about the auditor's impartiality. Moreover, the Committee reported on its examination of the auditor's independence, taking into consideration the non-audit-related services EY had provided, and the Committee's assessment that the auditor possessed the necessary level of independence.

The Audit Committee and the Supervisory Board were able to satisfy themselves that EY had conducted the audit properly. In particular, they arrived at the conclusion that both the audit reports and the audit itself meet the legal requirements. The Supervisory Board discussed all audit documents for the company and the Group in addition to information from EY and it approved the result of the audit of the financial statements on the basis of the Audit Committee's report and recommendation.

Since it had no objections following the final results of its own review, the Supervisory Board gave its consent to the annual financial statements, the consolidated financial statements, and the combined group management report and management report of SICK AG for the fiscal year 2020. The annual financial statements were thus formally adopted. The Supervisory Board agreed with the assessment of the situation of the company and the Group as set out by the Executive Board in the combined group management report and management report of SICK AG. The assessment of the Executive Board was also consistent with the reports submitted by the Executive Board to the Supervisory Board over the course of the year.

The Supervisory Board considered the proposal previously explained by the Executive Board concerning the appropriation of retained earnings – particularly regarding dividend policy, the effects on the liquidity of the SICK Group, and the interests of the shareholders. Following the recommendation of the Audit Committee, the Supervisory Board then accepted and endorsed the Executive Board's proposal concerning the appropriation of retained earnings. The Supervisory Board finally adopted this report to the Annual General Shareholders' Meeting.

The Executive Board also prepared a report on relationships with affiliated companies in the fiscal year 2020 (dependent company report) and presented it to the Supervisory Board together with the audit report prepared by the auditor. The dependent company report was audited by the auditor, who provided the following audit opinion thereon:

“Based on our audit and assessment in accordance with our professional duties, we confirm that:

1. The factual information in the report is correct, and
2. The company’s contribution regarding the legal transactions referred to in the report was not inappropriately high.”

The Supervisory Board reviewed the Executive Board’s dependent company report and the auditor’s audit report. In the Audit Committee meeting on March 17, 2021, and the Supervisory Board’s accounts meeting on March 23, 2021, the Audit Committee and the Supervisory Board, respectively, had the members of the Executive Board explain the dependent company report. The Executive Board also answered questions on this matter from members of the Committee and the Supervisory Board. The auditor also attended these meetings, reporting on its audit of the dependent company report and its principal auditing results, explaining its audit report and answering questions about it. The Supervisory Board could thus satisfy itself as to the regularity of the dependent company report, the audit of the dependent company report, and the audit report.

The Supervisory Board states that following the final results of its own review no objections are to be raised against the final declaration of the Executive Board in the report on relationships with affiliated companies.

The Supervisory Board expressed its great gratitude to the management, and especially to all employees, for their extraordinary achievements during the past fiscal year. Thanks to their joint efforts, SICK was able to successfully master the challenges of the coronavirus crisis while continuing to work hard on the company’s future. We also wish everyone great success during the new fiscal year.

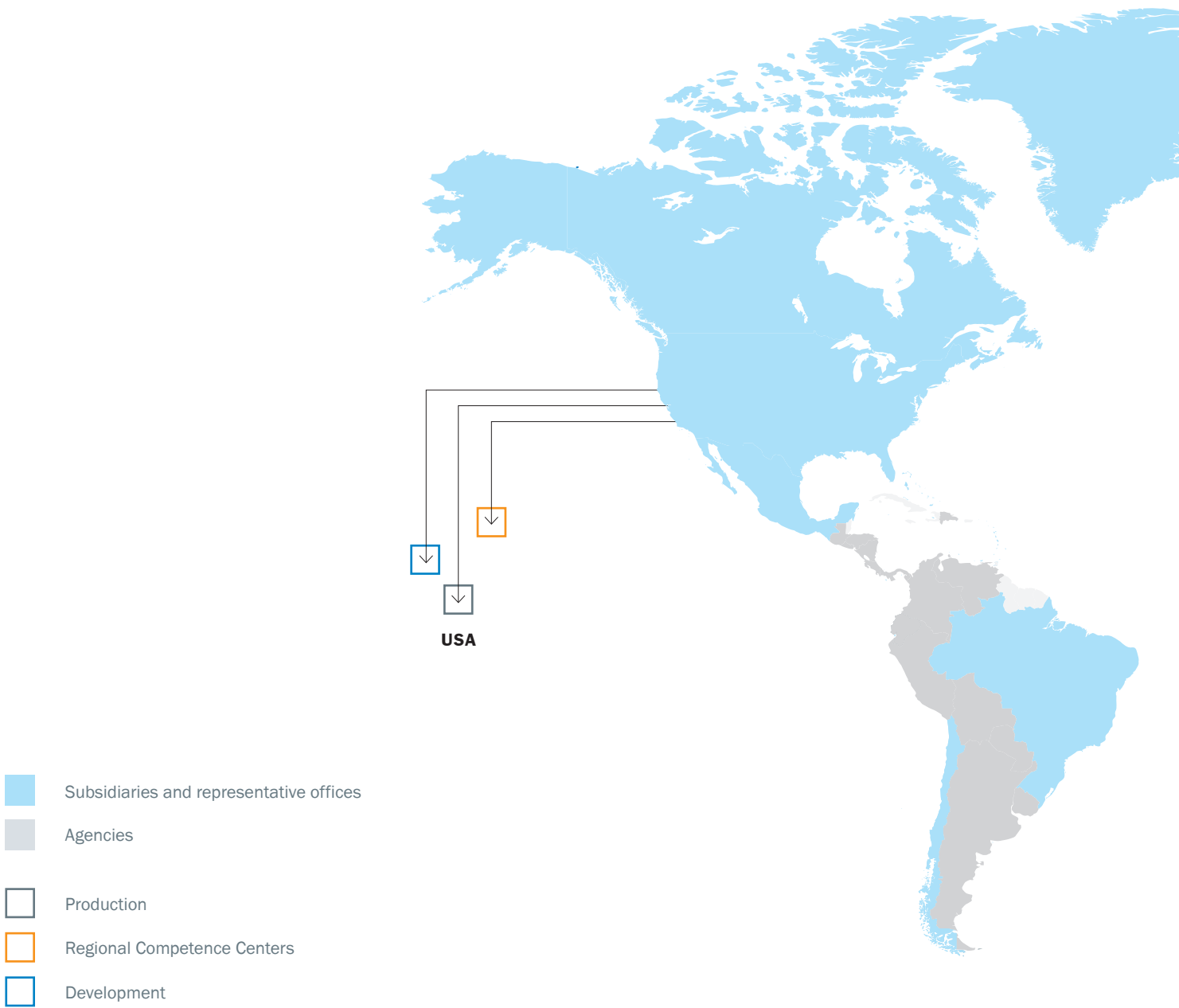
Waldkirch, March 23, 2021

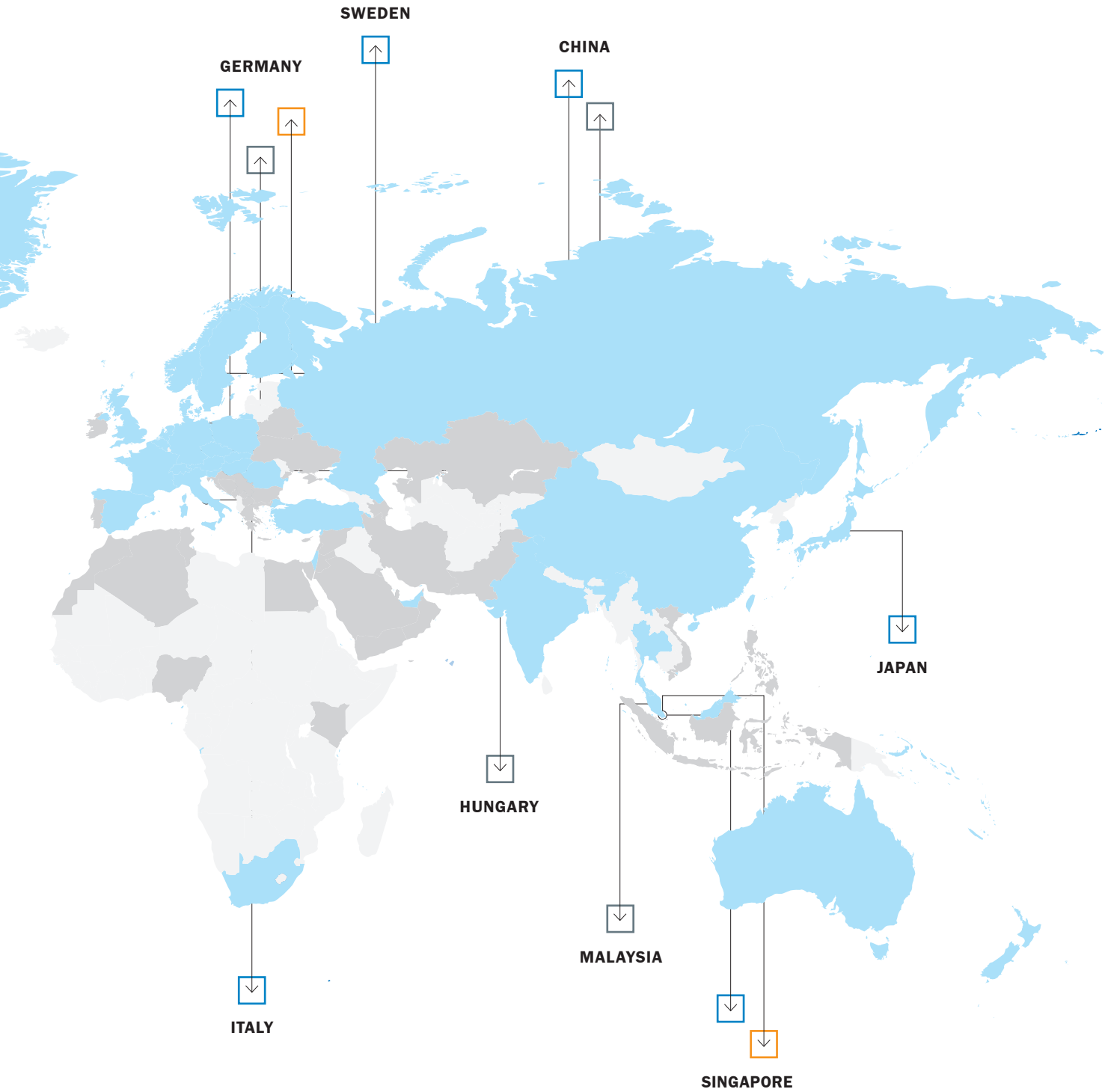
On behalf of the Supervisory Board,



Klaus M. Bukenberger
(Chairman)

SICK WORLDWIDE





CSR

SUSTAINABILITY REPORT

of the SICK Group for the 2020 fiscal year

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A. BUSINESS MODEL

The SICK Group is one of the world's leading sensor companies. In line with its 'Sensor Intelligence.' brand claim, the SICK Group concentrates on the development, production and marketing of sensors, systems and services for industrial automation technology.



Its business activities focus on sensor intelligence to provide added value to customers in a wide range of target industries. SICK offers these solutions worldwide, in the form of components, systems including software, or individual services – in the business segments of Factory, Logistics and Process Automation. The SICK Group's reporting is based on four sales regions.

SICK's business model mainly centers on the continued successful development of independent sensor markets. Intelligent and high-quality products and solutions for industrial automation can only be efficiently produced, implemented and sold by companies that focus entirely on sensor solutions. In line with its 'Sensor Intelligence.' claim, SICK therefore concentrates on sensor technology for industrial applications whereby, however, it uses every possibility and characteristic that sensor technology offers. These possibilities – particularly in the form of more powerful processors and storage technologies – together with the integration of application knowledge in the software of individual products ensure that SICK sensors are increasingly developed to provide sensor intelligence. This intelligence is indispensable for enabling the current vigorously advancing digitalization of industrial production and logistical processes within the framework of Industry 4.0 to create the intelligent factory. Industry 4.0 consequently offers continuing growth potential for SICK.

In addition to its business with intelligent products, SICK's business model is based on developing solutions for system business as well as providing individualized customer support with services. Apart from individual products, SICK's systems and service business supplies its customers with complex solutions that are individually adapted to the particular requirements. As a highly innovative company with a world-wide presence, as well as its own production, development and sales facilities in all important sales regions, SICK is well positioned for participating in the growth of industries and markets.

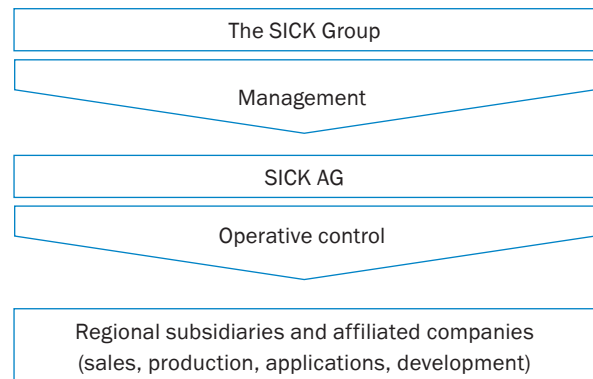
Further information on the business model can be found in the SICK Group's 2020 Annual Report.

I. The Group's organizational structure

SICK AG and its subsidiaries (referred to as the 'SICK Group', 'SICK' or 'Group' below) is one of the world's leading producers of sensors and sensor solutions for industrial applications.

SICK AG is the controlling company for the SICK Group. The company was founded by Dr. Erwin Sick in Vaterstetten near Munich in 1946, and is celebrating its 75th jubilee in 2021. SICK AG carries out its Group management tasks from the company headquarters in Waldkirch near Freiburg. In the 2020 fiscal year the SICK Group consisted of 53 companies. The SICK Group reports on its business performance in four sales regions: Germany; Europe, the Middle East and Africa (EMEA); Asia-Pacific; and the Americas. The SICK Group is led by an Executive Board consisting of six people. The Supervisory Board, consisting of twelve members with equal representation between stockholders and employees, acts as the control committee.

ORGANIZATIONAL STRUCTURE OF THE SICK GROUP



The regional structure of the Group's organization reflects the complex structure of customers and markets. Competence and production centers are correspondingly domiciled in all regions of the world. Sales generally take place via the Group's own sales and service companies in all important industrial nations, whereby product-generating units are



controlled from German sites. Regional Product Centers (RPCs) have been set up for the USA (in Savage/Eagle Creek and Stoughton), for Asia (in Singapore and in Johor Bahru, Malaysia) and for Europe (in the German sites and in Kunsziget, Hungary). These RPCs develop and manufacture products for the particular regions and for the world market. The largest production and development site is located at the German headquarters in Waldkirch near Freiburg.

II. Corporate strategy

Corporate independence, a high level of innovative power, and a leading competitive position with continuous sustainable growth are the core objectives of the SICK Group's corporate strategy – regarding the main sales regions as well as the product portfolio.

A high level of investment in research and development reinforces SICK's position as a highly innovative company. SICK constantly offers its customers new products and applications. This strengthens local customer relations and expands the company's global market position. SICK consistently exploits the opportunities offered by the increasing digitalization of production and business processes within the framework of Industry 4.0 – to enhance its leading market position and its competitiveness. In addition, the further improvement of SICK's organizational structure and internal processes, as well as its great attractiveness as an employer, are important cornerstones of the corporate concept.

As a highly innovative company with a worldwide presence, as well as its own production, development and sales facilities in all important growth regions, SICK is well positioned for participating in the growth of industries and markets.

The Supervisory Board completely supports the Executive Board's strategy of holistically aligning the SICK Group on the requirements of progressive digitalization so that the SICK Group can take a leading role in helping shape the development of the digital world of Industry 4.0.

The development of SICK's corporate strategy has been evolving for many years. The SICK 1.0 strategy formed the basis. During this period, the company's mission was defined on the basis of SICK's corporate culture and values – the 'Principles of Leadership and Cooperation'.

The SICK 2.0 corporate strategy defined the Vision whose formulation proclaims the strategic and future-oriented alignment of the company: 'We perceive the world today as it will be tomorrow'. Important milestones in our corporate strategy have been achieved with the SICK 2.0 strategy program since 2013: Internal corporate projects for more uniform stabilization of processes and control, our handling of globalization, and the founding of internal Start-up Initiatives. Economic development was not the sole aim.

Important pillars of SICK 2.0 also included cultural development within the company to foster a culture of sharing and trust, as well as a future-oriented competence model.

Work on the further development of corporate strategy for the next decade to 2030 – SICK Beyond Borders – has been continuing since 2019. The official go-live took place in September 2020. The core thoughts of the strategy were developed in collaboration between international management and the Executive Board. Employees have also been explicitly invited to actively participate in the further development, structuring and implementation of the strategy since it went live. The strategy program particularly focuses on the needs of customers.



III. Corporate policy

SICK's corporate policy is anchored in a single document valid throughout the Group. Among other things, it provides a framework for the definition and evaluation of quality, environmental, and energy targets. SICK's corporate policy commits it to do more than merely maintain legally required standards.

CORPORATE POLICY GENERAL

We are committed to employing all necessary resources to adhere to and implement our corporate policy and to put appropriate measures in place. We monitor current developments in the statutory, autonomous, and normative requirements and commit ourselves to adhering to them and to continuously improving all of the management systems we have implemented. All employees are obligated to align their actions with the corporate policy and to contribute to continuous improvement.

EMPLOYEES, OCCUPATIONAL SAFETY AND HEALTH PROTECTION

Our employees and their expertise are essential to the success of our company. Maintaining the health of our employees as they carry out their occupational activities is therefore very important to us. Taking account of the capabilities and needs of employees and providing the necessary equipment to enable them to do their jobs is part of our corporate culture. We regard continuous training and further development as essential as these are the prerequisites for a high qualification and motivation. We encourage safe and healthy

working conditions that prevent not only injuries, illnesses and strain but also physical, mental and social stresses. This applies both to our employees as well as external parties. The Executive Board, Management Board, senior managers, and staff representatives (if present) work together to implement and promote an integrated and comprehensive approach to prevention and health promotion.

INFORMATION SECURITY & DATA PROTECTION

Adequate protection of our information and business processes with regards to confidentiality, integrity, and availability safeguards the independence of our company. We are aware of our special responsibility when handling personal data. We therefore regard it as essential that we adhere to all applicable laws and regulations relating to data protection.

QUALITY

The customer is our main focus in all our actions. We recognize their needs early, respond quickly to their wishes and requests, and develop innovative solutions with dedication and technological expertise. We view our customers and suppliers as partners with whom we have a long-term working relationship.

We guarantee to our customers the safety of our solutions during operation, and the security of the data that has been entrusted to them over the life cycle.

The quality of our products and services ensures our ongoing commercial success and gives us a unique selling point. We regard it as an opportunity to learn from our mistakes, regardless of where and why they occurred. Continuous improvement is our fundamental philosophy and therefore the basis of our actions and the path towards the zero-defect goal.

ENVIRONMENTAL AND ENERGY MANAGEMENT

We are conscious of our special responsibility to the environment and are committed to sustainable environmental protection. This means, in particular, that we use resources sparingly, minimize our environmental emissions, and use and develop environmentally friendly and energy-saving products. This includes the development of products whose functions make a positive contribution to the protection of the environment. In all of this, energy efficiency is an essential building block for sustainable environmental protection and we continuously strive to improve it.

Waldkirch, August 1, 2020



Dr. Tosja Zywietz
Member of the
Executive Board



ppa. Torsten Hug
Senior Vice President
CD Quality Management



Susanne Tröndle
Chairman of the
Group's Works Council

B. SICK SUSTAINABILITY STRATEGY

SICK AG's sustainability strategy encompasses corporate responsibility for employees, the environment, economic success, and society.

As a family-owned company, sustainability has a long tradition, is a matter of course, and is an integral element of our corporate philosophy and culture. Before development of the new strategy, sustainability was understood according to the three-pillar model in which ecology, economy and social aspects were considered equally important factors.

With its new sustainability strategy, SICK clearly commits itself to the 'strong or ecological sustainability' model, and focuses on ecological aspects. The fundamental understanding is based on the fact that no sustainable development is possible without an intact environment – the environment is thus the basis for further development. Economic and social aspects remain important pillars of our sustainable alignment. In concrete terms, this commitment to ecological sustainability means that a consideration of all important processes takes place from the point-of-view of ecological improvement – and identified optimization potentials are implemented within the framework of what is feasible in reality.



Protecting the environment and people, securing stable jobs through long-term economic success, and contributing to society: This has been SICK's understanding of sustainability since the company was founded in 1946.

SICK SUSTAINABILITY STRATEGY

UN sustainability goals and fields of activity



c. ECOLOGICAL SUSTAINABILITY



Climate change and resource scarcity require committed activity from all sections of society. SICK takes its corporate responsibility very seriously and supports long-term ecological protection with its sustainability strategy

No sustainable development is possible without an intact environment. For this reason, we integrate ecology in all important processes and business departments that can influence sustainability. SICK thus commits itself to so-called 'ecological sustainability'. Our commitment to our employees, society, and sustainable economic success is based on this, so that we can all work in a future environment worth living for.

I. SICK's environmental management

All German sites in the SICK Group, as well as all productive subsidiaries (Hungary, USA, Malaysia and China) are certified according to the ISO 14001 environmental management system. In addition, sites of particular environmental relevance, such as the headquarters in Waldkirch, the Reute site, SICK Vertriebs-GmbH in Düsseldorf, and the Buchholz site, are also certified according to EMAS (Eco-Management and Audit Scheme, Regulation (EC) No. 1221/2009) and ISO 50001 (energy management). Details and figures on these sites are provided in Annex 1 of the Consolidated Environmental Statement for 2020.



The aim of our environmental management system is the maximum improvement or, if possible, elimination of negative environmental effects.

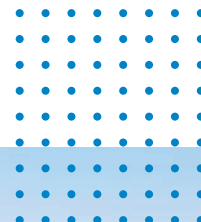
This is made possible by consistent implementation of the corporate principles described in SICK's quality and environmental policy throughout the company. The assessment of all environmentally relevant processes, activities and services is another basis for minimizing negative environmental effects. Risk evaluations involving potential mistakes (e.g. during the handling of chemical products and water-polluting substances) are carried out during the assessment of environmental aspects. Appropriate technical and organizational measures are defined and regularly updated.

Emergency drills, as well as needs-oriented training in environmental protection, take place regularly.

Reliable compliance with legal environmental requirements and careful tracking of legislative changes is a matter of course for SICK. An interdisciplinary committee of experts examines new and changed laws and standards for their relevance to the SICK Group, and advises the affected departments on the necessary implementation activities. Legislation on the European, national and local levels is relevant for SICK AG, starting with waste regulations (the Commercial Waste Ordinance, GewAbfV and the Circular Economy Act, KrWgG), energy management (the Renewable Energy Sources Act, EEG, the Energy Saving Ordinance, EnEV), water protection (Water Resources Act, WHG, the Ordinance on Facilities for Handling Substances Hazardous to Water, AwSV) and air pollution protection (Implementation of the Federal Emissions Control Act, BImSchV) and going on to legislation restricting hazardous substances such as the EU's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) legislation or the Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS) Directive.

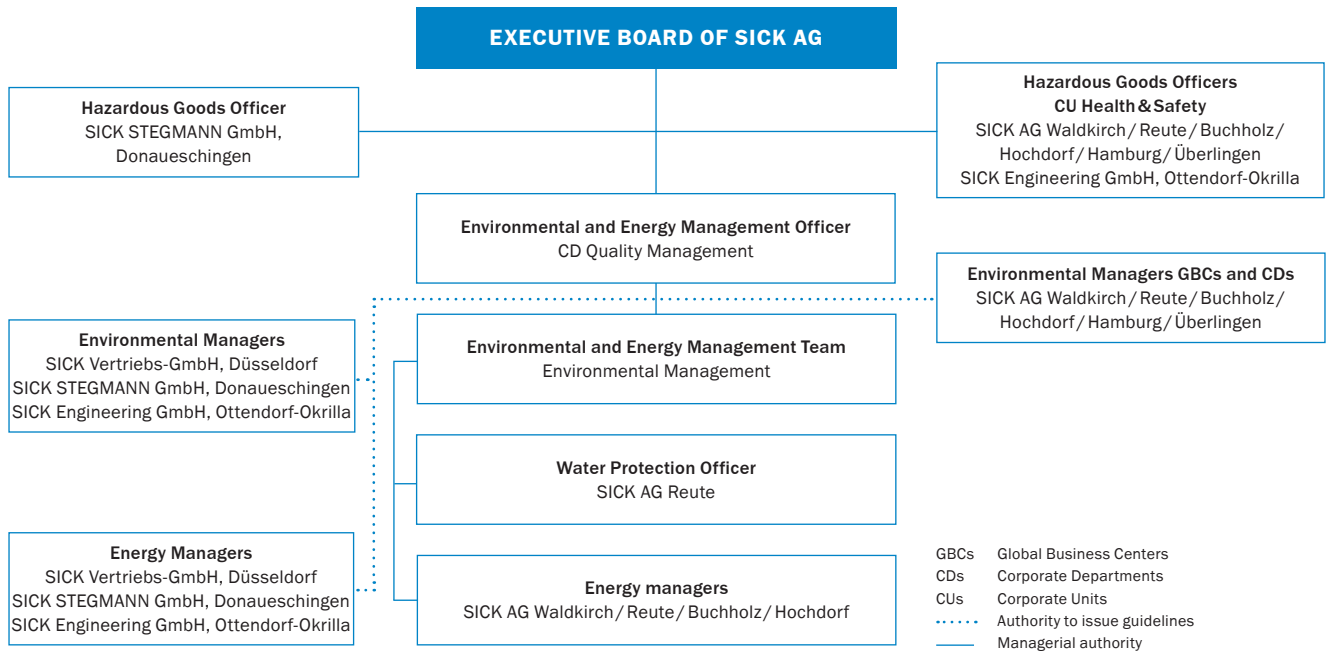
Compliance with standards is also ensured by environmental audits, an open and direct dialog with the public and responsible authorities, as well as our involvement in external specialist committees. Environmental policy, changes in legal requirements, and the results of the annual evaluation of environmental aspects form the basis for adoption of environmental targets, from which our detailed environmental program is derived.

Environmental management is part of the SICK Process Management system (SPM) and integrated in the document steering system of the same name. Strategic guidelines are worked out together with the Executive Board during the



conception, introduction and further development of the management system which is compulsory – for environmentally aware and responsible activities on all levels of the company.

Internal and external audits ensure that the defined system is successfully implemented and actively lived. Senior management carries out an annual management review to evaluate the system's effectiveness. The regular provision of results enables us to draw the conclusion that our environmental and energy regulations are being complied with or, if not, measures are introduced to achieve compliance. No fines or non-monetary sanctions were imposed due to non-compliance with environmental legislation and regulations during the period under review.



Ourspecialistsinthe central environmental and energy management team in Waldkirch handle operational and product-related environmental protection and energy management. As a central department domiciled in quality management, they produce guidelines for implementation and for the further development of the management system according to ISO 14001, EMAS and ISO 50001, and are contacts for all questions regarding environmental protection and energy management. They work in close collaboration with the environmental managers of the subsidiaries and the product-generating units (Global Business Centers, GBCs) as well as the central production departments (Corporate Departments,

CDs, and Corporate Units, CUs). They lead central projects to implement environmental and energy requirements. They maintain contacts with external partners, the Chamber of Industry and Commerce (IHK), and associations in order to be able to contribute towards continuous improvement, as well as recognize trends and legal requirements in good time.

The following organigram shows the organizational integration of environmental protection at SICK in simplified form. Legally required company officers are also shown here.



II. Principal ecological sustainability activities

SICK's corporate commitment to the environment is in the tradition of our company founder Dr. Erwin Sick. He invented the first smoke density measuring device as early as 1956 because he was very concerned about protecting the environment and humans from industrial waste gases. We continue this tradition with our sustainability strategy and our commitment to ecological sustainability.

SICK not only makes a contribution by means of its intelligent sensor technology, but also with comprehensive measures in all controllable corporate processes. For almost 20 years, SICK has been operating an ISO 14001 environmental management system, according to which all production sites worldwide are certified. In addition, the certification of relevant sites has been supplemented with Europe's EMAS (Eco-Management and Audit Scheme) environmental standard as well as an energy management system according to ISO 50001. The aim of our environmental management system is the maximum improvement or, if possible, elimination of negative environmental effects. A three-level climate and environmental protection strategy was also formulated in 2013.

In its strategy focusing on ecological sustainability and updated in 2019, SICK expanded its environmental protection activities worldwide with all the main fields of activity. Environmental protection is integrated in products and processes throughout the entire product life cycle in order to ensure the maximum possible protection of the environment against negative impacts. All corporate departments are assessed for their ecological optimization potential and set concrete targets. These fields of activity are harmonized with the United Nations sustainability goals of relevance to SICK. The German Sustainability Code (DNK) and the Global Reporting Initiative (GRI) are also standards against which SICK's sustainability strategy measures itself.



GREEN SUPPLY CHAIN AND MATERIALS

GREEN SUPPLY CHAIN

In the life cycle of a sensor product, the main environmental impact is caused by the production, processing and transport of raw materials. The delivery chain with its suppliers and subcontractors, as well as transport between the individual companies involved, is thus decisive for achieving sustainability goals. This interplay is not only the subject of political scrutiny – processes at SICK are also evaluated and optimized along the entire delivery chain.

Green Supply Chain describes the delivery of materials and products from suppliers and subcontractors to SICK taking into account ecological aspects. Appropriate measures can be derived by evaluating suppliers' levels of sustainability. SICK measures CO₂ emissions and their offsetting costs using a calculation model to determine the environmental impact of products caused by their transport to individual SICK sites. Some of our procurement logistics have been transferred to CO₂-reduced freight routes. In addition, SICK collaborates internally and cross-departmentally to design and implement sustainable packaging for consignments from suppliers to SICK with Green Logistics and Green Packaging.



CONFLICT MINERALS

Armed conflicts, particularly in the Democratic Republic of the Congo and bordering nations, are financed with the proceeds of mining particular raw materials. Whereby militias control the raw material mines with the most serious of human rights abuses, and sell the resulting 'conflict minerals' (mainly gold, tantalum, tungsten and tin – the so-called 3TG minerals) worldwide.

Some companies in the USA are legally required to report whether, and to what extent, they purchase 3TG minerals from conflict regions. A system of certified smelting is intended to ensure that in future only conflict-free 3TG minerals are purchased and traded. The corresponding EU Conflict Minerals Regulation also involves a reporting and certification obligation for smelting operations and refineries, as well as major importers of raw materials.

SICK is affected by neither the reporting obligation of the US nor that of the EU. Nevertheless, SICK recognizes the underlying aim – preventing the financing of militant groups that violate human rights – and explicitly works towards achieving this goal. SICK makes efforts to ensure it only uses conflict-free 3TG minerals in its own production, and expressly supports the establishment of the Responsible Minerals Assurance Process (RMAP) by the Responsible Minerals Initiative (RMI).

GREEN MATERIALS

Minerals, metals and fossil resources are present on our planet in finite quantities and cannot be renewed. So it is essential to reclaim these materials and integrate them in a recycling economy. The increasing population of the world results in rising consumption that further aggravates the lack of resources.

A functioning recycling economy is also an important aspect for plastics, most of which are not recycled. Plastics account for 85 percent of coastal litter worldwide. These plastics end up in the bodies of marine organisms and hence humans. The negative consequences for human and animal health from microplastics in the air, water and food are impossible to gauge.

SICK places great value on the responsible treatment of our limited raw materials. Minerals, metals and fossil resources can be recovered with the help of the recycling economy. Metals are already recycled to a certain extent. Thus about 52 percent of the aluminum produced in Europe is made from recycled material. Regarding plastics, on the other hand, this is seldom the case in industrial settings. It is therefore essential to reprocess and reuse these materials (a circular economy). Most plastics are not yet recycled and remain in the environment. In an initial approach, SICK is therefore concentrating on plastics and is developing a strategy for using recycled plastics in the production of SICK products.


GREEN PRODUCTS AND PRODUCTION

GREEN PRODUCTS

Commitment to the environment was already a concern of company founder Dr. Erwin Sick, who developed the first smoke density measuring device in 1956 to reduce air pollution. In parallel with technological progress, demands for companies to contribute towards environmental and climate protection have also risen in recent decades. From production and logistics, to energy generation and consumption, as well as the monitoring of emissions – the need to use resources more efficiently is great in all industrial fields.

Sensors can help here because they gather large quantities of relevant data, and thus generate the transparency needed to optimize processes.

SICK's Green Products initiative assists its customers to use resources more efficiently and minimize negative environmental impacts.



CO₂ measurement devices for incineration, processing and drying plants, among others, helps SICK's customers reduce their greenhouse gas emissions. SICK makes an important contribution towards maintaining a habitable environment with its sensor products for waste incineration plants, power stations, steel and cement works, the oil and gas industry, as well as for chemical and petrochemical plants. SICK's dust measurement technology can precisely detect dust concentrations using a variety of measurement principles – to maintain emission limits or detect problems in processes in good time. In volume flow measurement, SICK sensor systems take on a variety of tasks, for example determining volume flows in plants, measuring natural gas quantities for the natural gas industry, or monitoring emissions in industrial processes.

THE MARITIME INDUSTRY

Ships' emissions damage health and the environment worldwide: More than 10 percent of global CO₂ emissions originate from international shipping. The International Maritime Organization (IMO) thus introduced more stringent regulations with effect from 2020, stipulating considerably lower limits for ships' waste gases worldwide. The shipping industry can reliably monitor its emissions with solutions from SICK, whose measuring devices monitor the scrubbers that filter unhealthy sulfur oxides from the exhaust gases of ships' engines, ensuring clean air above the world's oceans.

THE ENERGY SECTOR

Wind energy plays a major role in sustainable energy generation. Sensors enable adjustment of their components and rotor blades so that maximum energy can be generated. SICK offers absolute encoders with magnetic scanning for these adjustments.



GREEN PRODUCTION

The use of resources is particularly high in production plants – from the production processes themselves to the necessary infrastructure. The use of hazardous substances, the consumption of energy and water, and the waste produced have an environmental impact that must be reduced as far as possible. Production is an important mainstay of SICK's entrepreneurial success, so particular attention is paid here to implement resource-conserving and environmentally friendly working methods.

SICK takes into account, and assesses, the entire life cycle of its products in order to find environment-related potentials that enable process optimization. Worldwide, SICK takes responsibility in this area, even exceeding legal requirements in some places. We increase resource efficiency in the relevant production processes and infrastructure. This field of activity works closely with Green Materials in the development and improvement of production technologies to further reduce our ecological footprint. SICK also seeks suitable solutions outside its own companies, e.g. among partners and suppliers, to align the entire value-creation chain sustainably.

Whereby we concentrate on three aspects, above all:

- Energy and resource savings in production processes
- The reduced use of hazardous substances
- New production technologies for handling environmentally friendly materials

GREEN LOGISTICS, PACKAGING AND MOBILITY**GREEN LOGISTICS**

According to current studies, 8 to 10 percent of the world's CO₂ emissions are caused by logistical processes. SICK is therefore committed to improving the efficiency of its logistics, whereby the transport of goods throughout the delivery chain (from raw material to subcontractors, from suppliers to SICK), the transport of goods within SICK (operating logistics), and the transport of our SICK sensors to customers are considered. SICK supports an intact environment, and takes responsibility regarding the consumption of energy, space, material and fuel.

We are reducing our CO₂ footprint by optimizing packaging sizes and by improving the efficiency of our dispatch planning and replenishment processes, whereby there is close networking with the Green Packaging and Green Supply Chain fields of activity.

Individual measures include:

- Using alternatives to air freight (particularly sea and rail freight) wherever possible and sensible. Since March 2020, a rail transport has taken place between SICK's European logistics center in Germany (Buchholz) and its Asian logistics center in China (Jiaxing) roughly every two weeks.
- All logistical processes are being optimized regarding packaging materials.
- Stock replenishment is being optimized with carefully considered order quantities, and longer transport routes are being adapted to sea and rail freight.
- CO₂-compensated dispatch: Our main logistical partners already compensate for the emissions resulting from all transport of packages.

GREEN PACKAGING

Most of our solid waste results from packaging. In the USA, for example, packaging waste is estimated to make up about 30 percent of all waste. Reducing this value is also important because the packaging is mostly only used for a short time compared to the service life of the product. SICK is working on environmentally friendly packaging with reusable materials in order to minimize plastic waste. SICK's sustainability strategy is based on the responsible treatment of resources.

INNOVATIVE IDEAS FOR SUSTAINABLE PACKAGING

We are continuously working on finding environmentally friendly packaging in order to reduce our consumption of oil-based plastics. For this purpose we replace plastic with either cardboard or paper, or use recycled plastics. We also aim to further reduce the volume of packaging, as well as the weight of plastic and paper packaging.

These measures are intended to alleviate the problem of environmental pollution by microplastics and reduce energy consumption during transport. Wherever possible and sensible we want to stop using new plastic in future and exploit recyclates instead. We replace the use of finite resources with renewables: Recycled paper, recyclates and wood from sustainable forestry will be used more in future.



Initial projects have already been implemented: SICK now uses stronger paper to protect transports instead of conventional two-component foam. The use of bubble wrap with a recycle level of at least 50 percent also ensures secure transport. Three differently sized plastic bags are now used in place of our standard plastic packaging, to reduce over-packaging. Smaller adapted packaging sizes not only reduce the amount of plastics consumed, but also the entire packaging volume. This reduces the CO₂ footprint of packaging and all transport processes.

With its Green Packaging field of activity, SICK takes responsibility for an intact environment and is continuously developing innovative and environmentally friendly packaging solutions with its packaging suppliers.

GREEN MOBILITY

A large proportion of CO₂ emissions is caused by everyday traffic – about 30 percent in the EU. Cars are responsible for about 60 percent of total CO₂ emissions from Europe's road traffic. SICK therefore aims at precisely this problem: In our Green Mobility field of activity, we want to specifically reduce carbon dioxide emissions caused by our employees' business trips and commuting to work.



USING GREEN MOBILITY TO INCREASE SUSTAINABILITY

E-MOBILITY:

Essential business trips will be carried out with as little impact on the environment as possible. SICK has been using e-vehicles for business trips between German sites since as long ago as 2011. Their power is entirely supplied using green electricity, and the fleet is constantly being expanded. Pedelecs are also available for employees to use. These e-bikes were donated by Dorothea Sick-Thies, daughter of company founder Dr. Erwin Sick, and a committed environmentalist. She is also the initiator of numerous environmental measures at SICK. SICK invests in the necessary infrastructure and is continuously expanding its network of charging points for e-cars, for example in employee and visitor car parks.

PROMOTING ENVIRONMENTALLY FRIENDLY TRANSPORT:

Business trips between individual sites are unavoidable for a company like SICK that is active worldwide. Whenever possible, business trips are replaced by telephone or video conferences. Essential business trips are carried out with as little environmental impact as possible, e.g. by train or with efficient journey planning using car-sharing. SICK uses e-mobility for short distances. Since 2013, CO₂ emissions caused by business trips (indirect emissions) have been compensated for by a climate protection project carried out by 'atmosfair' and in accordance with the CDM Gold Standard.



For many years now, the 'Environmentally friendly to SICK' working group has been supporting employees switching to environmentally friendly means of transport, such as bicycles or public transport. An app that simplifies the organization of car-sharing is also available, and helps motivate the workforce.

Another measure for reducing CO₂ emissions is a Green Car Policy for those entitled to company cars. This has been in force since 2013 and is constantly being developed. The accounting system makes it financially attractive to select a low-emission company car.

GREEN BUILDINGS, OFFICE AND IT

GREEN BUILDINGS

Buildings are considered the largest single factor contributing towards energy consumption and greenhouse gas emissions worldwide. Of decisive importance here is the environmental impact during the utilization phase (i.e. energy consumption), as well as the environmental impact of the building materials used.

As a result of the long lifetime of buildings it is essential to invest in energy efficiency right from the start – when designing office buildings, warehouses and production buildings – to achieve a maximum positive effect on the environment.

SICK uses sustainable building materials wherever possible for its new buildings. This includes using renewable raw materials, such as wood instead of concrete, produced with as little energy as possible and ideally obtained locally. These factors have a decisive positive effect on our ecological balance sheet.



THE SUSTAINABILITY OF SICK'S BUILDINGS

SICK optimizes both existing buildings and all planned construction work:

An energy concept is created for all new buildings in advance – to achieve the minimum possible energy consumption. The main measures used depend on site suitability and the type of building involved. They include:

- The use of groundwater for cooling
- Concrete core activation
- Displacement ventilation, and ventilation plants with heat recycling
- The use of daylight, as well as presence-controlled and daylight-controlled LED lighting
- The use of photovoltaic, geothermal and cogeneration units
- A measurement concept for monitoring and optimizing energy consumption

Existing buildings and the entire infrastructure are being renovated to increase energy efficiency. For this purpose, for example, ventilation plants have been renewed, lighting standards defined, and automated shading systems installed. An energy measurement system detects which plants or departments are consuming how much electricity to uncover savings potentials. All information and experience leading to building definitions is documented in a building standard – which must be used for all new buildings at SICK.



GREEN OFFICE

In addition to reducing CO₂ emissions caused by our logistics, packaging and business trips, SICK also takes on this task in everyday office work. Large quantities of old paper and plastic waste are created every day. The Green Office field of activity therefore focuses on the environmentally friendly structuring of office-specific processes. SICK thus wants to establish measures oriented upon the environment and resources to gradually achieve our own sustainability targets.

RESOURCE AWARENESS IN THE OFFICE

Although recycling is a sensible process for environmental protection, it is the last option at SICK wherever possible: We want to prevent avoidable purchases in the first place. Integrating this in our daily business enables us to minimize waste and contribute towards reducing carbon emissions. With the digitalization of work processes, SICK distances itself from paper-based work and conserves valuable resources. We also prefer magazines and newspapers in digital format to prevent the creation of old paper at source. SICK uses recycled and environmentally friendly products in its core range of office supplies so that every employee has direct access to sustainable office materials. SICK continuously works on improving and expanding the range of environmentally friendly office suppliers, and will introduce them internationally in the next step.

GREEN IT

According to current estimates, IT and communication technology represent about 4 percent of the world's electricity consumption. Video streaming, social media, big data, artificial intelligence and the digitalization of business and production processes also contribute towards the worldwide rise in energy consumption – and CO₂ emissions. Moreover, the production of IT devices requires metals (including silver, gold, copper, lithium) and rare earths (e.g. neodymium and tantalum), resulting in a negative impact on the environment because their mining is largely uncontrolled. These examples show why the IT field of activity also offers considerable optimization potentials regarding ecological sustainability.

WHAT SICK UNDERSTANDS BY GREEN IT

Green IT describes how we implement energy-efficient and environmentally friendly information and communication technology at SICK, whereby we differentiate between 'green in IT' and 'green via IT':

'Green in IT' includes, among other things, the use of energy-saving IT devices and the optimization of resource requirements at the workplace and for cooling servers. SICK also places great value on a sustainable life cycle for IT devices – from procurement to recycling. We also try to focus on ecological sustainability in the area of IT with resource-conserving and energy-efficient processes, such as server virtualization and the harmonization of applications to reduce our server and energy loads.

'Green via IT' at SICK involves the preparation of IT infrastructure to reduce our CO₂ footprint. This includes video conferencing systems to replace unnecessary business trips, or IT equipment for mobile home office working. Cross-departmental collaboration is also promoted, to drive forward the digitalization of business processes throughout the company.



FAIR CLIMATE & GREEN ENERGY

Climate change is the greatest challenge and threat to the world's population. 95 percent of all climate scientists agree that man-made CO₂ emissions are responsible for negative climate change. We at SICK take responsibility and are gradually reducing our CO₂ emissions. Our energy policy includes the sustainable procurement and generation of energy – so that the earth remains habitable for coming generations.

CLIMATE PROTECTION STRATEGY AT SICK

1. We do not waste energy – we increase energy efficiency
2. We use renewable energy wherever possible. We compensate for CO₂ emissions that cannot be avoided

We track and evaluate the success of our measures on the basis of concrete targets. SICK has voluntarily committed itself to reduce its net greenhouse gas emissions at all German sites, as well as all production sites worldwide, to zero by 2030 by signing a new climate protection agreement with the German state of Baden-Württemberg. This commitment refers to Scope 1¹, Scope 2² and proven Scope 3³ emissions.

SICK already achieved this goal in Germany in 2013 – for emissions at its sites including upstream energy generation (Scopes 1 and 2) and business trips (Scope 3). Other Scope 3 emissions are to be measured and offset.

THE PREVENTION OF, AND COMPENSATION FOR, CO₂ EMISSIONS

ENERGY EFFICIENCY: SICK has set itself the goal of increasing its energy efficiency by 25 percent in Germany (by 2025) and worldwide (by 2030) based on 2018 rates. SICK wants to achieve this goal using a variety of measures, such as optimized control of heating and ventilation, optimization of compressed air generation, optimization of quiescent power consumption, and the insulation of facades and roofs.



GREEN ELECTRICITY: SICK has been using certified green electricity at all German sites since 2013 to prevent CO₂ emissions. The electricity is certified with the 'OK Power Label' to achieve the highest possible environmental standards. This means, among other things, that the electricity is 100 percent generated from renewable energy sources with at least one-third from newly built power stations – promoting the energy transition (away from nuclear power). Throughout Germany, SICK can thus prevent about 7,300 tonnes of CO₂ emissions per year. SICK has set itself the goal of also switching its worldwide production sites to green electricity by 2025 or, if unavailable, to compensate for the emissions.

PHOTOVOLTAIC, GEOTHERMAL AND COGENERATION POWER STATIONS: SICK generates electricity and heat from renewable energy sources on its own works grounds. This includes heat from geothermal plants, gas-powered combined heat and power plants (CHP) for the efficient generation of electricity and heat, and electricity generated using photovoltaic plants (PV) that have been constructed at many SICK sites. SICK thus wants to increase the proportion of electricity (PV and CHP) that it generates itself to 40 percent – in Germany by 2025 and globally by 2030. We also constantly check that gas derives from renewable energy sources – CO₂ emissions are compensated for if this cannot be implemented.

COMPENSATION: Unavoidable CO₂ emissions are offset by means of climate protection projects that meet the CDM GOLD Standard via the 'atmosfair' not-for-profit organization. Annual compensation for about 18,000 tonnes of CO₂ emissions can thus be achieved. The CDM GOLD Standard is the compensation standard with the highest quality demands.

SICK has also been working with the Plant for the Planet environmental organization since 2017. The collaboration was initiated by Dorothea Sick-Thies, daughter of company founder Dr. Erwin Sick and a committed environmentalist. Together with Plant for the Planet, SICK organizes annual Climate Academies for children and youths who are trained to become climate ambassadors. SICK also offsets its unavoidable CO₂ emissions by planting trees on Plant for the Planet's own land on the Yucatan peninsula in Mexico. This takes place in addition to the compensation already carried out via atmosfair. The planting of trees on Plant for the Planet's own land ensures that the trees absorb the calculated quantity of CO₂

¹ Scope 1: Direct, i.e. emissions generated at our own sites

² Scope 2: Emissions generated from purchased energy, e.g. electricity and district heating

³ Scope 3: Indirect greenhouse gas emissions generated by upstream and downstream value-creation chains, including business trips

and are not felled too early. Although it is clear that trees only bind CO₂ temporarily, SICK has decided to use this additional form of compensation. The temporary absorption of CO₂ for a length of about 100 to 200 years will gain valuable time until new technologies can demonstrate their full effectiveness.

BIODIVERSITY

Biodiversity is the variety of species, habitats and genetic material. The gradual loss of this diversity is a challenge for the whole of society. Measures to maintain biological diversity are required on global, regional, and local levels.

In this age of climate change and lack of resources, SICK is well aware of its role in society, and wants to work against the loss of biodiversity locally and set a good example for employees and customers. Imitation is explicitly encouraged!

ACTIVELY PROMOTING BIODIVERSITY

In the Biodiversity field of activity ideas are developed and implemented to protect and increase biodiversity at SICK sites. In a first step, biodiversity potentials were identified at several company sites in 2018.

The aim is to give biological diversity space in the green areas on SICK's grounds. Wild bees, butterflies, lizards, grasshoppers and many other types of flora and fauna should make these areas their home.

For this purpose, all SICK's open spaces will be converted to flowering and natural meadows throughout Germany by 2022 (except for cesspits and heavily frequented lawns). Elsewhere, we want to convert open spaces at SICK's production sites to flowering and natural meadows by 2025.

Depending on suitability, specific habitats for insects, birds and bats will be set up at individual company sites. Many activities have already been implemented and will be expanded. Examples include:



HUNTING AREAS FOR BATS IN WALDKIRCH: Bats are among the most threatened mammals in Germany. They not only suffer from habitat loss, but also from a shortage of food. Oak logs have been set up at SICK's headquarters, providing an important habitat for insects – the main source of food for bats. We further expanded this habitat by planting Virginia creeper and clematis around the logs, creating a large range of nutrition for the bats. Bats like to use linear structures as guidelines because they mainly orient themselves using echolocation. The avenue arrangement of the oak logs in combination with the positioning of SICK's office buildings thus provides ideal prerequisites for hunting grounds. Bat nesting houses, where bats can withdraw during the day, raise their young, and hibernate over winter, have also been installed.

DEAD WOOD HABITATS IN BUCHHOLZ: The piles of dead wood at SICK's distribution center in Buchholz will form a habitat for many types of animal, including insects, birds and bats, for the next 20 to 30 years. The chalk gravel spread on the ground also offers a habitat for other rare plants and animals that require poor soil. The logs originate from an ecological landscaping project, i.e. a planned deforestation.

ECOLOGICAL DESIGN OF DITCHES AS TEMPORARY MARSHLAND: The existing drainage ditches at SICK's European distribution center in Buchholz were expanded, their cross-section enlarged and three hollows created. A layer of clay was laid down to delay the drainage of water. This has created a new ecosystem:

- Damp zones with highly specialized plants that withstand wet/dry changes
- A transition zone
- A south-facing slope on nutrient-rich ground

REFORESTATION WITH NATIVE TREE SPECIES AND TREES THAT PROVIDE FOOD FOR BIRDS: Every year SICK hosts a Climate Academy for children and youths at selected locations. More than 150 trees and shrubs, including rare and ecologically valuable species (such as sorb and the true service tree) have been planted at SICK during the joint planting events with Plant for the Planet.

GREEN MINDSET AND CATERING

GREEN MINDSET

Sustainability is an omnipresent topic – it confronts each of us every day. Industrial companies like SICK are, of course, not exempt. And this is necessary, because the earth will only remain habitable if we stop climate change and use resources responsibly. Environmental protection must have its place on all levels and be driven forward with motivation – from the management level to every single employee.

GREEN MINDSET – AT ALL LEVELS

For us, Green Mindset means taking into account sustainability aspects on all levels of activity, and understanding why it deserves its high status. SICK increases environmental awareness in the company by appreciating and sponsoring exemplary projects, and providing information about environmental protection in training courses. Sustainability is a holistic concept at SICK and affects every corporate department. Our employees are therefore not just confronted with it every day, but are also informed about all measures undertaken – this establishes a green mindset. Suggestions for improvements can be handed in by any employee and flow into concrete sustainability projects.

In addition to our internal corporate expertise, SICK is also supported by an external council of experts. Together, projects to achieve our sustainability goals are continuously assessed, adapted and internationally expanded.

GREEN CATERING

The supply of food is responsible for one third of all greenhouse gas emissions worldwide: No progress in transportation or energy transition has the potential to slow global warming as much as a conscious choice of food. Above all, conventional means of food production have negative effects on biological diversity. The selection of seasonal and regional food could reduce carbon emissions from the food supply chain by at least 50 percent – and increase regional species diversity. It is also worth noting that arable farming releases lower amounts of greenhouse gases, so vegetable products are preferable to meat.

GREEN CATERING AT SICK:

SICK uses Green Catering concepts to select the range of foods in its works canteens, as well as choose how snack machines and coffee machines are used. We pay attention to the sustainability and quality of the foods provided. SICK attempts to obtain its foods regionally so that transport routes are kept as short as possible and greenhouse gas emissions can be reduced. SICK selects seasonally available foods for its canteens. We promote a sustainable food culture with regional and seasonal products and our almost entirely vegetarian Green Line supplementary range of meals. This not only leads to appreciation of the range of food available regionally, but also reduces CO₂ emissions while increasing quality and freshness. Our aim is to offer our employees a healthy and sustainable range of meals – without them having to renounce culinary pleasures.

Concrete measures that SICK has introduced at individual sites:

- Conversion to compostable coffee capsules
- Plastic-free tea-bag packaging
- Expanded range of water dispensers and thus reduced number of beverage bottles
- Introduction of returnable glass boxes for takeaway meals to replace the disposable polystyrene boxes previously used
- Range of organic meat dishes (pilot phase)



III. Key figures and targets for ecological sustainability

The total energy consumption of SICK Germany has fallen from 62,410 MWh in 2019 to 58,550 MWh in 2020. This is largely due to a reduction in fuel consumption of more than 4,000 MWh during this period. The CO₂ emissions caused by SICK also fell by about 1,000 tonnes compared to the previous year. The sharp decline is due to the decrease in actual flights booked (from 8,282 flights in 2019 to 187 flights in 2020) and business trips. As of 2020 we are also taking into account the emissions of commuting to and from work.

CONSUMPTION FIGURES*

| | | 2018 | 2019 | 2020 |
|-------|---|---------------|---------------|---------------|
| Input | Energy usage in MWh | 60,212 | 62,410 | 58,550 |
| | External procurement, gas | 20,594 | 21,709 | 22,255 |
| | External procurement, electricity | 22,194 | 23,059 | 22,027 |
| | External procurement, district heating | 292 | 389 | 568 |
| | External procurement, heating oil | 135 | 105 | 100 |
| | Usage of SICK-generated electricity (PV) | 1,037 | 1,128 | 1,214 |
| | Usage of SICK-generated electricity (CHP) | 2,133 | 2,341 | 2,871 |
| | Fuel | 13,826 | 13,679 | 9,515 |
| | Proportion renewable – absolute, in MWh | 23,231 | 24,187 | 23,241 |
| | Proportion renewable – relativ in % | 39 | 39 | 40 |
| | Proportion SICK-generated electricity – relative, in % | 12 | 13 | 16 |
| | Water in m ³ | 61,293 | 62,59 | 51,107 |
| | CO₂ emissions total in t | 15,371 | 12,829 | 11,795 |
| | Scope 1 - Direct emissions | 8,071 | 8,241 | 7,212 |
| | Scope 2 - Grid-bound indirect emissions | 21 | 31 | 27 |
| | Scope 3 - Other indirect emissions | 7,279 | 4,556 | 4,556 |
| | Business trips | 7,279 | 4,556 | 940 |
| | Commuting of employees (since 2020) | | | 3,615 |

* Consumption figures for all SICK sites in Germany.

ECOLOGICAL SUSTAINABILITY GOALS ACCOMPLISHED SO FAR

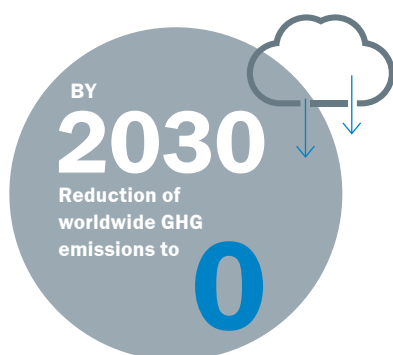
| Field of activity | Goal | Scope | Measure/KPI | Date | Status |
|--------------------------------------|--|---------|--|-----------|---------------|
| Fair Climate and Green Energy | 100% green electricity | Germany | 100% | 2013 | Goal achieved |
| | 100% compensation for Scope 1 and 2 emissions and business trips (Scope 3) | Germany | 100% | 2013 | Goal achieved |
| Biodiversity | Flower and natural meadows at the Reute, Waldkirch and Buchholz sites | Germany | Individual | 2019–2020 | Goal achieved |
| | Dry stone walls, dead wood stumps, bat habitats at the Reute, Waldkirch and Buchholz sites | Germany | Individual | 2018–2020 | Goal achieved |
| Green Mobility | Expansion of e-mobility | Germany | Expansion to 100 charging points in Waldkirch | 2020 | Goal achieved |
| Green Logistics | Implementation of regular rail link | Global | Introduction of regular rail link between DC Buchholz and FCC Jiaxing for replenishment deliveries | 2020 | Goal achieved |
| Green Packaging | Replacement of packaging foam with paper | Germany | Use of foam machine at DC Buchholz replaced by new paper packaging machine (50% recycled paper) | 2020 | Goal achieved |
| Green Buildings | Establishment of an environmental and energy standard for new and existing buildings | Germany | Environmental and energy standards defined for buildings and services – implementation ongoing | 2020 | Goal achieved |

OVERALL ECOLOGICAL SUSTAINABILITY GOAL

SICK has voluntarily committed itself to reduce its net greenhouse gas (GHG) emissions at all German sites, as well as all production sites worldwide, to zero by 2030 by signing a new climate protection agreement with the German state of Baden-Württemberg. This commitment refers to Scope 1, Scope 2 and proven Scope 3 emissions.

SICK already achieved this goal in Germany in 2013 – for GHG emissions at its sites including upstream energy generation (Scopes 1 and 2) and business trips (Scope 3). Other Scope 3 emissions are to be measured and offset.

SICK has set itself the goal of zero net GHG emissions for Scopes 1 and 2 by 2025, and for proven Scope 3 emissions for global production by 2030.

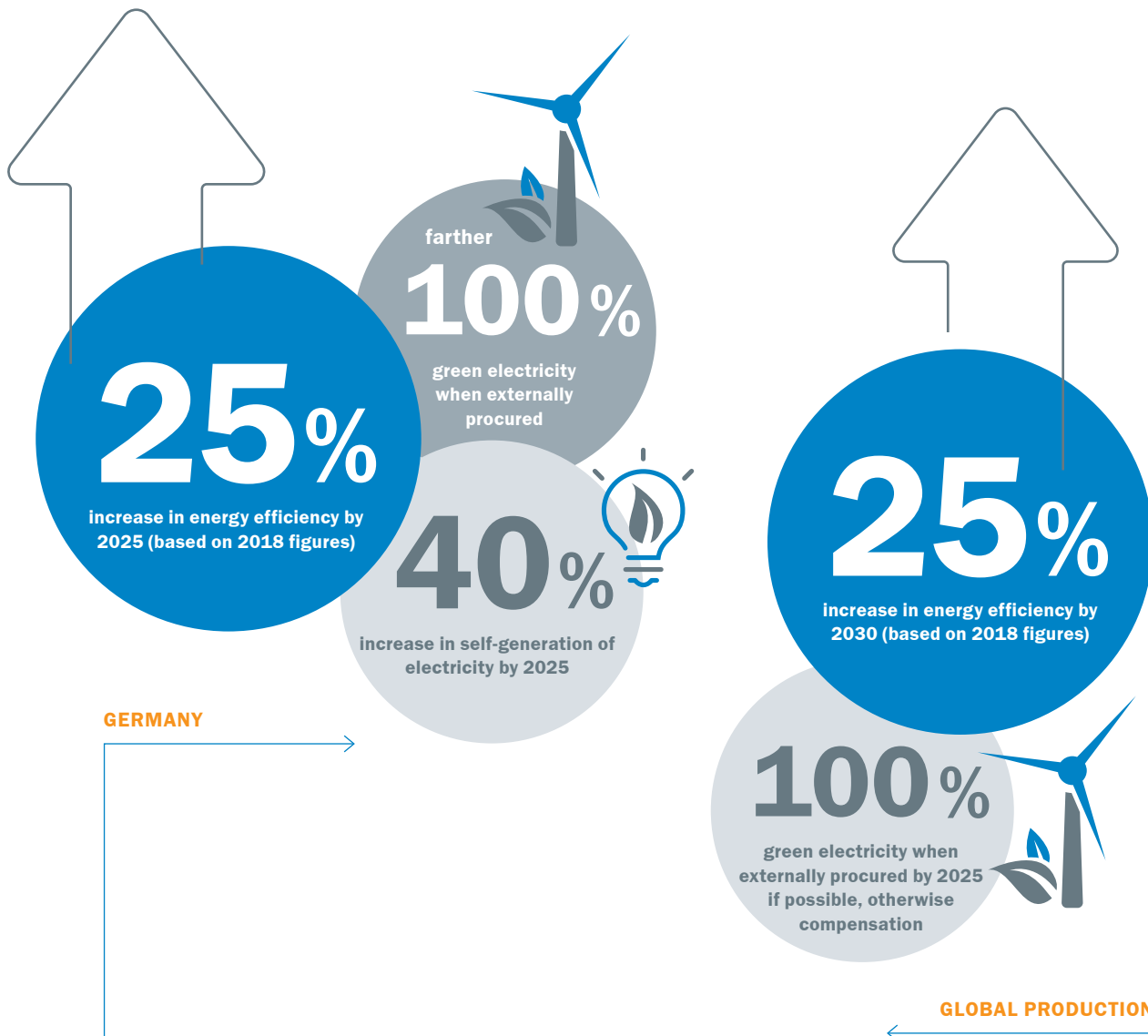




GOALS FOR THE 14 FIELDS OF ACTIVITY FOR ECOLOGICAL SUSTAINABILITY

FAIR CLIMATE AND GREEN ENERGY

We at SICK take responsibility and are gradually reducing our CO₂ emissions. Our energy policy embraces the sustainable procurement and generation of energy so that our Earth also remains habitable for coming generations. We have set ourselves binding energy efficiency values and compensation goals for this purpose – both for our German sites and for all SICK production sites worldwide.





OTHER ECOLOGICAL FIELDS OF ACTIVITY

We at SICK have evaluated all corporate departments to assess whether feasible potentials exist to use more sustainable processes. This has resulted in 14 fields of activity. Important ecological targets have already been defined, though some concrete goals and figures for measuring progress have yet to be defined by those responsible for specific topics.



TARGETS

WE AT SICK WANT TO IMPLEMENT SUSTAINABILITY IDEAS IN ALL CORPORATE DEPARTMENTS.



GREEN LOGISTICS

Expanded use of sea and rail freight instead of air freight. Increase in proportion of sea freight to the USA to 20%.



GREEN PACKAGING

Definition of minimum requirements for sustainable environmentally friendly packaging to reduce packaging material overall and use recycled materials wherever possible.



GREEN MOBILITY

Reduction of CO₂ emissions from our vehicle fleet by promoting e-mobility, setting targets for CO₂ emissions, and developing green travel guidelines.



GREEN OFFICE

Introduction of recycled photocopy paper (A4) with a reduced level of whiteness (80%), and extension to other office materials.



GREEN BUILDINGS

Generation of specific energy concepts for all new buildings with the aim of maximizing energy efficiency and the use of renewable energies.



GREEN IT

Taking into account energy efficiency and the sustainable use of resources in our IT strategy, including our cloud strategy.



GREEN PRODUCTION

Definition of standards for the development of future production plants using sustainable and energy-efficient components.



GREEN PRODUCTS

Development of new technologies and measurement technology to support energy transition, e.g. power-to-gas.



BIODIVERSITY

Expansion of flower and natural meadows on all SICK grounds (except for heavily frequented areas and cesspits).

“We integrate ecology in all important processes and business units that have an effect on sustainability.”

Kerstin Kohler,
Manager, Environmental Management



GREEN MINDSET

Further development of an effective sustainability network (internal/external) to expand awareness of sustainability and create synergies.



GREEN MATERIALS

Development of a strategy to use recycled plastics in SICK products (a circular economy approach).



GREEN SUPPLY CHAIN

Inclusion of sustainability in supplier management – for more energy-efficient components.



GREEN CATERING

Use of regional and seasonal products, as well as continuation of pilot organic meat scheme.

D. SOCIAL SUSTAINABILITY



Our employees are at the heart of SICK's success.



Their competence and collaboration within the corporate network are the fundamental prerequisite for sustainable growth, and an important differentiation feature. Consequently, both our corporate and personnel strategy are ultimately based on their competence – because innovation and corporate success are the result of the work of committed, inspired and efficient employees. This innovation and corporate success can only thrive if the ground has been prepared for respectful and fair togetherness in a trusting working atmosphere. This includes creating an environment that promotes the pride, motivation, identification, and health of our employees.

In addition to this trusting togetherness, the main elements of our corporate culture include personal development opportunities, competence development, a balance between obligation and encouragement, and the numerous possibilities to contribute beyond one's own work context and take responsibility – based on the conviction that tasks and competences must be ideally compatible with one another. Only then can the prerequisites be created for employees to exploit their individual potentials to the full and contribute their efforts.

Finding the right employees, as well as integrating and retaining them, is very important. To ensure that this is successful, we constantly aspire to make the promises of our strategy and personnel policy visible and experienced in the lived culture. The active shaping of workplace culture thus gains particular significance – expressed in a transparent, comprehensible and coherent personnel policy.



I. Personnel policy

PERSONNEL POLICY AND DEVELOPMENT

SICK's personnel policy is characterized by the Mission Statement, with its core values of independence, innovation and leadership. Whereby leadership not only means technology and market leadership, but also the development of our corporate and leadership culture.

The activities of SICK personnel are based on the same principles and values worldwide. Ever-greater international networking makes value-oriented leadership, interaction and constructive collaboration increasingly important and increasingly more challenging. SICK orients itself on its 'Principles of Leadership and Cooperation'. These form a binding framework for the activities of all employees and managers valid worldwide.

High workplace quality, trust, enthusiasm and teamwork have been deeply anchored in SICK's corporate culture and Mission Statement since the company was founded more than 70 years ago. Employees fill these values with life every day – and thus create the basis for economic success.

Personnel work involves a wide variety of topics. The most important during the 2020 fiscal year were:

- Alignment and adaptation of personnel work to requirements resulting from the pandemic
- Progressive concepts and targeted implementation of activities shaping the world of work ('New Work') in response to the requirements of digitalization and business (e.g. continued agile transformation, encouragement of cross-functional and cross-organizational collaboration, targeted personnel development opportunities)
- Organizational development of the ability to adapt and change
- Further development of methods, instruments and processes focusing on performance, transparency and applicability
- Acceleration of cultural change and its active support
- Competence development, talent management, strategic personnel planning, as well as employer branding and recruiting
- The clear aims are to enhance competences for cross-departmental collaboration in a global environment, and to develop appropriate organizational methods to optimally enable the company to overcome the challenges of digitalization.

In line with our principle 'We recognize and acknowledge performance', in addition to collectively agreed remuneration, SICK also offers extensive non-tariff payments, e.g. profit-sharing, variable pay components, performance-related payments, invention-based bonuses, or company pensions. This range is supplemented by flexible worktime models, mobile work, flexitime and working time accounts for individual life phase planning and the active promotion of health and needs-oriented training. The core of our recognition culture, however, is a lived culture of feedback that is strongly promoted by personnel work.

Along with growth in sales during the last fiscal year, the number of employees worldwide also increased by 229. At the end of 2020, the SICK Group employed a total of 10,433 personnel. The increase was thus 2.2 percent compared to the end of 2019 (10,204 employees). The rise was within the forecast range; slightly above it if the extra personnel for the Start-up Initiatives are included. This increase in capacity further enhances the competences at SICK, particularly in R&D, Production and the worldwide sales and service organizations.

EMPLOYEES ON DECEMBER 31, 2020

| | 2020 | 2019 | Change in % |
|---------------------------------------|---------------|---------------|-------------|
| Germany | 5,961 | 5,847 | 1.9 |
| Europe, Middle East and Africa (EMEA) | 2,023 | 1,972 | 2.6 |
| North & South America (Americas) | 993 | 970 | 2.4 |
| Asia-Pacific | 1,456 | 1,415 | 2.9 |
| Total | 10,433 | 10,204 | 2.2 |

The average age of the SICK workforce remained unchanged at 41.0 years in 2020. Despite the many new appointments, the average period of employment only fell slightly, to 9.2 years (2019: 8.9 years) due to the continuing very low rate of fluctuation. The percentage of women in the workforce of the SICK Group remained almost constant compared to 2019. 31.8 percent of the workforce was female and 68.2 percent male in 2020. The SICK Group employed 384 trainees on 31 December 2020 (2019: 365 trainees).

THE SELECTION AND ONBOARDING OF NEW EMPLOYEES

When selecting new employees, SICK places great value on their fitting the company, their future colleagues, and our culture. The cultural imprint is thus a central selection criterion for new appointments, alongside professional qualifications.

Thus social and leadership competences play a major role during the application process, alongside professional competences. An online test is an additional indicator for trainees and students at cooperative universities. In addition to questions about career choice and qualifications, it specifically examines the extent to which an applicant fits SICK's corporate culture and values. In the Assessment Center, the part of the selection process for trainees and students at cooperative universities, applicants complete both individual and group tasks that portray everyday work at SICK. As a result of the great significance that the corporate culture has within the company, this selection step also specifically examines whether, and to what extent, an applicant fits SICK and SICK's culture.

There is a specific curriculum for new employees involving an introductory seminar, feedback workshops, and special e-learning courses. Participants familiarize themselves with SICK's corporate culture during the two-day introductory seminar. In addition to the corporate strategy, other important elements include corporate communication and values, SICK's Mission Statement, corporate competences and the Principles of Leadership and Cooperation. Adapted variants of the introductory seminar meet the needs of specific target groups, e.g. the Start@SICK program for Production and Logistics, which focuses on the topics of social togetherness, leadership and collaboration in direct areas of work, as well as developments and strategy in Production and Logistics. There is an adapted range of seminars that examine intercultural aspects for international employees who work at SICK as impatriates.

TRAINING AND FURTHER EDUCATION

SICK considers lifelong learning not only to be a key for sustainable success, but also a real opportunity for the personal development of employees. Competence management, as an integrated dynamic system of personnel management, is the mainstay of internal training – with the goal of shaping cultural change at SICK regarding leadership and collaboration.

In addition, the fundamental attitude that ‘competence counts’ expresses a high level of recognition and appreciation of our employees. SICK’s competence management supports the necessary development of specialist, leadership and social competences, particularly given the challenges of the digital transformation. This ensures that every employee has the necessary expertise and abilities to fulfil their specific tasks. As SICK has great trust in the individual responsibility of its employees, the further education program offered by the company’s own Sensor Intelligence Academy (SIA) is available to all employees during worktime.

The SIA coordinates needs-oriented training and, with its highly varied range of courses, acts as a competence center for further education and lifelong learning that also increasingly extends to SICK’s international companies, particularly in Asia and the USA. It has become established as a training center for technical and non-technical courses. The range of further education is divided into four general areas: Methods and specialist knowledge, product-oriented knowledge, sector and application knowledge, and corporate topics. The Learning Management System enables the harmonization and standardization of training processes, and guarantees uniformly high quality standards. The farther the digital transformation advances, the greater the importance of targeted knowledge acquisition and capability. Thus it is becoming increasingly important to rapidly and straightforwardly provide employees access to the knowledge and information required at the particular workplace. For this purpose, the SIA offers, among other things, efficient learning formats based on new technologies, e.g. web-based training courses,

blended courses, virtual reality, social collaboration learning, or co-creation approaches. The SIA also offers the most varied course formats: e-learning courses, short films and webinars are available, in addition to classic attended courses that take place on site. The aim is to offer digital learning media to support self-paced learning processes to enable learning anytime and anywhere, and increase learning effectiveness.

Key figures on the SIA (at end of 2020):

- 939 face-to-face training courses carried out with 5,288 participants and a total of 42,509 teaching hours
- 2,441 internal trainer hours completed
- 543 new internally developed and implemented e-learning courses
- 132,869 completed e-learning modules worldwide
- 50 external and internal trainers

The international manager courses were further intensified during the 2020 fiscal year. They mainly concentrated on handling change management, agility, or increasing complexity – decisive competences given dynamically developing market and customer demands.

Competence management at SICK supports the necessary development of specialist, leadership and social abilities.



As in the past, our personnel work during 2020 focused on training. Learning in projects as well as courses on social and methodological competences (off-the-job measures) played a major role, in addition to specialist training. Thus SICK also offers further education that is specifically tailored to meet the needs of trainees and students at cooperative universities. Trainees can also access the SIA's full program. Students at cooperative universities spend part of their practical phase or education at a foreign subsidiary, to promote intercultural competences and to prepare for a position in an international setting.

SICK enables contact with interested school-leavers through training partnerships with schools, e.g. within the framework of the School Research Center opened in Waldkirch in 2018, the Summer University, or the Open Training Days.

The 12-month international entry program for university graduates continued during the 2020 fiscal year, prioritizing SICK's engineering department, SensorING. The tasks and goals of the program are:

- Early acquisition of potential young talents for specialist and project tasks
- Support for mid- and long-term personnel planning
- Acquisition of employees for posts that are difficult to fill – specifically set up and expanded through internal development
- The build-up of cross-departmental knowledge
- The promotion and expansion of formal and informal networks

Investment in training and further education to expand competences worldwide amounted to EUR 10.0 m. during 2020, decreasing by 18 percent compared to those in 2019 (EUR 12.2 m.). The training program focused on expanding specialist knowledge, as well as promoting competences for efficient Group-wide collaboration, among other things.

II. Health management and our family orientation

By signing the Luxemburg Declaration on workplace health promotion in the European Union, SICK has committed itself to meeting the objectives and principles of occupational health support – and understands health management as an element of corporate strategy: SICK considers its employees an important factor in its success, and their professional and health promotion and protection is in the best interests of the workforce and the company. SICK understands employee health as a social responsibility. It is therefore important to achieve a positive long-term improvement of health potentials, to improve the wellbeing of employees at the workplace, and to take precautions against risks at the workplace.

Active health management at SICK is intended to make a permanent contribution towards the health and wellbeing of all employees at the workplace and beyond – to maintain and enhance their health and wellbeing in the long term. For this purpose, specific measures have been developed in the overall concept for mental health to fulfil each point in the Health-Illness Continuum: from health promotion, through prevention levels, to rehabilitation. Potential mental, physical and psychosocial workloads and health hazards at the workplace, and in concrete work processes, are being examined. Solution concepts will then be developed in collaboration with employees – to minimize potential health hazards, and protect and promote the health of the workforce.

The range of activities available for employees includes wide-ranging health promotion programs. These extend far beyond legally stipulated measures, and are firmly integrated in work processes. A wide range of corporate health promotion measures, e.g. corporate medical services, medical check-ups, sport study groups, advice on prevention and ergonomics, and the use of holistic risk assessments, are intended to contribute towards maintaining the health and effectiveness of the workforce. Employees also receive support in emergency situations: Examples of SICK's employee welfare measures include professional reintegration management after periods of illness, in-house social counselling, and urgent assistance in the case of mental illness.



The range of workplace health management was considerably expanded with the construction of our Family and Health Center at the Waldkirch site, opened in March 2018. The core elements here include physiotherapeutic and ergonomic programs, as well as a wide range of health-oriented courses. In addition, occupational health care was supplemented by orthopedic and general practitioner services. This has resulted in a seamless linkage between internal and external structures – with the aim of offering employees a comprehensive range of services that easily tie in with working times and can thus be integrated into everyday working life.

At least one health program takes place at SICK every year. The health program individually promotes the health of employees. The concept of the multi-layered health program is intended to stabilize and improve the general health of employees, whereby the focus is on behavior-related measures with the aim of supporting and ensuring healthy employee lifestyles. A concrete example here is the 'SICK is(s)t gesund' (SICK is healthy/eats healthily) program that focuses on healthy nutrition, rolled out nationally in September 2020. A wide range of local needs-oriented programs has been planned for SICK's German sites in collaboration with the Techniker Krankenkasse health fund. It will also be available digitally via the mosaic+ platform.

SICK also places great value on its holistic family-oriented personnel policy. The aims include a work/family balance that is as optimal as possible and results in improved employee motivation and greater work satisfaction. Thus the work/family balancing program was considerably expanded in the year under review. SICK offers care to 19 children aged between 6 months and 6 years, as well as flexible afternoon care for schoolchildren. This supplements the previous range of programs such as holiday and emergency care, as well as a number of social events (e.g. introductory PC courses,

courses on making job applications, or ski and snowboard excursions). In addition, the program for making working times and workplaces more flexible was also considerably expanded in 2020 specifically in response to the Covid-19 pandemic.

SICK AG helps its employees take advantage of parental leave. Advice on arranging and claiming parental leave is available from the works social advisers. At SICK, even fathers who work at higher hierarchical management levels can take advantage of so-called partner months. This is a matter of course, and expressly not exceptional for our company.

In addition, the opportunities offered by flexible working hours, mobile work and part-time work are an important prerequisite enabling employees to better balance work and family.

SICK believes that a holistic family-oriented personnel policy is very important.

THE COVID-19 CRISIS

The health of all employees and the company has the highest priority at SICK. For this reason, SICK very early on implemented appropriate protection and prevention measures – in close collaboration with the responsible authorities and health departments. The measures and rules were centrally defined, controlled, and communicated throughout the company by the Corona Planning Committee established in February 2020. The planning committee met daily at the beginning of the pandemic, and switched to meeting twice a week from early summer onwards. As a result of the team's line-up, it was able to take into account all aspects, make rapid decisions, and implement them without delay. The planning team includes members of the Executive Board and Works Council, the senior Company Medical Officer, as well as leading experts from Human Resources, Health & Safety at Work, Facility Management, Factory Security, IT, Procurement, Operations, Customer Fulfillment/Logistics and Corporate Communication. The planning committee is an important orientation point and anchor for employees and management in the SICK Group worldwide. It regularly provides information on Group-wide regulations for all employees, and provides packages of measures, rules and information for local propagation.

Mobile working from home was the preferred option for many employees in 2020, and a preventive measure to keep the number of people at company sites as low as possible. Internet bandwidths were massively increased for this purpose, and employees were provided with equipment as well as collaboration and conferencing media that were consistently expanded and improved during the course of the year. Employees were permitted to take any necessary equipment (e.g. screens, test devices, etc.) home with them.

Tips, training and support programs for working from home, as well as for virtual collaboration, were provided in our own Coronavirus Info Space. Experiences and best practices from the home office were distributed throughout the Group in Intranet blogposts. Live formats involving the topics of promoting virtual collaboration and dealing with stressful situations were offered to managers and other personnel.

Production and Logistics Departments are critical to the success of the company's business activities. The on-site presence of production and logistics employees was therefore

essential. In addition to the higher-ranking planning committee, a Covid-19 Crisis Committee was also established to specifically meet the needs of these departments, ensuring the implementation of far-reaching protective measures. These apply throughout the global operations network and have the following priorities:

- Protection of employees (by means of social distancing rules and hygiene measures)
- Greater flexibility for employees in shaping their individual working times
- Protecting the company – and thus jobs (e.g. SICK set up a global production and logistical network in such a way that if there were a lockdown in one country the manufacture of products there could be temporarily moved to another production site)

Among other things, SICK donated 24,000 surgical masks to the Emmendingen district for use in hospitals and other care and social facilities to protect medical institutions in the southern Baden region. SICK also donated two respiratory ventilators to the BDH Clinic in Waldkirch.

In addition, SICK supported and advised institutions throughout the region regarding the procurement of protective materials, and liaised with international procurement sources via its Chinese subsidiary. SICK's Central Procurement Department helped authorities and medical institutions in the southern Baden region obtain a six-figure number of protective FFP masks and surgical masks.

III. Employer branding

The growing business in sensors for industrial automation and Industry 4.0 generates a great need for well-qualified specialists, particularly in the fields of mathematics, IT, the natural sciences and technology (MINT). A central task of employer branding is therefore to position SICK as an attractive employer, and bring potential specialists into contact with SICK early on and convince them of the benefits of joining the company.

A Recruiting Night was initiated in 2020 in order to help achieve this goal. The open evening event was widely announced in advance, and was intended to enable us to quickly cover the very great need for production personnel. About 500 initial interviews took place during this event.

Activities to find new trainees and students at cooperative universities include:

- Introductory practical experience for pupils to awaken interest in the profession
- The SICK Summer University to interest upper secondary pupils in careers as technical engineers, and introduce them to the possibilities available in the field of technology
- The 'Technic for Teens' program that is intended for secondary school pupils in the 8th and 9th grades who are interested in technology
- School projects offered in collaboration with schools
- Presentations offered to schools
- Articles on training websites, as well as the use of Facebook, press releases and classic advertising

SICK AG was among Germany's best employers again in 2020 – for the 18th time in a row. SICK AG came sixth in the category of companies with 2,001 to 5,000 employees. The participating companies underwent a voluntary examination of the quality and attractiveness of their workplace cultures, carried out by the independent Great Place to Work® Institute and based on the judgment of their own personnel. The award not only documents SICK's attractiveness as an employer, but also its employees' great appreciation of the company. SICK continuously develops this attractiveness as an employer with its targeted employer branding approach.

The Great Place to Work survey also plays a major role regarding internal corporate development. The opinions of, and feedback from, its employees are an important measure of the lived corporate culture and, as such, the company pays great attention to them. The results of this annual employee survey, and thus the voices of employees at SICK, thus act as an important basis for measures and activities to develop the organization and culture – very much in keeping with a continuous improvement process.

IV. Diversity and equal opportunity

The SICK Group is an internationally active company in which diversity and equal opportunity are important, whereby the company's Mission Statement, as one of SICK's most important action frameworks, leads the way. Its values (independence, innovation and leadership) form the basis for our togetherness within a global network: Each individual finds a guide here for their own daily actions.

The term 'diversity' is wide-ranging and refers to the broad spectrum of possible heterogeneity within the organization: Gender, age, handicaps, religious and cultural diversity, as well as the variety of specialist disciplines.

In this sense, the diversity of employees – and the resultant multi-perspective – is a major success factor for SICK. The wide range of expertise, opinions and points-of-view is both a resource and an opportunity to further develop the company and make appropriate decisions. The management supports the abilities and readiness of personnel to achieve worldwide collaboration in order to be able to meet the challenges of a complex global environment. Respectful treatment, curiosity, and optimism help us successfully master challenges together.

The basis for collaboration at SICK is a togetherness of people from different organizational units and countries characterized by a trust in, and respect for, one another that is founded upon the variety of abilities and perspectives – helping lead to SICK's success. The common understanding of this togetherness enables all of us to act in the company's best interests, to build up trust in the competence of colleagues, and to share information and knowledge. Our leadership culture is based on strengthening, encouraging and enabling employees so that they can exploit the power of their competence, creativity and potential – for responsible solution-oriented implementation together to achieve results and success. These Principles for Leadership and Cooperation ensure that our culture and our employees' activities worldwide are based on the same principles and values – in view of our continuous growth and increasing international networking. Diversity is a concern of, and incentive for, managers, their personnel, and worker representatives alike. It is, for example, documented in our competence model, leadership models and, in turn, in courses for employees and managers. The inclusion agreement that was concluded with the aim of enhancing equal opportunity and preventing discrimination and the social exclusion of people with handicaps is further evidence of the seriousness with which these topics are handled. The results of the annual employee survey show that our employees also see it in this light. Thus questions about equality, fairness, and safety at work, in particular, traditionally receive the highest approval ratings.

DEFINING TARGETS FOR THE EQUITABLE PARTICIPATION OF MEN AND WOMEN IN LEADERSHIP POSITIONS

In connection with equal opportunity aspirations, targets for the equitable participation of men and women in leadership positions were already defined in 2015.

With effect from 30 September in the 2015 fiscal year, the Supervisory Board of SICK AG defined a target figure of 17 percent for the women's quota in accordance with Section 111 Para. 5 German Stock Corporation Act (AktG), to be achieved or exceeded by 30 June 2017 as a so-called 'flexible women's quota'. This figure was 17 percent on 31 December 2020. The same applies for the target figure for women's participation in the Executive Board of SICK AG, which was found to be 0 percent. This figure was 0 percent by the reporting date.

In addition, in accordance with Section 76 Para. 4 of the German Stock Corporation Act (AktG), the Executive Board of SICK AG defined a target of 6 percent for the women's quota in the management level immediately below the Executive Board of SICK AG (who directly report to members of the Executive Board) with effect from 30 September 2015, to be achieved or exceeded by 30 June 2017. This proportion was 13.8 percent on the reporting date. A target figure for the women's quota in the second management level below the Executive Board of SICK AG (who directly report to the above-mentioned first level of management) was also set to 6 percent with effect from 30 September 2015, to be achieved or exceeded by 30 June 2017. On the reporting date this figure was 12.4 percent.



V. Human rights and social responsibility

HUMAN RIGHTS

Compliance with nationally and internationally valid human rights and workers' rights is a matter of course for SICK. The protection and respect of every person has the highest priority for SICK, and are an indispensable element of corporate responsibility. SICK condemns any form of discrimination, e.g. for reasons of ethnic origin, religion, political views, gender, physical constitution, appearance, age or sexual orientation. To underline this, clear anti-discrimination rules are part of SICK's Code of Conduct valid worldwide. Employees – as well as customers, suppliers and other external stakeholders – can anonymously report human rights and workers' rights violations using a whistleblower system (more detailed information on this can be found in the 'Compliance' section).

In addition to monitoring at SICK's own sites, suppliers of the SICK Group should also maintain sustainability and human rights standards. SICK has developed a Supplier Code of Conduct for this purpose: SICK expects its suppliers to respect human rights and employee needs on all levels, and forbids child labor and forced labor. SICK reserves the right to employ suitable persons who are sworn to secrecy (e.g. auditors) to inspect observance of the principles listed in the Supplier Code of Conduct as part of the usual or contractually agreed supplier audit. If a supplier culpably violates a principle of the Supplier Code of Conduct, SICK is entitled to demand that the infringing activity cease if the violation is not minor. If the requested change in behavior has not taken place after a reasonable set period has expired, and consequently there are further violations, SICK is entitled to immediately cancel the particular contract. SICK considers this Supplier Code of Conduct to be a continuous (improvement) process that requires, and will in future require, reasonable efforts on the part of all involved to achieve its purpose.

In addition, analyses of the risk of human right abuses along upstream and downstream levels of the value-creation and delivery chains are planned as part of the development of our sustainability strategy. If, as a result of these analyses, risks are found regarding the abuse of human rights SICK will take steps to meet these risks with appropriate reactions.

SOCIAL RESPONSIBILITY

SICK AG is involved both regionally and supra-regionally – especially in the areas of training and further education, as well as in the promotion of science and research. Whereby SICK places particular weight on supporting children and youths, as well as up-and-coming scientists in technical fields. SICK thus supports and encourages regional and social commitment through internal events such as Tech-4Teens, Science Days and Girls' Days, as well as supporting 'Jugend forscht' (a youth science competition).

As part of its commitment for science and education, SICK works closely with universities, technical colleges and institutes such as the Institute for Applied Optics at the University of Stuttgart. Academic institutes are also funded by awarding endowed professorships, e.g. the Gisela and Erwin Sick Professor for Microoptics at Freiburg University. SICK is also a member of the Stifterverband für die deutsche Wissenschaft (Association for the Promotion of German Science), a member of the German Academy of Engineering Sciences, and a founding member of the International Data Space Association. With its support and promotion of research and education, SICK also makes a contribution towards maintaining the high standard of innovation in Germany.

SICK is also committed to regional social projects – particularly regarding young people and health provision. SICK supports activities in schools and kindergartens, at the Red Cross, and at voluntary fire brigades. As a company, SICK is a partner in the Waldkirch Employment and Qualification Company (WABE) which offers new perspectives to young men and women without training.

E. ECONOMIC SUSTAINABILITY



SICK is an independent family-owned company aligned towards sustainable growth.

The high quality of its products and its innovative strengths form the basis for long-term growth and profitability as a core component of corporate responsibility.

I. Quality

To ensure quality, SICK exploits quality assurance measures during product development and in its own production to monitor the individual steps of the production process up to a precisely defined approval process for production and sale of the products.

Quality assurance agreements are completed with suppliers. This is followed by monitoring of the quality of supplier components. Strategic partnerships exist with suppliers to prevent procurement bottlenecks. Important suppliers are checked using internal certification. Special processes monitor and control the supply of strategically relevant components.

Quality management in production is supplemented by field observation after delivery, involving processes that ensure and monitor quality. Supplier processes and quality management are checked using an audit management system. The overall effectiveness of the measures is continuously evaluated by internal and external audits.

An information security system was set up and introduced in 2017, leaning on the internationally recognized ISO 27001 standard.



II. Innovation

The increasing networking of production and control processes in complex machine environments (Industry 4.0) will determine the industrial future. The possibilities of more efficient, flexible, resource-conserving production and delivery with improved quality – achieved via better and more targeted use of data – decisively depends on the reliability and robustness of the data that forms the input of many process chains.

SICK first aligned itself on the dawning changes in the world of automation as early as 2004. The corporate claim 'Sensor Intelligence.' has since formulated our focus on technical intelligence.

With sensor intelligence, the company's focus has gone far beyond the applications of mechanical automation technology. The focus in coming years will, in particular, be turned towards expanding the existing product range, towards the networking capability of sensors in the context of Industry 4.0, and towards the topic of data sovereignty.

SICK responded to the growing importance of the capture, evaluation and use of data for controlling industrial processes by founding its Start-up Initiatives during the 2018 fiscal year. The Start-up Initiatives focus on the three areas of infrastructure (secure use of digital sensor data), applications (optimum integration and connection of sensors and software), and customer services (expansion of customer services based on digital data). The Start-up Initiatives combine the existing multilayered expertise and the strengths of the existing SICK organization with the visionary thinking and activities of a start-up culture. The aim of the Start-up Initiatives is to use SICK's competences to make Industry 4.0 rapidly usable, and thus offer customers increased added value from the improved use of data.

As is the case with the developments of the Start-up Initiatives, the openness of SICK's products to as many automation systems as possible and their ability to communicate with higher-ranking cloud levels is essential. Two important development priorities of SICK in the core competence area of industrial automation are therefore to be found in the fields of connectivity and data sovereignty. SICK maintains a presence in the industry committees of a variety of associations to enable the company to drive forward the further development of open and defined interfaces. The company is closely

following the progress of other technologies and trends considered relevant for the future development of the SICK Group and, when considered significant, development or cooperation processes are initiated.

Major investments in research and development (R&D) are required to secure and enhance our leading market position in view of the enormous technological possibilities and the competition. Only a financially strong and innovative company can invest such amounts. The innovation process at SICK has one goal, above all: We want to offer solutions consisting of sensor products, systems or services to help customers improve productivity, increase flexibility, and conserve resources. Thanks to the Start-up Initiatives founded in 2018



we are very well positioned to profit extensively from the increasing levels of networking and digitalization in industrial production (Industry 4.0).

As in past years, SICK again spent considerable amounts on R&D activities in 2020, as shown in the following overview. The costs for the Start-up Initiatives are included.

INVESTMENTS IN INNOVATIVE POWER

| in EUR million | 2020 | 2019 | Change in % |
|----------------------------------|---------|---------|-------------|
| Sales | 1,700.2 | 1,750.7 | -2.9 |
| R&D costs | 201.1 | 202.0 | -0.5 |
| R&D costs as percentage of sales | 11.8 | 11.5 | 0.3 pp |
| R&D employees on reporting date | 1,367 | 1,310 | 4.2 |

The high rate of R&D expenditure of 11.8 percent of sales underlines the innovative power of the SICK Group. Most R&D activities still take place at sites in Germany.

Thanks to our intensive R&D activities, SICK has a very diverse product portfolio that meets the requirements of a wide variety of industries and serves markets regardless of the length of their cycles. It is therefore easier to compensate for heterogeneous developments within SICK's target markets caused by, for example, economic fluctuations – and thus exceed the average growth of the market.

A new product development process (PEP 4) has been binding since January 2020 to ensure that innovative product development continues in future.

In addition, our intensive dialogs with customers, universities and research institutes, in particular, have provided stimuli for the R&D departments. The consistent industry alignment of our worldwide sales organization is also the basis for understanding customer requirements – and translating

them into new products, system solutions and service concepts. Successful projects have shown how the combination of new digital products and proven hardware products resulting from collaborations between numerous organizational units at SICK can open up new applications and business fields. The gaps between sensor data capture and customers' management and planning systems, for example, can be closed using customer-specific integration solutions from SICK.

On 31 December 2020 1,367 employees, 4.2 percent more than in 2019, were contributing towards converting innovative ideas into marketable products. Additional personnel are being employed for R&D activities worldwide, mostly at sites in Germany.

SENSOR INTELLIGENCE – A PREREQUISITE FOR INDUSTRY 4.0

The worldwide demand for systems and system solutions for intelligent rationalization and increased efficiency in production, logistics and process flows remains high. The intelligent factory, to which Industry 4.0 aspires, offers major development possibilities for SICK because intelligent networking in production, logistics and process flows can only be implemented if robust and smart sensors detect reality in the form of data, and provide these data in the amount required for Industry 4.0. Sector specialists expect continuing high average growth rates for the global sensor industry – and worldwide sector sales amounting to USD 241 bn. in 2022 (source: Allied Market Research: Global Sensor Market 2022). SICK



will continue to align its product portfolio, and its research and development activities, towards recognizing interactions in customers' processes – and thus increase the transparency of their applications to enable them to make better decisions. SICK sensors must solve customers' problems simply, contributing towards increased performance or resource conservation. This applies to all target industries. Comprehensive knowledge about the particular application is necessary to achieve this. The field of connectivity also deserves further attention in order to ensure the consistency of communication from the sensor, through the control level, to the higher-ranking data level (e.g. in the form of a cloud). This, in turn, necessitates data sovereignty, which SICK strongly advocates as a founding member of the Industrial Data Space Association. Thanks to its wide range of products and services, its system and solution competence, its comprehensive sector knowledge, and its worldwide presence, the SICK Group is excellently positioned to meet customer demands for intelligent automation solutions that provide this added value, particularly in the Industry-4.0 context.

INNOVATIONS 2020

| | | Description | Customer benefits |
|--------------------------|---|--|--|
| G6 | G6 photoelectric sensors and proximity switches | The photoelectric sensors and proximity switches of the G6 series use both pinpoint LED and laser technology. | Excellent optical performance and robustness from SICKs ASIC. Variants with stainless steel housings and an enclosure rating of IP69K ensure long sensor service lives in demanding washdown applications. |
| LLX | LLX fiber-optic cables | LLX fiber-optic cables guide the light transmitted by a particular fiber-optic sensor to any detection location – however restricted – and back again for evaluation. | The fiber-optic cables offer flexible passage to distant detection locations, and space-saving mounting in almost any size of space, thanks to the minimal dimensions of the end-sleeve. |
| W4F | Photoelectric sensors and proximity switches | Thanks to new ASIC technology, miniature sensors consistently provide extremely robust detection results. | With the intuitive BluePilot operating concept, sensors in the W4F series offer particularly easy and precise alignment. The blue LED indicator provides the user with direct feedback for optimum alignment. |
| Single Item Verification | Deep learning software solution for track & trace systems | Verification solution for individualizing package flows. | Optimization of sorting processes with individualization control, reduced delays and costs through prevention of incorrect sorting, and increased throughput due to better performance. Reduction of CO ₂ emissions by avoiding unnecessary transportation. |
| Mobile Inbound System | Track & trace systems | Turnkey conveyor technology system with integrated camera for reading barcodes and determining the dimensions of packages. | Mobile conveyor unit for simplest possible integration in a package distribution center. Automatic detection of all relevant package information for efficient package dispatch in online trading. The mobile system permits flexible points-of-use to cover capacity peaks in logistical distribution centers. |
| DLS40 | Incremental encoders | Solution for measuring rotary speed and position. | The housing, integrated in the flange, enables a reasonably priced, lean and compact design as well as uncomplicated installation, particularly where space is limited. |
| Flexi Compact | Safety controllers | Software-programmable safety controller with modular hardware platform. | Rapid production start-up, increased machine availability, and expanded functions (such as safe serial connection with Flexi Loop) increase productivity and efficiency in the machine life cycle. |
| IQB2S | Non-contact safety switches | The inductive safety switches of the IQB2S series are used for safe monitoring of position and areas. | Simple and safe monitoring of position up to Performance Level d (PLd). |
| SICK AppEngine | SICK AppSpace software tools | Software license for installation of SICK AppEngine. SICK AppEngine software integrates devices in the SICK AppSpace ecosystem and converts them into programmable devices on which SensorApps can be run. | Reasonably priced development of sensor applications thanks to comprehensive SICK AppSpace tools, low development costs as a result of reusable SensorApps and their worldwide availability via the SICK AppPool, usable on Windows and Linux. |
| Intelligent Inspection | SICK AppSpace SensorApps | The Intelligent Inspection SensorApp offers simple object classification which is impossible using conventional rule-based industrial image processing. | Users can easily collect data to train the neuronal network and directly use the trained network on the camera without additional equipment. |
| Quality Inspection | SICK AppSpace SensorApps | The Quality Inspection SensorApp, based on the SICK Nova SensorApp framework, ensures that products meet precise demands after production, e.g. regarding dimensions and presence. | The SensorApp is included in the InspectorP6xx 2D camera and is supplied pre-installed. Quality assurance takes place with the help of special tools for image analysis, configured via a graphic user interface in a web browser. |
| Deep Learning | SICK AppSpace artificial intelligence | DStudio is an optimized web service for various SICK devices, with which the neuronal network can be trained. Deep learning from SICK opens up new paths in industrial automation. With little effort, user-friendly deep learning enables the training of cloud-based artificial neuronal networks for SICK sensors on the basis of sample images. The sensors can then evaluate and sort objects themselves in situ (in machines or plants) according to customer-specific criteria, even if the natural appearance of the objects varies. | An intuitive user interface enables use even without well-founded knowledge of AI. The progress and success of the training process is clearly shown, so the neuronal network can actually be evaluated before productive use. Automatic, rapid and reliable decisions by the sensors, even with complex tasks, reduces development costs: Image analyses are trained on the basis of sample pictures. No additional hardware or software is necessary thanks to cloud-based training. |
| SPEETEC 1D | Laser surface motion sensors | Wear-free and maintenance-free laser surface motion sensors detect the movements of object surfaces without contact. | SPEETEC closes the gaps between tactile measurement wheel systems and complex laser Doppler sensors – and is suitable for almost all surfaces and objects thanks to non-contact measurement. |

| | | Description | Customer benefits |
|------------------------|--|--|--|
| MPS-G | Position sensors | MPS-G position sensors detect the position of the fingers of pneumatic grippers and the piston position of miniature cylinders continuously, directly and without contact. | The magnetic path measurement system with its compact design enables extremely precise position determination. |
| sHub® | HIPERFACE DSL® rotary motor feedback systems | The sHub® sensor hub enables servomotors to be used as a data source for distance monitoring and the predictive maintenance of machines. The data are collected in the motor and transmitted to the controller via HIPERFACE DSL®. | Additional vibration and temperature data from the sHub® enables highly precise state monitoring – and increases the availability of servomotors. |
| Distance-Guard | 2D LiDAR sensors | Anonymous and reliable distance measurement. | Simple and reliable maintenance of distancing rules made necessary by, for example, legal requirements. |
| People-Counter | 3D LiDAR sensors | Anonymous and reliable counting of persons. | The PeopleCounter of the 3D LiDAR sensor counts the number of persons with the help of artificial intelligence. Their direction of movement is determined thanks to the four scanning layers, and people are also recognized as such due to the detection of head-and-shoulder contours by the SensorApp. People are thus reliably differentiated from objects. |
| SICK AssetHub | Digital services for integration | SICK AssetHub is a digital service with which the digital twins of all a company's devices or plants can be administrated regardless of the producer. | The SICK AssetHub provides the necessary basis for every I4.0 strategy, and provides a flexible basis with modular expansion for further asset-centered digital services. |
| ZS36x8 DPM | Mobile handheld scanner | Detection of demanding DPMs regardless of code size, surface, contrast and resolution – including very demanding marks. | By combining reliable DPM code reading, robust design and simple fieldbus integration, the ZS36x8 enables the use of DPMs in the most varied of industrial applications. |
| LBR SicWave | Filling level sensors | Filling level measurement in bulk materials with 80 GHz radar. | Functions with all solid materials, extremely robust against external interference, dust or deposits. |
| ZIR-KOR200 Ex | In-situ gas analyzers | Expansion of our range of robust and reliable oxygen measurement devices for small and large incineration plants, for example in the chemical industry. | User-friendly, particularly robust and precise both for zones at risk of gas explosions (ZIRKOR200 Ex-G) and for use in atmospheres at risk of dust explosions (ZIRKOR Ex-D). With SIL2 certification for integration in safety-oriented process control systems. Cable-free access to analyzers via the ZIRKOR remote app. |
| Inspec-torP62x | 2D machine vision | User-friendly, compact and versatile all-in-one industrial vision camera. | The Quality Inspection SensorApp is included in InspectorP6xx 2D cameras and is delivered pre-installed. |
| LiDAR-LOC | LiDAR localization | Modular LiDAR localization based on natural contours. | Localization based on natural contours: No reflectors necessary. It lays the foundation for effective vehicle navigation, efficient vehicle control and fleet management. |
| Lector 61x | 2D identification | The small camera-based code reader. | Flexible use: Small design, variable reading distances and reading of codes on differing material colors. Increased productivity: Code reading even with poor-quality codes or on reflective surfaces. Reasonably priced commissioning with snap-in mounting in seconds and automatic parameterization. Follows the industrial trend: Integrated optics with magnifying glass effect for mini-codes on small components and integrated distance measurement. |
| Function Block Factory | Software-based service | Software-based service for generating PLC function blocks. | The Function Block Factory (FBF) smart service enables the creation of a PLC function block from an IODD regardless of device type and producer, supports most PLC systems, simplifies the reading and writing of device parameters, can be customized, allows the generation of process data parser functions, considerably simplifies and accelerates PLC programming, and helps prevent errors. |

III. Profitability

As a result of consistent implementation of the corporate strategy – aligned upon innovation, growth and profitability – SICK has achieved rising sales during recent years with a high level of operative profitability and return on equity.

DEVELOPMENT OF SALES AND THE EBIT MARGIN

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|-----------------------|---------|---------|---------|---------|---------|
| Sales in EUR million | 1,700.2 | 1,750.7 | 1,636.8 | 1,511.6 | 1,361.2 |
| EBIT margin in % | 8.3 | 7.6 | 7.2 | 9.8 | 10.9 |
| Return on equity in % | 15.9 | 15.6 | 14.7 | 21.7 | 24.9 |



F. CORPORATE GOVERNANCE AND COMPLIANCE



Acting with integrity, guided by legal requirements as well as ethical principles and high standards, is always the task and responsibility of all employees at SICK.

I. Separation of management and control of the company

The SICK Group is a family-owned company and can look back at 75 years of successful entrepreneurial development. Trusting collaboration between the SICK Group's Supervisory Board and its Executive Board – with a clear separation of responsibilities for the management and for control of the company – are the cornerstones of the corporate governance structure at SICK. SICK's separation of entrepreneurial competence and ownership complies with the legal standard for stock corporations.

The Executive Board of SICK AG was expanded from five to six members on 1 January 2020. After the age-related departure of one Executive Board member, the Supervisory Board decided on a new Executive Board structure and, with effect from 1 January 2021, a new Executive Board member was appointed for the Sales & Service portfolio. Overall, the Executive Board has many years of experience in its activities for SICK. It is responsible for managing the company, as well as for the corporate development strategy and its implementation. The Executive Board works trustingly with the controlling committee, the Supervisory Board. The Supervisory Board and Executive Board both acknowledge their entrepreneurial responsibility for the independence and long-term growth of the SICK Group.

The Supervisory Board consists of twelve members with equal representation between stockholders and employees. Many members of the Supervisory Board can look back on numerous years of activity in the controlling organ of SICK AG. The Annual General Meeting elects the six representatives of the shareholders on the Supervisory Board for a five-year term of office. The owner family as a whole owns more than 95 percent of the shares in SICK AG. It is represented on the Supervisory Board by two elected members. Gisela Sick, widow of the company's founder Dr. Erwin Sick, is the Honorary Chairwoman of the Supervisory Board. A majority of the shares in SICK AG are held by the Sick Holding GmbH. The Supervisory Board monitors the work of the Executive Board, and together they agree the main features of the SICK Group's business policy and corporate strategy. Details on the activities of the Supervisory Board, on who sits on the committees, and on their activities during the 2020 fiscal year can be found in the Supervisory Board's Report that is included in this Annual Report. Further information on the Executive Board and the Supervisory Board is provided in the Group Annex (see Annual Report).

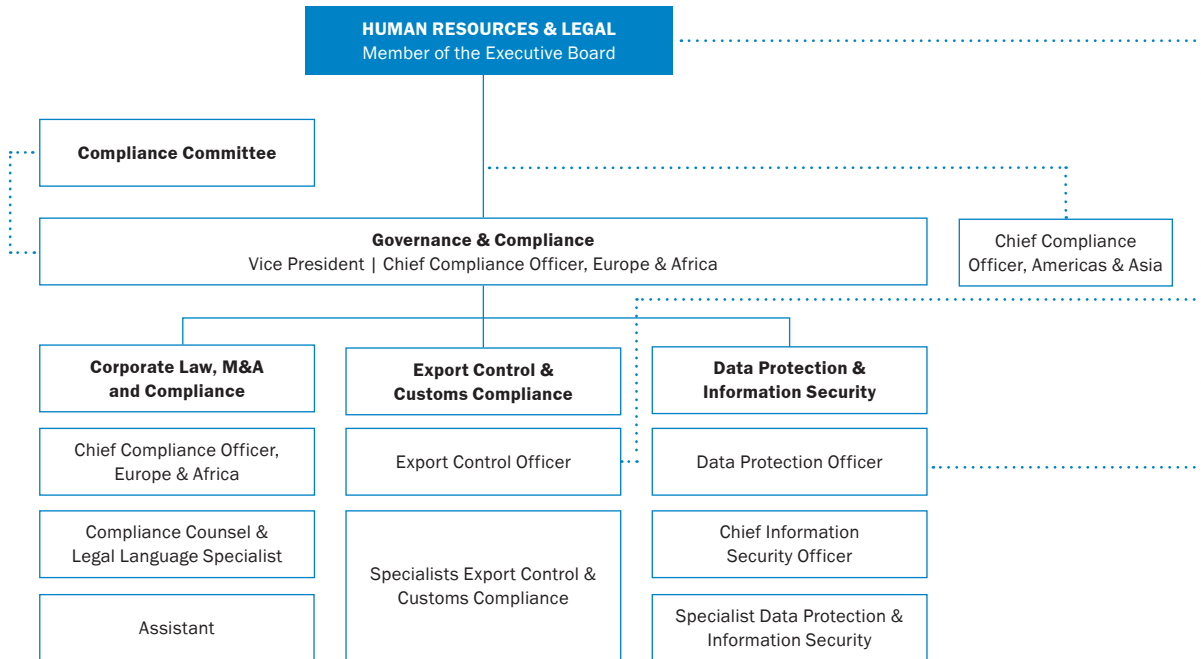
II. Compliance management

The successful worldwide activities of the SICK Group require the observance and fulfilment of numerous external and internal regulations, directives and laws. Knowledge of, and compliance with, all of the legal requirements and internal guidelines valid for SICK AG and its Group companies is the aim of the preventive approach of the compliance management system at SICK. Monitoring company compliance is one of the main tasks of the compliance organization. The Executive Board introduced the compliance management system in 2010, and its expectation that all employees of the SICK Group must comply with all regulations of relevance to SICK is explicitly stressed throughout the company. In the Executive Board, Dr. Martin Krämer is responsible for SICK AG's Compliance portfolio.

Compliance management at SICK is directly subject to the Executive Board. The two Chief Compliance Officers, appointed for different sales regions, report directly to the Executive Board. They are responsible for the implementation, monitoring and continuous development of the Group's compliance management – together with other employees of SICK AG and the subsidiaries with compliance-related tasks. The Chief Compliance Officers regularly inform the entire Executive Board and the Supervisory Board about compliance at SICK.

If no compliance officer has been appointed at a subsidiary, the particular Managing Director is responsible for maintaining compliance. The Compliance Committee, working under the leadership of the Chief Compliance Officer Europe & Africa, defines the compliance requirements in the Group and supports the operative units in their introduction and observance of appropriate measures. The committee monitors the effectiveness of compliance management and initiates any additional compliance activities that may be necessary. It is supported in this by regular internal audits and external inspections regarding potential compliance violations and weaknesses in the compliance processes. All compliance-relevant departments in the company are represented on the Compliance Committee, especially those responsible for data protection, export control, health and safety at work, quality management, and environmental management, as well as risk management and the Works Council. Every year, those with responsibility for risk management and compliance carry out a survey of risks, including compliance-related risks, throughout SICK – using a uniform Group-wide system for risk and compliance management. Coordinated systems and processes are particularly recommended when searching for new compliance risks because it is not always possible to differentiate business process risks and compliance risks from one another without overlap.

ORGANIZATION CHART COMPLIANCE



Compliance provides SICK with added value by reducing liability risks as well as preventing financial losses and damage to its reputation. In addition, successful compliance management can create long-term strategic reputational and competitive advantages, as well as promote increased efficiency and process optimization. Compliance management is therefore integrated in daily processes. There are continuous adaptations to changing conditions. In order to simplify this dynamism, the Governance & Compliance Department has set up a Compliance Hotline (You can send an email to

compliance@sick.de.) with which employees or business partners can ask questions on compliance-related topics or report compliance violations at any time. The introduction of a supplementary electronic whistleblower system for anonymous compliance-related questions or information is planned to take place in 2021. Overall, there is an open and direct exchange with employees on the topic of compliance throughout the company.

III. The SICK Code of Conduct

The SICK Code of Conduct forms the basic framework for compliance activities at SICK. In addition to the requirement for behavior to comply with the law, it addresses all the core topics of compliance by for example, unmistakably declaring that SICK is against any form of corruption or violations of antitrust law. Among other things, the Code of Conduct also covers environmental protection, health and safety at work, equal opportunity for employees, and the confidential treatment of business secrets, whereby it also demands compliance with relevant legal and internal regulations.

On introduction of the SICK Code of Conduct, managers were trained first and then enabled to successfully train their employees. Training on the SICK Code of Conduct is very practical and is intended to promote discussion. Moreover, there were classic attended presentations on individual compliance topics in order to promote direct exchanges between employees and the compliance team. While the relevant information for the courses was defined centrally, employees also examined specific department-related compliance issues.

The courses on compliance are regularly updated. In addition, a didactically innovative e-learning course on the SICK Code of Conduct was made available to employees in early 2017. A variety of measures supports the status of the Code of Conduct and is intended to further ensure its observance and implementation. Accompanying (communications) measures include, for example, addressing the topic of compliance on the internal communication platform or within the framework of presentations in management meetings.

In the delivery chain, SICK wants to work with companies that have comparable principles. SICK therefore constantly seeks to commit its suppliers to accept the SICK Supplier Code of

Conduct. This commits business partners to maintain certain minimum standards, for example to combat corruption and bribery, as well as to protect the environment.

IV. Certifications

All relevant production sites of the SICK Group – namely the sites of SICK AG in Germany, SICK STEGMANN GmbH (in Donaueschingen), SICK Engineering GmbH (in Ottendorf-Okrilla), SICK Kft. (in Hungary), SICK Product & Competence Center Americas LLC. (in the USA), SICK Sdn. Bhd. (in Malaysia), SICK MAIHAK (Beijing) Co., Ltd. (in China), and SICK Vertriebs-GmbH (in Düsseldorf) – are certified according to the EN ISO 9001 international quality management standard and the EN ISO 14001 international environmental management standard.

In addition, individual sites of special relevance are certified according to:

- EN ISO/IEC 80079-34 (explosion protection)
- EMAS (eco-management and audit scheme)
- EN ISO 50001 (energy management)
- Safety Certificate Contractors (SCC)

The sites of SICK AG in Waldkirch, Reute and Hochdorf, as well as SICK Vertriebs-GmbH and SICK Engineering GmbH, are also certified according to OHSAS 18001 (BG ETEM, safety at work).

V. Negative effects and risks resulting from business activities

As part of the reporting process, an assessment is made of whether risks exist resulting from business activities, business relationships, and SICK products – and the very probable serious negative effects they have, or will have, on non-financial aspects stipulated in law. On the basis of this net risk evaluation, and the general legal requirements regarding selection of the main reporting content, there are no risks to be reported.

As this examination is part of the company's risk reporting, a more detailed description can be found under non-financial risks in the 'Risk overview' section of the Annual Report.

VI. Development of non-financial performance indicators

The positive development of the most important non-financial performance indicators in the 2020 fiscal year ensures the desired sustainable and profitable growth of SICK. The main indicators are the continuing high level of R&D activities, the acquisition and retention of qualified employees, and the fulfilment of high quality demands and sustainability targets.



COMBINED GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT

of the SICK Group for the 2020 fiscal year

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COMBINED GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT

of SICK AG for fiscal year 2020

A. FUNDAMENTAL INFORMATION ABOUT THE GROUP

Pursuant to Sec. 315 (5) HGB (“Handelsgesetzbuch”: German Commercial Code) in conjunction with Sec. 298 (2) HGB, the SICK group management report has again been combined with the management report of SICK AG. The management report is therefore referred to in the following as the combined management report. The financial statements of SICK AG, prepared in accordance with HGB provisions, and the combined management report will be published in the German Federal Gazette (“Bundesanzeiger”) at the same time.

Unless stated otherwise, the information provided below applies equally to the SICK Group and to SICK AG. Sections that contain information relating only to SICK AG are designated accordingly. Due to rounding differences, figures may differ slightly from the actual figures. The basis of consolidation is presented in detail in the notes to the consolidated financial statements.

The combined management report for the SICK Group and SICK AG for the fiscal year is presented below as of the end of the reporting period (December 31, 2020).

I. Organizational structure of the Group

SICK AG and its subsidiaries (referred to in the following as “the SICK Group”, “SICK”, or “the Group”) are one of the world’s leading manufacturers of sensors and sensor solutions for industrial applications.

The parent company of the SICK Group is SICK AG. The company was founded by Dr. Erwin Sick in Vaterstetten near Munich in 1946. SICK AG carries out the tasks of group management from its head office in Waldkirch near Freiburg in Germany. In addition to SICK AG, the SICK Group’s basis of consolidation comprised 53 entities in fiscal year 2020.

The SICK Group reports on the performance of business in four regions: Germany, EMEA (comprising Europe, the Middle East, and Africa), Asia-Pacific, and Americas (consisting of North, Central, and South America). The SICK Group is managed by an Executive Board that comprises six members. A twelve-member Supervisory Board with equal numbers of employer and employee representative forms the oversight body.

The regional structure of the Group reflects the complex structure of the customers and markets. As a result, competence and production centers are located all over the world. The sales function is generally performed by the Group’s own sales and service companies in all key industrial countries. The product-generating entities are controlled from the German locations. Regional product centers have been set up in Savage/ Eagle Creek and Stoughton for the US, in Singapore and Johor Bahru (Malaysia) for Asia, and at the German locations as well as in Kunsziget (Hungary) for Europe. These centers develop and produce products for their respective regions and for the global market. The largest manufacturing and development location in Germany is the Group’s headquarters in Waldkirch near Freiburg.

II. Business model and business fields

The SICK Group is one of the world's leading companies in the field of sensor technology. In accordance with its brand claim of "Sensor Intelligence.", SICK focuses on the development, production, and marketing of industrial automation sensors, systems, and services. Business activities center on creating added value for customers from a wide range of target industries with sensor intelligence.

Increasing digitalization and networking have been fundamentally changing production and logistics processes, as well as all global value creation, for many years now. This trend is referred to as "Industry 4.0." Machines are increasingly communicating with each other in order to optimize processes. Sensor technology is a core element of this networking in the industrial sector.

As a core element of Industry 4.0, sensor technology lays the foundation for transparent and fault-free processes. The direct and comprehensive recording of information by sensors, integrated, decentralized processing power, and flexible programming are important properties for making production more flexible, dynamic, efficient and sustainable in the future.

As one of the world's leading providers of sensor-based applications for industrial use, SICK is playing a crucial role in Industry 4.0. The company is equipped for the future thanks to its strong technological expertise, highly successful business model and pronounced sense of responsibility toward employees, society, and the environment.

SICK offers innovative solutions in the form of components, systems (including software) and tailored services to its customers in four **regions** around the world:

- Germany
- EMEA (Europe, Middle East, and Africa)
- Americas (North, Central, and South America)
- Asia-Pacific

The SICK Group's reporting follows the same structure.

Sensor-based solutions are used in the following three **business fields**:

The **Factory Automation (FA) business field** is represented in many industries. In addition to the automotive industry and the field of consumer goods, these include the mechanical engineering, electronics and solar industries as well as drive technology. The most important tasks performed by the

non-contact sensors and camera systems as well as the encoders and distance measurement systems in this field include controlling manufacturing, packaging, and assembly procedures as well as quality assurance. With special sensors that reliably detect invisible labeling, SICK protects against product and brand piracy, thus making a major contribution to the safety of customers and consumers. In order to reliably rule out dangers to staff working with potentially hazardous machines, SICK's products, complete solutions, and software solutions in the area of safety technology avert potential accident risks. With the help of the bar code, 2D code, and RFID identification technologies as well as volume measurement technology, processes are managed to ensure top-quality end products while at the same time guaranteeing seamless tracking of packaging, an article, or an electronic component if necessary.

The **Logistics Automation (LA) business field** designs and optimizes the entire logistics chain by automating material flows or making sorting, picking, and warehousing processes more efficient, faster, and more reliable.

The focus of the Logistics Automation business field is on airports, industrial vehicles, building management and security, ports, trade and distribution centers, courier, express delivery, parcel and postal service providers, and transportation.

Concrete fields of application in which the Logistic Automation's solutions are used include the identification and direction of travel luggage by airports' transportation and sorting systems. Distribution and logistics centers, as well as numerous courier, express delivery, parcel and postal service providers use bar code readers and volume measurement systems from SICK to deliver millions of packages each year quickly and reliably to the recipient's front door. The automation of seaports is another area in which SICK is involved in the automation of logistics. In this field, laser scanners have proved their worth in preventing cranes from colliding as well as in positioning containers or track monitoring for container transporters. In the field of traffic, SICK sensors are used in toll systems as well as in controlling ventilation and air circulation systems, thus improving air quality and safety in tunnels.

The **Process Automation (PA) business field** provides sensors as well as tailored system solutions and services for analysis and process measurement technology.

With a broad range of products for gas analysis, the concentration of a large number of substances in gas mixtures can be detected. SICK helps its customers reduce greenhouse gas emissions with carbon dioxide analyzers for combustion, process, and drying units, for example. In the field of dust measurement technology, SICK is in a position to detect dust concentrations precisely using different measurement principles, thus ensuring compliance with emission limits, or to identify process disruptions at an early stage. SICK sensor systems carry out various tasks in the area of volume flow measurement, for example determining volume flows in facilities and measuring natural gas volumes for the natural gas industry, or monitoring emissions in industrial processes.

With all of these products for waste incinerators, power stations, steel and cement plants, for the oil and gas industry as well as for chemical and petrochemical facilities, SICK makes an important contribution to making better use of limited resources, and thus maintaining an environment worth living in.

SALES MARKETS

The main sales markets for the SICK Group are industrialized countries as well as those growth regions that are on the cusp of industrialization, particularly in Asia and Latin America. SICK extends its regional reach by setting up new sales companies and by continuously maintaining a global network of distributors. Alongside innovation, SICK's regional proximity to its customers is one of its main competitive advantages. The central distribution center in Buchholz near Waldkirch and decentralized logistics centers ensure rapid deliveries to the sales and service companies worldwide.

EXTERNAL FACTORS INFLUENCING THE BUSINESS

The main external factors influencing the business of SICK include changes in economic developments, sector-specific framework conditions, and currency effects. These are explained below in "Macroeconomic environment." Other external factors influencing the business and their effects, for example technological progress, more intense competition, changed price levels, changing legal framework conditions and norms, changes in the prices of commodities and intermediate products as well as exchange rate fluctuations, are presented in the opportunity and risk report.

B. RESEARCH AND DEVELOPMENT

General

The future of industry is shaped by the increasing networking of production and control processes in complex mechanical environments (Industry 4.0). The opportunities from using data in a better and more targeted way to produce and deliver more efficiently, with greater flexibility, using fewer resources, and to a higher standard of quality depend to a large extent on the reliability and robustness of the data inputted into many process chains.

Back in 2004, SICK adapted to the changes in the world of automation, which were only just starting to appear at the time. Since then, the company's "Sensor Intelligence." claim has expressed its early identification of and focus on technical intelligence.

With sensor intelligence, the company's focus extends well beyond the application of mechanical automation technology. Particular attention will be given in the next few years to

expanding the existing product portfolio, the networking capacity of sensor systems in the context of Industry 4.0, and the subject of data sovereignty.

SICK responded to the growing importance of the recording, analysis, and use of data to manage industrial processes by establishing a number of Start-up Initiatives.

The Start-up Initiatives focus on the three fields of infrastructure (the secure use of digital sensor data), applications (the best possible incorporation and connection of sensors and software), and customer services (the expansion of customer services based on digital data).

They combine the existing wide range of know-how and the strengths of the existing SICK organization with the visionary mindset and actions of a start-up culture. The aim of the Start-up Initiatives is to quickly make Industry 4.0 beneficial using SICK's expertise, offering customers additional added value from the improved use of data.

Sensors are irreplaceable components when managing production and logistics processes. In past years, SICK has improved sensor technology and substantially simplified the use of data collected using sensors. This has given rise to a large number of sensor-based solutions, which facilitate the even more efficient operation of systems and processes.

SICK combines sensor intelligence with extensive sector and application expertise, and provides a comprehensive portfolio of solutions. In this way, the company breaks new ground with respect to sensor-based applications. SICK's portfolio is bundled in two brands: SICK AppSpace and SICK IntegrationSpace. The digital portfolio is based on SICK's broad expertise in the field of application, and allows the simple, vertical integration of data, from sensors to the cloud. This involves using flexible data structures, and providing valuable information and knowledge with digital services and expert advice. This allows users to get to grips with the challenges arising from Industry 4.0 in the best possible way.

The range of technological solutions available and the number of technical interfaces in products are growing. This calls for the successful mastery of increasing complexity and diversity.

In view of the significant technological possibilities and competition, substantial investment is needed in research and development (R&D) in order to secure and strengthen the leading market position. Only a financially strong and innovative group can afford this. The main aim of the innovation process at SICK is to offer solutions consisting of sensor products, systems, or services that help our customers improve their productivity and flexibility while also conserving resources. Together with the Start-up Initiatives founded in 2018, SICK is in a very good position to benefit extensively from the ongoing networking and digitalization of industrial production (Industry 4.0).

INVESTMENT IN INNOVATION

As in past years, SICK spent considerable amounts on R&D activities in fiscal year 2020.

The table below provides an overview of the SICK Group's spending on R&D activities. This includes expenses for the Start-up Initiatives.

INVESTMENTS IN INNOVATION

| | 2020 | 2019 | Change in % |
|---------------------------------|---------|---------|-------------|
| Sales (in EUR million) | 1,700.2 | 1,750.7 | -2.9 |
| R&D expenses (in EUR million) | 201.1 | 202.0 | -0.4 |
| R&D expenses as % of sales | 11.8 | 11.5 | 0.3 pp |
| R&D employees on reporting date | 1,367 | 1,310 | 4.4 |

The expense ratio for R&D in 2020 was up slightly on the prior year. R&D activities are still focused in the German locations.

Thanks to the intense R&D activities, SICK has a highly diversified product portfolio that meets the requirements of completely different industries and also serves markets ranging from those that respond quickly to cyclical fluctuations to those that are slower to respond. This makes it easier for SICK to compensate for any uneven development in its target industries, provoked for instance by cyclical swings, and achieve growth that is above average for the market.

Further impetus for R&D comes especially from intensive dialog with customers, universities, and research institutes. Gearing the global sales organization consistently to the industries served also creates a basis for understanding customers' requirements and translating these into new products, system solutions, and service concepts. The number of employees working in research and development was increased as planned, and helped translate innovative ideas into marketable products. Additional employees for R&D activities were hired around the world, but mainly at the German locations.

C. REPORT ON ECONOMIC POSITION

Macroeconomic environment

Following significant slumps in the first half of the year, the global economy recovered in the third and fourth quarters. Production processes and trade normalized despite rising infection rates. This was also helped by the easing of some of the restrictions on society.

The economic recovery slowed in the final quarter of 2020. A resurgence in infections combined with the appearance of new, more infectious variants of the coronavirus forced many countries to reintroduce or tighten restrictions. The Global Manufacturing Purchasing Managers' Index rose steadily after bottoming out in April, and was almost back to the level recorded at the end of 2017 and start of 2018 by the end of 2020. Global industrial output also continued to recover in the course of 2020. Global pre-crisis levels were almost reached again in November thanks to the positive trend in China and other emerging Asian economies. Nevertheless, global industrial output was down about 5 percent year on year in the first eleven months of 2020. However, the pace of recovery is slowing, and early warning indicators still point to a slowdown in the global economic recovery.

Economists at the International Monetary Fund (IMF) estimate that global economic growth fell 3.5 percent in 2020. The estimate for 2020, however, is 0.9 percentage points higher than projected in the October World Economic Outlook.

OVERVIEW OF GLOBAL ECONOMIC GROWTH

| in % | 2022 (expected) | 2021 (expected) | 2020 (estimate) | 2019 |
|---|--------------------|--------------------|--------------------|------|
| Industrialized nations | 3.1 | 4.3 | -4.9 | 1.6 |
| USA | 2.5 | 5.1 | -3.4 | 2.2 |
| Eurozone | 3.6 | 4.2 | -7.2 | 1.3 |
| Germany | 3.1 | 3.5 | -5.4 | 0.6 |
| Emerging and developing economies | 5.0 | 6.3 | -2.4 | 3.6 |
| Latin America and the Caribbean | 2.9 | 4.1 | -7.4 | 0.2 |
| Emerging and developing economies, Asia | 5.9 | 8.3 | -1.1 | 5.4 |
| Global | 4.2 | 5.5 | -3.5 | 2.8 |

Source: IMF, World Economic Outlook, January 2021

The rapid approval of vaccines and their manufacture, which will accelerate considerably in 2021, give cause for hope of a turning point in the pandemic. The blanket availability and proven efficacy of the vaccines could reinforce confidence in positive economic growth, and therefore boost household budgets. This would result in a stronger recovery in consumption, investment, and employment. These positive effects would be further reinforced by political support in the form of corresponding monetary and financial policy in certain large economies.

The economic outlook is however overshadowed by the possibility of new waves and variants of the virus. Uncontrolled infections in certain countries, or new waves of infections among important trading partners, could further exacerbate the economic crisis.

In its current outlook for the global economy (World Economic Outlook, January 2021), the IMF expects global economic output to rise 5.5 percent in 2021.

On the international currency exchange markets in 2020, the US dollar, Turkish lira, Chinese renminbi, pound sterling, Brazilian real, and Russian ruble fluctuated significantly in some cases relative to the euro.

Germany: In 2020, the German economy suffered a deep recession similar to the one experienced in 2008 and 2009 as a result of the financial and economic crisis. Gross domestic product (GDP) was 5 percent lower than in the prior year. The picture for economic growth was split in two. On the one hand, the service sector was hit hard by the restrictions on social contact, while on the other, industrial output continued to exhibit strong growth. The effects of the coronavirus pandemic had a clear impact on demand that was also apparent in mechanical engineering, one of the important sectors served by the company. The German Mechanical Engineering Industry Association (VDMA), for example expects manufacturing output to decline by 14 percent in 2020. The VDMA's economists expect growth of 4 percent this year, with the reasonable proviso that all forecasts are currently subject to an unusually high degree of uncertainty. While the German government expects GDP to grow 3 percent in 2021, the IMF is even more optimistic with a forecast of 3.5 percent.

Europe, Middle East, and Africa (EMEA): The pandemic led to massive restrictions in Europe in particular. The GDP of the French and Italian economies fell 9 percent. Spain even suffered a contraction of 11 percent. The agreement reached in December on the terms for the UK's departure from the European Union averted the significant downside risk of a no-deal Brexit. Economic growth in Africa and the Middle East was very mixed. Oil-exporting countries in particular struggled to achieve economic growth on account of the muted prospects for oil prices.

North, Central, and South America (Americas): The economic recovery in the US continued at a slower pace due to both domestic demand and investment. The business climate constantly improved in the process. The outlook is above all overshadowed by the possibility that the course of the pandemic will deteriorate. Planned investment in infrastructure under the new Biden administration, and improved trade relations with Mexico, Canada, the EU, and above all with China, could fuel the significant growth of the US economy. The economy of Latin America picked up in the third quarter, although it will be some time before pre-coronavirus levels are reached again.

Asia-Pacific: While most emerging economies are struggling to return to growth, data from China shows that the country's GDP growth rate in the fourth quarter was as high as before the coronavirus crisis. While consumer spending and services recovered slowly, there was a rapid recovery in industry, construction, and exports. Support was provided by the country's central bank in the form of state investments and liquidity injections. China is likely to remain a driver of global growth in the future – partly as a result of its investment in advanced technology (5G, microchip production) and the planned environmental energy revolution.

CONDITIONS IN THE SENSOR TECHNOLOGY INDUSTRY

Data provided by the AMA association indicates substantial losses in the first half of 2020. There were falls in orders received and also sales, in particular due to disrupted supply chains and reduced working hours, as a result of which the sales generated by the sector fell two percent year on year.

The industry recovered noticeably in the second half of the year. In the final quarter of 2020, the sector's sales even rose 10 percent in comparison to the preceding quarter, with a sharp rise in exports. All in all, the prevailing mood in the sector is one of optimism. Thanks to the ongoing increase in investment, the sector expects sales to rise by nine percent in the current fiscal year 2021.

COURSE OF BUSINESS

The course of business in 2020 was heavily influenced by the negative effects of the coronavirus pandemic. Despite the unfavorable general economic conditions, SICK was able to achieve a positive business performance on the whole.

RESULTS OF OPERATIONS

The results of the SICK Group's operations continued to improve in fiscal year 2020.

The results of operations break down as follows:

CONSOLIDATED INCOME STATEMENT

| in EUR million | 2020 | 2019 | Change in % |
|-----------------------------------|--------------|--------------|-------------|
| Sales | 1,700.2 | 1,750.7 | -2.9 |
| Changes in inventory | 17.7 | 3.3 | 436.4 |
| Own work capitalized | 22.0 | 26.5 | -17.0 |
| Total operating performance | 1,739.9 | 1,780.5 | -2.3 |
| Cost of materials | 547.7 | 549.4 | -0.3 |
| Personnel expenses | 757.8 | 753.5 | 0.6 |
| Depreciation and amortization | 91.1 | 87.2 | 4.5 |
| Other operating expenses | 215.9 | 266.4 | -19.0 |
| Other operating income | 15.1 | 13.3 | 13.5 |
| Currency results | -2.2 | -4.5 | 51.1 |
| Net investment income/expense | 0.3 | 0.1 | 200.0 |
| EBIT | 140.6 | 132.9 | 5.8 |
| EBIT margin (%) | 8.3 | 7.6 | 0.7 |
| Net interest income/expense (%) | -5.9 | -4.5 | 31.1 |
| Earnings before tax | 134.7 | 128.4 | 4.9 |
| Income tax | 33.6 | 34.5 | -2.6 |
| Consolidated net income | 101.1 | 93.9 | 7.7 |
| Net return on sales (%) | 5.9 | 5.4 | 0.5 |
| Return on equity ¹ (%) | 15.9 | 15.6 | 0.3 |

¹ Return on equity = consolidated net income / (equity less consolidated net income)

The continued strong profitability shaped business developments.

The **EBIT margin** as a percentage of sales amounted to **8.3 percent**. This meant that the growth anticipated at the start of the year was achieved.

The **net return on sales** came to **5.9 percent**, which was an increase in comparison to the prior year.

SICK once again achieved a high rate of interest on capital employed (**return on equity**) in 2020 (**15.9 percent**). This provides clear confirmation of the business model's value.

ORDER BACKLOG

Demand for sensor products and applications was encouraging on the whole again in the past fiscal year. The trend for orders received varied in intensity between the business fields, and was noticeably positive for Logistics Automation in particular. In this way, the SICK Group's broad positioning has paid off.

| | 2020 | 2019 | Change in % |
|------------------------|---------|---------|-------------|
| Sales (in EUR million) | 1,700.2 | 1,750.7 | -2.9 |
| Orders received | 1,726.4 | 1,774.1 | -2.7 |
| Book-to-bill ratio (%) | 101.5 | 101.3 | 0.2 pp |

The ratio of orders received to sales (**book-to-bill ratio**) ended the past fiscal year at a comparable level to the prior year.

TREND FOR SALES

SICK's **group sales** fell 2.9 percent. This reflects the challenging conditions that prevailed in fiscal year 2020. SICK did not meet its projected figure for sales in 2020 as a result of the negative effects of the coronavirus pandemic on global economic growth.

In the first half of the year in particular, customers' significant reticence with respect to orders as a result of the coronavirus hampered the growth of business in all regions. Significant catch-up effects in the growth regions of Asia in particular, which also resulted in encouraging growth in the other regions in the fourth quarter of 2020, were not enough to achieve the projected growth in sales. At the same time, SICK's sales grew at a much faster rate than those of the German mechanical engineering industry as a whole. The VDMA estimates that German mechanical engineering output fell by around 14 percent in 2020.

The development of group sales was once again influenced by currency effects in fiscal year 2020. If average exchange rates had remained unchanged in comparison to the prior year, a decline of around 0.9 percent would have been recorded.

Thanks to its strong competitive position around the world, the business development of the SICK Group was once again broad-based in fiscal year 2020. In addition to the presence on the established markets, the sales activities in the growth regions around the world also contributed to this.

The figures for sales growth are as follows:

SALES BY REGION

| in EUR million | 2020 | 2019 | Change in % |
|--|----------------|----------------|-------------|
| Germany | 283.9 | 315.9 | -10.1 |
| Europe, Middle East, and Africa (EMEA) | 601.4 | 644.8 | -6.7 |
| North, Central, and South America (Americas) | 387.3 | 380.0 | 1.9 |
| Asia-Pacific | 427.6 | 410.0 | 4.3 |
| Total | 1,700.2 | 1,750.7 | -2.9 |

In the Group's domestic market of **Germany**, companies' reluctance to invest in Factory Automation was a particular factor impacting sales growth. Sales were down significantly on the prior year. This meant that the forecasted growth could not be achieved.

With a 6.7 percent decline in sales, the **Europe, Middle East, and Africa (EMEA)** region was also hit hard by the effects of the coronavirus pandemic, and failed to live up to the forecast. Sales declined in Italy, France, and the Czech Republic in particular.

Sales growth in **North, Central, and South America (Americas)** came to 1.9 percent, and was above all influenced by growth in the Logistics Automation business. However, the forecast from the prior year was not met, mainly because of modest growth in the Process Automation business as well as the South America region as a result of the coronavirus.

The **Asia-Pacific** region once again saw positive growth. With growth of 4.3 percent, the increase in sales was nevertheless not as pronounced as in the prior year. This is because, although China in particular gained significant momentum as the fiscal year progressed, the total sales generated in the region as a whole fell short of expectations on account of the coronavirus.

COSTS

The income and expense items of the consolidated statement of comprehensive income changed as follows:

KEY EXPENSE ITEMS

| in EUR million | 2020 | 2019 | Change in % |
|--|---------|---------|-------------|
| Sales | 1,700.2 | 1,750.7 | -2.9 |
| Cost of materials | 547.7 | 549.4 | -0.3 |
| Cost of materials (as % of sales) | 32.2 | 31.4 | 0.8 pp |
| Personnel expenses | 757.8 | 753.5 | 0.6 |
| Depreciation and amortization | 91.1 | 87.2 | 4.5 |
| Other operating expenses | 215.9 | 266.4 | -19.0 |
| Other operating income | 15.1 | 13.3 | 13.5 |
| Net balance of operating expenses and operating income | 200.8 | 253.1 | -20.7 |
| Currency results | -2.2 | -4.5 | 51.1 |
| Net investment income/expense | 0.3 | 0.1 | 200.0 |
| Net interest income/expense | -5.9 | -4.5 | 31.1 |
| Earnings before tax | 134.7 | 128.4 | 4.9 |
| Income tax | 33.6 | 34.5 | -2.6 |
| Tax rate (%) | 24.9 | 26.9 | -2.0 pp |

The reduction in the **cost of materials** was largely proportionate to the currency-related fall in sales. The cost of materials as a percentage of sales edged up marginally.

The increase in **personnel expenses** was slightly more pronounced than the growth of sales. New employees were hired in operating production units in particular, as well as the R&D, Sales, and Service areas.

The table below provides an overview of the number of employees by region, as well as additional information:

EMPLOYEES BY REGION

| | 2020 | 2019 | Change in % |
|---|--------|--------|-------------|
| Employees as of 31.12. | | | |
| Germany | 5,961 | 5,847 | 1.9 |
| Europe, Middle East, and Africa (EMEA) | 2,023 | 1,972 | 2.6 |
| North, Central, and South America (Americas) | 993 | 970 | 2.4 |
| Asia-Pacific | 1,456 | 1,415 | 2.9 |
| Total headcount: | 10,433 | 10,204 | 2.2 |
| Other information | | | |
| Average age of SICK's workforce (years) | 41.0 | 40.5 | |
| Average number of years working for the company | 9.2 | 8.9 | |
| Proportion of women (%) | 31.8 | 32.0 | -0.2 pp |
| Research and development employees | 1,367 | 1,310 | 4.4 |
| Apprentices and trainees in the SICK Group | 384 | 365 | 5.2 |
| Training expenses in EUR million | 10.0 | 12.2 | -18.0 |

The changes in amortization and depreciation reflect the substantial levels of investment in past fiscal years. The focus of investment for fiscal year 2020 was once again on buildings and production facilities.

The decrease in other operating expenses was much more pronounced than the change in sales. This reflects the Group's strict cost discipline, and mainly related to reductions in administrative and sales expenses.

The Group's other operating income increased, mainly as a result of additional income from grants for innovative research.

The reduction in the net balance of other operating income and other operating expenses was also more pronounced than the change in sales.

The currency results improved largely due to the performance of the US dollar in relation to the euro.

On account of the aforementioned trend for sales and the most important expense item, earnings before interest and taxes (EBIT) rose more sharply than the change in sales in fiscal year 2020.

The change in the net interest income/expense in the current fiscal year mainly stems from the absence of interest income from other periods in the prior year.

The income tax expense and tax rate fell in the fiscal year, due in particular to reduced tax rates in other countries for SICK's local entities.

NET ASSETS

SICK's net assets break down as follows:

CHANGES IN ASSET STRUCTURE

| in EUR million | 2020 | 2019 | Change in % |
|-------------------------------------|----------------|----------------|-------------|
| Assets | | | |
| Non-current assets | 527.5 | 546.2 | -3.4 |
| Deferred taxes | 40.9 | 38.6 | 6.0 |
| Current assets | 918.8 | 849.0 | 8.2 |
| Total assets | 1,487.2 | 1,433.8 | 3.7 |
| Equity and liabilities | | | |
| Equity | 737.7 | 696.6 | 5.9 |
| Non-current liabilities | 330.5 | 357.8 | -7.6 |
| Current liabilities | 419.0 | 379.4 | 10.4 |
| Total equity and liabilities | 1,487.2 | 1,433.8 | 3.7 |

The increase in total assets reflects the continued increase in business activities and improved results of operations in fiscal year 2020.

Non-current assets break down as follows:

NON-CURRENT ASSETS

| in EUR million | 2020 | 2019 | Change in % |
|--|-------|-------|-------------|
| Non-current assets | 527.5 | 546.2 | -3.4 |
| of which intangible assets | 73.2 | 74.9 | -2.3 |
| of which property, plant and equipment | 448.3 | 465.8 | -3.8 |
| (including right-of-use assets) | 79.3 | 85.2 | -6.9 |
| of which financial investments | 3.8 | 3.6 | 5.6 |
| of which other financial assets | 2.2 | 1.9 | 15.8 |

The fall in non-current assets reflects the reduction in investing activities.

Current assets break down as follows:

CURRENT ASSETS

| in EUR million | 2020 | 2019 | Change in % |
|-------------------------------------|-------|-------|-------------|
| Current assets | 918.8 | 849.0 | 8.2 |
| of which inventories | 397.0 | 378.6 | 4.9 |
| Days of Inventory Outstanding (DIO) | 84 | 78 | 6 |
| of which trade receivables | 304.3 | 336.7 | -9.6 |
| Days of Sales Outstanding (DSO) | 64 | 69 | -5 |
| of which tax receivables | 5.2 | 9.0 | -42.2 |
| of which other assets | 59.9 | 58.4 | 2.6 |
| of which cash and cash equivalents | 152.4 | 66.3 | 129.9 |

The ongoing, strategic expansion of the logistics hub in China, and targeted efforts in the field of inventory management to ensure supply capacity led to an increase in inventories and Days of Inventory Outstanding (DIO) in the past fiscal year.

Trade receivables and Days of Sales Outstanding (DSO) were reduced in the past fiscal year.

Overall, the improved results of operations and consistent management of working capital resulted in a significant increase in cash and cash equivalents.

The Group's equity and liabilities break down as follows:

| in EUR million | 2020 | 2019 | Change in % |
|----------------------------------|---------|---------|-------------|
| Equity | 737.7 | 696.6 | 5.9 |
| Equity ratio (%) | 49.6 | 48.6 | 1.0 |
| Debt capital | 749.5 | 737.2 | 1.7 |
| of which non-current liabilities | 330.5 | 357.8 | -7.6 |
| of which current liabilities | 419.0 | 379.4 | 10.4 |
| Total equity and liabilities | 1,487.2 | 1,433.8 | 3.7 |

On the equity and liabilities side of the consolidated statement of financial position, the SICK Group's equity rose due to the increase in earnings and the reinvestment of profits.

Non-current liabilities changed as follows:

| in EUR million | 2020 | 2019 | Change in % |
|-------------------------------------|-------|-------|-------------|
| Non-current liabilities | 330.5 | 357.8 | -7.6 |
| of which financial liabilities | 214.5 | 248.9 | -13.8 |
| (including lease obligations) | 64.3 | 69.8 | -7.9 |
| of which provisions and liabilities | 113.9 | 107.2 | 6.3 |
| of which deferred taxes | 2.1 | 1.7 | 23.5 |

Scheduled repayments led to a decrease in non-current financial liabilities.

Non-current provisions and other liabilities increased due to an increase in pension provisions in particular.

For information on the nature, terms to maturity, currency, and interest rates of liabilities, including their main terms and conditions, as well as information on undrawn credit lines available, reference is made to the comments in Section G. (36) "Financial risk management" in the notes to the consolidated financial statements.

Current liabilities break down as follows:

| in EUR million | 2020 | 2019 | Change in % |
|----------------------------------|-------|-------|-------------|
| Current liabilities | 419.0 | 379.4 | 10.4 |
| of which financial liabilities | 50.0 | 51.5 | -2.9 |
| (including lease liabilities) | 19.9 | 20.0 | -0.5 |
| of which provisions | 21.3 | 24.3 | -12.3 |
| of which tax liabilities | 31.6 | 21.5 | 47.0 |
| of which trade payables | 129.7 | 117.5 | 10.4 |
| of which contractual liabilities | 77.1 | 56.0 | 37.7 |
| of which other liabilities | 109.3 | 108.6 | 0.6 |

Current financial liabilities remain largely unchanged.

Current trade payables increased due to changes in cash management.

Increased advance payments for projects led to an increase in contractual liabilities.

Other current liabilities remained largely unchanged.

Working capital changed as follows:

| in EUR million | 2020 | 2019 | Change in % |
|-----------------------------|---------|---------|-------------|
| Working capital | 494.5 | 541.8 | -8.7 |
| + Inventories | 397.0 | 378.6 | 4.9 |
| + Trade receivables | 304.3 | 336.7 | -9.6 |
| ./. Trade payables | -129.7 | -117.5 | 10.4 |
| ./. Contractual liabilities | -77.1 | -56.0 | 37.7 |
| Sales | 1,700.2 | 1,750.7 | -2.9 |
| Days of Working Capital | 105 | 111 | -6 |

Working capital requirements fell again in fiscal year 2020. The changes in inventories, trade receivables, trade payables, and contractual liabilities are described in the preceding sections.

Efficiency, measured on the basis of Days of Working Capital, improved.

Net debt changed as follows:

| in EUR million | 2020 | 2019 | Change in % |
|-------------------------------------|-------|-------|-------------|
| Financial liabilities | 264.5 | 300.4 | -12.0 |
| of which lease liabilities | 84.2 | 89.8 | -6.2 |
| Cash and cash equivalents | 152.4 | 66.3 | 129.9 |
| Net debt | 112.1 | 234.1 | -52.1 |
| Net debt (before lease liabilities) | 27.9 | 144.3 | -80.7 |
| Equity | 737.7 | 696.6 | 5.9 |
| Debt-equity ratio (%) ¹ | 15.2 | 33.6 | -18.4 pp |

¹ Ratio of net debt to equity

The ongoing improvement of working capital management, strict discipline with respect to investment in property, plant and equipment, and a positive trend for earnings led to a dramatic reduction in net debt.

FINANCIAL POSITION

The financial position can be summarized as follows:

ABRIDGED STATEMENT OF CASH FLOWS

| in EUR million | 2020 | 2019 | Change in % |
|---|-------|--------|-------------|
| Cash flow from operating activities | 227.7 | 212.7 | 7.1 |
| Cash flow from investing activities | -60.8 | -100.2 | -39.3 |
| Free cash flow | 166.9 | 112.5 | 48.4 |
| Cash flow from financing activities | -80.8 | -67.4 | 19.9 |
| Net change in cash and cash equivalents | 86.1 | 45.1 | 90.9 |

An improved operating result, increased amortization and depreciation, and a significant improvement in the volume of working capital required, caused cash flow from operating activities to increase in the past fiscal year.

Free cash flow rose sharply on the whole.

Financial solidity

The SICK Group's equity ratio and debt-equity ratio changed as follows:

FINANCIAL SOLIDITY

| | 2020 | 2019 | Change in % |
|------------------------------------|-------|-------|-------------|
| Equity (in EUR million) | 737.7 | 696.6 | 5.9 |
| Debt-equity ratio (%) ¹ | 15.2 | 33.6 | -18.4 pp |
| Equity ratio (%) ² | 49.6 | 48.6 | 1.0 pp |

¹ Ratio of net debt to equity

² Ratio of equity to total assets

The ratios in SICK's consolidated statement of financial position are still very solid. The substantial increases in cash and cash equivalents and in equity reflect the Group's good financial solidity.

DEVELOPMENT OF NON-FINANCIAL PERFORMANCE INDICATORS

For SICK, capacity for innovation through effective R&D work, and well-trained, motivated employees play a key role in achieving growth for the SICK Group.

Section C. "Report on economic position" contains information on the headcount and changes in it under "Results of operations." Please refer to section B. "Research and development" for information regarding changes in the expense ratio for R&D.

Section E. "Report on expected developments" contains statements regarding the anticipated development of the main non-financial performance indicators, the number of employees, and the expense ratio for R&D.

REPORT ON THE PERFORMANCE OF THE SICK GROUP IN FISCAL YEAR 2020 IN COMPARISON TO THE FORECAST

In the fiscal year, the SICK Group's targets for sales and income, and its non-financial performance indicators, changed as follows:

| | ACTUAL figure for 2020 | ACTUAL figure for 2019 | Change in % | Forecast from 2019 group management report |
|------------------------------|------------------------|------------------------|-------------|--|
| Group sales (in EUR million) | 1,700.2 | 1,750.7 | -2.9 | High single-digit percentage growth |
| EBIT margin (in %) | 8.3 | 7.6 | 0.7 pp | Mid-range to high single-digit percentage |
| Employees | 10,433 | 10,204 | 2.2 | Low single-digit percentage growth |
| R&D expenses as % of sales | 11.8 | 11.5 | 0.3 pp | Low double-digit percentage |

With the exception of the described changes in group sales, which were impacted by the coronavirus pandemic, the SICK Group achieved its projected targets for fiscal year 2020.

Overall assessment

The performance of business in 2020 was characterized by the challenging global economic conditions as a result of the coronavirus pandemic. The trend for the Group's net assets, financial position, and results of operations was nevertheless very solid, if not entirely in line with the original plan. This forms a good foundation for the further expansion of business activities and thus further growth for the Group, particularly in light of the challenges of digitalization and Industry 4.0.

D. RISK AND OPPORTUNITY REPORT

Risk and opportunity policy

Weighing up and entering into opportunities and risks is part of the Group's business success.

The risk management function helps the Executive Board and management to effectively monitor and control risks and to fully exploit business opportunities and therefore potential offered by the business.

Risk management is firmly incorporated into many of SICK's corporate processes and is embedded in an opportunity and risk cycle that comprises the central and decentralized planning, management, and control processes and follows uniform group standards.

The aim is to enhance the value of the company in the long term.

Risk and opportunity management system

SICK's risk and opportunity management system is based on the understanding that risks must form part of daily business if we want to be able to take advantage of opportunities. SICK therefore conducts active opportunity management in which business opportunities are determined as part of the Group's planning, and the exploitation of opportunities is set out by management in the form of detailed strategic, medium-term, and operating planning.

The risks stemming from SICK's business activities and opportunities are described, evaluated, managed, and minimized by means of differentiated processes and procedures as part of the Group's Enterprise Risk Management system. SICK identifies the serious risks in particular using special processes, and has integrated operating risk management processes in order to identify a number of operating risks. This allows us to influence strategic, operating, financial, and compliance-related targets to a significant degree.

The Executive Board is ultimately responsible for the efficient management and control of risks and opportunities. All members of management reporting directly to the Executive Board are also responsible for managing the opportunities and risks within their areas of responsibility.

Strategic opportunities and risks are also monitored in close partnership with the Supervisory Board.

In its Enterprise Risk Management system, SICK distinguishes between seven categories of risk that can affect the Group or one or more group entities: customer / market risks, force majeure, compliance risks, management risks, personnel risks, financial risks, and process risks.

The first two risk categories mainly materialize as exogenous factors, such as competition-related or economic developments. In this case they are treated as strategic risk factors. The other risk categories comprise risks that mainly impact operations. The opportunities relate to SICK's main strategic and operating categories, such as stronger global economic growth, digitalization and Industry 4.0, internationalization, substantial investment in research and development, very solid financial ratios and strong earnings power.

SICK's management use all processes and features contained in the risk and opportunity management system to control all risks and opportunities as well as the associated business decisions from the business processes of all group entities and SICK AG itself. Risks are assigned to one of four risk levels:

| Risk category | Type of risk | Details |
|---------------|------------------|---|
| A | Substantial risk | Risks that pose a direct threat ability of the company or its entities to continue as a going concern |
| B | Severe risk | Risks that do not pose an existential threat but have the potential to cause significant damage |
| C | Potential risk | Risks that require special measures to eliminate and have the potential to incur substantial costs |
| D | Latent risk | Low risk potential that must nevertheless be monitored as part of business processes |

A traffic light system is used to differentiate between the perceived situations for each risk within the various risk levels. Risks assigned a red traffic light require immediate action. Targeted measures are implemented to address risks assigned amber traffic lights, while those judged to be green are constantly monitored as part of the routine operation of the Business Risk Management system for all risks in the risk catalog set up by SICK.

Each identified risk is documented in the risk catalog, monitored and hedged using appropriate measures that are stored in a central risk database. One means of hedging risks is the central insurance management. From an organizational perspective, the planning and risk management systems are managed in Corporate Controlling.

RISKS

The risks described below relate to SICK's business activities as a whole. These risks can have negative consequences for SICK's business, net assets, financial position, and results of operations as well as its reputation. The areas of risk referred to below are by no means limited to substantial risks. Risks are divided into seven categories:

- Customer / market risks
- Force majeure
- Compliance risks
- Management risks
- Personnel risks
- Financial risks
- Process risks

CUSTOMER / MARKET RISKS COMPETITIVENESS

Competition risks may stem from intensified competition, as a result of which SICK is unable to achieve its targets for market share, margins or growth.

SICK counters these risks by constantly analyzing the market, competition and statutory framework in the relevant lines of business and regions. The information obtained in this way allows SICK to develop and offer products and system solutions to meet demand, build on its competitive position, and raise its profile even more.

Development activities are pursued and new fields in connection with digitalization and Industry 4.0 are exploited in order to improve the Group's competitive position.

ECONOMIC RISKS

Weak economic growth and unexpected economic turbulence could have a negative impact on customer demand as a whole and therefore also on demand for SICK's products and system solutions. This could lead to declining unit sales, pressure on margins, and delayed or defaulted payments.

SICK regularly analyzes economic reports and forecasts in order to be able to respond promptly to changes.

According to the IMF's current economic forecasts, the risks to the development of the global economy remain high. Although the recent approvals of vaccines have raised hopes of a turning point in the pandemic by the end of this year, new variants gave cause for concern regarding the outlook. The recovery varies from country to country, and depends on access to medical services and political support.

SICK generally counters the risk of a weaker than anticipated economic performance in significant target industries and regions by diversifying its customer base. The company's offering is also diversified thanks to its good position in the three fields of Factory, Logistics, and Process Automation, which have very different market mechanisms.

FORCE MAJEURE

SICK mainly considers force majeure to be exogenous risks to its business in particular. This includes the political turbulence in relevant target markets as well as the risks associated with events such as natural disasters, fire, or flooding. This also covers disruptions to media such as the interruption of the supply of power or water to its various locations. In addition to production capacity, this also affects the security of the company's data and IT systems. In addition to comprehensive prevention measures, the main protective measure to preserve the company's value in this respect is sufficient insurance coverage for these loss events. It is, however, also important to ensure that the smooth operation of the company's processes is restored as quickly as possible in the case of a loss event.

COMPLIANCE RISKS

SICK records and manages risks relating to compliance breaches by means of a process that has been coordinated with the entire risk management function as part of its compliance management system.

MANAGEMENT RISKS

Management risks are risks associated with management tasks within the company. These include topics such as strategy development and drawing up location concepts, but also risks associated with cultural transformation and the development of capabilities within the company. The Management Control Circle is used to integrate the decentralized areas of responsibility into institutionalized control and communication cycles with respect to decision-making processes within the company. This involves regularly reporting on and reaching decisions regarding opportunities and risks.

PERSONNEL RISKS

Personnel risks could arise as a result of a lack of qualified specialists, without whom an innovative technology company like SICK would be unable to succeed commercially. In response to the intensifying competition for qualified staff, which is compounded by demographic change, SICK must actively present itself as an attractive and secure employer on the global labor market in line with its mission statement, and offer good prospects to its employees.

FINANCIAL RISKS**LIQUIDITY RISKS**

Ensuring that the company is solvent at all times is critical to its ability to continue as a going concern. The SICK Group's operational liquidity management comprises a cash concentration process whereby cash and cash equivalents are pooled on a daily basis. This allows liquidity surpluses and shortages to be controlled in line with the requirements of the Group as a whole as well as of individual group entities. The maturities of financial assets and financial liabilities as well as estimates of cash flows from operating activities are included in short- and medium-term liquidity management.

FINANCE AND INTEREST RATE RISKS

The debt finance of the SICK Group is primarily denominated in euro and takes the form of long-term loans and loans against a promissory note. The Group's creditors are banks and insurance companies with which a long-term trusted business relationship exists. There are sufficient lines of credit in place to meet future investment requirements. The counterparty credit risk in financing is countered by limiting business relationships to dealings with banks with investment grade credit ratings.

The SICK Group responds to interest rate risks by entering into fixed-interest agreements over the term of its loans. When structuring loan maturities, SICK tries to ensure that these fall due for extension in different fiscal years.

CURRENCY RISKS

The global business activities of the SICK Group entail a large number of cash flows in different currencies. The company is particularly exposed to fluctuations in the exchange rate between the euro and other key currencies, as described in the notes to the financial statements. Depending on the expected risk potential, exchange rates are hedged using traditional forward contracts or options over varying periods.

VALUATION ALLOWANCES

Default risks from receivables are minimized by ongoing monitoring of the creditworthiness of the counterparty and by limiting the aggregated risks from the individual counterparty. One major component here is a set of rules that contains guidelines for granting and monitoring credit limits.

The application of these specifications kept the default rate for receivables pertaining to sales very low.

PROCESS RISKS**INNOVATION PROCESSES**

The risks associated with innovation processes may involve opportunities for future product developments being spotted too late, or development costs and times being estimated inaccurately or exceeded in connection with development processes.

SICK counters this risk by means of modern product portfolio management, which manages and controls the content and performance of products and tailors them to the needs of the market. In addition to constantly monitoring market developments, the SICK Group has a systematic product development process that takes account of all key market-related, technical, and economic aspects with the aim of achieving technological leadership. Areas in which a need for action is identified are transferred to projects that are managed using overarching and coordinated methods.

VALUE CREATION PROCESSES

SICK's value creation processes comprise procurement as well as production. SICK products feature leading technology and therefore also use state-of-the-art bought-in parts (semiconductor elements to process signals and generate light in particular). Bought-in parts that are developed and produced specifically for SICK create dependencies on suppliers and therefore risks in the event of any kind of disruption to their production or even stoppages. Risks on the procurement side also stem from price fluctuations as a result of increased costs for materials or bottlenecks in the delivery of certain groups of products.

That is why a special inventory management program and goods category-specific procurement strategies are used for bought-in parts. The inventory management program monitors operating, safety, and strategic stocks.

In addition to procurement, SICK's own production makes a crucial contribution to added value. The main risks relate to interruptions to production, and can arise if production facilities or tools are damaged or stop entirely, or if capacity requirements are estimated inaccurately. Basic (risk) prevention in this regard involves regular maintenance, constant repair management in order to prevent unplanned outages, and adjusted restart plans as well as investments in fire prevention and targeted fire-fighting measures.

Regular risk inspections and damage prevention measures also help mitigate the risk.

In the event of damage, second source strategy concepts for delivered parts, the relocation of production to SICK's other production facilities, and safeguarding measures by service providers in order to get damaged machinery working again as soon as possible take effect.

The existing global property and business interruption insurance also covers the financial risks arising for the SICK Group from damage to property and the resulting business interruption. All consolidated SICK entities are included in this cover. The insured amount is based on property, plant and equipment as well as the Group's sales.

DISTRIBUTION

Delays to distribution or violations of national and international export restrictions or air freight safety regulations can lead to trading restrictions, lost sales, or delayed deliveries, with higher costs. That is why SICK has introduced an export management system comprising an efficient export control organization and specific export control software.

PROCESS RISKS RELATING TO MANAGEMENT AND SUPPORTING PROCESSES

QUALITY

SICK offers its customers safety and process-related products, systems, and services. The high quality and reliability of the products is ensured by a quality and environmental and an integrated quality management system. Please refer to the "Sustainability" section for more information on quality management. Errors on the customer side could still however lead to personal injury, financial loss, or harm to the environment that could form the basis for liability claims or impact the company's reputation.

The existing business and product liability insurance covers the financial risks from liability for damage to property and personal injury that could be caused by our products. The amount of coverage is based on past experience as well as the volume of sales. All consolidated SICK entities are integrated in this cover.

IT

IT risks have the potential to impact some of the most important strategic success factors for the SICK Group – the confidentiality, integrity, and availability of data. This is why we have established a comprehensive and modern IT infrastructure in the areas of administration, sales, and production. Continuous investment is made in modern IT systems, thus ensuring that competitive, futureproof, and fit-for-purpose IT solutions are used throughout the Group.

A longer-lasting outage of this complex IT infrastructure or the loss of data could result in considerable business disruption. As a result, the aim of our IT security policy is to identify and analyze IT risks at an early stage and to make them manageable by taking appropriate action. For this reason, SICK has successfully introduced and is constantly refining an IT

security system based on the internationally recognized standard ISO 27001. This includes a comprehensive security concept that reflects the high value attached to security and data protection at SICK and actively identifies potential risks.

Irrespective of all measures to constantly improve IT security, it cannot be ruled out that SICK's results of operations could be negatively impacted by the occurrence of one or more IT risks such as cyber-attacks.

ENVIRONMENTAL RISKS

As a company that operates and manufactures on a global scale, SICK's business activities pose a risk to the environment. The main environmental aspects and their risk for the environment are determined annually pursuant to ISO 14001 and managed accordingly. SICK's environmental management activities are aimed at adding value for the company by acting in a sustainable manner.

Despite a long-term and environmentally-aware management approach, it cannot be ruled out that the SICK Group's results of operations could be significantly impacted by the occurrence of an environmental risk.

OPPORTUNITIES

SICK is a market leader in the growing sector of sensor technology for industrial applications. SICK's Executive Board and management look for opportunities to exploit potential for growth. Possibilities to achieve stronger growth than planned stem from a number of different strategic and operating opportunities. These are evaluated on a regular basis, and corresponding measures are implemented in order to take advantage of them. As a global market leader and technological pioneer, the SICK Group is in a better position than most to benefit from the opportunities for growth presented by an innovative sector. The company sees six different categories of significant opportunities:

- Opportunities of improved global economic growth
- Opportunities of digitalization and Industry 4.0
- Opportunities of internationalization
- Opportunities of substantial spending on research and development
- Opportunities of solid financial ratios and strong earnings power
- Opportunities as an attractive employer

OPPORTUNITIES OF IMPROVED GLOBAL ECONOMIC GROWTH

Following a year full of economic slumps, the global economy is expected to grow 5.5 percent in 2021 and 4.2 percent in 2022.

In terms of individual sectors, there are opportunities for growth associated, for example, with more restrictive emissions regulations in many countries, the implementation of Industry 4.0, or the progress of digitalization. This is because these trends make increasingly large volumes of data and information available for use. Successfully providing, analyzing, and effectively utilizing this information grants clear competitive advantages. As one of the world's leading manufacturers of sensors and sensor solutions for industrial applications, SICK lays the foundation for successful, data-based business models and is able to take advantage of the opportunities presented by digitalization in its own interest and the interest of its customers.

Following a slump in 2020 caused by the effects of the global coronavirus pandemic, catch-up effects are anticipated in the years ahead. The pressure and pace of digitalization are also increasing further.

In order to exploit these opportunities, SICK has initiated numerous measures and set up Start-up Initiatives involving multiple business fields.

OPPORTUNITIES OF DIGITALIZATION AND INDUSTRY 4.0

As one of the driving forces behind Industry 4.0 in Germany, SICK regularly evaluates the opportunities presented by Industry 4.0. Suitable measures are constantly being defined and implemented in order to gain an advantage. SICK's product portfolio is very well placed to benefit from this growth market. The company is also constantly analyzing what other product developments could be of relevance.

In its business activities, SICK demonstrates the current opportunities of Industry 4.0 in a very practical way at its production facility in Freiburg, where a highly flexible and adaptable production system has been set up. Innovative future sensor solutions are already used there and presented to customers as part of an assembly system that is used to make SICK's own sensors.

OPPORTUNITIES OF INTERNATIONALIZATION

SICK is constantly expanding its customer, product, and system base as part of the ongoing internationalization of value added and internal value added in its sales and procurement regions. This global strategic direction presents SICK with numerous opportunities, both in the labor market and through greater proximity to its customers. SICK is for example constantly working to introduce new facilities or branch offices and standardized business processes in new international markets. One example of this is the improved regional supply capacity in Asia thanks to the logistics facility opened in China in 2019. This means that SICK now operates its own logistics centers in America, Europe, and Asia.

OPPORTUNITIES OF SUBSTANTIAL SPENDING ON RESEARCH AND DEVELOPMENT

SICK is a highly innovative company. Both the number of employees in research and development, and spending on research and development, remained high in 2020, as planned:

| | 2020 | 2019 | Change in % |
|---------------------------------|---------|---------|-------------|
| Sales (in EUR million) | 1,700.2 | 1,750.7 | -2.9 |
| R&D expenses (in EUR million) | 201.1 | 202.0 | -0.4 |
| R&D expenses as % of sales | 11.8 | 11.5 | 0.3 pp |
| R&D employees on reporting date | 1,367 | 1,310 | 4.4 |

Future opportunities stem from new products and system solutions with the potential to accelerate the company's growth more than average if they are accepted by customers.

OPPORTUNITIES OF SOLID FINANCIAL RATIOS AND STRONG EARNINGS POWER

The SICK Group has solid financial ratios and strong earnings power:

| | 2020 | 2019 | Change in % |
|--|-------|-------|-------------|
| Equity ratio (%) | 49.6 | 48.6 | 1.0 pp |
| EBIT (in EUR million) | 140.6 | 132.9 | 5.8 |
| Cash and cash equivalents (in EUR million) | 152.4 | 66.3 | 129.9 |
| Operating cash flow (in EUR million) | 227.7 | 212.7 | 7.1 |

SICK's solid financial ratios and strong earnings power allow it to exploit additional opportunities for growth using its own financial muscle.

OPPORTUNITIES AS AN ATTRACTIVE EMPLOYER

SICK has been named several times as one of Germany's best employers. An attractive system of compensation and exemplary social benefits as well as comprehensive further training opportunities ensure that employees remain loyal to the company for a long time. As a highly innovative company, motivated employees represent a long-term growth opportunity for SICK.

GENERAL STATEMENT CONCERNING RISKS AND OPPORTUNITIES

Although the assessments of some risks changed over the course of the fiscal year due to external developments, economic uncertainty and measures implemented by the company or changes to planning, the overall situation with respect to risks and opportunities is largely in line with the prior year's estimates.

The growing importance of Industry 4.0 and the fact that intelligent sensors are essential as a data basis for smart factories open up major opportunities for technological and economic growth for SICK. The topics of connecting sensor systems to upstream cloud solutions, applications in the data landscape, and data sovereignty are particularly relevant. However, the approaching technological changes also entail continued, substantial investment and corresponding expenses as well as risks.

The Executive Board firmly believe that the risks and opportunities described for the SICK Group are manageable and do not jeopardize the company's ability to continue as a going concern, either individually or in their totality.

E. REPORT ON EXPECTED DEVELOPMENTS

The comments regarding the company's anticipated performance in 2021 are based on the information, expectations, and assumptions that were known and available at the time the forecast was issued. As statements concerning the future, these are subject to a high degree of uncertainty.

Economic prospects for 2021

In its current economic forecast (World Economic Outlook, January 2021), the International Monetary Fund (IMF) expects global economic output to grow by 5.5 percent in 2021. However, new waves of infection and variants of the virus are hampering the economic recovery at the start of 2021. A return to the uncontrolled spread of infections could seriously impact and delay the anticipated improvement in global economic growth.

The current uncertainties surrounding forecasts for economic growth are also reflected in the growth estimates for Germany. While the German government expects GDP to grow 3 percent, the IMF is forecasting an increase of 3.5 percent.

The VDMA's economists expect manufacturing output to rise 4 percent in the current year, with the proviso that forecasts are subject to a high degree of uncertainty.

SICK's industry-specific market analyses indicate clear potential for growth for innovative, international companies in the sensor technology industry in particular, based on the following trends:

- The digitalization and networking of industrial production processes and supply chains
- The increased use of sensors and corresponding sensor solutions in the production, warehousing and distribution of goods
- The ongoing progress of automation (Industry 4.0)
- Strictest standards of data security and sovereignty
- Rising demands with respect to the management of industrial processes and the distribution of products in the manufacturing industry
- Rising quality and documentation requirements
- Stricter environmental regulations

Based on the continued positive trend for general economic and sector-specific conditions for SICK, as described in detail in Section C. "Report on economic position," the Executive Board of the SICK Group expects its important financial and non-financial indicators to change as follows.

Sales forecasts for the regions

Based on our current knowledge and the general economic and sector-specific conditions outlined, the Executive Board expect the SICK Group to continue to achieve dynamic and positive growth. The Executive Board expect sales to grow by a low to mid-range single-digit percentage in fiscal year 2021.

GERMANY

SICK still enjoys a strong market position in the region of Germany. Catch-up effects are expected in 2021 following significant reluctance to invest, particularly in the manufacturing industry, and the forecast is currently for a general recovery in economic growth. Growth is therefore expected to be in the mid-range to high single-digit percentages.

EUROPE, MIDDLE EAST, AND AFRICA (EMEA)

SICK expects growth in the Europe, Middle East, and Africa (EMEA) region to be in the mid-range single-digit percentages. The anticipated economic recovery in European countries is the most important source of growth. The Executive Board therefore expects the trend in this region to once again be more favorable than in the prior year.

NORTH, CENTRAL, AND SOUTH AMERICA (AMERICAS)

The Executive Board expects clearly positive growth to continue in the North, Central, and South America (Americas) region, with growth rates for sales in the low to mid-range single digits. Further growth is above all expected in the US, Canada and Brazil.

ASIA-PACIFIC

Sales in the Asia-Pacific region have increased significantly in recent years. This growth trend also looks set to continue in fiscal year 2021, although growth appears to be leveling off in the important Chinese market. On the whole, low single-digit growth is expected in the Asia-Pacific region in fiscal year 2021.

EBIT forecast

The implementation of the SICK Group's strategy of growth requires more significant expenditure and investment. In fiscal year 2021, the company is planning to once again spend a low double-digit percentage of its sales on R&D. On the whole, we expect the increase in expenses to slightly outpace the growth of sales in 2021.

This is likely to be accompanied by a reduction in operating profitability. This is consciously accepted in order to boost SICK's technological preparedness for the future and strong market position.

The company is aiming to achieve a mid-range to high single-digit percentage EBIT margin in fiscal year 2021. The target for the EBIT margin ensures SICK's traditional aim of striking a balance between securing income in the short term and technology in the long term. We therefore expect SICK to operate and remain profitable for the long term.

Development of other financial performance indicators

Capital management will continue to be pursued in fiscal year 2021 based on the assumption that liquidity will remain solid and the equity ratio will remain high. At the same time, SICK is still focusing on a low-risk financing structure. Dividend payments are made in a way that takes into account the need for investment and the target range for the planned capital structure. The Group's further growth will also be safeguarded by maintaining sufficient liquidity as well as short-term and long-term credit lines that offer flexibility in covering refinancing needs.

Development of non-financial performance indicators

The positive development of the most important non-financial performance indicators in fiscal year 2021 ensures the sustainable and profitable growth that SICK is aiming to achieve. The key indicators are the persistently strong R&D activities, attracting and retaining qualified employees, and meeting high standards of quality and sustainability targets.

General summary of projected development

Global economic growth is expected to recover in 2021. However, the risks to the global economy remain high in light of the ongoing coronavirus pandemic. This makes forecasts less certain.

With our innovative portfolio of products and services, the SICK Group stands a good chance of continuing to benefit from increasing demands, particularly in the context of digitalization and Industry 4.0.

Based on the company's strong technological expertise and very strong market position in important growth regions, the Executive Board expects a positive overall development for the SICK Group in fiscal year 2021.

KEY FIGURES OF THE FORECAST FOR FISCAL YEAR 2021

| | |
|------------------------|---|
| Global economic growth | +5,5 percent |
| Group sales | Low to mid-range single-digit percentage growth |
| EBIT margin | Mid-range to high single-digit percentage |
| Employees | Low single-digit percentage growth |
| Expense ratio for R&D | Low double-digit percentage |

Our global presence, our balanced portfolio and the fact that SICK is flexible enough to be able to react rapidly to changes offer an excellent basis from which to continue to grow and secure the SICK Group's high level of profitability in fiscal year 2021 – provided the global economy recovers as anticipated.

F. DEPENDENT COMPANY REPORT

More than 50 percent of the shares in SICK AG are held by Sick Holding GmbH, which in turn belongs to the Sick family that founded the company. As a result, the Executive Board prepared a dependent company report in accordance with Sec. 312 AktG ("Aktengesetz": German Stock Corporations Act), which was audited and on which an auditor's report was issued as part of the audit of the financial statements. The Executive Board declares the following in accordance with

Sec. 312 (3) AktG: "In the legal transactions listed in the dependent company report, and according to the circumstances that were known to us when those legal transactions were performed, our company received an appropriate consideration in each legal transaction. We did not undertake, or refrain from taking, any actions motivated by or in the interest of the controlling company or its affiliates."

G. MANAGEMENT REPORT OF SICK AG

SICK AG has its headquarters in Waldkirch near Freiburg in the State of Baden-Württemberg in Germany. This is the head office of the SICK Group and is also its largest development and production location. The development of the Group's international sales and service companies is closely coordinated with the Waldkirch location in order to mitigate risks. However, to a large extent they have their own responsibilities in terms of day-to-day operations.

The financial statements of SICK AG are prepared in accordance with the requirements of the HGB, while the consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

The basic statements in the combined management report, in particular in relation to the market and strategy as well as the opportunities and risks relating to business activities, also apply with respect to SICK AG.

The reporting year was again encouraging for SICK AG.

The company's **results of operations** break down as follows:

| in EUR million | 2020 | 2019 | Change in % |
|-------------------------------|---------|---------|-------------|
| Sales | 1,181.7 | 1,208.5 | -2.2 |
| Changes in inventory | 8.0 | -10.0 | -180.0 |
| Own work capitalized | 10.5 | 10.1 | 4.0 |
| Other operating income | 37.6 | 34.0 | 10.6 |
| Cost of materials | 607.5 | 614.6 | -1.2 |
| Gross profit | 630.3 | 628.0 | 0.4 |
| Personnel expenses | 372.9 | 362.2 | 3.0 |
| Depreciation and amortization | 39.9 | 38.5 | 3.6 |
| Other operating expenses | 198.6 | 219.8 | -9.6 |
| Financial result | 44.3 | 52.0 | -14.8 |
| Earnings before tax | 63.2 | 59.5 | 6.2 |
| Income tax | 10.4 | 13.3 | -21.8 |
| Other taxes | 0.5 | 0.3 | 66.7 |
| Net income for the year | 52.3 | 45.9 | 13.9 |

The company's statement of financial position is as follows:

| in EUR million | 2020 | 2019 | Change in % |
|-------------------------------|---------|-------|-------------|
| Intangible assets | 14.1 | 14.1 | 0.0 |
| Property, plant and equipment | 258.1 | 263.8 | -2.2 |
| Financial assets | 136.0 | 132.9 | 2.3 |
| Inventories | 199.5 | 192.7 | 3.5 |
| Receivables and other assets | 320.5 | 324.8 | -1.3 |
| Cash and cash equivalents | 111.6 | 47.2 | 136.4 |
| Total assets | 1,039.8 | 975.5 | 6.6 |
| Equity | 447.6 | 421.4 | 6.2 |
| Provisions | 129.7 | 117.3 | 10.6 |
| Liabilities | 462.5 | 436.8 | 5.9 |
| Total equity and liabilities | 1,039.8 | 975.5 | 6.6 |
| Equity ratio (%) | 43.0 | 43.2 | -0.2 pp |

SICK AG's financial position and results of operations still paint a very solid picture.

SICK AG does not issue its own separate forecast. The forecast issued by the SICK Group therefore also applies to SICK AG.

Corporate governance declaration pursuant to Sec. 289f (4) HGB

As part of the company's efforts to achieve equal opportunities, targets were set in 2015 for the equal representation of men and women in management positions.

At its meeting held on March 22, 2020, the Supervisory Board of SICK AG set a target of 17 percent of women on the Supervisory Board of SICK AG in accordance with Sec. 111 (5) AktG. As a 'flexible' female quota, this target was to be met or exceeded by June 30, 2022. This percentage was 17 percent on December 31, 2020. The same applies to the target for the percentage of women on the Executive Board of SICK AG, which was also set at 17 percent. This target was 0 percent at the end of the reporting period.

Furthermore, effective as of September 30, 2015, the Executive Board of SICK AG set a target of 6 percent pursuant to Sec. 76 (4) AktG for the percentage of women in management positions at the level directly below the Executive Board of SICK AG, i.e., the managers who report directly to members of the Executive Board. This target was to be met or exceeded by June 30, 2017. This share came to 14 percent as of the reporting date. For management positions at the second level below the Executive Board of SICK AG, i.e., the managers who report directly to the first-level managers described above, a target of 6 percent was likewise set effective as of September 30, 2015 that was to be met or exceeded by June 30, 2017. This figure stood at around 12 percent on the reporting date.

Waldkirch, March 17, 2021

The Executive Board

Dr. Robert Bauer (Chairman)

Dr. Mats Gökstorp

Feng Jiao

Dr. Martin Krämer

Markus Vatter

Dr. Tosja Zywiets

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of SICK AG

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GROUP FINANCIAL STATEMENTS

for SICK AG for the fiscal year 2020

CONSOLIDATED INCOME STATEMENT

of SICK AG for the period from January 1 to December 31, 2020

| in EUR million | Notes | 2020 | 2019 |
|--|-------|-----------------|-----------------|
| Sales | (1) | 1,700.2 | 1,750.7 |
| Changes in inventory | | 17.7 | 3.3 |
| Own work capitalized | (2) | 22.0 | 26.5 |
| Cost of materials | (3) | 547.7 | 549.4 |
| Gross profit | | 1,192.2 | 1,231.1 |
| Personnel expenses | (4) | 757.8 | 753.5 |
| Depreciation and amortization | (5) | 91.1 | 87.2 |
| Other operating expenses | (6) | 215.9 | 266.4 |
| Other operating income | (7) | 15.1 | 13.3 |
| Currency results | (8) | -2.2 | -4.5 |
| Operating results | | 140.3 | 132.8 |
| Net investment income/expense | (9) | 0.3 | 0.1 |
| Earnings before interest and tax (EBIT) | | 140.6 | 132.9 |
| Interest expense | (10) | 6.3 | 6.4 |
| Interest income | (11) | 0.4 | 1.9 |
| Earnings before tax | | 134.7 | 128.4 |
| Income tax | (12) | 33.6 | 34.5 |
| Consolidated net income | | 101.1 | 93.9 |
| of which attributable to shareholders of SICK AG | | 101.1 | 93.9 |
| Earnings per share (basic and diluted) | (13) | 3.86 EUR | 3.58 EUR |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of SICK AG for the period from January 1 to December 31, 2020

| in EUR million | 2020 | 2019 |
|---|--------------|-------------|
| Consolidated net income | 101.1 | 93.9 |
| Other comprehensive income | | |
| Items that will never be reclassified to profit or loss | | |
| Remeasurement of pension obligations | -4.4 | -7.5 |
| Tax effect | 1.1 | 2.1 |
| Remeasurement of pension obligations | -3.3 | -5.4 |
| Items that were or that can be reclassified to profit or loss | | |
| Currency translation differences | -30.9 | 3.9 |
| Tax effect | 0.0 | 0.0 |
| Currency translation differences | -30.9 | 3.9 |
| Other comprehensive income | -34.2 | -1.5 |
| Comprehensive income | 66.9 | 92.4 |
| of which attributable to shareholders of SICK AG | 66.9 | 92.4 |

CONSOLIDATED STATEMENT OF CASH FLOWS

of SICK AG for the period from January 1 to December 31, 2020

| in EUR million | 2020 | 2019 |
|---|--------------|---------------|
| Consolidated net income | 101.1 | 93.9 |
| Adjustments for: | | |
| Income tax | 33.6 | 34.5 |
| Net interest income | 5.9 | 4.5 |
| Depreciation and amortization | 91.1 | 87.2 |
| Gains on/ losses from the disposal of fixed assets | -0.5 | -0.1 |
| Income from financial investments | -0.1 | -0.1 |
| Other non-cash transactions | -3.2 | 8.8 |
| Change in inventory | -36.1 | -1.8 |
| Change in trade receivables and other assets | 2.9 | -11.1 |
| Change in non-current provisions | 3.4 | 9.9 |
| Change in trade payables and other liabilities | 56.9 | 19.9 |
| Cash flow from operating activities | 255.0 | 245.6 |
| Interest paid | -5.8 | -3.6 |
| Interest received | 0.4 | 2.0 |
| Income tax paid | -21.9 | -31.3 |
| Cash flow from operating activities | 227.7 | 212.7 |
| Cash received from disposals of non-current assets | 0.7 | 0.2 |
| Cash paid for investments in property, plant and equipment | -45.6 | -76.6 |
| Cash paid for investments in intangible assets | -14.4 | -22.7 |
| Cash received from disposals (cash paid for investments) of financial assets | -0.1 | 0.0 |
| Cash paid for the acquisition of a business unit | -1.4 | -1.1 |
| Cash flow from investing activities | -60.8 | -100.2 |
| Acquisition of treasury shares | 0.0 | -0.1 |
| Cash paid to owners | -26.2 | -26.2 |
| Cash paid for the acquisition of non-controlling interests | 0.0 | -1.7 |
| Repayment of lease liabilities | -22.8 | -19.8 |
| Cash received from loans | 0.1 | 133.9 |
| Cash repayments of loans | -30.5 | -154.2 |
| Cash flow from financing activities | -79.4 | -68.1 |
| Effect of changes in foreign exchange rates and changes in consolidated entities on cash and cash equivalents | -1.4 | 0.7 |
| Net change in cash and cash equivalents | 86.1 | 45.1 |
| Cash and cash equivalents at the beginning of the period | 66.3 | 21.2 |
| Cash and cash equivalents at the end of the period | 152.4 | 66.3 |

For additional explanations, reference is made to the disclosures in the notes to the consolidated financial statements in section D. "Consolidated statement of cash flows."

of SICK AG as of December 31, 2020

in EUR million

[illegible]

EQUITY AND LIABILITIES

in EUR million

| | Notes | 2020 | 2019 |
|--------------------------------------|-------|----------------|----------------|
| A. Equity | | | |
| I. Issued capital | (22) | 26.4 | 26.4 |
| II. Capital reserves | (23) | 22.9 | 22.8 |
| III. Treasury shares | (24) | -3.5 | -3.5 |
| IV. Revenue reserves | (25) | 691.9 | 650.9 |
| | | 737.7 | 696.6 |
| B. Non-current liabilities | | | |
| I. Financial liabilities | (27) | 214.5 | 248.9 |
| II. Provisions and other liabilities | (28) | 113.9 | 107.2 |
| III. Deferred taxes | (12) | 2.1 | 1.7 |
| | | 330.5 | 357.8 |
| C. Current liabilities | | | |
| I. Financial liabilities | (27) | 50.0 | 51.5 |
| II. Other provisions | (28) | 21.3 | 24.3 |
| III. Tax liabilities | (29) | 31.6 | 21.5 |
| IV. Trade payables | (30) | 129.7 | 117.5 |
| V. Contract liabilities | (31) | 77.1 | 56.0 |
| VI. Other liabilities | (32) | 109.3 | 108.6 |
| | | 419.0 | 379.4 |
| | | | |
| | | 1,487.2 | 1,433.8 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of SICK AG as of December 31, 2020

| in EUR million | Issued capital | Capital reserves | Treasury shares |
|------------------------------------|----------------|------------------|-----------------|
| Balance as of Jan. 1, 2019 | 26.4 | 22.6 | -3.3 |
| Consolidated net income | | | |
| Other comprehensive income | | | |
| Comprehensive income | | | |
| Change in treasury shares | | 0.2 | -0.2 |
| Dividend payment | | | |
| Other changes | | | |
| Balance as of Dec. 31, 2019 | 26.4 | 22.8 | -3.5 |
| Balance as of Jan. 1, 2020 | | | |
| Consolidated net income | 26.4 | 22.8 | -3.5 |
| Other comprehensive income | | | |
| Comprehensive income | | | |
| Change in treasury shares | | | |
| Dividend payment | | 0.1 | |
| Other changes | | | |
| Balance as of Dec. 31, 2020 | | | |
| Balance as of Dec. 31, 2020 | 26.4 | 22.9 | -3.5 |

Other comprehensive income includes effects from the remeasurement of pension obligations and from currency translation.

| | Revenue reserves | Equity attributable to the shareholders | Non-controlling interests | Equity |
|--|---------------------|--|------------------------------|--------------|
| | 585.4 | 631.1 | 0.9 | 632.0 |
| | 93.9 | 93.9 | 0.0 | 93.9 |
| | -1.5 | -1.5 | 0.0 | -1.5 |
| | 92.4 | 92.4 | 0.0 | 92.4 |
| | 0.0 | 0.0 | | 0.0 |
| | -26.2 | -26.2 | | -26.2 |
| | -0.7 | -0.7 | -0.9 | -1.6 |
| | 650.9 | 696.6 | 0.0 | 696.6 |
| | | | | |
| | 650.9 | 696.6 | 0.0 | 696.6 |
| | 101.1 | 101.1 | 0.0 | 101.1 |
| | -34.2 | -34.2 | 0.0 | -34.2 |
| | 66.9 | 66.9 | 0.0 | 66.9 |
| | 0.0 | 0.1 | | 0.1 |
| | -26.2 | -26.2 | | -26.2 |
| | 0.3 | 0.3 | 0.0 | 0.3 |
| | 691.9 | 737.7 | 0.0 | 737.7 |

IFRS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of SICK AG, Waldkirch, for fiscal year 2020

A. GENERAL DISCLOSURES

General

The consolidated financial statements of SICK AG, Waldkirch, Germany, for the year 2020 were prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, United Kingdom, as adopted by the EU, and according to the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ("Handelsgesetzbuch": German Commercial Code). The consolidated financial statements consist of the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, and the notes to the consolidated financial statements. SICK AG also prepared a group management report.

SICK AG, with registered offices in Waldkirch, Erwin-Sick-Str. 1, Germany, and filed with the commercial register of Freiburg local court under HRB 280355, is the parent company of the SICK Group.

SICK AG is a subsidiary of Sick Holding GmbH, Freiburg, Germany.

Economic background

SICK is one of the leading global manufacturers of intelligent sensors and sensor solutions for industrial applications. The Group has been in the sensor technology business for more than 70 years, has over 10,000 employees worldwide today, and comprises 53 consolidated subsidiaries in over 30 countries as well as numerous equity investments and agencies.

The company has its main production sites in Germany, China, Malaysia, Hungary, and the United States. SICK is well positioned internationally and has a worldwide distribution network with its own subsidiaries, equity investments, and agencies in all major industrial countries.

Summary of significant accounting policies

All IFRSs subject to mandatory adoption as of December 31, 2020 have been applied. These include the International Accounting Standards (IAS) as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). The Group has decided not to early adopt standards or interpretations that are not yet effective. These standards and interpretations are listed in section G. (42) "Financial reporting standards not early adopted."

The fiscal year of the SICK Group and all the entities included in consolidation is the calendar year.

The group currency is the euro. As a rule, all amounts are stated in millions of euro (EUR million). Deviations from this rule are indicated accordingly. Due to rounding, it is possible that some figures do not add up precisely to the sums stated.

The consolidated financial statements have been prepared on the basis of the historical cost convention, apart from derivatives, equity-settled share-based payment transactions, financial instruments reported at fair value, and current receivables and liabilities in foreign currency reported at fair value.

The income statement has been prepared using the nature of expense method.

Effects of new financial reporting standards

The financial reporting principles applied were virtually unchanged on the prior year, except for the following standards:

| Standards/interpretations | Title | Applicable from | Impact on SICK |
|--|---|-----------------|----------------|
| Amendments to IFRS 9, IAS 39, and IFRS 7 | Interest Rate Benchmark Reform (phase 1) | January 1, 2020 | Immaterial |
| Amendments to references to the Conceptual Framework for Financial Reporting | Conceptual Framework for Financial Reporting | January 1, 2020 | Immaterial |
| Amendments to IAS 1 and IAS 8 | Definition of Material | January 1, 2020 | Immaterial |
| Amendments to IFRS 3 | Business Combinations: Definition of a Business | January 1, 2020 | Immaterial |
| Amendments to IFRS 16 | COVID-19-Related Rent Concessions | January 1, 2020 | Immaterial |

B. CONSOLIDATION PRINCIPLES

Consolidation methods

The consolidated financial statements include the financial statements of SICK AG and its subsidiaries as of December 31, 2020. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control by the parent ceases.

For a list of group entities, reference is made to exhibit A5 of these notes to the consolidated financial statements.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, transactions, unrealized gains and losses resulting from intragroup transactions and dividends are eliminated in full.

Comprehensive income within a subsidiary is attributed to the non-controlling interests even if it results in a negative balance. A change in the ownership interest of a subsidiary which does not involve a loss of control is accounted for as an equity transaction.

Business combinations are accounted for using the purchase method. The cost of an acquisition is the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Costs incurred in the course of the acquisition are expensed.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for the non-controlling interest over the net identifiable assets acquired and liabilities of the Group assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss after reexamination.

Associates and joint ventures are consolidated using the equity method.

Basis of consolidation

Besides SICK AG, the consolidated financial statements include six German and 47 (prior year: 43) foreign fully consolidated subsidiaries (purchase method) in which SICK AG has the direct or indirect majority of voting rights as of the end of the reporting period December 31, 2020.

CHANGES IN THE BASIS OF CONSOLIDATION

In order to continue the successful business development on the Slovakian market, the subsidiary SICK Slovakia s.r.o. with registered offices in Bratislava, Slovakia, which was founded at the end of 2019, commenced operations and assumed the assets and liabilities of SICK spol. s r.o., Prague, Czech Republic, in 2020.

The entities SICK Hellas Ltd., with registered offices in Kifisia, Greece, as well as SICK Sensor (Malaysia) Sdn. Bhd., Petaling Jaya, Malaysia, and SICK (THAILAND) Co., Ltd., Bangkok, Thailand, were newly consolidated in the reporting year. A resulting difference was recognized in equity.

At the beginning of 2019, SICK acquired a further 50 percent of the shares in SICK SpA, Santiago de Chile, Chile. Prior to this, SICK held 50 percent of the shares, meaning that SICK was now the sole owner of SICK SpA. Accounting was previously performed using the equity method. Since obtaining control in January 2019, SICK SpA has been fully consolidated.

By increasing its shares, SICK has strengthened its position on the South American market. The fair values of the identified assets and liabilities of SICK SpA were as follows:

| in EUR million | Acquisition date fair value |
|---|-----------------------------|
| Intangible assets | 0.3 |
| Deferred tax assets | 0.3 |
| Inventories | 0.5 |
| Receivables and other current assets | 1.2 |
| Cash and cash equivalents | 0.2 |
| Liabilities | -1.3 |
| Net assets | 1.2 |
| Goodwill | 0.4 |
| Total consideration of the gradual acquisition | 1.6 |

The goodwill contained individual intangible assets which by nature were not identifiable in accordance with IAS 38 and for which a value could not be reliably determined. It essentially represented part of the expected synergy and earnings potential. None of the goodwill was expected to be deductible for income tax purposes. The total receivables acquired were recoverable. The acquisition did not incur any significant transaction costs.

The carrying amount of the previously held shares (accounted for using the equity method) came to EUR 0.6 million as of the acquisition date. In the course of the acquisition of the new shares, the fair values of the previously held shares were remeasured. The revalued shareholding of 50 percent came to EUR 1.6 million. In the prior year, the gain resulting from the remeasurement of EUR 1.0 million was recorded under other operating income.

In the prior year, the acquisition contributed EUR 4.7 million to sales and EUR -0.4 million to the Group's EBIT since the date of first-time consolidation.

In February 2019, SICK acquired the remaining 15 percent of the shares in SICK Co., Ltd., Seoul, South Korea, thus raising its shareholding to 100 percent.

The difference between the cost and the carrying amount of the interest acquired has been recognized in revenue reserves within equity.

Zhejiang SICK Sensor Co., Ltd., Jiaxing, Zhejiang Province, China, was consolidated for the first time in the prior year. A resulting difference was recognized in equity.

Currency translation

The functional currency is the euro. Foreign currency business transactions are translated at the exchange rate prevailing on the date of the transaction. Gains and losses from the settlement of such business transactions as well as from the translation of monetary assets and liabilities are reported in the income statement.

The separate financial statements of foreign subsidiaries are translated using the functional currency method in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates." Generally speaking, the entities work independently of one another for financial and economic purposes. The functional currency is the local currency of these entities.

Assets and liabilities, contingent liabilities, and other financial obligations are translated at the closing rate. The income and expenses in the income statement and thus the net profit or loss for the year reported in the income statement are translated at the annual average rate.

The currency difference arising from translation is offset against the revenue reserves in the item "Currency translation differences".

Goodwill and adjustments of assets and liabilities resulting from the purchase of a foreign entity are translated at the closing rate.

When translating the financial statements of foreign entities accounted for using the equity method, the equity is measured in accordance with the same principles used for consolidated subsidiaries.

Currency translation is based on the following key exchange rates:

| Exchange rate 1 EUR = | ISO code | Closing rate Dec. 31, 2020 | Annual average rate 2020 | Closing rate Dec. 31, 2019 | Annual average rate 2019 |
|--------------------------|----------|-------------------------------|--------------------------------|-------------------------------|--------------------------------|
| China | CNY | 8.00 | 7.87 | 7.80 | 7.74 |
| United Kingdom | GBP | 0.91 | 0.89 | 0.85 | 0.88 |
| Poland | PLN | 4.52 | 4.44 | 4.26 | 4.30 |
| USA | USD | 1.23 | 1.14 | 1.12 | 1.12 |

C. ACCOUNTING POLICIES

Significant accounting judgments, estimates, and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of income, expenses, assets and liabilities as well as the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The main judgments, estimates, and assumptions are explained in detail below:

In order to recognize revenue, management generally makes estimates that relate to identifying and defining performance obligations as well as allocating the transaction price to the individual performance obligations.

Revenue from systems tends to entail a significant integration service by SICK, as a result of which there are no distinct performance obligations. As a rule, control is transferred upon acceptance by the customer because the conditions for recognizing revenue over time are not met.

When serial products or systems are bundled with service contracts, the respective performance obligations are generally separated if these represent distinct services.

Impairment tests for goodwill are carried out at least once a year at the level of the cash-generating unit. The recoverable amount of the cash-generating units is determined based on a value in use calculation. To calculate this, cash flow projections are based on medium-term planning approved by the management. The basic assumptions and carrying amounts are explained in more detail in section F. (14) "Intangible assets."

Development costs are capitalized in accordance with the accounting policy presented. Initial recognition of development costs is based on an assessment by management that the development is both technically and economically feasible. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash flows from the project, discount rates to be applied, and the expected period of benefits. For a presentation of the carrying amounts of the capitalized development costs, reference is made to exhibit A1 of these notes to the consolidated financial statements.

SICK uses provision matrices to calculate the expected credit losses on financial assets. The provision matrices take the Group's historical default rates as a starting point. The Group then calibrates the matrices to adjust its historical default rates to prospective information. For instance, if the assumption is that the forecasted economic conditions (such as gross domestic product) will worsen over the course of the coming year, which may lead to a higher level of default rates in the manufacturing industry, then the historical default rates are adjusted. The historical default rates are updated and amendments to the forward-looking estimates are analyzed as of each reporting date.

Assessing the link between the historical default rates, forecasted economic conditions and expected credit losses constitutes a significant estimate. The amount of the expected credit losses depends on changes to circumstances and the forecasted economic conditions. The Group's historical credit losses and the forecast of the economic conditions are potentially not representative of customers' actual defaults in the future. Information about the expected credit losses on trade receivables can be found in section G. (36d) "Credit risks."

Uncertainties exist with respect to the interpretation of complex tax law regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are presented in section E. (12) "Income tax."

The cost of defined benefit plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that can differ from actual developments in the future. These include future anticipated increases in salaries and pensions, the determination of discount rates as well as of biometric data. Due to the complexity of the valuation, the underlying assumptions, and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further information about the assumptions used is given in section F. (28) "Provisions and other liabilities."

The coronavirus pandemic and the related significant uncertainties were taken into account for estimates and judgments, if relevant. In fiscal year 2020, the coronavirus pandemic did not result in any considerable adjustments to the carrying amounts of assets and liabilities recognized. The group management report contains additional information concerning the impact of the coronavirus pandemic.

Revenue recognition

SICK sells sensor solutions in the form of serial products, systems, and individual services.

Revenue from contracts with customers is generally recognized when control over the distinct goods and services is transferred to the customer.

In general, revenue from serial products and systems is realized at a point in time when the customer obtains control. This is the case upon delivery to the customer or following acceptance by the customer. Serial products are invoiced on delivery; the payment terms usually stipulate payment within 30 to 90 days following billing. Invoices for systems are issued pursuant to the contractual conditions; the payment terms may stipulate payments on account as well as a final payment within 30 to 90 days following billing.

Revenue from services tends to be realized over time on a straight-line basis when control is transferred to the customer over a period of time. Invoices are issued pursuant to the contractual conditions; the payment terms usually stipulate payment within 30 days following billing.

The revenue to be recorded is measured based on the transaction price. This corresponds to the amount of consideration to which the entity expects to be entitled once the performance obligations have been fulfilled as defined in the contract.

Calculation of the transaction price takes other factors such as variable consideration and financing components into account. Variable consideration such as price and volume discounts are included when it is highly probable that there will be no significant withdrawal of revenue. The amount of variable consideration is determined either using the expected value or the most likely amount method, depending on which of these is the more accurate prediction of the variable consideration. If the period between the transfer of goods or services and the contractually agreed time of payment is greater than 12 months and the customer or SICK has a substantial benefit from the financing, the consideration is adjusted by the time value of money.

SICK also determines whether the contracts contain additional performance obligations to which a portion of the transaction price is assigned. If a contract comprises several distinct goods or services, the transaction price is allocated to the performance obligations based on the relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, SICK estimates these appropriately. In the Group, this primarily relates to service contracts. Please refer to section F. (31) "Contract liabilities."

SICK makes use of the practical expedient offered by IFRS 15.121 and does not disclose the transaction price allocated to the remaining performance obligations (for which no revenue has yet been recognized), as the performance obligations are part of contracts that have an original expected duration of one year or less or the revenue is recognized in accordance with IFRS 15.B16, i.e., the revenue to be recognized directly corresponds to the value of the service to be rendered and invoiced.

SICK exercises the practical expedient to recognize the costs to obtain contracts with customers immediately in profit or loss if the asset resulting from recognizing these costs would be written down within a year. The Group did not incur any significant costs to obtain contracts with customers or any significant costs to fulfill a contract that qualify for capitalization.

Recognition of expenses and other income

Operating expenses are recognized upon utilization of the underlying services or on the date they are incurred. Interest expenses and income are recognized in the income statement in the period in which they are incurred or generated.

Goodwill

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not subject to systematic amortization, but tested for impairment at least annually in accordance with IAS 36.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the business combination. Further details are presented in section F. (14) "Intangible assets."

Intangible assets (excluding goodwill)

Intangible assets acquired separately are initially measured at cost. The cost of an intangible asset acquired within the scope of a business combination is its fair value on the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are capitalized provided that the requirements are met. As regards intangible assets, it is initially important to determine whether they have a finite or an indefinite useful life. Intangible assets with a finite useful life are amortized over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at the end of each fiscal year at the latest. Changes in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Amortization of intangible assets with a finite useful life is reported in the income statement under the expense category "depreciation" and "amortization." Intangible assets with an indefinite useful life are tested for impairment at least once a year, either individually or at the cash-generating unit level. Such intangibles are not subject to systematic amortization.

Purchased industrial rights and similar rights and assets as well as licenses to such rights and assets disclosed under intangible assets are amortized on a straight-line basis over a useful life of three to eight years.

Development costs are capitalized at cost if the recognition criteria of IAS 38 are met. The capitalized development costs generally relate to product innovations; the other internally generated intangible assets include process-related developments as well as software developments.

Production costs comprise the costs directly allocable to the development process. Borrowing costs are capitalized if the recognition criteria are met. Capitalized development costs and other internally generated intangible assets are amortized systematically over a useful life of four to six years.

Property, plant and equipment

Property, plant and equipment is measured at cost less systematic depreciation over the estimated useful life. These costs comprise the costs for replacement parts which are recognized at the time they are incurred, provided they meet the recognition criteria. The cost of internally generated plant and equipment includes all costs which can be directly allocated to the production process as well as an appropriate portion of production-related overheads. This also includes production-related depreciation, a proportionate amount of production-related administrative expenses as well as pro rata welfare costs. Borrowing costs for long-term construction projects are capitalized if the recognition criteria are met. Depreciation of property, plant and equipment is mainly charged using the straight-line method of depreciation. The depreciation period and the depreciation method are reviewed at least at each fiscal year end and adjusted for any significant changes.

Specifically, the carrying amounts are based on the following useful lives:

| | |
|---|-------------|
| Buildings | 10–50 years |
| Technical equipment and machinery | 3–15 years |
| Other equipment, furniture and fixtures | 3–15 years |

Impairment losses

An impairment test is performed for all intangible assets (including goodwill) and items of property, plant and equipment if the situation or changes in circumstances indicate that the carrying amount of the assets exceeds the recoverable amount. In addition, annual impairment tests are carried out for goodwill, intangible assets with indefinite useful lives or intangible assets that are not yet available for use.

If the recoverable amount of the asset falls short of the carrying amount, an impairment loss is recognized. The recoverable amount is the higher of the fair value of the assets less costs to sell and the value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs necessary to make the sale. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The recoverable amount is determined for each asset individually or, if that is not possible, for the cash-generating unit to which the asset belongs.

With the exception of goodwill, impairment losses recognized in prior years are reversed where there is an indication that the impairment recognized for the asset no longer exists or has decreased. The reversal is posted as a gain in the income statement. An increase or reduction of an impairment loss, however, may not exceed the carrying amount of the asset which would have resulted if no impairment losses had been recognized in prior periods.

Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Pursuant to IFRS 9, financial instruments are classified in the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at fair value through other comprehensive income
- financial assets measured at fair value through profit or loss
- financial liabilities measured at amortized cost
- financial liabilities measured at fair value through profit or loss

Financial instruments are recognized in the consolidated statement of financial position if a contractual obligation results from the financial instrument. Regular way purchases or sales of financial assets, i.e., purchases or sales under a contract whose terms require delivery of the asset within the time frame established, generally by regulation or convention in the marketplace concerned, are recorded on the date of trading. Financial instruments are initially measured at fair value, or at the transaction price in the case of trade receivables. The Group takes the directly attributable transaction costs into account in the calculation of the carrying amount only if the financial instruments are not measured at fair value through profit or loss.

Financial assets

In compliance with IFRS 9, financial assets are classified on the basis of the business model for managing the financial assets as well as on the basis of the contractual cash flow characteristics of the financial assets. The objective of the Group's business model is to hold the financial assets to collect contractual cash flows.

At the same time, it is examined whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets are measured at amortized cost provided that the business model is adhered to and the contractual cash flows satisfy the requirements.

The business model for financial assets measured at fair value through other comprehensive income is not only to hold the financial assets, but also to sell them. The contractual terms give rise to specified dates that are solely for payments of principal and interest on the principal amount outstanding.

In general, equity instruments are classified as measured at fair value through profit or loss upon initial recognition. However, an irrevocable option to designate equity instruments as measured at fair value through other comprehensive income may be exercised upon initial recognition. This option is only available if the equity instruments are neither held for trading nor constitute unconditional consideration as part of a business combination. The Group principally holds its equity interests for strategic reasons in order to expand the Group's operating activities. The focus here is not on generating a significant portion of short-term capital gains. Fluctuations in the measurement of equity investments are therefore not expected to have any impact on the income statement. Equity instruments are classified at fair value through other comprehensive income accordingly. These equity instruments are posted to the statement of financial position under other financial assets.

Financial assets that do not meet the requirements to be measured at amortized cost or at fair value through other comprehensive income are designated as measured at fair value through profit or loss. At present, the Group does not make use of the option to measure financial assets at fair value through profit or loss upon initial recognition.

The Group's financial assets mainly include cash and cash equivalents, trade receivables, unlisted financial instruments, loan receivables, other assets, and derivative financial instruments with a positive fair value.

Subsidiaries that are not included in the consolidated financial statements on the grounds of immateriality are disclosed in section F. (16) "Other financial assets."

Financial liabilities

With the exception of the derivative financial instruments, financial liabilities are measured at amortized cost using the effective interest method. Upon initial recognition, financial liabilities are measured at fair value less transaction costs that are directly allocable to the financial liability.

The Group's financial liabilities chiefly include trade and other payables, bank overdrafts, loans, and lease liabilities as well as derivative financial instruments with a negative fair value.

For further information, reference is made to section G. (37) "Financial instruments."

Impairment of financial assets

IFRS 9 introduces an impairment model based on the expected credit losses model. The new model applies to all financial assets (debt instruments) that are carried at amortized cost or at fair value through other comprehensive income. The expected losses model allocates impairment to three stages.

The Group recognizes a loss allowance for expected credit losses on all debt instruments that are not measured at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows to be paid in accordance with the contract and the total cash flows expected to be received by the Group, discounted using an approximation of the original effective interest rate. The expected cash flows include the cash flows from the sale of collateral held or other credit enhancements that are a major component of the contractual terms.

Expected credit losses are recognized in two steps. For financial instruments the credit risk of which has not increased significantly since initial recognition, a risk provision is recognized in the amount of the expected credit losses based on a default within the next 12 months. For financial instruments the credit risk of which has increased significantly since initial recognition, the entity must recognize a risk provision in the amount of the expected credit losses over residual term, regardless of when the default occurs.

The Group applies IFRS 9's simplified impairment model to trade receivables and recognizes the lifetime expected credit loss. The Group uses specific provision matrices for each region and entity to calculate the expected credit losses. The impairment factors specific to maturity are based on historical and prospective information, including forecasts on economic conditions (such as gross domestic product).

The risk provision for cash and cash equivalents is set up on the basis of current market data and internal risk assessments.

Financial assets are derecognized as soon as they are deemed by appropriate judgment to be uncollectible, for example after the end of insolvency proceedings, after court rulings, or depending on other circumstances in the local law. A central monitoring and local collection management system counters the risk of bad debts. This includes regular credit ratings, the conclusion of credit insurance policies, and – particularly in the export business – issuing letters of credit.

For materiality and clarity reasons, the impairment losses recorded in the income statement pursuant to IAS 1.82 (ba) in the period are not disclosed separately in section G. (36d) "Credit risks." Bad debt allowances are posted under other operating expenses.

Contract balances

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer.

A receivable is an entity's right to consideration that is unconditional.

A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration or an amount of consideration is due from the customer. This includes payments on account on contracts with customers as well as unrealized revenue from service contracts.

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits, and other short-term, highly liquid financial assets with an original term to maturity of less than three months. They are recognized at face value less a risk provision. The risk provision is recognized on the basis of current market data and internal risk assessments. Further information about the impairment can be found in section C. "Impairment of financial assets."

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward exchange contracts to hedge against exchange rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Group did not make use of the option to recognize hedges for the derivatives entered into in fiscal year 2020 or 2019. If hedges are recognized in the future, the Group will apply the rules in IFRS 9.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are measured at the lower of cost and net realizable value. In addition to direct costs, cost includes an appropriate portion of necessary materials and production overheads as well as production-related depreciation that can be directly allocated to the production process. Administrative and welfare costs that can be allocated to the production process are also considered. Inventories having a similar nature are measured using the weighted average cost method. Borrowing costs are not capitalized. Cost of materials contain appropriate allowance for inventory risks associated with slow-moving stocks, reduced salability, etc. When the circumstances that previously caused inventories to be written down below cost no longer exist, the write-down is reversed.

Deferred taxes

Deferred tax assets and liabilities are recognized for all temporary differences between the carrying amounts in the tax accounts and under IFRS in accordance with the balance sheet liability method. Deferred tax assets also include tax credits that result from the expected utilization of existing unused tax losses in subsequent years and the realization of which can be reasonably assumed. Deferred tax assets and liabilities are measured at the tax rates enacted or substantively enacted in the individual countries at the time of realization.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Unrecognized deferred tax assets are reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realized.

For transactions and other events recognized in other comprehensive income, any taxes on income are also reported in other comprehensive income, not through profit or loss.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets and current tax liabilities and these relate to income taxes levied by the same taxation authority on the same taxable entity.

Treasury shares

Any treasury shares that the Group acquires are recognized at cost and deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue, or cancellation of the Group's treasury shares.

Share-based payments

Members of the Executive Board of SICK AG receive a remuneration component in the form of equity instruments that are measured at fair value. For more details, reference is made to the comments on the remuneration of the members of the Executive Board of SICK AG in section G. (39) "Related party disclosures."

Provisions for pensions and similar obligations

The Group's post-employment benefits include both defined contribution plans and defined benefit plans.

The Group's net obligation in terms of defined benefit plans is calculated separately for each plan by estimating the future payments that the employees have earned in the current period and in earlier periods. This amount is discounted, and the fair value of any plan assets is deducted from that figure.

The calculation of the defined benefit obligations is carried out annually by a recognized actuary using the projected unit credit method. If the calculation results in a potential asset for the Group, the asset recognized is limited to the present value of any economic benefit in the form of any future reimbursements from the plan or reductions in future contributions to the plan. Any applicable minimum funding requirements are taken into consideration in the calculation of the present value of any economic benefit.

Remeasurements of the net liability from defined benefit plans are recognized directly in other comprehensive income. Remeasurement involves the actuarial gains and losses, the return on plan assets (excluding interest), and the effect of any limit on a defined benefit asset (excluding interest). The Group calculates the net interest expenses (income) on the net liability (asset) from defined benefit plans for the reporting period by applying the discount rate that was used to measure the defined benefit obligations at the beginning of the annual reporting period. This discount rate is applied to the net liability (asset) from defined benefit plans as of that date. Any changes are taken into account which result in the net liability (asset) from defined benefit plans during the reporting period as a result of contributions and benefit payments. Net interest expenses and other expenses for defined benefit plans are recognized in the interest result.

If the plan benefits are amended or a plan is curtailed, the resulting amendment is recognized directly in profit or loss. The Group recognizes gains and losses from the settlement of a defined benefit plan on the settlement date.

Under defined contribution plans, the entity pays fixed contributions into a state or private fund in accordance with legal or contractual provisions or on a voluntary basis and will have no legal or constructive obligation to pay further contributions. The current contribution payments are disclosed in the personnel expenses of the respective year.

Further details about pension obligations are given in section F. (28) "Provisions and other liabilities."

Other provisions

Pursuant to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets," provisions are recognized when an entity has a current obligation from a past event that will probably lead to an outflow of resources embodying economic benefits in future and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision for recognizable risks and uncertain obligations is based on its probability of occurrence and is not offset against rights of recourse. The amount needed to settle the obligation also includes any expected cost increases at the end of the reporting period. Provisions for warranty claims are recognized taking account of the past or estimated future claims pattern. Non-current provisions due in more than one year are discounted where the effect of the time value of money is material.

Leases

A lease is a contract that conveys the right to use an asset (the leased asset) for a specified period of time in exchange for payment.

Since January 1, 2019, the Group as lessee has generally recognized right-of-use assets relating to the leased items and liabilities for the payment obligations received at present value in the statement of financial position for all leases. The lease liabilities contain the following lease payments:

- fixed payments less lease incentives to be provided by the lessor,
- variable payments dependent on an index or an interest rate,
- expected residual payments from residual value guarantees,
- the exercise price of a purchase option if it was estimated to be reasonably certain that the option will be exercised, and
- contractual penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments are discounted using the interest rate implicit in the lease if this can be determined. Otherwise, they are discounted using the incremental borrowing rate. Right-of-use assets are measured at acquisition cost, which breaks down as follows:

- lease liability,
- lease payments made at or before the commencement date, less lease incentives received,
- initial direct costs, and
- restoration obligations.

They are subsequently measured at amortized cost. Right-of-use assets are amortized on a straight-line basis over the duration of the contractual relationship.

Exemptions are exercised for low-value leased assets and short-term leases (less than 12 months), and payments are expensed in profit or loss on a straight-line basis. Moreover, the new regulations are not applied to leases of intangible assets. For contracts that contain both lease components and non-lease components, non-lease components are accounted for separately from lease components in line with the respective standards.

The recognized right-of-use assets primarily relate to leased real estate and vehicles in various locations, both in Germany and abroad. A series of leases, in particular for real estate, include options to extend or terminate each lease. Such contractual conditions offer the Group maximum operational flexibility. All facts and circumstances that offer an economic incentive to exercise an option to extend a lease or not to exercise an option to terminate a lease are considered when deciding on contractual terms. Lease term changes as a result of exercising or not exercising such options are only taken into account for the contractual term if these are reasonably certain.

Government grants

Government grants related to assets are generally deducted from the cost of the subsidized asset.

Government grants related to income are recorded as other operating income to reflect the effect of the corresponding expenses on profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The Group capitalizes borrowing costs for all qualifying assets.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This applies regardless of whether the price is directly observable or has been estimated using a valuation technique.

When calculating the fair value of an asset or a liability, the Group takes into account certain features of the asset or liability that market participants would also take into consideration when setting the pricing for the purchase of the respective asset or the transfer of the liability as of the measurement date. In these consolidated financial statements, the fair value for measurement and/or disclosure requirements is calculated on this basis.

The fair value is not always available as a market price. Often it has to be calculated based on different measurement parameters. Fair value is rated as Level 1, 2 or 3 depending on the availability of observable parameters and the significance of those parameters for the calculation of the fair value as a whole. The breakdown as of the end of each reporting period is based on the following:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly (derived from prices)
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Contingent liabilities/ assets

Contingent liabilities pursuant to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" are defined as a possible obligation whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. This pertains to obligations which are not likely to lead to an outflow of resources embodying economic benefits or for which it is not possible to measure the amount of the obligation with sufficient reliability. Pursuant to IAS 37, contingent liabilities are not disclosed in the statement of financial position. They are, however, disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not shown in the statement of financial position. However, they are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Exemption from the duty of stock corporations to prepare annual financial statements

For fiscal year 2020, the following subsidiaries made use of the exemption pursuant to Sec. 264 (3) HGB:

- SICK Engineering GmbH, Ottendorf-Okrilla
- SICK Management GmbH, Waldkirch
- SICK STEGMANN GmbH, Donaueschingen
- SICK Vertriebs-GmbH, Düsseldorf.

D. CONSOLIDATED STATEMENT OF CASH FLOWS

General

The consolidated statement of cash flows presents the source and utilization of cash flows. In accordance with IAS 7 "Statement of Cash Flows," a distinction is made in the statement of cash flows between cash flows from operating activities and cash flows from investing and financing activities.

The cash and cash equivalents presented in the statement of cash flows contain all cash and cash equivalents shown in the statement of financial position, i.e., cash in hand, checks, and bank balances, provided they are available within three months. Cash and cash equivalents are not subject to any restrictions.

Cash flows from investing activities and financing activities are derived from the actual cash payments, while cash flows from operating activities are calculated indirectly from consolidated net income. When performing the indirect calculation, changes in items of the statement of financial position considered in connection with ordinary activities are adjusted for effects from currency translation and from acquisition and sales of subsidiaries and other business units. Interest paid and received and included as cash inflow from operating activities as well as dividends received and income taxes paid are disclosed separately. Investing activities comprise additions to property, plant and equipment and financial assets as well as additions to purchased intangible assets. This item also shows any additions resulting from the recognition of development costs and other internally generated intangible assets.

E. NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Sales

| in EUR million | 2020 | 2019 |
|----------------------|----------------|----------------|
| Factory Automation | 839.3 | 894.2 |
| Logistics Automation | 556.9 | 505.3 |
| Process Automation | 304.0 | 351.2 |
| Total | 1,700.2 | 1,750.7 |

| in EUR million | 2020 | 2019 |
|--|----------------|----------------|
| Germany | 283.9 | 315.9 |
| Europe, Middle East, and Africa (EMEA) | 601.4 | 644.8 |
| North, Central, and South America (Americas) | 387.3 | 380.0 |
| Asia-Pacific | 427.6 | 410.0 |
| Total | 1,700.2 | 1,750.7 |

(2) Own work capitalized

| in EUR million | 2020 | 2019 |
|---|-------------|-------------|
| Capitalized development work | 8.0 | 11.9 |
| Own work for internally generated intangible assets and property, plant and equipment | 14.0 | 14.6 |
| Total | 22.0 | 26.5 |

(3) Cost of materials

| in EUR million | 2020 | 2019 |
|--|--------------|--------------|
| Cost of raw materials, consumables and supplies and of purchased merchandise | 509.7 | 507.1 |
| Cost of purchased services | 38.0 | 42.3 |
| Total | 547.7 | 549.4 |

(4) Personnel expenses and number of employees

| in EUR million | 2020 | 2019 |
|--|--------------|--------------|
| Wages and salaries | 647.7 | 647.7 |
| Social security, pension and other benefit costs | 110.1 | 105.8 |
| Total | 757.8 | 753.5 |

The wages and salaries item includes termination benefits of EUR 2.2 million (prior year: EUR 4.3 million).

EMPLOYEES

| | 2020 | | | 2019 | | |
|--------------------|---------|--------|---------|---------|--------|---------|
| | Germany | Abroad | Total | Germany | Abroad | Total |
| Average headcount: | 5,270 | 4,349 | 9,619 | 5,185 | 4,217 | 9,402 |
| of which in R&D | (1,091) | (166) | (1,257) | (1,033) | (167) | (1,200) |
| Trainees | 304 | 80 | 384 | 299 | 66 | 365 |

The number of employees (permanent employment and temporary employment) is converted to full-time equivalents (FTEs). Part-time employees will be taken into account proportionate to their contractual working time.

(5) Depreciation and amortization

This item pertains to intangible assets and property, plant and equipment. It contains impairment losses on capitalized development costs and other internally generated intangible assets of EUR 0.5 million (prior year: EUR 0 million) as a result of lower earnings forecasts.

(6) Other operating expenses

| in EUR million | 2020 | 2019 |
|--|--------------|--------------|
| Administrative and selling expenses | 88.9 | 122.5 |
| Cost of purchased services and repairs | 98.3 | 102.6 |
| Rent and lease expenses | 9.8 | 14.0 |
| Other expenses | 18.9 | 27.3 |
| Total | 215.9 | 266.4 |

Please refer to section G. (35) "Leases" for information on rent and lease expenses.

(7) Other operating income

In addition to cost reimbursements, other operating income includes income from subsidies and other sales.

(8) Currency results

| in EUR million | 2020 | 2019 |
|-----------------|-------------|-------------|
| Exchange gains | 39.6 | 37.3 |
| Exchange losses | 41.8 | 41.8 |
| Total | -2.2 | -4.5 |

(9) Net investment income / expense

| in EUR million | 2020 | 2019 |
|--|------------|------------|
| Expense from investments accounted for using the equity method | 0.1 | 0.1 |
| Income from other equity investments | 0.2 | 0.0 |
| Total | 0.3 | 0.1 |

(10) Interest expense

This item includes interest and similar expenses. For details on the interest effects in relation to pension provisions and lease liabilities, reference is made to section F. (28) "Provisions and other liabilities" and section G. (35) "Leases."

In the reporting period, borrowing costs of EUR 0.2 million (prior year: EUR 0.2 million) were capitalized in non-current assets. The interest rate used in 2020 was 1.0 percent (prior year: 1.4 percent).

(11) Interest income

This item contains other interest and similar income of EUR 0.4 million (prior year: EUR 1.9 million).

(12) Income tax

| in EUR million | 2020 | 2019 |
|--|-------------|-------------|
| Current income taxes | | |
| current tax expense/ income (-) for the reporting period | 34.4 | 40.2 |
| tax expense/ income (-) relating to other periods | 1.1 | 1.2 |
| Deferred tax expense/ income (-) | | |
| from temporary measurement differences | -2.9 | -7.0 |
| from unused tax losses | 1.0 | 0.1 |
| Total | 33.6 | 34.5 |

Current income tax expense includes corporate income tax (including solidarity surcharge) and trade tax of German entities and comparable income taxes of foreign entities. Withholding taxes are also disclosed here.

As in the prior year, no deferred taxes were recognized as of the end of the reporting period on retained earnings by subsidiaries held for the foreseeable future. Timing differences in connection with investments in subsidiaries on which no deferred tax liabilities have been recognized amount to around EUR 18.3 million (prior year: EUR 16.2 million).

Of the deferred taxes recognized in the statement of financial position, an amount of EUR 10.4 million (prior year: EUR 9.4 million) relates to transactions that directly increase equity as of the reporting date.

The income tax expense reported as of the end of the reporting period is lower than the expected tax expense.

The table below reconciles the estimated tax expense to the income taxes reported:

| in EUR million | 2020 | 2019 |
|--|-------------|-------------|
| Earnings before tax | 134.7 | 128.4 |
| Theoretical tax rate (%) | 29.0 | 29.0 |
| Estimated tax expense | 39.1 | 37.2 |
| Reasons for the change in theoretical tax expense: | | |
| Deviating foreign tax rates | -7.4 | -3.6 |
| Taxes from other periods | 1.1 | 1.2 |
| Tax-free income | -0.5 | 0.1 |
| Non-deductible expenses | 2.1 | 1.8 |
| Tax incentives | -0.8 | -0.8 |
| Use of unused tax losses that have not yet been recognized | -0.5 | -0.3 |
| Other | 0.5 | -1.1 |
| Income taxes reported | 33.6 | 34.5 |
| Effective tax rate (%) | 24.9 | 26.9 |

As in the prior year, the calculation of the estimated tax expense for fiscal year 2020 is based on a theoretical tax rate of 29 percent. This rate is derived from the corporate income tax rate applicable in Germany of 15 percent plus the solidarity surcharge of 5.5 percent of that figure and an average trade tax burden in Germany of 13.2 percent.

Deferred tax assets and liabilities relate to the following:

| in EUR million | Deferred tax assets | | Deferred tax liabilities | |
|--|---------------------|-------------|--------------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| Intangible assets | 1.1 | 0.7 | 8.7 | 9.1 |
| Property, plant and equipment/financial assets | 0.4 | 1.1 | 20.6 | 19.8 |
| Inventories | 21.5 | 20.1 | 1.2 | 1.8 |
| Other current assets | 1.3 | 1.8 | 5.8 | 5.0 |
| Liabilities | 51.1 | 47.6 | 1.0 | 0.4 |
| Unused tax losses | 0.7 | 1.7 | 0.0 | 0.0 |
| Gross value | 76.1 | 73.0 | 37.3 | 36.1 |
| Offsetting | -35.2 | -34.4 | -35.2 | -34.4 |
| Carrying amount | 40.9 | 38.6 | 2.1 | 1.7 |

Deferred tax assets are recognized if sufficient taxable profit will be available in the future. These take account, among other things, of the budgeted result from operating activities, the impact on earnings from the reversal of taxable temporary differences as well as potential tax strategies. The Group assesses the recoverability of the deferred tax assets based on the budgeted taxable income in the future as of each reporting date. Based on past experience and the forecasted taxable income, the Group assumes that the deferred tax assets can be realized.

Unused tax losses developed as follows:

| in EUR million | 2020 | 2019 |
|---|------------|-------------|
| Unused tax losses | | |
| on which no deferred tax assets were recognized | 2.0 | 3.2 |
| of which available for offsetting for more than ten years | (2.0) | (3.2) |
| on which deferred tax assets were recognized | 3.2 | 7.0 |
| Total | 5.2 | 10.2 |

(13) Earnings per share

| in EUR million | 2020 | 2019 |
|---|--------------|-------------|
| Consolidated net income | 101.1 | 93.9 |
| of which attributable to shareholders of SICK AG | 101.1 | 93.9 |
| Number of shares (weighted average) in millions | 26.2 | 26.2 |
| Earnings per share (basic and diluted) in EUR/share | 3.86 | 3.58 |

In accordance with IAS 33, basic earnings per share are calculated by dividing consolidated net income for the year attributable to the shareholders of SICK AG by the weighted average number of shares outstanding during the year. As SICK AG has only issued no-par value bearer shares, there are no dilutive effects.

F. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For a presentation of the consolidated statement of changes in non-current assets, reference is made to exhibit A1 of these notes to the consolidated financial statements.

(14) Intangible assets

The goodwill acquired from business combinations was allocated to the Factory Automation, Logistics Automation, and Process Automation cash-generating units for impairment testing. These correspond to the business fields. The carrying amounts of the goodwill allocated to the cash-generating units Factory Automation, Logistics Automation, and Process Automation amount to EUR 9.4 million (prior year: EUR 10.4 million), EUR 7.7 million (prior year: EUR 7.2 million), and EUR 7.8 million (prior year: EUR 7.9 million) respectively.

The recoverable amount of the Factory Automation, Logistics Automation, and Process Automation cash-generating units is determined based on a value in use calculation. To calculate this, cash flow projections are based on medium-term planning approved by the management for a three-year period. The financial planning is adjusted to reflect the current information available. Beyond the three-year period, an appropriate growth factor customary for the industry is assumed for the following two years. For the following years, a terminal growth rate of one percent was used.

This planning is based on appropriate assumptions on macroeconomic trends, expected growth rates in the relevant markets and market shares as well as historical developments. The figures allocated to the key assumptions are based on external sources of information. A discount rate of 9.2 percent (prior year: 9.4 percent) before taxes has been used for the cash flow forecast.

The actual recoverable amounts exceed the carrying amounts of the Factory Automation, Logistics Automation, and Process Automation cash-generating units by EUR 666.8 million (prior year: EUR 601.4 million), EUR 475.6 million (prior year: EUR 407.1 million), and EUR 238.0 million (prior year: EUR 260.1 million) respectively.

An increase in the discount rate of one percent or a decrease in long-term growth of one percent was assumed in a sensitivity analysis for the cash-generating units. Based on this, SICK came to the conclusion that the goodwill of none of the cash-generating units would need to be impaired.

The carrying amounts of the capitalized development costs and of the other internally generated intangible assets amount to EUR 31.6 million (prior year: EUR 32.8 million).

The following amounts were recognized in profit or loss for R&D activities in relation to product innovations:

| in EUR million | 2020 | 2019 |
|--|--------------|--------------|
| Research costs and non-capitalizable development costs | 192.5 | 194.8 |
| Amortization of development costs | 8.6 | 7.2 |
| Total | 201.1 | 202.0 |

Expenses for other internally generated intangible assets are not included in the amounts listed.

(15) Investments accounted for using the equity method

The table below provides a summary of financial information for a joint venture and an associate that are individually immaterial. These entities are presented in the list of group entities in exhibit A5 of the notes to the consolidated financial statements.

| in EUR million | 2020 | 2019 |
|-----------------------------------|------------|------------|
| Carrying amounts of the shares | 3.8 | 3.6 |
| Share in: | | |
| Income from continuing operations | 0.1 | 0.1 |
| Comprehensive income | 0.1 | 0.1 |

(16) Other financial assets

| in EUR million | 2020 | 2019 |
|--------------------------|------------|------------|
| Other equity investments | 2.2 | 1.9 |
| Total | 2.2 | 1.9 |

(17) Inventories

| in EUR million | 2020 | 2019 |
|-------------------------------------|--------------|--------------|
| Materials and supplies | 164.2 | 167.3 |
| Work in process | 127.3 | 116.2 |
| Finished goods and goods for resale | 105.0 | 94.8 |
| Payments on account | 0.5 | 0.3 |
| Total | 397.0 | 378.6 |

Based on the gross value, the value of the inventories was impaired by EUR 43.6 million (prior year: EUR 39.8 million).

(18) Trade receivables

| in EUR million | 2020 | 2019 |
|--|--------------|--------------|
| Trade receivables due from | | |
| third parties | 304.2 | 336.6 |
| entities accounted for using the equity method | 0.1 | 0.1 |
| Total | 304.3 | 336.7 |

Appropriate allowance is made for any risk of receivables being uncollectible or other risks. As in the prior year, the receivables are generally due in up to one year.

(19) Tax receivables

This item records income tax receivables.

(20) Other assets

| in EUR million | 2020 | 2019 |
|---|-------------|-------------|
| Other tax assets | 10.0 | 13.4 |
| Prepaid expenses | 7.5 | 8.6 |
| Derivative financial instruments (held for trading) | 1.4 | 0.9 |
| Sundry other | 41.0 | 35.5 |
| Total | 59.9 | 58.4 |

(21) Cash and cash equivalents

Bank deposits payable on demand are reported in this item as well as checks and cash. Changes in cash and cash equivalents are shown in the statement of cash flows.

(22) Issued capital

As in the prior year, capital stock totals EUR 26.4 million and is divided into a total of 26,405,400 no-par bearer shares. The imputed nominal value amounts to EUR 1.00 per share.

On the basis of the resolution of the Annual General Shareholders' Meeting of May 19, 2020, the Executive Board was authorized, subject to the approval of the Supervisory Board, to acquire – once or several times – up to 2,640,540 treasury shares for the purpose of redemption or resale in the period up to May 18, 2025. The authorization to purchase treasury shares that was previously in place and had been issued by the Annual General Shareholders' Meeting of SICK AG on May 12, 2015 ended when the new authorization took effect.

(23) Capital reserves

The capital reserves relate exclusively to share premiums in connection with the capital increases implemented at SICK AG and treasury shares transferred. Owing to the provisions of the German Stock Corporation Act, dividends may not be distributed from the capital reserves.

(24) Treasury shares

On December 31, 2020, SICK AG had 189,808 (prior year: 191,268) treasury shares with a nominal value of EUR 0.2 million (prior year: EUR 0.2 million); as in the prior year, this is equivalent to 0.7 percent of the capital stock.

| | 2020 | 2019 |
|--------------------------------|-------------------|-------------------|
| Opening balance | 26,214,132 | 26,213,627 |
| Acquisition of treasury shares | -1,340 | -3,995 |
| Disposal of treasury shares | 2,800 | 4,500 |
| Closing balance | 26,215,592 | 26,214,132 |

(25) Revenue reserves

Revenue reserves include the profits of SICK AG and consolidated subsidiaries earned in prior years and not yet distributed as well as additions due to equity-settled share-based payment transactions. In addition, currency translation differences of EUR -32.5 million (prior year: EUR -1.6 million) are also reported here as well as losses from the remeasurement of pension obligations of EUR -37.7 million (prior year: losses of EUR -33.4 million) less deferred taxes of EUR 10.4 million (prior year: EUR 9.4 million).

(26) Proposed dividend

Pursuant to Sec. 58 (2) AktG ("Aktiengesetz": German Stock Corporations Act), the proposed SICK AG dividend is based on the retained earnings reported in the commercial-law annual financial statements of SICK AG.

Pursuant to the resolution of the Annual General Shareholders' meeting of SICK AG of May 19, 2020, a dividend of EUR 1.00 per share was distributed from the retained earnings of SICK AG as of December 31, 2019 for fiscal year 2019, i.e., taking into account treasury shares totaling EUR 26.2 million that are not entitled to dividends.

The company plans to distribute a dividend of EUR 1.15 per share and a long-service award of EUR 0.25 per share for the past fiscal year 2020 or a total of EUR 36.7 million including treasury shares that are not entitled to dividends.

The individual components of equity and their development in 2020 and 2019 are shown in the consolidated statement of changes in equity.

(27) Non-current and current financial liabilities

| in EUR million | 2020 of which due in | | | 2019 of which due in | | |
|----------------------|-------------------------|-------------|--------------|-------------------------|-------------|--------------|
| | Total | ≤ one year | > one year | Total | ≤ one year | > one year |
| Liabilities to banks | 180.3 | 30.1 | 150.2 | 210.6 | 31.5 | 179.1 |
| Lease liability | 84.2 | 19.9 | 64.3 | 89.8 | 20.0 | 69.8 |
| Total | 264.5 | 50.0 | 214.5 | 300.4 | 51.5 | 248.9 |

Liabilities to banks due in more than five years come to a total of EUR 79.6 million (prior year: EUR 82.7 million).

Non-current liabilities owed to banks are predominantly fixed-interest loans. The interest rates range from 0.6 to 2.4 percent (prior year: from 0.6 to 2.5 percent).

For additional information about the interest rate risks, reference is made to section G. (36) "Financial risk management."

Financial liabilities do not include any secured liabilities.

| in EUR million | Jan. 1, 2020 | Cash | Non-cash | Dec. 31, 2020 |
|----------------------|--------------|--------------|-------------|---------------|
| Liabilities to banks | 210.6 | -30.4 | 0.1 | 180.3 |
| Lease liability | 89.8 | -22.8 | 17.2 | 84.2 |
| Total | 300.4 | -53.2 | 17.3 | 264.5 |

(28) Provisions and other liabilities

Non-current provisions and other liabilities break down as follows:

| in EUR million | 2020 | 2019 |
|---|--------------|--------------|
| Provisions for pensions and similar obligations | 88.2 | 82.8 |
| Other non-current provisions | 25.2 | 23.5 |
| Other non-current liabilities | 0.5 | 0.9 |
| Total | 113.9 | 107.2 |

Other non-current liabilities include non-current contract liabilities. For further information, reference is made to section G. (31) "Contract liabilities."

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Pension provisions are recorded as a result of benefit plans for old age, disability, and surviving dependents' pension obligations. The benefits vary according to local legal, tax, and economic conditions and are usually based on the length of service and on salary.

The Group's post-employment benefits include both defined contribution plans and defined benefit plans.

In the case of defined contribution plans, the company makes voluntary contributions to state or private pension funds based on legal or contractual provisions. No further payment obligations arise for the company from the payment of contributions. The current contribution payments are disclosed as a personnel expense for the respective year. Not including contributions to the statutory pension insurance, these amounted to EUR 11.1 million in total in fiscal year 2020 (prior year: EUR 5.0 million). The contributions to the statutory pension insurance in Germany came to EUR 33.0 million (prior year: EUR 32.4 million) in the fiscal year.

In addition, some of the company pension schemes are based on defined benefit plans, which guarantee the beneficiaries lifelong monthly old-age pensions when they reach retirement age. These are co-funded by the company and by the employees.

If pension obligations are reinsured with insurance firms, these employer's liability insurance claims are netted with the provisions and disclosed as plan assets if the criteria of IAS 19 are satisfied.

The amounts recognized in the income statement are as follows:

| in EUR million | 2020 | 2019 |
|------------------------------|------------|------------|
| Current service cost | 6.0 | 5.1 |
| Interest expense/ income (-) | 0.5 | 0.9 |
| Total | 6.5 | 6.0 |

The amounts cited are generally recorded in the personnel expense for the period; the interest components from the obligations are reported as interest expense.

The defined benefit obligations developed as follows:

| in EUR million | 2020 | 2019 |
|---|--------------|--------------|
| As of January 1 | 114.1 | 102.3 |
| Expenses recognized in profit or loss | | |
| Current service cost | 6.0 | 5.1 |
| Interest expense | 0.8 | 1.6 |
| Benefits paid | -4.5 | -4.6 |
| Amounts recognized in other comprehensive income | | |
| Change in financial assumptions | 2.5 | 9.3 |
| Change in demographic parameters | -0.1 | -0.5 |
| Experience adjustments, losses/ gains (-) | 1.9 | 0.1 |
| Employee contributions | 0.4 | 0.3 |
| Exchange rate differences/ other changes | 0.2 | 0.5 |
| As of December 31 | 121.3 | 114.1 |

The average term of the defined benefit obligations in Germany is between 4.5 and 7.9 years (prior year: 5.7 and 9.1 years).

The plan assets chiefly concern pledged employer's liability insurance claims against insurance companies.

Changes in the fair value of plan assets are as follows:

| in EUR million | 2020 | 2019 |
|---|-------------|-------------|
| As of January 1 | 31.3 | 28.9 |
| Expenses/ income recognized in profit or loss | | |
| Interest income | 0.2 | 0.5 |
| Amounts recognized in other comprehensive income | | |
| Return on plan assets | -0.3 | 1.0 |
| Experience adjustments, gains/ losses (-) | -0.1 | 0.2 |
| Employer contributions | 3.0 | 2.6 |
| Benefits paid | -1.5 | -2.2 |
| Exchange rate differences/ other changes | 0.5 | 0.3 |
| As of December 31 | 33.1 | 31.3 |

The Group expects to contribute EUR 2.2 million to its defined benefit pension plans in 2021 (prior year: EUR 2.0 million).

Pension payments of EUR 3.4 million (prior year: EUR 3.6 million) are expected to be made in the subsequent year as part of defined benefit obligations.

The amounts recognized in the statement of financial position for defined benefit obligations are as follows:

| in EUR million | 2020 | 2019 |
|--|-------------|-------------|
| Defined benefit obligation | 121.3 | 114.1 |
| Fair value of plan assets | -33.1 | -31.3 |
| Provisions for pensions and similar obligations | 88.2 | 82.8 |

The reimbursement rights do not qualify as plan assets, as they contain unpledged contributions to employer's liability insurance. These developed as follows:

| in EUR million | 2020 | 2019 |
|--|-------------|-------------|
| As of January 1 | 17.0 | 14.9 |
| Expenses/ income recognized in profit or loss | | |
| Interest income | 0.1 | 0.3 |
| Amounts recognized in other comprehensive income | | |
| Experience adjustment, gains/ losses (-) | 0.4 | 0.1 |
| Employer contributions | 1.9 | 1.9 |
| Benefits paid | -0.4 | -0.1 |
| Other changes | 0.1 | -0.1 |
| As of December 31 | 19.1 | 17.0 |

The quantitative sensitivity analysis leads to the following effect on the defined benefit obligations of the significant entities subject to these changes in key assumptions:

| in EUR million | 2020 | 2019 |
|-------------------------------------|------|------|
| Discount rate (+1%) | -6.4 | -6.8 |
| Discount rate (-1%) | 8.1 | 8.6 |
| Future salary development (-0.5%) | -0.2 | -0.3 |
| Future salary development (+0.5%) | 0.2 | 0.3 |
| Future pension development (-0.25%) | -1.4 | -1.4 |
| Future pension development (+0.25%) | 1.5 | 1.4 |
| Life expectancy (+1 year) | 4.2 | 4.3 |

The method used to calculate the sensitivity of the obligations to the authoritative actuarial assumptions was the same as that used to calculate the obligation. The effects of the changes in assumptions were determined separately in each case. As a result, possible interdependencies were not analyzed. If a number of assumptions are changed simultaneously, the total impact does not necessarily equate to the sum of the individual effects.

The following mortality tables were used for the main countries as of December 31, 2020:

- Germany: Heubeck 2018G mortality tables (modified)
- Switzerland: BVG 2015

The calculation of pension provisions is based on the following assumptions:

| in % | Germany 2020 | Germany 2019 | Switzerland 2020 | Switzerland 2019 |
|---------------------------------|--------------|--------------|------------------|------------------|
| Discount rate as of December 31 | 0.50 | 0.75 | 0.10 | 0.30 |
| Future salary development | 3.00 | 3.00 | 1.75 | 1.75 |
| Future pension development | 2.00 | 2.00 | 0.00 | 0.00 |

OTHER PROVISIONS

Other non-current and current provisions developed as follows:

| in EUR million | Jan. 1, 2020 | Exchange rate differences/changes in the basis of consolidation | Utilization | Reversal | Additions | Discount rate adjustment | Dec. 31, 2020 |
|----------------------------------|--------------|---|-------------|------------|-------------|--------------------------|---------------|
| Personnel and welfare expense | 20.4 | -0.1 | 3.4 | 0.2 | 3.6 | 0.1 | 20.4 |
| Warranties and onerous contracts | 14.9 | -0.2 | 6.5 | 3.3 | 9.6 | 0.0 | 14.5 |
| Sundry other provisions | 12.5 | -1.0 | 2.3 | 1.0 | 3.4 | 0.0 | 11.6 |
| Total | 47.8 | -1.3 | 12.2 | 4.5 | 16.6 | 0.1 | 46.5 |

The provisions for personnel and welfare expense essentially comprise special German phased retirement obligations ("Altersteilzeit"), long-service bonus obligations, severance payments, and similar obligations.

The provisions for warranties and onerous contracts mainly contain obligations from statutory warranty and non-contractual warranty agreements.

Sundry other provisions account for various discernible individual risks and contingent liabilities based on their probable occurrence.

Other provisions are classified based on their expected utilization as follows:

| in EUR million | 2020 of which due in | | | 2019 of which due in | | |
|----------------------------------|-------------------------|-------------|-------------|-------------------------|-------------|-------------|
| | Total | ≤ one year | > one year | Total | ≤ one year | > one year |
| Personnel and welfare expense | 20.4 | 2.5 | 17.9 | 20.4 | 4.0 | 16.4 |
| Warranties and onerous contracts | 14.5 | 14.5 | 0.0 | 14.9 | 14.9 | 0.0 |
| Sundry other provisions | 11.6 | 4.3 | 7.3 | 12.5 | 5.4 | 7.1 |
| Total | 46.5 | 21.3 | 25.2 | 47.8 | 24.3 | 23.5 |

(29) Tax liabilities

This item records income tax liabilities.

(30) Trade payables

| in EUR million | 2020 | 2019 |
|--|--------------|--------------|
| Trade payables due to | | |
| third parties | 129.4 | 117.1 |
| entities accounted for using the equity method | 0.1 | 0.2 |
| other | 0.2 | 0.2 |
| Total | 129.7 | 117.5 |

As in the prior year, the liabilities are generally due in less than one year.

(31) Contract liabilities

Current and non-current contract liabilities break down as follows:

| in EUR million | 2020 | | | 2019 | | |
|------------------------------|-------------|-------------|------------|-------------|-------------|------------|
| | Total | ≤ one year | > one year | Total | ≤ one year | > one year |
| Payments on account received | 75.6 | 75.6 | 0.0 | 55.2 | 55.2 | 0.0 |
| Deferred revenue | 2.0 | 1.5 | 0.5 | 1.7 | 0.8 | 0.9 |
| Total | 77.6 | 77.1 | 0.5 | 56.9 | 56.0 | 0.9 |

Deferred revenue mainly contains unrealized revenue from service contracts, such as maintenance agreements or extended warranty contracts.

Contract liabilities developed as follows in the fiscal year:

| in EUR million | 2020 | 2019 |
|--|-------------|-------------|
| As of January 1 | 56.9 | 49.3 |
| Recognized as revenue in the fiscal year | 56.0 | 49.0 |
| Deferred during the reporting period | 76.7 | 56.6 |
| As of December 31 | 77.6 | 56.9 |

Non-current contract liabilities are included in non-current provisions and other liabilities in the statement of financial position. For further information, reference is made to section F. (28) "Provisions and other liabilities."

(32) Other liabilities

| in EUR million | 2020 | 2019 |
|---|--------------|--------------|
| Liabilities to employees | 66.0 | 71.0 |
| Other tax liabilities | 21.4 | 22.0 |
| Social security liabilities | 14.7 | 6.5 |
| Derivative financial instruments held for trading | 0.8 | 1.5 |
| Deferred income | 0.2 | 0.4 |
| Sundry other liabilities | 6.2 | 7.2 |
| Total | 109.3 | 108.6 |

As in the prior year, other liabilities are generally due in less than one year.

G. OTHER NOTES**(33) Contingent liabilities**

As an internationally active company with various fields of business, the Group is exposed to many legal risks. This is especially true of risks relating to warranties, tax litigation, and other legal disputes. The outcome of currently pending and / or future litigation cannot be predicted with certainty. Decisions may therefore result in expenses that are not fully covered by insurance and that may have significant effects on the business and its results. Group management does not expect pending litigation to result in judgments that will significantly and negatively influence the financial position and performance of the Group.

(34) Contingent liabilities and other financial obligations**CONTINGENT LIABILITIES**

There are no contingent liabilities subject to disclosure requirements.

OTHER FINANCIAL OBLIGATIONS

The Group has purchase obligations (mainly for property, plant and equipment) and the like amounting to EUR 10.4 million (prior year: EUR 14.1 million) which are due in the next 12 months as well as several maintenance agreements and other obligations which will lead indefinitely to other financial obligations of EUR 36.2 million per year (prior year: EUR 24.4 million).

The remaining financial obligations are on a scale customary for the industry.

(35) Leases

The following tables provide information about the amounts:

| in EUR million | 2020 | 2019 |
|---|-------------|-------------|
| In the income statement | | |
| Amortization of right-of-use assets | 22.4 | 20.6 |
| Expenses relating to short-term leases | 2.2 | 3.1 |
| Expenses relating to leases of low-value assets | 6.3 | 9.2 |
| Interest expenses on lease liabilities | 1.7 | 1.9 |
| In the statement of cash flows | | |
| Cash outflows for leases | 22.8 | 19.8 |

Depreciation, additions, and other changes relating to right-of-use assets break down by category as follows:

| in EUR million | Property | Vehicles and technical equipment | Furniture and fixtures | Total |
|--|-------------|----------------------------------|------------------------|-------------|
| Carrying amount as of Jan. 1, 2020 | 71.0 | 13.7 | 0.5 | 85.2 |
| Additions | 9.4 | 9.3 | 0.2 | 18.9 |
| Depreciation | -14.1 | -8.0 | -0.3 | -22.4 |
| Other changes | -1.6 | -0.9 | 0.1 | -2.4 |
| Carrying amount as of Dec. 31, 2020 | 64.7 | 14.2 | 0.4 | 79.3 |

| in EUR million | Property | Vehicles and technical equipment | Furniture and fixtures | Total |
|--|-------------|----------------------------------|------------------------|-------------|
| Carrying amount as of Jan. 1, 2019 | 72.5 | 12.3 | 0.5 | 85.3 |
| Additions | 11.8 | 8.4 | 0.2 | 20.4 |
| Depreciation | -13.4 | -7.0 | -0.2 | -20.6 |
| Other changes | 0.1 | 0.0 | 0.0 | 0.1 |
| Carrying amount as of Dec. 31, 2019 | 71.0 | 13.7 | 0.5 | 85.2 |

Furthermore, there are future payments from leases that have not started but have already been contractually agreed of EUR 6.5 million.

For details on future payment obligations, reference is made to section G. (36e) "Liquidity risks."

(36) Financial risk management

Through its financial activities, the Group is subject to various risks that are assessed, managed, and monitored by a systematic and documented risk management system which aims to avoid concentrations of risk.

The Group is exposed to market price risks due to changes in exchange rates or interest rates. On the procurement side, the Group faces commodity price risks. Furthermore, the Group is subject to credit risks resulting primarily from trade receivables. There are also liquidity risks in connection with the credit and market price risks or a deterioration in operations or disruptions on the financial markets. These financial risks could impact negatively on the financial position and performance of the Group.

Details of the Group's management of market risks (exchange rates, interest rates, commodity prices), credit risks, and liquidity risks are presented below.

(A) EXCHANGE RATE RISKS

The Group performs foreign currency transactions worldwide and is therefore subject to exchange rate fluctuations which have an effect on the assets and earnings of the Group denominated in euro. Foreign currency risks in financing stem from financial receivables and liabilities in foreign currency and loans in foreign currency granted to finance group entities. As far as operations are concerned, the individual group entities mainly carry out their activities in their functional currency. There is also an intensive exchange of goods and services between the group entities.

Furthermore, there are transaction-related exposures due to financial assets and liabilities listed in foreign currencies. Exchange rate risks are managed by forward exchange contracts and options. Derivative financial instruments are used to hedge future revenue against exchange rate risks. Portions of the exposure expected for the next fiscal year in the most important currencies for the Group are hedged.

Risks from the use of derivative financial instruments include, on the one hand, counterparty risks which can be avoided in the selection process. On the other, they lie in the change in the fair value of derivatives; this is, however, generally counterbalanced by the opposing development of the fair value of the underlying.

The hedged revenue amount is calculated on the basis of the estimate for the coming fiscal year. This is derived mostly from past figures based on revenue which are highly probable. The figures are monitored constantly.

IFRS 7 requires that sensitivity analyses be carried out to present market risks, showing how profit or loss and equity would have been affected by changes in the relevant risk variables. Apart from exchange rate risks, the Group is exposed to interest rate risks. The periodic expenses are determined by relating the hypothetical changes of the risk variables to the financial instruments as of the end of the reporting period. It is assumed that the financial instruments as of the end of the reporting period are representative for the entire year.

Exchange rate risks or currency risks as defined by IFRS 7 arise on financial instruments that are denominated in a currency other than the functional currency and that have a monetary nature; differences from the translation of financial statements to the group currency caused by exchange rates are not taken into account. The relevant risk variables are all currencies (other than the functional currency) in which the Group uses financial instruments.

The currency sensitivity analyses are based on the following assumptions:

- Significant non-derivative monetary financial instruments are either denominated in functional currency or transferred to the functional currency using derivatives.
- Interest income and expenses from financial instruments are also either reported directly in functional currency or transferred to the functional currency using derivatives. As a result, there cannot be any material effects on the volumes under consideration.

The following table demonstrates the sensitivity of the consolidated net income before income tax due to changes in fair value of monetary foreign currency items.

| | Change in foreign exchange rates in % | | Effect on earnings in EUR million | |
|--------------|--|-----|--------------------------------------|-------------|
| | | | Income (+) | Expense (-) |
| 2020 | | | | |
| CNY | +10 | -10 | 7.5 | -5.0 |
| KRW | +10 | -10 | 1.0 | -1.0 |
| USD | +10 | -10 | 0.2 | -0.2 |
| Total | | | 8.7 | -6.2 |

| | Change in foreign exchange rates in % | | Effect on earnings in EUR million | |
|--------------|--|-----|--------------------------------------|-------------|
| | | | Income (+) | Expense (-) |
| 2019 | | | | |
| CNY | +10 | -10 | 7.3 | -4.5 |
| GBP | +10 | -10 | 1.9 | -1.9 |
| PLN | +10 | -10 | 0.0 | 0.0 |
| USD | +10 | -10 | 1.3 | -1.1 |
| Total | | | 10.5 | -7.5 |

(B) INTEREST RATE RISKS

By interest rate risks, the Group means the negative effects on the financial position and performance resulting from changes in interest rates. The external financing consists primarily of fixed-interest rate loans. This is one of the methods used to manage these risks. In addition, derivative financial instruments are used in risk management. Due to the structure of assets and liabilities, interest rate risks are mostly linked to liabilities to banks. Fixed-interest agreements amounting to EUR 179.2 million (prior year: EUR 209.3 million) have been entered into for these. Floating-interest liabilities to banks amount to EUR 1.1 million (prior year: EUR 1.3 million).

Of the liabilities to banks, an amount of EUR 30.1 million (prior year: EUR 31.5 million) is due for repricing within a year, while EUR 150.2 million (prior year: EUR 179.1 million) of these liabilities are due for repricing at a later date.

Under IFRS 7, interest rate risks are presented using sensitivity analyses. These present the effects of changes in market interest rates on interest payments, interest income and expenses, other comprehensive income, and, if applicable, on equity. The interest rate sensitivity analyses are based on the following assumptions:

- Market interest rate fluctuations of non-derivative financial instruments with fixed interest only affect profit or loss if they are measured at fair value. Therefore, the financial instruments with fixed interest that are measured at amortized cost do not constitute interest rate risks as defined by IFRS 7.
- Market interest rate fluctuations affect the interest result of non-derivative financial instruments with floating interest for which the interest payments are not designed as underlyings using cash flow hedges against interest rate risks, and are thus included when calculating the earnings-related sensitivities.
- Market interest rate fluctuations of interest derivatives (interest rate swaps, interest/currency swaps) that are not part of a hedge relationship pursuant to IFRS 9 affect the other financial result (measurement result from adjusting the financial assets to the fair value) and are therefore taken into account when calculating the earnings-related sensitivities.
- Currency derivatives are not subject to any interest rate risks and therefore do not affect interest rate sensitivities.

| in EUR million | 2020 | | 2019 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | +100 basis points | -100 basis points | +100 basis points | -100 basis points |
| Effects from financial liabilities and assets | 1.1 | -1.1 | -0.2 | 0.2 |
| Total | 1.1 | -1.1 | -0.2 | 0.2 |

(C) COMMODITY PRICE RISKS

The Group is exposed to risks from changes in commodity prices that stem from the procurement of the goods used in production. The Group generally does not use derivative financial instruments to hedge against this risk. Instead, the Group minimizes the risk in combination with quality and procurement assurance aspects using a procurement strategy adjusted to reflect current conditions and changes. This involves continuously assessing potential procurement sources according to regional, technological, qualitative, and price aspects, approving the sources and embedding these in development and production processes accordingly. Sudden price fluctuations due to the cost of materials or supply bottlenecks for certain product groups are countered using a planning basis that is constantly updated and also includes strategic buffer stocks.

(D) CREDIT RISKS

Credit risk describes the risk of financial loss resulting from counterparties failing to discharge their contractual payment obligations. Credit risk involves both the direct risk of default and the risk of a deterioration in creditworthiness, linked to the risk of a concentration of individual risks.

Credit risk is countered by only maintaining business relationships with first-class banks. Default risks from receivables are minimized by ongoing monitoring of the creditworthiness of the counterparty and by limiting the aggregated risks from the individual counterparty. The maximum risk of default on financial assets corresponds to their carrying amounts.

Business with major customers is subject to special credit monitoring. However, measured in terms of the overall risk potential from the default risk, the receivables from these customers are not significant enough to constitute an extraordinary concentration of risk.

The Group uses specific provision matrices for each region and entity to calculate the expected credit losses. The impairment factors specific to maturity are based on historical and prospective information, such as individual and macroeconomic data. The following tables provide information on the extent of the credit risks entailed in trade receivables:

| in EUR million | 2020 | 2019 |
|------------------|--------------|--------------|
| Gross value | 312.6 | 346.2 |
| Impairment | -8.3 | -9.5 |
| Net value | 304.3 | 336.7 |

| in EUR million | 2020 | | | 2019 | | |
|----------------------------|--------------|------------|----------------|--------------|------------|----------------|
| | Gross value | Impairment | Weighting in % | Gross value | Impairment | Weighting in % |
| As of the reporting date | | | | | | |
| not past due | 258.8 | 1.2 | 0.5 | 262.2 | 1.4 | 0.5 |
| past due by | | | | | | |
| in less than 30 days | 27.1 | 0.7 | 2.6 | 40.9 | 0.6 | 1.5 |
| in between 30 and 90 days | 15.0 | 0.5 | 3.3 | 25.9 | 1.2 | 4.6 |
| in between 91 and 360 days | 6.6 | 1.9 | 28.8 | 12.1 | 2.2 | 18.2 |
| in more than 360 days | 5.1 | 4.0 | 78.4 | 5.1 | 4.1 | 80.4 |
| Total | 312.6 | 8.3 | | 346.2 | 9.5 | |

Bad debt allowances on trade receivables developed as follows in the reporting year:

| in EUR million | 2020 | 2019 |
|------------------------------|------------|------------|
| As of January 1 | 9.5 | 8.5 |
| Exchange rate differences | -0.4 | 0.1 |
| Derecognition | -0.6 | -1.9 |
| Adjustment to loss allowance | -0.2 | 2.8 |
| As of December 31 | 8.3 | 9.5 |

(E) LIQUIDITY RISKS

Liquidity risk describes the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group generates liquidity primarily from operations and external financing. The funds are chiefly used to finance working capital and capital expenditures. The Group controls its liquidity by maintaining sufficient cash and cash equivalents, and lines of credit at banks in addition to cash inflows from operating activities. Cash and cash equivalents comprise cash and other assets.

| in EUR million | 2020 | 2019 |
|------------------------|---------|---------|
| Credit lines and loans | 446.1 | 477.5 |
| of which utilized | (180.3) | (210.6) |

Operational liquidity management comprises a cash concentration process whereby cash and cash equivalents are pooled on a daily basis. This allows liquidity surpluses and shortages to be controlled in line with the requirements of the Group as a whole as well as of individual group entities. The maturities of financial assets and financial liabilities as well as estimates of cash flows from operating activities are included in short-term and medium-term liquidity management. Detailed information is included in the comments on section F. (27) "Non-current and current financial liabilities."

The following repayment schedule shows how the payments made for financial liabilities as of December 31, 2020 influence the Group's liquidity situation.

The schedule describes the procedure for undiscounted

- principal and interest payments for financial liabilities
- net payments for derivative financial instruments as a total for the respective year
- payments for trade payables and
- payments for other financial liabilities

The undiscounted payments are subject to the following conditions:

- If the contractual party can demand a payment at different times, the liability is reported at the earliest possible repayment date.
- Derivative financial instruments include derivatives with negative fair values.
- The interest payments for floating-rate financial instruments are calculated on the basis of forward interest rates. This procedure corresponds to calculating the fair value of other financial instruments.

The financial liabilities of the Group have the following terms. The disclosures are based on contractual payments without discounting.

| in EUR million | Total | 2021 | 2022 | 2023 | 2024 | 2025 | ≥ 2026 |
|----------------------------------|--------------|--------------|-------------|-------------|-------------|-------------|--------------|
| Liabilities to banks | 186.5 | 30.9 | 9.5 | 9.2 | 52.1 | 3.7 | 81.1 |
| Lease liability | 90.5 | 21.0 | 17.6 | 11.6 | 9.3 | 6.6 | 24.4 |
| Derivative financial instruments | 0.8 | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Trade payables | 129.7 | 129.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other financial liabilities | 6.2 | 6.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 413.7 | 188.6 | 27.1 | 20.8 | 61.4 | 10.3 | 105.5 |

The cash flows from the derivative financial instruments are shown as net figures.

These include foreign exchange contracts with negative market values which break down into a cash outflow of EUR 8.0 million (prior year: EUR 10.0 million) and a cash inflow of EUR 7.2 million (prior year: EUR 8.5 million).

There are also derivative financial instruments with a positive market value that break down into a cash outflow of EUR 115.7 million (prior year: EUR 129.7 million) and a cash inflow of EUR 117.1 million (prior year: EUR 130.6 million).

As of December 31, 2019, the financial liabilities of the Group had the following terms. The disclosures were based on contractual payments without discounting.

| in EUR million | Total | 2020 | 2021 | 2022 | 2023 | 2024 | ≥ 2025 |
|----------------------------------|--------------|--------------|-------------|-------------|-------------|-------------|--------------|
| Liabilities to banks | 219.0 | 32.6 | 30.7 | 9.5 | 9.2 | 52.1 | 84.9 |
| Lease liability | 97.2 | 21.0 | 18.1 | 11.6 | 9.9 | 8.1 | 28.5 |
| Derivative financial instruments | 1.5 | 1.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Trade payables | 117.5 | 117.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other financial liabilities | 7.2 | 7.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 442.4 | 179.8 | 48.8 | 21.1 | 19.1 | 60.2 | 113.4 |

The retained liquidity as well as short-term and long-term lines of credit give the Group adequate flexibility to cover the Group's refinancing needs. The Group is not subject to any concentration of liquidity risk on account of the diverse nature of its financing sources and its cash and cash equivalents.

(F) CAPITAL MANAGEMENT

The Group's primary capital management objective is to ensure that it maintains a healthy equity ratio with a low-risk and flexible financing structure in order to support its business activity.

The Group manages the way its capital base is structured in light of changes in economic conditions and adjusts it accordingly. To adjust the way the capital base is structured, the dividend payment to shareholders may be adjusted, capital may be returned to shareholders, or new shares may be issued.

The Group monitors its capital taking into account the underlying parameters, e.g., consolidated net income, mainly using the equity ratio. The equity ratio is the ratio of equity in the statement of financial position to total assets. As of December 31, 2020, the equity ratio amounted to 49.6 percent (prior year: 48.6 percent).

(37) Financial instruments**(A) FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities regularly measured at fair value:

| in EUR million | Level 1 | | Level 2 | | Level 3 | | Total | |
|---|---------|------|---------|------|---------|------|-------|------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Assets | | | | | | | | |
| Other financial assets | 0.0 | 0.0 | 1.4 | 0.9 | 0.0 | 0.0 | 1.4 | 0.9 |
| thereof derivatives not used for hedging | 0.0 | 0.0 | 1.4 | 0.9 | 0.0 | 0.0 | 1.4 | 0.9 |
| Equity and liabilities | | | | | | | | |
| Other financial liabilities | 0.0 | 0.0 | 0.8 | 1.5 | 0.0 | 0.0 | 0.8 | 1.5 |
| thereof derivatives not used for hedging | 0.0 | 0.0 | 0.8 | 1.5 | 0.0 | 0.0 | 0.8 | 1.5 |

The fair value of forward exchange contracts is measured using the closing rates on the forward exchange markets. The fair values are calculated on the basis of the mean exchange rate.

The calculation methods and the variables used are in line with the provisions of IFRS 13.

The fair value of options is determined using the Black-Scholes model modified by Garman and Kohlhagen. An option is measured primarily by reference to exchange rates, the respective interest rates of the currency pair, and volatility as of the reporting date as well as its remaining term.

During the reporting periods ending December 31, 2020 and December 31, 2019, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Financial assets and financial liabilities not regularly measured at fair value:

| | Level 1 | | Level 2 | | Level 3 | | Total | |
|-------------------------------|---------|------|---------|-------|---------|------|-------|-------|
| in EUR million | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Assets | | | | | | | | |
| Other financial assets | 0.0 | 0.0 | 2.2 | 1.9 | 0.0 | 0.0 | 2.2 | 1.9 |
| Equity and liabilities | | | | | | | | |
| Liabilities to banks | 0.0 | 0.0 | 184.4 | 212.1 | 0.0 | 0.0 | 184.4 | 212.1 |
| Lease liabilities | 0.0 | 0.0 | 84.2 | 89.8 | 0.0 | 0.0 | 84.2 | 89.8 |

The fair value of securities and other financial assets is determined based on the market price as of the end of the reporting period, if available.

The carrying amounts of trade receivables and payables, other assets, cash and cash equivalents, and other liabilities closely correspond to the fair values due to the short-term maturities.

For liabilities to banks, the present value of the future cash flows was calculated on the basis of matched market interest rates. Lease liabilities are discounted using the interest rate implicit in the lease if this can be determined. Otherwise, they are discounted using the incremental borrowing rate.

For the presentation of the carrying amounts and fair values by class and category, reference is made to exhibit A3 and exhibit A4 of these notes to the consolidated financial statements.

Measurement of the financial instruments held as of December 31, 2020 at fair value gave rise to the following total gains and losses:

| | Assets | | Liabilities | |
|--|--------|------|-------------|------|
| in EUR million | 2020 | 2019 | 2020 | 2019 |
| Recognized in the income statement: | | | | |
| Derivatives not used for hedging | 0.2 | -0.2 | -0.8 | -1.5 |

(B) NET RESULTS BY MEASUREMENT CATEGORY

The following table presents the net gains and net losses from financial instruments taken into account in the income statement pursuant to IFRS 9:

| in EUR million | 2020 | 2019 |
|--|-------------|-------------|
| Financial assets at fair value through profit or loss | 0.3 | -0.1 |
| Financial liabilities at fair value through profit or loss | 0.9 | 0.1 |
| Financial assets at acquisition cost | -1.5 | 1.6 |
| Financial liabilities at acquisition cost | -2.1 | -3.9 |
| Total | -2.4 | -2.3 |

The net gains and losses from financial assets and financial liabilities at fair value through profit or loss include the results of changes in fair value and from interest income and expenses from these financial instruments.

The net gains and losses from financial assets and financial liabilities at amortized cost chiefly include the effects of interest, currencies, and impairments.

The net gains and losses from loans and receivables chiefly include the effects of interest, currencies, and impairments.

The net gains and losses from financial assets and financial liabilities at fair value through profit or loss include the results of changes in fair value and from interest income and expenses from these financial instruments.

The net gains and losses from financial liabilities at amortized cost relate first and foremost to results from interest expenses.

(C) TOTAL INTEREST INCOME AND EXPENSES

The total interest income and expenses for financial assets and financial liabilities not measured at fair value through profit or loss are as follows:

| in EUR million | 2020 | 2019 |
|-------------------------|-------------|-------------|
| Total interest income | 0.4 | 1.9 |
| Total interest expenses | -4.2 | -3.7 |
| Total | -3.8 | -1.8 |

(D) DERIVATIVE FINANCIAL INSTRUMENTS

As of the end of the reporting period, the fair values of the derivative financial instruments are as follows:

| in EUR million | Contract value or nominal value | | Positive fair value | | Negative fair value | |
|--|------------------------------------|--------------|------------------------|------------|------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Currency instruments without hedging relationship | | | | | | |
| Forward exchange contracts | 81.8 | 93.9 | 0.5 | 0.3 | 0.8 | 1.5 |
| Currency options | 41.1 | 44.3 | 0.9 | 0.6 | 0.0 | 0.0 |
| Total currency instruments | 122.9 | 138.2 | 1.4 | 0.9 | 0.8 | 1.5 |

The foreign currency instruments are principally used to hedge exchange rate risks in CNY, KRW, and USD. The total hedges of EUR 122.9 million (prior year: EUR 138.2 million) have maturities of less than 12 months.

(38) Government grants

The Group reported government grants for R&D projects and other support services of EUR 4.2 million (prior year: EUR 1.7 million); these are not dependent on the success of the projects. These were recognized as income in full in 2020 in accordance with the percentage of completion of the projects.

(39) Related party disclosures

Related parties are members of the Executive Board, members of the Supervisory Board of the Group, members of the Sick family, Sick Glaser GmbH, Freiburg, Germany, the Gisela and Erwin Sick Foundation, Freiburg, Germany, joint ventures, associates, and Sick Holding GmbH, Freiburg, Germany. Sick Holding GmbH is the ultimate parent company of SICK AG and Ms. Renate Sick-Glaser is the ultimate controlling party with 50.7 percent of the equity interest in Sick Holding GmbH. The consolidated financial statements of Sick Holding GmbH are published in the Bundesanzeiger (German Federal Gazette).

All transactions with joint ventures and associates are made at normal market prices.

The table below provides the total amount of transactions with related parties for the fiscal year:

| in EUR million | 2020 | 2019 |
|---|------|------|
| Goods and services sold | 0.1 | 0.2 |
| Goods and services purchased | 2.6 | 2.3 |
| Receivables as of the end of the reporting period | 0.1 | 0.1 |
| Liabilities as of the end of the reporting period | 0.1 | 0.2 |

The Group's goods and services sold mainly relate to services. The Group primarily received deliveries of the goods and services as part of goods and services purchased. No bad debt allowances were recognized on trade receivables.

As in the prior year, there were no significant transactions between the Group and Sick Holding GmbH, Freiburg, during the fiscal year other than dividends paid.

In the Group as of December 31, 2020, as in the prior year, there are no receivables and liabilities due from or to members of the Executive Board, apart from outstanding remuneration.

The members of the Executive Board of SICK AG are classified as key management personnel.

Remuneration of EUR 4.3 million (prior year: EUR 4.1 million) granted to these individuals includes short-term employee benefits of EUR 3.6 million (prior year: EUR 3.4 million) expensed in the reporting period, post-employment benefits of EUR 0.5 million (prior year: EUR 0.5 million) as well as other long-term benefits of EUR 0.2 million (prior year: EUR 0.2 million), of which EUR 0.1 million (prior year: EUR 0.1 million) can relate to share-based payments.

A long-term incentive arrangement ("LTI") was concluded with the members of the Executive Board of SICK AG in fiscal years 2018, 2019, and 2020. The fundamental prerequisite for receiving the LTI is to belong to the Executive Board of SICK AG for a period of three years.

The assessment base for the LTI is a positive value added accumulated over three fiscal years (either 2017 to 2019, 2018 to 2020, or 2019 to 2021, depending on the contract, referred to as the "time frame"). The LTI is measured as a percentage of the average value added calculated in this period. It is limited to a certain percentage of the fixed remuneration. At the end of the period, the LTI is paid out in shares in SICK AG (max. 50 percent) and in cash (min. 50 percent). In fiscal year 2020, 2,800 shares were paid out at a price of EUR 50.72 at the end of the 2016 to 2019 time frame under the LTI. The obligations from the cash settlement amount to EUR 0.2 million as of December 31, 2020. The percentage of shares is determined by the company, taking treasury shares into account. The rate authoritative for translating the percentage to be paid out in shares is the current rate specified by the tax authorities or the respective market price on the date of maturity. If a member of the Executive Board leaves during this three-year period, any entitlement to an LTI for this period is forfeited.

The SICK shares transferred as part of the LTI must be kept in a custodian account with a blocking notice stating that the shares can only be issued subject to the approval of the company. These shares can only be accessed if the member steps down from the Executive Board or retires.

Measurement of the LTI as of December 31, 2020 was based on the consolidated financial statements as of December 31, 2017 to 2019 as well as the planning for the Group for future fiscal years, taking the contractually stipulated limit into account. Based on the share price of EUR 50.72 calculated by the tax authorities in fiscal year 2020, the 50 percent share of the LTI that can be paid in shares corresponds to EUR 0.2 million or 3,369 shares.

Compensation to former members of management and their surviving dependents totaled EUR 1.4 million in the fiscal year (prior year: EUR 1.2 million). Provisions totaling EUR 13.8 million (prior year: EUR 13.0 million) were recognized for pension obligations for this group of persons.

As in the prior year, compensation of the Supervisory Board of SICK AG came to EUR 0.7 million for Supervisory Board activities and to EUR 0.4 million (prior year: EUR 0.4 million) for activities for SICK AG. Additional compensation for advisory services was not paid.

As of December 31, 2020, as in the prior year, the Sick family has no receivables or liabilities due from or to the Group.

(40) Stock option plans

From 1999 to 2003, SICK AG had annual employee stock option plans. Around 1.3 million shares were issued as part of employee stock option plans, of which SICK AG has since repurchased 0.3 million shares (prior year: 0.3 million) at market price.

(41) Fees and services provided by the auditors

The following table shows, on aggregate, the fees incurred for the services provided by the auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany:

| in EUR million | 2020 | 2019 |
|------------------------------------|------------|------------|
| Audits of the financial statements | 0.3 | 0.3 |
| Other services | 0.1 | 0.2 |
| Total | 0.4 | 0.5 |

(42) Financial reporting standards not early adopted

The IASB and IFRIC have issued additional standards and interpretations. These regulations have not been adopted for this reporting year because they have either not yet been recognized by the EU or their adoption is not yet mandatory.

Generally speaking, the Group intends to adopt all standards when their adoption becomes mandatory for the first time.

| Standards/interpretations | Title | Applicable from | Expected impact on SICK |
|--|---|-----------------|-------------------------|
| Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4, and IFRS 16 | Interest Rate Benchmark Reform (phase 2) | January 1, 2021 | Immaterial |
| Improvements to IFRSs (2018–2020) | Amendments to various standards (IFRS 1, IFRS 9, IFRS 16, and IAS 41) | January 1, 2022 | Immaterial |
| Amendments to IFRS 3 | Reference to the Conceptual Framework | January 1, 2022 | Immaterial |
| Amendments to IAS 16 | Proceeds before Intended Use | January 1, 2022 | Immaterial |
| Amendments to IAS 37 | Onerous Contracts: Cost of Fulfilling a Contract | January 1, 2022 | Immaterial |
| Amendments to IAS 1 | Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current | January 1, 2023 | Immaterial |
| IFRS 17 | Insurance Contracts | January 1, 2023 | Immaterial |

(43) Subsequent events

SICK AG expanded its Executive Board as of January 1, 2021. The Supervisory Board has set the course for continued growth in the rapidly developing technology and market environment, appointing Feng Jiao to the Executive Board with responsibility for the Sales & Service portfolio. The portfolio consolidates the sales activities aimed at all markets and regions. Dr. Mats Gökstorp is responsible for the newly created Products & Marketing portfolio in the Executive Board. In future, Dr. Robert Bauer will focus on the topic area of Technology & Digitalization in his portfolio.

(44) Executive Board and Supervisory Board disclosures

EXECUTIVE BOARD

Dr. Robert Bauer, Emmendingen (Chairman)
Products & Technology

Reinhard Bösl, Freiburg
Systems & Industries
(until June 30, 2020)

Dr. Mats Gökstorp, Freiburg
Sales & Service

Dr. Martin Krämer, Waldkirch
Human Resources, Legal & Compliance

Markus Vatter, Vörsstetten
Finance, Controlling & IT

Dr. Tosja Zywiets, Freiburg
Operations, Procurement & Quality

SUPERVISORY BOARD

In accordance with Sec. 95 AktG in conjunction with Art. 8 paragraph 1 of the articles of incorporation and bylaws, the Supervisory Board has 12 members. Six members are elected by the Annual General Shareholders' Meeting and six by the employees in accordance with the provisions of the 1976 MitbestG ("Mitbestimmungsgesetz": German Co-determination Act). The members of the Supervisory Board are:

Gisela Sick, Waldkirch
Honorary Chairwoman
Retired

SHAREHOLDER REPRESENTATIVES:

Klaus M. Bukenberger, Schenkenzell (Chairman)
Corporate Governance Consulting, Stuttgart

Franz Bausch, Hinterzarten
Managing Director of Sick Glaser GmbH, Freiburg

Prof. Dr. Mark K. Binz, Stuttgart
Lawyer

Sebastian Glaser, Munich
Managing Partner of Sick Holding GmbH, Freiburg

Renate Sick-Glaser, Freiburg
Managing Partner of Sick Glaser GmbH, Freiburg

Dr. Dipl.-Ing. Eberhard Veit, Göppingen
Managing Partner of 4.0-Veit GbR, Göppingen

EMPLOYEE REPRESENTATIVES:

Karl-Heinz Barth, Donaueschingen

Chairman of the Works Council of SICK STEGMANN GmbH, Donaueschingen

Deputy Chairman of the Group Works Council

Dr. Bernd Cordes, Emmendingen

Head of the Global Business Center 07 of SICK AG, Waldkirch

Dr. Matthias Müller, Braunschweig

Head of Finance in the Federal Presidium of the DGB

("Deutscher Gewerkschaftsbund": Confederation of German Trade Unions), Berlin

Hermann Spieß, Breisach

Trade union secretary of IG Metall

Susanne Tröndle, Waldkirch (Deputy Chairwoman)

Chairwoman of the Works Council and the Central Works Council of SICK AG, Waldkirch

Chairwoman of the Group Works Council

Thomas Weckopp, Korschenbroich

Chairman of the Works Council of SICK Vertriebs-GmbH, Düsseldorf

(45) Approval of the consolidated financial statements

The consolidated financial statements were approved by the Executive Board on March 17, 2021. The financial statements were then submitted to the Supervisory Board for review.

Waldkirch, March 17, 2021

SICK AG

The Executive Board



Dr. Robert Bauer (Chairman)



Dr. Mats Gökstorp



Feng Jiao



Dr. Martin Krämer



Markus Vatter



Dr. Tosja Zywietz

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS

Attachment A1

| Non-current assets | | Acquisition or production costs | | | | Balance as of Dec. 31, 2020 | |
|---|----------------------------------|---------------------------------|-------------|-------------|------------------------|-----------------------------------|--|
| in EUR million | Balance as of Jan. 1, 2020 | Exchange rate differences | Additions | Disposals | Reclassi- fications | | |
| I. Intangible assets | | | | | | | |
| 1. Purchased industrial property rights and similar rights and assets as well as licenses to such rights and assets | 92.8 | -0.6 | 3.7 | 2.0 | 1.0 | 94.9 | |
| 2. Goodwill | 26.5 | -0.6 | 0.0 | 0.0 | 0.0 | 25.9 | |
| 3. Capitalized development costs and other internally generated intangible assets | 116.3 | 0.0 | 8.1 | 1.6 | 0.0 | 122.8 | |
| 4. Payments on account | 3.1 | 0.0 | 2.6 | | -1.0 | 4.7 | |
| | 238.7 | -1.2 | 14.4 | 3.6 | 0.0 | 248.3 | |
| II. Property, plant and equipment | | | | | | | |
| 1. Land and buildings including buildings on third-party land | 249.1 | -2.2 | 1.9 | 0.9 | 25.1 | 273.0 | |
| 2. Technical equipment and machinery | 261.1 | -4.4 | 16.0 | 5.2 | 12.6 | 280.1 | |
| 3. Other equipment, furniture and fixtures | 179.6 | -3.6 | 11.6 | 7.3 | 1.9 | 182.2 | |
| 4. Payments on account and assets under construction | 48.6 | 0.1 | 16.3 | 0.0 | -39.6 | 25.4 | |
| 5. Right-of-use assets from leases | 150.0 | -3.0 | 18.9 | 9.9 | 0.0 | 156.0 | |
| | 888.4 | -13.1 | 64.7 | 23.3 | 0.0 | 916.7 | |
| Total | 1,127.1 | -14.3 | 79.1 | 26.9 | 0.0 | 1,165.0 | |

Additions to accumulated depreciation and amortization contain impairment losses on capitalized development costs and other internally generated intangible assets of EUR 0.5 million.

| | Accumulated depreciation and amortization | | | | | Net carrying amounts | | |
|--|---|------------------------------|-------------|-------------|------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Balance as of Jan. 1, 2020 | Exchange rate differences | Additions | Disposals | Reclassi- fications | Balance as of Dec. 31, 2020 | Balance as of Dec. 31, 2020 | Balance as of Dec. 31, 2019 |
| | | | | | | | | |
| | 79.3 | -0.6 | 6.2 | 2.0 | 0.0 | 82.9 | 12.0 | 13.5 |
| | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 24.9 | 25.5 |
| | 83.5 | 0.0 | 9.3 | 1.6 | 0.0 | 91.2 | 31.6 | 32.8 |
| | 0.0 | | | | | 0.0 | 4.7 | 3.1 |
| | 163.8 | -0.6 | 15.5 | 3.6 | 0.0 | 175.1 | 73.2 | 74.9 |
| | | | | | | | | |
| | 79.0 | -0.8 | 7.7 | 0.9 | 0.0 | 85.0 | 188.0 | 170.1 |
| | 160.2 | -2.7 | 26.4 | 5.0 | 0.0 | 178.9 | 101.2 | 100.9 |
| | 118.6 | -2.7 | 19.1 | 7.2 | 0.0 | 127.8 | 54.4 | 61.0 |
| | 0.0 | | | | 0.0 | 0.0 | 25.4 | 48.6 |
| | 64.8 | -1.7 | 22.4 | 8.8 | 0.0 | 76.7 | 79.3 | 85.2 |
| | 422.6 | -7.9 | 75.6 | 21.9 | 0.0 | 468.4 | 448.3 | 465.8 |
| | 586.4 | -8.5 | 91.1 | 25.5 | 0.0 | 643.5 | 521.5 | 540.7 |

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS

Attachment A2

| Non-current assets | | Acquisition or production costs | | | | | | Balance as of Dec. 31, 2019 | |
|---|----------------------------|---------------------------------|-------------------------------------|---------------------------|--------------|-------------|-------------------|-----------------------------|--|
| in EUR million | Balance as of Jan. 1, 2019 | IFRS 16 adjustment | Adjusted balance as of Jan. 1, 2019 | Exchange rate differences | Additions | Disposals | Reclassifications | | |
| I. Intangible assets | | | | | | | | | |
| 1. Purchased industrial property rights and similar rights and assets as well as licenses to such rights and assets | 90.7 | 0.0 | 90.7 | 0.0 | 8.4 | 7.1 | 0.8 | 92.8 | |
| 2. Goodwill | 25.5 | 0.0 | 25.5 | 0.6 | 0.4 | 0.0 | 0.0 | 26.5 | |
| 3. Capitalized development costs and other internally generated intangible assets | 105.3 | 0.0 | 105.3 | 0.0 | 12.8 | 1.8 | 0.0 | 116.3 | |
| 4. Payments on account | 2.0 | 0.0 | 2.0 | 0.0 | 1.9 | 0.0 | -0.8 | 3.1 | |
| | 223.5 | 0.0 | 223.5 | 0.6 | 23.5 | 8.9 | 0.0 | 238.7 | |
| II. Property, plant and equipment | | | | | | | | | |
| 1. Land and buildings including buildings on third-party land | 236.3 | 0.0 | 236.3 | 0.2 | 8.9 | 0.8 | 4.5 | 249.1 | |
| 2. Technical equipment and machinery | 225.4 | 0.0 | 225.4 | -0.4 | 22.0 | 2.5 | 16.6 | 261.1 | |
| 3. Other equipment, furniture and fixtures | 176.0 | 0.0 | 176.0 | 1.0 | 10.3 | 11.2 | 3.5 | 179.6 | |
| 4. Payments on account and assets under construction | 37.5 | 0.0 | 37.5 | -0.1 | 35.8 | 0.0 | -24.6 | 48.6 | |
| 5. Right-of-use assets from leases | 0.0 | 130.4 | 130.4 | 1.0 | 20.4 | 1.8 | 0.0 | 150.0 | |
| | 675.2 | 130.4 | 805.6 | 1.7 | 97.4 | 16.3 | 0.0 | 888.4 | |
| Total | 898.7 | 130.4 | 1,029.1 | 2.3 | 120.9 | 25.2 | 0.0 | 1,127.1 | |

Additions include the acquisition of SICK SpA, Santiago de Chile, Chile (industrial property rights and similar rights: EUR 0.3 million; goodwill: EUR 0.4 million).

| | Accumulated depreciation and amortization | | | | | | | Net carrying amounts | | |
|--|---|--------------------|-------------------------------------|---------------------------|-------------|-------------|-------------------|-----------------------------|-----------------------------|-----------------------------|
| | Balance as of Jan. 1, 2019 | IFRS 16 adjustment | Adjusted balance as of Jan. 1, 2019 | Exchange rate differences | Additions | Disposals | Reclassifications | Balance as of Dec. 31, 2019 | Balance as of Dec. 31, 2019 | Balance as of Dec. 31, 2018 |
| | | | | | | | | | | |
| | 77.4 | 0.0 | 77.4 | 0.1 | 8.8 | 7.0 | 0.0 | 79.3 | 13.5 | 13.3 |
| | 1.0 | 0.0 | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 25.5 | 24.5 |
| | 77.2 | 0.0 | 77.2 | 0.0 | 8.1 | 1.8 | 0.0 | 83.5 | 32.8 | 28.1 |
| | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3.1 | 2.0 |
| | 155.6 | 0.0 | 155.6 | 0.1 | 16.9 | 8.8 | 0.0 | 163.8 | 74.9 | 67.9 |
| | | | | | | | | | | |
| | 72.3 | 0.0 | 72.3 | 0.1 | 7.4 | 0.8 | 0.0 | 79.0 | 170.1 | 164.0 |
| | 134.0 | 0.0 | 134.0 | -0.1 | 28.8 | 2.5 | 0.0 | 160.2 | 100.9 | 91.4 |
| | 115.7 | 0.0 | 115.7 | 0.6 | 13.5 | 11.2 | 0.0 | 118.6 | 61.0 | 60.3 |
| | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 48.6 | 37.5 |
| | 0.0 | 45.1 | 45.1 | 0.5 | 20.6 | 1.4 | 0.0 | 64.8 | 85.2 | 0.0 |
| | 322.0 | 45.1 | 367.1 | 1.1 | 70.3 | 15.9 | 0.0 | 422.6 | 465.8 | 353.2 |
| | 477.6 | 45.1 | 522.7 | 1.2 | 87.2 | 24.7 | 0.0 | 586.4 | 540.7 | 421.1 |

CARRYING AMOUNTS AND FAIR VALUES

Attachment A3

by measurement category in EUR million

| | | Carrying amount pursuant to IFRS 9 | | | | | | |
|---|---|------------------------------------|------------------|---|-----------------------------------|-------------------------------------|------------------------|-----------------|
| | Measurement category pursuant to IFRS 9 | Carrying amount 2020 | (Amortized) cost | Fair value through other comprehensive income | Fair value through profit or loss | Carrying amount pursuant to IFRS 16 | Other carrying amounts | Fair Value 2020 |
| ASSETS | | | | | | | | |
| Other financial assets | | | | | | | | |
| Other equity investments | FVOCI | 2.2 | | 2.2 | | | | 2.2 |
| Trade receivables | AC | 304.3 | 304.3 | | | | | 304.3 |
| Other assets | | | | | | | | |
| Derivatives held for trading | FVTPL | 1.4 | | | 1.4 | | | 1.4 |
| Other | FVOCI/ AC/ n.a. | 41.0 | 10.4 | 0.4 | | | 30.2 | 41.0 |
| Cash and cash equivalents | AC | 152.4 | 152.4 | | | | | 152.4 |
| EQUITY AND LIABILITIES | | | | | | | | |
| Financial liabilities | | | | | | | | |
| Liabilities to banks | AC | 180.3 | 180.3 | | | | | 184.4 |
| Lease liabilities | n.a. | 84.2 | | | | 84.2 | | 84.2 |
| Trade payables | AC | 129.7 | 129.7 | | | | | 129.7 |
| Other liabilities | | | | | | | | |
| Derivatives held for trading | FVTPL | 0.8 | | | 0.8 | | | 0.8 |
| Other | AC | 6.2 | 6.2 | | | | | 6.2 |
| Of which aggregated by measurement category pursuant to IFRS 9: | | | | | | | | |
| Financial assets at amortized cost (AC) | | 467.1 | 467.1 | | | | | |
| Financial assets at fair value through profit or loss (FVTPL) | | 1.4 | | | 1.4 | | | |
| Financial assets at fair value through other comprehensive income (FVOCI) | | 2.6 | | 2.6 | | | | |
| Financial liabilities at amortized cost (AC) | | 316.2 | 316.2 | | | | | |
| Financial liabilities at fair value through profit or loss (FVTPL) | | 0.8 | | | 0.8 | | | |

CARRYING AMOUNTS AND FAIR VALUES

Attachment A4

by measurement category in EUR million

| | | Carrying amount pursuant to IFRS 9 | | | | | | |
|---|---|------------------------------------|------------------|---|-----------------------------------|-------------------------------------|------------------------|-----------------|
| | Measurement category pursuant to IFRS 9 | Carrying amount 2019 | (Amortized) cost | Fair value through other comprehensive income | Fair value through profit or loss | Carrying amount pursuant to IFRS 16 | Other carrying amounts | Fair Value 2019 |
| ASSETS | | | | | | | | |
| Other financial assets | | | | | | | | |
| Other equity investments | FVOCI | 1.9 | | 1.9 | | | | 1.9 |
| Trade receivables | AC | 336.7 | 336.7 | | | | | 336.7 |
| Other assets | | | | | | | | |
| Derivatives held for trading | FVTPL | 0.9 | | | 0.9 | | | 0.9 |
| Other | FVOCI/ AC/ n.a. | 35.5 | 8.9 | 0.5 | | | 26.1 | 35.5 |
| Cash and cash equivalents | AC | 66.3 | 66.3 | | | | | 66.3 |
| EQUITY AND LIABILITIES | | | | | | | | |
| Financial liabilities | | | | | | | | |
| Liabilities to banks | AC | 210.6 | 210.6 | | | | | 212.1 |
| Lease liabilities | n.a. | 89.8 | | | | 89.8 | | 89.8 |
| Trade payables | AC | 117.5 | 117.5 | | | | | 117.5 |
| Other liabilities | | | | | | | | |
| Derivatives held for trading | FVTPL | 1.5 | | | 1.5 | | | 1.5 |
| Other | AC | 7.2 | 7.2 | | | | | 7.2 |
| Of which aggregated by measurement category pursuant to IFRS 9: | | | | | | | | |
| Financial assets at amortized cost (AC) | | 411.9 | 411.9 | | | | | |
| Financial assets at fair value through profit or loss (FVTPL) | | 0.9 | | | 0.9 | | | |
| Financial assets at fair value through other comprehensive income (FVOCI) | | 2.4 | | 2.4 | | | | |
| Financial liabilities at amortized cost (AC) | | 335.3 | 335.3 | | | | | |
| Financial liabilities at fair value through profit or loss (FVTPL) | | 1.5 | | | 1.5 | | | |

LIST OF MAIN SHAREHOLDINGS

Attachment A5

as of December 31, 2020

| Name and registered offices of the entity | | Investment in % | Indirect investment via no. | Consolidation |
|---|---|--------------------|-----------------------------------|---------------|
| Parent company | | | | |
| SICK AG, Waldkirch / Germany | | | | |
| I. Shares in affiliates | | | | |
| 1. | SICK S.à.r.l., Émerainville / France | 100.00 | | |
| 2. | SICK (UK) Ltd., St. Albans / United Kingdom | 100.00 | | |
| 3. | SICK, Inc., Minneapolis, MN / USA | 100.00 | | |
| 4. | SICK B.V., De Bilt / Netherlands | 100.00 | | |
| 5. | SICK AG, Stans / Switzerland | 100.00 | | |
| 6. | SICK Pty Ltd., Heidelberg West, VIC / Australia | 100.00 | | |
| 7. | SICK A/S, Birkerød / Denmark | 100.00 | | |
| 8. | SICK NV/SA, Zellik-Asse / Belgium | 100.00 | | |
| 9. | SICK K.K., Tokyo / Japan | 100.00 | | |
| 10. | SICK Optic-Electronic S.A., Sant Just Desvern / Spain | 100.00 | | |
| 11. | SICK Engineering GmbH, Ottendorf-Okrilla / Germany ¹ | 100.00 | | |
| 12. | SICK Oy, Vantaa / Finland | 100.00 | | |
| 13. | SICK Pte. Ltd., Singapore / Singapore | 100.00 | | |
| 14. | SICK AS, Rud / Norway | 100.00 | | |
| 15. | SICK AB, Stockholm / Sweden | 100.00 | | |
| 16. | SICK Sp. z o.o., Warsaw / Poland | 100.00 | | |
| 17. | SICK Solução em Sensores Ltda., São Paulo / Brazil | 100.00 | | |
| 18. | Sick Optic-Electronic Co., Ltd., Hong Kong / China | 100.00 | | |
| 19. | SICK S.p.A., Vimodrone (MI) / Italy ² | 100.00 | | |
| 20. | SICK Kft., Kunsziget / Hungary | 100.00 | | |
| 21. | SICK GmbH, Wiener Neudorf / Austria | 100.00 | | |
| 22. | SICK spol. s r.o., Prague / Czech Republic | 100.00 | | |
| 23. | SICK Management GmbH, Waldkirch / Germany ¹ | 100.00 | | |
| 24. | SICK Co., Ltd., Seoul / South Korea | 100.00 | | |
| 25. | SICK Automatisierung International GmbH, Waldkirch / Germany | 100.00 | | |
| 26. | SICK China Co., Ltd., Guangzhou / China | 100.00 | 18. | |
| 27. | SICK STEGMANN GmbH, Donaueschingen / Germany ^{1,3} | 100.00 | 23. | |
| 28. | SICK MAIHAK (Beijing) Co., Ltd., Beijing / China | 100.00 | | |
| 29. | SICK IVP AB, Linköping / Sweden | 100.00 | | |
| 30. | Sensörler ve İleri Cihazlar Kontrol A.Ş., Istanbul / Turkey | 100.00 | | |
| 31. | SICK LLC, Moscow / Russia | 100.00 | 25. | |
| 32. | SICK Vertriebs-GmbH, Düsseldorf / Germany ¹ | 100.00 | | |
| 33. | SICK d.o.o., Ljubljana / Slovenia | 100.00 | 21. | N |
| 34. | SICK INDIA Pvt. Ltd., Mumbai / India | 100.00 | 25. | |
| 35. | SICK Sensors Ltd., Tzur Yigal / Israel | 100.00 | | |
| 36. | SICK S.R.L., Dumbravita / Romania ⁵ | 100.00 | 25. | N |
| 37. | SICK TAIWAN Co., Ltd., Taipei / Taiwan | 100.00 | | |
| 38. | SICK Automation Solutions S.A. de C.V., Guanajuato / Mexico | 100.00 | 25. | |
| 39. | SICK Ltd., Moncton, New Brunswick / Canada | 100.00 | 3. | |
| 40. | SICK Automation Southern Africa (Pty) Ltd., Northcliff / South Africa | 100.00 | 25. | |

| Name and registered offices of the entity | | Investment in % | Indirect investment via no. | Consolidation |
|---|--|--------------------|-----------------------------------|---------------|
| 41. | SICK Sdn. Bhd., Johor Bahru / Malaysia | 100.00 | 43. | |
| 42. | SICK System Engineering AG, Buochs / Switzerland | 100.00 | | |
| 43. | SICK Product Center Asia Pte. Ltd., Singapore / Singapore | 100.00 | | |
| 44. | SICK FZE, Dubai / United Arab Emirates | 100.00 | 25. | |
| 45. | SICK Sensor (Malaysia) Sdn. Bhd., Petaling Jaya / Malaysia | 100.00 | 25. | |
| 46. | SICK (THAILAND) Co., Ltd., Bangkok / Thailand | 100.00 | 25. | |
| 47. | SICK NZ Ltd, Auckland / New Zealand | 100.00 | 25. | |
| 48. | SICK Ertekesito Szolgaltato Kft., Budapest / Hungary | 100.00 | 25. | N |
| 49. | SICK Metering Systems N.V., Stabroek / Belgium | 100.00 | 11. | |
| 50. | Vision Solution Engineering s.r.o., Prague / Czech Republic | 100.00 | 25. | |
| 51. | SICK Product & Competence Center Americas LLC, Minneapolis, MN / USA | 100.00 | 3. | |
| 52. | SICK ATech GmbH, Witten / Germany | 100.00 | | |
| 53. | SICK Hellas Ltd., Kifisia / Greece ⁶ | 100.00 | 25. | |
| 54. | Zhejiang SICK Sensor Co. Ltd., Jiaxing, Zhejiang Province / China | 100.00 | | |
| 55. | SICK SpA, Santiago de Chile / Chile | 100.00 | 25. | |
| 56. | Jiangsu SICK Sensor Co., Ltd., Changzhou, Jiangsu Province / China | 100.00 | | N |
| 57. | SICK Slovakia s.r.o., Bratislava / Slovakia | 100.00 | | |
| | | | | |
| II. | Equity investments and other interests | | | |
| 58. | SICK OPTEX Co., Ltd., Kyoto / Japan | 50.00 | | A |
| 59. | WABE gGmbH, Waldkirch / Germany | 16.67 | | N |
| 60. | Mobilisis d.o.o., Varaždin / Croatia | 24.99 | | A |
| 61. | tofmotion sales GmbH, Wiener Neudorf / Austria | 24.50 | | N |

¹ The entities have exercised the exemption provision pursuant to Sec. 264 (3) HGB.

² 10 percent of the shares are held by SICK Engineering GmbH, Ottendorf-Okrilla / Germany (No. 11).

³ 6 percent of the shares are held by SICK AG, Waldkirch / Germany.

⁴ 15 percent of the shares are held by SICK AG, Waldkirch / Germany.

⁵ 0.5 percent of the shares are held by SICK AG, Waldkirch / Germany.

⁶ 1 percent of the shares are held by SICK Management GmbH, Waldkirch / Germany (No. 23).

^N The entities marked N are not included in the consolidated financial statements on grounds of immateriality.

^A The entities marked A are included in the consolidated financial statements at equity.

INDEPENDENT AUDITOR'S REPORT¹

to SICK AG

Opinions

We have audited the consolidated financial statements of SICK AG, Waldkirch, and its subsidiaries (the Group), which comprise the consolidated income statement, and the consolidated statement of comprehensive income for the fiscal year from January 1 to December 31, 2020, the consolidated statement of financial position as of December 31, 2020, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year from January 1 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of SICK AG for the fiscal year from January 1 to December 31, 2020. In accordance with the German legal requirements, we have not audited the content of the corporate governance declaration pursuant to Sec. 289f (4) HGB ("Handelsgesetzbuch": German Commercial Code) included on the last page of the group management report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2020, and of its financial performance for the fiscal year from January 1 to December 31, 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the corporate governance declaration referred to above.

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

¹ Translation of the German independent auditor's report concerning the audit of the consolidated financial statements and group management report prepared in German

Basis for the opinions

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

Other information

The executive directors are responsible for the other information. The other information comprises the corporate governance declaration mentioned above pursuant to Sec. 289f (4) HGB.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

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

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

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

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

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements

and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

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

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

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

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

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

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

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

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

Freiburg i. Br., March 17, 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|-------------------------|-------------------------|
| Nietzer | Busser |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| [German Public Auditor] | [German Public Auditor] |

THE SUPERVISORY BOARD

of SICK AG

Gisela Sick, Waldkirch
(Honorary Chairwoman)
Retired

Klaus M. Bukenberger, Schenkenzell
(Chairman)
Corporate Governance Consulting, Stuttgart
Member of the Supervisory Board since 2002

Additional Supervisory Board memberships:

- Carl Mahr GmbH & Co. KG, Göttingen,
Chairman of the Advisory Board
- Deutsche Bank AG, Stuttgart,
Member of the Advisory Board
- Investcorp Group, London (UK), Advisory Director
- 7-Industries B.V., Amsterdam (Netherlands),
Chairman of the Supervisory Board
- TRICOR AG, Bad Wörishofen,
Member of the Supervisory Board
- Welltec International ApS, Allerød (Denmark),
Non-Executive Director

Karl-Heinz Barth, Donaueschingen¹
Chairman of the Works Council of SICK STEGMANN GmbH,
Donaueschingen,
Deputy Chairman of the Group Works Council
Member of the Supervisory Board
since 2018

Franz Bausch, Hinterzarten
Managing Director of Sick Glaser GmbH, Freiburg
Member of the Supervisory Board since 1999

Additional Supervisory Board membership:

- Deutsche Steuerberater-Versicherung – Pensionskasse
des steuerberatenden Berufs VVaG, Bonn, Chairman of
the Supervisory Board

Prof. Dr. Mark K. Binz, Stuttgart
Lawyer
Member of the Supervisory Board since 2007

Additional Supervisory Board memberships:

- Faber-Castell AG, Stein,
Deputy Chairman of the Supervisory Board
- Fielmann Aktiengesellschaft, Hamburg,
Chairman of the Supervisory Board

Dr. Bernd Cordes, Emmendingen¹
Head of the Global Business Center 07, SICK AG, Waldkirch
Member of the Supervisory Board since 2017

Additional Supervisory Board membership:

- HYDRO Systems KG, Biberach / Baden,
member of the Advisory Board

Sebastian Glaser, Munich
Managing Director of Sick Holding GmbH, Freiburg
Member of the Supervisory Board since 2017

Dr. Matthias Müller, Braunschweig¹

Head of Finance in the Federal Presidium of the DGB
 ("Deutscher Gewerkschaftsbund": Confederation
 of German Trade Unions), Berlin
 Member of the Supervisory Board since 2002

Additional Supervisory Board memberships:

- Berufsfortbildungswerk Gemeinnützige Bildungseinrichtung des DGB GmbH (bfw), Düsseldorf, member of the Supervisory Board
- BGAG GmbH, Frankfurt am Main, member of the Advisory Board
- RWE Power AG, Essen, member of the Supervisory Board

Renate Sick-Glaser, Freiburg

Managing Director of Sick Glaser GmbH, Freiburg
 Member of the Supervisory Board since 2007

Hermann Spieß, Breisach¹

Trade Union Secretary of IG Metall
 Member of the Supervisory Board since 2002

Additional Supervisory Board membership:

- Constellium Deutschland GmbH, Singen, Deputy Chairman of the Supervisory Board

Susanne Tröndle, Waldkirch¹

Chairwoman of the Works Council and the Central Works Council of SICK AG, Waldkirch
 Chairwoman of the Group Works Council since 2018
 Member of the Supervisory Board since 2018

Dr. Dipl.-Ing. Eberhard Veit, Göppingen

Managing Director of 4.0-Veit GbR, Göppingen
 Member of the Supervisory Board since 2017

Additional Supervisory Board memberships:

- ANDREAS STIHL AG & Co. KG, Waiblingen, member of the Advisory Board
- Bizerba SE & Co. KG, Balingen, Chairman of the Supervisory Board
- Carl Zeiss AG, Oberkochen, member of the Supervisory Board
- ebm-papst GmbH & Co. KG, Mulfingen, member of the Advisory Board
- 7-Industries B.V., Amsterdam (Netherlands), member of the Supervisory Board
- Phoenix Contact GmbH & Co. KG, Blomberg/Lippe, Chairman of the Advisory Board
- Schwarz GmbH & Co. KG, Göppingen, Chairman of the Advisory Board
- TÜV Süd AG, Munich, member of the Supervisory Board
- Wagner International, Markdorf and Altstätten (Switzerland), member of the Administrative Board

Thomas Weckopp, Korschenbroich¹

Chairman of the Works Council of SICK Vertriebs-GmbH, Düsseldorf
 Member of the Supervisory Board since 2017

¹ Employee representative

THE EXECUTIVE BOARD

of SICK AG



DR. ROBERT BAUER, CHAIRMAN

Technology & Digitalization,
member of the Executive Board since January 1, 2000

Dr. Robert Bauer came to the company in 1994 as Division Manager of Research & Development in the area of automation technology; in 1998, he assumed overall responsibility on the Management Board for Research & Development. Born in Munich in 1960, Robert Bauer studied Electrical Engineering with special emphasis on Electrophysics / Optics at the Technical University of Munich and he received his doctorate in 1990.



FENG JIAO

Sales & Service,
member of the Executive Board since January 1, 2021

Feng Jiao was born in Beijing, China, in 1969 and completed his studies in Engineering at the Beijing Institute of Technology in 1992. He joined the company in 2014 and, as Managing Director of SICK China Co., Ltd., was responsible for the Group's sales activities on the Chinese market. At Siemens, from 1994, he was active in leading sales positions in China and Canada. He took over sales management for the Asia-Pacific region at the Data-Linc Group in 2001, before moving to the technology company Harting in 2007 as Director Business Development Greater China. He has the Canadian citizenship.



MARKUS VATTER

Finance, Controlling & IT,
member of the Executive Board since July 1, 2006

Markus Vatter was born in Wiesbaden in 1966. After obtaining his degree at the Technical University in Darmstadt, the industrial engineer started his professional career at Robert Bosch GmbH, Stuttgart. Afterward, he worked for Müller Weingarten AG, before joining KaVo Dental GmbH, Biberach, in 2001. His most recent position there was that of a Commercial Managing Director.


DR. MATS GÖKSTORP

Products & Marketing,

member of the Executive Board since May 1, 2013

Born in Stockholm in 1965, Dr. Mats Gökstorp studied Computer Engineering at Linköping University in Sweden and at Case Western Reserve University in the USA. He received his doctorate in 1995. He joined the small university spin-off company Integrated Vision Products AB, where he learned all aspects of entrepreneurship and became the company's Managing Director in 2001. Since 2003, he has held various positions within the SICK Group. In 2007, he was appointed to the Management Board, first as Division Manager and later with overall responsibility for Customer Fulfillment.


DR. MARTIN KRÄMER

Human Resources, Legal & Compliance,

member of the Executive Board since July 1, 2012

Born in Rottweil in 1960, Dr. Martin Krämer studied law at the universities of Tübingen and Freiburg. He received his doctorate in 1998. From 1991 onward, he practiced initially as a lawyer and partner at the law firm of Dr. Müller und Kollegen in Künzelsau. Then he joined the Lidl & Schwarz Corporate Group, where he worked as Head of the Legal Division. Four years later, he assumed his position as Head of the Legal Department at SICK AG.


DR. TOSJA ZYWIE TZ

Operations,

member of the Executive Board since January 1, 2020

Tosja Zywietz was born in Hannover in 1971 and, after completing his studies at the Georg-August University of Göttingen and in the USA, obtained a PhD in the field of theoretical physics at the Fritz Haber Institute of the Max Planck Society. Before being nominated to the Executive Board of SICK, Tosja Zywietz worked with the Boston Consulting Group and then founded a startup company in the area of medical technology. After selling the company, he took a position on the management board of the Rosenberger Group in 2009 where he was appointed Spokesman of the Management Board in early 2016.

FINANCIAL CALENDAR 2021

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|---------------------|--|
| April 21 | Publication of the 2020 balance sheet ratios |
| May 19, 5 pm | Virtual general meeting |
| May 25 | Dividend payment |

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Dschafar El Kassem, Getty Images, SICK

