SICK
Sensor Intelligence.

ANNUAL REPORT 2021

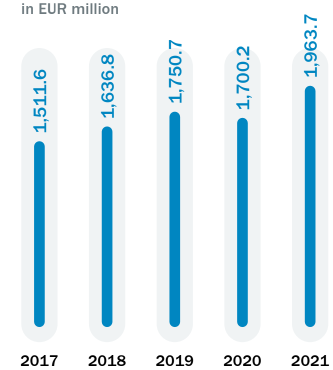
CONTENTS

AT A GLANCE

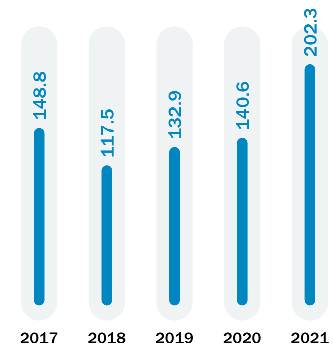
KEY FIGURES

		2016	2017	2018	2019	2020	2021	Change in %
Sales	in EUR million	1,361.2	1,511.6	1,636.8	1,750.7	1,700.2	1,963.7	15.5
EBITDA	in EUR million	198.8	204.5	180.1	220.1	231.7	296.1	27.8
EBIT	in EUR million	147.9	148.8	117.5	132.9	140.6	202.3	43.9
Net income	in EUR million	104.0	104.3	81.7	93.9	101.1	147.8	46.2
Cashflow	in EUR million	122.8	101.8	20.2	212.7	227.7	231.1	1.5
Employees on December 31		8,253	8,997	9,948	10,204	10,433	11,022	5.6
Employees annual average		8,006	8,694	9,565	10,169	10,389	10,770	3.7
Trainees on December 31		309	351	375	365	384	373	-2.9
Personnel expenses	in EUR million	574.3	639.8	699.3	753.5	757.8	829.7	9.5
Investments	in EUR million	82.8	95.3	107.1	100.5	60.2	86.1	43.0
Depreciation	in EUR million	50.9	55.7	62.6	87.2	91.1	93.8	3.0
R&D expenditure	in EUR million	143.4	169.4	192.5	202.0	201.1	210.3	4.6
Total assets	in EUR million	950.1	1,066.2	1,265.7	1,433.8	1,487.2	1,698.5	14.2
Equity	in EUR million	522.0	584.4	635.6	696.6	737.7	870.8	18.0
Equity ratio	in %	54.9	54.8	50.2	48.6	49.6	51.3	
Net return on equity	in %	24.9	21.7	14.7	15.6	15.9	20.4	
ROCE	in %	21.8	19.5	12.5	12.8	14.6	19.9	
Net return on sales	in %	7.6	6.9	5.0	5.4	5.9	7.5	
Earnings per share	in EUR	3.97	3.98	3.12	3.58	3.86	5.64	46.1

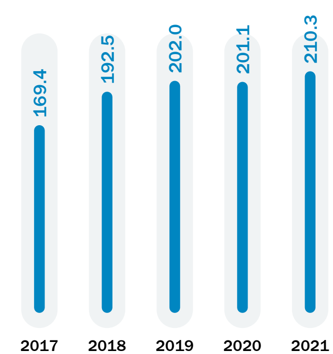
Sales
in EUR million



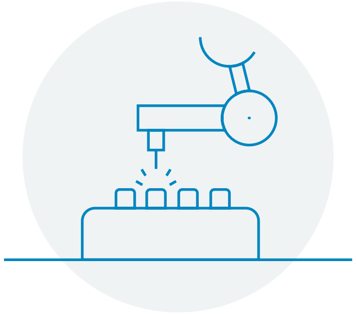
EBIT
in EUR million



R&D Expenditure
in EUR million

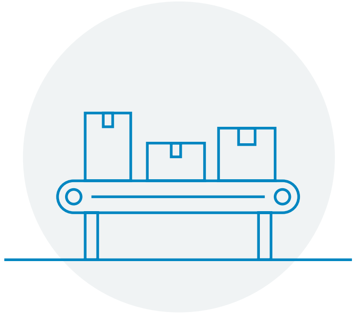


OUR BUSINESS FIELDS



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.



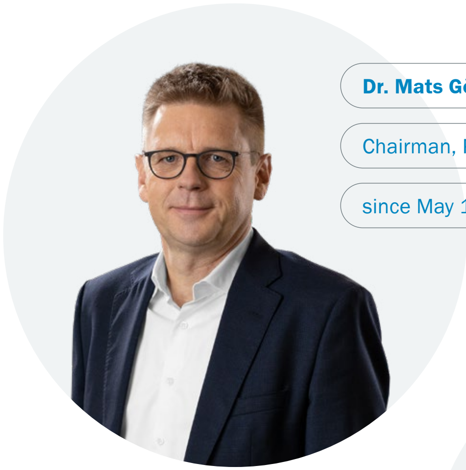
LOGISTICS AUTOMATION

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.

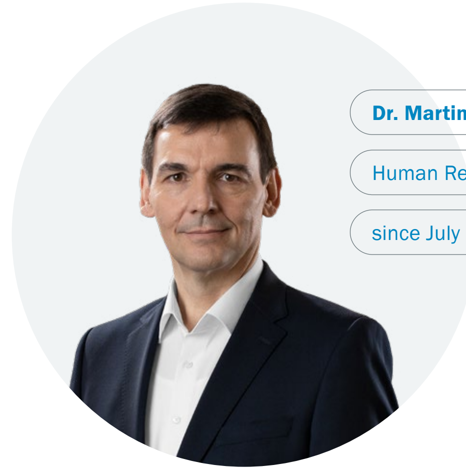
MEMBERS OF THE EXECUTIVE BOARD



Dr. Mats Gökstorp

Chairman, Products & Marketing

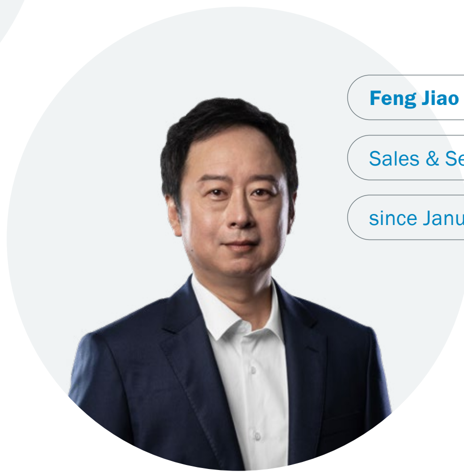
since May 1, 2013



Dr. Martin Krämer

Human Resources, Legal & Compliance

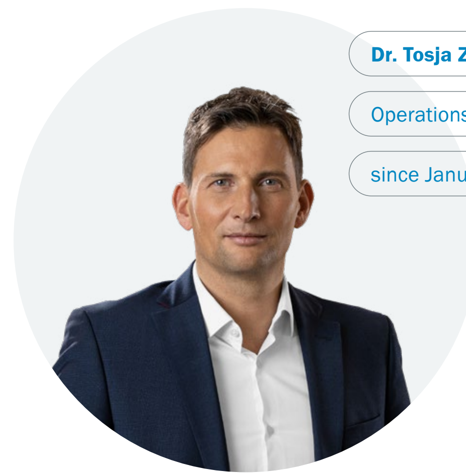
since July 1, 2012



Feng Jiao

Sales & Service

since January 1, 2021



Dr. Tosja Zywietz

Operations

since January 1, 2020

Dr. Niels Syassen

Technology & Digitalization

since October 1, 2021

Markus Vatter

Finance & IT

since July 1, 2006

MESSAGE FROM THE EXECUTIVE BOARD

DEAR SHAREHOLDERS, BUSINESS PARTNERS, EMPLOYEES AND FRIENDS OF SICK,

With zest and drive, our personnel ensured that SICK was able to complete the 2021 fiscal year with a new record for orders received and sales – despite the continuing difficult global economic conditions. Earnings before interest and taxes (EBIT) achieved above-average growth compared to sales thanks to forward-looking cost management. Business in 2021 remained characterized by the economic conditions resulting from the continuing coronavirus pandemic. Moreover, worldwide delivery chain problems have made it difficult for industry to keep up with the rise in demand.

The Group's asset, financial and earnings situation nevertheless developed very solidly. SICK was able to achieve continuous growth in sales due to its high technological competence and strong market position in important growth regions. The level of orders received developed with differing intensity in the various business fields but was distinctly positive overall. Following the pandemic-related fall in the previous year, SICK achieved a new record value in the German domestic market.

To strengthen its competitive position, the SICK Group drove forward its development activities and, as in past years, also made major investments in R&D activities during the 2021 fiscal year. SICK has a highly diverse product portfolio that meets the requirements of the most varied of sectors while also serving short- to long-term cyclical markets. It is therefore easier to compensate for heterogeneous developments within SICK's target industries and achieve very good growth. Our new portfolio of solutions for data-based business models was already able to contribute towards commercial success last year. So – together with our customers – we are well positioned to exploit the future opportunities that digitalization offers for increasing efficiency and optimization along value-creation chains. We nevertheless face difficult challenges. The pandemic continues, and the problems in the delivery chain are worsening: We believe that the coming months will be the most difficult since the start of the supply crisis.

The Executive Board of SICK AG saw further changes in 2021. In September 2021, SICK AG said goodbye to its long-standing CEO, Dr. Robert Bauer, after 20 years. A change at the head of the Supervisory Board of SICK AG is planned for May 2022 when the successor to its departing Chairman of many years, Klaus M. Bukenberger, takes over. Dr. Mats Gökstorp, responsible for Products & Marketing, took over as Chairman of the Executive Board on 1 October 2021. At the same time, Dr. Niels Syassen was appointed to the Executive Board of SICK AG, taking over responsibility for the Technology & Digitalization portfolio from Dr. Bauer.

We are publishing our current Sustainability Report and our new Magazine alongside this Annual Report. When, at the start of the year, we decided on the title "Courage" for our Magazine we were unaware of how challenging the topic would become in connection with current geopolitical events. These force into the background the further expected shortage of components on the procurement markets and the continuing uncertainties regarding the coronavirus pandemic. Our thoughts are with all who have been affected by this conflict.

With best regards

Dr. Mats Gökstorp (Chairman)

Feng Jiao

Dr. Martin Krämer

Dr. Niels Syassen

Markus Vatter

Dr. Tosja Zywietz

REPORT BY THE SUPERVISORY BOARD

REPORT ON THE 2021 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

Business development in 2021 continued to be characterized by the difficult global economic conditions resulting from the persistent coronavirus pandemic. Worldwide delivery chain problems also made it more difficult for industry to keep up with the increasing requirements. Nevertheless, the Group's situation regarding assets, finance and profits developed very solidly. Based on its high level of technological competence and its strong market position in important growth regions, SICK was able to achieve a continuous increase in sales.

Overall, the demand for sensor products and applications was also satisfactory during the past fiscal year, whereby the SICK Group's broad positioning again proved important. Orders received by the different business segments varied in intensity but were palpably positive overall. SICK achieved a new record value in its home market of Germany, following the pandemic-related decline in the previous year. The situation in Factory Automation, which contributed with the strongest growth, was particularly satisfying. In order to enhance its competitive position, the SICK Group continued to drive development activities forward, while opening up new areas of activity regarding digitalization and Industry 4.0. The company's worldwide presence, its balanced portfolio, and the fact that SICK is flexible enough to rapidly react to changes remain a good basis for further growth.

COLLABORATION BETWEEN THE EXECUTIVE BOARD AND SUPERVISORY BOARD

During the 2021 fiscal year, the Supervisory Board of SICK AG 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. 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 2021 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, 2021, the Executive Board informed the Supervisory Board comprehensively and in detail about business development during 2020, 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 2020, 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 2020 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, 2021, 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 2020. 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, 2021. During this meeting, the Executive Board also provided information on the course of the first months of the 2021 fiscal year and gave a brief description of the prospects for the following months. In addition, the Executive Board provided information on the effects of the COVID-19 pandemic, inventory development, and the measures undertaken to ensure supply dependability. The Supervisory Board also examined the analysis of the SICK Group's competitive position compared to direct competitors and comparable family-run companies. The expansion of production and storage areas at the Hungarian site was also approved. Furthermore, the Supervisory Board continued the ongoing generational change in the Executive Board. Dr. Mats Gökstorp was appointed Chairman of the Executive Board with effect from October 1, 2021 to replace Dr. Robert Bauer who had left the Executive Board on September 30, 2021. In addition, Dr. Niels Syassen was appointed to the Executive Board with responsibility for the Technology & Digitalization portfolio with effect from October 1, 2021.

At its ordinary meeting on May 19, 2021, the Supervisory Board examined the current business situation, particularly the continuing effects of the Covid-19 pandemic, and the economic forecasts for the rest of the year. In this meeting, the Supervisory Board also addressed the situation on the procurement markets, and the Executive Board provided information on measures introduced to secure delivery capability. Moreover, the Supervisory Board undertook further planning regarding successors to the Executive Board.

The ordinary meeting on September 23 & 24, 2021 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 within the framework of the SICK Beyond Borders strategy, 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 2022 to 2024 was also described in detail. Both were taken notice of and approved by the Supervisory Board. The Executive Board also provided information on the topic of cybersecurity and SICK's current IT security strategy. Planning for successors on the Executive Board also continued during this meeting.

During the ordinary meeting on December 15, 2021, the Executive Board reported on current business development, whereby the focus was mainly on the effects of the emerging trend reversal regarding exchange rates and the tense market situation on earnings. The Executive Board reported on continuing deterioration in the procurement markets and production disruptions, as well as the countermeasures it had introduced. 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 2022 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 2022 and the corresponding investment measures – also against the background of the financing presented. Approval was also granted for the acquisition of a further 75.01% share in the Croatian company Mobilisis d.o.o., as well as for construction of a production hall and multi-story car park at the Donaueschingen site. Nicole Kurek was appointed a member of the Executive Board with responsibility for the People & Culture portfolio with effect from July 1, 2022 to succeed Dr. Martin Krämer, who will leave the Executive Board on September 30, 2022.

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 during the 2021 fiscal year:

- 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 tax compliance management, risk management, internal auditing, Group taxes, and financing.
- The Human Resources Committee examined, in particular, continuing the generational change in the Executive Board, and prepared the above-mentioned changes in the Executive Board membership agreed by the entire committee. In addition, the structure and amount of remuneration of Executive Board members underwent the regular review, and a further development of the Executive Board's long-term remuneration was worked out and subsequently agreed by the entire committee.
- Work in the Investment Committee focused on examining the investment plans for 2022 and the corresponding financial planning.

ANNUAL AND GROUP ACCOUNTING FOR THE FISCAL YEAR 2021

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY) was responsible for auditing the accounting and Group accounting of SICK AG for the fiscal year 2021. On May 19, 2021, 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 prior 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 14, 2022, the Executive Board of SICK AG finalized the accounting and Group accounting of SICK AG for the fiscal year 2021, 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 14, 2022 and at the accounts meeting of the Supervisory Board on March 17, 2022, 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 2021. 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 2021 (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 14, 2022, and the Supervisory Board's accounts meeting on March 17, 2022, 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.

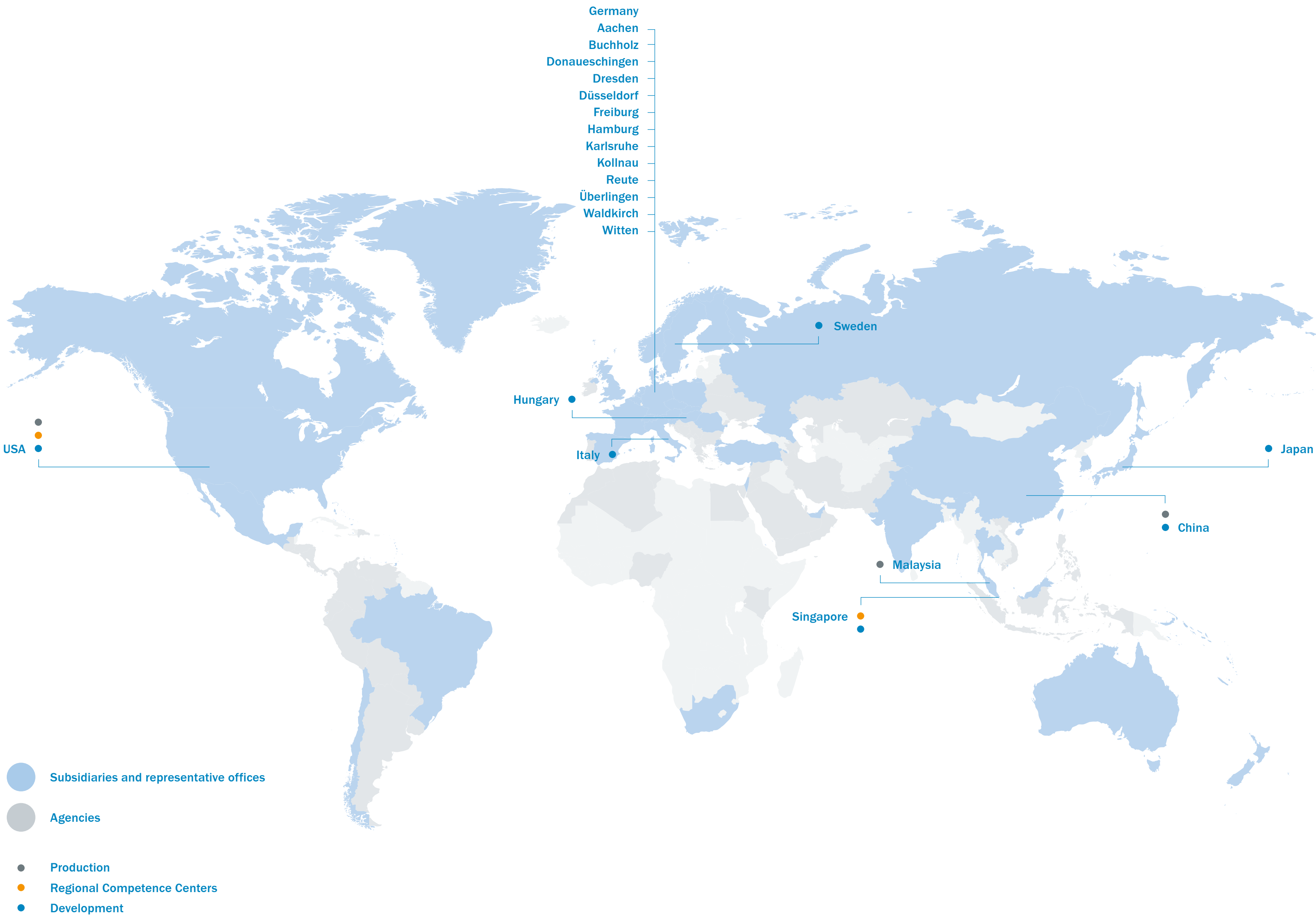
The Supervisory Board thanks the entire committee and all employees for having achieved an impressive performance during the past fiscal year with extraordinary commitment and great flexibility. With well-filled order books, and fortified by new employees all over the world, the conditions for the further expansion of business activities – and thus for the Group's future growth – are very good.

Waldkirch, March 17, 2022

On behalf of the Supervisory Board

Klaus M. Bukenberger
(Chairman)

SICK WORLDWIDE



COMBINED GROUP MANAGEMENT REPORT

of SICK AG for the fiscal year 2021

COMBINED GROUP MANAGEMENT REPORT

of SICK AG for the fiscal year 2021

A. FUNDAMENTAL INFORMATION ABOUT THE GROUP

- The SICK Group: one of the world's leading companies in the field of sensor technology, particularly with regard to automation.
- Forward-looking: thanks to strong technological expertise and a highly successful business model

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, 2021:

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 52 entities in fiscal year 2021.

The SICK Group reports on the performance of business in four regions: Germany, EMEA (comprising Europe, the Middle East, and Africa), Americas (consisting of North, Central, and South America), and the Asia-Pacific region. The SICK Group is managed by an Executive Board that comprises six members. A 12-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" and the "Internet of Things." Machines and objects are increasingly communicating with each other in order to optimize processes. Sensor technology is a core element of this connectivity in the industrial sector, and lays the foundation for transparent and trouble-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. Sensor technology also plays an important role in traffic management systems, with regard to energy and infrastructure, in buildings, and in the field of research.

As one of the world's leading providers of sensor-based applications for industrial use, SICK plays a crucial role in Industry 4.0. The company is equipped for the future thanks to its strong technological expertise, 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 relevant for a wide range of 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 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. This involves designing and optimizing the entire logistics chain by automating material flows or making sorting, picking, and warehousing processes more efficient, faster, and more reliable.

Concrete fields of application in which 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 other, decentralized logistics centers situated around the world 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, and exchange rate fluctuations, are presented in the opportunity and risk report.

III. 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. As a result, 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 responds to the growing importance of the recording, analysis, and use of data to manage industrial processes by establishing start-up initiatives.

These 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 constantly 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 the fiscal year 2021. These are described in detail in section C. "Risk and opportunity report", which, in addition to expenses for the start-up initiatives, also includes information on the Group's employees working in research and development.

The expense ratio for R&D was down marginally on the prior year in 2021 on account of the sharp rise in sales. 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.

B. REPORT ON ECONOMIC POSITION

- Globally: strong demand for goods meets disrupted supply chains as a result of the pandemic
- Digitalization: rising demand for sensors
- Business trend: positive for SICK

MACROECONOMIC ENVIRONMENT

The coronavirus pandemic remained an influential factor in 2021. For manufacturers in particular, the main challenges were disruptions to supply chains due to a shortage of shipping containers as well as factory and port closures, and logistical bottlenecks relating to the weather (World Bank).

According to the ifo Institute for Economic Research, the rapid recovery of global demand for goods led to supply-side shortages and sharp increases in the prices of commodities, intermediates and finished goods. Energy prices (for natural gas and coal in particular) rose in the second half of 2021 (World Bank). The resulting shortage of materials for important intermediate goods such as semiconductors had a significant impact on global production (World Bank). However, global trade quickly recovered in line with the recovery in global economic activity (World Bank). Unlike during the Global Financial Crisis of 2008/2009, this also applied to industrial output this time.

In the **developed economies**, high vaccination rates and substantial tax relief helped cushion some of the negative economic consequences of the pandemic. Growth nonetheless slowed in certain countries in the second half of last year (World Bank).

The emergence of the Omicron variant toward the end of 2021 led to a resurgence of the pandemic and at the same time the gradual flattening of pent-up demand. On the other hand, the fact that financing conditions are still favorable is fueling a strong recovery in investment, which in turn has a positive impact on economic growth.

While the developed economies recovered at varying speeds, the GDP of the **emerging economies** had already returned to pre-crisis levels a year earlier on account of the rapid pace of China's economic recovery. But if we exclude China from this analysis, the economic recovery is significantly weaker and more fragile than among the developed economies because vaccination efforts are proceeding at a much slower pace, there is less government support, and the general consequences of the pandemic are being felt more strongly (World Bank).

Economists at the International Monetary Fund (IMF) estimate that the global economy grew by 5.9 percent in 2021.

GDP growth (%)	2023 (expected)	2022 (expected)	2021 (estimated)	2020
Industrialized nations	2.6	3.9	5.0	-4.5
USA	2.6	4.0	5.6	-3.4
Eurozone	2.5	3.9	5.2	-6.4
Germany	2.5	3.8	2.7	-4.6
Emerging and developing economies	4.7	4.8	6.5	-2.0
Latin America and the Caribbean	2.6	2.4	6.8	-6.9
Emerging and developing economies, Asia	5.8	5.9	7.2	-0.9
Global	3.8	4.4	5.9	-3.1

Source: IMF, World Economic Outlook, January 2022

OUTLOOK

The global economy will continue to be impacted by new variants of the coronavirus, declining government support and ongoing supply disruptions in 2022. (World Bank). The latter issue is, however, expected to improve in the second half of 2022. Growth in the industrial sector is set to continue in the second half of the year (Oxford Economics). The high rate of inflation is expected to start falling provided governments in the major economies intervene in monetary policy and both supply and demand normalize (IMF).

In its updated World Economic Outlook for 2022, the IMF expects growth to slow to 4.4 percent, which is half of a percentage point lower than it had projected in October 2021. This reduction is due to the negative developments in the major economies of the US and China. Global GDP is expected to grow by 3.8 percent in 2023 (IMF).

GERMANY

The recovery of the German economy is being impacted by the effects of the fourth wave of coronavirus as well as ongoing supply shortages. Economists at the ifo Institute for Economic Research expect the economy to still be affected by the high costs associated with the supply bottlenecks as well as a delayed response to increased prices for energy and raw materials in 2022.

Shortages of materials are also having an impact on the mechanical engineering sector. German plant and mechanical engineering companies are reporting full order books. In addition to the challenge presented by a shortage of skilled labor, the bigger obstacle is the shortage of materials. In the ifo's Economic Survey, more companies than ever before (91 percent) reported problems with production in December due to a lack of materials (VDMA Konjunkturbulletin D, January 2022 issue).

The VDMA's economists expect machine production to grow by 7.0 percent both in 2021 and in the current year (VDMA Konjunkturbulletin D, January 2022 issue).

Nevertheless, the expectations of Germany's industrial companies regarding the months ahead have become optimistic again for the first time. Against the backdrop of the current sentiment indicators and well-filled order books, the German government takes a cautiously optimistic view of the outlook for the industrial sector (bmwi.de, January 2022).

The IMF expects the GDP of the German economy as a whole to increase by 3.8 percent in 2022 (IMF).

EUROPE, MIDDLE EAST, AND AFRICA (EMEA) REGION

After a strong uptick in the second and third quarters of 2021, growth in the eurozone slowed in the fourth quarter on account of the Omicron variant (World Bank). All in all, the economy of the eurozone grew by 5.2 percent in 2021. Growth is forecast to slow to 3.9 percent in 2022 (IMF).

Irrespective of this anticipated slowdown, production is expected to increase again in 2022. However, a sharp rise in natural gas and electricity prices would pose a significant downside risk for the near-term outlook (World Bank and IMF).

Growth of 4.4 percent is forecast for the Middle East and North Africa (MENA) region in 2022 once the impact of the pandemic and curtailed oil output has lessened, and provided governments continue to provide economic support (World and IMF).

NORTH, CENTRAL, AND SOUTH AMERICA (AMERICAS)

The economy of the US experienced a slump in the third quarter of 2021 due to rising infection rates and the lessening effects of the fiscal support offered in connection with the pandemic. Since the large-scale infrastructure plan is only expected to provide a minor boost to economic activity, and given the persistent supply bottlenecks, the IMF has reduced its forecast for GDP growth in 2022 by 1.2 percentage points to 4.0 percent (IMF, World Bank).

In Latin America, the large economies of Brazil, Argentina and Mexico in particular suffered from recessions. The contraction in Mexico can be attributed to the pandemic, while Brazil and Argentina saw weak private consumption and agricultural sectors. Economic output rose in the Andean countries of Chile, Colombia and Peru. According to the IMF, Brazil's economy will almost stagnate in 2022, while growth of 2.4 percent (prior year: 6.8 percent) is projected for the Latin American and the Caribbean region as a whole (ifo and IMF).

ASIA-PACIFIC

Growth slowed significantly in some Asian countries in the summer due to rising infection rates. India's economy did not recover from the high levels of new infections seen in the spring until mid-year.

China recovered very quickly from the coronavirus crisis in 2020, and its economy once again grew by 8.1 percent in 2021. It did, however, experience isolated outbreaks, which it contained using strict official measures by the authorities as part of its "zero-Covid" policy. The effects of these measures led to significant disruptions in supply chains that were temporarily felt around the world. Power supply shortages forced some manufacturing companies to scale back production (ifo). The outlook for growth in 2022 has become more pessimistic on account of the downturn in the real estate sector as well as the slower recovery of private consumption than anticipated (IMF).

CONDITIONS IN THE SENSOR TECHNOLOGY INDUSTRY

The sector association AMA (AMA Verband für Sensorik und Messtechnik e.V.) recorded a significant year-on-year increase in sales of 25 percent in the third quarter of 2021, despite the challenges posed by supply bottlenecks and shortages of materials. The member companies surveyed expect these issues to continue at least until mid-2022. Despite all of these challenges, the sector has seen constant figures for orders received for the last one and a half years. The association therefore also expects sales to have grown again in the fourth quarter of 2021.

High-tech production will continue to lead growth in both developed and developing economies as industry adapts to higher levels of digitalization and automation (Oxford). This structural shift, which is also being accelerated by the pandemic, is fueling demand for sensor solutions and therefore the growth of this sector.

COURSE OF BUSINESS

The course of business in 2021 was still heavily influenced by the negative effects of the coronavirus pandemic. At the same time, catch-up effects from the prior year noticeably improved the results of operations, although these were reined in by disruptions in supply chains and significant bottlenecks on the procurement markets. Despite the unfavorable general economic conditions, SICK was able to achieve a positive business performance on the whole.

The overview below shows selected information regarding the course of business:

	2021	2020
Sales (EUR million)	1,963.7	1,700.2
Sales growth (%)	15.5	-2.9
EBIT margin (%)	10.3	8.3
Equity ratio (%)	51.3	49.6
Headcount as of December 31	11,022	10,433

RESULTS OF OPERATIONS

The results of the SICK Group's operations continued to improve in fiscal year 2021.

The results of operations break down as follows:

in EUR million	2021	2020	Change
Sales	1,963.7	1,700.2	15.5%
Changes in inventories	1.1	17.7	-93.8%
Own work capitalized	20.9	22.0	-5.0%
Total operating performance	**1,985.8**	**1,739.9**	**14.1%**
Cost of materials	623.9	547.7	13.9%
Personnel expenses	829.7	757.8	9.5%
Depreciation and amortization	93.8	91.1	3.0%
Other operating expenses	236.9	215.9	9.7%
Other operating income	11.5	15.1	-23.8%
Net currency income / expense	-11.0	-2.2	400.0%
Net investment income / expense	0.3	0.3	0.0%
EBIT	**202.3**	**140.6**	**43.9%**
EBIT margin	10.3%	8.3%	2.0 pp
Net interest income / expense	-5.3	-5.9	-10.2%
Earnings before tax	197.0	134.7	46.3%
Income taxes	49.2	33.6	46.4%
Consolidated net income	**147.8**	**101.1**	**46.2%**
Net return on sales	7.5%	5.9%	1.6 pp
Return on equity *)	20.4%	15.9%	4.5 pp

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

The course of the SICK Group's business is still characterized by strong profitability.

The **EBIT margin** as a percentage of sales increased by 2.0 percentage points year on year, which is a stronger increase than anticipated.

The **net return on sales** also increased in comparison to the prior year.

In fiscal year 2021 SICK once again achieved a high rate of interest on capital employed **(return on equity)**. This underscores 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 SICK Group's broad positioning has paid off. The trend for orders received varied in intensity between the business fields, but was noticeably positive on the whole. This applies in particular to the Logistics Automation business field.

	2021	2020	Change
Sales (EUR million)	1,963.7	1,700.2	15.5%
Orders received	2,320.9	1,726.4	34.4%
Book-to-bill ratio (%)	118.2	101.5	16.7 pp

The ratio between orders received and sales **(book-to-bill ratio)** was up significantly on the prior year at the end of the past fiscal year, and reflects the opportunities presented by the market, the tough situation with respect to procurement, and supply-side bottlenecks.

TREND FOR SALES

After sales fell in the difficult fiscal year of 2020 due to the coronavirus, sales growth easily exceeded the forecast in fiscal year 2021.

Significant catch-up effects were observed in the regions, and in the high-growth regions of Asia in particular. There, China's dynamic growth was the main driver of encouraging and disproportionately strong sales growth.

The development of group sales was once again influenced by currency effects in fiscal year 2021. If average exchange rates had remained unchanged in comparison to the prior year, sales growth would have been boosted by another 0.7 percentage points.

Thanks to its strong competitive position around the world, the business development of the SICK Group was once again broad-based in fiscal year 2021. 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

	2021 EUR million	2020 EUR million	Change
Germany	325.6	283.9	14.7%
Europe, Middle East, and Africa (EMEA)	676.7	601.4	12.5%
North, Central, and South America (Americas)	450.2	387.3	16.2%
Asia-Pacific	511.4	427.6	19.6%
Total:	**1,963.7**	**1,700.2**	**15.5%**

In the Group's domestic market of **Germany**, sales climbed to a new record high after falling in the prior year on account of the pandemic. One particularly encouraging factor was the growth of factory automation, which contributed the strongest growth. The forecast growth rates were exceeded in all of the Group's business fields.

In the **Europe, Middle East, and Africa (EMEA)** region as well, sales rose sharply and exceeded the projected figures. This positive trend is reflected in many different countries, with large European markets such as Italy and the Netherlands being particularly noteworthy examples.

Sales growth in **North, Central, and South America (Americas)** was once again influenced by growth in the Logistics Automation business. At the same time, disproportionately strong rates of sales growth were achieved in Brazil. The projections for the fiscal year were exceeded in this region as well.

The **Asia-Pacific** region once again saw dynamic growth, and comfortably exceeded projected growth. The trend for sales was positive in China in particular.

COSTS

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

in EUR million	2021	2020	Change
Sales	1,963.7	1,700.2	15.5%
Cost of materials	623.9	547.7	13.9%
Cost of materials (as % of sales)	31.8	32.2	-0.4 pp
Personnel expenses	829.7	757.8	9.5%
Depreciation and amortization	93.8	91.1	3.0%
Other operating expenses	236.9	215.9	9.7%
Other operating income	11.5	15.1	-23.8%
Balance of other operating expenses and income	225.4	200.8	12.3%
Net currency income / expense	-11.0	-2.2	400.0%
Net investment income / expense	0.3	0.3	0.0%
Net interest income / expense	-5.3	-5.9	-10.2%
Earnings before tax	197.0	134.7	46.3%
Income taxes	49.2	33.6	46.4%
Tax rate (as a %)	25.0	24.9	0.1 pp

The **cost of materials** rose, albeit at a slower rate than the increase in sales. This marginally reduced the cost of materials as a percentage of sales.

The increase in **personnel expenses** was also not as strong as the growth of sales. New employees were hired in operating production units in particular, as well as in Sales and Service areas.

The table below provides an overview of the number of employees by region:

Headcount as of December 31	2021	2020	Change
Germany	6,292	5,961	5.6%
Europe, Middle East, and Africa (EMEA)	2,136	2,023	5.6%
North, Central, and South America (Americas)	1,064	993	7.2%
Asia-Pacific	1,530	1,456	5.1%
Total headcount:	**11,022**	**10,433**	**5.6%**

The changes in **amortization and depreciation** reflect the substantial levels of investment in past fiscal years. The focus of investment for fiscal year 2021 was once again on buildings and production facilities.

The increase in **other operating expenses** was less pronounced than the change in sales. This reflects the Group's strict cost discipline, particularly with respect to administrative and sales expenses.

The Group's **other operating income** fell. This figure was influenced by non-recurring reimbursements of costs in the prior year.

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

The **net currency income / expense** fell largely due to the performance of the US dollar and Chinese renminbi in relation to the euro.

On account of the aforementioned trend for sales and the most important expense items, **earnings before interest and taxes (EBIT)** rose more sharply than the change in sales in fiscal year 2021.

The **net interest income / expense** improved as a result of the reduced need for borrowing.

The **income tax rate** remained largely unchanged in relation to the prior year.

NET ASSETS

SICK's net assets break down as follows:

in EUR million	2021	2020	Change
Non-current assets	546.6	527.5	3.6%
Deferred taxes	48.2	40.9	17.8%
Current assets	1,103.7	918.8	20.1%
Total assets	**1,698.5**	**1,487.2**	**14.2%**
Equity	870.8	737.7	18.0%
Non-current liabilities	327.1	330.5	-1.0%
Current liabilities	500.7	419.0	19.5%
Total equity and liabilities	**1,698.5**	**1,487.2**	**14.2%**

The increase in **total assets** reflects the continued increase in business activities and improved results of operations in fiscal year 2021.

Non-current assets break down as follows:

in EUR million	2021	2020	Change
Non-current assets	**546.6**	**527.5**	**3.6%**
of which intangible assets	70.5	73.2	-3.7%
of which property, plant and equipment	472.2	448.3	5.3%
(including right-of-use assets)	84.7	79.3	6.8%
of which financial investments	3.8	3.8	0.0%
of which other financial assets	0.0	2.2	-100.0%

The increase in **non-current assets** reflects the increase in investing activities.

Current assets break down as follows:

in EUR million	2021	2020	Change
Current assets	**1,103.7**	**918.8**	**20.1%**
of which inventories	474.8	397.0	19.6%
Days of Inventory Outstanding (DIO)	87	84	3
of which trade receivables	334.0	304.3	9.8%
Days of Sales Outstanding (DSO)	61	64	-3
of which tax receivables	5.7	5.2	9.6%
of which other assets	78.4	59.9	30.9%
of which cash and cash equivalents	210.8	152.4	38.3%

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 DIO in the past fiscal year.

The volume of **trade receivables** increased. The DSO was reduced at the same time.

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

The **equity and liabilities side** of the consolidated statement of financial position breaks down as follows:

in EUR million	2021	2020	Change
Equity	870.8	737.7	18.0%
– Equity ratio (%)	51.3	49.6	1.7 pp
Debt capital	827.8	749.5	10.4%
of which non-current liabilities	327.1	330.5	-1.0%
of which current liabilities	500.7	419.0	19.5%
Total equity and liabilities	**1,698.5**	**1,487.2**	**14.2%**

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	2021	2020	Change
Non-current liabilities	**327.1**	**330.5**	**-1.0%**
of which financial liabilities	210.1	214.5	-2.1%
(of which lease liabilities)	68.7	64.3	6.8%
of which provisions and other liabilities	114.8	113.9	0.8%
of which deferred taxes	2.2	2.1	4.8%

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	2021	2020	Change
Current liabilities	**500.7**	**419.0**	**19.5%**
of which financial liabilities	30.1	50.0	-39.8%
(including lease liabilities)	20.8	19.9	4.5%
of which provisions	22.9	21.3	7.5%
of which tax liabilities	29.1	31.6	-7.9%
of which trade payables	179.2	129.7	38.2%
of which contractual liabilities	82.0	77.1	6.4%
of which other liabilities	157.4	109.3	44.0%

Current financial liabilities fell significantly.

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 increased due to a rise in obligations relating to performance-based remuneration.

Working capital changed as follows:

in EUR million	2021	2020	Change
+ Inventories	474.8	397.0	19.6%
+ Trade receivables	334.0	304.3	9.8%
./. Trade payables	-179.2	-129.7	38.2%
./. Contractual liabilities	-82.0	-77.1	6.4%
= working capital	**547.6**	**494.5**	**10.7%**
Sales	1,963.7	1,700.2	15.5%
Days of Working Capital	100	105	-5

More working capital was required in fiscal year 2021. 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.

The **net financial position** changed as follows:

in EUR million	2021	2020	Change
Financial liabilities	240.2	264.5	-9.2%
of which lease liabilities	89.5	84.2	6.3%
Financial liabilities (before lease liabilities)	150.6	180.3	-16.5%
Cash and cash equivalents	210.8	152.4	38.3%
Net financial position	**60.2**	**-27.9**	**-315.8%**
Equity	870.8	737.7	18.0%
Equity ratio (%) *)	51.3	49.6	1.7 pp

*) Ratio of equity to total assets

The ongoing improvement of working capital management, a suitable investment policy and increased income led to a significant improvement in the net financial position.

FINANCIAL POSITION

The financial position can be summarized as follows:

Abridged statement of cash flows in EUR million	2021	2020	Change
Cash flow from operating activities	231.1	227.7	1.5%
Cash flow from investing activities	-84.2	-60.8	38.5%
Free cash flow	146.9	166.9	-12.0%
Cash flow from financing activities	-88.5	-80.8	9.5%
Net change in cash and cash equivalents	58.4	86.1	-32.2%

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

Free cash flow fell overall.

FINANCIAL SOLIDITY

The SICK Group's equity ratio changed as follows:

in EUR million	2021	2020	Change
Equity	870.8	737.7	18.0%
Equity ratio (%) *)	**51.3**	**49.6**	**1.7 pp**

*) Ratio of equity to total assets

The ratios in SICK's consolidated statement of financial position are still very solid. The substantial increase 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. "Risk and opportunity report" contains information on the headcount as well as spending on research and development.

Section D. "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 2021 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 2021	ACTUAL figure for 2020	Change	Forecast from 2020 group management report
Group sales (in EUR million)	1,963.7	1,700.2	15.5%	Low to mid-range single-digit percentage growth
EBIT margin (as a %)	10.3	8.3	2.0 pp	Mid-range to high single-digit percentage
Employees	11,022	10,433	5.6%	Low single-digit percentage growth
R&D expenses as % of sales	10.7	11.8	-1.1 pp	Low double-digit percentage

The projected targets for fiscal year 2021 were achieved, and even exceeded in some cases.

OVERALL ASSESSMENT

Business in 2021 was still heavily influenced by the challenging global economic conditions as a result of the coronavirus pandemic, and the associated challenges on the procurement markets. The Group's net assets, financial position and financial performance were nevertheless very solid. 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.

C. RISK AND OPPORTUNITY REPORT

- Focus on economic risks and opportunities
- Coronavirus still an issue in 2022
- Automation and digitalization: opportunities in the form of new business, risks due to cyber crime
- Shortage of specialists: attracting and retaining employees

RISK AND OPPORTUNITY POLICY

Giving consideration to, evaluating and taking opportunities and risks is part of sound company policy, and implemented as part of SICK's organization.

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. In this way, SICK practices active opportunity management by developing entrepreneurial opportunities as part of its corporate planning. At the same time, management incorporates the exploitation of opportunities into its 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 areas of the Group: 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. Risks are assigned to one of four risk levels:

Risk level	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 Finance.

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.

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.

The industrial manufacturing sector was impacted by global supply chain problems in 2021. These include the shortage of semiconductor chips, transport delays, rising freight costs and production issues in important parts of the world.

According to the current economic forecasts, these risks still apply on account of the supply bottlenecks and the ongoing coronavirus pandemic.

FORCE MAJEURE

SICK mainly considers force majeure to be exogenous risks to its business in particular. This includes political turbulence in relevant target markets as well as natural disasters, fire, or flooding. This also covers disruptions to media or infrastructure 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.

The pandemic is also a form of force majeure. In addition to supply bottlenecks, divisions may face staff shortages with the potential to halt operations. That is why SICK has set up a coronavirus planning team that constantly monitors the situation, evaluates it and develops the necessary measures in order to protect companies and their employees.

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 of this is a set of rules that contains guidelines for granting and monitoring credit limits.

The application of these specifications keeps 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 2021, global supply chain problems made it more difficult for manufacturers to keep up with rising demand. These problems include the shortage of semiconductor chips, transport delays, rising material and freight costs, and production issues in important parts of the world.

Given the forecasts of further growth, the risks associated with supply bottlenecks and the coronavirus pandemic still apply.

In addition to procurement, SICK's own production makes a crucial contribution to added value. This is subject to significant risks relating to interruptions in production and logistics.

In order to address these risks, production lines in the global production network are duplicated and located in the proximity of customers wherever possible. Preventive maintenance goes a long way toward avoiding unplanned downtime.

"Second source" concepts are in place in order to prevent disruptions to the value creation chain. This is supported by a strong in-house production concept combined with a strategic network of partner suppliers.

In the event of damage, second-source- strategy concepts for delivered parts, the expansion 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 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.

Despite all of the measures taken to constantly improve IT security, complete protection against cyber risks is impossible to achieve. It is therefore important to follow a holistic strategy for improving cyber resilience in order to retain the capacity to act even in the aftermath of a cyber attack, and to protect the most important data and systems. In order to be prepared in this regard, the Computer Security Incident Response Team is responsible for the implementation of preventive and safeguarding measures, as well as response plans for the event of a cyber attack.

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.

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.

SICK has set up a dedicated unit as part of its corporate environmental management function to minimize its environmental risks. This aims to create added value for the company through sustainable activity, and to hedge against environmental risks and introduce suitable measures.

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 the following 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 increased demand for sensor technology to avoid harming the environment

OPPORTUNITIES OF IMPROVING GLOBAL ECONOMIC GROWTH

After growing 5.9 percent in 2021 due to catch-up effects and a rapid recovery (particularly in China), the pace of global economic growth is expected to slow to 4.4 percent in 2022 due to ongoing supply and material bottlenecks as well as potential new variants of coronavirus (IMF).

Nevertheless, the fact that financing conditions are still favorable is fueling a strong recovery in investment, which will in turn have a positive impact on economic growth.

There are signs of potential growth in the industry as a whole such as full order books, which will start to affect production and sales as the material bottlenecks gradually ease.

OPPORTUNITIES OF DIGITALIZATION AND INDUSTRY 4.0

The progress of digitalization, the implementation of Industry 4.0 and increasingly restrictive emissions regulations are presenting opportunities for SICK. Smart sensors make increasingly large volumes of data and information available. Providing, analyzing, and effectively utilizing this information creates important 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. Measures are initiated and cross-divisional start-up initiatives are set up for this purpose.

SICK is one of Germany's leading players when it comes to Industry 4.0. Its 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. The Group's worldwide representation via a global network of production, logistics and sales facilities is an important aspect of this international expansion drive.

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 2021, as planned:

	2021	2020	Change
Sales (EUR million)	1,963.7	1,700.2	15.5%
R&D expenses (EUR million)	210.3	201.1	4.6%
R&D expenses as % of sales	10.7	11.8	-1.1 pp
R&D employees on reporting date	1,406	1,367	2.9%

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:

	2021	2020	Change
Equity ratio (%)	51.3	49.6	1.7 pp
EBIT (EUR million)	202.3	140.6	43.9%
Cash and cash equivalents (EUR million)	210.8	152.4	38.3%
Operating cash flow (EUR million)	231.1	227.7	1.5%

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, skilled and motivated employees represent a long-term growth opportunity for SICK.

As of December 31, 2021, SICK had a total of 11,022 employees worldwide. This is almost 600 more than in the prior year.

The table below provides more information:

	2021	2020	Change
Headcount as of December 31	11,022	10,433	5.6%
Other information:			
Average age of SICK's workforce (years)	40.9	41.0	
Average number of years working for the company	9.2	9.2	
Proportion of women (%)	32.1	31.8	0.3 pp
Research and development employees	1,406	1,367	2.9%
Apprentices and trainees in the SICK Group	373	384	-2.9%
Training expenses (EUR million)	10.1	10.0	1.0%

The average age of SICK's workforce in 2021 was roughly on a par with the prior year, as was the average number of years spent working at the company. The percentage of women in the workforce of the SICK Group rose marginally, by 0.3 percent.

373 apprentices and trainees were learning a profession at the SICK Group in the past fiscal year, which is almost three percent fewer than in 2020. This is due to the termination of one of the vocational training courses.

Total spending on training was almost identical to the prior year.

We are feeling the impact of the shortage of specialists in the field of research and development, which is important for us. The rate of growth in this field was lower than for the workforce as a whole.

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 circumstances 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.

D. REPORT ON EXPECTED DEVELOPMENTS

- Globally: persistent uncertainty surrounding forecasts due to coronavirus
- Growing political and economic risks
- 2022: recovery of the global economy
- Planned: increased spending for SICK's growth strategy

The comments regarding the company's anticipated performance in 2022 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.

In particular, we see a general increase in conflicts and political risks that could lead to unexpected economic turbulence. It is not currently possible to estimate with any certainty the impact on business in 2022 from the escalation of the conflict in Ukraine and the EU's resulting sanctions on Russia. However, the SICK Group's existing share of direct business in the Russian and Ukrainian markets is not material.

ECONOMIC PROSPECTS FOR 2022

In its updated **World Economic Outlook** for 2022, the IMF expects growth to slow to 4.4 percent, which is half of a percentage point lower than it had projected in October 2021. This reduction is due to the negative developments in the major economies of the US and China. Global GDP is expected to grow by 3.8 percent in 2023 (IMF).

The current uncertainties surrounding forecasts for economic growth are also reflected in the growth estimates for **Germany**. The IMF expects Germany's GDP to grow by 3.8 percent in 2022.

The VDMA's economists expect **machine manufacturing** output to rise 7.0 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 B. "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 SALES REGIONS

Based on our current knowledge and the general economic and sector-specific conditions outlined, the Executive Board expects the SICK Group to continue to achieve dynamic and positive growth. The Executive Board expects sales to grow by a mid-range to high single-digit percentage in fiscal year 2022.

GERMANY

SICK still enjoys a strong market position in its domestic German market. Catch-up effects are expected in 2022 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 low double-digit percentage range.

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 percentage range. The anticipated economic recovery in European countries is the most important source of growth. This means that an encouraging trend is once again expected for this region.

NORTH, CENTRAL, AND SOUTH AMERICA (AMERICAS)

SICK expects positive growth to continue in the North, Central, and South America (Americas) region, with growth rates for sales in mid-range single digits. Further growth is expected in the US and Canada. Growth in Brazil, however, is expected to stagnate in fiscal year 2022.

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 2022, although growth appears to be leveling off in the important Chinese market. On the whole, mid-range single-digit percentage growth is expected in the Asia-Pacific region in fiscal year 2022.

EBIT FORECAST

The implementation of the SICK Group's strategy of growth requires more significant expenditure and investment. In fiscal year 2022, 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 2022.

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 2022. 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 2022 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 projected positive development of the most important non-financial performance indicators in fiscal year 2022 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 2022. However, the risks for global economic growth are high on account of the ongoing coronavirus pandemic and a general increase in conflicts and political risks. 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 2022.

KEY FIGURES OF THE FORECAST FOR FISCAL YEAR 2022

Global economic growth	4.4%
Group sales	Mid-range to high single-digit percentage increase
EBIT margin	Mid-range to high single-digit percentage
Employees	Mid-range to high single-digit percentage increase
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 2022 – provided the global economy recovers as anticipated.

E. 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 ("Aktiengesetz": 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."

F. MANAGEMENT REPORT OF SICK AG

SICK AG has its headquarters in Waldkirch near Freiburg in the State of Baden-Württemberg in Germany, and is both the parent company of the SICK Group and its biggest development and manufacturing company. 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	2021	2020	Change
Sales	1,345.9	1,181.7	13.9%
Changes in inventories	-1.3	8.0	-116.3%
Own work capitalized	10.5	10.5	0.0%
Other operating income	32.2	37.6	-14.4%
Cost of materials	650.7	607.5	7.1%
Gross profit	736.6	630.3	16.9%
Personnel expenses	427.5	372.9	14.6%
Depreciation and amortization	45.0	39.9	12.8%
Other operating expenses	224.4	198.6	13.0%
Financial result	60.2	44.3	35.9%
Earnings before tax	99.9	63.2	58.1%
Income taxes	20.9	10.4	101.0%
Other taxes	1.1	0.5	120.0%
Net income for the year	77.9	52.3	48.9%

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

in EUR million	2021	2020	Change
Intangible assets	14.6	14.1	3.5%
Property, plant and equipment	276.9	258.1	7.3%
Financial assets	128.6	136.0	-5.4%
Inventories	217.2	199.5	8.9%
Receivables and other assets	363.1	320.5	13.3%
Cash and cash equivalents	171.0	111.6	53.2%
Total assets	1,171.4	1,039.8	12.7%
Equity	488.8	447.6	9.2%
Provisions	156.2	129.7	20.4%
Liabilities	526.3	462.5	13.8%
Total equity and liabilities	1,171.4	1,039.8	12.7%
Equity ratio	41.7%	43.0%	-1.3 pp

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

The information for fiscal year 2021 includes the figures for SICK STEGMANN GmbH, which was merged into SICK AG as of January 1, 2021.

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 23, 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 AktG. As a ‘flexible’ female quota, this target was to be met or exceeded by June 30, 2022. This quota stood at 17 percent on December 31, 2021. The same applies to the target for the percentage of woman on the Executive Board of SICK AG, which was likewise set at 17 percent. At the end of the reporting period this quota stood at 0 percent.

Furthermore, the Executive Board of SICK AG set a target of between 6 and 10 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 December 31, 2025. This quota stood at 12 percent as of the reporting date. For management positions at the second level below Executive Board of SICK AG, i.e., the managers who report directly to the first-level managers described above, a target of between 6 and 10 percent was also set that was to be met or exceeded by December 31, 2025. This figure stood at around 16 percent on the reporting date.

Waldkirch, March 14, 2022

SICK AG

The Executive Board

Dr. Mats Gökstorp (Chairman)	Feng Jiao	Dr. Martin Krämer
Dr. Niels Syassen	Markus Vatter	Dr. Tosja Zywietz

GROUP FINANCIAL STATEMENTS

of SICK AG

GROUP FINANCIAL STATEMENTS

for SICK AG for the fiscal year 2021

SICK AG, WALDKIRCH, GERMANY
CONSOLIDATED INCOME STATEMENT

EUR million	Notes	2021	2020
Sales	(1)	**1,963.7**	**1,700.2**
Changes in inventory		1.1	17.7
Own work capitalized	(2)	20.9	22.0
Cost of materials	(3)	623.9	547.7
GROSS PROFIT		**1,361.8**	**1,192.2**
Personnel expenses	(4)	829.7	757.8
Depreciation and amortization	(5)	93.8	91.1
Other operating expenses	(6)	236.9	215.9
Other operating income	(7)	11.5	15.1
Currency results	(8)	-11.0	-2.2
OPERATING RESULTS		**202.0**	**140.3**
Net investment income / expense	(9)	0.3	0.3
EARNINGS BEFORE INTEREST AND TAX (EBIT)		**202.3**	**140.6**
Interest expense	(10)	5.8	6.3
Interest income	(11)	0.5	0.4
EARNINGS BEFORE TAX		**197.0**	**134.7**
Income tax	(12)	49.2	33.6
CONSOLIDATED NET INCOME		**147.8**	**101.1**
of which attributable to shareholders of SICK AG		147.8	101.1
EARNINGS PER SHARE (basic and diluted)	**(13)**	**EUR 5.64**	**EUR 3.86**

SICK AG, WALDKIRCH, GERMANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	2021	2020
CONSOLIDATED NET INCOME	**147.8**	**101.1**
OTHER COMPREHENSIVE INCOME		
Items that will never be reclassified to profit or loss		
Remeasurement of pension obligations	2.4	-4.4
Tax effect	-0.4	1.1
Remeasurement of pension obligations	**2.0**	**-3.3**
Items that were or that can be reclassified to profit or loss		
Currency translation differences	20.0	-30.9
Tax effect	0.0	0.0
Currency translation differences	**20.0**	**-30.9**
OTHER COMPREHENSIVE INCOME	**22.0**	**-34.2**
COMPREHENSIVE INCOME	**169.8**	**66.9**
of which attributable to shareholders of SICK AG	169.8	66.9

SICK AG, WALDKIRCH, GERMANY
CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	2021	2020
Consolidated net income	147.8	101,1
Adjustments for:		
Income tax	49.2	33.6
Net interest income	5.3	5.9
Depreciation and amortization	93.8	91.1
Gains on / losses from the disposal of fixed assets	-0.1	-0.5
Income from financial investments	-0.3	-0.1
Other non-cash transactions	-7.5	-3.2
Change in inventory	-72.4	-36.1
Change in trade receivables and other assets	-12.9	2.9
Change in non-current provisions	4.3	3.4
Change in trade payables and other liabilities	88.7	56.9
Cash flow from operating activities	295.9	255.0
Interest paid	-5.4	-5.8
Interest received	0.5	0.4
Income taxes paid	-59.9	-21.9
Cash flow from operating activities	231.1	227.7
Cash received from disposals of non-current assets	0.8	0.7
Cash paid for investments in property, plant and equipment	-70.6	-45.6
Cash paid for investments in intangible assets	-14.4	-14.4
Cash received from disposals (cash paid for investments) of financial assets	0.0	-0.1
Cash paid for the acquisition of a business unit	0.0	-1.4
Cash flow from investing activities	-84.2	-60.8

EUR million	2021	2020
Acquisition of treasury shares	-0.1	0.0
Cash paid to owners	-36.7	-26.2
Repayment of lease liabilities	-26.4	-22.8
Cash received from loans	0.3	0.1
Cash repayments of loans	-30.0	-30.5
Cash flow from financing activities	-92.9	-79.4
Effect of changes in foreign exchange rates and changes in consolidated entities on cash and cash equivalents	4.4	-1.4
Net change in cash and cash equivalents	58.4	86.1
Cash and cash equivalents at the beginning of the period	152.4	66.3
Cash and cash equivalents at the end of the period	210.8	152.4

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

SICK AG, WALDKIRCH, GERMANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021

ASSETS

EUR million	Notes	2021	2020
A. Non-current assets			
I. Intangible assets	(14)	70.5	73.2
II. Property, plant and equipment		472.2	448.3
III. Investments accounted for using the equity method	(15)	3.8	3.8
IV. Other financial assets	(16)	0.0	2.2
V. Deferred taxes	(12)	48.2	40.9
		594.8	**568.4**
B. Current assets			
I. Inventories	(17)	474.8	397.0
II. Trade receivables	(18)	334.0	304.3
III. Tax receivables	(19)	5.7	5.2
IV. Other assets	(20)	78.4	59.9
V. Cash and cash equivalents	(21)	210.8	152.4
		1,103.7	**918.8**
		1,698.5	**1,487.2**

EQUITY AND LIABILITIES

EUR million	Notes	2021	2020
A. Equity			
I. Issued capital	(22)	26.4	26.4
II. Capital reserves	(23)	23.0	22.9
III. Treasury shares	(24)	-3.6	-3.5
IV. Revenue reserves	(25)	825.0	691.9
		870.8	**737.7**
B. Non-current liabilities			
I. Financial liabilities	(27)	210.1	214.5
II. Provisions and other liabilities	(28)	114.8	113.9
III. Deferred taxes	(12)	2.2	2.1
		327.1	**330.5**
C. Current liabilities			
I. Financial liabilities	(27)	30.1	50.0
II. Other provisions	(28)	22.9	21.3
III. Tax liabilities	(29)	29.1	31.6
IV. Trade payables	(30)	179.2	129.7
V. Contract liabilities	(31)	82.0	77.1
VI. Other liabilities	(32)	157.4	109.3
		500.7	**419.0**
		1,698.5	**1,487.2**

SICK AG, WALDKIRCH, GERMANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR million	Issued capital	Capital reserves	Treasury shares	Revenue reserves	Equity attributable to shareholders
Balance as of Jan. 1, 2020	**26.4**	**22.8**	**-3.5**	**650.9**	**696.6**
Consolidated net income				101.1	101.1
Other comprehensive income				-34.2	-34.2
Comprehensive income				**66.9**	**66.9**
Change in treasury shares		0.1		0.0	0.1
Dividend payment				-26.2	-26.2
Other changes				0.3	0.3
Balance as of Dec. 31, 2020	**26.4**	**22.9**	**-3.5**	**691.9**	**737.7**
Balance as of Jan. 1, 2021	**26.4**	**22.9**	**-3.5**	**691.9**	**737.7**
Consolidated net income				147.8	147.8
Other comprehensive income				22.0	22.0
Comprehensive income				**169.8**	**169.8**
Change in treasury shares		0.1	-0.1	0.0	0.0
Dividend payment				**-36.7**	**-36.7**
Balance as of Dec. 31, 2021	**26.4**	**23.0**	**-3.6**	**825.0**	**870.8**

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

IFRS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IFRS notes to the consolidated financial statements of SICK AG, Waldkirch, for fiscal year 2021

A. GENERAL DISCLOSURES

GENERAL

The consolidated financial statements of SICK AG, Waldkirch, Germany, for the year 2021 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 75 years, has over 11,000 employees worldwide today, and comprises 52 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, 2021 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 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, 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, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform (phase 2)	Jan. 1, 2021	Immaterial
Amendment to IFRS 16	COVID-Related Rent Concessions	Apr. 1, 2021	Immaterial

B. CONSOLIDATION PRINCIPLES

CONSOLIDATION METHODS

The consolidated financial statements include the financial statements of SICK AG and its subsidiaries as of December 31, 2021. 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

CHANGES IN THE BASIS OF CONSOLIDATION

The following table shows the change in the basis of consolidation in fiscal years 2021 and 2020:

	Germany	Abroad	Total
As of Dec. 31, 2019	**6**	**43**	**49**
Additions	0	4	4
Disposals	0	0	0
As of Dec. 31, 2020	**6**	**47**	**53**
Additions	0	1	1
Disposals	2	0	2
As of Dec. 31, 2021	**4**	**48**	**52**

The subsidiary Jiangsu SICK Sensor Co., Ltd., Jiaxing, Changzou, Jiangsu Province, China, which was founded in 2019, was consolidated for the first time in the reporting year. The resulting difference was recognized in equity.

Effective January 1, 2021, the subsidiary SICK Management GmbH, Waldkirch, and SICK STEGMANN GmbH, Donaueschingen, were merged into SICK AG, Waldkirch.

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 in 2020 and assumed the employees and the assets and liabilities of SICK spol. s r.o., Prague, Czech Republic.

The subsidiaries 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 consolidated for the first time in the prior year. The 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:

	ISO code	Closing rate Dec. 31, 2021	Annual average rate 2021	Closing rate Dec. 31, 2020	Annual average rate 2020
China	CNY	7.21	7.63	8.00	7.87
United Kingdom	GBP	0.84	0.86	0.91	0.89
Japan	JPY	130.13	129.86	127.09	121.77
Malaysia	MYR	4.73	4.90	4.96	4.79
Poland	PLN	4.60	4.57	4.52	4.44
Sweden	SEK	10.26	10.15	10.06	10.49
Switzerland	CHF	1.04	1.08	1.09	1.07
Singapore	SGD	1.53	1.59	1.63	1.57
Hungary	HUF	370.48	358.49	364.53	351.10
USA	USD	1.13	1.18	1.23	1.14

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 forecast 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, forecast economic conditions and expected credit losses constitutes a significant estimate. The amount of the expected credit losses depends on changes to circumstances and the forecast 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 taxes."

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 years 2021 and 2020, the coronavirus pandemic did not result in any considerable adjustments to the carrying amounts of assets and liabilities recognized. Uncertainty continues to prevail. 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 on specified dates to cash flows that are solely 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, as the case may be, the cash flows from the sale of collateral held or other security provided, which are a significant 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 the 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 2021 or 2020. 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.

LONG-TERM INCENTIVE

Members of the Executive Board of SICK AG receive a remuneration component that is settled partly in cash and can be settled partly in the form of equity instruments. 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.

The Group as lessee generally recognizes 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 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 2021, the following subsidiaries made use of the exemption pursuant to Sec. 264 (3) HGB:

- SICK Engineering GmbH, Ottendorf-Okrilla
- 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	2021	2020
Factory Automation	993.4	839.3
Logistics Automation	647.3	556.9
Process Automation	323.1	304.0
Total	**1,963.7**	**1,700.2**

in EUR million	2021	2020
Germany	325.6	283.9
Europe, Middle East, and Africa (EMEA)	676.7	601.4
North, Central, and South America (Americas)	450.2	387.3
Asia-Pacific	511.4	427.6
Total	**1,963.7**	**1,700.2**

(2) OWN WORK CAPITALIZED

in EUR million	2021	2020
Capitalized development work	7.3	8.0
Own work for internally generated intangible assets and property, plant and equipment	13.6	14.0
Total	**20.9**	**22.0**

(3) COST OF MATERIALS

in EUR million	2021	2020
Cost of materials and supplies and of purchased merchandise	586.3	509.7
Cost of purchased services	37.7	38.0
Total	**623.9**	**547.7**

(4) PERSONNEL EXPENSES AND NUMBER OF EMPLOYEES

in EUR million	2021	2020
Wages and salaries	711.7	647.7
Social security, pension and other benefit costs	118.0	110.1
Total	**829.7**	**757.8**

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

EMPLOYEES

	2021			2020		
	Germany	Abroad	Total	Germany	Abroad	Total
Average headcount:	5,378	4,537	**9,916**	5,270	4,349	**9,619**
– of which in R&D	(1,120)	(171)	**(1,291)**	(1,091)	(166)	**(1,257)**
Trainees as of the end of the reporting period	298	75	**373**	304	80	**384**

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 intangible assets of EUR 2.5 million (prior year: EUR 0.5 million) as a result of lower earnings forecasts.

(6) OTHER OPERATING EXPENSES

in EUR million	2021	2020
Administrative and selling expenses	100.4	88.9
Cost of purchased services and repairs	105.5	98.3
Rent and lease expenses	7.9	9.8
Other expenses	23.2	18.9
Total	**236.9**	**215.9**

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	2021	2020
Exchange gains	32.5	39.6
Exchange losses	-43.5	-41.8
Total	**-11.0**	**-2.2**

(9) NET INVESTMENT INCOME / EXPENSE

in EUR million	2021	2020
Income from investments accounted for using the equity method	0.2	0.1
Income from other equity investments	0.1	0.2
Total	**0.3**	**0.3**

(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 0.1 million (prior year: EUR 0.2 million) were capitalized in non-current assets. The interest rate used in 2021 was 0.9 percent (prior year: 1.0 percent).

(11) INTEREST INCOME

This item contains other interest and similar income of EUR 0.5 million (prior year: EUR 0.4 million).

(12) INCOME TAXES

in EUR million	2021	2020
Current income taxes		
current tax expense / income (-) for the reporting period	56.8	34.4
tax expense / income (-) relating to other periods	-0.5	1.1
Deferred tax expense / income (-)		
from temporary measurement differences	-7.5	-2.9
from unused tax losses	0.3	1.0
Total	**49.2**	**33.6**

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 22.0 million (prior year: EUR 18.3 million).

Of the deferred taxes recognized in the statement of financial position, an amount of EUR 10.0 million (prior year: EUR 10.4 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	2021	2020
Earnings before tax	197.0	134.7
Theoretical tax rate (%)	29.0	29.0
Estimated tax expense	**57.1**	**39.1**
Reasons for the change in theoretical tax expense:		
– Deviating foreign tax rates	-8.5	-7.4
– Taxes from other periods	-0.5	1.1
– Tax-free income	-0.2	-0.5
– Non-deductible expenses	2.1	2.1
– Tax incentives	-0.7	-0.8
– Use of unused tax losses that have not yet been recognized	-0.1	-0.5
– Other	-0.2	0.5
Income taxes reported	**49.2**	**33.6**
Effective tax rate (%)	25.0	24.9

As in the prior year, the calculation of the estimated tax expense for fiscal year 2021 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:

	Deferred tax assets		Deferred tax liabilities	
in EUR million	2021	2020	2021	2020
Intangible assets	2.2	1.1	7.8	8.7
Property, plant and equipment / financial assets	0.4	0.4	20.6	20.6
Inventories	26.7	21.5	3.6	1.2
Other current assets	3.1	1.3	6.2	5.8
Liabilities	52.4	51.1	1.0	1.0
Unused tax losses	0.4	0.7	0.0	0.0
Gross value	**85.2**	**76.1**	**39.2**	**37.3**
Offsetting	-37.0	-35.2	-37.0	-35.2
Carrying amount	**48.2**	**40.9**	**2.2**	**2.1**

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 forecast taxable income, the Group assumes that the deferred tax assets can be realized.

Unused tax losses developed as follows:

in EUR million	2021	2020
Unused tax losses		
– on which no deferred tax assets were recognized	1.8	2.0
of which available for offsetting for more than ten years	(1.8)	(2.0)
– on which deferred tax assets were recognized	2.2	3.2
Total	**4.0**	**5.2**

(13) EARNINGS PER SHARE

in EUR million	2021	2020
Consolidated net income	147.8	101.1
of which attributable to shareholders of SICK AG	**147.8**	**101.1**
Number of shares (weighted average) in millions	26.2	26.2
Earnings per share (basic and diluted) in EUR / share	5.64	3.86

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 table below shows the carrying amounts of the business fields:

in EUR million	2021	2020
Factory Automation	10.0	9.4
Logistics Automation	7.8	7.7
Process Automation	7.7	7.8
Total	25.4	24.9

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 9.7 percent (prior year: 9.2 percent) before taxes has been used for the cash flow forecasts.

The actual recoverable amounts exceed the carrying amounts of the Factory Automation, Logistics Automation, and Process Automation cash-generating units by EUR 1,037.1 million (prior year: EUR 666.8 million), EUR 698.2 million (prior year: EUR 475.6 million), and EUR 342.5 million (prior year: EUR 238.0 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 28.6 million (prior year: EUR 31.6 million).

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

EUR million	2021	2020
Research costs and non-capitalizable development costs	200.4	192.5
Amortization of development costs	9.8	8.6
Total	210.3	201.1

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	2021	2020
Carrying amounts of the shares	3.8	3.8
Share in:		
Income from continuing operations	0.3	0.1
Comprehensive income	**0.3**	**0.1**

(16) OTHER FINANCIAL ASSETS

in EUR million	2021	2020
Other equity investments	0.0	2.2
Total	**0.0**	**2.2**

(17) INVENTORIES

in EUR million	2021	2020
Materials and supplies	210.7	164.2
Work in process	135.5	127.3
Finished goods and goods for resale	127.8	105.0
Payments on account	0.8	0.5
Total	**474.8**	**397.0**

Based on the gross value, the value of the inventories was impaired by EUR 47.7 million (prior year: EUR 40.4 million).

(18) TRADE RECEIVABLES

in EUR million	2021	2020
Trade receivables due from		
– third parties	333.9	304.2
– entities accounted for using the equity method	0.1	0.1
Total	**334.0**	**304.3**

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	2021	2020
Other tax assets	22.9	10.0
Prepaid expenses	10.0	7.5
Derivative financial instruments (held for trading)	0.3	1.4
Sundry other	45.3	41.0
Total	**78.4**	**59.9**

(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.

(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, 2021, SICK AG had 189,156 (prior year: 189,808) 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.

	2021	2020
Opening balance	26,215,592	26,214,132
Acquisition of treasury shares	-1,398	-1,340
Disposal of treasury shares	2,050	2,800
Closing balance	26,216,244	26,215,592

(25) REVENUE RESERVES

Revenue reserves include the profits of SICK AG and consolidated subsidiaries earned in prior years and not yet distributed. In addition, currency translation differences of EUR -12.5 million (prior year: EUR -32.5 million) are also reported here as well as losses from the remeasurement of pension obligations of EUR -35.3 million (prior year: losses of EUR -37.7 million) less deferred taxes of EUR 10.0 million (prior year: EUR 10.4 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 1.15 per share and a long-service award of EUR 0.25 per share was distributed from the retained earnings of SICK AG as of December 31, 2020 for fiscal year 2020, i.e., taking into account treasury shares totaling EUR 36.7 million that are not entitled to dividends.

The company plans to distribute a dividend of EUR 1.65 per share for the past fiscal year 2021 or a total of EUR 43.3 million including treasury shares that are not entitled to dividends.

The individual components of equity and their development in 2021 and 2020 are shown in the consolidated statement of changes in equity.

(27) NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

in EUR million	2021 of which due in Total	≤ one year	> one year	2020 of which due in Total	≤ one year	> one year
Liabilities to banks	150.6	9.3	141.4	180.3	30.1	150.2
Lease liability	89.5	20.8	68.7	84.2	19.9	64.3
Total	**240.2**	**30.1**	**210.1**	**264.5**	**50.0**	**214.5**

Liabilities to banks due in more than five years come to a total of EUR 26.8 million (prior year: EUR 79.6 million).

Non-current liabilities owed to banks are predominantly fixed-interest loans. The interest rates range from 0.6 to 1.3 percent (prior year: from 0.6 to 2.4 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, 2021	Cash	Non-cash	Dec. 31, 2021
Liabilities to banks	180.3	-29.7	0.0	150.6
Lease liability	84.2	-26.4	31.7	89.5
Total	**264.5**	**-56.1**	**31.7**	**240.2**

(28) PROVISIONS AND OTHER LIABILITIES

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

in EUR million	2021	2020
Provisions for pensions and similar obligations	86.8	88.2
Other non-current provisions	27.5	25.2
Other non-current liabilities	0.5	0.5
Total	**114.8**	**113.9**

Other non-current liabilities primarily include non-current contract liabilities. For further information, reference is made to section F. (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 pays contributions into a state or private fund in accordance with legal or contractual provisions or on a voluntary basis. 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. Including contributions to the statutory pension system, these amounted to EUR 47.4 million in total in fiscal year 2021 (prior year: EUR 44.1 million).

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	2021	2020
Current service cost	6.3	6.0
Interest expense	0.3	0.5
Total	**6.6**	**6.5**

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	2021	2020
As of January 1	**121.3**	**114.1**
Expenses recognized in profit or loss		
Current service cost	6.3	6.0
Interest expense	0.5	0.8
Benefits paid	-4.6	-4.5
Amounts recognized in other comprehensive income		
Change in financial assumptions	-4.0	2.5
Change in demographic parameters	-1.2	-0.1
Experience adjustments, gains / losses	4.0	1.9
Employee contributions	0.5	0.4
Exchange rate differences / other changes	0.8	0.2
As of December 31	**123.6**	**121.3**

The average term of the defined benefit obligations in Germany is between 3.3 and 9.1 years (prior year: 4.5 and 7.9 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	2021	2020
As of January 1	**33.1**	**31.3**
Expenses / income recognized in profit or loss		
Interest income	0.2	0.2
Amounts recognized in other comprehensive income		
Return on plan assets	1.1	-0.3
Experience adjustments, gains / losses	-0.1	-0.1
Employer contributions	3.3	3.0
Benefits paid	-1.2	-1.5
Exchange rate differences / other changes	0.4	0.5
As of December 31	**36.8**	**33.1**

The Group will contribute an estimated EUR 2.5 million to its defined benefit pension plans in 2022 (prior year: EUR 2.2 million).

Pension payments of an estimated EUR 3.7 million (prior year: EUR 3.4 million) will 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:

EUR million	2021	2020
Defined benefit obligation	123.6	121.3
Fair value of plan assets	-36.8	-33.1
Provisions for pensions and similar obligations	**86.8**	**88.2**

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	2021	2020
As of January 1	19.1	17.0
Expenses / income recognized in profit or loss		
Interest income	0.1	0.1
Amounts recognized in other comprehensive income		
Experience adjustments, gains / losses	0.2	0.4
Employer contributions	2.0	1.9
Benefits paid	-0.3	-0.4
Other changes	0.0	0.1
As of December 31	21.1	19.1

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	2021	2020
Discount rate (+1%)	-6.9	-6.4
Discount rate (-1%)	9.1	8.1
Future salary development (-0.5%)	-0.3	-0.2
Future salary development (+0.5%)	0.3	0.2
Future pension development (-0.25%)	-1.6	-1.4
Future pension development (+0.25%)	1.6	1.5
Life expectancy (+1 year)	4.7	4.2

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, 2021:

- Germany: Heubeck 2018G mortality tables (modified)
- Switzerland: BVG 2020

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

in %	Germany 2021	Germany 2020	Switzerland 2021	Switzerland 2020
Discount rate as of December 31	1.00	0.50	0.10	0.10
Future salary development	3.00	3.00	1.50	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, 2021	Exchange rate differences/ changes in the basis of consolidation	Utilization	Reversal	Additions	Discount rate adjustment	Dec. 31, 2021
Personnel and welfare expense	20.4	-0.1	2.2	0.9	3.4	0.0	20.6
Warranties and onerous contracts	14.5	0.3	8.2	3.8	12.5	0.0	15.3
Sundry other provisions	11.6	0.6	1.5	0.7	4.6	0.0	14.5
Total	46.5	0.7	11.8	5.4	20.5	0.1	50.4

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	2021 of which due in Total	2021 ≤ one year	2021 > one year	2020 of which due in Total	2020 ≤ one year	2020 > one year
Personnel and welfare expense	20.6	2.5	18.1	20.4	2.5	17.9
Warranties and onerous contracts	15.3	15.3	0.0	14.5	14.5	0.0
Sundry other provisions	14.5	5.1	9.4	11.6	4.3	7.3
Total	**50.4**	**22.9**	**27.5**	**46.5**	**21.3**	**25.2**

(29) TAX LIABILITIES

This item records income tax liabilities.

(30) TRADE PAYABLES

in EUR million	2021	2020
Trade payables due to		
– third parties	179.1	129.4
– entities accounted for using the equity method	0.0	0.1
– other	0.1	0.2
Total	**179.2**	**129.7**

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	2021 Total	2021 ≤ one year	2021 > one year	2020 Total	2020 ≤ one year	2020 > one year
Payments on account received	80.2	80.2	0.0	75.6	75.6	0.0
Deferred revenue	2.2	1.8	0.4	2.0	1.5	0.5
Total	**82.4**	**82.0**	**0.4**	**77.6**	**77.1**	**0.5**

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	2021	2020
As of January 1	77.6	56.9
Recognized as revenue in the fiscal year	77.1	56.0
Deferred during the reporting period	81.9	76.7
As of December 31	**82.4**	**77.6**

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	2021	2020
Liabilities to employees	97.6	66.0
Other tax liabilities	32.9	21.4
Social security liabilities	16.8	14.7
Derivative financial instruments held for trading	4.5	0.8
Deferred income	0.2	0.2
Sundry other liabilities	5.3	6.2
Total	**157.4**	**109.3**

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 9.5 million (prior year: EUR 10.4 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 40.5 million per year (prior year: EUR 36.2 million).

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

(35) LEASES

The following tables provide information about the amounts:

IN THE INCOME STATEMENT

in EUR million	2021	2020
Amortization of right-of-use assets	22.5	22.4
Expenses relating to short-term leases	2.2	2.2
Expenses relating to leases of low-value assets	4.1	6.3
Interest expenses on lease liabilities	1.9	1.7

IN THE STATEMENT OF CASH FLOWS

in EUR million	2021	2020
Cash outflows for lease liabilities	26.4	22.8

There were also cash outflows for short-term leases and leases of low-value assets of EUR 6.3 million (prior year: EUR 8.5 million).

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, 2021	64.7	14.2	0.4	79.3
Additions	24.1	7.5	0.4	32.0
Depreciation	-14.5	-7.8	-0.2	-22.5
Other changes	-3.5	-0.4	-0.2	-4.1
Carrying amount as of Dec 31, 2021	**70.8**	**13.5**	**0.3**	**84.7**

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**

Furthermore, there are future payments from leases that have not commenced but have already been contractually agreed of EUR 3.3 million (prior year: 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 taxes due to changes in fair value of monetary foreign currency items.

	Change in foreign exchange rates in %		Effect on earnings in EUR million	
2021			Income (+)	Expense (-)
CNY	+10	-10	8.3	-8.1
Total			**8.3**	**-8.1**

	Change in foreign exchange rates in %		Effect on earnings in EUR million	
2020			Income (+)	Expense (-)
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**

(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.

The following table shows the breakdown between floating-interest and fixed-interest liabilities to banks:

in EUR million	2021	2020
Fixed interest	150.0	179.2
Floating interest	0.6	1.1
Total	**150.6**	**180.3**

The table below shows the structure of the repricing dates:

in EUR million	2021	2020
Repricing dates within 12 months	9.2	30.1
Repricing dates after 12 months	141.4	150.2
Total	**150.6**	**180.3**

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.

The following table demonstrates the sensitivity of the consolidated net income before income taxes due to a change in market interest rates as of the end of the reporting period.

	2021		2020	
in EUR million	+100 basis points	-100 basis points	+100 basis points	-100 basis points
Effects from financial liabilities and assets	1.8	-1.8	1.1	-1.1
Total	**1.8**	**-1.8**	**1.1**	**-1.1**

(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	2021	2020
Gross value	342.0	312.6
Impairment	-8.0	-8.3
Net value	**334.0**	**304.3**

	2021			2020		
in EUR million	Gross value	Impairment	Weighting in %	Gross value	Impairment	Weighting in %
not past due	294.8	1.3	0.4	258.8	1.2	0.5
past due						
– less than 30 days	25.4	0.6	2.4	27.1	0.7	2.6
– between 30 and 90 days	11.5	1.3	11.3	15.0	0.5	3.3
– between 91 and 360 days	5.1	1.4	27.5	6.6	1.9	28.8
– more than 360 days	5.1	3.4	66.7	5.1	4.0	78.4
Total	**342.0**	**8.0**		**312.6**	**8.3**	

Bad debt allowances on trade receivables developed as follows in the reporting year:

in EUR million	2021	2020
As of January 1	8.3	**9.5**
Exchange rate differences	0.4	-0.4
Derecognition	-0.4	-0.6
Adjustment to loss allowance	-0.3	-0.2
As of December 31	**8.0**	**8.3**

(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	2021	2020
Credit lines and loans	315.5	446.1
– utilized	(150.6)	(180.3)

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, 2021 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	2022	2023	2024	2025	2026	≥ 2027
Liabilities to banks	155.5	9.8	9.2	51.8	3.7	53.4	27.6
Lease liability	99.1	22.5	19.4	13.2	9.2	7.0	27.7
Derivative financial instruments	4.5	4.5	0.0	0.0	0.0	0.0	0.0
Trade payables	179.2	179.2	0.0	0.0	0.0	0.0	0.0
Other financial liabilities	5.3	5.3	0.0	0.0	0.0	0.0	0.0
Total	**443.6**	**221.3**	**28.6**	**65.0**	**12.9**	**60.4**	**55.3**

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 14.3 million (prior year: EUR 8.0 million) and a cash inflow of EUR 9.7 million (prior year: EUR 7.2 million).

There are also derivative financial instruments with a positive market value that break down into a cash outflow of EUR 128.4 million (prior year: EUR 115.7 million) and a cash inflow of EUR 128.6 million (prior year: EUR 117.1 million).

As of December 31, 2020, the financial liabilities of the Group had the following terms. The disclosures were 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 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, 2021, the equity ratio amounted to 51.3 percent (prior year: 49.6 percent).

(37) FINANCIAL INSTRUMENTS

(A) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities regularly measured at fair value:

	Level 1		Level 2		Level 3		Total	
in EUR million	2021	2020	2021	2020	2021	2020	2021	2020
ASSETS								
Other financial assets	0.0	0.0	0.3	1.4	0	0.0	0.3	1.4
thereof derivatives not used for hedging	0.0	0.0	0.3	1.4	0	0.0	0.3	1.4
EQUITY AND LIABILITIES								
Other financial liabilities	0.0	0.0	4.5	0.8	0	0.0	4.5	0.8
thereof derivatives not used for hedging	0.0	0.0	4.5	0.8	0	0.0	4.5	0.8

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, 2021 and December 31, 2020, 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	2021	2020	2021	2020	2021	2020	2021	2020
ASSETS								
Other financial assets	0.0	0.0	0.0	2.2	0.0	0.0	0.0	2.2
EQUITY AND LIABILITIES								
Liabilities to banks	0.0	0.0	150.7	184.4	0.0	0.0	150.7	184.4
Lease liabilities	0.0	0.0	89.5	84.2	0.0	0.0	89.5	84.2

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, 2021 at fair value gave rise to the following total gains and losses:

	Assets		Liabilities	
in EUR million	2021	2020	2021	2020
Recognized in the income statement:				
Derivatives not used for hedging	0.2	0.2	-4.5	-0.8

(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	2021	2020
Financial assets at fair value through profit or loss	-0.3	0.3
Financial liabilities at fair value through profit or loss	-3.5	0.9
Financial assets at acquisition cost	3.4	-1.5
Financial liabilities at acquisition cost	-5.4	-2.1
Total	**-5.8**	**-2.4**

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	2021	2020
Total interest income	0.5	0.4
Total interest expenses	-3.6	-4.2
Total	**-3.1**	**-3.8**

(D) DERIVATIVE FINANCIAL INSTRUMENTS

As of the end of the reporting period, the fair values of the derivative financial instruments are as follows:

	Contract value or nominal value		Positive fair value		Negative fair value	
in EUR million	2021	2020	2021	2020	2021	2020
Currency instruments without hedging relationship						
– Forward exchange contracts	133.7	81.8	0.3	0.5	4.5	0.8
– Currency options	4.4	41.1	0.0	0.9	0.0	0.0
Total currency instruments	**138.1**	**122.9**	**0.3**	**1.4**	**4.5**	**0.8**

The foreign currency instruments are principally used to hedge exchange rate risks in CNY. The total hedges of EUR 138.1 million (prior year: EUR 122.9 million) have maturities of less than 12 months.

(38) GOVERNMENT GRANTS

The Group reported earmarked government grants in the fiscal year of EUR 2.2 million in total (prior year: EUR 0.0 million). EUR 2.2 million of this amount (prior year: EUR 0.0 million) was deducted from the cost of the assets in question. Government grants mainly consist of subsidies provided for the capital expenditures at the location in Hungary to support regional economic development. If earmarked subsidies are not used for the designated purpose, they may have to be repaid.

Furthermore, the Group reports government grants for R&D projects and other support services of EUR 4.1 million (prior year: EUR 4.2 million); these are not dependent on the success of the projects. These were recognized in profit or loss in full in 2021 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:

EUR million	2021	2020
Goods and services sold	0.3	0.1
Goods and services purchased	2.5	2.6
Receivables as of the end of the reporting period	0.2	0.1
Liabilities as of the end of the reporting period	0.0	0.1

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, 2021, 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 6.9 million (prior year: EUR 4.3 million) awarded to these individuals includes short-term employee benefits of EUR 5.1 million (prior year: EUR 3.6 million) expensed in the reporting period, post-employment benefits of EUR 0.4 million (prior year: EUR 0.5 million) as well as other long-term benefits of EUR 1.5 million (prior year: EUR 0.2 million), of which EUR 0.7 million (prior year: EUR 0.1 million) can be settled in SICK AG shares.

Total remuneration pursuant to Sec. 314 (1) No. 6a HGB of the members of the Executive Board in office in the reporting year amounts to EUR 6.6 million excluding pension costs (prior year: EUR 3.8 million).

A long-term incentive arrangement ("LTI") was concluded with the members of the Executive Board of SICK AG in the fiscal years 2019, 2020, and 2021. The fundamental prerequisite for receiving the LTI is to belong to the Executive Board of SICK AG for a period of three years.

Generally speaking, the assessment base for the LTI is a positive value added accumulated over three fiscal years (either 2019 to 2021 or 2021 to 2023, depending on the contract, referred to as the time frame). The LTI is partly measured as a percentage of the average value added calculated in this period and partly based on various financial performance indicators. It is limited to a certain percentage of the fixed remuneration. At the end of the time frame, the LTI is paid out in shares in SICK AG (max. 50 percent) and in cash (min. 50 percent). In fiscal year 2021, 2,050 shares were paid out at a price of EUR 55.80 at the end of the 2017 to 2020 time frame under the LTI. The obligations from the cash settlement amount to EUR 0.8 million as of December 31, 2021. 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, 2021 was based on the consolidated financial statements as of December 31, 2019 to 2021 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 55.80 calculated by the tax authorities in fiscal year 2021, the 50 percent share of the LTI that can be paid in shares corresponds to EUR 0.8 million or 14,142 shares.

Compensation to former members of management and their surviving dependents totaled EUR 1.8 million in the fiscal year (prior year: EUR 1.4 million). Provisions totaling EUR 16.6 million (prior year: EUR 13.8 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 0.5 million (prior year: EUR 0.4 million) for activities for SICK AG. Additional compensation for advisory services was not paid.

As of December 31, 2021, 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 an aggregated basis the fees incurred for the services provided by the auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany:

EUR million	2021	2020
Audits of the financial statements	0.3	0.3
Other services	0.1	0.1
Total	**0.4**	**0.4**

(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
Improvements to IFRSs (2018–2020)	Amendments to various standards (IFRS 1, IFRS 9, IFRS 16, and IAS 41)	Jan. 1, 2022	Immaterial
Amendments to IFRS 3	Reference to the Conceptual Framework	Jan. 1, 2022	Immaterial
Amendments to IAS 16	Proceeds before Intended Use	Jan. 1, 2022	Immaterial
Amendments to IAS 37	Onerous Contracts: Cost of Fulfilling a Contract	Jan. 1, 2022	Immaterial
Amendments to IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current	Jan. 1, 2023	Immaterial
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	Jan. 1, 2023	Immaterial
Amendments to IAS 8	Definition of Accounting Estimates	Jan. 1, 2023	Immaterial
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Jan. 1, 2023	Immaterial
IFRS 17	Insurance Contracts	Jan. 1, 2023	Immaterial

(43) SUBSEQUENT EVENTS

At the beginning of 2022, SICK took over the remainder of the shares (75 percent) in Mobilisis d.o.o., Varaždin, Croatia. The purchase price was EUR 7.6 million. Previously, the company was included in the consolidated financial statements as an investment accounted for using the equity method of EUR 1.6 million. Since taking over the shares, SICK is the sole owner of Mobilisis d.o.o., strengthening key competencies in the field of wireless connectivity of industrial IoT devices and fleet management. In addition, Mobilisis d.o.o. rounds out SICK's sensor-based offering to include cloud and edge solutions.

Because the purchase price allocation had not been completed as of the reporting date, it was not possible to make statements concerning the amount of goodwill.

Also at the beginning of 2022, SICK entered into a long-term lease for land and buildings for 20 years. The annual lease payment is approximately EUR 0.9 million.

The escalating conflict in Ukraine since the war in Ukraine started on February 24, 2022 and the related EU sanctions on Russia are impacting SICK's business activities there. SICK's existing share of direct business on the Ukrainian and Russia markets is not material. The war in Ukraine is a non-adjusting event for 2022 and therefore does not have any significant effect on the recognition and measurement of assets and liabilities as of the end of the 2021 reporting period. For further explanations, please refer to the comments in the management report.

(44) EXECUTIVE BOARD AND SUPERVISORY BOARD DISCLOSURES

EXECUTIVE BOARD

Dr. Robert Bauer, Emmendingen (Chairman)
Technology & Digitalization
(until September 30, 2021)

Dr. Mats Gökstorp, Freiburg (Chairman from October 1, 2021)
Products & Marketing

Feng Jiao, Beijing, China
Sales & Service

Dr. Martin Krämer, Waldkirch
Human Resources, Legal & Compliance

Dr. Niels Syassen, Waldkirch
Technology & Digitalization
(from October 1, 2021)

Markus Vatter, Vörstetten
Finance & IT

Dr. Tosja Zywietz, 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 AG, 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 14, 2022. The financial statements were then submitted to the Supervisory Board for review.

Waldkirch, March 14, 2022

SICK AG

The Executive Board

Dr. Mats Gökstorp (Chairman)	Feng Jiao	Dr. Martin Krämer
Dr. Niels Syassen	Markus Vatter	Dr. Tosja Zywietz

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS

Exhibit A1

Non-current assets	Acquisition or production costs						Accumulated depreciation and amortization						Net carrying amounts	
EUR million	Balance as of Jan. 1, 2021	Exchange rate differences	Additions	Disposals	Reclassi-fications	Balance as of Dec. 31, 2021	Balance as of Jan. 1, 2021	Exchange rate differences	Additions	Disposals	Reclassi-fications	Balance as of Dec. 31, 2021	Balance as of Dec. 31, 2021	Balance as of Dec. 31, 2020
I. Intangible assets														
1. Purchased industrial property rights and similar rights and assets as well as licenses to such rights and assets	94.9	0.4	5.1	2.8	1.4	99.0	82.9	0.3	7.1	2.6	0.0	87.7	11.3	12.0
2. Goodwill	25.9	0.5	0.0	0.0	0.0	26.4	1.0	0.0	0.0	0.0	0.0	1.0	25.4	24.9
3. Capitalized development costs and other internally generated intangible assets	122.8	0.0	7.4	4.3	0.0	125.9	91.2	0.0	10.4	4.3	0.0	97.3	28.6	31.6
4. Payments on account	4.7	0.0	1.9		-1.4	5.2	0.0					0.0	5.2	4.7
	248.3	**0.9**	**14.4**	**7.1**	**0.0**	**256.5**	**175.1**	**0.3**	**17.5**	**6.9**	**0.0**	**186.0**	**70.5**	**73.2**
II. Property, plant and equipment														
1. Land and buildings including buildings on third-party land	273.0	0.7	4.2	1.1	0.8	277.6	85.0	0.5	7.9	1.0	0.2	92.6	185.0	188.0
2. Technical equipment and machinery	280.1	1.2	17.3	5.8	15.0	307.8	178.9	0.9	27.5	5.6	0.0	201.7	106.1	101.2
3. Other equipment, furniture and fixtures	182.2	2.5	13.0	16.0	2.2	183.9	127.8	2.1	18.4	15.8	-0.2	132.3	51.6	54.4
4. Payments on account and assets under construction	25.4	0.2	37.2	0.0	-18.0	44.8	0.0					0.0	44.8	25.4
5. Right-of-use assets from leases	156.0	2.6	32.0	17.1	0.0	173.5	76.7	1.5	22.5	11.9	0.0	88.8	84.7	79.3
	916.7	**7.2**	**103.7**	**40.0**	**0.0**	**987.6**	**468.4**	**5.0**	**76.3**	**34.3**	**0.0**	**515.4**	**472.2**	**448.3**
Total	**1,165.0**	**8.1**	**118.1**	**47.1**	**0.0**	**1,244.1**	**643.5**	**5.3**	**93.8**	**41.2**	**0.0**	**701.4**	**542.7**	**521.5**

Additions to accumulated depreciation and amortization contain impairment losses on capitalized development costs and other internally generated intangible assets of EUR 2.5 million.

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS

Exhibit A2

Non-current assets	Acquisition or production costs						Accumulated depreciation and amortization						Net carrying amounts	
EUR million	Balance as of Jan. 1, 2020	Exchange rate differences	Additions	Disposals	Reclassi-fications	Balance as of Dec. 31, 2020	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
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	79.3	-0.6	6.2	2.0	0.0	82.9	12.0	13.5
2. Goodwill	26.5	-0.6	0.0	0.0	0.0	25.9	1.0	0.0	0.0	0.0	0.0	1.0	24.9	25.5
3. Capitalized development costs and other internally generated intangible assets	116.3	0.0	8.1	1.6	0.0	122.8	83.5	0.0	9.3	1.6	0.0	91.2	31.6	32.8
4. Payments on account	3.1	0.0	2.6		-1.0	4.7	0.0					0.0	4.7	3.1
	238.7	**-1.2**	**14.4**	**3.6**	**0.0**	**248.3**	**163.8**	**-0.6**	**15.5**	**3.6**	**0.0**	**175.1**	**73.2**	**74.9**
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	79.0	-0.8	7.7	0.9	0.0	85.0	188.0	170.1
2. Technical equipment and machinery	261.1	-4.4	16.0	5.2	12.6	280.1	160.2	-2.7	26.4	5.0	0.0	178.9	101.2	100.9
3. Other equipment, furniture and fixtures	179.6	-3.6	11.6	7.3	1.9	182.2	118.6	-2.7	19.1	7.2	0.0	127.8	54.4	61.0
4. Payments on account and assets under construction	48.6	0.1	16.3	0.0	-39.6	25.4	0.0				0.0	0.0	25.4	48.6
5. Right-of-use assets from leases	150.0	-3.0	18.9	9.9	0.0	156.0	64.8	-1.7	22.4	8.8	0.0	76.7	79.3	85.2
	888.4	**-13.1**	**64.7**	**23.3**	**0.0**	**916.7**	**422.6**	**-7.9**	**75.6**	**21.9**	**0.0**	**468.4**	**448.3**	**465.8**
Total	**1,127.1**	**-14.3**	**79.1**	**26.9**	**0.0**	**1,165.0**	**586.4**	**-8.5**	**91.1**	**25.5**	**0.0**	**643.5**	**521.5**	**540.7**

Additions to accumulated depreciation and amortization contain impairment losses on capitalized development costs and other internally generated intangible assets of EUR 0.5 million.

CARRYING AMOUNTS AND FAIR VALUES

by measurement category in EUR million

Exhibit A3

	Measurement category pursuant to IFRS 9	Carrying amount 2021	Carrying amount pursuant to IFRS 9: (Amortized) cost	Carrying amount pursuant to IFRS 9: Fair value through other comprehensive income	Carrying amount pursuant to IFRS 9: Fair value through profit or loss	Carrying amount pursuant to IFRS 16	Other carrying amounts	Fair value 2021
ASSETS								
Trade receivables	AC	334.0	334.0					334.0
Other assets								
Derivatives held for trading	FVTPL	0.3			0.3			0.3
Other	FVOCI/AC/n.a.	45.3	11.3	0.6			33.4	45.3
Cash and cash equivalents	AC	210.8	210.8					210.8
EQUITY AND LIABILITIES								
Financial liabilities								
Liabilities to banks	AC	150.6	150.6					150.7
Lease liabilities	n.a.	89.5				89.5		89.5
Trade payables	AC	179.2	179.2					179.2
Other liabilities								
Derivatives held for trading	FVTPL	4.5			4.5			4.5
Other	AC	5.3	5.3					5.3
Of which aggregated by measurement category pursuant to IFRS 9								
Financial assets at amortized cost (AC)		556.1	556.1					
Financial assets at fair value through profit or loss (FVTPL)		0.3			0.3			
Financial assets at fair value through other comprehensive income (FVOCI)		0.6		0.6				
Financial liabilities at amortized cost (AC)		335.1	335.1					
Financial liabilities at fair value through profit or loss (FVTPL)		4.5			4.5			

CARRYING AMOUNTS AND FAIR VALUES

by measurement category in EUR million

	Measurement category pursuant to IFRS 9	Carrying amount 2022	Carrying amount pursuant to IFRS 9: (Amortized) cost	Carrying amount pursuant to IFRS 9: Fair value through other comprehensive income	Carrying amount pursuant to IFRS 9: 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			

LIST OF MAIN SHAREHOLDINGS

as of December 31, 2021

Name and registered offices of the entity		Investment	Indirect investment	Consolidation
		(%)	via no.	
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 / the 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, 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 Co., Ltd., Seoul / Korea	100.00		

LIST OF MAIN SHAREHOLDINGS

as of December 31, 2021

Name and registered offices of the entity	Investment (%)	Indirect investment via no.	Consolidation
24. SICK Automatisierung International GmbH, Waldkirch / Germany	100.00		
25. SICK China Co., Ltd., Guangzhou / China	100.00	18.	
26. SICK MAIHAK (Beijing) Co., Ltd., Beijing / China	100.00		
27. SICK IVP AB, Linköping / Sweden	100.00		
28. Sensörler ve İleri Cihazlar Kontrol A.Ş., Istanbul / Turkey	100.00		
29. SICK LLC, Moscow / Russia [3)]	100.00	24.	
30. SICK Vertriebs-GmbH, Düsseldorf / Germany [1)]	100.00		
31. SICK d.o.o., Ljubljana / Slovenia	100.00	21.	N
32. SICK INDIA Pvt. Ltd., Mumbai / India	100.00	24.	
33. SICK Sensors Ltd., Tzur Yigal / Israel	100.00		
34. SICK S.R.L., Dumbravita / Romania [4)]	100.00	24.	N
35. SICK TAIWAN Co., Ltd., Taipei / Taiwan	100.00		
36. SICK Automation Solutions S.A. de C.V., Guanajuato / Mexico	100.00	24.	
37. SICK Ltd., Moncton, New Brunswick / Canada	100.00	3.	
38. SICK Automation Southern Africa (Pty) Ltd., Northcliff / South Africa	100.00	24.	
39. SICK Sdn. Bhd., Johor Bahru / Malaysia	100.00	41.	
40. SICK System Engineering AG, Buochs / Switzerland	100.00		
41. SICK Product Center Asia Pte. Ltd., Singapore / Singapore	100.00		
42. SICK FZE, Dubai / United Arab Emirates	100.00	24.	
43. SICK Sensor (Malaysia) Sdn. Bhd., Petaling Jaya / Malaysia	100.00	24.	
44. SICK (THAILAND) Co., Ltd., Bangkok / Thailand	100.00	24.	
45. SICK NZ Ltd, Auckland / New Zealand	100.00	24.	
46. SICK Ertekesito Szolgaltato Kft., Budapest / Hungary	100.00	24.	N
47. SICK Metering Systems N.V., Stabroek / Belgium	100.00	11.	
48. SICK VSE s.r.o., Prague / Czech Republic	100.00	24.	
49. SICK Product & Competence Center Americas LLC, Minneapolis, MN / USA	100.00	3.	

LIST OF MAIN SHAREHOLDINGS

as of December 31, 2021

Name and registered offices of the entity	Investment	Indirect investment	Consolidation
	(%)	via no.	
50. SICK ATech GmbH, Witten / Germany	100.00		
51. SICK Hellas Ltd., Kifisia / Greece [5)]	100.00	24.	
52. Zhejiang SICK Sensor Co. Ltd., Jiaxing, Zhejiang Province / China	100.00		
53. SICK SpA, Santiago de Chile / Chile	100.00	24.	
54. Jiangsu SICK Sensor Co., Ltd., Changzhou, Jiangsu Province / China	100.00		
55. SICK Slovakia s.r.o., Bratislava / Slovakia	100.00		
II. Equity investments and other interests			
56. SICK OPTEX Co., Ltd., Kyoto / Japan	50.00		A
57. WABE gGmbH, Waldkirch / Germany	16.67		N
58. Mobilisis d.o.o., Varaždin / Croatia	24.99		A

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) 15 percent of the shares are held by SICK AG, Waldkirch / Germany.
4) 0.5 percent of the shares are held by SICK AG, Waldkirch / Germany.
5) 1 percent of the shares are held by SICK AG, Waldkirch / Germany.
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.

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT

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, 2021, the consolidated statement of financial position as of December 31, 2021, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year from January 1 to December 31, 2021, 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, 2021. 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, 2021, and of its financial performance for the fiscal year from January 1 to December 31, 2021, 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.

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 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 14, 2022

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
- SICK Holding GmbH, Freiburg, Chairman of the Advisory Board
- Welltec International ApS, Allerod (Denmark), Non-Executive Director

Karl-Heinz Barth, Donaueschingen [1]
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 membership:

- Fielmann Aktiengesellschaft, Hamburg, Chairman of the Supervisory Board

Dr. Bernd Cordes, Emmendingen [1]
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 Partner of SICK holding GmbH, Freiburg
Member of the Supervisory Board since 2017

Dr. Matthias Müller, Braunschweig [1]
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 Partner of Sick Glaser GmbH, Freiburg
Member of the Supervisory Board since 2007

Additional Supervisory Board membership:

- SICK Holding GmbH, Freiburg Deputy Chairwoman of the Advisory Board

[1] Employee representative

Hermann Spieß, Breisach[1]
Trade Union Secretary of IG Metall
Member of the Supervisory Board since 2002

Susanne Tröndle, Waldkirch[1]
(Deputy Chairwoman)
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, Korschenbroich[1]
Chairman of the Works Council of SICK Vertriebs-GmbH,
Düsseldorf
Member of the Supervisory Board since 2017

[1] Employee representative

THE EXECUTIVE BOARD

Dr. Mats Gökstorp
Chairman
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.

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.

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. Niels Syassen
Technology & Digitalization,

member of the Executive Board since October 1, 2021

Dr. Niels Syassen was born in Düsseldorf in 1977. He studied physics, specializing in lasers, optics and semiconductors at the Technical University of Munich and at Imperial College in London. He completed his doctorate at the Max Planck Institute for Quantum Optics in 2008. He joined the company in 2017 and, as a member of the Management Board, has been responsible for innovations in the gas and particle analysis solutions unit since 2018. Before this, he was active in various management functions in product development for sensors at Bosch in the Automotive Electronics division and at Dräger in their Safety Technology division.

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. Tosja Zywietz
Operations,

member of the Executive Board since January 1, 2020

Tosja Zywietz was born in Hanover 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 2022

April 27	Publication of the 2021 balance sheet ratios
May 19, 5 pm	Annual General Shareholders’ Meeting
May 24	Dividend payment

IMPRINT

PUBLISHED BY

SICK AG
Erwin-Sick-Str. 1
79183 Waldkirch
Germany

Phone: +49 7681 202-0
Fax: +49 7681 202-3863
E-mail: info@sick.de

www.sick.com

PROJECT MANAGEMENT

Antje Stein,
Corporate Communication
Phone: +49 7681 202-3873
E-mail: antje.stein@sick.de
Herbert Melzl, Taxes & Accounting Compliance

CONSULTING, CONCEPT & DESIGN

MPM Corporate Communication Solutions, Mainz
www.mpm.de

PICTURES

Dschafar El Kassem,
SICK

SICK
Sensor Intelligence.