ANNUAL REPORT 2013

THIS IS SICK

Sensor Intelligence.

SICK is one of the world's leading producers of sensors and sensor solutions for industrial applications. Founded in 1946 by Dr.-Ing. h. c. Erwin Sick, the company with headquarters in Waldkirch im Breisgau ranks among the technological market leaders. With more than 50 subsidiaries and equity investments as well as numerous representative offices, SICK maintains a presence all around the globe.

Contents

SICK AT A GLANCE

KEY FIGURES

		2009	2010	2011	2012[1]	2013	Change in %
Sales	in EUR million	596.8	748.9	902.7	971.3	1,009.5	3.9
EBITDA	in EUR million	42.0	96.3	114.8	117.9	125.9	6.8
EBIT	in EUR million	11.3	67.5	83.4	82.7	88.3	6.8
Net income	in EUR million	3.5	42.9	52.0	58.5	59.2	1.2
Cash flow	in EUR million	44.8	41.8	39.5	76.6	81.9	6.9
Employees							
on December 31		4,919	5,193	5,853	6,302	6,597	4.7
annual average		4,995	5,053	5,674	6,154	6,506	5.7
trainees[2]		199	197	211	239	260	8.8
Personnel expenses	in EUR million	276.0	316.9	361.8	404.2	429.0	6.1
Investments[3]	in EUR million	22.9	30.0	47.8	52.1	65.7	26.1
Depreciation	in EUR million	30.6	28.9	31.4	35.2	37.6	6.8
R&D expenditure	in EUR million	64.6	67.3	80.4	93.5	102.3	9.4
Total assets	in EUR million	440.9	507.5	576.3	611.5	649.2	6.2
Equity	in EUR million	206.8	234.3	269.3	282.9	321.6	13.7
Equity ratio	in %	46.9	46.2	46.7	46.3	49.5	
Net return on equity	in %	1.7	22.4	24.0	26.1	22.6	
ROCE	in %	3.7	20.1	21.5	19.5	19.2	
Net returns on sales	in %	0.6	5.7	5.8	6.0	5.9	
Earnings per share	in EUR	0.13	1.64	1.99	2.23	2.26	1.2

[1] adjusted in accordance with IAS 19 revised
[2] annual average
[3] in property, plant, equipment and intangible assets

WIDE PRODUCT RANGE + EXPERIENCE + EXPERTISE = EFFICIENT SOLUTIONS

- Photoelectric sensors
- Proximity sensors
- Magnetic cylinder sensors
- Identification solutions
- Detection and ranging solutions
- Fluid sensors
- System solutions
- Analyzers and systems
- Gas flow measurement
- Motor feedback systems
- Encoders
- Vision
- Opto-electronic protective devices
- Safety switches
- sens:Control – safe control solutions
- Registration sensors
- Distance sensors
- Automation light grids
- Software

FOREWORD BY THE EXECUTIVE BOARD

Reinhard Bösl, Dr. Robert Bauer, Dr. Mats Gökstorp, Markus Vatter, Dr. Martin Krämer (FLTR)

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

The 2013 fiscal year was not an easy one for SICK. In some regions, the world economy has taken a breather; economic or political uncertainties characterized many markets important to us. A number of currencies developed in directions that were hardly predictable at the beginning of the year. Amidst this nervous atmosphere, our customers felt uncertain as well, thus holding off on investments.

Nevertheless, we managed to shape the year successfully. We were able to boost our orders received to EUR 1,010.6 million and our sales by 3.9 percent to EUR 1,009.5 million. Even though the increase turned out to be smaller than in the previous years, we have, for the first time in company history, exceeded the billion-euro mark – despite unfavorable development of many important currencies in relation to the euro. In addition, our EBIT grew by 6.8 percent to reach EUR 88.3 million. In light of the difficult basic economic conditions, we consider the overall business development a great success.

This success is proof that our strategy has paid off once again. It constitutes a strategy that puts the main focus on one objective: Solutions by SICK are intended to make life easier for our customers; to help them manage a complex task as simply as possible; to find an intelligent answer to a difficult technical problem; or to contribute to reducing the pressure for rationalization; and thus create real added value.

In the past fiscal year, we have lived up to this demand by basing our business model on three pillars: We are concentrating on “Sensor Intelligence.”, i.e. on intelligent solutions – provided as products, systems, and services. In this context, we utilize all of the possibilities that industrial sensor technology offers us.

In order to be able to create these intelligent solutions, one thing is imperative above all: the competence of our employees. Without their knowledge, their experience, and their commitment, we would not be capable of mastering the complex demands customers make on us every single day. Our employees, numbering well over 6,500 worldwide, help us secure another prerequisite of our success: our innovative strength.

Last year, we invested EUR 102.3 million in order to make from the ideas present in our employees' heads the type of marketable solutions that have contributed to our customers' technical progress. Our Regional Product Centers in Europe, North America, and Asia ensured that these solutions match precisely the needs and requirements of our customers on location.

In the past fiscal year, too, our presence in all of the world's important growth regions paid off once more. It helped us compensate for fluctuations, as some markets developed at a different pace. The acquisition of our former distributor specializing in safety technology, Ação Solução em Sensores in Brazil, and the founding of SICK Metering Systems joint venture in Belgium, which will concentrate on complex system solutions for the oil and gas industry, provide the opportunity of tapping additional growth potential in the future.

Our sincere thanks goes to anyone that shared in focusing on our strategy during the last year, thus making possible the leap to a new dimension: We would like to thank our employees for their great dedication, our business associates and suppliers for their cooperative work, and our customers for their confidence in our solutions.

In the course of the past fiscal year, we have laid essential foundations for capitalizing on the global growth opportunities we expect in the year ahead. In effect, we delivered proof that we can master complexity: We succeeded in translating exceedingly difficult requirements into simple sensor solutions that convinced our customers. And we managed to prevail in a volatile economic setting by trusting in our strategy while still reacting flexibly to changes from the outside.

Even if the 2014 fiscal year may turn out to become more difficult than we anticipate today – at SICK we are prepared to make use of any opportunities that the market will offer us.

Sincerely yours,

Dr. Robert Bauer
(Chairman)

Reinhard Bösl

Dr. Mats Gökstorp

Dr. Martin Krämer

Markus Vatter

REPORT BY THE SUPERVISORY BOARD

KLAUS M. BUKENBERGER,
Chairman of the Supervisory Board

During the 2013 fiscal year, the Supervisory Board intensively accompanied the strategic further development of the SICK Group. In this context, the focus of advisory and monitoring activities by the Supervisory Board was just as much on sustainable strategic expansion of the business models, on the growth perspectives of relevant markets and industries as it was on business transactions subject to approval, essential investment projects, and the further organizational development of individual group divisions and subsidiaries. In all of these tasks, the Supervisory Board diligently and continually performed all monitoring and controlling duties incumbent upon it under the law, the articles of incorporation, and the rules of procedure. The Executive Board informed the Supervisory Board regularly, promptly, and comprehensively on the present course of business, the sales and order trends, profitability, strategic planning, as well as issues related to the risk situation, risk management, and compliance. Based on detailed draft resolutions submitted promptly, the Supervisory Board discussed all significant business matters, granting its approval following careful examination and consultation. In addition, the Executive Board used written monthly reports to keep the Supervisory Board posted on the essential key economic figures, operational developments, as well as the economic environment and the anticipated development of the SICK Group. Even beyond the regular meetings, the Chairman of the Supervisory Board maintained continuous intensive exchange with the Executive Board about undertakings and concerns of special significance to the enterprise. Moreover, the Chairman of the Executive Board engaged in individual talks to inform the Chairman of the Supervisory Board regularly and in detail about decisions on the agenda, coordinating them with him. Overall, work by the Supervisory Board was characterized by cooperative dialog and trusting exchange with the Executive Board.

FOCUS OF CONSULTATIONS WITHIN THE SUPERVISORY BOARD

In the period under review, the Supervisory Board convened for four regular meetings in total. In addition to that, further resolutions were taken by written circulation.

The meeting of the Supervisory Board reviewing the financial statements on March 21, 2013 focused on the annual financial statements of SICK AG submitted by the auditor and on the consolidated financial statements of the SICK Group as of December 31, 2012, which the Supervisory Board addressed thoroughly in the presence of the auditor, approving them after detailed discussion. The 2012 annual financial statements of SICK AG have thus been adopted. At the same time, the Supervisory Board assented to the Executive Board’s proposal regarding profit appropriation for the 2012 fiscal year.

In addition, the Supervisory Board passed the agenda for the 17th regular Annual General Shareholders' Meeting of SICK AG. Furthermore, in the context of a differentiated analysis of market and segment development, the Supervisory Board obtained detailed information about the course of business at the beginning of 2013, about the related effects on the essential key figures, and about the trends for the further course of the year. Finally, the Supervisory Board discussed in depth and approved the founding of a joint venture with the Belgian system integrator GGS Oil and Gas Systems. In launching this joint venture, SICK AG aims, on the one hand, at boosting the development of new market areas in the field of gas flow measurement; and on the other hand, at pushing ahead with entry into manufacturing and marketing of complex system solutions, particularly in the Middle East and in the Asia / Pacific region.

Based on the reporting by the Executive Board, the main thematic emphases at the meeting held on May 16, 2013 included detailed discussion of the Company's business situation, the economic development of the sales regions and core industries, which were evolving very heterogeneously up to that point, the profit situation, as well as the steps initiated towards increasing efficiency. Moreover, the Supervisory Board consented to the new schedule of responsibilities for the Executive Board that had been submitted by the latter.

At the meeting on September 26 and 27, 2013, the Supervisory Board used the framework of the medium-term planning presented then to address thoroughly the strategic positioning of SICK with a view to the business in components, systems, and services. Besides that, additional elements comprising the strategy of the Company, such as product and sales strategy, as well as issues of corporate culture were subject to comprehensive deliberations. The body also discussed the report on risk management and compliance submitted by the Audit Committee, dealing furthermore with questions of currency management. Additional topics of this meeting included the international development of managerial staff, intergroup management, as well as a scheduled adjustment of affiliation agreements.

At the meeting on December 17, 2013, the Executive Board explained the budget of the SICK Group for the 2014 fiscal year, to which the Supervisory Board granted approval after intensive discussion. The medium-term planning presented for the years 2014 and 2015 was noted and approved. Beyond that, the Supervisory Board obtained information on the status of building investments at the subsidiaries in Dresden, Donaueschingen, and Hungary. At this meeting, the Supervisory Board dealt with and granted approval to planned investments in buildings for capacity extension, above all construction of a distribution center in Waldkirch-Buchholz, the building of a multi-level parking lot in Waldkirch, as well as the purchase of an office structure including production plant located directly adjacent to the company grounds in Reute. Against the backdrop of securing further business success in Southeast Asia in a sustainable way, the Supervisory Board approved the founding of new subsidiaries in Thailand and Malaysia, building on the regional structures already in place.

PERSONNEL CHANGES IN THE EXECUTIVE BOARD

At its meeting on March 21, 2013, the Supervisory Board approved an adjustment of Executive Board positions to reflect the structural changes implemented during the previous two years. With the new profile of the Executive Board positions, the SICK Group has taken into consideration the increasing complexity in international business activities.

Mr. Markus Paschmann, responsible in the Executive Board of SICK AG since 2006 for the Factory Automation segment, has resigned his Executive Board mandate effective April 30, 2013. The Supervisory Board appointed Dr. Mats Gökstorp as new member of the Executive Board responsible for the new area of "Sales & Service," with the responsibility for international sales organization and Customer Fulfillment.

The remaining areas of responsibility within the Executive Board are divided as follows: The Chairman, Dr. Robert Bauer, is responsible for the area of "Products & Technology," which includes Research and Development, Products, as well as Production and Quality. Mr. Reinhard Bösl took on the newly created "Systems & Industries" area and thus responsibility for the Factory, Logistics, and Process Automation segments as well as for Systems Building. The Executive Board responsibilities of Mr. Markus Vatter (Finance, Controlling & IT) and of Dr. Martin Krämer (Human Resources, Procurement, Legal & Compliance) had already been adjusted in 2012.

INTENSIVE WORK IN THE COMMITTEES OF THE SUPERVISORY BOARD

In the previous fiscal year, too, efficient preparation of the most important tasks in the committees has successfully supported the activity of the Supervisory Board. Three committees were at work during this period: the Audit Committee, the Human Resources Committee, and the Investment Committee. At each of the subsequent plenary sessions, the committee chairs reported in detail on work done by the committees. As in previous years, it was not necessary to convene the Mediation Committee in accordance with Sec. 27 (3) MitbesG ("Mitbestimmungsgesetz": German Co-determination Act), a committee comprised of Mrs. Renate Sick-Glaser, Mr. Roberto Hernandez, Mr. Hermann Spieß, as well as Mr. Klaus M. Bukenberger acting as Committee Chairman.

The Audit Committee comprised of Prof. Dr. Mark K. Binz, Messrs. Klaus M. Bukenberger, Roberto Hernandez, Dr. Matthias Müller, as well as Mr. Franz Bausch as Committee Chairman, convened twice during the year under review. With the auditor and representatives of the Executive Board attending, in its spring meeting the committee concentrated on dealing with the annual financial statements of SICK AG, the consolidated financial statements of the SICK Group, the management reports, the proposal for profit appropriation, and the audit reports submitted by the auditor. The committee rigorously examined the financial statements and reports and prepared the decision for approval by the entire Supervisory Board. In its fall meeting, the Audit Committee discussed risk management, including the risk report, matters of compliance, electronic banking, as well as currency management. Furthermore, the agenda encompassed consultations on the choice of auditor for the years ahead.

The Human Resources Committee, which convened four times during the year under review, is comprised of Mr. Franz Bausch, Mr. Roberto Hernandez, Mrs. Renate Sick-Glaser, Mr. Hermann Spieß, and Mr. Klaus M. Bukenberger as Committee Chairman. Among other things, the Human Resources Committee consulted about the new structure of the Executive Board, conveying its recommendation concerning this matter to the entire board as a draft resolution. In addition, the Human Resources Committee prepared the appointment of Dr. Mats Gökstorp as Executive Board member of SICK AG effective May 1, 2013 as well as the extension of Mr. Markus Vatter's contract. As in every year, the Human Resources Committee dealt with questions of compensation for Executive Board members in the 2013 fiscal year as well.

The Investment Committee is comprised of Messrs. Franz Bausch, Engelbert Herbstritt, Roland Schiller, and Klaus M. Bukenberger as Committee Chairman. At its meeting on December 12, 2013, the Investment Committee prepared the investment planning for the year 2014 as well as the corresponding financial planning.

AUDIT OF ANNUAL FINANCIAL STATEMENTS

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, has audited the annual financial statements of SICK AG, prepared in accordance with the provisions of the HGB (“Handelsgesetzbuch”: German Commercial Code), as well as the consolidated financial statements of the SICK Group, prepared in accordance with the International Financial Reporting Standards (IFRS), including the respective accompanying management reports dated December 31, 2013, in accordance with German generally accepted auditing standards. The auditor reported on the progress and key findings of his audit. He was also available for answering any questions. The audit documents and the audit reports were made available to all Supervisory Board members in a timely manner. They were subject to intensive consultations both at the meeting of the Audit Committee held on March 18, 2014 and at the Supervisory Board meeting held on March 27, 2014. The auditor has confirmed that the consolidated financial statements of the SICK Group and the Group management report meet the guidelines stipulated in Sec. 315 a (1) HGB; he has issued an unqualified audit opinion for both financial statements.

Following the findings of the preliminary examination by the Audit Committee and after the final findings of its own review of the documentation submitted by the Executive Board and the auditor, the Supervisory Board did not raise any objections. The Supervisory Board approved the annual financial statements and the consolidated financial statements of the SICK Group; the annual financial statements of SICK AG have thus been adopted. The Supervisory Board assented to the Executive Board’s proposal regarding profit appropriation.

In addition, the Executive Board prepared a report on relationships with affiliated companies (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 rendered the following audit opinion thereon: “Based on our audit and assessment in accordance with our professional duties, we confirm that

1. the actual information in the report is correct and

2. the Company’s contribution with respect to the transactions referred to in the report was not inappropriately high.”

Based on the results of its own review of the report on the relationships of the Company with affiliated companies, the Supervisory Board concluded that there were no objections to the Executive Board’s declaration at the close of the report on relationships with affiliated companies.

The Supervisory Board would like to thank all employees of SICK AG and its subsidiaries, the Executive Board of SICK AG, the management staff, and the employee representatives of all corporate affiliates for their commitment and performance during the 2013 fiscal year.

Waldkirch im Breisgau, March 27, 2014

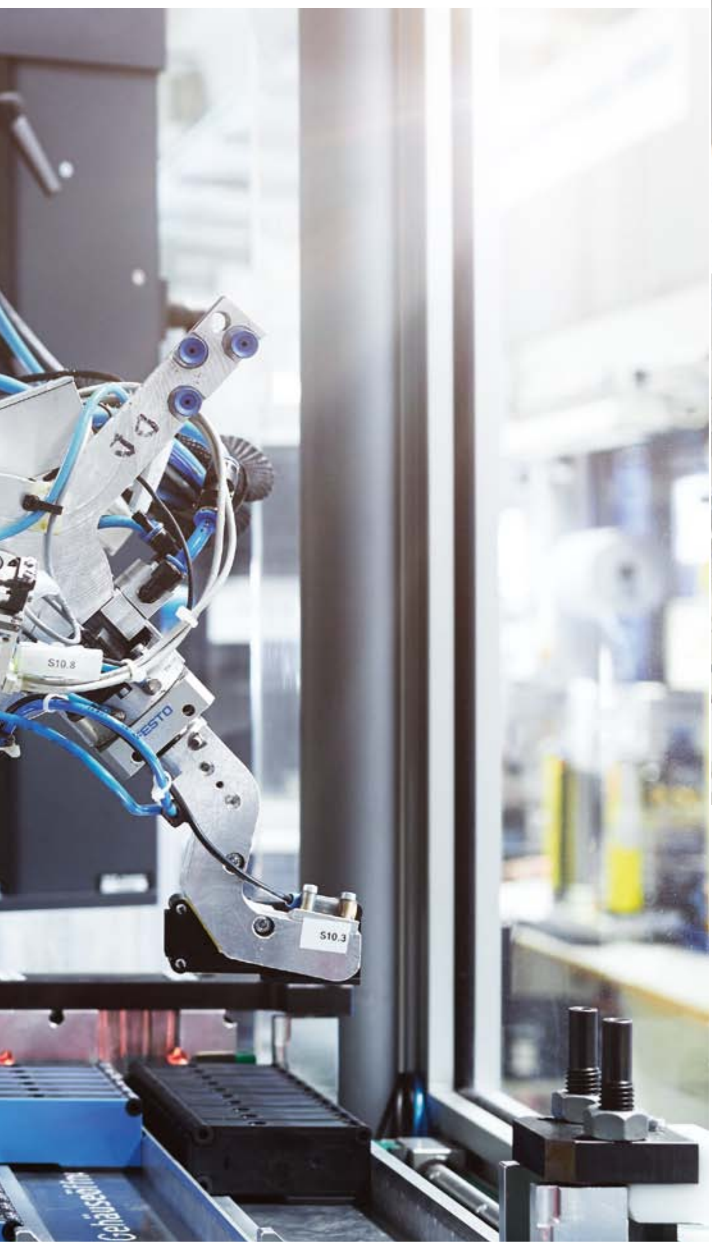
Klaus M. Bukenberger
Chairman of the Supervisory Board

Dedication and experience are used at SICK to create sensor solutions for industrial automation. From development to service: Day after day, all of the employees apply their skills so that our products, systems, and services make life easier for customers. They know that 0.01 percent may decide today whether a project achieves its goal – or not.

Sensor technology from SICK simplifies operations, optimizes processes, and lays the foundations for sustainable manufacturing. To that end, we do research and development at numerous locations worldwide. In dialog with customers and cooperation with universities and colleges, we

"SENSOR INTELLIGENCE." IS OUR PROMISE.

create innovative sensor solutions. They constitute the basis for efficient and environmentally frindly production and for protecting people from accidents.



"Even at the stage of product development, we combine what is technically feasible with what makes economic sense. This is seldom easy but always exciting."

ANDRES ROMERO,
Development Engineer

Products, systems, and services from SICK have been helping for decades to enhance productivity and reduce costs. For the most part, our work begins with analyzing our customers' complex tasks and processes. Only this way we can completely understand their requirements. We aspire to deliver customized and intelligent solutions – solutions that endow machines with the ability to see, detect, and communicate. In other words, "Intelligence on the basis of sensors" constitutes the core of our brand.

INTELLIGENCE ON THE BASIS OF SENSORS

Our mission statement provides the framework for how we act. It encapsulates our values, ideas, and visions for the future. In this connection, independence, innovation, and leadership are the central messages of our identity. From the mission statement, every single employee derives orientation for his or her day-to-day actions.

Our financial and legal independence helps us achieve our goals. To us, independence means: We set trends ourselves, thus putting us ahead of competitors. We think and act in the long term. For only those who are independent can be really innovative.

By innovation, we mean creating something new. To us, however, innovation also means achieving improvements that drive the market forward and strengthen our customers. In this context, the term innovation refers to our products as well as to the entire range of systems and services.

Constant striving for innovation has made SICK a leader in technology and on the market. Indeed, only the use of well-directed renewal and improvement makes universally usable sensors successful in the long term.

Leadership means becoming the benchmark for others, setting standards on the world market. For us, however, leadership not only means technological and market leadership but also exemplary leadership culture and the best possible mastery of methods and processes.

WHAT DRIVES US

"Innovative strength and flexibility are part of our identity. This has made us a leader in technology worldwide."

DR. ROBERT BAUER (CENTER),
Chairman of the Executive Board

MAXIMUM DEGREE OF FREEDOM OF CHOICE

"We always have our ears very close to the ground, listening to our customers' wishes. Thus, we can offer exactly those products that the market requires at a given time."

LAN-ANH NGO, Product Manager

SICK's product range is unique: It is the broadest assortment in the sector of industrial automation and thus the perfect basis for safe and efficient controlling of processes, for protecting people from accidents, and for preventing environmental damage.

We provide more than just products: Our customers receive intelligent solutions that are tailored exactly to their requirements – moving them forward. In doing so, we create real added value.

Choosing SICK is a decision for open systems and solutions. We offer flexibility for all common machines and control designs. Put a different way: Our customers enjoy a maximum degree of freedom of choice.

We are represented in many industries. Therefore, we know the processes in the most diverse industrial sectors. Even if operations differ, in principle the tasks of sensors remain identical: measuring, detecting, controlling and monitoring, protecting, connecting and integrating, as well as identifying and positioning. With this type of overall view, the experts from SICK transfer successful solutions and efficient applications from one industry to the other.

The demands on quality and productivity are increasing in equal measure – and using superb industry knowledge, SICK is able to meet them. Besides the consumer goods, automotive, and pharmaceutical industry, this also holds true for the electronics and solar industries, among others. On top of that, SICK supplies productive solutions for accident prevention on automated guided vehicles, increasing handling speed and traceability in warehouses and distribution centers. For environmental protection and process optimization in cement production, waste incineration, or in power plants, system solutions from SICK serve to carry out gas analysis and flow measurement. For a long time, natural gas pipelines have been using gas meters from SICK.

GROWING ALONG WITH CUSTOMERS' REQUIREMENTS

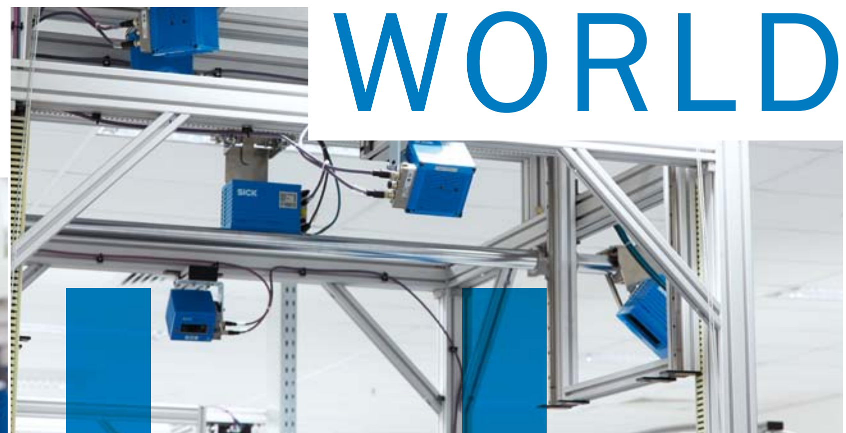
"In many industries, we are real insiders. In this way, we can build up our range in a practical manner, quickly delivering convincing results when solving a task."

ROLAND KRAUSER,
Regional Sales Manager

"We pick up on new technologies as quickly as possible, rendering them useful to our customers. That is our recipe for solutions featuring a high degree of future security."

THOMAS LIM, Head of Regional Competence Center Asia

FOR APPLICATIONS AROUND THE WORLD

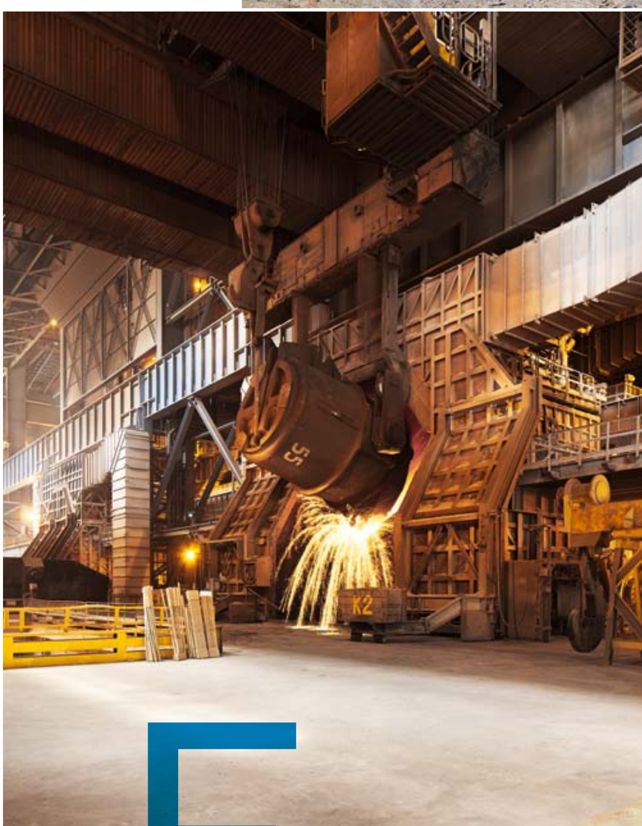


Hundreds of thousands of implemented installations and applications back it up: SICK understands its customers and meets their individual needs. This will continue in the future as well. For that reason, the competence centers in Europe, Asia, and North America will see sensors and system solutions developed, tested, and optimized in customer-specific ways. This makes SICK a reliable supplier and development partner – in all regions of the world.

FOR SAFETY AND PRODUCTIVITY – LIFETIME SERVICES

"As a reliable service partner, we are available to our customers 24 / 7 for help and support. That, too, is one of the reasons we are perceived as the market leader."

FABIO LUDOVICO, Service Technician



From plant planning to modernization, SICK offers high-quality services worldwide. They enhance the safety of people, increase the productivity of machines, and create the basis for sustainable management. In this context, we cooperate with our customers in the long term, thus providing them with planning security. After all, the safety of people and the productivity of machines and systems depend vitally on retrieving the appropriate services at any stage of a product life cycle – the type that enable and maintain the function and safety of a sensor. As a service partner, we support our customers in making the right choice.

GREAT PLACE TO WORK®
DEUTSCHLANDS BESTE ARBEITGEBER 2013

We are aware of our responsibility as a reliable employer. Therefore, human resources work is of great importance at SICK. It takes employees' wishes seriously, reacting flexibly to their different qualifications, phases of life, and requirements, especially because today highly qualified specialists and management personnel make very conscious decisions in favor of an enterprise. We are happy to take on this challenge, for in this way we are securing SICK's competence for the future.

Individual human resources development, qualified training and study opportunities, extensive offers for promoting good health and for making family and career compatible – SICK provides secure jobs in a family-friendly environment worth living in.

Employees and applicants encounter a company in which living and breathing innovative spirit marks the corporate culture, an enterprise in which career opportunities and quality of life can be reconciled. The fact that people like to work at SICK is demonstrated on a regular basis by top positions in the "Great Place to Work" contest.

A GREAT PLACE TO WORK

"I am very impressed by the great range of additional benefits. SICK makes it easy for me to combine family life and career planning."

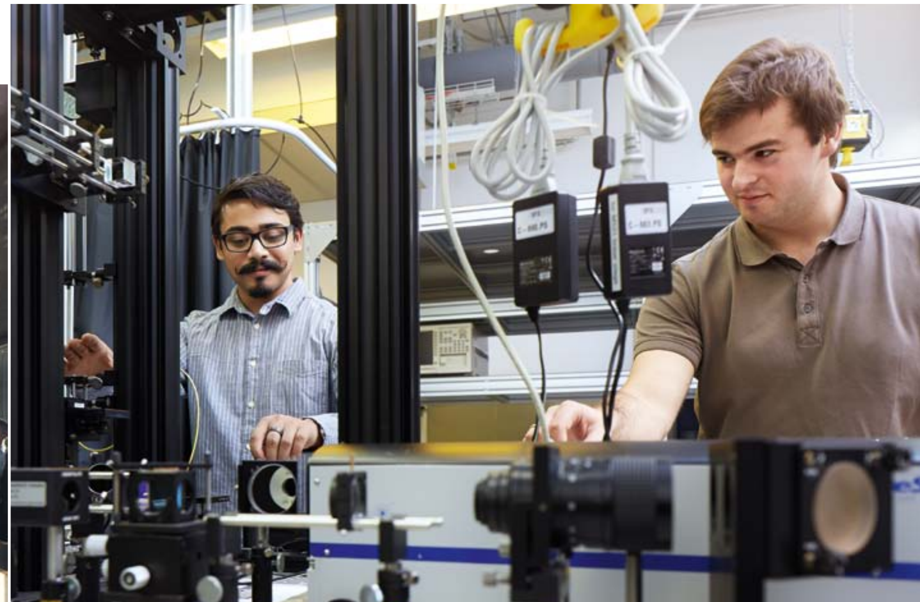
SILKE DIER, Marketing Specialist

"As a company, we are part of society. The more stable it develops, the greater our chances for success are."

WOLFGANG BAY (LEFT), Head of Central Development

PROF. DR. HANS ZAPPE, Holder of the Gisela and Erwin Sick Chair of Microoptics at the University of Freiburg

ACCEPTING SOCIAL RESPONSIBILITY



SICK regards itself as part of the local society at all of its sites. Solid growth and financial independence make sustainable commitment possible in many areas in the company environment. Moreover, close cooperation with universities, colleges and institutes contributes to advancing research and further developing the state of technology.

SICK also creates jobs outside of the company. Suppliers are integrated from the very beginning into development, procurement, and service processes. A high degree of supplier loyalty makes SICK a reliable partner of enterprises worldwide.

"Responsibility for the environment was already very important to Dr. Erwin Sick more than 50 years ago. This remains in effect unchanged to this day: When we build things, energy efficiency plays a crucial role."

STEFAN KEIDERLING, Architect

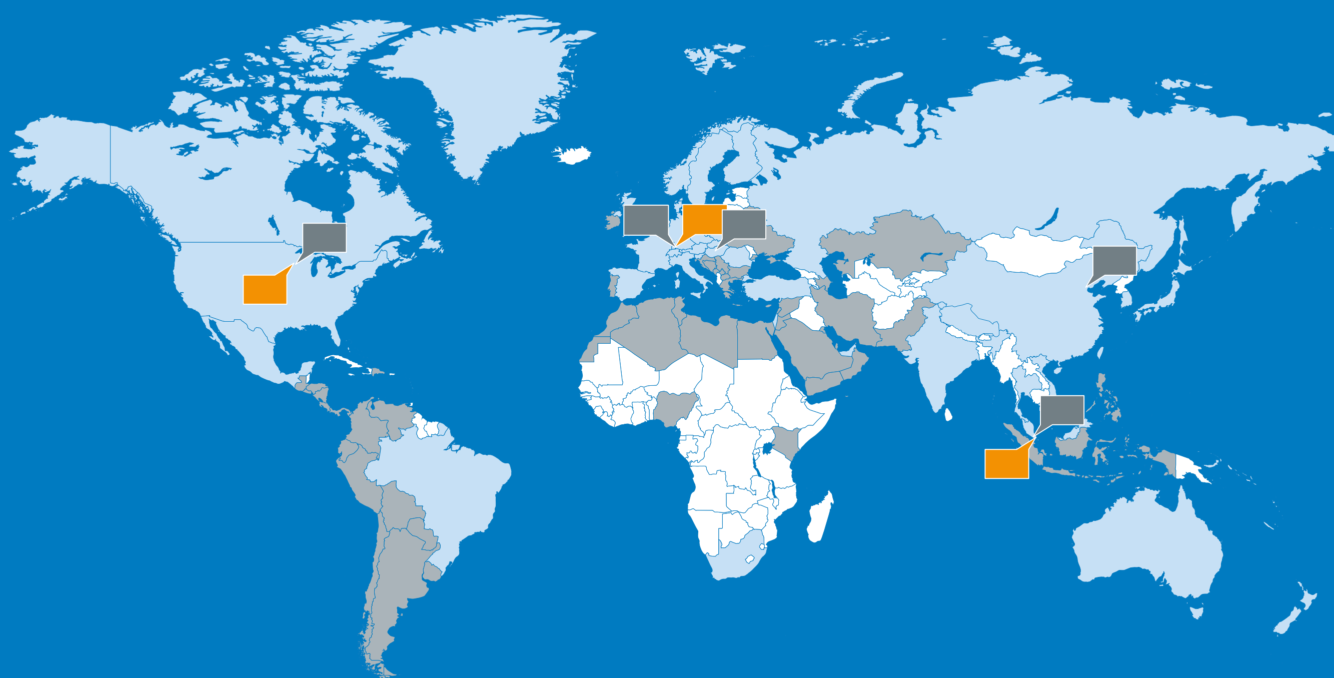
At SICK, the values of independence, innovation, and leadership are a vital element of the mission statement. They represent orientation and a standard at the same time – both in terms of developing intelligent sensor technology that leads in the market and even beyond that. After all, we are aware of our responsibility towards future generations. That is why one of our most important objectives is becoming a leader in climate and environmental protection as well.

Following very much in the tradition of the company founder, Dr. Erwin Sick, who more than 50 years ago developed the first device for measuring flue gas density because protection of the environment from industrial exhaust gases was a concern to him, we are banking on a sustainable development of the enterprise. Climate and environmental protection are an integral part of the corporate culture, of strategic alignment, and of business processes.

Therefore, in developing and producing our sensors we attach great importance to innovative manufacturing technologies and economical use of raw materials, energy, and water. What is more, sensors from SICK help our customers optimize processes, conserve resources, and save energy.

SIGHTS ON FUTURE GENERATIONS

SICK AND THE WORLD



Subsidiaries
Agencies
Production facilities (Germany, Hungary, USA, Malaysia, China)
Regional Competence Centers (Europe, Americas, Asia)

89

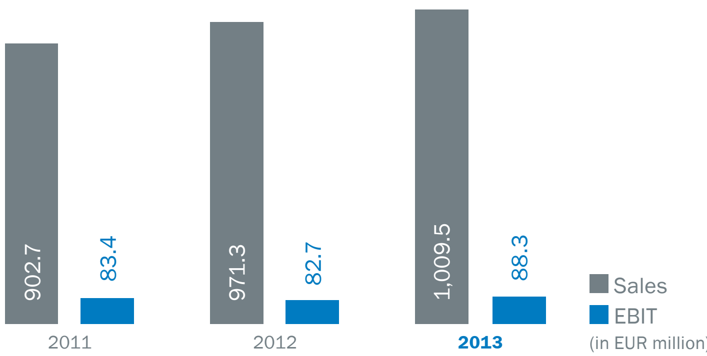
ALWAYS CLOSE TO THE CUSTOMER. SHORT DISTANCES SAVE TIME AND MONEY.

Algeria, Argentina, Australia, Austria, Azerbaijan, Belarus, Belgium, Bolivia, Bosnia and Herzegovina, Brazil, Bulgaria, Canada, Chile, China, Columbia, Costa Rica, Croatia, Cyprus, Czech Republic, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Finland, France, Germany, Greece, Guatemala, Honduras, Hungary, India, Indonesia, Iran, Ireland, Israel, Italy, Japan, Jordan, Kazakhstan, Kenia, Kuwait, Lebanon, Libya, Macedonia, Malaysia, Malta, Mexico, Montenegro, Morocco, New Zealand, Nicaragua, Nigeria, Norway, Oman, Pakistan, Panama, Paraguay, Peru, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia, Serbia, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Syria, Taiwan, Thailand, the Netherlands, the Philippines, Tunisia, Turkey, Ukraine, United Arab Emirates, United Kingdom, Uruguay, USA, Venezuela, Vietnam, Yemen

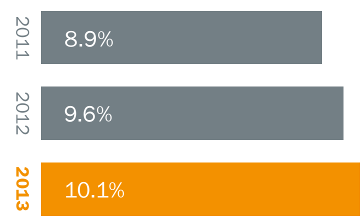
THE WORLD OF SICK

With strong commitment and extensive experience, 6,597 employees worked on intelligent SICK solutions in the 2013 fiscal year – on innovative products, systems and services that make the customers' lives easier. Thus, the SICK Group has generated sales of 1.01 billion euros.

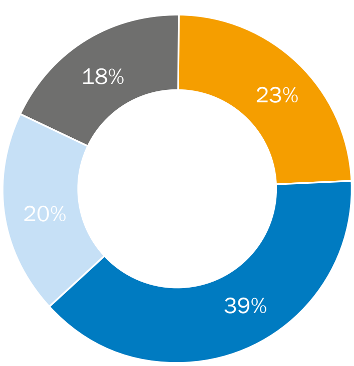
SALES AND EBIT TREND



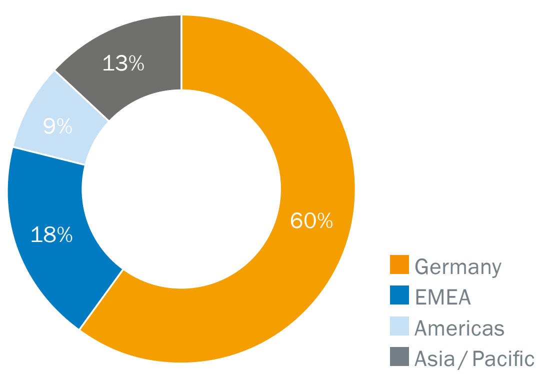
R&D EXPENDITURE



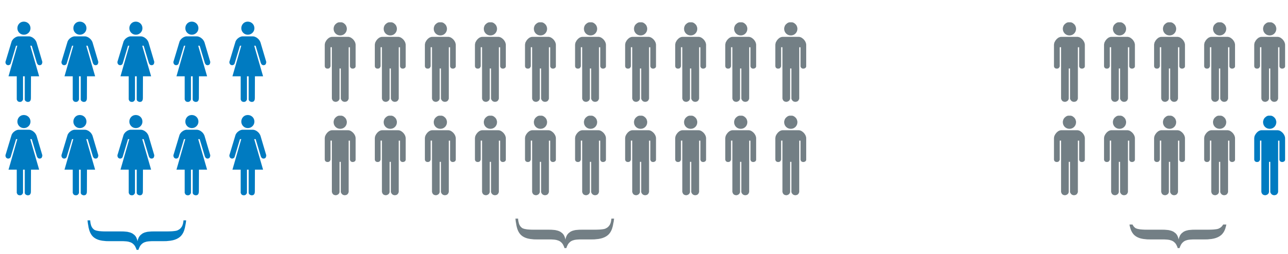
SALES BY REGION 2013



EMPLOYEES BY REGION 2013



EMPLOYEE INDICATORS 2013



33%
of the employees worldwide are female

67%
of the employees worldwide are male

Every tenth employee at SICK works in R&D

13

January 2013
SICK MAIHAK GMBH BECOMES SICK AG

On January 1, SICK MAIHAK GmbH in Germany completely transfers its operational business to SICK AG. The subsidiary, responsible for the Process Automation segment and previously independent, has since then continued its business activities via SICK AG. In this way, one important foundation has been laid towards further growth in emissions and process technology. In connection with the integration, about 330 employees at the Reute, Meersburg, and Hamburg locations change to join SICK AG. The locations continue to exist unaltered after the integration.

March 2013
AWARDED AS TOP EMPLOYER

SICK AG once again wins the “Great Place to Work®” seal of quality at the “2013 Best Workplaces in Germany” contest, with the company voted among the 100 top employers in Germany for the eleventh time in succession. In the size category of “2,001 – 5,000 employees,” SICK takes second place. The award stands for a workplace culture marked by trust, identification, and team spirit, as well as employee-oriented human resources and management work.

April 2013
ACQUISITION IN BRAZIL

SICK takes over the Brazilian Ação Solução em Sensores Ltda. company based in Porto Alegre, a distributor of sensor technology and a system integrator for safety solutions. Ação Solução’s more than 30 employees transfer to the SICK Group. The Porto Alegre location undergoes further development to become a Competence Center for safety technology.

April 2013
NEW BUILDING IN DRESDEN

Breaking ground in Dresden: Construction of a new building starts at SICK Engineering GmbH, thus doubling production and office space at the location. With this extension building, SICK Engineering GmbH lays the spatial foundations for expanding business in the area of gas flow measurement.

June 2013
JOINT VENTURE IN BELGIUM

SICK Engineering GmbH establishes a joint venture with GGS Oil and Gas Systems bvba, a Belgian system integrator based in Kalmthout near Antwerp. The new company, SICK Metering Systems, concentrates on complex system solutions for gas metering stations – an important additional business segment for Process Automation. Thus, in the future SICK can develop growth markets in regions such as the Middle East, China, and Southeast Asia, implementing large-scale projects with international oil and gas companies.

2013 HIGHLIGHTS AT A GLANCE

Jan.

Integration of SICK MAIHAK GmbH further boosts the growth of SICK AG.

SICK AG secures its place among the 100 top employers in Germany for the eleventh time in succession.

SICK Engineering GmbH doubles production and office space at the Dresden location.

The SICK Group opens a new location in Porto Alegre, Brazil, by taking over Ação Solução em Sensores Ltda.

The joint venture with GGS Oil and Gas Systems bvba in Kalmthout opens up new growth markets for SICK Engineering GmbH in the Middle East, China, and Southeast Asia.

July 2013

VOCATIONAL WORLD CHAMPIONSHIPS

They did it: Silas Gschwender, Lukas Adler, and Timo Späth, all employees of SICK, make it into the top five ranks worldwide at the vocational world championships (WorldSkills) in Leipzig. The two mechatronics technicians Timo Späth and Lukas Adler win the bronze medal behind Brazil (gold), China, and Norway (both sharing silver). The electronics technician Silas Gschwender takes fifth place, receiving the “Medallion for Excellence.”

July 2013

GROUNDBREAKING IN REUTE

The groundbreaking ceremony for the new production building takes place at the Reute location. The period until September witnesses the creation of about 8,000 sq. m. (approximately 86,100 sq. ft.) of usable floor space. At that time, the Prefabrication department, Central System Building, and part of Logistics will move into the extremely energy-efficient premises.

November 2013

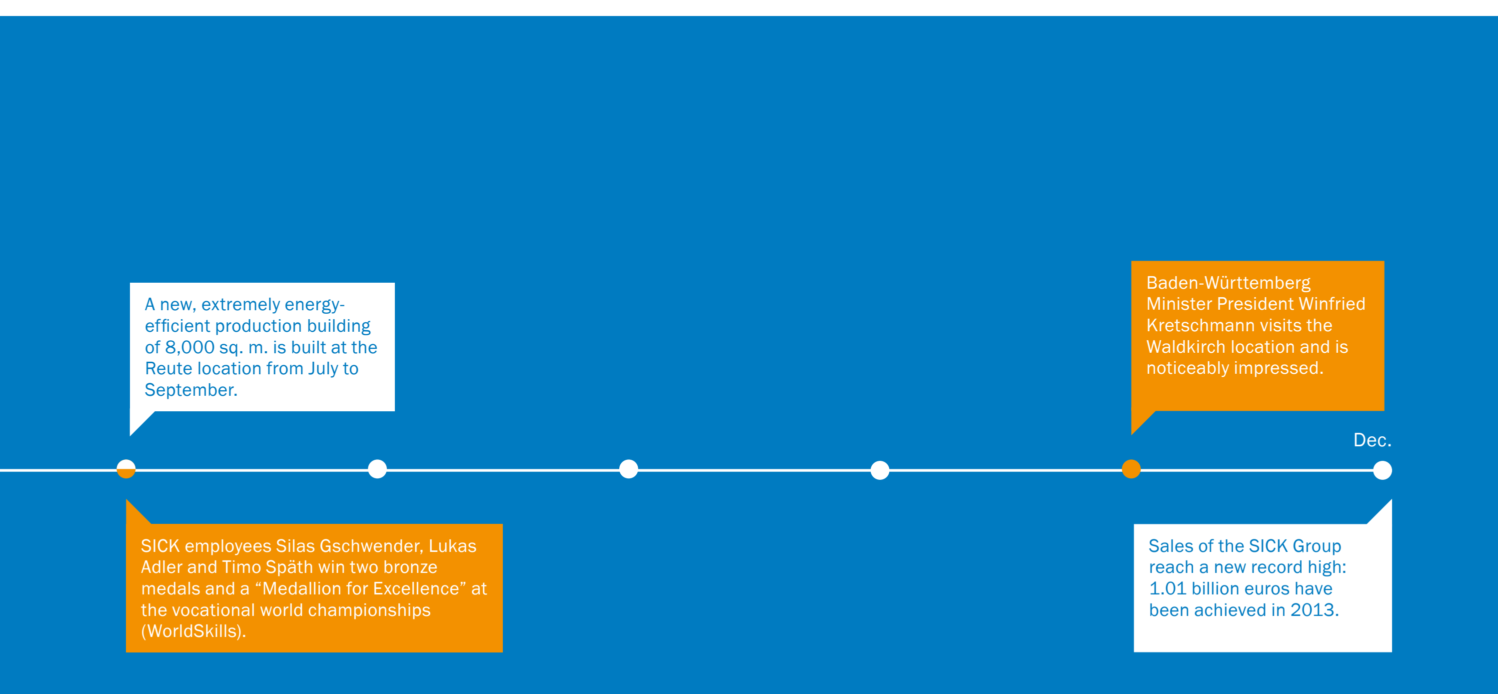
MINISTER PRESIDENT KRETSCHMANN VISITS SICK

High-ranking guest at the Waldkirch location: Baden-Württemberg Minister President Winfried Kretschmann is visiting, noticeably impressed by the decades of SICK’s success story and innovative force – and by the opportunities intelligent sensor technology opens up towards efficient manufacturing processes, the safety of humans, and the protection of the environment. During his guided tour through the Production and Final Assembly departments, the Minister President learns about the process steps necessary to manufacture high-tech photoelectric sensors in high quality. “Today I discovered for myself a true hidden champion,” he sums it up in his brief address.

December 2013

SALES SURPASS BILLION-EURO MARK

New record high: By the end of the year, sales of the SICK Group surpass the billion-euro mark for the first time. The figure of 1.01 billion euros constitutes a new record value, even more remarkable considering it was achieved in a difficult economic environment, with the development of major exchange rates to the euro in particular slowing down growth substantially.



Group Management Report

GROUP MANAGEMENT REPORT OF SICK AG

FOR THE 2013 FISCAL YEAR

CORPORATE INFORMATION

Business model

The SICK Group develops, produces and markets sensors, sensor solutions and services for automation technology. Dr. Erwin Sick founded the Company in Vaterstetten near Munich in 1946. With numerous subsidiaries, equity investments and a large number of specialized representative offices around the globe, the Group is a global player. The objective is to offer customers from a vast range of different target industries intelligent solutions that give them real added value. These solutions can be a product, a system including software or a tailored service concept. SICK divides its business activities into Factory, Logistics and Process Automation segments.

The **Factory Automation segment** is represented in many industries. In addition to the automotive industry and the field of consumer goods, these include the machine tools, electronics and solar industries as well as drive technology. The most important tasks performed by the non-contact SICK 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, system solutions and complete solutions under the safetyPLUS brand in the area of safety technology avert potential accident risks. With the help of the barcode, 2D code and RFID identification technologies as well as volume measurement technology, internal processes are managed to ensure top-quality end products while at the same time guaranteeing seamless traceability of packaging, an article or an electronic component.

The **Logistics Automation segment** designs and optimizes the entire logistics chain by automating material flows or making sorting, order-picking and storage processes more efficient, faster and more reliable. Identifying and directing baggage on transportation and sorting units at airports is one of the areas where solutions from the Logistics Automation segment are used. Logistics centers as well as numerous courier, express delivery and package delivery service providers use barcode readers and volume measurement systems from SICK to deliver millions of packages each year quickly and reliably to the recipient's front door. SICK solutions in the distribution centers of well-known trading firms, clothing companies, automobile manufacturers or specialist retail chains in the automotive trade are also responsible for example for keeping the shelves in retail outlets or boutiques constantly filled and for supplying car salesrooms and garages with supplies and spare parts at short notice. The automation of sea ports is another domain in which SICK's Logistics Automation segment operates. In this field, laser measurement systems 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 the toll system as well as in controlling ventilation and air circulation systems, thus improving air quality and safety in tunnels.

The **Process Automation segment** 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 supports its customers in reducing greenhouse gases with carbon dioxide analyzers for combustion, process and drying units among others. 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 interruptions 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 maintaining an environment worth living in.

Research and development activities

Continuous investment in research and development is required to secure a leading position in a highly competitive environment. Whether products, systems or services, all of SICK's solutions have one overarching goal: to make customers' lives easier by helping them to master a complex problem. By accomplishing this, they give customers a competitive edge, for example in the form of higher productivity, greater flexibility or savings in the use of resources. To meet this objective, the SICK Group expanded its competencies in the area of research and development once again in the past fiscal year and invested EUR 102.3 million (prior year: EUR 93.5 million). This is equivalent to 10.1 percent of sales revenue (prior year: 9.6 percent). Research and development expenses include amortization of development expenses capitalized in prior years of EUR 6.5 million (prior year: EUR 6.6 million), and the EUR 10.6 million (prior year: EUR 6.4 million) capitalized in the fiscal year.

Thanks to its high proportion of spending on research and development, the SICK Group has a broad and well-balanced product portfolio that allows it to meet the requirements of completely different industries. The Group's strong innovative power and exacting quality standards contribute significantly to the demand for SICK projects particularly in difficult economic times, because they help to gain a real competitive edge. SICK uses these products to serve markets ranging from those that respond quickly to cyclical fluctuations to those that are slower to respond. This enables the Group to better absorb the effects of economic volatility.

In addition, the past fiscal year saw the continuing expansion of solution engineering in the Factory Automation and Logistics Automation segments. As a result, SICK is in a position to offer customers complete system solutions, as has long been the case in the Process Automation segment or in the area of baggage identification at airports. These system solutions are created for all three segments by a new organizational unit, Corporate Solution Center Systems.

Further impetus for research and development (R&D) comes from intensive dialog with customers as well as new possibilities that technology offers and global megatrends. Gearing the global sales organization consistently to the industries served also creates a basis for understanding customers' needs and translating these into products and system solutions. An average of 787 employees worked on translating innovative ideas into marketable products in the 2013 fiscal year. This figure is up 11.2 percent on the prior year, due in particular to the expansion of research and development capacities at the foreign locations. Staff numbers there increased by an average of 32.3 percent in the 2013 fiscal year (with now 98 R&D employees).

One of these new products is the **DeltaPac MultiTask photoelectric sensor**. The new sensor was developed for higher efficiency and quality in the packaging industry in order to detect a wide range of different contours and for gapless counting of products side by side. The DeltaPac used the patented Delta-S-Technology: two high-resolution energy scales with the beams of four PinPoint 2.0 LEDs in combination with SIRIC technology from SICK. In the packaging industry, there is a need to detect the front and rear edges of products reliably, even when these pass in front the sensor side by side without a discernable gap. The state of the art involves complicated methods for separating the products in order to create discernable gaps. The DeltaPac is able to detect the smallest of contours of less than a millimeter by passing the object edges orthogonally and sequentially in front of two light spots and having the reflected light recorded by two energy scales from different directions. The characteristic signal patterns and the information concerning the gaps mean that the transitions of product edges can be identified reliably and even the smallest of changes in the angles of corners and edges are made visible.

The new **G10 small photoelectric sensor** represents the next development stage in terms of performance and size in this product category. The optical system was developed on a simulation platform in order to reach the limits of what is physically and technically possible. Its dimensioning involved new technologies as well as targeted measures to suppress optical interferences in the field. The result is a platform concept that reliably detects even depolarizing and reflecting objects in a convincing manner and sets new standards in terms of immunity to ambient light. The sensor also features an intelligent fastening system. The Q-Lock system comprises just a few parts and has been optimized to allow very short assembly times.

With the **measuring light grids MLG-2**, SICK has raised the bar in the realm of Factory and Logistics Automation. The use of state-of-the-art and high-performance integrated circuits reduces the space required for electronics and makes it possible to reduce the light grid's beam spacing. The response times of the module-based platform have been improved considerably and can be shortened further using a special multi-scan mode as necessary. The MLG-2 is available in the performance classes Prime and Pro, which differ with regard to the parameterization and communication interfaces used.

The **S300 Mini safety laser scanner's** winning features include its ultra-compact design, allowing it to be integrated simply in any vehicle or machine design. Its high performance with up to 16 triple field sets also offers ultimate flexibility. The triple-field function makes it possible to use a protective field and two warning fields at the same time, thus minimizing downtimes and brake wear. The S300 Mini Remote has an internal interface for reliable device communication. Extended system solutions are thus possible, for example using the Flexi Soft safety control.

Fitting neighboring machines with just one safety component is extremely efficient. This is the task SICK set for itself in the past fiscal year as part of its Scanner Plus! Campaign, developing the **Sim-4-Safety** solution based on the S3000 safety laser scanner and the Flexi Soft safety control. This is a safety concept that allows up to four protective fields to be monitored simultaneously. In many production areas, for example tire manufacture, the processes allow several machines to be operated simultaneously. Sim-4-Safety now makes it possible to monitor up to four protective fields at the same time with just one safety laser scanner, i. e., without switching protective fields, and thus to avoid superfluous safety shut-downs of neighboring machines. This provides protection from four dangerous movements, both of a machine and of neighboring line parts.

The newly developed **Flexi Line interface** offers the flexibility that modern machine concepts need. By networking up to 32 Flexi Soft stations, the modular structure of machines can be mapped consistently and efficiently – even at a distance of up to 1,000 meters between two Flexi Soft stations. The whole configuration is quick and easy: The process image – with a data width of up to 96 bit – needs to be defined only once for the entire system. Information is either shared with the neighboring station(s) only or transmitted to the entire system. This division makes communication more efficient and shortens response times. Another important advantage is that the communication works without addressing using "neighborhood detection."

The **Flexi Loop safety sensor** cascade meets the demand for a cost-effective way to cascade safety switches and sensors within a machine while also supporting diagnostics. Flexi Loop makes it possible to cascade up to 32 safety sensors while maintaining the highest level of safety. Regardless of the manufacturer, any combination of safety switches and safety sensors with OSSD outputs can be used. Such a system set-up also guarantees the continuous diagnosis of all door switches, emergency stop push-buttons and sensors. Used in connection with Flexi Soft, the entire safety application can be tailored to meet the customer's needs.

In the 2013 fiscal year, SICK developed the **RE1 and RE2 magnetic safety switches**. They are fitted with antivalent or equivalent switching contacts that respond directly to encoded magnetic actuators. Magnetic safety switches are used in areas with a high level of contamination. They are easy to clean and can thus satisfy strict hygiene standards. The way they function allows for larger tolerances, making them suitable for places where precise guidance of the protective device is difficult.

The **encoder** portfolio was extended to include two new product families in the past fiscal year. The compact **AHS / AHM36 absolute encoder family** sets a new benchmark in terms of flexibility as far as both mechanical adaptation and electrical interfaces and communication are concerned. The rotatable connector plug and cable outlet as well as the different assembly hole patterns and adapter flanges make the encoders suitable for almost any application.

The **DFS2x incremental encoder family** are high-resolution incremental encoders with a modular structure and industry standard 2 and 2.5 inch. All variants are based on a core module that includes the main function of the encoders. By adding further components, the different mechanical and electrical interfaces can be realized in a simple manner. Benefits of the new generation of encoders include their high resolution, their ability to be programmed for a number of lines between 1 and 65,536, their high tolerance of shock and vibrations and the wide temperature range of -30 to 80 degrees Celsius.

The SICK Group expanded its identification portfolio in the past fiscal year to include the **LECTOR 65x**, the first **high-resolution matrix camera** with dynamic focus. The camera facilitates omnidirectional resolution of 1D and 2D codes with a single device, even when the codes are damaged or partially covered in film. This raises the accuracy of identifying or classifying goods.

The new **TiM5xx 2D laser scanner** is the measuring solution within the TiM series from SICK. Thanks to its HDDM technology (HDDM = High Definition Distance Measurement), it can be used to monitor indoor and outdoor areas on a large scale – even with strong ambient light and on any kind of surface. In compact and robust housing, the TiM5xx provides precise measurement data for the scanned area, which are used to determine additional information such as the size and shape of the objects. Thus the TiM5xx can be used flexibly in a variety of applications in an industrial environment and in building automation.

In the field of **traffic sensor systems**, the innovative VISIC100SF air quality sensor was developed for use in road tunnels. Electrochemical sensors measure carbon monoxide (CO) and nitrogen oxide (NO) concentrations in the air in the tunnel. This serves to control the ventilators in the tunnel in order to avoid hazardous concentrations of gases. As is the case with existing SICK tunnel sensors, the visibility is measured using optical sensors. This reliably records air pollution caused by soot particles. When developing the VISIC100SF, special attention was paid to simple installation and ease of maintenance.

The product range for **analysis technology** was also expanded, with the tried-and-tested GM32 in-situ gas analyzer now also available as an explosion-protected device with an ATEX certificate. On the one hand, this makes it possible to measure emissions in environments with a potentially explosive atmosphere, for example natural gas refineries. On the other, the GM32Ex can also measure different concentrations of gases directly in chemical processes. This is attractive because direct measurement can take place very quickly in the process, thus allowing the process parameters to be regulated quickly and with precision.

In the **gas flow measurement** field, the **FLOWSIC60** was brought to market. This is an ultrasonic measuring device that uses ultrasonic signals to continuously measure air velocity in tunnels and shafts. It consists of high-quality stainless steel components and is ideal for use in harsh environments. Once installed, the FLOWSIC60 continuously and automatically measures air velocity across the entire tunnel cross section and displays the measurement result via the analog output, making integration in monitoring systems simple. Because safety underground is top priority, the FLOWSIC60 is intrinsically safe and certified for use in mining according to IECEx.

In addition, the **FLOWSIC500**, a gas meter with integrated volume correction, received metrological approval in the past fiscal year. The added value for customers is that the meters can be installed at any position in the customer's line without the device deviating from the guaranteed calibration error margin of one percent. In addition to measuring the flow via ultrasound, integrated sensors also measure pressure and temperature, thus providing an all-round solution for the user for calculating gas volumes.

REPORT ON ECONOMIC POSITION

Economic environment

The year 2013 was characterized by an expansive fiscal policy, particularly in the USA, in order to revive the global economy. The effect of the measures unfolded over the course of the year. After a very weak first half-year, there was a palpable improvement in the pace of growth in the global economy towards the end of the year. According to calculations from the IfW ("Institut für Weltwirtschaft": Institute for the World Economy) in Kiel, global gross domestic product (GDP) for 2013 increased by just 2.9 percent. This constitutes an even slower rise than the modest 3.1 percent seen in 2012.

There were also signs of economic recovery in **Germany** in the course of the year, although production was not running at full capacity. The upswing in the global economy in the second half of the year spurred a gradual improvement in German exports. This provided slow but steady impetus for the investing activities of industry, which had been rather cautious in the first half of the year in particular. On the whole, however, the sluggish growth experienced by the German economy in 2013 has not been seen since the crisis year of 2009.

In the **eurozone**, the necessary measures to overcome the debt crisis in some countries continued to choke demand and fuel investor uncertainty. Nevertheless, the eurozone had exited recession by the summer, although the economy recovery was somewhat fragile at first. GDP in the eurozone shrank once again as a consequence, albeit to a somewhat lesser extent than in the prior year.

There was also an economic revival in the **USA** in the second half of the year. Contributing factors here included the trend towards reindustrialization as well as the related rise in investing activities by many companies. On the whole, however, the USA expanded at a weaker pace than in the prior year. This was due in the main to the lack of consensus between the political parties regarding the correct finance policy to pursue and to the uncertainty that this caused.

By contrast, **Japan**'s economic performance rose throughout the entire year, although the pace did slow a little towards the end of the year. This growth was shored up in particular by the weak yen and by increased public spending, especially for investments in the infrastructure. A further economic stimulus package was agreed on at the end of the year to continue to foster economy recovery.

Growth rates in the **emerging economies** declined even faster than in the advanced economies. Weak demand from the major industrial nations combined with problems in the domestic economies to contribute to this development. In addition, there was a significant outflow of capital in a number of countries in the summer after the USA announced its plan to initiate a turnaround in fiscal policy. But the pace of economic growth picked up considerably towards the end of the year even in the emerging countries, in particular in China and in India.

Results of operations

The 2013 fiscal year marks a milestone in the history of the SICK Group. Both **orders received** and sales topped the one-billion mark for the first time. With orders received of EUR 1,010.6 million, the prior-year figure (EUR 994.9 million) was surpassed by 1.6 percent. This is a particularly significant achievement in view of what continues to be a very challenging economic environment linked with modest economic development, particularey on the domestic market in Germany and in Europe. **Sales** of EUR 1,009.5 million (2012: EUR 971.3 million) prove that the SICK Group was able to succeed even in this difficult environment. Considering that the VDMA ("Verband Deutscher Maschinen- und Anlagenbau e. V.": German Engineering Federation) has forecast a drop in sales of around one percent for 2013, the year-on-year sales growth of 3.9 percent is a real success. The slowed pace of global economic development and the unfavorable development of currencies important for the euro meant that the growth of roughly 10 percent forecast at the beginning of the past fiscal year was not met. After a modest first quarter, demand revived towards mid-year before waning again slightly during the summer months. The fourth quarter turned out to be the strongest quarter in the year in terms of sales, due first and foremost to the project business in the Process and Logistics Automation segments. Because of the moderate growth in orders received, the book-to-bill ratio of 100.1 percent at the end of the fiscal year was down on the prior year (102.4 percent).

The **Factory Automation segment** closed the 2013 fiscal year with sales of EUR 580.0 million. This constitutes a 3.6 percent rise on the prior-year level (EUR 559.8 million). This development was fueled in particular by the consumer goods industry and drive technology. By contrast, the automotive industry lagged somewhat behind expectations. While the industry had been the main growth driver in the segment during the prior year, it was unable to match these growth rates in 2013. In Europe in particular, the automotive industry experienced the weakest year in terms of unit sales since the first oil crisis in the 1970s. At the end of the fiscal year, mechanical engineering as well as the electronics and solar industries were marginally above the prior-year level. The latter was characterized by a reduction in production capacities, particularly in Germany, on account of the high price pressure from Asia.

Business developed in a similar vein in the **Logistics Automation segment**. Sales stood at EUR 242.8 million at the end of the year. Compared with a sales figure of EUR 227.3 million in the prior year, segment growth thus totals 6.8 percent. In intralogistics, the chief increase was in demand for equipment for courier, express delivery and post and package delivery service providers, with sales with this industry up by almost one third on the 2012 level at the end of the fiscal year. Demand for equipment for the retail trade was up slightly on the prior-year level, while the equipping of airports as well as warehousing and materials handling were down on the prior year. The growth in transport logistics was buoyed in particular by the especially positive development in sales from providing equipment for ports and cranes. Growth with the materials handling vehicles industry was moderate, while sales with traffic solutions did not match the prior-year figure. In the Building Automation business field, sales with solutions for building management were on the increase while sales with solutions for building security fell slightly short of the prior-year level.

The lowest percentage growth was recorded in the **Process Automation segment**, where sales grew by a mere 1.4 percent year on year to a total of EUR 186.7 million (prior year: EUR 184.2 million). The excellent development of the Infrastructure area was almost canceled out by the sales drop in the Primary Industries area. The former experienced a significant rise in sales in the combustion machines industry and in environmental measuring technology, particularly in China. Primary Industries on the other hand suffered a decline in growth on account of the ongoing process of market consolidation in the metal and steel industries. Additionally, the oil and gas industry was facing major challenges in the wake of the global collapse in gas prices, and the investment bottleneck in the industry meant that it was not possible to quite match the result driven by high project sales in the prior year.

Thanks to its **global presence**, the SICK Group can participate in the development of all major growth regions around the globe. However, framework conditions on the home market of **Germany** were more difficult in the 2013 fiscal year than originally forecast. Many companies viewed the economic situation as uncertain, resulting in a major investment bottleneck. This was compounded by the slow rate of export growth. On the whole, sales for the region were thus marginally below the prior-year level. The sales growth forecast at the beginning of the 2013 fiscal year to be in the high single digits proved unachievable in light of the tough economic situation. By contrast, the **Europe, Middle East and Africa (EMEA)** region developed more successfully than had been expected at the beginning of the year in light of the economic circumstances and the debt crisis in some of the countries in the region. While Italy and Spain did make a recovery, it was not at the speed predicted. Furthermore, sales developed slightly short of expectations in some Scandinavian countries. Overall, sales grew moderately on the prior-year level and were thus roughly 50 percent short of the forecast. Percentage sales growth was greatest in the sales region **North, Central and South America (Americas)**. The region's economy experienced a noticeable revival in the second half of the year in particular, although Brazil suffered as a result of many investors withdrawing capital from the country after the USA's announcement to renounce its expansive monetary policy. Despite this development, the forecast level of sales growth was almost reached. Meanwhile, sales growth in the **Asia / Pacific region** slowed compared to the prior year. The Process Automation business experienced growth there, especially thanks to the environmental measuring technology sector in China. Nevertheless, China's domestic political uncertainties resulted in a poor climate for investment and stymied demand for SICK sensors for Factory and Logistics Automation. Australia was hit particularly hard by this development, as it is heavily dependent on China's demand for exports. Japan continued to grow despite considerable negative currency effects, with state investment programs providing the corresponding impetus for demand. But the sales region as a whole failed to meet expectations, and sales growth was substantially below the forecast growth rate of roughly 20 percent. In the last two sales regions mentioned, the unfavorable development of currencies important for the euro (US dollar, Japanese yen, Chinese renminbi, Brazilian real, Australian dollar) in the past fiscal year also hampered sales development. The extent of this unfavorable development was not evident at the beginning of the year.

The **regional distribution of sales** was as follows in the 2013 fiscal year:

Sales by region

in EUR k	**2013**	2012	Change *in %*
Germany	230,429	232,985	-1.1
Europe, Middle East and Africa (EMEA)	393,867	377,209	4.4
North, Central and South America (Americas)	205,714	188,699	9.0
Asia / Pacific	179,505	172,417	4.1
Total	**1,009,515**	**971,310**	**3.9**

At EUR 306.9 million, **cost of materials** was 2.8 percent higher than in the prior year (EUR 298.4 million). However, the increase is lower than the rise in sales. This development reflects favorable exchange rate developments, further-improved procurement management and internal process optimization. As a result, the ratio of cost of materials to sales also fell from 30.3 percent to 29.9 percent.

Personnel expenses, on the other hand, rose by 6.1 percent to EUR 429.0 million in total (prior year: EUR 404.2 million) – and thus at a higher rate than sales – owing chiefly to the conscious decision to expand research and development and sales.

Depreciation and amortization reflect the high level of investing activities in the 2013 fiscal year, in particular in machines, tools and special operating resources, as well as the renewal of important IT licenses. At EUR 37.6 million, depreciation and amortization in the 2013 fiscal year was 6.8 percent higher than in the prior year (EUR 35.2 million).

At EUR 168.5 million, **other operating expenses** remained virtually unchanged (2012: EUR 168.6 million). This is primarily attributable to a conscious management of non-personnel operating expenses, in particular of selling and administrative expenses. **Other operating income** decreased by 5.6 percent to EUR 6.7 million (prior year: EUR 7.1 million), as lower income was recorded from cost reimbursements that could not be fully compensated for with higher subsidies for research projects. Consequently, the **net balance of other operating income and other operating expenses** rose marginally to EUR 161.8 million (prior year: EUR 161.5 million), just 0.2 percent more than in the prior year.

The **currency results** deteriorated somewhat, due in particular to currency losses resulting from the depreciation of the Japanese yen, the Chinese renminbi and the Brazilian real against the euro. At the end of 2013, the currency loss therefore amounted to EUR 2.0 million, and thus EUR 0.4 million below the prior-year figure (loss of EUR 1.6 million).

Net investment expense fell to EUR 0.2 million (prior year: EUR 0.0 million) on account of the necessary start-up investments for the new entities in the SICK Group, notably for SICK kluge GmbH in Germany and the joint venture SICK Metering Systems in Belgium.

Earnings before interest and tax (EBIT) of EUR 88.3 million were recorded in the 2013 fiscal year, constituting a 6.8 percent rise on the 2012 level, when EBIT stood at EUR 82.7 million. This figure deviates from the earnings published in the prior year, as the figure was duly restated in accordance with IAS 19R (Employee Benefits). Details are provided in the notes to the consolidated financial statements. On the whole, the 2013 fiscal year was characterized by efficient use of materials and restrictive management of non-personnel operating expenses. The EBIT margin as a percentage of sales amounts to 8.7 percent.

Earnings on a segment-by-segment basis are as follows:

The **Factory Automation segment** closed the 2013 fiscal year with EBIT of EUR 58.7 million. This is equivalent to 10.1 percent of sales (prior year: 10.6 percent).

The **Logistics Automation segment** generated EBIT of EUR 21.9 million in the 2013 fiscal year. This is equivalent to 9.0 percent of sales (prior year: 8.8 percent).

The **Process Automation segment** closed the 2013 fiscal year with EBIT of EUR 7.7 million. This is equivalent to 4.6 percent of sales (prior year: 1.9 percent).

The **tax rate** of 25.4 percent in the prior year has normalized at a rate of 29.0 percent now that pre-period positive effects no longer apply in the 2013 fiscal year. The Group's overall **tax expense** climbed from EUR 19.9 million to EUR 24.2 million. After deducting the tax burden, the share in the **consolidated net income** for the year that is attributable to the shareholders of SICK AG amounts to EUR 59.2 million, which is a rise of 1.2 percent on the prior year (EUR 58.5 million). Because of the higher sales level, the **net return on sales** is still 5.9 percent, thus almost matching the prior-year figure by 6.0 percent.

Net assets

Total assets rose by an above-average 6.2 percent to EUR 649.2 million (prior year: EUR 611.5 million), outpacing sales growth in the 2013 fiscal year.

At EUR 246.5 million, **non-current assets** rose by 9.9 percent on the prior year (EUR 224.2 million). This development is mostly due to **property, plant and equipment**, which rose by 11.3 percent to EUR 170.3 million, chiefly in connection with building measures at the German locations (including the new production buildings in Reute, Donaueschingen and Dresden) and the purchase of machines. There was also a rise in **intangible assets** to a total of EUR 58.3 million in the 2013 fiscal year, thus surpassing the prior-year figure of EUR 49.4 million by 18.0 percent. This is due in the main to a higher level of development work capitalized, the purchase of the intangible assets of the entity Ação Solução em Sensores as well as the renewal of IT licenses. Furthermore, costs in the region of EUR 1.5 million were capitalized for the creation of new global ERP software. By contrast, there was a decline in **deferred taxes** to EUR 16.5 million, down 18.3 percent on the prior year (EUR 20.2 million).

The sales growth in the course of the reporting year is also reflected in the development of **current assets**. These saw a rise of 4.0 percent to EUR 402.7 million (prior year: EUR 387.3 million). **Inventories** were reduced slightly, however, amounting to EUR 180.1 million as of December 31, 2013. This constitutes a drop of 2.6 percent on the prior-year level (EUR 184.9 million), due primarily to improved procurement management and optimized processes as well as the reduction of project stocks (in particular at the subsidiary SICK, Inc. in Minneapolis, USA). Days of Inventory Outstanding (DIO) fell by five days to 64 days as a result (prior year: 69 days).

In line with the rise in business activity, **trade receivables** increased by 13.3 percent to EUR 172.0 million (prior year: EUR 151.8 million). Because they increased at a faster rate than sales, Days of Sales Outstanding (DSO) rose to 61 days as of the end of the year (prior year: 56 days). By contrast, **cash and cash equivalents** fell by 21.9 percent to EUR 11.8 million (prior year: EUR 15.1 million). There was a rise in **other assets**, namely of 13.8 percent to EUR 32.2 million (prior year: EUR 28.3 million), due to higher prepaid expenses and higher values of derivative financial instruments for currency hedges.

On the equity and liabilities side, the SICK Group recorded a further increase in **equity** thanks to the positive development of earnings. Equity amounted to EUR 321.6 million at the end of the year, which represents a 13.7 percent jump on the prior year (EUR 282.9 million). This figure deviates from the earnings published in the prior year, as the figure was duly restated in accordance with IAS 19R (Employee Benefits). Details are provided in the notes to the consolidated financial statements. The **equity ratio** was raised to 49.5 percent accordingly (prior year: 46.3 percent). This was also contributed to by the fact that the customary dividend was distributed once again in the 2013 fiscal year.

Non-current liabilities continued to fall thanks to the pleasing business development. They were reduced once again by 5.8 percent to EUR 105.1 million (prior year: EUR 111.6 million). **Non-current financial liabilities** decreased accordingly by 10.8 percent to EUR 39.5 million (prior year: EUR 44.3 million) because of the scheduled repayment of bank loans. At EUR 61.4 million, **long-term provisions** remained 6.7 percent below the prior-year level (EUR 65.8 million), due first and foremost to the decline in provisions for pensions and for special German phased retirement obligations ("Altersteilzeit").

The higher business volume in the 2013 fiscal year is reflected in a marginal increase in **current liabilities**, which grew by a total of 2.5 percent to EUR 222.5 million (prior year: EUR 217.0 million). This increase was driven by the 4.8 percent rise in **current financial liabilities** to EUR 45.6 million (prior year: EUR 43.5 million) in order to finance working capital and the 13.1 percent increase in **trade payables** to EUR 85.7 million (prior year: EUR 75.8 million) as a result of higher prepayments received, in particular for large project orders of the subsidiaries SICK MAIHAK China and SICK, Inc. (USA). **Other provisions** developed in the opposite direction, amounting to EUR 16.2 million (prior year: EUR 18.8 million), as fewer warranty provisions were necessary in the past fiscal year thanks to continuous quality improvements. This corresponds to a fall of 13.8 percent. The same applies to **tax liabilities**, which were almost halved from EUR 12.6 million in the prior year to EUR 7.0 million at the end of the reporting year. However, a rise in other tax liabilities meant that **other current liabilities** rose by 2.4 percent to EUR 68.0 million (prior year: EUR 66.4 million).

Because the sales-related rise in trade receivables outweighed the positive effect in inventories and non-current financial liabilities, **working capital** rose slightly by 2.1 percent to EUR 266.5 million (prior year: EUR 260.9 million). As the percentage rise in working capital was less than that of sales, Days of Working Capital (DWC) dropped from 97 to 95 days. There was a marginal increase of 0.8 percent in **net debt** from EUR 72.7 million to EUR 73.3 million, chiefly due to a high level of investing activities.

Financial position

At EUR 108.7 million, **cash flow from ordinary operations** remained more or less on a par with the prior year (EUR 108.3 million) on account of the drop in non-current provisions which was not compensated for by the minimal increase in working capital. A dividend of EUR 17.0 million was paid in the 2013 fiscal year that was financed from the **cash flow from operating activities**. This cash flow of EUR 81.9 million (prior year: EUR 76.6 million) was also used to finance investing activities.

Investments during the 2013 fiscal year totaled EUR 65.7 million excluding financial assets, a rise of 26.1 percent on the prior year (EUR 52.1 million). In **Germany**, investment activities centered on the construction measures at the locations in Donaueschingen (construction of a new production building), Dresden (construction of a new office and production building) and Buchholz (planning services and purchase of real estate for a new distribution center). Investments were also made in renewing IT licenses. In the **EMEA** region, the largest investment was made at the location in Hungary, where new production facilities were acquired. Building measures featured amongst investments in the **North, Central and South America** region, with the subsidiary SICK, Inc. in Minneapolis, USA, converting and extending its office building and investing in furniture and fixtures. Additionally, the Brazilian subsidiary SICK Solução em Sensores carried out renovation measures on the office building in São Paulo and also invested in furniture and fixtures. The largest single investment in the **Asia / Pacific** region was made at SICK China in the form of “Solution Vans,” which are traveling trade fair stands to support sales efforts.

The net assets, financial position and results of operations of the SICK Group continued to develop well in the past fiscal year. This positive development is reflected in the rise in EBIT and consolidated net income for the year as well as the renewed increase in the equity ratio. The SICK Group thus has a solid capital base to realize its future plans for growth.

Quality and environmental management

SICK sensors make a major contribution to the automation of industrial production and logistics processes, thus raising the productivity of facilities and the quality of products. SICK therefore sees itself as sharing responsibility with its customers as their partner and wishes to contribute actively to reducing the materials use and energy consumption in production and in the operation of its products. As a company that is managed in a modern way, SICK is aware of its responsibility to its employees, to society and to the environment. SICK’s overarching objective is thus to improve corporate environmental protection above and beyond compliance with official regulations. An internal control system and external audits ensure compliance with quality and environmental management requirements and processes. Matrix certification was carried out successfully once again by TÜV NORD in the reporting year, confirming that SICK AG and all of the German subsidiaries in the SICK Group apply a quality and environmental management system that satisfies the requirements of DIN EN ISO 9001 and DIN EN ISO 14001. As part of the environmental management system, all operating requirements and processes related to the environment are analyzed in order to minimize or, if possible, eliminate negative effects on the environment. An interdisciplinary committee of experts examines new and amended statutory regulations and norms in terms of their relevance for the SICK Group and advises the areas concerned of any steps that need to be implemented. In addition, SICK AG introduced a comprehensive environmental management system in accordance with EMAS (Eco-Management and Audit Scheme) and an energy management system in accordance with EN ISO 50001 at the Waldkirch and Reute locations back in 2012. In addition, conformity with norms is ensured by internal and external inspections (compliance audits), by open and direct dialog with the authorities responsible and by involvement in external professional bodies.

Employees

The growth experienced by the SICK Group is thanks primarily to the competence and dedication of its employees. 295 new staff joined the Group globally in the 2013 fiscal year. At the end of the year, the headcount at the SICK Group was 6,597 in total, which is 4.7 percent more than at the end of 2012 (6,302 employees). These new skilled staff allowed SICK to expand the areas of research and development as well as global sales further and thus to actively provide for the future. As of the end of the year, 3,991 employees or 60.5 percent of the workforce worked in **Germany**. This signifies a rise of 4.0 percent on the level at the end of the prior year (3,836 employees). The subsidiary SICK Engineering GmbH experienced the highest growth, with the headcount rising by 11.9 percent through the new hires in sales back office, materials management, research and development as well as production. The percentage increase in headcount was greater **internationally**, with a total of 140 new staff joining the Group by the end of 2013. This is equivalent to growth of 5.7 percent compared with the end of 2012. The subsidiary in South Africa, which is still relatively new, experienced further growth and grew its headcount by 20.0 percent to a current figure of 36 employees. The subsidiary SICK, Inc. in Minneapolis, USA, hired 32 new staff, first and foremost in the areas of research and development, production and materials management as well as service. The headcount there thus grew by 9.9 percent to 356 employees. The Brazilian subsidiary SICK Solução em Sensores had 14.0 percent more employees at the end of the past fiscal year than in 2012, chiefly in administration, materials management and sales back office, as insourcing measures were taken to hire people previously working as contractors. The percentage growth in headcount was even higher in Canada, with the subsidiary there raising its headcount by almost one third in the course of the fiscal year (up 30.0 percent). The main areas invested in were marketing, sales and service. The production location in Malaysia also increased its workforce, welcoming 13 new employees, mostly in production. This constitutes growth of 23.6 percent. In Japan, the sales and service teams were reinforced with an overall increase of 10.6 percent in the number of employees working there.

Employees as of December 31	2013	2012	Change in %
Germany	3,991	3,836	4.0
Europe, Middle East and Africa (EMEA)	1,201	1,175	2.2
North, Central and South America (Americas)	568	487	16.6
Asia / Pacific	837	804	4.1
Total	**6,597**	**6,302**	**4.7**

The **average age of SICK's workforce** was 40.6 in 2013, which is somewhat higher than in the prior year (39.8 years old). The average **length of service** also rose slightly to 9.3 years (prior year: 8.9 years). The percentage of women in the workforce of the SICK Group has fallen, with **women** accounting for 33 percent of the staff and **men** accounting for 67 percent in the past fiscal year. In the prior year, these figures were 37 percent and 63 percent respectively.

SICK is particularly committed to its responsibility as a reliable and secure employer. Flexible working time models, tailored advanced training and active promotion of healthy living help to bind the employees to the Company for the long term. At EUR 7.7 million, however, the **cost of basic and advanced training** in the 2013 fiscal year was 1.9 percent lower than in the prior year (EUR 7.8 million). The SICK Group employed an average of 260 trainees in the 2013 fiscal year (prior year: 239). The excellent quality of training at SICK was evidenced once again in the past year by the success of (former) **trainees** in national and international competitions. Silas Gschwender, Lukas Adler and Timo Späth were ranked among the top five worldwide in the WorldSkills championships in Leipzig in July. The two mechatronics apprentices Timo Späth and Lukas Adler won the bronze medal, with Brazil winning gold and China and Norway both taking silver. Electronics apprentice Silas Gschwender came fifth and received the Medallion for Excellence.

In addition to basic training, SICK also sees **tailored advanced training** as an important tool for meeting the challenge of demographic change in particular. Employees of all ages get the opportunity to make use of advanced training options that are specially geared to their needs. Consequently, lifelong learning is part of everyday working life at SICK. Internal advanced training is coordinated by SICK Academy. More than 80 trainers and advisors developed, organized and realized an average of 400 events in 2013, which helped all employees to expand their skillset.

The offering is complemented by extensive programs to **promote healthy living**. These go far beyond what is required by law and are entirely integrated in the daily work routine. Corporate healthcare management at SICK AG was again rated as excellent in the past fiscal year, winning the Corporate Health Award 2013. SICK AG met more than 90 percent of the requirements, putting it well above the industry average of 61 percent for the third time in succession. The amendment to the ArbSchG ("Arbeitsschutzgesetz": German Law on Safety and Health at Work) has been binding under the law for a long time and was passed by the Bundestag (lower house of the German parliament) in June 2013. This amendment requires that psychological stress factors at work must in future also be included in the assessment of risks. SICK focused attention on this area at an early stage to meet these requirements. As early as 2005, SICK developed a procedure – a system of integrated risk assessment – to incorporate physical, psychological and psychosocial strains in the workplace. In the course of several pilot phases, this system was tested, evaluated and subsequently developed into a standard process. The system of integrated risk assessment has been gradually introduced at SICK AG's German locations since 2012. The workplaces are analyzed systematically in terms of potential risks. Measures are then developed to reduce / eliminate these risks and the effectiveness of these measures is assessed on a continuous basis. The **system of integrated risk assessment** at SICK AG acts as an early warning system to detect critical developments in everyday working life at an early stage.

Another process that has become established since the past fiscal year is that of **reintegration management**. This helps employees to overcome their incapacity for work, eases their return to work and supports them in preventing a repeat absence. The first reintegration management conference took place in June as part of implementing the reintegration management process at all German locations of SICK AG. All of the reintegration management officers at SICK AG took part in the conference. The focus was on exchanging information and experiences. The aim of the conference, which is to be held once a year in future, is to enhance the exchange between the reintegration management officers and in particular to allow the smaller locations to share in the experiences of the larger locations.

The topic of promoting healthy living has also been integrated in executive training at SICK. Since the past fiscal year, a seminar has been on offer entitled "Gesund Führen" ("Healthy management"), because the topic of health has a two-fold significance for executives. On the one hand, they have to consider the topic of health in their daily management work, while on the other they have to take care of their own health. The half-day seminar at SICK Academy supplements executive training and provides valuable tips on how to be a role model in this respect.

Under the "SensorING" motto, SICK offers a specially tailored 12-month **trainee program** to graduates with qualifications in natural sciences or with technical degrees in order to introduce high potentials to specialist and project tasks at an early stage. In addition to comprehensive training in different technologies, development tools and project management methods, the graduates are given the opportunity to participate in various development projects and to take on responsibility for subprojects. There is also an option to spend time at an international SICK subsidiary in the SICK Group in order to gain experience in the process of cooperation at an international level. In the past fiscal year, nine participants completed the SensorING program and four new participants joined.

An indication that the employees appreciate and value these offerings can be seen from the fact that SICK AG once again performed well in the "**Best Workplaces in Germany**" competition last year. The title recognizes a special quality and attractiveness as an employer and is awarded annually by the Great Place to Work® Institute in Germany and the German Federal Ministry of Labor and Social Affairs. In 2013, SICK AG ranked in the Top 100 best employers in Germany for the eleventh time in a row. SICK won second place in the "2,001 – 5,000 employees" size category. The award represents a workplace culture shaped by trust, identifying with the employer and team spirit as well as an employee-oriented approach to personnel and management tasks.

The mission statement with its core values of independence, innovation and leadership shapes the **corporate culture** of the SICK Group. Leadership means not only technology and market leadership but also the development of the management culture. The actions of all employees in the SICK Group are based on the same principles and values all around the world. Increasing globalization makes good governance and constructive cooperation more and more important, and more and more challenging at the same time. In order to master this challenge successfully, the "Principles of leadership and cooperation" were established in the Group. These serve as a guide for employees in their everyday work. A fundamental underlying principle is that cultural differences are respected and valued and that there is openness to opinions and perspectives from other cultural groups. This principle is seen as an opportunity for employees and the Group to continue to develop. Furthermore, the executives in the SICK Group support the ability and willingness of the employees to cooperate at an international level to allow them to master the challenges of a complex global environment. Treating each other with respect helps to meet these challenges with success. As a consequence, since the past fiscal year International Human Resources (HR) has reported directly to the Executive Board member responsible for Human Resources. The international HR policy in the SICK Group is characterized by the principle of decentralization. Nevertheless, the Group is dedicated to ensuring that all employees at SICK around the world experience a comparable management and corporate culture. This is based on uniform conditions and selected and standardized global HR tools.

SUBSEQUENT EVENTS

There were no events of significance after January 1, 2014 that are expected to have a significant impact on the net assets, financial position and results of operations of the SICK Group.

OPPORTUNITY AND RISK REPORT

General

As a fundamental component of corporate management, the Executive Board of SICK AG implemented a risk management system in order to detect deviations from defined objectives and take countermeasures at an early stage. These deviations can be positive (opportunity) or negative (risk). As part of the **risk management system**, significant opportunities and risks are identified regularly, monitored continuously and communicated to the Executive Board.

In addition, the **compliance management system** was developed further in the past fiscal year. Compliance in this context is not seen just as a statutory requirement that has to be met. Compliance should create added value for SICK by avoiding damage to the Group's assets and reputation, reducing risks for the Executive Board, the Supervisory Board and the employees, creating a long-term strategic reputation-related and competitive advantage and contributing to enhanced efficiency and process optimization. For the best possible interlinking and bundling of the experience available at SICK, the Compliance Committee was set up in the field of compliance. This committee provides a forum for exchange on fundamental topics, for consolidating the risk environment, drawing up standards and for working towards compliance with provisions and monitoring of the effectiveness of measures. The Compliance Committee reports to the Corporate Compliance Officer in performing its tasks. This position is integrated in the Executive Board and is held by Dr. Martin Krämer, who is also responsible for the Legal Counsel Office. The Corporate Compliance Officer is in charge of supervising and monitoring compliance-relevant aspects and has an accountability and reporting duty vis-à-vis the Executive Board and other executive bodies.

The **SICK Code of Conduct** is an important component of compliance management that sets out the principles applying to corporate and personal conduct at SICK. It is binding on all staff worldwide. By introducing the Code of Conduct, SICK focuses primarily on preventing inappropriate behavior. The Code of Conduct provides guidance and aims to raise awareness of the fact that failure to comply with laws and rules of ethics could result in damage to SICK, our business partners and our employees.

SICK reduces **risks** posing a threat to the continued existence of the Company by managing risk-relevant business processes such as currency hedging and group financing centrally at the parent company in Waldkirch. SICK has taken out insurance policies to wholly or partially cover certain risks. A central insurance management unit exists for this purpose. **Opportunities** are analyzed at an early stage after identification and integrated in the group-wide planning and management systems.

System and industry

Changes in the overall economic framework conditions have an impact on the markets relevant for SICK and thus have a significant influence on the risk situation of the SICK Group. SICK therefore counters the risk of weak economic performance in significant target industries by diversifying its customer base. In addition, the Factory, Logistics and Process Automation segments are subject to different market mechanisms. Slowing global economic growth can nevertheless affect the net assets, financial position and results of operations of the SICK Group in a negative manner. For example, an economic downturn impacts on customers in the form of a drop in sales or increased difficulty in accessing the capital markets. This could prevent customers from paying their outstanding invoices on time or in full, which would be detrimental to the earnings and cash flows.

However, times of economic crisis can also bring with them opportunities for SICK, as these are precisely the times when customers scrutinize their processes in order to realize cost savings by means of process optimization. The pressure on customers to rationalize and to optimize production processes and make them more flexible has been and continues to be an opportunity for SICK, because such activities involve the use of state-of-the-art automation systems. SICK takes advantage of this opportunity to continue to work on innovative and tailored solutions while at the same time using targeted training measures to develop sales know-how further.

Development activities

The SICK Group's business model is founded primarily on the existence of an independent market for sensor systems and on the conviction that by concentrating on sensor solutions it is possible to offer intelligent and high-quality products and to produce these efficiently. In line with its "SICK Sensor Intelligence." claim, SICK thus focuses on sensor technology for industrial applications while exploiting all possibilities and facets that sensor technology offers. As a result, it is essential that SICK's products are compliant with as many automation systems as possible. Consequently one of SICK's focal areas of development is connectivity. SICK is involved in the industry bodies of various associations in order to promote the continued development of open and defined interfaces. The Company also monitors other technologies and trends considered relevant for the future development of the SICK Group and, after appropriate appraisal, incorporates these in development or cooperation processes. But at SICK a solution is not understood to mean products alone. This is why the business model is additionally supported by the system and service business. Both areas concentrate on providing customers with complex solutions that go beyond the individual product and that have been customized to the respective requirements.

In addition to constantly monitoring market developments, SICK has a systematic product development process that takes account of all key market-related, technical and economic aspects with the aim of achieving technology leadership. Intellectual property is protected by patents and contractual arrangements where feasible. A central patent unit monitors the protection of the Group's own rights and the avoidance of infringing third-party intellectual property rights.

Procurement

One of the foremost trends in recent years is that procurement markets are becoming more volatile and default risks are on the increase. The SICK Group counters these risks using long-term partnerships with tried-and-trusted suppliers. For this reason, an internal classification system is firmly in place that evaluates major suppliers from a technical, commercial and strategic perspective. In order to meet additional requirements, suppliers are obliged to follow a Code of Conduct for suppliers that is based on the Company's Code of Conduct. Suppliers outside the EU also have to adhere to the European Union's substance bans that are relevant for SICK AG. Foresight in concluding comprehensive agreements with strategic partners ensures that the Group can maintain or even improve its ability to deliver at a high level. Dependency on individual suppliers and the risk of price fluctuations vary according to the importance and quantity of the components and whether there are alternative suppliers for the components in question. Sudden price fluctuations due to the cost of materials or supply bottlenecks for certain product groups are countered using a forward-looking planning system that includes strategies to safeguard prices in good time as well as strategic buffer stocks. Technology-specific procurement market observation and analysis as part of the strategic commodity management system installed ensures additional reliability. The further development of the process for strategically relevant components also helped to guarantee supply. This process defines certain measures that influence stock levels depending on the degree of dependency. This means that buffer stock requirements are secured if a risk does eventuate. There is also sufficient time to use alternative procurement sources.

Personnel

The economic success of an innovative high-tech firm like the SICK Group is not possible without highly qualified specialist staff. In response to the intensifying competition for qualified staff, which is compounded by demographic change, SICK's approach has been to actively present itself as an attractive and secure employer on the global labor market in line with its mission statement. For the past two years, SICK has also been using social media channels very successfully to address specifically younger skilled workers in a manner that is appropriate for the target group. The international alignment of the Group with manufacturing and development facilities located in the most important growth regions of the world is additionally reducing dependence on regional labor markets. In addition, the concept of lifelong learning is well established in the SICK Group, with the internal SICK Academy – but also external trainers and seminars – providing basic and advanced training for its staff. The development and support of high potentials at an early stage is equally well established, for example in the form of training programs for new managers like the newly introduced International Leadership Program launched in November 2013 with 12 participants from 12 countries. A further new development is the SICK Leadership Challenge Program, a national development program for executives. It supports high potentials in order to fill even more senior management positions from within the Group in the future. The participants were selected in December 2013. In order to retain employees in the long term, the SICK Group also provides adequate remuneration systems combined with a human resources policy that considers the needs of families. In light of the demographic change that is taking place, it is hugely important to promote the health of each and every employee in the SICK Group as well as their ability to perform and to learn. This is borne out in the establishment of the system of integrated risk assessment.

Information technology

An information technology infrastructure that functions without disruption is the foundation for all business processes running smoothly. The SICK Group thus invests continuously in modern IT systems to ensure in this way that the IT solutions used throughout the Group are competitive and adequate for the Group's needs well into the future. Comprehensive data back-up concepts and facilities minimize potential risks of data loss. Company-wide security measures also ensure that data is protected against third-party access and harmful virus attacks.

RISK REPORTING ON THE USE OF FINANCIAL INSTRUMENTS

The debt finance of the Group is primarily denominated in euro. The Group's creditors are banks with which a long-term business relationship exists. There are sufficient credit lines for future investment needs, and liquidity is ensured from today's perspective. The Group uses forward exchange contracts and options to hedge against foreign currency risks.

The international nature of SICK's business entails a large number of cash flows in different currencies. The SICK Group is particularly exposed to currency fluctuations between the euro and the US dollar. Other significant foreign currencies include the Chinese renminbi, the pound sterling, the Brazilian real and the Australian dollar. Depending on the expected risk potential, exchange rates are hedged using traditional forward contracts or options over varying periods. In 2013, large portions of the exposure for the main currencies for the SICK Group expected for the 2014 fiscal year were hedged.

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.

For further explanations on risk reporting on the use of financial instruments, reference is made to the disclosures in the notes to the consolidated financial statements under G. (35) "Financial risk management."

REPORT ON EXPECTED DEVELOPMENTS

Forward-looking statements

The forward-looking statements in this management report are based on assessments of future developments made by the Executive Board. The statements and forecasts were made on the basis of the information available at the present time. Unknown risks, uncertainties and other factors could mean that the actual results, developments or the performance of the Group may deviate from the forecasts, estimates and statements.

Brighter economic prospects for the year 2014

The forecast for the global economy at the end of 2013 and beginning of 2014 was optimistic. Factors that impacted negatively on the global economy over the past two years have waned in significance. Consolidation in the private sector has progressed well in the USA, while the structural adjustments made in the eurozone are beginning to bear fruit and the economies in important emerging countries have recently regained momentum. This forecast is still subject to risks, however, for example in the form of a return of the euro crisis or unexpectedly severe turbulence on the capital market as soon as the USA restricts its previously expansive fiscal policy. The IfW in Kiel has estimated global production to rise by an expected 3.7 percent in 2014, which is considerably higher than in 2013 (2.9 percent). In view of this fact, we expect robust economic growth in the coming year as well as more favorable conditions for stronger sales growth than in the past fiscal year.

Continued optimistic forecast for the development at SICK

The ever-increasing pace at which economic conditions change means that industry remains under severe pressure to rationalize production, logistics and other processes. Investments are made only if they resolve a problem for a customer in a simple manner and thus contribute to raising efficiency or saving resources. This applies to all of our target industries. Thanks to its broad product and service portfolio, its system and solution competence, its extensive industry expertise and global presence, the SICK Group is in an excellent position to respond to customer demands for intelligent automation solutions that provide this added value. We assume that the revival of the global economy currently forecast for the coming year will additionally boost our customers' willingness to invest and with it demand for SICK products, systems and services.

In view of the circumstances outlined, our current forecasts assume that sales in the SICK Group will experience high single-digit percentage growth in the 2014 fiscal year. After sideways growth in the past fiscal year, the sales region in **Germany** is also expected to achieve high single-digit percentage growth in 2014. We are forecasting growth in the region of 10 percent for the **Europe, Middle East and Africa (EMEA)** sales region. We take a positive view of the development of the countries most badly affected by the euro crisis, namely Italy and Spain. Their recovery is set to continue in 2014. Further impetus for growth is likely to stem from Eastern Europe. In addition, the founding of the joint venture SICK Metering Systems in Belgium last year is expected to contribute to higher growth in the EMEA sales region. The company will specialize in complex system solutions for gas metering stations – an additional important field of business for the Process Automation segment. SICK will thus be able to tap growth markets such as the Middle East, China and Southeast Asia and implement large-scale projects with international oil and gas companies in the future. The relatively new sales subsidiary in South Africa is expected to return a sales figure that is one-third higher than in the prior year. We view the development in the **North, Central and South America** sales region with similar optimism, anticipating high single-digit percentage sales growth there. Brazil is likely to contribute to this development. The integration of former distributor Ação Solução em Sensores there has opened up new market opportunities, especially in the field of safety technology. Sales at the sales companies in North America will grow at roughly the same rate as the sales region as a whole. Somewhat weaker growth is expected in the **Asia / Pacific** sales region, with a forecast of slightly more than 8 percent growth. While China in particular continues to provide a growing market for our products, the pace of growth will slow further compared with prior years. As far as the development of the segments is concerned, we expect that the economic upswing will be reflected in high single-digit percentage growth rates in Factory Automation and in Logistics Automation. The Process Automation segment is forecast to grow at between 10 and 15 percent.

In light of the sales growth and because of our strong focus on costs and efficiency as well as the organizational realignment of some areas, we anticipate EBIT as a percentage of sales to be in the high single-digit figures in the coming fiscal year.

The most important aim of capital management is to maintain liquidity and the equity ratio at a stable high level in the next fiscal year and thus ensure a low-risk and flexible financing structure. Dividend payments will continue to be made within the target corridor for the planned capital base taking investment requirements into account. The Company'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

In the coming fiscal year, corporate environmental management at SICK will continue to pursue the aim of creating measurable economic added value for the Group by taking a responsible approach to the environment. The most important areas for action are the reduction of carbon emissions, environmentally friendly production (especially in terms of resource and energy efficiency as well as the management of harmful substances) and the development of products that make a contribution to environmental protection.

The personnel policy of the SICK Group will continue to be geared to its commitment to being a fair employer with high performance standards that employees enjoy working for and where they remain for a long period. Particularly in times of challenging market conditions, qualified and high-performing employees are the basic prerequisite for stable growth. As a result, personnel activities in the 2014 fiscal year will focus on supporting new employees and forging links between SICK and potential skilled staff at an early stage and making them enthusiastic about the Company. A variety of health promotion and occupational health and safety measures, including in particular the company-wide application of the system of integrated risk assessment, will make a vital contribution towards maintaining the efficiency of the employees at its current level. Flexible working times as well as the childcare facilities offered allow SICK employees to achieve a balance between work and family life. With a broad offering of advanced training measures, SICK actively ensures that the employees are involved in continuous further development, both professional and personal, and can thus continue to contribute to the Group's growth in the future.

Despite strong prospects, the new year will also be shaped by the fact that economic framework conditions are changing more and more quickly and that business development is becoming more difficult to forecast. However, we are confident that we can act flexibly to make the year 2014 a successful one – even if the economic environment proves more difficult than current forecasts suggest.

Waldkirch im Breisgau, March 18, 2014

The Executive Board

Dr. Robert Bauer (Chairman)

Reinhard Bösl

Dr. Mats Gökstorp

Dr. Martin Krämer

Markus Vatter

Group Financial Statements

GROUP FINANCIAL STATEMENTS OF SICK AG

FOR THE 2013 FINANCIAL YEAR

CONSOLIDATED INCOME STATEMENT

of SICK AG for the period from January 1 to December 31, 2013

in EUR k	Notes	2013	2012
Sales	(1)	1,009,515	971,310
Changes in inventory		-2,776	-620
Own work capitalized	(2)	19,069	12,878
Cost of materials	(3)	306,943	298,405
GROSS PROFIT		**718,865**	**685,163**
Personnel expenses	(4)	428,929	404,192 [1]
Depreciation and amortization	(5)	37,607	35,193
Other operating expenses	(6)	168,537	168,640
Other operating income	(7)	6,731	7,116
Currency results	(8)	-1,998	-1,599
OPERATING RESULTS		**88,525**	**82,655** [1]
Net investment income/expense	(9)	-220	3
of which net income/expense from investments accounted for using the equity method		(-235)	(3)
EARNINGS BEFORE INTEREST AND TAX (EBIT)		**88,305**	**82,658** [1]
Interest expense	(10)	4,995	4,410 [1]
Interest income	(11)	329	251
EARNINGS BEFORE TAX		**83,639**	**78,499** [1]
Income tax	(12)	24,245	19,902 [1]
CONSOLIDATED NET INCOME		**59,394**	**58,597** [1]
of which attributable to shareholders of SICK AG		59,172	58,549 [1]
of which attributable to non-controlling interests		222	48 [1]
EARNINGS PER SHARE IN EUR / SHARE (BASIC AND DILUTED)	**(13)**	**2.26**	**2.23** [1]

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of SICK AG for the period from January 1 to December 31, 2013

in EUR k	Notes	2013	2012
CONSOLIDATED NET INCOME		**59,394**	**58,597** [1]
OTHER COMPREHENSIVE INCOME			
Items that will never be reclassified to profit or loss			
Remeasurement of pension obligations		3,390	-11,242 [1]
Tax effect		-714	2,952 [1]
Remeasurement of pension obligations		2,676	-8,290 [1]
Items that were or that can be reclassified to profit or loss			
Currency translation differences		-6,105	26
Tax effect		0	0
Currency translation differences		-6,105	26
OTHER COMPREHENSIVE INCOME		**-3,429**	**-8,264** [1]
COMPREHENSIVE INCOME		**55,965**	**50,333** [1]
of which attributable to shareholders of SICK AG		55,780	50,284 [1]
of which attributable to non-controlling interests		185	49 [1]

[1] Prior-year figures were restated pursuant to IAS 19 R, see A. "General disclosures" in the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

of SICK AG for the period from January 1 to December 31, 2013

in EUR k	Notes	**2013**	2012
CONSOLIDATED NET INCOME		**59,394**	**58,597** [1]
Adjustments for:			
Income tax		24,245	19,902 [1]
Net interest		4,666	4,159 [1]
Depreciation and amortization		37,607	35,193
Losses (income) from the disposal of non-current assets		74	207
Expenses/income from financial investments		235	-3
Other non-cash transactions		5,540	-4,293 [1]
Change in inventory		-5,005	-161
Change in trade receivables and other assets		-28,786	-9,085
Change in non-current provisions		-3,858	-518
Change in trade payables and other liabilities		14,538	4,300
CASH FLOW FROM ORDINARY OPERATIONS		**108,650**	**108,298**
Interest paid		-3,899	-3,262
Interest received		329	251
Income tax paid		-23,154	-28,667
CASH FLOW FROM OPERATING ACTIVITIES		**81,926**	**76,620**
Cash received from disposals of non-current assets		368	1,443
Cash paid for investments in property, plant and equipment		-43,094	-40,116
Cash paid for investments in intangible assets		-16,597	-11,361
Cash received from the change in financial assets		0	196
Cash paid for the acquisition of a business unit		-2,978	-50
CASH FLOW FROM INVESTING ACTIVITIES		**-62,301**	**-49,888**
Sale/acquisition of treasury shares		-84	-115
Cash paid to owners		-17,033	-34,073
Payment of finance lease liabilities		-2,647	-1,162
Cash received from loans		30,324	33,709
Cash repayments of loans		-33,179	-20,480
CASH FLOW FROM FINANCING ACTIVITIES		**-22,619**	**-22,121**
Net increase (decrease) in cash and cash equivalents		-2,994	4,611
Effect of changes in foreign exchange rates and changes in consolidated entities on cash and cash equivalents		-211	25
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**15,053**	**10,417**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**11,848**	**15,053**

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

[1] Prior-year figures were restated pursuant to IAS 19 R, see A. “General disclosures” in the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of SICK AG as of December 31, 2013

Assets *in EUR k*	Notes	2013	2012
A. Non-current assets			
I. Intangible assets	(14)	58,333	49,446
II. Property, plant and equipment		170,347	153,017
III. Investments accounted for using the equity method	(15)	867	1,129
IV. Other financial assets	(16)	442	416
V. Deferred taxes	(12)	16,477	20,196 [1]
		246,466	**224,204** [1]
B. Current assets			
I. Inventories	(17)	180,114	184,948
II. Trade receivables	(18)	172,005	151,756
III. Tax receivables	(19)	6,584	7,197
IV. Other assets	(20)	32,194	28,322
V. Cash and cash equivalents	(21)	11,848	15,053
		402,745	**387,276**
		649,211	**611,480** [1]

[1] Prior-year figures were restated pursuant to IAS 19 R, see A. “General disclosures” in the notes to the consolidated financial statements.

Equity and liabilities

in EUR k	Notes	2013	2012
A. Equity			
I. Issued capital	(22)	26,405	26,405
II. Capital reserves	(23)	22,119	22,094
III. Treasury shares	(24)	-3,360	-3,276
IV. Revenue reserves	(25)	275,228	236,560[1]
Equity attributable to the shareholders		320,392	281,783[1]
V. Non-controlling interests		1,219	1,087[1]
		321,611	**282,870[1]**
B. Non-current liabilities			
I. Financial liabilities	(27)	39,519	44,321
II. Provisions and other liabilities	(28)	61,370	65,804[1]
III. Deferred taxes	(12)	4,226	1,495[1]
		105,115	**111,620[1]**
C. Current liabilities			
I. Financial liabilities	(27)	45,635	43,451
II. Other provisions	(28)	16,183	18,778
III. Tax liabilities	(29)	7,047	12,620
IV. Trade payables	(30)	85,668	75,775
V. Other liabilities	(31)	67,952	66,366
		222,485	**216,990**
		649,211	**611,480[1]**

[1] Prior-year figures were restated pursuant to IAS 19 R, see A. “General disclosures” in the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
of SICK AG as of December 31, 2013

in EUR k	Issued capital	Capital reserves	Treasury shares	
BALANCE AS OF JANUARY 1, 2012 (AS REPORTED)	**26,405**	**22,073**	**-3,161**	
Change in accounting policies				
BALANCE AS OF JANUARY 1, 2012 (RESTATED)	**26,405**	**22,073**	**-3,161**	
Consolidated net income				
Other comprehensive income				
Comprehensive income				
Change in treasury shares		21	-115	
Dividend payment				
Other changes				
BALANCE AS OF DECEMBER 31, 2012 (RESTATED)	**26,405**	**22,094**	**-3,276**	
BALANCE AS OF JANUARY 1, 2013	**26,405**	**22,094**	**-3,276**	
Consolidated net income				
Other comprehensive income				
Comprehensive income				
Change in treasury shares		25	-84	
Dividend payment				
Other changes				
Balance as of December 31, 2013	**26,405**	**22,119**	**-3,360**	

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

	Revenue reserves	Equity attributable to the shareholders	Non-controlling interests	Equity
	222,858	**268,175**	**1,089**	**269,264**
	-2,393	-2,393		-2,393
	220,465	**265,782**	**1,089**	**266,871**
	58,549	58,549	48	58,597
	-8,265	-8,265	1	-8,264
	50,284	50,284	49	50,333
		-94		-94
	-34,073	-34,073		-34,073
	-116	-116	-51	-167
	236,560	**281,783**	**1,087**	**282,870**
	236,560	**281,783**	**1,087**	**282,870**
	59,172	59,172	222	59,394
	-3,392	-3,392	-37	-3,429
	55,780	55,780	185	55,965
	0	-59		-59
	-17,033	-17,033		-17,033
	-79	-79	-53	-132
	275,228	**320,392**	**1,219**	**321,611**

IFRS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF SICK AG

AS OF DECEMBER 31, 2013

A. GENERAL DISCLOSURES

General

The consolidated financial statements of SICK AG, Waldkirch, for the year 2013 were prepared according to the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, as adopted by the EU, and according to the additional requirements of German commercial law pursuant to Sec. 315 a (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 notes to the consolidated financial statements. SICK AG also prepared a group management report.

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

Economic background

SICK is one 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 65 years, has over 6,500 employees worldwide today and comprises 44 consolidated subsidiaries in over 30 countries as well as numerous equity investments and representative offices.

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

Summary of significant accounting policies

All IFRSs subject to mandatory adoption as of December 31, 2013 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.

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 thousands of euro (EUR k). Deviations from this rule are indicated accordingly.

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

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

Effects of new accounting standards

The accounting principles applied were virtually unchanged on the prior year, except for the following new and amended IFRSs and IFRIC interpretations effective in the year 2013:

IAS 1 "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (OCI)"
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time are presented separately from items that will never be reclassified to profit or loss. The amendment affects presentation only and has no impact on the Group's financial position or performance.

IAS 19 "Employee Benefits" (as revised in 2011)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. In addition, there were fundamental changes to the treatment of termination benefits. This applies in particular to the date on which an entity recognizes a liability for termination benefits. The amendment becomes effective retroactively for reporting periods beginning on or after January 1, 2013 and concerns provisions for pensions and similar obligations as well as provisions for special German phased retirement obligations ("Altersteilzeit").

The accounting change was applied retroactively; the actuarial gains and losses already recorded as income or expense as part of the corridor approach were restated in the Group's profit carryforward.

The corresponding prior-year figures were restated in the income statement, the statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity as well as in the notes.

This change in method leads to the following restatements in the consolidated statement of financial position as of January 1, 2012 / December 31, 2012:

in EUR k	**Dec. 31, 2011**	**IAS 19 restatement**	**Jan. 1, 2012**	Dec. 31, 2012	IAS 19 restatement	Dec. 31, 2012 restated
Deferred tax assets	16,738	977	17,715	18,387	1,809	20,196
Equity	269,264	-2,393	266,871	293,966	-11,096	282,870
Provisions and other liabilities	51,533	3,370	54,903	50,713	15,091	65,804
Deferred tax liabilities	2,129	0	2,129	3,681	-2,186	1,495
Total equity and liabilities	**576,301**	**977**	**577,278**	**609,671**	**1,809**	**611,480**

The following items were restated in the income statement and statement of comprehensive income for 2012:

in EUR k	**Jan. – Dec. 2012**	IAS 19 restatement	**Jan. – Dec. 2012 restated**
Personnel expenses	402,717	1,475	404,192
EBIT	**84,133**	**-1,475**	**82,658**
Net interest	-5,168	1,009	-4,159
Earnings before tax	78,965	-466	78,499
Income taxes	-20,064	162	-19,902
CONSOLIDATED NET INCOME	**58,901**	**-304**	**58,597**
Other comprehensive income	26	-8,290	-8,264
Comprehensive income	**58,927**	**-8,594**	**50,333**
Earnings per share in EUR / share	2.25	-0.02	2.23

There were no changes to the cash inflow from operating activities in the statement of cash flows.

IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in G (36) "Financial instruments."

Improvements to IFRSs
The annual improvements to IFRSs (2009 – 2011 cycle) include a large number of amendments to various standards. The amendments are applicable for reporting periods beginning on or after January 1, 2013. The amendments relate to the following standards, among others:

- IAS 1 “Presentation of Financial Statements”

Application has not materially impacted the financial position or performance of the Group.

The Group elected not to early adopt standards and IFRIC interpretations which have already been issued but have not entered into force yet. Generally speaking, the Group intends to adopt all standards when their adoption becomes mandatory for the first time.

The following list of standards and interpretations issued are those that the Group reasonably expects to have a material impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 19 “Employee Benefits” (as revised in 2013)
The amendment regulates how contributions made by employees are treated for defined benefit plans. The Group is currently assessing the impact of the new rules. Once it has been endorsed by the EU, the amendment will become effective for reporting periods beginning on or after July 1, 2014.

IAS 28 “Investments in Associates and Joint Ventures” (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 “Investments in Associates and Joint Ventures,” and describes the application of the equity method to investments in joint ventures in addition to associates. The Group is currently assessing the impact of the new rules. The amendment is effective in the EU for reporting periods beginning on or after January 1, 2014.

IFRS 9 “Financial Instruments: Classification and Measurement”
IFRS 9 as issued reflects the first phase of the IASB project on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. Once it has been endorsed by the EU, the amendment will become mandatory for reporting periods beginning on or after January 1, 2015. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group’s financial assets and financial liabilities. Nevertheless a reliable estimate of the potential effects is not possible until all phases have been concluded.

IFRS 9 “Financial Instruments: Hedge Accounting”
With the publication of the provisions for accounting for hedges in November 2013, the IASB continued its project work on the development of the new standard IFRS 9. The standard replaces IFRIC 7 “Reassessment of Embedded Derivatives” and amends a range of existing standards. The standard is applicable as of the date of its publication, but contingent upon the application of IFRS 9 as a whole and there are extensive transitional provisions. Nevertheless a reliable estimate of the potential effects is not possible until all phases have been concluded.

IFRS 10 “Consolidated Financial Statements”
IFRS 10 replaces the portion of IAS 27 “Consolidated and Separate Financial Statements” that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 “Consolidation – Special Purpose Entities.” IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements contained in IAS 27. No material impact is expected on the financial position or performance of the Group. The standard is effective in the EU for reporting periods beginning on or after January 1, 2014.

IFRS 11 "Joint Arrangements"
IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers." IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. In future, these must be accounted for solely using the equity method. The Group is currently assessing the impact that this new standard will have on the financial position and performance of the Group. The standard is effective in the EU for reporting periods beginning on or after January 1, 2014.

IFRS 12 "Disclosure of Interests in Other Entities"
IFRS 12 includes all of the disclosures related to consolidated financial statements previously contained in IAS 27, as well as all of the disclosures that were previously contained in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. In general, the standard leads to additional disclosures in the notes to the consolidated financial statements. The standard is effective in the EU for reporting periods beginning on or after January 1, 2014.

Improvements to IFRSs
The annual improvements to IFRSs (2010 – 2012 cycle and 2011 – 2013 cycle) include a large number of amendments to various standards. Once they have been endorsed by the EU, the amendments will become effective for reporting periods beginning on or after July 1, 2014. The amendments relate to the following standards, among others:

- IFRS 3 "Business Combinations"
- IFRS 13 "Fair Value Measurement"

The Group is currently assessing the impact of the new rules.

B. CONSOLIDATION PRINCIPLES

Consolidation methods
The consolidated financial statements include the financial statements of SICK AG and its subsidiaries as of December 31, 2013. 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 pages 102 and 103 of this Annual Report.

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 intra-group transactions and dividends are eliminated in full.

Comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit 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 acquisition method. The cost of an acquisition is the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Costs incurred in the course of the acquisition are expensed.

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

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

Associates and joint ventures are consolidated using the equity method.

Basis of consolidation

Besides SICK AG, the consolidated financial statements include seven (prior year: eight) German and 37 (prior year: 36) fully consolidated foreign subsidiaries (purchase method) in which SICK AG has the direct or indirect majority of voting rights as of the end of the reporting period December 31, 2013.

Investments accounted for using the equity method

In the reporting period, SICK Engineering GmbH, Dresden, founded the joint venture SICK Metering Systems N.V. with registered offices in Kalmthout, Belgium, together with GGS Oil & Gas Systems bvba, Kalmthout, Belgium. By establishing the joint venture, SICK is reinforcing the Process Automation segment and raising its visibility on the transmission market. Like the equity investments in SICK kluge GmbH, Königswartha, and SICK OPTEX Co., Ltd., Kyoto, Japan, the entity is included in the consolidated financial statements at equity.

Changes in the basis of consolidation

The company Ação Solução em Sensores Ltda. with registered offices in Porto Alegre, Brazil, became a wholly owned subsidiary of the SICK Group with effect as of April 1, 2013. Ação Solução is a distributor and system integrator of sensor products. Thanks to its extensive advisory and service competence, it is also established on the market as a provider of machine safety systems. With the investment, SICK is reacting to the continuous economic growth in Brazil in past years and is considerably expanding its presence in South America.

The purchase price allocation was completed in the reporting period. This resulted in the following overall effects on the Group's assets and liabilities:

in EUR k	Acquisition date fair value
Intangible assets	652
Property, plant and equipment	81
Inventories	381
Receivables	509
Other current assets	9
Cash and cash equivalents	129
Deferred taxes	-219
Current liabilities	-566
NET ASSETS	**976**
Goodwill	2,654
Acquisition cost	**3,630**
of which cash	2,480
of which contingent consideration	1,150

The goodwill contains individual intangible assets which by nature are not identifiable in accordance with IAS 38 and for which a value cannot be reliably determined. It essentially represents part of the expected synergy and earnings potential. None of the goodwill is expected to be deductible for income tax purposes. The gross amount of the receivables is EUR 509 k. The receivables acquired are recoverable. No material transaction costs were incurred during the acquisition. A contingent consideration was agreed as part of the purchase agreement. The fair value of the contingent consideration depends on sales figures and on reaching non-financial targets. The figure ranges between EUR 0 k and EUR 1,400 k.

Since the date of purchase accounting, the acquisition has contributed EUR 2,620 k to sales and EUR 170 k to EBIT of the Group.

With effect as of January 1, 2013, SICK MAIHAK GmbH, Waldkirch, was merged into SICK AG, Waldkirch, and SICK MAIHAK S.A.R.L., Lognes, France, was merged into SICK S.A.R.L., Emerainville, France.

Currency translation

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 and from the translation of monetary assets and liabilities are disclosed 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 and 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 disclosed 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 difference.

Goodwill and adjustments of assets and liabilities resulting from the purchase of a foreign entity are translated at the fair value as of the end of the reporting period.

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 was based on the following exchange rates:

Exchange rate 1 EUR =	ISO code	Closing rate Dec. 31, 2013	Average exchange rate 2013	Closing rate Dec. 31, 2012	Average exchange rate 2012
Australia	AUD	1.5396	1.3771	1.2712	1.2413
Brazil	BRL	3.2519	2.8686	2.6953	2.5054
Canada	CAD	1.4636	1.3684	1.3114	1.2849
China	CNY	8.3314	8.1774	8.2117	8.1054
Czech Republic	CZK	27.4032	25.9861	25.1169	25.1429
Denmark	DKK	7.4599	7.4579	7.4599	7.4436
Hong Kong	HKD	10.6753	10.3015	10.2188	9.9732
Hungary	HUF	297.0230	296.9299	292.8406	289.2725
India	INR	85.2246	77.8158	72.2231	68.6849
Israel	ILS	4.7765	4.7955	4.9212	4.9545
Japan	JPY	144.5122	129.6499	113.6111	102.6117
Malaysia	MYR	4.5204	4.1821	4.0333	3.9561
Norway	NOK	8.3614	7.8058	7.3634	7.4784
Poland	PLN	4.1508	4.1967	4.0929	4.1880
Russia	RUB	45.2582	42.3272	40.1982	39.9313
Singapore	SGD	1.7392	1.6620	1.6116	1.6062
South Africa	ZAR	14.5035	12.8279	11.1897	10.5564
South Korea	KRW	1,452.9692	1,452.6108	1,411.3720	1,443.7967
Sweden	SEK	8.8263	8.6507	8.5842	8.7077
Switzerland	CHF	1.2267	1.2309	1.2072	1.2053
Taiwan	TWD	41.0539	39.3812	38.2874	37.9153
Turkey	TRY	2.9450	2.5324	2.3557	2.3165
United Arab Emirates	AED	5.0565	4.8754	4.8420	4.7471
United Kingdom	GBP	0.8331	0.8493	0.8154	0.8112
USA	USD	1.3767	1.3281	1.3183	1.2858

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, and 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:

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 has been determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by the management. The basic assumptions and the carrying amounts are explained in more detail in 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 generation of 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 pages 96 and 97 of this Annual Report.

Uncertainties exist with respect to the interpretation of complex tax 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 future 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 E. (12) "Income tax."

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

Revenue recognition

Revenue contains sales of products and services as well as freight and packaging revenue, less discounts and rebates. Revenue for sales of products is recognized upon transfer of risk and title to the customer when the compensation has been contractually agreed or is determinable and the associated receivables are likely to be settled. If the contract prescribes inspection by the customer, the revenue is generally not recognized until this inspection has been performed. Revenue from the provision of services is recognized when the services are rendered.

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 recorded in the period in which they are incurred.

Goodwill

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not subject to scheduled 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 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. 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.

Industrial rights and similar rights and assets as well as licenses to such rights and assets disclosed under intangible assets are amortized 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 and 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 self-constructed 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, goodwill is subjected to an annual impairment test.

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. A reversal 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.

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

The Group's financial liabilities chiefly include trade and other payables, bank overdrafts, loans and borrowings, liabilities from finance leases and derivative financial instruments with a negative fair value. SICK does not make use of the option to classify financial assets or financial liabilities at fair value through profit or loss upon initial recognition (fair value option).

Financial instruments are split into the following classes based on their nature:

- financial assets and liabilities measured at (amortized) cost
- financial assets and liabilities measured at fair value
- finance lease liabilities

For further information, see G. (36) "Financial instruments."

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. 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.

Subsequent measurement of financial assets and liabilities depends on their classification into the following categories:

- available-for-sale financial assets
- loans and receivables
- financial liabilities measured at amortized cost or
- financial assets and financial liabilities held for trading

The Group does not make use of the category for financial instruments held to maturity.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized in other comprehensive income until the investment is derecognized, at which time the cumulative gain or loss recorded in other comprehensive income is recognized in the income statement, or determined to be impaired, at which time the cumulative loss recorded in other comprehensive income is recognized in the income statement. Under available-for-sale assets, the Group mainly reports shares in unlisted entities.

If the fair values of available-for-sale financial assets fall below cost and there is objective evidence that the asset is impaired, the Group reverses the accumulated loss recognized directly in equity and releases it to the consolidated income statement. The Group reinstates impairment losses of debt instruments in subsequent periods if the reasons for impairment cease to apply.

Loans and receivables

The Group measures financial assets classified as loans and receivables at amortized cost less impairments using the effective interest method. Impairments that serve to take into account the expected default risks are recognized in the form of allowances for individual risks or general credit risks. To determine allowances for general credit risks, financial assets that could potentially be impaired are grouped together by similar credit risk characteristics and collectively evaluated for impairment and impaired as necessary. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Receivables and associated allowances are derecognized when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. Interest-free loans and receivables or those with low interest compared to the market level due in more than one year are discounted.

Financial liabilities

With the exception of the derivative financial instruments, financial liabilities are measured at amortized cost using the effective interest method.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign market risks and interest rate risks respectively. 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 conclude any derivative financial instruments during the 2012 and 2013 fiscal years that meet the criteria for hedge reporting pursuant to IAS 39.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only 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 formula. Borrowing costs are not capitalized. Appropriate allowance is made 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 the IFRS statement of financial position 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 assumed with reasonable assurance. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply based on tax laws that have been 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

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancelation of the Group's own equity instruments.

Share-based payments

Members of the Executive Board of SICK AG receive a remuneration component in the form of equity instruments ("equity-settled transactions") that is measured at fair value. For more details, reference is made to the comments on the remuneration of the members of the Executive Board of SICK AG in "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 obligation 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 F. (28) “Provisions and other liabilities.”

Other provisions

Pursuant to IAS 37 “Provisions, Contingent Liabilities, and Contingent Assets,” other provisions are recognized when an entity has a current obligation from a past event which 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 discernible risks and uncertain obligations is the best estimate of the expenditure required to settle the present obligation without considering reimbursements and 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.

Accounting for leases – the Group as the lessee

Leases are classified as finance leases if substantially all the risks and rewards incidental to ownership of an asset have been transferred to the lessee. All other leases are operating leases.

At the inception of the lease, the Group recognizes finance leases and the corresponding liabilities to the lessor as assets in its statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the future minimum lease payments, and liabilities from finance leases. Depreciation is charged over the shorter of the lease term of the asset and its useful life. The outstanding liability is reduced over the lease term. At the beginning of the lease, the difference between the total lease obligation and the fair value of the leased asset is the finance charge which is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Lease and rent payments paid by the Group under an operating lease are recognized as an expense on a straight-line basis over the lease term.

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 and 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 eligible assets where construction was commenced on or after January 1, 2009. The Group continues to expense borrowing costs relating to construction projects that commenced prior to January 1, 2009.

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 end of the reporting period. 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 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 financial statements

For the 2013 fiscal year, the following subsidiaries made use of the exemption pursuant to Sec. 264 (3) HGB:

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

D. CONSOLIDATED STATEMENT OF CASH FLOWS

General

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

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

Cash flows from investing activities and financing activities are derived from the actual cash payments, while cash flows from operating activities are calculated indirectly from consolidated net income. When performing the indirect calculation, changes in items of the statement of financial position considered in connection with ordinary activities are adjusted for effects from currency translation and from acquisitions 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

For a breakdown of sales by segment and region, reference is made to the group management report.

(2) Own work capitalized

in EUR k	**2013**	2012
Capitalized development work	10,551	6,350
Own work for self-constructed intangible assets and property, plant and equipment	8,518	6,528
Total	**19,069**	**12,878**

(3) Cost of materials

in EUR k	**2013**	2012
Cost of materials and supplies and of purchased goods	290,139	281,654
Cost of purchased services	16,804	16,751
Total	**306,943**	**298,405**

(4) Personnel expenses and number of employees

in EUR k	**2013**	2012
Wages and salaries	355,291	334,524
Social security, pension and other benefit costs	73,638	69,668
Total	**428,929**	**404,192**

The wages and salaries item includes termination benefits of EUR 2,910 k (prior year: EUR 1,784 k).

Employees

	2013			2012		
in EUR k	**Germany**	**Abroad**	**Total**	Germany	Abroad	Total
Average headcount (excluding trainees):	3,718	2,528	6,246	3,529	2,386	5,915
of which in research and development	(689)	(98)	(787)	(634)	(74)	(708)
Trainees	227	33	260	206	33	239
Total	**3,945**	**2,561**	**6,506**	**3,735**	**2,419**	**6,154**

(5) Depreciation and amortization

This item pertains to intangible assets and property, plant and equipment.

(6) Other operating expenses

in EUR k	**2013**	2012
Administrative and selling expenses	82,966	84,714
Cost of purchased services and repairs	53,173	49,546
Rent and lease expenses	22,088	19,939
Other expenses	10,310	14,441
Total	**168,537**	**168,640**

(7) Other operating income

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

(8) Currency results

in EUR k	**2013**	2012
Exchange gains	21,926	20,997
Exchange losses	23,924	22,596
Total	**-1,998**	**-1,599**

(9) Net investment income / expense

in EUR k	**2013**	2012
Expense from investments accounted for using the equity method	-235	3
Income from other equity investments	15	0
Total	**-220**	**3**

(10) Interest expense

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

In the reporting period, borrowing costs of EUR 105 k (prior year: EUR 60 k) were capitalized in non-current assets at an interest rate of four percent (prior year: four percent).

(11) Interest income

This position contains other interest and similar income of EUR 329 k (prior year: EUR 251 k).

(12) Income tax

in EUR k	**2013**	2012
Current income taxes		
current tax expense / income (-) for the reporting period	18,491	22,801
tax expense / income (-) relating to other periods	309	-2,640
Deferred tax expense / income (-)		
from temporary measurement differences	5,719	-225
from unused tax losses	-274	-34
Total	**24,245**	**19,902**

The current tax expense is reduced by EUR 317 k (prior year: EUR 663 k) through the use of previously unrecognized tax losses.

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 of the end of the reporting period, the German entities have a corporate income tax credit of EUR 1,297 k (prior year: EUR 1,621 k), of which EUR 1,262 k relates to SICK AG (prior year: EUR 1,578 k). After discounting, the existing corporate income tax credit was recognized as a tax asset with a present value of EUR 1,282 k as of December 31, 2013 (prior year: EUR 1,614 k). Of this, EUR 1,248 k relates to SICK AG (prior year: EUR 1,571 k).

As in the prior year, no deferred taxes were recognized as of the end of the reporting period on retained earnings by subsidiaries 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 5,146 k (prior year: EUR 5,363 k).

Deferred taxes of EUR 3,196 k (prior year: EUR 3,915 k) relate to business events recorded in the statement of financial position which lead to a direct increase in equity as of the end of the reporting period.

The income tax expense reported as of the end of the reporting period amounting to EUR 24,245 k (prior year: EUR 19,902 k) is EUR 10 k lower (prior year: EUR 2,863 k lower) than the estimated tax expense of EUR 24,255 k (prior year: EUR 22,765 k). The table below reconciles the estimated tax expense to the income taxes reported:

in EUR k	**2013**	2012
Earnings before tax	83,639	78,499
Theoretical tax rate (%)	29	29
ESTIMATED TAX EXPENSE	**24,255**	**22,765**
Reasons for the change in theoretical tax expense:		
Deviating foreign tax rates	-1,455	-787
Tax rate change	167	49
Taxes from other periods	309	-2,640
Deferred taxes as a result of tax field audits	0	-164
Tax-free income	-93	-58
Non-deductible expenses	1,515	1,616
Recognition of corporate income tax credits, other tax assets	-399	-315
Unrecognized deferred tax assets on current losses	0	93
Use of unused tax losses that have not yet been recognized	-317	-663
Capitalized deferred taxes on unused tax losses in prior years	-274	0
Other	537	6
Income taxes reported	**24,245**	**19,902**
EFFECTIVE TAX RATE (%)	**29.0**	**25.4**

As in the prior year, the calculation of the estimated tax expense for the 2013 fiscal year 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 k	**2013**	2012	**2013**	2012
Intangible assets	1,470	1,883	7,614	5,859
Property, plant and equipment / financial assets	368	230	4,850	4,659
Inventories	10,166	10,906	1,799	758
Other current assets	147	928	2,915	2,566
Liabilities	19,497	23,762	3,098	5,390
Unused tax losses	1,069	224	0	0
GROSS VALUE	**32,717**	**37,933**	**20,276**	**19,232**
Write-downs of deferred tax assets	-190	0	0	0
Offsetting	-16,050	-17,737	-16,050	-17,737
Carrying amount	**16,477**	**20,196**	**4,226**	**1,495**

Deferred tax assets caused by timing differences are mainly due to the elimination of intercompany profits and to provisions for pensions and measurement differences relating to current financial liabilities.

As in the prior year, the timing differences that led to deferred tax liabilities mainly resulted from the recognition of development costs and differences in the depreciation of non-current assets. In addition, deferred tax liabilities arise from measurement differences within non-current financial liabilities and provisions.

The recognition of deferred tax assets is based on management's estimate that sufficient taxable profits will be available in future and that these will lead to realization of the capitalized deferred taxes. This estimate is based on the findings of the past fiscal years as well as on the estimated taxable income.

Write downs of EUR 190 k were recognized on deferred tax assets of EUR 604 k (prior year: approximatly EUR 0 k) due to timing differences.

Unused tax losses developed as follows:

in EUR k	**2013**	2012
Unused tax losses		
on which no deferred tax assets were recognized	537	3,064
of which available for offset for more than 10 years	(537)	(3,064)
on which deferred tax assets were recognized	3,637	681
Total	**4,174**	**3,745**

(13) Earnings per share

in EUR k	**2013**	2012
Consolidated net income	59,394	58,597
of which attributable to non-controlling interests	-222	-48
of which attributable to shareholders of SICK AG	**59,172**	**58,549**
Number of shares (weighted average) in thousands	26,206	26,210
Earnings per share (basic and diluted) in EUR/share	2.26	2.23

In accordance with IAS 33 "Earnings per Share," basic earnings per share are calculated by dividing net profit 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 (14) we also refer to the consolidated statement of changes in non-current assets presented on pages 96 and 97 of this Annual Report.

(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 segments. The carrying amounts of the goodwill allocated to the cash-generating units Factory Automation, Logistics Automation and Process Automation amount to EUR 10,392 k (prior year: EUR 9,036 k), EUR 6,581 k (prior year: EUR 5,874 k) and EUR 1,524 k (prior year: EUR 1,091 k) respectively.

The recoverable amount of the Factory Automation, Logistics Automation and Process Automation cash-generating units is determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by the management for a three-year period. The financial budgets are 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. The fifth budget year is generally also used for the cash flows for the following years. No growth rate is taken into account to extrapolate the figures for the fifth year.

These budgets are based on appropriate assumptions on macro-economic trends, expected growth rates on 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 12.2 percent (prior year: 11.7 percent) before taxes has been used for the cash flow forecast. If the discount rate were raised by one percentage point to 13.2 percent, there would be no need for a write-down.

The carrying amounts of the capitalized development costs and of the other internally generated intangible assets amount to EUR 25,519 k (prior year: EUR 20,232 k).

The following amounts were recognized in profit or loss for research and development activities in relation to product innovations:

in EUR k	**2013**	2012
Research costs and non-capitalizable development costs	95,810	86,826
Amortization of development costs	6,522	6,622
Total	**102,332**	**93,448**

Expenses for other self-constructed intangible assets are not included in the amounts listed.

(15) Investments accounted for using the equity method

These entities are presented in the list of group entities on pages 102 and 103 of this Annual Report.

	2013		2012	
in EUR k	**Associates**	Joint ventures	**Associates**	Joint ventures
Share in the statements of financial position				
Total assets	1,286	711	1,428	285
Total liabilities	419	874	322	262
Share of sales and net income for the year				
Sales	883	227	1,445	7
Net profit / loss for the year	**-3**	**-232**	**30**	**-27**

(16) Other financial assets

in EUR k	**2013**	2012
Other equity investments	271	188
Sundry other financial assets	171	228
Total	**442**	**416**

(17) Inventories

in EUR k	**2013**	2012
Materials and supplies	70,012	69,121
Work in process	48,639	57,543
Finished goods and goods for resale	60,060	57,946
Payments on account	1,403	338
Total	**180,114**	**184,948**

Based on the gross value, the value of the inventories was impaired by EUR 25,964 k (prior year: EUR 21,255 k).

(18) Trade receivables

in EUR k	**2013**	2012
Trade receivables due from		
third parties	172,002	151,700
entities in which an equity investment is held	3	56
Total	**172,005**	**151,756**

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

Write-downs on trade receivables break down as follows:

in EUR k	**2013**	2012
AS OF JANUARY 1	**6,124**	**6,254**
Exchange rate differences	-172	-26
Utilization / reversals	1,515	2,021
Additions	1,852	1,917
As of December 31	**6,289**	**6,124**

(19) Tax receivables

This item records income tax receivables.

(20) Other assets

in EUR k	**2013**	2012
Other tax assets	5,119	7,119
Prepaid expenses	4,694	3,758
Derivative financial instruments (held for trading)	3,891	2,875
Other	18,490	14,570
Total	**32,194**	**28,322**

(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 26,405,400 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 June 17, 2010, 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 August 31, 2015.

(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 German stock corporation law, dividends may not be distributed from the capital reserves.

(24) Treasury shares

On December 31, 2013, SICK AG had 201,390 (prior year: 199,162) treasury shares with a nominal value of EUR 201 k (prior year: EUR 199 k); this is equivalent to 0.8 percent of the capital stock (prior year: 0.8 percent).

Reconciliation of the number of outstanding shares:

in EUR k	**2013**	2012
OPENING BALANCE	**26,206,238**	**26,210,373**
Acquisition of treasury shares	-4,128	-7,335
Disposal of treasury shares	+1,900	+3,200
Closing balance	**26,204,010**	**26,206,238**

(25) Revenue reserves

Revenue reserves include the profits of SICK AG and consolidated subsidiaries earned in prior years and not yet distributed as well as additions due to equity-settled share-based payment transactions. The item also includes exchange losses of EUR 5,163 k (prior year: gains of EUR 920 k) as well as losses from the remeasurement of the pension obligations amounting to EUR 10,465 k (prior year: losses of EUR 13,875 k) less deferred taxes of EUR 3,196 k (prior year: EUR 3,915 k).

(26) Proposed dividend

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

Pursuant to the resolution of the Annual General Shareholders' Meeting of SICK AG of May 16, 2013, a dividend of EUR 0.65 per share was distributed from the retained earnings of SICK AG as of December 31, 2012 for the 2012 fiscal year, i.e., taking into account treasury shares totaling EUR 17,033 k that are not entitled to dividends.

For the past fiscal year 2013, the Company plans to distribute a dividend of EUR 0.65 per share, i.e., taking into account treasury shares totaling EUR 17,033 k that are not entitled to dividends.

The individual components of equity and their development in 2012 and 2013 are shown in the consolidated statement of changes in equity.

(27) Non-current and current financial liabilities

	2013 of which due in			2012 of which due in		
in EUR k	**Total**	**less than 1 year**	**> 1 year**	Total	less than 1 year	> 1 year
Liabilities to banks	81,297	44,079	37,218	85,917	43,161	42,756
Finance lease liabilities	3,085	1,556	1,529	718	290	428
Other financial liabilities	772	0	772	1,137	0	1,137
Total	**85,154**	**45,635**	**39,519**	**87,772**	**43,451**	**44,321**

The item for other financial liabilities contains the non-current portion of derivatives of EUR 772 k (prior year: EUR 1,137 k).

Financial liabilities due in more than five years come to a total of EUR 21,306 k (prior year: EUR 0 k).

Non-current liabilities owed to banks are predominantly fixed-interest loans. The interest rates range from 1.65 percent to 5.51 percent.

Non-current liabilities from leases are subject to customary market interest rates.

For additional information about the interest risks, reference is made to G. (35) "Financial risk management."

Financial liabilities contain secured liabilities of EUR 6,968 k (prior year: EUR 11,243 k). The collateral has been provided in the form of land charges.

(28) Provisions and other liabilities

Non-current provisions and liabilities break down as follows:

in EUR k	**2013**	2012
Provisions for pensions and similar obligations	50,518	52,220
Other non-current provisions	9,891	12,586
Other non-current liabilities	961	998
Total	**61,370**	**65,804**

The other non-current liabilities relate to an obligation from a business combination.

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 salary.

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

In the case of defined contribution plans, the Company makes voluntary contributions to state or private pension funds based on legal or contractual provisions. No further payment obligations arise for the Company from the payment of contributions. The current contribution payments are disclosed as a personnel expense for the respective year. Not including contributions to the statutory pension insurance, these amounted to EUR 5,016 k in total in the 2013 fiscal year (prior year: EUR 4,997 k).

The majority of the company pension schemes are based on defined benefit plans which guarantee the beneficiary a monthly old-age pension for life after reaching 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 k	**2013**	2012
Current service cost	2,879	2,423
Interest expense / interest income	1,313	1,598
Other	49	25
Total	**4,241**	**4,046**

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

The defined benefit obligation developed as follows:

in EUR k	**2013**	2012
AS OF JANUARY 1	**71,678**	**56,310**
Expenses recognized in income		
Current service cost	2,879	2,423
Interest cost	1,968	2,364
Benefits paid	-2,458	-3,333
Amounts recognized in other comprehensive income		
Change in financial assumptions	-3,350	10,435
Experience adjustments, gains/losses	-582	3,101
Employee contributions	288	302
Exchange rate differences/other changes	68	76
As of December 31	**70,491**	**71,678**

The average term of the defined benefit obligations in Germany is between 13.2 and 15.9 years.

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

in EUR k	**2013**	2012
AS OF JANUARY 1	**19,458**	**17,362**
Expenses/income recognized in income		
Interest income	494	603
Amounts recognized in other comprehensive income		
Return on plan assets	-478	1,497
Employer contributions	1,574	1,116
Benefits paid	-992	-1,272
Exchange rate differences/other changes	-83	152
As of December 31	**19,973**	**19,458**

The plan assets chiefly concern employer's liability insurance claims against insurance companies. The Group expects to contribute a similar amount to its defined benefit pension plans in the 2013 fiscal year as in the past fiscal year.

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

in EUR k	**2013**	2012
Defined benefit obligation	70,491	71,678
Fair value of plan assets	19,973	19,458
Provisions for pensions and similar obligations	**50,518**	**52,220**

Reimbursement rights developed as follows:

in EUR k	**2013**	2012
AS OF JANUARY 1	**5,151**	**3,205**
Expenses/income recognized in income		
Interest income	161	162
Amounts recognized in other comprehensive income		
Experience adjustments, gains/losses	-64	796
Employer contributions	1,299	940
Benefits paid	-37	0
Other changes	0	48
As of December 31	**6,510**	**5,151**

Amounts recognized in other comprehensive income from the remeasurement of the pension obligations are as follows:

in EUR k	2013	2012
Change in financial assumptions	-3,350	10,435
Experience adjustments, gains / losses	-518	2,304
Return on plan assets	478	-1,497
Total	**-3,390**	**11,242**

Sensitivity

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

in EUR k		2013
Discount rate	(+1%)	-7,397
Discount rate	(-1%)	8,454
Future salary increases	(-0.5%)	-351
Future salary increases	(+0.5%)	434
Future pension increases	(-0.25%)	-1,198
Future pension increases	(+0.25%)	1,248

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 following amounts are expected to be paid out next year as part of the defined benefit plan obligation:

in EUR k	2014
Contributions by employer	1,546
Benefits paid by employer	2,184
Benefits paid from plan assets	893

Assumed developments on the capital markets over the period in which the obligation is fulfilled are reflected both in the discount rate and in the estimated return on plan assets.

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

in %	2013	2012
Discount rate as of December 31	3.25	3.00
Expected return on plan assets	3.00	3.00
Future salary increases	3.00	3.00
Future pension increases	2.00	2.00

Other provisions

Other non-current and current provisions developed as follows:

in EUR k	Jan. 1, 2013	Exchange rate differences / changes in basis of consolidation	Utilization	Reversal	Additions	Discount rate adjustment	Dec. 31, 2013
Personnel and welfare expense	9,713	-83	2,663	59	1,856	46	8,810
Warranties and onerous contracts	10,529	-121	8,231	635	7,468	0	9,010
Sundry other provisions	11,122	-600	2,491	2,617	2,832	8	8,254
Total	**31,364**	**-804**	**13,385**	**3,311**	**12,156**	**54**	**26,074**

The provisions for personnel expenses and welfare costs 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:

	2013 of which due in			2012 of which due in		
in EUR k	Total	less than 1 year	> 1 year	Total	less than 1 year	> 1 year
Personnel and welfare expense	8,810	1,376	7,434	9,713	1,062	8,651
Warranties and onerous contracts	9,010	9,010	0	10,529	10,529	0
Sundry other provisions	8,254	5,797	2,457	11,122	7,187	3,935
Total	**26,074**	**16,183**	**9,891**	**31,364**	**18,778**	**12,586**

(29) Tax liabilities

This item records income tax liabilities.

(30) Trade payables

in EUR k	2013	2012
Trade payables due to		
third parties	85,538	75,701
entities in which an equity investment is held	57	17
other	73	57
Total	**85,668**	**75,775**

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

(31) Other liabilities

in EUR k	2013	2012
Liabilities to employees	46,372	46,849
Other tax liabilities	10,798	8,490
Social security liabilities	2,695	2,950
Derivative financial instruments held for trading	809	1,601
Deferred income	1,302	931
Sundry other liabilities	5,976	5,545
Total	**67,952**	**66,366**

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

G. OTHER NOTES

(32) Contingent liabilities

As an internationally active company with various areas of business, the SICK 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.

Moreover, the Group has the following contingent liabilities and other financial obligations:

(33) Contingent liabilities and other financial obligations

Contingent liabilities

This position contains guarantees and warranties of EUR 1,222 k (prior year: EUR 842 k).

Other financial obligations

in EUR k	**2013**	2012
Obligations from operating leases		
due within 12 months	15,390	13,965
due in 13 to 60 months	27,039	27,909
due in more than 60 months	1,278	2,639
Total	**43,707**	**44,513**

The obligations from operating leases mainly relate to rent for office space, vehicles and furniture and fixtures. There are prolongation options for individual agreements. There are no significant restrictions imposed on the Group by entering into these lease agreements.

In addition, the Group has purchase obligations (mainly for property, plant and equipment) and the like amounting to EUR 25,592 k (prior year: EUR 5,960 k) which are due in the next 12 months as well as several maintenance agreements which will lead indefinitely to other financial obligations of EUR 20,567 k per year (prior year: EUR 11,413 k).

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

(34) Leases

Lessee

The net carrying amount of assets covered by finance leases breaks down as follows:

in EUR k	**2013**	2012
Industrial rights and licenses	3,781	1,125
Other equipment, furniture and fixtures	179	234
Total	**3,960**	**1,359**

The finance leases are generally designed to include a purchase option and the automatic transfer of ownership. There are no significant restrictions imposed by lease agreements.

Minimum lease installments over the remaining terms of the finance lease agreements and their present value are as follows:

in EUR k	2013	2012
due within 12 months	1,556	290
due in 13 to 60 months	1,586	437
due in more than 60 months	0	0
Minimum lease payments from finance leases	3,142	727
less expected future interest payments	-57	-9
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	**3,085**	**718**
Residual term of liabilities		
due within 12 months	1,556	290
due in 13 to 60 months	1,529	428
due in more than 60 months	0	0
Total	**3,085**	**718**

(35) 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 sales revenue against exchange rate risks. Significant portions of the sales revenue 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 sales revenue amount is calculated on the basis of the estimate for the coming fiscal year. This is derived mostly from past figures based on sales 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.

Accordingly, as regards financial instruments, the Group is mainly exposed to exchange rate risks from certain currency derivatives.

If the euro had been 10 percent stronger or weaker against the USD, BRL, GBP, AUD and CNY as of December 31, 2013, earnings before tax would have been EUR 9,815 k (prior year: EUR 11,353 k) higher and EUR 7,211 k (prior year: EUR 8,909 k) lower respectively.

If the euro had been 10 percent stronger, the change in earnings would have been as follows for the individual currency pairs: EUR / USD: EUR 6,389 k higher (prior year: EUR 6,735 k higher); EUR / BRL: EUR 569 k higher (prior year: EUR 511 k higher); EUR / GBP: EUR 1,033 k higher (prior year: EUR 997 k higher); EUR / AUD: EUR 974 k higher (prior year: EUR 1,286 k higher) and EUR / CNY: EUR 850 k higher (prior year: EUR 1,824 k higher).

If the euro had been 10 percent weaker, the change in earnings would have been as follows for the individual currency pairs: EUR / USD: EUR 3,785 k lower (prior year: EUR 4,291 k lower); EUR / BRL: EUR 569 k lower (prior year: EUR 511 k lower); EUR / GBP: EUR 1,033 k lower (prior year: EUR 997 k lower); EUR / AUD: EUR 974 k lower (prior year: EUR 1,286 k lower) and EUR / CNY: EUR 850 k lower (prior year: EUR 1,824 k lower).

(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 including interest swaps are used in risk management. Due to the structure of assets and liabilities, interest rate risks are mostly linked to liabilities to banks. Fixed-interest agreements amounting to EUR 65,726 k (prior year: EUR 53,267 k) have been entered into for these. In addition, floating-interest liabilities to banks of EUR 10,000 k (prior year: EUR 10,000 k) were effectively rendered fixed-interest liabilities by using interest rate swaps.

The interest rate hedges fall short of the floating-interest loans by EUR 5,571 k as of the end of the year (prior year: EUR 22,650 k).

Of the liabilities to banks, an amount of EUR 44,079 k (prior year: EUR 43,160 k) is due for repricing within a year, while EUR 37,218 k (prior year: EUR 42,757 k) of these liabilities are due for repricing at a later date.

Under IFRS 7, interest rate risks are presented using sensitivity analyses. These present the effects of changes in market interest rates on interest payments, interest income and expenses, other comprehensive income and, if applicable, on equity. The interest rate sensitivity analyses are based on the following assumptions:

- Market interest rate fluctuations of non-derivative financial instruments with fixed interest only affect profit or loss if they are measured at fair value. Therefore, the financial instruments with fixed interest that are measured at amortized cost do not constitute interest rate risks as defined by IFRS 7.
- Market interest rate fluctuations affect the interest result of non-derivative financial instruments with floating interest for which the interest payments are not designed as underlyings using cash flow hedges against interest rate risks, and are thus included when calculating the earnings-related sensitivities.
- Market interest rate fluctuations of interest derivatives (interest rate swaps, interest / currency swaps) that are not part of a hedge relationship pursuant to IAS 39 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.

If the market interest level had been 100 basis points higher as of December 31, 2013, earnings before tax would have been EUR 256 k higher (prior year: EUR 334 k higher). The hypothetical effect on earnings results from the potential positive effects from interest derivatives of EUR 345 k (prior year: EUR 444 k) and potential negative effects from non-derivative floating-rate financial liabilities and assets of EUR 89 k (prior year: EUR 110 k).

If the market interest level had been 100 basis points lower as of December 31, 2013, earnings would have been EUR 260 k lower (prior year: EUR 339 k lower). The hypothetical effect on earnings results from the potential negative effects from interest derivatives of EUR 349 k (prior year: EUR 449 k) and potential positive effects from non-derivative floating-rate financial liabilities and assets of EUR 89 k (prior year: EUR 110 k).

(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 relation to quality and procurement assurance aspects using a procurement strategy adjusted to reflect current circumstances 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.

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 following table provides information on the extent of the credit risk included in trade receivables (without specific bad debt allowances):

in EUR k	**2013**	2012
Neither impaired nor past due as of the end of the reporting period	130,567	117,734
Not impaired as of the end of the reporting period but past due by the following time periods:		
less than 30 days	23,244	19,188
31 to 90 days	7,397	9,349
91 to 360 days	2,023	2,967
more than 361 days	1,350	1,745

There was no indication as of the end of the reporting period that any impairment losses needed to be recognized on the trade receivables recorded as not impaired.

(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.

At the end of 2013, short and long-term lines of credit and loans totaled EUR 150,152 k (prior year: EUR 132,813 k), of which EUR 81,297 k (prior year: EUR 85,917 k) was utilized.

Operative 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. Detailed information is included in F. (27) “Non-current and current financial liabilities.”

The following repayment schedule shows how the payments made for financial liabilities as of December 31, 2013 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 k	Total	2014	2015	2016	2017	2018	≥ 2019
Liabilities to banks	87,661	46,844	8,466	6,768	1,684	1,577	22,322
Liabilities from finance leases	3,142	1,556	1,508	38	0	40	0
Derivative financial instruments	1,555	1,154	333	68	0	0	0
Trade payables	85,668	85,668	0	0	0	0	0
Other financial liabilities	7,190	6,164	350	676	0	0	0
Total	**185,216**	**141,386**	**10,657**	**7,550**	**1,684**	**1,617**	**22,322**

The cash flows from the derivative financial instruments are shown as net figures. These include foreign exchange contracts which break down into a cash outflow of EUR 30,349 k and a cash inflow of EUR 29,540 k.

There are also derivative financial instruments with a positive market value that break down into a cash outflow of EUR 113,118 k and a cash inflow of EUR 117,009 k.

As of December 31, 2012, the financial liabilities of the Group had the following terms. The disclosures are based on contractual payments without discounting.

in EUR k	Total	2013	2014	2015	2016	2017	≥ 2018
Liabilities to banks	90,357	45,755	32,622	6,769	5,121	90	0
Liabilities from finance leases	727	290	306	74	57	0	0
Derivative financial instruments	4,275	3,528	339	328	80	0	0
Trade payables	75,775	75,775	0	0	0	0	0
Other financial liabilities	6,639	5,749	300	590	0	0	0
Total	**177,773**	**131,097**	**33,567**	**7,761**	**5,258**	**90**	**0**

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 its capital base is structured, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives and guidelines as of December 31, 2013 or December 31, 2012.

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, 2013, the equity ratio amounted to 49.5 percent (prior year: 46.3 percent).

(36) 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 k	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Assets								
Other financial assets	0	0	3,891	2,875	0	0	3,891	2,875
thereof derivatives not used for hedging	0	0	3,891	2,875	0	0	3,891	2,875
Equity and liabilities								
Other financial liabilities	0	0	1,581	2,738	1,142	998	2,723	3,736
thereof derivatives not used for hedging	0	0	1,581	2,738	0	0	1,581	2,738
thereof other	0	0	0	0	1,142	998	1,142	998

The fair value of securities that are included in the portfolio of available-for-sale financial assets and held-for-trading financial assets is determined based on the market price at the end of the reporting period, if available.

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 method and the variables used are in line with the provisions of IAS 39. In the case of interest swaps, the fair value is calculated as the present value of the estimated future cash flows including accrued interest based on the market value.

The fair value of options is measured using either the Black-Scholes or Heath-Jarrow-Morton option-pricing models. The fair value of all the instruments mentioned above has been confirmed to the Group by the banks that arranged the respective contracts for the Group.

Obligations from contingent consideration from acquisitions are calculated as the present value of estimated future cash flows.

During the reporting periods ending December 31, 2012 and December 31, 2013, 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 k	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Assets								
Other financial assets	0	0	442	416	0	0	442	416
Trade receivables	0	0	172,005	151,756	0	0	172,005	151,756
Equity and liabilities								
Liabilities to banks	0	0	0	0	81,297	85,917	81,297	85,917
Finance lease liabilities	0	0	3,082	718	0	0	3,082	718
Trade payables	0	0	85,668	75,775	0	0	85,668	75,775

The financial instruments of the Group not accounted for at fair value mainly consist of other financial assets, trade receivables, sundry other assets, cash and cash equivalents, financial liabilities, trade payables and sundry other liabilities.

For the presentation of the carrying amounts, reference is made to pages 100 and 101 of this Annual Report.

Measurement of the financial instruments held as of December 31 at fair value gave rise to the following total gains and losses.

Total income and expenses from assets and liabilities measured at fair value:

	Assets		Liabilities	
in EUR k	**2013**	2012	**2013**	2012
Recognized in the income statement				
Derivatives not used for hedging	3,110	1,859	-1,582	-2,738
Other	0	0	-144	-86
Recognized in equity				
Derivatives used for hedging	0	0	0	0

Income and expenses from measuring held-for-trading financial assets and liabilities at fair value are presented in the currency results or the interest expense and income.

For the presentation of the carrying amounts and fair values by class and category, reference is made to pages 100 and 101 of this Annual Report.

(b) Net results by measurement category

The following table presents the net gains and losses from financial instruments taken into account in the income statement (excluding derivative financial instruments included in hedge accounting):

Categories pursuant to IAS 39:

in EUR k	**2013**	2012
Loans and receivables	-699	294
Financial assets and financial liabilities at fair value through profit or loss (held for trading)[1]	2,042	4,146
Financial liabilities at amortized cost	-2,913	-2,031
Total	**-1,570**	**2,409**

[1] Financial instruments classified as held for trading; these also include derivative financial instruments not included in hedge accounting.

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 k	**2013**	2012
Total interest income	305	251
Total interest expenses	-3,999	-2,652
Total	**-3,694**	**-2,401**

(d) Derivative financial instruments

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

	Contract value or nominal value		Positive replacement value		Negative replacement value	
in EUR k	**2013**	2012	**2013**	2012	**2013**	2012
Currency instruments without hedging relationship						
Forward exchange contracts	120,723	151,911	2,897	2,056	809	1,601
Currency options (OTC)[1]	21,935	24,205	994	819	0	0
Total currency instruments	**142,658**	**176,116**	**3,891**	**2,875**	**809**	**1,601**
Interest instruments without hedging relationship						
Interest rate swap	10,000	10,000	0	0	772	1,137
Total interest instruments	**10,000**	**10,000**	**0**	**0**	**772**	**1,137**

[1] OTC: over-the-counter

The foreign currency instruments are principally used to hedge exchange rate risks in USD, CNY, AUD, GBP and BRL. Currency instruments of EUR 142,658 k (prior year: EUR 176,116 k) have maturities of less than 12 months.

The interest instruments primarily serve to hedge interest exposures relating to floating-rate liabilities to banks in euro. The maximum term is three years.

(37) Government grants

The Group reports government grants of EUR 2,577 k (prior year: EUR 2,060 k) in the fiscal year which are earmarked. Of this figure, EUR 2,163 k (prior year: EUR 880 k) was deducted from the cost of the subsidized assets. Government grants mainly consist of subsidies provided for capital expenditures at the locations in Dresden and Hungary to support regional economic development. If earmarked subsidies are not used for the designated purpose, they may have to be repaid.

The Group also reported government grants for research and development projects of EUR 1,170 k (prior year: EUR 1,055 k); these are not dependent on the success of the projects. These were recognized as income in full in 2013 in accordance with the percentage of completion of the projects.

(38) Related party disclosures

Related parties are members of the Executive Board, members of the Supervisory Board of the Group, members of the Sick family, joint ventures and associates as well as Sick Holding GmbH, Freiburg. Sick Holding GmbH, Freiburg, is the ultimate parent company of SICK AG.

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 which relate mostly to joint ventures and associates:

in EUR k	**2013**	2012
Goods and services sold	0	0
Goods and services purchased	521	340
Receivables as of the end of the reporting period	1,355	515
Liabilities as of the end of the reporting period	37	0

The goods and services purchased relate primarily to development services and correspond to arm's length conditions. There are no bad debt allowances.

As in the prior year, there were no transactions between the Group and Sick Holding GmbH, Freiburg, during the fiscal year other than dividends paid.

In the Group as of December 31, 2013, as in the prior year, there are no receivables and liabilities due from or to members of the Executive Board, apart from outstanding remuneration.

The members of the Executive Board of SICK AG are classified as key management personnel.

Remuneration of EUR 4,043 k (prior year: EUR 3,599 k) granted to these individuals includes short-term employee benefits of EUR 2,648 k (prior year: EUR 3,197 k) expensed in the reporting period, termination benefits of EUR 1,000 k (prior year: EUR 0 k), post-employment benefits of EUR 366 k (prior year: EUR 317 k) as well as other long-term benefits of EUR 29 k (prior year: EUR 85 k) of which EUR 15 k (prior year: EUR 43 k) can relate to share-based payments.

A long-term incentive arrangement (“LTI”) was concluded with the members of the Executive Board of SICK AG in the 2011, 2012 and 2013 fiscal years. One of the prerequisites for receiving the LTI is to belong to the Executive Board of SICK AG for a period of three years.

The assessment base for the LTI is a positive value added accumulated over three fiscal years (either 2011 to 2013, 2012 to 2014 or 2013 to 2015, depending on the contract, referred to as the “timeframe”). The LTI is measured as a percentage of the average value added calculated in this period. It is limited to a certain percentage of the fixed remuneration of the last year in the timeframe. At the end of the timeframe, the LTI is paid out in shares in SICK AG (max. 50 percent) and in cash (min. 50 percent). In the 2013 fiscal year, 1,900 shares were paid out at a price of EUR 29.90 at the end of the 2010 to 2012 timeframe under the LTI. The obligations from the cash settlement amount to EUR 237 k as of December 31, 2013. 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.

The 50 percent share of the LTI that can be paid in shares – at the discretion of SICK AG – is treated as an equity-settled transaction (IFRS 2.34) and is recognized in other comprehensive income accordingly. Measurement as of December 31, 2013 was based on the consolidated financial statements as of December 31, 2011 to 2013 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 29.90 observed in the 2013 fiscal year, this share of the LTI amounting to EUR 238 k corresponds to approximately 7,940 shares.

Compensation to former members of management and their surviving dependents totaled EUR 1,042 k in the fiscal year (prior year: EUR 978 k). Provisions totaling EUR 13,034 k (prior year: EUR 12,791 k) were recognized for pension obligations for this group of persons.

Remuneration of the Supervisory Board of SICK AG came to EUR 758 k (prior year: EUR 587 k) for supervisory board activities and to EUR 489 k (prior year: EUR 582 k) for activities for SICK AG. Additional compensation for advisory services was not paid.

As of December 31, 2013, as in the prior year, the Sick family has no receivables or liabilities due from or to the Group.

(39) 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 at market price.

(40) Fees and services provided by the auditors

The following table shows, on aggregate, the fees incurred for the services provided by the auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, in the 2013 fiscal year:

in EUR k	**2013**	2012
Audits of the financial statements	381	410
Other attestation services	135	191
Tax advisory services	9	12
Other services	5	12
Total	**530**	**625**

(41) Subsequent events

There were no events of significance after January 1, 2014 that are expected to have a significant impact on the financial position and performance of the Group.

(42) Executive Board and Supervisory Board disclosures

Executive Board

Dr. Robert Bauer, Emmendingen (Chairman of the Executive Board)
Products & Technology

Reinhard Bösl, Freiburg
Systems & Industries

Markus Paschmann, Emmendingen (until April 30, 2013)
Factory Automation segment

Dr. Mats Gökstorp, Lörrach (since May 1, 2013)
Sales & Service

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

Markus Vatter, Vörstetten
Finance, Controlling & IT

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
Tax consultant, chartered accountant

Prof. Dr. Mark K. Binz, Stuttgart
Lawyer

Dr. Ronaldo H. Schmitz, Frankfurt
Former member of the Executive Board of Deutsche Bank AG, Frankfurt

Renate Sick-Glaser, Freiburg
Managing Director of Sick Holding GmbH, Freiburg

Prof. Dr. Dr. h. c. mult. Horst Wildemann, Munich
Head of the Research Institute for Management, Logistics and Production at the Technical University of Munich

Employee representatives:
Roberto Hernandez, Waldkirch
(Deputy Chairman)
Chairman of the Works Council of SICK AG, Waldkirch
Chairman of the Central Works Council of SICK AG, Waldkirch

Engelbert Herbstritt, Waldkirch
Deputy Chairman of the Works Council of SICK AG, Waldkirch
Chairman of the Group Works Council 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

Roland Schiller, Hinterzarten
Member of the Management Board of SICK AG, Waldkirch

Hermann Spieß, Breisach
Director of IG Metall trade union, Freiburg and Lörrach

Gabriele Volk, Winden
Human Resources Consultant of SICK AG, Waldkirch

(43) Approval of the consolidated financial statements

The consolidated financial statements were approved by the Executive Board on February 17, 2014. The financial statements were then submitted to the Supervisory Board for review.

Waldkirch, March 18, 2014

SICK AG

The Executive Board

Dr. Robert Bauer
(Chairman)

Reinhard Bösl | Dr. Mats Gökstorp | Dr. Martin Krämer | Markus Vatter

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS

for the period from January 1 to December 31, 2013

Non-current assets

	Acquisition or production costs					
in EUR k	Balance as of Jan. 1, 2013	Currency translation differences	Additions	Disposals	Reclassifications	Balance as of Dec. 31, 2013
I. Intangible assets						
1. Purchased industrial property rights and similar rights and assets as well as licenses to such rights and assets	54,378	-481	7,817	643	587	61,658
2. Goodwill	17,025	-158	2,654	0	0	19,521
3. Capitalized development costs and other internally generated intangible assets	66,457	-14	12,002	3,718	0	74,727
4. Payments on account	684	-6	11	0	-587	102
	138,544	**-659**	**22,484**	**4,361**	**0**	**156,008**
II. Property, plant and equipment						
1. Land and buildings including buildings on third-party land	121,001	-401	11,441	181	1,599	133,459
2. Technical equipment and machinery	103,748	-513	9,172	2,593	4,756	114,570
3. Other equipment, furniture and fixtures	103,898	-2,168	9,199	5,914	929	105,944
4. Payments on account and assets under construction	12,381	-9	13,363	0	-7,284	18,451
	341,028	**-3,091**	**43,175**	**8,688**	**0**	**372,424**
Total	**479,572**	**-3,750**	**65,659**	**13,049**	**0**	**528,432**

Additions include the acquisition in Brazil (industrial property rights and similar rights: EUR 652 k, goodwill: EUR 2,654 k and property, plant and equipment: EUR 81 k).

Accumulated depreciation / amortization						Net carrying amounts	
Balance as of Jan. 1, 2013	Currency translation differences	Additions	Disposals	Reclassifications	**Balance as of Dec. 31, 2013**	**Balance as of Dec. 31, 2013**	Balance as of Dec. 31, 2012
41,849	-397	6,575	584	0	47,443	14,215	12,529
1,024	0	0	0	0	1,024	18,497	16,001
46,225	-13	6,714	3,718	0	49,208	25,519	20,232
0	0	0	0	0	0	102	684
89,098	**-410**	**13,289**	**4,302**	**0**	**97,675**	**58,333**	**49,446**
43,884	-185	4,294	122	0	47,871	85,588	77,117
69,352	-273	10,442	2,537	0	76,984	37,586	34,396
74,775	-1,489	9,582	5,646	0	77,222	28,722	29,123
0	0	0	0	0	0	18,451	12,381
188,011	**-1,947**	**24,318**	**8,305**	**0**	**202,077**	**170,347**	**153,017**
277,109	**-2,357**	**37,607**	**12,607**	**0**	**299,752**	**228,680**	**202,463**

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS

for the period from January 1 to December 31, 2012

Non-current assets

in EUR k	Acquisition or production costs: Balance as of Jan. 1, 2012	Currency translation differences	Additions	Disposals	Reclassifications	Balance as of Dec. 31, 2012
I. Intangible assets						
1. Purchased industrial property rights and similar rights and assets as well as licenses to such rights and assets	49,082	-26	5,591	598	329	54,378
2. Goodwill	17,014	11	0	0	0	17,025
3. Capitalized development costs and other internally generated intangible assets	62,383	18	6,375	2,319	0	66,457
4. Payments on account	1,068	-55	0	0	-329	684
	129,547	**-52**	**11,966**	**2,917**	**0**	**138,544**
II. Property, plant and equipment						
1. Land and buildings including buildings on third-party land	116,171	51	5,005	410	184	121,001
2. Technical equipment and machinery	93,924	303	12,762	7,046	3,805	103,748
3. Other equipment, furniture and fixtures	98,862	-82	12,062	8,928	1,984	103,898
4. Payments on account and assets under construction	8,045	22	10,287	0	-5,973	12,381
	317,002	**294**	**40,116**	**16,384**	**0**	**341,028**
Total	**446,549**	**242**	**52,082**	**19,301**	**0**	**479,572**

	Accumulated depreciation / amortization						Net carrying amounts	
	Balance as of Jan. 1, 2012	Currency translation differences	Additions	Disposals	Reclassifications	**Balance as of Dec. 31, 2012**	**Balance as of Dec. 31, 2012**	Balance as of Dec. 31, 2011
	36,374	-45	6,058	538	0	41,849	12,529	12,708
	1,024	0	0	0	0	1,024	16,001	15,990
	41,714	17	6,813	2,319	0	46,225	20,232	20,669
	0	0	0	0	0	0	684	1,068
	79,112	**-28**	**12,871**	**2,857**	**0**	**89,098**	**49,446**	**50,435**
	40,231	-5	3,743	88	3	43,884	77,117	75,940
	66,450	171	9,134	6,056	-347	69,352	34,396	27,474
	73,827	-141	9,445	8,700	344	74,775	29,123	25,035
	0	0	0	0	0	0	12,381	8,045
	180,508	**25**	**22,322**	**14,844**	**0**	**188,011**	**153,017**	**136,494**
	259,620	**-3**	**35,193**	**17,701**	**0**	**277,109**	**202,463**	**186,929**

CARRYING AMOUNTS AND FAIR VALUES
by measurement category in EUR k

			Carrying amount pursuant to IAS 39					
Assets	Measurement category pursuant to IAS 39	**Carrying amount 2013**	(Amortized) cost	at fair value not through profit or loss	at fair value through profit or loss	Carrying amount pursuant to IAS 17	Other carrying amounts	**Fair value 2013**
Other financial assets								
Other equity investments	FAAFS	271	271					271
Other financial assets	FAAFS	171	171					171
Trade receivables	LAR	172,005	172,005					172,005
Other assets								
Derivatives held for trading	FAHFT	3,891			3,891			3,891
Other	FAAFS/ LAR/N/A	18,490	7,332				11,158	18,490
Cash and cash equivalents	LAR	11,848	11,848					11,848
Equity and liabilities								
Financial liabilities								
Liabilities to banks	FLAC	81,297	81,297					81,658
Finance lease liabilities	N/A	3,085				3,085		3,085
Other financial liabilities	FLHFT	772			772			772
Trade payables	FLAC	85,668	85,668					85,668
Other liabilities								
Derivatives held for trading	FLHFT	809			809			809
Other	FLAC	6,937	6,937					6,937
Of which aggregated by measurement category pursuant to IAS 39:								
Financial assets held for trading (FAHFT)		3,891			3,891			
Loans and receivables (LAR)		191,185	191,185					
Financial assets available for sale (FAAFS)		442	442					
Financial liabilities held for trading (FLHFT)		1,581			1,581			
Financial liabilities at amortized cost (FLAC)		173,902	173,902					

CARRYING AMOUNTS AND FAIR VALUES
by measurement category in EUR k

Assets	Measurement category pursuant to IAS 39	Carrying amount 2012	Carrying amount pursuant to IAS 39: (Amortized) cost	Carrying amount pursuant to IAS 39: at fair value not through profit or loss	Carrying amount pursuant to IAS 39: at fair value through profit or loss	Carrying amount pursuant to IAS 17	Other carrying amounts	Fair value 2012
Other financial assets								
Other equity investments	FAAFS	188	188					188
Other financial assets	FAAFS	228	228					228
Trade receivables	LAR	151,756	151,756					151,756
Other assets								
Derivatives held for trading	FAHFT	2,875			2,875			2,875
Other	FAAFS/ LAR/N/A	14,570	4,850				9,720	4,850
Cash and cash equivalents	LAR	15,053	15,053					15,053
Equity and liabilities								
Financial liabilities								
Liabilities to banks	FLAC	85,917	85,917					85,917
Finance lease liabilities	N/A	718				718		718
Other financial liabilities	FLHFT	1,137			1,137			1,137
Trade payables	FLAC	75,775	75,775					75,775
Other liabilities								
Derivatives held for trading	FLHFT	1,601			1,601			1,601
Other	FLAC	6,543	6,543					6,543
Of which aggregated by measurement category pursuant to IAS 39:								
Financial assets held for trading (FAHFT)		2,875			2,875			
Loans and receivables (LAR)		171,659	171,659					
Financial assets available for sale (FAAFS)		416	416					
Financial liabilities held for trading (FLHFT)		2,738			2,738			
Financial liabilities at amortized cost (FLAC)		168,235	168,235					

LIST OF MAIN SHAREHOLDINGS
as of December 31, 2013

Name and registered office of the entity	Investment *in %*	Indirect investment via No.	Consolidation
Parent company			
SICK AG, Waldkirch / Germany			
I. Shares in affiliates			
1. SICK S.A.R.L., Emerainville / France	100.0		
2. SICK (UK) LTD., St. Albans / United Kingdom	100.0		
3. SICK, Inc., Minneapolis, Minnesota / USA	100.0		
4. SICK B.V., Bilthoven / Netherlands	100.0		
5. SICK AG, Stans / Switzerland	100.0		
6. SICK PTY LTD, Heidelberg West, VIC / Australia	100.0		
7. SICK A/S, Birkerød / Denmark	100.0		
8. SICK NV/SA, Zellik-Asse (Relegem) / Belgium	100.0		
9. SICK K.K., Tokyo / Japan	100.0		
10. SICK OPTIC ELECTRONIC S.A., Sant Just Desvern / Spain	100.0		
11. SICK Engineering GmbH, Ottendorf-Okrilla / Germany[1]	100.0		
12. SICK Oy, Vantaa / Finland	100.0		
13. SICK Pte. Ltd., Singapore / Singapore	100.0		
14. SICK AS, Gjettum / Norway	100.0		
15. SICK AB, Vårby / Sweden	100.0		
16. SICK Sp.z. o.o., Warsaw / Poland	100.0		
17. SICK Solução em Sensores Ltda., São Paulo / Brazil	100.0		
18. Sick Optic-Electronic Co., Ltd., Hong Kong / China	100.0		
19. SICK S.p.A., Vimodrone (MI) / Italy[2]	100.0		
20. SICK Kft., Kunsziget / Hungary	100.0		
21. SICK GmbH, Wiener Neudorf / Austria	100.0		
22. SICK spol. s r.o., Prague / Czech Republic	100.0		
23. SICK IBEO GmbH, Hamburg / Germany[1]	100.0	24	
24. SICK Management GmbH, Waldkirch / Germany[1]	100.0		
25. IBEO Automobile Sensor GmbH, Hamburg / Germany	100.0	24	
26. SICK Maihak, Inc., Minneapolis, Minnesota / USA	100.0	3	
27. SICK Co., Ltd., Seoul / Korea	85.0		
28. SICK Automatisierung International GmbH, Waldkirch / Germany	100.0		
29. SICK China Co., Ltd., Guangzhou / China	100.0	18	
30. SICK STEGMANN GmbH, Donaueschingen / Germany[1, 3]	100.0	24	
31. SICK MAIHAK (Beijing) Co. Ltd., Beijing / China	85.0		
32. SICK IVP AB, Linköping / Sweden	100.0		
33. Sensörler ve İleri Cihazlar Kontrol A.Ş., Istanbul / Turkey	100.0		
34. OOO SICK, Moscow / Russia[4]	100.0	28	

Name and registered office of the entity	Investment in %	Indirect investment via No.	Consolidation
35. SICK Vertriebs-GmbH, Düsseldorf / Germany [1]	100.0		
36. SICK d.o.o., Ljubljana / Slovenia	100.0	21	N
37. SICK INDIA Pvt. Ltd., Mumbai / India	100.0	28	
38. SICK Sensors Ltd., Misgav / Israel	100.0		
39. SICK S.R.L, Timisoara / Romania [5]	100.0	28	N
40. SICK TAIWAN Co., Ltd., Taipei / Taiwan	100.0		
41. SICK Automation Solutions S.A. de C.V., Tlalnepantla / Mexico	100.0	28	N
42. Sick Ltd., Saint John, New Brunswick / Canada	100.0	3	
43. SICK Automation Southern Africa (Pty) Ltd., Roodepoort, Johannesburg / South Africa	51.0	28	
44. SICK SDN. BHD., Johor Bahru / Malaysia	100.0	47	
45. SICK System Engineering AG, Buochs / Switzerland	100.0		
46. Ação Solução em Sensores Ltda., Porto Alegre / Brazil [6]	100.0	17	
47. SICK Product Center Asia Pte. Ltd., Singapore / Singapore	100.0		
48. SICK Flow Solutions LLC, Moscow / Russia [7]	100.0	28	N
49. SICK FZE, Dubai / United Arab Emirates	100.0	28	N
II. Investments and other interests			
50. SICK OPTEX Co., Ltd., Kyoto / Japan	50.0		A
51. SICK kluge GmbH, Königswartha / Germany	50.0	11	A
52. Beijing BAIF-Maihak Analytical Instrument Co., Ltd., Beijing / China	15.0		N
53. PULS DESIGN A/S, Hvidovre / Denmark	25.0	7	N
54. WABE gGmbH, Waldkirch / Germany	16.7		N
55. SICK Metering Systems N.V., Kalmthout / Belgium	50.0	11	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 6 percent of the shares are held by SICK AG, Waldkirch / Germany.
4 15 percent of the shares are held by SICK AG, Waldkirch / Germany.
5 0.5 percent of the shares are held by SICK AG, Waldkirch / Germany.
6 1 percent of the shares are held by SICK Automatisierung International GmbH, Waldkirch / Germany (No. 28).
7 1 percent of the shares are held by SICK Management GmbH, Waldkirch / Germany (No. 24).

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.

Service

AUDIT OPINION *

We have audited the consolidated financial statements prepared by SICK AG, Waldkirch, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity as well as the notes to the consolidated financial statements together with the group management report for the fiscal year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ("Handelsgesetzbuch": German Commercial Code) and the supplementary provisions of the articles of incorporation and bylaws is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and the supplementary provisions of the articles of incorporation and bylaws and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Freiburg im Breisgrau, March 18, 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Wetzel	Busser
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

* Translation of the German audit opinion concerning the audit of the financial statements and management report prepared in German.

THE EXECUTIVE BOARD OF SICK AG

DR. ROBERT BAUER, CHAIRMAN
Products & Technology
Member of the Executive Board since January 1, 2000

Dr. Robert Bauer came to the company in 1994 as Division Manager of Research & Development in the area of automation technology; in 1998, he assumed overall responsibility on the Management Board for Research & Development. Born in Munich in 1960, Robert Bauer studied Electrical Engineering with special emphasis on Electrophysics / Optics at the Technical University of Munich and he received his doctorate in 1990.

DR. MARTIN KRÄMER
Human Resources, Procurement, 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 im Breisgau. 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. Subsequently, he changed to 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.

REINHARD BÖSL
Systems & Industries
Member of the Executive Board since July 1, 2007

Born in the East Bavarian Parkstein in 1958, Reinhard Bösl studied Computer Science in Munich. Afterwards he held a variety of positions at Witron Logistik + Informatik GmbH, Parkstein, and became the company's Managing Director in 1998. Since 2004, he had been active in management positions at Krones AG, Neutraubling, including as Managing Director of the subsidiary Syskron GmbH.

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. Afterwards he worked for Müller Weingarten AG, before changing to KaVo Dental GmbH, Biberach, in 2001. His most recent position there had been that of a Commercial Managing Director.

DR. MATS GÖKSTORP
Sales & Service
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.

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
- Hauck & Aufhäuser KGaA, Frankfurt, member of the Economic Advisory Board
- ILLIG Maschinenbau GmbH & Co. KG, Heilbronn, member of the Advisory Board
- Investcorp Group, London (United Kingdom), Advisory Director
- 7-Industries Holding B.V., Amsterdam (Netherlands), member of the Supervisory Board
- TRICOR AG, Eppishausen, Deputy Chairman of the Supervisory Board

Franz Bausch, Hinterzarten
Tax consultant, chartered accountant
Member of the Supervisory Board since 1999

Additional Supervisory Board membership:
- Deutsche Steuerberater-Versicherung – Pensionskasse des steuerberatenden Berufs VVaG, Bonn, Chairman of the Supervisory Board

Prof. Dr. Mark K. Binz, Stuttgart
Lawyer
Member of the Supervisory Board since 2007

Additional Supervisory Board memberships:
- Faber-Castell AG, Stein, Deputy Chairman of the Supervisory Board
- Festo AG, Esslingen am Neckar, member of the Supervisory Board
- Festo Management AG, Vienna (Austria), member of the Supervisory Board
- Fielmann Aktiengesellschaft, Hamburg, Chairman of the Supervisory Board
- Wormland Unternehmensverwaltung GmbH, Hanover, Chairman of the Supervisory Board

Engelbert Herbstritt, Waldkirch *
Deputy Chairman of the Works Council of SICK AG, Waldkirch
Chairman of the Group Works Council of SICK AG, Waldkirch
Member of the Supervisory Board since 2012

Roberto Hernandez, Waldkirch * (Deputy Chairman)
Chairman of the Works Council of SICK AG, Waldkirch
Chairman of the Central Works Council of SICK AG, Waldkirch
Member of the Supervisory Board since 2007

Dr. Matthias Müller, Braunschweig *
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, member of the Advisory Board
- RWE Power AG, Essen, member of the Supervisory Board

Roland Schiller, Hinterzarten *
Member of the Management Board of SICK AG, Waldkirch
Member of the Supervisory Board since 2002

Dr. Ronaldo H. Schmitz, Frankfurt
Former member of the Executive Board of Deutsche Bank AG, Frankfurt
Member of the Supervisory Board since 2005

Additional Supervisory Board membership:
- Cabot Corporation, Boston (USA), member of the Board of Directors

Renate Sick-Glaser, Freiburg
Managing Director of Sick Holding GmbH, Freiburg
Member of the Supervisory Board since 2007

Hermann Spieß, Breisach *
Director of IG Metall trade union, Freiburg and Lörrach
Member of the Supervisory Board since 2002

Additional Supervisory Board membership:
- Constellium Deutschland GmbH, Singen, Deputy Chairman of the Supervisory Board

Gabriele Volk, Winden *
Human Resources Consultant of SICK AG, Waldkirch
Member of the Supervisory Board since 2012

Prof. Dr. Dr. h. c. mult. Horst Wildemann, Munich
Head of the Research Institute for Management, Logistics and Production at the Technical University of Munich
Member of the Supervisory Board since 2007

Additional Supervisory Board memberships:

- Egon Großhaus GmbH, Lennestadt, Chairman of the Advisory Board
- Hamberger Industriewerke GmbH, Stephanskirchen, member of the Advisory Board
- Interroll Holding AG, S. Antonino (Switzerland), member of the Supervisory Board
- iwis motorsysteme GmbH & Co. KG, Munich, Chairman of the Advisory Board
- Möhlenhoff GmbH, Salzgitter, Chairman of the Advisory Board
- ZEPPELIN GmbH, Garching, member of the Supervisory Board

* Employee representative

FINANCIAL CALENDAR

2014

April 8	Publication of the 2013 balance sheet ratios
May 21, 5 p.m.	**Annual General Shareholders' Meeting** SICK AG's company restaurant, Waldkirch
May 22	Dividend payment
August	Publication of the 2014 half-year figures

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SICK

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