

SICK
Sensor Intelligence.

ANNUAL REPORT 2023

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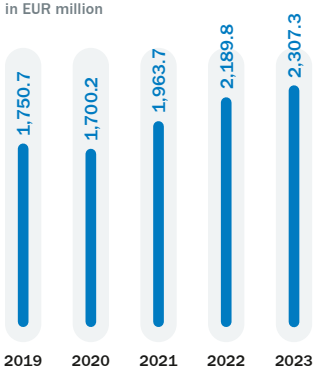
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AT A GLANCE

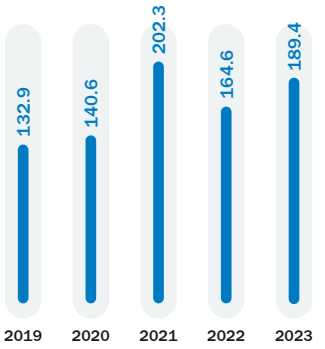
KEY FIGURES

		2019	2020	2021	2022	2023	Change in %
Sales	in EUR million	1,750.7	1,700.2	1,963.7	2,189.8	2,307.3	5.4
EBITDA	in EUR million	220.1	231.7	296.1	263.7	290.6	10.2
EBIT	in EUR million	132.9	140.6	202.3	164.6	189.4	15.1
Net income for the year	in EUR million	93.9	101.1	147.8	119.5	134.4	12.5
Cashflow	in EUR million	212.7	227.7	231.1	55.0	117.6	113.8
Employees on December 31		10,204	10,433	11,022	11,909	12,185	2.3
Employees, annual average		10,169	10,389	10,770	11,558	12,164	5.2
Trainees on December 31		365	384	373	381	345	-9.4
Personnel expenses	in EUR million	753.5	757.8	829.7	913.1	980.0	7.3
Investments	in EUR million	100.5	60.2	86.1	120.8	123.2	2.0
Depreciation and amortization	in EUR million	87.2	91.1	93.8	99.1	101.2	2.1
R&D expenditure	in EUR million	202.0	201.1	210.3	240.8	269.8	12.0
Total assets	in EUR million	1,433.8	1,487.2	1,698.5	1,867.4	1,925.6	3.1
Equity	in EUR million	696.6	737.7	870.8	960.4	1,038.0	8.1
Equity ratio	in %	48.6	49.6	51.3	51.4	53.9	
Return on equity	in %	15.6	15.9	20.4	14.2	14.9	
ROCE	in %	12.8	14.6	19.9	13.2	13.5	
Net return on sales	in %	5.4	5.9	7.5	5.5	5.8	
Earnings per share	in EUR	3.58	3.86	5.64	4.56	5.12	12.3

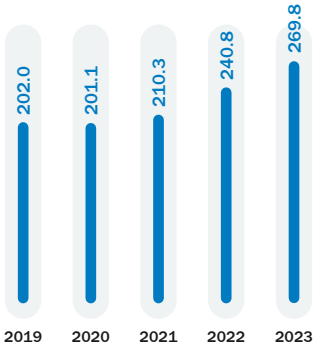
Sales
in EUR million



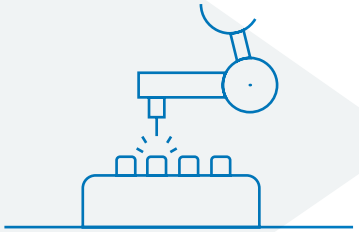
EBIT
in EUR million



R&D expenditure
in EUR million

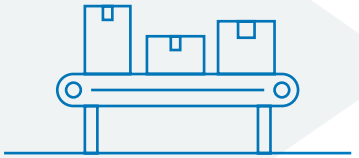


OUR BUSINESS FIELDS



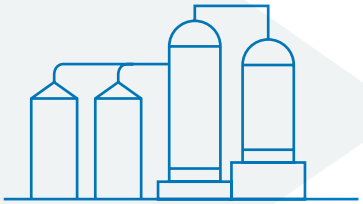
FACTORY AUTOMATION

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



LOGISTICS AUTOMATION

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



PROCESS AUTOMATION

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

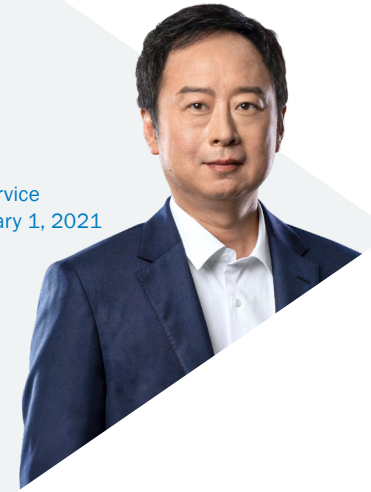
MEMBERS OF THE EXECUTIVE BOARD



Dr. Mats Gökstorp
Chairman, Products & Marketing
since May 1, 2013



Jan-H. Eberhardt
Finance & IT
since October 16, 2023



Feng Jiao
Sales & Service
since January 1, 2021



Nicole Kurek
People & Culture
since July 1, 2022



Ulrike Kahle-Roth
Supply Chain & Fulfillment
since December 1, 2022



Dr. Niels Syassen
Technology & Digitalization
since October 1, 2021

MESSAGE FROM THE EXECUTIVE BOARD

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

SICK REMAINS ON COURSE FOR SUSTAINABLE GROWTH WITH AN ACCELERATED PACE OF INNOVATION.

Demand for sensor products and solutions that generate high customer benefits, particularly through digitalization and AI applications, is increasing significantly. In the challenging fiscal year 2023, we were able to weather the supply crisis despite the adverse macroeconomic conditions, overcome unexpected market declines and increase sales and profit.

The earnings position of the SICK Group in the fiscal year 2023 was characterized by a positive sales and earnings trend. Sales revenue increased by around 5.4% overall. This was mainly due to changes in the product portfolio and increased sales volumes.

The EBIT margin in relation to sales increased by 0.7 percentage points year on year and was therefore in line with the forecast development. At the same time, the net return on sales increased by 0.3 percentage points year on year.

Demand for sensor products and applications was also pleasing in the past fiscal year. The broad positioning of the SICK Group proved its worth. The development of incoming orders in the business segments varied in intensity and was significantly lower than in the previous year. In particular, this reflects the reluctance to invest due to the uncertain economic development and a certain overheating in the previous year.

The Executive Board also changed in 2023. On October 16, 2023, Jan-H. Eberhardt took over the Finance & IT board portfolio from Markus Vatter, who had been managing the portfolio for 17 years. Among other things, Jan-H. Eberhardt will drive the company's financial steering and IT landscape as part of our "SICK Beyond Borders" strategy. He will adapt the planning processes to better reflect the fast and dynamic market behavior and ensure the profitable growth of SICK. In addition, Jan-H. Eberhardt will focus on further increasing the security and resilience of our IT systems.

In the fiscal year 2023, SICK invested close to 12% of revenue in R&D activities. SICK is a highly innovative company. The number of employees in R&D and expenditure on R&D were increased and ensure outstanding results. With these investments, we are laying the foundations for future opportunities arising from new products and system solutions that can accelerate the company's growth at an above-average rate.

In the past year, SICK as a team of all employees with unbridled enthusiasm and new solutions has once again inspired its customers. To accompany this annual report, we are publishing our latest magazine: PACE. We must keep adjusting our pace in order to gain and maintain a competitive edge for our customers and ourselves by using our acceleration forces in a meaningful way.

The issues of our time are pressing and require accelerated solutions. Read in the PACE magazine how we are making our contribution with speed, commitment, and Sensor Intelligence.

With best regards,



Dr. Mats Gökstorp
(Chairman)



Jan-H. Eberhardt



Feng Jiao



Ulrike Kahle-Roth



Nicole Kurek



Dr. Niels Syassen

REPORT BY THE SUPERVISORY BOARD

REPORT ON THE FISCAL YEAR 2023 BY THE SUPERVISORY BOARD OF SICK AG IN COMPLIANCE WITH SECTION 171 (2) OF THE GERMAN STOCK CORPORATION ACT (AKTG)



Dr. Robert Bauer
Chairman of the
Supervisory Board

Business performance in 2023 continued to be shaped by the spreading of geopolitical conflicts, the post-pandemic situation, the energy crisis, and bottlenecks on procurement markets, primarily for semiconductors. Despite the unfavorable general economic conditions, SICK was able to overcome the supply problems, weather unexpected market downturns, and boost revenue and profit.

Total revenue increased by roughly 5.4%. Changes to the product portfolio coupled with higher sales volumes were the main contributing factors in this upturn.

The development of group revenue in the fiscal year 2023 was once again influenced by currency effects. If average exchange rates had remained unchanged in comparison with the prior year, revenue growth would have been approximately 3.4% higher.

Thanks to its strong competitive position around the world, the business development of the SICK Group in the fiscal year 2023 once again had a broad basis. In addition to the Group's presence on the established markets, the sales activities in the growth regions around the world also contributed to this.

Thanks to the adjustments to inventory and cost management, the unwavering dedication of SICK's employees, and the remarkable capacity for innovation, the SICK Group's results of operations in the fiscal year 2023 showed growth in both revenue and income.

SICK committed to research into artificial intelligence (AI) at an early stage due to its confidence in the added value that AI has to offer when combined with sensor technology, and it has invested in software, AI, and digitalization skills in particular in recent years.

In 2023, a large number of new AI solutions were developed that are also based on machine learning (ML) methods. The high user-friendliness of these solutions allows customers to achieve a new level of performance.

COLLABORATION BETWEEN THE EXECUTIVE BOARD AND SUPERVISORY BOARD

During the fiscal year 2023, the Supervisory Board of SICK AG comprehensively and carefully performed all the duties incumbent upon it under the law, the articles of incorporation, and the rules of procedure. It provided regular advice to the Executive Board on running the company while continually monitoring and reviewing its management activities, whereby particular attention was paid to the legality, regularity, expediency, and economic efficiency of the Group-wide management activities carried out by the Executive Board. The Supervisory Board discussed company organization with the Executive Board to assure itself of the performance capabilities. The Executive Board and the Supervisory Board also continuously coordinated the company's strategic alignment. The current status of strategic implementation was discussed at regular intervals. The Supervisory Board was directly involved in all Executive Board decisions of fundamental importance for the company.

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

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

The Chairman of the Supervisory Board did not take part in the Supervisory Board's consulting and resolution process concerning the buyback of SICK AG shares given to the Chairman of the Supervisory Board during his time as Chairman of the Executive Board as a result of long-term incentive arrangements. No further conflicts of interest involving members of the Supervisory Board regarding the execution of their duties arose during the reporting year.

MEETINGS AND DECISIONS OF THE SUPERVISORY BOARD

The Supervisory Board of SICK AG held five meetings during the fiscal year 2023. The Board used these meetings to address all issues of relevance to the company and make the necessary decisions. Most of the meetings were held in person, with the remainder held as hybrid events with the option of taking part via video call. One resolution was also adopted in writing. For at least some of each meeting, the Supervisory Board met without the presence of the Executive Board, enabling the Supervisory Board to discuss points on the agenda that either concerned the Executive Board itself or which required strictly internal discussion within the Supervisory Board. The Supervisory Board meetings focused on the following topics, in particular:

The item on the agenda at the Supervisory Board meeting on February 14, 2023, was succession planning for the Executive Board.

At the ordinary Supervisory Board meeting held on March 24, 2023, the Executive Board informed the Supervisory Board comprehensively and in detail about business development during the fiscal year 2022, particularly regarding the areas of Sales and Service, the newly launched Operations Planning project, product innovations, and human resources. Then, in the presence of the auditor, the Supervisory Board examined the accounting and Group accounting for SICK AG for the fiscal year 2022, with the audits of the financial statements conducted by the auditor EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Stuttgart (EY), and with the Executive Board's proposed appropriation of the retained earnings generated during the fiscal year 2022. The

Audit Committee reported on all aspects for which it is responsible within the context of the accounting and Group accounting of SICK AG, in particular regarding the nature and scope of its audit of the documents relating to the financial statements. It recommended that the entire Board approve these documents. The auditor then explained its audit results and the discussions that took place during the meeting of the Audit Committee on March 16, 2023, during which these results were comprehensively discussed. Subsequently the auditor answered any questions raised. The Supervisory Board approved the result of the audit of the financial statements. Following the final results of its own review, the Supervisory Board raised no objections and approved the accounting and Group accounting of SICK AG for the fiscal year 2022. The Supervisory Board also reviewed the Executive Board's proposal for the appropriation of the retained earnings and approved it on the recommendation of the Audit Committee. In addition, the Supervisory Board passed its proposed resolutions for the agenda of the Annual General Shareholders' Meeting on May 26, 2023. During this meeting, the Executive Board also provided information on the course of the opening months of the fiscal year 2023 and gave a brief description of the prospects for the following months. The Executive Board reported on inventory development and the measures undertaken to ensure supply dependability, and also revealed the first details of plans for a strategic partnership with Swiss measurement and automation technology specialist Endress+Hauser in the field of process automation. Furthermore, the Supervisory Board examined the sales strategy, the monetization of internal start-ups, and the current situation of employees, particularly in connection with the results of a further survey related to "Great Place to Work" in 2022, in which SICK once again achieved excellent results. The Executive Board then reported on current construction projects and work to increase capacity, and the Supervisory Board approved the expansion of electronic board production at the Kunsziget site in Hungary as well as capital expenditure on upgrading the Reute production facility and the SICK campus in the USA (second stage of development).

In its meeting on May 26, 2023, the Supervisory Board examined the current business situation, particularly in light of geopolitical changes and the sluggish post-pandemic recovery in demand in China. At the meeting, the Executive Board also reported on the status of current construction projects and the state of negotiations on the planned strategic partnership with Endress+Hauser in the field of process automation. In addition, the Supervisory Board extended the employment contract of Feng Jiao, due to end on December 31, 2023, by a further five years and re-appointed Feng Jiao as a member of the Executive Board for that period.

In June 2023, the Supervisory Board undertook a written resolution process appointing Jan-H. Eberhardt as member of the Executive Board for the Finance & IT portfolio for a period of three years starting on October 16, 2023, replacing Markus Vatter, who left the Executive Board on October 31, 2023.

At the Supervisory Board meetings on October 4 and 5, 2023, the agenda included a presentation by the Executive Board on business performance in 2023 so far and a general outlook followed by a detailed strategic outlook and a report on the implementation status of the "SICK Beyond Borders" strategy. The Executive Board also outlined financial medium-term planning for the period from 2024 to 2026. At the meeting, the Executive Board also reported on the current state of negotiations on the planned strategic partnership with Endress+Hauser in the field of process automation, particularly regarding the forthcoming signing of a memorandum of understanding regarding the partnership.

During the meeting on December 19, 2023, the Executive Board reported on current business development, the potential surrounding digitalization and in connection with new products that set SICK apart from its competitors.

In addition, the Executive Board provided an overview of the detailed budget and mid-term planning for all Group units and the entire company for the fiscal year 2024. Together with the Executive Board, the Supervisory Board discussed in detail the targets, framework conditions, and assumptions contained in them, as well as the resultant opportunities and risks involved in the planning. The Supervisory Board approved the budget presented for 2024 and the corresponding investment measures – also against the background of the financing presented. At the meeting, the Executive Board also reported on the current state of negotiations on the planned strategic partnership with Endress+Hauser in the field of process automation, which will continue into the fiscal year 2024. In addition, the Supervisory Board extended the employment contract of Dr. Niels Syassen, due to end on September 30, 2024, by a further five years and re-appointed Dr. Niels Syassen as a member of the Executive Board for that period.

WORK IN THE SUPERVISORY BOARD COMMITTEES

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

The following Supervisory Board members were on the committees in the reporting year:

- Audit Committee: Thomas Kusterer (Chairman), Dorothea Sick-Thies, Prof. Boris Otto, Dr. Matthias Müller, Thomas Weckopp
- Human Resources Committee: Dr. Robert Bauer (Chairman), Sebastian Glaser, Thomas Franz, Susanne Tröndle, Dr. Eberhard Veit
- Investment Committee: Sebastian Glaser (Chairman), Dr. Robert Bauer, Norbert Göbelsmann, Gabriele Pontiggia
- Mediation Committee in accordance with section 27 (3) MitbestG: Dr. Robert Bauer (Chairman), Dorothea Sick-Thies, Norbert Göbelsmann, Susanne Tröndle

The committees focused on the following key areas during the fiscal year 2023:

- The Audit Committee concentrated on its assigned duties regarding preparation of the audits of the financial statements and recommendations for the entire Board regarding dealing with the financial statements. It also addressed internal auditing, business risk management, compliance, focus areas of the audit of the financial statements in 2023, lines of credit, the audit, the German Supply Chain Due Diligence Act (LkSG), and cybersecurity for products.
- The Human Resources Committee examined, in particular, the structure and composition of the Executive Board and prepared the above-mentioned changes in the Executive Board membership agreed by the entire committee. Meetings also looked at the structure and amount of remuneration for Executive Board members.
- Work in the Investment Committee focused on examining the investment plans for 2024 and the corresponding financial planning.
- There was no need for the Mediation Committee to convene.

ANNUAL AND GROUP ACCOUNTING FOR THE FISCAL YEAR 2023

EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Stuttgart (EY), was responsible for auditing the accounting and Group accounting of SICK AG for the fiscal year 2023. On May 26, 2023, EY was chosen as the auditor and Group auditor by the Annual General Shareholders' Meeting of SICK AG. The Annual General Shareholders' Meeting thus approved the proposal of the Supervisory Board, which corresponded to the recommendation from the Audit Committee. Prior to the Supervisory Board proposing EY to the Annual General Shareholders' Meeting for election as the auditor, EY had confirmed that there were no circumstances that could compromise its independence as an auditor or justify any doubts as to its independence. In this context, EY also declared the scope of any services rendered to the company beyond the audit of the financial statements in the prior fiscal year, and any services contractually agreed upon for the following year. EY audited the annual financial statements of SICK AG, prepared in compliance with the German Commercial Code (HGB); the consolidated financial statements, prepared in line with the International Financial Reporting Standards (IFRS); as well as the combined group management report and management report of SICK AG – and provided unqualified audit opinions. The auditor thus confirmed that, in its opinion and based on the findings of the audit in accordance with the applicable financial reporting framework, the annual financial statements and consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of SICK AG and the SICK Group. Moreover, the auditor confirmed that the combined group management report and management report of SICK AG are consistent with the corresponding annual financial statements and the consolidated financial statements; that, overall, they provide an appropriate view of the position of the SICK Group and SICK AG; and that they suitably represent the opportunities and risks of future development. All Audit Committee and Supervisory Board members received, in good time, the audit documents mentioned above, the audit reports prepared by EY, and the Executive Board's proposal concerning the appropriation of retained earnings.

On March 14, 2024, the Executive Board of SICK AG finalized the accounting and Group accounting of SICK AG for the fiscal year 2023, consisting of the annual financial statements, the consolidated financial statements, as well as the combined group management report and management report of SICK AG, and approved these documents for submission to the Supervisory Board. At the meeting of the Audit Committee on March 14, 2024, and at the accounts meeting of the Supervisory Board on March 20, 2024, the Executive Board explained the accounting and Group accounting of SICK AG and its proposal concerning the appropriation of retained earnings. Members of the Executive Board also answered questions from members of the Audit Committee and the Supervisory Board.

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

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

The Audit Committee and the Supervisory Board were able to satisfy themselves that EY had conducted the audit properly. In particular, they arrived at the conclusion that both the audit reports and the audit itself met the legal requirements. The Supervisory Board discussed all audit documents for the company and the Group in addition to information from EY and it approved the result of the audit of the financial statements on the basis of the Audit Committee's report and recommendation at the accounts meeting on March 20, 2024. The Supervisory Board agreed with the assessment of the situation of the company and the Group as set out by the Executive Board in the combined group management report and management report of SICK AG. The assessment of the Executive Board was also consistent with the reports submitted by the Executive Board to the Supervisory Board over the course of the year. Since it had no objections following the final results of its own review, the Supervisory Board gave its consent to the annual financial statements, the consolidated financial statements, and the combined group management report and management report of SICK AG for the fiscal year 2023. The annual financial statements were thus formally adopted.

The Supervisory Board considered the proposal previously explained by the Executive Board concerning the appropriation of retained earnings – particularly regarding dividend policy, the effects on the liquidity of the SICK Group, and the interests of the shareholders. At the accounts meeting on March 20, 2024, following the recommendation of the Audit Committee, the Supervisory Board then accepted and endorsed the Executive Board's proposal concerning the appropriation of retained earnings. The Supervisory Board finally adopted this report to the Annual General Shareholders' Meeting.

The Executive Board also prepared a report on relationships with affiliated companies in the fiscal year 2023 (dependent company report) and presented it to the Supervisory Board together with the corresponding audit report prepared by the auditor. The dependent company report was audited by the auditor, who provided the following audit opinion thereon:

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

1. The factual information in the report is correct, and

2. The company's contribution regarding the legal transactions referred to in the report was not inappropriately high."

The Supervisory Board reviewed the Executive Board's dependent company report and the auditor's audit report. In the Audit Committee meeting on March 14, 2024, and the Supervisory Board's accounts meeting on March 20, 2024, the Audit Committee and the Supervisory Board, respectively, had the members of the Executive Board explain the dependent company report. The Executive Board also answered questions on this matter from members of the Committee and the Supervisory Board. The auditor in attendance reported on its audit of the dependent company report and its principal auditing results, explaining its audit report and answering questions about it. The Supervisory Board could thus satisfy itself as to the regularity of the dependent company report, the audit of the dependent company report, and the audit report.

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

The Supervisory Board would like to thank the entire Executive Board and all employees, who have very much seized the opportunities presented by the new organizational structure and, in doing so, made 2023 a successful fiscal year. Demand for sensor products and solutions that generate significant benefit to customers via digitalization and AI applications is rising significantly. The possibilities offered by these technologies are virtually endless. SICK is in an excellent position to make the most of them and thus benefit from the opportunities for growth presented by an innovative sector.

Waldkirch, March 20, 2024

On behalf of the Supervisory Board



Dr. Robert Bauer
(Chairman)

SICK WORLDWIDE



Subsidiaries and representative offices

Agencies

Production

Development

COMBINED GROUP MANAGEMENT REPORT

of SICK AG for fiscal year 2023

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COMBINED GROUP MANAGEMENT REPORT

of SICK AG for fiscal year 2023

ABOUT THIS REPORT

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

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

The combined management report for the SICK Group and SICK AG for the fiscal year is presented below as of the end of the reporting period December 31, 2023.

A. FUNDAMENTAL INFORMATION ABOUT THE GROUP

- Successful worldwide: The SICK Group is one of the leading companies in the field of sensor technology, particularly with regard to automation
- Forward-looking: The combination of sensor technology and artificial intelligence (AI) allows for new innovations and ensures more efficient processes

I. ORGANIZATIONAL STRUCTURE OF THE GROUP

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

The parent company of the SICK Group is SICK AG. The company was founded by Dr. Erwin Sick in Vaterstetten near Munich in 1946. Today, SICK AG carries out the tasks of group management from its head office in Waldkirch near Freiburg in Germany. In addition to SICK AG, the SICK Group comprised 61 affiliates in fiscal year 2023 (prior year: 57). Their composition is presented in detail in the notes to the consolidated financial statements.

The SICK Group reports on the performance of business in four regions:

- Germany
- EMEA (comprising Europe (excluding Germany), the Middle East, and Africa)
- Americas (consisting of North, Central, and South America)
- Asia-Pacific

The SICK Group is managed by an Executive Board that comprises six members. A 12-member Supervisory Board with equal numbers of employer and employee representatives forms the oversight body.

The regional structure of the Group reflects the complex structure of the customers and markets. As a result, competence and production centers are located in all regions of the world. The sales function is generally performed by the Group's own sales and service companies in the key industrial countries. The product-generating entities are controlled from the locations in Germany, Malaysia, Singapore, Hungary, and the US. These centers develop and produce products for their respective regions and for the global market. The largest manufacturing and development location in Germany is the Group's headquarters in Waldkirch near Freiburg.

II. BUSINESS MODEL AND BUSINESS FIELDS

In accordance with its brand claim of "Sensor Intelligence." SICK focuses on the development, production, and marketing of industrial automation sensors, systems, and services. Business activities center on using sensor intelligence to create added value for customers from a wide range of target industries.

Increasing digitalization and networking have been fundamentally changing production and logistics processes, as well as all global value creation, for many years now. This trend is referred to as "Industry 4.0" and the "Internet of Things." Machines, sensors and other devices are increasingly communicating with each other in order to optimize processes. Sensor technology is a core element of this connectivity in the industrial sector, and lays the foundation for transparent and trouble-free processes. The direct and complete recording of information by sensors, integrated, decentralized processing power, and flexible programming are important properties for making production more flexible, dynamic, efficient, and sustainable. Sensor technology also plays an important role in traffic management systems, with regard to energy and infrastructure, in buildings, and in the field of research. As a provider of sensor-based applications for industrial use, SICK plays a crucial role in the areas mentioned. Its portfolio is based on the most important physical measurement and analysis technologies and enables almost all industries to use automation solutions, helping balance out divergent market developments and generate continuous growth.

The company is equipped for the future thanks to its strong technological expertise, successful business model and pronounced sense of responsibility toward employees, society, and the environment.

a. SALES MARKETS

The main sales markets for the SICK Group are industrialized countries as well as those growth regions that are on the cusp of industrialization. SICK extends its regional reach by setting up new sales companies and by continuously maintaining a global network of distributors.

Alongside innovation, SICK's regional proximity to its customers is one of its main competitive advantages. The central distribution center in Buchholz near Waldkirch and other regional logistics centers situated around the world ensure rapid deliveries to the sales and service companies.

SICK offers innovative application solutions in the form of individual sensor components, system solutions and software (including cloud services), and consulting, to its customers in four regions around the world.

b. BUSINESS FIELDS

SICK's sensor-based solutions optimize productivity, safety, and sustainability in the three business fields of Factory Automation, Logistics Automation, and Process Automation:

The **Factory Automation (FA) business field** is relevant for a wide range of industries, including the mechanical engineering, electronics and solar industries as well as drive technology in addition to the automotive industry and the field of consumer goods. The most important tasks performed by the non-contact sensors and camera systems as well as the encoders and distance measurement systems in this field include controlling manufacturing, packaging, and assembly procedures as well as quality assurance. With special sensors that reliably detect invisible labeling, SICK protects against product and brand piracy, thus making a major contribution to the safety of customers and consumers. In order to reliably rule out dangers to staff working with potentially hazardous machines, SICK's products, complete solutions, and software solutions in the area of safety technology avert potential accident risks. With the help of the bar code, 2D code, and RFID identification technologies as well as volume measurement technology, processes are managed to ensure high-quality end products while guaranteeing seamless tracking of packaging, an article, or an electronic component.

The focus of the **Logistics Automation business field** is on airports, industrial vehicles, building management and security, ports, trade and distribution centers, courier, express delivery, parcel and postal service providers, and transportation. This involves designing and optimizing the entire logistics chain by automating material flows or making sorting, picking, and warehousing processes more efficient, faster, and more reliable.

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

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

A broad range of products for gas analysis can be used to detect the concentration of a large number of substances in gas mixtures. SICK helps its customers reduce greenhouse gas emissions, for example, by providing carbon dioxide analyzers for combustion, process, and drying units. In the field of dust measurement technology, SICK is in a position to detect dust concentrations precisely using different measurement principles and thus aid compliance with emission limits thanks to transparent data, or to identify process disruptions at an early stage. SICK sensor systems carry out various tasks in the area of volume flow measurement, for example determining volume flows in facilities and measuring natural gas volumes for the natural gas industry, or monitoring emissions in industrial processes. For hydrogen measurement, SICK has developed a flow meter that can be used to measure gas mixtures containing up to 30 percent hydrogen in pipes, something that was not previously possible.

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 contributes to making better use of limited resources, and thus maintaining an environment worth living in.

c. EXTERNAL FACTORS INFLUENCING THE BUSINESS

The main external factors influencing the business of SICK include changes in economic developments, sector-specific framework conditions, and currency effects. These are explained below in "B.I. Macroeconomic environment." Other external factors influencing our business are presented in section C. "Risk and opportunity report." These include, in particular, technological progress, intense competition, significant changes in the prices of commodities and intermediate products, a shortage of specialists, disruptions in international supply chains, as well as changing legal framework conditions and norms.

III. RESEARCH AND DEVELOPMENT

The industrial present and future are shaped by digitalization, Industry 4.0, and the Internet of Things. The opportunities from using data in a better and more targeted way to produce and deliver more efficiently, with greater flexibility, using fewer resources, and to a higher standard of quality depend to a large extent on the reliability and robustness of the data inputted into many process chains. SICK uses sensor intelligence to capture reality in the form of data, bridging the gap between physical sensors and digital applications for automation.

Back in 2004, SICK adapted to the changes in the world of automation, which were only just starting to appear at the time. Since then, the company's "Sensor Intelligence." claim has expressed its early identification of and focus on technical intelligence. As a result, the company's focus extends well beyond the application of mechanical automation technology and, in the next few years, attention will be given to expanding the existing product portfolio, the networking capacity of sensor systems in the context of Industry 4.0, and the subject of data sovereignty. The combination of sensor technology and AI allows for new innovations and ensures more efficient processes.

SICK turns to start-up initiatives in order to ensure greater diversity and innovative capacity in the development, production, and sale of sensor solutions and to develop these solutions faster, more efficiently, and with higher internal synergies.

To this end, the company is making targeted investments in disruptive ideas. Future-focused start-up management and networking with existing Group divisions create synergies. The start-up initiatives combine the wide range of expertise available and the strengths of the existing SICK organization with the visionary mindset and actions of a start-up culture. The aim of the start-up initiatives is to quickly harness the benefits of Industry 4.0 using SICK's expertise, offering customers additional added value from the improved use of data. Some of the original start-up initiatives have now been transferred to the organization as a business unit. Every year, ideas competitions for new digital business models are used to found new start-up initiatives.

SICK combines sensor intelligence with extensive sector and application expertise, and provides a comprehensive portfolio of solutions. In this way, the company breaks new ground with respect to sensor-based applications. SICK's portfolio is bundled in two brands: SICK AppSpace and SICK IntegrationSpace. The digital portfolio is based on SICK's broad expertise in the field of application, and allows the simple, vertical integration of data, from sensors to the cloud. This is because SICK understands the complexities of digital transformation behind software and hardware and can seamlessly connect the two to create a fully integrated, automated supply chain. In the context of digital transformation, SICK's ability to embed the communication capability of AI software into its sensor hardware represents a complete package for business customers.

Convinced of the added value that AI can generate for sensor technology, SICK invested in AI research at an early stage. In recent years, investments have primarily focused on software, AI, and digitalization competencies. In 2023, it developed a large number of new solutions for customers, some of which are based on deep learning / AI technology. These solutions enable customers to reach new heights in terms of performance, while remaining very easy to use.

INVESTMENT IN INNOVATION

As in past years and as planned, SICK invested more than 10 percent of sales in R&D activities in fiscal year 2023. For more information, please refer to section C. "Risk and opportunity report."

Impetus for R&D comes from intensive dialog with customers, universities, and research institutes. Gearing the global sales organization consistently to the industries served also creates a basis for understanding customers' requirements and translating these into new products, system solutions, and service concepts.

The number of employees working in research and development was increased across the Group as planned, and helped translate innovative ideas into marketable products.

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

B. REPORT ON ECONOMIC POSITION

- Strong GDP growth and weak order backlog in the manufacturing industry
- Digitalization: rising demand for sensors
- Business trend: stable in a challenging environment

I. MACROECONOMIC ENVIRONMENT

Despite geopolitical tensions, wars and economic challenges, the global economy performed better than initially forecast, growing 3.1 percent on the back of the robust labor market, consumption-driven spending by households in the US and Japan, and a significant easing of supply chains. The high inflation rates prompted the central banks of the **advanced economies** to raise key interest rates again in 2023, resulting in a noticeable reluctance to invest on the part of companies. Orders and inventories started off higher than average in many places – and were reduced over the course of the year. Both industrial production and global exports put in a weak performance because of the greater demand for services than for goods.

Developments in the **emerging and developing economies** were mixed. While China has been struggling with structural difficulties, the economy in India is expanding rapidly.

GDP growth (%)	2023 (estimated)	2022
Advanced economies	1.6	2.6
USA	2.5	1.9
Eurozone	0.5	3.4
Germany	-0.3	1.8
Emerging and developing economies	4.1	4.1
Latin America and the Caribbean	2.5	4.2
Emerging and developing economies, Asia	5.4	4.5
Global	3.1	3.5

Source: IMF, World Economic Outlook, January 2024

GERMANY

Despite rising wages and falling inflation, price-adjusted economic output in Germany declined by 0.3 percent overall due to low demand from Germany and abroad, unfavorable financing conditions caused by rising interest rates, and a higher household savings ratio. Fewer supply bottlenecks in the mechanical engineering industry allowed production to grow, albeit at a low level.

EMEA

Compared to the other economic areas, the overall development in the eurozone was poor. A resilient labor market, declining but still high inflation, weak foreign demand, the prior year's energy price shock, and restrictive monetary policy conditions had an unfavorable impact on economic development in Central Europe's industrial powerhouses. The Global Manufacturing Purchasing Managers' Index was in a constant decline until the end of 2023, when it started to pick up.

AMERICAS

Economic output was particularly strong in the US, where production continued to grow significantly despite the rising interest rates fueled by an expansive financial policy. The labor market proved robust, and falling inflation caused households' real incomes to increase. The continuing positive consumer confidence is shoring up the economy. However, there was a lack of momentum in the mechanical engineering industry. For 2023 as a whole, the growth at the beginning of the year means that the industry will at least be back in the black. The economic situation in Latin America varies. In Brazil, interest rates have already been cut several times because of the faltering economy.

ASIA-PACIFIC

The Asian economic region has expanded strongly. Despite high growth rates compared to other countries, China is struggling with the general slowdown in demand for goods, a property sector crisis and a weakened domestic economy following the post-Covid boom. The government has announced comprehensive economic stimulus packages for the current year. The Indian economy, on the other hand, has proved very robust thanks to strong domestic demand. Economic growth in Southeast Asia also remains vigorous. Japan's economy experienced a downturn at the end of 2023 after surprisingly positive economic growth in the first half of the year.

CONDITIONS IN THE SENSOR TECHNOLOGY INDUSTRY

The members of the sector association AMA ("AMA Verband für Sensorik und Messtechnik e.V.": AMA Association for Sensors and Measurement) reported robust growth in the third quarter of 2023 compared to the prior quarter. This was the case for both orders received and sales. Due to the difficulties in some customer markets, the industry is cautiously optimistic and forecasts zero growth for the final quarter of 2023.

II. EMPLOYEES

As of the December 31 reporting date, more than 12,000 people were employed across the entire SICK Group. This represents a 2.3 percent increase in the reporting year, which is slightly lower than the increase in sales.

The composition of employees is as follows:

	2023	2022	Change
Headcount as of December 31	12,185	11,909	2.3%
Other information:			
Average age of SICK's workforce (years)	41.2	40.9	0.3
Average number of years working for the company	9.3	9.2	0.1
Proportion of women (%)	31.8	32.4	-0.6 pp
Research and development employees	1,760	1,611	9.2%
Apprentices and trainees in the SICK Group	345	381	-9.4%
Training expenses (EUR million)	15.6	12.6	23.8%

The average age of SICK's workforce in 2023 was roughly on a par with the prior year, as was the average number of years spent working at the company. The percentage of women in the workforce of the SICK Group fell marginally, by 0.6 percentage points.

345 apprentices and trainees were learning a profession at the SICK Group in the past fiscal year, which is roughly 9 percent fewer than in 2022.

Spending on training increased by around 24 percent in the past fiscal year.

In the important field of research and development, the number of employees increased by around 9.2 percent, thus outpacing the general growth in the workforce.

III. COURSE OF BUSINESS

The course of business in 2023 was heavily influenced by geopolitical conflicts, the pandemic, the energy crisis, and disrupted supply chains with bottlenecks on the procurement markets, especially for semiconductors. Despite the unfavorable general economic conditions, SICK was able to achieve a positive business performance.

The multi-year overview below shows information on key performance indicators:

	2023	2022	2021	2020	2019
Sales (EUR million)	2,307.3	2,189.8	1,963.7	1,700.2	1,750.7
Sales growth (%)	5.4	11.5	15.5	-2.9	7.0
EBIT margin (% of sales)	8.2	7.5	10.3	8.3	7.6
R&D expenses (% of sales)	11.7	11.0	10.7	11.8	11.5
Headcount as of December 31	12,185	11,909	11,022	10,433	10,204
Equity ratio (%)	53.9	51.4	51.3	49.6	48.6

a. FINANCIAL PERFORMANCE

The financial performance of the SICK Group in fiscal year 2023 was shaped by a positive development of sales and income.

The financial performance breaks down as follows:

Income statement in EUR million	2023	2022	Change
Sales	2,307.3	2,189.8	5.4%
Changes in finished goods and work in process	9.1	11.4	-20.2%
Own work capitalized	31.0	24.5	26.5%
Total operating performance	**2,347.4**	**2,225.7**	**5.5%**
Cost of materials	752.8	731.8	2.9%
Personnel expenses	980.0	913.1	7.3%
Depreciation and amortization	101.2	99.1	2.1%
Other operating expenses	343.7	313.1	9.8%
Other operating income	21.3	14.0	52.1%
Currency results	-1.8	-18.5	-90.3%
Net investment income / expense	0.3	0.4	-25.0%
EBIT	**189.4**	**164.6**	**15.1%**
EBIT margin	8.2%	7.5%	0.7 pp
Net interest income / expense	-12.1	-5.2	132.7%
Earnings before tax	177.3	159.4	11.2%
Income taxes	42.9	39.9	7.5%
Consolidated net income	**134.4**	**119.5**	**12.5%**
Net return on sales	5.8%	5.5%	0.3 pp
Return on equity*	14.9%	14.2%	0.7 pp

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

The **EBIT margin** as a percentage of sales increased by 0.7 percentage points year on year, and was thus within the range of the forecast development.

At the same time, the **net return on sales** rose by 0.3 percentage points compared to the prior-year figure.

In fiscal year 2023, SICK once again achieved a good rate of interest on capital employed **(return on equity)**. This underscores the business model's value.

b. ORDER BACKLOG

Orders received, which were unusually high in the prior year, decreased in the past fiscal year. This was partly due to customer orders being brought forward in the prior year and, at the same time, a noticeable weakening of orders in the past fiscal year due to the uncertain economic development.

c. TREND FOR SALES

In fiscal year 2023, sales increased by 5.4 percent overall. This was primarily due to price adjustments, in addition to changes in the product portfolio and higher sales volumes.

The development of group sales was once again influenced by currency effects in fiscal year 2023. If average exchange rates had remained unchanged in comparison to the prior year, sales growth would have been around 3.4 percent higher.

In fiscal year 2023, the business development of the SICK Group was once again broad-based, spanning established markets and growth regions.

Sales growth in the regions was as follows:

Sales by region EUR million	2023	2022	Change
Germany	380.1	364.8	4.2%
EMEA	823.4	734.0	12.2%
Americas	544.7	508.6	7.1%
Asia-Pacific	559.0	582.5	-4.0%
Total	2,307.3	**2,189.8**	**5.4%**

In the domestic market of **Germany**, sales climbed to a new record high despite a slight economic downturn. This is attributable in particular to changes in the product portfolio and increased sales volumes and prices. However, the increase in sales was slightly lower in relation to the Group's growth.

In the **EMEA** region, sales rose at a proportionately higher rate and exceeded the projected figures. This positive trend is reflected in many different countries, with large European markets such as the UK and Italy being particularly noteworthy examples.

Sales growth in the **Americas** region was particularly evident in the major markets of the US and Brazil. However, sales fell short of expectations overall due to the general market uncertainty and negative exchange rate effects in this region.

Sales in the **Asia-Pacific** region fell by 4 percent. This is mainly attributable to the Chinese market because of negative exchange rate fluctuations for the Chinese renminbi and general market uncertainties in this region. In the other countries, the trend was positive.

d. COSTS

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

Income statement in EUR million	2023	2022	Change
Sales	2,307.3	2,189.8	5.4%
Cost of materials	752.8	731.8	2.9%
Cost of materials ratio (as % of sales)	32.6	33.4	-0.8 pp
Personnel expenses	980.0	913.1	7.3%
Personnel ratio (as % of sales)	42.5	41.7	0.8 pp
Depreciation and amortization	101.2	99.1	2.1%
Depreciation and amortization ratio (as % of sales)	4.4	4.5	-0.1 pp
Net balance of operating expenses and operating income	-322.4	-299.1	7.8%
Expense ratio (as % of sales)	14.0	13.7	0.3 pp
Currency results	-1.8	-18.5	-90.3%

The **cost of materials** rose at a lower rate than sales. This was largely due to the fact that prices on the procurement markets normalized compared to the prior year.

Personnel expenses changed at a higher rate than sales, with wage costs rising and new employees hired in the R&D area in particular.

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

Headcount as of December 31	2023	2022	Change
Germany	6,953	6,750	3.0%
EMEA	2,330	2,260	3.1%
Americas	1,204	1,171	2.8%
Asia-Pacific	1,698	1,728	-1.7%
Total headcount	**12,185**	**11,909**	**2.3%**

The changes in **depreciation and amortization** reflect the substantial levels of investment in past fiscal years. The focus of investment for fiscal year 2023 was once again on buildings and production facilities.

In the fiscal year, the net balance of **other operating expenses and other operating income** increased at a higher rate (reducing results). One of the main reasons for this is the rise in prices due to high inflation. Among other things, this led to higher expenses for externally sourced services and travel costs.

The **currency results** improved on account of the performance of the US dollar and Chinese renminbi in relation to the euro.

On account of the aforementioned trend for sales and the most important expense items, **earnings before interest and tax (EBIT)** increased in fiscal year 2023.

The EBIT ratio also grew by 0.7 percentage points.

e. ASSETS AND LIABILITIES

SICK's assets and liabilities break down as follows:

in EUR million	2023	2022	Change
Non-current assets	655.2	611.3	7.2%
Deferred taxes	62.6	51.2	22.3%
Current assets	1,207.9	1,204.9	0.2%
Total assets	**1,925.6**	**1,867.4**	**3.1%**
Equity	1,038.0	960.4	8.1%
Non-current liabilities	319.7	319.4	0.1%
Current liabilities	567.9	587.6	-3.4%
Total equity and liabilities	**1,925.6**	**1,867.4**	**3.1%**

The increase in **total assets** reflects the continued increase in business activities in fiscal year 2023.

Non-current assets break down as follows:

in EUR million	2023	2022	Change
Non-current assets	**655.2**	**611.3**	**7.2%**
of which intangible assets	73.1	73.9	-1.1%
of which property, plant and equipment	578.2	534.2	8.2%
(including right-of-use assets)	91.4	94.0	-2.8%
of which financial investments	2.5	2.5	0.0%
of which other financial assets	1.3	0.7	85.7%

The increase in **non-current assets** reflects the high investing activities, especially in Germany, Hungary and the US.

Current assets break down as follows:

in EUR million	2023	2022	Change
Current assets	**1,207.9**	**1,204.9**	**0.2%**
of which inventories	677.1	669.2	1.2%
Days of Inventory Outstanding (DIO)	106	110	-4
of which trade receivables	354.1	362.5	-2.3%
Days of Sales Outstanding (DSO)	55	60	-5
of which tax receivables	20.5	20.5	0.0%
of which other assets	90.5	89.5	1.1%
of which cash and cash equivalents	65.6	63.2	3.8%

Adjusted inventory management led to a disproportionately low increase in inventories and a decline in DIO.

The volume of **trade receivables** decreased. However, DSO was reduced at the same time.

Overall, there was a slight increase in **cash and cash equivalents**.

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

in EUR million	2023	2022	Change
Equity	1,038.0	960.4	8.1%
– Equity ratio (%)	53.9	51.4	2.5 pp
Debt capital	887.6	907.0	-2.1%
of which non-current liabilities	319.7	319.4	0.1%
of which current liabilities	567.9	587.6	-3.4%
Total equity and liabilities	**1,925.6**	**1,867.4**	**3.1%**

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

Non-current liabilities changed as follows:

in EUR million	2023	2022	Change
Non-current liabilities	**319.7**	**319.4**	**0.1%**
of which financial liabilities	205.4	211.2	-2.7%
(including lease obligations)	73.8	76.6	-3.7%
(including other financial liabilities)	131.6	134.6	-2.2%
of which provisions and liabilities	112.3	102.5	9.6%
of which deferred taxes	2.0	5.7	-64.9%

Not taking the slight decrease in lease liabilities into account, it was mainly scheduled repayments that led to a decrease in the remaining **non-current financial liabilities**.

Non-current provisions and other liabilities increased in particular due to the adjustment of discount factors and thus higher pension provisions.

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

Current liabilities break down as follows:

in EUR million	2023	2022	Change
Current liabilities	**567.9**	**587.6**	**-3.4%**
of which financial liabilities	108.4	34.8	211.5%
(including lease liabilities)	22.7	22.7	0.0%
(including other financial liabilities)	85.7	12.1	608.3%
of which provisions	25.2	24.2	4.1%
of which tax liabilities	23.3	23.2	0.4%
of which trade payables	182.9	258.0	-29.1%
of which contract liabilities	74.8	85.1	-12.1%
of which other liabilities	153.3	162.4	-5.6%

Current trade payables fell as a result of improved inventory management and stricter cost discipline in the second half of the year.

Fewer payments on account for projects led to a decrease in **contract liabilities**.

Other current liabilities decreased due to a drop in obligations to employees.

Financial liabilities increased irrespective of maturity on account of the increase in liabilities to banks in particular.

Working capital changed as follows:

in EUR million	2023	2022	Change
+ inventories	677.1	669.2	1.2%
+ trade receivables	354.1	362.5	-2.3%
- trade payables	-182.9	-258.0	-29.1%
- contract liabilities	-74.8	-85.1	-12.1%
= working capital	**773.5**	**688.6**	**12.3%**
Sales	2,307.3	2,189.8	5.4%
Days of Working Capital	121	113	8

More working capital was required in fiscal year 2023. The changes in inventories, trade receivables, trade payables, and contract liabilities are described in the preceding sections.

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

in EUR million	2023	2022	Change
Financial liabilities	313.8	246.0	27.6%
of which lease liabilities	96.5	99.3	-2.8%
Financial liabilities (before lease liabilities)	217.3	146.7	48.1%
Cash and cash equivalents	65.6	63.2	3.8%
Net financial position	**-151.7**	**-83.5**	**81.7%**

The increased working capital requirements were covered by the increased utilization of loans and credit lines.

f. FINANCIAL POSITION

The financial position can be summarized as follows:

Abridged statement of cash flows EUR million	2023	2022	Change
Cash flow from operating activities	117.6	55.0	113.8%
Cash flow from investing activities	-122.8	-127.8	3.9%
Free cash flow	-5.2	-72.8	92.9%
Cash flow from financing activities	7.8	-78.9	109.9%
Effect of changes in foreign exchange rates and changes in consolidated entities	-0.2	4.1	-104.9%
Net change in cash and cash equivalents	2.4	-147.6	101.6%

The improvement in operating profit and lower payments for inventories caused **cash flow from operating activities** to increase in the past fiscal year.

Overall, **free cash flow** improved by around EUR 68 million.

FINANCIAL SOLIDITY

The SICK Group's equity ratio changed as follows:

in EUR million	2023	2022	Change
Equity	1,038.0	960.4	8.1%
Equity ratio (%) *	**53.9**	**51.4**	**2.5 pp**

* Ratio of equity to total assets

The ratios in SICK's consolidated statement of financial position are still solid.

IV. DEVELOPMENT OF NON-FINANCIAL PERFORMANCE INDICATORS

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

Section B. "Report on economic position" contains information on the number of employees and changes in it under "II. Employees." Please refer to section A.III. "Research and development" for information regarding changes in the expense ratio for R&D.

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

V. REPORT ON THE PERFORMANCE OF THE SICK GROUP IN FISCAL YEAR 2023 IN COMPARISON TO THE FORECAST

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

	ACTUAL figure for 2023	ACTUAL figure for 2022	Change	Forecast from 2022 group management report
Group sales (in EUR million)	2,307.3	2,189.8	5.4%	Mid-range to high single-digit percentage growth
EBIT margin (as a %)	8.2	7.5	0.7 pp	Mid-range to high single-digit percentage
Employees	12,185	11,909	2.3%	Low single-digit percentage growth
R&D expenses as % of sales	11.7	11.0	0.7 pp	Low double-digit percentage

The projected targets for fiscal year 2023 were achieved and, in some cases, exceeded.

OVERALL ASSESSMENT

The course of business in 2023 was heavily influenced by geopolitical conflicts, the energy crisis, and disrupted supply chains with bottlenecks on the procurement markets. Despite the unfavorable general economic conditions, SICK was able to achieve a positive business performance. This forms a good foundation for the further expansion of business activities and thus further growth for the Group, particularly in light of the opportunities of digitalization and Industry 4.0.

C. RISK AND OPPORTUNITY REPORT

- Focus on economic risks and opportunities
- Automation and digitalization: opportunities in the form of new business, risks due to cyber crime
- Opportunities through the reshoring of facilities
- Shortage of specialists: attracting and retaining employees

I. RISK AND OPPORTUNITY POLICY

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

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

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

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

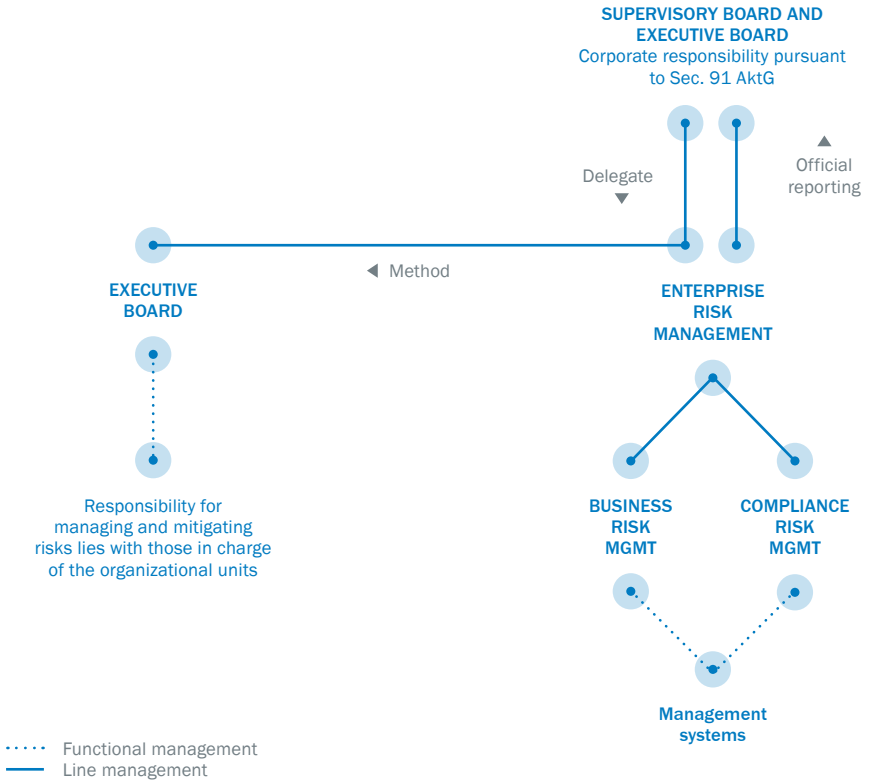
II. RISK AND OPPORTUNITY MANAGEMENT SYSTEM

SICK practices active opportunity management by developing entrepreneurial opportunities as part of its corporate planning. At the same time, management incorporates the exploitation of opportunities into its detailed strategic, medium-term and operating planning.

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

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

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



SICK's management uses all processes and features contained in the risk and opportunity management system to control all risks and opportunities as well as the associated business decisions from the business processes of all entities, the Group and SICK AG itself.

Risks are classified using a traffic light system derived from a defined risk classification matrix with inputs including "extent of loss" and "probability of loss." This is crucial for prioritizing, developing responses, and reporting risks. Each identified risk is documented in the global risk management system and assigned appropriate measures.

III. RISKS

In its Enterprise Risk Management system, SICK distinguishes between four categories of risk that can affect the Group or one or more areas of the Group:

a. Market and strategy risks
b. ESG risks
c. Financial risks
d. Operating risks

The risks described below relate to SICK's business activities as a whole. These risks can have negative consequences for SICK's business, assets, liabilities, financial position, and financial performance as well as its reputation, human well-being, or the environment.

a. MARKET AND STRATEGY RISKS

COMPETITIVENESS

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

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

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

ECONOMIC RISKS

Weaker global economic growth than planned and unexpected economic turbulence could have a negative impact on customer demand as a whole and therefore also on demand for SICK's products and system solutions. This could lead to declining unit sales, pressure on margins, and delayed or defaulted payments. SICK regularly analyzes economic reports and forecasts in order to be able to respond promptly to changes.

This risk is minimized by the fact that SICK is established in various business fields and customer industries.

2023 was characterized by slowing momentum in the global economy, a weak level of orders received in the manufacturing industry, more difficult financing conditions, and high inflation and key interest rates.

According to the current economic forecasts, risks due to still-high inflation rates and the associated high key interest rates as well as a possible escalation in conflict regions and geopolitical tensions remain.

STRATEGY RISKS

Strategy risks include topics such as strategy development and drawing up location concepts, but also risks associated with cultural transformation and development of the organization and capabilities within the company. The Management Control Circle is used to integrate the decentralized areas of responsibility into institutionalized control and communication cycles with respect to decision-making processes within the company. Opportunities and risks are regularly reported within the Circle, and decisions are made about how to address them.

b. ESG RISKS

COMPLIANCE RISKS

The risk that employees may violate applicable laws or internal regulations in their work for the company constitutes a compliance risk. Such misconduct can have serious consequences for the persons involved as well as for SICK, such as the threat of high fines or claims for damages against the company. SICK maintains a compliance management system to ensure that employees and management behave in accordance with regulations. Risks associated with compliance violations are identified via the compliance management system and analyzed and managed as part of risk management at SICK.

When the LkSG (“Lieferkettensorgfaltspflichtengesetz”: German Act on Corporate Due Diligence in Supply Chains) was implemented at SICK in 2023, the related risk analysis included human rights risks in our own organization and in the supply chain, as well as their potential impact on those affected.

PERSONNEL RISKS

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

ENVIRONMENTAL RISKS

As a company that operates and manufactures on a global scale, SICK’s business activities pose a risk to the environment. The main environmental aspects and their risk for the environment are determined and managed annually pursuant to ISO 14001.

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

Once a year, process owners and central environmental management experts carry out a systematic assessment of environmentally relevant activities in order to minimize SICK’s environmental risks. The aim is to create added value for the company by acting sustainably as well as to hedge against environmental risks and define suitable measures for this purpose.

FORCE MAJEURE

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

If an event is imminent, a task force is formed at management level to design, evaluate, and steer concrete action plans so as to prevent disruptions to business activities. This allows the effects of events such as Russia’s war of aggression, the Covid-19 pandemic, and energy shortages to be successfully managed.

c. FINANCIAL RISKS

LIQUIDITY RISKS

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

FINANCE AND INTEREST RATE RISKS

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

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

CURRENCY RISKS

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

VALUATION ALLOWANCES

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

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

d. OPERATING RISKS

INNOVATION RISK

The risks associated with innovation processes may involve opportunities for future product developments not being identified or being spotted too late, or, in connection with development processes, mistakes being made in terms of product positioning or development costs and times being estimated inaccurately or exceeded.

SICK counters this risk by means of modern product portfolio management, which manages and controls the content and performance of solutions and tailors them to the needs of the market. Foresight methods – such as market research and predictive forecasting – are also used to identify relevant technological and economic trends and drivers. In addition to constantly monitoring market developments and customer needs, the SICK Group has a systematic product development process that takes account of all key market, technical, and economic aspects with the aim of achieving technological leadership. This leadership is secured by registering relevant intellectual property rights. Areas in which a need for action is identified are transferred to projects that are managed using overarching coordinated methods.

Internal start-ups have now been established at SICK as an additional innovation tool. They test new market opportunities in a targeted manner, obtain rapid customer feedback, and drive them forward with success-based adapted scaling.

RISKS FROM PROCUREMENT, PRODUCTION, AND DISTRIBUTION

Procurement

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

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

Even though delivery times and prices appear to be stabilizing, economic and geopolitical uncertainties continue to pose a risk to the global procurement situation as a whole. These include potential transport delays, fluctuating material and freight costs, and production issues.

It can be assumed there will be more economic upswings and downswings in shorter cycles in the future. SICK is preparing for this by continuing its “Intelligent Make and Buy” strategy, which is based on two principles: first, a defined approach for dealing with critical components, e.g., by defining secondary suppliers; and second, a make and buy strategy for particularly critical production processes in order to make the value chain more resilient.

Production

In order to address production risks, for example due to interruptions in production and logistics, production lines in the global network are duplicated and located in the proximity of customers. These “second source” concepts are in place in order to prevent disruptions to the value chain. Strategic partners are also integrated into this network. SICK also avoids unplanned system downtimes through preventive maintenance.

The existing property and business interruption insurance covers the financial risks arising from damage to property and personal injury caused by SICK up to the agreed amount of cover. All consolidated SICK entities are included in this cover. The insured amount is based on property, plant and equipment as well as the Group’s sales.

Distribution

Delays to distribution or violations of national and international trade and transport restrictions could lead to trading restrictions, lost sales, or delayed deliveries, with higher costs. That is why SICK has installed a management system for international trade processes such as export, import, export control, product tariffs, and origin of goods. These are monitored by an efficient export control, customs, and VAT organization.

e. PROCESS RISKS RELATING TO MANAGEMENT AND SUPPORTING PROCESSES

QUALITY

SICK offers its customers safety and process-related products, systems, and services. The high quality and reliability of the products is ensured by a quality management system. Defects in products at SICK customers could still however lead to personal injury, financial loss, or harm to the environment that could form the basis for liability claims or impact the company's reputation.

IT

IT risks could have a significant impact on the SICK Group.

A longer-lasting outage of the complex IT infrastructure or the loss of data could result in considerable business disruption. As a result, the aim of our IT security policy is to proactively identify and analyze IT risks and to make them manageable by taking appropriate action. For this reason, SICK has an IT security system in accordance with ISO requirements. The system includes a comprehensive security concept that reflects the high value attached to security and data protection at SICK to identify potential risks.

Despite all of the measures taken to constantly improve IT security, complete protection against cyber attacks is impossible to achieve. To minimize the risk posed by new attack patterns, SICK follows a comprehensive strategy for improving cyber resilience, which both regularly checks IT systems for vulnerabilities and updates them and also makes all preparations to remain operational even in the aftermath of a cyber attack.

IV. OPPORTUNITIES

SICK is a market leader in the growth segment of sensor technology for industrial applications. SICK's Executive Board and management look for opportunities to exploit potential for growth. Possibilities to achieve stronger growth than planned stem from a number of different strategic and operating opportunities. These are evaluated on a regular basis, and corresponding measures are implemented in order to take advantage of them.

As a global market leader and technological pioneer, the SICK Group is in a better position than most to benefit from the opportunities for growth presented by an innovative sector. The company sees six different categories of significant opportunities:

- Improved global economic growth
- Digitalization, AI, and Industry 4.0
- Internationalization
- Excellence in research and development
- Solid financial ratios and strong earnings power
- Attractive employer

a. OPPORTUNITIES ARISING FROM IMPROVED GLOBAL ECONOMIC GROWTH

Even though the short-term indicators of the economic situation are modest at the start of 2024, experts expect the market for industrial sensor technology applications to grow by an average of 8 percent over the next few years. This opens up growth opportunities in the various regions and industries in which SICK operates.

b. OPPORTUNITIES ARISING FROM DIGITALIZATION, AI, AND INDUSTRY 4.0

Demand for sensor products and solutions that generate high benefit for customers through digitalization and AI applications is rising considerably. These technologies are opening up a wealth of possibilities. SICK is well prepared and can therefore take greater advantage of the growth opportunities of an innovative industry than the average company.

SICK is involved in a wide range of activities relating to Industry 4.0 and digital solutions. Its product portfolio is very well placed to benefit from this growth market. The company is also constantly analyzing how new product developments could tap further potential here.

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

c. OPPORTUNITIES ARISING FROM INTERNATIONALIZATION / RESHORING

SICK is constantly expanding its customer, product, and system base as part of the ongoing internationalization of value added and vertical integration in its sales and procurement regions. This global strategic direction presents SICK with numerous opportunities, both in the labor market and through greater proximity to its customers. SICK is for example constantly working to establish new facilities or branch offices and to introduce standardized business processes in new international markets. A global network of production, logistics, and sales facilities is an important aspect of this international expansion drive.

Our international focus helps our customers become less dependent on individual countries or production facilities. The close cooperation between SICK's facilities can also support the reshoring of customer sites.

d. OPPORTUNITIES ARISING FROM RESEARCH AND DEVELOPMENT

SICK is a highly innovative company. Both the number of employees in and spending on R&D remained high in 2023, as planned, ensuring excellent results.

	2023	2022	Change
Sales (EUR million)	2,307.3	2,189.8	5.4%
R&D expenses (EUR million)	269.8	240.8	12.0%
R&D expenses as % of sales	11.7	11.0	0.7 pp
R&D employees on reporting date	1,760	1,611	9.2%

These investments are laying the foundation for future opportunities that stem from new products and system solutions and have the potential to accelerate the company's growth more than average if they are accepted by customers.

e. OPPORTUNITIES ARISING FROM SOLID FINANCIAL RATIOS AND STRONG EARNINGS POWER

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

	2023	2022	Change
Equity ratio (%)	53.9	51.4	2.5 pp
EBIT (EUR million)	189.4	164.6	15.1%
Cash and cash equivalents (EUR million)	65.6	63.2	3.8%
Operating cash flow (EUR million)	117.6	55.0	113.8%

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

f. OPPORTUNITIES AS AN ATTRACTIVE EMPLOYER

As a highly innovative technology company, SICK is dependent on the skills, qualifications, innovation, and motivation of all its employees. They are the ones who secure our growth opportunities and make our company future-proof. We endeavor to ensure that employees remain loyal to the company for a long time by offering an attractive system of compensation and exemplary social benefits as well as comprehensive further training opportunities. These are some of the reasons why SICK has been named several times as one of Germany's best employers.

GENERAL STATEMENT CONCERNING RISKS AND OPPORTUNITIES

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

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

The Executive Board firmly believes that the risks described for the SICK Group are manageable and do not jeopardize the company's and the Group's ability to continue as a going concern, either individually or in their totality. At the same time, technological and economic growth opportunities create the basis for the SICK Group to continue its positive development.

D. REPORT ON EXPECTED DEVELOPMENTS

- Unchanged: GDP in 2024, with recovery in the manufacturing industry
- Falling: inflation rates
- Planned: continued high spending on R&D

The comments regarding the company's anticipated performance in 2024 are based on the information, expectations, and assumptions that were known and available at the time the forecast was issued. As forward-looking statements, these are subject to a high degree of uncertainty – especially in terms of the development of the global economy.

I. ECONOMIC PROSPECTS FOR 2024

Many countries have seen falling inflation rates in recent months, which means that the first cuts in key interest rates can be expected from mid-2024, first in the US and then in the eurozone. The lower inflation rates will, for one, boost real wages and therefore purchasing power, and, for another, promote corporate investment. Due to the weak order backlog, industrial activity will get off to a weak start at the beginning of the current year. This is forecast to improve compared to prior quarters over the further course of the year. According to the VDMA ("Verband Deutscher Maschinen- und Anlagenbau e.V.": German Engineering Federation), the major Asian mechanical engineering countries – China, Japan, and South Korea – will grow by between 1 and 5 percent, while the EU and the US are expected to contract. Nevertheless, the potential for innovation remains high. The EU and the US both have fiscal support packages for the environmental and digital transformation processes, which may in turn have a positive impact on the economy.

Geopolitical conflict regions in Asia, inconsistent economic policies in Europe, and elections in the US, as well as war zones in Ukraine and the Middle East, add to the uncertainties surrounding the forecast. Global economic output is expected to increase by 3.1 percent in the current year. According to the International Monetary Fund's World Economic Outlook, GDP is forecast to grow at a similar rate of 3.2 percent in 2025.

GDP growth (%)	2024 (forecast)	2025 (forecast)
Advanced economies	1.5	1.8
USA	2.1	1.7
Eurozone	0.9	1.7
Germany	0.5	1.6
Emerging and developing economies	4.1	4.2
Latin America and the Caribbean	1.9	2.5
Emerging and developing economies, Asia	5.2	4.8
Global	3.1	3.2

Source: IMF, World Economic Outlook, January 2024

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

- Increasing automation within Industry 4.0, digitalization, and networking of industrial production processes and supply chains
- Increased use of sensors and corresponding sensor solutions in the production, warehousing and distribution of goods
- Use of artificial intelligence to open up new applications
- High standards of data security and sovereignty
- Rising demands with respect to the management of industrial processes and the distribution of products in the manufacturing industry
- Rising quality and documentation requirements
- Stricter environmental regulations

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

II. SALES FORECASTS FOR THE SALES REGIONS

Based on our current knowledge and the general economic and sector-specific conditions outlined, the Executive Board expects the SICK Group to continue to achieve positive growth. The Executive Board expects sales to grow by a mid-range single-digit percentage in fiscal year 2024.

Group sales	Mid-range single-digit percentage growth
Sales forecasts by region:	
Germany	High single-digit percentage growth
EMEA	Mid-range single-digit percentage growth
Americas	Mid-range single-digit percentage growth
Asia-Pacific	Mid-range single-digit percentage growth

GERMANY

SICK still enjoys a strong market position in its domestic German market. The company therefore anticipates significant growth in sales for fiscal year 2024, despite the weak economic development in Germany that is currently forecast.

EMEA

SICK expects growth in the EMEA region to be in the mid-range single-digit percentage range. We continue to see this region as a source of growth and once again expect a positive development here.

AMERICAS

Growth is also expected to continue in the North, Central, and South America (Americas) region, including Canada.

ASIA-PACIFIC

Following a decline in sales in the Asia-Pacific region in the past fiscal year, sales development in the important market of China is expected to stabilize in fiscal year 2024.

III. EBIT FORECAST

The implementation of the SICK Group's strategy of growth requires more significant expenditure and investment. In fiscal year 2024, the company is planning to once again spend a low double-digit percentage of its sales on R&D. At the same time, SICK forecasts a lower increase in other expenses than in sales in 2024 thanks to its ongoing cost management.

Overall, a year-on-year improvement in operating profitability is expected in fiscal year 2024.

The company is aiming to achieve an EBIT margin in the high single-digit percentage range in fiscal year 2024. The target for the EBIT margin underpins SICK's traditional aim of striking a balance between securing income in the short term and technology in the long term. Based on this, SICK will continue to operate and remain profitable for the long term.

IV. DEVELOPMENT OF OTHER FINANCIAL PERFORMANCE INDICATORS

Capital management will continue to be pursued in fiscal year 2024 based on the assumption that liquidity will remain solid and the equity ratio will remain high. At the same time, SICK is focusing on a low-risk financing structure. Dividend payments are made in a way that takes into account the need for investment and the target range for the planned capital structure. The Group's further growth will also be safeguarded by maintaining sufficient liquidity as well as short-term and long-term credit lines that offer flexibility in covering refinancing needs.

V. DEVELOPMENT OF NON-FINANCIAL PERFORMANCE INDICATORS

The positive development of the most important non-financial performance indicators in fiscal year 2024 ensures the sustainable and profitable growth that SICK is aiming to achieve.

The key indicators are the persistently strong R&D activities, attracting and retaining qualified employees, and meeting high standards of quality and sustainability targets.

GENERAL STATEMENT CONCERNING PROJECTED DEVELOPMENT

Global economic growth is expected to be 3.1 percent in 2024. However, the risks to global economic development remain high in view of geopolitical conflicts, high inflation, interest rate developments, the energy crisis, and disrupted global supply chains. This makes forecasts less certain.

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

Based on the company's strong technological expertise and established market position in important growth regions, the Executive Board expects a positive overall development for the SICK Group in fiscal year 2024.

KEY FIGURES OF THE FORECAST FOR FISCAL YEAR 2024

Global economic growth	3.1%
Group sales	Mid-range single-digit percentage growth
EBIT margin	High single-digit percentage of sales
Employees	Low single-digit percentage growth
Expense ratio for R&D	Low double-digit percentage of sales

Our global presence, our balanced portfolio and the fact that SICK is flexible enough to be able to react rapidly to changes offer an excellent basis from which to continue to grow and secure the SICK Group's high level of profitability in fiscal year 2024 – provided the global economy recovers as anticipated.

E. DEPENDENT COMPANY REPORT

More than 50 percent of the shares in SICK AG are held by Sick Holding GmbH, which in turn belongs to the Sick family that founded the company. As a result, the Executive Board prepared a dependent company report in accordance with Sec. 312 AktG ("Aktiengesetz": German Stock Corporations Act), which was audited and on which an auditor's report was issued as part of the audit of the annual financial statements. The Executive Board declares the following pursuant to Sec. 312 (3) AktG: "In the legal transactions listed in the dependent company report, and according to the circumstances that were known to us when those legal transactions were performed, our company received an appropriate consideration in each legal transaction. We did not undertake, or refrain from taking, any actions motivated by or in the interest of the controlling company or its affiliates."

F. MANAGEMENT REPORT OF SICK AG

SICK AG has its headquarters in Waldkirch near Freiburg in the State of Baden-Württemberg in Germany. This is the head office of the SICK Group and is also its largest development and production location. The development of the Group's international sales and service companies is closely coordinated with the Waldkirch location in order to mitigate risks.

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

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

More information that is not already apparent from the Group's assets, liabilities, financial position, and financial performance is provided below.

The company's **financial performance** breaks down as follows:

in EUR million	2023	2022	Change
Sales	1,487.2	1,436.7	3.5%
Changes in finished goods and work in process	10.7	15.9	-32.7%
Own work capitalized	15.1	13.3	13.5%
Other operating income	61.1	67.3	-9.2%
Cost of materials	700.8	755.3	-7.2%
Gross profit	873.3	777.9	12.3%
Personnel expenses	506.7	459.8	10.2%
Depreciation and amortization	45.8	47.0	-2.6%
Other operating expenses	308.5	290.9	6.1%
Financial result	78.3	74.5	5.1%
Earnings before tax	90.6	54.7	65.6%
Income taxes	16.1	0.7	>100%
Other taxes	0.4	0.5	-20.0%
Net income for the year	74.1	53.5	38.5%

Net income for the year improved significantly overall. This was attributable to an increase in sales caused predominantly by price increases and a significant reduction in the cost of materials. In the prior year, the cost of materials was shaped by purchase prices skyrocketing as a result of disrupted supply chains. This situation normalized in the past fiscal year.

The increase in the financial result is mainly attributable to higher income from equity investments.

As a result, tax expenses increased significantly.

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

in EUR million	2023	2022	Change
Intangible assets	13.2	15.1	-12.6%
Property, plant and equipment	314.8	288.7	9.0%
Financial assets	170.4	165.8	2.8%
Inventories	379.7	309.7	22.6%
Receivables and other assets and prepaid expenses	475.0	447.3	6.2%
Cash and cash equivalents	8.8	16.8	-47.6%
Total assets	1,361.9	1,243.4	9.5%
Equity	536.5	499.4	7.4%
Provisions	150.4	150.3	0.0%
Liabilities	675.0	593.6	13.7%
Total equity and liabilities	1,361.9	1,243.4	9.5%
Equity ratio	39.4%	40.2%	-0.8 pp

Financial assets mainly increased in connection with capital increases at the manufacturing company in China (PCC).

SICK AG's financial position and financial performance still paint a solid picture.

SICK AG does not issue its own separate forecast. The forecast issued by the SICK Group therefore also applies to SICK AG. The projected group targets for fiscal year 2023 were achieved and, in some cases, exceeded.

CORPORATE GOVERNANCE DECLARATION PURSUANT TO SEC. 289F (4) HGB

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

At its meeting held on March 17, 2022, the Supervisory Board of SICK AG set a target of 17 percent of women on the Supervisory Board and the Executive Board for the period from July 1, 2022, to June 30, 2027, in accordance with Sec. 111 AktG. As of December 31, 2023, the target for the Supervisory Board was met at 25 percent and for the Executive Board at 33 percent.

Furthermore, the Executive Board of SICK AG set a target of between 6 and 10 percent pursuant to Sec. 76 (4) AktG for the percentage of women in management positions at the level directly below the Executive Board of SICK AG, i.e., the managers who report directly to members of the Executive Board. This target was to be met or exceeded by December 31, 2025. This quota stood at 12 percent as of the reporting date. For management positions at the second level below Executive Board of SICK AG, i.e., the managers who report directly to the first-level managers described above, a target of between 6 and 10 percent was also set that was to be met or exceeded by December 31, 2025. This figure stood at around 13 percent on the reporting date.

Waldkirch, March 14, 2024

SICK AG

The Executive Board



Dr. Mats Gökstorp
(Chairman)



Jan-H. Eberhardt



Feng Jiao



Ulrike Kahle-Roth



Nicole Kurek



Dr. Niels Syassen

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GROUP FINANCIAL STATEMENTS

for SICK AG for the fiscal year 2023

SICK AG, WALDKIRCH
CONSOLIDATED INCOME STATEMENT

EUR million	Notes	2023	2022
Sales	(1)	**2,307.3**	**2,189.8**
Changes in finished goods and work in process		9.1	11.4
Own work capitalized	(2)	31.0	24.5
Cost of materials	(3)	752.8	731.8
GROSS PROFIT		**1,594.6**	**1,494.0**
Personnel expenses	(4)	980.0	913.1
Depreciation and amortization	(5)	101.2	99.1
Other operating expenses	(6)	343.7	313.1
Other operating income	(7)	21.3	14.0
Currency results	(8)	-1.8	-18.5
OPERATING RESULTS		**189.1**	**164.2**
Net investment income / expense	(9)	0.3	0.4
EARNINGS BEFORE INTEREST AND TAX (EBIT)		**189.4**	**164.6**
Interest expense	(10)	13.5	6.3
Interest income	(11)	1.4	1.0
EARNINGS BEFORE TAX		**177.3**	**159.4**
Income taxes	(12)	42.9	39.9
CONSOLIDATED NET INCOME		**134.4**	**119.5**
of which attributable to shareholders of SICK AG		134.4	119.5
EARNINGS per SHARE (basic and diluted)	**(13)**	**EUR 5.12**	**EUR 4.56**

SICK AG, WALDKIRCH, GERMANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	2023	2022
CONSOLIDATED NET INCOME	**134.4**	**119.5**
OTHER COMPREHENSIVE INCOME		
Items that will never be reclassified to profit or loss		
Remeasurement of pension obligations	-5.3	14.9
Tax effect	1.4	-3.9
Remeasurement of pension obligations	**-3.9**	**10.9**
Items that were or that can be reclassified to profit or loss		
Currency translation differences	-15.6	2.8
Tax effect	0.0	0.0
Currency translation differences	**-15.6**	**2.8**
OTHER COMPREHENSIVE INCOME	**-19.5**	**13.8**
COMPREHENSIVE INCOME	**114.9**	**133.3**
of which attributable to shareholders of SICK AG	114.9	133.3

SICK AG, WALDKIRCH, GERMANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023

ASSETS

EUR million	Notes	2023	2022
A. Non-current assets			
I. Intangible assets	(14)	73.1	73.9
II. Property, plant and equipment		578.2	534.2
III. Investments accounted for using the equity method	(15)	2.5	2.5
IV. Other financial assets	(16)	1.3	0.7
V. Deferred taxes	(12)	62.6	51.2
		717.7	**662.5**
B. Current assets			
I. Inventories	(17)	677.1	669.2
II. Trade receivables	(18)	354.1	362.5
III. Tax receivables	(19)	20.5	20.5
IV. Other assets	(20)	90.5	89.5
V. Cash and cash equivalents	(21)	65.6	63.2
		1,207.9	**1,204.9**
		1,925.6	**1,867.4**

EQUITY AND LIABILITIES

EUR million	Notes	2023	2022
A. Equity			
I. Issued capital	(22)	26.4	26.4
II. Capital reserves	(23)	23.4	23.3
III. Treasury shares	(24)	-3.9	-3.5
IV. Revenue reserves	(25)	992.1	914.3
		1,038.0	**960.4**
B. Non-current liabilities			
I. Financial liabilities	(27)	205.4	211.2
II. Provisions and other liabilities	(28)	112.3	102.5
III. Deferred taxes	(12)	2.0	5.7
		319.7	**319.4**
C. Current liabilities			
I. Financial liabilities	(27)	108.4	34.8
II. Other provisions	(28)	25.2	24.2
III. Tax liabilities	(29)	23.3	23.2
IV. Trade payables	(30)	182.9	258.0
V. Contract liabilities	(31)	74.8	85.1
VI. Other liabilities	(32)	153.3	162.4
		567.9	**587.6**
		1,925.6	**1,867.4**

SICK AG, WALDKIRCH, GERMANY
CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	2023	2022
Consolidated net income	**134.4**	**119.5**
Adjustments for:		
Income taxes	42.9	39.9
Net interest income / expense	12.1	5.2
Depreciation and amortization	101.2	99.1
Gains on / losses from the disposal of non-current assets	0.0	0.2
Income from financial investments	-0.3	-0.4
Other non-cash transactions	15.2	7.6
Change in inventories	-47.9	-213.1
Change in trade receivables and other assets	-7.8	-26.9
Change in non-current provisions	10.6	1.2
Change in trade payables and other liabilities	-84.5	91.1
Cash flow from operating activities	**175.9**	**123.4**
Interest paid	-12.0	-5.7
Interest received	1.4	1.0
Income taxes paid	-47.7	-63.7
Cash flow from operating activities	**117.6**	**55.0**
Cash received from disposals of non-current assets	0.9	0.1
Cash paid for investments in property, plant and equipment	-109.5	-106.0
Cash paid for investments in intangible assets	-13.7	-14.8
Cash paid for the acquisition of a business unit	-0.5	-7.1

EUR million	2023	2022
Cash flow from investing activities	**-122.8**	**-127.8**
Acquisition of treasury shares	-0.4	-0.1
Cash paid to owners	-36.7	-43.3
Repayment of lease liabilities	-25.7	-31.5
Cash received from loans	81.2	4.8
Cash repayments of loans	-10.6	-8.8
Cash flow from financing activities	**7.8**	**-78.9**
Effect of changes in foreign exchange rates and changes in consolidated entities on cash and cash equivalents	-0.2	4.1
Net change in cash and cash equivalents	**2.4**	**-147.6**
Cash and cash equivalents at the beginning of the period	**63.2**	**210.8**
Cash and cash equivalents at the end of the period	**65.6**	**63.2**

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

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

in EUR million	Issued capital	Capital reserves	Treasury shares	Revenue reserves	Equity attributable to the shareholders
Balance as of Jan. 1, 2022	**26.4**	**23.0**	**-3.6**	**825.0**	**870.8**
Consolidated net income				119.5	119.5
Other comprehensive income				13.8	13.8
Comprehensive income				**133.3**	**133.3**
Change in treasury shares		0.3	0.1	0.0	0.4
Dividend payment				-43.3	-43.3
Other changes				-0.7	-0.7
Balance as of Dec. 31, 2022	**26.4**	**23.3**	**-3.5**	**914.3**	**960.4**
Balance as of Jan. 1, 2023	**26.4**	**23.3**	**-3.5**	**914.3**	**960.4**
Consolidated net income				134.4	134.4
Other comprehensive income				-19.5	-19.5
Comprehensive income				**114.9**	**114.9**
Change in treasury shares		0.2	-0.4	0.0	-0.2
Dividend payment				-36.7	-36.7
Other changes				-0.3	-0.3
Balance as of Dec. 31, 2023	**26.4**	**23.4**	**-3.9**	**992.1**	**1,038.0**

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

IFRS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of SICK AG, Waldkirch, for fiscal year 2023

A. GENERAL DISCLOSURES

GENERAL

The consolidated financial statements of SICK AG, Waldkirch, Germany, for the year 2023 were prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, United Kingdom, as adopted by the EU, and according to the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB (“Handelsgesetzbuch”: German Commercial Code). The consolidated financial statements consist of the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, and the notes to the consolidated financial statements. SICK AG also prepared a group management report.

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

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

ECONOMIC BACKGROUND

SICK is one of the leading global manufacturers of intelligent sensors and sensor solutions for industrial applications. The Group has been in the sensor technology business for more than 75 years, has over 12,000 employees worldwide today, and comprises 54 consolidated entities in over 30 countries as well as numerous equity investments and agencies.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All IFRSs subject to mandatory adoption as of December 31, 2023, have been applied. These include the International Accounting Standards (IAS) as well as the IFRIC Interpretations developed by the IFRS Interpretations Committee (IFRS IC) and the Standing Interpretations Committee (SIC). The Group has decided not to early adopt standards or interpretations that are not yet effective. These standards and interpretations are listed in G. (42) “Financial reporting standards not early adopted.”

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

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

As a rule, the consolidated financial statements have been prepared on the basis of the historical cost convention, apart from derivatives and financial instruments reported at fair value.

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

EFFECTS OF NEW FINANCIAL REPORTING STANDARDS

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

Standards / interpretations	Title	Applicable from	Impact on SICK
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	Jan. 1, 2023	Immaterial
Amendments to IAS 8	Definition of Accounting Estimates	Jan. 1, 2023	Immaterial
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Jan. 1, 2023	Immaterial
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules	Jan. 1, 2024	Immaterial
IFRS 17 and Amendments to IFRS 17	Insurance Contracts / Initial Application of IFRS 17 and IFRS 9 – Comparative Information	Jan. 1, 2023	Immaterial

The company has analyzed the effects of the amendments to IAS 12 relating to global minimum taxation and does not expect them to have a material impact. The company operates in countries that had adopted minimum tax laws in accordance with the requirements of the OECD (“Pillar Two legislation”) by the reporting date. The minimum tax laws will generally take effect for the subsequent fiscal year 2024.

B. CONSOLIDATION PRINCIPLES

CONSOLIDATION METHODS

The consolidated financial statements include the financial statements of SICK AG and its subsidiaries as of December 31, 2023. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control by the parent ceases.

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

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

All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full. Comprehensive income within a subsidiary is attributed to the non-controlling interests on a pro rata basis even if it results in a negative balance. A change in the ownership interest of a subsidiary which does not involve a loss of control is accounted for as an equity transaction.

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

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

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

Associates and joint ventures are consolidated using the equity method.

BASIS OF CONSOLIDATION

CHANGES IN THE BASIS OF CONSOLIDATION

The following table shows the change in the basis of consolidation in fiscal years 2023 and 2022:

	Germany	Abroad	Total
As of Dec. 31, 2021	**5**	**48**	**53**
Additions	0	1	1
Disposals	0	0	0
As of Dec. 31, 2022	**5**	**49**	**54**
Additions	0	0	0
Disposals	0	0	0
As of Dec. 31, 2023	**5**	**49**	**54**

In December 2023, four entities were acquired for a purchase price of EUR 0.1 million. As of the end of the year, these were SICK Real Estate GmbH & Co. KG, SICK Real Estate Management GmbH, SICK Operations GmbH & Co. KG, and SICK Operations Management GmbH. All four entities have their registered offices in Waldkirch. They were not yet operational and are not consolidated for reasons of immateriality in the reporting year.

At the beginning of 2022, SICK strengthened key competencies in the field of wireless connectivity of industrial IoT devices and fleet management by increasing its stake in SICK MOBILISIS d.o.o. (formerly MOBILISIS d.o.o.), with registered offices in Varaždin, Croatia, from 24.99 percent to 100 percent. In addition, SICK MOBILISIS d.o.o. rounds out SICK's sensor-based offering to include cloud and edge solutions.

The fair values of the identified assets and liabilities of SICK MOBILISIS d.o.o. as of the beginning of 2022 were as follows:

in EUR million	Acquisition date fair value
Intangible assets	2,0
Property, plant and equipment	4,2
Other non-current assets	0,1
Deferred tax assets	-
Inventories	0,6
Receivables and other current assets	1,3
Cash and cash equivalents	0,7
Liabilities	-4,2
Net assets	**4,7**
Goodwill	5,5
Total consideration of the gradual acquisition	**10,2**
thereof cash	**7,1**

The goodwill contained individual intangible assets which by nature were not identifiable in accordance with IAS 38 and for which a value could not be reliably determined. It essentially represented part of the expected synergy and earnings potential. The goodwill was not tax-deductible. The total receivables acquired were recoverable. The acquisition did not incur any significant transaction costs.

The carrying amount of the previously held shares (accounted for using the equity method) came to EUR 1.6 million as of the acquisition date. In the course of the acquisition of the new shares, the fair values of the previously held shares were remeasured. The revalued shareholding of 24.99 percent came to EUR 2.5 million. In the prior year, the gain resulting from the remeasurement of EUR 0.9 million was recorded under other operating income.

In the prior year, the acquisition contributed EUR 4.2 million to sales and EUR 0.5 million to the Group's EBIT since the date of first-time consolidation.

CURRENCY TRANSLATION

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

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

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

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

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

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

In fiscal year 2022, Türkiye was classified as a hyperinflationary economy according to IAS 29 “Financial Reporting in Hyperinflationary Economies.” Non-monetary statement of financial position items and the income statement were restated using a general price index to reflect changes in general purchasing power. For Türkiye, a general consumer price index from the Turkish Statistical Institute was used, according to which inflation stood at 64.77 percent in 2023.

Application for the reporting year had an effect of EUR 0.4 million on consolidated net income. The loss on the net monetary position amounted to EUR 0.3 million and is included in interest expense. In the prior year, there was no significant effect on the Group.

Currency translation is based on the following key exchange rates:

	ISO code	Closing rate Dec. 31, 2023	Annual average rate 2023	Closing rate Dec. 31, 2022	Annual average rate 2022
China	CNY	7.87	7.66	7.42	7.08
United Kingdom	GBP	0.87	0.87	0.88	0.85
Japan	JPY	156.29	151.97	141.90	138.03
Malaysia	MYR	5.12	4.93	4.71	4.63
Poland	PLN	4.34	4.54	4.68	4.68
Sweden	SEK	11.04	11.48	11.16	10.63
Switzerland	CHF	0.93	0.97	0.98	1.00
Singapore	SGD	1.46	1.45	1.44	1.45
Türkiye	TRY	32.71	25.77	19.98	17.41
Hungary	HUF	383.53	381.67	401.25	391.22
USA	USD	1.11	1.08	1.07	1.05

C. ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

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

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

In order to recognize revenue, management generally makes estimates that relate to identifying and defining performance obligations as well as allocating the transaction price to the individual performance obligations. As a rule, control is transferred upon acceptance by the customer because the conditions for recognizing revenue over time are not met.

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

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

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

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

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

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

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

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

In connection with the Russian war of aggression against Ukraine, the carrying amounts of assets and liabilities recognized were adjusted in fiscal year 2022, which did not have a material impact on the Group. SICK has no production sites in Ukraine or Russia. The business activities of the Russian subsidiary have been discontinued. The risks arising in this context are continuously monitored.

REVENUE RECOGNITION

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

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

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

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

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

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

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

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

RECOGNITION OF EXPENSES AND OTHER INCOME

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

GOODWILL

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

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

INTANGIBLE ASSETS (EXCLUDING GOODWILL)

Intangible assets acquired separately are initially measured at cost. The cost of an intangible asset acquired within the scope of a business combination is its fair value on the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are capitalized provided that the requirements are met. As regards intangible assets, it is initially important to determine whether they have a finite or an indefinite useful life. Intangible assets with a finite useful life are amortized over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at the end of each fiscal year at the latest.

Changes in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Amortization of intangible assets with a finite useful life is reported in the income statement under the expense category "Depreciation and amortization." Intangible assets with an indefinite useful life are tested for impairment at least once a year, either individually or at the cash-generating unit level. Such intangibles are not subject to systematic amortization.

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

charged using the straight-line method of depreciation. The depreciation period and the depreciation method are reviewed at least at each fiscal year end and adjusted for any significant changes.

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

Buildings	10–40 years
Technical equipment and machinery	3–15 years
Other equipment, furniture and fixtures	3–20 years

IMPAIRMENT LOSSES

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

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

With the exception of goodwill, impairment losses recognized in prior years are reversed where there is an indication that the impairment recognized for the asset no longer exists or has decreased. The reversal is posted as a gain in the income statement.

An increase or reduction of an impairment loss, however, may not exceed the carrying amount of the asset which would have resulted if no impairment losses had been recognized in prior periods.

FINANCIAL INSTRUMENTS

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

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

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

FINANCIAL ASSETS

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

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

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

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

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

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

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

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

FINANCIAL LIABILITIES

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

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

Bad debt allowances are posted under other operating expenses.

CONTRACT BALANCES

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

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

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

CASH AND CASH EQUIVALENTS

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

INVENTORIES

Inventories are measured at the lower of cost and net realizable value. In addition to direct costs, cost includes an appropriate portion of necessary materials and production overheads as well as production-related depreciation that can be directly allocated to the production process. Administrative and welfare costs that can be allocated to the production process are also considered. Inventories having a similar nature are measured using the weighted average cost method. Borrowing costs are not capitalized.

Cost of materials contains appropriate allowance for inventory risks associated with slow-moving stocks, reduced salability, etc. When the circumstances that previously caused inventories to be written down below cost no longer exist, the write-down is reversed.

DEFERRED TAXES

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

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

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

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

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

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

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

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

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

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

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

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

OTHER PROVISIONS

Pursuant to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets,” provisions are recognized when an entity has a current obligation from a past event that will probably lead to an outflow of resources embodying economic benefits in future and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision for recognizable risks and uncertain obligations is based on its probability of occurrence and is not offset against rights of recourse. The amount needed to settle the obligation also includes any expected cost increases at the end of the reporting period.

Provisions for warranty claims are recognized taking account of the past or estimated future claims pattern. Non-current provisions due in more than one year are discounted where the effect of the time value of money is material.

LEASES

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

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

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

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

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

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

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

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

FAIR VALUE MEASUREMENT

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

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

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

The breakdown as of the end of each reporting period is based on the following:

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

CONTINGENT LIABILITIES / ASSETS

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

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

EXEMPTION FROM THE DUTY OF STOCK CORPORATIONS TO PREPARE ANNUAL FINANCIAL STATEMENTS

For fiscal year 2023, the following subsidiaries made use of the exemption pursuant to Sec. 264 (3) HGB:

- SICK Engineering GmbH, Ottendorf-Okrilla
- SICK Vertriebs-GmbH, Düsseldorf

D. CONSOLIDATED STATEMENT OF CASH FLOWS

GENERAL

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

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

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

E. NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) SALES

in EUR million	2023	2022
Factory Automation	1,185.2	1,108.4
Logistics Automation	747.4	727.2
Process Automation	374.7	354.3
Total	**2,307.3**	**2,189.8**

in EUR million	2023	2022
Germany	380.1	364.8
Europe (excluding Germany), Middle East, and Africa (EMEA)	823.4	734.0
North, Central, and South America (Americas)	544.7	508.6
Asia-Pacific	559.0	582.5
Total	**2,307.3**	**2,189.8**

(2) OWN WORK CAPITALIZED

in EUR million	2023	2022
Capitalized development work	10.5	5.5
Own work for internally generated intangible assets and property, plant and equipment	20.5	19.0
Total	**31.0**	**24.5**

(3) COST OF MATERIALS

in EUR million	2023	2022
Cost of materials and supplies and of purchased merchandise	702.5	687.9
Cost of purchased services	50.3	43.9
Total	**752.8**	**731.8**

(4) PERSONNEL EXPENSES AND NUMBER OF EMPLOYEES

in EUR million	2023	2022
Wages and salaries	839.5	783.6
Social security, pension and other benefit costs	140.5	129.5
Total	**980.0**	**913.1**

The wages and salaries item includes termination benefits of EUR 4.3 million (prior year: EUR 3.2 million). Expenses for pensions amount to EUR 64.3 million (prior year: EUR 58.7 million). These mainly include contributions into state or private pension funds as well as service cost from defined benefit plans.

EMPLOYEES

	2023			2022		
	Germany	Abroad	Total	Germany	Abroad	Total
Average headcount:	6.150	5.127	**11.277**	5.737	4.898	**10.635**
of which in R&D	(1.350)	(261)	**(1.610)**	(1.206)	(205)	**(1.410)**
Trainees as of the end of the reporting period	287	58	**345**	299	82	**381**

The number of employees is converted to full-time equivalents. Part-time employees are taken into account proportionate to their contractual working time.

(5) DEPRECIATION AND AMORTIZATION

This item pertains to intangible assets and property, plant and equipment. It contains impairment losses on intangible assets and property, plant and equipment of EUR 0.5 million (prior year: EUR 2.5 million) as a result of lower earnings forecasts.

(6) OTHER OPERATING EXPENSES

in EUR million	2023	2022
Administrative and selling expenses	143.9	139.8
Cost of purchased services and repairs	156.4	138.8
Rent and lease expenses	8.9	9.6
Other expenses	34.4	24.8
Total	**343.7**	**313.1**

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

(7) OTHER OPERATING INCOME

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

(8) CURRENCY RESULTS

in EUR million	2023	2022
Exchange gains	67.4	94.6
Exchange losses	69.2	113.1
Total	**-1.8**	**-18.5**

(9) NET INVESTMENT INCOME / EXPENSE

in EUR million	2023	2022
Income from investments accounted for using the equity method	0.3	0.5
Income from other equity investments	0.0	-0.1
Total	**0.3**	**0.4**

(10) INTEREST EXPENSE

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

In the reporting period, borrowing costs of EUR 0.1 million (prior year: EUR 0.0 million) were capitalized in non-current assets. The interest rate used in 2023 was 1.0 percent (prior year: 0.8 percent).

(11) INTEREST INCOME

This item contains other interest and similar income of EUR 1.4 million (prior year: EUR 1.0 million).

(12) INCOME TAXES

in EUR million	2023	2022
Current income taxes		
current tax expense / income (-) for the reporting period	60.5	40.9
tax expense / income (-) relating to other periods	-2.6	-1.3
Deferred tax expense / income (-)		
from temporary measurement differences	-15.2	0.9
from unused tax losses	0.1	-0.5
Total	**42.9**	**39.9**

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 recognized here.

As in the prior year, no deferred taxes were recognized as of the end of the reporting period on retained earnings by subsidiaries held for the foreseeable future. Timing differences in connection with investments in subsidiaries on which no deferred tax liabilities have been recognized amount to around EUR 28.1 million (prior year: EUR 24.7 million).

Of the deferred taxes recognized in the statement of financial position, an amount of EUR 7.5 million (prior year: EUR 6.1 million) relates to transactions that directly increase equity as of the reporting date.

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

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

in EUR million	2023	2022
Earnings before tax	177.3	159.4
Theoretical tax rate (%)	29.0	29.0
Estimated tax expense	**51.4**	**46.2**
Reasons for the change in theoretical tax expense:		
– Deviating foreign tax rates	-6.9	-6.7
– Taxes from other periods	-2.6	-1.3
– Tax-free income	-0.5	-0.3
– Non-deductible expenses	3.6	3.1
– Tax incentives	-2.4	-1.7
– Use of unused tax losses that have not yet been recognized	-0.2	-0.1
– Other	0.5	0.7
Income taxes reported	**42.9**	**39.9**
Effective tax rate (%)	24.2	25.0

As in the prior year, the calculation of the estimated tax expense for fiscal year 2023 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. Current taxes of foreign subsidiaries are calculated on the basis of the relevant national tax law and the tax rate applicable in the respective domicile of the subsidiaries.

Deferred tax assets and liabilities relate to the following:

	Deferred tax assets		Deferred tax liabilities	
in EUR million	2023	2022	2023	2022
Intangible assets	10.2	6.8	8.1	7.2
Property, plant and equipment / financial assets	1.1	1.2	27.0	27.0
Inventories	35.3	34.8	2.3	8.0
Other current assets	4.4	3.2	8.6	8.0
Liabilities	57.0	51.2	2.0	2.4
Unused tax losses	0.7	0.9	0.0	0.0
Gross value	**108.6**	**98.0**	**48.1**	**52.5**
Offsetting	-46.1	-46.8	-46.1	-46.8
Carrying amount	**62.6**	**51.2**	**2.0**	**5.7**

Deferred tax assets are recognized if sufficient taxable profit will be available in the future. These take account, among other things, of the budgeted result from operating activities, the impact on earnings from the reversal of taxable temporary differences as well as potential tax strategies. The Group assesses the recoverability of the deferred tax assets based on the budgeted taxable income in the future as of each reporting date. Based on past experience and the forecast taxable income, the Group assumes that the deferred tax assets can be realized. In Germany and abroad, deferred tax assets and liabilities are measured at the tax rates expected to be applicable at the time the asset is realized or the liability is settled.

Unused tax losses developed as follows:

in EUR million	2023	2022
Unused tax losses		
– on which no deferred tax assets were recognized	1.0	0.7
of which available for offsetting for more than ten years	(1.0)	(0.7)
– on which deferred tax assets were recognized	2.9	3.7
Total	**3.9**	**4.4**

(13) EARNINGS PER SHARE

in EUR million	2023	2022
Consolidated net income	134.4	119.5
of which attributable to shareholders of SICK AG	**134.4**	**119.5**
Number of shares (weighted average) in millions	26.2	26.2
Earnings per share (basic and diluted) in EUR / share	5.12	4.56

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

F. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

(14) INTANGIBLE ASSETS

The goodwill acquired from business combinations was allocated to the Factory Automation, Logistics Automation, and Process Automation cash-generating units for impairment testing. These correspond to the business fields.

The table below shows the carrying amounts of the business fields:

in EUR million	2023	2022
Factory Automation	12.3	12.6
Logistics Automation	9.3	9.9
Process Automation	9.0	8.4
Total	**30.6**	**30.9**

The recoverable amount of the Factory Automation, Logistics Automation, and Process Automation cash-generating units is determined based on a value in use calculation. To calculate this, cash flow projections are based on medium-term planning approved by the management for a three-year period. The financial planning is adjusted to reflect the current information available. Beyond the three-year period, an appropriate growth factor customary for the industry of 10.0 percent is assumed for the following two years. For the following years, a terminal growth rate of one percent was used.

This planning is based on appropriate assumptions on macroeconomic trends, expected growth rates in the relevant markets and market shares as well as historical developments. The figures allocated to the key assumptions are based on external sources of information. A discount rate of 13.3 percent (prior year: 11.6 percent) before taxes has been used for the cash flow forecasts.

The actual recoverable amounts exceed the carrying amounts of the Factory Automation, Logistics Automation, and Process Automation cash-generating units by EUR 822.6 million (prior year: EUR 1,318.0 million), EUR 606.3 million (prior year: EUR 924.4 million), and EUR 287.6 million (prior year: EUR 389.6 million) respectively.

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

The carrying amounts of the capitalized development costs and of the other internally generated intangible assets amount to EUR 26.7 million (prior year: EUR 24.7 million).

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

in EUR million	2023	2022
Research costs and non-capitalizable development costs	261.5	232.0
Amortization of development costs	8.3	8.8
Total	**269.8**	**240.8**

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

(15) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The table below provides a summary of financial information for one joint venture (prior year: one joint venture). The entity is presented in the list of group entities in Exhibit A5 of the notes to the consolidated financial statements.

in EUR million	2023	2022
Carrying amounts of the shares	2.5	2.5
Share in:		
Income from continuing operations	0.3	0.5
Comprehensive income	**0.3**	**0.5**

(16) OTHER FINANCIAL ASSETS

in EUR million	2023	2022
Other equity investments	0.1	0.1
Other financial assets	1.2	0.6
Total	**1.3**	**0.7**

(17) INVENTORIES

in EUR million	2023	2022
Materials and supplies	369.2	333.1
Work in process	145.8	154.4
Finished goods and goods for resale	161.8	180.8
Payments on account	0.2	0.9
Total	**677.1**	**669.2**

Based on the gross value, the value of the inventories was impaired by EUR 90.3 million (prior year: EUR 64.7 million).

(18) TRADE RECEIVABLES

Appropriate allowance is made for any risk of receivables being uncollectible or other risks in trade receivables from third parties. As in the prior year, the receivables are generally due in up to one year. For further information, reference is made to section G. (36d) “Credit risks.”

(19) TAX RECEIVABLES

This item records income tax receivables.

(20) OTHER ASSETS

in EUR million	2023	2022
Other tax assets	20.6	29.8
Prepaid expenses	12.3	10.0
Derivative financial instruments (held for trading)	5.2	5.5
Sundry other	52.4	44.2
Total	**90.5**	**89.5**

(21) CASH AND CASH EQUIVALENTS

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

(22) ISSUED CAPITAL

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

On the basis of the resolution of the Annual General Shareholders' Meeting of May 19, 2020, the Executive Board was authorized, subject to the approval of the Supervisory Board, to acquire – once or several times – up to 2,640,540 treasury shares for the purpose of redemption or resale in the period up to May 18, 2025.

(23) CAPITAL RESERVES

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

(24) TREASURY SHARES

On December 31, 2023, SICK AG had 186,959 (prior year: 183,646) treasury shares with a nominal value of EUR 0.2 million (prior year: EUR 0.2 million); as in the prior year, this is equivalent to 0.7 percent of the capital stock.

Shares outstanding developed as follows:

	2023	2022
Opening balance	**26,221,754**	**26,216,244**
Acquisition of treasury shares	-6,202	-1,990
Disposal of treasury shares	2,889	7,500
Closing balance	**26,218,441**	**26,221,754**

(25) REVENUE RESERVES

Revenue reserves include the profits of SICK AG and consolidated subsidiaries earned in prior years and not yet distributed. In addition, currency translation differences of EUR -25.5 million (prior year: EUR -9.9 million) are also reported here as well as losses from the remeasurement of pension obligations of EUR -25.7 million (prior year: losses of EUR -20.4 million) less deferred taxes of EUR 7.5 million (prior year: EUR 6.1 million).

(26) PROPOSED DIVIDEND

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

Pursuant to the resolution of the Annual General Shareholders' Meeting of SICK AG of May 26, 2023, a dividend of EUR 1.40 per share was distributed from the retained earnings of SICK AG as of December 31, 2022, for fiscal year 2022, i.e., not including treasury shares totaling EUR 36.7 million that are not entitled to dividends.

The company plans to distribute a dividend of EUR 1.55 per share for the past fiscal year 2023 or a total of EUR 40.6 million, i.e., not including treasury shares that are not entitled to dividends.

The individual components of equity and their development in 2023 and 2022 are shown in the consolidated statement of changes in equity.

(27) NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

	2023 of which due in			2022 of which due in		
in EUR million	Total	≤ one year	> one year	Total	≤ one year	> one year
Liabilities to banks	217.3	85.7	131.6	146.7	12.1	134.6
Lease liabilities	96.5	22.7	73.8	99.3	22.7	76.6
Total	**313.8**	**108.4**	**205.4**	**246.0**	**34.8**	**211.2**

Liabilities to banks due in more than five years come to a total of EUR 26.5 million (prior year: EUR 24.1 million).

Non-current liabilities owed to banks are predominantly fixed-interest loans. The interest rates range from 0.6 to 5.1 percent (prior year: from 0.6 to 3.4 percent).

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

No financial liabilities are secured by land charges in the reporting year (prior year: EUR 1.6 million).

in EUR million	Jan. 1, 2023	Cash	Non-cash	Dec. 31, 2023
Liabilities to banks	146.7	70.6	0.0	217.3
Lease liabilities	99.3	-25.7	22.9	96.5
Total	**246.0**			**313.8**

(28) PROVISIONS AND OTHER LIABILITIES

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

in EUR million	2023	2022
Provisions for pensions and similar obligations	80.1	73.6
Other non-current provisions	30.7	27.3
Other non-current liabilities	1.6	1.7
Total	**112.3**	**102.5**

Other non-current liabilities primarily include non-current contract liabilities and other deferrals. For further information, reference is made to section F. (31) "Contract liabilities."

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

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

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

In the case of defined contribution plans, the company pays contributions into a state or private fund in accordance with legal or contractual provisions or on a voluntary basis. No further payment obligations arise for the company from the payment of contributions. The current contribution payments are recognized as a personnel expense for the respective year. Including contributions to the statutory pension insurance, these amounted to EUR 61.0 million in total in fiscal year 2023 (prior year: EUR 55.1 million).

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

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

The amounts recognized in the income statement are as follows:

in EUR million	2023	2022
Current service cost	5.7	6.5
Interest expense / interest income	1.5	0.5
Total	**7.2**	**7.0**

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

The defined benefit obligations developed as follows:

in EUR million	2023	2022
As of January 1	**111.9**	**123.6**
Expenses recognized in profit or loss		
Current service cost	5.7	6.5
Interest expense	3.6	1.0
Benefits paid	-5.4	-3.5
Amounts recognized in other comprehensive income		
Change in financial assumptions	4.0	-19.8
Experience adjustments, gains / losses	0.4	2.5
Employee contributions	0.6	0.5
Exchange rate differences / other changes	0.7	1.1
As of December 31	**121.5**	**111.9**

The weighted average term of the defined benefit obligations in Germany is between 2.7 and 5.1 years (prior year: 3.0 and 5.3 years).

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

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

in EUR million	2023	2022
As of January 1	**38.3**	**36.8**
Expenses / income recognized in profit or loss		
Interest income	1.2	0.3
Amounts recognized in other comprehensive income		
Return on plan assets	-0.6	-2.2
Experience adjustments, gains / losses	0.1	-0.4
Employer contributions	3.8	3.4
Benefits paid	-2.0	-0.4
Exchange rate differences / other changes	0.7	0.8
As of December 31	**41.4**	**38.3**

The Group expects to contribute EUR 2.2 million to its defined benefit pension plans in Germany in 2024 (prior year: EUR 2.2 million).

Pension payments of an estimated EUR 3.0 million (prior year: EUR 3.1 million) are expected to be made in Germany in the subsequent year as part of defined benefit obligations.

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

in EUR million	2023	2022
Defined benefit obligation	121.5	111.9
Fair value of plan assets	-41.4	-38.3
Provisions for pensions and similar obligations	**80.1**	**73.6**

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

in EUR million	2023	2022
As of January 1	**23.4**	**21.1**
Expenses / income recognized in profit or loss		
Interest income	0.9	0.2
Amounts recognized in other comprehensive income		
Experience adjustments, gains / losses	-0.3	0.3
Employer contributions	2.2	2.1
Benefits paid	-0.5	-0.4
As of December 31	**25.7**	**23.4**

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

in EUR million	2023	2022
Discount rate (-1%)	5.0	4.5
Discount rate (+1%)	-4.1	-3.8
Future salary development (-0.5%)	-0.1	-0.1
Future salary development (+0.5%)	0.1	0.1
Future pension development (-0.25%)	-0.9	-0.8
Future pension development (+0.25%)	0.8	0.8
Life expectancy (+1 year)	2.8	2.4

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

The following mortality tables were used for the main countries as of December 31, 2023:

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

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

in %	Germany 2023	Germany 2022	Switzerland 2023	Switzerland 2022
Discount rate as of December 31	3.25	3.75	1.50	1.80
Future salary development	3.25	3.00	1.75	1.75
Future pension development	2.25	2.00	0.00	0.00

A non-recurring increase of 4.25 percent was also factored into the pension development in the reporting year.

OTHER PROVISIONS

Other non-current and current provisions developed as follows:

in EUR million	Jan. 1, 2023	Exchange rate differences / changes in the basis of consolidation	Utilization	Reversal	Additions	Dec. 31, 2023
Personnel and welfare expense	19.9	-0.1	1.7	0.1	3.5	21.4
Warranties and onerous contracts	14.6	-0.1	8.0	2.9	9.0	12.6
Sundry other provisions	16.9	-0.8	4.5	0.8	10.9	21.8
Total	**51.5**	**-1.0**	**14.1**	**3.9**	**23.4**	**55.8**

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

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

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

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

	2023 of which due in			2022 of which due in		
in EUR million	Total	≤ one year	> one year	Total	≤ one year	> one year
Personnel and welfare expense	21.4	2.4	19.0	19.9	2.6	17.4
Warranties and onerous contracts	12.6	12.6	0.0	14.6	14.6	0.0
Sundry other provisions	21.8	10.2	11.6	16.9	7.0	9.9
Total	**55.8**	**25.2**	**30.7**	**51.5**	**24.2**	**27.3**

(29) TAX LIABILITIES

This item records income tax liabilities.

(30) TRADE PAYABLES

in EUR million	2023	2022
Trade payables due to		
– third parties	182.9	257.9
– other	0.1	0.1
Total	**182.9**	**258.0**

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

(31) CONTRACT LIABILITIES

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

	2023			2022		
in EUR million	Total	≤ one year	> one year	Total	≤ one year	> one year
Payments on account received	72.9	72.9	0.0	83.3	83.3	0.0
Deferred revenue	2.4	1.9	0.5	2.1	1.8	0.3
Total	**75.3**	**74.8**	**0.5**	**85.4**	**85.1**	**0.3**

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

Contract liabilities developed as follows in the fiscal year:

in EUR million	2023	2022
As of January 1	85.4	82.4
Recognized as revenue in the fiscal year	85.1	82.0
Deferred during the reporting period	75.0	85.0
As of December 31	**75.3**	**85.4**

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

(32) OTHER LIABILITIES

in EUR million	2023	2022
Liabilities to employees	94.7	102.5
Other tax liabilities	35.2	33.2
Social security liabilities	15.8	14.8
Deferred income	0.6	0.2
Derivative financial instruments held for trading	0.3	1.3
Sundry other liabilities	6.7	10.4
Total	**153.3**	**162.4**

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

G. OTHER NOTES

(33) CONTINGENT LIABILITIES

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

(34) CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

CONTINGENT LIABILITIES

There are no contingent liabilities subject to disclosure requirements.

OTHER FINANCIAL OBLIGATIONS

The Group has purchase obligations (mainly for property, plant and equipment) and the like amounting to EUR 48.1 million (prior year: EUR 49.5 million) which are due in the next 12 months as well as several maintenance agreements and other obligations which will lead indefinitely to other financial obligations of EUR 44.3 million per year (prior year: EUR 46.2 million).

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

(35) LEASES

The following tables provide information about the amounts:

IN THE INCOME STATEMENT

in EUR million	2023	2022
Depreciation of right-of-use assets	25.8	24.7
Expenses relating to short-term leases	3.4	3.7
Expenses relating to leases of low-value assets	3.9	4.4
Interest expenses on lease liabilities	3.6	2.6

IN THE STATEMENT OF CASH FLOWS

in EUR million	2023	2022
Cash outflows for lease liabilities	25.7	31.6

There were also cash outflows for short-term leases and leases of low-value assets of EUR 7.3 million (prior year: EUR 8.1 million).

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

in EUR million	Property	Vehicles and technical equipment	Furniture and fixtures	Total
Carrying amount as of Jan. 1, 2023	79.3	13.7	0.9	94.0
Additions	8.6	12.7	2.5	23.8
Depreciation	-16.0	-8.5	-1.3	-25.8
Other changes	-0.8	0.3	0.0	-0.6
Carrying amount as of Dec. 31, 2023	**71.1**	**18.2**	**2.1**	**91.4**

in EUR million	Property	Vehicles and technical equipment	Furniture and fixtures	Total
Carrying amount as of Jan. 1, 2022	70.8	13.5	0.3	84.7
Additions	31.7	8.2	1.0	40.9
Depreciation	-16.6	-7.7	-0.3	-24.7
Other changes	-6.6	-0.4	-0.1	-7.0
Carrying amount as of Dec. 31, 2022	**79.3**	**13.7**	**0.9**	**94.0**

Furthermore, there are future payments from leases that have not commenced but have already been contractually agreed of EUR 3.8 million (prior year: EUR 0.1 million).

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

(36) FINANCIAL RISK MANAGEMENT

Through its financial activities, the Group is subject to various risks that are recognized, 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 and exchange rate 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 assets, liabilities, financial position, and financial performance of the Group.

Details of the Group’s management of market risks (exchange rates, interest rates, commodity prices), credit risks, and liquidity risks are presented below.

(A) EXCHANGE RATE RISKS

The Group performs foreign currency transactions worldwide and is therefore subject to exchange rate fluctuations which have an effect on the assets and earnings of the Group denominated in euro. Foreign currency risks in financing stem from financial receivables and liabilities in foreign currency and loans in foreign currency granted to finance group entities. As far as operations are concerned, the individual group entities mainly carry out their activities in their functional currency. There is also an intensive exchange of goods and services between the group entities.

Furthermore, there are transaction-related exposures due to financial assets and liabilities listed in foreign currencies. Exchange rate risks are managed by forward exchange contracts and options. Derivative financial instruments are used to hedge future revenue against exchange rate risks. Portions of the exposure expected for the next fiscal year in the most important currencies for the Group are hedged.

Risks from the use of derivative financial instruments include, on the one hand, counterparty risks which can be avoided in the selection process. On the other, they lie in the change in the fair value of derivatives; this is, however, generally counterbalanced by the opposing development of the fair value of the underlying.

The hedged revenue amount is calculated on the basis of the estimate for the coming fiscal year. This is derived mostly from past figures based on revenue which is highly probable. The figures are monitored constantly.

IFRS 7 requires that sensitivity analyses be carried out to present market risks, showing how profit or loss and equity would have been affected by changes in the relevant risk variables. Apart from exchange rate risks, the Group is exposed to interest rate risks. The periodic expenses are determined by relating the hypothetical changes of the risk variables to the financial instruments as of the end of the reporting period. It is assumed that the financial instruments as of the end of the reporting period are representative for the entire year.

Exchange rate risks or currency risks as defined by IFRS 7 arise on financial instruments that are denominated in a currency other than the functional currency and that have a monetary nature; differences from the translation of financial statements to the group currency caused by exchange rates are not taken into account. The relevant risk variables are all currencies (other than the functional currency) in which the Group uses financial instruments.

The currency sensitivity analyses are based on the following assumptions:

- Significant non-derivative monetary financial instruments are either denominated in functional currency or transferred to the functional currency using derivatives.
- Interest income and expenses from financial instruments are also either reported directly in functional currency or transferred to the functional currency using derivatives. As a result, there cannot be any material effects on the volumes under consideration.

The following table demonstrates the sensitivity of the consolidated net income before income taxes due to changes in fair value of monetary foreign currency items:

	Change in foreign exchange rates in %		Effect on earnings in EUR million	
2023			Income (+)	Expense (-)
CNY	+10	-10	11.4	-8.4
Total			**11.4**	**-8.4**

	Change in foreign exchange rates in %		Effect on earnings in EUR million	
2022			Income (+)	Expense (-)
CNY	+10	-10	13.6	-10.5
KRW	+10	-10	1.8	-1.8
Total			**15.4**	**-12.2**

(B) INTEREST RATE RISKS

By interest rate risks, the Group means the negative effects on the assets, liabilities, and financial performance resulting from changes in interest rates. The external financing consists primarily of fixed-interest rate loans. This is one of the methods used to manage these risks. In addition, derivative financial instruments are used in risk management. Due to the structure of assets and liabilities, interest rate risks are mostly linked to liabilities to banks.

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

in EUR million	2023	2022
Fixed interest	183.3	143.0
Floating interest	34.0	3.7
Total	**217.3**	**146.7**

The table below shows the structure of the repricing dates:

in EUR million	2023	2022
Repricing dates within 12 months	85.7	12.1
Repricing dates after 12 months	131.6	134.6
Total	**217.3**	**146.7**

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

- Market interest rate fluctuations of non-derivative financial instruments with fixed interest only affect profit or loss if they are measured at fair value. Therefore, the financial instruments with fixed interest that are measured at amortized cost do not constitute interest rate risks as defined by IFRS 7.
- Market interest rate fluctuations affect the interest result of non-derivative financial instruments with floating interest for which the interest payments are not designed as underlyings using cash flow hedges against interest rate risks, and are thus included when calculating the earnings-related sensitivities.
- Market interest rate fluctuations of interest derivatives (interest rate swaps, interest / currency swaps) that are not part of a hedge relationship pursuant to IFRS 9 affect the other financial result (measurement result from adjusting the financial assets to the fair value) and are therefore taken into account when calculating the earnings-related sensitivities.
- Currency derivatives are not subject to any interest rate risks and therefore do not affect interest rate sensitivities.

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

	2023		2022	
in EUR million	+100 basis points	-100 basis points	+100 basis points	-100 basis points
Effects from financial liabilities and assets	0.5	-0.5	1.3	-1.3
Total	**0.5**	**-0.5**	**1.3**	**-1.3**

(C) COMMODITY PRICE RISKS

The Group is exposed to risks from changes in commodity prices that stem from the procurement of the goods used in production. The Group generally does not use derivative financial instruments to hedge against this risk. Instead, the Group minimizes the risk in combination with quality and procurement assurance aspects using a procurement strategy adjusted to reflect current conditions and changes. This involves continuously assessing potential procurement sources according to regional, technological, qualitative, and price aspects, approving the sources and embedding these in development and production processes accordingly. Sudden price fluctuations due to the cost of materials or supply bottlenecks for certain product groups are countered using a planning basis that is constantly updated and also includes strategic buffer stocks.

(D) CREDIT RISKS

Credit risk describes the risk of financial loss resulting from counterparties failing to discharge their contractual payment obligations. Credit risk involves both the direct risk of default and the risk of a deterioration in creditworthiness, linked to the risk of a concentration of individual risks.

Credit risk is countered by only maintaining business relationships with first-class banks. Default risks from receivables are minimized by ongoing monitoring of the creditworthiness of the counterparty and by limiting the aggregated risks from the individual counterparty. The maximum risk of default on financial assets corresponds to their carrying amounts.

Business with major customers is subject to special credit monitoring. However, measured in terms of the overall risk potential from the default risk, the receivables from these customers are not significant enough to constitute an extraordinary concentration of risk.

The Group uses specific provision matrices for each region and entity to calculate the expected credit losses. The impairment factors specific to maturity are based on historical and prospective information, such as individual and macroeconomic data. The following tables provide information on the extent of the credit risks entailed in trade receivables:

in EUR million	2023	2022
Gross value	364.2	371.5
Impairment	-10.1	-9.0
Net value	**354.1**	**362.5**

	2023			2022		
in EUR million	Gross value	Impairment	Rate in %	Gross value	Impairment	Rate in %
not past due	290.8	1.3	0.4	313.0	1.5	0.5
past due						
– less than 30 days	36.5	0.6	1.6	28.9	0.3	1.1
– between 30 and 90 days	21.8	1.3	6.0	15.7	1.2	7.5
– between 91 and 360 days	10.9	3.5	32.1	9.4	2.5	26.8
– more than 360 days	4.2	3.4	81.6	4.4	3.5	78.5
Total	**364.2**	**10.1**		**371.5**	**9.0**	

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

in EUR million	2023	2022
As of January 1	**9.0**	**8.0**
Exchange rate differences	-0.3	0.0
Derecognition	-1.1	-0.9
Adjustment to loss allowance	2.5	1.9
As of December 31	**10.1**	**9.0**

(E) LIQUIDITY RISKS

Liquidity risk describes the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group generates liquidity primarily from operations and external financing. The funds are chiefly used to finance working capital and capital expenditures. The Group controls its liquidity by maintaining sufficient cash and cash equivalents and lines of credit at banks in addition to cash inflows from operating activities. Cash and cash equivalents comprise cash and other assets.

in EUR million	2023	2022
Credit lines and loans	569.5	428.8
– utilized	(217.3)	(146.7)

Operational liquidity management comprises a cash concentration process whereby cash and cash equivalents are pooled on a daily basis. This allows liquidity surpluses and shortages to be controlled in line with the requirements of the Group as a whole as well as of individual group entities. The maturities of financial assets and financial liabilities as well as estimates of cash flows from operating activities are included in short-term and medium-term liquidity management. Detailed information is included in the comments on section F. (27) “Non-current and current financial liabilities.”

The following repayment schedule shows how the payments made for financial liabilities as of December 31, 2023, 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 maturity profile. The disclosures are based on contractual payments without discounting.

in EUR million	Total	2024	2025	2026	2027	2028	≥ 2029
Liabilities to banks	230.7	89.2	10.1	59.6	9.0	36.1	26.8
Lease liabilities	112.2	26.0	20.1	14.5	11.0	7.6	33.0
Derivative financial instruments	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Trade payables	182.9	182.9	0.0	0.0	0.0	0.0	0.0
Other financial liabilities	6.7	6.7	0.0	0.0	0.0	0.0	0.0
Total	**532.8**	**305.1**	**30.2**	**74.1**	**20.0**	**43.6**	**59.8**

The cash flows from the derivative financial instruments are shown as net figures.

These include foreign exchange contracts with negative fair values which break down into a cash outflow of EUR 34.5 million (prior year: EUR 54.4 million) and a cash inflow of EUR 34.3 million (prior year: EUR 53.1 million).

There are also derivative financial instruments with a positive fair value that break down into a cash outflow of EUR 170.7 million (prior year: EUR 191.1 million) and a cash inflow of EUR 175.8 million (prior year: EUR 196.6 million).

As of December 31, 2022, the financial liabilities of the Group had the following maturity profile. The disclosures were based on contractual payments without discounting.

in EUR million	Total	2023	2024	2025	2026	2027	≥ 2028
Liabilities to banks	151.1	13.2	52.1	4.1	53.7	3.3	24.7
Lease liabilities	114.6	25.2	20.9	13.1	10.1	8.6	36.7
Derivative financial instruments	1.3	1.3	0.0	0.0	0.0	0.0	0.0
Trade payables	258.0	258.0	0.0	0.0	0.0	0.0	0.0
Other financial liabilities	10.4	10.4	0.0	0.0	0.0	0.0	0.0
Total	**535.4**	**308.1**	**73.0**	**17.2**	**63.8**	**11.9**	**61.4**

The retained liquidity as well as short-term and long-term lines of credit give the Group adequate flexibility to cover the Group's refinancing needs. The Group is not subject to any concentration of liquidity risk on account of the diverse nature of its financing sources and its cash and cash equivalents.

(F) CAPITAL MANAGEMENT

The Group's primary capital management objective is to ensure that it maintains a healthy equity ratio with a low-risk and flexible financing structure in order to support its business activity.

The Group manages the way its capital base is structured in light of changes in economic conditions and adjusts it accordingly. To adjust the way the capital base is structured, the dividend payment to shareholders may be adjusted, capital may be returned to shareholders, or new shares may be issued.

The Group monitors its capital taking into account the underlying parameters, e.g., consolidated net income, mainly using the equity ratio. The equity ratio is the ratio of equity in the statement of financial position to total assets. As of December 31, 2023, the equity ratio amounted to 53.9 percent (prior year: 51.4 percent).

(37) FINANCIAL INSTRUMENTS

(A) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities regularly measured at fair value:

	Level 1		Level 2		Level 3		Total	
in EUR million	2023	2022	2023	2022	2023	2022	2023	2022
ASSETS								
Other financial assets	0.0	0.0	5.2	5.5	0.0	0.0	5.2	5.5
thereof derivatives not used for hedging	0.0	0.0	5.2	5.5	0.0	0.0	5.2	5.5
LIABILITIES								
Other financial liabilities	0.0	0.0	0.3	1.3	0.0	0.0	0.3	1.3
thereof derivatives not used for hedging	0.0	0.0	0.3	1.3	0.0	0.0	0.3	1.3

The fair value of forward exchange contracts is measured using the closing rates on the forward exchange markets. The fair values are calculated on the basis of the mean exchange rate.

The calculation methods and the variables used are in line with the provisions of IFRS 13.

The fair value of options is determined using the Black-Scholes model modified by Garman and Kohlhagen. An option is measured primarily by reference to exchange rates, the respective interest rates of the currency pair, and volatility as of the reporting date as well as its remaining term.

During the reporting periods ending December 31, 2023, and December 31, 2022, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Financial assets and financial liabilities not regularly measured at fair value:

	Level 1		Level 2		Level 3		Total	
in EUR million	2023	2022	2023	2022	2023	2022	2023	2022
ASSETS								
Other financial assets	0.0	0.0	0.1	0.1	0.0	0.0	0.1	0.1
LIABILITIES								
Liabilities to banks	0.0	0.0	210.3	131.7	0.0	0.0	210.3	131.7
Lease liabilities	0.0	0.0	96.5	99.3	0.0	0.0	96.5	99.3

The fair value of securities and other financial assets is determined based on the market price as of the end of the reporting period, if available.

The carrying amounts of trade receivables and payables, other assets, cash and cash equivalents, and other liabilities closely correspond to the fair values due to the short-term maturities.

For liabilities to banks, the present value of the future cash flows was calculated on the basis of matched market interest rates. Lease liabilities are discounted using the interest rate implicit in the lease if this can be determined. Otherwise, they are discounted using the incremental borrowing rate.

For the presentation of the carrying amounts and fair values by class and category, reference is made to Exhibit A3 and Exhibit A4 of these notes to the consolidated financial statements.

Measurement of the financial instruments held as of December 31, 2023, at fair value gave rise to the following total gains and losses:

	Assets		Liabilities	
in EUR million	2023	2022	2023	2022
Recognized in the income statement:				
Derivatives not used for hedging	3.4	3.6	-0.3	-1.3

(B) NET RESULTS BY MEASUREMENT CATEGORY

The following table presents the net gains and net losses from financial instruments taken into account in the income statement pursuant to IFRS 9:

in EUR million	2023	2022
Financial assets at fair value through profit or loss	-0.1	3.5
Financial liabilities at fair value through profit or loss	0.9	3.2
Financial assets at cost	-3.0	-0.1
Financial liabilities at cost	-7.2	-4.7
Total	**-9.4**	**1.9**

The net gains and losses from financial assets and financial liabilities at fair value through profit or loss include the results of changes in fair value and from interest income and expenses from these financial instruments.

The net gains and losses from financial assets and financial liabilities at amortized cost chiefly include the effects of interest, currencies, and impairments.

The net gains and losses from loans and receivables chiefly include the effects of interest, currencies, and impairments.

The net gains and losses from financial liabilities at amortized cost relate first and foremost to results from interest expenses.

(C) TOTAL INTEREST INCOME AND EXPENSES

The total interest income and expenses for financial assets and financial liabilities not measured at fair value through profit or loss are as follows:

in EUR million	2023	2022
Total interest income	1.3	1.0
Total interest expenses	-8.4	-3.2
Total	**-7.0**	**-2.1**

(D) DERIVATIVE FINANCIAL INSTRUMENTS

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

	Contract value or nominal value		Positive fair value		Negative fair value	
in EUR million	2023	2022	2023	2022	2023	2022
Foreign currency instruments not used for hedging						
– Forward exchange contracts	139.3	182.7	2.7	3.3	0.3	1.3
– Currency options	65.6	61.5	2.5	2.2	0.0	0.0
Total foreign currency instruments	**204.9**	**244.2**	**5.2**	**5.5**	**0.3**	**1.3**

The foreign currency instruments are principally used to hedge exchange rate risks in CNY. The total hedges of EUR 204.9 million (prior year: EUR 244.2 million) have maturities of less than 12 months.

(38) GOVERNMENT GRANTS

The Group reported earmarked government grants in the fiscal year of EUR 0.6 million in total (prior year: EUR 2.5 million). EUR 0.6 million of this amount (prior year: EUR 2.5 million) was deducted from the cost of the assets in question. Government grants mainly consist of subsidies provided for the capital expenditures at the location in Hungary to support regional economic development. If earmarked subsidies are not used for the designated purpose, they may have to be repaid.

Furthermore, the Group reports government grants for R&D projects and other support services of EUR 3.0 million (prior year: EUR 4.1 million); these are not dependent on the success of the projects. They were recognized in profit or loss in full in 2023 in accordance with the percentage of completion of the projects.

(39) RELATED PARTY DISCLOSURES

Related parties are members of the Executive Board, members of the Supervisory Board of the Group, members of the Sick family, Sick Glaser GmbH, Freiburg, Germany, the Gisela and Erwin Sick Foundation, Freiburg, Germany, joint ventures, associates, and SICK Holding GmbH, Freiburg, Germany. SICK Holding GmbH is the ultimate parent company of SICK AG, and Mr. Sebastian Glaser is the ultimate controlling party with 84.8 percent of the equity interest in SICK Holding GmbH. The consolidated financial statements of SICK Holding GmbH are published in the German Federal Gazette (“Bundesanzeiger”) and the German Company Register (“Unternehmensregister”).

All transactions with joint ventures and associates are settled at arm’s length conditions.

The table below provides the total amount of transactions with related parties for the fiscal year:

in EUR million	2023	2022
Goods and services sold	0.2	0.2
Goods and services purchased	2.1	2.3
Receivables as of the end of the reporting period	0.0	0.0
Liabilities as of the end of the reporting period	0.0	0.0

The Group’s goods and services sold mainly relate to services. The Group primarily received deliveries of the goods and services as part of goods and services purchased. No bad debt allowances were recognized on trade receivables.

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

In the Group as of December 31, 2023, 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 5.2 million (prior year: EUR 5.3 million) awarded to these individuals includes short-term benefits of EUR 4.5 million (prior year: EUR 4.5 million) expensed in the fiscal year, post-employment benefits of EUR 0.4 million (prior year: EUR 0.4 million) as well as other long-term benefits of EUR 0.2 million (prior year: EUR 0.4 million), of which EUR 0.1 million (prior year: EUR 0.2 million) can be settled in SICK AG shares.

Total remuneration pursuant to Sec. 314 (1) No. 6a HGB of the members of the Executive Board in office in the reporting year amounts to EUR 4.8 million excluding pension costs (prior year: EUR 4.9 million).

A long-term incentive arrangement ("LTI") was concluded with the members of the Executive Board of SICK AG in fiscal years 2021 and 2022. The fundamental prerequisite for receiving the LTI is to belong to the Executive Board of SICK AG for a period of three years.

Generally speaking, the assessment base for the LTI is a positive value added accumulated over three fiscal years (either 2021 to 2023, or 2022 to 2024, depending on the contract, referred to as the "time frame"). The LTI is partly measured as a percentage of the average value added calculated in this period and partly based on various financial performance indicators. It is limited to a certain percentage of the fixed remuneration. At the end of the time frame, the LTI is paid out in shares in SICK AG (max. 50 percent) and in cash (min. 50 percent). In fiscal year 2023, 2,889 shares were paid out at a price of EUR 73.97 at the end of the 2021 to 2022 time frame under the LTI. The obligations from the cash settlement amount to EUR 0.4 million as of December 31, 2023. The percentage of shares is determined by the company, taking treasury shares into account. The price authoritative for calculating the percentage to be paid out in shares is the current price on the date of maturity. This share price is determined on the basis of inputs confirmed by the tax authorities. If a member of the Executive Board leaves during this three-year period, any entitlement to an LTI for this period is forfeited.

The SICK shares transferred as part of the LTI must be kept in a custodian account with a blocking notice stating that the shares can only be issued subject to the approval of the company. These shares can only be accessed if the member steps down from the Executive Board or retires.

Measurement of the LTI as of December 31, 2023, was based on the consolidated financial statements as of December 31, 2021, to 2023 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 73.97 calculated in fiscal year 2023, the 50 percent share of the LTI that can be paid in shares corresponds to EUR 0.4 million or 5,470 shares.

Compensation to former members of management and their surviving dependents totaled EUR 2.7 million in the fiscal year (prior year: EUR 2.0 million). Provisions totaling EUR 15.8 million (prior year: EUR 13.9 million) were recognized for pension obligations for this group of persons.

Compensation of the Supervisory Board of SICK AG came to EUR 0.7 million (prior year: EUR 1.1 million) for Supervisory Board activities and to EUR 0.5 million (prior year: EUR 0.6 million) for activities for SICK AG. Additional compensation for advisory services was not paid.

As of December 31, 2023, as in the prior year, the Sick family has no receivables or liabilities due from or to the Group.

(40) EMPLOYEE SHARE OWNERSHIP PLAN

From 1999 to 2003, SICK AG had annual employee share ownership plans. Around 1.3 million shares were issued as part of employee share ownership plans, of which SICK AG has since repurchased 0.3 million shares (prior year: 0.3 million) at market price.

(41) FEES AND SERVICES PROVIDED BY THE AUDITORS

The following table shows on an aggregated basis the fees incurred for the services provided by the auditor EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany:

in EUR million	2023	2022
Audit services	0.4	0.4
Tax services	0.1	0.0
Other services	0.0	0.1
Total	**0.5**	**0.5**

(42) FINANCIAL REPORTING STANDARDS NOT EARLY ADOPTED

The IASB and IFRIC have issued additional standards and interpretations. These regulations have not been adopted for this reporting year because they have either not yet been endorsed by the EU or their adoption is not yet mandatory.

Generally speaking, the Group intends to adopt all standards when their adoption becomes mandatory for the first time.

Standards / interpretations	Title	Applicable from	Expected impact on SICK
Amendments to IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	Jan. 1, 2024	Immaterial
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements (reverse factoring)	Jan. 1, 2024	Immaterial
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	Jan. 1, 2024	Immaterial
Amendments to IAS 21	Lack of Exchangeability	Jan. 1, 2025	Immaterial

(43) SUBSEQUENT EVENTS

In October 2023, SICK AG and Endress+Hauser AG, Reinach, Switzerland, signed a joint non-binding Memorandum of Understanding to join their forces in process automation. Their goal is to jointly market and refine SICK's Flow and Analyzer technologies – and to provide customers better support throughout the value chain with future-relevant topics like climate and environmental protection, the energy transition, and the hydrogen economy in the process.

This process is currently in a phase of a thorough review of the relevant business fields and drafting of a contract for the two partners. Due to the inherent uncertainties in this phase, IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" is not applied to the annual financial statements for 2023.

(44) EXECUTIVE BOARD AND SUPERVISORY BOARD DISCLOSURES

EXECUTIVE BOARD

Dr. Mats Gökstorp (Chairman)
Products & Marketing

Jan-H. Eberhardt
Finance & IT
(from October 16, 2023)

Feng Jiao
Sales & Service

Ulrike Kahle-Roth
Supply Chain & Fulfillment

Nicole Kurek
People & Culture

Dr. Niels Syassen
Technology & Digitalization

Markus Vatter
Finance & IT
(until October 31, 2023)

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:

Dr. Robert Bauer (Chairman)
Former Chairman of the Executive Board of SICK AG, Waldkirch
Managing Partner of STRAVIN GmbH, Emmendingen

Sebastian Glaser
Managing Partner of SICK Holding GmbH, Freiburg

Thomas Kusterer
CFO of EnBW Energie Baden-Württemberg AG, Karlsruhe

Prof. Dr.-Ing. Boris Otto
Director of the Fraunhofer Institute for Software and Systems Engineering ISST, Dortmund
Professor for Industrial Information Management at TU Dortmund University

Dorothea Sick-Thies
Founder and sole shareholder of Protect the Planet gGmbH, Munich

Dr. Dipl.-Ing. Eberhard Veit
Managing Partner of 4.0-Veit GbR, Göppingen

Employee representatives:

Thomas Franz
Senior Vice President Global Supply of SICK AG, Waldkirch

Norbert Göbelsmann
Chief Authorized Representative of IG Metall, Freiburg branch

Dr. Matthias Müller
Former Head of Finance on the Federal Executive Board for the Confederation of German Trade Unions (DGB), Berlin

Gabriele Pontiggia
Speaker for Talent Acquisition & Employer Branding at SICK AG, Waldkirch

Susanne Tröndle (Deputy Chairwoman)
Chairwoman of the SICK AG Works Council and Group Works Council, Waldkirch
Chairwoman of the Group Works Council

Thomas Weckopp
Chairman of the Works Council of SICK Vertriebs-GmbH, Düsseldorf

(45) APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Executive Board on March 14, 2024. The financial statements were then submitted to the Supervisory Board for review.

Waldkirch, March 14, 2024

SICK AG

The Executive Board



Dr. Mats Gökstorp
(Chairman)



Jan-H. Eberhardt



Ulrike Kahle-Roth



Nicole Kurek



Dr. Niels Syassen



Feng Jiao

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS

Exhibit A1

NON-CURRENT ASSETS	Cost						Accumulated depreciation and amortization						Net carrying amounts	
in EUR million	Balance as of Jan. 1, 2023	Exchange rate differences	Additions	Disposals	Reclassifications	Balance as of Dec. 31, 2023	Balance as of Jan. 1, 2023	Exchange rate differences	Additions	Disposals	Reclassifications	Balance as of Dec. 31, 2023	Balance as of Dec. 31, 2023	Balance as of Dec. 31, 2022
I. Intangible assets														
1. Purchased industrial property rights and similar rights and assets as well as licenses to such rights and assets	107.5	-0.3	1.8	2.1	3.2	110.1	93.9	-0.2	5.5	2.1	0.0	97.1	13.0	13.6
2. Goodwill	31.9	-0.3	0.0	0.0	0.0	31.6	1.0	0.0	0.0	0.0	0.0	1.0	30.6	30.9
3. Capitalized development costs and other internally generated intangible assets	124.0	0.1	10.6	0.0	0.0	134.7	99.3	0.0	8.7	0.0	0.0	108.0	26.7	24.7
4. Payments on account	4.7	0.0	1.3	0.0	-3.2	2.8	0.0	0.0	0.0	0.0	0.0	0.0	2.8	4.7
	268.1	**-0.5**	**13.7**	**2.1**	**0.0**	**279.2**	**194.2**	**-0.2**	**14.2**	**2.1**	**0.0**	**206.1**	**73.1**	**73.9**
II. Property, plant and equipment														
1. Land and buildings including buildings on third-party land	321.0	-0.7	6.6	2.4	11.8	336.3	99.8	-0.2	10.9	1.7	1.6	110.4	225.9	221.2
2. Technical equipment and machinery	330.4	-0.4	22.2	11.6	23.1	363.7	223.6	-0.5	30.8	11.5	-0.8	241.6	122.1	106.8
3. Other equipment, furniture and fixtures	194.4	-1.4	19.5	9.5	4.5	207.5	141.8	-1.1	19.5	9.4	-0.8	150.0	57.5	52.6
4. Payments on account and assets under construction	59.6	-0.1	61.2	0.0	-39.4	81.3	0.0	0.0	0.0	0.0	0.0	0.0	81.3	59.6
5. Right-of-use assets from leases	191.8	-2.6	23.8	11.7	0.0	201.3	97.8	-2.0	25.8	11.7	0.0	109.9	91.4	94.0
	1,097.2	**-5.2**	**133.3**	**35.2**	**0.0**	**1,190.1**	**563.0**	**-3.8**	**87.0**	**34.3**	**0.0**	**611.9**	**578.2**	**534.2**
Total	**1,365.3**	**-5.7**	**147.0**	**37.3**	**0.0**	**1,469.3**	**757.2**	**-4.0**	**101.2**	**36.4**	**0.0**	**818.0**	**651.3**	**608.1**

Additions to accumulated depreciation and amortization contain impairment losses on intangible assets of EUR 0.3 million and on property, plant and equipment of EUR 0.2 million.

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS

Exhibit A2

NON-CURRENT ASSETS	Cost							Accumulated depreciation and amortization						Net carrying amounts	
in EUR million	Balance as of Jan. 1, 2022	Exchange rate differences	Additions	Changes in the basis of consolidation	Disposals	Reclassifications	Balance as of Dec. 31, 2022	Balance as of Jan. 1, 2022	Exchange rate differences	Additions	Disposals	Reclassifications	Balance as of Dec. 31, 2022	Balance as of Dec. 31, 2022	Balance as of Dec. 31, 2021
I. Intangible assets															
1. Purchased industrial property rights and similar rights and assets as well as licenses to such rights and assets	99.0	0.1	7.2	0.5	1.9	2.6	107.5	87.7	0.1	7.8	1.7	0.0	93.9	13.6	11.3
2. Goodwill	26.4	0.0	0.0	5.5	0.0	0.0	31.9	1.0	0.0	0.0	0.0	0.0	1.0	30.9	25.4
3. Capitalized development costs and other internally generated intangible assets	125.9	0.1	5.5	0.0	7.5	0.0	124.0	97.3	0.0	9.4	7.4	0.0	99.3	24.7	28.6
4. Payments on account	5.2	0.0	2.1	0.0	0.0	-2.6	4.7	0.0	0.0	0.0	0.0	0.0	0.0	4.7	5.2
	256.5	**0.2**	**14.8**	**6.0**	**9.4**	**0.0**	**268.1**	**186.0**	**0.1**	**17.2**	**9.1**	**0.0**	**194.2**	**73.9**	**70.5**
II. Property, plant and equipment															
1. Land and buildings including buildings on third-party land	277.6	-0.1	17.9	4.7	4.1	25.0	321.0	92.6	0.2	10.2	3.2	0.0	99.8	221.2	185.0
2. Technical equipment and machinery	307.8	-1.4	19.2	0.8	7.5	11.5	330.4	201.7	-0.6	28.9	7.1	0.7	223.6	106.8	106.1
3. Other equipment, furniture and fixtures	183.9	0.6	16.3	0.3	8.8	2.1	194.4	132.3	0.4	18.1	8.3	-0.7	141.8	52.6	51.6
4. Payments on account and assets under construction	44.8	0.8	52.6	0.0	0.0	-38.6	59.6	0.0	0.0	0.0	0.0	0.0	0.0	59.6	44.8
5. Right-of-use assets from leases	173.5	-0.1	40.9	0.2	22.7	0.0	191.8	88.8	-0.7	24.7	15.0	0.0	97.8	94.0	84.7
	987.6	**-0.2**	**146.9**	**6.0**	**43.1**	**0.0**	**1,097.2**	**515.4**	**-0.7**	**81.9**	**33.6**	**0.0**	**563.0**	**534.2**	**472.2**
Total	**1,244.1**	**0.0**	**161.7**	**12.0**	**52.5**	**0.0**	**1,365.3**	**701.4**	**-0.6**	**99.1**	**42.7**	**0.0**	**757.2**	**608.1**	**542.7**

Additions to accumulated depreciation and amortization contain impairment losses on intangible assets of EUR 1.3 million and on property, plant and equipment of EUR 1.2 million.

CARRYING AMOUNTS AND FAIR VALUES

by measurement category in EUR million

Exhibit A3

			Carrying amount pursuant to IFRS 9					
	Measurement category pursuant to IFRS 9	Carrying amount 2023	(Amortized) cost	Fair value through other comprehensive income	Fair value through profit or loss	Carrying amount pursuant to IFRS 16	Other carrying amounts	Fair value 2023
ASSETS								
Other financial assets								
Other equity investments	FVOCI	0.1		0.1				0.1
Trade receivables	AC	354.1	354.1					354.1
Other assets								
Derivatives held for trading	FVTPL	5.2			5.2			5.2
Sundry other	FVOCI/AC/n.a.	52.4	10.3	0.7			41.4	52.4
Cash and cash equivalents	AC	65.6	65.6					65.6
LIABILITIES								
Financial liabilities								
Liabilities to banks	AC	217.3	217.3					210.3
Lease liabilities	n.a.	96.5				96.5		96.5
Trade payables	AC	182.9	182.9					182.9
Other liabilities								
Derivatives held for trading	FVTPL	0.3			0.3			0.3
Sundry other	AC	6.7	6.7					6.7
Of which aggregated by measurement category pursuant to IFRS 9:								
Financial assets at amortized cost (AC) [1]		430.0	430.0					
Financial assets at fair value through profit or loss (FVTPL) [2]		5.2			5.2			
Financial assets at fair value through other comprehensive income (FVOCI) [3]		0.8		0.8				
Financial liabilities at amortized cost (AC) [1]		406.9	406.9					
Financial liabilities at fair value through profit or loss (FVTPL) [2]		0.3			0.3			

[1] Amortized cost.
[2] Fair value through profit and loss.
[3] Fair value through other comprehensive income.

CARRYING AMOUNTS AND FAIR VALUES

by measurement category in EUR million

Exhibit A4

			Carrying amount pursuant to IFRS 9					
	Measurement category pursuant to IFRS 9	Carrying amount 2022	(Amortized) cost	Fair value through other comprehensive income	Fair value through profit or loss	Carrying amount pursuant to IFRS 16	Other carrying amounts	Fair value 2022
ASSETS								
Other financial assets								
Other equity investments	FVOCI	0.1		0.1				0.1
Trade receivables	AC	362.5	362.5					362.5
Other assets								
Derivatives held for trading	FVTPL	5.5			5.5			5.5
Sundry other	FVOCI/AC/n.a.	44.2	8.0	0.7			35.5	44.2
Cash and cash equivalents	AC	63.2	63.2					63.2
LIABILITIES								
Financial liabilities								
Liabilities to banks	AC	146.7	146.7					131.7
Lease liabilities	n.a.	99.3				99.3		99.3
Trade payables	AC	258.0	258.0					258.0
Other liabilities								
Derivatives held for trading	FVTPL	1.3			1.3			1.3
Sundry other	AC	10.4	10.4					10.4
Of which aggregated by measurement category pursuant to IFRS 9:								
Financial assets at amortized cost (AC) [1]		433.7	433.7					
Financial assets at fair value through profit or loss (FVTPL) [2]		5.5			5.5			
Financial assets at fair value through other comprehensive income (FVOCI) [3]		0.8		0.8				
Financial liabilities at amortized cost (AC) [1]		415.1	415.1					
Financial liabilities at fair value through profit or loss (FVTPL) [2]		1.3			1.3			

[1] Amortized cost.
[2] Fair value through profit and loss.
[3] Fair value through other comprehensive income.

LIST OF MAIN SHAREHOLDINGS

as of December 31, 2023

Exhibit A5

Name and registered offices of the entity	Investment	Indirect investment	Consolidation
	(%)	via no.	
Parent company			
SICK AG, Waldkirch, Germany			
I. Shares in affiliates			
1. SICK S.à r.l., Émerainville, France	100.00		
2. SICK (UK) Ltd., St. Albans, United Kingdom	100.00		
3. SICK, Inc., Minneapolis, MN, USA	100.00		
4. SICK B.V., De Bilt, the Netherlands	100.00		
5. SICK AG, Stans, Switzerland	100.00		
6. SICK Pty Ltd., Heidelberg West, VIC, Australia	100.00		
7. SICK A/S, Birkerød, Denmark	100.00		
8. SICK NV/SA, Asse, Belgium	100.00		
9. SICK K.K., Tokyo, Japan	100.00		
10. SICK Optic-Electronic S.A.U., Sant Just Desvern, Spain	100.00		
11. SICK Engineering GmbH, Ottendorf-Okrilla, Germany [1)]	100.00		
12. SICK Oy, Vantaa, Finland	100.00		
13. SICK Pte. Ltd., Singapore, Singapore	100.00		
14. SICK AS, Rud, Norway	100.00		
15. SICK AB, Stockholm, Sweden	100.00		
16. SICK Sp. z o.o., Warsaw, Poland	100.00		
17. SICK Solução em Sensores Ltda., São Paulo, Brazil	100.00		
18. Sick Optic-Electronic Co., Ltd., Hong Kong, China	100.00		
19. SICK S.p.A., Vimodrone (MI), Italy [2)]	100.00		
20. SICK Kft., Kunsziget, Hungary	100.00		
21. SICK GmbH, Wiener Neudorf, Austria	100.00		
22. SICK spol. s r.o., Prague, Czech Republic	100.00		

LIST OF MAIN SHAREHOLDINGS

as of December 31, 2023

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

LIST OF MAIN SHAREHOLDINGS

as of December 31, 2023

Name and registered offices of the entity	Investment	Indirect investment	Consolidation
	(%)	via no.	
48. SICK VSE s.r.o., Prague, Czech Republic	100.00	24.	
49. SICK Product & Competence Center Americas, LLC, Minneapolis, MN, USA	100.00	3.	
50. SICK ATech GmbH, Witten, Germany	100.00		
51. SICK Hellas Ltd., Kifisia, Greece [5]	100.00	24.	
52. Zhejiang SICK Sensor Co. Ltd., Jiaxing, Zhejiang Province, China	100.00		
53. SICK SpA, Santiago de Chile, Chile	100.00	24.	
54. Jiangsu SICK Sensor Co., Ltd., Changzhou, Jiangsu Province, China	100.00		
55. SICK Slovakia s.r.o., Bratislava, Slovakia	100.00		
56. SICK MOBILISIS d.o.o., Varaždin, Croatia	100.00		
57. MOBILISIS d.o.o., Belgrade, Serbia	100.00	56.	N
58. SICK Real Estate GmbH & Co. KG, Waldkirch, Germany	100.00		N
59. SICK Real Estate Management GmbH, Waldkirch, Germany	100.00	58.	N
60. SICK Operations GmbH & Co. KG, Waldkirch, Germany	100.00		N
61. SICK Operations Management GmbH, Waldkirch, Germany	100.00	60.	N
II. Equity investments and other interests			
62. SICK OPTEX Co., Ltd., Kyoto, Japan	50.00		A
63. WABE gGmbH, Waldkirch, Germany	16.67		N

[1] The entities have exercised the exemption provision pursuant to Sec. 264 (3) HGB.
[2] 10 percent of the shares are held by SICK Engineering GmbH, Ottendorf-Okrilla / Germany (No. 11).
[3] 15 percent of the shares are held by SICK AG, Waldkirch / Germany.
[4] 0.5 percent of the shares are held by SICK AG, Waldkirch / Germany.
[5] 1 percent of the shares are held by SICK AG, Waldkirch / Germany.
The entities marked "N" are not included in the consolidated financial statements on grounds of immateriality.
The entities marked "A" are included in the consolidated financial statements at equity.

OTHER INFORMATION

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INDEPENDENT AUDITOR'S REPORT

To SICK AG

OPINIONS

We have audited the consolidated financial statements of SICK AG, Waldkirch, and its subsidiaries (the Group), which comprise the consolidated income statement, and the consolidated statement of comprehensive income for the fiscal year from January 1, 2023, to December 31, 2023, consolidated statement of financial position as of December 31, 2023, consolidated statement of cash flows and consolidated statement of changes in equity for the fiscal year from January 1 to December 31, 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of SICK AG, which is combined with the management report of the SICK AG, for the fiscal year from January 1 to December 31, 2023. In accordance with the German legal requirements, we have not audited the content of the corporate governance declaration pursuant to Sec. 289f (4) HGB ("Handelsgesetzbuch": German Commercial Code) included on the last page of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2023, and of its financial performance for the fiscal year from January 1 to December 31, 2023, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. We do not express an opinion on the content of the corporate governance declaration referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the corporate governance declaration pursuant to Sec. 289f (4) HGB mentioned above.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with (German) law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit."

Freiburg i. Br., March 14, 2024

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Nietzer	Hunn
[German Public Auditor]	[German Public Auditor]

THE SUPERVISORY BOARD

OF SICK AG

Gisela Sick
(Honorary Chairperson)
Member of the Supervisory Board since 2002
Retired

Dr. Robert Bauer
(Chairman)
Former Chairman of the Executive Board of
SICK AG, Waldkirch
Managing Partner of STRAVIN GmbH, Emmendingen
Member of the Supervisory Board since 2022

Thomas Franz *
Senior Vice President Global Supply at
SICK AG, Waldkirch
Member of the Supervisory Board since 2022

Sebastian Glaser
Managing Partner of SICK Holding GmbH, Freiburg
Member of the Supervisory Board since 2017

Norbert Göbelsmann *
Chief Authorized Representative of IG Metall,
Freiburg office
Member of the Supervisory Board since 2022

Thomas Kusterer
Chief Financial Officer of EnBW Energie
Baden-Württemberg AG, Karlsruhe
Member of the Supervisory Board since 2022

Additional Supervisory Board memberships:

- naturenergie hochrhein AG, Rheinfelden,
  Chairman of the Supervisory Board
- Energiedienst Holding AG, Laufenburg (Switzerland),
  President of the Administrative Board

Dr. Matthias Müller *
Former 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 membership:

- RWE Power AG, Essen, Member of the
  Supervisory Board

Prof. Dr.-Ing. Boris Otto
Director of the Fraunhofer Institute for Software and
Systems Engineering ISST, Dortmund
Professor of Industrial Information Management at
TU Dortmund
Member of the Supervisory Board since 2022

Additional Supervisory Board membership:

- CDQ AG, St. Gallen (Switzerland),
  Member of the Administrative Board

Gabriele Pontiggia *
Speaker for Talent Acquisition & Employer Branding at
SICK AG, Waldkirch
Member of the Supervisory Board since 2022

Dorothea Sick-Thies
Founder and sole shareholder
of Protect the Planet gGmbH, Munich
Member of the Supervisory Board since 2022

Additional Supervisory Board membership:

- Chairwoman of the Board of Trustees at the
  Dorothea-Laura-Janina Sick-Umweltstiftung
  foundation, Munich

* Employee representative.

Susanne Tröndle *
(Deputy Chairwoman)
Chairwoman of the Works Council and the Central Works Council of SICK AG, Waldkirch
Chairwoman of the Group Works Council
Member of the Supervisory Board since 2018

Dr. Dipl.-Ing. Eberhard Veit
Managing Director of 4.0-Veit GbR, Göppingen
Member of the Supervisory Board since 2017

Additional Supervisory Board memberships:

- Bizerba SE & Co. KG, Balingen, Chairman of the Supervisory Board
- ebm-papst GmbH & Co. KG, Mulfingen, member of the Advisory Board/member of the Supervisory Board
- Phoenix Contact GmbH & Co. KG, Blomberg Lippe, Chairman of the Advisory Board
- Robert Bosch GmbH, Stuttgart, member of the Supervisory Board
- TÜV Süd AG, Munich, member of the Supervisory Board
- Wagner International, Markdorf and Altstätten (Switzerland), Chairman of the Administrative Board

Thomas Weckopp *
Chairman of the Works Council of SICK Vertriebs-GmbH, Düsseldorf
Member of the Supervisory Board since 2017

* Employee representative.

THE EXECUTIVE BOARD



Dr. Mats Gökstorp
Chairman
Products & Marketing

Dr. Mats Gökstorp has been the Chairman of the Executive Board at SICK AG since October 1, 2021. He is also responsible for the resorts Products and Marketing as well as Legal, Governance and Compliance. He joined the company in 2003 with the acquisition of SICK IVP in Sweden and moved to Germany in 2007, where he became a member of the Management Board. In addition to this, he was responsible for the global sales processes at SICK. He was appointed Director of Sales & Service on May 1, 2013, and has been responsible for the Products and Marketing portfolio since January 1, 2021.

Mats Gökstorp was born in Stockholm, Sweden, in 1965. After studying Computer Science and Engineering both in Sweden and the USA, he received his doctorate in 1995. He joined a small start-up company in 1993, where he worked in several roles from R&D to sales and was the General Manager from 2001 to 2007.



Jan-H. Eberhardt
Finance & IT

Jan-H. Eberhardt is the Executive Board member responsible for Finance & IT, effective October 16, 2023. Before joining the Executive Board of SICK, he held various finance functions at the medical technology company B. Braun for more than 15 years. Most recently, he was Group Vice President of Corporate Accounting & Controlling at B. Braun and a member of the executive management at various subsidiaries.

Jan-H. Eberhardt was born in Kassel in 1980. After training as an industrial clerk, he studied economics at the University of Witten-Herdecke, specializing in corporate finance, corporate strategy, and capital market theory.



Feng Jiao
Sales & Service

Feng Jiao was appointed to the Executive Board with responsibility for the Sales & Service portfolio with effect from January 1, 2021. He joined the company in 2014 and, as Managing Director of SICK China Co., Ltd., was responsible for the Group's sales activities on the Chinese market. At Siemens, from 1994, he was active in leading sales positions in China and Canada. He took over sales management for the Asia-Pacific region at the Data-Linc Group in 2001, before moving to the technology company Harting in 2007 as Director Business Development Greater China.

Feng Jiao was born in Beijing, China, in 1969 and completed his studies in Engineering at the Beijing Institute of Technology in 1992. He has Canadian citizenship.



Ulrike Kahle-Roth
Supply Chain & Fulfillment

Ulrike Kahle-Roth has been the Executive Board member for the Supply Chain & Fulfillment portfolio at SICK AG since December 1, 2022. Back in 2019, she commenced her role as Senior Vice President Customer Fulfillment in the company. Previously, she held a variety of supply chain management positions at The Dow Chemical Company, finishing as Customer Service Director EMEA. She then took over the post of Senior Director Global Supply Chain at A. Schulman Europe GmbH.

Ulrike Kahle-Roth was born in Kehl in 1976. She studied business management and completed a Master of Business Administration (MBA) majoring in international management.



Nicole Kurek
People & Culture

Nicole Kurek has been a member of the Executive Board since July 1, 2022, and is responsible for the People & Culture portfolio. Before taking up her position on the board at SICK, she was the Senior Vice President Talent and Transformation Management at the BMW Group, where she acquired many years of experience in the automotive industry as well as in her role as a HR manager.

Nicole Kurek was born in Saarland in 1974. She studied education, sociology, and social psychology at Saarland University. She received her MBA, majoring in Finance, from FOM in Munich in 2012.



Dr. Niels Syassen
Technology & Digitalization

Since October 1, 2021, Dr. Niels Syassen has been the Executive Board member responsible for the Technology & Digitalization department at SICK AG. He joined the company in 2017 and, starting in 2018, was in charge of innovations in the field of gas and particle analysis solutions as a member of the Executive Board. Prior to that, he held various management positions in product development for sensor technology in the Automotive Electronics division at Bosch and the Safety Technology division at Dräger.

Niels Syassen was born in Düsseldorf in 1977. He studied physics with an emphasis on lasers, optics, and semiconductors at the TU Munich as well as at Imperial College in London. He received his PhD from the Max Planck Institute of Quantum Optics in 2008.

FINANCIAL CALENDAR 2024

April 11	Publication of the 2023 balance sheet ratios
May 17, 5 pm	Annual General Shareholders' Meeting
May 22	Dividend payment

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SICK
Sensor Intelligence.