

NOTE TO ITEM 8 OF THE AGENDA

NOTE TO ITEM 8 OF THE AGENDA (Resolution on the cancellation of the authorisation to issue Stock Option Rights to members of the Management Board and selected executives of the Company and affiliated companies (Stock Option Programme 2021), the granting of a new authorisation to issue Stock Option Rights to members of the Management Board and selected executives of the Company and affiliated companies (Stock Option Programme 2023), resolution on the amendment of Conditional Capital 2021/II to Conditional Capital 2023 to service the Stock Option Programme 2023 and corresponding amendment to the Articles of Association)

It is intended to cancel the authorisation to issue stock options to members of the Management Board and selected executives of the Company and affiliated companies (Share Option Programme 2021) and to create a new authorisation to issue stock options to members of the Management Board and selected executives of the Company and affiliated companies. The new authorisation is intended to enable members of the Management Board of the Company and selected executives of the Company and of companies affiliated with the Company within the meaning of sections 15 et seq. AktG ("**Beneficiaries**") to be granted option rights on shares of the Company ("**Stock Option Programme 2023**"). The objective of the Stock Option Programme 2023 is to provide the Beneficiaries with a targeted incentive by issuing option rights to shares in the Company. The share subscription enables the Beneficiaries to participate in the development of the share price, so that the goals of the management and the interests of the shareholders are aligned even more closely. This gives the Beneficiaries an incentive to increase the value of the company in the long term and in a sustainable manner.

The Management Board is to be authorized by resolution of the Annual General Meeting, with the approval of the Supervisory Board, to grant up to 738,400 subscription rights ("**Stock Option Rights**") to up to 738,400 no-par value bearer shares of the Company under the Stock Option Programme 2023 until the end of November 30, 2025 ("**Authorization Period**"). Only the Supervisory Board is authorized to grant Stock Option Rights to members of the Management Board of the Company.

The total volume of up to 738,400 Stock Option Rights is distributed among the entitled groups of persons as follows:

- a total of up to 426,000 Stock Option Rights to members of the Management Board of the Company; and
- a total of up to 312,400 Stock Option Rights to selected executives of the Company and of companies affiliated with the Company within the meaning of sections 15 et seq. AktG.

The Stock Option Rights are to be covered by new shares from amended conditional capital (new: Conditional Capital 2023). The shareholders of the Company have no statutory subscription rights to the Stock Option Rights.

As part of the long-term variable compensation component for the members of the Management Board of the Company and for the executives of the hGears Group, the Stock Option Programme 2023 is intended to supplement the Stock Option Programme 2021 and the Stock Option Programme 2022 already in place in order to be able to continue to incentivize the Management Board members and executives in a targeted manner by issuing Stock Option Rights.

A maximum of 738,400 new shares can be issued from the conditional capital 2023 (Conditional Capital 2023) still to be newly adopted for the servicing of the Stock Option Programme 2023. The exclusion of subscription rights associated with the Stock Option Programme 2023 is therefore limited to a maximum of 7.1% of the share capital at the time of the resolution. Servicing the stock options with new shares can therefore lead to a maximum dilution of the shareholders' rights of 7.1%. The total nominal amount of the conditional capitals of the Company, including the Conditional Capital 2021/I in the amount of EUR 3,261,600.00 (Clause 4.3 of the Articles of Association) as well as the new Conditional Capital 2023 in the amount of EUR 738,400.00 (Clause 4.4 of the Articles of Association), which will replace the Conditional Capital 2021/II, will amount in total to EUR 4,000,000.00 and will therefore not exceed half of the share capital existing at the time of the resolution on the conditional capital increase.

In overview, the proposed resolution of the Management Board and Supervisory Board for the issue of the Stock Option Rights under the Stock Option Programme 2023 provides for the following:

Subject matter of the Stock Option Rights

Each Stock Option Right granted under the Stock Option Programme 2023 shall entitle the Management Board member, in accordance with the terms and conditions of the Stock Option Programme 2023, to subscribe for one share in the Company representing a pro rata amount of the capital stock of EUR 1.00 from the Conditional Capital 2023 created for this purpose against payment of the Exercise Price.

Issue period for the Stock Option Rights

The Stock Option Rights shall be issued to the Beneficiaries in three Tranches over a period of three years.

In 2023, the granting of the Stock Option Rights of the Tranches 2023 A/B/C shall take place within 20 stock exchange trading days after the entry of the Conditional Capital 2021/II to be amended by the Annual General Meeting into the Conditional Capital 2023 in the Commercial Register. The Stock Option Rights of the Tranches 2024 A/B/C will be issued within four weeks after publication of the annual financial report for the financial year 2023 and of the Tranches 2025 A/B/C within four weeks after publication of the annual financial report for the financial year 2024.

Waiting and term period and Exercise Periods for the Stock Option Rights

The Stock Option Rights granted to the Beneficiaries shall be exercisable at the earliest after the expiry of a Waiting Period of four years from the date of granting of the Stock Option Rights ("**Waiting Period**"). The term of the Stock Option Rights shall commence on the grant date and end 24 months after the end of the Waiting Period. The Exercise Period for the Stock Option Rights will thus be 24 months after the end of the Waiting Period.

Exercise of Stock Option Rights and Exercise Price

The Stock Option Rights may only be exercised during their term and after expiry of the Waiting Period. Exercise is only possible during certain Exercise Periods and provided that the performance target specified below is met.

Upon exercise of the Stock Option Rights, the exercise price set forth below for the respective tranche shall be paid for each share to be subscribed:

Upon exercise of the Stock Option Rights, an exercise price of EUR 6.00 shall be paid for each share to be subscribed for the Tranches 2023 A/B/C.

Upon exercise of the Stock Option Rights, an exercise price of EUR 12.00 shall be paid for each share to be subscribed for the Tranches 2024 A/B/C.

Upon exercise of the Stock Option Rights, an exercise price of EUR 18.00 shall be paid for each share to be subscribed for the Tranches 2025 A/B/C.

In the event of extraordinary, unforeseen developments, the Supervisory Board may limit the Stock Option Rights granted to the members of the Management Board in whole or in part in terms of content or scope.

Exercise Periods

After expiry of the Waiting Period, Stock Option Rights for which the performance target has been achieved may be exercised within the Exercise Periods specified in the authorization granted by the Annual General Meeting and outside any exercise blocking periods until the Stock Option Rights expire.

Performance target

The Stock Option Rights of the respective tranches of the Stock Option Programme 2023 may be exercised after expiry of the Waiting Period if the arithmetic mean of the closing prices of the shares of the Company in Xetra trading (or in a comparable successor system) on the Frankfurt Stock Exchange on 20 trading days prior to December 31 ("**Record Date**") reaches or exceeds the EUR amount ("**Performance Target**") individually determined below for each tranche. For the Tranches 2023 A/B/C the Record Date is December 31, 2023, for the Tranches 2024 A/B/C the Record Date is December 31, 2024 and for the Tranches 2025 A/B/C the Record Date is December 31, 2025.

The following performance targets apply to the 2023 A/B/C tranches:

Tranche	Performance Target in Euro
2023/A	8.00
2023/B	10.00
2023/C	12.00

The following performance targets apply to the 2024 A/B/C tranches:

Tranche	Performance Target in Euro
2024/A	14.00
2024/B	16.00
2024/C	18.00

The following performance targets apply to the 2025 A/B/C tranches:

Tranche	Performance Target in Euro
2025/A	20.00
2025/B	23.00
2025/C	26.00

Limitation in the event of extraordinary developments

The Supervisory Board is entitled to refuse the exercise of Stock Option Rights to the extent that their exercise would lead to disproportionately high compensation for the Beneficiary due to extraordinary, unforeseen developments. The Supervisory Board has sole responsibility for such refusal.

Schramberg, April 2023

hGears AG

The Management Board