

**hGears AG Group: e-Mobility expansion in 2022 despite difficult market environment;
Full Year 2022 results in line with the Management Board's guidance**

FULL-YEAR 2022 HIGHLIGHTS

- Group revenues at EUR 135.3 million, up 0.3% y-o-y
- Gross profit at EUR 69.8 million, with gross margin at 51.6%, down 8.6% y-o-y
- Adjusted EBITDA at EUR 15.3 million with an adjusted EBITDA margin of 11.3%, down 33.2% y-o-y
- e-Mobility expansion continued with full year revenues up 8.3% y-o-y to EUR 51.4 million
- Leading European market share in e-bike precision components maintained with two new e-bike customer wins and key customer contract extension
- Cautious FY 2023 guidance reflects ongoing market uncertainty
- Strong growth targeted in the mid-term, mainly driven by the e-Mobility business area

Schramberg, 30 March 2023 - hGears AG posted Group revenues of EUR 135.3 million and an adjusted EBITDA of EUR 15.3 million in the full year 2022. In a persistently challenging business environment, the Group delivered results in line with Management's guidance. Revenues remained almost unchanged compared with the previous year, with the e-Mobility business area proving its resilience and compensating for weaker demand in the e-Tools business area and relatively flat demand in the Conventional business area.

Sven Arend, CEO of hGears, comments: *"In the context of the unprecedented challenges that our industry is facing, hGears achieved its guidance for the full year 2022. This performance reflects the countermeasures implemented in 2022, the Company's strong market positioning and the long-standing and close customer relationships, as evidenced by the multi-year contract extension with one of our blue-chip customers. In 2022, the Company continued to expand its pipeline and customer base, and the new deals secured in 2022 demonstrate our strategic focus on e-mobility and our ability to capture future growth.*

"As we look towards 2023, we do so cautiously. The current operating environment continues to present challenges, and we will continue to navigate this with an unwavering focus on operational excellence and stringent financial discipline. We exit 2022 on a stronger footing, and we will look to build on this further in 2023 as we embrace a proactive mindset and adopt best practices across the business. Our core strengths remain excellent technical know-how, superior co-developmental expertise and talented people worldwide, and this will be underpinned by supportive and growing end markets. As hGears CEO, I am confident in the Group's future and our ability to bring enduring value to e-drive applications. I look forward to build on the Group's existing foundations as we continue to build a stronger and more resilient hGears and make appropriate investments in our manufacturing capacity for future growth in the e-Mobility business area."

Despite supply chain constraints and unexpected COVID-19 related shut-downs in the first quarter, revenue in e-Mobility increased by 8.3% from EUR 47.5 million in 2021 to EUR 51.4 million in the reporting period, supporting the Company's strategic goal of expanding business activities and increasing hGears' market share in the e-mobility area.

In the e-Tools business area, revenue declined 6.3% year-on-year to EUR 41.4 million in 2022 (previous year: EUR 44.2 million) as the negative economic and geopolitical environment and rising interest rates took their toll on the building and construction sector and consumer confidence. As a result, lower demand for electric tools for craftsmen and gardening caused an inventory build-up on the customer side towards the year-end.

In 2022, hGears benefitted in the Conventional business area from its strategic focus on the premium and luxury segments of the automotive industry. On the back of stable demand in this segment, the Conventional business area generated revenue of EUR 41.1 million in 2022 compared to EUR 41.9 million in the previous year, reflecting a marginal 1.7% decrease.

hGears was able to mitigate inflationary pressures from raw material and consumables costs in 2022 by executing pass-through clauses for raw materials and energy. While this protected the Group to a large extent, the increase in non-transferable costs not covered by the clauses, e.g. tools, supplies, trade goods, outsourced manufacturing, and lower-than-expected contribution from operational leverage, weighed on the Company's profitability. Ongoing efficiency improvements and countermeasures, such as stringent expenditure controls, remain in place to actively tackle persisting cost pressures.

OVERVIEW OF FULL-YEAR 2022 FIGURES

Group figures (in EUR million)	FY 2022	FY 2021	Δ
Revenues	135.3	134.9	+0.3 %
Gross Profit	69.8	76.4	-8.6 %
Gross Profit margin	51.6 %	56.6 %	-500 bps
Adj. EBITDA	15.3	22.9	-33.2 %
Adj. EBITDA margin	11.3 %	17.0 %	-570 bps

Revenues by segment (in EUR million)	FY 2022	FY 2021	
e-Mobility	51.4	47.5	+8.3 %
e-Tools	41.4	44.2	-6.3 %
Conventional	41.1	41.9	-1.7 %

FINANCIAL REVIEW

Group revenues in the full year 2022 increased by 0.3% to EUR 135.3 million (previous year: EUR 134.9 million), in line with the guidance provided in October. The increase in revenue is primarily attributed to existing customers, with the Company securing a multi-year contract extension beyond 2024 with one of its key e-Mobility customers. In addition, the Company secured two new customers in the e-Mobility business area, and good prospects remain for further customer acquisitions in the 2023 fiscal year. However, the overall progression also reflects the impact of COVID-19-related shutdowns in early 2022 and ongoing supply chain constraints during the year, which

affected customers' production. Moreover, temporary overstocking led to some order postponements and cancellations towards year-end.

At EUR 69.8 million, gross profit decreased 8.6% compared to EUR 76.4 million in the prior-year period, reflecting the slower-than-anticipated revenue progression. The gross margin fell to 51.6% (previous year: 56.6%) partially due to the dilutive effect of the pass-through clauses, while higher energy costs and inflation-driven costs not covered by the Group's pass-through clauses had a direct negative impact.

The adjusted EBITDA for the full year 2022 stood at EUR 15.3 million, compared to EUR 22.9 million in the prior-year period reflecting the overall adverse cost environment and yet unrealized operational leverage. As a result, the adjusted EBITDA margin for the full year 2022 was 11.3% (previous year: 17.0%).

hGears balance sheet remains very solid, which is reassuring in the current uncertain economic and geopolitical situation. Despite the adverse trading conditions, the net working capital to revenues ratio remained exactly at the previous year's level of 7.8%. The low net debt of EUR 2.7 million translates into a net debt/adj. EBITDA ratio of 0.2x. Moreover, at year-end, the equity ratio stood at 56.1% (2021 56.7%), while cash and cash equivalents of EUR 36.3 million continue to offer full financial maneuverability (previous year: EUR 47.2 million).

OUTLOOK

Following challenging market conditions in 2022, the macroeconomic environment is expected to remain volatile in 2023. Given these persisting and imponderable market challenges, including high inflation, continuously rising interest rates, slower-than-anticipated resolution of supply-chain constraints, geopolitical risks and high inventory levels amidst ongoing shifts in demand trends, hGears Management Board remains cautious with its outlook.

Our positioning as a supplier of mission-critical components allows us to effectuate pass-on clauses in many of our customer contracts. At the same time, we will continue to compensate for inflationary pressures that are not covered by such clauses by increasing prices. However, price increases and our pass-through clauses will only partially protect profitability in the current uncertain economic environment. Against this background, the Management Board will continue to prioritize its focus on operational excellence, execution and deployment whilst optimizing cost structures further.

For the full year 2023, the Group targets:

- Group revenues of EUR 129 – 137 million
- Adjusted EBITDA of EUR 12 – 15 million
- Negative free cash flow between EUR 6 - 9 million

In the medium term, i.e. in the next two to five years, hGears is targeting strong growth mainly in the e-Mobility business area, albeit from a lower base, and expects Group revenues to reach approximately EUR 180 – 200 million. In line with this growth target, the e-Mobility business area is expected to account for approximately 55% to 60% of the Group's total revenue, in line with the Group's business expansion ambition and strategic focus.

The report for the full year 2022 can be accessed on the Company's website at ir.hgears.com in the "Publications" section.

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About hGears

hGears is a global manufacturer of mission-critical high-precision gears and components with a focus on products for e-mobility applications. The Company's strategic focus is on the e-Mobility business area, where products include gears, shafts, and other mission-critical components to be used in electrical drive applications for e-bikes and electric and hybrid vehicles. In the e-bikes segment, hGears is the European market leader in the supply of high-precision gears and components, and its parts are contained in almost every second e-bike sold in Europe. This puts the Company in a good position to capitalize on the dynamically growing end-markets for e-bikes and electric and hybrid vehicles. hGears has three distinct business areas for which it develops and manufactures high-precision components: e-Mobility, e-Tools, and Conventional (i.e. premium and luxury cars, motorcycles and industrial applications).

hGears combines over 60 years of experience in advanced machined steel metal processing and state-of-the-art powder metal production. It is one of the few companies offering customers both processes worldwide. hGears works together with its customers in a "co-development" role to design components and find technologically optimal solutions to satisfy the customer's specifications. hGears' blue-chip customer base includes several major suppliers (Tier 1) as well as original equipment manufacturers (OEMs). The Company benefits from long, stable and sustainable relationships with its customers and has worked with many key customers for over 15 years.

hGears is headquartered in Schramberg, Germany, and operates globally with production facilities in Schramberg, Germany, Padua, Italy, and Suzhou, China. Find us on the web: www.hgears.com