

## NOTE TO ITEM 9 OF THE AGENDA

**Report of the Management Board on agenda item 9 (Resolution on the granting of a new authorization to issue stock options to members of the Management Board and selected executives of the company and affiliated companies (Stock Option Programme 2024) and the cancellation of the existing authorization to issue stock options (Stock Option Programme 2023), the amendment of the Conditional Capital 2023 to Conditional Capital 2024 to service the Stock Option Programme 2024 and the corresponding amendment to the Articles of Association)**

It is intended to create a new authorization to issue stock options to members of the Management Board and selected executives of the company and affiliated companies ("**Stock Option Programme 2024**") and to cancel the existing authorization to issue stock options ("**Stock Option Programme 2023**").

As part of the Stock Option Programme 2023, the Management Board was authorized, with the approval of the Supervisory Board, to grant up to 738,400 subscription rights (Stock Option Rights) for up to 738,400 no-par value bearer shares in the company until the end of November 30, 2025. Only the Supervisory Board was authorized to grant Stock Option Rights to the members of the company's Management Board.

The performance target set out in the Stock Option Programme 2023 was not achieved for the 212,950 Stock Option Rights issued under the Tranches 2023 A/B/C. In this respect, the Stock Option Rights of the Tranches 2023 A/B/C can no longer be exercised.

The Management Board and the Supervisory Board of the company do not intend to issue any further Stock Option Rights under the Stock Option Programme 2023 for the outstanding Tranches 2024 A/B/C and 2025 A/B/C, as the Management Board and Supervisory Board believe that the regulations on the achievement of performance targets no longer allow the programme participants to be incentivized in a targeted manner due to the performance of the company's share price.

Against this background, the Stock Option Programme 2024, modified with regard to the performance targets and the Exercise Price of the outstanding Stock Option Rights for the financial years 2024 and 2025, is to be proposed to the Annual General Meeting for resolution in order to achieve a targeted incentive for the programme participants. The share subscription enables the beneficiaries to participate in the development of the share price so that the objectives of the management and the interests of the shareholders are even more closely aligned. This gives the beneficiaries an incentive to sustainably increase the company's value in the long term.

The Management Board is authorized, with the approval of the Supervisory Board, to grant up to 525,450 subscription rights ("**Stock Options Rights**") for up to 525,450 no-par value bearer shares in the company until the end of November 30, 2025 ("**Authorization Period**") as part of the Stock Option Programme 2024. Only the Supervisory Board is authorized to grant Stock Option Rights to members of the company's Management Board in accordance with the following provisions.

The total volume of up to 525,450 Stock Option Rights is distributed among the entitled groups of persons ("**Beneficiaries**") as follows:

- A total of up to 284,000 Stock Option Rights to members of the company's Management Board; and
- a total of up to 241,450 Stock Option Rights to selected executives of the company and companies affiliated with the company within the meaning of section 15 et seq. AktG (German Stock Corporation Act).

The Stock Option Rights are to be serviced with new shares from the conditional capital to be amended (Condition Capital 2024). The company's shareholders have no statutory subscription rights to the Stock Option Rights.

A maximum of 525,450 new shares can be issued from the conditional capital (Conditional Capital 2024) still to be created to service the Stock Option Programme 2024. The maximum number of subscription rights associated with the Stock Option Programme 2024 is therefore limited to 5% of the share capital at the time of the resolution. The servicing of the stock options with new shares can therefore lead to a maximum dilution of the shareholders of 5%.

The total nominal amount of the company's conditional capital, including Conditional Capital 2021/I in the amount of EUR 3,261,600.00 (section 4.3 of the Articles of Association) and the new Conditional Capital 2024 in the amount of EUR 525,450.00 (section 4.4 of the Articles of Association), which will replace Conditional Capital 2023, will amount to a total of EUR 3,787,050.00 and will therefore not exceed half of the share capital existing at the time of the resolution on the conditional capital increase.

The proposed resolution of the Management Board and Supervisory Board for the issue of Stock Option Rights as part of the Stock Option Programme 2024 provides for the following overview:

#### *Content of the Stock Option Rights*

Each Stock Option Right granted under the Stock Option Programme 2023 shall entitle the beneficiary to subscribe to one share with a pro rata amount of the share capital of EUR 1.00 from the Contingent Capital 2024 created for this purpose against payment of the Exercise Price in accordance with the conditions of the Stock Option Programme 2024.

#### *Issue period for the Stock Option Rights*

The Stock Option Rights are to be issued to the beneficiaries in two tranches over a period of two years.

In 2024, the Stock Option Rights of the Tranches 2024 A/B/C are to be granted within 20 trading days of the entry of the Conditional Capital 2023 to be amended by the Annual General Meeting into the Conditional Capital 2024 in the commercial register. The Stock option Rights of the Tranches 2025 A/B/C will be issued within four weeks of the publication of the annual financial report for the financial year 2024.

#### *Waiting period, term and exercise periods for the Stock Option Rights*

The Stock Option Rights allocated to the beneficiaries may be exercised at the earliest after a Waiting Period of four years from the date on which the Stock Option Rights are granted ("**Waiting Period**"). The term of the Stock Option Rights begins on the day they are granted and ends 24 months after the end of the Waiting Period. The exercise period for the Stock Option Rights will therefore be 24 months after the end of the Waiting Period.

#### *Exercise of Stock Option Rights and Exercise Price*

The Stock Option Rights can only be exercised during their term and after expiry of the Waiting Period. They may only be exercised during certain exercise periods and be subject to the fulfilment of the performance target specified below.

When exercising the Stock Option Rights, an Exercise Price of EUR 2.78 ("**Exercise Price**") must be paid for each share to be subscribed. The Exercise Price corresponds to the arithmetic mean of the closing prices of the company's shares in Xetra trading (or in a comparable successor system) at the Frankfurt Stock Exchange during the 20 trading days prior to December 31, 2023.

#### *Exercise periods*

After expiry of the Waiting Period, Stock Option Rights for which the performance target has been achieved can be exercised within the exercise periods specified in the authorization of 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 2024 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) at the Frankfurt Stock Exchange during 20 trading days prior to December 31 ("**Record Date**") reaches or exceeds the EUR amount ("**Performance Target**") determined individually below for each tranche. 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 Tranches 2024 A/B/C:

Tranche	Performance Target in Euro
2024/A	EUR 3.78 (equals Exercise Price + EUR 1.00)
2024/B	EUR 4.78 (equals Exercise Price + EUR 2.00)
2024/C	EUR 5.78 (equals Exercise Price + EUR 3.00)

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

Tranche	Performance Target in Euro
2025/A	Reference rate* + EUR 1.00
2025/B	Reference rate + EUR 2.00
2025/C	Reference rate + EUR 3.00

\*In the context of determining the performance target for the Tranches 2025 A/B/C, the reference rate is the EUR amount that corresponds to the arithmetic mean of the closing prices of the company's shares in Xetra trading (or a in comparable successor system) on the Frankfurt Stock Exchange during the 20 trading days prior to December 31, 2024 ("**Reference rate**").

#### *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 remuneration for the beneficiary due to extraordinary, unforeseen developments. The Supervisory Board is exclusively responsible for the rejection.

Schramberg, April 2024

hGears AG

The Management Board