Management Board report on agenda item 8

Report of the Management Board in accordance with section 203 (1) and (2) AktG in conjunction with section 186 (4) sentence 2 AktG on agenda item 8 (Resolution on the cancellation of the existing Authorised Capital 2021 and creation of a new authorised capital with the possibility of excluding shareholders' subscription rights as well as the corresponding amendment of clause 4 of the articles of association):

On agenda item 8 of the Annual General Meeting on 11 June 2025, the Management Board and Supervisory Board propose to cancel the existing Authorised Capital 2021 in the amount of EUR 4,000,000.00 and to resolve on a new authorised capital with the possibility of excluding shareholders' subscription rights (Authorised Capital 2025).

The proposed Authorised Capital 2025 is intended to authorise the Management Board, with the approval of the Supervisory Board, to increase the company's share capital by up to a total of EUR 5,200,000.00 by issuing up to a total of 5,200,000 new bearer shares against cash and/or contributions in kind until 10 June 2030, once or several times. The volume of the new Authorised Capital 2025 thus amounts to 50 % of the company's current share capital. This would provide the Management Board with authorised capital in the amount of the legally permissible maximum volume of 50 % of the company's current share capital.

The Authorised Capital 2025 is intended to enable the company to continue to raise the capital required for the further development of the company in the capital markets by issuing new shares and to quickly and flexibly take advantage of a favourable market environment to meet future financing needs. Since decisions about meeting future capital needs usually have to be made at short notice, it is important that the company is not dependent on the rhythm of annual general meetings or the notice period for an extraordinary general meeting. The legislator has taken these circumstances into account with the instrument of 'authorised capital'.

When utilizing the Authorised Capital 2025 to issue shares against cash contributions, shareholders generally have a subscription right (section 203 (1) sentence 1 in conjunction with section 186 (1) AktG). The issuance of shares with the granting of an indirect subscription right within the meaning of section 186 (5) AktG is not considered an exclusion of subscription rights under the law, as shareholders are ultimately granted the same subscription rights as with a direct subscription. For processing reasons, only one or more credit institutions or one or more companies active under section 53 (1) sentence 1 or section 53b (1) sentence 1 or (7) German Banking Act ("KWG") are involved in the processing.

However, the Management Board should be authorised, with the approval of the Supervisory Board, to exclude the subscription right in certain cases:

1. The Management Board should be authorised, with the approval of the Supervisory Board, to exclude fractional amounts from the shareholders' subscription rights. This is necessary to be able to present a technically feasible subscription ratio and thus facilitate the processing of the shareholders' subscription rights. The shares excluded from the shareholders' subscription rights as free fractions will be utilized in the best possible way. The possible dilution effect is minor due to the limitation to fractional amounts. The Management Board and the Supervisory Board consider the exclusion of the subscription right for these reasons to be objectively justified and appropriate for the shareholders.

2. Furthermore, the Management Board should be able to exclude the subscription right in the case of cash capital increases with the approval of the Supervisory Board in accordance with section 186 (3) sentence 4 AktG, if the issue amount of the new shares does not significantly undercut the stock market price of the already listed shares of the same type and the shares issued under this authorisation to exclude the subscription right do not exceed 10 % of the share capital in total, neither at the time of the authorisation becoming effective nor at the time of its utilization. This legally provided possibility of excluding the subscription right (so-called simplified exclusion of the subscription right) enables the management to quickly and flexibly take advantage of favourable market conditions to meet existing capital needs and to achieve the highest possible inflow of funds through a market-oriented price setting, thereby maximizing the strengthening of the company's equity. The two-week subscription period required when granting a subscription right (section 186 (1) sentence 2 AktG) does not allow for a similarly short-term reaction to current market conditions. Furthermore, due to the volatility of the capital markets, a market-oriented issue price can usually only be set if the company is not bound to it for a longer period. When granting a subscription right, however, the final subscription price must be announced no later than three days before the end of the subscription period (section 186 (2) sentence 2 AktG). Therefore, there is a higher market risk here

– particularly the risk of price changes over several days – than with an allocation without subscription rights. For a successful placement, a corresponding safety discount on the current stock market price is therefore regularly required; this usually leads to non-market-oriented conditions and thus a lower inflow of funds for the company than with a capital increase carried out under exclusion of the subscription right. Also, when granting a subscription right, due to the uncertainty regarding the exercise of the subscription rights by the entitled parties, a complete placement is not readily guaranteed, and a subsequent placement with third parties is usually associated with additional expenses. The proposed authorisation to exclude the subscription right is in the interest of the company and its shareholders for the aforementioned reasons. It also ensures that it is only used if the proportional amount of the share capital of the shares issued based on this authorisation does not exceed 10 % of the share capital in total, neither at the time of granting nor at the time of utilizing the authorisation. Shares of the company issued or sold during the term of this authorisation based on another authorisation in accordance with or corresponding to section 186 (3) sentence 4 AktG under exclusion of the subscription right are to be credited to this limit. Furthermore, shares of the company issued to service bonds with conversion or option rights or to fulfil conversion or option obligations from convertible or option bonds (or combinations of these instruments) issued or still to be issued during the term of this authorisation based on another authorisation in corresponding application of section 186 (3) sentence 4 AktG under exclusion of the subscription right are to be credited. This crediting serves the interest of the shareholders in minimizing the dilution of their participation. Since the issue amount of the new shares must not significantly undercut the stock market price of the share and the authorisation for this form of exclusion of the subscription right has only a limited volume, the interests of the shareholders are adequately safeguarded. They generally have the opportunity to maintain their relative participation by purchasing additional shares on the stock market under comparable conditions. Furthermore, the issuance of the new shares close to the stock market price of the respective type avoids significant economic dilution of the value of the existing shares. The Management Board will keep the discount to the stock market price as low as possible, taking into account the respective situation on the capital market.

3. In the case of capital increases against contributions in kind, the subscription right should be able to be excluded, particularly to offer the new shares of the company for the purpose of the direct or indirect acquisition of companies, parts of companies, participations in companies, or other assets as well as loans and other liabilities.

   Practice shows that the shareholders of attractive acquisition targets sometimes have a strong interest – for example, to maintain a certain influence on the subject of the contribution in kind – in acquiring shares of the company as consideration. The possibility of providing the consideration not exclusively in cash but also in shares or only in shares speaks, from the perspective of an optimal financial structure, to the extent that new shares can be used as acquisition currency, the liquidity of the company is preserved, debt financing is avoided, and the seller(s) participate in future price opportunities. This leads to an improvement in the company's competitive position in acquisitions. The possibility of using the company's shares as acquisition currency thus gives the company the necessary flexibility to quickly and flexibly seize such acquisition opportunities and enables it to acquire even larger units in exchange for shares. It should also be possible to acquire economic goods under certain circumstances in exchange for shares. For both, the subscription right of the shareholders must be able to be excluded. Since such acquisitions often have to be made at short notice, it is important that they are not usually decided by the Annual General Meeting, which only takes place once a year. An authorised capital is needed, which the Management Board can quickly access with the approval of the Supervisory Board.

   The subscription right should also be able to be excluded to bring loans or other liabilities into the company as contributions in kind. From a balance sheet perspective, this is the conversion of debt into equity and thus an improvement of the equity base. The associated improvement in the company's financial structure can be in the company's interest.

4. The subscription right should also be excluded to the extent that the holders of bonds issued by the company or its group companies with option and conversion rights or obligations are granted a subscription right to new shares in accordance with the respective issuance conditions. The conditions of bonds with option and conversion rights or obligations usually provide for dilution protection to facilitate placement on the capital market, ensuring that the holders or creditors of the bonds with option and conversion rights or obligations are granted a subscription right to these shares, as shareholders are entitled to. The beneficiaries are thus put in the same position as if they had exercised their subscription rights and were shareholders. To equip the relevant issuances (bonds with option and conversion rights or obligations) with such dilution protection, the shareholders' subscription right to these shares must be excluded. This serves to facilitate the placement of the issuances or a placement on better terms and thus the interest of the shareholders in an optimal financial structure of their company.

The Management Board will carefully examine in each individual case whether it will make use of the authorisation to increase capital excluding the shareholders' subscription rights. This option will only be used if, in the opinion of the Management Board and the Supervisory Board, it is in the interest of the company and thus its shareholders.

The Management Board will report to the general meeting on any utilization of the Authorised Capital 2025.

Schramberg, April 2025

hGears AG

The Management Board