



ANNUAL REPORT

2025

KEY FIGURES

in EUR million	2025	2024
Revenue	91.8	95.7
Gross profit	42.2	41.9
Gross profit margin in %	45.9	43.8
Adjusted EBITDA	1.6	0.5
Adjusted EBITDA margin in %	1.7	0.5
EBIT	-25.7	-15.4
Net result	-27.8	-21.2
Net return on revenues in %	-30.3	-22.1
Free cash flow	-3.3	-3.2
Net financial position	-18.5	-9.4
Net debt / adj. EBITDA	11.7×	18.7×

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WHO WE ARE

LEADING SUPPLIER OF HIGH-PRECISION GEARS AND COMPONENTS

hGears develops and manufactures high-precision gears and components with a strong focus on e-mobility and e-drive applications. The legacy of the Company dates back to 1958, which means that the group combines more than 65 years of experience and unique expertise in machined metal processing and state-of-the-art sinter process production. With its three production sites in Schramberg (Germany), Padova (Italy) and Suzhou (China), hGears is one of few companies able to offer both metal processing technologies worldwide.

FOCUS ON E-MOBILITY

The group is a globally leading manufacturer of best-in-class precision gears and components for e-mobility applications, especially e-bikes. hGears is constantly increasing its weight in this global business by providing agile and distinctive co-development engineering services. This enables new customers to introduce their products faster into the market while at the same time allowing existing customers to expand their product offering. This drives hGears' profitable organic growth.

SUSTAINABLE LEADERSHIP DRIVEN BY STRONG RESEARCH & DEVELOPMENT

The backbone of the group's growth are the strong research and development (R&D) capabilities paired with unique co-development expertise. Meanwhile, hGears benefits of the extensive production technology know-how that has grown over decades, enabling the group to meet even the highest requirements in terms of noise, weight and torque. As a result, hGears is a quality leader in all business areas it operates in and continues to be a first mover in e-mobility where it seeks to expand its important role as a prime supplier. Thereby, hGears was able to establish itself as a supplier of mission critical components for high-end products.

WORKING IN TANDEM WITH THE CUSTOMERS

Due to the high specification of the products, hGears always works closely with its customers in a co-developer role to adapt the product design to the requirements and optimize the manufacturing process in terms of quality and cost. hGears continues enhancing and expanding its co-development capability as this is one key differentiator for winning new projects, above all in the e-mobility industry. Furthermore, the process also deepens the long-lasting relationships with existing customers.



THE FISCAL YEAR 2025 AT A GLANCE



EUR 91.8 M

Revenue
FY 2025



EUR 1.6 M

Adj. EBITDA
FY 2025



31.9%

Equity ratio

e-Bike
11%



e-Tools
38%

Sales
FY 2025

[e]-Mobility
51%



Leading supplier
for e-bike
precision
components



EUR 8.7 M

Cash and
Cash Equivalents



×3

Production sites
in Germany, Italy, China



601

Employees

TO OUR SHAREHOLDERS

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LETTER FROM THE MANAGEMENT BOARD

Dear shareholders, ladies and gentlemen,

As in the previous year, the economic environment in 2025 was characterized by a high degree of uncertainty, as geopolitical and economic tensions, volatile conditions, and restraint in key sales markets increased pressure on our business areas and made planning more difficult. In this challenging environment, we were faced with the task of consistently counteracting lower volumes and sales, exploiting efficiency potential, and ensuring operational stability. Despite lower sales, we succeeded in improving adjusted EBITDA in 2025. This was helped by the fact that we brought volumes forward to the first half of the year in a targeted manner and that the structural and efficiency measures implemented are clearly having an effect. Overall, this development confirms that hGears remains capable of acting even in a still challenging environment.

However, the necessary measures also included further reducing the number of employees in 2025 and introducing additional temporary personnel-related cost-cutting measures. We are aware that these decisions place a noticeable burden on our employees and create additional uncertainty. We would therefore like to express our sincere thanks for your flexibility, solidarity, and daily commitment during this challenging phase. Your dedication is helping us to stabilize operations under difficult conditions, and we are confident that together we can get the company back on track and improve its long-term prospects.

In 2025, the environment remained volatile and characterized by political and economic uncertainties. Overall, the global economy developed modestly in 2025 and grew by around 3.3% according to the International Monetary Fund, with emerging markets once again expanding significantly faster than advanced economies.

Supported by solid demand for garden tools, the e-Tools business area nevertheless continued its positive sales performance in the second half of the year. In the [e]-Mobility business area, the structural problems of the Western automotive industry had little impact on us because our focus on the premium and sports segments had a stabilizing effect. In the e-Bike business area, the focus in 2025 remained on reducing excess inventory. Because we had deliberately brought forward volume to the first half of the year in order to realize efficiency potential, business weakened in the second half of the year as expected. Nevertheless, we assume that this business unit has bottomed out.

Overall, the **e-Tools** and **[e]-Mobility** business areas performed well in 2025 and noticeably cushioned the renewed negative development in the **e-Bike** business area but were unable to fully offset it. Revenue fell by 4.1% year-on-year to EUR 91.8 million in 2025, but despite the decline in revenue and the continued lack of operating leverage, adjusted EBITDA rose to EUR 1.6 million (previous year: EUR 0.5 million) thanks to cost savings and targeted countermeasures. Accordingly, the adjusted EBITDA margin increased by 120 basis points to 1.7%. At the end of 2025, the equity ratio remained above the 30% mark at 31.9% (December 2024: 49.4%) and can be considered satisfactory. Cash and cash equivalents amounted to EUR 8.7 million in December 2025 (previous year: EUR 17.1 million).



Sven Arend and Daniel Basok

Sustainability is firmly anchored in hGears' business model, regardless of regulatory changes. The increasing number of information requests from our customers underscores the strategic importance of our approach. To this end, we will introduce new ESG monitoring and control mechanisms in 2026 and consistently align processes and decisions with ESG criteria. This will strengthen our commitment to acting as a responsible corporate citizen.

There were changes to the Supervisory Board in the reporting year. Professor Dr. Volker Stauch stepped down as Chairman at the 2025 Annual General Meeting. The shareholders elected Marco Freiherr von Maltzan as his successor. In addition, Mathias Seidler resigned from his position as a member of the Supervisory Board in December 2025. We would like to thank Professor Volker Stauch and Mathias Seidler for their many years of dedicated service and look forward to continuing to work with Marco Freiherr von Maltzan. Further information can be found in the Supervisory Board report.

Given the challenging market environment, we are particularly satisfied with the operational and financial performance in fiscal year 2025 because we exceeded our forecast for revenue and adjusted EBITDA. Thanks to increasingly effective countermeasures, we succeeded in increasing adjusted EBITDA despite declining revenue. Our business model is intact, and we continue to see growth potential in all three business areas. We are well positioned to create sustainable added value from this.

We would like to express our sincere thanks to our employees for their daily commitment and to our shareholders for their trust and support. We would also like to thank our customers and business partners for their continued trust-based cooperation in difficult times and for the reliability with which they have accompanied us throughout the year. We will, of course, continue to keep you regularly informed about important developments and the course of business in the future.

Schramberg, 25 March 2026

Management Board,

Sven Arend, CEO
Chairman of the
Management Board

Daniel Basok, CFO
Member of the
Management Board

SUPERVISORY BOARD



Marco Freiherr von Maltzan
Chairman of the Board



Christophe Hemmerle
Vice-Chairman



Dr. Gabriele Fontane



Christoph Mathias Seidler



Daniel Michael Kartje

REPORT OF THE SUPERVISORY BOARD

In its function as a supervisory body and guided by the principles of responsible and good corporate governance, the Supervisory Board has perceived the duties imposed upon it by law, the Articles of Association and the Rules of Procedure unrestrictedly in the financial year 2025. It regularly and carefully supervised the management of the Management Board and advised it on all matters of importance for the Company. The Management Board informed the Supervisory Board by means of written and oral reports regularly, comprehensively and in a timely manner on essentially all events that were of fundamental importance for the Company, including decisions that do not require the approval of the Supervisory Board. In particular, the Management Board informed the Supervisory Board about important key business figures and regularly or upon request about relevant company processes, especially of planning, business development, strategic development, personnel and succession planning, the risk situation, risk management and compliance. Where the course of business performance deviated from the planning, the Management Board explained these deviations in detail and always involved the Supervisory Board in the coordination of the strategy and the status of the implementation of the strategy within the Company.

As far as the approval of the Supervisory Board was required by law for individual measures of the Management Board and approval has been obtained, the Supervisory Board passed a resolution about this.

The Chairman of the Supervisory Board was also in regular intense personal and telephone contact with the Chairman of the Management Board outside of the Supervisory Board meetings and informed himself about the development of the business situation, significant business transactions and upcoming decisions as well as long-term perspectives and considerations on emerging developments.

In the financial year 2025, no conflicts of interest of Supervisory Board members arose which must be disclosed to the Supervisory Board without delay and about which the General Meeting must be informed.

The Supervisory Board held six meetings in the 2025 financial year, four of which were held in person and one by video conference. In addition, nine resolutions were passed by circulation procedure and two resolutions by telephone. In connection with the fulfilment of their duties, the members of the Supervisory Board had sufficient opportunity in plenary sessions to critically and comprehensively deal with the reports and resolution proposals submitted by the Management Board. They were able to contribute their own suggestions to discussions at any time.

FOCUS OF THE SUPERVISORY BOARD'S DELIBERATIONS

The Supervisory Board meetings in the reporting period regularly focussed on the Management Board's reports on the sales and earnings performance of hGears AG and the Group as well as the financial and earnings position. The Supervisory Board met regularly, sometimes without the Management Board. Items on the agenda concerned either the Management Board itself or internal Supervisory Board matters. The Supervisory Board also dealt intensively with the financial situation of hGears AG and restructuring options.

Subject of the Supervisory Board meeting on 24 March 2025, which was attended by all members of the Company's Supervisory Board, was in particular the presentation of the annual and consolidated financial statements for 2024 and the presentation and discussion of the business development, also on the basis of key figures in the financial year 2024 and in the period up to the end of February 2025 by the Management Board. BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, the auditors elected by the Annual General Meeting on 11 June 2024, audited the financial statements for the financial year 2024 prepared by the Management Board in accordance with the German Commercial Code. The auditor issued an unqualified audit opinion. The consolidated financial statements of hGears AG for the financial year 2024 were prepared in accordance with Section 315e of the German Commercial Code (HGB) on the basis of the International Financial Reporting Standards (IFRS) as applicable in the European Union. The consolidated financial statements also received an unqualified audit opinion from BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg. The Supervisory Board also resolved to propose to the 2025 Annual General Meeting that BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, be appointed as auditors for the 2025 annual financial statements of hGears

AG and the 2025 consolidated financial statements for the hGears Group. The Supervisory Board unanimously approved the agenda for the Company's Annual General Meeting for the financial year 2024 on 11 June 2025.

The financial statement documents and the audit reports for the financial year 2024 were discussed in detail at the Supervisory Board meeting on 24 March 2025. The auditor reported on the key results of its audit. The Chairman of the Audit Committee reported in detail about the audit of the annual and consolidated financial statements at the plenum session. The Supervisory Board has examined the annual and consolidated financial statements and the management report in detail, including the report of the Supervisory Board, the corporate governance statement and the non-financial statement. The Supervisory Board unanimously approved the annual and consolidated financial statements. The financial statements were thus adopted. Furthermore, the Supervisory Board unanimously resolved the STI performance achievement for the financial year 2024 and the STI performance targets for the financial year 2025 for the members of the Management Board as part of the variable Management Board compensation. Furthermore, the Supervisory Board unanimously approved the remuneration report for the financial year 2024 and agreed to the proposal to submit it to the Annual General Meeting. Additionally, the Supervisory Board unanimously approved the Supervisory Board's report for the financial year 2024 and the non-financial statement as well as the corporate governance statement.

On 16 April 2025, the Supervisory Board unanimously passed a resolution by telephone on the establishment of the Stock Option Programme 2024 (Tranches 2025 A/B/C) and the issue of stock option rights to the members of the Management Board under the Stock Option Programme 2024 (Tranches 2025 A/B/C) and approved the Management Board resolutions on the establishment of and the issue of stock options under the Stock Option Programme 2024 (Tranches 2025 A/B/C).

At the Supervisory Board meeting on 10 June 2025, which was attended by all members of the Company's Supervisory Board, the Management Board presented the business results for the current financial year up to April 2025. The Management Board also informed the Supervisory Board about various Group initiatives, particularly in the areas of **Order Book & Projects, Operations, People & Organization** as well as possible refinancing options.

At the Supervisory Board meeting on 24 July 2025, which was attended by all members of the Company's Supervisory Board, the Management Board reported on the business results of the first half of the year and the forecast for the current financial year 2025. The Management Board also informed the Supervisory Board about various Group initiatives, particularly regarding refinancing options for the hGears Group.

At the Supervisory Board meeting on 22 October 2025, which was attended by all members of the Company's Supervisory Board, the Management Board presented the business results to date up to September 2025 and discussed the background to the current revenue and earnings situation of the hGears Group in detail with the Supervisory Board. Measures to improve efficiency were discussed. At this meeting, the Supervisory Board also resolved on the reappointment and contract extension of the Chairman of the Management Board, Mr. Sven Arend. In addition, the establishment of the Stock Option Programme 2026 – 2028 for the members of the Management Board was resolved and an adjustment to the Management Board remuneration system was discussed.

The Supervisory Board unanimously decided in a circular resolution on 25 November 2025 to waive the disclosure of the annual financial statements and the preparation of the management report including the appendix of hGears Schramberg GmbH as well as on the appointment of BDO AG Wirtschaftsprüfungsgesellschaft as auditors of hGears Schramberg GmbH for the financial year 2025.

On 11 December 2025, the Supervisory Board passed a resolution by way of circulation on the approval of the 2025 Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act (AktG).

At the meeting on 11 December 2025, the Management Board presented the 2026 – 2030 business plan to the Supervisory Board. The Supervisory Board discussed with the Management Board the risks and opportunities for the hGears Group, the current business development and the financial metrics for the current financial year.

PARTICIPATION IN SUPERVISORY BOARD MEETINGS

The attendance at meetings of the members of the Supervisory Board in office in the financial year 2025 is disclosed below on an individualised basis.

Member of the Supervisory Board	Number of meetings	Participation in %
Prof. Volker Michael Stauch, until 11 June 2025	2/2	100 %
Marco Freiherr von Maltzan, since 11 June 2025	4/4	100 %
Christophe Hemmerle	6/6	100 %
Christoph Matthias Seidler, until 15 December 2025	6/6	100 %
Dr. Gabriele Fontane	6/6	100 %
Daniel Michael Kartje	6/6	100 %

COMMITTEES

Audit Committee

In order to perform its duties efficiently, the Supervisory Board formed the Audit Committee by resolution on 7 December 2021, which commenced its work on 1 January 2022. Since its formation, the Audit Committee has been composed as follows:

- Christophe Hemmerle (Chair)
- Daniel Kartje
- Marco Freiherr von Maltzan (since 11 June 2025)

The Supervisory Board has not formed any other committees.

Audit Committee Meetings

The Audit Committee held five meetings in the reporting period.

At the meeting of the Audit Committee on 24 March 2025, the financial statement documents and the audit reports for financial year 2024 were discussed in detail. The auditor reported on the key findings of its audit.

In the Audit Committee meeting on 10 June 2025, the Management Board informed the Audit Committee about Governance, Risk and Compliance, in particular risk management, the internal control system and liquidity planning.

At the meeting on 24 July 2025, the Management Board informed the members of the Audit Committee about the current risk situation and the risk management system.

At the meeting on 22 October 2025, the members of the Audit Committee discussed the internal control and risk management system and the governance system with the Management Board.

On 11 December 2025, a meeting of the Audit Committee was held, the subjects of which were to discuss the Risk Aggregation Budget 2026–2030 and the governance system.

Participation in Audit Committee Meetings

The attendance of the Supervisory Board members in office in the financial year 2025 at meetings of the Audit Committee is disclosed below on an individualised basis.

Member of the Supervisory Board	Number of meetings	Participation in %
Christophe Hemmerle	5/5	100 %
Daniel Michael Kartje	5/5	100 %
Marco Freiherr von Maltzan, since 11 June 2025	3/3	100 %

CORPORATE GOVERNANCE

In 2025, the Supervisory Board continuously observed the further development of corporate governance standards in the Company on an ongoing basis. In accordance with Principle 23 of the German Corporate Governance Code, the Management Board and Supervisory Board report on the Company's corporate governance in the Declaration on Corporate Governance, which is published together with the declaration of compliance with the recommendations of the Government Commission on the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act. The Management Board and Supervisory Board of hGears AG issued a declaration of compliance with the recommendations of the Government Commission on the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) on 11 December 2025.

CHANGES IN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

With effect from the end of the Annual General Meeting on 11 June 2025, the Chairman of the Supervisory Board, Prof. Dr. Volker Stauch, resigned from his office. Mr. Marco Freiherr von Maltzan was elected by the Annual General Meeting to the Supervisory Board for the period until the end of the Annual General Meeting that resolves on the discharge of the Supervisory Board for the financial year 2029, and was elected Chairman of the Supervisory Board by the members of the Supervisory Board at the constituting meeting of the Supervisory Board following the Annual General Meeting on 11 June 2025. Furthermore, Mr. Christoph Matthias Seidler resigned from his office as a member of the Supervisory Board effective 15 December 2025.

There were no changes to the composition of the Management Board during the reporting period. Currently, the Company's Management Board consists of Sven Arend (CEO) and Daniel Basok (CFO).

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, audited the annual financial statements of hGears AG and the consolidated financial statements as at 31 December 2025, as well as the management report and the Group management report, and issued an unqualified audit opinion.

The external auditor commissioned by the Supervisory Board to review the content of the separate non-financial statement also issued an unqualified audit opinion. The aforementioned financial statement documents, the auditor's report and the separate non-financial statement were submitted to all members of the Supervisory Board in good time. They were discussed in the meetings of the Audit Committee on 24 March 2026 and in the meeting of the Supervisory Board on 24 March 2026. At all meetings, the auditor reported on the main results of the audit and was available to answer questions and provide additional information.

Following its own examination and discussion of the annual and consolidated financial statements, the management report and the Group management report as well as the separate non-financial statement, the Supervisory Board determined that it had no objections and approved the result of the audit by the auditor and the external auditor. The Supervisory Board approved the annual financial statements and the consolidated financial statements for the financial year 2025 prepared by the Management Board. The annual financial statements are thus adopted.

The Supervisory Board would like to thank the Management Board and all employees for their constant commitment and constructive cooperation in the financial year 2025.

Schramberg, 24 March 2026

Marco Freiherr von Maltzan
Chairman

HGEARS AND CAPITAL MARKETS

Key data hGears stock 2025

Number of shares as of 31 December 2025	10,400,000 shares
Share capital as of 31 December 2025	EUR 10,400,000.00
Share price as of 31 December 2025	EUR 1.60
Market capitalization as of 31 December 2025	EUR 16.6 million
Share price high 2025	EUR 2.26
Share price low 2025	EUR 1.30

Share reference data

ISIN	DE000A3CMGN3
German Securities Identification Number	A3CMGN
Bloomberg Ticker Symbol	HGEA GR
Reuters Ticker Symbol	HGEA.DE
Stock Market Segment	Prime Standard

International stock markets were characterized by increased volatility in 2025. This was once again due to ongoing geopolitical tensions, military conflicts, and increasing uncertainty as a result of economic policy decisions by the US government that were difficult to predict in some cases. Against the backdrop of these negative factors, the stock market environment developed more robustly than expected. European stock markets performed particularly well in the first half of the year, with the DAX achieving above-average performance. In the second half of the year, US stock markets caught up significantly, primarily driven by price increases in the technology sector, which continued to benefit from the ongoing AI boom. At the global level, both AI-related industries and financial stocks recorded price gains following the interest rate cuts. In Europe, announced investments in infrastructure and defense also had a supportive effect and particularly boosted the positive performance of infrastructure and defense stocks.

While the inflation rate in Europe declined steadily over the course of the year, falling from 2.5% at the beginning of the year to 2.0% in December, the ECB's target of 2%, the United States also saw a downward trend in the first quarter before inflation picked up again later in the year. Ultimately, inflation in the US fell by 60 basis points to 2.7% in December, remaining above the target of 2%. Monetary policy played a minor role on European stock markets over the course of the year, with the focus increasingly shifting to economic developments, which were additionally supported by announced investment programs. The monetary policy measures anticipated by the stock markets led to increased political scrutiny and a loss of confidence, which, among other things, resulted in a significant weakening of the US dollar.

In 2025, the German benchmark index DAX recorded solid performance with a gain of 23.0%, while the EURO STOXX 50, which tracks the performance of the most important listed companies in the eurozone, gained 18.3% over the same period, particularly in the second half of the year. In contrast, the SDAX index, which comprises the shares of small and medium-sized German companies, gained 25.3% over the entire period. Despite ongoing challenges in the automotive sector, the DAX sub-index Auto Parts & Equipment also recorded a significant increase of 35.4%.

hGears' share price peaked at EUR 2.26 on 24 October 2025, while the low for the year was EUR 1.30 on 19 December. The closing price on December 31 was EUR 1.60, representing a decline of 5.6% since the beginning of the year. Over the course of 2025, an average of 9,160 shares were traded per trading day (annual average for 2024: 5,569 shares).

As of 31 December 2025

Bank	Target price EUR	Recommendation
ABN Amro – Oddo BHF	1.80	Neutral

Annual General Meeting 2025

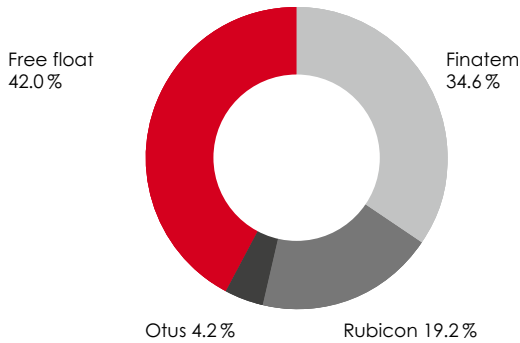
The shareholders of hGears AG approved all items on the agenda at the Annual General Meeting held on 11 June 2025, at the Company’s headquarters in Schramberg. For the first time, the Annual General Meeting was held as an in-person event, in line with the wishes of many shareholders. A total of 71.71 % of the share capital was represented. All proposed resolutions put to the vote were approved by a large majority.

Marco Freiherr von Maltzan was elected to the Supervisory Board with 90.27 % of the votes and appointed to this body until 2030. In the subsequent constituent meeting, Mr. von Maltzan was elected Chairman of the Supervisory Board. His extensive experience and proven expertise as a manager in top international positions make him the ideal Chairman of the Supervisory Board. He succeeds Professor Dr. Volker Stauch, who has resigned from his position for personal reasons. The Management Board, Supervisory Board, and the entire company would like to express their sincere thanks to Professor Stauch for his more than 13 years of service to the company, which he has significantly shaped as Chairman of the Supervisory Board since its IPO.

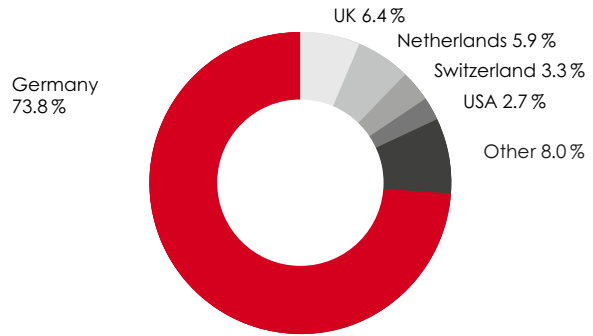
In addition, the Annual General Meeting granted discharge to the Management Board and Supervisory Board with approval rates of 99.99 % and 97.76 %, respectively. The remuneration report was approved with 89.69 % of the votes.

A detailed summary of the individual voting results and the presentation by CEO Sven Arend can be found under “Annual General Meeting” in the “Investor Relations” section of our website (www.hgears.com).

Shareholder structure 31 December 2025



Shareholders by region 31 December 2025



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PRELIMINARY REMARK

The German Corporate Governance Code (GCGC) contains recommendations for disclosures on the internal control and risk management system that go beyond the statutory requirements for the management report and are therefore outside the scope of the audit of the content of the management report performed by the auditor. In this report they are assigned to the content of the corporate governance statement; moreover, they are contained in separate paragraphs to set them apart from the disclosures to be audited and flagged accordingly.

OVERVIEW

In 2025, the global economy developed modestly and grew by around 3.3% according to the International Monetary Fund, with emerging markets once again expanding significantly faster than advanced economies, at 4.4%. The United States recorded solid growth, driven in particular by investment in artificial intelligence, although momentum slowed over the course of the year. In the eurozone, however, growth remained subdued and was held back by weak industrial production. The geopolitical situation remained tense, with the war in Ukraine continuing and repeated tensions in the Middle East. At the same time, trade tensions, particularly between the US, the EU, and China, caused ongoing uncertainty, with the sometimes erratic geopolitical and economic policies of the new US administration playing a key role. Inflation continued to decline overall in advanced economies, with both the ECB and the Federal Reserve lowering their key interest rates.

In Europe, demand for electric garden and DIY tools stayed stable despite muted consumer sentiment, while in the US, tariffs and the resulting price increases acted as a drag. Even so, in this challenging environment the e-Tools business area posted a clear increase in revenue in 2025, mainly thanks to strong demand for garden tools. In 2025, e-mobility in the automotive sector recovered after demand had noticeably weakened the year before. Chinese manufacturers gained market share in Europe with competitive mid-size and compact models. The decline in registrations of internal combustion vehicles continued and accelerated. Even so, the [e]-Mobility business area increased revenue in 2025, mainly thanks to its focus on the premium, sports, and luxury segment. After a solid first half of 2025, demand in the bicycle market cooled in the second half of the year. High inventory levels and cautious consumer sentiment continued to weigh on the market, and there were no real triggers for ramping up production. As a result, the e-Bike business area once again had to absorb sharp volume declines, which put significant pressure on revenue and earnings.

The strategic focus of hGears continues to be on sustainable drive and mobility concepts. The management sees the company as very well positioned to participate in this growth market. With motivated employees and existing capacities, hGears is well equipped to look to the future with confidence.

COMPANY FUNDAMENTALS

Business model

hGears AG and its subsidiaries and second-tier subsidiary ("hGears Group", "Group") manufacture, distribute and sell high-precision turned parts, drive components, gear kits as well as complex system solutions. For this, the Group combines steel machining with powder metal technologies.

The Company develops, manufactures and supplies high-precision components and subsystems as well as complex overall system solutions. The products include gears, sprockets, shafts, structural components, complete transmissions and other mission-critical components used primarily in combustion-free electric or battery-powered applications (e-drive), in areas such as e-bikes, electric and hybrid vehicles (EHV), electric power-tools and gardening equipment. The mission-critical components are essential for the proper functioning of the end product and must meet highest quality requirements.

Within the supply chain, hGears operates as either a Tier 1 or Tier 2 supplier. As a Tier 1 supplier, hGears manufactures and supplies its products directly to original equipment manufacturers ("OEMs"), mainly in the electric power-tools and gardening equipment industries. As a Tier 2 supplier, hGears produces components for manufacturers who in turn develop systems for integration into end products (e. g., for e-bikes and EHV).

Many of hGears' customers are leaders in their own respective industries, and the Company benefits from having long-standing, stable and sustainable relationships with them. Many of hGears key customers have been with the Company for over 20 years.

hGears business activities are divided into three business areas:

e-Bike

The e-Bike business area focuses on the manufacture of high-precision, function-critical components (e.g. crankshafts and gears) for the production of electric drives for e-bikes and micromobility solutions. The business area offers both development and co-development services and uses its simulation capabilities, among other things, to support customers in reducing weight, noise and vibrations.

[e]-Mobility

The [e]-Mobility business area supplies the automotive industry with high-precision and function-critical parts and systems for electric vehicles, hybrid vehicles and vehicles with combustion engines in the premium, sports and luxury segments as well as powersports vehicles. Engineers support the development and co-development processes and help to optimize the systems' noise, vibrations, and durability. hGears meets the highest quality standards and holds all the necessary certifications, which is increasingly proving to be a competitive advantage.

e-Tools

This business area focuses on components used in the drive mechanism of electric power-tools and gardening tools (e-drive). It includes the production of precision components used in the part of the gearbox that connects the electric motor to the actual tool (e.g., cutting and trimming tools). The business area also manufactures gearboxes for various industrial applications, such as roller shutters and systems for heating, ventilation and air conditioning.

Share Capital

The Company successfully completed its IPO in 2021. Since 21 May 2021, hGears shares have been listed in the Prime Standard of the Regulated Market of the Frankfurt Stock Exchange. There were 2,400,000 new shares and 8,000,000 old shares admitted to trading on the regulated market, amounting to a total of 10,400,000 no-par value ordinary bearer shares. Each share has a notional amount in the share capital of EUR 1.00, is granted one vote at the Annual General Meeting, and is fully entitled to dividends, should a dividend be paid.

Group strategy

The Company's objective is to become one of the world's leading manufacturers of premium precision transmission parts and components for e-mobility applications.

Strong profitable growth through a focus on e-mobility applications

In the emerging e-mobility sector, high-precision components are crucial for the development and optimization of e-drive applications. With hGears' focus on high-quality precision components, this results in market potential.

Decades of industry experience, initially gained in the e-Tools business area, have enabled hGears to develop the competence and know-how to meet the high requirements demanded by these applications for precision transmission parts and components that must withstand high torques, be lightweight, and minimize noise and wear and tear as much as possible. To meet these demands, the Company utilizes the latest technological processes with the highest quality standards in manufacturing.

hGears is currently focusing on further profitable, organic expansion in related business activities and increasing its market share in e-mobility applications. In Europe, the Company is already a leading supplier of high-precision gearboxes and components for e-bikes.

hGears' organic growth strategy remains focused on expanding its customer base. This includes expanding the range of products and solutions for new and existing customers in the [e]-Mobility and e-Tools business areas. By taking this approach, hGears can benefit from the continuing demand for e-bikes and the future

trend of micromobility. As part of the current technical evolution, e-motors and transmissions are being combined to form an integral system. hGears has been able to establish itself as a preferred partner for such systems in this area based on its long-standing experience in the production of high-precision parts. In the past years, hGears succeeded in concluding several prototyping agreements and is constantly in talks with both existing and new customers to embark on further development projects.

To enable further growth, hGears has made investments in recent years and is very well equipped for a recovery in demand.

Co-development

To optimally tailor its offering to customer needs and further strengthen business relationships, hGears is extensively and meaningfully involved in its customers' development process. The Company works with customers in a "co-development" role to design components and find technically optimal solutions that meet the customer's specifications. hGears provides it based on its long-standing experience, precise knowledge of the applicable standards and use of state-of-the-art calculation tools.

Co-development is particularly important for manufacturers of e-bikes and electric and hybrid vehicles, as mission-critical requirements are typically accompanied by higher quality and precision demands and often require customized solutions. Co-development is also a key differentiator for winning projects in newer markets such as e-mobility and is readily embraced by most customers.

Research and development

hGears has over 65 years of experience in advanced machined steel processing and state-of-the-art sintered metal production. Its research and development programs are primarily focused on testing, validating, and integrating new alloys, advanced simulation models, and innovative production processes into the Company's production processes and business model.

By focusing specifically on innovations for e-mobility solutions combined with continuous quality and cost improvements, hGears firmly believes that its research and development capabilities and combined expertise are key differentiators and the main reasons for its leading market position. Examples in this area are hGears' ability to design for NVH (Noise, Vibration, Harshness) and lightness and efficiency, combined with its expertise in simultaneous engineering.

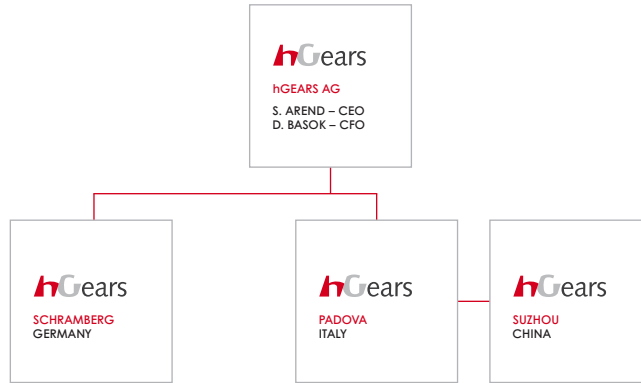
hGears major strength in engineering is its multinational technical teams. They consist of experienced engineers covering all phases of research and development – from advanced design to application and process engineering. These capabilities are an important strategic asset for the Company's further growth. In providing co-development expertise, hGears engineers also work closely together with customers. The added value related to these activities also supports our pricing efforts.

As of 31 December 2025, hGears employed around 32 employees in the engineering departments (prior year: 35 employees).

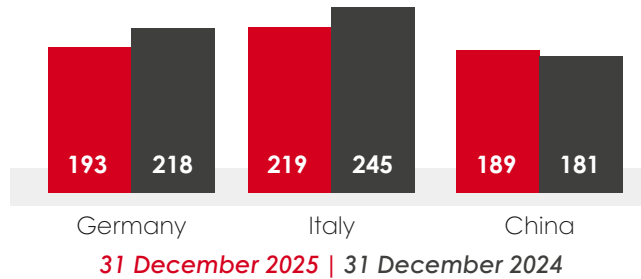
The Company is leveraging the Process and Application Engineering expertise in e-drives to increase their range and performance and reduce costs at the same time.

Locations and employees

hGears is headquartered in Schramberg/Germany and operates globally with production facilities in Schramberg/Germany, Padua/Italy, and Suzhou/China.



As of 31 December 2025, hGears employed 601 full-time employees, excluding members of the Management Board (prior year: 644 employees). The employees were distributed across the various sites as follows:



Of these employees, 506 work as factory workers and 95 as administrators and managers.

Management system and performance indicators

Despite the Company's voluntary disclosure of revenue figures for the three business areas, hGears is a single-segment company. Information on segment reporting can be found in [Note 3.10 Segment Reporting](#) contained in the notes to the consolidated financial statements.

hGears manages its business activities using selected financial performance indicators that are continuously monitored and integrated into the monthly reporting to the Management Board. The key performance indicators used by hGears' management to measure the success of its operations are revenues, adjusted EBITDA (adjusted earnings before interest, taxes, depreciation and amortization) and free cash flow.

Sales and marketing

hGears' customers select their suppliers by first reviewing the supplier's technical capabilities within the scope of a bidding phase. The number of potential suppliers per component is typically limited to two or three, as manufacturers require very specific production and technical capabilities. With increasing product complexity and customization, purchasing decisions are shifting to the engineering departments of OEMs and Tier 1 suppliers and away from procurement departments. This extends the time frame for the selection process, e. g., qualification processes in the automotive industry can take up to five years.

Key performance indicators for the hGears Group

Non-financial performance indicators

As part of non-financial reporting, non-financial performance indicators are regularly collected and taken into account as performance indicators. Training hours, days lost due to accidents at work (LTAR) and the

sickness absence rate are recorded and monitored in order to assess employee matters. Energy consumption in relation to hours worked and the recycling rate are also recorded. We currently consider LTAR, energy consumption per working hour and the recycling rate to be the most important indicators.

The Lost Time Accident Rate (LTAR) indicates the number of accidents at work with lost time for the current year, based on 1 million working hours. It serves as a key figure for evaluating occupational safety and enables the comparison of accident frequencies within a company or between different organizations. The Lost Time Accident Rate (LTAR) amounted to 3.6 in 2025 (previous year: 4.1) and was therefore better than our forecast of 4.0.

We record energy consumption in kWh in relation to the number of hours worked by the entire workforce, including temporary workers and trainees. Energy consumption per working hour amounted to 26 kWh in 2025 (previous year: 24 kWh), thus meeting our forecast of 26 kWh.

The recycling rate expresses the proportion of recycled materials in relation to the total volume of waste. The recycling rate amounted to 81 % in 2025 (previous year: 85 %) and, due to a product mix effect, was below the forecast of 84 %.

	2025	2024
Lost Time Accident Rate (LTAR)	3.6	4.1
Energy consumption per working hour	26 kWh	24 kWh
Recycling rate	81 %	85 %

In the reporting year, all three plants were certified to ISO 14001, ISO 45001, and IATF 16949. In addition, there are TISAX certifications in Germany and Italy, as well as ISO 50001 certification in Germany. Implementing and maintaining these certified management systems is part of our systematic approach to managing key ESG topics.

Detailed information and facts on the sustainability criteria can be found in the sustainability report, which forms an integral part of this report and is available on our website (<https://hgears.com/company/corporate-culture/corporate-responsibility/>).

Financial performance indicators

Revenues, adjusted EBITDA and free cash flow are key performance indicators that the Management Board considers to be of particular importance for the internal management of the Company.

Revenues comprises the sales of goods and other revenues.

Adjusted EBITDA represents earnings before interest, taxes, depreciation, amortization and management adjustments (for non-recurring items). Non-recurring items include, in particular, one-off project costs as well as personnel and severance costs.

Free cash flow comprises cash flow from operating activities and cash flow from investing activities plus interest paid, minus interest received.

kEUR	2025	2024
Revenues	91,820	95,712
adjusted EBITDA	1,581	500
Free cash flow	-3,319	-3,198

Comparison of actual results vs. forecast

As described in the overview at the beginning of the management report, global economic growth in 2025 fell short of the prior years.

In 2025, sales of electric garden and DIY tools in Europe remained largely stable despite muted consumer sentiment, while tariffs and higher prices acted as a drag in the US. Even so, the e-Tools business area increased revenue thanks to strong demand for parts for garden tools. In the automotive market, e-mobility gained momentum, while Chinese providers expanded their market share in Europe in the mid-size and compact segments. At the same time, the decline in internal combustion vehicles accelerated. The [e]-Mobility business area nevertheless increased revenue thanks to its focus on the premium, sports, and luxury segments. Still-high inventory levels and weak consumer demand in the bicycle industry weighed on production. The resulting volume declines in the e-Bike business area put significant pressure on revenue and earnings.

In the context of an ad hoc disclosure of inside information pursuant to Article 17 of Regulation (EU) No. 596/2014 dated 23 October 2025, the Management Board of hGears announced that the Group's total revenue for full-year 2025 would be in the range of EUR 87–90 million (prior year: EUR 95.7 million, previous forecast: EUR 80–90 million). In 2025, hGears generated revenue of EUR 91.8 million, thereby exceeding the revised forecast range. Thanks to the structural and efficiency measures implemented, and despite lower volumes and revenue compared to the prior year, the Management Board also raised the range for adjusted EBITDA to between minus EUR 1 million and plus EUR 1 million (prior year: EUR 0.5 million, previous forecast: EUR minus 4 million to minus EUR 1 million). Adjusted EBITDA of EUR 1.6 million achieved in 2025 was therefore better than the upgraded forecast. An accounting-related reclassification of EUR 2.1 million from investing activities to financing activities affected the free cashflow of the hGears Group. The background is that the originally planned lease financing of an investment was replaced by an acquisition of the asset, with a corresponding loan being taken out. While this resulted in a cash outflow in investing activities, an inflow of the same amount was recognized from the increase in financial liabilities. The chosen form of financing has no impact on the year-end liquidity position or future cash flows. As a result, free cashflow in 2025 amounted to minus EUR 3.3 million and was therefore below the forecast of between minus EUR 2 million and EUR 0 million as revised on 23 October 2025 (prior year: EUR –3.2 million, previous forecast: EUR minus 6 million to minus EUR 2 million).

Overall assessment of the business development

In 2025, sales of electric garden and craft tools in Europe remained stable despite cautious consumer sentiment, while tariffs and the resulting price increases dampened demand in the US. Even so, the e-Tools business area recorded a significant increase in revenue, supported by continued strong demand for garden tools. In the automotive market, e-mobility regained momentum after the segment had been noticeably weaker in the prior year. At the same time, Chinese manufacturers strengthened their position in Europe with competitive mid-size and compact models, while the decline in gasoline and diesel cars continued and even accelerated. Nevertheless, [e]-Mobility increased revenue, especially thanks to its focus on the premium, sports, and luxury segment. The bicycle market lost momentum in the second half of the year. With inventory levels still high, bicycle production appears to have declined again in 2025, meaning the e-Bike business area had to absorb significant volume declines, with an impact on revenue and earnings.

The hGears Group generated revenue of EUR 91.8 million in 2025. The diversified business portfolio had a stabilizing effect. Extensive structural measures and consistent cost savings offset the negative impact of lower volumes on operating leverage and contributed to improved profitability (EUR +3.8 million EBITDA versus the prior year).

Non-financial report

Sustainability and sustainable action are integral and fundamental components of hGears' philosophy and corporate strategy. We not only pay attention to the sustainability of our own operations, but also contribute to products and innovations that themselves make a valuable contribution to ESG issues. We are integrating parts of our separate non-financial Group report (CSR Report) into the hGears 2025 Annual Report, in accordance with section 315b (3) of the German Commercial Code (HGB). The report is also available on the hGears website (<https://hgears.com/company/corporate-culture/corporate-responsibility/>).

ANNUAL REPORT

Economic environment

The global economy developed at a moderate pace in 2025 overall, lagging behind earlier growth phases, but more or less stabilising at the prior-year level. The US economy expanded at a solid rate, driven by AI investments, although momentum eased slightly in the second half of the year. In the euro area, growth remained subdued and was shaped in particular by weak industrial production. Emerging markets showed a mixed picture: while some Asian economies benefited from stable domestic demand and rising investment, other regions continued to be weighed down by structural challenges and geopolitical risks. According to estimates by the International Monetary Fund (IMF update, January 2026¹), global output increased by around 3.3% in 2025, with emerging markets growing by 4.4%, still clearly above the level of advanced economies.

The geopolitical situation remained tense in 2025. Russia's war against Ukraine continued into its fourth year and remains a key source of uncertainty for Europe. In the Middle East, regional tensions flared up repeatedly, but the conflict did not escalate into a broader regional war. Overall, the global security situation therefore remained fragile. On the trade policy front, protectionist trends continued to be in focus. In particular, relations between the US, the European Union, and China were shaped by ongoing trade disputes, including in strategic industries and future technologies. The newly elected US president taking office at the beginning of 2025 led to a partial realignment of economic and trade policy priorities. In particular, the tariff policy of the new US administration, erratic in some respects, caused irritation and uncertainty, and the resulting negative effects are expected to become more apparent over time.

In 2025, the downward trend in inflation in the advanced economies continued overall, although the pace slowed over the course of the year. In the eurozone, the inflation rate reached the ECB's target value of 2.0% in December and was thus below the previous year's level of 2.4%². In the USA, a moderate easing was also initially evident before the inflation rate edged up slightly again in the second half of the year and stood at 2.7% at the end of 2025, after 3.0% in January 2025, and thus remained above the Federal Reserve's target value of 2%³. Against the backdrop of the overall easing in price developments, both the European Central Bank and the US Federal Reserve implemented further monetary policy easing over the course of the year. In the first half of 2025, the ECB gradually lowered its key interest rate by 100 basis points to 2.0%⁴, while the Federal Reserve reduced the target corridor by around 75 basis points to 3.50–3.75% in the second half of the year⁵.

Sector-specific environment

After a good first half of 2025, which was supported by favorable weather conditions and discount campaigns, the e-bike market in Europe cooled down in the second half of the year. The background to this was a further deterioration in consumer sentiment as a result of ongoing geopolitical and economic uncertainties. A mixed picture emerged in the highly fragmented bicycle trade. While smaller brick-and-mortar dealers in particular continued to struggle with high inventory levels⁶ and subdued demand, larger online providers appear to have recorded rising sales, not least thanks to extensive discount campaigns⁷. Despite in some cases significant price reductions, particularly in the upper price segments, the average selling price in all bicycle categories rose according to the Dutch industry organization RAI Vereniging⁸. Accordingly, the average price for e-bikes in one of the most important European bicycle markets increased by 6% in 2025, while sales volume declined slightly by 4%. Due to the overall subdued sales momentum and the still high inventory levels in the trade, there were no impulses for an expansion of the production of bicycles and bicycle components.

After electromobility had lost significant momentum in 2024 and demand for electric cars had stalled, a noticeable recovery emerged in 2025. Chinese manufacturers in particular were a key driver, offering significantly lower-priced models in the mid-size and, above all, compact segments. BYD increased its sales in the European market by 227.8%, while SAIC Motor recorded growth of 33.9%⁹. This was due, on the one hand, to weak domestic demand in China, which led to heavily subsidized vehicles being exported to Europe in greater numbers. On the other hand, many Western manufacturers had aligned their strategies

1 <https://www.imf.org/-/media/files/publications/weo/2026/january/english/text.pdf>

2 <https://tradingeconomics.com/euro-area/inflation-cpi>

3 https://ycharts.com/indicators/us_inflation_rate

4 <https://www.bundesbank.de/resource/blob/607806/fa0e277ab1a0f69bfe8701920f317ac8/472B63F073F071307366337C94F8C870/s510ttezbzins-data.pdf>

5 <https://www.forbes.com/advisor/investing/fed-funds-rate-history/>

6 <https://www.sozbike.de/wissen/premium/umsatz-ertragsdelle-2025-free/>

7 <https://ir.bike24.com/news/news-detail/f957dc66-65e9-4467-8150-c2c37cc2d9bd>

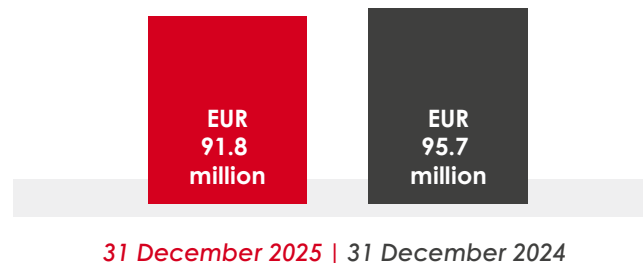
8 <https://ridersguide.nl/fiets-awards-en-markt-2025-verkoop-omzet-e-bikes/>

toward higher-margin premium segments, meaning that the volume segment in the mid-size and especially compact classes had received comparatively little attention in recent years and competitive models were available only to a limited extent. According to the European Automobile Manufacturers' Association ACEA⁹, new registrations in the European Union remained largely stable in 2025, rising by 1.8 % (previous year: 0.8 %). However, the individual powertrain types developed very differently⁹. After a weak phase in the previous year, battery electric vehicles (BEV) and plug-in hybrids (PHEV) in particular recorded strong growth of 29.9 % and 33.4 %, respectively, while hybrid vehicles (HEV) again posted solid growth of 13.7 %. Overall, registrations of electrified powertrains increased by 20.7 % and, with a share of 61.3 %, for the first time accounted for a clear majority of total registrations. By contrast, new registrations of diesel vehicles declined by 24.2 % and those of gasoline vehicles by 18.7 %, reducing the share of conventional internal combustion engines to 38.7 % (2024: 48.3 %). This suggests that some consumers are increasingly anticipating the European Union's long-term regulatory objective regarding the planned phase-out of the internal combustion engine, although the political design of this objective was recently the subject of intensive discussion.

BUSINESS PERFORMANCE

Income Situation

Revenue and total output



In the full year 2025, the hGears Group generated revenue of EUR 91.8 million, representing a decline of 4.1 % compared with the previous year (previous year: EUR 95.7 million). The decline in revenue is attributable to once again lower volumes in the e-Bike business area, while the [e]-Mobility and e-Tools business areas were able to record growth.

The e-Tools business area was able to increase revenue by 7.0 % to EUR 34.8 million compared with the previous year, primarily thanks to good demand for parts for garden equipment (previous year: EUR 32.5 million).

Despite the structural problems of the Western automotive industry and further delays in project ramp-ups, the [e]-Mobility business area was able to increase revenue by 5.9 % to EUR 46.8 million, not least thanks to its focus on the premium and sports segments (previous year: EUR 44.2 million).

Contrary to expectations, the e-Bike business area once again suffered in 2025 from high inventory levels along the entire value chain amid stagnant end-user demand; production across the bicycle industry subsequently declined, and the e-Bike business area also had to accept a revenue decrease of 46.7 % to EUR 9.8 million (previous year: EUR 18.5 million).

The change in inventories amounted to EUR –1.3 million in fiscal year 2025 (previous year: EUR –3.7 million). The continued reduction in inventories reflects the adjustment of inventory assets to the lower revenue level.

Expenses

The cost of materials declined by 3.3 % from EUR 50.1 million in the previous year to EUR 48.5 million in 2025; while raw material costs increased slightly by 1.3 %, expenses for operating and auxiliary materials as well as tools decreased significantly by 15.9 %. In order to avoid stop-and-go costs caused by irregular customer call-offs, production volumes were brought forward into the first half of the year, particularly in the e-Bike business

⁹ https://www.acea.auto/files/Press_release_car_registrations_December_2025.pdf

area, which had a primarily positive effect on energy consumption. Nevertheless, the ratio of raw materials, auxiliary materials and operating supplies deteriorated marginally due to a higher share of assembled parts and an overall less favorable product mix.

Gross profit, defined as total output less the cost of materials, increased slightly from EUR 41.9 million in 2024 to EUR 42.1 million in 2025 despite a 4.1 % decline in revenue and a less favorable product mix. Gross margin (gross profit as a percentage of revenue) consequently increased by 200 basis points from 43.8 % in the previous year to 45.8 %.

Personnel expenses amounted to EUR 31.9 million in 2025 (previous year: EUR 35.7 million), corresponding to a personnel expense ratio of 34.7 % of revenue (previous year: 37.3 %). Thanks to personnel measures, including the reduction of 43 full-time equivalents, hGears was once again able to reduce personnel costs compared with the previous year by EUR 3.9 million, equivalent to a decline of 10.8 %. The staff adjustments largely offset the negative effect of volume reductions.

Other operating expenses and income (OPEX excluding impairments on financial assets under IFRS 9) amounted to EUR –10.3 million in 2025 and were therefore slightly higher than in the previous year. The ratio was also higher at 11.2 % due in part to lower revenue (previous year: 10.6 %). Government grants amounted to EUR 0.3 million in 2025 (previous year: EUR 0.5 million).

Adjusted EBITDA at Group level amounted to EUR 1.6 million in fiscal year 2025 (previous year: EUR 0.5 million). The adjusted EBITDA margin reached 1.7 % after 0.5 % in the previous year. The adjustments include extraordinary personnel costs (e. g. severance costs and related consulting and legal costs) in the amount of EUR 1.1 million (previous year: EUR 2.1 million). Additional consulting and project costs amounted to EUR 0.4 million (previous year: EUR 1.8 million, including for refinancing). For further information, please refer to [Section 3.10 Segment Reporting](#) in the notes to the consolidated financial statements.

The hGears Group generated unadjusted EBITDA of EUR 0.0 million in 2025 (previous year: EUR –3.9 million), thus exceeding the previous year's level. The unadjusted EBITDA margin improved from –3.9 % to 0.0 %. This was primarily due to the cost-saving measures and efficiency improvements implemented by the Management Board, which more than offset the missing revenue. Overall, savings of EUR 3.7 million were achieved in personnel costs and OPEX.

Depreciation, amortization and impairments amounted to EUR 25.7 million in 2025 (previous year: EUR 11.5 million), of which impairment expense amounted to EUR 13.9 million (previous year: EUR 0 million).

Group EBIT amounted to EUR –25.7 million in 2025 and thus deteriorated by EUR 10.3 million compared with the figure of EUR –15.4 million in the previous year. Excluding the impairment, EBIT in 2025 would have improved by EUR 3.7 million to EUR –11.7 million.

Meanwhile, net finance result improved slightly by EUR 0.1 million from EUR –2.6 million in 2024 to EUR –2.5 million in 2025.

Due to the weaker EBIT, Group EBT also declined from EUR –18.0 million in 2024 to EUR –28.1 million in 2025.

After tax expense of EUR 3.2 million in 2024, hGears received a tax refund of EUR 0.3 million in 2025.

Consequently, net result for the period deteriorated to EUR –27.8 million in 2025 (previous year: EUR –21.2 million). Excluding the impairment, net result in 2025 would have improved to EUR –13.8 million.

Net assets

The Company's total assets decreased over the course of 2025 from EUR 107.0 million to EUR 76.3 million.

Non-current assets amounted to EUR 42.7 million at the end of 2025 and were therefore 31.6 % lower than at the end of fiscal year 2024 (EUR 62.4 million). The main reasons for the decline were depreciation of property, plant and equipment of EUR 11.7 million and an impairment in the amount of EUR 13.9 million.

Current assets decreased by 24.7 % to EUR 33.6 million as of the reporting date at the end of 2025 compared with EUR 44.6 million in December 2024. Inventories were reduced further in order to actively manage net working capital; in December 2025, inventories stood at EUR 14.0 million, compared with EUR 16.6 million in the previous year. At -16.0 %, the decline was therefore proportionately stronger than the revenue decline of -4.1 %. Trade receivables in December 2025, at EUR 8.0 million, were slightly above the 2024 figure of EUR 7.6 million. Cash and cash equivalents, by contrast, declined and stood at EUR 8.7 million at year-end (previous year: EUR 17.1 million).

Management kept net working capital at a low level in 2025 at EUR 7.7 million. At 8.5 % of revenue, the ratio is at the lower end of the target range of 8–10 %. Compared with the previous year (EUR 7.2 million), however, net working capital increased slightly.

hGears' equity decreased compared with the previous year due to the negative annual result and amounted to EUR 24.4 million in 2025 (previous year: EUR 52.9 million). As a result, the equity ratio declined from 49.4 % in the previous year to 31.9 % at year-end 2025. However, an equity ratio of around 30 % still represents a good level.

Due to the newly concluded financing, non-current liabilities remained largely unchanged at EUR 17.4 million compared with the previous year's figure of EUR 16.8 million. Current liabilities, at EUR 34.5 million, were below the previous year's figure of EUR 37.4 million, mainly due to lower outstanding amounts owed to suppliers.

Financial position

On 27 March 2024, hGears signed a financing agreement with a lender for financing in the amount of EUR 15 million with a term of 36 months. The agreement is secured by the pledge of the production facilities of the German plant with a carrying amount of EUR 15.9 million. The agreement had an outstanding amount of EUR 6.0 million, which was due at maturity. In August 2025, an extension of the agreement was signed. The term was extended until August 2029. The extension has an outstanding amount of EUR 4.0 million, which is due at maturity.

In April 2024, hGears signed further financing agreements with two leading European banks in a total amount of EUR 5.0 million (EUR 2.5 million each). With the amendment agreements signed in August 2025, the total volume was reduced to EUR 2.0 million (EUR 1.0 million each). hGears pledged receivables (EUR 2.9 million) and inventories (EUR 7.9 million) of the German plant as collateral for these loan agreements. Based on the amendment agreements, repayment of the financing is due on 31 March 2026.

In October 2024, hGears signed a framework agreement with a leading Italian bank for a total amount of up to EUR 4.0 million, which was reduced to EUR 2.7 million in September 2025. The framework agreement does not require any collateral, has a term of six months and can be drawn, repaid and renewed at any time.

On 13 December 2024, hGears signed a financing agreement with a lender for financing in the amount of EUR 0.5 million with a term of 72 months. The agreement is secured by the pledge of the specific production facility of the German plant with a carrying amount of EUR 1.0 million. In 2025, further financing agreements with the lender were concluded for financing in the amount of EUR 2.2 million with terms ranging from 60 months to 72 months. The agreements are secured by the pledge of the respective facilities of the German plant with a carrying amount of EUR 3.0 million.

In March 2025, a financing agreement for working capital financing in the amount of CNY 10 million was concluded. Further information can be found in [Section 4.8 Financial Liabilities](#) in the notes to the consolidated financial statements.

On 12 August 2025, hGears signed a sell-and-rent-back agreement with a lender for part of the real estate in Schramberg in the amount of EUR 2.5 million. The term of the lease agreement is 120 months.

Cash flow

In fiscal year 2025, hGears recorded cash flow from operating activities of EUR -2.8 million, after EUR -4.8 million in the previous year. The improvement is mainly attributable to the positive contribution from operating business.

In 2025, cash flow from investing activities amounted to EUR –3.0 million, primarily for production facilities, and thus reflects a normalized level of investment after having been historically low at EUR –0.6 million in the previous year due to asset disposals. As a result of the investments made in recent years, the Company is very well positioned with regard to production facilities and therefore has, on the one hand, a generally low investment requirement and, on the other hand, can react easily and quickly in the event of a recovery in demand.

Cash flow from financing activities amounted to EUR –2.3 million in 2025, after this item had amounted to EUR –4.1 million in 2024.

In 2025, hGears recorded net cash flow of EUR –8.1 million after EUR –9.6 million in the previous year, which was attributable in part to the improved operating cash flow.

Cash and cash equivalents amount to a total of EUR 8.7 million (previous year: EUR 17.1 million).

Summary assessment of the Company's economic situation

Despite challenging macroeconomic and geopolitical conditions, which led to volume reductions and irregular material call-offs in 2025, revenue reached EUR 91.8 million and thus came in slightly above the forecast of EUR 87 – 90 million. The Management Board considers the revenue achieved to be solid and satisfactory in light of the market conditions prevailing in 2025. The Management Board places particular emphasis on cost control and safeguarding liquidity. At the same time, operational excellence and the deployment of resources remain top priorities. As soon as the economy, and the bicycle industry in particular, show clear signs of recovery, the Company will return to its strategic growth path.

Principles and objectives of financial management

Default risk

To minimize the default risk, the Group has appropriate collection and receivables management measures in place. Among others, the Group uses non-recourse factoring to anticipate default risks on trade receivables.

Currency risk

Currency risk is largely mitigated, where necessary, through hedging measures.

Unused credit lines

At the end of 2025, hGears had unused credit lines in the amount of EUR 1.7 million.

BUSINESS PERFORMANCE OF HGEARS AG (HOLDING COMPANY)

hGears AG manages the Group's companies as a strategic and operational management holding company. As the central control level, it is responsible for the corporate objectives, the fundamental strategic direction, corporate policy and the organization of the hGears Group.

The result of hGears AG is primarily determined by the investment and financial result as well as by income and expenses associated with the exercise of these holding functions. The business performance of hGears AG is therefore fundamentally determined by the same opportunities and risks and the business performance of the hGears Group. Therefore, the above statements for the hGears Group also apply to hGears AG.

The annual financial statements of hGears AG have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). There have been no changes to the recognition and measurement methods compared to the previous year. As in the previous year, the annual financial statements and the combined management report of hGears AG and the Group for the 2025 financial year will be published in the company register.

Earnings situation

The revenue of hGears AG resulted from services rendered in connection with the exercise of its holding function. These primarily included remuneration for service and administrative activities. Revenue increased by kEUR 249 to kEUR 1,263 compared with the previous year (kEUR 1,014) due to higher group allocations.

Other operating income amounted to kEUR 259 and was therefore kEUR 111 below the previous year's figure (kEUR 370). The decline is mainly attributable to the fact that fewer consulting costs were recharged in 2025.

Personnel expenses increased by kEUR 367 to kEUR 1,519 compared with the previous year (kEUR 1,152) due to higher variable compensation for the Management Board.

Other operating expenses mainly include legal and consulting costs, recruitment costs, travel and entertainment expenses, costs for software maintenance, Group services, insurance, audit costs and Supervisory Board compensation. Due to cost-saving measures, other operating expenses, at kEUR 2,035, were 11.5% below the previous year's figure (kEUR 2,298).

Net finance result amounted to kEUR 1,261 in fiscal year 2025 compared with kEUR 1,987 in the previous year. Net finance result was lower primarily because income from investments as well as interest and similar income from affiliated companies declined.

Expenses from loss transfers in the amount of kEUR 14,735 were 6.6% lower than in the previous year (kEUR 15,773) and relate in full to the control agreement with hGears Schramberg GmbH. Net loss of hGears AG amounted to kEUR 15,525 in fiscal year 2025 (previous year: net loss of kEUR 15,923).

Financial and asset position

Loans to affiliated companies decreased by kEUR 14,000 to kEUR 18,000 compared with the previous year. This item results primarily from the conversion of cash pool receivables into long-term loans in 2024.

Receivables from affiliated companies include trade receivables in the amount of kEUR 303 (previous year: kEUR 686) and interest receivables in the amount of kEUR 0 (previous year: kEUR 517). In addition, the item includes the Group cash pool in the amount of kEUR 2,957 (previous year: liability of kEUR 6,051).

Liabilities to affiliated companies, totaling kEUR 14,874 (previous year: kEUR 22,438), consist primarily of kEUR 14,735 (previous year: kEUR 15,773) relating to the settlement of the loss transfer assumption with hGears Schramberg GmbH and VAT liabilities.

Outlook hGears AG

The performance indicator for hGears AG (holding company) under the German Commercial Code (HGB) is the equity ratio. The equity ratio describes the relationship between a company's equity and its total capital.

As of the reporting date, the equity ratio declined by 2.2 percentage points compared with December 2024 to 58.7 % and thus exceeded the forecast of 45 % for fiscal year 2025 set out in the 2024 management report. The decline is attributable primarily to the assumption of losses of hGears Schramberg GmbH.

We expect hGears AG's equity ratio to remain above 40 % in 2026.

DECLARATION IN ACCORDANCE WITH SECTIONS 289F AND 315D HGB

The Management Board and Supervisory Board report on the corporate governance of the Company in this statement in accordance with Sections 289 f and 315 d German Commercial Code and Principle 23 of the German Corporate Governance Code (Code).

Declaration by the Management Board and the Supervisory Board of hGears AG pursuant to Section 161 of the German Stock Corporation Act (AktG) on the Recommendations of the "Government Commission German Corporate Governance Code"

Management Board and Supervisory Board of hGears declare that since the last declaration of compliance pursuant to section 161 AktG dated 12 December 2024 the recommendations of the "Government Commission on the German Corporate Governance Code", published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette on 27 June 2022, with the exception of the following deviations have been complied with and will be complied with:

- According to **recommendation D.4** of the Code, the Supervisory Board shall form a Nomination Committee composed exclusively of shareholder representatives which nominates suitable candidates to the Supervisory Board for its proposals to the General Shareholders' Meeting. The Supervisory Board does not consider the formation of a nomination committee to be necessary. With a five-member Supervisory Board, efficient discussions and an intensive exchange of views on suitable candidates for the Supervisory Board's election proposals to the General Shareholders' Meeting are also possible in the full Supervisory Board. Furthermore, there is no need for the formation of a nomination committee composed exclusively of shareholder representatives, as the Supervisory Board of hGears AG is not co-determined.
- The remuneration of the Management Board members set forth in the currently applicable service agreements complies with recommendations set forth in Section G. of the Code, except for **recommendation G.3**. According to recommendation G.3 of the Code, in order to assess whether the specific total remuneration of Management Board members is in line with usual levels compared to other enterprises, the Supervisory Board shall determine an appropriate peer group of other third-party entities, and shall disclose the composition of that group. The peer-group comparison shall be applied with a sense of perspective, in order to prevent an automatic upward trend. The Supervisory Board has not determined an appropriate peer group as it is of the opinion that, taking into account the business model and the size of the Company, there are currently no comparable companies who could serve as peers for the purposes of the assessment of management remuneration. However, the Supervisory Board considers the individual compensation of the members of the Management Board to be more than appropriate, particularly in view of the level of management remuneration in other listed companies.

Schramberg, 11 December 2025

hGears AG

The Management Board The Supervisory Board

The latest Declaration of Compliance is available on the hGears AG website at <https://ir.hgears.com/wp-content/uploads/Declaration-of-Conformity-2025-hGears-AG.pdf>

Compensation system and remuneration of the members of the Management Board

The applicable Management Board remuneration system approved by the Annual General Meeting on 13 June 2023, as well as the resolution adopted by the Annual General Meeting on 11 June 2025 pursuant

to Section 113 para. 3 of the German Stock Corporation Act (AktG) on the remuneration of the members of the Supervisory Board are available on the website of hGears AG (at <https://ir.hgears.com/corporate-governance/remuneration-reports/>). In addition, the remuneration report and the auditor's report pursuant to Section 162 of the German Stock Corporation Act (AktG) are also made publicly available on the website of hGears AG (at <https://ir.hgears.com/corporate-governance/remuneration-reports/>).

Constitution of the Company

hGears AG came into existence on 27 April 2021 by way of a change of form of the limited liability company "hGears Holding GmbH", Schramberg (local court of Stuttgart, HRB 737541) pursuant to Sections 190 et seq. of the German Transformation Act (UmwG).

The term "hGears Group" refers to hGears AG and its Group companies. hGears AG is a stock corporation (Aktiengesellschaft) under the German Stock Corporation Act (AktG), registered in Schramberg, Germany. It has three governing bodies: the Management Board, the Supervisory Board, and the General Meeting. Their duties and powers are derived primarily from the Stock Corporation Act (AktG) and the Articles of Association of hGears AG, as well as from the bylaws.

Corporate Governance

hGears employs a two-tier management system in accordance with statutory requirements. The Management Board is responsible for managing the Company and the Supervisory Board for the supervision function. The two bodies are strictly separate and distinct in terms of membership and responsibilities.

The hGears Group is managed and supervised in accordance with high, generally accepted standards. The Company's management principles are firmly established in all its segments and set forth the framework for strategic decisions and business policy measures.

The Management Board and Supervisory Board closely follow ongoing discussions regarding corporate governance and systematically adopt best practices. Our understanding of responsible corporate governance is based on the following principles:

- The Management Board and the Supervisory Board work together in confidence for the benefit of the Company. The Supervisory Board exercises its supervision function efficiently and independently.
- The Company is managed with the interests of the shareholders in mind at all times.
- An appropriate and effective internal control and risk management system is practiced.
- Observing and complying with legal and regulatory requirements as well as internal guidelines is of highest priority.
- Timely and transparent communication, both internal and external, is assured.

Working methods and composition of the Management Board

The Management Board manages the Company on its own responsibility.

As a management body, the Management Board is bound to serve the Company's interests and to increase its value with a view to sustainable performance. The members of the Management Board are jointly responsible for the entire management of the Company and decide on fundamental issues of business policy and corporate strategy as well as on annual and multi-year planning.

The Management Board is responsible for the preparation of the quarterly reports and the half-yearly financial report of the Company as well as for the preparation of the annual and consolidated financial statements and the management report of hGears AG and the Group. The Management Board also ensures that legal provisions, official regulations and internal company guidelines are observed and works towards their observance by the Group companies (compliance).

The Company is legally represented by two Management Board members or by one Management Board member and an authorised officer (Prokurist).

The Management's Board rules of procedure lay down the details of how it functions as a body. These specifically include:

- the schedule of responsibilities which determines which business areas are to be managed by the Management Board member under his/her own responsibility,
- decisions to be made by the Management Board as a whole,
- the special duties of the Chairman of the Management Board,
- transactions requiring Supervisory Board approval,
- regular, timely and comprehensive briefing of the Supervisory Board,
- rules regarding meetings and resolutions.

The Management Board and the Supervisory Board work closely together for the benefit of the Company. The Management Board informs the Supervisory Board regularly, promptly and comprehensively about all issues of strategy, planning, business development, the financial and earnings situation and compliance that are relevant to the Company as a whole, as well as about entrepreneurial risks, and discusses the status of strategy implementation with it at regular intervals. The members of the Management Board also participate in the meetings of the Supervisory Board in an advisory capacity, unless the Supervisory Board or its Chairman determines otherwise in individual cases.

According to the Company's Articles of Association, the Management Board may consist of one or more members.

The Supervisory Board appointed Mr Daniel Basok to the Management Board for the first time on 8 April 2021 and Mr Sven Arend to the Management Board on 28 December 2022 with effect from 1 February 2023. The Supervisory Board appointed Mr Sven Arend as Chairman of the Management Board.

Working methods and composition of the Supervisory Board

The Supervisory Board supervises and advises the Management Board in its management of the Company's business. At regular intervals, the Supervisory Board discusses business development and planning as well as strategy and its implementation. It reviews the financial statements and consolidated financial statements, the management report of hGears AG and the Group, and proposal for the appropriation of profits. It adopts the annual financial statements of hGears AG and approves the consolidated financial statements, based on the results of the review conducted by the Audit Committee and taking into account the reports of the independent auditors. The Supervisory Board decides on the Management Board's proposal for the appropriation of profits and the report of the Supervisory Board to the General Meeting. The Supervisory Board also appoints the members of the Management Board and determines their respective area of responsibility. The Supervisory Board decides on the system for the compensation of the members of the Management Board and sets the specific compensation in accordance with the system. It sets the individual targets for the variable compensation and the total compensation of each individual Management Board member, reviews the appropriateness of total compensation, and regularly reviews the Management Board compensation system. Important Management Board decisions – such as those regarding major acquisitions, divestments, fixed asset investments, or financial measures – require Supervisory Board approval.

The Supervisory Board performs all the duties assigned to it under the statutory framework, the Articles of Association and the German Corporate Governance Code (GCGC) in full.

Details of the work of the Supervisory Board are provided in the report of the Supervisory Board for the fiscal year 2025.

The Supervisory Board is composed in accordance with clause 8.1 of the Articles of Association and consists of five persons elected by the General Meeting.

The members of the Supervisory Board as of 31 December 2025 are:

- Marco Freiherr von Maltzan (Chairman)
- Christophe Hemmerle (Deputy Chairman)
- Daniel Michael Kartje
- Dr. Gabriele Fontane

Christoph Mathias Seidler has resigned as member of the supervisory board with effect as of 15 December 2025.

In 2023, the Supervisory Board conducted an internal self-assessment of its work (efficiency review) for the last time, with the assistance of an external consultant. The members of the Supervisory Board had the opportunity to evaluate the effectiveness of the Board's work and to formulate suggestions for improvement through an online questionnaire. The results were discussed within the Supervisory Board. Measures to improve the work of the Supervisory Board include, in particular, enhancing the culture of discussion within the Board and regular exchanges, even without the presence of the Executive Board.

Audit Committee

The Supervisory Board has formed an Audit Committee with effect from 1 January 2022. The Audit Committee supervises in particular the accounting and the accounting process. It is responsible for preparing the audit of the annual and consolidated financial statements and the combined management report of hGears AG and the hGears Group and the Management Board's proposal for the appropriation of profits by the Supervisory Board. On the basis of the auditor's report on the audit of the financial statements, it submits proposals for the adoption of the annual financial statements of hGears AG and the approval of the consolidated financial statements by the Supervisory Board following its own preliminary audit. It supervises the effectiveness of the internal control system, the risk management system and the internal audit system. The Audit Committee deals with the supervision of the Company's adherence to legal provisions, official regulations and internal Company guidelines (compliance). It prepares the Supervisory Board's proposal to the General Meeting on the election of the auditor and submits a corresponding recommendation to the Supervisory Board.

The members of the Audit Committee are:

- Christophe Hemmerle (Chairman)
- Marco Freiherr von Maltzan
- Daniel Michael Kartje

Mr Christophe Hemmerle, as Chairman of the Audit Committee, has expertise in the field of accounting and auditing, and Mr Daniel Michael Kartje has expertise in the field of accounting. Mr Christophe Hemmerle has expertise in the field of accounting and auditing due to his many years of experience in management bodies of several international companies and due to previous activities. Mr. von Maltzan has expertise in the field of accounting and auditing due to his many years of experience in management bodies of several international companies and due to previous activities. Mr Daniel Michael Kartje has knowledge in the field of accounting due to his professional experience.

Management and control of Group companies

The Group's affiliated companies are corporations, whose legal forms differ depending on their domicile. The companies are managed by a management board or a comparable institution. Each shareholders' meeting sets the guidelines for the respective company strategy and make key investment and business decisions.

In principle, Group Management approval is required for all key business decisions at the affiliate level.

Transparency and financial accounting

The hGears Group is committed to regular, open and timely communication with institutional investors and analysts, shareholders, employees and other stakeholders.

We regularly share information with shareholders, all of whom are treated equally in terms of the information provided to them. All new facts are communicated without delay by means of press releases and ad hoc announcements, annual and interim financial reports, and presentations to analysts' and investors' conferences. This information, together with the financial calendar and information about the General Meeting, can be viewed or downloaded from our website.

In addition, information is also published with regard to directors' dealings and voting rights announcements, along with all corporate information subject to disclosure.

The annual consolidated financial statements and half-year consolidated financial statements of each financial year are prepared by the Management Board. These statements are prepared on the basis of the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB), as adopted by the EU, and their interpretation by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

The individual financial statements of hGears AG relevant for the dividend payment are prepared in accordance with the provisions of the German Commercial Code (HGB).

Specification to promote the participation of women in management positions pursuant to Section 76 para. 4 and 111 para. 5 of the German Stock Corporation Act (Aktiengesetz – AktG)

The Act for the Equal Participation of Women and Men in Leadership Positions in the Private Sector and in the Public Sector, amended and supplemented by the Act to Supplement and Amend the Regulations for the Equal Participation of Women in Leadership Positions in the Private Sector and in the Public Sector, which came into force on 12 August 2021 (so-called Second Management Positions Act), provides for companies such as hGears AG, which are listed on a stock exchange, to set their own targets for gender distribution on the supervisory board, management board and subordinate management levels, along with target achievement deadlines.

Women on the Supervisory Board

According to clause 8.1 of the Articles of Association, the Supervisory Board of hGears AG is composed of five members who are elected by the General Meeting. With regard to the target figure and the target achievement deadline for the proportion of women on the Supervisory Board, the Supervisory Board has set a target figure of at least 20 % for the proportion of women on the Supervisory Board of hGears AG with a target achievement deadline of 30 April 2025 at the latest. With a proportion of women on the Supervisory Board of 20 % since 8 April 2021, the Company has already achieved its target figure.

Women on the Management Board

In financial year 2025, no women were represented on the Management Board. This is in line with the target percentage of 0 %. The Supervisory Board is firmly convinced that it is in the interests of the Company to bind and retain the members of the Management Board, that meet the requirement profile, for the long term. The Supervisory Board does not consider a change in the composition of the Management Board or an increase solely for the purpose of increasing the proportion of women to be appropriate.

Women at the first and second management level

The target setting for the proportion of women in the first and second management levels below the Management Board of hGears AG in accordance with Section 76 (4) AktG was not necessary, as hGears AG, as a pure holding company, only has two employees and to this extent there are no management levels below the Management Board.

Succession planning for the Management Board

Long-term succession planning with regard to appointments to the Management Board is carried out through regular discussions between the chairmen of the Management Board and the Supervisory Board and regular discussion of the topic by the Supervisory Board. In these discussions, the contract terms and renewal options for current members of the Management Board are discussed, as well as possible successor candidates. In succession planning for the Management Board, the Supervisory Board ensures, among other things, that the 70-year age limit set for the Management Board is complied with.

Diversity concept for the Management Board

The diversity concept for the Management Board stipulates that the aspects of age, gender, educational and professional background, and internationality are taken into account in the composition of the Management Board as follows:

- The members of the Management Board should complement each other in terms of their expertise and knowledge. In particular, the board as a whole should have expertise and experience in the area of e-mobility/e-tools/automotive and industrial applications as well as in the areas of production, marketing and sales, and finance.
- The members of the Management Board shall have diverse educational and/or professional backgrounds.
- The composition of the Management Board should appropriately reflect the internationality of the Company.
- The Management Board as a whole should have many years of management experience.
- The initial appointment of Management Board members should be for a maximum of three years.
- The Management Board as a whole should have a balanced age structure.
- As a rule, the term of office of a member of the Management Board should not extend beyond the age of 70.

The aim of this diversity concept is to staff the Management Board in such a way that its members as a whole have the knowledge, skills and professional experience required to perform their duties properly, so that the Management Board as the management body can control and manage the Company in the best possible way.

Implementation of the diversity concept for the Management Board

The diversity concept for the Management Board is implemented by the Supervisory Board as part of the procedure for appointing Management Board members. The Supervisory Board observes the requirements set out in the diversity concept for the Management Board when selecting candidates or proposing candidates for appointment to the Management Board.

The current composition of the Management Board complies with the diversity concept adopted by the Supervisory Board. The members of the Management Board cover a broad spectrum of knowledge and experience and in the current composition show diversity in terms of professional and educational background. The Management Board as a whole includes all knowledge and experience deemed essential in view of the activities of the hGears Group. All members of the Management Board have international experience.

Targets for the composition of the Supervisory Board, qualification profile, diversity concept

Requirements to be met by the composition of the Supervisory Board

Qualification profile

The Supervisory Board shall have the competencies which are considered essential for the activities and business of the hGears Group. The Supervisory Board shall be composed in such a way as to ensure qualified control and advice of the Management Board by the Supervisory Board. In this respect, a complementary interaction of members with different personal and professional backgrounds as well as diversity with regard to internationality, age and gender is considered helpful.

This includes in particular extensive and in-depth knowledge and experience in

- the management of an international and capital market-oriented company;
- the areas of e-Mobility/e-Tools/automotive and industrial applications;
- the areas of procurement, production and sales;

- the main markets in which hGears operates;
- in finance, law and business administration;
- the area of governance/compliance/risk management;
- in the area of sustainability.

In addition, with regard to the requirements of Section 100 para 5 of the German Stock Corporation Act (Aktiengesetz – "AktG"), for members of the Supervisory Board appointed after 1 July 2021, at least one member of the Supervisory Board must have expertise in the field of accounting and at least one other member of the Supervisory Board must have expertise in the field of auditing, and the Supervisory Board members in general must be familiar with the sector in which the Company operates. Pursuant to Art. 107 par. 4 sentence 3 AktG, the requirements of Art. 100 par. 5 AktG apply accordingly to the Audit Committee.

The Chairman of the Audit Committee shall have special knowledge and experience in the application of accounting principles and internal control procedures and shall be familiar with of the audit of the financial statements and shall be independent.

As most of the communication at the meetings and the documents for their preparation are in English, each member of the Supervisory Board should have a good command of the English language.

Independence and Potential Conflicts of Interests

The Supervisory Board shall in accordance with the recommendations of the German Corporate Governance Code (GCGC) include what its shareholder representatives consider to be an appropriate number of independent members representing shareholders. Significant and not merely temporary conflicts of interest are to be avoided.

The Chair of the Supervisory Board, the Chair of the Audit Committee, as well as the Chair of the committee that addresses Management Board remuneration (if implemented), shall be independent from the Company and the Management Board.

Supervisory Board members shall not be members of governing bodies of, or exercise advisory functions at, significant competitors of the enterprise, and shall not hold any personal relationships with a significant competitor.

No more than two former members of the Management Board shall be members of the Supervisory Board.

Diversity

In favour of diversity, the Supervisory Board shall take into account different professional and international experiences, in particular also an appropriate participation of women and men for its composition. The Supervisory Board shall be comprised of at least 20 % women and at least 20 % men.

Industry and international Expertise

At least one shareholder representative shall have many years of international professional experience. It would be desirable if at least one member of the Supervisory Board has knowledge in the field of international e-mobility.

Requirements for Individual Members of the Supervisory Board

General Requirements Profile

Based on their knowledge, skills and professional experience, the members of the Supervisory Board should be able to fulfill its supervisory and advisory duties at hGears AG as an internationally active and capital market-oriented technology company.

With regard to election proposals to the General Meeting, particular attention shall be paid to the personality, integrity, motivation and independence of the candidates. Supervisory Board members shall comply with the limitation of supervisory board mandates as set out in the rules of procedure for the Supervisory Board and comply with the recommended limitation of supervisory board mandates in accordance with recommendation C.4 of the German Corporate Governance Code.

Time Availability

Each member of the Supervisory Board ensures that he/she can make available the expected time required for the duly exercise of his/her mandate. The following must be taken into account:

- At least four ordinary Supervisory Board meetings are held each year, each of which requires an appropriate period of time for preparation.
- Sufficient time shall be reserved for the examination of the annual and consolidated financial statements.
- Membership in one or more committees requires additional time.
- Additional extraordinary Supervisory Board or committee meetings may be necessary to deal with special situations or special topics.

Age Limit

The members of the Supervisory Board shall not be older than 75 years at the time of their election.

Standard term of Supervisory Board mandate

Members of the Supervisory Board shall generally not be on the Supervisory Board for more than 15 years or three terms of office.

Election proposals for the Supervisory Board to the General Meeting shall take these targets into account and at the same time aim to reflect the qualification profile for the entire Supervisory Board.

Sustainability

The supervision and consultation by the Supervisory Board also include, in particular, sustainability issues concerning the environment, social affairs and corporate governance. The Supervisory Board receives regular reports from the Management Board on the group-wide sustainability strategy from hGears AG and the status of the implementation of this strategy. The Supervisory Board deals with both the risks and opportunities for hGears AG associated with social and environmental factors and the environmental and social impact of the Company's activities. The Supervisory Board and the Audit Committee also deal with sustainability reporting, which in addition to reporting on non-financial topics in the management report also includes the sustainability report, and receive information on new developments and the status of implementation at hGears AG.

Status of implementation

In its current composition, the Supervisory Board fulfils all requirements of the qualification profile for the collegiate body and the individual members, in particular the requirements in relation to professional and personal qualifications and with regard to the knowledge, skills and experience essential for hGears AG, as well as internationality.

Taking into account the ownership structure, the Supervisory Board on the shareholder side includes what they consider to be an appropriate number of independent members.

The status of the implementation of the qualification profile is disclosed below in the form of a qualification matrix.

Qualification matrix

	Marco Freiherr von Maltzan	Christophe Hemmerle	Daniel Michael Kartje	Dr. Gabriele Fontane
Membership Duration				
Member since	11 June 2025	8 Apr. 2021	8 Apr. 2021	8 Apr. 2021
Personal Aptitude				
Independence	✓	✓	✓	✓
No Overboarding	✓	✓	✓	✓
Diversity				
Date of Birth	17 Mar. 1955	26 Oct. 1960	17 Sep. 1974	24 Jun. 1965
Gender	Male	Male	Male	Female
Nationality	German	French	German	German
Professional Qualification				
Management of an internationally active and capital market-oriented company	✓	✓		
e-Mobility/ e-Tools/ Automotive and Industrial Applications	✓	✓	✓	
Procurement, production and sales	✓			
In the relevant markets, in which the hGears Group is active	✓	✓	✓	
Finance, law and business administration	✓	✓	✓	✓
Governance/ Compliance/ Risk management	✓	✓	✓	✓
Sustainability	✓	✓	✓	✓

General Meeting

Shareholders exercise their rights at the General Meeting. The General Meeting is usually held in the first six months of the fiscal year. Among other things, the General Meeting resolves on the appropriation of profits, the formal approval of the actions of the members of the Management Board and Supervisory Board, and the election of the auditors. Amendments to the Articles of Association and measures to change the capital are resolved by the General Meeting and implemented by the Management Board.

DISCLOSURE IN ACCORDANCE WITH SECTIONS 289A AND 315A HGB

Composition of share capital

The share capital amounts to EUR 10,400,000.00 and is divided into 10,400,000 no-par value bearer shares. All shares carry the same rights and obligations. Each share grants one vote at the Annual General Meeting.

Restrictions affecting voting rights or the transfer of shares

The Management Board is not aware of any restrictions affecting voting rights or the transfer of shares beyond the legal limitations.

The following shareholders hold more than 10 % of the voting rights

Finatem III GmbH & Co. KG, Frankfurt am Main, Germany notified us on 18 June 2021, that its shareholding in the Company was 35.8% of the voting rights. As of 31 December 2025, the shareholding in the Company amounts to 34.6% of the voting rights.

Monega Kapitalanlage GmbH, Cologne, Germany notified us on 15 January 2025, that its shareholding in the Company was 13.8% of the voting rights. As of 31 December 2025, the shareholding in the Company amounts to 15.7% of the voting rights.

Shares with special rights conferring powers of control

No special rights conferring powers of control apply to shareholders.

Control of voting rights of employee shares with indirect exercise of control rights

The employees participating in the capital of the Company may exercise their control rights directly themselves.

Statutory requirements and provisions of the Articles of Association on the appointment and dismissal of members of the Management Board and on amendments of the Articles of Association

The appointment and dismissal of members of the Management Board are based on Sections 84 and 85 German Stock Corporation Act (AktG) in conjunction with Section 6 of the Articles of Association. According to Section 6 (1) of the Articles of Association, the Management Board shall consist of one or more persons; the Supervisory Board determines the number of its members. Members of the Management Board are appointed by the Supervisory Board for a maximum period of five years. Re-appointments are permitted. The Supervisory Board can dismiss a member of the Management Board when there is good cause for the dismissal. The Supervisory Board decides on the appointment or dismissal of a member of the Management Board by simple majority.

Pursuant to Section 179 AktG in conjunction with Section 17 (3) of the Articles of Association, amendments to the Articles of Association require a resolution of the Annual General Meeting, which must be passed by a simple majority of the votes cast and simple majority of the share capital represented at the time the resolution is adopted where statutory law requires capital majority, unless mandatory law requires a higher majority.

Authorization of the Management Board to issue and repurchase shares

The Management Board is authorized to issue shares as well as to acquire and use treasury shares as follows:

Authorization to issue warrant-linked bonds, convertible bonds, profit-participation rights and income bonds

The Annual General Meeting of the Company of 11 June 2025 authorized the Management Board, subject to the approval of the Supervisory Board, to issue until 10 June 2030 warrant-linked and/or convertible bonds, profit-participation rights and/or income bonds (together the "Bonds") on one or more occasions with a total nominal amount of up to EUR 100,000,000.00 subject to further terms and has created contingent capital for this in the amount of up to EUR 3,261,000.00 (Conditional Capital 2025). The holders of the abovementioned Bonds can be granted conversion or subscription rights in respect of up to 3,261,000 new, ordinary bearer shares (Inhaberaktien) with no par value (Stückaktien) in the Company with a notional interest in the share capital of a total of up to EUR 3,261,000.00.

Repurchase shares

The Management Board was authorized by the Annual General Meeting on 5 May 2021 to acquire treasury shares representing a total of up to 10% of the share capital until 4 May 2026, under the condition that the shares to be acquired on the basis of this authorization, together with other shares held by the Company which the Company has already acquired and which are still in its possession or attributable to the Company in accordance with Sections 71a et seq. AktG, at no time exceed 10% of the share capital of the Company. The shares acquired pursuant to this authorization may be used, under exclusion of the shareholders' subscription rights, for any legally admissible purposes, in particular those specified in the authorization.

Authorized capital

By virtue of the Articles of Association, the Management Board is authorized to increase the share capital of hGears AG in accordance with the Articles of Association until 10 June 2030, with the approval of the Supervisory Board, by issuing new no-par value bearer shares against cash and/or non-cash contributions (including so-called mixed non-cash contributions) on one or more occasions, but by no more than a total of EUR 5,200,000.00 (Authorized Capital 2025). The shareholders are entitled to the statutory subscription rights. The new shares may also be underwritten by one or more banks or companies within the meaning of Section 186 (5) sentence 1 AktG designated by the Management Board with the obligation to offer them to the shareholders for subscription (indirect subscription right). However, the Management Board is authorized, with the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights in the cases specified in the authorization.

Conditional capital

The Company's share capital is conditionally increased by up to EUR 3,261,000.00 by issuing up to 3,261,000 new no-par value bearer shares carrying dividend rights from the beginning of the financial year in which they are issued (Conditional Capital 2025). The conditional capital increase serves to service bonds issued on the basis of the authorization resolution of the Annual General Meeting on 11 June 2025.

The Company's share capital is conditionally increased by up to EUR 525,450 by issuing up to 525,450 no-par value bearer shares (Conditional Capital 2024). The Conditional Capital 2024 is exclusively for the purpose of issuing shares of the Company to issue subscription rights to shares of the Company to 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 in the form of stock options in accordance with the authorization resolution of the Annual General Meeting on 11 June 2024. The conditional capital increase will only be implemented to the extent that stock options are granted in accordance with the aforementioned authorization resolution (stock option program 2024), the holders of the stock options exercise their option rights and the Company does not grant any treasury shares to service the stock options. The new no-par value bearer shares are entitled to dividends from the beginning of the financial year for which the Annual General Meeting has not yet passed a resolution on the appropriation of profits at the time of issue. The Supervisory Board is authorized to amend the wording of the Articles of Association accordingly in line with the respective utilization of Conditional Capital 2024 and after expiry of all exercise periods. The Management Board with the approval of the Supervisory Board and – with regard to the members of the Management Board – the Supervisory Board are authorized to determine the further details of the issuance of shares from the Conditional Capital 2024.

Agreements related to change of control

hGears AG has entered into the following material agreement, which contains provisions in the event of a change of control following a takeover bid:

Unused credit line agreements provide for an extraordinary right of termination by the lenders.

Compensation agreements in case of a takeover offer

The employment agreement with one senior employee provides for a compensation payment in the event of a premature termination of the employment following a change of control. The compensation payment amounts to two annual gross salaries and is subject to the condition that the senior employee is significantly impacted by the change of control as further specified in the employment contract.

INTERNAL CONTROL SYSTEM, RISK MANAGEMENT SYSTEM AND COMPLIANCE

Internal Control System and Risk Management System – Adequacy and Effectiveness¹⁰

hGears AG and the companies affiliated pursuant to Section 15 of the German Stock Corporation Act (AktG) (hereinafter referred to as "hGears") comply with the recommendations of the German Corporate Governance Code (DCGK), in particular the requirements set out in DCGK A.5¹¹. The declaration of conformity pursuant to Section 161 AktG was issued and published for the 2025 financial year¹².

hGears has established an Internal Control System (ICS in the narrower sense) as well as a Risk Management System (RMS). Both systems are organizationally and procedurally implemented and are tailored to the size, structure and complexity of hGears' business activities.

Within the Group, overall responsibility for the ICS and the RMS lies with the Management Board of hGears AG. The operational implementation of the policies adopted by the Management Board is carried out within the respective entities by the managing directors as well as by the managers and process owners reporting to them.

The design of the systems is based on recognized internal control and governance frameworks, in particular the COSO framework, which serves as the foundation for a structured and transparent organization of risk and control processes.

- The ICS comprises the policies, procedures and measures initiated by the Management Board to ensure proper accounting and compliance with legal and internal requirements. In addition to controls relating to financial reporting, selected elements of the Compliance Management System (CMS) are also considered.
- The RMS comprises the organizational and procedural requirements for the systematic identification, assessment, management, mitigation, monitoring and communication of risks.
- Both management systems are an integral part of hGears' overall governance and management culture.

For the group-wide coordination and further development of the RMS and the ICS, as well as related compliance and control matters, a Group Head of Risk & Compliance reporting to the Chief Financial Officer has been appointed. This function supports the Management Board in implementing the policies adopted by the Management Board and in assessing the group-wide risk and control situation.

During the reporting period, the RMS was regularly audited by external auditors in accordance with the requirements of DIIR Auditing Standard No. 2. As part of this audit, no material findings were identified that would indicate inadequacy or a fundamental lack of functionality of the system.

Notwithstanding this audit, the Management Board is aware that management and control systems are subject to inherent limitations and therefore cannot provide absolute assurance regarding the complete prevention or timely detection of all future risks.

As of the reporting date and taking into account the scope of business activities and the current risk situation, the Management Board is not aware of any indications suggesting that the ICS or RMS of hGears are inadequate overall or lack fundamental effectiveness.

Internal Control System

The Internal Control System (ICS)¹³ of hGears forms an integral part of corporate governance and provides the foundation for secure, efficient and legally compliant business operations. It comprises all systematically defined controls and monitoring activities aimed at ensuring the reliability of financial reporting, supporting the efficiency of business processes, and ensuring compliance with legal requirements and internal policies. An effective and appropriately designed ICS is essential for identifying and managing risks in business

¹⁰ The information provided in this section constitutes disclosures outside the management report and is therefore not subject to audit by the statutory auditor.

¹¹ Link DCGK: <https://dcgk.de/en/code/current-version/a-management-and-supervision.html>

¹² Link Declaration of Conformity <https://ir.hgears.com/de/corporate-governance/entsprechenserklaerung/>

¹³ Disclosures pursuant to Sections 289 and 315 of the German Commercial Code (HGB)

processes at an early stage and for preventing potential losses.

The ICS at hGears covers all material business processes and extends beyond controls relating solely to financial reporting. It addresses both financial and non-financial aspects and thus contributes to the comprehensive safeguarding of corporate activities. While the Risk Management System (RMS) identifies and assesses strategic and overarching risks, the ICS focuses primarily on the operational level. For the early identification and mitigation of risks, the ICS defines clear control mechanisms within business and accounting processes. Continuous monitoring ensures that defined controls are consistently applied and that their functionality is regularly reviewed. In this context, process risks are systematically identified and assessed, corrective measures are derived where necessary, and their implementation is monitored.

Responsibility for implementing and complying with the controls embedded in the ICS lies with the respective managers and process owners within the organization. Within their areas of responsibility, they contribute to the adequacy and functionality of the ICS.

Through the close integration of the RMS and the ICS, hGears pursues a holistic approach to risk management. For example, the RMS identifies and assesses potential financial and liquidity risks, while the ICS implements targeted control measures based on this assessment, such as payment monitoring or defined approval limits. This integration enables comprehensive risk analysis, promotes synergies and avoids duplication of structures. The ICS therefore supports not only compliance with legal requirements but also the achievement of strategic objectives and the long-term stability of hGears.

To ensure the continuous development of the ICS, key controls are reviewed at least annually through structured self-assessments conducted by the operational units and centrally documented. The results of these assessments form the basis for evaluating the status of the ICS and are reported in aggregated form to the Management Board. The Management Board regularly informs the Audit Committee about the status of the ICS. Significant changes or identified deficiencies in the ICS are reported to the Management Board without undue delay; in such cases, the Audit Committee is informed accordingly.

The ICS makes a significant contribution to the stability and long-term sustainability of hGears by establishing standardized processes and control mechanisms in key business areas. It is based on the principles of need-to-know, segregation of duties, transparency and control, which enable structured and traceable management of business processes.

In the area of finance, the ICS ensures compliance with the applicable accounting policies and the consistent preparation of the consolidated financial statements, supported by a standardized reporting and consolidation software system. In the field of IT security, the ICS includes a differentiated authorization concept governing access to critical systems and data. In addition, system-based traceability of data entries in the ERP and consolidation software ensures transparent and audit-proof processing of financial information.

During the reporting period, the ICS was enhanced in connection with the initial TISAX certification at the German site by introducing additional controls in the area of information security. These measures, in particular organizational and technical safeguards for information processing systems and processes, were integrated into the existing control and monitoring structure.

At the Italian site, the regular re-certification process was prepared and implemented through an initial internal audit. The controls reviewed in this context were incorporated into the existing ICS structures and contributed to the ongoing development of the control environment.

Across business areas and processes, the ICS also includes controls relating to compliance. The focus lies on adherence to the Code of Ethics, the use of the whistleblower system, and compliance with antitrust, anti-corruption and data protection requirements. The objective is to raise awareness of potential risks and to ensure the consistent implementation of applicable legal and internal regulations to mitigate such risks.

Compliance with the defined control mechanisms is supported by regular internal reviews as well as by central compliance and audit functions. In conjunction with the Risk Management System, potential weaknesses are identified at an early stage and appropriate countermeasures are implemented.

Opportunities and Risks

As an internationally operating group with production sites in Germany, Italy and China, hGears is exposed to a wide range of opportunities and risks arising from its operational business activities as well as from external economic and regulatory conditions.

The systematic assessment of opportunities and risks is a key element of corporate management. The objective is to identify potential adverse developments at an early stage and to initiate appropriate risk mitigation measures, while at the same time systematically identifying and leveraging positive developments.

At hGears, risks and opportunities are understood as potential future developments or events that may result in negative or positive deviations from the planned business performance. In light of the current economic environment, particular focus is placed on the continuous monitoring of liquidity and earnings performance.

Opportunity Management

The opportunity management of hGears serves the structured identification and assessment of entrepreneurial potential. It supports the strategic and operational development of the Group, taking into account the respective economic environment.

The basis of opportunity management is the target-setting and planning process initiated by the Management Board and supported by the controlling function. Alignment with the corporate strategy is ensured through established controlling and management processes, which enable a systematic analysis of growth, efficiency and optimization potential.

In accordance with the risk policy of hGears, opportunity management is not part of the Risk Management System. The management of opportunities is carried out decentrally by the operational management, which is responsible for the identification and implementation of strategic and operational potential within the respective business areas. The focus of the RMS lies on the identification, assessment and management of potential risks.

Potential positive developments are considered in aggregated assessments of business performance, for example through scenario analyses. This serves to reflect possible ranges of future developments without functionally integrating opportunity management into the RMS.

Risk Management

The Risk Management System (RMS) of hGears serves the systematic identification, assessment, management, monitoring and reporting of risks. It is designed to identify potential adverse developments at an early stage and to initiate appropriate risk mitigation measures.

The operational implementation of the policies adopted by the Management Board is carried out throughout the Group within the respective entities by the managing directors as well as by the managers and process owners reporting to them. Risk management is implemented in all Group companies and integrated into existing management, planning and controlling processes.

Risk management follows an integrated top-down and bottom-up approach, ensuring that both strategic risks at Group level and operational risks at the level of individual entities and business processes are systematically identified, assessed and managed.

Within the RMS, central risk owners are appointed at Group level to manage and coordinate strategic and cross-functional risks. In addition, local risk owners at the level of the individual entities are responsible for the identification, assessment and management of operational risks. This organizational structure helps to ensure that risks are captured along clearly defined lines of responsibility and are considered consistently across all relevant dimensions.

The group-wide risk management policy defines roles, responsibilities, tasks and processes within risk management. In particular, it regulates the requirements for risk identification, assessment, management and reporting, as well as the organizational structure and processes of the system. Compliance with the policy and the further development of the RMS are reviewed on a regular basis.

To support the management and monitoring of the Group's risk profile, regular risk review formats are conducted. In these meetings, the risk inventory is reviewed, risk mitigation measures are assessed and significant changes in the risk situation are discussed. Unexpected risks are addressed in a timely manner to ensure appropriate assessment and management.

The Management Board is regularly informed about the Group's risk situation. In addition, the Supervisory Board, in particular the Audit Committee, is informed at appropriate intervals about the status of the Risk Management System and about material risks.

Assessment of Opportunities and Risks

The assessment of opportunities and risks at hGears is based on uniform principles defined across the Group and constitutes an integral part of the RMS. The objective is to transparently present the potential effects of identified risks on the Group's net assets, financial position and results of operations and to provide a sound basis for management decisions.

As part of the assessment process, risks are analyzed with regard to their potential impact and their likelihood of occurrence. The evaluation is generally performed on a net basis, taking into account risk mitigation measures that have already been implemented or are planned. The assessment is conducted for a rolling time horizon, which typically covers twelve months and is supplemented by a multi-year perspective within the framework of corporate planning.

To assess the overall risk situation and to identify potential developments that could jeopardize the Company's ability to continue as a going concern, individual risks are aggregated. For this purpose, a quantitative simulation method is applied to capture the interactions and cumulative effects of the identified risks. The methodology of risk aggregation is regularly reviewed and further developed.

Risk aggregation is performed regularly and on an ad hoc basis as part of intrayear management processes and corporate planning. Where appropriate, risks whose potential effects may extend over several reporting periods are also considered. In particular, this ensures that potential impacts on the Group's net assets and financial position are adequately reflected. The aggregated analysis supports the assessment of the effects of aggregated risks on the Group's financial resilience under different economic scenarios and reflects possible ranges of future developments.

Opportunities are not assessed independently within the Risk Management System but are incorporated into aggregated analyses through alternative scenarios. This serves to illustrate potential ranges of results without compromising the functional separation between opportunity management and risk management.

The results of the risk assessment are regularly reported to the Management Board. In addition, the Supervisory Board and the Audit Committee are informed about material findings arising from the risk assessment. The assessment results form the basis for the subsequent presentation of material risks and opportunities as well as for the overall assessment of the opportunity and risk situation.

Material Risks

The following section describes the material risks of hGears. The selection of material risks is based on their potential impact on Group EBIT, taking into account risk mitigation measures that have already been implemented or are planned (net assessment).

The identified top net risks are classified according to their potential magnitude of loss.

The following thresholds are applied:

- medium from EUR 0.50 million
- significant from EUR 1.25 million
- high from EUR 2.50 million

The presentation of material risks is independent of their probability of occurrence and focuses on those risks that are of particular relevance to the economic situation of the Group due to their potential magnitude of

loss or their strategic significance. The order in which the risks are presented does not imply any statement regarding their likelihood of occurrence.

Risk	Magnitude of loss	Change compared to prior year ¹
Declining customer demand	significant	unchanged
IT availability	significant	increased
Personnel	medium	new
Cybercrime	medium	decreased
Non-Compliance	medium	decreased

¹ The indication of the change compared to the prior year refers to the overall assessment of the respective risk.

Financing and declining customer demand

hGears is highly dependent on demand developments in its relevant sales markets. During the reporting period, the earnings and sales situation remained challenging. A sustained weak market environment or an additional decline in sales volumes beyond the current planning assumptions could have a materially adverse effect on the Group's results of operations and financial position.

The Group's liquidity situation is continuously and closely monitored and managed. The going-concern assessment is based on planning assumptions regarding further revenue and earnings development as well as the successful implementation of additional financing measures, for which no binding agreements were in place at the time of reporting.

A significant and sustained decline in revenues below the assumptions underlying the planning could increase liquidity requirements and necessitate additional measures to secure financing.

The Management Board places particular emphasis on managing liquidity metrics and regularly analyzes them as part of operational corporate management.

IT availability

The availability and stability of IT systems are of central importance for the smooth conduct of business operations as well as for managing production, logistics and administrative processes. A failure of critical systems may result in significant operational disruptions and may directly affect internal workflows as well as customer processes.

The IT landscape of hGears includes, in part, historically grown and heterogeneous system structures. The operation and further development of this system landscape require increased technical and organizational effort. In addition, limited personnel resources within the IT function may restrict the timely implementation of modernization and optimization measures. Against this background, the effort required to ensure system availability continues to increase.

Furthermore, growing regulatory requirements and the overall rising threat landscape in the area of cyber-crime increase the complexity of IT operations. Cybercrime is considered a separate risk. Irrespective of this, the increasing threat environment results in a higher need for preventive measures, system monitoring and infrastructure hardening to ensure the long-term availability of systems.

hGears continuously works on the further development and stabilization of its IT landscape. During the reporting period, the TISAX certification was successfully implemented at the German site. At the Italian site, a regular internal review was conducted as part of the re-certification process. In addition, technical and organizational safeguards as well as business continuity and disaster recovery concepts are implemented to strengthen the resilience of the IT infrastructure.

A prolonged failure of critical IT systems could significantly impair the operational performance of the Group and have a materially adverse effect on its results of operations.

Personnel risk

The continued challenging market environment led to structural adjustments in the personnel organization during the reporting period. In order to safeguard competitiveness, cost-reduction measures were implemented, including headcount reductions and adjustments to working time arrangements.

As part of the current risk aggregation, personnel risk is classified as medium. The assessment takes into account the measures already implemented as well as their expected impact on the cost and capacity structure.

Irrespective of this, structural adjustments to the personnel organization may affect flexibility in the event of changing conditions. Changes in capacity requirements or in the personnel structure may require additional management effort and may temporarily impact operational processes.

The Management Board continuously monitors personnel developments and aligns capacity planning with the expected business development.

Cybercrime

The threat posed by cybercrime remains high in light of the increasing number of attacks on IT infrastructures worldwide. Companies are increasingly exposed to ransomware, phishing campaigns and attempts at unauthorized system access, which may have financial and operational consequences.

A successful cyberattack could lead to temporary business interruptions, data loss or additional costs. In addition, regulatory notification requirements may result in further organizational efforts.

hGears addresses this risk through a Group-wide Information Security Management System (ISMS) as well as technical and organizational measures to safeguard its IT infrastructure. During the reporting period, these measures were further developed and reviewed in the context of the TISAX certification. To limit potential financial impacts, the coverage amount of the existing cyber insurance policy was increased.

Despite these measures, successful attacks cannot be fully excluded given the dynamic threat environment.

Non-Compliance

Increasing regulatory complexity and international legal requirements inherently give rise to the risk of violations of statutory or internal regulations. Potential compliance breaches may result in financial burdens, reputational damage or liability-related consequences.

Within the current risk aggregation, non-compliance risk is classified as medium. The assessment takes into account the existing organizational and preventive measures.

Compliance-related requirements are embedded in the governance structure of hGears and are addressed, among other things, through internal policies, the Code of Conduct and control-related measures within the ICS. In addition, awareness and training measures are conducted for employees and managers.

During the reporting period, no indications of relevant compliance violations became known. No corresponding reports were received through the existing whistleblower system.

Material Opportunities

Due to the close connection of hGears AG with the Group companies, the opportunities described below also apply to the Company, i. e. hGears AG itself.

Market- and Demand-Related Opportunities

Despite the currently subdued market environment, opportunities may arise from a potential recovery in demand in the relevant sales markets. Initial market indicators and available studies, particularly in the e-mobility and e-bike segments, point to possible stabilization in certain areas.

If this development materializes, hGears could benefit from increasing order volumes based on its established market position, technical expertise and long-standing customer relationships. Improved capacity utilization could enable economies of scale and have a positive impact on earnings.

Opportunities through Diversification and Strategic Partnerships

Further opportunities arise from the diversification of the customer portfolio and the reduction of dependency on individual major customers. The targeted development of additional customer segments and markets may contribute to stabilizing the revenue base.

In particular, new market participants in the e-mobility sector may create additional business opportunities. hGears' existing technical expertise provides a foundation for further positioning in these segments.

Moreover, deepening existing customer relationships may support additional projects and follow-up orders. Strategic partnerships may contribute to expanding technological capabilities and facilitating access to complementary fields of application.

Operational and Structural Opportunities

Opportunities also exist in the further optimization of the cost structure and the consistent management of working capital. Measures already implemented to enhance efficiency and adjust costs may, in a stabilized market environment, contribute to improved earnings performance.

The continuous development of production and procurement processes may increase operational flexibility and strengthen resilience to market volatility.

Financing and Sustainability-Related Opportunities

In the area of sustainability (ESG), opportunities arise to strengthen competitive positioning and improve access to capital providers. Transparent and regulatorily compliant reporting may support the confidence of investors and business partners.

Assessment of the Opportunities and Risk Situation

hGears continues to operate in a challenging economic environment characterized by subdued customer demand, ongoing pressure on earnings and increased uncertainty regarding further market developments. During the reporting period, several risks were classified as significant, in particular those related to demand trends, the liquidity situation and operational framework conditions.

hGears is continuously implementing measures to optimize costs and secure liquidity. In addition, further steps are currently being implemented to specifically counteract the decline in demand. Despite these measures, based on the current planning, financing in the mid-single-digit million range will be required in the second half of 2026. This financing requirement is intended to be covered initially by bridge financing, which is planned to be replaced in 2027 by alternative refinancing measures. At the time of publication, the bridge financing and the refinancing in 2027 have not been secured. However, the company has already initiated initial discussions with potential financing partners. The Management Board is confident that the bridge financing will be secured in time and that the refinancing in 2027 will be completed successfully.

An additional decline in sales volumes of more than 10% below the forecasted revenues – contrary to current expectations – could further increase the risk and additionally intensify the Group's liquidity requirement. In order to identify changes in demand at an early stage and respond flexibly, hGears continues to rely on continuous market monitoring, the expansion of customer relationships, and close coordination with existing customers. These measures are intended to help identify market trends at an early stage and make appropriate adjustments. If necessary, further measures will also be taken in the personnel area.

Should, contrary to expectations, no bridge financing for the second half of 2026 be secured, or should the follow-up financing in 2027 fail, the continued existence of the parent company and the Group would be at risk. As a result, a material uncertainty exists that may cast significant doubt on the ability of the parent company and the Group to continue as a going concern. The parent company, or the Group may therefore be unable to realize their assets and settle their liabilities in the ordinary course of business.

The ICS and RMS constitute key instruments for the early identification and management of risks and support the Management Board in the ongoing monitoring of the Group's risk situation. However, inherent limitations mean that residual risks cannot be fully excluded.

Based on ongoing discussions with financing partners and on the measures already initiated and planned, the Management Board nevertheless assumes that hGears will be able to avert the existing threat to its continued existence and to continue its business activities in the ordinary course. This assessment is made taking into account the existing uncertainties as well as the legal requirements pursuant to Section 91 (2) and (3) of the German Stock Corporation Act (AktG).

Compliance

Compliance is an integral component of responsible and sustainable corporate governance at hGears. It encompasses compliance with applicable laws and regulations as well as internal policies and reflects the Group's values and leadership principles. Integrity forms the binding framework for all entrepreneurial activities.

For the Management Board, compliance is a core management responsibility. At the same time, all employees are responsible for adhering to applicable legal requirements and internal rules. Managers have a particular role model function and are responsible for implementing and embedding compliance requirements within their respective areas of responsibility.

Compliance-related matters are integrated into the existing governance structure. Certain preventive and control-related measures are embedded in the ICS. In addition, compliance topics are considered within the RMS to the extent that they are risk-relevant. Compliance management is therefore part of the overarching management and control processes of hGears.

The primary objective of compliance activities is to reduce potential sanction and liability risks and to identify potential violations at an early stage. The design of the compliance structures is aligned with the specific risk profile of the Group and is continuously developed.

During the reporting period, the focus was placed in particular on data protection and information security as well as on the further development of internal policies. Internal anti-corruption requirements were revised, and the Code of Conduct as well as the Business Partner Code of Conduct were updated. Preparatory measures were also initiated in light of regulatory developments, particularly with regard to artificial intelligence and the NIS2 Directive.

During the reporting period, the management team received further awareness and training on compliance-related matters, also in view of the challenging economic environment.

The Management Board regularly informs the Supervisory Board about material compliance matters, in particular within the framework of the Audit Committee.

OUTLOOK REPORT

Overall economy

The war waged by Russia against Ukraine, now ongoing for four years, continued to shape the security and economic policy environment in Europe in 2025 as well. Despite a significant easing of the situation in the Middle East toward the end of the year, the international environment as a whole remained tense and contributed to a further fragmentation of global relations. The changed foreign and trade policy orientation of the United States led to additional uncertainty, particularly with regard to future trade relations as well as the role of multilateral institutions and cooperation. Although energy and raw material prices remained largely stable over the course of the year, trade policy measures, particularly tariffs, created additional price pressure and are likely to weigh on future inflation developments. Against this background, it remains uncertain at what pace central banks will be able to continue their monetary easing.

In its January 2026 outlook, the International Monetary Fund forecasts global economic growth of 3.3% for the current year, thus indicating unchanged momentum compared with the previous year. For China, the IMF expects a slowdown to 4.5% after the economy had still grown by 5.0% in the previous year. By contrast, a slight acceleration to 2.4% is forecast for the United States, following 2.1% in the prior year, while the euro area is again expected to expand only modestly at 1.3%, thus remaining slightly below the previous year's

level of 1.4%. After two weak years with a decline of 0.5% in 2024 and only a slight increase of an estimated 0.2% in 2025, growth of 1.1% is expected for Germany in 2026. This is likely to be driven primarily by higher government spending, particularly in the areas of defense and infrastructure. At the same time, the IMF assumes a further decline in the global inflation rate. Following an estimated 4.1% in 2025, inflation is expected to fall to 3.8% in 2026 and 3.4% in 2027. The main factors are declining energy prices, which partially offset the price-driving effects of US tariffs.

While efforts to achieve a ceasefire in Russia's war of aggression against Ukraine have so far continued without success, the conflict between Israel and the Palestinians has largely eased. By contrast, the United States and Israel have jointly attacked Iran. It is currently not foreseeable what medium- to long-term effects this war will have on the currently highly volatile oil and gas prices and, consequently, on the global economy. The Management Board is closely monitoring and assessing the developments of these conflicts. The Company's pass-through clauses would take effect in the event of rising energy and raw material costs, and the Management Board would immediately seek to compensate for higher costs not covered by these clauses through price increases.

e-Bike

According to an industry survey conducted by the trade magazine SAZ Bike at the end of the year, around half of the bicycle retailers surveyed in Germany continued to report elevated inventory levels. This is remarkable, as 2025 was already the third consecutive year characterized by inventory reduction and ongoing consolidation. Against this background, a further stabilization of the market in production is expected for 2026 as a result of the continued reduction in inventories, although significant growth momentum appears realistic only from 2027 onward. This assessment is in line with a study by EY-Parthenon from summer 2025, according to which the industry is viewed positively in the long term, while only limited changes in sales volumes and price levels are expected in the short term. While micromobility is already largely established in Europe, it is also becoming increasingly important in the United States. In 2025, Chicago reached a new record of 12.9 million rides on shared bicycles and scooters, nearly two million rides above the previous year's level. In Paris, the number of bike-sharing rides increased by 6 million in 2025, from 70 million in 2024 to 76 million. With more than 1,000 km of cycle paths and strong demand from residents and tourists, the city shows how strongly micromobility can continue to scale through suitable infrastructure. Overall, this development highlights growing acceptance and the structural trend toward flexible, urban, and cost-efficient mobility solutions. At the same time, continuous investments in cycle paths and micromobility infrastructure around the globe show that cities and entire urban regions increasingly understand the integration of such offerings as part of sustainable transport concepts. Against this background, increasing differentiation can also be expected for e-cargo bikes, as can already be observed in the e-bike sports segment, which, in the medium term, is likely to create additional demand momentum alongside a general recovery of the bicycle market.

[e]-Mobility

In December 2025, the European Commission proposed adjustments to the existing regulatory requirements for vehicles with internal combustion engines from 2035 onward, which still require the approval of the European Parliament. Instead of the previously envisaged full CO₂ reduction by 2035, the proposal now provides for a 90% reduction. This would soften the de facto ban on new vehicles with internal combustion engines adopted in March 2023. Irrespective of this, vehicles with internal combustion engines can continue to be operated beyond the statutory end of sales, for example through the use of synthetic fuels. This could stimulate demand for high-quality internal combustion engine vehicles, particularly in the luxury and high-performance sports car segment, until 2035, from which hGears, as a highly qualified supplier of gear components and complete transmission systems for this specific segment, is likely to benefit. On the other hand, with the introduction of electric vehicles, onboard electrical architectures with higher voltages have become established, and these are now used not only in electric cars but increasingly also in vehicles with internal combustion engines. These enable highly precise electrical assistance and control systems, such as steer-by-wire, brake-by-wire, or active chassis solutions, which replace hydraulic systems due to their improved functionality. In addition to greater control precision, dispensing with hydraulic oils contributes to improving sustainability. hGears is well positioned in this environment. The Company can benefit not only from general demand for electric and internal combustion engine vehicles, but also from the trend toward electronic instead of hydraulic systems in both vehicle categories.

e-Tools

Higher spending on defense and infrastructure is increasing the debt levels of European states and leading to rising government bond yields. Despite declining key interest rates set by the European Central Bank, this is resulting in higher mortgage rates in European countries. Nevertheless, private construction demand has so far remained stable, while additional infrastructure projects are likely to support the construction industry in Europe. Against this background, demand for electric devices for home and professional users in Europe should remain stable overall, while higher prices as a result of tariffs are likely to weigh on demand in the United States. In the area of garden tools, demand is likely to remain subdued in view of restrained consumer sentiment, although weather conditions in early summer may play a role. At the same time, the trend toward electrification in gardening continues, as gasoline-powered garden tools without modern exhaust gas treatment cause disproportionately high emissions relative to their performance and operating time and are therefore becoming increasingly subject to regulatory restrictions. Overall, the market for power and garden tools is expected to develop solidly.

Outlook

Non-Financial performance indicators

Measures relating to occupational safety and health protection will continue to be intensified across the Group, with the aim of continuously reducing accident-related downtime and, in the long term, completely avoiding workplace accidents. For the 2026 financial year, an LTAR of 3.8 is targeted. The decline in utilization at our Schramberg plant, where many (recyclable) metal chips are generated, weighed on the Group-wide recycling rate. As this mix effect is expected to continue, we are targeting a recycling rate of 80 % for 2026. The reduction in energy demand is taking place gradually, in particular through the modernization of the machine park and investments in more efficient production facilities. While absolute energy consumption is likely to remain at the previous year's level, energy consumption per working hour may increase arithmetically as a result of the reduced utilization of the plants. For 2026, we expect a figure of around 26 kWh per working hour.

Financial performance indicators

Against the background of a still challenging geopolitical and economic policy environment, the ongoing crisis in the bicycle industry, structural adjustments in the automotive industry, and volatile demand for power tools and garden tools, the Management Board remains cautious in its outlook.

For the 2026 financial year, hGears expects revenue in a range of EUR 80 – 90 million. The volumes, which are expected to remain largely unchanged, are also likely this year to result in inefficiencies and a considerably limited operating leverage. Against this background, the Management Board will again focus primarily on securing liquidity, operational excellence, and the deployment of resources. For 2026, the Management Board expects adjusted negative EBITDA of EUR minus 3 to 0 million. The Group is also likely to generate negative Free Cashflow of EUR minus 5 to minus 2 million. The Management Board will continue to approve capital expenditures on property, plant and equipment (CAPEX) only if it is ensured that they can generate additional revenue in the short to medium term.

Overall, the Management Board therefore expects earnings and the financial situation to remain strained in 2026 and is accordingly maintaining a consistent focus on cash preservation, operational excellence, strict deployment of resources, and a very selective approval of investments.

Schramberg, 23 March 2026

Sven Arend, CEO

Chairman of
the Management Board

Daniel Basok, CFO

Member of
the Management Board

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

of hGears AG, Schramberg for the period 1 January to 31 December

in kEUR	Note	2025	2024
Revenues	3.1	91,820	95,711
Other capitalized own work	3.2	85	77
Changes in inventories	3.2	(1,268)	(3,727)
Total output		90,637	92,061
Other operating income	3.3	2,173	2,137
Impairment gains/losses from financial instruments	4.4	(17)	37
Raw materials and consumables used	3.4	(48,483)	(50,143)
Personnel expenses	3.5	(31,878)	(35,730)
Depreciation, amortization and impairment	3.6	(25,657)	(11,488)
Other operating expenses	3.7	(12,448)	(12,276)
Profit/loss from operating activities		(25,673)	(15,402)
Finance income		106	131
Impairment gains/losses from financial instruments		–	68
Finance expenses		(2,581)	(2,773)
Financial result	3.8	(2,475)	(2,574)
Income before income taxes		(28,148)	(17,976)
Income and deferred taxes	3.9	304	(3,192)
Net result of the period		(27,844)	(21,168)
The result is attributable to:			
Shareholders		(27,844)	(21,168)
Basic/diluted earnings per share (EUR)	3.11	(2.68)	(2.04)

The accompanying notes are an integral part of these consolidated financial statements. Figures in the tables may be rounded.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of hGears AG, Schramberg for the period 1 January to 31 December

in kEUR	2025	2024
Net result of the period	(27,844)	(21,168)
Other comprehensive income:		
Other comprehensive income that will not be reclassified subsequently to profit or loss		
Remeasurements of post-employment benefit obligations	5	6
Tax effect	(1)	(3)
Other comprehensive income that may be reclassified subsequently to profit or loss		
Currency translation adjustment*	(682)	292
Total comprehensive income	(28,522)	(20,873)

* Exchange rate differences arising from the translation of hGears (Suzhou) Co., Ltd., Suzhou / China

The accompanying notes are an integral part of these consolidated financial statements. Figures in the tables may be rounded.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of hGears AG, Schramberg

in kEUR	Note	31 December 2025	31 December 2024
Property, plant and equipment	4.1	41,457	61,302
Intangible assets	4.2	427	653
Other non-current assets	4.5	108	118
Other non-current financial assets	4.5	620	340
Deferred tax assets	3.9	81	2
Total non-current assets		42,693	62,415
Inventories	4.3	13,984	16,649
Trade receivables	4.4	8,019	7,556
Other receivables	4.5	781	952
Other current assets	4.5	2,118	2,319
Cash and cash equivalents	4.6	8,676	17,127
Total current assets		33,578	44,603
Total assets		76,271	107,018
in kEUR	Note	31 December 2025	31 December 2024
Share capital		10,400	10,400
Capital reserve		69,232	69,232
Other reserves		400	400
OCI		1,698	2,371
Retained earnings		(57,371)	(29,527)
Total Equity	4.13	24,360	52,876
Lease liabilities	4.7	6,155	5,606
Borrowings	4.8	9,879	9,694
Deferred tax liabilities	3.9	21	20
Provisions	4.10	319	319
Employee benefit obligations	4.11	861	901
Trade and other payables	4.12	162	234
Total non-current liabilities		17,397	16,774
Lease liabilities	4.7	2,363	2,240
Borrowings	4.8	8,777	8,782
Provisions	4.9	473	630
Other current financial liabilities	4.12	26	168
Trade and other payables	4.11	22,864	25,548
Current tax liabilities	3.9	12	–
Total current liabilities		34,515	37,368
Total liabilities		51,912	54,142
Total equity and liabilities		76,271	107,018

The accompanying notes are an integral part of these consolidated financial statements. Figures in the tables may be rounded.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of hGears AG, Schramberg for the years ended 31 December

in kEUR	OCI						Total equity
	Share capital	Capital reserve	Other reserves	Currency translation	Employee plan	Retained earnings	
Balance at 1 January 2025	10,400	69,232	400	1,305	1,066	(29,527)	52,876
Net result of the period	–	–	–	–	–	(27,844)	(27,844)
Other comprehensive income	–	–	–	(682)	4	–	(678)
Total comprehensive income	–	–	–	(682)	4	(27,844)	(28,522)
Other changes	–	–	–	–	5	–	5
Balance at 31 December 2025	10,400	69,232	400	623	1,075	(57,371)	24,360
Balance at 1 January 2024	10,400	69,232	400	1,013	1,058	(8,359)	73,744
Net result of the period	–	–	–	–	–	(21,168)	(21,168)
Other comprehensive income	–	–	–	292	3	–	295
Total comprehensive income	–	–	–	292	8	(21,168)	(20,873)
Other changes	–	–	–	–	5	–	5
Balance at 31 December 2024	10,400	69,232	400	1,305	1,066	(29,527)	52,876

The accompanying notes are an integral part of these consolidated financial statements. Figures in the tables may be rounded.

CONSOLIDATED STATEMENT OF CASH FLOWS

of hGears AG, Schramberg for the years ended 31 December

in kEUR	2025	2024
Profit / loss from operating activities	(25,673)	(15,402)
Depreciation, amortization and impairment	25,657	11,488
Other non-cash items	13	(290)
Income tax payments	233	178
Provisions and others	(195)	(387)
Interest paid	(2,475)	(2,501)
Interest received	57	196
Change in inventories	2,547	3,426
Change in receivables	(747)	3,064
Change in liabilities	(2,365)	(4,475)
Change in other assets	69	565
Change in other liabilities	116	(725)
Net cash provided by (used in) operating activities	(2,765)	(4,862)
Cash flows provided by (used in) investing activities		
Payments for investments	(5,495)	(1,450)
Income from sales of fixed assets	2,524	809
Net cash provided by (used in) investing activities	(2,971)	(641)
Cash flows provided by (used in) financing activities		
Proceeds from borrowings	22,833	24,661
Repayments of borrowings	(22,863)	(26,218)
Repayments leasing agreements	(2,298)	(2,578)
Cash flows provided by (used in) financing activities	(2,327)	(4,135)
Net cash increase (decrease) in cash and cash equivalents	(8,064)	(9,637)
Cash and cash equivalents at the beginning of the year	17,127	26,597
Effects of exchange rate changes on cash and cash equivalents	(387)	167
Closing Cash and cash equivalents	8,676	17,127

The accompanying notes are an integral part of these consolidated financial statements. Figures in the tables may be rounded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

hGears AG – HRB 778870 was incorporated in 2011 and is domiciled in Schramberg, Germany.

The address of registered office is Brambach 38, 78713 Schramberg.

hGears AG prepares the consolidated financial statements in accordance with IFRS for the largest and for the smallest group of companies in accordance with Section § 290 in conjunction with Section § 315e of the German Commercial Code ("HGB").

The consolidated financial statements consist of the financial statements of hGears AG, its subsidiaries: hGears Schramberg GmbH (herewith: "Schramberg"); hGears Padova S.p.A. (herewith: "Padova"), and its second-tier subsidiary hGears (Suzhou) Co., Ltd. (herewith: "Suzhou") were prepared using uniform group accounting policies.

hGears AG and its subsidiaries and second-tier subsidiary ("hGears Group", "Group") manufacture, distribute and sell precision turned parts, drive components, gear kits as well as complex system solutions. For this, the group combines steel machining with powder metal technologies.

The consolidated financial statements can be viewed on www.unternehmensregister.de.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below and were applied consistently to all years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of hGears Group as of 31 December 2025 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as adopted by the European Union and Section 315e of the German Commercial Code ("HGB"), were released by the Management Board for issue by the Supervisory Board on 23 March 2026.

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires the Management Board to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in [Note 2.4](#).

The consolidated financial statements are presented in Euros (EUR). Individual items in the consolidated financial statements and the notes to the consolidated financial statements are presented in Euro thousands (kEUR) in accordance with commercial rounding practices. The financial year corresponds to the calendar year. The functional currency of the Company as well as of its subsidiaries is Euro, except for its second-tier subsidiary Suzhou, for which the functional currency is Renminbi (RMB).

Assets and liabilities are generally classified as current if they are expected to be realized or settled within one year.

The consolidated financial statements have been prepared under the historical cost convention except for financial assets and liabilities measured at fair. The consolidated statement of profit or loss is prepared based on the "Total cost method". The consolidated financial statements have been prepared on a going concern basis.

hGears is continuously implementing measures to optimize costs and secure liquidity. In addition, further steps are currently being implemented to specifically counteract the decline in demand. Despite these measures, based on the current planning, financing in the mid-single-digit million range will be required in the second half of 2026. This financing requirement is intended to be covered initially by bridge financing, which is planned to be replaced in 2027 by follow-on refinancing measures. As of the date of publication, the bridge financing has not yet been secured. However, the company has already initiated initial discussions with potential financing partners. The Management Board is confident that the bridge financing will be secured in time. An additional decline in sales volumes of more than 10% below the forecasted revenue – contrary to current expectations – could further increase risk and intensify the Group's liquidity needs. To detect changes in demand at an early stage and respond flexibly, hGears continues to focus on continuous market monitoring, strengthening customer relationships, and maintaining close coordination with existing customers. These measures are intended to help identify market trends early and make the necessary adjustments. If necessary, further personnel-related measures will also be taken.

If, contrary to expectations, no additional bridge financing can be secured for second half of 2026 or the follow-on refinancing in 2027 fails, the continued existence of the parent company and the Group is at risk. As a result, there is significant uncertainty that may cast substantial doubt on the ability of the parent company and the Group to continue as a going concern. The parent company and the Group may therefore not be able to realize their assets or settle their liabilities in the ordinary course of business.

These consolidated financial statements cover the financial year from 1 January 2025 to 31 December 2025 (comparative annual period: 1 January 2024 to 31 December 2024).

The following explanatory notes are an integral part of the consolidated financial statements which further comprise the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flow.

hGears Group sees only very limited direct effects from the geopolitical situation, as the group has no significant suppliers or customers in Russia, Ukraine, or the Middle East. Inflation in advanced economies eased further in 2025, reaching the ECB's target in the euro area while remaining above the Fed's target in the United States. Both central banks cut interest rates, though room for further easing appears limited. Geopolitical tensions and policy uncertainties, including tariff policies, may weigh on consumer sentiment and, ultimately, economic growth.

IFRS issued, EU endorsed and adopted in the reporting period

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2025:

Title	IASB Effective date	EU Endorsement status	Effects
Lack of exchangeability (Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates)	1 January 2025	Endorsed	No material impact for hGears Group
Disclosures about Uncertainties in Financial Statements – Amendments to Illustrative Examples on IFRS 7 Financial Instruments: Disclosures, IFRS 18 Presentation and Disclosure in Financial Statements, IAS 1 Presentation of Financial Statements, IAS 8 Basis of Preparation of Financial Statements, IAS 36 Impairment of Assets and IAS 37 Provisions, Contingent Liabilities and Contingent Assets	1 January 2025	n/a	No material impact for hGears Group

2.2 Basis of Consolidation

The consolidated financial statements for the Group include the accounts and results of hGears AG ("hGears") as well as its subsidiaries and second-tier subsidiary (herewith: subsidiaries). Subsidiaries are all entities with regard to which hGears has the power to govern the financial and operating policies, generally by means of hGears having more than half of the voting rights ('control'). Potential voting rights that are currently exercisable or convertible are taken into consideration when assessing whether hGears controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by hGears and are deconsolidated from the date on which hGears' control ceases. All intercompany transactions, balances, and unrealized results on transactions with subsidiaries are eliminated.

As of 31 December 2025, the financial statements of the following subsidiaries of hGears AG are included in the consolidated financial statements by means of full consolidation:

Subsidiary	Percentage of ownership %	Subscribed capital	Result of FY 2025 (*)
hGears Schramberg GmbH, Schramberg, Germany	100	kEUR 4,400	kEUR –
hGears Padova S.p.A., Padova, Italy	100	kEUR 2,000	kEUR (918)
hGears (Suzhou) Co., Ltd., Suzhou, China	100	kRMB 49,487	kRMB 7,419

(*) the result is presented in accordance with local GAAP

According to paragraph 2 of the Control Agreement ("**Beherrschungsvertrag**") between hGears AG and hGears Schramberg GmbH, signed on 15 November 2016, with the effective date from 1 January 2017, hGears commits itself to assume the losses of hGears Schramberg GmbH in accordance with the provision of Section 302 of the German Stock Corporation Act ("**Aktiengesetz**").

hGears Schramberg GmbH is exempt from the obligation to prepare notes to the financial statements, to prepare a management report and to publish the annual financial statements under Section 264 (3) German Commercial Code ("HGB").

2.3 Recent Accounting Developments

The IASB continues to issue new standards, interpretations and amendments to existing standards. hGears Group applies these new standards when their mandatory application is required by the EU. hGears Group has not opted for early adoption for any of these standards.

Various new accounting standards and interpretations have been published but are not mandatory for reporting periods ending on 31 December 2025 and have not been adopted early by the Group. These standards are not expected to have a material impact on hGears Group's net assets, financial position, and results of operations for the period presented or future reporting periods and on foreseeable future business transactions, respectively.

IFRSs and Interpretations that have been published but are not yet mandatory

Standard/Interpretation	Adopted by the European Union	Early adoption	Impact on hGears Group
Amendments			
Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments and IFRS 7) ⁽¹⁾	Endorsed	Permitted	None
Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) ⁽¹⁾	Endorsed	Permitted	None
Annual Improvements to IFRS Accounting Standards – Volume 11 ⁽¹⁾	Endorsed	Permitted	None
IFRS 18 Presentation and Disclosure in Financial Statements ⁽²⁾	Endorsed	Permitted	None
IFRS 19 Subsidiaries without Public Accountability: Disclosures ⁽²⁾	Endorsed	Permitted	None

(1) IASB/IFRS IC effective date 1 January 2026

(2) IASB/IFRS IC effective date 1 January 2027

2.4 Critical accounting estimates and judgments

The preparation of consolidated financial statements requires the Management Board to make judgments, estimates and assumptions that to a certain extent affect the reported amounts of assets and liabilities, income, and expenses, as well as contingent liabilities.

The assumptions and estimates relate primarily to:

- the assessment of the recoverability of non-financial assets, (Note 4.14)
- the uniform determination of the useful economic life for intangible assets and property, plant and equipment throughout the Group (Note 4.1 and 4.2),
- the expected cash inflow from trade receivables (Note 4.4),
- the valuation of inventories (Note 4.3).

As part of the impairment tests for non-financial assets, estimates must be made to determine the recoverable amount of a cash-generating unit. In particular, assumptions are required regarding future cash inflows and outflows both during the planning period and beyond. These estimates primarily relate to future sales volumes, growth in the respective markets, and the profitability of the products.

The uniform determination of the useful economic life for intangible assets and property, plant and equipment throughout the Group is subject to estimates made by the Management Board.

For trade receivables, credit default risks may arise to the extent that customers are unable to meet their payment obligations, resulting in losses to the Group. The calculation of the required loss allowances takes, among others, into account such things as the solvency of customers, existing securities as well as experience based on historical default rates. The actual payment defaults by customers may differ from anticipated payment defaults due to several influencing factors.

Inventories are valued at the lower value of acquisition and manufacturing cost and net realizable value. Net realizable value is determined by subtracting the costs incurred up to completion from the expected sales price of the end product. If assumptions regarding future sales prices or end product market potentials are not appropriate, this may lead to a further need for impairment of inventories.

When accounting for other provisions, the Management Board must make assumptions regarding the probability of certain business transactions resulting in impending losses for hGears Group. Estimates regarding the amount and timing of possible economic outflows form the basis for the measurement of provisions. If the actual amounts and the timing differ from estimates made, this may affect the result of the Group.

The Management Board judgment is required for the calculation of deferred taxes. Deferred tax assets on tax loss carry forwards may only be recognized to the extent that it is probable that sufficient taxable profit will be available in the future. The Management Board analyses various factors to assess the probability of the future utilization of deferred tax assets based on reasonable scenarios taken from the Group's tax planning process.

Assumptions and estimates are based on premises based on the knowledge at hand at the respective time. Unforeseeable developments and developments beyond the Management Board's control may cause a difference between the originally estimated values and the actual amounts arising at a later date. In this case, the assumptions and, if necessary, the carrying amounts of the affected assets and liabilities will be adjusted accordingly.

2.5 Foreign Currency Translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the related entity operates ('functional currency'). The functional and reporting currency of hGears AG, hGears Schramberg GmbH and hGears Padova S.p.A. is Euro. The functional and reporting currency of hGears (Suzhou) Co., Ltd. is Renminbi.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss as other operating expenses or other operating income, respectively.

Translation differences on non-monetary financial assets and liabilities that are measured at fair value through profit or loss are reported as part of the fair value gain or loss. Conversely, when a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in comprehensive income.

The financial position and statement of profit or loss of a Group's subsidiary that has a functional currency different from the presentation currency is translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the balance sheet date;
- income and expenses are translated at average exchange rates,
- all resulting exchange differences are recognized as a separate component within equity.

Exchange rate differences arising from the translation of a net investment in foreign operations and from borrowings and other currency instruments designated as hedges of such investments are realized within other comprehensive income (equity). When a foreign operation is partially disposed or sold, exchange rate differences previously recorded within other comprehensive income are recognized in the consolidated statement of profit or loss as part of the gain or loss of the sale.

The following foreign currency rates have been applied:

Chinese RMB	2025	2024
as of 31 December	8.2262	7.5833
annual average rate	8.1185	7.7875

2.6 Accounting Policies

2.6.1 Revenue Recognition

Under IFRS 15, hGears Group recognizes revenue when it transfers control of goods and products to a customer, which occurs upon delivery. Management applies the following five step model when determining the timing and amount of revenue recognition:

1. Identifying the contracts with customers;
2. Identifying the separate performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to separate performance obligations; and
5. Recognizing revenue when each performance obligation is satisfied.

All revenues of hGears Group qualify as contracts with customers and fall in the scope of IFRS 15.

hGears Group generates revenue mainly from the production and sale of components and assemblies. Revenue is measured based on the consideration specified in a contract with a customer, taking into account variable purchase price components, when it is highly probable that a material adjustment to the cumulative recognized revenue will not occur. The amount of variable consideration is determined using either the expected amount method or the most likely amount based on the most appropriate estimation method. The Group recognizes revenue when it transfers control of an asset to a customer. hGears Group only manufactures products that can be sold to various customers with no or low rework costs. The power of disposal is transferred to the customer upon delivery of the products. Contracts with customers do not include a financing component, as payment terms are short term, as common in the industry.

All revenue generated by hGears Group is included within the item revenue in the consolidated statements of profit or loss.

2.6.2 Finance income and finance expenses

Interest income and expenses are recognized using the effective interest method.

2.6.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are classified as measured at amortized cost.

2.6.4 Trade receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. Trade receivables are recognized initially at their transaction price.

The Group usually holds trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. Besides such trade receivables, the Group also holds trade receivables, that are subject to a factoring agreement, with the objective of collecting cash flows by selling them to a factor. These trade receivables are classified as measured at fair value through profit or loss.

If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

2.6.5 Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of raw, auxiliary and operating materials is determined by using the specific identification of their individual cost method. The cost of semi-finished and finished goods is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

If the net realizable value of a finished good is lower than costs, the difference is recognized as impairment immediately. When the previous impairment is not necessary anymore, a release of the provision is recognized in the profit and loss.

The finished products and semi-finished products costs include raw materials, direct manpower costs and other direct costs, as well as other indirect production costs for the share attributable to the production (calculated on the basis of the normal operating capacity). Financing costs are not included in the valuation of the inventories but are charged within the consolidated statement of profit or loss when incurred, since there are no requirements for the capitalization. Inventories of raw materials and semi-finished products no longer usable in the production cycle and inventories of unsaleable finished products are impaired.

2.6.6 Property, plant and equipment

Property, plant and equipment is valued at cost less depreciation and impairment losses, if any. Cost includes direct costs (e.g. materials, direct labor and work contracted out) and directly attributable overhead costs.

The estimated useful lives of the principal property, plant and equipment categories are as follows:

Asset class	Estimated useful life
Buildings	10 to 50 years
Plants, Machinery, Tools and Dies	4 to 25 years
Other assets	3 to 15 years

Property, plant and equipment is depreciated using the straight-line method, based on estimated useful life, taking into account residual value. Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets concerned may not be recoverable. An impairment loss is recognized for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is defined as the higher of an asset's fair value less cost to sell and its value in use. Impairments are reversed if and to the extent that the reasons for impairment no longer exist.

The assets' residual values and useful lives are reviewed at least annually and adjusted if appropriate.

2.6.7 Right-of-use-Assets/Lease Liabilities

hGears Group accounts leases in accordance with IFRS 16, which defines a lease as a contract or part of a contract whereby the lessor conveys to the lessee the right to use the asset for an agreed period of time in exchange for consideration.

Where hGears Group is lessee, it generally recognizes a right-of-use asset and a lease liability in the statement of financial position for all leases. The lease liability is measured in the amount of the outstanding lease payments discounted using the incremental borrowing rate (or, if determinable, the interest rate implicit in the lease). The right-of-use asset is generally measured in the amount of the lease liability plus initial direct costs.

The right-of-use asset is generally depreciated over the shorter of the lease term and the useful life of the right-of-use asset. If ownership of the leased asset is transferred to the lessee at the end of the lease term, or if the exercise of a purchase option was taken into account at the inception of the lease liability, the right-of-use asset is depreciated until the end of the useful life of the leased asset. The lease liability is adjusted using the effective interest method and taking the lease payments into account.

The incremental borrowing rate is the rate that the lessee would have to pay to obtain, over a similar term and with similar security, the funds that would be required to obtain an asset of similar value to the right-of-use asset in a similar economic environment to the underlying lease arrangement. Lease payments are discounted at the rate implicit in the lease if that rate can readily be determined. Otherwise, discounting is at the incremental borrowing rate.

The right-of-use assets recognized in the consolidated statement of financial position are reported in those items that the assets underlying the lease would have been reported if they had been beneficially owned by hGears Group. The right-of-use assets were therefore reported under non-current assets within property, plant and equipment as of the balance sheet date.

There are recognition exemptions for short-term leases and leases of low-value assets. hGears Group takes advantage of these and consequently does not recognize right-of-use assets or lease liabilities for such leases. The associated lease payments are recognized directly in profit or loss as an expense. Leases of low-value assets are those where the value of the leased asset does not exceed EUR 5,000 when new. Furthermore, the accounting requirements of IFRS 16 are not applied to leases of intangible assets.

In determining the lease term, all relevant facts and circumstances are taken into consideration that create an economic incentive to exercise, or not to exercise, the option. Optional periods are taken into account in determining the lease term if it is reasonably certain that the option will be exercised.

A right-of-use asset is subsequently measured at cost less any accumulated depreciation and, if necessary, any accumulated impairment. According to IFRS 16, the depreciation of right-of-use assets is recognized within functional costs. The interest due on the lease liability is a component of interest expense. In determining the lease term, all facts and circumstances offering economic incentives for exercising extension options or not exercising termination options are taken into account. In determining the lease term, those options are only considered if their exercise is reasonably certain.

A lease modification shall be accounted for a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

2.6.8 Intangible assets

Intangible assets include non-monetary assets, with no physical substance, clearly identifiable and suitable to generate future economic benefits. Such purchased intangible assets are capitalized at acquisition cost, including the expenses directly attributable to prepare the asset for its use, and subsequently measured net of accumulated depreciations and of any possible impairment losses. Amortization commences when the intangible asset is available to be used and is systematically allocated over the estimated useful life. In case of identification of the possible impairment indicators, the recoverable amount of the intangible asset is estimated, attributing an impairment in the consolidated statement of profit or loss. Should the requirements for the impairment no longer exist, the book value is reinstated through profit or loss, to the extent that the intangible asset's carrying amount does not exceed the carrying amount net of amortization that would have been determined if an impairment had not been recognized.

hGears Group does not have any intangible asset with indefinite useful lives.

Other intangible assets with a finite useful life

Intangible assets with a finite useful life are capitalized at cost, as previously described, and subsequently measured net of accumulated amortizations and of any possible impairment. Amortization starts when the asset is available to be used and is systematically allocated over the estimated useful life.

The useful life estimated by the Company for the categories of intangible assets is as follows:

Asset class	Estimated useful life
Software and licenses	5 years
Brands and trademarks	5 years
Other	5 years

2.6.9 Impairment of non-financial assets

Intangible assets with indefinite life are not subject to amortization but subjected at least annually (more frequently in presence of specific impairment indicators) to the verification of the absence of lasting losses of value such to require an impairment, while intangible assets with a finite useful life are subjected to this verification only in the presence of specific impairment indicators.

The verification if an impairment of an intangible asset becomes necessary occurs by estimating the recoverable amount of the intangible asset and comparing it with the carrying amount. The recoverable amount is the higher amount of the fair value of an asset and its value in use, which is determined as the current value of expected cash flows that the company estimates will derive from the continuing use of the asset and from its disposal at the end of its useful life. This recoverable amount is determined for each individual asset unless said asset does not generate cash flows that are largely dependent of those generated by other assets.

If the recoverable amount is lower than the carrying amount, the latter is reduced accordingly; such reduction constitutes an impairment loss, which is recognized in the consolidated statement of profit or loss. Should the reasons that triggered impairment losses previously recognized no longer exist, with the exception of the goodwill, the impairment is reversed to the extent the estimated value does not exceed the net carrying amount that the asset would have had if no impairment losses had been carried out. The reversal of value is recorded in the consolidated statement of profit or loss.

If it is not possible to estimate the recoverable amount of an individual asset, the impairment test is performed for the smallest group of assets to which it belongs and for which separately identifiable cash flows exist; the so-called cash-generating units (CGUs). The cash-generating units correspond to the individual companies of the hGears Group.

2.6.10 Trade and other payables

These amounts represent unpaid liabilities for goods and services provided to the Group prior to the end of the financial year. The amounts are unsecured and are usually paid within 30 days of recognition (for the German companies) and 60 days (for Padova and Suzhou). Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

The contract liabilities is the entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer.

2.6.11 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that the facility or parts of it will be drawn down. In this case, the fee is deferred until the draw down occurs.

Borrowings are derecognized when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of profit or loss as other income or finance expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Sale and buyback transactions where the conditions for a sale are not met are treated as financing.

2.6.12 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation resulting from past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood of an outflow to settle these obligations is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any item included in the same class of obligations may be small.

Provisions are measured at the present value of the Management Board's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

The increase in the provision due to the passage of time is recognized as interest expense.

2.6.13 Employee Benefits

2.6.13.1 Pension obligations

The Group has defined benefit plans and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (funds). The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay to all employees the benefits relating to employee service in the current and prior periods. The other plans are defined benefit plans. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually depending on one or more factors such as age, years of service and compensation.

The provision recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality fixed rate AA-corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other components of equity (other comprehensive income) in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

According to IAS 19, employee benefits to be paid out subsequent to the termination of the employment relationship and other long-term benefits (including the Provision for severance indemnity recognized by Padova) are subjected to actuarial valuations which have to take into account a series of variables (such as mortality, future salary and pension changes, the anticipated rate of inflation, etc.).

2.6.13.2 Other benefits

Liabilities for wages and salaries, including monetary and non-monetary benefits and accumulating sick leave that are expected to be fully settled within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

2.6.14 Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction. It is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. The Management Board periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Management Board establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously (except leasing).

Current and deferred tax is recognized in the consolidated statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.6.15 Financial instruments

2.6.15.1 Recognition and derecognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group offsets financial assets and financial liabilities only if offsetting is legally enforceable and it is intended to actually offset them. In general, financial instruments in the form of financial assets and financial liabilities are presented separately and on a gross basis.

Financial instruments are recognized as soon as hGears Group becomes a party to the contractual provisions of the financial instrument. Purchases and sales of financial assets are initially (de-)recognized and measured at the settlement date.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognized when the contractual obligation is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of profit or loss as other finance income or financial expense. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, this exchange or modification is treated

as a derecognition of the original liability and the recognition of a new liability. Any revisions of the estimated cash flows are reflected by adjusting the amortized cost of the respective financial liability with recording the resulting change in amortized cost in profit or loss.

2.6.15.2 Financial assets

Financial assets include primarily trade receivables, receivables from banks, granted loan, cash on hand and derivative financial assets. The classification of financial instruments is based on the business model within which these instruments are held and on the contractual cash flows.

Classification

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of profit or loss.

Subsequent measurement of financial assets depends on the measurement category into which the Group classifies its financial assets. According to IFRS 9 there are three measurement categories:

- Amortized cost (AC)
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

For the classification in one of these categories hGears Group differentiates between debt and equity instruments.

Subsequent measurement of **debt instruments** depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

- Financial assets are classified as measured at **Amortized Cost** if the Group holds the assets for collection of contractual cash flows (business model "hold to collect") and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. After initial recognition, such financial instruments are subsequently carried at Amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the statement of income when the financial assets are impaired or derecognized. Interest effects on the application of the effective interest method are also recognized in the consolidated statement of profit or loss.
- Debt financial assets are classified as measured at **fair value through other comprehensive income** if the business model is "hold to collect and sell" and the contractual cash flows are solely payments of principal and interest on principal amount outstanding. The changes in fair value are recognized in other comprehensive income and are reclassified to profit or loss when the instrument is derecognized. Changes in expected credit losses are recorded in profit or loss by adjusting the FVOCI reserve instead of the carrying amount.
- Financial assets that do not meet the criteria for AC or FVOCI are classified as measured at **fair value through profit or loss**. In addition, the Group may irrevocably designate a debt instrument as measured at FVPL (so-called fair value option). Gains or losses on a debt instrument classified into this category are recognized in profit or loss and presented net within other income/(expenses) in the period in which they arise.

hGears Group does not make use of the fair value option.

Pursuant to IFRS 9, hGears Group classifies its financial instruments in the following categories:

- Financial assets and financial liabilities measured at amortized costs (most of the non-derivative financial assets of hGears fall into this category since both criteria are met);
- Financial assets and financial liabilities at fair value through profit and loss.

Impairment of financial assets

Financial assets are subject to credit risk that are taken into consideration in the recognition of loss allowances or, for losses already incurred, when reporting an impairment. The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at AC and FVOCI.

The general impairment methodology applied follows a three-stage approach which is based on the change in credit quality of financial assets since initial recognition (general approach). According to this approach hGears Group considers the probability of default upon initial recognition of the respective asset and whether there has been a significant increase in credit risk. At initial recognition, debt instruments are assumed to have a low credit risk, for which a loss allowance for 12 months ECL is recognized (stage 1). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL (stage 2). A significant increase in credit risk is presumed if a debtor is more than 60 days past due in making a contractual payment or if the rating of the debtor was downgraded by external rating agencies (for example by insurance companies). If there is objective evidence of impairment (stage 3), hGears Group also accounts for lifetime ECL.

The Group considers that there is objective evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- higher probability that the debtor will enter bankruptcy or financial reorganization, and
- in case of payment default (settlement of the invoice after the due date) or failure to pay.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The company categorizes a financial asset for write off only based on decisions made on specific debtors. The decision is based on available information and after the company concluded all required actions to collect the over dues amounts. Where financial assets have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

For trade receivables, the Group applies the simplified approach which uses a lifetime ECL allowance. Expected credit losses have been determined based on specific credit risk parameters for probability of default (PD), loss given default (LGD) and gross exposure (EAD) per debtor. The data are estimated from historical experience and adjusted by forward-looking information from macroeconomic estimates.

An impairment loss for trade receivables is recorded using an allowance account. For all other financial assets impairment loss directly reduces the carrying amount. Impairment losses are recognized in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

For detailed information on credit risk refer to [Note 6.2.2](#).

2.6.15.3 Financial liabilities

Financial liabilities primarily include liabilities to banks, to shareholders, to leasing companies and derivative financial liabilities. They are initially recognized at fair value. Lease liabilities are accounted for in accordance with IFRS 16 and are not subject to the measurement principles presented below. For further information on lease liabilities, please refer to [Section 2.6.7](#). At initial recognition, the Group measures a financial liability at its fair value minus any directly attributable transaction costs, in case a financial liability is not classified at fair value through profit or loss. Transaction costs of financial liabilities carried at fair value through profit or loss are expensed in the consolidated statement of profit or loss.

Subsequent measurement of financial liabilities depends on the measurement category into which the Group classifies its financial liabilities. According to IFRS 9 there are two measurement categories for financial liabilities:

- Amortized cost (AC)
- Fair value through profit or loss (FVPL)

Financial liabilities at **Amortized cost** are trade and other payables, liabilities to banks and shareholders. After initial recognition, financial liabilities are subsequently measured at Amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as in case of amortization using the effective interest method.

2.6.15.4 Derivatives and hedge accounting

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value at the end of each reporting period. The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity is more than 12 months; it is classified as a current asset or liability when the remaining maturity is less than 12 months.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument.

If hedge accounting would not have been applied, the profit or loss arising from remeasuring the derivative financial instrument at its fair value is immediately recognized in the consolidated statement of profit or loss.

If hedge accounting is applied, derivatives can be designated as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

hGears Group only designates derivatives within cash flow hedges, whereby the effective portion of the gain or loss on the hedging instrument is recognized in the cash flow hedge reserve in other comprehensive income. The deferred gain or loss is removed from equity and recognized in consolidated statement of profit or loss in the same period in which the hedged transaction is recognized. The gain or loss relating to the ineffective portion of changes in the fair value of the hedging instrument is recognized immediately in the consolidated statement of profit or loss.

When an hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss recorded in equity shall remain in equity and be reclassified to the consolidated statement of profit or loss when the forecast transaction occurs. If the hedged forecast transaction is no longer expected to occur, the cumulative gain or loss deferred in equity shall immediately be reclassified to profit or loss.

At inception of a hedge relationship, hGears Group documents the economic relationship between the hedging instrument and hedged item, its risk management objective and strategy for undertaking the hedge transaction as well as the method to assess hedge effectiveness prospectively.

2.6.16 Government Grants

Government grants which compensate the Group for expenses are recognized as other operating income in the same period as the expenses themselves or as reduction of the related expenses.

Government grants related to assets are recognized in other operating income over the life of a depreciable asset.

Cash-effective government grants are shown in cash flow from operating activities.

Short-time work describes the reduction of the regular working hours for a temporary period of time. During that time the employer pays a salary to the employee which is reduced accordingly. The top-up amounts paid by the employer to the employees form an integral part of the current remuneration to be granted for work performed and have to be recorded as personnel expenses. Since the employee is entitled to the short-time work compensation, the forwarding of this compensation to the employees represents a

transitory item in the financial statements from the company’s point of view. While the costs of social security contributions borne by the employer are to be recorded as personnel expenses, the reimbursements from the federal employment agency are categorized as performance-related grants under IAS 20. According to IAS 20.30 these reimbursements are reported as a deduction from personnel expenses (net statement).

3. NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

3.1 Revenues

hGears Group generates revenue from the sale of manufacturing, distribution and selling of precision turned parts, drive components, gear kits as well as complex system solutions.

The Group derives revenue its operations at a point in time in the following major revenue streams, business areas and geographical regions:

in kEUR	2025	2024
Sales of goods	91,411	95,153
Other	409	558
Total Revenues	91,820	95,711

Other revenues relate to the sale of scrap mainly in Germany.

The following table provides hGears Group's sales of goods by business areas:

in kEUR	2025	2024
e-Bike	9,842	18,460
[e]-Mobility	46,770	44,171
e-Tools	34,799	32,522
Sales of goods	91,411	95,153

hGears business activities are divided into three business areas:

- **e-Bike:** The focus is now purely on the e-Bike industry. The activities of the business area include the co-development and manufacturing of components for e-bike applications, which also help to improve noise, vibration, and harshness characteristics.
- **[e]-Mobility:** Focuses on supplying the EHV and conventional automotive industry and manufacturers of powersports vehicles according to the highest quality standards and fulfils all necessary certifications.
- **e-Tools:** Focuses on components utilized in the powering mechanism of battery driven, cordless power and gardening tools. It includes the manufacturing of precision components that are used in the part of the gearbox that connects the electric motor to the actual tools (e. g., cutting tools, trimming tools). Furthermore, the business area contains industrial applications.

Sales of goods in the e-Bike business area continued to decrease due to ongoing destocking in the e-bike industry (2025: kEUR 9,842; 2024: kEUR 18,460).

The revenue in the [e]-Mobility business area increased from kEUR 44,171 in 2024 to kEUR 46,770 in 2025 mainly due to higher demand in EHV market (2025: kEUR 21,825; 2024: kEUR 17,536) and a decrease in Automotive and Motorbike markets (2025: kEUR 24,945; 2024 : kEUR 26,635).

Sales of goods in the e-Tools business area increased from kEUR 32,523 in 2024 to kEUR 34,799 in 2025 mainly due to higher demand in the Gardening market.

The following table provides hGears Group's sales of goods by geographic location:

in kEUR	2025	2024
EU area	63,501	67,001
USA	7,750	7,370
China	5,348	6,188
Rest of the world	14,812	14,594
Sales of goods	91,411	95,153

Sales of goods in the EU area include sales in Germany for a total amount of kEUR 17,180 (2024: kEUR 17,289), Hungary for a total amount of kEUR 9,130 (2024: kEUR 16,380) and Italy for a total amount of kEUR 21,183 (2024: kEUR 16,393).

Besides Germany, Hungary and Italy, sales in EU area are highly fragmented and are not exceeding more than 10% from sales of goods.

3.2 Other capitalized own work and Changes in inventories (finished goods and work in progress)

in kEUR	2025	2024
Other capitalized own work	85	77
Changes in inventories	(1,268)	(3,727)
Total	(1,183)	(3,650)

3.3 Other operating income

The line item breaks down as follows:

in kEUR	2025	2024
Foreign currency exchange gains	1,208	674
Disposal of non-current assets	115	54
Reversal of provisions	238	369
Non-cash benefits to employees	45	275
Government grants	280	509
Refund from social contribution for employees	54	15
Other	233	241
Total	2,173	2,137

In the line Government grants are recognized subsidies received in Italy and in Germany according to IAS 20.

3.4 Raw materials and consumables used

The line item breaks down as follows:

in kEUR	2025	2024
Raw Materials less discounts received	(37,122)	(36,529)
Consumables used and energy	(8,439)	(9,999)
Outsourced manufacturing costs	(2,922)	(3,615)
Total	(48,483)	(50,143)

3.5 Personnel expenses

The line item breaks down as follows:

in kEUR	2025	2024
Wages and salaries	(24,935)	(28,299)
Social security contributions	(6,344)	(6,563)
Temporary workers	(599)	(868)
Total	(31,878)	(35,730)

Wages and salaries include expenses for defined contribution pension plans in the amount of kEUR 1,646 in 2025 and kEUR 1,819 in 2024.

In 2025 the use of short-time-work in Germany led to claims for the reimbursement of short-time allowance, which are recognized as reduction of the Personnel expenses, according to IAS 20 (2025: kEUR 302, 2024: kEUR 140).

In 2025 the Group employed 618 people on average (2024: 668).

	2025	2024
Factory workers	454	495
Office workers and Managers	164	173
Total	618	668

As of 31 December 2025, the Group employed 603 FTEs, including the Management Board (31 December 2024: 647).

	31 December 2025	31 December 2024
Factory workers	508	558
Office workers and Managers	95	89
Total	603	647

3.6 Depreciation, amortization and impairment

The notes to the individual items show the breakdown of depreciation, amortization and impairment charges between intangible assets and property, plant and other equipment. Total depreciation, amortization and impairment came to kEUR 25,657 (2024: kEUR 11,488) of which kEUR 13,936 in 2025 as impairment. For further details regarding impairment, see [Section 4.14](#).

In 2025, special depreciation on assets disposed during the year, according to IFRS 5 were booked for a total amount of kEUR 776 (2024: kEUR 219).

For more information on leasing, we refer to [Section 4.7](#).

3.7 Other operating expenses

The line item breaks down as follows:

in kEUR	2025	2024
Maintenance, distribution and manufacturing expenses	(4,535)	(4,764)
Administration and marketing	(4,707)	(4,851)
Miscellaneous personnel expenses	(1,298)	(1,263)
Foreign currency exchange losses	(1,184)	(427)
Lease expenses	(513)	(627)
Losses from disposal of fixed assets	(34)	(49)
Other	(177)	(295)
Total	(12,448)	(12,276)

The table below shows the fees booked in 2025 and 2024 for the Auditing Company

in kEUR	2025	2024
Audit fees	379	376
of which BDO AG Wirtschaftsprüfungsgesellschaft	311	308
of which foreign BDO Network	68	68
Other fees	12	-
of which BDO AG Wirtschaftsprüfungsgesellschaft	5	-
of which foreign BDO Network	7	-
Total	391	376

3.8 Financial result

The line item breaks down as follows:

in kEUR	2025	2024
Interest bank income	56	131
Other interest income and similar income	50	-
Financial income	106	131
Impairment gains / losses from financial instruments	-	68
Impairment gains / losses from financial instruments	-	68
Interest expense on finance lease liabilities	(457)	(501)
Interest expenses banks loans and overdrafts	(354)	(727)
Other interest expenses and similar expenses	(1,770)	(1,545)
Financial expenses	(2,581)	(2,773)
Total	(2,475)	(2,573)

Other interest expenses and similar expenses include the scheduled amortization of transaction costs in relation to the loans in the amount of kEUR 216 (2024: kEUR 241), factoring interests in the amount of kEUR 199 (2024: kEUR 292) interest on financings in the amount of kEUR 1,262 (see Section 4.9, 2024: kEUR 962) as well as the interest expense on employee benefit obligations (2025: kEUR 28; 2024: kEUR 30). Interest income of a total of kEUR 105 (2024: kEUR 131) primarily resulted from bank deposits and from other interest income.

For more information on leasing, we refer to Sections 4.1, 4.7 and 5.

3.9 Income and deferred taxes

The line item breaks down as follows:

in kEUR	2025	2024
Current income taxes	224	(114)
Deferred income taxes	80	(3,078)
from temporary differences	1,617	(1,416)
from tax loss carry-forwards	(1,536)	(1,662)
Total taxes	304	(3,192)

Effective income taxes for 2025 include corporation tax, solidarity surcharges, trade tax, foreign income taxes paid and reimbursement from previous years totaling kEUR 224 (2024: kEUR –114).

In the table below the expected income tax expenses that would have arisen if the tax rate of the parent company of the Group, which is 23.85 % (2024: 29.125 %), had been applied to the income before taxes, is reconciled with the income tax expense displayed in the consolidated statement of profit and loss.

In kEUR	2025	2024
Income before income taxes	(28,146)	(17,975)
Theoretical taxes income/(expenses)	8,198	5,235
Effective taxes income/(expenses)	304	(3,192)
Lower/(higher) tax burden related to:	(7,894)	(8,427)
Differences in foreign tax rates	28	(18)
Taxes not relating to the period	261	(73)
No-deductible expenses and tax free income	52	80
Taxes on dividends	(4)	(10)
Unused tax loss carryforwards	(8,521)	(5,384)
Impairment of DTA	–	(2,955)
Others	(14)	(66)
Tax charge	(7,894)	(8,427)

The effective tax rate of the Group is –1.1 % (2024: 17.8 %).

Deferred tax assets and liabilities from temporary differences and tax loss carryforwards are related to the following items of the consolidated statement of financial position of the Group:

in kEUR	Deferred tax assets	
	31 December 2025	31 December 2024
Finance lease liabilities	1	534
Intangible	15	25
Inventories	19	52
Other receivables	–	4
Property, plant and equipment	(5)	123
Provisions	2	60
Tax losses carryforward	137	1,673
Trade receivables	66	51
Borrowings	–	32
Non-current other liabilities	–	31
Trade and other payables	41	40
Other non-current liabilities	–	281
Other	–	(2)
Offsetting	(196)	(2,902)
Total	81	2

in kEUR	Deferred tax liabilities	
	31 December 2025	31 December 2024
Employee benefit obligations	21	20
Trade receivables	–	21
Property, plant and equipment	196	2,879
Non-current other liabilities	–	2
Offsetting	(196)	(2,902)
Total	21	20

Deferred tax assets have been recognized to the extent that the likelihood of utilization based on the Company's forecasts is reasonably certain. Deferred tax assets of kEUR 137 (31 December 2024: kEUR 1,673) have been recognized for tax loss carry forwards.

There are unused tax losses in the Group for corporate income tax (Tax rate 2025: 10.550%, 2024: 15.825%) in the amount of kEUR 83,529 (31 December 2024: kEUR 57,408) and unused tax losses for trade taxes (Tax rate 2025: 13.3%, 2024: 13.3%) in the amount of kEUR 65,857 (31 December 2024: kEUR 42,598). Only kEUR 547 unused tax losses are subject to a time limit of 5 years (31 December 2024: kEUR 1,235).

In the period under review, tax effect of kEUR 1 (2024: kEUR 2) resulted from the re-measurement of the employees benefit obligation. These effects are recognised in other comprehensive income; the cumulative amount is kEUR 21 (31 December 2024: kEUR 20).

No deferred tax liabilities were recognized on temporary differences in the carrying amounts of investments, so-called outside basis differences, in the amount of kEUR 47,801 (31 December 2024: kEUR 33,066), as hGears AG can control the timing of the realization of the temporary differences and these will not be reversed in the foreseeable future.

The group does not fall within the scope of the OECD Model Pillar 2 regime, which applies to multinational companies that have consolidated revenues in at least 2 years out of 4 (which, according to the OECD definition, include any form of income and therefore do not fall within the scope of IFRS 15 recorded sales revenues are limited) of EUR 750 million.

3.10 Segment reporting

An operating segment is defined as a unit of an entity that engages in business activities from which it can earn revenues and incur expenses and whose operating results are regularly reviewed by the entity's chief operating decision-maker, the Management Board, and for which discrete financial information is available.

In light of such definition, hGears consists of one operating segment, production of high precision gears and components.

The management board evaluates hGears Group economic success using selected key figures so that all relevant income and expenses are included. In detail the performance of the operating segment is measured on the basis of consolidated Adjusted EBITDA, the consolidated Revenues and the consolidated Free Cash Flow, as measured for the Management Board reporting purposes.

The following table shows the segment Revenue and Adjusted EBITDA to consolidated net result of the period:

in kEUR	IFRS consolidated	
FY	2025	2024
Revenues	91,820	95,712
Adjusted EBITDA ⁽¹⁾	1,581	500
One-off transaction costs	(1,597)	(4,414)
Depreciation, amortization and impairment	(25,657)	(11,488)
EBIT	(25,673)	(15,402)
Finance income	106	199
Finance expenses	(2,581)	(2,773)
EBT	(28,148)	(17,946)
Income and deferred taxes	304	(3,192)
Net result of the period	(27,844)	(21,168)

(1) the Company defines EBITDA as profit from operating activities before depreciation, amortization and impairment. The Company discloses EBITDA as a supplemental APM as it believes this is a meaningful measure to indicate hGears' earnings and thus to evaluate the performance of hGears' business activities over time.

The adjustments include non-recurring items that lead to material effects in a reporting year.

The following table is the breakdown of One-off transaction costs:

in kEUR	IFRS consolidated	
FY	2025	2024
Personnel costs ⁽¹⁾	1,096	2,090
One-off advisory fees	43	31
One-off Impairment	–	542
One-off special project cost	372	1,751
Other	86	–
Total	1,597	4,414

(1) it includes additional bonuses for employees and accruals for severance costs

The following table shows the return on revenues and the Free Cash Flow:

in kEUR	IFRS consolidated	
	2025	2024
FY		
Return on revenues in % ⁽¹⁾	(30.3)	(22.1)
Free Cash Flow ⁽²⁾	(3,319)	(3,198)

(1) The Company defines return on revenues as the ratio of net result of the period to return revenues.

(2) The Company defines free cash flow as a sum of net cash flow from operating activities and net cash flow for investing activities, minus received interest, plus paid interest. This calculation was adjusted compared to the previous year due to changes in management reporting.

hGears Group generates more than 10% of its sales with one customer. As of 31 December 2025, this single most important customer represented accounts receivable with a carrying amount of kEUR 115 (31 December 2024: kEUR 561) and revenues 2025 in the amount of kEUR 18,613 (2024: kEUR 16,258).

hGears' Group earns revenues worldwide through its operations. Geographic location of revenue is determined based on the final location of delivery. Sales by region are presented in [Section 3.1](#).

The non-current assets (intangible assets and property, plant and equipment) of the hGears Group are distributed across the following regions:

in kEUR	hGears AG/ Germany		Schramberg/ Germany		Padova/ Italy		Suzhou/ China		Reconcilia- tion ⁽¹⁾		IFRS consolidated	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Additions	1	–	9,754	906	1,005	1,411	961	321	–	–	11,721	2,638
Carrying amounts	21	47	18,455	35,391	18,263	20,559	5,187	6,000	(43)	(42)	41,884	61,955

(1) The reconciliation relates to the elimination of intragroup transactions

3.11 Earnings Per Share

The basic earnings per share (as defined in IAS 33) as of 31 December 2025 is EUR –2.68 (31 December 2024: EUR –2.04). It is calculated by dividing the net income or loss for the period attributable to holders of ordinary equity instruments of hGears by the weighted average number of ordinary shares outstanding during 2025, amounting to 10,400,000 (2024: 10,400,000).

The 262,717 options granted on 16 April 2025 are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 31 December 2025.

The performance targets for the stock options granted in 2025 were not achieved. Therefore, these options expired on 31 December 2025 and will not have any dilutive effect going forward.

4. NOTES TO THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

4.1 Property, plant and equipment

The following table provides the breakdown of the Group's Property, plant and equipment:

in kEUR	31 December 2025	31 December 2024
Land and Buildings	5,343	9,398
Plants and Machinery	29,251	41,632
Tools and Dies	3,399	4,332
Other assets	2,605	4,140
Fixed assets under construction and down-payments	859	1,800
Total	41,457	61,302

The table reported in [Annex 1](#) summarizes the changes occurred in Property, plant, and equipment.

The table below shows the Right-of-Use Assets of leases under IFRS 16:

in kEUR	31 December 2025	31 December 2024
Right-of-use Assets:		
Land and Buildings	6,669	5,651
Plants and Machinery	1,079	3,046
Other assets	767	642
Total	8,515	9,339

The following table shows the movements in item "Right-of-use assets":

in kEUR	1 January 2024	Addi- tion	Dis- posal	Depre- ciation	Reclassi- fication	Currency differences	31 December 2024
Right-of-use Assets:							
Land and Buildings	6,689	303	–	(1,384)	–	43	5,651
Plants and Machinery	6,471	21	–	(283)	(3,163)	–	3,046
Other assets	751	336	(16)	(430)	–	1	642
Total	13,911	661	(16)	(2,097)	(3,163)	44	9,339

in kEUR	1 January 2025	Addi- tion	Dis- posal	Depre- ciation	Reclassi- fication	Currency differences	31 December 2025
Right-of-use Assets:							
Land and Buildings	5,651	2,810	–	(1,584)	(124)	(83)	6,669
Plants and Machinery	3,046	–	–	(125)	(1,839)	(1)	1,079
Other assets	642	278	(3)	(278)	127	(2)	767
Total	9,339	3,088	(3)	(1,987)	(1,837)	(86)	8,515

Additions to the right-of-use assets during the financial year 2025 were kEUR 3,088 (31 December 2024: kEUR 660).

In 2025, application of IFRS 16 – Leases resulted in the recognition of kEUR 1,987 in depreciation and amortization (2024: kEUR 2,097) and interest payments for leasing kEUR 457 (2024: kEUR 501). As of 31 December 2025 lease liabilities amounted to kEUR 8,517 (31 December 2024: kEUR 7,845).

Lease liabilities are effectively secured as the rights to the leased assets recognized in the consolidated financial statements revert to the lessor in the event of default.

For further information on leasing, we refer to [Sections 3.8, 4.7](#) and [5](#).

Fixed assets under construction and down-payments amounted to kEUR 859 and include down-payments to suppliers for the acquisition of plant and machinery (31 December 2024: kEUR 1,800).

4.2 Intangible assets

The following table provides the breakdown of the Group's intangible assets:

in kEUR	31 December 2025	31 December 2024
Software and licenses	396	552
Brands and trademarks	12	25
Down-payments	18	76
Down-payments	1	–
Total	427	653

The table attached in [Annex 2](#) provides a reconciliation of the carrying amounts of hGears Group's intangible assets at the beginning and end of the periods presented in the consolidated financial statements.

4.3 Inventories

In kEUR	31 December 2025	31 December 2024
Raw materials, consumables and supplies	10,895	12,158
Finished goods and work in progress	8,805	10,666
Provisions for inventory	(5,716)	(6,175)
Total	13,984	16,649

The gross value of written-down inventories as of 31 December 2025 is kEUR 15,186 (31 December 2024: kEUR 14,728).

Movements in the Group's provision for inventory is as follows:

in kEUR	
Balance as of 31 December 2023	(5,295)
Addition	(1,227)
Reverse	34
Utilization	321
Other	(8)
Balance as of 31 December 2024	(6,175)
Addition	(292)
Reverse	605
Utilization	131
Other	15
Balance as of 31 December 2025	(5,716)

Depreciation of kEUR 292 was recognized in the consolidated statement of profit and loss. These are mainly due to revaluation in order to state inventories at net realizable value. During the year, the Group reassessed the net realizable value of its inventories and sold inventories previously written down. As a result previously recognized write-downs were no longer required (2025: kEUR 605, 2024: kEUR 34).

Inventories recognised as an expense during the year ended 31 December 2025 amounted to kEUR 16,604 (2024: kEUR 20,045). These were included in Raw materials and consumables used and Changes in inventories.

4.4 Trade receivables

The carrying amounts of the trade receivables approximate to their fair values and it is equal to kEUR 8.019 (31 December 2024: kEUR 7,556).

The Group entered into in various supplier finance programs of our customers. Under these arrangements, the Group sells trade receivables to financial institutions. When the receivables are transferred, they are paid out in full by the bank, after the deduction of a discount. As the sale is non-recourse and the Group has transferred the credit risk, trade receivables amounting to kEUR 3,163 as of the reporting date, are fully derecognized (31 December 2024: kEUR 6,127). Further trade receivables intended to be sold and amounting to kEUR 88 are not sold yet as of the reporting date (31 December 2024: kEUR 731).

At 31 December 2025, provision for impairments amounted to kEUR 52 (31 December 2024: kEUR 33).

4.5 Other current assets and non-current assets

The following note provides an overview of financial and non-financial assets.

In kEUR	31 December 2025	31 December 2024
Other receivables non-current	108	118
Other financial assets non-current	620	340
Total Non-Current	728	458

The table above mainly refers cash deposits made to secure future payments and services.

The following note provides an overview of current financial other receivables and non-financial other receivables.

in kEUR	31 December 2025	31 December 2024
Receivables for energy costs	346	196
Credit notes	201	614
Other	45	15
Total Non-Financial Assets	592	825
Loan to employees	175	95
Supplier with debit balance	–	7
Suppliers premium	4	19
Other	10	6
Total Financial Assets	189	127
Total	781	952

The following table provides the breakdown of the Group's other current non-financial assets:

in kEUR	31 December 2025	31 December 2024
VAT receivables	446	530
Tax receivables	1,164	1,336
Current prepaid operating expenses	508	453
Total	2,118	2,319

4.6 Cash and cash equivalents

At 31 December 2025, cash and cash equivalents amounted to kEUR 8,676 (31 December 2024: kEUR 17,127). This position includes cash in hand (petty cash) in the amount of kEUR 0 (31 December 2024: kEUR 1).

Foreign currency balances were translated into the Group currency at the closing day exchange rate.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified expected credit loss was immaterial as of 31 December 2025, as in 2024.

4.7 Lease liabilities

The Group leases various plants and equipment within the scope of IFRS 16. The carrying amount of the corresponding lease liabilities amount to kEUR 8,518 (31 December 2024: kEUR 7,845).

For more information on leasing, we refer to [Sections 3.8, 4.1, 5 and 8.1.1](#).

The Group's lease liabilities are split into non-current and current amounts as follows and relate to the lease of various plants and equipment as described below:

in kEUR	31 December 2025	31 December 2024
Finance lease liabilities current	2,363	2,240
Finance lease liabilities non-current	6,155	5,605
Total	8,518	7,845

The following table provides the breakdown of the total future gross minimum lease payments at the balance sheet date and their present value:

in kEUR	31 December 2025	31 December 2024
Gross finance lease liabilities – minimum lease payments:		
Less than 1 year	2,858	2,608
1 – 5 years	5,487	6,063
More than 5 years	1,995	7
Minimum lease payments	10,340	8,678

in kEUR	31 December 2025	31 December 2024
The present value of finance liabilities – minimum lease payments:		
Less than 1 year	2,363	2,240
1 – 5 years	4,275	5,599
More than 5 years	1,880	6
Net present value of minimum lease payments	8,518	7,845

The difference between the minimum lease payments and their present value is the interest portion that the Group has to pay in the future for the leasing contracts.

In 2025 the Group paid kEUR 457 for interest to leasing companies (2024: kEUR 501) and the nominal amount reimbursed amounted to kEUR 2,298 (2024: kEUR 2,578).

Expenses related to lessee accounting are:

in kEUR	2025	2024
Expenses from short-term leases	232	394
Expenses from leases of low-value assets	162	165
Expenses from variable lease payments	118	68
Total	512	627

4.8 Borrowings

On 27 March 2024 hGears signed a financing agreement with a lender for a financing of EUR 15 million with duration of 36 months. The agreement is secured by pledging the manufacturing equipment of the German plant with carrying amount of EUR 15.9 million. The agreement had a balance of EUR 6.0 million due at maturity. In August 2025 an extension of the agreement was signed. The maturity has been extended till August 2029 with a balance of EUR 4.0 million due at maturity date.

The cancellation conditions of the agreement are:

- delay in the repayment of two monthly fees;
- breach in insurance obligation;
- evidence of significant deterioration in the financial strength of the borrower;
- the collateral provided by the borrower has lost considerable value;
- the borrower does not succeed to provide securities in any other way;
- the borrower business is sold in whole or substantial part.

On 10 May 2024 the conditions precedent of the financing agreement were fulfilled and thus the agreement became effective.

In April 2024 hGears signed additional financing agreements with two leading European banks with total amount of EUR 5.0 million (each EUR 2.5 million). With the amendments signed in August 2025 the total amount has been reduced to EUR 2.0 million (each EUR 1.0 million). hGears pledged account receivables (EUR 2.9 million) and inventory (EUR 7.9 million) of the German plant to secure these credit agreements. Based on the amendments the financing will be repaid on 31 March 2026.

In October 2024 hGears signed a master agreement with a leading Italian bank with a total amount of up to EUR 4.0 million, reduced in September 2025 to EUR 2.7 million. The master agreement doesn't require any collaterals and has a maturity of six months and can be drawn, repaid and extended at any time.

On 13 December 2024 hGears signed a financing agreement with a lender for a financing of EUR 0.5 million with duration of 72 months. The agreement is secured by pledging the specific related equipment of the German plant with carrying amount of EUR 1.0 million. In 2025 further financing agreements with the lender were signed for a financing of EUR 2.2 million with duration between 60 months and 72 months. The agreements are secured by pledging the specific related equipment of the German plant with carrying amount of EUR 3.0 million.

In March 2025 hGears signed a financing agreement for a working capital financing of CNY 10 million.

There are no cancellation conditions for those agreements.

The carrying amounts of borrowings are as follows:

in kEUR	31 December 2025	31 December 2024
Bank loan current	5,429	4,921
Other lenders current	3,348	3,861
Other lenders non-current	9,879	9,694
Total	18,656	18,476

The average rate applicable to the Group's debt is 8.10 %.

4.9 Provisions

The following note provides an overview of provision, current and non-current.

In kEUR	31 December 2025	31 December 2024
Provision, current	473	630
Provision, non-current	319	319
Total	792	949

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

in kEUR	Environment provision	Other risk provision	Warranty provision	Total
Balance as of 31 December 2023	269	495	404	1,168
Addition	–	12	134	146
Release	–	(174)	(123)	(297)
Utilization	–	–	(69)	(69)
Other	–	(1)	2	1
Balance as of 31 December 2024	269	332	348	949
Addition	–	50	114	164
Release	–	(138)	–	(138)
Utilization	–	–	(181)	(181)
Other	–	–	(2)	(2)
Balance as of 31 December 2025	269	244	279	792

The amounts considered in "Environmental provision", relate on the opinion of legal and professional experts.

The Company doesn't expect to utilize the accrued amount in the next 12 months.

The amounts considered in "Other risks provision" refer to the best estimate made by the Management Board about probable liabilities in relation to proceedings against suppliers, tax authorities, employees and other subjects. The estimate takes into account, where applicable, the opinion of legal advisors and other experts, the past experience of the Company in similar situations and the intention of the Company to proceed with further action. This item also includes provisions for anticipated losses. It's expected that the accrued amount of kEUR 282 is utilized in the next 12 months.

The "Warranty provision" has been recognized to cover possible future replacement costs of products sold within during the year and according to the terms of the contractual warranty. It's expected that the accrued amount is utilized fully in the next 12 months.

4.10 Employee benefit obligations

This item in question includes the estimated liability for the severance indemnity (TFR) related to the employees of the subsidiary Padova.

Italian "Trattamento di Fine Rapporto" (TFR) benefit is a deferred compensation item established by Italian law. It is regulated by the Italian Commercial Code (art. 2120). The value of the "TFR" results from the gross annual salaries of the employees, divided by 13.5. This amount is adjusted, later, by applying the inflation rate of the subsidiary country added to 1.5 percentage points (annual rate of increase TFR). The benefit is paid to the employees as a lump sum in case of a termination of the employment, i.e. in case of retirement, death, disability or turnover.

Based on generally accepted interpretation and following the changes made to the national laws by Law no. 296 of 27 December 2006 ("2007 Finance Act") and the following decrees and regulations issued in the early months of 2007, the Italian severance indemnity plans are deemed:

- a defined contribution plan for the quotas of the severance indemnity accrued as from 1 January 2007, both in the case of supplementary pension and in the case of allocation to the Treasury fund by INPS;
- a defined benefit plan for the quotas of the severance indemnity accrued until 31 December 2006, for which it is necessary to carry out actuarial calculations that exclude the component related to future salary increases.

The employee severance fund of Italian companies ("TFR") has no plan assets at its service.

The composition of this item is detailed as follows:

in kEUR	
Balance as of 31 December 2023	1,068
Actuarial Losses (profits) from experience	(1)
Actuarial Losses (profits) from changes in financial assumptions	(5)
Interest costs	30
Utilisation of TFR	(182)
Utilisation of TFR	(9)
Balance as of 31 December 2024	901
Actuarial Losses (profits) from experience	(10)
Actuarial Losses (profits) from changes in financial assumptions	5
Interest costs	28
Utilisation of TFR	(48)
Other	(15)
Balance as of 31 December 2025	861

The actuarial assumptions for the defined benefit plans are detailed in the following table:

	31 December 2025	31 December 2024
Economic summary		
Inflation rate	2.00 %	2.00 %
Discount rate	3.09 %	3.18 %
Annual rate of increase TFR	3.00 %	3.00 %
Demographic summary		
Mortality	ISTAT 2022	ISTAT 2022
Inability	INPS tables divided for age and sex	
Retirement	100 % when the AGO requirements are met	
Turnover annual frequency and TFR advances		
Advances frequency	2.00 %	2.00 %
Turnover frequency	5.00 %	5.00 %

The annual frequencies of turnover and TFR advances are derived from the historical experience of the Company and from the experience of the actuary on a significant number of similar companies. Below is a sensitivity analysis related to pension plans with defined benefits on the basis of changes in the key assumptions:

in kEUR		Pension plan 31 December 2025	Pension plan 31 December 2024
Turnover rate	+1 %	886	912
Turnover rate	-1 %	883	907
Inflation rate	+0,25 %	893	919
Inflationsrate	-0,25 %	876	901
Discount rate	+0,25 %	872	896
Discount rate	-0,25 %	897	924

The sensitivity above was made on the basis of changes in individual assumptions, while retaining the others unchanged, although in practice any change in an assumption generally can also be reflected in the other as a result of potential correlations. The sensitivity above was calculated using the same method (projected unit credit method) used to calculate the liability recognized in the consolidated statement of financial position. In the tables below are reported the contribution for the following year, the average duration of the defined benefit plan and the future estimated payments of the plan.

Service costs and duration

	2025	2024
Service cost	-	-
Duration (years)	6.5	7.0

Future estimated payments for defined benefit plans

Year / in kEUR	2025	2024
1	109	103
2	65	74
3	107	64
4	103	103
5	69	115

The total expense recognized in the current period in relation to the Group contributions was kEUR 1,646 during 2025 and kEUR 1,819 during 2024.

4.11 Trade and other payables

The following note provides an overview of the current trade and other payables:

in kEUR	31 December 2025	31 December 2024
Trade payables	14,211	16,996
Current Non-Financial Liabilities	8,653	8,552
Total	22,864	25,548

Trade payables are unsecured and are usually paid within 60 days of recognition. The carrying amounts of trade payables are assumed to be the same as their fair values, due to their short-term nature.

The following table provides the breakdown of the Current Non-Financial Liabilities:

in kEUR	31 December 2025	31 December 2024
Contract liabilities	1,056	243
Other current liabilities	2,164	2,272
Employees liabilities	4,084	4,527
Current deferred operating expenses	1,349	1,510
Total Current Non-Financial Liabilities	8,653	8,552

Contractual liabilities as of 31 December 2024 resulted reversed in revenues in 2025 for an amount equal to kEUR 54 (2024: kEUR 414).

Other current liabilities breakdown is as follows:

in kEUR	31 December 2025	31 December 2024
Taxes and social contributions on wages	1,667	1,751
Auditor costs	277	302
Other	220	219
Total	2,164	2,272

Employees liabilities and taxes on wages mainly relate to payrolls and wages (also Management Board liabilities – for more information, please see [Note 8.2.2](#)) for the month of December, to vacation days accrued but not taken yet to production bonuses and to the related social contributions.

The balance of non-current trade and other payables as of the reporting date included the following items:

in kEUR	31 December 2025	31 December 2024
Anniversary obligation	91	97
Trade Payables	70	137
Total	161	234

4.12 Other current financial liabilities

The balance of other current financial liabilities as of the reporting date included the following items:

in kEUR	31 December 2025	31 December 2024
Interest liabilities	26	168
Total	26	168

4.13 Equity

On 8 April 2021, the Company's share capital increased from kEUR 63 to kEUR 8,000 from company funds. On May 21, 2021 the share capital is increased due to the IPO to kEUR 10,400. At 31 December 2024 the total share capital of the company is divided into 10,400,000 ordinary shares with a par value of EUR 1.

Besides the minimum amount of share capital, required under German law, there are no distribution restrictions applicable. The entity itself does not hold any own shares.

All shares issued are fully paid.

Capital Reserve represents contributions of the shareholders (kEUR 6,963), the contribution of "former" miniGears companies (kEUR 13,485), reduced by kEUR 7,938 as result of the share capital increase from Company funds. The proceeds from IPO amounts to kEUR 60,000, reduced by certain legal, consulting and other third-party fees that are directly associated with in-process equity (kEUR 3,278, increased by kEUR 7 compared to last year). Due to the missing recoverability of the tax advantages, no taxes were recognised in the equity.

Other reserve includes the legal reserve is booked in the subsidiary Padova and it is equal to 5% of its share capital.

The OCI Reserves includes:

- **Currency Translation Reserve:** it includes the reserve of the subsidiary Suzhou deriving from translating it results and financial position from RMB (functional currency) into EURO (presentation currency);
- Changes in **Employee Plan Reserve** related to employee termination indemnities of defined benefit plans;
- Fair value of Stock Option Programme.

Retained earnings includes the result of the current period and the results of the previous years that are not still paid to the shareholders.

Authorized Capital 2025

By virtue of the amended Articles of Association approved by Annual General Meeting on 11 June 2025, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital of the Company on one or more occasions on or before 10 June 2030, by up to a total of EUR 5,200,000.00 by issuing up to a total of 5,200,000 new no-par value bearer shares in return for cash contributions and/or contributions in kind (Authorized Capital 2025). The Executive Board is authorized, with the approval of the Supervisory Board, to determine the further content of the share rights and the conditions of the share issue and the implementation of the capital increases. Among other things, the Executive Board was also authorized,

with the approval of the Supervisory Board, to exclude shareholders' subscription rights under certain conditions and within defined limits.

No use has been made of the authorized capital to date.

Conditional Capital 2025

The Management Board was authorized by the Annual General Meeting on 11 June 2025, with the approval of the Supervisory Board, to issue convertible and/or warrant-linked bonds or profit-sharing rights with or without conversion or subscription rights (collectively hereinafter also referred to as "bonds") in a total nominal amount of up to EUR 100,000,000.00 on one or more occasions until 10 July 2030. The holders of the Bonds referred to in the preceding sentence may be granted conversion or subscription rights to up to 3,261,000 no-par value bearer shares of the Company with a pro rata amount of the share capital of up to EUR 3,261,000.00 in total. The conversion and subscription rights may be serviced from conditional capital to be resolved at this or future Annual General Meetings, from existing or future authorized capital and/or from a cash capital increase and/or from existing shares and/or provide for a cash settlement instead of the delivery of shares.

No use has yet been made of Conditional Capital 2025.

Conditional Capital 2024

The Management Board was authorized by the Annual General Meeting on 11 June 2024, with the approval of the Supervisory Board, to conditionally increase the company's share capital by up to EUR 525,450.00 by issuing up to 525,450 no-par value bearer shares (Conditional Capital 2024). Conditional Capital 2024 serves exclusively to issue shares of the Company to service subscription rights to shares of the Company issued to members of the Management Board of the Company and selected managers of the Company as well as to companies affiliated with the Company within the meaning of Sections 15 et seq. of the German Stock Corporation Act (AktG) in the form of share options in accordance with the authorization resolution of the Annual General Meeting on 11 June 2024. The conditional capital increase shall only be implemented to the extent that stock options are granted in accordance with the aforementioned authorization resolution (Stock Option Programme 2024), the holders of the stock options exercise their rights, and the Company does not grant any treasury shares to service the stock options. The new no-par value bearer shares shall carry dividend rights from the beginning of the financial year for which the Annual General Meeting has not yet adopted a resolution on the appropriation of profits at the time of issue. The Supervisory Board is authorized to amend the wording of the Articles of Association in line with the respective utilization of Conditional Capital 2024 and after expiry of all exercise periods. The Management Board with the approval of the Supervisory Board and – with regard to the members of the Management Board – the Supervisory Board are authorized to determine the further details of the issue of shares from Conditional Capital 2024.

The total nominal amount of the company's conditional capital, including Conditional Capital 2025 in the amount of EUR 3,261,000.00 (Section 4.3 of the Articles of Association) and the Conditional Capital 2024 in the amount of EUR 525,450.00 (Section 4.4 of the Articles of Association), amounts to a total of EUR 3,786,450.00 and therefore not exceeds half of the share capital existing at the time of the resolution on the conditional capital increase.

4.14 Impairment of assets or cash-generating units

As at 31 December 2025 the hGears Group reviewed the carrying amounts of Intangible assets of kEUR 427 (previous year: kEUR 653) and Property, plant and equipment of kEUR 41,457 (previous year: kEUR 61,302) to determine whether there were any indications of impairment of assets or cash-generating units.

The impairment resulted from a slower-than-previously-expected recovery in the relevant end markets, which led to an adjustment of the expected future cash flows. The review resulted that as at the reporting date as the carrying amount exceed the recoverable amount, an impairment loss of EUR 13.9 million was recognized. The recoverable amount of the cash-generating units is EUR 24.7 million. In the fundamental analyses of the recoverability of cash-generating units, the hGears Group determines the higher of value in use and fair value less costs to sell as the recoverable amount and compares this with the corresponding carrying amounts. The cash-generating units correspond to the individual companies of the hGears Group. The value in use is determined by discounting the expected future cash flows from the continued use of the cash-generating

units at a risk-adjusted interest rate (WACC). Future cash flows are determined on the basis of the business plan approved by management at the time the impairment test is carried out. The business plan regularly covers a period of five years. It is based on expectations regarding the future economic development of the respective markets and the profitability of the products offered. A risk assessment is also carried out when deriving the value in use. The effects of company-related risks as well as the effects of the Russia-Ukraine conflict and interest rate trends are taken into account in the calculation via cash flows. Country risks, on the other hand, are taken into account as cross-company effects in the interest rate. The assumptions used for the planning calculation are checked for plausibility both on the basis of historical developments and external sources of information. The risk-adjusted interest rate (WACC – weighted average cost of capital) calculated for the respective cash-generating unit, after tax plus country risk premium are:

in kEUR	2025	2024
Germany	8.33 %	8.65 %
Italy	10.11 %	11.25 %
China	10.05 %	9.55 %

The WACC before taxes are:

in kEUR	2025	2024
Germany	8.70 %	10.58 %
Italy	12.54 %	13.45 %
China	12.60 %	11.78 %

The calculation is based on the Capital Asset Pricing Model (CAPM), taking into account current market expectations. Specific peer group information for beta factors, capital structure data and borrowing costs are used to determine the interest rate. The company-specific cash flows were calculated using the respective tax rates of the companies in Germany of 29.13% (unchanged from the previous year) and abroad of 25.00% (2024: 25.00%) and 28.08% (2024: 27.90%). For the periods after the detailed planning phase, the cash flows of the last planning period are extrapolated using growth rates based on long-term inflation expectations. The growth rates used for the calculation are generally 1.5% (previous year: 1.5%).

The cash flow projections are based on financial budgets approved by management covering a period of five years. Revenue projections are based on existing customer contracts, current order backlog and expected market growth. Growth rates applied reflect country forecasts and historical experience. Gross margin assumptions are derived from historical margins, adjusted for expected changes in input costs and pricing conditions. Operating expenses and personnel expenses are projected based on current cost structures and planned efficiency measures (i.e. costs savings, short time work). Finally, investments reflects the needs to sustain the operations.

Changes in the WACC and/or in profitability within the possible range (i. e. a change of +1.0%-points in the WACC or changes of 20% or 10% in profitability, would cause the carrying amount of one cash-generating unit to exceed its recoverable amounts by EUR 22.3 million, EUR 26.7 million and EUR 24.5 million respectively. In case of reductions in the revenues of 20% or 10% there would be an impairment requirement of EUR 19.0 million or EUR 19.7 million respectively.

5. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOW

The following table provides the reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities.

in kEUR	31 December 2023	Cash flows	Non-cash changes		31 December 2024
			Foreign exchange movement	Other	
Finance lease liabilities	9,743	(2,578)	54	626	7,845
Borrowings	20,081	(1,557)		(48)	18,476

in kEUR	31 December 2024	Cash flows	Non-cash changes		31 December 2025
			Foreign exchange movement	Other	
Finance lease liabilities	7,845	(2,298)	(107)	3,077	8,517
Borrowings	18,476	(29)	–	209	18,656

The paid interests in the cash flow statement include interests for factoring in an amount of kEUR 199 (2024: kEUR 292) and interest for leasing in an amount of kEUR 457 (2024: kEUR 501). The “Other” column includes additions to the lease liability due to new lease agreements.

6. CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

6.1 Capital management

hGears Group's policy is to maintain a strong base in terms of equity capital and sufficient cash balance in order to maintain investor and creditor confidence and to sustain the future development of the business. The primary goals when managing capital are to ensure sufficient liquidity to meet working capital requirements, fund capital investments and to safeguard our ability to continue operating as going concern.

hGears Group monitors all capital positions regularly (at least monthly) within its financial reporting, discusses the capital status frequently within the Management Board meetings and also within its Supervisory Board meetings.

None of the borrowings mentioned in [Note 4.8](#) are subject covenants.

6.2 Financial risk management

hGears Group's operating activities expose the Group to a variety of financial risks such as market risks, credit risks and liquidity risks. hGears Group's finance department has created controlling instruments and key metrics to identify and evaluate such risks in close co-operation with the operating units.

6.2.1 Market risk

6.2.1.1 Foreign exchange risk

The exposure to the risk of changes in foreign exchange rates arises from commercial activities conducted by Group companies in currencies other than the respective functional currency, and in particular for expected sales made in USD and in EUR (other currencies are used for negligible amounts). These revenues in foreign currencies can be affected by fluctuations in the respective exchange rate impacting on the commercial margins. The Group's companies also hold immaterial debts in foreign currency as well as foreign currency bank accounts.

The Group is primarily exposed to changes in RMB/EUR and RMB/USD exchange rates due to its Chinese subsidiary. The Group also has exposures to changes in USD/EUR exchange rates due to its Italian subsidiary. The measures implemented to hedge against these currency risks are defined at Group level. To mitigate the foreign currency risks and limiting the variability of turnover, the Group enters into foreign exchange forward contracts to partially hedge its planned sales in USD on the basis of approved commercial budget. The derivative contracts are concluded exclusively with independently highly rated financial institutions.

In 2025 the Group didn't enter in any new derivative contracts.

Currency risks pursuant to IFRS 7 arise as a result of monetary financial instruments that are denominated in a currency other than the functional currency. Exchange rate differences from the translation of financial statements into the presentation currency (translation risk) are disregarded. Currency risks are measured using sensitivity analyses, during which the impact on profit after tax and equity of hypothetical changes to relevant risk variables is assessed. All non-functional currencies in which the Group employs financial instruments are treated as relevant risk variables. The periodic effects are determined by applying the hypothetical changes in the risk variables to the non-derivative and derivative financial instruments existing at the end of the reporting period. The effect to profit or loss arises mainly from USD and EUR-denominated non-derivative financial instruments, if applicable, as well as from the non-designated components of derivatives. The impact on other components of equity arises from the components of foreign currency forward contracts designated as cash flow hedges. In 2024 and 2025, no such derivatives existed.

The effects of a 10% increase/decrease in RMB against foreign currencies were as follows as of the balance sheet date:

in kEUR		31 December 2024			
	Equity		Profit for the period		
Exchange rate	10%	(10%)	10%	(10%)	
RMB/EUR	–	–	77	(77)	
RMB/USD	–	–	684	(684)	

in kEUR		31 December 2023			
	Equity		Profit for the period		
Exchange rate	10%	(10%)	10%	(10%)	
RMB/EUR	–	–	96	(96)	
RMB/USD	–	–	575	(575)	

The effects of a 10% increase/decrease in USD against Euro were as follows as of the balance sheet date:

in kEUR		31 December 2024			
	Equity		Profit for the period		
Exchange rate	10%	(10%)	10%	(10%)	
USD/EUR	–	–	(41)	51	

in kEUR		31 December 2023			
	Equity		Profit for the period		
Exchange rate	10%	(10%)	10%	(10%)	
USD/EUR	–	–	(83)	104	

For further information on derivatives and hedge accounting refer to [Notes 2.6.15](#) and [7.3](#).

6.2.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's main interest rate risk arises from long-term borrowings with variable interest rates, which exposes the Group to cash flow risk. In addition, the Group is exposed to interest rate risk due to its investments of available cash in bank deposits. Changes in market interest rates influence the cost and the performance of various forms of financing and utilization, thus impacting on the level of charges and finance income and financial expenses of the Group.

The measurement of the interest rate risk of the Group has been carried out through a sensitivity analysis that shows the effects on the consolidated statement of profit or loss and net equity which would be encountered during the year as of 31 December 2025 in the case of a hypothetical change in market interest rates. The effects to profit or loss results from floating rate financing that is not hedged, impact to equity results from the fair value changes of the interest rate swaps designated as hedging instruments (at the reporting date 2025 and 2024 no contract in place).

in kEUR	31 December 2025	
	Equity	Result for the period
+200 bps	–	(360)
–200 bps	–	360

in kEUR	31 December 2024	
	Equity	Result for the period
+100 bps	–	(376)
–100 bps	–	376

For further information on derivatives and hedge accounting refer to [Notes 2.6.15](#) and [7.3](#).

6.2.2 Credit risk

Credit risk from financial assets relate to a possible default by a contractual party. The finance department works in close cooperation with other operating departments to identify risks related to account receivables balances. The Group analyses the credit risk of each new client before standard payment and delivery terms and conditions are offered.

The Group is exposed to credit risk from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding trade receivables.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets. If customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Management Board.

From the beginning of 2021, the impairment value is provided by an external provider. The values are based on historical payment behavior resulting in probability of default (PD) and counterparty and country-specific assumption on recoveries resulting in LGD (loss Given Default). The impairment is then calculated using EAD (i.e. the gross amount of trade receivables) multiplied with the PD (Probability of Default) and LGD received from the provider. Moreover, the information given are adjusted in order to evaluate the macroeconomic estimates to consider forward looking information.

As of 31 December 2025 due to the fact, that not all customers are blue chip, no trade receivables are covered by the insurance company. The credit risk from (non-derivative) financial assets is covered by loss allowances for financial assets without objective evidence of impairment as well as by value adjustments for already impaired financial assets.

The default risk from (non-derivative) financial assets is covered by loan loss provisions for financial assets without objective proof of impairment and by impairments on financial assets that have already been impaired.

The table below shows the gross carrying amounts of trade receivables by credit risk rating grades depending on the days past due as well as the respective loss allowances as of the balance sheet date:

in kEUR	31 December 2025		31 December 2024	
	Gross	Provision	Gross	Provision
Amounts undue	7,389	(51)	6,685	(33)
Past due 0 – 30 days	903	(1)	863	–
Past due 31 – 60 days	59	–	56	–
Past due 61 – 90 days	23	–	7	–
More than 91 days	(303)	–	–	–
Total	8,071	(52)	7,611	(33)
Trade receivables, net	8,019		7,578	

The table below shows the gross carrying amounts by credit risk rating classes for each class of other financial assets measured at amortized cost and measured at fair value through profit and loss as of 31 December 2025 and 2024.

in kEUR	Other non-current receivables (deposits)	Other non-current financial assets	Other receivables	Cash and cash equivalents (bank balances)
31 December 2025				
Credit risk rating class 1	108	620	175	8,676
Credit risk rating class 2	–	–	–	–
Credit risk rating class 3	–	–	–	–
Total	108	620	175	8,676
31 December 2024				
Credit risk rating class 1	118	340	95	17,127
Credit risk rating class 2	–	–	–	–
Credit risk rating class 3	–	–	–	–
Total	118	340	95	17,127

For these financial assets the identified expected credit losses as of 31 December 2025 are immaterial.

6.2.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with financial liabilities. The Group monitors its short-term liquidity by weekly rolling forecasts and its long-term liquidity by quarterly rolling forecasts and financial reports. The Group ensures to remain solvent all the time by holding sufficient liquidity reserves and through confirmed credit lines.

The tables below present a maturity analysis of financial liabilities based on their contractual maturities for all non-derivative and derivative financial liabilities (including trade payables and other liabilities) as of the balance sheet date. The amounts disclosed are the undiscounted contractual cash flows. Balances due within 12 months equal their carrying amount as the impact of discounting is not significant.

in kEUR

Financial liability description	Carrying amount	31 December 2025	< 1 year	1 – 5 years	> 5 years
Trade payables	14,211	14,211	14,211	–	–
Other payables	8,824	8,824	8,718	106	–
Borrowings	18,656	22,406	8,666	13,739	–
Borrowings – capital portion			7,572	11,870	–
Interest expenses on Borrowings			1,094	1,870	–
Finance lease liabilities	8,517	10,341	2,860	5,486	1,995
Total	50,199	55,773	34,446	19,331	1,995

in kEUR

Financial liability description	Carrying amount	31 December 2024	< 1 year	1 – 5 years	> 5 years
Trade payables	16,996	16,996	16,996	–	–
Other payables	8,787	8,787	8,553	234	–
Borrowings	18,476	21,380	9,194	12,103	84
Borrowings – capital portion			7,876	10,827	80
Interest expenses on Borrowings			1,318	1,275	4
Lease liabilities	7,845	8,678	2,608	6,063	7
Total	52,104	55,841	37,351	18,400	91

For further information on leasing, we refer to Sections 3.8, 4.1, 4.7, 5 and 8.1.1.

7. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

7.1 Fair value measurement

The fair value of financial instruments follows a fair value hierarchy based on input factors. The fair value of financial instruments can be categorized following the hierarchical levels:

- Level 1: quoted market prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2;
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, and current borrowings are assumed to be the same as their fair values, due to their short-term nature.

Specific valuation techniques used to determine the fair value of financial instruments include

- the fair value of the remaining financial instruments is determined using discounted cash flow analysis based on observable market data.

The Group's policy is to recognize transfers into and transfers out of the different levels as of the end of the reporting period. There were no transfers between levels 1 and 2 and from level 2 and 3 for recurring fair value measurements during the year.

The fair values of the trade receivables measured at fair value through profit or loss (FVPL) are assigned to level 2. Financial instruments not measured at fair value are assigned to level 2.

7.2 Carrying amounts, amounts recognized, and fair values by class and measurement category

The tables below show the carrying amounts of financial instruments by category as well as the fair values of financial instruments by class.

in kEUR	Classification IFRS 9	Carrying amount 31 December 2025	Fair Value 31 December 2025
ASSET			
Non-current assets			
Other non-current assets	AC	108	108
Other non-current financial assets	AC	620	620
Current assets			
Trade receivables			
Trade receivables	AC	7,931	n/a*
Trade receivables subject to factoring	FVPL	88	88
Other receivables	AC	781	n/a*
Cash and cash equivalents	AC	8,676	n/a*
LIABILITIES			
Non-current liabilities			
Finance lease liabilities	n/a	6,155	n/a**
Borrowings	FLAC	9,879	9,879
Current liabilities			
Finance lease liabilities	n/a	2,363	n/a**
Borrowings	FLAC	8,777	8,777
Other current financial liabilities			
Accrued interest	FLAC	26	26
Trade and other payables			
Trade payables	FLAC	14,211	n/a*
Other payables			
Other current non-financial payables	n/a	8,653	n/a*

n/a* According to IFRS 7.29 (a) disclosures of fair value are not required when the carrying amount is a reasonable approximation of fair value (e.g. for short-term trade receivables and payables). If this is the case for short-term financial instruments from your perspective, the disclosure of fair value is not required.

n/a** According to IFRS 7.29 (d) disclosure of fair value is not required for lease liabilities.

Figures in the tables may be rounded.

Carrying amounts per category (kEUR)	Classification IFRS 9	31 December 2025
Financial Assets measured at Amortized Costs	AC	18,116
Financial Liabilities measured at Amortized Cost	FLAC	32,893
Financial Assets & Liabilities measured at Fair Value through Profit or Loss	FVPL	88

in kEUR	Classification IFRS 9	Carrying amount 31 December 2024	Fair Value 31 December 2024
ASSET			
Non-current assets			
Other non-current assets	AC	118	118
Other non-current financial assets	AC	340	340
Current assets			
Trade receivables			
Trade receivables	AC	6,825	n/a*
Trade receivables subject to factoring	FVPL	731	731
Other receivables	AC	952	n/a*
Cash and cash equivalents	AC	17,127	n/a*
LIABILITIES			
Non-current liabilities			
Finance lease liabilities	n/a	5,606	n/a**
Borrowings	FLAC	9,694	9,694
Current liabilities			
Finance lease liabilities	n/a	2,240	n/a**
Borrowings	FLAC	8,782	8,782
Other current financial liabilities			
Accrued interest	FLAC	168	168
Trade and other payables			
Trade payables	FLAC	16,996	n/a*
Other payables			
Other current non-financial payables	n/a	8,552	n/a*

n/a* According to IFRS 7.29 (a) disclosures of fair value are not required when the carrying amount is a reasonable approximation of fair value (e.g. for short-term trade receivables and payables). If this is the case for short-term financial instruments from your perspective, the disclosure of fair value is not required.

n/a** According to IFRS 7.29 (d) disclosure of fair value is not required for lease liabilities.
Figures in the tables may be rounded.

Carrying amounts per category (kEUR)	Classification IFRS 9	31 December 2024
Financial Assets measured at Amortized Costs	AC	25,362
Financial Liabilities measured at Amortized Cost	FLAC	35,640
Financial Assets & Liabilities measured at Fair Value through Profit or Loss	FVPL	731

7.3 Derivatives and hedge accounting

The Group did not offset any amounts of financial assets and liabilities in the consolidated statement of financial position. As of 31 December 2025 and 31 December 2024, there were no offsetting agreements material for derivative contracts and other financial assets and liabilities.

7.4 Income, expense, gains or losses on financial instruments

The table below shows the net gains or losses of financial instruments included in the consolidated statement of income (excluding derivative financial instruments used in hedge accounting):

in kEUR	2025	2024
Financial Assets measured at Amortised Costs	(38)	(158)
Financial Liabilities measured at Amortised Costs	(1,835)	(1,924)
Financial Assets & Liabilities at FVPL	(199)	(324)

Net gains/losses on financial assets at amortized cost include changes in gain and loss allowance from foreign exchange valuation and the impairment of financial assets according to IFRS 9. See [Section 3.8](#) for further information on the value adjustments included.

Net gains/losses on financial liabilities at amortized cost include mainly gains and losses from interest expenses on borrowings and the adjustment of amortized cost due to changes in estimated cash flows for the Group's bank loans as well as from foreign exchange gains and losses. Net gains/losses for FVPL include fair value changes. The total interest income and total interest expense for financial assets measured at amortized costs as well as financial liabilities measured at amortized cost comprise of the following:

in kEUR	31. Dezember 2025	
	Financial Assets AC	Financial Liabilities AC
Interest income	106	–
Interest expense	–	(1,832)
Total	106	(1,832)

in kEUR	31. Dezember 2024	
	Financial Assets AC	Financial Liabilities AC
Interest income	199	–
Interest expense	–	(1,931)
Total	199	(1,931)

8. OTHER DISCLOSURES

8.1 Contingencies and commitments

8.1.1 Future obligations from short-term and low-value leases

The Group leases machinery and other minor assets under non-cancellable short-term or low value leases agreements. The lease terms are less than 5 years and the agreements are not renewable at the end of the lease term. The future aggregate minimum lease payments under non-cancellable short-term and low value leases and existing purchase commitments are as follows:

in kEUR	31 December 2025	31 December 2024
No later than 1 year	65	46
Later than 1 year and no later than 5 years	112	60
Total	177	106

8.1.2 Other commitments

The Group has no purchase commitments for capital expenditures related to property, plant and equipment.

8.1.3 Contingencies

As of 31 December 2025, there were no contingent liabilities.

8.2 Related party transactions

Finatem III GmbH & Co. KG, Frankfurt am Main, is the largest shareholder with an interest of 34.62% in the capital of the company as of 31 December 2025.

In the normal course of its business activities, hGears Group enters into agreements and transactions with its shareholders and other entities of Finatem III Group (defined as Finatem III GmbH & Co. KG and its subsidiaries, joint ventures and associated companies) for various business purposes, including the furnishing of services. These related-party transactions are described below.

Transactions within hGears Group are not included in the description as these are eliminated in the consolidated financial statements.

The following transactions were carried out with related parties:

8.2.1 Transactions with shareholders

The transactions with minority shareholders are summarized below:

- Building rent: kEUR 448 (2024: kEUR 506). The rental agreements expire on 31 December 2028.

The Group believes that all transactions with related parties substantially took place on the basis of normal market conditions.

8.2.2 Transactions with related individuals

The Group's key management personnel is defined as those individuals that have authority and responsibility for planning, directing and controlling the activities of the Group. At hGears Group, key management personnel consists of the members of the Board of Management as well as the members of the Supervisory Board of hGears.

Management Board

- Sven Arend (CEO)
- Daniel Basok (CFO)

Supervisory Board

Name	Member since	Appointed until	Principal occupation	Other mandates
Marco Freiherr von Maltzan	11 June 2025 (Chairman)	2030	Freelance consultant	<p>Pfeifer & Langen Industrie- und Handels KG, Köln, Germany: Deputy Chairman of the Shareholder Committee and member of the Audit Committee</p> <p>UKM Holding GmbH, Meissen, Germany: Chairman of the Advisory Board</p> <p>Resources Connections, Inc., Delaware, United States: member of the Board of Directors and member of the Audit Committee</p> <p>Walter Klein GmbH & Co. KG, Wuppertal, Germany: Chairman of the Advisory Board</p> <p>WKW Automotive AG, Wuppertal, Germany: Chairman of the Supervisory Board</p>
Christophe Hemmerle	27 April 2021 (Deputy Chairman)	2026	Finatem Fonds Management Verwaltungs GmbH, Bad Homburg, Germany: Managing Partner	<p>Kavaliers, Neuenhaus, Germany: Deputy Chairman of the Advisory Board</p> <p>FEG Palmer GmbH (Gruppe F&S), Mülheim an der Ruhr, Germany: Deputy Chairman of the Advisory Board</p>
Daniel Michael Kartje	27 April 2021	2026	Gitone Beteiligungsverwaltungs GmbH, Wien: Managing Director	
Dr. Gabriele Fontane	27 April 2021	2026	Lawyer and Partner of the law firm Oppenhoff	
Prof. Volker Michael Stauch	27 April 2021 till 11 June 2025 (Chairman)	Resigned on 11 June 2025	Freelance consultant	<p>Storopack Hans Reichenecker GmbH, Metzingen, Germany: Member of the Supervisory Board</p>
Christoph Mathias Seidler	27 April 2021	Resigned on 15 December 2025	Entrepreneur	

The Supervisory Board remuneration amounted in 2025 to kEUR 165 (2024: kEUR 165).

The compensation of the board of management for employee services is shown below:

in kEUR	2025	2024
Salaries and other short-term employee benefits	1,153	819
Share-based payments	3	3
Total	1,156	822

The unpaid liabilities to the management board are shown below:

in kEUR	31 December 2025	31 December 2024
Payroll liabilities	453	129
Total	453	129

There are no long-term employee benefits for key management to report for 2025 and 2024.

The Company shares owned by Supervisory Board members and Management board members are shown below:

Shares	31 December 2025	31 December 2024
Sven Arend	33,800	33,800
Daniel Basok	20,000	20,000
Management board	53,800	53,800
Christophe Hemmerle	5,769	5,769
Daniel Kartje	8,000	4,000
Dr. Gabriele Fontane	3,846	3,846
Volker Stauch (*)	–	53,472
Mathias Seidler (**)	–	11,538
Supervisory Board	17,615	78,625
Total	71,415	132,425

(*) Member of the Supervisory Board until 11 June 2025, no disclosure is required

(**) Member of the Supervisory Board until 15 December 2025, no disclosure is required

Additional information related to the managing directors as of 31 December 2025 is as follows:

Sven Arend:

- CEO
- Residence: Düsseldorf (Germany)
- Master of Science in Economics

Daniel Basok:

- CFO
- Residence: Lahr (Germany)
- Degree in Economics and Accounting, Certified Public Accountant (Israel)

8.3 Share-based payments

8.3.1 Stock Option Programme 2024

On 11 June 2024, the General Meeting of the Company authorised the Management Board, with the consent of the Supervisory Board and – to the extent that members of the Management Board are among the participants entitled to stock options – the Supervisory Board of the Company to grant up to 525,450 subscription rights (Stock Option Programme 2024).

Each stock option right granted under the Stock Option Programme 2024 entitles the holder of the stock option right to subscribe to one company 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, following a waiting period of four years after the end of the financial year, provided that the performance target has been achieved. Alternatively, the Company may grant treasury shares against payment of the exercise price. The share option rights will be issued over a period of two years in three equal tranches per year (tranches 2024 A/B/C and tranches 2025 A/B/C).

The following performance targets (reference price as described below) and exercise price apply to the **2025 A/B/C** tranches:

Tranche	Performance target in EUR	Exercise price in EUR
2025/A	$1.62 + 1 = 2.62$	2.78
2025/B	$1.62 + 2 = 3.62$	2.78
2025/C	$1.62 + 3 = 4.62$	2.78

The reference price (EUR 1.62) for determining the performance target for the Tranches 2025 A/B/C is the EUR amount that corresponds to the arithmetic average of the closing prices of the company's share in Xetra trading of the Frankfurt Stock Exchange during the 20 trading days prior to 31 December 2025 (Reference rate).

The Management Board of the Company (with the consent of the Supervisory Board) and – insofar as the members of the Management Board are concerned – the Supervisory Board of the Company have initially made use of the authorization to the extent that a total of 262,717 (Tranches 2025 A/B/C) were issued in 15 April 2025 as part of the 2024 Stock Option Programme, whereby 142,000 stock option rights were issued to the members of the Management Board and 120,717 stock option rights were issued to selected executives of the companies affiliated with the Company within the meaning of Sections 15 et seq. AktG were issued.

The performance target set in the Stock Option Programme 2024 was not achieved for the 262,717 stock option rights issued as part of the Tranches 2025 A/B/C. In this respect, the stock option rights of the Tranches 2025 A/B/C can no longer be exercised.

8.3.2 Overview of the Stock Option Programme

Set out below are summaries of options granted under the plans:

	2025		2024	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 January	–	–	–	–
Granted during the year	2.78	262,717	2.78	262,725
Exercised during the year	–	–	–	–
Forfeited during the year	2.78	(262,717)	2.78	(262,725)
As at 31 December	–	–	–	–
Vested and exercisable at 31 December	–	–	–	–

The performance targets for the stock options granted in 2025 were not achieved. Therefore, these options expired on 31 December 2025.

At the end of the year, the share options outstanding have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Share options 31 December 2025	Share options 31 December 2024
25 July 2024	31 December 2024	2.78	–	262,725
16 April 2025	31 December 2025	2.78	262,717	–

The fair value of the options granted in fiscal year 2025 amounted to EUR 0.02 per option at the grant date on 16 April 2025 (fiscal year 2024: EUR 0.05). The fair value at the grant date is determined using a modified form of the Black-Scholes model. This includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the effects of dilution (if material), the share price at the grant date and the expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate over the term of the option, the discount for lack of marketability, and the correlations and volatilities of the peer companies.

The model inputs for options granted during the reporting period ended 31 December 2025 include the following:

	SOP 2024 Tranche 2025 (*)	SOP 2024 Tranche 2024 (*)
Exercise price	2.78	2.78
Grant date	16 April 2025	25 July 2024
Expire date	15 April 2029	24 July 2028
Share price at grant date	1.58	2.36
Expected price volatility of the company's shares	40%	40%
Expected dividend yield	0%	0%
Risk-free interest rate	2.4%	2.5%

(*) The options are granted for no consideration and vest based on hGears AG's share price.
Vested options are exercisable for a period of two years after vesting period.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The total expenses from the options issued under the employee option plan in the amount of 5 kEUR (2024: 5 kEUR) were recognized in personnel expenses.

8.4 WpHG notifications

The voting rights notifications are reflected in the annual financial statements for the fiscal year 2025 of hGears AG. These are published in the electronic Company Register.

8.5 Declaration on the Corporate Governance Code

The Management Board and Supervisory Board of hGears AG have issued the declaration on the Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG).

This is permanently accessible on the hGears homepage at
["https://ir.hgears.com/de/corporate-governance/declaration-of-complianceentsprechenserklaerung/"](https://ir.hgears.com/de/corporate-governance/declaration-of-complianceentsprechenserklaerung/).

8.6 Subsequent events

There were no subsequent events that required recognition or disclosure.

8.7 Appropriation of earnings

It will be proposed to the Annual General Meeting that the accumulated loss of hGears AG be carried forward to new account.

8.8 Approval of financial statements

The management board of hGears AG released the consolidated financial statements to the Supervisory Board, which will decide on them on 24 March 2026.

Schramberg, 23 March 2026.

Sven Arend, CEO
Chairman of the
Management Board

Daniel Basok, CFO
Member of the
Management Board

ANNEX 1 – FIXED ASSET MOVEMENT SCHEDULE TANGIBLE ASSETS, PART 1

	Changes during the year							31 December 2025
	31 December 2024	Addition	Dismissal	Depreciation	Reclassification	Writedown	Exchange rate differences	
Gross value	21,507	2,860	(5,116)	–	–	–	(319)	18,932
Provisions for amortisation and depreciation	(12,109)	–	2,643	(1,863)	–	(2,495)	235	(13,589)
Land and Buildings	9,398	2,860	(2,473)	(1,863)	–	(2,495)	(84)	5,343
Gross value	141,217	6,730	(5,215)	–	2,131	–	(719)	144,144
Provisions for amortisation and depreciation	(99,586)	–	2,084	(6,916)	–	(10,903)	428	(114,893)
Plants and Machinery	41,631	6,730	(3,131)	(6,916)	2,131	(10,903)	(291)	29,251
Gross value	20,407	459	(1,380)	–	14	–	(53)	19,447
Provisions for amortisation and depreciation	(16,075)	–	1,358	(753)	–	(631)	53	(16,048)
Tools and Dies	4,332	459	(22)	(753)	14	(631)	–	3,399
Gross value	19,198	337	(681)	–	25	–	(293)	18,586
Provisions for amortisation and depreciation	(15,057)	–	634	(1,147)	–	(629)	218	(15,981)
Other assets	4,141	337	(47)	(1,147)	25	(629)	(75)	2,605
Fixed assets under construction and down-payments	1,800	1,240	–	–	(2,170)	–	(11)	859
Property, plant and equipment	61,302	11,626	(5,673)	(10,679)	–	(14,658)	(461)	41,457

The table above is integral part of the notes to the consolidated financial statements. Figures in the tables may be rounded.

ANNEX 1 – FIXED ASSET MOVEMENT SCHEDULE TANGIBLE ASSETS, PART 2

	Changes during the year							31 December 2024
	31 December 2023	Addition	Dismissal	Depreciation	Reclassification	Writedown	Exchange rate differences	
Gross value	21,020	348	–	–	–	–	139	21,507
Provisions for amortisation and depreciation	(10,083)	–	–	(1,930)	–	–	(96)	(12,109)
Land and Buildings	10,937	348	–	(1,930)	–	–	43	9,398
Gross value	138,629	683	(1,100)	–	2,693	–	312	141,217
Provisions for amortisation and depreciation	(93,120)	–	995	(7,075)	–	(202)	(184)	(99,586)
Plants and Machinery	45,509	683	(105)	(7,075)	2,693	(202)	128	41,631
Gross value	19,857	512	–	–	15	–	23	20,407
Provisions for amortisation and depreciation	(15,162)	–	–	(886)	–	(4)	(23)	(16,075)
Tools and Dies	4,695	512	–	(886)	15	(4)	–	4,332
Gross value	19,020	397	(416)	0	68	–	129	19,198
Provisions for amortisation and depreciation	(14,004)	–	400	(1,363)	–	–	(90)	(15,057)
Other assets	5,017	397	(16)	(1,363)	68	–	39	4,141
Fixed assets under construction and down-payments	4,394	570	(391)	–	(2,776)	–	3	1,800
Property, plant and equipment	70,552	2,510	(512)	(11,254)	–	(206)	213	61,302

The table above is integral part of the notes to the consolidated financial statements. Figures in the tables may be rounded.

ANNEX 2 – FIXED ASSET MOVEMENT SCHEDULE INTANGIBLE ASSETS, PART 1

	Changes during the year							31 December 2025
	31 December 2024	Addition	Dismissal	Depreciation	Reclassification	Writedown	Exchange rate differences	
Gross value	6,007	22	–	–	123	–	(37)	6,115
Provisions for amortisation and depreciation	(5,455)	–	–	(236)	–	(64)	36	(5,719)
Software and licences	552	22	–	(236)	123	(64)	(1)	396
Gross value	1,942	7	–	–	–	–	–	1,949
Provisions for amortisation and depreciation	(1,917)	–	–	(10)	–	(9)	(1)	(1,937)
Brands and trademarks	25	7	–	(10)	–	(9)	(1)	12
Intangible assets under construction and down-payments	76	65	–	–	(123)	–	–	18
Gross value	4	1	–	–	–	–	–	5
Provisions for amortisation and depreciation	(4)	–	–	–	–	–	–	(4)
Other	–	1	–	–	–	–	–	1
Goodwill and Intangible assets	653	95	–	(246)	–	(73)	(2)	427

The table above is integral part of the notes to the consolidated financial statements. Figures in the tables may be rounded.

ANNEX 2 – FIXED ASSET MOVEMENT SCHEDULE INTANGIBLE ASSETS, PART 2

	Changes during the year						Exchange rate differences	31 December 2024
	31 December 2023	Addition	Dismissal	Depreciation	Reclassification	Writedown		
Gross value	5,890	89	–	–	12	–	16	6,007
Provisions for amortisation and depreciation	(5,189)	–	–	(251)	–	–	(15)	(5,455)
Software and licences	701	89	–	(251)	12	–	1	552
Gross value	1,941	1	–	–	–	–	–	1,942
Provisions for amortisation and depreciation	(1,903)	–	–	(14)	–	–	–	(1,917)
Brands and trademarks	38	1	–	(14)	–	–	–	25
Down-payments	142	38	–	–	(12)	(93)	1	76
Gross value	4	–	–	–	–	–	–	4
Provisions for amortization and depreciation	(4)	–	–	–	–	–	–	(4)
Other	–	–	–	–	–	–	–	–
Goodwill and Intangible assets	881	128	–	(265)	–	(93)	2	653

The table above is integral part of the notes to the consolidated financial statements. Figures in the tables may be rounded.

RESPONSIBILITY STATEMENT BY THE COMPANY'S LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Group, and the Group Management Report includes a fair review of the business and position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Schramberg, 23 March 2026
hGears AG
The Management Board

Sven Arend, CEO
Chairman of the
Management Board

Daniel Basok, CFO
Member of the
Management Board

INDEPENDENT AUDITOR'S REPORT

Note: This is a convenience translation of the German original.
Solely the original text in German is authoritative.

To the hGears AG, Schramberg

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Audit Opinions

We have audited the consolidated financial statements of hGears AG, Schramberg, and its subsidiaries (the group), which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2025 to 31 December 2025, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the combined management report (report on the position of the company and of the group) of hGears AG for the financial year from 1 January 2025 to 31 December 2025. In accordance with the German legal requirements, we have not audited the content of those parts of combined management report listed in [Section "Other Information"](#).

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 IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) (hereafter "IFRS Accounting Standards") as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the group as at Fehler! Verweisquelle konnte nicht gefunden werden., and of its financial performance for the financial year from 1 January 2025 to 31 December 2025, and
- the accompanying combined management report as a whole provides an appropriate view of the group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those parts of the combined management report listed in [Section "Other Information"](#).

Pursuant to § 322 (3) sentence 1 HGB (German Commercial Code), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") 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 Combined Management Report" Section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) letter (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Material uncertainty related to the ability of the Group to continue as a going concern We refer to the statements in section "2 Summary of significant accounting policies" of the consolidated notes and the section "Opportunities and Risk Report", subsection "Assessment of Opportunities and Risks" of the combined Management Report, in which the Management Board describes that the continued existence of hGears AG and its Group is at risk if — contrary to their expectations — no further external financing can be secured by mid of the year 2026. As outlined in the statements, these events and circumstances indicate a significant uncertainty that may cast substantial doubt on the company's and the group's ability to continue as a going concern and constitute a going concern risk within the meaning of Section 322 (2) sentence 3 of the German Commercial Code (HGB).

In accordance with Article 10 (2) (c) (ii) of the EU Audit Regulation, we summarize our audit response to this risk as follows:

With the involvement of our restructuring specialists, we assessed the integrated business and liquidity plan prepared by the Management Board and evaluated whether the assumptions contained therein are comprehensible.

To this end, we first gained an understanding of the planning process and discussed the most significant planning assumptions with those responsible. Furthermore, we examined the accuracy of previous forecasts by comparing past business plans with the actual results achieved and analyzing any deviations. We assessed the most significant assumptions, such as future revenue development, and validated them based on past trends and current industry-specific market expectations. Additionally, we reviewed their appropriate consideration in the integrated business and liquidity plan. Moreover, we ensured the consistency of the integrated business and liquidity plan with the multi-year plan approved by the supervisory board.

We discussed the cost optimization and liquidity security measures with those responsible, assessed their feasibility, and evaluated the Management Board's assessment of the financial impact. The existing external financing arrangements were reviewed based on the underlying contracts. We questioned the Management Board about discussions with potential financing partners and assessed their evaluation of securing financing for the 2026 financial year based on already available documents.

Our audit opinions on the consolidated financial statements and the combined management report are not modified with respect to this matter.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2025 to 31 December 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In addition to the matter described in section "Material Uncertainty Related to the ability of the group to continue as a going concern", we have identified the following matter as key audit matter to be disclosed in our audit opinion:

Impairment of Property, Plant & Equipment

Matter

In the consolidated financial statements of the hGears AG, Schramberg, property, plant, and equipment amounting to EUR 41.5 million are reported, representing 54.5 % of the total consolidated balance sheet. These assets are allocated to cash-generating units, which correspond to the individual entities of the hGears Group.

If there are indications of impairment, the company subjects the affected cash-generating units to an impairment test. If the carrying amount of a cash-generating unit exceeds its recoverable amount, an impairment loss is recognized in the amount of the difference, which is then allocated to the individual long-term assets. The recoverable amount is determined based on the value in use, which is derived from the expected future cash flow surpluses of the respective entity using the discounted cash flow method. As a result of the impairment test, the Company identified an impairment requirement of EUR 13.9 million, which was recognized under "Depreciation and impairment losses."

Assessing the recoverability of property, plant, and equipment is complex and requires estimates and discretionary judgments by management, particularly concerning the amount of future cash flow surpluses, the growth rate for forecasting cash flows beyond the detailed planning period, and the discount rate to be applied. Additionally, there is a risk that the sensitivity of the impairment test is not adequately disclosed in the consolidated notes. Due to the significance of property, plant, and equipment to the consolidated financial statements of the hGears AG and the considerable uncertainties associated with its valuation, this constitutes a key audit matter.

The disclosures of the hGears AG regarding property, plant, and equipment can be found in section "2 Summary of Significant Accounting Policies," subsection "2.6.6 Property, Plant, and Equipment" (within the summary of significant accounting policies) and in section "4 Notes to the Consolidated Balance Sheet," subsections "4.1 Property, Plant, and Equipment" as well as "4.14 Impairment of Assets or Cash-Generating Units" of the consolidated notes.

Auditor's Response and Observations

As part of our audit, we gained an understanding of the planning methodology, the planning process, and the key assumptions made by Management Board in their planning. We assessed the appropriateness and implementation of relevant controls. The reasonableness of key assumptions, judgment-based parameters, and the methodology used in the impairment tests were evaluated with the involvement of our valuation specialists.

We reconciled the forecasted future cash flow surpluses during the detailed planning period with the multi-year plan approved by the supervisory board. Furthermore, we assessed the accuracy of past planning by analyzing deviations between previous forecasts and actual results in both prior and current financial years. We verified the assumptions underlying the forecasts and the growth rates applied for cash flows beyond the detailed planning period by comparing them with past trends and current industry-specific market expectations. Additionally, we critically reviewed the discount rates used by benchmarking them against the average cost of capital of a peer group.

Our audit also included verifying the mathematical accuracy of the sensitivity analyses performed by the hGears AG. Finally, we assessed the completeness and appropriateness of the disclosures relevant to the notes to the consolidated financial statements.

Overall, we were able to confirm that the assumptions made by the Management Board in the impairment tests and the valuation parameters used are reasonable and fall within an acceptable range. The presentation in the consolidated notes is appropriate.

Other Information

The Management Board or the supervisory board are responsible for the other information. The other information comprises:

- The separately published non-financial group report, which is referenced in the section "Non-Financial Report" of the combined management report
- The corporate governance statement included in the section "Corporate Governance Statement Pursuant to Section 289f and Section 315d HGB" of the combined management report
- The non-management report-related information contained in the combined management report that is marked as unaudited. This includes the section "Management Board's Assessment of RMS and IKS"

- The remaining parts of the annual report, excluding the audited consolidated financial statements, the combined management report, and our auditor's report

Our audit opinions on the consolidated financial statements and on the combined 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 thereby acknowledge whether the other information

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors on the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Management Board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to § 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 Management Board is 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 Management Board is 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 Management Board is responsible for the preparation of the combined 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 Management Board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined 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 combined 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 combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined 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 combined 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 combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation 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 combined 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 combined 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 audit 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 controls.
- obtain an understanding of internal controls relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of the internal controls or these arrangements and measures.
- evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of estimates made by the Management Board and related disclosures.
- conclude on the appropriateness of the Management Board's 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 combined management report or, if such disclosures are inadequate, to modify our respective audit 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 the IFRS Accounting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB.
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming the audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the combined 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 Management Board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board 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 controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report, Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 (3a) HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file "hGears_KAuZLB_2025-12-31.xbri" and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report/combined management report for the financial year from the 1st of January 2025 to the Fehler! Verweisquelle konnte nicht gefunden werden. contained in the "Report on the audit of the consolidated financial statements and of the combined management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file identified above in accordance with § 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 (3a) HGB (IDW AsS 410 (06.2022)). Our responsibility in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm has applied the requirements of the IDW Quality Management Standards, which implement the IAASB's International Standards on Quality Management.

Responsibilities of the Management Board and the Supervisory Board for the ESEF Documents

The Management Board of the company is responsible for the preparation of the ESEF documents with the electronic renderings of the consolidated financial statements and the combined management report in accordance with § 328 (1) sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 (1) sentence 4 No. 2 HGB.

In addition, the Management Board of the company is responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, i. e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this electronic file.
- evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited combined management report.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the Annual General Meeting on 11 June 2025. We were engaged by the Audit Committee on 11 August 2025. We have been the auditor of the consolidated financial statements of the hGears AG without interruption since the financial year of 2024.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter – use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the assured ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format — including the versions to be published in the German Company Register — are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents provided in electronic form.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Andreas Gebert.

Stuttgart, 23 March 2026

BDO AG Wirtschaftsprüfungsgesellschaft

Anja Abril
Public Auditor

Andreas Gebert
Public Auditor

FINANCIAL CALENDAR 2026

25 March 2026	Publication financial report 2025
12 May 2026	Publication 1Q 2026
11 June 2026	Annual General Meeting (AGM)
13 August 2026	Publication 1H 2026
11 November 2026	Publication 9M 2026

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Disclaimer

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