



Half-Year Financial Report

2024

hGears | the **heart** of your
performance

KEY FIGURES

in EUR million	H1 2024	H1 2023
Revenue	50.5	57.2
Gross profit	22.8	29.6
Gross margin in %	45.3	51.7
Adjusted EBITDA	0.5	3.0
Adjusted EBITDA margin in %	1.1	5.2
EBIT	-6.7	-4.6
Net result	-8.1	-5.6
Net return on revenues in %	-16.0	-9.8
Free cash flow	-1.9	-10.9
Net financial position	-6.2	-10.2
Net debt / adj. EBITDA	1.9×	1.0×

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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 60 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

A cyclist wearing a white helmet and a pink jacket is riding a mountain bike on a grassy trail. The background shows a dense forest of evergreen trees and a large dam structure in the distance. The scene is set in a mountainous area with a valley below.

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.

A large wind turbine stands in a vast, green agricultural field under a bright, hazy sky. The turbine's tower and nacelle are visible, with its three blades extending outwards. The field is divided into neat rows of crops, and the horizon is visible in the distance.

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 FIRST SIX MONTHS OF 2024 AT A GLANCE



EUR 50.5 M

Revenue
H1 2024



EUR 0.5 M

Adj. EBITDA
H1 2024



EUR 6.2 M

Net debt
H1 2024

[e]-Mobility

49%

e-Bike
21%



e-Tools
30%

Sales
H1 2024



53.1 %

Equity ratio



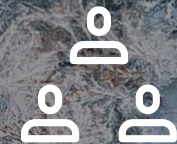
#1

European market share
e-bike precision components



x3

Production sites
in Germany, Italy, China



657

Employees

To our Shareholders

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LETTER FROM THE MANAGEMENT BOARD

Dear shareholders, ladies and gentlemen,

In the first half of 2024, hGears operated in a persistently challenging environment characterized by high interest rates, political uncertainties, and, as a result, poor consumer sentiment. In order to counteract the economic consequences of the weakening economy, we have continued the organizational and structural adjustments begun last year over the past six months. With the expiry of short-time working in March 2024, the 35-hour week was introduced on a voluntary basis at the Schramberg plant (Germany), which was accepted by an overwhelming majority of more than 80% of the workforce. At the plant in Padova (Italy), the possibilities of short-time working are being exhausted. In Suzhou (China), however, we were forced to cut staff. The organizational adjustments and the associated streamlining of structures, particularly in middle management, had a positive impact on the cost side in the first half of 2024 and also made decision-making processes more agile, faster and more efficient overall. Nevertheless, this has demanded a great deal of flexibility, accommodation and sacrifice from everyone. We are aware of this and

would like to thank the employees at our three global locations for their loyalty and support. With commitment and determination, we as hGears will overcome the current challenges together and secure our leading position for the future.

New business areas were introduced at the beginning of the year, reflecting a sharper focus on target markets. The business areas are now even better geared towards meeting the specific requirements of the sectors in terms of products, development processes, and standards. In addition, the new business areas' structure ensures greater clarity and transparency both internally and externally.

The realigned e-Bike business area focuses on the requirements of the bicycle industry. Our production capacities in this area and the expertise of our engineers are highly regarded in the industry. Moreover, we are a preferred partner in the sector due to our many years of experience. We can support our customers in both the development and improvement of products and systems in terms of noise, vibration, and durability.



From left to right: Sven Arend (CEO), Daniel Basok (CFO)

In addition to the general trend from normal bikes to e-bikes, we see the increasing segmentation of the e-bike range as an additional growth driver.

The [e]-Mobility business area supplies the automotive industry with high-precision parts and solutions for electric vehicles, hybrid vehicles and conventional vehicles. The focus remains on the premium, sports and luxury segments as well as on power-sports vehicles. hGears meets the highest quality standards and has all the necessary

certifications, including IATF and TISAX. Meeting the highest standards is increasingly becoming a competitive advantage not only in the automotive industry, but also in our other business areas. This means that the current trend towards increasing quality requirements is positive for us and offers opportunities.

The e-Tools business area combines our activities in the field of electrically powered tools for craftsmen and gardening. Here, too, we are able to supply our customers

worldwide and on an industrial scale, while our engineers eliminate noise, vibration, and weight problems in the development process. In connection with the increasing importance of ESG criteria, durability and recyclability have emerged as important requirements. However, this applies to all business areas and not just e-Tools.

We attach great importance to environmental issues and sustainability, and in the first half of 2024, we continued to develop and implement our ESG strategy. We want to be a good corporate citizen and are increasingly aligning our business practices with ESG criteria, which also has an impact on investment decisions. All of our high-precision products are fully recyclable, and we are continuing our efforts to improve and accelerate the transition toward a circular economy. With our proactive approach, we are well on track and also improving our competitiveness.

The reduction of overstocking, which had built up in all channels of the e-bike industry since the end of the coronavirus pandemic, is taking longer than all industry insiders had assumed and, as expected, the order situation in the first half of 2024 has remained subdued. The situation is similar for e-tools, where demand also failed to pick up in the first half of the year, but we are at least seeing signs of stabilization.

Meanwhile, the e-mobility business suffered from weak demand for electric cars after subsidies were cancelled in some countries at short notice at the end of 2023. In addition, the very slow expansion of the charging station network and the, not least because of this, inconvenient use of e-cars caused a certain disillusionment, which, together with subdued consumer sentiment, had a negative impact on demand. The weak environment and the resulting fall in volumes are also reflected in the Group figures. Revenue fell by 11.7 % to EUR 50.5 million in the first six months of 2024 compared to the first half of 2023, while gross profit fell disproportionately by 22.7 % to EUR 22.8 million. The adjusted EBITDA reached EUR 0.5 million compared to EUR 3.0 million in the previous year. The decline in the adjusted EBITDA margin from 5.2 % in the previous year to 1.1 % in the reporting period is primarily the result of the lack of operating leverage and ongoing start-stop inefficiencies. The balance sheet remains very solid, with net debt of EUR 6.2 million (previous year: EUR 10.2 million) at the end of June 2024 and an equity ratio of 53.1 % (end of 2023: 53.9 %), while cash and cash equivalents of EUR 21.7 million continue to offer full financial flexibility (end of 2023: EUR 26.6 million). Despite the noticeable decline in sales, the ratio of net working capital to sales remained within the target range of 8–10 % at 9.2 % (end of 2023: 8.2 %).

Despite the current adverse environment, we remain confident and convinced that the medium to long-term prospects for all three business areas are very positive. The transition towards electrical solutions, which are increasingly replacing combustion engines as well as hydraulic and mechanical systems and devices, is also among experts undisputed. Following a period of weakness, this will be reflected in strong demand for our specialized, mission critical products.

We would like to thank all our employees, shareholders, customers, suppliers and people who have placed their trust and support in us and look forward to keeping you up to date with information in the future.

Schramberg, 13 August 2024

Management Board,



Sven Arend, CEO

Chairman of the
Management Board

Daniel Basok, CFO

Member of the
Management Board

HGEARS AND CAPITAL MARKETS

Key data hGears stock H1 2024

Number of shares as of 30 June 2024	10,400,000 shares
Share capital as of 30 June 2024	EUR 10,400,000.00
Share price as of 30 June 2024	EUR 2.49
Market capitalization as of 30 June 2024	EUR 25.9 million
Share price high H1 2024	EUR 4.01
Share price low H1 2024	EUR 2.46

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

Unfortunately, geopolitical tensions continued in the first half of 2024. Russia's war against Ukraine continues unabated and is increasingly preoccupying the politics of Western countries. Moreover, political tensions in the Middle East remain high, and the threat of a conflagration in the region does not appear to have been averted. Meanwhile, sharply increased tariffs on e-cars by the USA and the European Union have exacerbated the trade dispute with China. Nevertheless, fears of a recession have currently receded, although global economic development remains at a comparatively low level. Following a sharp decline last year, inflation rates have

been moving within a range that is already close to the 2% target set by the central banks since the start of 2024. US inflation fell from 3.09% in January to 2.97% in June after a small interim high, while inflation in the eurozone fell from 2.8% in January to 2.5% in June. The US Federal Reserve left the target range for the key interest rate unchanged at 5.25–5.5% in the first six months of the year, while the European Central Bank reduced the main refinancing rate by 25 basis points from 4.5% to 4.25% in June 2024 as a first step. The expectation of an interest rate cut in the USA and further interest rate cuts in Europe, and therefore also in other regions, are currently the main drivers of share price performance on stock exchanges worldwide.

Since the beginning of the year the leading German DAX large caps index increased by 8.9% until end of June 2024, while the broader European Euro Stoxx 50 rose by 8.2%. In the same period, the SDAX index, which comprises German SMEs, rose by 2.6%, while the DAX Auto Parts & Equipment sub-index fell by 17.4% in line with the general downturn in the automotive sector.

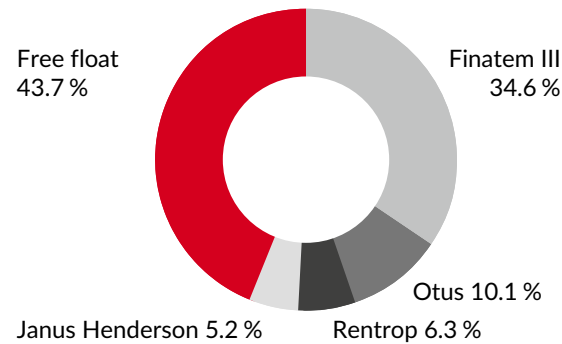
In the first half of 2024, hGears shares reached a high of EUR 4.01 on 4 January 2024 and a low of EUR 2.46 on 26 June 2024. The closing price on 28 June 2024 was EUR 2.49, which corresponds to a decrease of 29.9% since the beginning of the year. An average of 4,709 shares were traded daily in the first six months of 2024 (full year 2023: 8,458 shares).

As of 30 June 2024

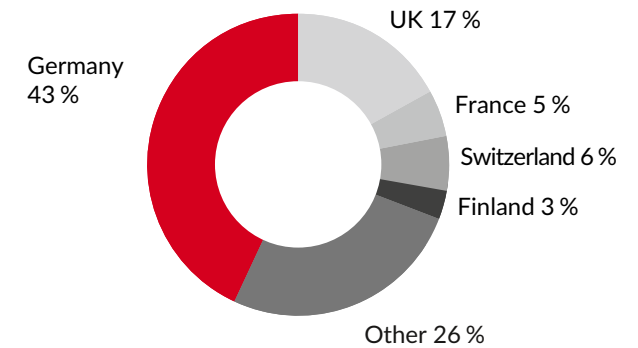
Bank	Target price EUR	Recommendation
ABN Amro – Oddo BHF	2.80	Neutral
Hauck & Aufhäuser	2.90	Hold
M. M. Warburg	3.70	Buy

At the Annual General Meeting in Frankfurt am Main on 11 June 2024, the shareholders of hGears AG approved all items on the agenda. The event was held in a virtual format but allowed shareholders to ask live questions to ensure that they were able to make full use of their shareholder rights. 70.04% of the share capital were represented at the Annual General Meeting. The proposals for the resolutions put to the vote were adopted by a large majority of the shareholders. Furthermore, the Annual General Meeting approved the actions of the Management Board and the Supervisory Board with 99.80% and 96.46% of the votes respectively and approved the compensation report with 96.56%. For a detailed summary of the individual voting results and the presentation of CEO Sven Arend, please refer to the "Annual General Meeting" link in the Investor Relations section on our website (www.hgears.com).

Shareholder structure 30 June 2024



Shareholders by region 30 June 2024



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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 15 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.

Group strategy

The Company aims to be one of the world's leading manufacturers of high-precision 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 programmes 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, consisting of highly talented and 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.

In the first half year 2024, hGears employed about 36 full-time employees in Research and Development and Engineering in the Advanced Engineering, Process Engineering and Application Engineering departments (first half 2023: 37 FTEs). The lower number of engineers in

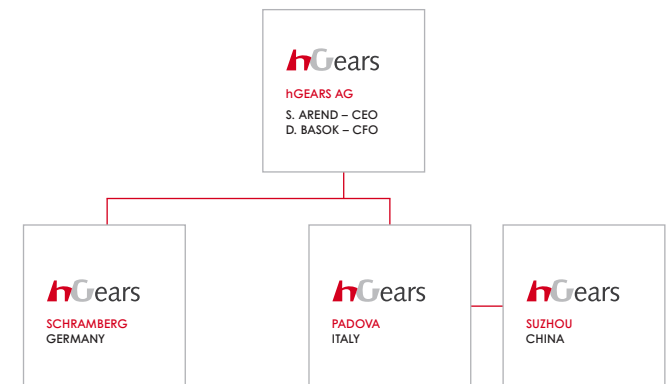
the technical departments, as published compared to previous years, is primarily due to organizational reclassifications; the number of engineers in the company has remained largely unchanged.

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.

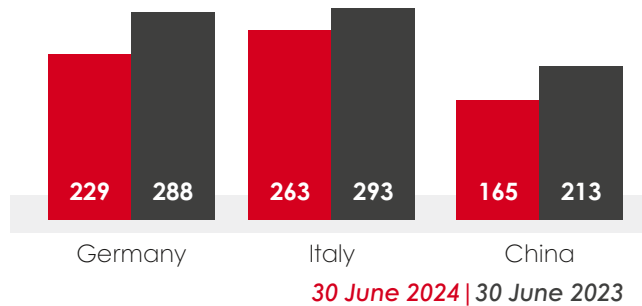
The current R&D activities are focused on developing additional production processes and expanding the Company's patent portfolio.

Locations and employees

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



As of 30 June 2024, hGears had 657 (June 2023: 794) employees (full-time equivalents, excluding members of the Management Board). The distribution of employees across the various locations was as follows:



Of these employees, 549 work as factory workers and 108 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 3.7 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.

HALF-YEAR REPORT

Economic environment

Following a slowdown towards the end of 2023, the global economy recorded moderate growth in the first half of 2024. Once again, the main driver of the positive development at a global level was growth in the emerging markets, particularly in China. Meanwhile, economic development in the advanced economies levelled off; the strong economic growth in the USA weakened while momentum in Europe increased slightly. According to the Kiel Institute for the World Economy (IfW No. 114 2024/Q2 dated June 13, 2024)¹, global production rose by 0.7% in the first quarter of 2024 (first quarter of 2023: 0.8%). Once again, the geopolitical situation has not improved; Russia's war against Ukraine continues unabated and increasingly preoccupies politicians, while the threat of a conflagration in the Middle East does not appear to have been averted. The USA and the European Union recently raised their tariffs on e-cars sharply, further exacerbating tensions in the trade dispute with China. However, the geopolitical

tensions do not appear to be having a noticeable impact on global economic development at present and global trade even increased slightly in the reporting period. The inflation figures for June 2024 reflect a further downward trend. Inflation in Europe was 2.5%, while inflation in the USA was around 3%. This means that the central banks' monetary policy has already come very close to their inflation target of around 2% and interest rate cuts are on the cards. The European Central Bank (ECB) has already reduced the main refinancing rate for banks by 25 basis points to 4.25% in June 2024, while the first key interest rate reduction is still pending in the USA and the federal funds rate therefore remains within a range of 5.25–5.5%.

Sector-specific environment

According to the report recently published by the European industry association of bicycle and bicycle parts manufacturers, CONEBI, 5.1 million e-bikes were sold in Europe in 2023, which would represent a decline of around 7.3% compared to the previous year's figure of 5.5 million e-bikes sold. On the other hand, the decline in e-bike production was around 14% to 4.6 million, roughly twice as high. Supply chain difficulties with components such as derailleurs and brakes, as well as in global logistics, slowed down bicycle production and created a perceived excess demand, which masked a significantly cooling demand among end consumers. As a result, production in the bicycle industry remained too high until the beginning of 2023. After the boom years during the coronavirus pandemic, the bicycle industry is therefore faced with massive overstocks in all channels. So far, the hoped-for recovery has failed to materialize due to the continued

¹ https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/fis-import/0a46a73d-0202-463e-976f-05ae36296d71-KKB_115_2024-Q2_Deutschland_EN.pdf

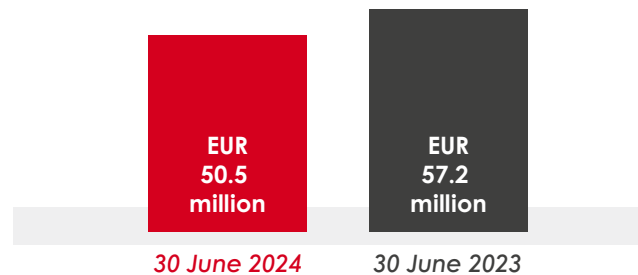
high inventory levels. Nevertheless, industry experts have no doubt that the industry will return to a long-term positive trend after a temporary correction. In addition to the increasing segmentation of the e-bike range, the growing use of micro-mobility solutions, e.g. in the form of cargo bikes or lightweight electric vehicles, will boost demand. Several market studies by consultants and industry associations (e. g. EY, Kearney/Houlihan Lokey, CONEBI)^{2,3,4} expect a stabilization to emerge in 2024.

In the first half of 2023, the automotive industry had finally recovered from the supply difficulties caused by the Corona pandemic, which was reflected in a 17.9% increase in car registrations across all categories in the EU to around 5.4 million units. This means that the figures published by the European Automobile Manufacturers' Association ACEA⁵ for January to June 2024 have a relatively high basis for comparison, while the positive registration trend for electric cars (BEV, HEV, PHEV) slowed significantly after subsidies for BEVs were cancelled at the end of 2023, especially in the important e-car markets of Germany and France. Overall, registrations across all categories in the EU rose by 4.5% to around 5.7 million vehicles in the first six months of 2024, but remained around 18% below the level before the Corona pandemic. After an increase of 53.7% in the previous year, BEVs only grew by 1.3% to 0.7 million units in the first half of 2024, while the weakness in PHEVs continued at -2.5% (0.4 million units). Nevertheless, thanks to consistently high demand for HEVs (+22.3%), the e-car category as a whole grew to 2.8 million (+12.3%) and slightly increased its share of total registrations from 45.3% in the previous year to 48.7% in the first half of 2024. Among conventional cars with combustion engines, the negative trend for diesel cars accelerated in the reporting period at -7.4% (0.7 million

units), while petrol cars were also slightly negative at -0.5% (2.0 million units), albeit after healthy growth of 15.7% in the same period of the previous year. As a result, registrations of the two categories diesel and petrol together lost 2.5% compared to the first half of 2023. The elimination of subsidies and a certain disillusionment in connection with the operation – also in terms of infrastructure (charging options) – led to a slowdown in registrations of electric vehicles, which, in comparison, are generally expensive to purchase, in the first half of 2023.

BUSINESS PERFORMANCE

Revenue



In the first half of 2024, the hGears Group generated revenue of EUR 50.5 million, which corresponds to a year-on-year decline of 11.7% (H1 2023: EUR 57.2 million). The decline in revenue is attributable to the e-Bike and e-Tools business areas, while the [e]-Mobility business area only declined slightly.

In the e-bike business area, sales fell by 13.8% from EUR 12.1 million in 2023 to EUR 10.5 million in the reporting period. The e-bike segment once again suffered from low demand

due to poor consumer sentiment and continued to be confronted with very high excess inventories.

The [e]-Mobility business area recorded a relatively small decline in sales of 3.7% to EUR 24.6 million in the first half of 2024 compared to EUR 25.5 million in the same period of the previous year. The business area continued to benefit from its strategic focus on premium and luxury vehicles, which continue to enjoy stable demand.

In the e-Tools business area, sales in the first half of 2024 fell by 20.9% year-on-year to EUR 15.1 million (previous year: EUR 19.0 million). The high interest rates continued to have a negative impact on the construction industry, while the generally poor consumer sentiment did not help either.

At kEUR 44 other own work capitalized remained in 2024 at the previous year's level of kEUR 46.

Expenses

The absolute decrease in the cost of raw materials and supplies by 6.8% from EUR 28.6 million to EUR 26.6 million in the first half of 2024 is due to the company's decline in production.

Gross profit, defined as total operating revenue less expenses for raw materials and supplies, amounted to EUR 22.8 million in the first half of 2024 compared to EUR 29.6 million in 2023, which corresponds to a decrease of 22.7%. The reasons for the decline are the drop in sales on the one hand and start-stop inefficiencies on the other.

² <https://www.conebi.eu/>

³ <https://cdn.hl.com/pdf/2024/houlihan-lokey-kearney-bike-industry-study.pdf>

⁴ https://www.ey.com/de_de/news/2024/07/ey-fahrradstudie-2024

⁵ <https://www.acea.auto/pc-registrations/new-car-registrations-4-3-in-june-2024-battery-electric-14-4-market-share/>

As a result, the gross margin (gross profit as a percentage of sales) was 45.3% in the first half of 2024, down from the previous year's figure of 51.7%.

Personnel expenses fell by 12.1% to EUR 18.4 million in the first half of 2024 (previous year: EUR 21.0 million). The decrease is the result of further proactive cost-cutting measures, e. g. short-time working, reduction of temporary workers and a 35-hour week at the Schramberg plant, which were implemented during the first half of 2024 to compensate for the decline in sales.

Net operating expenses amounted to EUR 5.7 million in 2024, which corresponds to a decrease of 22.3% compared to the previous year's figure of EUR 7.3 million. The decrease reflects the implementation of cost-saving measures, which were reflected in consulting and travel expenses, among other things, while maintenance costs declined due to falling volumes.

As a result, adjusted EBITDA at Group level amounted to EUR 0.5 million in the first half of 2024 (previous year: EUR 3.0 million). The adjusted EBITDA margin reached 1.1% after 5.2% in the previous year. The adjustments primarily include extraordinary personnel costs (e. g. severance payments and one-off bonuses for employees) of EUR 0.6 million and one-off project costs in connection with refinancing and production start-ups of EUR 1.2 million. Further information can be found in [Note 3.7 on Segment Reporting](#) in the notes to the consolidated financial statements.

In the first half of 2024, the hGears Group generated EBITDA of EUR -1.3 million (previous year: EUR 1.3 million) and was therefore below the previous year's level. The

unadjusted EBITDA margin fell from 2.2% to -2.6%, which is primarily due to a serious lack of operating leverage and start-stop inefficiencies.

Depreciation, amortization and impairments amounted to EUR 5.4 million in the first half of 2024, down 7.6% on the previous year (EUR 5.9 million), which is a result of lower investments compared to previous years.

Consolidated earnings before interest and taxes (EBIT) fell year-on-year from EUR -4.6 million in the first half of 2023 to EUR -6.7 million in the first half of 2024, while the burden from the financial result increased from EUR 1.0 million to EUR 1.2 million. As a result, consolidated earnings before taxes (EBT) fell to EUR -7.9 million in 2024 after EUR -5.6 million in the first half of 2023.

Income taxes and deferred taxes totalling EUR 0.2 million were incurred in the 2024 reporting period, compared to EUR 0 million in the previous year.

The net loss for the period amounted to EUR -8.1 million in the first six months of 2024 after a loss of EUR -5.6 million in the same period of the previous year.

Net assets

The Company's total assets decreased by 9.4% to EUR 123.9 million as of June 2024 compared to EUR 136.7 million at the end of 2023.

Non-current assets amounted to EUR 70.2 million at the end of the first half of 2024, down 5.9% on the EUR 74.6 million at the end of the 2023 financial year.

Current assets fell by 13.7% to EUR 53.6 million as of June 2024 compared to EUR 62.1 million as of December 2023. The main reason for this decline is also the seasonally lower cash and cash equivalents of EUR 21.7 million in the first half of 2024 (31 December 2023: EUR 26.6 million, June 2023: EUR 23.4 million). However, the reduction in net working capital also had an impact, albeit to a lesser extent.

Inventories fell by 4.0% to EUR 19.2 million as of 30 June 2024 compared to EUR 20.0 million at the end of 2023, although this item is usually slightly higher in the middle of the year due to seasonal factors. At the same time, trade receivables fell by 9.7% to EUR 9.5 million as of June 2023 compared to EUR 10.5 million at the end of 2023.

Compared to the 2023 year-end figure of EUR 73.7 million, hGears' equity decreased due to the losses incurred and totalled EUR 65.7 million in June 2024. Compared to the 2023 year-end figure of 53.9%, the equity ratio fell slightly to 53.1%.

Due to new financing, long-term liabilities increased from EUR 9.0 million as of 31 December 2023 to EUR 21.0 million in June 2024, which is associated with a change in maturity. At the same time, short-term liabilities decreased by 31.2%, from EUR 54.0 million at the end of 2023 to EUR 37.2 million.

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 a pledge on the production facilities of the German plant with a carrying amount of kEUR 16,853. The agreement has a remaining amount of EUR 6.0 million, which is due on maturity. On 10 May 2024, the conditions precedent of the

financing agreement were fulfilled and thus became effective. In addition, hGears signed further financing agreements totalling EUR 5.0 million (EUR 2.5 million each) with two leading European banks in April. hGears pledged receivables (kEUR 4,465) and inventories (kEUR 10,896) from the German plant as collateral for these loan agreements. The agreements are open-ended and can be utilised and repaid at any time. The above agreements were used to refinance the Group's debt as of 31 December 2023.

Cash flow

hGears recorded cash flow from operating activities of EUR –2.8 million in the first half of 2024. In the first half of the previous year, cash flow from operating activities amounted to EUR –5.6 million. The decline is mainly due to a loss from operating activities, while the sum of the other components included in operating cash flow improved significantly compared to the previous year.

Compared to the EUR –5.3 million in the first half of 2023, cash flow from investing activities fell to kEUR –67 in the 2024 reporting period, reflecting the extremely disciplined control of investments and expenditure, which is appropriate given the current economic situation, as well as the sale of property, plant and equipment no longer required.

Due to strict cost discipline, the resulting comparatively low negative operating net cash flow, and very low investments, free cash flow reached EUR –1.9 million in the first half of 2024, compared to EUR –10.9 million in the same period of the previous year.

After EUR –1.7 million in the previous year, cash flow from financing activities totalled EUR –2.1 million in the first half of 2024.

In summary, in the first half of 2023, hGears recorded a negative net cash flow of EUR 4.9 million, compared to EUR 12.6 million in the same period of the previous year.

Cash and cash equivalents totalled EUR 21.7 million as of 30 June 2024 (previous year: EUR 23.4 million), giving the hGears Group solid financial headroom.

RISKS AND OPPORTUNITIES REPORT

hGears' relevant risk and opportunities were comprehensively described in the Annual Report 2023 and are still valid (please refer to page 61 of our Risk and Opportunities Report in the Group Management Report as of December 2023). Main cause for the geopolitical uncertainty remains Russia's invasion of the Ukraine.

OUTLOOK REPORT

Overall economy

The moderate global economic growth that emerged in the first quarter of 2024 appears to have continued and accelerated in the second quarter. The US Department of Commerce recently reported that GDP in the world's largest economy grew more strongly than expected in the second quarter of 2024 at 2.8%. The main driver was private consumer spending across the board. To a certain extent, this confirms the trend assumption published by the

Kiel Institute for the World Economy (IfW) in June 2024. In its economic report no. 114 (2024/Q2)⁶, the institute assumes that the global economy will expand, and that private consumption will also provide impetus in Europe against the backdrop of rising real wages. In addition, an increasing easing of monetary policy should have a positive impact; thanks to the further decline in inflation, currently at 2.5% in Europe and around 3% in the US, central banks are approaching their inflation target of 2%, which makes interest rate cuts foreseeable. The ECB has already lowered the main refinancing rate by 25 basis points to 4.25% in June 2024, while in the USA the federal funds rate remains in a range of 5.25%–5.5%. In its summer forecast, the IfW raised its forecast for global economic growth in June by 0.4% compared to the previous quarter to 3.2%, which also corresponds to the percentage growth expectation for the global economy in 2025.

According to the IfW, economic growth in China is expected to reach a solid 5.2% in 2024, while growth of 2.2% is forecast for the USA, a meagre 0.9% for the euro-zone and a small increase of 0.2% for Germany. Meanwhile, the IfW expects global inflation to reach 7.3% in 2024, after 8.0% in 2023 and 9.3% in 2022.

In an economic environment that appears to be recovering in perspective but is still fraught with uncertainty, while the geopolitical situation continues to entail major uncertainties, hGears' solid balance sheet with an equity ratio of 53.1% and cash and cash equivalents of EUR 21.7 million as of 30 June 2024 is reassuring. A resurgence of the coronavirus pandemic currently seems very unlikely but

⁶ https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/fis-import/0a46a73d-0202-463e-976f-05ae36296d71-KKB_115_2024-Q2_Deutschland_EN.pdf

cannot be ruled out in the event of a possible new virus variant. The Russian war of aggression against Ukraine more than two years ago still seems a long way from a peaceful end, while the risk of a conflagration in the Middle East has unfortunately not been averted. Neither of these trouble spots have a direct impact on hGears' production, but may have an indirect effect, for example in the form of volatile costs for energy, raw materials and intermediate products, while problems in the supply chains could cause at least temporary disruptions. The management monitors and assesses the development of conflicts very closely. The company's pass-through clauses would take effect in the event of rising energy and raw material costs and management would immediately endeavour to compensate for higher costs not covered by pass-through clauses by increasing prices.

Outlook

Financial performance indicators

In light of the uncertainties and challenges in the global markets, accompanied by persistently high inventory levels and shifts in demand trends, the still high interest rates, and increased geopolitical risks, the Management Board of hGears remains cautious in its outlook and expects for the fiscal year 2024:

- revenue in the range of EUR 100–110 million,
- an adjusted EBITDA of EUR 1–3 million,
- and a free cash flow of EUR zero to minus 3 million.

In the medium term, i. e. in the next three to five years, hGears aims for strong growth, particularly in the business areas e-Bike and [e]-Mobility and expects to achieve consolidated revenue of approximately EUR 150–180 million.

Schramberg, 31 July 2024



Sven Arend

Chairman of the
Management Board



Daniel Basok

Member of the
Management Board

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

of hGears AG, Schramberg for the period 1 January to 30 June

in kEUR	Note	H1 2024	H1 2023
Revenues	3.1	50,454	57,155
Other capitalized own work		44	46
Changes in inventories		(999)	984
Total output		49,499	58,185
Other operating income	3.2	951	1,679
Impairment gains / losses from IFRS 9		10	(97)
Raw materials and consumables used	3.3	(26,650)	(28,609)
Personnel expenses	3.4	(18,448)	(20,979)
Depreciation, amortization and impairment		(5,446)	(5,896)
Other operating expenses	3.5	(6,656)	(8,907)
Profit / loss from operating activities		(6,740)	(4,624)
Finance income		78	88
Finance expenses		(1,274)	(1,076)
Financial result	3.6	(1,196)	(988)
Income before income taxes		(7,936)	(5,612)
Income and deferred taxes		(156)	29
Net result of the period		(8,092)	(5,583)
The result is attributable to:			
Result attribution to Shareholders		(8,092)	(5,583)
Basic / diluted earnings per share (EUR)	3.8	(0.78)	(0.54)

The accompanying condensed notes are an integral part of the interim 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 30 June

in kEUR	H1 2024	H1 2023
Net result of the period	(8,092)	(5,583)
Other comprehensive income:		
Other comprehensive income that may be reclassified subsequently to profit or loss		
Gains (Losses) on cash flow hedges	–	(4)
Tax effect	–	1
Currency translation adjustment*	67	(689)
Total comprehensive income	(8,025)	(6,275)

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of hGears AG, Schramberg

in kEUR	Note	30 June 2024	31 December 2023
Property, plant and equipment		65,890	70,552
Intangible assets		781	881
Other non-current assets	4.3	117	114
Other non-current financial assets	4.3	340	–
Deferred tax assets		3,014	3,077
Total non-current assets		70,232	74,624
Inventories	4.1	19,226	20,021
Trade receivables	4.2	9,502	10,528
Other receivables	4.3	571	765
Other current assets	4.3	2,487	3,680
Other current financial assets	4.3	2	–
Cash and cash equivalents	4.4	21,730	26,597
Assets held for sale	4.5	110	530
Total current assets		53,628	62,121
Total assets		123,860	136,745

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of hGears AG, Schramberg

in kEUR	Note	30 June 2024	31 December 2023
Share capital		10,400	10,400
Capital reserve		69,232	69,232
Other reserves		400	400
OCI		2,139	2,072
Retained earnings		(8,359)	5,435
Net result of the period		(8,092)	(13,794)
Total Equity	4.7	65,720	73,744
Lease liabilities		6,249	7,227
Borrowings	4.6	13,102	–
Deferred tax liabilities		21	21
Provisions		319	319
Employee benefit obligations		972	1,068
Trade and other payables		290	328
Total non-current liabilities		20,953	8,963
Lease liabilities		2,416	2,516
Borrowings	4.6	6,124	20,081
Provisions		705	849
Other current financial liabilities		–	148
Trade and other payables		27,907	30,444
Current tax liabilities		35	–
Total current liabilities		37,187	54,038
Total liabilities		58,140	63,001
Total equity and liabilities		123,860	136,745

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of hGears AG, Schramberg for the period 1 January to 30 June

in kEUR	Share capital	Capital reserve	Other reserves	OCI			Retained earnings	Total equity
				Currency translation	Cash Flow Hedge Reserve	Employee plan		
Balance on 1 January 2023	10,400	69,232	400	1,622	-	1,055	5,434	88,145
Net result of the period	-	-	-	-	-	-	(5,583)	(5,583)
Other comprehensive income	-	-	-	(689)	(3)	-	-	(692)
Balance on 30 June 2023	10,400	69,232	400	933	(3)	1,055	(149)	81,868
Balance on 1 January 2024	10,400	69,232	400	1,013	-	1,058	(8,359)	73,744
Net result of the period	-	-	-	-	-	-	(8,092)	(8,092)
Other comprehensive income after taxes	-	-	-	67	-	-	-	67
Balance on 30 June 2024	10,400	69,232	400	1,080	-	1,058	(16,451)	65,720

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

CONSOLIDATED STATEMENT OF CASH FLOWS

of hGears AG, Schramberg for the period 1 January to 30 June

in kEUR	H1 2024	H1 2023
Profit / loss from operating activities	(6,740)	(4,624)
Depreciation, amortisation and impairment	5,446	5,896
Other non-cash items	(255)	(110)
Income tax payments	(75)	(890)
Provisions and others	(240)	188
Interest paid	(1,177)	(857)
Interest received	76	88
Change in inventories	811	(2,448)
Change in receivables	1,052	(2,430)
Change in liabilities	(2,366)	(715)
Change in other assets	975	461
Change in other liabilities	(259)	(193)
Net cash provided by (used in) operating activities	(2,751)	(5,634)
Cash flows provided by (used in) investing activities		
Payments for Property, plant and equipment and intangible assets	(830)	(4,836)
Loans granted	–	(470)
Income from sales of fixed assets and assets held for sale	763	34
Net cash provided by (used in) investing activities	(67)	(5,272)
Cash flows provided by (used in) financing activities		
Proceeds from borrowings	19,367	5,029
Repayments of borrowings	(20,213)	(5,266)
Repayments leasing agreements	(1,229)	(1,469)
Cash flows provided by (used in) financing activities	(2,075)	(1,706)
Net cash increase (decrease) in cash and cash equivalents	(4,893)	(12,612)
Cash and cash equivalents at the beginning of the year	26,597	36,276
Effects of exchange rate changes on cash and cash equivalents	26	(289)
Closing Cash and cash equivalents	21,730	23,375

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

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

hGears AG (former hGears Holding GmbH) – HRB 778870 was incorporated in 2011 and is domiciled in Schramberg, Germany. The conversion of the legal form of the Company from a limited liability company (Gesellschaft mit beschränkter Haftung) into a stock corporation (Aktien-gesellschaft) was registered in the commercial register of the local court (Amtsgericht) of Stuttgart, Germany, on 27 April 2021.

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

hGears AG prepares the interim condensed 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 interim condensed consolidated financial statements consist of the financial statements of hGears AG, its subsidiaries: hGears Schramberg GmbH (former Herzog GmbH, herewith: "Schramberg"); hGears Padova S.p.A. (former mG miniGears S.p.A., herewith: "Padova"), and its second-tier subsidiary hGears (Suzhou) Co., Ltd. (former mG miniGears (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The presented half-year interim consolidated financial statements of hGears Group as of 30 June 2024 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and applying the same reporting methods and group accounting principles as in the audited consolidated financial statements for fiscal year ended 31 December 2023.

The interim condensed consolidated financial statements are presented in Euros (EUR). Individual items in the interim condensed consolidated financial statements and the notes to the interim condensed consolidated financial statements are presented in Euro thousands (kEUR) in accordance with commercial rounding practices. hGears Group's fiscal years ends 31 December. 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 interim condensed consolidated financial statements have been prepared under the historical cost convention except for financial assets and liabilities measured at fair.

The interim condensed 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.

The interim condensed 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 inter-company transactions, balances, and unrealized results on transactions with subsidiaries are eliminated.

In late February 2022, Russian military forces invaded Ukraine, prompting the European Union and the United States of America to impose a series of substantial financial and economic sanctions on Russia. The measures included among others the banning of several Russian banks from the SWIFT system, along with extensive restrictions on trading and travel with Russia. Meanwhile, the tensions in the Middle East continued and the fear of a conflagration in the entire region remains.

hGears Group sees very limited direct impact as the Group has no material suppliers or customers neither in Russia, the Ukraine or the Middle East. However, the conflict in the Middle East is impacting shipping in the Gulf of Suez and causing some delays in global supply chains. An intensification of the conflict could also lead to a rise in oil and ultimately also commodity prices and thus to a resurgence of inflation. Due to central banks' interest rates still being at high levels, combined with negative consumer confidence, the potential for a recession remains a topic of discussion. The expected interest rate cuts by the national banks, which have already been largely anticipated by the capital markets, could boost the global economies, and thus potentially resolve or at least ease the economic situation.

IFRS issued, not yet endorsed by the EU and not adopted in the reporting period

In April 2024, the IASB published the standard IFRS 18 Presentation and Disclosures in Financial Statements. The standard aims to improve the presentation of financial information and to increase the transparency and comparability of financial statements. IFRS 18 will replace IAS 1 Presentation of Financial Statements in future. Subject to adoption into European law, application will be

mandatory for financial years beginning on or after 1 January 2027. Earlier application is permitted, but not planned in hGears Group.

3. CONDENSED 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. Revenues for the first half 2024 amount to kEUR 50,454 (first half 2023: kEUR 57,155).

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

in kEUR	H1 2024	H1 2023
Sales of goods	50,114	56,699
Other	340	456
Total Revenues	50,454	57,155

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

Following the strategic reorganization, hGears has, starting from 2024, combined its activities into the e-Bike, [e]-Mobility, and e-Tools business areas to strengthen its focus on industry-specific requirements and dynamics while also creating more transparency.

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

in kEUR	H1 2024	H1 2023
e-Bike	10,471	12,143
[e]-Mobility	24,579	25,515
e-Tools	15,064	19,041
Sales of goods	50,114	56,699

For comparison reason, here below the classification of sales of goods under the old business areas:

in kEUR	H1 2024	H1 2023
e-Mobility	20,474	17,412
e-Tools	12,336	14,863
Conventional	17,304	24,424
Sales of goods	50,114	56,699

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 in the first half 2024 decreased mainly due to the slowdown in the market.

The sales of goods in [e]-Mobility business area slightly decreased, and it is mainly due to higher inventories at our customers resulting in order cancellations.

Sales of goods in the e-Tools business area decreased by EUR 4 million mainly following inflated sales in the first half of 2023.

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

in kEUR	H1 2024	H1 2023
EU area	35,563	38,178
USA	4,233	5,330
China	2,793	3,176
Rest of the world	7,525	10,015
Sales of goods	50,114	56,699

Sales of goods in the EU area in the first half 2024 include sales in Germany for a total amount of kEUR 9,654 (first half 2023: kEUR 16,940) and Hungary for a total amount of kEUR 8,667 (first half 2023: kEUR 10,008).

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

3.2 Other operating income

The line item breaks down as follows:

in kEUR	H1 2024	H1 2023
Foreign currency exchange gains	307	1,214
Disposal of non-current assets	60	216
Reversal of provisions	210	1
Non-cash benefits to employees	132	131
Government grants	126	10
Refund from social contribution for employees	8	13
Other	108	95
Total	951	1,679

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

3.3 Raw materials and consumables used

The line item breaks down as follows:

in kEUR	H1 2024	H1 2023
Raw Materials less discounts received	(19,598)	(19,457)
Consumables used and energy	(5,264)	(6,831)
Outsourced manufacturing costs	(1,788)	(2,321)
Total	(26,650)	(28,609)

In the first half 2024, the subsidies received in Germany for the higher energy costs are recognized as reduction of the Consumables used and energy, according to IAS 20 for an amount equal to kEUR 54 (first half 2023: kEUR 989).

3.4 Personnel expenses

The line item breaks down as follows:

in kEUR	H1 2024	H1 2023
Wages and salaries	(14,523)	(16,087)
Social security contributions	(3,449)	(3,770)
Temporary workers	(476)	(1,122)
Total	(18,448)	(20,979)

Wages and salaries include expenses for defined contribution pension plans in the amount of kEUR 924 in the first half 2024 and kEUR 1,027 in the first half 2023.

In the first half of 2024, 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 (kEUR 141; in the first half 2023 the amount was kEUR 93).

In the first half 2024 the Group employed 679 FTEs on average excluding the Management Board (first half 2023: 812).

in FTEs	H1 2024	H1 2023
Factory workers	569	693
Office workers and Managers	110	119
Total	679	812

As of 30 June 2024, the Group employed 659 FTEs, including the Management Board (30 June 2023: 796).

in FTEs	30 June 2024	30 June 2023
Factory workers	549	674
Office workers and Managers	110	122
Total	659	796

3.5 Other operating expenses

The line item breaks down as follows:

in kEUR	H1 2024	H1 2023
Maintenance and manufacturing expenses	(2,470)	(3,279)
Administration and marketing	(2,810)	(3,092)
Miscellaneous personnel expenses	(668)	(941)
Foreign currency exchange losses	(149)	(1,070)
Lease expenses	(403)	(371)
Losses from disposal of fixed assets	(14)	(2)
Other	(141)	(151)
Total	(6,656)	(8,906)

3.6 Financial result

The line item breaks down as follows:

in kEUR	H1 2024	H1 2023
Interest expense on finance lease liabilities	(215)	(275)
Interest expenses banks loans and overdrafts	(487)	(488)
Other interest expenses and similar expenses	(572)	(313)
Financial expenses	(1,274)	(1,076)
Interest bank income	78	88
Financial income	78	88
Total	(1,196)	(988)

Other interest expenses and similar expenses include the full release of transaction costs in relation to the credit agreement fully repaid in May (first half 2024: kEUR 174; first half 2023 kEUR 180). Moreover, the line includes the scheduled amortization of transaction costs in relation to the new agreement (kEUR 93). For more information, please refer to [Note 4.6](#).

In addition, factoring interest in the amount of kEUR 177 is included (first half 2023: kEUR 131).

3.7 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 return on 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	
	H1 2024	H1 2023
Revenues	50,454	57,155
Adjusted EBITDA⁽¹⁾	536	2,957
One-off transaction costs	(1,829)	(1,684)
Depreciation, amortization and impairment	(5,446)	(5,896)
EBIT	(6,739)	(4,624)
Finance income	78	88
Finance expenses	(1,274)	(1,076)
EBT	(7,936)	(5,612)
Income and deferred taxes	(156)	29
Net result of the period	(8,092)	(5,583)

(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 period.

The following table is the breakdown of One-off expenses:

in kEUR	IFRS consolidated	
	H1 2024	H1 2023
Personnel costs ⁽¹⁾	631	1,543
One-off advisory fees	–	32
One-off Impairment	10	–
One-off special project cost	1,188	98
Other	–	11
Total	1,829	1,684

(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	
	H1 2024	H1 2023
Return on revenues in % ⁽¹⁾	(16.0)	(9.8)
Free Cash Flow ⁽²⁾	(1,853)	(10,883)

(1) The Company defines return on revenues as the ratio of net result of the period to 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 paid interest, received interest, and receipts leasing contracts, which are part of the payments for PPE and intangible assets.

hGears Group generates more than 10% of its sales with one customer. As of 30 June 2024, this single most important customer represented accounts receivable with a carrying amount of kEUR 415 (30 June 2023: kEUR 642) and revenues in the first half 2024 in the amount of kEUR 8,580 (first half 2023: kEUR 9,973).

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 [Note 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		Reconciliation ⁽¹⁾		IFRS consolidated	
	H1 2024	H1 2023	H1 2024	H1 2023	H1 2024	H1 2023	H1 2024	H1 2023	H1 2024	H1 2023	H1 2024	H1 2023
Additions	–	–	666	4,115	224	1,491	107	162	–	–	997	5,768
Carrying amounts	60	87	38,906	44,942	21,287	23,717	6,458	7,525	(40)	(79)	66,671	76,192

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

3.8 Earnings Per Share

The basic earnings per share (as defined in IAS 33) as of 30 June 2024 is EUR –0.78 (30 June 2023: EUR –0.54). 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 the first half 2024, amounting to 10,400,000 (first half 2023: 10,400,000).

4. NOTES TO THE INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

4.1 Inventories

The net value of the inventories as of 30 June 2024 is kEUR 19,226 (31 December 2023: kEUR 20,021).

in kEUR	30 June 2024	31 December 2023
Raw materials, consumables and supplies	11,710	11,325
Finished goods and work in progress	13,367	13,991
Provisions for inventory	(5,851)	(5,295)
Total	19,226	20,021

The gross value of written-down inventories as of 30 June 2024 is kEUR 25,077 (31 December 2023: kEUR 25,316).

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

in kEUR	
Balance as of 31 December 2022	(4,946)
Addition	(993)
Release	267
Utilization	172
Other	11
Balance as of 30 June 2023	(5,489)

in kEUR	
Balance as of 31 December 2023	(5,295)
Addition	(632)
Release	77
Utilization	–
Other	(1)
Balance as of 30 June 2024	(5,851)

Depreciation of kEUR 632 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 period the Group recognized income from release for a total amount of kEUR 77.

4.2 Trade receivables

The carrying amounts of the trade receivables approximate to their fair values and it is equal to kEUR 9,502 (31 December 2023: kEUR 10,528).

The Group entered into in various supplier finance programmes 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 5,880 as of the reporting date, are fully derecognized (31 December 2023: kEUR 7,797).

Further trade receivables intended to be sold and amounting to kEUR 604 are not sold yet as of the reporting date (31 December 2023: kEUR 651).

On 30 June 2024 provision for impairments amounted to kEUR 476 (31 December 2023: kEUR 493).

4.3 Other current assets and non-current assets

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

in kEUR	30 June 2024	31 December 2023
Other receivables non-current	117	114
Other financial assets non-current	340	–
Total Non-Current	457	114

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

in kEUR	30 June 2024	31 December 2023
Other current assets	2,487	3,680
Total Non-Financial Assets	2,487	3,680
Other receivables current	571	765
Other financial assets current	2	–
Total Financial Assets	573	765
Total Current	3,060	4,445

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

in kEUR	30 June 2024	31 December 2023
Receivables for energy costs	157	287
Other	75	183
Total Non-Financial Assets	232	470
Loan to employees	305	281
Supplier with debit balance	34	4
Suppliers premium	–	7
Other	–	3
Total Financial Assets	339	295
Total	571	765

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

in kEUR	30 June 2024	31 December 2023
VAT receivables	408	541
Other income tax receivables	1,467	2,376
Current prepaid operating expenses	612	762
Total	2,487	3,680

4.4 Cash and cash equivalents

On 30 June 2024 cash and cash equivalents amounted to kEUR 21,730 (31 December 2023: kEUR 26,597). This position includes cash in hand in the amount of kEUR 6 (31 December 2023: kEUR 4).

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 30 June 2024.

4.5 Assets held for sale

During 2023, hGears Group decides to sell some non-current assets previously used in its business. According to IFRS 5, those assets are classified separately from other assets in the statement of Financial Position.

At the reporting date, the carrying amount equals to kEUR 110 (31 December 2023: kEUR 530), after the selling of some machines previously reclassified.

4.6 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 kEUR 16,853. The agreement has a balance of EUR 6.0 million due at maturity.

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

Moreover, in April hGears signed additional financing agreements with two leading European banks with total amount of EUR 5.0 million (each EUR 2.5 million). hGears pledged account receivables (kEUR 4,465) and inventory (kEUR 10,896) of the German plant to secure these credit agreements. The agreements have no maturity and can be drawn and repaid at any time.

The mentioned above agreements served to refinance the Group's debt as of 31 December 2023.

The carrying amounts of borrowings are as follows:

in kEUR	30 June 2024	31 December 2023
Borrowings current	6,124	20,081
Borrowings non-current	13,102	–
Total	19,226	20,081

Please see in the table below the conditions of the borrowings:

	Bank	Nominal Value (in mEUR)	Date	Interest rates	Repayment/ Maturity	Transaction costs (in kEUR)
1	Maturus Finance GmbH	14.7	10 May 2024	10.42%	Monthly	375
2	Unicredit	2.5	21 June 2024	4.00% + 3m EURIBOR	Variable	–
3	Deutsche Bank	2.5	25 June 2024	8.00% + €STR	Variable	–

The cancellation conditions of the agreement **1)** reported in the table above are:

There are no cancellation conditions for the agreements **2)** and **3)**.

- 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.

4.7 Equity

On 8 April 2021, the Company's share capital increased from kEUR 63 to kEUR 8,000 from Company funds. On 21 May 2021 the share capital is increased due to the IPO to kEUR 10,400. As of 31 December 2023 the total share capital of the Company is divided into 10,400,000 ordinary shares with a par value of EUR 1.00.

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 recognized 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 its results and financial position from RMB (functional currency) into EURO (presentation currency);

- Effective changes in **fair value of derivative contracts** in cash flow hedge relationships (interest rate swaps and forward exchange contracts);
- 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

By virtue of the Articles of Association, 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 31 March 2026, by up to a total of EUR 4,000,000.00 by issuing up to a total of 4,000,000 new no-par value bearer shares in return for cash contributions and/or contributions in kind (Authorized Capital 2021). 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 2021/I

The Management Board was authorized by the Annual General Meeting on 22 June 2022, 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 4 May 2026. The holders of the Bonds referred to in the preceding sentence may be granted conversion or subscription rights to up to 3,261,600 no-par value bearer shares of the Company with a pro rata amount of the share capital of up to EUR 3,261,600.00 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 2021/I.

Conditional Capital 2023

The Management Board was authorized by the Annual General Meeting on 13 June 2023, with the approval of the Supervisory Board, to conditionally increase the share capital of the Company by up to EUR 738,400.00 by issuing up to 738,400 no-par value bearer shares (Conditional Capital 2023). The Conditional Capital 2023 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 13 June 2023. 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 2023), the holders of the stock options exercise their rights, and the Company does not grant 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 2023 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 2023.

The Management Board was authorized by the Annual General Meeting on 11 June 2024, with the approval of the Supervisory Board, to cancel the existing Conditional Capital 2023.

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 2021/I in the amount of EUR 3,261,600.00 (Section 4.3 of the Articles of Association) and the new Conditional Capital 2024 in the amount of EUR 525,450.00 (Section 4.4 of the Articles of Association), which replaced Conditional Capital 2023, amounts to a total of EUR 3,787,050.00 and therefore not exceeds half of the share capital existing at the time of the resolution on the conditional capital increase.

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				30 June 2024
			Acquisition	Fair value changes	Foreign exchange movement	Other	
Finance lease liabilities	9,743	(1,444)	133	–	18	215	8,666
Borrowings	20,081	(1,354)	–	–	–	499	19,226
Other current financial liabilities	149	(149)	–	–	–	–	–

in kEUR	31 December 2022	Cash flows	Non-cash changes				30 June 2023
			Acquisition	Fair value changes	Foreign exchange movement	Other	
Finance lease liabilities	14,233	(1,744)	745	–	(166)	275	13,343
Borrowings	20,122	(681)	–	–	–	592	20,033
Other current financial liabilities	242	(4)	–	(92)	–	43	189

The paid interests in the cash flow statement include interests for factoring in an amount of kEUR 177 (first half 2023: kEUR 131) and interest for leasing in an amount of kEUR 215 (first half 2023: kEUR 275).

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.

As described in [Note 4.6 Borrowings](#) the new agreements signed in the first months of 2024 serve to refinance the Group's existing debt as of 31 December 2023 that was fully repaid in May 2024. The new agreements don't have any covenant to fulfill.

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.

These interim consolidated financial statements do not contain all the information and explanatory notes to financial risks management that must be included in the annual report.

For additional information in this regard refer to the notes to the consolidated financial statements on 31 December 2023.

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 interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined as a present value by using forward exchange rates at the balance sheet date;
- 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 derivative financial instruments and 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 30 June 2024	Fair Value 30 June 2024
ASSETS			
Non-current assets			
Other non-current assets	AC	117	117
Other financial assets non-current	AC	340	340
Current assets			
Trade receivables			
Trade receivables	AC	8,899	n/a*
Trade receivables subject to factoring	FVPL	604	604
Other receivables	AC	571	n/a*
Other current financial assets			
Other current financial assets	AC	2	2
Cash and cash equivalents	AC	21,730	n/a*
LIABILITIES			
Non-current liabilities			
Finance lease liabilities	n/a	6,249	n/a**
Borrowings	FLAC	13,102	13,102
Current liabilities			
Finance lease liabilities	n/a	2,416	n/a**
Borrowings	FLAC	6,124	6,124
Trade and other payables			
Trade payables	FLAC	18,967	n/a*
Other current non-financial payables	n/a	8,940	n/a*

Carrying amounts per category (in kEUR)	Classifi- cation IFRS 9	30 June 2024
Financial Assets measured at Amortized costs	AC	31,657
Financial Liabilities measured at Amortized Cost	FLAC	38,193
Financial Assets & Liabilities measured at Fair Value through Profit or Loss	FVPL	604

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.

in kEUR			
	Classification IFRS 9	Carrying amount 31 December 2023	Fair Value 31 December 2023
ASSETS			
Non-current assets			
Other non-current assets	AC	114	114
Current assets			
Trade receivables			
Trade receivables	AC	11,648	n/a*
Trade receivables	FVPL	–	–
Trade receivables subject to factoring	FVPL	651	651
Other receivables	AC	765	n/a*
Cash and cash equivalents	AC	26,597	n/a*
LIABILITIES			
Non-current liabilities			
Finance lease liabilities	n/a	7,227	n/a**
Current liabilities			
Finance lease liabilities	n/a	2,516	n/a**
Borrowings	FLAC	20,081	20,081
Other current financial liabilities			
Derivatives with hedge accounting	–	n/a	n/a
Derivatives without hedge accounting	FVPL	0	0
Accrued interest	FLAC	148	148
Trade and other payables			
Trade payables	FLAC	22,053	n/a*
Other current non-financial payables	n/a	8,919	n/a*

Carrying amounts per category (in kEUR)	Classifi- cation IFRS 9	31 December 2023
Financial Assets measured at Amortized costs	AC	49,677
Financial Liabilities measured at Amortized Cost	FLAC	42,179
Financial Assets & Liabilities measured at Fair Value through Profit or Loss	FVPL	660

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.

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	30 June 2024	31 December 2023
No later than 1 year	75	95
Later than 1 year and no later than 5 years	49	61
More than 5 years	–	13
Total	124	169

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 30 June 2024 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 30 June 2024.

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 shareholders are summarized below:

- There are no transactions with Finatem III GmbH & Co.

The transactions with minority shareholders are summarized below:

- Building rent: the total value for the first half 2024 is equal to kEUR 215 (first half 2023: kEUR 226).

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 consist of the members of the Board of Management as well as the members of the Supervisory Board of hGears.

In the course of the conversion of the Company into a stock corporation, on 27 April 2021, the Supervisory Board was appointed. Beside Mr. Seidler and Ms. Dr. Fontane all other members of the Supervisory Board of hGears AG are also members of the Supervisory Board of hGears Padova S.p.A. and thus, hold key management positions in the Group:

Management Board

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

Supervisory Board

- Prof. Volker Michael Stauch (Chairman)
- Christophe Hemmerle (Deputy Chairman)
- Daniel Michael Kartje
- Christoph Mathias Seidler
- Dr. Gabriele Fontane

The Company shares owned by Supervisory Board members and Management board members are shown below:

Shares	30 June 2024	31 December 2023
Sven Arend	33,800	29,800
Daniel Basok	20,000	20,000
Management Board	53,800	49,800
Volker Stauch	53,472	51,680
Christophe Hemmerle	5,769	5,769
Daniel Kartje	4,000	4,000
Mathias Seidler	11,538	11,538
Dr, Gabriele Fontane	3,846	3,846
Supervisory Board	78,625	76,833
Total	132,425	126,633

8.3 Share-based payments

8.3.1 Stock Option Programme 2023

On 13 June 2023, 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 738,400 subscription rights (Stock Option Programme 2023).

Each stock option right granted under the Stock Option Programme 2023 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 2023 created for this purpose against payment of the exercise price in accordance with these conditions. Alternatively, the Company may grant treasury shares against payment of the exercise price.

The share option rights will be issued over a period of three years in three equal tranches per year (tranches 2023 A/B/C, tranches 2024 A/B/C and tranches 2025 A/B/C).

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

Tranche	Performance target (in EUR)	Exercise price (in EUR)
2023/A	8.00	6.00
2023/B	10.00	6.00
2023/C	12.00	6.00

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

Tranche	Performance target (in EUR)	Exercise price (in EUR)
2024/A	14.00	12.00
2024/B	16.00	12.00
2024/C	18.00	12.00

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

Tranche	Performance target (in EUR)	Exercise price (in EUR)
2025/A	20.00	18.00
2025/B	23.00	18.00
2025/C	26.00	18.00

By resolution of the Annual General Meeting of 13 June 2023, the Stock Option Programme 2023 was resolved in order to grant subscription rights to shares in the Company (stock option rights) 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. The Management Board was authorized, with the consent of the Supervisory Board, to grant up to 738,400 subscription rights (stock option rights) to up to 738,400 no-par value bearer shares of the Company within the framework of the Stock Option Programme 2023 until the expiry of 30 November 2025. Only the Supervisory Board was authorized to grant stock option rights to the members of the Management Board of the Company. 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 212,950 (Tranches 2023 A/B/C) were issued in August 2023 as part of the 2023 Stock Option Programme, whereby 142,000 stock option rights were issued to the members of the Management Board and 70,950 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 2023 was not achieved for the 212,950 stock option rights issued as part of the Tranches 2023 A/B/C. In this respect, the stock option rights of the Tranches 2023 A/B/C can no longer be exercised. The Management Board and the Supervisory Board of the Company do not intend to issue any further stock option rights for the outstanding Tranches 2024 A/B/C and Tranches 2025 A/B/C under the 2023 AOP.

By resolution dated 11 June 2024 the Annual General Meeting authorized the Management Board to cancel the issue of stock options to members of the Management Board and selected executives of the Company and affiliated companies under the Stock Option Programme 2023. All the granted stock options under the Stock Option Programme 2023 forfeited on 31 December 2023, and therefore the cancellation had no impact on the financial statements.

8.3.2 Stock Option Programme 2024

By resolution dated 11 June 2024 the Annual General Meeting of the Company authorized the Management Board to grant up to a total number of 525,450 subscription rights ("Stock Option Rights") for up to 525,450 no-par value bearer shares of the Company within the framework of the new Stock Option Programme 2024 (SOP 2024), subject to the approval of the Supervisory Board up to and including 30 November 2025 ("Authorisation Period"). The Supervisory Board alone is authorised to grant Stock Option Rights to members of the Management Board of the Company.

For additional information please refer to [Note 8.4 Subsequent events](#).

8.4 Subsequent events

The Conditional Capital 2024 mentioned in [Note 4.7 Equity](#) has been officially registered in Commercial Register (Handelsregister) on 10 July 2024. The options under the tranche 2024/A/B/C (Stock Option Programme 2024), have been issued within 20 stock exchange trading days after the registration of the Conditional Capital 2024.

No other events of special significance occurred after the end of the reporting period as of 30 June 2024 that would have to be reported here.

8.5 Disclosure pursuant to Section 115 (5) German Securities Trading Act (WpHG)

These Interim Consolidated Financial Statements and Interim Group Management Report have not been audited nor reviewed by an auditor.

Schramberg, 31 July 2024



Sven Arend

Chairman of the
Management Board



Daniel Basok

Member of the
Management Board

ANNEX 1 – FIXED ASSET MOVEMENT SCHEDULE TANGIBLE ASSETS

	December 31, 2022	Change occurred during the current year					Exchange rate differences	June 30, 2023
		Addition	Dismissal	Depreciation	Reclassification	Write-Down		
Gross value	21,020	100	–	–	–	–	38	21,158
Provisions for amortisation and depreciation	(10,083)	–	–	(940)	–	–	(23)	(11,046)
Land and Buildings	10,937	100	–	(940)	–	–	15	10,112
Gross value	138,629	450	(364)	–	2,520	–	88	141,323
Provisions for amortisation and depreciation	(93,120)	–	325	(3,534)	–	–	(52)	(96,381)
Plants and Machinery	45,509	450	(39)	(3,534)	2,520	–	36	44,942
Gross value	19,857	132	–	–	–	–	7	19,996
Provisions for amortisation and depreciation	(15,162)	–	–	(463)	–	–	(7)	(15,632)
Tools and Dies	4,695	132	–	(463)	–	–	–	4,364
Gross value	19,020	158	(135)	–	–	–	36	19,079
Provisions for amortisation and depreciation	(14,004)	–	125	(702)	–	–	(23)	(14,604)
Other assets	5,017	158	(10)	(702)	–	–	13	4,476
Fixed assets under construction and down-payments	4,394	121	–	–	(2,520)	–	1	1,996
Property, plant and equipment	70,552	961	(49)	(5,639)	–	–	65	65,890

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

	31 December 2022	Change occurred during the current year					Exchange rate differences	30 June 2023
		Addition	Dismissal	Depreciation	Reclassification	Write-Down		
Gross value	20,693	164	–	–	73	–	(287)	20,643
Provisions for amortisation and depreciation	(8,324)	–	–	(934)	–	–	150	(9,108)
Land and Buildings	12,369	164	–	(934)	73	–	(137)	11,535
Gross value	135,872	1,919	(3,224)	–	4,290	–	(644)	138,213
Provisions for amortisation and depreciation	(89,892)	–	3,193	(3,441)	–	–	367	(89,773)
Plants and Machinery	45,982	1,919	(31)	(3,441)	4,290	–	(277)	48,441
Gross value	18,418	390	–	–	137	–	(49)	18,896
Provisions for amortisation and depreciation	(14,047)	–	–	(517)	–	–	45	(14,519)
Tools and Dies	4,371	390	–	(517)	137	–	(4)	4,377
Gross value	18,550	929	(470)	–	55	–	(265)	18,796
Provisions for amortisation and depreciation	(13,276)	–	468	(702)	–	–	149	(13,358)
Other assets	5,276	929	(2)	(702)	55	–	(116)	5,440
Fixed assets under construction and down-payments	7,803	2,261	(186)	–	(4,555)	–	(24)	5,299
Property, plant and equipment	75,798	5,663	(219)	(5,594)	–	–	(558)	75,092

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

ANNEX 2 – FIXED ASSET MOVEMENT SCHEDULE INTANGIBLE ASSETS

	31 December 2023	Change occurred during the current year						30 June 2024
		Addition	Dismissal	Depreciation	Reclassification	Write-Down	Exchange rate differences	
Gross value	5,890	4	–	–	4	–	4	5,902
Provisions for amortisation and depreciation	(5,189)	–	–	(130)	–	–	(3)	(5,322)
Software and licences	701	4	–	(130)	4	–	1	580
Gross value	1,941	–	–	–	–	–	–	1,941
Provisions for amortisation and depreciation	(1,903)	–	–	(7)	–	–	–	(1,910)
Brands and trademarks	38	–	–	(7)	–	–	–	31
Intangible assets under construction and down-payments	142	32	–	–	(4)	–	–	170
Gross value	4	–	–	–	–	–	–	4
Provisions for amortisation and depreciation	(4)	–	–	–	–	–	–	(4)
Other	–	–	–	–	–	–	–	–
Goodwill and intangible assets	881	36	–	(137)	–	–	1	781

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

	31 December 2022	Change occurred during the current year					Exchange rate differences	30 June 2023
		Addition	Dismissal	Depreciation	Reclassification	Write-Down		
Gross value	5,719	77	–	–	50	–	(30)	5,816
Provisions for amortisation and depreciation	(4,619)	–	–	(296)	–	–	29	(4,883)
Software and licences	1,100	77	–	(296)	50	–	(1)	930
Gross value	1,562	–	–	–	–	–	(1)	1,561
Provisions for amortisation and depreciation	(1,560)	–	–	–	–	–	–	(1,560)
Brands and trademarks	2	–	–	–	–	–	(1)	1
Intangible assets under construction and down-payments	157	28	–	–	(50)	–	(8)	127
Gross value	383	–	–	–	–	–	–	383
Provisions for amortisation and depreciation	(335)	–	–	(6)	–	–	–	(341)
Other	48	–	–	(6)	–	–	–	42
Goodwill and intangible assets	1,307	105	–	(302)	–	–	(10)	1,100

The accompanying condensed notes are an integral part of these interim 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 Interim Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Group, and the Interim 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, 31 July 2024

hGears AG

The Management Board



Sven Arend

Chairman of the
Management Board



Daniel Basok

Member of the
Management Board

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