



Half-Year Financial Report

2022

hGears | the **heart** of your
performance

KEY FIGURES

in EUR million	H1 2022	H1 2021
Revenue	70.9	70.5
Gross profit	36.8	41.1
Gross margin in %	52.0	58.3
Adjusted EBITDA	8.2	13.1
Adjusted EBITDA margin in %	11.6	18.5
EBIT	0.7	5.3
Net result	-0.9	1.8
Net return on revenues in %	-1.3	2.6
Free cash flow	-7.4	2.6
Net debt	2.8	13.9
Net debt/EBITDA	0.2×	0.6×

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OUR STRATEGY

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 FAST-GROWING E-MOBILITY



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

SUSTAINABLE LEADERSHIP DRIVEN BY STRONG RESEARCH & DEVELOPMENT

The backbone of the group's growth is the strong research and development (R&D) capabilities paired with unique co-development expertise. The company also benefits from extensive production technology know-how, which has grown over decades and enables the group to meet the highest noise, weight

and torque requirements. 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 OUR 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 to enhance and expand its co-development capabilities as this, above all, in the fast-growing e-mobility industry, is one key differentiator for winning new projects. Furthermore, the process also deepens the long-lasting relationships with existing customers.

THE FIRST SIX MONTHS OF 2022 AT A GLANCE



EUR 70.9 M

Revenue
H1 2022



EUR 8.2 M

Adj. EBITDA
H1 2022



EUR 2.8 M

Net cash
H1 2022

Conventional
32%



e-Mobility
35%

e-Tools
33%

Sales
H1 2022



+ 2 new customers
+ 1 extension major contract

H1 2022



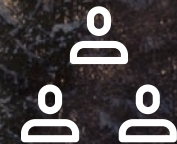
#1

European market share
e-bike precision components



×3

Production sites
in Germany, Italy, China



892

Employees

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LETTER FROM THE MANAGEMENT BOARD

Dear shareholders, ladies and gentlemen,

In the first half of 2022, the hGears Group has been able to deliver a solid performance in an environment that has continued to remain challenging. In the early months of the year, COVID-19 continued to cause production disruptions in Europe and new lockdowns in China, while supply chain problems and the shortage of semiconductors persisted. Moreover, the outbreak of war in Ukraine in February has resulted in significant geopolitical turmoil as well as uncertainty over energy security, and is thereby causing a high inflationary environment across the world. Due to these demanding macroeconomic factors, the Group experienced a slow start in 2022 but nonetheless saw the expected quarter-on-quarter acceleration of its top-line performance in the second quarter, which is mirrored in a sequential 8.6% revenues increase. Based on current dynamics, which involve a certain improvement of the supply chain situation, and based on our current order book we expect the second quarter trend to continue in the second half of the year. Revenues increased in H1 2022 by 0.5% to EUR 70.9 million and reached

EUR 36.9 million in Q2 2022, reflecting an 8.7% increase over the second quarter in the previous year. The top-line improvements are encouraging – especially given the current environment – although these are not yet having a significant impact on operating leverage, while the inflation-related impact on our cost base have continued to weigh on profitability. The adjusted EBITDA amounted to EUR 8.2 million in H1 2022 compared to EUR 13.1 million in H1 2021.

In terms of our business progression, in the first half of this year we have won two new customers and successfully secured a multi-year contract extension with a major e-Mobility customer to produce the next generation of mission-critical gear components. We would especially like to highlight our new agreement with Revonte, who have designed a truly innovative transmission system that has the potential to fundamentally change the e-bike and micromobility market. Through this agreement, hGears will be the sole supplier for the entire transmission system, including the complete gearbox and motor, and this success will



From left to right: Pierluca Sartorello (CEO), Daniel Basok (CFO)

further drive the strategic expansion of our business in a strong growing e-mobility market.

We remain strategically well-positioned to benefit from a sizeable order backlog and resilient demand related to the ongoing shift towards e-mobility and micromobility solutions. Our stable order book reflects this trend that is persistent and may even accelerate against the backdrop of an expanding energy crisis. Indeed, in the context of a reduced supply of gas from Russia to Western Europe, we continue to closely monitor and assess the impact of an increasingly limited energy supply. We are able to tackle rising metals and energy costs with our pass-through clauses, while we manage inflation-related pressures from increasing tooling, maintenance and ramp-up costs by focusing on targeted price increases coupled with ongoing operational efficiency improvements. The focus on these counter measures is key as we expect inflationary pressures to increase, whilst we remain in constant dialogue with our customers and suppliers to maintain visibility into the phasing of our revenues and costs.

The company is in a good financial and structural position, and we remain firmly on track to deliver on our growth objectives. We already have the installed capacity to ramp up our 2022 projects and our decision to onboard additional talent at the end of 2021 is securing our future growth as well as mitigating the increasing shortage of skilled workers across all industries. Our two new customers increase our total number of customer wins since the IPO to seven, ahead of our expectations, while the scope of supply continues to constantly increase. We continue to work hard on securing additional business in order to fuel future growth. The extension of a major contract beyond 2024 underlines the merits of our ongoing dialogue with key existing customers. With each and every customer win, we strengthen our order book and bolster our future incremental revenue base, keeping us on track to reach our targets. Therefore, we are reconfirming our full-year 2022 guidance (high single-digit revenue growth, adjusted EBITDA at the previous year's level, negative free cash flow in the mid-single digits), while reiterating the mid-term target of EUR 250 million for Group revenue, EUR 150 million of which is accounted for by e-Mobility.

Schramberg, August 3, 2022

Management Board,



Pierluca Sartorello, CEO
Chairman of the
Management Board



Daniel Basok, CFO
Management
Board Member

HGEARS AND CAPITAL MARKETS

Key data hGears stock June 2022

Number of shares as of June 30, 2022	10,400,000 shares
Share capital as of June 30, 2022	EUR 10,400,000
Share price as of June 30, 2022	EUR 13.00
Market capitalization as of June 30, 2022	EUR 135.2 million
Share price high 2022	EUR 24.20
Share price low 2022	EUR 13.00

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

In the first half of 2022, global stock markets were very volatile and remained under the cloud of a deteriorating economic and geopolitical environment, resulting in a significant decline in global indices. Besides the resurgence of the COVID-19 pandemic, ongoing supply chain problems, persisting semiconductor shortages, high commodity prices and, ultimately, Russia's war against Ukraine were the catalysts for the sharp drop in the stock markets. Meanwhile, high inflation levels coupled with the fear of a looming recession are dampening investor sentiment. As a result, the German DAX 40 index declined by about 20% in the period under review, with the Euro Stoxx 50 index also falling at the same level,

while the DAX Auto Parts & Equipment sub-index declined by approximately 23%. The SDAX dropped even further, by approximately 29%, which can be explained by the general trend of smaller capitalization stocks underperforming larger-cap issuers in challenging times. hGears' share price stood at EUR 13.00 on 30 June 2022 and has therefore declined by about 38% in the period under review. This was the low point for the hGears share price during the period, in which an average 3,879 shares were traded per day, while the price had reached a high of EUR 24.20 on 13 January 2022.

Shortly after the release of our first quarter 2022 results update, the investment bank Warburg Research started coverage of hGears with an in-depth initiation report on the company. Thereby, the number of analysts covering the company increased to three, which will result in more active marketing of the stock, such as written reports and roadshows, and therefore a higher level of visibility and liquidity on the stock market.

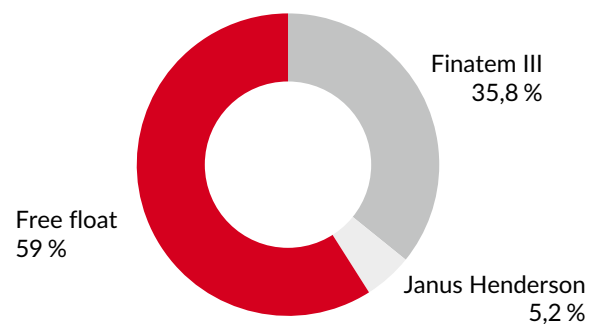
As of August 3, 2022

Bank	Target price EUR	Recommendation
ABN Amro – Oddo BHF	16	Neutral
Hauck & Aufhäuser	23	Buy
M.M. Warburg	21	Buy

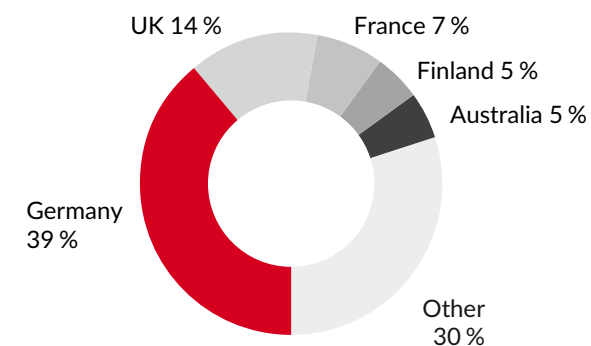
On 22 June 2022, hGears successfully held its first Annual General Meeting following its IPO in Frankfurt am Main. The shareholders of hGears AG approved all items on the agenda. The event was held in a virtual format, given the

heightened levels of uncertainty as to whether and how an in-person event could be held against the backdrop of the COVID-19 pandemic. 75.6% of the share capital was represented at the Annual General Meeting. This figure also included postal votes. The proposals for resolutions put to the vote were all adopted by the shareholders. Furthermore, the Annual General Meeting approved the actions of the Management Board and the Supervisory Board, with 99.993% and 95.557% of the votes in favor respectively and approved the compensation report. For a detailed summary of the individual voting results and a transcript of CEO Pierluca Sartorello's speech, please refer to the "Annual General Meeting" link in the Investor Relations section on our website (www.hgears.com).

Shareholder structure June 2022



Shareholders by region June 2022



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1. COMPANY FUNDAMENTALS

1.1 Business model

hGears AG ("hGears" or the "Company") is a global manufacturer of high-precision transmission parts and components with a focus on products for e-mobility.

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 function-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) and electric and gardening equipment. The mission-critical components are essential for the proper functioning of the end product and must meet high quality requirements.

Within the supply chain, hGears operates as either a Tier 1 or Tier 2 supplier. As a Tier 1 supplier, hGears supplies its products directly to original equipment manufacturers ("OEMs") in the electric and garden 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 relied on the Company for over 15 years.

hGears business activities are divided into three business areas:

e-Mobility

In this business area, hGears focuses on products for e-bike transmission systems and powertrains for electric and hybrid vehicles. Activities include the (co-)development and production of components for e-drive applications (e.g., drive shafts, crankshafts, and gears). e-drives require high-precision components that can withstand high torques, are lightweight and have low noise emission.

e-Tools

This business area focuses on components used in the drive mechanism of battery-powered (e-drive) cordless electric and garden tools. 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 tool, trimming tool).

Conventional

The focus of this business area is on transmissions for various applications such as rolling shutters and systems for heating, ventilation and air conditioning, motorcycles, recreational vehicles, and non-engine-related precision parts for premium and luxury vehicles. This includes the production of various precision components for conventional automotive applications (e.g., drives, steering and braking systems, and vehicle bodies), as well as for other industrial applications. Automotive and industrial applications are not part of hGears' primary strategic focus.

The e-drives business areas (e-Mobility and e-Tools) accounted for 68.1 % of the Group sales of goods as of June 30, 2022, with e-Mobility being the largest business area at 34.8 % of the Group sales of goods.

1.2 Group strategy

The clear strategic focus is on the e-Mobility business area, which is the mainstay of hGears' growth strategy due to the strong dynamics of the end market. The Company aims to be one of the world's leading manufacturers of premium precision transmission parts and components for e-mobility applications.

Strong profitable growth through a focus on e-mobility applications

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

Decades of industry experience, initially gained in the e-Tools business area, have enabled hGears to develop the competence and know-how to meet the high requirements demanded by these applications for precision transmission parts and components that must withstand high torques, be lightweight, and minimize noise and losses as much as possible. To meet these demands, the Company utilizes the state-of-the art 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 the leading supplier of high-precision transmission and components for e-bikes. According to hGears' own estimates based on its in-depth market knowledge and decades of experience, roughly one out of two e-bikes sold on the European continent in 2021 contained components manufactured by hGears.

hGears' organic growth strategy remains focused on expanding its customer base. This includes transitioning customers from the Conventional business area to the e-Mobility business area, as well as expanding the range of products and solutions for existing customers in the area of e-mobility. In taking this approach, hGears can benefit from the continuing robust 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, based on its long-standing experience in the production of high-precision parts. In 2022, hGears concluded several prototyping agreements and is now about to ramp up production for an innovative integrated engine-transmission system. On the one hand, hGears will enable the industrialization of the new systems and, on the other hand, will be the sole supplier for the entire transmission system. Thereby, hGears will increase its share of wallet substantially, while the agreements will further increase the company's brand recognition within the growing e-mobility and micromobility market. hGears is not only able to benefit from the current expansion of the e-bike market but is also well positioned to play a major role in a growing micromobility environment going forward.

To pave the way for further growth, hGears will continue to invest with a focus on increasing production capacity in the e-Mobility business area. This has and will be done primarily by purchasing new machinery and equipment and expanding its highly-qualified technical staff.

Co-development

In order 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 this contribution 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 the manufacturers of e-bikes and electric and hybrid vehicles, as mission-critical requirements typically go hand in hand with 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 more than 60 years of experience in advanced machined steel processing and state-of-the-art sinter metal production. Its research and development programmes are primarily aimed at testing, validating and integrating new material applications, advanced simulation models and innovative production processes into the Company's production process 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 include 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.

In the first half year 2022, hGears employed about 45 full-time employees in research and development and engineering in the Advanced Engineering, Process Engineering and Application Engineering departments. This number represents an increase of 4 FTEs compared to June 30, 2021.

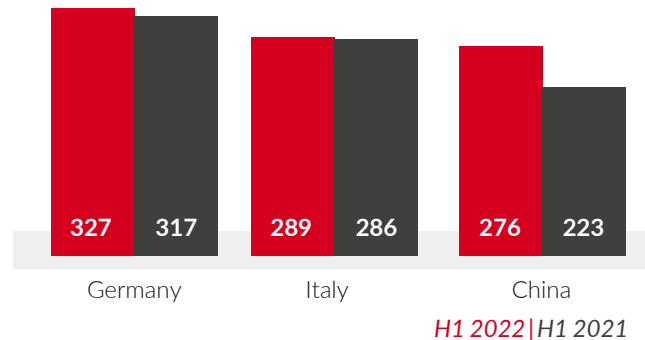
The current R&D activities are focused on developing additional production processes and expanding the Company's patent portfolio, particularly in the e-Mobility business area.

Locations and employees

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



As of June 2022, hGears had 892 (June 30, 2021: 826) employees (full-time equivalents, excluding members of the Management Board). The distribution of employees across the various locations was as follows:



Of these employees, 794 have worked as factory workers and 98 in administration and management in the first half of 2022.

hGears plans to continue to invest in its team and anticipates that future workforce growth will focus on additional highly skilled technical personnel, particularly CNC machine operators and engineers.

Management system and performance indicators

The Company voluntarily discloses the revenues for the three business areas, however, hGears is a one-segment company. Information on business areas and segment reporting can be found in [Note 3.1 Revenues](#) and [Note 3.4 Segment Reporting](#) contained in the notes to the interim 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 revenue, 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.

Existing and potential customers typically approach hGears with requests for quotations. Moreover, the Company approaches existing and potential customers who are developing a project in which it may wish to participate.

hGears also takes part in several trade shows. Large orders or orders from new customers are negotiated at the Group level under the supervision of the Group Head of Business Development. Smaller orders are handled by the Head of Business Development of the respective business area or by the key account managers at the individual production sites. The majority of hGears' revenue is generated on an FCA (free carrier) basis, with delivery taking place at hGears' production site.

2. HALF-YEAR REPORT

2.1 Economic environment

Global economies continued to recover in the second half of 2021, but the recovery was only short-lived and finally stalled in the course of the first quarter of 2022. According to the Kiel Institute for the World Economy (IfW)¹, global output increased at a rate of only 0.6% in Q1 2022, slower than the average prior to the COVID-19 shock, and even decelerated in the months thereafter. Therefore, the IfW expects global GDP growth to reach 3.0% in 2022 and 3.2% in 2023, representing a reduction by 0.5% and 0.4% respectively compared to prior estimates. The Euro Area is expected to grow by a relatively strong 3.1% in 2022 and 2.7% in 2023, while the United States should only grow by 2.1% and 1.4% respectively according to the IfW. China's zero-COVID policy that followed a resurgence of the pandemic reinforced global supply-chain problems, while the semi-conductor shortages continue to persist. Furthermore, the global resurgence of COVID-19 in the early months of the year, coupled with Russia's attack on Ukraine at the end of February 2022, intensified production disruptions in Europe. Meanwhile, the war in Ukraine has also led to a significant increase in raw material and energy prices after commodity prices had already risen sharply in the second half of 2021, due to a recovery in cyclical demand. Slower industrial production, in combination with energy, commodity and supply chain inflicted price increases on the one hand and the extensive fiscal support programmes put in place during the COVID-19 crisis on the other hand, have ultimately led to a sharp rise in inflation, which has reached levels not experienced since the early 1970s. According to the IfW consumer price inflation in the Euro Area should reach 6.8% in 2022 and 3.6% in 2023, while U.S. inflation should reach 8.2% and 4.0% respectively. As a result, monetary policy is tightening; the U.S. Federal Reserve increased its federal funds rate by

75 basis points to 2.25 % – 2.50 % on 27 July 2022, its second most aggressive hike since 1994, while the ECB increased its deposit rate by a stronger-than-expected 50 basis points to 0 % on 21 July 2022.

2.2 Sector-specific environment

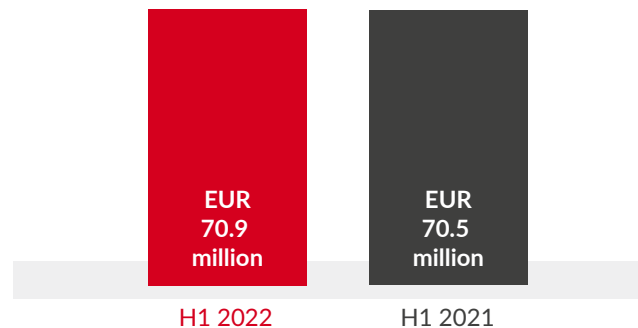
According to a study by Cycling Industries Europe (December 2020)², e-bike sales in Europe are expected to grow at a CAGR of approximately 23 % between 2019 and 2025, with sales of over 12.5 million e-bikes expected by 2025. hGears supplied mission critical components for about half of the 5.3 million e-bikes that have been sold in 2021 according to management estimates and industry sources. This means that growth in 2021 reached 15 %, thereby confirming statements made by top bicycle OEM managers at a virtual panel discussion hosted by the international financial services provider Baird in January 2022. However, growth would undoubtedly be much higher without the semiconductor shortage and supply chain problems, and it is no secret that there is a sizeable order backlog in the consumer end market. Due to the persisting constraints in the industry, we expect 2022 e-bike production to grow by about 5–10 %. Meanwhile, besides a strong reshoring trend in the bicycle industry overall we recognized a changing perception of inventories, as customers want to be prepared with high levels of inventory once supply chain problems ease and production reaccelerates.

The dynamic growth of battery electric vehicles (BEVs) and plug-in hybrid vehicles (PHEVs) is set to continue in 2022. According to the European Auto Manufacturer's Association (ACEA)³ sales of BEVs in the EU jumped by 53.4 % in the first quarter 2022, totaling 224,145 cars, with many EU markets recording triple-digit percentage gains. Meanwhile, PHEV registrations slipped by 5.3 % across the European Union during the first quarter. Nonetheless, PHEVs have still

expanded their overall market share due to the stronger drop in sales of petrol and diesel cars. The total amount of newly registered BEVs across Western Europe increased by approximately 40 % and reached roughly 0.5 million units during the first five months of 2022 according to Schmidt Automotive, while overall car registrations slipped 13.7 % in the same time period according to ACEA. In summary, this means that the overall share of BEVs and PHEVs in Western Europe should increase from about 20 % in May 2022 to 25 % by year-end according to Schmidt Automotive's research⁴.

3. BUSINESS PERFORMANCE

Revenue



In the first six months of the financial year 2022, hGears generated revenues of EUR 70.9 million (previous year: EUR 70.5 million), corresponding to a year-on-year increase of 0.5 % despite a challenging environment. This growth was primarily driven by price increases, which were partially offset by lower volumes caused by disruptions from COVID-19-related shutdowns and persisting constraints in global supply chains, causing delayed acceptance of deliveries.

In the e-Mobility business area, revenues decreased 1.8 % from EUR 24.8 million in the first half of 2021 compared to EUR 24.4 million in the first six months 2022. However, the expected sequential top-line increase in the second quarter 2022 amounted to 29.3 % versus the first quarter of 2022 and thereby partially compensated the slow start to the year.

In the e-Tools business area, revenues increased 3.3 % year-on-year to EUR 23.3 million in the first half 2022 (previous year: EUR 22.5 million). The growth was primarily attributable to higher prices.

As expected, in the Conventional business area, hGears generated revenues of EUR 22.3 million in the first six months 2022 and thereby remained almost unchanged compared to the previous year's EUR 22.4 million. The performance in this area could be achieved despite supply chain problems and semiconductor shortages, which is the result of the Company's focus on the supply of parts for the upper mid-range and luxury segments of the automotive industry.

At kEUR 48, other own work capitalized in H1 2022 was above the previous year's level of kEUR 35.

Expenses

The increase in raw materials and consumables used is due to an increase of finished goods and work in progress, whilst higher raw materials and energy costs escalated in the first six months of 2022, also leading to a total of EUR 35.2 million (previous year: EUR 30.5 million), which corresponds to an increase of 15.7 %.

1 IfW, No. 91 2022/Q2 June 15, 2022: KKB_91_2022-Q2_Welt_EN.pdf (ifw-kiel.de)

2 Cycling Industries Europe: <https://cyclingindustries.com/>

3 ACEA: <https://www.acea.auto/fuel-pc/fuel-types-of-new-cars-battery-electric-10-0-hybrid-25-1-and-petrol-36-0-market-share-in-q1-2022/>

4 SAR: <https://www.schmidtmatthias.de/post/west-european-pure-electric-car-market-hits-0-5-million-units-after-5-months>

Gross profit, defined as total output less material expenses was EUR 36.8 million in H1 2022 compared to EUR 41.1 million in H1 2021, representing a decrease of 10.4%. The gross margin (gross profit as a percentage of revenue) was 52.0%, down from 58.3% in the previous year. The decline in the gross margin was mainly due to the dilutive effect of pass-through clauses and higher expenses as a result of inflation driven costs (e.g. tools, supplies), while there was also a certain impact due to an unfavorable change of the sales mix.

Personnel expenses amounted to EUR 22.9 million in H1 2022 (previous year: EUR 22.6 million), corresponding to 32.3% (previous year: 32.1%) of revenue. The reason behind the marginal increase is additional personnel in our R&D, engineering and sales departments.

Other operating expenses and income totaled EUR 7.7 million in 2022 (previous year: EUR 8.1 million), or 10.9% of revenue (previous year: 11.4%). The decrease of 0.5 percentage points resulted mainly from the implementation of cost saving measures.

Adjusted EBITDA at Group level amounted to EUR 8.2 million in the six-month period of the 2022 (previous year: EUR 13.1 million). The adjusted EBITDA margin reached 11.6% after 18.5% in the previous year.

Our decision to onboard additional talent at the end of 2021 is securing our future growth and is mitigating the increasing shortage of skilled workers across all industries but for the time being weighs on profitability. Meanwhile delayed deliveries above all in e-Mobility due to disruptions from COVID-19-related shutdowns and persisting constraints in global supply chains in the first quarter of 2022 hampered the positive effect of the operational leverage. Furthermore,

changes in the organization following the stock market listing caused additional costs.

Adjustments to our EBITDA of EUR 2.0 million include mainly one-off costs of EUR 0.4 million for the stock option programme, non-recurring bonuses and severance payments, while COVID-19 related costs amounted to a total of EUR 0.5 million. For further information, please refer to [Note 3.4](#) Segment reporting in the notes to the consolidated financial statements.

Depreciation, amortisation and impairments in H1 2022 amounted to EUR 5.5 million and thereby were slightly higher than the EUR 5.1 million in the previous year.

Group earnings before interest and taxes (EBIT) in the first half 2022 declined year-on-year from EUR 5.3 million to EUR 0.7 million. The EBIT margin reached 1.0% after 7.5% in the prior-year period. The Group's earnings before taxes (EBT) also fell in the reporting period from EUR 3.3 million in H1 2021 to kEUR 8.

Income and deferred taxes of EUR 0.9 million were incurred in the first half of 2022 after EUR 1.5 million in the previous year.

The net loss for the period totaled EUR 0.9 million in 2022, compared with EUR 1.8 million profit in the previous year.

Return on revenue

The return on revenue (net result as a percentage of revenue) reached -1.3% in the reporting period, compared to 2.6% in H1 2021.

Financial position

The Company's total assets as of 30 June 2022 remained more or less unchanged with EUR 155.0 million (EUR 156.4 million as of 31 December 2021).

Non-current assets totaled EUR 74.4 million in the first six months 2022, which was slightly lower than at year end 2021 (EUR 75.0 million).

Current assets stood at EUR 80.6 million as of 30 June 2022 (year end 2021: EUR 81.2 million). Inventories and trade receivables reached EUR 20.4 million (December 31, 2021: EUR 17.8 million) and EUR 18.2 million (December 31, 2021: EUR 12.2 million), respectively. While inventories of finished goods and work in progress increased as a result of operational stock build-up for the expected sell-out in the second half, the increase in raw materials, consumables and supplies is due to an increased security level of stocks and higher prices. Trade receivables were up because of higher sales in the end of the relevant period and various supplier finance programmes (see also [Note 4.2](#) Trade receivables).

Cash and cash equivalents were EUR 37.2 million (December 31, 2022: EUR 47.2 million), mainly as a result of negative net cash used in operating activities.

hGears' equity is stable at EUR 88.2 million as of end of June 2022 (December 31, 2021: EUR 88.7 million). The equity ratio as of 30 June 2022 was 56.9% (December 31, 2021: 56.7%).

Non-current liabilities were at EUR 33.4 million as of 30 June 2022 and EUR 28.3 million as of 31 December 2021. The rise in non-current liabilities results from the new financing agreement and the classification of the borrowing facility from current borrowing to non-current borrowing.

On December 21, 2021, hGears announced the signing of a new credit agreement with a syndicate of banks for a total of EUR 60 million. The new credit agreement includes a EUR 15 million long-term loan and a EUR 45 million revolving credit facility. The agreement has a term of up to 5 years and extended the old EUR 32 million credit agreement by more than 3 years. On January 31, 2022, the Company fulfilled the conditions precedent of the credit agreement, and thus the agreement became effective. The new agreement was used to refinance the Group's existing debt of EUR 20 million, which was originally scheduled to mature in September 2023. The revolving credit facility could be used for growth investments in line with future capacity utilization and the ramp-up of new projects. However, given our strong balance sheet with a 56.9% equity ratio we currently do not see any necessity to increase our financing. Under the terms of the agreement, refinancing significantly reduced the cost of debt by approximately 255 basis points from the previous level of around 3.50% to roughly 1.0% per annum.

Mainly for the same reason, current liabilities as of 30 June 2022 have been decreased from EUR 39.4 million as of 31 December 2021 to EUR 33.4 million as of 30 June 2022.

Cash flow

In the first six months of the year hGears recorded cash flow used in operating activities of EUR 3.8 million, whereby in H1 2021 cash provided by operating activities totaled EUR 1.3 million. The decrease in cash used in operating is mainly attributable to an increase in receivables and inventories due to the reasons mentioned above.

Cash flow used in investing activities amounted to EUR 3.3 million from January to June 2022, compared to EUR 3.7 million in the same period of the previous year, and is mainly

related to the ongoing investments in machinery and equipment for new projects to facilitate future growth.

Net cash flow used in financing activities reached EUR 3.0 million in H1 2022 compared to cash flows provided by financing activities of EUR 32.3 million in the first half 2021, which was the result of net proceeds of EUR 59.1 million received from the IPO. Consequently, the net cash flow of EUR 29.9 million in the first half year 2021 was significantly higher compared to the net cash flow decrease of EUR 10.1 million in H1 2022.

Cash and cash equivalents totaled EUR 37.2 million after the first six months of 2022 (EUR 47.2 million as of December 31, 2021).

4. RISKS AND OPPORTUNITIES REPORT

hGears' relevant risk and opportunities were comprehensively described in the Annual Report 2021 and are still valid (please refer to page 41 of our Risk and Opportunities Report in the Group Management Report as of December 2021). There are many developments that are shaping the fiscal year 2022, such as the ongoing war between Russia and Ukraine, potential limitations on energy supply, the resurgence of the COVID-19 pandemic, persisting supply chain constraints and tightening of monetary policies. Moreover, the risk of an accelerating inflation with the associated potential risk of wage inflation is materializing to an increasing extent. The direct and indirect possible consequences of these developments are monitored closely by management. However, their impact on the company cannot be fully predicted at this point in time.

The magnitude and the timing of the above parameters may result in opportunities or risks for hGears AG in the current fiscal year.

5. OUTLOOK REPORT

5.1 Overall economy

Following a strong recovery in 2021, global economies experienced a significant slowdown in the first half of 2022 due to ongoing burdens related to COVID-19, higher raw material and energy costs and ultimately rising inflation. As a result, economic indicators experienced downward revisions. According to the Kiel Institute for the World Economy (IfW)¹, China should grow by 4.2% in 2022, the USA by 2.1% and the Euro Area by 3.1%. In view of the global inflation rate, which the IfW estimates at 9.5% for 2022 (after 6.8% in 2021), a more restrictive monetary policy has already become a new reality, which will almost certainly have a decelerating impact on economies around the globe. The spreading of the COVID-19 virus has reaccelerated recently, but a full-fledged pandemic with all consequences seen in earlier waves does not seem likely at present yet cannot be ruled out, in particular if a new virus variant were to emerge. The events surrounding the war initiated by Russia against Ukraine have no direct impact on hGears' production but will unfortunately continue to have an indirect effect, for example, in the form of higher energy and raw material costs, resulting in rising inflation. The impact could become more severe in the case of a rationing of gas and electricity by Governments. The Company's pass-through clauses for energy and raw material costs will apply but cannot compensate for all inflation-related cost increases.

¹ IfW, No. 91 2022/Q2 June 15, 2022: KKB 91_2022-Q2_Welt_EN.pdf (ifw-kiel.de)

Management is monitoring and evaluating the developments of the conflict and related possible implications very closely. Meanwhile, in the Company's view, a deterioration of the consumer climate and a resulting slowdown in demand would likely be offset at least in parts by accelerated demand for e-mobility in response to massively increased prices for fossil fuels.

5.2 Outlook

In 2022, hGears expects a high single-digit growth in Group revenues by continuing to focus on expanding its order volume with newly won and existing customers. Moreover, the Group will continue to drive operational excellence at its plants and operations to achieve additional efficiency gains and to optimize the Group's cost structures further. Following challenging market conditions in the first half 2022, the macroeconomic environment is expected to remain volatile in the remainder of the year, with increasing inflationary pressures as a result of the war in Ukraine, uncertainty due to a potential resurgence of the COVID-19 pandemic and ongoing bottlenecks in global supply chains. However, the Group's positioning as a supplier of mission-critical components allows hGears to largely compensate for this by implementing pass-through clauses for raw materials and energy costs in many of its customer contracts. While this shall largely protect earnings in absolute terms, and we expect the EBITDA to be at par with the prior year, the Group cannot rule out a negative impact on

adjusted EBITDA margin in the short term. As a result, adjusted EBITDA in the full-year 2022 is expected to be on a par with the prior year. The positive impact of the operating leverage is expected to be realized in the second half of 2022 and in 2023. To create additional capacity for projects with the new customers, we will also make use of our financial resources, presumably resulting in negative free cash flow in the mid-single digits. The medium-term targets remain unchanged, i.e. in the next three to five years, hGears is targeting total Group revenues of approximately EUR 250 million, to which the e-Mobility business area should contribute approximately EUR 150 million.

The Company's outlook assumes no renewed tightening of measures to contain the COVID-19 pandemic, material effects from the war in Ukraine or related limitations in energy supply that may affect hGears, its customers or its suppliers.

Schramberg, July 29, 2022



Pierluca Sartorello
Chairman of the
Management Board



Daniel Basok
Member of the
Management Board

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INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the period January 1 to June 30, 2022

in kEUR	Note	H1 2022	H1 2021
Revenues	3.1	70,871	70,486
Other capitalized own work		48	35
Changes in inventories		1,137	1,027
Total output		72,056	71,548
Other operating income		1,448	1,219
Impairment gains/losses from IFRS 9		(19)	-
Raw materials and consumables used	3.2	(35,221)	(30,451)
Personnel expenses		(22,870)	(22,607)
Depreciation, amortization and impairment		(5,500)	(5,125)
Other operating expenses		(9,159)	(9,274)
Profit / loss from operating activities		735	5,310
Finance income		1	1
Finance expenses		(744)	(1,995)
Financial result	3.3	(743)	(1,994)
Income before income taxes		(8)	3,316
Income and deferred taxes		(889)	(1,492)
Net result of the period		(897)	1,824
Result attribution to Shareholders		(897)	1,824
Basic / diluted earnings per share (EUR)	3.5	(0.09)	0.54

The accompanying condensed notes are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period January 1 to June 30, 2022

in kEUR	H1 2022	H1 2021
Net result of the period	(897)	1,824
Other comprehensive income:		
Other comprehensive income that will not be reclassified subsequently to profit or loss		
Remeasurements of post-employment benefit obligations	-	-
Tax effect	-	-
Stock option programme	441	637
Other comprehensive income that may be reclassified subsequently to profit or loss		
Gains/(Losses) on cash flow hedges	(495)	108
Tax effect	124	(27)
Currency translation adjustment*	339	444
Total comprehensive income	(488)	2,986

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

The accompanying condensed notes are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of June 30, 2022

in kEUR	Note	June 30, 2022	December 31, 2021
Property, plant and equipment		70,237	71,063
Intangible assets		1,400	1,525
Other non-current assets		129	127
Deferred tax assets		2,613	2,486
Total non-current assets		74,379	75,201
Inventories	4.1	20,384	17,754
Trade receivables	4.2	18,186	12,148
Other receivables		762	453
Other current assets		3,984	3,403
Other current financial assets		78	178
Cash and cash equivalents		37,218	47,246
Total current assets		80,612	81,182
Total assets		154,991	156,383

The accompanying condensed notes are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of June 30, 2022

in kEUR	Note	June 30, 2022	December 31, 2021
Share capital		10,400	10,400
Capital reserve		69,239	69,239
Other reserves		400	400
Other comprehensive income (OCI)		2,758	2,349
Retained earnings		6,276	3,925
Net result of the period		(897)	2,351
Total Equity	4.3	88,176	88,664
Lease liabilities		10,910	11,581
Borrowings	4.4	19,666	14,371
Deferred tax liabilities		647	132
Provisions		319	319
Employee benefit obligations		1,345	1,386
Trade and other payables		501	483
Total non-current liabilities		33,388	28,272
Lease liabilities		3,015	2,800
Borrowings	4.4	191	7,037
Provisions		485	496
Other current financial liabilities		608	10
Trade and other payables		28,238	27,843
Current tax liabilities		890	1,261
Total current liabilities		33,427	39,447
Total liabilities		66,815	67,719
Total equity and liabilities		154,991	156,383

The accompanying condensed notes are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period January 1 to June 30, 2022

in kEUR				OCI			Retained earnings	Total equity
	Share capital	Capital reserve	Other reserves	Currency translation	Cash Flow Hedge Reserve	Employees options plan		
Balance at January 1, 2021	63	20,448	400	827	10	(121)	3,924	25,551
Contributions of equity, net of transaction costs	10,337	48,791	-	-	-	-	-	59,128
Net result of the period	-	-	-	-	-	-	1,824	1,824
Other comprehensive income (OCI)	-	-	-	444	81	637	-	1,162
Balance at June 30, 2021	10,400	69,239	400	1,271	91	516	5,749	87,666
Balance at January 1, 2022	10,400	69,239	400	1,865	-	485	6,275	88,664
Net result of the period	-	-	-	-	-	-	(897)	(897)
Other comprehensive income (OCI)	-	-	-	339	(371)	441	-	409
Balance at June 30, 2022	10,400	69,239	400	2,204	(371)	926	5,378	88,176

The accompanying condensed notes are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended June 30

in kEUR	H1 2022	H1 2021
Profit / loss from operating activities	735	5,310
Depreciation, amortisation and impairment	5,500	5,125
Other non-cash items	454	155
Income tax proceeds / payment	(1,288)	(514)
Change in provisions and others	(54)	(261)
Interest paid	(648)	(5,215)
Interest received	1	1
Change in inventories	(2,512)	(1,783)
Change in receivables	(5,852)	(2,215)
Change in liabilities	108	479
Change in other assets	(404)	399
Change in other liabilities	141	(203)
Net cash provided by (used in) operating activities	(3,819)	1,278
Cash flows provided by (used in) investing activities		
Payments for Property, plant and equipment and intangible assets	(3,382)	(3,857)
Income from sales of fixed assets	61	142
Net cash provided by (used in) investing activities	(3,321)	(3,715)
Cash flows provided by (used in) financing activities		
Proceeds from borrowings	19,998	131
Repayments of borrowings	(21,506)	(15,017)
Repayments leasing agreements	(1,460)	(1,431)
Repayments shareholder's loan	-	(10,466)
Proceed from issue of shares	-	62,400
Share issue transaction costs	-	(3,271)
Cash flows provided by (used in) financing activities	(2,968)	32,346
Net cash increase (decrease) in cash and cash equivalents	(10,108)	29,909
Cash and cash equivalents at the beginning of the year	47,246	23,434
Effects of exchange rate changes on cash and cash equivalents	80	202
Closing Cash and cash equivalents	37,218	53,546

The accompanying condensed notes are an integral part of these interim consolidated financial statements.

CONDENSED CONSOLIDATED NOTES

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 (Aktiengesellschaft) was registered in the commercial register of the local court (Amtsgericht) of Stuttgart, Germany, on April 27, 2021.

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

These unaudited condensed interim consolidated financial statements consist of the financial statements of hGears AG, its subsidiaries: Herzog GmbH (herewith: “Herzog”); mG miniGears S.p.A. (herewith: “mG Italy”), and its second-tier subsidiary mG miniGears (Suzhou) Co., Ltd. (herewith: “mG China”), and 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 traditional steel machining with powder metal technologies.

2. BASIS OF PREPARATION

The presented half-year unaudited interim consolidated financial statements of hGears Group as of June 30, 2022

have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union, applying the same reporting methods and group accounting principles as in the audited consolidated financial statements for fiscal year ended December 31, 2021.

The interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for fiscal 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, taking into account the guidance published by the IFRS IC.

The annual consolidated financial statements can be viewed on www.hgears.com.

hGears Group’s fiscal year ends on December 31. All inter-company transactions are eliminated during the preparation of the condensed consolidated interim financial statements. The condensed consolidated interim financial statements have been prepared on a historical cost basis, unless otherwise stated. The condensed consolidated interim financial statements are presented in Euros (“EUR”). All amounts are rounded to the nearest thousands, except when otherwise indicated. Due to rounding, differences may arise when individual amounts or percentages are added together. The functional currency of the Company as well as of its subsidiaries is Euro, except for its second-tier subsidiary mG China, for which the functional currency is Renminbi (RMB). The condensed consolidated interim financial statements are prepared under the assumption that the business will continue

as a going concern. Management believes that hGears Group has adequate resources to continue operations for the foreseeable future.

The income tax expense in this half-year consolidated financial statements is calculated on the basis of the effective income tax rate anticipated for the full fiscal year.

In March 2020, the World Health Organization classified the COVID-19 outbreak as a global pandemic. Even if the pandemic is significantly impacting the world economy mainly for travel restrictions and other government measures, in the first half-year 2022 hGears Group has not suffered from any significant decrease in sales, nor any significant deterioration in its financial position or other adverse effects.

There were no significant changes in estimates or impairment requirements due to COVID-19. The COVID-19 pandemic remains a dynamically evolving situation that could have a negative impact on the business of hGears Group, and it is constantly monitored by management.

At the end of February 2022, Russian military forces invaded Ukraine. As a result, the European Union and the United States of America imposed substantial financial sanctions on Russia, such as banning several Russian banks from the SWIFT system, and extensive restrictions on trading and travel with Russia.

After initial assessment of the situation, hGears Group sees very limited direct impact as the Group has neither material suppliers nor customers neither in Russia nor in Ukraine. However, the war in Ukraine has a negative impact on the

world economy and, as a result, indirectly affects hGears Group, for instance due to the fluctuation of the orders from customers and higher costs in the future for raw materials and consumables, including energy.

IFRSs issued, endorsed by the EU and applied for the first time in the reporting period

Amendments	Adopted by the European Union	Early adoption	Impact on hGears Group
Deferral of effective date of IFRS 9 (Amendments to IFRS 4)	endorsed	permitted	none
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16)	endorsed	permitted	none

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

	Adopted by the European Union	Early adoption	Impact on hGears Group
IFRS 3, IAS 16 and IAS 37 (Amendment to IFRS 3, IAS 16 and IAS 37: Annual improvements)	endorsed	permitted	none
IFRS 17 (Insurance Contracts; including Amendments to IFRS 17)	endorsed	permitted	none
IFRS 17 (Amendment to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information)	endorsed	permitted	none
IAS 1 (Amendments to IAS 1: Presentation of Financial Statements and IFRS Practice Statement)	not yet endorsed	permitted	none
IAS 8 (Amendments to IAS 8: Accounting policies – Changes in Accounting Estimates and Errors)	endorsed	permitted	none
IAS 12 (Amendment to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction)	not yet endorsed	permitted	none

3. CONDENSED NOTES TO THE INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND THE INTERIM 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 of 2022 amount to kEUR 70,871 (first half 2021: kEUR 70,486).

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

in kEUR	H1 2022	H1 2021
Sales of goods	70,000	69,754
Other	871	732
Total	70,871	70,486

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

hGears Group earns revenues on the sale of goods through its operations consisting of three business areas. The following table provides hGears Group's sale of goods by business area:

in kEUR	H1 2022	H1 2021
e-Mobility	24,391	24,829
e-Tools	23,271	22,532
Conventional	22,338	22,393
Sales of goods	70,000	69,754

- e-Mobility: focuses on products for e-bike drive systems and drive train units for electric and hybrid vehicles. It includes the co-development and manufacturing of components for electrical drive applications (e.g. drive shafts, crankshafts and toothed washers). Electrical drive systems for vehicles require high-precision components which are capable of withstanding a high level of torque, are lightweight and reduce noise.
- e-Tools: focuses on components utilized in the powering mechanism of battery driven (e-drive), cordless power and gardening tools. This 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 tool, trimming tool).
- Conventional: focuses on components and gears for premium and luxury vehicles, motorbikes and gear units for various industrial applications, such as rolling shutters and HVAC systems. Traditional automotive and industrial applications are not part of hGears' primary strategic focus.

Sales of goods in the e-Mobility business area in the first half 2022 are slightly below the previous years' level (first half 2021: kEUR 24,829) due to COVID-19 related shutdowns and persisting constraints in global supply chains.

The increase in sales of goods in the e-Tools business area is mainly due to price increases (first half 2022: kEUR 23,271; first half 2021: kEUR 22,532).

Sales of goods in the Conventional business area are in line with the previous year (first half 2022: kEUR 22,338; first half 2021: kEUR 22,393), on the one hand due to constraints in global supply chains and higher prices on the other hand.

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

in kEUR	H1 2022	H1 2021
EU area	49,223	50,048
USA	5,744	5,856
China	4,893	4,928
Rest of the world	10,140	8,922
Sales of Goods	70,000	69,754

Sales of goods in the EU area include sales in Hungary for a total amount of kEUR 20,935 (first half 2021: kEUR 21,859) and in Germany for a total amount of kEUR 18,604 (first half 2021: kEUR 18,198).

3.2 Raw materials and consumables used

The line item breaks down as follows:

in kEUR	H1 2022	H1 2021
Raw materials	(22,481)	(20,043)
Trade goods	(280)	(43)
Supplies	(1,115)	(1,047)
Energy costs for production	(4,181)	(2,545)
Tools	(3,871)	(3,531)
Inbound freight	(264)	(224)
Discounts	344	339
Outsourced manufacturing costs	(3,373)	(3,357)
Total	(35,221)	(30,451)

The change in Raw materials and consumables used is partially attributable to an increase in Finished goods and work in progress and partially to higher raw materials and energy costs.

3.3 Financial result

The line item breaks down as follows:

in kEUR	H1 2022	H1 2021
Interest expense on finance lease liabilities	(267)	(298)
Interest expenses for shareholder loans	–	(258)
Interest expenses banks loans and overdrafts	(308)	(751)
Other interest expenses and similar expenses	(169)	(688)
Financial expenses	(744)	(1,995)
Interest bank income	1	1
Financial income	1	1
Total	(743)	(1,994)

Other interest expenses and similar expenses include the scheduled amortization of transaction costs in relation to the loan in the amount of kEUR 83 (first half 2021: kEUR 649). In addition, factoring interest in the amount of kEUR 70 is included (first half 2021: kEUR 37).

Interest expenses banks loans and overdrafts include the interest for the new financing (see [Note 4.4](#)) and the negative interest on bank accounts balances.

3.4 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 Group consists of one operating segment, i.e. 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 management reporting purposes.

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

in kEUR	IFRS consolidated	
	H1 2022	H1 2021
Revenues	70,871	70,486
Adjusted EBITDA⁽¹⁾	8,217	13,063
One-off transaction costs	(1,983)	(2,628)
Depreciation, amortization and impairment	(5,500)	(5,125)
EBIT	735	5,310
Finance income & Dividends	1	1
Finance expenses	(744)	(1,995)
EBT	(8)	3,316
Income and deferred taxes	(889)	(1,492)
Net result of the period	(897)	1,824

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

in kEUR	IFRS consolidated	
	H1 2022	H1 2021
Personnel costs ⁽¹⁾	1,018	1,376
One-off special project cost ⁽²⁾	357	1,073
COVID-19 adjustments ⁽³⁾	473	172
Other	135	7
Total	1,983	2,628

(1) Includes costs for additional bonuses, severance payments and costs for the stock option programme.

(2) Includes mainly costs occurred for organizing the first annual general meeting.

(3) Includes additional costs incurred due to the safety measures adopted, unavoidable 'fixed' costs during the lockdown period and personnel expenses for quarantine and illness leave.

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

in kEUR	IFRS consolidated	
	H1 2022	H1 2021
Return on revenues in % ⁽¹⁾	(1.3%)	2.6%
Free Cash Flow⁽²⁾	1,883	2,615

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

(2) The Company defines free cash flow as a sum of net cash flow from operating activities and net cash flow for investing activities, minus 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 June 30, 2022, this single most important customer represented accounts receivable with a carrying amount of kEUR 2,343 (June 30, 2021: kEUR 974) and revenues in the first half 2022 in the amount of kEUR 20,913 (first half 2021: kEUR 21,795).

hGears Group earns revenues worldwide through its operations. The geographic location of revenue is determined based on the final location of delivery, sales by region are presented in [section 3.1](#).

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

in kEUR	hGears AG		Schramberg		Padova		Suzhou		Reconciliation ⁽¹⁾		IFRS consolidated	
	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021
Additions	6	–	1,506	3,130	2,233	700	538	191	–	–	4,283	4,021
Carrying amounts	113	–	38,016	35,666	23,748	22,857	9,982	8,681	(222)	(321)	71,637	66,883

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

3.5 Earnings Per Share

The basic earnings per share as of June 30, 2022 is EUR –0.09 (June 30, 2021: 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, amounting to 10,400,000 (first half 2021: 3,399,517).

The 216,000 options granted on April 13, 2022 are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended December 31, 2021. These options could potentially dilute basic earnings per share starting from 2025.

4. CONDENSED NOTES TO THE INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

4.1 Inventories

The net value of the inventories as of June 30, 2022 is kEUR 20,384 (December 31, 2021: kEUR 17,754).

in kEUR	June 30, 2022	December 31, 2021
Raw materials, consumables and supplies	9,357	7,819
Finished goods and work in progress	17,126	14,779
Provisions for inventory	(6,099)	(4,844)
Total	20,384	17,754

The gross value of written-down inventories as of June 30, 2022 was kEUR 26,483 (December 31, 2021: kEUR 22,598). According to a management decision, the increase in Raw materials, consumables and supplies serves to mitigate the risks and volatility related to raw material availability. The increase in Finished goods and work in progress is related to expected sell-out in the second half of the year.

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

in kEUR	
Balance as of December 31, 2020	(4,769)
Addition	(686)
Release	11
Utilization	262
Other	(3)
Balance as of June 30, 2021	(5,185)

in kEUR	
Balance as of December 31, 2021	(4,844)
Addition	(1,310)
Utilization	60
Other	(5)
Balance as of June 30, 2022	(6,099)

During the first half of 2022, the write-down of kEUR 1,310 (first half 2021: kEUR 686) was recognized in the interim consolidated statement of profit or loss. These are mainly due to revaluation in order to state inventories at net realizable value and to the correct production prices.

4.2 Trade receivables

The carrying amounts of the trade receivables approximate to their fair values. Current trade receivables are non-interest bearing.

in kEUR	June 30, 2022	December 31, 2021
Trade receivables, gross	18,276	12,219
Loss allowances for expected credit losses	(90)	(71)
Total	18,186	12,148

The increase in Trade receivables is related to higher sales in the relevant period.

Movements in the Group's loss allowance for expected credit losses of trade receivables are as follows:

in kEUR	
Balance as of December 31, 2020	(226)
Addition	(228)
Other	(4)
Balance as of June 30, 2021	(458)

in kEUR	
Balance as of December 31, 2021	(71)
Addition	(19)
Other	(1)
Balance as of June 30, 2022	(90)

The Group entered into various supplier finance programmes of our customers. Under these arrangements, Herzog, mG China and mG Italy have sold trade receivables to the customers' bank. 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 companies have not retained any risk, trade receivables amounting to kEUR 8,609 as of June 30, 2022 are derecognized in their entirety (December 31, 2021: kEUR 4,974). Further trade receivables intended to be sold and amounting to kEUR 2,481 are not yet sold as of June 30, 2022 (December 31, 2021: kEUR 630).

4.3 Equity

On April 8, 2021, the Company's share capital increased from kEUR 63 to kEUR 8,000 from company funds. On May 21, 2021 the share capital increased to kEUR 10,400 due to the IPO. At June 30, 2022 the total share capital of the company is divided into 10,400,000 ordinary shares with a par value of 1 Euro.

Besides the minimum amount of share capital, required under German law, no distribution restrictions apply. 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 miniGears companies (kEUR 13,485), reduced by kEUR 7,938 as a result of the share capital increase from Company funds. The proceeds from the IPO amounts to kEUR 60,000, reduced by certain legal, accounting and other third-party fees that are directly associated with in-process equity (kEUR 3,271). Due to the missing recoverability of the tax advantages, no taxes were recognised in the equity.

Other reserve includes the legal reserve booked in the subsidiary mG Italy, which is derived from the result of the previous year and is equal to 5 % of its share capital.

The OCI Reserves include:

- *Currency Translation Reserve*: this includes the reserve of the subsidiary mG China, which are derived 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.

Conditional Capital 2021/II

The Management Board was authorized by the Annual General Meeting on June 22, 2022, with the approval of the Supervisory Board, to reduce the Conditional Capital 2021/II of the Company by EUR 190,500 through withdrawing 190,500 no-par value bearer shares. After the reduction, the Conditional Capital 2021/II amounts to EUR 547,900 and includes 547,900 no-par value bearer shares.

Other conditions with regard to the Conditional Capital 2021/II remain unchanged.

For additional information in this regard, please refer to the notes to the consolidated financial statements at December 31, 2021.

Conditional Capital 2022/I

The Management Board was authorized by the Annual General Meeting on June 22, 2022, with the approval of the Supervisory Board, to conditionally increase the Company's share capital by up to EUR 190,500.00 through issuing up to 190,500 no-par value bearer shares (Conditional Capital 2022/I).

The Conditional Capital 2022/I serves exclusively to issue Company shares to service subscription rights to Company shares issued to members of the Company's Management Board 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 June 22, 2022. 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 2022), 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 2022/I and after expiry of all exercise periods. With the approval of the Supervisory Board, the Management 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 2022/I. To date, no use has been made of Conditional Capital 2022/I.

4.4 Borrowings

On December 21, 2021, hGears signed and announced a new credit agreement with a syndicate of banks for a total of EUR 60 million. The new credit agreement includes a EUR 15 million term loan and a EUR 45 million revolving credit facility.

The agreement has a term of up to 5 years and replaced the old EUR 32 million credit agreement by more than 3 years.

The company did not pledge any of its assets to secure the credit agreement.

On January 31, 2022, the conditions precedent of the credit agreement were fulfilled and thus the agreement became effective. The new agreement serves to refinance the Group's existing debt of EUR 20 million, which would have been due in September 2023 and was fully repaid in January 2022.

The carrying amounts of borrowings are as follows:

in kEUR	June 30, 2022	December 31, 2021
Bank loan current	191	7,037
Bank loan no-current	19,666	14,371
Total	19,857	21,408

Please refer to the table below for the conditions pertaining to the borrowings:

Bank	Nominal Value (kEUR)	Date	Interest rates	Cancellation conditions	Repayment/ Maturity	Transactioncosts (kEUR)
Arrangers	5,000	January 31, 2022	0.95% + 6m EURIBOR	1)	Variable (till six months)	42
Arrangers	15,000	January 31, 2022	0.95% + 6m EURIBOR	1)	Final maturity	125
Arrangers	40,000	January 31, 2022	0.95% + 6m EURIBOR	1)	Variable (till six months)	334

The companies hGears AG, mG miniGears S.p.A. and Herzog GmbH have access to and can utilize the above facilities.

The only Cancellation condition of the borrowings reported in the table above is: change of control whereby "control" means the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to cast, or control the casting of, 30% or more of the voting shares in the Company. As of June 30, 2022, hGears Group met all financial and non-financial covenants under its existing facility agreements.

For additional information regarding covenants, please refer to [Note 6.1](#).

5. CONDENSED NOTES TO THE INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

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

	December 31, 2020	Cash flows	Non-cash changes				June 30, 2021
			Acquisition	Fair value changes	Foreign exchange movement	Other	
Lease liabilities	16,212	(1,729)	–	–	141	460	15,084
Borrowings	39,272	(15,584)	–	–	–	835	24,523
Shareholder loans	14,341	(14,599)	–	–	–	258	–
Other current financial liabilities	63	(51)	–	–	–	65	78

	December 31, 2021	Cash flows	Non-cash changes				June 30, 2022
			Acquisition	Fair value changes	Foreign exchange movement	Other	
Lease liabilities	14,381	(1,727)	–	–	102	1,169	13,925
Borrowings	21,408	(1,799)	–	–	–	248	19,857
Other current financial liabilities	9	(5)	–	586	–	18	608

The paid interests during the first half 2022 in the cash flow statement include interests for factoring in an amount of kEUR 5 (first half 2021: kEUR 51 and accrued interests from shareholder loans of kEUR 4,199).

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 management meetings and also within its Supervisory Board meetings.

On December 21, 2021, hGears signed and announced a new credit agreement with a syndicate of banks for a total of EUR 60 million. The Group shall ensure that it complies with the financial covenants, leverage and equity ratio cover at Group level, during the term of the Agreement. Testing dates are March 31, June 30, September 30 and December 31 of each year.

As of June 30, 2022, the financial covenants were met.

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 any such risks in close co-operation with the operating units.

This condensed half-year financial report does not contain all the information and explanatory notes relative to financial risk management that must be included in the annual report.

For additional information in this regard, please refer to the notes to the consolidated financial statements at December 31, 2021.

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 according to these 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 for the fair value of 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 June 30, 2022	Fair Value June 30, 2022
ASSET			
Non-current assets			
Other non-current assets	AC	129	129
Current assets			
Trade receivables			
Trade receivables	AC	15,631	n/a*
Trade receivables subject to factoring	FVPL	2,555	2,555
Other receivables	AC	762	n/a*
Other current financial assets			
Derivatives with hedge accounting	n/a	78	78
Cash and cash equivalents	AC	37,218	n/a*
LIABILITIES			
Non-current liabilities			
Lease liabilities	n/a	10,910	n/a**
Borrowings	FLAC	19,666	19,802
Current liabilities			
Lease liabilities	n/a	3,015	n/a**
Borrowings	FLAC	191	254
Other current financial liabilities			
Derivatives with hedge accounting	n/a	420	420
Derivatives without hedge accounting	FVPL	170	170
Accrued interest	FLAC	18	18
Trade and other payables			
Trade payables	FLAC	19,745	n/a*
Other payables			
Other current non-financial payables	n/a	8,493	n/a

Carrying amounts per category (kEUR)		June 30, 2022
Financial Assets measured at Amortized costs	AC	53,740
Financial Liabilities measured at Amortized cost	FLAC	39,620
Financial Assets & Liabilities measured at Fair Value through Profit or Loss	FVPL	2,725

in kEUR			
	Classification IFRS 9	Carrying amount December 31, 2021	Fair Value December 31, 2021
ASSET			
Non-current assets			
Other non-current assets	AC	127	127
Current assets			
Trade receivables			
Trade receivables	AC	11,519	n/a*
Trade receivables subject to factoring	FVPL	630	630
Other receivables	AC	453	n/a*
Other current financial assets			
Derivatives with hedge accounting	n/a	-	-
Derivatives without hedge accounting	FVPL	178	178
Cash and cash equivalents	AC	47,246	n/a*
LIABILITIES			
Non-current liabilities			
Lease liabilities	n/a	11,581	n/a**
Borrowings	FLAC	14,371	-
Shareholder loan	FLAC	-	-
Current liabilities			
Lease liabilities	n/a	2,800	n/a**
Borrowings	FLAC	7,037	21,501
Other current financial liabilities			
Derivatives with hedge accounting	FVPL	4	4
Accrued interest	FLAC	5	5
Trade and other payables			
Trade payables	FLAC	19,389	n/a*
Other payables			
Other current non-financial payables	n/a	8,454	n/a*

Carrying amounts per category (kEUR)		December 31, 2021
Financial Assets measured at amortized costs	AC	59,344
Financial Liabilities measured at amortized costs	FLAC	40,802
Financial Assets & Liabilities measured at Fair Value through Profit or Loss	FVPL	812

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.

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	H1 2022	H1 2021
No later than 1 year	126	228
Later than 1 year and no later than 5 years	66	89
Later than 5 years	–	1
Total	192	318

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 June 30, 2022, there were no contingent liabilities.

8.2 Related party transactions

Finatem III GmbH & Co. KG, the Company's direct parent and the Group's ultimate controlling party, has an interest of 35.81% in the Company's capital as of June 30, 2022.

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

The following transactions were carried out with related parties.

8.2.1 Transactions with shareholders

The transactions with minority shareholders are summarized below:

- Building rent: the total value for the first half 2022 is equal to kEUR 219 (first half 2021: kEUR 224).

The Group monitors that all transactions with related parties substantially were performed on the basis of normal market conditions and in accordance with the arm's length principle.

8.2.2 Transactions with related individuals

The company shares owned by Supervisory Board members and Management Board members are listed below:

Shares	June 30, 2022	June 30, 2021
Pierluca Sartorello	125,898	125,898
Daniel Basok	10,079	8,077
Management Board	135,977	133,975
Volker Stauch	45,967	45,967
Christophe Hemmerle	5,769	5,769
Daniel Kartje	2,900	2,900
Mathias Seidler	11,538	11,538
Dr. Gabriele Fontane	3,846	3,846
Supervisory Board	69,427	69,427
Total	205,404	203,402

8.3 Share-based payments

With Resolution of the Annual General Meeting of the Company on May 5, 2021, the "Stock Option Programme 2021" of hGears AG was approved by the Management Board in consent with the Supervisory Board and – insofar as members of the Management Board are among the persons entitled to receive benefits – approved by the Supervisory Board of the Company.

The Employee Option Plan is designed to provide long-term incentives for Management Board members and selected executives to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the Board's discretion, and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of options that will vest depends on hGears AG's share price on the Frankfurt Stock Exchange on the last 20 trading days prior to 31 December 2021, 2022 and 2023. Once vested, the options remain exercisable for a period of two years after a waiting period of 48 months.

Options are granted under the plan for no consideration and carry no dividend or voting rights.

Upon exercise of stock option rights, the exercise price per share shall be paid by the exercising beneficiary for each share to be subscribed. The exercise price for all exercised stock option rights shall be transferred to the bank account specified in the Company's allocation offer within ten banking days after the exercise date.

The exercise price of options is EUR 26.16.

Set out below are summaries of options granted under the plan:

	2022		2021	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at January 1	–	–	–	–
Granted during the year	26.16	216,000	26.16	190,500
Exercised during the year	–	–	–	–
Forfeited during the year	–	–	–	–
As at June, 30	26.16	190,500	26.16	190,500
Vested and exercisable at 30 June	–	–	–	–

Share options outstanding at the end of the reporting period are subject to the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Share options June 30, 2022	Share options December 31, 2021
June 4, 2021	June 3, 2027	26.16	–	190,500
April 13, 2022	April 12, 2028	26.16	216,000	–

The performance target for the stock options granted in 2021 was not achieved. Therefore, these options expired on December 31, 2021.

The fair value of the options granted as of June 30, 2022 amounted to EUR 2.47 per option at the grant date (December 31, 2021: EUR 3.34).

The fair value at grant date is independently determined using an adjusted form of the Black-Scholes model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option, discount for lack of marketability and the correlations and volatilities of the peer group companies.

The model inputs for options granted during the first half 2022 included the following:

- options are granted for no consideration and vest based on hGears AG's share price.

Vested options are exercisable for a period of two years after vesting.

- exercise price: EUR 26.16
- grant date: April 13, 2022
- expiry date: April 12, 2028
- share price at grant date: EUR 17.90 (2021: EUR 25.80)
- expected price volatility of the company's shares: 40 %
- expected dividend yield: 0 %
- risk-free interest rate: 0 %

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The total expenses from the options issued under the employee option plan in the amount of kEUR 441 (first half 2021: kEUR 347) were recognized in personnel expenses.

8.4 Subsequent events

The changes in Conditional Capital 2021/II and Conditional Capital 2022/I mentioned in [Note 4.3](#) have been officially registered in the German Commercial Register (*Handelsregister*) on July 14, 2022.

No other events of special significance occurred after the end of the reporting period as of June 30, 2022 that would have to be reported here.

Schramberg, July 29, 2022



Pierluca Sartorello

Chairman of the
Management Board



Daniel Basok

Member of the
Management Board

RESPONSIBILITY STATEMENT BY THE COMPANY'S LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Group, and the Group Management Report includes a fair review of the business and position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Schramberg, July 29, 2022

hGears AG

The Management Board



Pierluca Sartorello

Chairman of the Management Board



Daniel Basok

Member of the Management Board

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Disclaimer

This report contains forward-looking statements. These statements are based on current experience, estimates and projections of the Management Board and the information available at the time this financial report was prepared. They are not guarantees of future performance and results and are subject to risks and uncertainties that are beyond hGear's ability to control or predict, such as future market conditions, regulatory changes or the behaviour of other market participants, for instance. These and other factors can cause the actual results, performance and financial position to deviate significantly from the estimates stated herein. hGears does not assume any obligation to update the forward-looking statements contained in this report. Certain numerical data, financial information and market data, including percentages, in this document have been rounded according to established commercial standards. Furthermore, in tables and charts, these rounded figures may not add up exactly to the totals contained in the respective tables and charts. In the event of any deviations, the German version takes precedence. When persons are mentioned in this publication, this always refers to female, male and diverse (for example transsexual and intersexual) persons. For reasons of better readability and/or formal or technical reasons such as limited space or the better findability of web texts, not all variants are always mentioned.

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Publication date August 3, 2022

