

Annual Report of EQS Group AG, Munich

Financial year 2021



EQS Group AG, Muich
Balance sheet as of December 31, 2021

Assets	Dec. 31, 2021	Previous year	Liabilities	Dec. 31, 2021	Previous year
	EUR	EUR		EUR	EUR
A. Fixed Assets			A. Equity		
I. Intangible assets			I. Issued capital	8,659,476.00	7,524,890.00
1. Internally-created industrial property rights and similar rights and assets	9,599,289.72	7,868,483.83	(Conditional capital)	(3,941.125)	(3,587,445.00)
2. Concessions, industrial property rights and similar rights and values and similar rights and assets as well as licences to such rights and assets	2,038,512.54	1,398,395.86	Less calculated value of own shares	-11,000.00	-7,361.00
3. Goodwill	4,616,559.22	0.00		<u>8,648,476.00</u>	<u>7,517,529.00</u>
	<u>16,254,361.48</u>	<u>9,266,879.69</u>	II. Capital reserve	63,426,190.42	21,218,017.34
II. Tangible assets			III. Retained earnings	2,835,112.63	6,305,345.77
Property, plant and equipment	919,071.47	926,073.40		<u>74,909,779.05</u>	<u>35,040,892.11</u>
III. Financial assets			B. Provisions		
1. Shares in affiliated companies	116,480,382.60	7,233,948.55	1. Tax provisions	31,351.00	0.00
2. Loans to affiliated companies	17,685,551.32	15,245,443.66	2. Other provisions	1,394,714.21	1,219,550.08
3. Participations	200.00	14,976.00		<u>1,426,065.21</u>	<u>1,219,550.08</u>
4. Other loans	641,634.65	538,043.59	C. Liabilities		
	<u>134,807,768.57</u>	<u>23,032,411.80</u>	1. Liabilities to credit institutions	59,495,834.97	4,595,343.13
B. Current assets			2. Advance payments received on orders	75,875.00	111,391.00
I. Inventories			3. Liabilities from deliveries and services	1,279,187.83	727,415.05
Work in Progress	122,003.36	69,393.14	4. Liabilities from affiliated companies	2,224,258.18	1,485,404.23
II. Receivables and other assets			5. Other liabilities	17,542,379.70	577,934.69
1. Receivables from deliveries and services	3,325,861.36	3,175,541.93		<u>80,617,535.68</u>	<u>7,497,488.10</u>
2. Receivables from affiliated companies	687,136.39	536,308.63	D. Deferred income	3,550,624.72	2,569,224.61
3. Other assets	470,937.80	75,011.88	E. Deferred tax liabilities	3,401,185.96	2,597,607.92
	<u>4,483,935.55</u>	<u>3,786,862.44</u>			
III. Cash in hand, bank balances	4,348,125.79	10,554,780.87			
C. Prepaid expenses	1,314,976.47	498,083.80			
D. Deferred tax assets	1,654,947.93	790,277.68			
	<u>163,905,190.62</u>	<u>48,924,762.82</u>		<u>163,905,190.62</u>	<u>48,924,762.82</u>

EQS Group AG, Munich

Profit and Loss Account for the Financial Year from January 1 to December 31, 2021

	EUR	FY 2021 EUR	Previous year EUR
1. Revenues		34,939,375.17	29,016,068.84
2. Change in inventories of work in progress		-6,784.78	40,946.94
3. Other capitalised personal contributions		2,324,036.51	1,671,467.61
4. Other operating income		388,057.78	780,924.49
<i>- thereof from currency translation EUR 14,709.68 (Previous year: EUR 21,259.01)</i>			
		<u>37,644,684.68</u>	<u>31,509,407.88</u>
5. Purchased services		-8,217,348.91	-7,276,493.94
6. Personnel expenses			
a) Wages and salaries	-15,970,471.01		-11,960,918.04
b) Social security and pension costs	-2,686,301.91		-1,945,696.03
<i>- thereof for pensions EUR -204,774.56 (Previous year: EUR -140,045.84)</i>			
		<u>-18,656,772.92</u>	<u>-13,906,614.07</u>
7. Depreciation & amortisation		-2,099,605.97	-1,361,668.90
8. Other expenses		-9,665,744.58	-6,788,108.13
<i>- thereof from currency translation EUR -17,480.85 (Previous year: EUR -31,956.66)</i>			
Operating result (EBIT)		-994,787.70	2,176,522.84
9. Income from investments		252,000.00	126,315.79
10. Income from loans of financial assets		254,748.94	209,503.18
<i>- thereof from affiliated companies EUR 243,916.81 (Previous year: EUR 200,219.57)</i>			
11. Other interest and similar income		6,633.98	95,056.77
<i>- thereof from discounting EUR 0.00 (Previous year: EUR 511.25)</i>			
12. Expenses from loss transfer		-220,132.93	-534,813.70
13. Depreciation on financial assets and marketable securities		-1,418,309.00	-617,000.00
14. Interest and similar expenses		-1,673,630.91	-182,056.48
<i>- of which from compounding EUR -2,231.33 (Previous year: EUR -2,345.94)</i>			
<i>- of which to affiliated companies EUR -6,023,98 (Previous year: EUR -1,732.45)</i>			
		<u>-3,793,477.62</u>	<u>1,273,528.40</u>
15. Taxes on income and earnings		322,441.21	-1,444,828.21
<i>- of which expenses from deferred taxes EUR 366,392.21 (Previous year: EUR -1,437,491.60)</i>			
16. Result after Taxes		<u>-3,471,036.41</u>	<u>-171,299.81</u>
17. Other taxes		803.27	1.45
18. Net loss for the year		<u>-3,470,233.14</u>	<u>-171,298.36</u>
19. Profit carried forward from the previous year		6,305,345.77	6,476,644.13
20. Balance sheet profit		<u><u>2,835,112.63</u></u>	<u><u>6,305,345.77</u></u>

Notes to the Financial Statements for EQS Group AG, Munich, for the 2021 Financial Year

I. General information on the company

The EQS Group AG Group has its registered office in Munich. It is entered in the Commercial Register of the Munich Local Court under the registration number HRB 31048.

II. Information on the content and structure of the financial statements

EQS Group AG has the size characteristics of a medium-sized corporation in accordance with Section 267 (2) of the HGB (German Commercial Code). For this reason, the special accounting provisions for medium-sized corporations were partially applied in the Notes when preparing the financial statements.

The annual financial statements were prepared on the basis of the German accounting regulations in the German Commercial Code. The provisions of the German Stock Corporation Act were also observed.

The total cost method was chosen for the profit and loss account.

III. Events of particular significance in the 2021 financial year and their impact on the financial statements as of 31.12.2021.

The merger of C2S2 GmbH, Bonn, into EQS Group AG was agreed with retroactive effect from 1 January 2021 by way of a contract dated 9 August 2021. The merger was entered in the EQS Group AG commercial register on 28 October 2021, thus becoming legally effective.

The merger was recognised in the EQS Group AG balance sheet in accordance with the acquisition cost principle and led to a complete disclosure of hidden reserves. This resulted in the capitalisation of intangible fixed assets and the residual value of goodwill.

EQS Group AG's investment in C2S2 GmbH was derecognised as part of the upstream merger.

In total, the merger resulted in an increase in net assets of EUR 5,436 thousand.

The merger of Got Ethics GmbH, Bückeberg, into EQS Group AG was also agreed with retroactive effect from 1 January 2021 by way of a contract dated 9 August 2021. The merger was entered in the EQS Group AG commercial register on 10 November 2021, thus becoming legally effective.

The merger was recognised in the EQS Group AG balance sheet in accordance with the acquisition cost principle and led to a complete disclosure of hidden reserves and the recognition of goodwill in the amount EUR 226 thousand.

Due to the immateriality of the transferring legal entities' 2020 P&L figures, it was possible to dispense with the presentation of adjusted previous year's figures to ensure comparability of the previous year's figures after mergers in accordance with Section 265 (2) sentence 2 of the HGB.

However, there are effects in the income statement due to the capitalised assets. These relate to the amortisation of capitalised intangible assets amounting to EUR 716 thousand, of which EUR 513 thousand relates to goodwill. This expense was not present in the 2020 financial year and will continue to be incurred at a similar level in subsequent periods.

IV. Accounting and valuation methods and foreign currency conversion

The financial statements are prepared on a going concern basis (Section 252 (1) no. 2 of the HGB).

The option to capitalise **internally generated intangible fixed assets** in accordance with Section 248^o(2) sentence 1 of the HGB was exercised. They were recognised at production cost less scheduled straight line depreciation and unscheduled depreciation was applied in the event of a probable permanent reduction in value. Production costs include employee labour costs plus allowable overheads. Borrowing costs were not included in the production costs. The normal useful life is currently 5 to 10 years.

The **intangible fixed assets acquired against payment** fixed are capitalised at the time of transfer of economic or legal ownership at acquisition cost in accordance with Section^o255^o(1)

of the HGB and scheduled depreciation is applied over their expected useful life as well as unscheduled depreciation in the event of a probable permanent reduction in value. The normal useful life is between 1 and 20 years.

Goodwill acquired for a consideration is capitalised at the time of transfer of economic or legal ownership at acquisition cost in accordance with Section 255 (1) of the HGB and scheduled straight line depreciation is applied over its useful life of 10 years in accordance with Section 253 (3) of the HGB, or unscheduled depreciation is applied in the event of a probable permanent reduction in value.

At the time of transfer of economic or legal ownership, **property, plant and equipment** is recognised at acquisition cost in accordance with Section[°]255[°](1) of the HGB, less scheduled straight-line depreciation. The depreciation period corresponds to the normal useful life. This ranges from 3 to 23 years. Unscheduled depreciation is applied in the event of a probable permanent reduction in value. Low-value assets with an acquisition value of up to EUR 800.00 were capitalised and amortised in full in the year of acquisition.

Financial assets are recognised at acquisition cost at the time of transfer of economic or legal ownership in accordance with Section 255 (1) of the HGB; unscheduled depreciations are applied in accordance with Section[°]253[°](3) sentence 5 of the HGB in the event of a probable permanent reduction in value. Impairment losses are reversed up to the original acquisition cost if the reasons for the permanent impairment no longer exist.

In the event of **loans** denominated in foreign currencies, these are **converted at the foreign currency exchange rate** at the time of acquisition or at the permanently lower mean spot exchange rate on the balance sheet date.

Work in progress is recognised at production cost or the lower of cost or value, corresponding to the production costs incurred to date. The strict lower of cost or market principle is observed in the valuation. Work in progress was valued based on employee hourly rates plus allowable overheads. Borrowing costs were not included in the production costs.

Receivables and **other assets** are generally recognised at nominal value. Identifiable individual risks in the case of doubtful receivables are taken into account by means of specific valuation allowances. To cover the general credit, interest rate and default risk of trade receivables, an appropriate general bad debt allowance is recognised on the net amount of

receivables for which no specific allowance has been recognised.

Receivables in foreign currencies are valued at the mean spot exchange rate on the balance sheet date. In the case of long-term foreign currency receivables (residual term > 1 year), the original acquisition costs are not exceeded.

Bank balances were recognised at their nominal value. Bank accounts in foreign currencies are valued at the mean spot exchange rate on the balance sheet date.

Prepaid expenses and deferred income are calculated pro rata temporis in accordance with Section 250[°](1) of the HGB.

Deferred taxes were calculated for temporary differences between the commercial and tax valuations of assets, liabilities and prepaid expenses which are expected to decrease in later financial years. The Group reports deferred tax assets and liabilities not offset. The valuation of deferred taxes is based on a tax rate of 32.95%.

The **subscribed capital** is recognised at nominal value. The nominal value or the accounting par value of the acquired own shares is openly deducted from the subscribed capital. The difference between the nominal or accounting par value and the acquisition cost of the acquired own shares is offset against freely available reserves and retained earnings. The acquisition costs are recognised as an expense in the current financial year.

Other **provisions** are recognised at the settlement amount that is necessary according to prudent business judgement. All recognisable risks and uncertain obligations as well as impending losses from pending transactions are taken into account. Other provisions with a residual term of more than one year are discounted at the average market interest rate of the past seven financial years corresponding to their residual term in accordance with Section 253[°](2) of the HGB. The discount amount is reported in the financial result. When determining the settlement amount, the expected cost increases up to the settlement date are also taken into account.

Liabilities are recognised at their settlement amounts.

Liabilities in foreign currencies with a remaining term of no more than one year are valued at the mean spot exchange rate on the balance sheet date. Non-current foreign currency liabilities (remaining term > 1 year) are measured at the higher of the exchange rate at the

time of invoicing or the mean spot exchange rate on the balance sheet date.

In principle, revenues are recognised once the service is rendered. In the case of continuing obligations with a longer performance period, the partial performances are realised pro rata temporis of the expired contract period. If amounts are received in advance for future periods, the income from the contractual relationship is only received pro rata temporis. For this purpose, deferred income is recognised in the balance sheet and reversed over the remaining term of the contract.

V. Notes to the balance sheet

The development of the individual fixed asset items is shown in the **fixed assets schedule** attached as Annex 1 to the Notes. With regard to the list of shareholdings pursuant to Section[°]285[°](11) of the HGB, we refer to Annex 2 to the Notes.

Intangible assets include internally generated intangible assets of EUR 9,599 thousand (previous year: EUR 7,868 thousand), of which EUR 144 thousand from the merger with C2S2 GmbH, and an acquired customer base of EUR 1,125 thousand (previous year EUR 1,305 thousand), which will be amortised on a scheduled basis over 15 years. Furthermore, software (EUR 562 thousand), orders on hand (EUR 77 thousand) and a customer base (EUR 288 thousand) were capitalised from the acquisition of C2S2 GmbH. The depreciation period is between 1 and 20 years.

Research and development costs for the 2021 financial year amount to EUR 5,430 thousand. EUR 2,324 thousand of this are attributed to internally generated intangible assets.

Goodwill (EUR 4,904 thousand) from the merger with C2S2 GmbH was capitalised under **Goodwill**. The merger with Got Ethics GmbH resulted in goodwill of EUR 226 thousand. The depreciation period is 10 years.

Property, plant and equipment include additions from the mergers with C2S2 GmbH, Bonn, and Got Ethics GmbH, Bückeberg, amounting to EUR 21 thousand.

Financial assets include acquisition costs totalling EUR 110,553 thousand for the purchase of 100% of the shares in Got Ethics A/S, Copenhagen, and ICS International Compliance Software Beteiligungs Group GmbH, Frankfurt am Main (hereinafter "Business Keeper Group").

Furthermore, acquisition costs totalling EUR 97 thousand are included for the founding of the companies EQS Group S.r.l., Milan, EQS Group d.o.o., Belgrade, EQS Group GmbH, Vienna, and EQS Group Regtech S.L.U., Madrid.

For the loan to EQS Asia Limited, Hong Kong, **included in loans to affiliated companies**, which was written off unscheduled in full in 2019 (EUR 3,646 thousand), a reversal of the impairment loss in the amount of the repayment amount of EUR 239 thousand was made in 2021, as a permanent recovery can be assumed here.

For the **investment** in the subsidiary EQS Financial Markets & Media GmbH, Munich, an unscheduled depreciation of EUR 1,418 thousand (previous year: EUR 617 thousand) was applied. The investment is therefore depreciated in full (previous year EUR 1,418 thousand).

As in the previous year, **trade receivables** have a remaining term of up to one year. **Receivables from affiliated companies** also have a remaining term of up to one year, as in the previous year. **Other assets** do not include any items with a remaining term of more than one year. Accrued income of EUR 4 thousand (previous year EUR 15 thousand) is disclosed in other assets. These are input tax amounts that are deductible in the following year.

Receivables from affiliated companies include trade receivables of EUR 619 thousand (previous year EUR 531 thousand) as well as other assets of EUR 68 thousand (previous year EUR 5 thousand).

A transfer of funds of EUR 404 thousand (previous year EUR 0 thousand) is included in **other assets**.

Deferred tax assets were determined on losses carried forward of EUR 1,647 thousand (previous year EUR 712 thousand) and on foreign currency differences of EUR 8 thousand (previous year EUR 78 thousand).

They developed as follows as of the balance sheet date:

As of 01.01.2021	EUR'000	790
Change 2021	EUR'000	<u>865</u>
As of 31.12.2021	EUR'000	<u><u>1,655</u></u>

The adjustments had a positive effect on the result in the profit and loss account. The calculation of deferred taxes was based on a tax rate of 32.95%.

The Group's **subscribed capital** amounts to EUR 8,659,476.00 (previous year: EUR 7,524,890.00) and is fully paid up as of 31.12.2021. It is divided into 8,659,476 (previous year: (7,524,890) no-par value registered shares. Each share grants one vote. As of the balance sheet date, the Group held 11,000 treasury shares, which were openly deducted from the subscribed capital.

By resolution of the Annual General Meeting on 17 July 2020, the Executive Board was authorised, with the approval of the Supervisory Board, to increase the share capital on one or more occasions by a total of up to EUR 3,587,445.00 until 16 July 2025 against cash and/or non-cash contributions (Authorised Capital 2020/I).

Based on this resolution, the share capital was increased by EUR 357,361.00 to EUR 7,882,251.00 and the Articles of Association were amended in Section 4 (Share Capital, Authorised Capital) by resolution of the Supervisory Board on 17 February 2021. This was entered in the commercial register on 2 March 2021.

The following resolutions were also passed by the Annual General Meeting held on 14 May 2021:

- Cancellation of the previous Authorised Capital 2020/I
- Creation of a new Authorised Capital 2021
- Cancellation of Contingent Capital 2018
- Creation of a new Contingent Capital 2021
- Amendment to Art. 4 – Share Capital, Authorised Capital
- Amendment to Art. 14 – Supervisory Board remuneration

By resolution of the Annual General Meeting, the Executive Board was authorised, with the approval of the Supervisory Board, to increase the share capital on one or more occasions by a total of up to EUR 3,941,125.00 until 13 May 2026 against cash and/or non-cash contributions (Authorised Capital 2021/I).

Based on this resolution, the following increases in share capital were made:

Increase in share capital by EUR 590,000.00 to EUR 8,472,251.00. The Articles of Association were amended in Art. 4 (Share Capital, Authorised Capital) by resolution of the Supervisory Board on 16 June 2021. This was entered in the commercial register on 25 June 2021.

Increase in share capital by EUR 187,225.00 to EUR 8,659,476.00. The Articles of Association were amended in Art. 4 (Share Capital, Authorised Capital) by resolution of the Supervisory Board on 7 December 2021. This was entered in the commercial register on 13 December 2021.

After partial utilisation, the authorised capital still amounts to EUR 3,163,900.00 as of 31.12.2021.

The cancellation of the Contingent Capital 2018 and the creation of a new Contingent Capital 2021 of EUR 3,941,125.00 was resolved by resolution of the Annual General Meeting on 14 May 2021.

The contingent capital increase is exclusively for the purpose of granting shares to the holders of convertible bonds and/or bonds with warrants issued by the Group or by a 100% direct or indirect affiliated company of the Group until 13 May 2026 in accordance with the authorisation granted by the Annual General Meeting on 14 May 2021. In accordance with the terms and conditions of the convertible bonds, the contingent capital increase also serves to issue shares to holders of convertible bonds with conversion obligations. The contingent capital increase will only be implemented to the extent that the holders of the convertible bonds and/or bonds with warrants exercise their conversion or option rights or the holders of convertible bonds with a conversion obligation fulfil their conversion obligation and to the extent that no treasury shares will be made available to fulfil these rights. The Executive Board was authorised, with the approval of the Supervisory Board, to determine the further details of the implementation of the contingent capital increase.

The Executive Board did not make use of this authorisation in the financial year.

In January 2021, in addition to the shares already purchased in 2020 for the employee plan, a further 2,679 treasury shares were purchased at a price of EUR 27.08 to EUR 29.50 (EUR 2,679 of the share capital of EUR 7,524,890 existing at that time = 0.036%).

In January 2021, 9,624 treasury shares were sold at a price of EUR 29.20 as part of the employee stock option plan (2019 tranche). In August 2021, the remaining 416 treasury shares (EUR 416.00 of the share capital of EUR 8,472,251.00 existing at that time = 0.005%) were sold at the market price of between EUR 46.80.

From September to November 2021, 11,000 treasury shares (EUR 11,000 of the share capital of EUR 8,472,251.00 existing at that time = 0.13%) were again purchased at a price of EUR 38.60 to EUR 42.80 for the employee stock option plan (2020 tranche). These will be issued to employees as part of the employee plan in January 2022. The inventory of treasury shares of stock as of the balance sheet date is 11,000. The effect for the financial year from the repurchase and sale of treasury shares is shown in the capital reserve.

The **capital reserve** developed as follows as of the balance sheet date:

As of 01.01.2020	EUR'000	21,218
Premium from the issue of new shares	EUR'000	42,541
Allocation from "My EQS Share Plan" employee stock option plan	EUR'000	171
Premium from the purchase and sale of treasury shares	<u>EUR'000</u>	<u>-504</u>
As of 31.12.2021	<u>EUR'000</u>	<u>63,426</u>

The remuneration for each member of the Supervisory Board was increased to EUR 35,000.00 plus any value added tax payable on this amount by resolution of the Annual General Meeting. The chairperson of the Supervisory Board receives twice the remuneration.

The **balance sheet profit** includes a profit carried forward of EUR 6,305 thousand (previous year: EUR 6,477 thousand).

In the past financial year, no dividend was paid to shareholders due to the resolution of the Annual General Meeting on 14 May 2021. EUR 6,305 thousand was carried forward to the new account.

Amounts blocked from distribution in accordance with Section 285°(28) of the HGB in conjunction with Section 268°(8) of the HGB:

The amounts blocked for distribution within the meaning of Section 268°(8) of the HGB included in equity as of 31 December 2021, amount to EUR 7,853 thousand, taking into account the deferred tax liabilities recognised on the gross amounts, of which EUR 6,198 thousand are attributable to internally generated intangible assets less deferred tax liabilities recognised thereon and EUR 1,654 thousand to deferred tax assets.

The **other provisions** are as follows:

	As of 01.01.2021 EUR'000	Consumption 2021 EUR'000	Reversal 2021 EUR'000	Addition 2021 EUR'000	As of 31.12.2021 EUR'000
Bonuses and royalties	98	-98	0	359	359
Employer's Liability Insurance Association/Compensation Levy	69	-69	0	90	90
Provision for impending losses	15	-15	0	2	2
Obligation to dismantle rented premises	84	0	0	17	101
Financial statement and audit costs	110	-100	-4	157	163
Outstanding invoices	802	-757	-22	577	600
Retention of business documents	14	0	0	0	14
Outstanding vacation	28	-22	0	60	66
	1,220	-1,061	-26	1,262	1,395

The **liabilities'** remaining terms are as follows:

Art der Verbindlichkeit	Total amount TEUR	Of which remaining term		
		Up to 1 year TEUR	Over 1 year TEUR	Ober 5 years TEUR
Amounts owed to credit institutions	59,496	55,075	4,421	0
<i>Previous year</i>	<i>4,595</i>	<i>1,445</i>	<i>3,150</i>	<i>0</i>
Advance payments received on orders	76	76	0	0
<i>Previous year</i>	<i>111</i>	<i>111</i>	<i>0</i>	<i>0</i>
Trade payables	1,279	1,279	0	0
<i>Previous year</i>	<i>727</i>	<i>727</i>	<i>0</i>	<i>0</i>
Amounts owed to affiliated companies	2,224	2,224	0	0
<i>Previous year</i>	<i>1,486</i>	<i>1,486</i>	<i>0</i>	<i>0</i>

Other liabilities		17,542	17,542	0	0
	<i>Previous year</i>	578	578	0	0
– of which from taxes		509	509	0	0
	<i>Previous year</i>	518	518	0	0
– of which from taxes		3	0	0	0
	<i>Previous year</i>	0	0	0	0
		80,617	76,196	4,421	0
	<i>Previous year</i>	7,497	4,347	3,150	0

Amounts owed to credit institutions include EUR 50,411 thousand from the loan for the purchase of the Business Keeper Group. The loan has a term until 13 June 2022 and can be extended twice by six months each time. The shares in the EQS Group AG, Switzerland, the Business Keeper Group and EQS Group A/S, Denmark were pledged as security for this loan.

Amounts owed to affiliated companies include EUR 1,398 thousand (previous year EUR 1,067 thousand) of trade payables and EUR 826 thousand (previous year EUR 418 thousand) of other liabilities.

Other liabilities include a vendor loan of EUR 17,000 thousand from International Compliance Software Holding B.V. from the purchase of the Business Keeper Group. The loan is due for payment on 5 August 2022.

Deferred tax liabilities of EUR 3,401 thousand (previous year EUR 2,598 thousand) were calculated from the difference between the capitalisation of internally generated intangible fixed assets and in connection with the C2S2 GmbH merger.

They developed as follows as of the balance sheet date:

As of 01.01.2020	EUR'000	2,598
Change 2021	EUR'000	803
As of 31.12.2021	EUR'000	3,401

The adjustments in connection with the merger (EUR 304 thousand) were recognised as not affecting net income. Furthermore, EUR 499 thousand had a positive effect on the result in the profit and loss account. The calculation of deferred taxes was based on a tax rate of 32.95%.

VI. Notes to the profit and loss account

Other capitalised personal contributions:

The total amount of research and development costs in the financial year was EUR 5,430 thousand. Of this amount, EUR 2,324 thousand are recognised as internally generated intangible assets.

Other operating income:

Other operating income includes, among other things, income from the reversal of the impairment loss in the amount of the repayment amount of the loan to EQS Asia Limited, Hong Kong, which was fully written off in 2019, amounting to EUR 239 thousand (previous year EUR 104 thousand), income from the reversal of provisions of EUR 26 thousand (previous year EUR 13 thousand), derecognition of EUR 30 thousand (previous year EUR 18 thousand) and income from currency translation of EUR 15 thousand (previous year EUR 21 thousand).

Other operating expenses:

Other operating expenses include foreign currency losses of EUR 17 thousand (previous year EUR 32 thousand), bad debts and specific valuation allowances of EUR 146 thousand (previous year EUR 182 thousand) as well as third-party services of EUR 87 thousand (previous year EUR 161 thousand).

Income from investments:

Income from investments relates to a profit distribution from the subsidiary EquityStory RS LLC, Moscow, of EUR 252 thousand (previous year: EUR 126 thousand).

Depreciation in financial assets:

Depreciation in financial assets includes depreciation in accordance with Section 253[°](3) sentence[°]5 of the HGB on the shares in the affiliated company EQS Financial Markets & Media GmbH amounting to EUR 1,418 thousand (previous year EUR 617 thousand). The shares are therefore fully depreciated as of 31.12.201.

Taxes on income and earnings:

The 2020 tax assessment results in a charge for income for income taxes of EUR 31 thousand. Due to the negative result in 2021, there is no actual tax expense. Deferred tax income of EUR 865 thousand and deferred tax expenses of EUR 499 thousand were recognised.

VII. Other information

Other financial commitments:

EQS Group AG has extended loans to affiliated companies. Based on the loan agreements, there are still binding open commitments of loans not yet drawn down in the amount of EUR 5,987 thousand as of the balance sheet date. The loans provide liquidity support for the development of the borrowers' businesses. Based on the current development of the affiliated companies, the Executive Board assumes that the subsidiaries in France, Spain and the USA will continue to have liquidity requirements.

EQS Group AG has concluded various rental agreements for office space. As of 31 December 2021, there are other financial commitments totalling EUR 3,538 thousand.

In connection with a company acquisition in December 2020 and share transfers in January 2021, payments for performance-based, variable remuneration claims of up to EUR 920 thousand may still be due to the acquired company's employees in the period from 2023 to 2026. Furthermore, there are earn-out components that can lead to subsequent purchase price payments of EUR 2,310 thousand at the beginning of 2023. Both transactions lead to subsequent acquisition costs for the investment in the affiliated company.

There are pension commitments in accordance with Section 285^o(3a) of the HGB. The total commitment over the term of the contract amounts to EUR 3,003 thousand in accordance with the current premium level.

Number of employees:

The average number of employees for the year was as follows:

Production	163
Administration	35

Sales	<u>36</u>
Total (rounded)	<u>235</u>

Executive Board:

The Executive Board of Directors consists of the following people:

- Achim Weick, CEO, Munich
- Christian Pfleger, COO, Munich
- André Silvério Marques, CFO, Munich
- Marcus Sultzer, CRO, Pullach i. Isartal

The Executive Board's emoluments in the 2021 financial year were EUR 1,859 thousand (previous year: EUR 1,492 thousand), thereof variable ones of EUR 10 thousand (previous year: EUR 160 thousand). Of the total remuneration, EUR 198 thousand (previous year EUR 135 thousand) is attributable to insurance premiums.

As of the balance sheet date, there is a loan receivable of EUR 237 thousand from the Executive Board member André Silvério Marques. The loan has a term until 30 April 2022 and was used to purchase 59,500 no-par value shares (11,900 before share split) in the EQS Group AG as part of the management stock option plan. The loan has an interest rate of 2% p.a. The repayment amount in the financial year was EUR 19 thousand.

The other board activities of the members of the Executive Board mainly comprise functions as managing directors at EQS Group AG affiliated companies or subsidiaries.

In detail, the members of the Executive Board also carry out the following additional roles on supervisory bodies:

- Achim Weick

Waag & Zübert Value AG, Nuremberg (Chairman of the Supervisory Board)
 Bayerische Börse AG, Munich (Member of the Exchange Council)

Supervisory Board:

- Robert Wirth, Graduate Media Marketing Business Management Specialist, Entrepreneur and Investor, Amberg (Chairman)
- Laurenz Nienaber, M.Sc., Investor and Managing Director of LMN Capital GmbH, Munich (Deputy Chairman)
- Kerstin Lopatta, Professor for Accounting, Auditing and Sustainability, University of Hamburg, Hamburg (since 14 May 2021)
- Rony Vogel, Graduate Engineer and MBA, Entrepreneur and Investor, Munich

Other supervisory board mandates:

Solutiance AG, Potsdam (Chairman of the Supervisory Board)

Deskcenter AG, Leipzig (Supervisory Board)

CanPharma GmbH, Oranienburg (Member of the Advisory Board)

- Peter Conzatti, M.A. and MBA, Funds Manager, Bad Homburg (until 14 May 2021)

The Supervisory Board members receive a fixed remuneration totalling EUR 175 thousand for their work in the 2021 financial year.

Group affiliation:

As the parent company, EQS Group AG prepares consolidated financial statements (for the largest and at the same time smallest group of companies) in accordance with IFRS. These consolidated financial statements are published in the Federal Gazette.

Auditor's fee:

For the 2021 financial year, fee expenses for the auditor totalling EUR 120 thousand (previous EUR 104 thousand) were recognised. Of this amount, EUR 120 thousand (previous year EUR 93 thousand) is attributable to auditing services and EUR 0 thousand (previous year EUR 11 thousand) to other services. Furthermore, expenses for auditing services from the previous year of EUR 24 thousand were recognised in the 2021 financial year.

Derivative financial instruments not recognised at fair value:

For the long-term loan with a nominal amount of EUR 7,000 thousand, EQS Group AG uses an interest rate cap to hedge against an increase in the interest rate. The derivative has a balance of EUR 23 thousand as of 31.12.2021. The interest rate cap's interest rate limit is 0.00% The derivative's term corresponds to the loan term.

Guarantee agreements:

There is an unlimited guarantee for the financial security of the French subsidiary's going concern. Based on the planned development of the company's financial and earnings position, we currently anticipate a limited utilisation of approximately EUR 400 thousand from the guarantee issued for the 2022 financial year.

For the financial security of the Swiss subsidiary's going concern, there is a subordination agreement for the loan granted in the amount of CHF 6,000 thousand.

Events of particular significance after the balance sheet date:

Although it is difficult to assess the impact, the coronavirus is likely to affect the global economy on both the demand and supply side. Nevertheless, no significant impact is still to be expected on EQS' business.

Likewise, the current war in Ukraine poses a significant risk to the global economy. Another escalation of the crisis within Europe or even on a global level might have serious economic consequences. The direct revenue share of our Russian business which might, in the worst case, be completely affected by sanctions, is below 3%.

Amounts owed to credit institutions include bridge financing from the acquisition of ICS International Compliance Software Beteiligungs Group GmbH (with its subsidiary Business Keeper GmbH), Berlin, in the amount of EUR 50,411 thousand. The loan is repayable and has a term until 13 June 2022 and can be extended twice by six months each time. An unscheduled repayment in the amount of EUR 5,000 thousand was agreed as well as an amendment to the covenant clauses with the contract dated 4 February 2022. A fee of EUR 125 thousand is due for these amendments to the loan agreement.

The Executive Board of the company resolved on 25 February 2022, with the approval of the Supervisory Board on 25 February 2022, to increase the company's share capital from EUR 8,659,476.00 by EUR 1,443,246.00 to EUR 10,102,722.00 by issuing 1,443,246 new registered no-par value shares, each with a notional value of EUR 1.00 of the company's share capital, by utilising the Authorised Capital 2021 created by resolution of the company's Annual General Meeting on 14 May 2021. A total of 1,364,736 (approx. 94.6%) of the 1,443,246 new shares offered were placed. The capital increase still requires registration in the commercial register to become effective. The implementation of the capital increase is expected to be entered in the commercial register on 29 March 2022. This results in gross issue proceeds of EUR 45,036,288. The proceeds will be used to (partially) repay loans and invest in building a product range for ESG and the related acquisitions.

Appropriation of earnings:

The Executive Board proposes to the Annual General Meeting that the balance sheet profit as of 31.12.2021 amounting to EUR 2,835 thousand (EUR 6,305 thousand of which profit carried forward) should be carried forward in full to the new account.

Munich, 16 March 2022



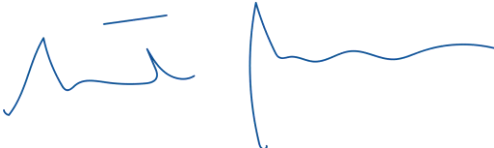
Achim Weick
(Chairman of the Board)



Christian Pflieger
(Executive Board)



Marcus Sultzer
(Executive Board)



André Silvério Marques
(Executive Board)

A. Basic Company Information

Business Model

EQS Group AG is an international **technology provider for compliance and investor relations (RegTech)**. In addition to its head office in Munich, the Group has locations in the world's financial capitals and technology centres in Berlin, Kochi (India) and Belgrade (Serbia).

Our “**Best Digital Solutions**” minimise risks by complying with local regulations, reaching global investors and media, and all relevant audiences.

Our **target** is to develop EQS Group AG into the **leading European cloud provider for global investor relations & corporate compliance solutions by 2025**.

We use the **capital from investors** to offer our customers digital platforms, products and services. Our employees create the necessary innovations and cultivate customer and partner relationships.

EQS Group AG is a full-service digital provider: its **products** and **services** include a global news-wire, mandatory reporting service, investor targeting and contact management, and insider list management. These are bundled in the **EQS COCKPIT cloud-based platform** to optimise investor relations, communications and compliance officers' work processes. In addition, EQS Group AG offers software applications for approval management, whistleblower and case management, directive management and supplier management. Its offer is rounded off by websites, digital reports and webcasts for investor communication.

The **Compliance segment** comprises all products required to **fulfil regulatory obligations**. Due to harmonised legal requirements for all customers, this offering exclusively includes cloud solutions. We further differentiate between Software-as-a-Service (SaaS) customers and filing customers in our sales and offering strategy in the Compliance segment. Our marketing and sales activities are mainly aimed at companies, but also at organisations or public bodies that invest in the area of compliance due to legal regulations or out of conviction.

The **Investor Relations (IR) segment** includes the products in **Finance & Corporate Communication** and is aimed exclusively at listed companies.

We generate extensive SaaS revenue in both segments from the provision of cloud software. In addition to receiving recurring revenue for report conversion and financial information filing, the holding of video and audio webcasts, and ongoing subscription revenue from hosting and maintaining these applications. In the News segment, we receive revenue per news item depending on the distribution network selected. One-time revenue results from the setting up of websites, apps, charts, tools or digital reports.

We use financial and non-financial performance indicators to **measure our corporate success** at Group and company level.

The **most important financial performance indicators** are **revenue (growth) and EBITDA**.

EBITDA is calculated as the total income (revenue, other income and own cost capitalised) minus cost of services, personnel expenses, other expenditure and write-off.

The **most important non-financial performance indicators** are **number of new SaaS customers** and the **new ARR**. The new ARR is defined as the newly acquired recurring annualised order volume.

Other non-financial performance indicators include **customer satisfaction** and **employee satisfaction**. We measure customer satisfaction using the Net Promoter Score, the difference between the customer recommendation rate and the rejection rate, in anonymous online questionnaires. The survey is aimed in particular at Group customers and asks about satisfaction with the services, the new products and customer service. Employee satisfaction is measured using a global survey in which employees rate their satisfaction with the employer on a scale of 1 to 5 in an anonymous online questionnaire. The choice of 1 stands for very dissatisfied and 5 for very satisfied. The survey focuses on measuring employee satisfaction with pay, working hours, internal cooperation, internal communication and development opportunities.

Each performance indicator correlates directly to our ability to deliver returns to our capital providers. Ultimately though, committed employees are crucial for our customer satisfaction and loyalty and the Group's success.

Research and Development

The ongoing further development of existing products and the new development of cloud solutions ensure that the applications meet our customers' current and future requirements and form the basis for our future growth. As in the previous year, **2021** was characterised by our product drive and resulted in continued high product development expenses.

The **EQS COCKPIT**, our centralised, cloud-based platform which is being (further) developed for investor relations and Compliance is at the heart of product development. In the **Investor Relations** segment, both the **further development** of the existing applications CRM, mailing and Investors as well as new applications such as **Roadshow Manager** and **Sentiment Analysis** were driven forward.

The focus in the **Compliance** segment was on the **development of new applications**. In 2021, for example, the **Approval Manager**, an application used to check and digitally manage conflicts of interest were further developed. Our **Policy Manager** which manages policies centrally and in a version-safe manner and which has already been completed in 2021, will, in future, be linked to the **Rulebook**, the policy management solution of the company C2S2 GmbH which was acquired. Likewise, the development of a platform for compliance was started. Completion of the **Compliance COCKPIT** is planned for 2022. This significantly expands the product offering in the Compliance area and adopts the platform approach from the Investor Relations area.

In total, **internally generated intangible assets** in the amount of **€ 2.32 million** were capitalised in the 2021 financial year (previous year: € 1.67 million), of which € 1.78 million in the IR segment and € 544 thousand in Compliance. This represents 43 % of all research and development costs (€ 5.43 million). These also include programming services of the wholly-owned subsidiary EQS Webtechnologies Pvt. Ltd. in India and of EQS Group DOO in Serbia totalling € 627 thousand that were invoiced to EQS Group AG. **Amortisation** of internally generated intangible assets amounted to **€ 835 thousand** in the period under review (previous year: EUR 807 thousand).

B. Economic Report

The Economic and Regulatory Environment

In 2021, the **global economy** has recovered significantly from the setback in 2020 (real global GDP: -3.4 %) caused by the **COVID-19 pandemic**. In terms of real gross domestic product (GDP), an increase of **5.5 %** is expected, according to the World Bank's semi-annual report published in January 2022. But, the pandemic still continues unchanged at the beginning of 2022. It is, in particular, the spread of the Omikron variant that has taken on a whole new dimension. At the same time, the proportion of severe courses seems to be decreasing significantly in many countries and the first indications of a possible switch to an endemic are visible. Acute problems in the supply chains, scarcity of offers, price increases for raw materials and energy as well as inflation concerns remain as possible consequences of the pandemic for 2022, but also for the following years and are of high relevance for economic growth. Likewise, the current war in Ukraine poses a significant risk to the global economy. Another escalation of the crisis within Europe or even on a global level might have serious economic consequences.

Accordingly, the economic situation in **Germany** in 2021 was also characterised by the recovery after the recession years of 2020 (real gross domestic product (GDP): -4.9 %), even though underproportionally compared to the global economy. It is, in particular, the supply chain bottlenecks that are an obstacle to growth for the export-oriented German economy. For 2021, the *Statistisches Bundesamt* [German Federal Statistical Office]² expected an increase of the real GDP in Germany of **2.7 %**. However, the German economy has not yet reached the pre-crisis level again.

Given the global economic recovery from the pandemic, the **increase** of the **stock prices** in 2021 continued globally and in Germany which had begun after the price collapse in March of 2020. Starting from 13,890 points at the beginning of 2021, the German leading index **DAX** rose by **+14 %** to **15,885** points as of **31 December 2021**. The number of **IPOs** and listings in the Prime and General Standard in Germany of 19 also significantly exceeds to the previous year's figure of 7. By contrast, the number of companies listed on the regulated market (Prime or General Standard) continued to fall as a result of delistings and insolvencies. As a result,

¹Worldbank, Global Economic Prospects, Jan. 2022

²https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/01/PD22_020_811.html

there were 8 fewer companies as of 31 December 2018, and therefore only 430 in the regulated market as of 31 December 2020. Companies also withdrew from the Scale and Basic Board over-the-counter segments. As a result, there were only 114 companies listed in these segments as of 31 December 2021 (decline on previous year: -7).

Result of operations

EQS Group AG's result of operations is significantly influenced by the trend of **rising regulations in the area of compliance** for companies and organisations. One important regulation, the **European Whistleblower Directive**, has been in effect since **December 2021**. However, many countries have not yet transposed the Directive to national law, including Germany.

In order to position the EQS Group perfectly AG for this growth market and to achieve the leading market position, we made the strategic decision to also grow inorganically through company acquisitions. As a result, a purchase agreement was already concluded for 100% of the shares in **Got Ethics A/S**, Denmark, also a leading SaaS provider of digital whistleblowing systems, in Q4 of 2020. The share acquisition became effective upon payment of the base purchase price in **January 2021**. A purchase agreement for 100 % of the shares in **Business Keeper GmbH**, Berlin, (International Compliance Software Beteiligungs Group GmbH), a leading provider on the German for digital whistleblowing systems, was also signed in **June 2021**.

Furthermore, an investment agreement and an option agreement on the remaining shares in **C2S2 GmbH**, Bonn, an innovative SaaS provider for policy management, was signed in December 2020. This became effective in January 2021 when the purchase price was paid, the option was exercised in April 2021. The German subsidiary of Got Ethics A/S and C2S2 GmbH were each merged into EQS Group AG in 2021 with retroactive effect from 1 January 2021.

EQS Group AG was able to increase **sales revenues** by **+20%** to **€34.94 million** in financial year **2021** (previous year: €29.02 million) and was therefore significantly above the target range forecast for 2021 (+8% to +12%).

The **Investor Relations segment** benefited from the scheduled migration of existing clients to the new IR COCKPIT, which resulted in growth of **+15%** at the upper end of the **forecast** for 2021 (+5% to +15%).

In the **Compliance segment**, demand for the LEI issuing service was above target. At the same time, there was significant growth impetus from the whistleblowing systems product area and from the new ESEF regulation in the area of filing. In addition, the segment benefited from the merger of the acquired C2S2 GmbH into EQS Group AG. Overall, the **revenue growth** of **+17%** was above the **forecast** for 2021 (**+10%-+15%**). Revenues with affiliated companies increased disproportionately by +66%, due to the strong revenue growth by the subsidiaries, not least as a result of the acquisitions made.

The **total income**, i.e. sales revenues plus capitalised personal contributions, changes in inventories and other operating income, increased by **+19%** to **€37.64 million** (previous year: €31.51 million). In particular, the **capitalised personal contributions** included in this item rose as a consequence of higher development costs to **€2.32 million** (previous year: €1.67 million). The **other operating income** of **€388 thousand** (previous year: €781 thousand) was considerably lower than the previous year. In the 2021 financial year, there was a reversal of an already adjusted loan to EQS Asia Ltd, as a result of a repayment of €239 thousand, which was recognised as other operating income.

Operating expenses, i.e. purchased services, personnel expenses, depreciation and amortisation and other operating expenses, increased disproportionately by **+32%** to **€38.64 million** (previous year: €29.33 million). Decisive factors for the strong increase in expenses in 2021 were high growth in personnel in sales, customer support and IT as well as a significant increase in expenses for legal advice in the course of the company acquisitions as well as marketing and IT expenses.

For example, the largest expense item, **personnel expenses**, increased by **+34%** to **€18.66 million** (previous year: €13.91 million). On average, EQS Group AG employed 235 people during the year (previous year: 205).

Due to an improved product mix, **purchased services** increased disproportionately to revenue by **+13%** to **€8.22 million** (previous year: €7.28 million).

Other operating expenses, on the other hand, rose significantly by **+42%** to **€9.66 million** (previous year: €6.79 million). On the one hand, expenses for IT infrastructure and marketing continued to rise compared to the previous year. On the other hand, expenses for legal advice and by affiliated companies increased significantly in the course of the acquisitions.

The **EBITDA** fell compared in line with expectations by **-69%** year-on-year to **€1.10 million** (previous year: €3.54 million) and was therefore slightly above the target expectation (€0-1 million).

Depreciation on intangible assets and property, plant and equipment increased significantly by **+54%** year-on-year to **€2.10 million** (previous year: €1.36 million) as a result of depreciation on intangible assets by C2S2 GmbH, which was merged in 2021. Amortisation of intangible assets capitalised in the course of the mergers, mainly goodwill, amounted to approximately

€0.7 million (previous year: €0.0 million). The **EBIT** therefore amounted to **-€995 thousand** (previous year: €2.18 million).

The **financial result**, consisting of income from investments and -expenses, results from profit transfer as well as interest income and -expenses, was significantly lower at **-€2.80 million** (previous year: -€903 thousand). The comparatively high expenses are due in particular to **interest expenses** from financial liabilities (€1.67 million) as well as unscheduled **depreciation** on the investment in the German subsidiary **EQS Financial Markets & Media GmbH**, which implements media planning for capital measures. The carrying amount of the investment in the subsidiary EQS Financial Markets & Media GmbH was fully written off by €1.42 million in 2021. The business segment is not in the EQS Group AG's strategic focus and is therefore not actively being pursued further. The **loss before taxes** was corresponding high at **-€3.80 million** (previous year: profit before taxes of €1.27 million). Due to the addition of deferred taxes in the amount of €366 thousand, the **net loss** for the 2021 financial year was **-€3.47 million** (previous year: -€171 thousand).

Net assets and financial position

As a result of the acquisitions of Business Keeper GmbH, Got Ethics A/S and C2S2 GmbH and the associated capital increases, the **balance sheet total** rose by **+235%** to **€163.91 million** as of 31 December 2021 (previous year: €48.92 million). The increase in **financial assets** was correspondingly strong, from €23.03 million to **€134.81 million**.

Intangible assets increased by **+75%** to **€16.25 million** (previous year: €9.27 million) due to the merger of C2S2 GmbH and additional own work capitalised. This includes goodwill of €4.6 million as of 31 December 2021 (previous year: €0.0 million). At **€919 thousand**, **property, plant and equipment** was almost unchanged from the previous year as of the balance sheet date (previous year: €926 thousand).

Compared to the previous year, **trade account receivables** increased as of the reporting date by **+5%** to **€3.33 million** (previous year: €3.18 million). The increase, which is significantly disproportionate to sales, is primarily due to the increasing share of advance payments on annual contracts (deferred income). **Deferred tax assets** from losses carried forward rose as a result of investments to **€1.65 million** (previous year: €790 thousand).

Equity rose significantly to **€74.91 million** as of 31 December 2021 as a result of the capital increases against cash contributions (€35.04 million). As a result of the net loss for the year, **the balance sheet profit** fell to **€2.84 million** (€ 6.31 million). The notes to the financial statements contain information pursuant to Section 160^o(1)^o(2) AktG (German Stock Corporation Act) on the Group's holdings of treasury shares.

Provisions increased by **+17%** to **€1.43 million** (previous year: €1.22 million), while **trade account payables** rose by **+76%** to **€1.28 million** (previous year: €727 thousand). This is related in particular to higher expenses in the areas of IT and marketing and related accounts payable settlements as of 31 December 2021. The granting of a vendor loan by the seller of the Business Keeper Group in the amount of €17 million led to a significant increase in **other liabilities** to **€17.54 million** (previous year: €578 thousand). Deferred income increased by **+38%** to **€3.55 million** as a result of higher customer prepayments (previous year: €2.57 million). **Deferred tax liabilities** increased due to intangible assets to **€3.40 million** (previous year: €2.60 million).

As of the reporting date 31 December 2021, **cash and cash equivalents** amounted to **€4.35 million** (31.12.2020: €10.55 million). **Financial debt from banks** increased significantly in 2021 to **€59.50 million** due to the loans taken out for the purchase of Business Keeper GmbH and Got Ethics A/S (31.12.2020: €4.60 million). Accordingly, there is a **net debt** (cash and cash equivalents less amounts owed to credit institutions and the vendor loan) of **€55.15 million** as of 31 December 2021 (31/12/2020: net liquidity of €5.96 million). The **equity ratio** decreased to **46%** as of the balance sheet date as a result of taking out a new loan to purchase companies (31.12.2020: 72%).

The **refinancing of payment obligations due in the coming 3-15 months** from the bank loans from Commerzbank and from the vendor loan in a total amount of **€ 72 million** will be carried out partly through inflows of funds from a capital increase and partly through a long-term loan.

Due to the low level of **turnover in foreign currencies** (20% to 25%), which are mainly in hard currencies (CHF, GBP, HKD, USD) and partly characterised by mutually opposing developments, **currency hedging transactions are not currently being used**. All loans are also denominated in euros. The Group uses short-term liquidity planning and rolling multi-year liquidity planning to **manage its liquidity**. A hedging was carried out by means of an interest derivative for the bank loan for the acquisition of Got Ethics A/S which is subject to a variable interest rate.

Course of Business – Summary

EQS Group AG's goal is to become the **leading European cloud provider for global investor relations and corporate compliance solutions (RegTech)** by 2025.

EQS Group AG's result of operations is significantly influenced by the trend of **rising regulations in the area of compliance** for companies and organisations. One important regulation, the **European Whistleblower Directive**, has been in effect since **December 2021**. However, many countries have not yet transposed the Directive to national law, including Germany.

In order to position EQS Group AG perfectly for this and to achieve the leading market position, we have decided to also grow inorganically through acquisitions. For instance, two competitors were acquired in 2021, **Got Ethics A/S**, Copenhagen, one of leading providers for whistleblowing systems on the Danish market and **Business Keeper GmbH**, Berlin (International Compliance Software Beteiligungs Group GmbH), one of the leading providers for digital whistleblowing systems on the German market. Furthermore, C2S2 GmbH, Bonn, was acquired which is a SaaS provider in policy management.

From the company's point of view, the focus in the 2021 business year was on gaining as many customers as possible for the whistleblowing systems. **Revenues** increased by **+21%** and were thus in the range of the forecast for 2021 which had been adapted in June. **Operating expenses** developed over-proportionally to the revenue trend and grew by **+32 %**. Decisive factors for the strong increase in 2021 were planned investments in marketing, sales, customer support and IT as well as a significant increase in expenses for legal advice in the course of the acquisitions. The **EBITDA** fell accordingly by **-69%** to **€1.10 million** (€3.54 million) compared to the previous year, but was therefore slightly better than forecast in the previous year's financial statements.

Net debt increased due to the financing of acquisitions to **€59.50 million** and led to a corresponding decline in the **equity ratio** to **46%** as of the balance sheet date (31.12.2020: 72%).

The repayment or **refinancing** of maturing loan liabilities totalling **€ 72 million** is scheduled for the upcoming 3-15 months. Part of the liabilities will be repaid by the funds of the capital increase carried out in March 2022.

C. Report on Forecast, Risk and Opportunities

Forecast Report

In 2021, the **global economy** has recovered significantly from the setback caused by the **COVID-19 pandemic**. However, the pandemic continues unchanged at the beginning of **2022**. It is, in particular, the spread of the Omikron variant that has taken on a whole new dimension. In contrast, the proportion of severe courses seems to be decreasing significantly in many countries and the first signs of a possible change to an endemic are visible. Acute problems in supply chains, scarcity of offers, price increases for raw materials and energy as well as inflation concerns remain highly relevant for economic growth as potential consequences of the pandemic for 2020 and beyond. For **2022**, the World Bank expects **real GDP** growth in the global economy of **4.1 %**. Likewise, the current war in Ukraine poses a significant risk to the global economy. Another escalation of the crisis within Europe or even on a global level might have serious economic consequences. The direct revenue share of our Russian business which might, in the worst case, be completely affected by sanctions, is below 3 % in the Group.

The following forecasts on the business, financial and earnings development of EQS Group in the 2022 financial year are subject to the proviso that the COVID-19 pandemic does not have a strong negative impact on our business and that the war in Ukraine remains restricted in terms of time and region. In the event of an expansion of the war, far-reaching consequences for the business development might arise.

Taking these assumptions into account, we **forecast** a revenue increase of **+15 % to +30 %** to then **€ 35.7 million to € 40.4 million** for the **2022** business year.

We are planning a **revenue increase** of **+20 % to +40 %** for the **Compliance segment** for the 2022 financial year. We expect an implementation of the European Whistleblower Directive in national law in Germany by mid-2022 and the high increase in revenue in the product area of whistleblowing systems associated therewith.

In the **Investor Relations** segment, we expect a lower number of **IPOs** in 2022 than in 2021, due to the high volatility of the stock markets. We therefore expect **revenue growth** of **+5% to +15%**. This increase is due, in particular, to the business expansion with the new IR COCKPIT.

For **2022**, we expect an above-average increase of the **EBITDA** to **€ 3 million to € 6 million** due to the implementation of the European Whistleblower Directive.

With regard to the **new ARR** key figure, which quantifies the contractually newly concluded recurring business volume, we are expecting a volume of **€ 6.0 million to € 9.0 million**.

In the area of **new SaaS customers**, the focus in 2022 is (like in the previous year) on the number of companies and organisations using the EQS Group's **whistleblowing system**. The plan is to win **at least 1,500 customers**.

We are expecting **consistently high staff satisfaction** for 2022 (2021: 4.02 out of 5 achievable levels). We also expect **customer satisfaction** as measured by the Net Promoter Score to remain **stable at a high level** in 2022 (2021: 48).

Risk Report

EQS Group's risk policy is an integral part of the corporate policy. Our goal is to continuously increase the value of the Group while generating appropriate returns over the long term. Since the pursuit of the objective is directly linked to potential risks, the responsible handling of risks constitutes the key principle of our risk policy.

Systematic risk management for the early identification and assessment of risks, as well as the use of appropriate measures to reduce risks, are regarded as an ongoing task of the Executive Board and a management task in every area of the Group. The Group's risk policy also takes into account that the willingness to take risks is a necessary prerequisite for exploiting opportunities.

The following paragraphs relate to potential risks of the Group of companies, where EQS Group AG is the shareholder and therefore would be impacted directly or indirectly in the future.

Business environment risks

EQS Group's long-term development is influenced considerably by **basic economic conditions** on domestic and foreign markets. Economic trends, legal conditions and capital market developments play an important role. The Brexit has not had any negative effects on EQS Group's business to date. Regulation on the financial market in Great Britain is expected to continue to remain comparatively high in general. However, the probability of loss in terms of political-legal risks increases from very low to low as a result of the war in Ukraine. The share of the Russian business in revenue is below 3 % so that potential impacts are limited as to their amount. The risks arising from the global COVID-19 pandemic in relation to the economic development have remained high. At the same time, the pandemic has triggered a boost for digitisation in companies, which has led to higher demand for EQS Group's digital solutions. Overall, the economic risks have increased slightly.

In the area of **legal framework conditions**, the continuous expansion of reporting and compliance obligations (including MAR, MiFID II, ESEF, ARUG II, EU Whistleblower Directive, CSRD) in companies is leading to additional business opportunities for EQS Group. As a result, the potential customer base has also increased to include non-listed companies, organisations and public bodies, as well as the portfolio of services offered by EQS Group. In the course of the European regulatory initiatives, the product portfolio (including the new IR COCKPIT, Insider

Manager, LEI, XBRL, Integrity Line) was further strengthened through the acquisition of Business Keeper GmbH and Got Ethics A/S and the market position in Europe was further strengthened. At the same time, further compliance products are being developed in the form of the Policy Manager, Third Party Manager and Approval Manager software applications. The **expansion of the business** to include compliance is also increasing the proportion of revenue that is not dependent on economic cycles.

The **risk of competition**, in particular through lower prices, is a significant risk. Our range of product packages allows us to defend our prices and provide bundled value added for customers. The acquisition of Business Keeper GmbH and Got Ethics A/S has reduced the risk in the area of whistleblowing. In the future, we see the further expansion of our differentiation from competitors as the key to our success. The risk of EQS Group in the area of **market and industry development** has further decreased compared to the previous year as a result of the increased demand for digital solutions and the improvement in the competitive position.

Group-specific risks

The term group-specific risks includes risks such as growth, product, service, tax and personnel risks. Potential risks arise primarily in the areas of internationalisation, product development and IT security. The analysis of group-specific risk factors during the reporting period resulted in a higher level of risk compared to the previous year. The many **growth activities** within EQS Group are continuously checked using market research, business case calculations and extensive discussions between sales, development and management.

EQS Group AG's **internationalisation strategy** is already well advanced. The operational break-even of a new Company is expected after approximately five years. The continuous expansion of the companies led to a further reduction of losses from the foreign expansion of the last years in 2021 and a significant number of the companies is already operationally profitable. At the same time, further subsidiaries have been added in Denmark, Italy, Austria and Spain in 2021. The further business development in Russia remains to be seen due to the current political development. The war in Ukraine and the associated sanctions for Russia may mean an increased risk for the subsidiary in Russia in the future.

In the Investor Relations field, the expansion of the business relationship with existing customers and in the course of the successful migration of existing customers to the new IR COCKPIT, confirmed our **market position**. At the same time, the revenue is diversified with our customers to a large extent. 95 % of our customers represent an under one percent share of the revenue and one single customer's share of the revenue never exceeds five percent of

the total revenue. By **entering the compliance market** and due to further regulations, products are also being offered to non-listed companies as well as public institutions and organisations. In addition to the Compliance segment, sales partnerships also play an important role in the success story of our business. Prior to the entry into force of the EU Whistleblower Directive, a number of partnerships were concluded in 2021. It is still fraught with uncertainty whether these partnerships can be activated and contribute meaningfully to the success. So, the cooperation partner risk has increased in 2021. The extensive **new development** of products for the **Compliance COCKPIT** result in a continued high risk assessment in the area of product and performance risks. The probability of loss decreases on the other hand as the development focuses are on standardised cloud software instead of project services for individual customers. Overall, there is an increase in company-specific risks due to the expansion of business.

Personnel risks

A **continuing need for skilled workers**, fluctuation and the loss of key employees represent a risk situation in the personnel area. The risk probability with regard to the **loss of employees in key positions** is to be assessed as higher compared to the previous year's level, as the fluctuation has increased as a result of the company acquisitions. At the same time, the dependency on the German employment market is decreasing and therefore so is the group risk due to the continuous development of the technology location in India and also Serbia since 2021. So, **personnel risks** have remained comparably high.

The sales growth and extensive investments in new products, business areas and geographic markets **increase the complexity of management**. More control structures, as e.g., fortnightly strategy meetings, quarterly review meetings with the individual companies and comprehensive cost controlling have gradually been introduced to take the increased complexity into account.

IT risks

There is a consistently higher level of risk in **IT risks** during the period under review. As a technology company, EQS Group AG places great importance on constantly modernising the IT infrastructure to optimise safety, high availability and speed factors and facilitate efficient work processes. This was underpinned by the renewal of the ISO 27001 certification in 2021 and the extensive expansion of the Information Security team. Likewise, EQS Group AG is covered against damages from internal or external cyber-attacks with its global cybersecurity insurance and further increased it in 2021. Nevertheless, the risk is very high in the area of data security and intellectual property rights, following the steady rise in the number of attacks on

IT infrastructures. For this reason, EQS Group AG is constantly working on new security measures and regularly holds internal training sessions in order to raise the awareness for potential attacks and information security among employees.

Financial risks

Financial risks include investment risks, liquidity risks, credit risks as well as non-payment risks, liability risks and exchange rate risks.

The **investment risks** as well as the profitability risk of investments increased as a result of new investments compared to the previous year. Extensive experience in our operating business or other related business areas and software development geared closely to customer needs help us, however, to manage the investment risks though and to keep the probability of loss low. The probability of a **liquidity risk** has increased due to the significant increase in short- and medium-term financial debt. This means that the probability of a credit and/or solvency risk significant increased compared to the previous year.

The repayment or refinancing of maturing loan liabilities totalling € 72 million is scheduled for the upcoming 3-15 months. The funds required for the planned repayment of liabilities in an amount of € 37 million will be taken from the capital increases performed. The subsequent financing of the remaining liabilities should be made by raising a long-term bank loan in the course of the 2022 financial year and is not yet secured at the current time.

Our payment default risk is diversified due to the relatively low turnover per individual customer and the high creditworthiness of listed companies and groups compared to the market. Agreements are also used for advance payment and credit card payments in some areas to minimise the risk. Despite the negative effects on certain sectors as a result of the COVID-19 pandemic, there was no significant deterioration in credit balances here.

The risk potential due to **exchange rate risks** mainly results from the parent company's balance sheet items in relation to subsidiaries (among others, inter-company loans) and from foreign subsidiaries' start-up losses. Exchange rate risks have decreased due to the significant improvement in the foreign companies' operating performance. In addition, the scope of external foreign currency transactions is limited, as bank loans are denominated exclusively in euros. Similarly, the various currency transactions with CHF, GBP, USD, among others, result in limited mutual hedging.

Other risks

In the case of **organisational and management risk**, there was no substantial change compared to the previous year in the points of documentation, control and monitoring risk, and information and communication management.

Overall risk situation

The **overall risk** for **EQS Group** is assessed on the basis of the risk management system. Thanks to the combination of the planning, management and control systems used and the quantification of risk in the form of allocated risk capital and the analysis of risk correlations, a realistic statement can be made about EQS Group AG's overall risk situation and its development.

EQS Group's overall risk as of the reporting date, 31 December 2021, has increased compared to the previous year. On the one hand, risks are as unavoidable as a result of corporate growth, as investments in product development are as part of the overall strategy. On the other hand, the expansion into new markets in particular and product diversification reduces the dependency on the domestic market and gradually ensures the diversification of risks.

The acquisition of Business Keeper GmbH, Got Ethics A/S and C2S2 GmbH, the digitalisation drive and the operational progress of the foreign companies have led to a reduction in the external risk. At the same time, the Group-specific risk has increased. More investments in new markets and products increase growth risks. Advancing digitisation and a focus on IT also increase the risks in the area of IT security. The higher financial risks caused by the financing of the acquisitions have led to a significant increase in liquidity and solvency risk in the short term, but were the prerequisite for giving EQS Group AG a significantly better starting position for the future revenue and profit growth. EQS Group AG is convinced that these investments will create a significant increase in the goodwill for the future. The further development of the Ukraine war or unexpected effects from the COVID-19 pandemic may lead to negative effects on the planned business development of EQS Group AG in the current financial year 2022. The planned business development is also based on the assumption of the implementation of the European Whistleblower Directive into national law in Germany by mid-2022.

The following paragraphs relate to potential risks of the Group of companies, where EQS Group AG is the shareholder and therefore would be impacted directly or indirectly in the future.

Opportunities Report

In addition to risks, the Group's opportunities arising from its strategy are also regularly assessed. We divide them in three categories, opportunities from the development of framework conditions, corporate strategy opportunities and performance opportunities.

Opportunities from the development of framework conditions

This opportunity category describes the potential for value growth based on favourable market developments, adjustments to legislation and changes in the regulatory environment or trends in the industry environment and in customer behaviour.

The following opportunities arise in this area for the current 2022 financial year:

The trend towards further **increasing regulations in the area of compliance and sustainability** for companies and organisations is concretised in the **European Whistleblower Directive which came into effect in December 2021**. Significant revenue growth is possible due to that in the current year.

Corporate strategy opportunities

Corporate strategy opportunities arise from the implementation of overarching Group strategies.

The **expansion of our IR COCKPIT platform** to include further applications such as the Roadshow Manager or Sentiment Analysis offer additional revenue potential in the medium term. A significant increase in recurring revenue of around € 0.5 to € 1.0 million is also expected in 2022, which will continue in subsequent years.

The expansion of the **Compliance COCKPIT** to include additional modules will enable higher average sales per customer in future. Revenue in the double-digit millions range are possible from this over the next few years.

Performance opportunities

Performance opportunities are closely linked to the Group’s business activities. These include efficiency improvements as well as value enhancement potential, where the monetary effect cannot be directly quantified.

These opportunities also include the introduction of a **purchasing software** to optimise purchasing processes and conditions by bundling purchases. Likewise, the controlling software which was introduced to evaluate all available data on business development is also used. It enables detailed analyses and therefore supports corporate management and decision-making.

The linking of various departments’ ERP systems will continue in 2022. The migration of financial accounting to the latest version of the ERP system will enable a close linking of sales and financial accounting in the future and might result in efficiency gains as well as further improve the availability of current data.

Munich, 16 March 2022



Achim Weick
(Chairman of the Board)



Christian Pflieger
(Executive Board)



Marcus Sultzer
(Executive Board)



André Silvério Marques
(Executive Board)

EQS Group AG, Munich
List of shareholdings For the Financial Year from January 1 to December 31, 2021
(Appendix 2 to the notes)

Name and registered office of the company	Currency	Exchange Rate	Share in equity	Date of first investment	Equity in local currency	Result in local currency
		Dec. 31, 2021	%		Dec. 31, 2021	Dec. 31, 2021
Financial Markets & Media GmbH, Munich, Germany*	EUR	-	100.00%	Sep. 24, 2007	412 KEUR	0 KEUR
EQS Blockchain Media GmbH, Munich, Germany	EUR	-	indirect participation via Financial Markets & Media GmbH	Jan. 17, 2019	-2 KEUR	0 KEUR
EquityStory RS LLC., Moskow, Russia	RUB	85.3004	100.00%	Dec. 3, 2008	44,784 KRUB	15,059 KRUB
EQS GROUP AG, Zurich, Switzerland	CHF	1.0331	100.00%	Nov. 9, 2012	-175 kCHF	482 kCHF
EQS Asia Ltd., Hong Kong	HKD	8.8333	100.00%	Dec. 12, 2012	-16,937 HKD	-780 HKD
EQS TodayIR Ltd, Hong Kong	HKD	8.8333	100% indirect participation via EQS Asia Ltd.	Apr. 24, 2014	5,109 HKD	2,171 HKD
EQS Group (Shenzhen) Ltd, Shezhen, China	CNY	7.1947	100% indirect participation via EQS TodayIR Ltd.	Apr. 24, 2014	-5,009 kCNY	-608 kCNY
TodayIR (Taiwan) Holdings Limited , Hong Kong	HKD	8.8333	100% indirect participation via EQS Asia Ltd.	Apr. 24, 2014	-4,406 HKD	427 HKD
EQS Digital IR Pte. Ltd., Singapore	SGD	1.5273	100% indirect participation via EQS Asia Ltd.	Apr. 24, 2014	-1,026 kSGD	41 kSGD
EQS Web Technologies Pvt. Ltd., Cochi, India	INR	84.2292	99.96%	Jun. 19, 2014	103,874 kINR	23,237 kINR
EQS Group Ltd., London, Great Britain	GBP	0.84028	100.00%	Dec. 17, 2015	-1,203 kGBP	34 kGBP
EQS Group Inc., New York, USA	USD	1.1326	100.00%	Dec. 22, 2015	-4,207 kUSD	-710 kUSD
EQS GROUP SAS, Paris, France	EUR	-	100.00%	Jul. 17, 2017	-3,076 KEUR	-744 KEUR
EQS Group A/S, Copenhagen, Denmark	DKK	7.4364	100.00%	Jan. 11, 2021	-3,857 kDKK	-1,166 kDKK
EQS Group S.r.l., Milan, Italy	EUR	-	100.00%	Feb. 23, 2021	-345 KEUR	-355 KEUR
EQS Group doo, Belgrade, Serbia	RSD	11.5821	100.00%	May 10, 2021	2,964 kRSD	1,209 kRSD
EQS Group GmbH, Vienna, Austria	EUR	-	100.00%	Jul. 3, 2021	-37 KEUR	-72 KEUR
ICS International Compliance Software Beteiligungs Group GmbH, Frankfurt/Main, Germany	EUR	-	100.00%	Jul. 14, 2021	23,006 KEUR	-1 KEUR
Business Keeper GmbH (eh. ICS International Compliance Software Beteiligungs GmbH), Berlin, Germany	EUR	-	100% indirect participation via ICS Beteiligungs Group GmbH	Jul. 14, 2021	972 KEUR	-22,019 KEUR
EQS Group Regtech S.L.U. (eh. Business Keeper Espana S.L.U.), Madrid, Spain	EUR	-	100.00%	Jul. 14, 2021	-112 KEUR	-45 KEUR

* Profit and loss transfer agreement

EQS Group AG, Munich
Assets analysis for the Financial Year from January 1 to December 31, 2021
(Appendix 1 to the notes)

	Acquisition and production costs							Accumulated depreciation							Book Values	
	Jan. 1, 2021	Additions due to mergers	Rebooking	Additions	Write-ups	Disposals	Dec. 31, 2021	Balance carried forward	Additions due to mergers	Rebooking	Additions	Disposals	Write-ups	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2020
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets																
1. Internally-created industrial property rights and similar rights and assets	9,910,568.52	479,443.88	0.00	2,437,625.86	0.00	0.00	12,827,638.26	2,042,084.69	335,102.85	0.00	851,161.00	0.00	0.00	3,228,348.54	9,599,289.72	7,868,483.83
2. Concessions, industrial property rights and similar rights and values and similar rights and assets as well as licences to such rights and assets	4,959,179.86	926,600.00	0.00	147,495.00	0.00	0.00	6,033,274.86	3,560,784.00	0.00	0.00	433,978.32	0.00	0.00	3,994,762.32	2,038,512.54	1,398,395.86
3. Goodwill	0.00	5,129,509.81	0.00	0.00	0.00	0.00	5,129,509.81	0.00	0.00	0.00	512,950.59	0.00	0.00	512,950.59	4,616,559.22	0.00
	14,869,748.38	6,535,553.69	0.00	2,585,120.86	0.00	0.00	23,990,422.93	5,602,868.69	335,102.85	0.00	1,798,089.91	0.00	0.00	7,736,061.45	16,254,361.48	9,266,879.69
II. Tangible assets																
property, plant and equipment	3,525,637.28	34,071.14	0.00	274,405.25	0.00	46,945.24	3,787,168.43	2,599,563.88	13,011.14	0.00	301,516.06	0.00	45,994.12	2,868,096.96	919,071.47	926,073.40
III. Financial assets																
1. Shares in affiliated companies	8,639,090.42	0.00	0.00	110,664,743.05	0.00	0.00	119,303,833.47	1,405,141.87	0.00	0.00	1,418,309.00	0.00	0.00	2,823,450.87	116,480,382.60	7,233,948.55
2. Loans to affiliated companies	19,038,549.54	0.00	-294,853.00	5,028,316.82	0.00	2,826,870.09	20,945,143.27	3,793,105.88	0.00	-294,853.00	0.00	238,660.93	0.00	3,259,591.95	17,685,551.32	15,245,443.66
3. Participations	14,976.00	200.00	0.00	0.00	0.00	14,976.00	200.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	200.00	14,976.00
4. Other loans	538,043.59	0.00	0.00	154,554.88	0.00	50,963.85	641,634.62	0.00	0.00	0.00	0.00	0.00	0.00	0.00	641,634.62	538,043.59
	28,230,659.55	200.00	-294,853.00	115,847,614.75	0.00	2,892,809.94	140,890,811.36	5,198,247.75	0.00	-294,853.00	1,418,309.00	238,660.93	0.00	6,083,042.82	134,807,768.54	23,032,411.80
	46,626,045.21	6,569,824.83	-294,853.00	118,707,140.86	0.00	2,939,755.18	168,668,402.72	13,400,680.32	348,113.99	-294,853.00	3,517,914.97	238,660.93	45,994.12	16,687,201.23	151,981,201.49	33,225,364.89

Notice: The official version of the EQS Group AG annual report is in German. The English translation is provided as a convenience to our shareholders. While we strive to provide an accurate and readable version of our report in English, the technical nature of a report often yields awkward phrases and sentences. We understand this can cause confusion. So, please always refer to the German report for the authoritative version.