MANAGEMENT REPORT

(Start of the audited part of the annual report)

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 a second technology centre in India.

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

Our **vision** is to position EQS Group AG as 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 newswire, 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. EQS Group AG also offers software applications for approval management, whistleblowing and case management as well as policy management. Its offer is rounded off by websites, digital reports and webcasts for investor communication.

The **Compliance segment** comprises all products required to **fulfill regulatory obligations**. Due to standardised legal requirements for all customers, only cloud solutions are offered here. We further differentiate between SaaS-customers and Filing-customers in our sales and offer 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 segment (IR)** includes the products in **Finance & Corporate Communication and is aimed exclusively at listed companies**.

We generate extensive Software-as-a-Service (SaaS) revenue from the deployment of cloud software in both segments, in addition to receiving recurring revenue for report conversion and financial information filing, 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-off revenues result 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 (sales revenue, other operating income and capitalised personal contributions) minus cost of purchased materials and services, personnel costs and other operating expenditure.

The **most important non-financial performance indicators** are the **number of new 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, **2020** was characterised by our product drive and resulted in continued high product development expenses, but at a lower level than in 2019. This product drive is at the heart of the "EQS Cloud 2020" investment programme with the aim of developing EQS Group AG into a technology company in the regulatory sector (RegTech).

EQS COCKPIT, our centralised, cloud-based platform is at the heart of product development. While the **Investor Relations** segment focused on the **further development** of the CRM, Mailing and Investors applications launched in 2019, the **Compliance** segment focused on the **development of new applications**. In 2020, we worked both, on **Approval Manager**, an application that checks and digitally manages conflicts of interest, and on **Policy Manager**, an application that manages policies centrally with version compatibility. Completion is planned for 2021. This enables us to significantly expand our product range in the Compliance segment.

In total, **internally generated intangible assets** of **€1.67 million** (previous year: €2.69 million) were capitalised in the 2020 financial year, €961k in the IR segment and €710k in the Compliance segment. This represents 37% of all research and development costs (€4.46 million). **Amortisation** in the period under review amounted to **€873k** (previous year: €616k).

» Our Purpose «

» As pioneers in digitization of corporate workflows our true passion is to make Investor Relations, Communications and Corporate Compliance Officers **BETTER IN CREATING TRUST.** «

B. Economic report

» The economic and regulatory environment «

In 2020, the **global economy** suffered a dramatic setback as a result of the COVID-19 pandemic. In terms of real gross domestic product (**GDP**), a decline of **-4.3%** is expected, according to the World Bank's semi-annual report[1] published in January 2021. This is the largest decline since the Second World War and affects industrialised countries and emerging economies alike. The pandemic has cost millions of lives and plunged millions of people into extreme poverty. At the same time, government debt has increased enormously as a result of economic stimulus packages, which increases the susceptibility to financial crises. Even though significant growth is expected in 2021, the uncertainty of the economic outlook for the following years is high.

The economic situation in **Germany** was also accordingly affected by the COVID-19 pandemic in 2020. It caused an unprecedented collapse in economic activity in the spring of 2020. The service sectors with a great deal of contact were particular affected, with their business operations being considerably restricted or coming to a complete standstill as a result of government-imposed containment measures and voluntary adapted behaviour. With the reduced incidence of infection and the easing of containment measures, the economy rebounded strongly in the third quarter of 2020, driven by catch-up effects and in part a need to make up for lost time in the sectors that had previously nosedived. This recovery was halted again at the end of the year by renewed containment measures. For 2020, a decline in gross domestic product (**GDP**) of **-5.0%** is expected in Germany according to the Federal Statistical Office[2]. This is the biggest slump since the global financial crisis.

As a result of the economic impact of the pandemic, **share prices** fell more sharply globally and in Germany in the spring of 2020 than at any time since the financial crisis. Starting from 13,234 points at the beginning of the year, the leading index fell by **-38%** to as low as **8,256 points in March 2020**. However, contrary to the economic trend, the german blue chip index **DAX** closed the year at **13,719 points, +4%** higher than at the beginning of the year, after an unprecedented rise. The number of **IPOs** and listings in the Prime- and General Standard in Germany was also up with **seven** compared to the previous year's figure of five. By contrast, the number of companies listed on the regulated market (Prime- or General Standard) fell again as a result of delistings and insolvencies. As a result, there were seventeen fewer companies and therefore only 438 in the regulated market as of Dec. 31, 2020. Companies also withdrew from the Scale and Basic Board over-the-counter segments. As a result, there were only 121 companies listed in these segments as of Dec. 31, 2020 (decline on previous year: -6).

[1] https://www.worldbank.org/en/news/press-release

[2] https://www.destatis.de/DE/Presse/Pressemitteilungen/2021/01/PD21_020_811.html

» Results from operations «

With our strategic expansion of the business areas to include compliance and our development into a technology company with revenues from **software-as-a-service (SaaS) products**, we have introduced additional key performance indicators for business development and therefore also in reporting.

The focus here is on the **share of recurring revenues (RR ratio)**, which indicates the quality of revenues and the scaling potential. The decisive factor for the growth dynamic is the contractually **newly** concluded recurring annual business volume **(ARR)** as well as the **number of new and total customers** in the reporting period.

Due to the **sale of our subsidiary ARIVA.DE AG** and the associated deconsolidation of the company as of Jul. 1, 2019 , we are not only reporting the income and expenses of the Group as a whole for the previous year but also the adjusted income and expenses of the continuing operations for ARIVA.DE AG (adjusted income and expenses). This allows for better comparison with the financial year. The profit and loss account shows the income and expenses of the continuing operations (adjusted income and expenses), the divested operations and the Group as a whole.

Revenues for the Group as a whole, i.e. including ARIVA.DE AG in the first half of 2019, increased by +6% in 2020. **Adjusted Group revenues rose** by **+18%** to **€37.64 million** (previous year: €31.87 million) and were therefore within the forecast range for the whole of 2020 (+15% to +20%). We benefited from the scheduled **migration** of existing customers to the new **IR COCKPIT**, a **surge in demand for digital solutions in the Investor Relations** segment due to the COVID-19 pandemic, and growth momentum from the new **ESEF regulation** for compliance services.

New ARR added in 2020 was **€5.32 million**, well above the previous year (€3.80 million) and at the upper end of our expectation (€4.5 to €5.5 million). In terms of **recurring revenues** of **€29.41 million** in the 2020 financial year, **ARR growth** was **+18%**. At **78%**, the share of recurring revenues in total revenues was also at a high level (previous year: 81%).

In terms of the important indicator of **new customers**, we were also able to achieve our targets for 2020 with **301 SaaS customers**, but are at the lower end (300-350). The total number of customers rose to **2,574**. The annualised churn rate increased to 8%. The reasons for this include numerous delistings as well as the introduction of an additional SaaS licensing model for the use of our new IR COCKPIT. The market share with German customers from the regulated market is 85% as of Dec. 31, 2020 (previous year: 90%).

In product development, the focus was on expanding the **Policy Manager** and **Approval Manager** compliance solutions and improving the existing applications in the new **IR COCKPIT**. **Development costs** of **€1.67 million** were capitalised, which is significantly less than in the previous year (€2.69 million). The introduction of new cloud products is associated with an expansion of subscription revenues and a further increase in the share of recurring revenues.

Other operating income for the Group was comparable to the previous year at **€473k** (previous year: €478k). An earn out for the sale of ARIVA.DE AG in 2019 of €246k was recognised as other income in the 2020 financial year. In the previous year there was an earn out reduction for the acquisition of Integrity Line GmbH, Switzerland, in 2018, which resulted in income of €159k.

» Segments «

The grouping of our products into the two segments **Compliance** and **Investor Relations** is in line with our sales markets.

The **Compliance segment** comprises all products required to **fulfill a regulatory obligation**. This includes the **SaaS solutions** for reporting obligations in News (Disclosure), Insider Manager, Integrity Line, Policy Manager and Approval Manager, which are combined on the **COCKPIT cloud platform**. We also provide other cloud services in the form of filings (XML, XBRL) and LEI. Since many of these customers do not necessarily use the COCKPIT, these customers are recognised separately.

The **Investor Relations segment (IR)** includes the products on offer in voluntary **Investor and Corporate Communication**. The **COCKPIT cloud platform** bundles the **SaaS solutions** Newswire, Investors (investor data), CRM and Mailing. Outside of the platform, there are other cloud services such as websites, tools, reports, webcasts, virtual AGM and media.

In the **Compliance segment**, there was a **higher than planned** growth in the area of filing services due to the new **ESEF** regulation as well as stronger than expected demand for the **LEI** issuing service. At the same time, the pandemic led to **longer sales cycles** for the **Compliance COCKPIT** and therefore to weaker than expected growth. We therefore achieved an **adjusted** (for the sale of ARIVA.DE AG) **increase in revenues** of **+12%** to **€19.97 million** (previous year: €17.87 million*) and are in line with the forecast (+5% to +15%) as a result. In the Group as a whole, revenues increased by +4% compared to the previous year.

The number of **SaaS customers** increased by **74** to a total of **1,354 customers** in 2020. New customers were acquired primarily in the German, French, Swiss and UK markets. Although the new customers for compliance solutions are not yet fully reflected in revenue growth, this will increase the revenue carried forward into the next quarters.

In the **Investor Relations** segment, revenues for the Group as a whole increased by +10% and **adjusted segment revenues** by **+26%** to **€17.67 million**, therefore exceeding the set targets (15% to 25%). On the one hand, this is the result of the **scheduled migration** of existing customers to the **new IR COCKPIT** and the associated additional revenues. By the end of 2020, we were able to sign **SaaS contracts** for the new IR COCKPIT with a total of **631 companies**. **Revenues** from the **new software applications** in the IR COCKPIT amounted to **€3.31 million**. On the other hand, there was an unexpected **surge in demand for digital solutions in the area of investor relations**, such as webcasts, due to the pandemic.

The **number of SaaS customers** fell slightly year-on-year by **-18** to **2,154**. For the reasons, please refer to the previous "Results of operations" section.

2020 FY segments	*Compliance*	*YOY*	*Investor Relations*	*YOY*
Revenues from cloud products	€10.70 million	15%*	€7.85 million	48%
Revenues from cloud service	€9.27 million	9%	€9.82 million	13%*
EBITDA	€5.22 million	82%	€-0.46 million	-48%
SaaS customers (formerly "Large Caps")	1,354	6%	2,154	-1%
Filing customers (annual basis)	4,858	2%		

* Adjusted for the sale of ARIVA.DE AG

» Geographical development «

Domestic

The **domestic business** recorded a 1% increase in revenue for the Group as a whole in 2020 and an **adjusted increase** of **+17%** to **€26.95 million**, which was at the **upper end of our expectation**. Strong growth in audio and video webcasts as a result of the COVID-19 pandemic, as well as better than expected new customer business in filing (ESEF) and LEI, resulted in additional revenue. As planned, we recorded a strong increase in revenues with the **new IR COCKPIT** and the associated signing of additional SaaS contracts. **Contracts** had been concluded with **487 customers** by the end of the year.

In 2020, **107 SaaS customers** (excluding individual LEI & filing customers) were **added** in Germany. However, the **number of customers** remained almost unchanged compared to the same period of the previous year at **1,251**. The churn rate is 8%.

Our Mission

We deliver the

BEST DIGITAL SOLUTIONS

- to minimize risks by complying with **local regulations**,
- to reach stakeholders **globally** and
- to **save time** and **money** by managing workflows digitally

International

Our **international business** achieved a **+21% increase in revenue** to **€10.69 million** in 2020 (previous year: €8.82 million) and was therefore slightly above our expectations due to a strong increase in webcast business as a result of the COVID-19 pandemic. **144 contracts** were concluded for the **new IR COCKPIT** abroad by Dec. 31, 2020.

In 2020, our foreign subsidiaries added **194 SaaS customers**. Taking the loss of customers into account, the number of **customers** increased by a further **99** companies to **1,323** on an annualised basis. The annualised churn rate was 8%. All foreign locations were able to increase their revenues, with Asia, France, the UK and the USA recording figures in the high double digits.

As a result of the sale of ARIVA.DE AG in 2019, the **foreign share of revenues** is **28%** in 2020 (previous year: 25%).

2020 FY geographic market	***Domestic***	*YOY*	*International*	*YOY*
Revenue	€26.95 million	17%*	€10.69 million	21%
EBITDA	€3.84 million	26%	€0.92 million	>100%
SaaS customers	1,251	0%	1,323	8%

* Adjusted for the sale of ARIVA.DE AG

» Our principles «

Put the client first (company, result)

Be ambitious and humble

Challenge decisions, but once they're made, commit wholly to them

Have integrity and demand it from others

Confront brutal facts, yet never lose faith

Take responsibility for poor results ("look in the mirror")

Give praise for good results ("look out of the window")

Make mistakes, but learn from them ("fail well")

Support and develop your team members

Lead by example

In dedicating ourselves to the EQS values, we practice 10 work principles for successful collaboration

» Development of expenditure «

Due to the **sale of our subsidiary ARIVA.DE AG** and the associated deconsolidation of the company as of Jul. 1, 2019, we are not only reporting the income and expenses of the Group as a whole for the previous year but also the adjusted income and expenses of the continuing operations for ARIVA.DE AG (adjusted income and expenses). This allows for better comparison with the financial year. The profit and loss account shows the income and expenses of the continuing operations (adjusted income and expenses), the divested operations and the Group as a whole.

The **operating expenses of the Group as a whole** (purchased services, personnel expenses and other operating expenses), decreased by **-3%** to **€35.02 million** (previous year: €35.98 million**) in the 2020 financial year as a result of the deconsolidation of ARIVA.DE.AG on Jul. 1, 2019. **Adjusted** for the expenses of **ARIVA.DE AG** in the previous year, expenditure **increased by +7%**. The disproportionately low increase in expenses compared to adjusted revenue is due to the completion of the new applications for IR COCKPIT and the associated expiry of the "EQS Cloud 2020" investment program. However, in view of the implementation of the European whistleblower directive in 2021, investments in marketing and sales were stepped up from Q4 2020.

The largest expense item for the Group as a whole, **personnel expenses**, decreased by **-7%** to **€20.85 million** in 2020 (previous year: €22.33 million**). On average, the Group employed 371 people worldwide (previous year: 414). **Adjusted*** personnel expenses rose by **+5%** and were therefore **below plan**.

As a result of the completion of the new applications for the new IR COCKPIT, freelancer capacity has been gradually reduced since the second quarter of 2019. At the same time, increased demand for video webcasts as well as the ESEF filing service led to a significant increase in **purchased services** from the second quarter of 2020. In total, these increased by **+19%** year-on-year on an **adjusted** basis and amounted to **€7.26 million** (previous year: €6.13 million*).

Other operating expenses (adjusted) rose only slightly by **+3%** to **€6.91 million** (previous year: €6.68 million*) as a result of COVID-19 related savings, e.g. in travel expenses. Marketing and sales expenses have been increased in view of the upcoming implementation of the European whistleblower directive from the fourth quarter of 2020, which will also continue in 2021.

EBITDA jumped to **€4.76 million** (previous year: €2.55 million**; adjusted : €2.30 million*) with the use of the **operating leverage**. As a result, the target range of the EBITDA forecast for 2020 (€4.0 million to €5.0 million) was achieved.

Depreciation (adjusted) dropped by **-11%** to **€4.60 million** (previous year: €5.16 million*). This includes an **impairment of goodwill** for the German subsidiary **EQS Financial Markets & Media GmbH** (€645k). The expected stabilisation of advertising customers' media budgets failed to materialise here. As a result, the goodwill was depreciated down to €1.01 million. The completion of the new IR COCKPIT and the associated first-time amortisation is associated with an increase in amortisation of internally generated intangible assets. Capitalised personal contributions of €873k were amortised in 2020. Other depreciations were made on rights of use (IFRS 16) in the amount €1.78 million and on acquired customer bases and purchased software of €837k. All the customer bases acquired were depreciated as planned.

EBIT amounted to **€163k**, a significant year-on-year improvement (previous year: €-3.18 million**).

Negative exchange rate effects with simultaneous consideration of the net interest expense (€190k), of which €115k led to an expense of **€-396k** in the **financial result** due to IFRS 16, while earnings of €2.09 million**, which resulted largely from the sale of ARIVA.DE AG, were recorded in the previous year. The group earnings before taxes were accordingly €-233k (previous year: €-1.08 million**).

Deferred tax liabilities resulted in a disproportionate tax expense of €-599k (previous year: €-610k**). A **net loss** of **€-832k** was recognised in the consolidated result in 2020 (previous year: €-1.69 million**).

* Adjusted for the sale of ARIVA.DE AG

** Previous year figures adjusted. We refer to bullet point 2 "Significant accounting and valuation methods" (2.4 Amendments to the previous year's figures) in the notes to the consolidated financial statements

» Development of net assets and financial position «

As a result of a capital increase in December 2020, the **balance sheet total** increased by **+13%** to **€56.53 million** as of Dec. 31, 2020 (previous year: €49.93 million).

As a result of the regular depreciation of **property, plant and equipment** in accordance with IFRS 16 (€1.78 million), the item was reduced to **€7.22 million** as of the balance sheet date (previous year: €8.84 million).

Compared to the end of the previous year, **intangible assets** decreased from €32.01 million to **€31.02 million** due to the unscheduled depreciation of the goodwill of EQS Financial Markets & Media GmbH (€645k). Intangible assets include acquired customer bases with a carrying amount of €5.96 million as of Dec. 31, 2020, which are amortised on a straight-line basis over a total term of 15 years, as well as purchased software (Integrity Line) and internally developed software in the amount of €8.16 million.

Compared to the previous year, **trade receivables** increased disproportionately low compared to revenues by **+4%** to **€3.92 million** (previous year: €3.77 million). This is due to an increase in customer prepayments. Similarly, there was no significant economic impact on incoming payments due to the COVID-19 pandemic. **Other assets** of **€1.37 million** (previous year: €1.02 million) increased as a result of higher advance invoice payments, among other things.

Equity increased by **+31%** to **€32.94 million** (previous year: €25.18 million**) as a result of the capital increase against cash contributions as at Dec. 31, 2020. As a result of the net loss, **the balance sheet profit** fell to **€4.71 million** (previous year: €5.61 million**). The **equity ratio** improved to **58%** as of the balance sheet date (previous year: 50%**).

Provisions increased significantly by **+67%** to **€3.04 million** (previous year: €1.82 million**), including provisions for outstanding invoices €922k. **Trade payables** decreased accordingly by **-11%** to **€1.65 million** (previous year: €1.85 million). Higher customer prepayments (+33%) led to an increase in **other liabilities** of **+23%** to **€5.30 million** (previous year: €4.31 million**).

The pro rata repayment of loans in 2020 and the repayment of a shareholder loan (€1.25 million) led to a significant reduction in debt. As a result of the capital increase, there are **cash and cash items** of **€12.07 million** as of the reporting date (previous year: €1.18 million). Accordingly, there is a **net liquidity** (cash and cash equivalents less financial liabilities) of **€1.16 million** as of Dec. 31, 2020. **Adjusted for liabilities from leasing of €6.12 million**, the **net liquidity** was **€7.28 million** (previous year: net debt of €5.76 million). Deferred tax liabilities also increased significantly to **€2.52 million** (previous year: €2.08 million**), due to the capitalised personal contributions.

Due to the low level of revenues in foreign currencies (20% to 30%), 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. The Group uses short-term liquidity planning and rolling multi-year liquidity planning to **manage its liquidity**. In addition, the subsidiaries plan their liquidity in coordination with the parent company.

** Previous year figures adjusted. We refer to bullet point 2 "Significant accounting and valuation methods" (2.4 Amendments to the previous year's figures) in the notes to the consolidated financial statements

» Staff «

As a result of the global expansion of the marketing and sales organisation, the number of permanent **staff** increased significantly to **414** as of the balance sheet date (previous year: 353). In Germany, the number of employees rose to 238 (+40). The global sales locations were also strengthened. The technology site in Kochi was further expanded to 92 employees (+6). On average, EQS Group AG employed 371 people in 2020.

	Development	*Marketing / Sales*	*Data Services*	*Management/ Administration*	*Design/ Content*	*Newsroom/ ERS-System*	*Total*
Dec. 31, 2020	179	81	52	57	36	9	**414**
Dec. 31, 2019	167	58	41	39	42	6	**353**

» Business performance – 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.

2020 was a **successful** and **eventful** financial year for the EQS Group on this path. From the Group's point of view, the focus was on the **migration** of our existing customers to the new **IR COCKPIT**. This was carried out successfully. At the same time, 2020 was heavily impacted by the **COVID-19 pandemic**. While our digital products experienced a surge in demand, new customer acquisition in the Corporate Compliance segment was slower as many companies postponed the introduction of new software as a result of the pandemic. **Revenues** increased by +6% for the Group as a whole and by **+18%** when **adjusted** for the sale of ARIVA.DE AG, and were therefore at the upper end of expectations. The **operating expenses for the Group as a whole** developed at a **lower rate** than revenues at -3% and adjusted +7%, although investments in marketing and sales were increased significantly from Q4 2020 onwards.

At **€4.76 million, EBITDA** was at the upper end of expectations.

In the fourth quarter of 2020, EQS Group AG signed a purchase agreement for 100% of the shares in **Got Ethics A/S, Denmark**, a leading SaaS provider of digital whistleblowing systems. This **acquisition** was made with a view to the EU's whistleblower directive being implemented in December 2021. The share purchase became **effective** upon payment of the base purchase price in **January 2021** and will be consolidated in 2021. Likewise, a contract for the investment into C2S2 GmbH (23%), Bonn, an innovative SaaS provider for policy management, was signed in December 2020. This became effective in January 2021 by paying the purchase price.

C. Report on forecast, opportunities and risks

» Outlook 2021 «

New SaaS Customers
1500 - 2000

Revenue Growth
20% - 30%*

New ARR
€6 mln.

EBITDA
€1.0 - €2.0 mln.

Net Promoter Score
Stable

Employee Satisfaction
Constant Level

**Incl. consolidation of Got Ethics A/S*

» Forecast report «

The **spread of the novel coronavirus** developed very dynamically and worldwide starting from China in January 2020 and **has not yet been stopped** despite the development of several vaccines and the commencement of them being administered from December 2020. **An end to the pandemic is currently not foreseeable** in light of the dynamics of the spread, new virus variants and a still low proportion of vaccinated people in the population.

For the **German economy**, the Bundesbank[3] is expecting a significant increase in German gross domestic product (**GDP**) of **+3%** again in **2021**, following the pandemic-related economic slump in the previous. However, this would leave the German economy behind the pre-crisis level.

EQS Group AG is still not feeling any significant negative effects from the pandemic on its business development. However, it is possible that these will come at a later point in time.

Assuming that the COVID-19 pandemic continues to have no significant impact on EQS Group AG's business, the **Executive Board** is **planning** for an **increase in revenues** of **+20%** to **+30%** to then **€45 million** to **€49 million** in the **2021** financial year.

We are forecasting a **revenue increase** of **+30%** to **+40%** for the Compliance segment for the 2021 financial year. In this context, we are expecting higher revenue increases in the second half of the year from the compliance software modules, in particular from the Integrity Line whistleblower system as a result of the European whistleblower directive being implemented in December 2021.

In the **Investor Relations** segment, we are expecting **10 to 15 IPOs** in 2021 as a result of the recovery of the equity markets. We are also not assuming a notable number of delistings at the moment.

We therefore expect **revenue growth** of **+8%** to **+18%**. This increase is due in particular to the new IR COCKPIT.

For **EBITDA**, we are expecting a temporary decline to **€1 million to €2 million** in **2021** due to extensive investments in marketing and sales in the context of the European whistleblower directive being implemented.

With regard to the **new ARR** key figure, which quantifies the contractually newly concluded recurring business volume, we are expecting a volume of at least **€6 million**.

In the area of **new SaaS customers**, the focus in 2021 will be on the number of companies and organisations using the EQS Group's whistleblower system. The goal is to acquire **1,500 to 2,000** new SaaS customers.

We are expecting **consistently high staff satisfaction** for 2021 (2020: 4.22 out of 5 achievable levels). We are also expecting **customer satisfaction** as measured by the Net Promoter Score to remain **stable at a high level** in 2021 (2020: 40).

[3] https://www.bundesbank.de/de/presse/pressenotizen/bundesbank-projektionen-deutsche-wirtschaft-von-coronavirus-pandemie-gepraegt-853684

» Risk report «

EQS Group AG'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, is 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.

Business environment risks

EQS Group AG'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. Brexit has not had any negative effects on EQS Group AG's business to date. Regulation on the financial market in Great Britain is expected to continue to remain comparatively high in general. Due to stabilisation in political and legal development in Russia and Asia, it was possible to downgrade this probability to very low. In contrast, the global COVID-19 pandemic has increased the risks to economic development. At the same time, the pandemic has provided a boost for digitisation in companies, which has led to higher demand for EQS Group AG's digital solutions.

In the area of **legal framework conditions**, the continuous expansion of reporting and compliance obligations (including MAR, MiFID II, ESEF, ARUG II, the EU whistleblower directive) in companies is leading to additional business opportunities for EQS Group AG. 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 AG. In the course of the European regulatory initiatives, the product portfolio (including the new COCKPIT, Insider Manager, LEI, XBRL, Integrity Line) was significantly expanded and the leading position in the D-A-CH region was also consolidated through the acquisition of Got Ethics A/S. At the same time, further compliance products are being developed in the form of the Policy 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 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 probability of loss for EQS Group AG in the area of **market and industry development** is therefore to be assessed as very low. Overall, the environment risks have decreased compared to the previous year as a result of the increased demand for digital solutions and the improvement of the competitive position through the acquisition of Got Ethics A/S.

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 AG are continuously checked using market research, business case calculations and extensive discussion between sales, development and management.

EQS Group AG's **internationalisation strategy** is already well advanced. The operational break-even of a new site is expected after approximately five years. Due to the continuous expansion of the locations, the losses from foreign expansion in 2020 have been significantly reduced. Nevertheless, in the course of developing the compliance market, further locations in Europe are planned or have been added as a result of the acquisition.

In the Investor Relations segment, the expansion of business relationships with existing clients as well as the significant acquisition of new clients due to the entry into force of the Market Abuse Regulation (07/2016) confirms our **market position**. At the same time, the turnover is diversified with our customers to a large extent. 95% of our customers represent an under one percent share of the turnover and one single customer's share of the turnover never exceeds five percent of the total turnover.

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. The extensive **new development** of products for the **Compliance COCKPIT** leads to 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.

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 key personnel is to be assessed as lower compared to the previous year's level, as both fluctuation has fallen and employee satisfaction has risen. 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. **Personnel risks** have therefore fallen slightly.

The revenue growth and extensive investments in new products, business areas and geographic markets **increase** the **complexity of management**. More control structures, for example, 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. Overall, there is a structural increase in Group-specific risks and the associated loss amount as a result of the Group's growth. As a result of the sale of the subsidiary ARIVA.DE AG as well as the continued diversification of the business and the expansion of the monitoring and reporting structures, a slight reduction in Group-specific risks was nevertheless achieved.

The result is a higher level of **risk in IT** during the period under review. As a technology company, we place great importance on constantly modernising our IT infrastructure to optimise safety, high availability and speed factors and facilitate efficient work processes. This was underpinned by the renewal of ISO 27001 certification in 2020. Likewise, we are covered by our global cybersecurity insurance against damages from internal or external cyberattacks (coverage amount: €5 million).

Nevertheless, the risk has increased, particularly 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 protect our systems even more effectively against external attacks.

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 manage the investment risks though and to keep the probability of loss low. The probability of a **liquidity risk** has decreased due to the increase in equity reserves despite a simultaneous increase in financial liabilities. This means that the probability of a credit and/or solvency risk has decreased compared to the previous year.

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 or 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.

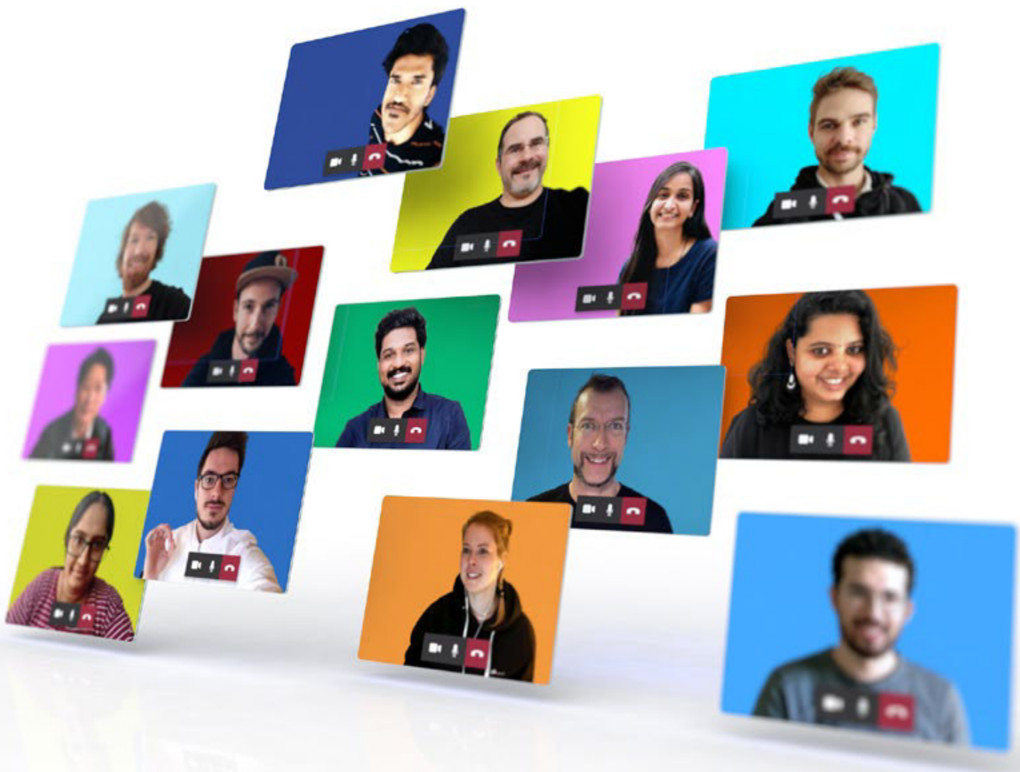
Overall risk situation

The **overall risk** for **EQS Group AG** 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 AG's overall risk as of the reporting date, Dec. 31, 2020, has increased slightly compared to the previous year. On the one hand, risks are unavoidable as a result of corporate growth and investments in product development 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 Got Ethics A/S, the surge in digitalisation 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 increases the risks in the area of IT security. The reduction in financial risks as a result of the capital increase has not only led to an increase in the operational scope but also to a reduction in solvency risk.

At this current time, there are also no known risks that individually or in combination with other risks might lead to the permanent impairment of our assets, financial and earnings situation.



» Opportunities report «

In addition to risks, the Group's opportunities arising from its strategy are also regularly assessed. We divide these into the 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 financial year:

The trend towards further **increasing regulations in the area of compliance** for companies and organisations is concretised in the **European whistleblower directive** being implemented in **December 2021**. Revenue in the low double-digit millions range are possible from this over the next few years.

The potential for opportunities among **listed companies** also remains high compared with the previous year. The additional revenue resulting from ESEF (XML, XBRL) is €0.5 million to €1 million for 2021.

Corporate strategy opportunities

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

The **expansion of our IR COCKPIT platform** to include more applications offers high potential for additional revenue in the medium term. A significant increase in recurring revenues of around €1.5 million is also expected in 2021, which will continue in subsequent years.

The expansion of the **Compliance COCKPIT** to include additional modules will enable higher average revenue 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 **controlling software** to evaluate all existing data on business development, which took place in 2020. It enables detailed analyses and therefore supports corporate management and decision-making.

The linking of various departments' ERP systems will continue in 2021. The dovetailing of sales and financial accounting in particular should lead to efficiency gains in 2021 and also further improve the availability of daily updated data.

Munich, March 25, 2021

Achim Weick
(Chairman of the Board)

Christian Pfleger
(Executive Board)

André Silvério Marques
(Executive Board)

Marcus Sultzer
(Executive Board)