Annual report for EQS Group AG, Munich

Financial year 2020

EQS Group AG, Munich
Balance sheet as of December 31, 2020

Assets

		Dec. 31, 2020 EUR	Previous year EUR
A.	**Fixed Assets**		
I.	**Intangible assets**		
1.	Internally-created industrial property rights and similar rights and assets	7.868.483,83	7.003.614,27
2.	Concessions, industrial property rights and similar rights and values and similar rights and assets as well as licences to such rights and assets	1.398.395,86	1.649.165,27
		9.266.879,69	8.652.779,54
II.	**Tangible assets**		
	property, plant and equipment	926.073,40	1.005.144,62
III.	**Financial assets**		
1.	Shares in affiliated companies	7.233.948,55	7.769.380,55
2.	Loans to affiliated companies	15.245.443,66	14.747.126,28
3.	Participations	14.976,00	0,00
4.	Other loans	538.043,59	2.239.605,24
		23.032.411,80	24.756.112,07
B.	**Current assets**		
I.	**Inventories**		
	Work in Progress	69.393,14	28.446,20
II.	**Receivables and other assets**		
1.	Receivables from deliveries and services	3.175.541,93	3.078.059,12
2.	Receivables from affiliated companies	536.308,63	576.168,13
3.	Other assets	75.011,88	139.762,95
		3.786.862,44	3.793.990,20
III.	**Cash in hand, bank balances**	10.554.780,87	29.477,99
C.	**Prepaid expenses**	498.083,80	348.893,10
D.	**Deferred tax assets**	790.277,68	1.952.679,76
		48.924.762,82	40.567.523,48

Liabilities

		Dec. 31, 2020 EUR	Previous year EUR
A.	**Equity**		
I.	**Issued capital**	7.524.890,00	1.434.978,00
	(Conditional capital)	(3.587.445,00)	(594.990,00)
	Less calculated value of own shares	-7.361,00	-1.850,00
		7.517.529,00	1.433.128,00
II.	**Capital reserve**	21.218.017,34	18.272.252,50
III.	**Retained earnings**	6.305.345,77	6.476.644,13
		35.040.892,11	26.182.024,63
B.	**Provisions**		
	Other provisions	1.219.550,08	560.648,66
		1.219.550,08	560.648,66
C.	**Liabilities**		
1.	Liabilities to credit institutions	4.595.343,13	5.632.644,05
2.	Advance payments received on orders	111.391,00	42.093,00
3.	Liabilities from deliveries and services	727.415,05	1.054.139,26
4.	Liabilities from affiliated companies	1.485.404,23	1.165.668,10
5.	Other liabilities	577.934,69	1.896.009,94
		7.497.488,10	9.790.554,35
D.	**Deferred income**	2.569.224,61	1.711.777,44
E.	**Deferred tax liabilities**	2.597.607,92	2.322.518,40
		48.924.762,82	40.567.523,48

EQS Group AG, Munich

Profit and Loss Account for the Financial Year from January 1 to December 31, 2020

			FY 2020	Previous year
		EUR	EUR	EUR
1.	Revenues		29.016.068,84	25.357.628,93
2.	Change in inventories of work in progress		40.946,94	-32.629,97
3.	Other capitalised personal contributions		1.671.467,61	2.577.309,28
4.	Other operating income		780.924,49	2.606.377,84
	- thereof from currency translation EUR 21,259.01 (Previous year: EUR 504,234.19)			
			31.509.407,88	30.508.686,08
5.	Purchased services		-7.276.493,94	-6.218.328,15
6.	Personnel expenses			
a)	Wages and salaries	-11.960.918,04		-11.300.852,91
b)	Social security and pension costs	-1.945.696,03		-1.894.795,40
	- thereof for pensions EUR -140,045.84 (Previous year: EUR -132,667.51)			
			-13.906.614,07	-13.195.648,31
7.	Depreciation & amortisation		-1.361.668,90	-1.053.783,46
8.	Other expenses		-6.788.108,13	-6.925.445,65
	- thereof from currency translation EUR -31,956.66 (Previous year: EUR -582,616.27)			
	Operating result (EBIT)		2.176.522,84	3.115.480,51
9.	Income from investments		126.315,79	0,00
10.	Income from loans of financial assets		209.503,18	178.782,12
	- thereof from affiliated companies EUR 200,219.57 (Previous year: EUR 172,954.64)			
11.	Other interest and similar income		95.056,77	52.271,38
	- thereof from discounting EUR 511.25 (Previous year: EUR 0.00)			
12.	Expenses from loss transfer		-534.813,70	-157.467,60
13.	Depreciation on financial assets and marketable securities		-617.000,00	-4.433.776,73
14.	Interest and similar expenses		-182.056,48	-586.523,28
	- of which from compounding EUR -2,345.94 (Previous year: EUR -1,889.14)			
	- of which to affiliated companies EUR -1,732.45 (Previous year: EUR -4,250.56)			
			1.273.528,40	-1.831.233,60
15.	Taxes on income and earnings		-1.444.828,21	-78.645,97
	- of which expenses from deferred taxes EUR -1,437,491.60 (Previous year: EUR -76,883.48)			
16.	**Result after Taxes**		-171.299,81	-1.909.879,57
17.	Other taxes		1,45	-8.056,02
18.	**Net loss for the year**		-171.298,36	-1.917.935,59
19.	Profit carried forward from the previous year		6.476.644,13	8.394.579,72
20.	**Balance sheet profit**		6.305.345,77	6.476.644,13

Notes to the Financial Statements for EQS Group AG, Munich, for the 2020 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 Munich Local Court under the registration number HRB 131048.

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 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. Correction of errors in current account

The previous year's financial statements contained an accounting error in the area of other loans with a negative effect on 2019 results of €358,026. The correction of this error was made in the 2020 financial statements with an effect on profit or loss. The correction led to an increase in the "Other loans" item. The positive effect on results in 2020 was recorded under the "Other operating income" item.

Furthermore, the previous year's financial statements contained an accounting error in the area of deferred tax assets of €920,059.60. This correction was made in the 2020 financial statements with an effect on profit or loss. The correction led to a reduction in the "Deferred tax assets" item. The negative effect on results in 2020 was recorded under the "Taxes on income" item.

IV. Accounting and valuation methods and foreign currency conversion

The option to capitalise **internally generated intangible fixed assets** in accordance with Section°248°(2) of the HGB was exercised. They were recognised at production cost less scheduled straight-line depreciation. 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.

Intangible assets acquired against payment are capitalised at the time of transfer of economic or legal ownership at acquisition cost in accordance with Section°255°(1) of the HGB and amortised on a scheduled basis over their expected useful life. The normal useful life is between 3 and 15 years.

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. In the event of an impairment that is expected to be permanent, scheduled depreciation is applied. Low-value assets with an acquisition value of up to €800.00 were amortised in full in the year of acquisition.

Financial assets are recognised at cost plus incidental acquisition costs at the time of transfer of economic or legal ownership; unscheduled depreciations are charged in accordance with Section°253°(3)°(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 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 identifiable risks and uncertain obligations 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 2 to the Notes. With regard to the list of shareholdings pursuant to Section°285°(11) of the HGB, we refer to Annex 1 to the Notes.

Intangible assets include internally generated intangible assets of €7,868k (previous year: €7,004k), a customer base of €1,305k (previous year: €1,485k), which will be amortised over 15 years.

Research and development costs for the 2020 financial year amount to €4,416k. €1,671k of this amount are recognised as internally generated intangible assets.

Financial assets include acquisition costs already paid totalling €97k for the purchase of 100% of the shares in Got Ethics A/S, Copenhagen and 23% of the shares in C2S2 GmbH, Bonn. Both agreements were signed in 2020 with legal transfer of shares in the financial year 2021.

For the loan to EQS Asia Limited, Hong Kong, **included in loans to affiliated companies**, which was written off in full in 2019 (€3,646k), a reversal of the impairment loss in the amount of the repayment amount of €104k was made in 2020, as a permanent recovery can be assumed here.

For the **investment** in the subsidiary EQS Financial Markets & Media GmbH, Munich, an unscheduled depreciation of €617k (previous year: €788k) to €1,418k (previous year: €2,035k) was recognised in the reporting year.

As part of the sale of shares in the former subsidiary ARIVA.DE AG on 1 July 2019, the buyer was granted a total of €2,000k of the total purchase price deferred until 31 December 2021 and 31 December 2022. The loan receivable of €2,000k was recognised under **other loans** and was repaid in full ahead of schedule on 4 August 2020.

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 €15k (previous year: €61k) are recognised in other assets. These are input tax amounts that are deductible in the following year.

Receivables from affiliated companies include trade receivables of €531k (previous year: €557k) as well as other assets of €5k (previous year: €19k).

Deferred tax assets were determined on losses carried forward of €712k (previous year: €1,888k) and on foreign currency differences of €78k (previous year: €65k).
They developed as follows as of the balance sheet date:

As of 01.01.2020	€1,953k
Change 2020	€1,163k
As of 31.12.2020	€790k

Due to an accounting error in the area of deferred tax assets in the previous year's financial statements, a corresponding adjustment was made under commercial law in the current account for the 2020 financial year. The error in the previous year had a positive effect on earnings of €623k in 2018 and €297k in 2019. The deferred tax expense for the 2020 financial year is accordingly inflated by around €920k. In this respect, there is an expense unrelated to the accounting period in accordance with Section 285°(32) of the HGB.

The Group's **subscribed capital** amounts to €7,524,890.00 (previous year: €1,434,978.00) and is fully paid up. It is divided into 7,524,890 (previous year: (1,434,978) no-par value registered shares. As of the balance sheet date, the Group held 7,361 treasury shares, which were openly deducted from the subscribed capital.

By resolution of the Annual General Meeting on 17 July 2020, the Group's share capital of €1,434,978.00 was increased by €5,739,912.00 to €7,174,890.00, without the issue of new shares, in accordance with the provisions of the German Stock Corporation Act on capital increases from Group funds (Sections 207 et seq. of the German Stock Corporation Act), by converting a partial amount of €5,739,912.00 of the capital reserves reported in the Group's balance sheet as at 31 December 2019 into share capital. As a result, each share accounted for €5.00 of the share capital when the capital increase took effect.

After entry of the capital increase resolution in the Commercial Register, the Group's share capital of €7,174,890.00, divided into 1,434,978 no-par value shares, was re-divided by means of a 1:5 share split. One no-par value share with a pro rata amount of the Group's share capital of €5.00 shall be replaced by five no-par value shares with a pro rata amount of the share capital of €1.00 per individual no-par value share. The share capital is therefore divided into 7,174,890 no-par value shares at €1.00 each. The capital increase was entered in the commercial register on 03.09.2020.

The following resolutions were also passed by the Annual General Meeting held on 17.07.2020:

- Cancellation of the previous Authorised Capital 2018/I
- Creation of a new Authorised Capital 2020/I
- Amendment to § 3 – Share register
- Amendment to § 4 – Share Capital, Authorised Capital
- Amendment to § 9 – Composition of the Supervisory Board
- Amendment to § 11 – Supervisory Board meetings

- Amendment of § 19 – Annual General Meeting Chair
- Amendment to § 20 – Adoption of resolutions
- Amendment to § 22 – Annual financial statements

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 €3,587,445.00 until 16 July 2025 against cash and/or non-cash contributions (Authorised Capital 2020/I). The Contingent Capital 2018/I now amounts to €3,587,445.00.

Based on this resolution, the share capital was increased by €350,000.00 to €7,524,890.00 and the Articles of Association were amended in Section 4 (Share Capital, Authorised Capital) by resolution of the Supervisory Board on 4 December 2020. This was entered in the commercial register on 11 December 2020.

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 17 May 2023 in accordance with the authorisation granted by the Annual General Meeting on 18 May 2018. 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 the convertible bonds with a conversion obligation fulfil their conversion obligation and to the extent that treasury shares are not made available to service 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.

In January 2020, 1,595 treasury shares were sold at a price of €67.00 as part of the employee stock option plan. In June 2020, the remaining 255 treasury shares (€255.00 of the original share capital of €1,434,978.00 = 0.01%) were sold at the then market price of between €99.00 to €92.00.

In December 2020, 7,361 treasury shares (€7,361 of the share capital of €7,524,890.00 = 0.098%) were again purchased at a price of €25.78 to €27.47 for the employee stock option plan (2019 tranche). These will be granted to employees as part of the bonus plan in January 2021 The inventory of treasury shares of stock as of the balance sheet date is 7,361. 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	€18,272k
Capital increase from own funds	€-5,740k
Premium from the issue of new shares	€8,750k
Allocation from "My EQS Share Plan" employee stock option plan	€102k
Premium from the purchase and sale of treasury shares	€-166k
As of 31.12.2020	€21,218k

The **balance sheet profit** includes a profit carried forward of €6,477k (previous year: €8,395k). In the past financial year, a resolution was passed at the Annual General Meeting on 17 December 2009. No dividend distribution to shareholders will be made until July 2020. €6,477k 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 2020, amount to €6,061k, taking into account the deferred tax liabilities recognised on the gross amounts, of which €5,270k are attributable to internally generated intangible assets less deferred tax liabilities recognised thereon and €790k to deferred tax assets.

The **other provisions** are as follows:

	As of 01/01/2020 kEUR	Usage 2020 kEUR	Dissolution 2020 kEUR	Allocation 2020 kEUR	As of 31/12/2020 kEUR
Bonuses and emoluments	60	-60	0	98	98
Employer's Liability Insurance Association/Compensatory levy	65	-64	-1	69	69
Provision for contingent losses	0	0	0	15	15
Obligation to dismantle rented premises	67	0	0	17	84
Financial statement and audit costs	121	-120	-1	110	110
Outstanding invoices	183	-169	-11	799	802
Retention of business documents	14	0	0	0	14
Outstanding holiday	51	-44	0	21	28
	561	-457	-13	1,129	1,220

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

Nature of the liability		Total amount kEUR	of which remaining term Up to 1 year kEUR	Over 1 year kEUR	Over 5 years kEUR
Amounts owed to credit institutions		4,595	1,445	3,150	0
	Previous year	*5,633*	*4,103*	*1,530*	*0*
Advance payments received on orders		111	111	0	0
	Previous year	*42*	*42*	*0*	*0*
Trade payables		727	727	0	0
	Previous year	*1,054*	*1,054*	*0*	*0*
Amounts owed to affiliated companies		1,486	1,486	0	0
	Previous year	*1,166*	*1,166*	*0*	*0*
Other liabilities		578	578	0	0
	Previous year	*1,896*	*1,896*	*0*	*0*
– of which from taxes		518	518	0	0
	Previous year	*551*	*551*	*0*	*0*
– of which social security		0	0	0	0
	Previous year	*0*	*0*	*0*	*0*
		7,497	4,347	3,150	0
	Previous year	*9,791*	*8,261*	*1,530*	*0*

Liabilities to affiliated companies include €1,067k (previous year €1,025k) of trade payables and €418k (previous year €140k) of other liabilities.

Deferred tax liabilities of €2,598k (previous year €2,323k) were calculated from the difference between the capitalisation of internally generated intangible fixed assets.

They developed as follows as of the balance sheet date:

As of 01.01.2020	€2,323k
Change 2020	€275k
As of 31.12.2020	€2,598k

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 %.

VI. Notes to the profit and loss account

Other cost capitalised:

The total amount of research and development costs in the financial year was €4,416k. Of this amount, €1,671k are recognised as capitalized cost.

Other operating income:

Other operating income includes, among other things, subsequent income of €246k (previous year: €2,035k) from the sale of the investment in ARIVA.DE AG, €104k from the reversal of impairment losses for the repayment of the loan to EQS Asia Limited, Hong Kong, which was fully written off in 2019 as well as from currency translation of €21k (previous year: €504k).

Due to the ARIVA call option in place until July 2019, a commercial law adjustment had to be made in the current account of the 2020 financial year in the amount of €358k for the error in the previous year's financial statements for 2019. The error in the previous year had a negative effect on earnings. There is therefore an income unrelated to the accounting period in accordance with Section 285°(32) of the HGB.

Other operating expenses:

Other operating expenses include foreign currency losses of €32k (previous year: €583k), bad debts of €182k (previous year: €51k) and expenses unrelated to the accounting period of €161k (previous year €170k).

Income from investments:

Income from investments relates to a profit distribution from the subsidiary EquityStory RS LLC, Moscow, of €126k (previous year: €0k).

Depreciation in financial assets:

Depreciation in financial assets includes depreciation in accordance with Section 253°(3)°(5) of the HGB on the shares in the affiliated company EQS Financial Markets & Media GmbH amounting to €617k (previous year: €788k).

Taxes on income and earnings:

Due to the offsetting of taxable income in 2020 against loss carried forward, there is no charge for income taxes in the reporting year.

VII. Other information

Number of employees:

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

Production	142
Administration	25
Sales	30
Total	196

Off-balance sheet transactions and 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 €3,805k 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 which loans have been extended to, the Executive Board does not expect any significant drawdown.

EQS Group AG has concluded various rental agreements for office space. As of 31 December 2020, there are other financial commitments totalling €4,244k.

In connection with acquisitions of companies and shareholdings in December 2020 and share transfers in January 2021, financial obligations from future purchase price payments exist as of the reporting date with a total amount of approximately €11,168k. This may increase by a maximum of €6,000k over the next two years, depending on whether the contractually agreed earn-out components are applied.

There are pension commitments in accordance with Section 285°(3a) of the HGB. The total commitment over the term of the contract amounts to €1,931k in accordance with the current premium level.

Warranty agreements:

There is a guarantee for an indefinite period of time to secure the going concern of the French subsidiary. Based on the planned development of the financial position and results of operations of the company for the financial year 2021, we anticipate an amount of approximately €200k to be needed.

Appropriation of earnings:

The Executive Board proposes to the Annual General Meeting that the balance sheet profit as of 31 December 2020 amounting to €6,305k (€6,477k of which profit carried forward) should be carried forward in full to the new account.

Executive Board:

The Executive Board of Directors consists of the following members:

- 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 2020 financial year were €1,492k (previous year: €1,411k), thereof variable ones of €160k (previous year: €138k). €135k (previous year: €112k) of the total remuneration are for insurances.

As of the balance sheet date, there is a loan receivable of €256k 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 shares (before the share split: 11,900 no-par value shares) in 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 €19k.

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

In detail, Executive Board members 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:

- Rony Vogel, Graduate Engineer and MBA, Entrepreneur and Investor, Munich (Chairman)

  Other supervisory board mandates:
  Solutiance AG, Potsdam (Chairman of the Supervisory Board)
  Deskcenter AG, Leipzig (Supervisory Board)
  ConPharma GmbH, Oranienburg (Member of the Advisory Board)

- Robert Wirth, Graduate Media Marketing Business Management Specialist, Business Consultant and Investor, Amberg (Deputy Chairman)

- Peter Conzatti, M.A. and MBA, Funds Manager, Bad Homburg

- Laurenz Nienaber, M.Sc., Investor and Managing Director of LMN Capital GmbH, Munich

The supervisory board members receive a fixed remuneration totalling €150k for the 2020 financial year.

Auditor's fee:

The auditor's total fee for the 2020 financial year is €104k (previous year: €62k). This includes auditing services of €93k (€62k) and other services of €11k (previous year: €0k). Furthermore, expenses for audit services in the previous year amounting to in the amount of €30k were recognized.

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. The consolidated financial statements are published in the Federal Gazette.

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 currently expected on EQS' business.

100% of the shares in Got Ethics A/S, Copenhagen were acquired with a purchase agreement dated 30 November 2020 and effective 1 January 2021. Got Ethics A/S was founded in 2010 and is a SaaS provider for whistleblowing.

23% of the shares in the policy management provider C2S2 GmbH, based in Bonn, were also acquired in 2020, with effect from 2021.

As of 31 December 2020, acquisition costs carried forward of €82k for Got Ethics A/S are recognised under shares in affiliated companies and €15k for C2S2 GmbH under investments.

On Feb. 17, 2021, the Management Board, with the approval of the Supervisory Board, resolved to implement a capital increase from authorized capital (2020/I). Based on this resolution, the capital stock was increased by 357,361 new registered no-par value shares by €357,361.00 to €7,882,251.00. By resolution of the Supervisory Board on Feb. 17, 2021, the Articles of Association were amended in Section 4 (Share Capital, Authorized Capital). The entry in the commercial register was made on Mar. 2, 2021.

Munich, March 16, 2021

Achim Weick
(Chairman of the Board)

Christian Pfleger
(Executive Board)

Marcus Sultzer
(Executive Board)

André Silvério Marques
(Executive Board)

Annex 1

	Acquisition and production costs					Accumulated depreciation					Book Values	
	Jan. 1, 2020	Additions	Write-ups	Disposals	Dec. 31, 2020	Balance carried forward	Additions	Disposals	Write-ups	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2019
	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	8.239.100,91	1.671.467,61	0,00	0,00	9.910.568,52	1.235.486,64	806.598,05	0,00	0,00	2.042.084,69	7.868.483,83	7.003.614,27
2. Concessions, industrial property rights and similar rights and values and similar rights and assets as well as licences to such rights and assets	4.948.599,86	10.580,00	0,00	0,00	4.959.179,86	3.299.434,59	261.349,41	0,00	0,00	3.560.784,00	1.398.395,86	1.649.165,27
	13.187.700,77	1.682.047,61	0,00	0,00	14.869.748,38	4.534.921,23	1.067.947,46	0,00	0,00	5.602.868,69	9.266.879,69	8.652.779,54
II. Tangible assets												
property, plant and equipment	3.399.571,39	215.450,86	0,00	89.384,97	3.525.637,28	2.394.426,77	293.721,44	88.584,33	0,00	2.599.563,88	926.073,40	1.005.144,62
	3.399.571,39	215.450,86	0,00	89.384,97	3.525.637,28	2.394.426,77	293.721,44	88.584,33	0,00	2.599.563,88	926.073,40	1.005.144,62
III. Financial assets												
1. Shares in affiliated companies	8.557.522,42	81.568,00	0,00	0,00	8.639.090,42	788.141,87	617.000,00	0,00	0,00	1.405.141,87	7.233.948,55	7.769.380,55
2. Loans to affiliated companies	18.644.113,40	3.078.102,69	0,00	2.683.666,55	19.038.549,54	3.896.987,12	0,00	0,00	103.881,24	3.793.105,88	15.245.443,66	14.747.126,28
3. Participations	0,00	14.976,00	0,00	0,00	14.976,00	0,00	0,00	0,00	0,00	0,00	14.976,00	0,00
4. Other loans	2.239.605,24	451.563,54	358.026,00	* 2.511.151,19	538.043,59	0,00	0,00	0,00	0,00	0,00	538.043,59	2.239.605,24
	29.441.241,06	3.626.210,23	358.026,00	5.194.817,74	28.230.659,55	4.685.128,99	617.000,00	0,00	103.881,24	5.198.247,75	23.032.411,80	24.756.112,07
	46.028.513,22	5.523.708,70	358.026,00	5.284.202,71	46.626.045,21	11.614.476,99	1.978.668,90	88.584,33	103.881,24	13.400.680,32	33.225.364,89	34.414.036,23

* Attribution in connection with error correction (see Annex III.)

Annex 2

Name and registered office of the company	Currency	Exchange Rate Dec. 31, 2020	Share in equity %	Date of first investment	Equity in local currency Dec. 31, 2020	Result in local currency Dec. 31, 2020
Financial Markets & Media GmbH, Munich, Germany*	EUR	-	100,00%	Sep. 24, 2007	410 kEUR	0 kEUR
EQS Blockchain Media GmbH, Munich, Germany	EUR	-	indirect participation via Financial Markets & Media GmbH	Jan. 17, 2019	-2 kEUR	195 kEUR
EquityStory RS LLC., Moscow, Russia	RUB	91,4671	100,00%	Dec. 3, 2008	51,663 kRUB	24,127 kRUB
EQS GROUP AG, Zurich, Switzerland	CHF	1,0802	100,00%	Nov. 9, 2012	-818 kCHF	-492 kCHF
EQS Asia Ltd., Hong Kong	HKD	9,5142	100,00%	Dec. 12, 2012	-16,157 kHKD	676 kHKD
EQS TodayIR Ltd, Hong Kong	HKD	9,5142	indirect participation via EQS Asia Ltd.	Apr. 24, 2014	2,938 kHKD	3,531 kHKD
EQS Group (Shenzhen) Ltd, China	CNY	8,0225	indirect participation via EQS TodayIR Ltd.	Apr. 24, 2014	-4,524 kCNY	-231 kCNY
TodayIR (Taiwan) Holdings Limited , Hong Kong	HKD	9,5142	indirect participation via EQS Asia Ltd.	Apr. 24, 2014	-4,833 kHKD	34 kHKD
EQS Digital IR Pte. Ltd., Singapore	SGD	1,6218	indirect participation via EQS Asia Ltd.	Apr. 24, 2014	-1,050 kSGD	21 kSGD
EQS Web Technologies Pvt. Ltd., Cochi, India	INR	89,6605	100,00%	Jun. 19, 2014	83,718 kINR	35,072 kINR
EQS Group Ltd., London, Great Britain	GBP	0,89903	100,00%	Dec. 17, 2015	-1,244 kGBP	-183 kGBP
EQS Group Inc., New York, USA	USD	1,2271	100,00%	Dec. 22, 2015	-3,512 kUSD	-786 kUSD
EQS GROUP SAS, Paris, France	EUR	-	100,00%	Jul. 17, 2017	-2,336 kEUR	-398 kEUR

* Profit and loss transfer agreement

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.*

Management report for EQS Group AG, Munich

Financial year 2020

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 fulfil 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 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 services, personnel expenses 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: €2.58 million) were capitalised in the 2020 financial year, €961k of this in the IR segment and €710k in the Compliance segment. This represents 38% of all research and development costs (€4.42 million). These also include the EQS Group AG's development services invoiced to the 100% subsidiary EQS Webtechnologies Pvt. Ltd. in India amounting to €467k. Exclusively scheduled amortisation in the period under review amounted to €807k (previous year: €444k).

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

[1] https://www.worldbank.org/en/news/press-release
[2] https://www.destatis.de/DE/Presse/Pressemitteilungen/2021/01/PD21_020_811.html

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 31.12.2020. 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 31.12.2020 (decline on previous year: -6).

Results of operations

EQS Group AG was able to increase **sales revenues** by **+14%** to **€29.02 million** in the **2020** financial year (previous year: €25.36 million) and was therefore at the upper end of the target range (+10% to +15%). 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 products.

In the **Compliance segment**, there was higher than planned new customer 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. Overall, **revenue growth** of **+8%** was in line with the **expectation** for 2020 (**5% to 10%**).

The **Investor Relations segment** achieved significant revenue growth of **+36%**, which was above **expectations** (**20%-30%**). 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. On the other hand, there was an unexpected surge in demand for digital solutions in the Investor Relations segment, such as webcasts, as a result of the pandemic. It is particularly pleasing that this growth was achieved despite a shrinking potential market, with 23 companies less than in 2019.

The **total income**, i.e. sales revenues plus capitalised personal contributions, changes in inventories and other operating income, increased at a lower rate than revenue by **+3%** to **€31.15 million** (previous year: €30.51 million). In particular, the **capitalised personal contributions** included in this item decreased further to **€1.67 million** (previous year: €2.58 million). Likewise, **other operating income** was considerably lower at **€781k** (previous year: €2.61 million). In the previous year, the profitable sale of the stake in ARIVA.DE AG led to an extraordinary income of €2.04 million. In the 2020 financial year, an earn out of €246k was recognised as other operating income. In addition, income from an adjustment entry in the current account was recognised in relation to the sale of ARIVA.DE AG in 2019 (€358k).

Operating expenses, i.e. purchased services, personnel expenses, depreciation and amortisation and other operating expenses, increased by **+7%** to **€29.33 million** (previous year: € 27.39 million), a disproportionately low figure compared to the revenue performance. This disproportionately low increase in expenses in 2020 was mainly due to pandemic-related lower expenses for external services, purchased services from subsidiaries and travel expenses.

Due to a hiring freeze in the second quarter of 2020, the largest expense item, personnel expenses, increased by just +5% to €13.91 million (previous year: €13.20 million) and is therefore disproportionately low compared to the total expenses. On average, EQS Group AG employed 196 people during the year (previous year: 189).

Purchased services increased by +17% to €7.28 million (previous year: €6.22 million) due to strong growth in the webcasts and filings product segments, which external services are purchased for.

Other operating expenses decreased by -2% to €6.79 million (previous year: €6.93 million). While expenses for IT infrastructure and marketing increased compared to the previous year, expenses charged from subsidiaries and travel expenses decreased due to the pandemic.

Although EBITDA fell by -15% to €3.54 million (previous year: €4.17 million) compared to the previous year, it was still above the target expectation (€2.0 to €3.0 million). A decline had been expected as a result of the extraordinary income from the sale of ARIVA.DE AG in the previous year.

Amortisations on tangible assets and depreciation of property, plant and equipment rose disproportionately by +29% to €1.36 million (previous year: € 1.05 million) due to the increase in the scheduled amortisation of internally generated assets. EBIT therefore amounted to €2.18 million (previous year: €3.12 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 -€903k (previous year: -€4.95 million). The comparatively high expense in 2019 was primarily due to unscheduled amortisations of loans to the subsidiary EQS Asia Ltd. and the investment in the German subsidiary EQS Financial Markets & Media GmbH. The carrying amount of the investment in the subsidiary EQS Financial Markets & Media GmbH was written down again in 2020 by (€617k) to the Group's value of €1.42 million determined using the discounted cash flow method after the media budgets failed to stabilise and there was a renewed decline in revenue.

In addition, the subsidiary EQS Financial Markets & Media GmbH's loss of €535k, with whom a profit and loss transfer agreement exists, as well as interest expenses on loans are included in the financial result. At **€1.27 million**, the **profit before taxes** was correspondingly significantly higher than in the previous year (-€1.83 million).

In the area of deferred tax assets, the prior-year financial statements for 2019 contained an accounting error in the amount of €920k. The correction was recognized in the profit-and-loss statement for 2020 and thus on a current account basis. The correction led to a reduction in the deferred tax assets item. As a result of the high deferred tax expense of €1.44 million, there was a **net loss** for the 2020 financial year of **-€171k** (previous year: -€1.91 million).

Net assets and financial position

As a result of a capital increase in December 2020, the **balance sheet total** increased by **+21%** to **€48.93 million** as of 31.12.2020 (previous year: €40.57 million). By contrast, the early repayment of the vendor loan by wallstreet:online AG to the amount of €2 million led to a reduction in **financial assets**, which fell by a total of **-7%** to €23.03 million (previous year: €24.76 million). **Intangible assets** increased accordingly by **+7%** to **€9.27 million** (previous year: €8.65 million). As of the reporting date, **property, plant and equipment** amounted to **€926k**, down **-8%** on 31.12.2019 (€1.01 million).

Compared to the previous year, **trade accounts receivable** remained almost unchanged at **€3.18 million** as of the reporting date (previous year: €3.08 million). The increase, which is significantly disproportionate to revenues, is primarily due to the increasing share of advance payments on annual contracts (deferred income). **Deferred tax assets** from losses carried forward decreased as a result of the positive business development and a correction of an accounting error to **€790k** (previous year: €1.95 million).

Equity increased by **+34%** to **€35.04 million** (previous year: €26.18 million) as a result of the capital increase against cash contributions as at 31.12.2020. As a result of the net loss for the year, **the balance sheet profit** fell to **€6.31 million** (previous year: € 6.48 million). The **equity ratio** rose accordingly to **72%** (previous year: 65%).

The notes to the financial statements contain information pursuant to Section 160°(1)°(2) AktG (German Stock Corporation Act) on the Group's holdings of treasury shares.

Provisions increased significantly by **+118%** to **€1.22 million** (previous year: €561k), while trade payables decreased by **-31%** to **€727k** (previous year) €1.05 million). The repayment of a shareholder loan to the amount of €1.25 million led to a significant decrease in **other liabilities** to **€578k** (previous year: €1.90 million). Deferred income increased by **+50%** to **€2.57 million** (previous year: €1.71 million).

Similarly, the pro rata repayment of bank loans in 2020 led to a decrease in financial debt. As a result of the capital increase, there are **cash and cash items** of **€10.55** million as of the reporting date (previous year: €29k). Accordingly, there is a **net cash position** (cash and cash items less financial debt) of **€5.96 million** as of 31.12.2020 (previous year: net debt of €5.60 million).

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.

Deferred tax liabilities also increased significantly to €2.60 million (€2.32 million) due to capitalised personal contributions. With regard to the disclosures in accordance with Section 160°(1)°(2) of AktG, we refer to the corresponding comments in the notes.

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. Sales revenues increased by +14% and were therefore at the upper end of expectations. Operating expenses were disproportionately low compared to revenues (+7%), although investments in marketing and sales were significantly increased from Q4 2020. EBITDA was better than expected at €3.54 million.

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

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 year. 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 revenue of +8% to +12% to then €31.3 million to € 32.5 million in the 2021 financial year.

We are forecasting a revenue increase of +10% to +15% 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 +5% to +15%. This increase is due in particular to the new IR COCKPIT.

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

For EBITDA, we are expecting a temporary decline to between €0 million and €1 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 €3.0 million to €4.0 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. At least 1,000 customers are to be acquired in Germany.

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).

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 IR 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 risks 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, 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, 31 December 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 €1.0 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 16, 2021

Achim Weick
(Chairman of the Board)

Christian Pfleger
(Executive Board)

Marcus Sultzer
(Executive Board)

André Silvério Marques
(Executive Board)

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.*