MANAGEMENT REPORT

(BEGINNING OF THE AUDITED PART)

A. Basic Company Information

All forward-looking statements in the management report are subject to risks and uncertainties. Actual future results may differ from expectations. The company assumes no obligation to update or revise any forward-looking statements. Percentages are rounded in accordance with standard commercial practice without decimal places. Millions (€ m) are with two decimal places and thousands (€ thousand) without decimal places.

Business Model

EQS Group AG is an international **cloudsoftware provider for corporate compliance, Investor Relations and ESG**. In addition to its headquarter in Munich, the Group has locations in the world's financial capitals and technology centres in Kochi (India) and Belgrade (Serbia).

Our **mission „creating trusted companies"** drives us in our daily work. Our **target** is to develop EQS Group AG into the **leading European cloud provider** for **global investor relations & corporate compliance solutions**.

Thousands of companies worldwide inspire trust by using EQS Group's products. These are pooled in the **cloud-based** software **EQS COCKPIT**. This platform ensures the professional handling of compliance workflows in the fields of whistleblower protection and case management, policy management, business approvals, third party management, insider list management and disclosure obligations.

Listed companies benefit from a global newswire, investor targeting and contact management, IR websites, digital reports and webcasts for efficient and secure investor communications. In addition, EQS Group develops software for the management of ESG (environment, social, governance) data, **the fulfilment of human rights due diligence obligations** along corporate supply chains and for rule-compliant sustainability reporting. EQS Group was founded in 2000 in Munich, Germany. Today the group employs around **600 professionals** and has offices in the **world's key financial markets**.

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

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

We use financial and non-financial performance indicators to **measure our corporate success** at Group and company level. The **most important financial performance indicators** are **revenue (growth) and EBITDA[1]** .

[1]EBITDA is calculated as the total income minus operating expenses

The **most important non-financial performance indicators** are **number of new SaaS customers** and the **new ARR**[2] . 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 questionnaire[3]. 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 survey focuses on measuring employee satisfaction with pay, working hours, internal cooperation, internal communication and development opportunities.

Each performance indicator supports the value creation, especially of an appropriate return on capital to our investors. Ultimately though, committed employees are crucial for our customer satisfaction and loyalty and the Group's success.

[2]Der Neu-ARR ist das hinzugewonnene wiederkehrende annualisierte Auftragsvolumen

[3]The choice of 1 stands for very dissatisfied and 5 for very satisfied

Research and Development

The ongoing further d**evelopment 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, **2022** was characterised by our product drive and resulted in continued high product development expenses.

The **EQS COCKPIT**, our centralised, cloud-based platform which is being developed for **all business segments.**

In the **Investor Relations** segment, both the further development of the existing applications CRM, Mailing and Investors in **IR COCKPIT** as well as **new applications** such as **Roadshow Manager** and **Sentiment Analysis** were launched in a Beta.

The focus in the **Compliance** segment was on the **GO Live** of the first version of our new **Compliance COCKPIT**. For this purpose, our whistleblowing solution Integrity Line was fully integrated into the Compliance COCKPIT and the applications **Approval Manager and Policy Manager** have been enhanced by essential functions. Finally, **development of the Risk Manager**, an application that is particularly relevant for monitoring supply chain risks, has begun. This is to be launched in the first quarter of 2023. This progress significantly expands the product offering in the Compliance area and adopts the platform approach from the Investor Relations area.

In total, **intangible assets** from own software development in the amount of **€2.16m** were capitalised in the 2022 financial year (previous year: €2.24m), of which €1.55m in the IR segment and €677 thousand in Compliance. This represents 39 % of all research and development costs (€5.54m). These also include programming services of the wholly-owned subsidiary EQS Webtechnologies Pvt. Ltd. in India and of EQS Group DOO in Serbia totalling € 1.69m. **Amortisation** of these intangible assets amounted to **€916 thousand** in the period under review (previous year: €851 thousand).

B. Economic Report

The Economic and Regulatory Environment

In **2022**, the global economy is expected to grow by only **+2.9%** (+5.9%) (real GDP) in a difficult environment according to the World Bank[4] . Existing problems in the supply chains, high inflation and associated interest rate increases, and the ongoing war in Ukraine further cloud expectations for 2023. Although a recession in the industrialized countries currently appears avoidable, a further escalation of the war within Europe or persistently high inflation harbors serious economic risks for the global economy.

Accordingly, the economic situation in **Germany** in 2022 was still characterized by growth, albeit at a lower rate than the global economy. In particular, the continuing bottlenecks in supply chains and the sharp rise in energy and raw material prices as a result of the Ukraine war weighed on the export-oriented German economy. According to the Statistisches Bundesamt (German Federal Statistical Bureau)[5] , real GDP in Germany is expected to increase by **+1.9%** in 2022 (prior year: +2.9%). As for the global economy, the outlook for 2023 is significantly weaker.

Given the weak global economic outlook **stock prices** decreased sharply in the first six month of 2022 globally and in Germany, but recovered partly in the second half of the yearwith first signs of a decreasing inflation.. Starting from 15,947 points at the beginning of 2022, the German leading index **DAX** fell by -25% to 11,863 points and closed with a **-13 %** at **13,923** points as of **31 December 2022**. The total of **3 IPOs** and listings in the Prime and General Standard in Germanyand thus significantly lower than previous year (19) also reflects the weak capital markets. . The number of companies listed on the regulated market (Prime or General Standard) continued to fall as a result of delistings and insolvencies. There were **12 fewer companies** and therefore **418** as of 31 December 2022 in the **regulated market**. In the Scale and Basic Board segment there were 118 companies listed as of 31 December 2022 (+4).

[4]Worldbank, Global Economic Prospects, Jan 2023

[5]https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/01/PD22_020_811.html

Financial performance

The financial performance of EQS Group is significantly impacted by the upward trend in **regulations in the compliance segment** for companies and organisations. In order to position EQS Group in the best way possible and achieve the leading market position, we started early to consolidate the European market for digital reporting systems. First, we acquired **Integrity Line AG**, Zurich in January 2018 and **Got Ethics A/S**, Copenhagen in January 2021. Then in July 2021 we were able to acquire **Business Keeper GmbH**, Berlin, one of the leading providers on the German market.

We are expecting considerable growth to be generated by the **most important regulation** for EQS Group AG, the **European Whistleblower Directive** (EU directive 2019/1937) which came into force in **December 2021**. That said, this regulation has not yet been implemented in many EU member states, Germany included. At the end of **2022**, the **German Bundestag** did **pass a law** but the **approval of the Bundesrat, which was necessary for its entry into force, was denied at the first annual meeting in February 2023**. The lack of implementation in Germany and other EU countries led to fewer contracts being signed than planned and thus less revenue being achieved.

In addition, the generally economic conditions, including high inflation and the associated interest rate increases, as well as the war in Ukraine, led to **gloomy economic forecasts** making companies reluctant to invest and giving rise to longer sales cycles. The **capital market environment deteriorated** significantly compared to 2021, which was felt in the **investor relations segment**.

As a result, the Group's sales revenues in 2022 only rose by **+22%** to **€61.43m** (previous year: €50.22m) and not as initially envisaged by between +30% and +50%. Due to the **takeover of Business Keeper GmbH**, the increase in sales included a **base effect** of €5.65m. In addition, we achieved significant sales growth with our **whistleblowing software in the compliance segment**.

Overall performance[6] also rose by **+22%** to **€64.43m** (previous year: €52.83m). The **own costs capitalized of €2.16m** included in this were comparable to the previous year (€2.24 million). The development of further applications in the COCKPIT cloud platform is associated with an increase in subscription revenue and an increase in the proportion of recurring revenue. **Other income** for the Group as a whole was significantly higher than in the previous year at **€836 thousand** (previous year: €363 thousand). The biggest balance sheet entry contributing towards this was the reduction in earnout obligations related to the purchase of Got Ethics A/S (€641 thousand).

In 2022, we gained **1,044 new SaaS customers** through our own marketing and sales activities – more customers than we have ever gained. The original goal of 2,500 to 3,500 new customers was not achieved as this also envisaged a high level of new customers through partners. **Sales activity by our partners** in the small and medium-sized enterprises (SMEs) sector was **significantly lower** than expected at the beginning of the year due to the fact that the transposition of the European Whistleblower Directive had not been passed. Since the majority of companies make their purchasing decisions shortly before and after the implementation of the directive, the surge in demand did not materialise. **The total number of customers** rose considerably to

[6] Revenues plus own cost capitalized and other income

5,054 (previous year: 4,240). The annualised **churn rate** of **5.4%** fell below that of the previous year (5.9%).

Under "**New ARR**", our rate of **€9.33m** did not enable us to achieve the goal set at the start of the year (€11m to €16m). However, due to the higher ARRs in the company's own sales activities, the difference was significantly smaller compared to the deviation in the target for new customers. Based on the share of **recurring revenues** in 2022 of **€54.34**, the **growth in ARR** held a level of **+17%**. The **share of recurring revenues** in overall revenue rose to **88%** through the acquisitions and above-average growth in the cloud products segment (previous year: 85%).

Despite the delay in what would be the most important driver of growth, the national implementation of the Whistleblower Directive, **EBITDA** rose considerably and disproportionately to **€4.57m** due to lower **investments in marketing and sales** (previous year: €1.74m). However, the savings were not large enough to reach the lower end of the €6m to €10m range posted at the start of the year.

[7] The churn rate is measured as the percentage of customers inactive or lost in the last 12 months

Over **200 Sales partnerships**

Segment development

Segments in FY 2022	*Compliance*	*yoy*	*Investor relations*	*yoy*
Umsatz Cloud-Produkte	**€30.34m**	53%	**€10.11m**	6%
Umsatz Cloud-Services	**€11.98m**	10%	**€9.02m**	-10%
EBITDA	**€4.42m**	38%	**€0.15m**	>100%
SaaS-Customers	**3,704**	-9%	**2.811**	13%
Filing-Customers	**3.853**	-9%		

Segment Compliance

The Compliance segment encompasses all products for **meeting regulatory requirements**. It includes reporting obligation **cloud products** in the messaging sector (disclosure), Insider Manager, Integrity Line, BKMS, Policy Manager, Rulebook and Approval Manager. We offer most applications bundled in a **cloud platform, the Compliance COCKPIT**. Additional **cloud services** were also made available through the Filings segment (XML, ESEF) and LEI. Since not every customer uses the COCKPIT, these are listed separately.

In the **Compliance segment**, the **customer base** increased by **28%** compared to the previous year to a total of **3,704 SaaS customers**. In 2022, we gained **865 new SaaS customers for whistleblower systems**. Although EQS Group was able to add to sales through direct customer acquisition, sales through partners have only started ramping up in Portugal and Denmark, due to the pending national implementation of the European Whistleblower Directive in several countries.

Revenue in the **Compliance** segment rose considerably by **+38%** to **€42.32m** due to a high level of customer acquisition and the takeover of Business Keeper GmbH (previous year: €30.71m) but it remained below the planning corridor (+45% to +68%). The main reason for this is the pending implementation of the European Whistleblower Directive in several European countries, including Germany. There were catch-up effects in the second half of the year for the filing services for the ESEF regulation. This increased revenue in Compliance Cloud Services in 2022 by +10%. The **EBITDA** rose still proportionately compared to revenue by **+38%** to **€4.42m** (€3.20m) due to investment.

Excerpt of **new customers**

Whistleblowing 2022

IR COCKPIT 2022

Segment Investor Relations

The **Investor Relations segment** includes the offering in voluntary investor and corporate communication. The cloud products Newswire, Investors (investor data), CRM and mailing, as well as the newly developed Roadshow Manager are bundled in the **COCKPIT cloud platform**. There are also **cloud services** outside the platform such as websites & IR tools, reports, webcasts and other media.

In the Investor Relations segment, **revenue** went down by **-2%** to **€19.12m** (previous year: €19.52m) meaning it remained below the planning corridor (+10% to +15%). While **cloud products increased** as a result of subscription earnings by the IR COCKPIT, there were **no IPOs** on the capital markets due to inflation and the war in Ukraine. This led to a double-digit **downturn in cloud services.** As a result of the growth in highly profitable subscription revenues combined with the planned reduction in investments in the IR area, positive **EBITDA** of **€149 thousand** (€-1.46m) was again reported in 2022.

As of 31 December 2022, **1,076 companies** (previous year: 901) have signed **SaaS contracts** for the new **IR COCKPIT**. Booked SaaS revenue was at €6.44m, up 21% from 2021. The number of **SaaS customers** increased by **327** to 2,811 compared to the previous year.

EQS **IR COCKPIT**

Geographical development

Geographical market⁸ in FY 2022	***Domestic***	*yoy*	*International*	*yoy*
Revenue	**€43.85m**	22%	**€17.59m**	23%
EBITDA	**€2.83m**	>100%	**€1.74m**	10%
SaaS-Kunden	**2.191**	13%	**2.863**	25%

Domestic

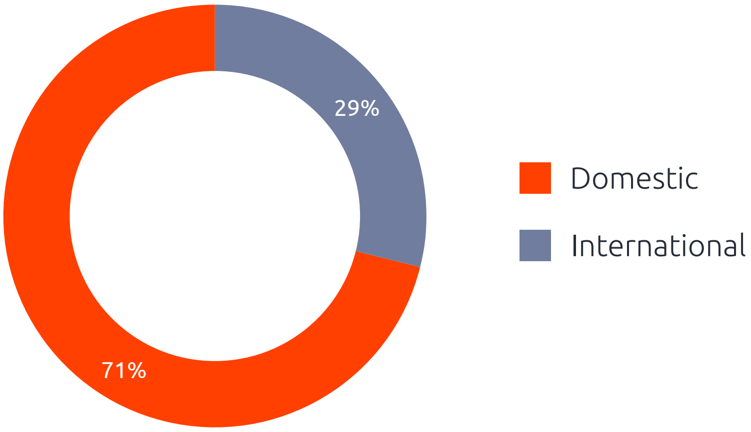
Domestic business revenue in 2022 rose by **+22%** to **€43.85m** (previous year: €35.92m), this includes the base effect of €5.65m from the acquisition of Business Keeper GmbH, which has been recorded in Group revenue since initial consolidation (14 July 2021).

In 2022, we **gained 340 new SaaS customers** in Germany (excluding individual LEI and filing customers). The number of new customers is thus below that of the previous year (500). The main reason for this is the pending implementation of the European Whistleblower Directive in Germany. Our **number of customers** increased to **2,191** by taking into account the acquisition of Business Keeper GmbH and C2S2 GmbH. The churn rate totalled 4.9%.

As a result of the increase in highly profitable SaaS sales, **EBITDA** increased at a significantly faster rate than sales to reach **€2.83m** (previous year: €470 thousand).

[8] The breakdown by geographical markets is based on the companies. The German companies are bundled in the domestic figures, the remaining companies in international.

Share of revenues 2022



International

International business revenue in 2022 rose by **+23%** to **€17.59m** (previous year: €14.31m) meaning it was slightly below our expectations (+30% to +40%). As in Germany, this is primarily due to the pending legal implementation of the Whistleblower Directive in several countries.

In **2022**, our international subsidiaries gained **704 new SaaS customers** (previous year: 517). The number of customers increased by +25% to 2,863. This is due to an annualised churn rate of 5.8%. In 2022, **576 new customers** were gained for the **reporting system** segment.

The **proportion of sales revenues accounted for by international business** in 2022 was at **28.6%**, which is comparable to that of the previous year (28.5%). **EBITDA** in international business was **€1.74m** (€1.58m).

We **halted new business** in **Russia** in Q1 2022 due to the war in Ukraine and only fulfilled existing contractual obligations. With revenue of **€1.03m** (previous year: €1.28m) in 2022, its share in the Group's revenue accounted for **1.7%**. In **Q1 2023**, we took the decision to fully end our activities in the Russian market and liquidate the company.

Expenditure development

Operative expenditure[9] increased at a lower rate than sales development by **+17%** to **€59.86m** (previous year: €51.09m). The main reason for this was a lower increase in other operating expenses (+5%), in particular lower marketing expenses than in the previous year as a result of the delay in implementing the Whistleblower Protection Act.

The largest expenditure item, **personnel expenses**, increased by **+23%** to **€38.84m** (previous year: €31.69m) and was thus commensurate with the trend in revenue. On average over the year, the group employed 576 people (previous year: 514). This increase is largely attributable to a base effect (100 employees) arising from the acquisition of Business Keeper GmbH (July 2021).

Purchased services rose proportionately compared to revenue by **+22%** to **€9.08m** (previous year: €7.42m). The increase is primarily due to the ESEF filing service from which the EQS Group obtains services.

Other **operational expenses** by contrast only rose by **+5%** to **€11.79m** (previous year: €11.26m). While expenses for IT infrastructure increased compared to the previous year, expenses for marketing and consulting services fell.

The **expenses from valuation allowance for trade accounts receivables**, which we have reported separately since 2021, fell to **€150 thousand** (previous year: €710 thousand). This result in particular is the result of significant improvement in receivables management processes at the acquired companies.

As a result, **EBITDA** rose disproportionately to **€4.57m**. (previous year: €1.74m). However, the savings were not large enough to reach the lower end of the €6m to €10m range posted at the start of the year.

Depreciation increased as a result of the takeover of Business Keeper GmbH by **+14%** to **€8.15m** (previous year: €7.14m). This includes depreciation on capitalised own work to the amount of €916 thousand, on rights of use (IFRS 16) to the amount of €2.05m and on purchased customer bases and purchased software totalling €4.59m. As such, **EBIT** continued to remain negative at **€-3.58m** (€-5.40m).

The **financial result** deteriorated to **€-1.76m** due to increased interest expense from the loans (previous year: €-1.46m). At the same time, exchange rate effects from international business led to financial income. The result before tax (EBT) was €-5.34m (previous year: €-6.86m). The capitalisation of a surplus of deferred tax assets led to tax income of €2.01m after offsetting against actual tax expenses (previous year: tax income €229 thousand). This led to a negative **Group result** in 2022 totalling **€-3.33m** (previous year: €-6.63m).

[9] Sum of cost of services, personnel expenses, other expenses and expenses/income from valuation allowance for accounts receivables

Assets and financial situation

The **balance sheet total** increased slightly to **€189.37m** as of the balance sheet date (31 December 2021: €186.84m).

Compared to the previous year, the **intangible assets** as of 31 December 2022 were only slightly reduced at **€60.85m** (31 December 2021: €63.68m). The intangible assets include acquired customer bases with a book value of €33.94m as of 31 December 2022, which are amortised on a linear basis over a respective total term of 15 or 20 years, as well as purchased and proprietary developed software to the amount of €26.90m. **Goodwill** was **€97.24m** as of the reporting date (31 December 2021: €96.71m). **Property, plant and equipment** fell to **€5.01m** as a result of depreciation in accordance with IFRS 16 and on factory and office equipment (31 December 2021: €7.35m).

Compared to the previous year, **trade accounts receivables** fell by **-13%** to **€6.08m** as of 31 December 2022 (31 December 2021: €7.02m), which is attributable to improved receivables management and the high proportion of advance payments. Other short- and long-term assets were at €1.56m (31 December 2021: €1.95m).

Equity capital increased significantly to **€112.21m** as of 31 December 2022 as a result of the capital increase against cash contributions carried out in March 2022 (31 December 2021: €70.24m). The funds from the capital increase were mainly used to partially repay a bank loan from Commerzbank AG and an interest-free seller loan of €17m to finance the purchase of Business Keeper GmbH. The **equity ratio** rose accordingly to **59%** as of the balance sheet date (31 December 2021: 38%). For information on treasury shares pursuant to § 160 (1) No. 2 AktG, please refer to the Notes (§ 315 (2) sentence 2 HGB).

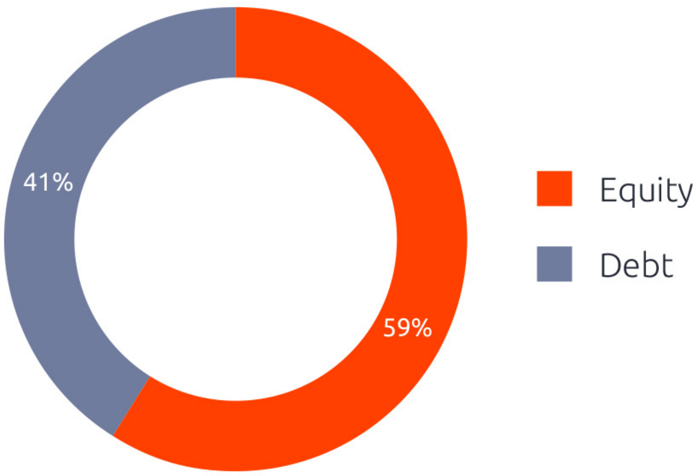
As of said date, the **cash and cash equivalents** rose to **€10.65m** (31 December 2021: €8.65m). Due to the repayments, **short-term and long-term financial liabilities fell** significantly compared to the end of the year to **€39.09m** (31 December 2021: €83.02m). Net debt (liquid funds less financial debt) fell to **€28.43m** (31 December 2021: €74.37m). **Without** including the liabilities from **leasing** of €3.85m, **net debt was €24.59m** (31 December 2021: net debt of €68.34m).

Under the direction of Commerzbank, EQS Group AG restructured the **acquisition loan from Commerzbank**, originally totalling over €50m, for the purchase of Business Keeper GmbH. The remaining part (€25m) was **refinanced** as a long-term loan with instalment repayments and with the inclusion of Deutsche Bank and Kreissparkasse Biberach in the banking consortium and expanded by €5m to **€30m.**

Trade accounts receivables fell by **-15%** to **€2.71m** as of 31 December 2022 (31 December 2021: €3.20m). **Accruals and deferrals** increased to €318 thousand (31 December 2021: €192 thousand). **Employee benefits**, which are spun off in a separate balance sheet item since 2021, fell to **€1.92m** (31 December 2021: €2.23m). Customer prepayments increased with revenue growth, increasing **contract liabilities** by **+16%** to **€11.54m** (31 December 2021: €9.98m). **Deferred tax liabilities** increased to **€18.62m** (31 December 2021: €16.61m).

Due to the low volume of foreign currency sales (20% to 25%), which are mainly in hard currencies (CHF, DKK, GBP, HKD, USD) and are partly characterised by opposing trends, **exchange rate hedging transactions are still not carried out.** All bank loans are also denominated in euros. To control liquidity, the company uses short-term liquidity planning and rolling multi-year liquidity planning. With regard to the **interest rate risk, interest rate derivatives**, which have variable interest rates, **were fully hedged** for the bank loans for the takeover of Got Ethics A/S and Business Keeper GmbH.

Capital structure as of Dec. 31, 2022



Employees

In 2022, the number of permanent employees in the Group rose by just **+2%** to **579** (previous year: 565) as of the balance sheet date due to the reluctance to hire new employees. New employees were mainly hired at the sales locations in other European countries. In Germany, the number only rose to 366 (previous year: 356). The technology location in Kochi remained almost unchanged with 94 employees as of the reporting date (previous year: -2). The same applied to the site founded in 2021 in Belgrade, Serbia (7 employees). At the Russian site, the number of employees was significantly reduced from 12 to 5 as a result of the crisis. On average over the year 2022, the EQS Group employed 576 people (previous year: 514). The number of full-time equivalents (FTE) was 538 (previous year: 525).

Number of employees by function	2022	2021
Software Development	242	263
Marketing & Sales	120	93
Product Management & Customer Success	134	129
Management & Administration	83	80
Total	579	565

General statement on the company's situation

The financial performance of the EQS Group is significantly impacted by the **upward trend in regulations in the compliance segment** for companies and organisations. The most important regulation at the present time, the **European Whistleblower Directive**, has been in force since **December 2021**, but will probably not be implemented legally in most member countries, including Germany, until 2023. As a result, the **Group's sales revenues** in 2022 only rose by **+22%** to **€61.43m** (previous year: €50.22m) and not as initially envisaged by between +30% and +50%.

Operative expenditure increased at a lower rate than sales development by **+17%** to **€59.86m** (previous year: €51.09m). The main reason for this was a lower increase in other operating expenses (+5%), in particular lower marketing expenses than in the previous year as a result of the delay in implementing the Whistleblower Protection Act.

EBITDA rose considerably and disproportionately to **€4.57m** due to lower **investments in marketing and sales** (previous year: €1.74m). However, the savings were not sufficient to reach the lower end of the €6m to €10m range posted at the start of the year.

Equity capital increased significantly to **€112.21m** as of 31 December 2022 as a result of the capital increase against cash contributions carried out in March 2022 (31 December 2021: €70.24m). The **equity ratio** rose accordingly to **59%** as of the balance sheet date (31 December 2021: 38%). **Short-term and long-term financial liabilities fell** significantly as a result of repayments to **€39.09m** (31 December 2021: €83.02m). **Net debt** (liquid funds less financial debt) fell to **€28.43m** (31 December 2021: €74.37m). As a result of the capital increase and loan repayments, the capital structure and thus the overall situation of the company has improved significantly. Although business development in 2022 fell short of the original plan, there was considerable growth in revenue as in the previous year.

C. Forecast, opportunities and risk report

Forecast report

In 2022, high inflation and the associated increases in key interest rates, the war in Ukraine and ongoing supply chain problems led to difficult framework conditions for the **global economy.** This made for a **gloomy outlook** and **worries of recession in Europe** looking ahead to **2023**.

The World Bank expects considerably less growth in **actual GDP** in the global economy of **+1.7%** (2022e: +2.9%) for 2023. As such, the following forecasts on the business, financial and profit trends of EQS Group AG in the 2023 financial year are therefore subject to the proviso that the war in Ukraine is regionally limited and that the negative effects on economic development in the European and global economies remain manageable. If the war escalates, there may be far-reaching consequences for business development.

Under these assumptions, **the management of EQS Group AG forecasts an increase in revenue** in **2023** of **+15% to +20%** compared to the previous year resulting in **€71m to €74m**.

An **increase in revenue** of **+20% to +25%** is forecast for the 2023 financial year for the **Compliance segment.** We expect the European Whistleblower Directive to be implemented in national law in Germany latest in the third quarter of 2023 followed by further sales increases in the reporting systems product area.

In the **Investor Relations** segment, we again expect a low number of **IPOs** for 2023 due to a high level of uncertainty and reluctance on the part of investors. As such, we expect **revenue growth** of **up to +10%**, which is particularly due to the expansion in business following the IR COCKPIT.

In terms of EBITDA, we expect this will be within a range of **€9m to €11m** for **2023**.

We expect a volume of **€9m to €12m** for the **new ARR** key figure, which quantifies the newly contracted recurring business volume.

Again, the focus in 2023 for **new SaaS customers** is on the number of companies and organisations using the EQS Group's **reporting system**. The goal is to gain between **2,000 and 3,000 new customers**.

For 2023, we expect a **consistently high level of employee satisfaction** (2022: 4.07 out of 5 achievable levels), as well as a **stable high score** for **customer satisfaction** measured by the Net Promoter Score (2022: 43).

[10] Worldbank, Global Economic Prospects, Jan 2023

Outlook 2023

New SaaS Customers

2,000 – 3,000

Revenue Growth

15 – 20%

New ARR

€9 - 12m

EBITDA

€9 – 11m

Net Promoter Score

Stable

Employee Satisfaction

Constant Level

Risk Report

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

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

The Executive Board uses a risk instrument to identify, evaluate and control risks one, in which the individual risks are each evaluated and the individual evaluations into one Total size are aggregated (so-called risk capital or total risk capital).

Business environment risks

EQS Group's long-term development is influenced considerably by **basic economic conditions** on domestic and foreign markets. Economic trends, legal conditions and capital market developments play an important role. Brexit has not had any negative effects on EQS Group's business to date. Regulation on the financial market in Great Britain is expected to continue to remain comparatively high in general. However, the probability of loss in terms of political-legal risks increased from very low to low as a result of the Russian war of aggression. In 2022, there were a number of critical events that led to a significant deterioration in the macroeconomic environment in Europe and the world for companies such as EQS Group. Europe has been suffering from high inflation since 2022. The reasons are an expansive monetary policy of the European Central Bank in reaction to the crises of the last fifteen years (financial crisis in 2009, sovereign debt crisis in 2012, COVID crisis in 2020 and Russian war of aggression on Ukraine in 2022) as well as the disruptions of global supply chains and shortages of raw material supply triggered by the COVID crisis and the Russian war of aggression. Associated with this, certain political and legal risks such as sanctions or restrictions have materialized, particularly with regard to Russia.

The probability of damage in relation to political and legal risks (legal restrictions) and, in particular, economic risks (recession) has also increased from low to high or from high to very high as a result of these developments. In contrast, the risks from the global COVID-19 pandemic with regard to economic development have not increased further, and officials have also announced the end of the pandemic. Overall, economic risks have increased significantly.

For EQS Group AG, this may lead to a reluctance to invest on the part of our customers and thus to longer sales cycles, which could have a negative impact on the sales development of EQS Group AG.

The acquisition of two competitors, Business Keeper GmbH and Got Ethics A/S, reduced the competitive risk in the area of whistleblowing. At the same time, competition in the area of whistleblowing with a focus on the target groups of small and medium-sized enterprises (SMEs) is increasing due to new local providers. We are bundling our range of products in one platform, the COCKPIT, which will increase customer loyalty and counteract price pressure. Differentiation from new competitors through quality, security and competence based on many years of experience is also important. The risk for EQS Group AG in the area of market and industry development has increased overall.

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 Information Security. The analysis of group-specific risk factors during the reporting period resulted in a mostly equal level of risk compared to the previous year. The many **growth activities** within EQS Group are continuously checked using market research, business case calculations and extensive discussions between sales, development and management.

EQS Group AG's **internationalisation strategy** is already well advanced and we are represented locally by affiliate companies in the most relevant markets. The operational break-even of a new company is expected after approximately five years. The investments in foreign expansion made in recent years have paid off. The majority of the companies are already operationally profitable. By contrast, the subsidiary in Russia developed negatively as a result of the Russian war of aggression and its consequences. The continuation of this development is also expected for 2023. EQS Group AG assesses the risk as limited due to the very low volume of business in Russia and the decision to discontinue business activities in Russia.

In the Investor Relations field, the expansion of the business relationship with existing customers and in the course of the successful migration of existing customers to the new IR COCKPIT, confirmed our **market position**. At the same time, the revenue is diversified with our customers to a large extent. 99 % of our customers represent an under one percent share of the revenue, and in any case, a single customer's share of the revenue exceeds five percent of the total revenue. Due to the weakening economic environment, the absence of IPOs, adjustments in corporate strategy, and developments on the Russian market, there was a decline in project-related revenues in 2022. This decline was almost fully compensated for by the increased share of recurring business.

The extensive **new development** of products for the **Compliance COCKPIT** resulted in a continued high-risk assessment in the area of product and performance risks. The probability of damage is however stable, as the development focuses are on standardised cloud software instead of project services for individual customers. Overall, there is no change in the product risks.

For the sales of our products to small and medium sized non-listed companies, as well as public institutions and organisations, sales partnerships play an important role in the success story of our business. Prior to the entry into force of the EU Whistleblower Directive, a number of partnerships were concluded in the last two years. It is still fraught with uncertainty whether these partnerships can be activated and contribute meaningfully to the success. Therefore, the partnership risk remains stable.

Personnel risks

A **continuing need for skilled workers**, fluctuation and the loss of key employees represent a risk situation in the area of human resources. The risk probability with regard to the **loss of employees in key positions** is similar to the previous year's level. Concurrently, the dependency on the German employment market is decreasing, and therefore so is the group risk due to the further development of the international locations. Thus, **personnel risks** have remained comparably high.

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

Information- and Cybersecurity risks

There is a consistently higher level of **Information- and Cybersecurity risks** during the period under review. As a technology company, EQS Group AG places great importance on securing sensible customer data. A secure IT infrastructure, IT hardening, high availability and resilience against cyber-attacks are key for us. It is equally important to identify the most cost-effective measures that provide the greatest return on investment. EQS Group AG continuously strengthens its security posture against internal and external threats through ongoing investment in an **Information Security program** and various **security controls**, their ongoing evaluation for effectiveness and the comprehensive expansion of the global Information Security team. Through its **comprehensive, multi-layered and global cyber insurance policies with industry-leading providers**, EQS Group AG is covered against damages from internal or external cyber incidents and has significantly increased coverage in the past to absorb residual risks after security controls have been established. Nevertheless, in the area of data security and protection rights, the risk is very high as the number of attacks on IT infrastructures is continuously increasing. In order to further improve the security situation, EQS Group AG is continuously working on the expansion of the Information Security program, the controls and their review with the help of external auditors. Regular internal training is designed to raise awareness of possible attacks and Information Security among all employees.

Financial risks

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

Investment risks as well as the return-on-investment risk have decreased as a result of fewer new investments. However, our extensive experience in our operating business or other related business areas and software development geared closely to customer needs help us to manage the investment risks and to keep the probability of damage low.

The probability of a **liquidity risk** has decreased due to the significant **reduction of short- and medium-term financial debt.** The refinancing of the **remaining liabilities** under a **long-term bank loan** was concluded in the course of the 2022 financial year. This means that the probability of a credit and/or solvency risk is significantly reduced compared to the previous year. As in the past, the main loan agreements contain financial covenants based on the EBITDA and the ratio of net debt to EBITDA during the term of the loan.

Non-compliance with the agreed financial covenants can have serious consequences in terms of securing the company's financing. In 2022, there was non-compliance with the EBITDA covenant. This represented an immediate risk, as the lending banks could have demanded early repayment of the loan. As a result, a supplementary agreement was concluded with the banks to the loan agreement, which retroactively waived the EBITDA covenant for 2022 and agreed to adjust the covenants for 2023 in line with the planning premises. Consequently, the interest rate margin for the period January 1, 2023 to September 30, 2023 was increased by 25 basis points. This eliminated the risk for the next two fiscal years assuming business develops as planned, in particular with regard to the implementation of the Whistleblower Directive.

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.

Market risk is the risk that market prices, e.g. exchange rates or interest rates, will change and thus affect the Company's earnings or the value of the financial instruments held. The objective of risk management is to manage and control market risk. In individual cases, the Company acquires derivatives to manage market risk. For risk management purposes, the Company holds interest rate caps based on EURIBOR, which are used to limit the **interest rate risk** from borrowings with banks. So far, no hedging with cash flows from underlying transactions, except for operating hedging, has been performed. The development of the market price of the derivatives and of the variable interest rates from loan financing is monitored on an ongoing basis by the responsible employees in the finance department.

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, DKK, GBP, USD and HKD among others, result in limited mutual hedging.

Other risks

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

Overall risk situation

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

EQS Group's overall risk capital as of the reporting date, 31 December 2022, has increased by eight percent compared to the previous year. On the one hand, risks are as unavoidable as a result of corporate growth, as investments in product development are as part of the overall strategy. On the other hand, the expansion into new markets in particular and product diversification reduces the dependency on the domestic market and gradually ensures the diversification of risks.

The significant deterioration in the economic environment for companies has led to an increase in the business environmental risks. At the same time, the Group-specific risk continuous high. More investments in new markets and products increase growth risks. Advancing digitisation and a focus on IT also increase the risks in the area of Information Security. The repayment and long-term refinancing of financial debt has led to a significant decrease in liquidity and solvency risk and therefore the financial risks. The further development of the Russian war of aggression in Ukraine may lead to negative effects on the planned business development of EQS Group AG in the current 2023 financial year. The management board of EQS Group AG does not see the existing risks and the existing loss situation as a threat to the company as a going concern.

Opportunities Report

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

Opportunities from the development of framework conditions

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

The following opportunities arise in this area for the current 2023 financial year:

The trend towards further **increasing regulations in the area of compliance and sustainability** for companies and organisations is concretised in the **European Whistleblower Directive and the Supply Chain Due Diligence Act in Germany**. Significant revenue growth is to be expected due to these in 2023.

Corporate strategy opportunities

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

The expansion of the **Compliance COCKPIT** to include additional modules will enable us to offer a complete compliance management system to the majority of existing and future whistleblowing customers. This goes hand in hand with the opportunity of significantly higher average revenue per customer in the future. Significant revenue increases are possible from this over the next few years.

In the case of the **IR COCKPIT**, the increase from discounted prices to the list price for existing customers in particular offers additional sales potential. A significant increase in recurring revenue of around € 0.5 to € 1.0 million is also expected in 2023, which will continue in subsequent years.

Performance opportunities

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

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

The linking of various departments' ERP systems will continue in 2023. The migration of financial accounting to the latest version of the ERP system will enable a close linking of sales and financial accounting in the future and may result in efficiency gains as well as further improve the availability of current data.

Munich, March 29, 2023

Achim Weick

(CEO)

Christian Pfleger

(COO)

Marcus Sultzer

(CRO)

André Silvério Marques

(CFO)