EQS Group AG Munich

Annual Financial Statements and Management Report for the fiscal year from January 1, 2022 to December 31, 2022

EQS Group AG, Muich
Balance sheet as of December 31, 2022

Assets

		Dec. 31, 2022 EUR	Previous year EUR
A.	**Fixed Assets**		
I.	**Intangible assets**		
1.	Internally-created industrial property rights and similar rights and assets	10,937,067.47	9,599,289.72
2.	Concessions, industrial property rights and similar rights and values and similar rights and assets as well as licences to such rights and assets	1,913,128.90	2,038,512.54
3.	Goodwill	4,103,608.63	4,616,559.22
		16,953,805.00	16,254,361.48
II.	**Tangible assets**		
	Property, plant and equipment	823,051.30	919,071.47
III.	**Financial assets**		
1.	Shares in affiliated companies	117,113,356.95	116,480,382.60
2.	Loans to affiliated companies	16,911,461.64	17,685,551.32
3.	Participations	0.00	200.00
4.	Other loans	943,380.54	641,634.65
		134,968,199.13	134,807,768.57
B.	**Current assets**		
I.	**Inventories**		
	Work in Progress	89,070.63	122,003.36
II.	**Receivables and other assets**		
1.	Receivables from deliveries and services	3,554,146.48	3,325,861.36
2.	Receivables from affiliated companies	1,883,313.27	687,136.39
3.	Other assets	546,315.15	470,937.80
		5,983,774.90	4,483,935.55
III.	**Cash in hand, bank balances**	3,458,080.75	4,348,125.79
C.	**Prepaid expenses**	1,214,748.95	1,314,976.47
D.	**Deferred tax assets**	4,152,516.94	1,654,947.93
		167,643,247.60	163,905,190.62

Liabilities

		Dec. 31, 2022 EUR	Previous year EUR
A.	**Equity**		
I.	**Issued capital**	10,024,212.00	8,659,476.00
	(Conditional capital)	(3.941.125)	(3.941.125)
	Less calculated value of own shares	-10,000.00	-11,000.00
		10,014,212.00	8,648,476.00
II.	**Capital reserve**	107,074,849.46	63,426,190.42
III.	**Retained earnings**	-2,729,379.71	2,835,112.63
		114,359,681.75	74,909,779.05
B.	**Provisions**		
1.	Tax provisions	21,280.00	31,351.00
2.	Other provisions	1,502,260.62	1,394,714.21
		1,523,540.62	1,426,065.21
C.	**Liabilities**		
1.	Liabilities to credit institutions	34,473,332.88	59,495,834.97
2.	Advance payments received on orders	77,625.00	75,875.00
3.	Liabilities from deliveries and services	723,333.08	1,279,187.83
4.	Liabilities from affiliated companies	6,187,703.38	2,224,258.18
5.	Other liabilities	1,680,707.52	17,542,379.70
		43,142,701.86	80,617,535.68
D.	**Deferred income**	4,817,085.38	3,550,624.72
E.	**Deferred tax liabilities**	3,800,237.99	3,401,185.96
		167,643,247.60	163,905,190.62

EQS Group AG, Munich

Profit and Loss Account for the Financial Year from January 1 to December 31, 2022

		EUR	FY 2022 EUR	Previous year EUR
1.	Revenues		39,578,152.62	34,939,375.17
2.	Change in inventories of work in progress		26,462.27	-6,784.78
3.	Other capitalised personal contributions		2,256,075.87	2,324,036.51
4.	Other operating income *- thereof from currency translation EUR 14,709.68 (Previous year: EUR 21,259.01)*		428,687.11	388,057.78
			42,289,377.87	37,644,684.68
5.	Purchased services		-11,543,419.53	-8,217,348.91
6.	Personnel expenses			
a)	Wages and salaries	-18,134,587.21		-15,970,471.01
b)	Social security and pension costs *- thereof for pensions EUR -214.333,09 (Previous year: EUR-204,774.56)*	-3,112,873.36		-2,686,301.91
			-21,247,460.57	-18,656,772.92
7.	Depreciation & amortisation		-2,170,319.09	-2,099,605.97
8.	Other expenses *- thereof from currency translation EUR -165,692,20 (Previous year: EUR -17,480.85)*		-12,454,297.72	-9,665,744.58
	Operating result (EBIT)		-5,126,119.04	-994,787.70
9.	Income from investments *- thereof from affiliated companies EUR 235,000,00 (Previous year: EUR 252,000.00)*		235,000.00	252,000.00
10.	Income from loans of financial assets *- thereof from affiliated companies EUR 193,524.76 (Previous year: EUR 243,916.81)*		293,524.76	254,748.94
11.	Other interest and similar income		20,539.44	6,633.98
12.	Expenses from loss transfer		-163,016.13	-220,132.93
13.	Depreciation on financial assets and marketable securities		-729,012.01	-1,418,309.00
14.	Interest and similar expenses *- of which from compounding EUR -699,44 (Previous year: EUR -2,231.33)* *- of which to affiliated companies EUR -71,569.09 (Previous year: EUR -6,023.98)*		-2,173,263.92	-1,673,630.91
			-7,642,346.90	-3,793,477.62
15.	Taxes on income and earnings *- of which expenses from deferred taxes EUR 2,098,516.98 (Previous year: EUR 366,392.21)*		2,077,848.20	322,441.21
16.	**Result after Taxes**		-5,564,498.70	-3,471,036.41
17.	Other taxes		6.36	803.27
18.	**Net loss for the year**		-5,564,492.34	-3,470,233.14
19.	Profit carried forward from the previous year		2,835,112.63	6,305,345.77
20.	**Balance sheet profit**		-2,729,379.71	2,835,112.63

Notes to the Financial Statements for EQS Group AG, Munich, for the 2022 Financial Year

I. General information on the company

The EQS Group AG Group has its registered office in Munich. It is entered in the Commercial Register of the Munich Local Court under the registration number HRB 31048. The shares are traded in segment "Scale" at Deutsche Börse AG.

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

As of December 31, 2022, EQS Group AG exceeds the size criteria for a large corporation for the first time pursuant to Section 267 (2) and (3) German Commercial Code. However, the legal consequences of exceeding the will only occur in the case of two successive financial years. In the preparation the size-related exemptions for medium-sized corporations have therefore been partially utilized in the notes to the financial statements.

The annual financial statements were prepared on the basis of the German accounting regulations in the regulations set out in section 242 and 264 et seq. of German Commercial Code (HGB). The provisions of the German Stock Corporation Act were also observed.

The fiscal year covers the period Jan. 1 to Dec. 31, 2022.

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

IV. Accounting and valuation methods and foreign currency conversion

The financial statements are prepared on a going concern basis (Section 252 (1) no. 2 of the HBG). The following accounting policies, which have remained essentially unchanged, were used to prepare the annual financial statements.

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

The intangible fixed assets acquired against payment are capitalized at the time of transfer of economic or legal ownership at acquisition cost in accordance with Section°255°(1) of the HGB and scheduled depreciation is applied over their expected useful life as well as impairment in the event of a probable permanent reduction in value. The normal useful life is between 1 and 20 years.

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

At the time of transfer of economic or legal ownership, property, plant and equipment is recognized 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. Impairment is applied in the event of a probable permanent reduction in value. Low-value assets with an acquisition value of up to € 800.00 were capitalised and amortised in full in the year of acquisition.

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

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 recognized at production cost or the lower of cost or value, corresponding to the production costs incurred to date. The strict lower of cost or market principle is respected 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 recognized 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 recognized on the net amount of receivables for which no specific allowance has been recognized. The premiums of derivatives are capitalized under other assets and amortized over their term. If the fair value is lower, an impairment loss is recognized in current assets.

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 recognized 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 local GAAP (HGB) and tax GAAP valuations of assets, liabilities and prepaid expenses which are expected to reverse in future financial years. The deferred tax assets and liabilities are not netted. In determining deferred taxes, existing loss carryforwards are taken into account in the amount of the losses expected to be offset within the next five years.The valuation of deferred taxes is based on a tax rate of 32.95%.

The subscribed capital is recognized 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 recognized as an expense in the current financial year.

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

Liabilities are recognized 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.

Exchange rate differences are recognized in the income statement under "Other operating income" or "Other operating expenses. Exchange rate differences arise between the date on which an asset or liability denominated in a foreign currency is recognized and the date on which the item is settled or, taking into account the lower of cost or market principle, translated in preparing the balance sheet.

In principle, revenues are recognized 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 recognized in the balance sheet and reversed over the remaining term of the contract.

V. Notes to the balance sheet

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

Intangible assets include internally generated intangible assets of € 10.94m (previous year: € 9.60m), two acquired customer bases totalling to € 1.23m (previous year: € 1.39m), which are amortized on a scheduled basis over 15 resp. 20 years.

Research and development costs for the 2022 financial year amount to € 5.54m (previous year: € 5.43m). Thereof € 2.26m (previous year: € 2.32m) are capizalized in the internally generated intangible assets.

Goodwill results from the merger with C2S2 GmbH in previous year € 3.92m (previous year: € 4.90m as well as from merger of Got Ethics GmbH € 181 thousand (previous year € 226 thousand). The depreciation period is the expected useful life of 10 years.

Property, plant and equipment contains mainly € 348 thousand (previous year: € 318 thousand) IT eqipment, € 260 thousand (previous year: € 310 thousand) office equipment and € 135 thousand (previous year: € 188 thousand) leasehold improvements.

For the loan to EQS Asia Limited, Hong Kong, included in loans to affiliated companies, which was written off unscheduled in full in 2019 (€ 3,65m), a reversal of the impairment loss in the amount of the repayment amount of € 152 thousand (previous year: € 239 thousand) was done in 2022, as a permanent recovery can be assumed here.

For the investment in the subsidiary the investment in subsidiary EquityStory RS, Moskau was impaired and depreciated fully amounting to € 729 thousand.

As in the previous year, trade receivables have a remaining term of up to one year. Receivables from affiliated companies also have a remaining term of up to one year, as in the previous year. Receivables from affiliated companies include trade receivables in the amount of € 1,883 thousand (previous year: € 619 thousand) and other assets in the amount of € 0.4 thousand (previous year: € 68 thousand). The trade receivables within the affiliated companies have increased primarily due to the advanced integration of acquired companies.

Other assets do not include any items with a remaining term of more than one year. Other assets include anticipative amounts of € 63 thousand (previous year: € 4 thousand). These are VAT amounts that are deductible in the following year. Other assets no longer include any cash transit (previous year: € 404 thousand).

Deferred tax assets were determined on losses carried forward of € 4.12m (previous year € 1.65m) and on foreign currency differences of € 14 thousand (previous year € 8 thousand). They developed as follows as of the balance sheet date:

As of 01.01.2022	€'000	1,655
Change 2022	€'000	2,498
As of 31.12.2022	€'000	4,153

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%.

On February 25, 2022, the Executive Board of the Company resolved, with the approval of the Supervisory Board, to increase the share capital of the Company from € 8,659,476.00 by € 1,443,246.00 to € 10,102,722.00 by issuing 1,443,246 new registered no-par value shares, each with a notional value of € 1.00 of the Company's share capital, using the Authorized Capital 2021 created by resolution of the Annual General Meeting of the Company on May 14, 2021. Atotal of 1,364,736 (approx. 94.6%) of the 1,443,246 new shares offered were placed. The capital stock was thus increased from € 8,659,476.00 to € 10,024,212. The implementation of the capital increase was entered in the commercial register on March 29, 2022. This resulted in gross issue proceeds of € 45,036,288. By resolution of the Annual General Meeting on June 28, 2022, the Board of Management was authorized, with the approval of the Supervisory Board, to increase the share capital on one or more occasions by a total of up to € 1,002,421.00 by June 27, 2027 against cash and/or non-cash contributions (Authorized Capital 2022/I).

The following resolutions were adopted by the Annual General Meeting on June 28, 2022:

- Cancellation of the previous Authorized Capital 2021/I
- Creation of a new Authorized Capital 2022/I
- Amendment of § 4 - Capital Stock, Authorized Capital
- Amendment to § 14 - Compensation of the Supervisory Board
- Adjustment of the object of the Company
- Resolution on enlargement of the Supervisory Board

The Management Board did not make use of the authorizations in the financial year.

For the employee stock option program (tranche 2021), 10,000 treasury shares (€ 10,000 of the capital stock of € 10,024,212.00 existing at that time = 0.1%) were purchased again between September and November 2022 at a price of between € 23.90 and € 29.00. These shares were issued to employees in January 2023 as part of the employee stock option program. The treasury stock amounted to 10,000 shares at the balance sheet date. The effect for the financial year from the repurchase and sale of treasury shares is shown in the capital reserve. By resolution of the Annual General Meeting, the compensation for each member of the Supervisory

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

As of 01.01.2022	€	63,426,190.42
Premium from the issue of new shares	€	43,671,552.00
Allocation from “My EQS Share Plan” stock option plan	€	221,629,04
Premium from the purchase and sale of treasury shares	€	-244,522.00
As of 31.12.20212	€	107,074,849,46

Board renumeration was adjusted to € 32,500 plus any applicable valueadded tax plus appropriate expenses. The Chairman of the Supervisory Board receives 2.5 times and his deputy 1.5 times the remuneration. The Chairman of the Audit Committee receives an additional € 15,000.00. In addition, each member of the Supervisory Board receives attendance fees for Supervisory Board meetings. The Chairman of the Supervisory Board receives € 2,000.00 per meeting per day, irrespective of whether the meeting is a presence, hybrid or virtual meeting and whether he physically attends the meeting. All other members receive € 750.00 per meeting per day. If the meeting is a (hybrid) meeting with the possibility of physical presence, each physically present member shall receive € 1,000.00 per meeting per day in deviation from the previous rate. For participation in committee meetings, each participating member receives € 750.00 per meeting per day. Compensation for attendance fees is limited to a maximum of 10 meetings of the Supervisory Board or committees per year. Supervisory Board meetings shall be given priority over committee meetings.

The balance sheet profit per December 31, 2021 of € 2,835,112,63 was carried forward. As of the reporting date of December 31, 2022, taking into account the net loss for 2022 of € -5,564,492.34, this results in an **balance sheet loss** of € -2,729,379.71.

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 2022, amount to € 11.49m (previous year € 7.85m), taking into account the deferred tax liabilities recognized on the gross amounts, of which € 7.33m (previous year: € 6.20m) are attributable to internally generated intangible assets less deferred tax liabilities recognized thereon and € 4.15m (previous year: € 1,65m) deferred tax assets from capizalized tax loss carryforwards.

The other provisions are as follows:

	As of	Consumption	Reversal	Addition	As of
	01.01.2022	2022	2022	2022	31.12.2022
	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand
Bonuses and royalties	359	-358	-1	174	174
Employer's Liability Insurance Association/Compensation Levy	90	-34	-56	61	61
Provision for impending losses	2	-2	0	34	34
Obligation to dismantle rented premises	101	0	0	16	117
Financial statement and audit costs	163	-159	0	225	229
Outstanding invoices	600	-532	-58	762	772
Retention of business documents	14	0	0	0	14
Outstanding vacation	66	-56	0	16	26
Pension-like obligations	0	0	0	75	75
	1,395	-1,141	-115	1,363	1,502

The liabilities' remaining terms are as follows:

	Total amount	Of which remaining term		
Type of liabilitiy		Up to 1 year	Over 1 year	Over 5 years
	€ Thousand	€ Thousand	€ Thousand	€ Thousand
Amounts owed to credit institutions	34,473	4,859	29,614	0
Previous year	*59.496*	*55.075*	*4.421*	*0*
Advance payments received on orders	78	78	0	0
Previous year	*76*	*76*	*0*	*0*
Trade accounts payables	723	723	0	0
Previous year	*1.279*	*1.279*	*0*	*0*
Amounts owed to affiliated companies	6,188	6,188	0	0
Previous year	*2.224*	*2.224*	*0*	*0*
Other liabilities	1,681	1,681	0	0
Previous year	*17.542*	*17.542*	*0*	*0*
– of which from taxes	603	603	0	0
Previous year	*509*	*509*	*0*	*0*
- of which from social security	1	1	0	0
Previous year	*3*	*3*	*0*	*0*
Total	43,143	13,529	29,614	0
Previous year	*80,617*	*76,196*	*4,421*	*0*

Amounts owed to credit institutions include € 30.00m (previous year: € 50.40m) from the loan for the purchase of the Business Keeper Group. The loan has a term until Oct 28, 2027. The shares in the EQS Group AG, Switzerland, the Business Keeper Group and EQS Group A/S, Denmark were pledged as security for this loan.

Amounts owed to affiliated companies of € 6.19m (Previous year € 2.22m) result from trade accounts payables amounting to € 3.30m (previous year: € 1.35m) and € 2.89m (previous year € 0.88m) of other liabilities. Trade payables increased, among other things, in the course of the integration of the acquired companies. The increase in other liabilities results from a loan from Business Keeper GmbH to EQS Group AG.

Other liabilities amounting to € 1.68m (previous year: € 17.54m) include liabilities from contingent considerations from the acquisition of Got Ethics GmbH in the amount of € 968 thousand, liabilities from other taxes and duties in the amount of € 603 thousand, and accounts receivable with credit balances in the amount of € 104 thousand. In the previous year, there was a vendor loan from the purchase of the Business Keeper Group in the amount of € 17.00m.

Deferred tax liabilities of € 3.80m (previous year € 3.40m) were calculated from the difference between the capitalization of internally generated intangible assets and in connection to the C2S2 GmbH merger.

They developed as follows as of the balance sheet date:

As of 01.01.2022	€'000	3,401
Change 2022	€'000	399
As of 31.12.2022	€'000	3,800

The calculation of deferred taxes was based on a tax rate of 32.95%.

VI. Notes to the profit and loss account

Other capitalized own costs:

The total amount of research and development costs in the financial year was € 5.54m (previous year: € 5.43m). Thereof € 2.26m (previous year: € 2.32m) are recognized as internally generated intangible assets.

Other operating income:

Other operating income includes, among other things, income from the reversal of the impairment loss in the amount of the repayment amount of the loan to EQS Asia Limited, Hong Kong, which was fully written off in 2019, amounting to € 152 thousand (previous year € 239 thousand), income from the reversal of provisions of € 115 thousand (previous year € 26 thousand) and income from currency translation of € 83 thousand (previous year € 15 thousand).

Other operating expenses:

Other operating expenses include foreign currency losses of € 166 thousand (previous year € 17 thousand), bad debts and specific valuation allowances of € 134 thousand (previous year € 146 thousand), supervisory board renumberations of € 291 thousand (€ 162 thousand) as well as third-party services of € 137 thousand (previous year € 87 thousand).

Income from investments:

Income from investments relates to a profit distribution from the subsidiary EquityStory RS LLC, Moscow, of € 235 thousand (previous year: € 252 thousand).

Depreciation in financial assets:

Depreciation in financial assets includes depreciation in accordance with Section 253°(3) sentence°5 of the HGB on the shares in the affiliated company EquityStory RS LLC amounting to € 729 thousand. The shares are therefore fully depreciated as of 31.12.2022.

Taxes on income and earnings:

Due to the negative result in 2021 and 2022, there will be no actual tax expense. Deferred tax income of € 2.50m (previous year: € 865 thousand) and deferred tax expenses of € 399 thousand (previous year: € 499 thousand) were recognized in profit or loss.

VII. Other information

Other financial commitments:

EQS Group AG has extended loans to affiliated companies. Based on the loan agreements, there are still binding open commitments of loans not yet drawn down in the amount of € 8.90m as of the balance sheet date. The loans provide liquidity support for the development of the borrowers' businesses. Based on the current development of the affiliated companies, the Executive Board assumes that the subsidiaries in Italy, France, Spain and the USA will continue to have liquidity requirements.

EQS Group AG has concluded various rental agreements for office space. As of 31 December 2022, there are other financial commitments totalling € 2.67m (previous year: € 3.54m).

In connection with an acquisition in December 2020 and share transfers in January 2021, payments for performance-related variable compensation claims of up to € 45 thousand will still be due to employees of the acquired company in the period from 2023 to 2026.

There are pension commitments in accordance with Section 285°(3a) of the HGB. The total commitment over the term of the contract amounts to € 2.90m (previous year: € 3.00m) in accordance with the current premium level.

Number of employees:

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

Production	175
Administration	36
Sales	42
Total (rounded)	253

Executive Board:

The Executive Board had the following members in the financial year:

- Achim Weick, Graduate Merchant, Chief Executive Officer, Munich
- Christian Pfleger, Graduate Merchant, Chief Operating Officer, Munich
- André Silvério Marques, Graduate Merchant, MBA, Chief Financial Officer, Munich
- Marcus Sultzer, Graduate Merchant (BA), MBA, Chief Revenue Officer, Pullach i. Isartal

The remuneration of the Board of Management in the financial year 2022 amounted to € 1.86m (previous year: € 1.86m), of which €0 thousand (previous year: € 10 thousand) was variable. Of the total compensation, € 199 thousand (previous year: € 198 thousand) relates to insurance premiums.

As of the balance sheet date, a loan receivable of € 269 thousand (previous year: € 237 thousand) was owed by the Executive Board member André Silvério Marques. The loan has a term until April 30, 2025 and was used to purchase shares in EQS Group AG as part of the management participation program. The loan bears interest at 2.8% p.a.. The repayment amount in the financial year was € 17 thousand.

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

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

- Achim Weick

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

Supervisory Board:

The supervisory board had the following members in the financial year:

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

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

- Kerstin Lopatta, Prof. Dr., Professor of Financial Accounting, Auditing and Sustainability, University of Hamburg, Hamburg (since May 14, 2021)
    - Further Supervisory Board memberships: Freenet AG (Member of Supervisory Board)
- Rony Vogel, Graduate Engineer and MBA, Entrepren€ and Investor, Munich
    - Solutiane AG, Potsdam (Chairman of the Supervisory Board)
    - Deskcenter AG, Leipzit (Member of Supervisory Board)
    - CanPharma GmbH, Oranienburg (Member of the Advisory Board)
- Catharina van Delden, MBA, Entrepren€, Munich (since June 28, 2022)
    - Further Supervisory Board Memberships:
    - Sto SE & CO. KGaA, Stühlingen (Member of Supervisory Board)
    - Innosabi GmbH, Munich (Member of the Advisory Board)
    - Lava Technologies GmbH, Munich (Member of the Advisory Board)
    - Cavago Pte, Ltd., Singapore (Member of the Advisory Board)
    - Deutsche Bank AG, Munich Member of the Advisory Board south)

The members of the Supervisory Board received fixed compensation totalling € 291 thousand (previous year: € 175 thousand) for their activities in the 2022 financial year.

Group affiliation:

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

Auditor's fee:

For the financial year 2022, fee expenses for the auditor totalling € 263 thousand (previous year: €120 thousand) were recognized. Of this amount for 2022, € 211 thousand (previous year: €120 thousand) are attributable to auditing services and. Furthermore, expenses for auditing services from the previous year of € 57 thousand were recognized in the 2022 financial year.

Derivative financial instruments not recognized at fair value:

EQS Group AG uses an interest rate cap for the long-term loan with a nominal amount of € 7.00m to hedge against an increase in the interest rate. The derivative has a market value of € 212 thousand and a carrying amount of € 11.4 thousand as of December 31, 2022. The interest rate cap of the interest rate cap is 0.00%. The term of the derivative corresponds to the term of the loan. The premium is capitalized under other assets and reversed over the term.

For the new loan with a nominal amount of € 30.00m, EQS Group AG uses another interest rate cap to hedge against an increase in the interest rate. As of December 31, 2022, the derivate has a fair value of € 505 thousand and a carrying amount of € 427.8 thousand. The interest rate limit is 3%. The premium is capitalized under other assets and reversed over the term.

Guarantee agreements:

There is an unlimited guarantee for the financial security of the French subsidiary's going concern. For fiscal year 2023 budgeted the usage of the gauantee is limited.

For the financial security of the Swiss subsidiary's going concern, there is a subordination agreement for the loan granted in the amount of CHF 9.50m. Due to the high profitability of the company the usage of the guantee in fiscal year 2023 is not expected.

For the application of the relief regulations of Section 264 (3) HGB, Business Keeper GmbH has received a loss assumption declaration for the financial year from April 1, 2022 to March 31, 2023. In the declaration, EQS Group AG undertakes to offset any net loss arising in the following financial year, unless this is offset by withdrawing amounts from retained earnings. The risk of this agreement being utilized is considered to be low.

Events of particular significance after the balance sheet date:

The war of against Ukraine poses a significant risk to the global economy. A further escalation of the crisis within €ope or even worldwide could have serious economic consequences. After reporting date, it was decided by the management to dispose the Russian business in the financial year 2023 and to liquidate the company. We expect significant growth impulses from the currently most important regulation for EQSGroup AG, the European Whistleblower Directive (EU Directive 2019/1937), which has been inforce since December 2021. However, the regulation has not yet been implemented in many EU member states, including Germany. The German government did pass a law at the end of 2022.However, during the first annual session in February 2023, the approval of the federal council, which is necessary for the law to come into force, was denied. The next step will be to work out a compromise solution. We expect the European Whistleblower Directive to be transposed into national law in Germany by the third quarter of 2023 at the latest, with associated further revenue growth in the whistleblowing systems product area. In the course of the 2022 financial year, financial liabilities previously due in the short and medium term, arising from 2021 company acquisitions were refinanced as part of followup financing in the form of a long-term bank loan. As in the past, financial covenants have been agreed, which are based on the EBITDA achieved or, from September 30, 2023, on the ratio of net debt to EBITDA at fixed points during the term of the loan. Non-compliance with the agreed financial covenants may have serious consequences in terms of securing the company's financing. As of the reporting date of December 31, 2022, there was non-compliance with the EBITDA covenant. In Q1 2023, compliance with this covenant is at risk. As a result, a supplementary agreement was concluded with the banks to the loan agreement, which retro-actively cancels the EBITDA covenant for 2022 and agrees to adjust the financial covenants for 2023 in line with the planning assumptions for 2023. As a result, interest margin for the period Jan. 1, 2023 to Sept. 30, 3023 is increased by 25 basis points. This eliminates the risk for the next two fiscal years assuming business develops as planned, in particular with regard to the implementation of the Whistleblower Directive.

Munich, March 28, 2022

Achim Weick
(Chairman of the Board)

Christian Pfleger
(Executive Board)

Marcus Sultzer
(Executive Board)

André Silvério Marques
(Executive Board)

	Acquisition and production costs						Accumulated depreciation						Book Values	
	Jan. 1, 2022 EUR	Rebooking EUR	Additions EUR	Write-ups EUR	Disposals EUR	Dec. 31, 2022 EUR	Balance carried forward EUR	Rebooking EUR	Additions EUR	Write-ups EUR	Disposals EUR	Dec. 31, 2022 EUR	Dec. 31, 2022 EUR	Dec. 31, 2021 EUR
I. Intangible assets														
1. Internally-created industrial property rights and similar rights and assets	12,827,638.26	0.00	2,256,075.87	0.00	0.00	15,083,714.13	3,228,348.54	0.00	918,298.12	0.00	0.00	4,146,646.66	10,937,067.47	9,599,289.72
2. Concessions, industrial property rights and similar rights and values and similar rights and assets as well as licences to such rights and assets	6,033,274.86	0.00	314,788.56	0.00	0.00	6,348,063.42	3,994,762.32	0.00	440,172.20	0.00	0.00	4,434,934.52	1,913,128.90	2,038,512.54
3. Goodwill	5,129,509.81	0.00	0.00	0.00	0.00	5,129,509.81	512,950.59	0.00	512,950.59	0.00	0.00	1,025,901.18	4,103,608.63	4,616,559.22
	23,990,422.93	0.00	2,570,864.43	0.00	0.00	26,561,287.36	7,736,061.45	0.00	1,871,420.91	0.00	0.00	9,607,482.36	16,953,805.00	16,254,361.48
II. Tangible assets														
property, plant and equipment	3,787,168.43	0.00	203,416.15	0.00	51,392.50	3,939,192.08	2,868,096.96	0.00	298,898.18	0.00	50,854.36	3,116,140.78	823,051.30	919,071.47
III. Financial assets														
1. Shares in affiliated companies	119,303,833.47	0.00	1,361,986.36	0.00	0.00	120,665,819.83	2,823,450.87	0.00	729,012.01	0.00	0.00	3,552,462.88	117,113,356.95	116,480,382.60
2. Loans to affiliated companies	20,945,143.27		6,434,288.44	0.00	7,357,137.95	20,022,293.76	3,259,591.95		2,936.96	151,696.79	0.00	3,110,832.12	16,911,461.64	17,685,551.32
3. Participations	200.00				200.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	200.00
4. Other loans	641,634.62		477,657.05	0.00	175,911.16	943,380.51	0.00		0.00	0.00	0.00	0.00	943,380.51	641,634.62
	140,890,811.36	0.00	8,273,931.85	0.00	7,533,249.11	141,631,494.10	6,083,042.82	0.00	731,948.97	151,696.79	0.00	6,663,295.00	134,968,199.10	134,807,768.54
	168,668,402.72	0.00	11,048,212.43	0.00	7,584,641.61	172,131,973.54	16,687,201.23	0.00	2,902,268.06	151,696.79	50,854.36	19,386,918.14	152,745,055.40	151,981,201.49

Appendix 2 to then notes - List of shareholdings for the Financial Year from January 1 to December 31, 2022

Name and registered office of the company in thousand	Currency	Exchange Rate Dec. 31, 2022	Share in euity %	Date of first investment	Equity in local currency Dec. 31, 2022	Result in local currency Dec. 31, 2022
Financial Markets & Media GmbH, Munich, Germany*, **	EUR	-	100.00%	Sep. 24, 2007	414	0
EquityStory RS LLC., Moskow, Russia**	RUB	79.62423	100.00%	Dec. 3, 2008	31,538	7,279
EQS GROUP AG, Zurich, Switzerland**	CHF	0.9847	100.00%	Nov. 9, 2012	1,127	1,049
EQS Asia Ltd., Hong Kong**	HKD	8.3163	100.00%	Dec. 12, 2012	16,937	-1,233
EQS TodayIR Ltd, Hong Kong**	HKD	8.3163	100% indirect participation via EQS Asia Ltd.	Apr. 24, 2014	-5,109	-1,346
EQS Group (Shenzhen) Ltd, Shezhen, China**	CNY	7.3582	100% indirect participation via EQS TodayIR Ltd.	Apr. 24, 2014	6,845	937
TodayIR (Taiwan) Holdings Limited , Hong Kong**	HKD	8.3163	100% indirect participation via EQS Asia Ltd.	Apr. 24, 2014	-2,521	51
EQS Digital IR Pte. Ltd., Singapore**	SGD	1.43	100% indirect participation via EQS Asia Ltd.	Apr. 24, 2014	1,017	9
EQS Web Technologies Pvt. Ltd., Cochi, India**	INR	88.171	100.00%	Jun. 19, 2014	127,705	22,860
EQS Group Ltd., London, Great Britain**	GBP	0.88693	100.00%	Dec. 17, 2015	-1,212	-10
EQS Group Inc., New York, USA**	USD	1.0666	100.00%	Dec. 22, 2015	-4,660	-477
EQS GROUP SAS, Paris, France**	EUR	-	100.00%	Jul. 17, 2017	-3,629	-557
EQS Group A/S, Copenhagen, Denmark**	DKK	7.4365	100.00%	Jan. 11, 2021	4,656	-1,301
EQS Group S.r.l., Milan, Italy**	EUR	-	100.00%	Feb. 23, 2021	-616	-384
EQS Group doo, Belgrade, Serbia**	RSD	117.6744	100.00%	May 10, 2021	7,469	4,494
EQS Group GmbH, Vienna, Austria**	EUR	-	100.00%	Jul. 3, 2021	28	64
Business Keeper GmbH (eh. ICS International Compliance Software Beteiligungs GmbH), Berlin, Germany**; ***	EUR	-	100.00%	Jul. 14, 2021	1,913	-21,099
EQS Group Regtech S.L.U., Madrid, Spain**	EUR	-	100.00%	Jul. 14, 2021	-969	-857

* Profit and loss transfer agreement

** Values are from IFRS reporting of entities per Dec 31, 2022 (HBII)

*** Company with different financial year

MANAGEMENT REPORT of EQS Group AG, Munich

Financial Year 2022

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 cloud software 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 centers in Kochi (India) and Belgrade (Serbia).

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

Thousand 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.

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 successs at company level. The most important financial performance indicators are revenue (growth) and EBITDA[1].

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 questionnaire3. The survey is aimed in particular at 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[3]. 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 company's success.

---

[1] EBITDA is calculated as the total income (Revenue, other income and capitalized own costs) minus operating expenses (service costs, personal expenses and other expenses).

[2] The New-ARR is the recurring annualized order volume added.

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

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, 2022 was characterized by our product drive and resulted in continued high product development expenses.

The EQS COCKPIT, our centralized, 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 €2.26m were capitalized in the 2022 financial year (previous year: €2.32m), of which €1.55m in the IR segment and €707 thousand in Compliance. This represents 41 % 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 d.o.o in Serbia totaling €1.69m. Amortization of these intangible assets amounted to €918 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 year with 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 Germany and 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. This allowed us to acquire Integrity Line AG, Zurich, in January 2018 and Got Ethics A/S, Copenhagen, in January 2021. 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 turnover being achieved.

In addition, the generally weak economic conditions, including high inflation and the associated interest rate increases, as well as the ongoing 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.

In the 2022 financial year, EQS Group AG was consequently able to boost revenues (including revenues from affiliated companies) by +13% to €39.58m (previous year: €34.94m), but fell significantly short of the target range forecast for 2022 (year-on-year revenue growth from +15% to +30%).

The Investor Relations segment was especially hard hit by the uncertainty on the capital markets. Despite the plan to increase revenue from +5% to +15%, there was a slight decrease in revenue of -2%. This decline was largely offset (-10%) in the IR Products division through the scheduled migration of existing customers to the new IR COCKPIT and the increase in reporting volume-independent SaaS contracts that consequently occurred.

In the Compliance segment, significant growth impetus was provided by the reporting systems product segment with growth of +13%. Revenue growth, however, was lower than planned as a result of the continued failure to enforce the EU Whistleblower Directive. Demand for the issuing of legal entity identifiers (LEI) as well as for filing, spurred on by the European Single Electronic Format Regulation, was slightly above plan. All in all, the revenue growth of +13% fell short of the forecast to increase revenue in 2022 over the previous year (+20% to +40%). Revenue from affiliated companies once again increased at a disproportionately high rate of +69% and can mainly be attributed to the subsidiaries' strong growth in revenue in the reporting systems product segment, in which EQS Group AG provides essential services to subsidiaries.

The overall performance, revenues plus capitalised assets, changes in inventories and other operating income, increased by +12% to €42.29m (previous year: €37.64m). The main reason for the growth is the increase in revenue by €4.64m. The capitalised assets of €2.26m included in this are down slightly from the previous year of €2.32m. Other operating income was slightly higher than in the previous year at €429 thousand (previous year: €388 thousand).

Operative expenditure, purchased services, personnel expenses, depreciation and other operating expenses, increased at a higher rate than revenue developed by +23% to €47.42m (previous rate: €38.64m). The large increase in expenses in 2022 was brought on mainly by a sharp rise in purchased services and the operational expenses of affiliated companies, which was caused by the acquired and established subsidiaries requiring a greater level of integration.

The largest expenditure item, personnel expenses, thus increased by +14% to €21.25m (previous year: €18.66m) and was therefore commensurate with the revenue growth. On an annual average, EQS Group AG employed 253 people (previous year: 235).

Purchased services rose much more steeply than revenue by +40% to €11.54m (previous year: €8.22m). While services purchased by third parties remained nearly unchanged, the services purchased by affiliated companies rose by +82% over the previous year, primarily because EQS

Group AG purchases essential services for the reporting systems product segment from the subsidiaries. These were significantly higher than initially expected, in particular due to the high level of operational integration required by Business Keeper GmbH.

Other operational expenses also rose sharply by +29% to €12.45m (previous year: €9.67m). On the one hand, the expenses for IT infrastructure and the expenses for legal advice continued to rise over the previous year within the context of increasing capital with subscription rights and refinancing. On the other hand, expenses from affiliated companies rose more sharply than expected following the integration of acquired companies.

EBITDA thus declined to -€2.96m (previous year: €1.10m) and thus fell significantly short of the original expectation of +€3m to +€6m for 2022.

Amortization of intangible assets and depreciation of tangible assets increased only slightly by +3% to €2.17m over the previous year's figure of €2.10m. EBIT thus amounted to -€5.13m (previous year: -€1.00m).

At -€2.52m (previous year: -€2.80m), the financial result, which comprises income and expenses from investments, results from the assumption of losses, and interest earned and paid, improved slightly in 2022. Expenses continue to remain high due to interest expenses arising from financial liabilities of €2.10m and unscheduled write-downs on the investment in the Russian subsidiary EquityStory RS LLC. In 2022, the carrying amount of the investment in the subsidiary was written off in full by €729 thousand because of the restrictions placed on business by the war in Ukraine and the associated decline in business. The loss before taxes of -€7.64m was thus once again higher than in 2021 (previous year: -€3.79m). The net loss in the 2022 financial year amounted to -€5.56m (previous year: -€3.47m) due to the allocation of deferred taxes which could be recognised as deferred tax assets as part of future profit expectations amounting to €2.10m.

Assets and financial situation

The balance sheet total amounting to €167.64m as of 31 December 2022 remained virtually unaltered (previous year: €163.91m). The gross revenues generated by increasing capital in March were thus largely used to repay loans, resulting in a year-on-year reduction of cash and cash equivalents in the amount of €3.46m (previous year: €4.35m).

Financial assets increased slightly from €134.81m to €134.97m following the write-down of the investment in the Russian subsidiary EquityStory RS LLC. (€729 thousand) and the counteractive measure to increase the investment in Got Ethics A/S due to subsequent acquisition costs (€968 thousand).

Intangible assets rose by +4% to €16.95m (previous year: €16.25m) mainly as a result of additional capitalised assets, and as of 31 December 2022 include the carrying values of goodwill of €4.10m (previous year: €4.6m). Tangible assets amounted to €823 thousand (previous year: €919 thousand) as of the reporting date.

Compared to the previous year, trade receivables rose by only +7% to €3.55m (previous year: €3.33m) as of the reporting date. The disproportionately low growth in comparison to revenue is primarily due to the rising share of prepayments being made on annual contracts (deferred income). Receivables from affiliated companies, however, increased substantially to €1.88m (€687 thousand) as a result of a sharp rise in sales in this segment.

Deferred tax assets rose by €2.50m to €4.15m (previous year: €1.65m) in conjunction with deferred tax assets being recognised on tax loss carry-forwards as at the 2022 reporting date. This is to be realised within the next four to five years pursuant to a schedule.

As of 31 December 2022, equity capital rose significantly to €114.36m (previous year: €74.91m) due to the increase in capital (gross revenue: €45.04m). With an annual deficit of -€5.56m as of the reporting date, the net loss amounts to -€2.73m (previous year: net profit of €2.84). The attachment contains information on treasury shares in accordance with Section 160 (1) no. 2 of the German Stock Corporation Act (AktG).

Provisions rose by +7% to €1.52m (previous year: €1.43m) mainly due to higher provisions for outstanding invoices (€772 thousand; previous year: €599 thousand), provisions for pensions and similar obligations (€98 thousand; previous year €0) and provisions for auditing of financial statements (€255 thousand; previous year: €147 thousand). This was counteracted with lower provisions for bonuses and commissions (€174 thousand; previous year: €359 thousand) and provisions for holiday pay (€25 thousand; previous year: €66 thousand). Trade accounts payable to third parties declined to €723 thousand (previous year: €1.28m), while liabilities to affiliated companies rose markedly from €2.22m to €6.19m due to the rise in services purchased across the Group. Other liabilities were significantly reduced to €1.68m (previous year: €17.54m) with the seller of Business Keeper GmbH paying back the €17m loan. Deferred income increased by +36% to €4.82m (previous year: €3.55m) due to higher prepayments by customers. Deferred tax liabilities increased to €3.80m (previous year: €3.40m) mainly because of the capitalisation of development costs in intangible assets.

Liabilities to financial institutions fell significantly to €34.47m (previous year: €59.50m) as of 31 December 2022 due to repayments in 2022. The remaining liabilities to financial institutions were refinanced over the long term starting in November 2022 as part of a syndicated loan (€30m) and ensure that the contractually agreed financial covenants concerning EBITDA and, from 30 September 2023, the net debt-to-EBITDA ratio are observed. A net financial debt (cash and cash equivalents less liabilities to financial institutions and vendor loans) of €31.02m therefore exists as of 31 December 2022 (31 December 2021: €72.15m). The equity ratio rose accordingly to 68% (previous year: 46%) as of the balance sheet date due to the increase of capital and repayments of loans.

Due to the low volume of foreign currency sales (20% to 25%), which are mainly in hard currencies (CHF, GBP, HKD, USD) and are partly characterised by opposing trends, exchange rate hedging transactions are currently still not being 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. The interest-change risk was fully hedged by interest rate derivatives, which are connected with last year's financing of the acquisitions of the companies Got Ethics A/S and Business Keeper GmbH and which have variable interest rates.

General statement on the company's situation

The financial performance of EQS Group AG 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. In the 2022 financial year, EQS Group AG was able to boost revenues (including revenues from affiliated companies) by +13% to €39.58m (previous year: €34.94m), and therefore fell short of the target range forecast for 2022 (+15% to +30%).

In terms of the growth planned for 2022, operative expenditure, purchased services, personnel expenses, depreciation and other operating expenses, increased at a higher rate than revenue developed by +23% to €47.42m (previous year: €38.64m). EBIDTA therefore declined to -€2.96m (previous year: €1.10m) and thus fell significantly short of the forecast for 2022.

Liabilities to financial institutions fell significantly to €34.47m (previous year: €59.50m) as of 31 December 2022 due to repayments in 2022. Remaining liabilities to financial institutions were refinanced over the long term. The equity ratio rose accordingly to 68% (previous year: 46%) as of the balance sheet date due to the increase of capital and repayments of loans, thus leading to a significant improvement in the capital structure and overall situation of the company. 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[6] expects considerably less growth in real 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 +9% to +17% compared to the previous year resulting in €43m to €46m.

An increase in revenue of +9% to +32% 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 €0m to €3m for 2023.

We expect a volume of minimum €5m 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 organizations using the EQS Group AG's reporting system. The goal in Germany is to gain minimum of 1000 new customers.

---

[6] Worldbank, Global Economic Prospects, Jan 2023

For 2023, we expect a **consistently high level of employee satisfaction** (2022: 4.02 out of 5 achievable levels), as well as a **stable high score for customer satisfaction** measured by the Net Promoter Score (2022: 50).

Risk Report

The company´s risk policy is an integral part of the corporate policy. Our goal is to continuously increase the value of the company 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 company'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).

The following statements relate to the risks of the EQS Group as a whole in which the EQS Group AG as parent and holding company is directly and indirectly affected. indirectly affected.

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. 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 AG. 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 company-specific risks include risks such as growth, product, service, tax and personnel risks. Potential risks arise primarily in the areas of internationalization, product development and Information Security. The analysis of company-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 AG are continuously checked using market research, business case calculations and extensive discussions between sales, development and management.

EQS Group AG's internationalization 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 standardized 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 organizations, 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.

Personal 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 minimize 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 organizational 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 based on 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 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 digitization 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 company'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 favorable market developments, adjustments to legislation and changes in the regulatory environment or trends in the industry environment and in customer behavior. 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 organizations is concretized 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 company 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 company'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 optimize 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
(CSO)

André Silvério Marques
(CFO)