SUMMARIZED MANAGEMENT REPORT AS OF 31 DECEMBER 2023

EQS GROUP AG
Munich

1 General information on the Summarized Management Report

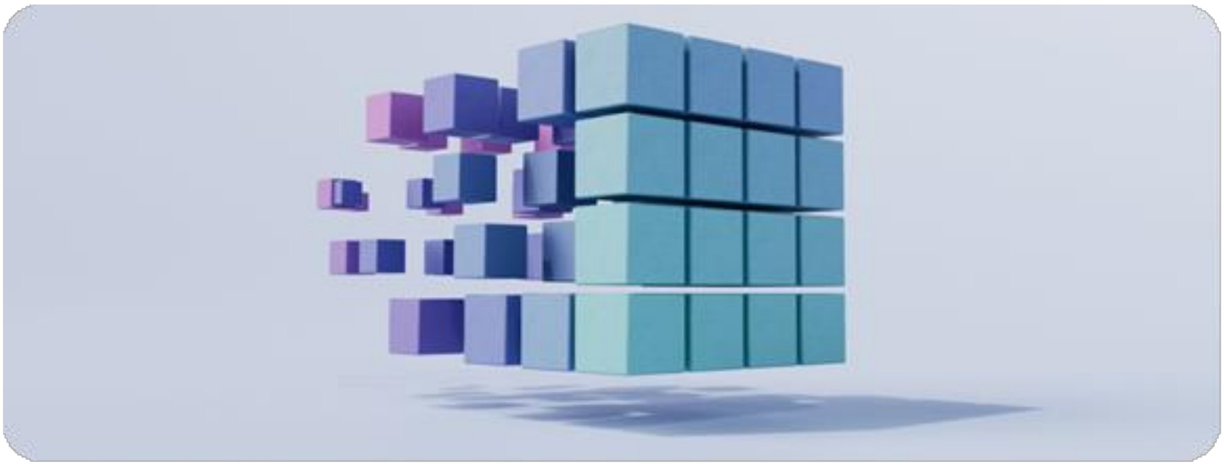
This Summarized Group Management Report of EQS Group AG (hereinafter: 'we', 'EQS', 'the company', 'the Group', 'you', 'EQS Group') and Management Report of EQS Group AG has been drawn up in accordance with Sections 289 and 315 of the German Commercial Code (HGB).

Since financial year 2023, the Management Report of the parent company EQS Group AG is presented as a combined report with the Group Management Report. The congruent contents are summarized and the Economic and Forecast Reports for the Group and EQS Group AG are presented separately.

Unless otherwise stated, all information in this report relates to the 31 December 2023 or to the financial year ending on this date.

Percentages are commercially rounded without decimal places. Millions (million) are shown with two decimal places and thousands (thousand €) without decimal places.

This Management Report contains forward-looking statements and information that are based on the opinions and assumptions of Management. These for its parts are based on the information currently available to Management. Such forward-looking statements are the result of our current expectations, assumptions and forecasts with regard to future circumstances and events. Consequently, these forward-looking statements and information are subject to various risks and uncertainties, many of which are beyond our control. Should one or more of these risks and uncertainties materialize, or should Management's assumptions prove incorrect, our actual results could differ materially from those described in or implied by the forward-looking statements and information.



2 Foundations of the Group

2.1 Goals, vision, business model

2.1.1 The EQS Group at a glance

The **EQS Group AG** was founded in Munich in 2000. It is a leading international cloud software provider in the areas of **Corporate Compliance, Investor Relations** and **ESG Reporting**. In addition to its headquarters in Munich, the company has a total of 13 locations in various financial centres around the world as well as a technology centre in Kochi (India). With over 500 employees, we serve customers in many countries. Geographically, the markets are divided into domestic (Germany) and foreign. Where appropriate, we establish new subsidiaries or acquire companies in order to achieve our goal and our vision. No new subsidiaries were established or companies acquired in the financial year 2023.

2.1.2 Business model

Thousands of companies around the world use **products of the EQS Group**. EQS Group products are bundled in the **cloud-based** software **EQS COCKPIT**. This allows compliance processes in the areas of whistleblower protection and case management, policy management and authorization processes to be managed just as professionally as business partner management, insider list management and reporting obligations.

We generate extensive **SaaS revenues**[1] from the provision of cloud software. In addition, we generate recurring revenue for report conversion and submission of financial information (filing), for the realization of video and audio webcasts as well as ongoing subscription revenue from the hosting and maintenance of these applications. In the area of the distribution of corporate communications, we generate revenue per message depending on the selected distribution network. Non-recurring revenues result from the setup of websites, apps, charts, tools or digital reports.

2.1.3 Goals, strategy and vision

In recent years, we have continuously expanded our range of services and consolidated our position as the market leader in digital investor relations in the German-speaking region (DACH). Almost all DAX40 companies currently use the **EQS IR COCKPIT**. We are also one of the leading providers in this area in Switzerland and Austria.

There are three key trends in the economy that have a strong influence on EQS's business: **Digitalisation, regulation** and **sustainability**. In particular, the regulatory requirements for groups and SME companies in the areas of compliance and governance have continuously expanded. This gives EQS great potential to introduce innovative products and grow as a result. We are convinced that transparency is a company's most important asset: Trust.

Our goal is to become the **leading European cloud provider** for global investor **relations & corporate compliance solutions**. We see great potential in particular in the expansion of **European regulations** and their local implementation in the EU member states.

[1] Software as a Service

We derive our product portfolio from our strategy. In Investor Relations, we pursue a profitability strategy based on our market coverage. The aim here is to achieve sustainable, constant earnings and high cash flows with the scalable business. In the area of compliance, we want to utilize the increasing legal requirements. The Compliance COCKPIT offers a standardised platform for this. The aim is to fulfil the requirements as comprehensively as possible. The resulting recurring revenues should expand the stable basis of our business model.

2.1.4 Values and mission

Since its foundation, EQS has continuously developed into a leading European software company. This was only possible thanks to our culture, values and principles.

Our **'Creating trusted companies' mission** drives us in our daily work. We believe that **transparency** creates the most important capital, trust. As pioneers in the digitalization of work processes, our passion is to improve **Investor Relations** and **Corporate Compliance**. To this end, we provide digital solutions to minimise risks by complying with local regulations, involving stakeholders and thus saving time by managing work processes digitally.

To this end, we live by the following company values and working principles, which are very important to us, in our day-to-day work:

- **Passion**: We love what we do and want to be successful with it.
- **Team spirit:** We have mutual empathy and respect.
- **Entrepreneurial**: We take responsibility for our activities.
- **Open corporate culture**: We are transparent and trust each other.
- **Flat hierarchies**: We are disciplined in our actions and thoughts.

Values such as openness, transparency and trusting cooperation are the guidelines that employees and managers always follow. They are an essential part of our daily cooperation, both internally as well as with customers, business partners, suppliers and investors.

2.2 Product strategy, customers and investments

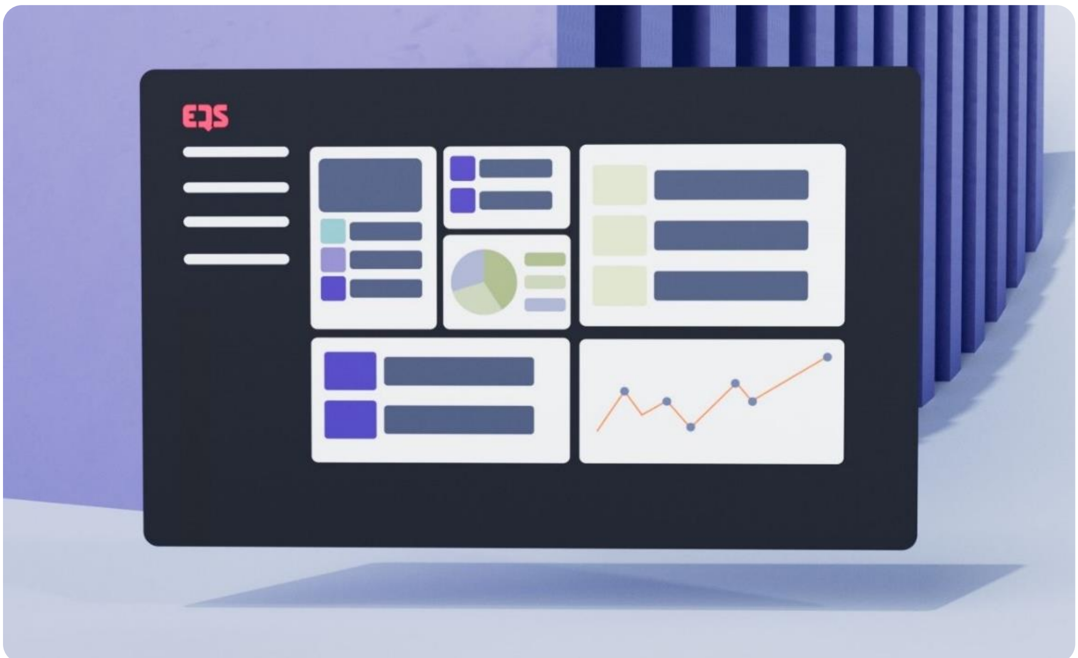
Product strategy

In the area of compliance, we offer a **holistic platform (Compliance COCKPIT)**, that enables companies to implement effective compliance programs and manage them digitally and efficiently. Within the platform, **different modules** are available that represent the essential core elements of an effective compliance program: The '**Policies**' module for managing and communicating regulations and guidelines, '**Approvals**' for approval and disclosure processes, '**Integrity Line**' as a digital whistleblowing system, and '**Third Parties**' as a module for recording and evaluating sustainability-related risks in the supply chain. The functional scope of the Compliance COCKPIT is constantly being expanded, both within existing modules and by adding new modules. The launch of the new '**Risks**' module is planned for 2024, which will enable companies to record and assess their compliance risks and assign measures to them. The existing modules are to be further enhanced in terms of product maturity and the efficiency of compliance processes is to be increased through the use of artificial intelligence across the entire COCKPIT.

In the area of **Investor Relations**, growth is to be enabled through scaling via the extensive offering in our **IR COCKPIT**. The IR COCKPIT will also become a 360-degree corporate communications platform. We enable IR managers to seamlessly create and edit **dynamic factsheets** in real time using user-generated IR content.

Our products are developed in line with market requirements (laws, regulations, trends or ideas) and new technological possibilities. Providing innovative solutions that are tailored to **customer needs** is the core task of our product managers and software developers. To achieve this, they are guided by the state of the art and the latest findings on usability (user experience UX). As part of the **'continuous discovery' process**, our product managers are in close contact with customers – either directly or via departments such as customer support and sales – and find out about their needs and challenges. The combination of customer proximity and an understanding of the market is crucial for reflecting current requirements or legal innovations in the products. Through rapid and practical implementation, we in turn help our customers to efficiently fulfil their obligations, for example as a listed company, or other legal requirements.

In dialogue with our customers, we strive for fast feedback cycles and proactive product management.

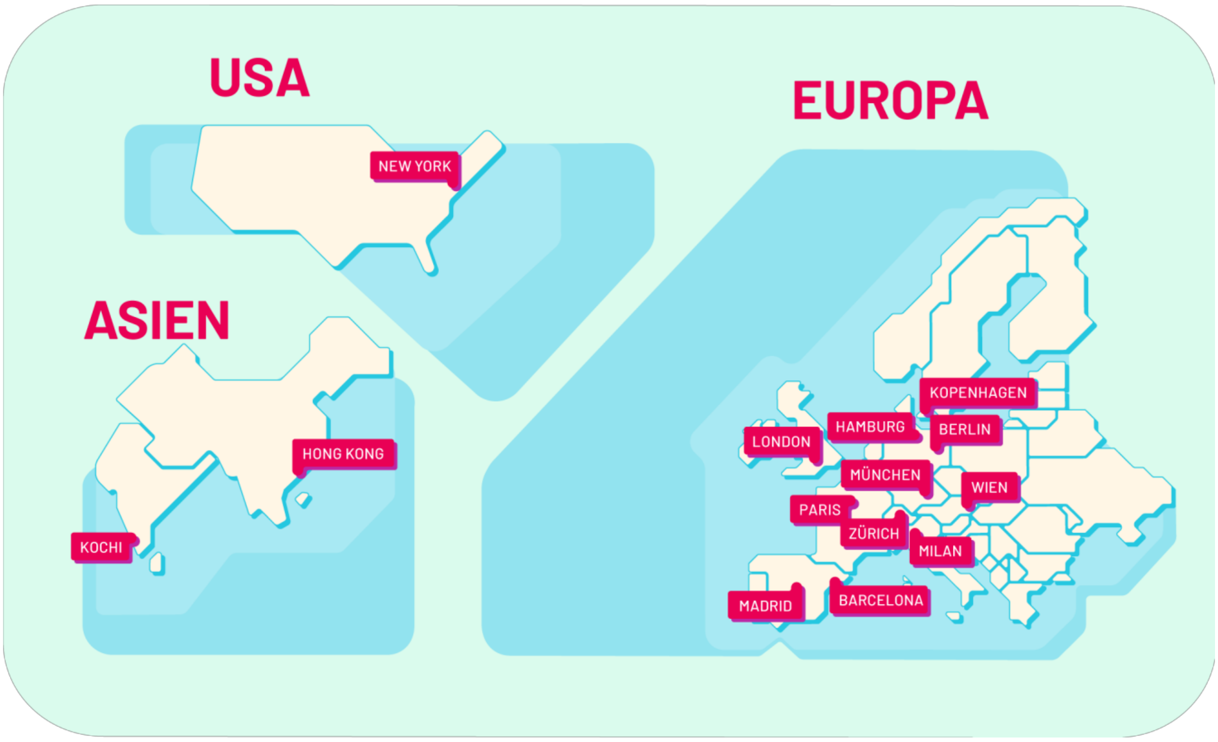


Customers

Thousands of companies around the world use EQS Group products, regardless of industry, sector or company size. Our customers also include institutions (local authorities and state organizations).

In the **Investor Relations** segment, our clients are **public interest companies** that we help to implement statutory and voluntary transparency requirements. Our customer base in the Compliance segment is significantly broader, as regulations in this area, particularly in Europe, are gradually affecting more and more companies and institutions.

Due to standardized European regulations, we focus on the countries of the **European Union**. However, we are also gaining customers in other **global markets**, especially where legislation is already more advanced and where there are links to European markets.



Research and development

The ongoing **refinement of existing products** and the **development of new cloud solutions** ensures that the applications meet the current and future requirements of our customers. They form the **basis for our future growth**. To this end, we maintain development centres in Germany and India.

At the centre of product development is the **EQS COCKPIT**, our central, cloud-based platform that is being developed for all business units. To do this, we use software development methods that comply with current technology standards.

In the **Segment Compliance** segment, development activities focused on the **Go Live** of the **Compliance COCKPIT**. To this end, our whistleblowing solution **Integrity Line** was **fully integrated** into the Compliance COCKPIT and key functions were added to the existing Approval Manager and Policy Manager applications. Finally, the **development of the Third Parties module**, an application that is particularly relevant for monitoring supply chain risks, was continued. This will significantly expand the product range in the area of compliance and adopt the platform approach from the Investor Relations division.

In the **Investor Relations** segment, the further development of the existing CRM, Mailing and Investors applications in the **IR COCKPIT** was driven forward.

In the financial year 2023 **internally generated intangible assets** totalling **€1.89 million** (previous year: €2.16 million) were capitalized in the Group, of which €0.78 million in the Compliance segment and €1.12 million in the Investor Relations segment. This is 28% of research and development costs totalling €6.85 million. This also includes programming services from the Group's internal development service provider EQS Webtechnologies Pvt. Ltd. in India totalling €1.00 million. The **amortization** of internally generated intangible assets amounted to **€1.47 million** (previous year: €916 thousand) in the reporting period.

In future, we want to focus even more on product discovery. The most important customer needs and requirements should be identified at an early stage in order to address them as quickly as possible. These may be new laws or guidelines that customers have to fulfil, new challenges in collaboration, communication or processes, or other requirements in our specialist areas that can be solved by software. In addition, we continuously invest in the user-friendliness of our applications. In future, this is to be supplemented by offers such as how-to articles, video tutorials, product updates and guided tours.

2.3 Employees

Our employees are a key success factor for the EQS Group. We have established a structured HR process that ensures that suitable employees are selected, optimally positioned and continuously developed through training.

An important topic in the context of employee satisfaction is the compatibility of private life and work. We want to enable our employees to have a good balance and have been continuously expanding the measures for years.

In 2023, the number of permanent employees in the Group declined by -3% to 562 (previous year: 579) as a result of the reluctance to recruit new employees. In Germany, the number reduced slightly to 360 (previous year: 366). The technology site in Kochi had an average of 88 employees in 2023 (previous year: 94). The number of full-time equivalents (FTE) as at the reporting date was 522 (previous year: 538).

2.4 Macroeconomic and Regulatory Environment

In 2023, the **world economy** is expected to have grown by **+3.0%** (previous year: +2.9%) in a difficult environment (**real GDP**). In addition to geopolitical developments, the effects of monetary policy with rising interest rates and the effects of overall inflation also have an impact here. The existing problems in the supply chains, high inflation and the associated key interest rate hikes as well as the ongoing war in Ukraine and the Middle East are dampening expectations for 2024 and leading to a reluctance to invest in many sectors. The global economy is expected to grow by 2.4% in 2024.

Persistently high inflation rates, restrictive monetary policy, challenging competitive conditions and the relocation of investments to non-European countries are also impacting the export-dependent region of Europe. The economic situation in **Germany** in 2023 was characterised accordingly. The energy crisis, geo-economic tensions and shortage of skilled labor are also impacting the German economy. All this at a time when many changes needed to ensure the transition to climate neutrality and sustainability. Real GDP in Germany is expected to fall slightly by **0.3%** in 2023 (previous year: +1.9%). In line with the global economy, the outlook for the German economy in 2024 is significantly weaker. GDP growth is expected to be 1.3%.

In the first half of 2023, the German benchmark index **DAX** recovered from a low of 11,000 points in 2022 to over 16,000 points and was trading at historic **highs** at the end of 2023. This reflects the positive outlook for investors despite high inflation, rising interest rates and the ongoing war in Ukraine.

The **European regulation** in the Compliance segment is being implemented step by step. The European **Whistleblower Directive** (EU Directive 2019/1937) came into force in October 2019. The purpose of the directive is to protect whistleblowers, who are to be valued in a standardized and better way. The directive prescribes uniform standards for the reporting of grievances and the protection of reporters. The directive was expected to be implemented **by 2021**. However, this was delayed in many EU member states. The directive has only been transposed into **national law in all European countries** in the last two years. After several delays, the Whistleblower Protection Act came into force in Germany in July 2023. The directive was implemented in key other European countries such as Italy, France and Spain in 2022 and 2023.

2.5 Management system

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 **revenues** (growth) and **EBITDA**[2].

The most important **non-financial performance indicators** are number of new customers and **new ARR** as well as **customer satisfaction** and **employee satisfaction**. We measure customer satisfaction on the basis of the Net Promoter Score, the difference between the customer recommendation rate and the rejection rate, using online questionnaires. The survey is aimed in particular at Group customers worldwide and asks about satisfaction with services, new products and customer service. Employee satisfaction is measured using a global survey in which employees vote on their satisfaction with their employer on a scale of 1 to 5 in an online questionnaire. The survey focuses on measuring employee satisfaction with pay, working hours, internal collaboration, internal communication and development opportunities.

These performance indicators favor the creation of value, including an adequate return on capital. Ultimately, however, committed employees are crucial for the satisfaction and loyalty of our customers and the success of the company.

[2] EBITDA as the result from total operating performance less operating expenses

3 Group economic report

3.1 Review and analysis

Outlook and results for 2023

The outlook for the 2023 financial year from the Management Report for the 2022 financial year is compared below with the actual results for the financial year 2023:

Strategic goal	*Key figure*	*Result 2023*	*Outlook 2023*
Growth	Revenue*	€69.40 million	€71 to 74 million
	Revenue Compliance*	+18%	+20 to +25%
	Revenue Investor Relations*	+3%	+0 to +10%
	New customers	3,415	2,000 to 3,000
	New ARR	€12.01 million	€9 to 12 million
Profitability	EBITDA*	€3.28 million	€9 to 12 million
Customer satisfaction	Net Promoter Score	41	Stable
Employee satisfaction		3.97	Stable

*from continued operations.

EQS Group's earnings position is significantly influenced by the trend towards **increasing regulations** in the area of **Compliance** for companies and organisations. In order to optimally position EQS Group for this and to achieve the leading market position, we began early on to **consolidate** the **European market** for digital whistleblowing systems. We acquired Integrity Line AG, Zurich, in January 2018 and Got Ethics A/S, Copenhagen, in January 2021. In July 2021, we then acquired Business Keeper GmbH, Berlin, a leading provider of electronic whistleblowing systems on the German market.

The transposition (adoption and entry into force) of the **Whistleblower Directive** into national legislation in our **key markets of Spain, Italy, Austria** and most important in **Germany** had positive effects, particularly starting in the second half of 2023.

The challenging **economic conditions**, such as high **inflation** and the associated **key interest rate increases** as well as the war in Ukraine and the conflict in the Middle East, led to a deterioration in economic expectations and a reluctance to invest among companies, resulting in longer sales cycles. The capital market environment deteriorated further compared to 2022, which was felt in the Investor Relations segment.

The **discontinuation of business activities** in **Russia** and **Serbia** and the **liquidation of EQS Financial Markets & Media GmbH, Munich,** results in the presentation as a discontinued operation (see statement of comprehensive income).

3.2 Group financial performance

The **Group's revenue**[3] increased 2023 by +15% to €69.40 million (previous year: €60.30 million), or including discontinued operations by +13% to €69.57 million and were therefore below the expectations at the beginning of the year (+15% to +20%). Most of the revenue growth is derived from the **Compliance segment**, as legislation on whistleblower protection came into force in several important markets in the EU in mid-2023. The deviation from plan is the result of delayed revenue effects due to a delayed implementation of the directive.

In 2023, **3,415 new SaaS customers** were acquired through marketing and sales activities, more than ever before. The original target of 2,000 to 3,000 new customers was exceeded. The **sales activities by our partners** in the area of small and medium-sized enterprises (SMEs) were just as successful as planned. The **total number of customers** increased significantly to **8,258** (previous year: 5,054). In 2023, 3,349 new customers were acquired for the whistleblowing systems area. At 4.2%, the annualised **churn rate**[4] was below the previous year's level (previous year: 5.4%).

The **total operating performance**[5] increased by **+11%** to **€71.81 million** (previous year: €64.43 million). At **€1.89 million**, the **own cost capitalized** included in this figure was slightly below the previous year's level (previous year: €2.16 million). The development of further applications in the COCKPIT cloud platform is associated with an expansion of subscription revenue and an increase in the share of recurring revenue. At **€315 thousand** (previous year: €835 thousand), other income for the Group as a whole was significantly lower than in the previous year. In the previous year, earn-out obligations from an acquisition were derecognized through profit or loss at the beginning of 2021.

For '**New ARR**', we were able to achieve the upper end of the target formulated at the beginning of the year (€9 million to €12 million) at **€12.01 million**. Based on the share of **recurring revenue** in 2023 of **€61.15 million**, the **growth of the ARR** was **+20%**. The **share of recurring revenue** in total revenue remained constant at **88%** (previous year: 88%).

The **operating expenses**[6] from continued operations increased in line with revenues growth by **+15%** to **€68.91 million** (previous year: €59.86 million).

The largest expense position, **personnel expenses**, increased by **+8%** to **€41.88 million** (previous year: €38.84 million). This also includes costs of €562 thousand for the settlement of the employee participation programs as a result of the public takeover bid by financial investor Thoma Bravo. The Group employed an annual average of 566 people (previous year: 576).

The **cost of services** decreased by **-6%** to **€8.52 million** (previous year: €9.08 million). This was due to declining revenues in the Investor Relations Cloud Services, LEI and Filing area, for which extensive external services were procured.

Other expenses increased significantly by **+52%** to **€17.89 million** (previous year: €11.79 million). The main reason for this is the increase in consultancy costs of €4.71 million as part of the public takeover bid by the financial investor Thoma Bravo. By contrast, IT and marketing expenses increased as planned as a result of the expansion of business activities following the implementation of the Whistleblower Directive in key European markets.

The **valuation allowance on trade receivables** increased to **€622 thousand** (previous year: €150 thousand). This is the result of increased receivables from a high level of new business in the 2023 financial year.

[3] From continued operations
[4] The churn rate is measured as the percentage of inactive or lost customers in the last 12 months.
revenue plus own cost capitalized and other income
[6] Total of purchased services, personnel expenses, other expenses and expenses from valuation allowances on trade receivables

EBITDA* fell by €1.64 million to **€3.28 million** (previous year: €4.92 million), in particular due to expenses (legal and consulting costs and settlement of employee programs) or, including discontinued operations, by €1.67 million to €2.90 million. Excluding these special effects, EBITDA totalled **€8.55 million** and was therefore slightly below the range of €9 million to €11 million announced at the beginning of the year.

EBITDA reconciliation	*2023 Thousand €*	*2022 Thousand €*
EBITDA	3,278	4,921
Special effect – legal and consulting costs	4,708	-
Special effect – settlement of the employee participation programs	562	-
EBITDA adjusted	**8,548**	**4,921**

Depreciation increased by **+4%** to **€8.46 million** (previous year: €8.15 million). This includes amortization of own cost capitalized in the amount of €1.47 million, from leasing in the amount of €1.87 million and from customer bases and software acquired against payment in the amount of €4.51 million. As a result, **EBIT*** remained at **€-5.16 million** (previous year: €-3.14 million) or including discontinued operations remained negative at **€-5.56 million** (previous year: € -3.58 million).

The **financial result*** deteriorated to **€-2.44 million** (previous year: €-1.76 million), mainly due to higher interest expense on bank loans as a result of interest rate increases in the course of 2023. In addition, exchange rate effects from foreign business led to lower financial income than in the previous year. **Earnings before taxes (EBT)*** totalled **€-7.60 million** (previous year: €-4.92 million) or including discontinued operations at **€-7.96 million** (previous year: €-5.34 million). In particular, the capitalization of a surplus of deferred tax assets led to tax income of €1.94 million after offsetting against actual tax expenses (previous year: Tax income €2.05 million). A negative **Group result*** was presented in 2023 of **€-5.66 million** (previous year: €-2.87 million) or including discontinued operations in the amount of **€-6.05 million** (previous year: €-3.33 million).

The discontinuation of business activities in Russia and Serbia and the liquidation of EQS Financial Markets & Media GmbH, Munich, results in the presentation as **discontinued operation** (see statement of comprehensive income). For discontinued business operations, **revenue** amounting to €172 thousand (previous year: €1.13 million) and an **EBITDA** in the amount of **€-379 thousand** (previous year: €-354 thousand) were reported in financial year 2023.

* from continued operations

3.2.1 Segment development

Segments 2023	*Compliance*	*yoy*	*Investor Relations*	*yoy*
Revenue Cloud Products	€36.38 million	20%	€10.88 million	8%
Revenue Cloud Service	€13.56 million	13%	€8.75 million	-3%
EBITDA	€-0.53 million	>-100%	€3.43 million	>100%
SaaS customers	6,915	87%	2,792	-1%
Filing customers (annual basis)	4,175	8%	-	-

Compliance segment

The Compliance segment comprises all products for the **fulfilment of regulatory obligations**. This includes the Cloud Products reporting obligations in news area (Disclosure), Insider Manager, the Integrity Line and BKMS whistleblowing systems, Policy Manager, Rulebook and Approval Manager. We offer most of the modules bundled in a **cloud platform**, the **Compliance COCKPIT**. In addition, the Filings (XML, ESEF) and LEI areas provide further **cloud services.** As many customers do not necessarily use the COCKPIT, these revenues are shown separately.

As a result of the strong customer acquisition in the area of whistleblowing systems in the **Compliance segment**, **revenue** increased by **+18%** to **€49.95 million** and the **customer base** by **+87%** year-on-year to a total of **6,915** SaaS customers. In 2023, **3,349 new SaaS customers** were acquired **for whistleblowing systems**. EQS Group was successful in both direct customer acquisition and via its partner network. Partner sales also began, particularly in European countries where a whistleblower protection law was passed in 2023. This is shown by the increase in revenue in the **Cloud Products** segment from €30.34 million to **€36.38 million**.

In the **Compliance Cloud Services** area, revenue from XML and LEI services increased by +13% to **€13.56 million** (previous year: €11.98 million). Among other things, this resulted from additional income from filing customers for ESEF.

EBITDA in the Compliance segment totalled **€-531 thousand** (previous year: €4.42 million) was significantly lower than in the previous year due to the extraordinary expenses in connection with the settlement of the employee share plan programs and the legal and consulting costs in connection with the public takeover bid by financial investor Thoma Bravo, which are primarily reflected in the Compliance segment. See the table in the Group earnings position section.

Investor Relations segment

The **Investor Relations (IR)** segment comprises the range of voluntary investor and corporate communications. The cloud products Newswire, Investors (investor data), CRM and Mailing are bundled in the **Cloud platform IR COCKPIT**. Outside the platform, there are **Cloud Services** such as websites & IR tools, reports, webcasts and media.

In the Investor Relations segment, **revenue** increased by **+3%** to **€19.63 million** (previous year: €19.12 million) and were thus within the planning corridor (+0% to +10%). While **Cloud Products** increased **+8%** as a result of the subscription revenue from IR COCKPIT, the discontinuation of business activities in Russia led to a decline in revenue in the **Cloud Services** area by **-3%**. As a result of the growth in highly profitable subscription revenue combined with a planned reduction in investments in the IR segment, a positive **EBITDA** of **€3.43 million** (previous year: €0.15 million) was reported in 2023, reflecting the stable market position in the segment.

As at 31 December 2023, **1,159 companies** (previous year: 1,076) signed **SaaS contracts** for the **new IR COCKPIT**. The recorded **SaaS revenue** for the IR COCKPIT was **€7.05 million**, which corresponds to an increase of +10% compared to 2022. The number of **SaaS customers** decreased slightly from 2,811 to **2,792** compared to the previous year, mainly due to the discontinuation of the Russian business.

3.2.2 Geographical development

Geographical market 2023	*Domestic**	*vs. prev. year*	*International**	*vs. prev. year*
Turnover	€48.33 million	10%	€21.07 million	27%
EBITDA	€-0.99 million	<-100%	€4.27 million	>100%
SaaS customers	3,733	70%	4,525	58%

*from continued operations

Germany

In 2023, the **domestic business** recorded a **revenues increase** of **+10%** to **€48.33 million** (previous year: €43.85 million). The increase is mainly due to the fact that the Whistleblower Protection Act came into force in Germany in the middle of the year.

In 2023, **1,667 new SaaS customers** (excluding individual customers LEI & Filing) were acquired in Germany. The number of new customers is therefore far higher than in the previous year (340). The main reason for this is also the implementation of the European Whistleblower Directive in Germany in mid-2023. The churn rate was 5.71% (previous year: 4.93%).

In particular as a result of the high consultancy expenses in connection with the public takeover bid by Thoma Bravo, **EBITDA** fell to **€-0.99 million** (previous year: €2.87 million). **EBITDA adjusted** for special effects (see table) totalled to **€4.24 million**.

Geographical market 2023	*Domestic**	*yoy*	*International**	*yoy*
EBITDA	€-0.99 million	<-100%	€4.27 million	>100%
Special effect – consulting costs	€4.71 million		€0.00 million	
Special effect – settlement of employee participation programme	€0.52 million		€0.04 million	
EBITDA adjusted	**€4.24 million**	48%	**€4.31 million**	>100%

EQS Financial Markets & Media GmbH is in liquidation and is recognized as a discontinued operation.

International

Our **international business** achieved a **revemue increase** of **+27%** to **€21.07 million** in 2023 (previous year: €16.56 million) and was therefore only slightly below our expectations (+30% to +40%). The increase is primarily due to the implementation of the Whistleblower Directive in several European countries in the course of 2023.

In 2023, our foreign companies acquired **1,748 new SaaS customers** (previous year: 704). The **number of customers** increased from 2,863 to **4,525**. This is based on an annualised churn rate of 3.00% (previous year: 5.84%).

At **30%**, the **international share** of revenue in 2023 was slightly above the previous year (27%) and therefore in line with our expectations. **EBITDA** abroad was **€4.27 million** (€2.05 million) and therefore significantly higher than the previous year, reflecting the success of the implementation of the whistleblower protection laws in the European countries.

Due to the war in Ukraine, the **Russia business** was **terminated** in 2023. The Serbian company is in liquidation. These two divisions are therefore recognized as discontinued operations. The contribution to sales and earnings in 2023 is insignificant (see statement of comprehensive income).

3.3 Financial situation

Our financial management is centralized throughout the Group. Financing from banks is processed via the parent company EQS Group AG and intragroup financing requirements are recognized in the form of loans to the parent company. We are focussing on a capital structure that will enable us to cover our future financing requirements. Our primary source of liquidity is our ongoing business. In recent years, our liquidity has primarily been used to finance our growth in the form of investments.

The **equity ratio** fell slightly to **57%** as at the balance sheet date (31 December 2022: 59%). Please refer to the notes to the consolidated financial statements (Section 315 (2) sentence 2 HGB) for information on treasury shares in accordance with Section 160 (1) no. 2 AktG (Stock Corporation Act).

Following the refinancing of the loans in 2022, the now long-term **syndicated loan** with the participation of Commerzbank, Deutsche Bank and Kreissparkasse Biberach was repaid on schedule and interest is paid quarterly at variable rates. An interest derivative has been agreed for the interest over the term of the loan, which limits interest expenses to a maximum rate.

Due to the **low volume** of **foreign currency revenues** (20% to 25%), which are predominantly generated in hard currencies (CHF, DKK, GBP, HKD, USD) and are partly characterized by opposing developments, exchange rate hedging transactions are currently still not used. All bank loans are also denominated in Euros. The company uses short-term liquidity planning and rolling multi-year liquidity planning to manage its liquidity.

In **February 2024**, all loans were **repaid** in full **after a capital increase**, which was subscribed by the new investor Thoma Bravo. The company is fully self-financed at the time of creation in March 2024.

Additional sources of liquidity are available to us via **credit lines** if required. We have unutilized credit lines amounting to **€1.62 million**.

The cash inflow from **operating activities** increased from €5.43 million to **€9.41 million**. This development is due in particular to an increase in liabilities from €2.50 million to €8.40 million. They are related to the consulting services in connection with the public takeover bid by Thoma Bravo. In addition, the decrease in receivables and other assets in the amount of €-2.16 million (previous year: €1.43 million) led to an increase in operating cash flow.

Cash flow from **investing activities** decreased from €-2.82 million to **€-2.44 million** due to the decline in investments in internally generated intangible assets.

The **free cash flow** increased from €2.60 million to **€6.97 million**. This results from the overall effects of the changes in operating and investing cash flow.

Cash flow from **financing activities** declined compared to the previous year from €-651 thousand to **€-10.23 million.** The cash outflows are related to **repayments** of lease and financial liabilities and the associated interest payments.

3.4 Asset situation

Total assets decreased to **€ 184.70 million** as at the balance sheet date (31 December 2022: €189.37 million). Non-current assets decreased compared to the previous year to €167.24 million (31 December 2022: €170.44 million). Current assets also decreased to €17.46 million (31 December 2022: €18.93 million).

Compared to the previous year, **intangible assets** as at 31 December 2023 decreased to **€56.87 million** (31 December 2022: €60.85 million) due to depreciation and amortization. Intangible assets include acquired customer bases with a carrying amount as at 31 December 2023 of €31.81 million, which are amortized on a straight-line basis over a total term of 15 or 20 years, as well as purchased and internally generated software in the amount of €25.06 million. The **goodwill** amounts to **€97.65 million** as at the reporting date (31 December 2022: €97.24 million). **Property, plant and equipment** decreased to **€3.56 million** due to depreciation of right-of-use assets in accordance with IFRS 16 and property, plant and equipment. (31 December 2022: €5.01 million).

Compared to the previous year, **trade accounts receivables** as at 31 December 2023 increased by **+26%** to **€7.67 million** (31 December 2022: €6.08 million), which is attributable to increased revenue. Other current and non-current assets totalled €1.88 million (31 December 2022: €1.56 million).

As at the reporting date, **cash and cash equivalents** decreased to **€7.50 million** (31 December 2022: €10.65 million).

The **current and non-current financial liabilities** fell to **€32.26 million** due to pro rata **repayment** of the loans (31 December 2022: €39.09 million). **Net debt** (cash and cash equivalents less financial liabilities) fell to **€24.76 million** (31 December 2022: €28.43 million). Excluding lease liabilities of €2.35 million, **net debt** on the reporting date totalled **€22.41 million** (31 December 2022: €24.59 million).

Trade accounts payables increased by €4.53 million to **€7.24 million** (31 December 2022: €2.71 million) due to increased consulting services. **Provisions** fell to **€274 thousand** (31 December 2022: €318 thousand). **Benefits to employees** increased to **€3.55 million** due to the settlement of the employee participation programs (31 December 2022: €1.92 million). Customer prepayments increased in line with the growth in revenue, as a result of which **contract liabilities** rose by **+17%** to **€13.54 million** (31 December 2022: €11.54 million). **Deferred tax liabilities** fell slightly to **€18.25 million** (31 December 2022: €18.62 million).

3.5 General statement on the situation of the Group

Despite the macroeconomic challenges, EQS Group's business performance in the 2023 financial year was **positive**.

EQS Group's earnings position is significantly influenced by the trend towards **increasing regulations in the area of Compliance** for companies and organizations. The currently most important regulation, the **European Whistleblower Directive**, was implemented in all important **core markets in Europe in the course of 2023**. In the 2023 financial year, EQS Group was able to increase **revenue**[7] by **+15%** to **€69.40 million** (previous year: €60.30 million) or, including discontinued operations, by +13% to €69.57 million. This is primarily due to growth in the segment Compliance.

Operating expenses[8] increased in 2023 to **€68.91 million** (previous year: €59.86 million), mainly due to increased personnel costs (€562 thousand) and increased other expenses in form of consulting costs (€5.27 million) in connection with the public takeover bid by financial investor Thoma Bravo.

As a result, **EBITDA**[9] reduced to **€3.28 million** (previous year: €4.92 million) or, including discontinued operations to **€2.90 million** (previous year: €4.57 million) and was therefore below the planning expectation for 2023. **Adjusted for the special effects** for legal and consulting costs as well as the settlement of the employee participation programs in the amount of €5.27 million, EBITDA was **€8.55 million** and thus **only slightly below** expectations.

In addition, EBITDA and business activities in the 2023 financial year were influenced by the **late implementation of the whistleblower laws** in the second half of 2023 in EQS's key markets of Germany, Austria, Italy and Spain.

Non-financial performance indicators such as customer satisfaction and employee satisfaction also developed positively.

Current and non-current financial liabilities declined significantly to **€32.26 million** (previous year: €39.09 million) due to repayments as at 31 December 2023. In February 2024, all loans were **repaid in full** following a capital increase, which was fully subscribed by the new investor Thoma Bravo. The **equity ratio** reducded slightly to **57%** (previous year: 59%) as at the balance sheet date. **Net debt** (cash and cash equivalents less financial liabilities) fell to **€24.76 million** (31 December 2022: € 28.43 million).

[7] From continued operations
[8] Total of purchased services, personnel expenses, other expenses and expenses from valuation adjustments on receivables
[9] From continued operations

4 EQS Group AG Economic Report

EQS Group AG, based at Karlstr. 47 in Munich, is the parent company of EQS Group and its subsidiaries. In addition to its own operating activities, the company fulfils the holding function within the Group and employs most of its staff in Germany in the areas of development, administration and marketing/sales. EQS Group AG is the owner of the most important patents and rights and generates its revenues in particular from provision fees (subscriptions) for software applications and platforms. The annual financial statements of EQS Group AG are prepared in accordance with the accounting regulations of the German Commercial Code and the German Stock Corporation Act.

4.1 Financial performance

The income statement of EQS Group AG is prepared using the total cost method. The figure is shown in millions of euros (€ million).

In the financial year **2023**, EQS Group AG increased **revenue** (including revenues with affiliated companies) by **+36%** to **€53.75 million** (previous year: €39.58 million) and was therefore well above the target corridor for 2023 (+9% to +17%).This is primarily due to the **merger of the German subsidiary Business Keeper GmbH** with effect from 1 April 2023. In addition, stronger revenue growth as a result of the implementation of the German Whistleblower Protection Act in mid-2023 led to an increase. Excluding the sales of Business Keeper GmbH, revenue growth was +15% and therefore in line with expectations.

The **Investor Relations segment** performed in line with expectations with **revenue growth of +5%** (+0% to +10%). Thanks to the planned migration of existing customers to the new IR COCKPIT and the associated increase in SaaS contracts independent of reporting volume, the IR Cloud Products division achieved growth of +8%.

In the **Compliance segment**, there was a significant increase in revenue of **+58%** due to the merger with Business Keeper GmbH, which significantly exceeded expectations of between +9% and +32%. Adjusted for this effect, revenue growth of **+21%** was in line with expectations. Growth came primarily from the product area **Whistleblowing systems** due to the implementation of the Whistleblower Protection Act in Germany in the middle of 2023.

Total operating performance, revenue plus other own cost capitalized, changes in inventories and other operating income, increased by **+33%** to **€56.37 million** (previous year: €42.29 million). The increase is primarily due to the €14.17 million rise in revenue. **Other own cost capitalised** declined slightly to **€1.97 million** (previous year: €2.26 million). **Other operating income** was up on the previous year at **€755 thousand** (previous year: €429 thousand), mainly due to exchange rate effects.

Operating expenses, consisting of purchased services, personnel expenses and other operating expenses, increased by **+31%** to **€59.38 million** (previous year: €45.25 million) as a result of the merger of Business Keeper GmbH on 1 April 2023. The main reason for this was the change in amortization and depreciation from €2.17 million to €11.33 million due to the intangible assets included in the balance sheet as a result of the merger of Business Keeper GmbH. The significant increase in personnel expenses by +36% to €28.83 million (previous year: €21.25 million) also had an impact. EQS Group AG employed an annual average of 323 employees (previous year: 253). In addition, €1.29 million in write-downs on current assets from a waiver of receivables from EQS Group SAS, France are included.

Cost of services decreased slightly and fell by **-2%** to **€11.26 million** (previous year: €11.54 million). The services purchased from third parties result from services purchased in connection with sales from the Investor Relations, LEI and Filing divisions. The services purchased from affiliated companies decreased due to the merger of Business Keeper GmbH.

Other operating expenses increased significantly by €6.84 million to **€19.30 million** (previous year: €12.45 million). This is mainly due to increased consultancy costs (€4.71 million) in connection with the public takeover bid by financial investor Thoma Bravo. In addition, higher IT infrastructure costs and internal Group expenses led to increased expenditure.

EBITDA fell to **€-3.01 million** (previous year: €-2.96 million) and was thus **significantly below** the original expectation of €0 million to €3 million for 2023. The **special effects** in the amount of **€5.23 million**, i.e. excluding the expenses incurred for legal and consulting fees in connection with the public takeover bid by financial investor Thoma Bravo and the settlement of the employee participation programs, EBITDA amounts to €2.22 million and has therefore reached the expected range.

EBITDA reconciliation	*2023 thousand €*	*2022 thousand €*
EBITDA	-3,009	-2,956
Special effect – legal and consulting costs	4,708	-
Special effect – settlement of the employee participation programs	521	-
EBITDA adjusted	**2,220**	**-2,956**

Amortization of intangible assets and depreciation of property, plant and equipment increased significantly to **€10.04 million** (previous year: €2.17 million due to the acquisition of assets following the merger of Business Keeper GmbH. In addition, a waiver of receivables from a subsidiary led to **amortization** of **current assets** in the amount of **€1.29 million**. As a result, **EBIT** was **€-14.34 million** (previous year: €-5.13 million).

The **financial result**, consisting of investment income and expenses, results from loss absorption and interest income and expenses, declined to **€-2.15 million** in 2023 (previous year: €-2.52 million). The continued high level of expenses is due in particular to interest expenses from financial liabilities (€2.52 million). At **€-16.49 million**, the **loss before taxes** was once again higher than in 2022 (previous year: €-7.64 million). As a result of the addition of **deferred taxes** due to the ability to capitalize deferred tax assets in the course of future profit expectations in the amount of €2.72 million, the **net loss** for the 2023 financial year was **€-13.77 million** (previous year: €-5.56 million).

4.2 *Assets and financial situation*

At **€158.24 million, total assets** as at 31 December 2023 were below the previous year (previous year: €167.64 million). This is mainly due to the loss of the investment in Business Keeper GmbH as part of the **merger** (at cost). The goodwill recognized was amortized in the amount of €6.66 million in the 2023 financial year, resulting in a corresponding reduction in total assets.

In this context, **financial assets** declined significantly from **€134.97 million** to €34.81 million as a result of the completion of the **merger**. Corresponding assets were recognized in return. Loans to affiliated companies reduced due to debt restructuring. This is related to the subsidiaries EQS Group Inc, New York, EQS Group SAS, Paris and EQS Group Ltd, London.

Intangible assets increased to **€105.07 million** (previous year: €16.95 million), in particular due to the assets that were included in the balance sheet of EQS Group AG as part of the merger. This also applies to **goodwill**, which increased significantly as a result of the merger from €4.10 million to **€85.76 million**. **Property, plant and equipment** amounted to **€939 thousand** as at the balance sheet date (previous year: €823 thousand).

Compared to the previous year, **trade accounts receivables** increased by +47% to **€5.22 million** as at the reporting date (previous year: €3.55 million). This is due to the increased revenues at the end of the year. Receivables from affiliated companies fell slightly to €1.73 million (previous year: €1.88 million) as at the reporting date.

Deferred tax assets increased by €2.74 million to **€6.90 million** (previous year: €4.15 million) in connection with the capitalization of deferred tax assets on tax loss carry forwards as at the 2023 reporting date. It is assumed that they will be utilized within the next five years.

Equity decreased to **€100.39 million** as at 31 December 2023 (previous year: €114.36 million). Due to the **net loss** for the year of **€-13.77 million**, the accumulated loss totalled to €-16.71 million as at the reporting date (previous year: €-2.73 million). In addition, there was a correction of **€209 thousand** recognized directly in equity due to the **settlement of the employee participation programs**. The notes to the financial statements contain disclosures on treasury shares in accordance with Section 160(1)(2) AktG (Stock Corporation Act).

Provisions increased to **€7.77 million** (previous year: €1.52 million), in particular due to higher provisions for outstanding invoices in connection with consultancy services for the public takeover bid by the investor Thoma Bravo and expenses in connection with the settlement of the employee share programs amounting to **€5.23 million. Trade accounts payables with third parties** increased to **€1.74 million** (previous year: €0.72 million). This is partly due to increased consulting services. **Liabilities to affiliated companies** fell significantly from €6.19 million to **€4.02 million** due to the elimination of liabilities to the merged Business Keeper GmbH. **Other liabilities** fell to **€1.29 million** (previous year: €1.68 million). This is mainly due to the derecognition of a purchase price liability that existed in the previous year. Tax liabilities developed in the opposite direction. **Deferred income** increased by +53% to **€7.37 million** (previous year: €4.82 million) as a result of higher customer prepayments**. Deferred tax liabilities** increased to **€5.99 million** (previous year: €3.80 million) due to the capitalization of development costs and the assets acquired as part of the merger (including hidden reserves).

Liabilities to banks decreased to **€29.63 million** (previous year: €34.47 million) due to repayments. They consist of a syndicated loan agreement (€26.67 million), are refinanced on a long-term basis and require compliance with contractual financial covenants in relation to EBITDA and, from 30 September 2023, net debt in relation to EBITDA. Accordingly, **net debt** (cash and cash equivalents less liabilities to banks) as at 31 December 2023 amounted to **€27.95 million** (31 December 2022: €31.02 million). In February 2024, all loans were repaid in full following a capital increase by the new investor Thoma Bravo. The project is **fully self-financed** at the time of creation in **March 2024**.

The **equity ratio** fell to **63%** as at the balance sheet date (previous year: 68%).

Due to the low volume of foreign currency revenues (20% to 25%), which are predominantly generated in hard currencies (CHF, GBP, HKD, USD) and are partly characterized by opposing developments, **exchange rate hedging transactions are currently still not used**. All bank loans are also denominated in Euros. The company uses short-term liquidity planning and rolling multi-year liquidity planning to **manage its liquidity**. With regard to the interest rate risk, interest rate derivatives were used to hedge the financing of the company acquisitions of Got Ethics A/S and Business Keeper GmbH carried out in the previous year, which are subject to variable interest rates.

4.3 General statement on the position of the company

Despite the macroeconomic challenges, EQS Group AG's business performance in the 2023 financial year was **positive**.

EQS Group AG's earnings position is significantly influenced by the trend towards **increasing regulations** in the area of **compliance** for companies and organisations. The currently most important regulation, the **European Whistleblower Directive**, has been in force since **December 2021** and was implemented in **Germany in the course of 2023**. EQS Group AG increased its **revenue** (including revenue with affiliated companies) by **+36%** to **€53.75 million** in the 2023 financial year (previous year: €39.58 million). This high increase is primarily due to the sales that have been considered EQS Group AG sales since 1 April 2023 as a result of the merger of the subsidiary Business Keeper GmbH.

Operating expenses consisting of cost of services, personnel expenses and other expenses, increased by **+31%** to **€59.38 million** in 2023 (previous year: €45.25 million), which is mainly due to increased personnel expenses and consulting costs of €5.23 million in connection with the public takeover bid by financial investor Thoma Bravo.

As a result, **EBITDA** fell to **€-3.01 million** (previous year: €-2.96 million) and was therefore **significantly below the planning expectations** for 2023. In addition, EBITDA and business activities in the 2023 financial year are influenced by the late implementation of the whistleblower laws in Germany in the second half of 2023.

Liabilities to banks or credit institutions decreased significantly to **€29.63 million** (previous year: €34.47 million). In **February 2024**, all loans were **repaid** in full following a capital increase by the new investor Thoma Bravo. There is full equity financing at the time of construction in March 2024. The **equity ratio** would **reduced** to **63%** (previous year: 68%) as at the balance sheet date.

5 Risk report

The following comments relate to the risks of the EQS Group. As EQS Group AG itself is operationally active, like its subsidiaries, these risks also directly affect EQS Group AG as an individual company. Risks also arise from the function as the Group´s holding company.

5.1 Risk management system

The EQS Group's risk policy is an integral part of the corporate policy. Our aim is to continuously increase the value of the company while maximizing reasonable returns over the long term. As the pursuit of the objective is directly linked to potential risks, the responsible handling of risks is the key principle of our risk policy.

The opportunity and risk management system (CRM) comprises the entirety of all organizational regulations and measures for identifying and dealing with opportunities and risks. CRM must ensure that existing risks are identified, analyzed and evaluated at an early stage and that risk-related information is passed on to the responsible decision-makers in a systematic and orderly manner. This leads to the early identification and assessment of risks and the utilisation of appropriate risk reduction measures. This is seen as an ongoing task for the Management Board and every manager in all areas of the company. The Group's risk policy also recognizes that the willingness to take risks is a necessary prerequisite for exploiting opportunities. The Management Board of EQS Group AG bears overall responsibility for effective risk and opportunity management, which is intended to ensure comprehensive and standardized management of all significant risks and opportunities.

To recognize, assess and manage risks, the Management Board uses a risk matrix in which the individual risks are assessed, and the individual assessments are aggregated into an overall figure (so-called risk capital or total risk capital).

	Overview of risk factors	Damage level	Probability of occurrence
1. Environmental risks			
1.1.	Global economic and political environment	high	low
1.2.	Market and sector risk	high	low
2. Company-specific/strategic risks			
2.1.	Product/technology risk	high	low
2.2.	Customer risks	high	low
2.3.	M&A/Portfolio development	high	low
2.4.	Planning/orientation	high	low
3. Digital/cyber risks			
3.1.	System risks	high	moderate
3.2.	Data security and property rights	high	moderate
4. Financial risks			
4.1.	External financial risks	moderate	low
4.2.	Financial risks that can be influenced internally	moderate	low
5. Operational risks			
5.1.	Personnel risks	moderate	moderate
5.2.	Process risk (ICS)	moderate	moderate
5.3.	Supply risk	moderate	low
6. Corporate governance & compliance risks			
6.1.	Corporate culture & ethical behavior	high	low
6.2.	Legal risks	moderate	low
6.3.	Sustainability risks	low	low

The following categories apply to the table:

Damage level	
Low	<€1 million
Moderate	€1 million - €5 million
High	> €5 million

Probability of occurrence	
Low	> annually
Moderate	quarterly, annually
High	<monthly

5.2 Risks

5.2.1 Environmental risks

The long-term development of EQS Group is significantly influenced by the general economic conditions in the domestic and international markets. Uncertainties in the economy and on the financial markets as well as social and political instability, terrorist attacks, conflicts and wars could have a negative impact on our business activities. Economic developments, the legal framework and capital market developments play a key role in this. In

2023, economic conditions remained difficult for companies in Europe and many parts of the world, including EQS Group. Europe has been suffering from high inflation since 2022. One reason for this is the European Central Bank's expansionary monetary policy in response to the crises of the last fifteen years (financial crisis in 2009, sovereign debt crisis in 2012 and COVID crisis in 2020) as well as the disruption to global supply chains and shortages in the supply of raw materials triggered by the Russian war of aggression. This has given rise to certain political and legal risks, such as sanctions or restrictions, particularly with regard to Russia. These developments can have a negative impact on the economy and influence the investment behaviour of companies.

The potential level of damage in relation to political and legal risks (legal restrictions) and, in particular, economic risks is high. For EQS Group, 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 EQS Group's sales performance. However, the likelihood of this occurring is considered low, as contracts are automatically renewed, and customer loyalty works well.

The market and sector risk is the risk of maintaining competitiveness in the face of price developments. The potential loss amount for EQS Group is high in the area of market and industry development. The acquisition of two competitors, Business Keeper GmbH and Got Ethics A/S, has reduced the competitive risk in the area of whistleblowing for medium-sized companies and large corporations. At the same time, competition in the area of whistleblowing is increasing with new local providers focussing on the target groups of small and medium-sized enterprises (SMEs). The EQS Group's offering is bundled in one platform, the EQS COCKPIT, which increases customer loyalty and counteracts price pressure. Differentiation from new competitors through quality, safety and references based on many years of experience is also important. The probability of occurrence of the risk is therefore assessed as low.

5.2.2 Company-specific/ strategic risks

Company-specific/strategic risks include all risks that can occur to the strategic organisation due to changes in the brand, communication, and reputation. These include risks such as product/technology risks, customer risks, M&A/portfolio development risks as well as management and alignment risks. Potential risks arise primarily in the areas of internationalisation, product development and bad investments due to strategic misalignment. The analysis of company-specific risk factors in the reporting period revealed a largely constant level of risk compared to the previous year. EQS Group's numerous growth activities are continuously reviewed using market research, business case calculations and a comprehensive dialogue between Sales, Product Management, Software Development and Management.

The risk in the development of new applications, the product and technology risk for the Compliance COCKPIT, lies in developing the right products that are desirable and add value for the customer. The risk is that products and technologies are developed with the wrong focus and that the position of EQS products is weakened overall. The corresponding product and technology risks are estimated to be correspondingly high. However, the probability of damage is low, as the development focus is on standardized cloud software instead of project services for individual customers.

Customer risks can result primarily from the focus on major customers and from the contractual arrangements (in particular liability) with customers. In general, sales are highly diversified. Among our customers, 99% represent less than one per cent of sales and in no case does the sales share of an individual customer exceed five per cent of total sales. Direct customers are responsible for the majority of sales. In sales to small and medium-sized, non-listed companies, institutions and organizations, on the other hand, sales partnerships also play an important role in business success. A large number of partnerships have been concluded in recent years. EQS Group can only influence to a limited extent whether and which of these partnerships can be activated and make a significant contribution to success. The loss amount for customer risks is therefore high, but the probability of occurrence is low.

Furthermore, a risk can result from incorrect investments (M&A) with insufficient profitability. The focal points of the corporate strategy are derived from the corporate planning. The risk lies in drawing the wrong conclusions from developments and thus making the wrong decisions regarding the company's direction and positioning. However, this is counteracted by close dialogue and monitoring by the Executive and Supervisory Board. Detailed due diligence is carried out for acquisitions. The amount of damage is therefore considered to be high, but the probability of occurrence can be classified as low thanks to appropriate risk mitigation measures.

The planning risk also arises from EQS Group's internationalisation strategy, which is already at an advanced stage. There are locations in all major customer markets. The potential loss amount of the planning risk is considered high, but the probability of occurrence is low as there is a structured planning process.

5.2.3 Digital and cyber risks

Digital and cyber risks encompass the entire IT, digital and cyber infrastructure and organisation of information security, platforms and networks. As a technology company, EQS Group attaches great importance to the protection of customer data. IT infrastructure security, hardening, high availability and resistance to attacks are of paramount importance to us. Through constant investment in our information security programme and various security controls, EQS Group continuously strengthens its security mechanisms against internal and external threat actors. EQS Group is comprehensively insured against losses from internal or external cyber incidents through its global cyber insurance policies with industry-leading providers. Nevertheless, the risk in the area of data security and property rights is high, as the number of attacks on IT infrastructures against EQS Group is continuously increasing. In order to further improve its security situation, EQS Group is constantly working on expanding its information security programme, in particular by introducing strong encryption controls and reviewing them with the help of external auditors. Regular internal training sessions and special security training for developers are designed to raise awareness of potential attacks and information security among all employees. In the area of digital and cybersecurity risks, the risk level therefore remains high with a medium probability of occurrence in the period under review.

5.2.4 Financial risks

These are divided into financial risks that can be influenced internally and financial risks that are influenced externally. Financial risks that can be influenced internally include investment risks, liquidity risks and liability risks. Financial risks that are influenced externally include credit risks, payment default risks and market risks.

The investment risk as a risk to the profitability of investments has fallen compared to the previous year, as no new investments were made in the 2023 financial year. Extensive experience within or in neighbouring areas of our operating business and software development that is closely aligned with customer needs help us to manage investment risks and minimize the probability of loss.

The liquidity risk no longer exists due to the full repayment of the loan liabilities carried out by Thoma Bravo after the reporting date.

The risk of non-payment is low due to the low turnover per individual customer and the high credit rating of listed companies and groups compared to the market. To minimize risk, advance payment agreements and credit card payments are also used in some areas.

Market risk is the risk that market prices, such as exchange rates or interest rates, may change, thereby effecting the company's income or the value of the financial instruments held. The aim of risk management is to manage and control market risk. The company acquires derivatives in individual cases to manage market risks. For risk management purposes, the company holds interest rate caps based on EURIBOR, which are used to limit the interest rate risk from loans taken out with banks. No hedging relationships with cash flows from underlying transactions have currently been recognized; only economic hedging is planned. The development of the market price of the derivatives and the variable interest rates from the loan financing is continuously monitored by those responsible in the finance department.

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

5.2.5 Operational risks

Operational risks describe risks and uncertainties associated with the organization's internal processes, systems and activities. These risks can arise from human error, technical faults or other internal factors. Operational risks are closely linked to daily business processes and the execution of transactions.

Personnel risks arise primarily from the ongoing need for skilled labor, staff turnover and the loss of key employees. The risk probability regarding the loss of employees in key positions is unchanged compared to the previous year. At the same time, our international locations are further reducing our dependence on the German labor market and thus the Group risk. The personnel risks are therefore categorized as medium in terms of probability of occurrence and amount of loss.

Process risks (ICS) arise from the complexity resulting from revenue growth and the extensive investments in new products, business areas and geographical markets. For this reason, additional control structures such as periodic performance reviews of the individual companies and comprehensive cost budgeting and controlling have been introduced in recent years. There are also process risks resulting from the lack of documentation of control and management risks. Information risk comprises the risk of a lack of efficient and timely information to ensure the functionality of work processes and the fulfilment of obligations. Due to the complexity and diversity of the process risks, the extent of damage is assessed as medium and the probability of occurrence as medium. The supplier risk is the risk that industrial property rights may be infringed and that employees may be corrupt. To reduce these risks, there is an efficient supplier management process in the area of purchasing implemented. The risk has a medium level of damage with a low probability of occurrence.

5.2.6 Corporate governance & compliance risks

Compliance risks are all risks relating to legal and regulatory changes, legal proceedings, antitrust proceedings, consumer protection proceedings and data protection. This also includes risks relating to compliance violations, the compliance organisation and prevention. There is a risk of a misguided corporate culture and unethical behavior. Governance and compliance risks are relevant for EQS, and a compliance management system is in place to monitor the risks. Although the risks are therefore categorized as high or medium, they are also less likely to occur.

EQS Group defines sustainability risks as negative impacts on sustainability issues that may arise from our direct business activities, our supply chain or our products and services. These can be operational, financial and reputational factors and relate in particular to issues such as climate change, resource scarcity and equality. Based on our business model, sustainability risks are classified as low, and the risk has a low probability of occurrence.

5.3 Overall risk situation

The overall risk for the EQS Group is assessed on the basis of the risk management system. By combining the planning, management and control systems used and quantifying the risk in the form of allocated risk capital and analysing risk correlations, a realistic statement can be made at the present time about EQS Group's overall risk situation and its development. EQS Group's total risk capital increased as at the balance sheet date of 31 December 2023 compared to the previous year.

The deterioration in the general economic conditions for companies has led to an increase in environmental risk. At the same time, the company-specific risk remains high. Advancing digitalisation is leading to increasing risks in the area of cyber security. The repayment of bank loans led to a significant reduction in the liquidity and insolvency risk and thus reduced the financial risk. The further development of geopolitical hotspots may have a negative impact on EQS Group's planned business development in the current financial year 2024.

6 Opportunity report

Besides the risks, the company's opportunities arising from the strategy are also regularly assessed. We divide these into three categories: opportunities arising from the development of framework conditions, corporate strategy opportunities and performance-related opportunities. The following opportunities are explained in order of priority, starting with the largest opportunity.

6.1 Opportunities arising from the development of framework conditions

This opportunity category describes 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 customer behavior.

The trend towards further increasing regulations in the area of compliance and sustainability for companies and organisations is manifested, among other things, in the European Whistleblower Directive and the Supply Chain Due Diligence Act in Germany. This resulted in growth opportunities as early as 2023. This growth trend will continue in 2024, as a large number of companies were no longer able to implement the regulations in 2023.

In the area of legal framework conditions, the upcoming expansion of reporting and compliance obligations in the coming years (including the EU Whistleblower Directive, Supply Chain Due Diligence Act, CSRD) is already leading to additional business opportunities for EQS Group, in some cases for companies with 50 or more employees as well as for organisations and public institutions. As a result, the potential customer base has also increased significantly. EQS Group's product portfolio is being continuously expanded as part of these European regulatory initiatives. At the same time, EQS is developing other software applications such as Policy Manager, Third Party Manager and Approval Manager and distributing them as an integrated compliance management system (Compliance COCKPIT).

6.2 Strategic corporate opportunities

Strategic corporate opportunities arise from the implementation of overarching Group strategies:

The integration of Integrity Line and the expansion of the Compliance COCKPIT to include additional modules (Approval Manager, Policy Manager, etc.) will enable the majority of existing and future whistleblowing customers to be offered a complete compliance management system in the future. This goes hand in hand with the opportunity of significantly higher average sales per customer. This could result in significant sales growth in the coming years. The merger of Business Keeper GmbH into EQS Group AG in 2023 contributes to the integration of the corporate structures and thus also promotes the integration of the products and serves to leverage synergies.

With the IR COCKPIT, the reduction in historical discounts for existing customers in particular offers additional sales potential compared to the list price. An increase in recurring revenue in this context is also expected in 2024 and will continue in subsequent years.

6.3 Performance-related opportunities

Performance-related opportunities are closely linked to the company's business activities. These include efficiency improvements as well as value enhancement potential, although the monetary effect is not directly quantifiable.

These opportunities also include the optimisation of purchasing processes and the resulting improvement in conditions through the bundling of purchases. Likewise, the introduced controlling software is used to evaluate all available data on business development. It enables detailed analyses and therefore supports corporate management and decision-making.

6.4 Overall opportunity situation

We expect a positive development in particular from the legal framework, especially the implementation of the Whistleblower Directive in Europe and the advancing regulation in Europe.

We see the customized expansion of our product portfolio and the use of our existing customer relationships as an opportunity to launch further products on the market and make them successful. This results in corresponding opportunities in the development of our business model.

7 Forecast Report

7.1 General forecast

In 2023, the **global economy** was characterized by difficult conditions due to **high inflation** and the associated **interest rate hikes**, the **war in Ukraine and the conflict in the Middle East** as well as ongoing supply chain problems. This also led to a **clouding** of the economic outlook and recession worries in Europe with a view to 2024.

For 2024, the **World Bank** expects lower growth of **+2.4%** (2023e: +2.6%) in the **real gross domestic product of the global economy**. Economic growth of **1.3%** is expected for **Germany** in **2024**. The following forecasts for the business, financial and earnings development of EQS Group AG in the 2024 financial year are therefore subject to the proviso that the war in Ukraine and the war in the Middle East do not have a significant impact on the business development of EQS Group AG. In the event of an expansion of the wars, there could be far-reaching consequences for business development.

7.2 Group forecast

Strategic goal	*Key figure*	*Result 2023*	*Outlook 2024*
Growth	Revenues*	€69.40 million	Double-digit growth
	Compliance	€49.95 million	High growth
	Investor relations*	€19.45 million	Moderate growth
	New customers*	3,415	High growth
	New ARR	€12.01 million	High growth
Profitability	EBITDA*	€3.28 million	Disproportionate growth
Customer satisfaction	Net Promoter Score	41	Constant
Employee satisfaction		3.97	Constant

Based on these assumptions, the Management Board of EQS Group AG forecasts a **double-digit percentage increase in revenues** for the 2024 financial year compared to the previous year. The **major part** of this is made up of growth in the **Compliance area** and **moderate growth** in the **Investor Relations** area. In the area of compliance, growth is expected to result from the further implementation of the **Whistleblower Directive** in the area of whistleblowing and other compliance applications in the Compliance COCKPIT. These growth expectations arise in particular **in Europe (Spain, Italy, France and Austria)** and in our core market **Germany**. In the **Investor Relations segment**, growth is lower due to the low number of IPOs and the associated potential for new customers combined with high existing market penetration. **In the medium term**, we expect **double-digit revenue growth** due to market conditions. Due to the scalability of our business model, we expect **above-average growth** in **EBITDA**. For 2024, **high growth** in the number of **new customers** and continued **high growth** in **New ARR** is also expected. We expect the **non-financial performance indicators of customer and employee satisfaction** to remain constant in 2024.

7.3 EQS Group AG forecast

As the parent company, EQS Group AG serves the **German market** and thus covers one of the most important markets for EQS Group. It generates revenues in **compliance and investor relations** in the German market and additionally from business relationships with its affiliated companies. As in the Group as a whole, growth momentum will result from the implementation of the **Whistleblower Directive** in Germany in 2023 and the associated further increases in revenues in the **Compliance product area in 2024**. In the **Investor Relations** segment, we expect a **constant** development due to the restraint of investors and a lower number of flotations. EQS Group AG expects **positive earnings effects** (EBITDA) due to **lower rising expenses** compared to revenues.

Munich, 27 March 2024

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Christian Pfleger

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