Semi-annual report 2021

ENDOR®

Contents

Foreword of the Management Board

Dear shareholders,

in the first half of 2021, we were able to almost confirm the high revenue level from the previous year and generate total revenue of EUR 35.4 million at the Group level. We felt very high demand in the ClubSport series, but demand in other product segments also remained at a very high level. As expected and forecast, revenue development in the second quarter of 2021 was slightly weaker with a slight decrease of 2%.

We consciously accepted the temporarily somewhat weaker revenue development in the second quarter of 2021 because the product range was being updated and expanded and inventories were actively being renewed.

At the same time, however, we were also unexpectedly affected by delivery delays and cancellations as a result of the general worldwide logistics problems. We were only able to partially meet the very strong demand that existed. In particular, products in the high-volume mid-price segment have been sold out since April. Especially the wheel bases of the CSL and Clubsport series as well as numerous steering wheels are not available for several months and the high-volume, price-sensitive console market can currently only be served with the expensive Podium series. Concretely, this means that despite very long delivery times, we had additional customer orders of around EUR 4.6 million on our books as of the end of June, which we were unable to deliver and thus book due to logistical problems.

Even if this is a temporary effect and revenue is merely being postponed, following an intensive review of previous earnings estimates, we have to revise the EBIT forecast issued and now expect EBIT to decline rather than increase compared to the previous year. The decisive factor was the postponed revenue in combination with the planned increase in the cost base. We had assumed that the effects from the shift would return to normal as early as 2021, but must now expect significant shares to shift into 2022. We also had to adjust our revenue forecast accordingly. Whereas we had previously assumed that the EUR 100 million mark would be surpassed for the first time in 2021, our goal now is to match or even slightly exceed the previous year's very solid revenue despite all the current supply problems.

The fact that the negative effects are only of a temporary nature is also shown by the continued very positive development in pre-orders for the new CSL DDs, which will be delivered as of August 2021 and will start to impact revenue from then on. In addition, we have consistently received very positive feedback on the new product launch from consumers and also through previous trade press articles, which is very encouraging for us. Further impetus will also be provided by a new PlayStation-compatible product in the entry-level segment, which is planned for the end of the year, but whose expected revenue contributions will likewise be partly postponed to Q1 2022.

The development of earnings was and will continue to be influenced by our extensive investment program, which we will undertake in 2021 to adapt our structures to the strong growth. For example, we renewed the entire IT infrastructure, acquired extensive personnel and made major investments in R&D and marketing. Thanks to the structural adjustment, we are now very well positioned to sustain the growth course. However, these measures for the future have temporarily impaired our earnings power, which is also clearly visible in the earnings figures for the first half of the year.

We are convinced that the continuing strong increase in demand in the simracing (i.e. virtual racing) segment will continue and we have established the Fanatec brand excellently as a specialist for simracing accessories. For optimal positioning, 2021 will also serve to expand the existing partnership with the SRO Motorsports Group. In addition, we are very much looking forward to the partnership with the Japanese game studio Polyphony Digital, which will be concluded in the first half of 2021 and will bring us further growth, especially in the console market. A PlayStation-compatible and affordable Direct Drive steering wheel will open up new customer groups, especially in view of the announced release of the racing game GranTurismo 7 in 2022, and is a guarantee for strong growth.

Thank you for your trust. Stay healthy.

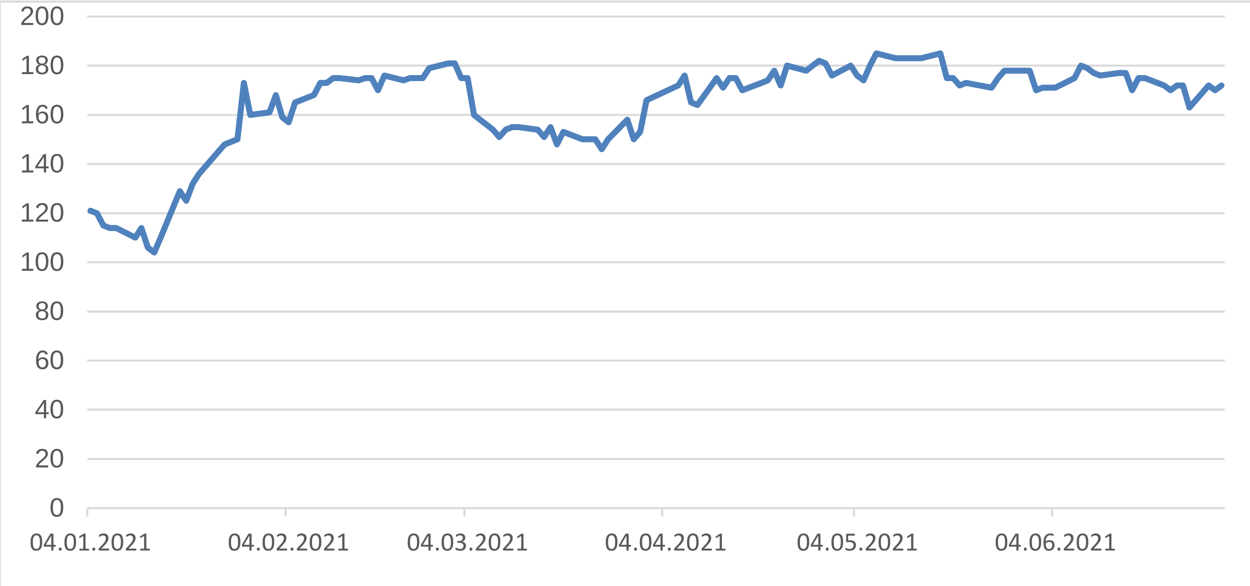
Yours, Thomas Jackermeier

Management Board of Endor AG

Endor share

Endor AG is listed on the OTC Market of the Munich Stock Exchange. In mid-May, the highest closing price on the Munich Stock Exchange in the first half of 2021 was reached at EUR 185. The lowest closing prices were recorded in mid-January at EUR 104. In the first half of 2021, Endor's share price posted a total performance of 42%. The market capitalisation of Endor AG as of 30 June 2021, based on the bearer shares outstanding on that date, was approximately EUR 333 million.

Share price development for the first half of 2021 in EUR



Key data Share

German Securities ID No.	549166
ISIN	DE0005491666
Stock exchange symbol	E2N
Initial listing	06/27/2006
Issue price	EUR 9
Stock exchanges	Munich, Hamburg, Stuttgart
Type of Shares	No-par-value bearer shares (ordinary shares)
Stock exchange segment	OTC Market Munich Stock Exchange
Number of shares as of 30 June 2021	1,937,198
Market capitalisation as of 30 June 2021 (in millions of EUR)	333
Share price in EUR as of 30 June 2021[1]	172
Percentage change first six months of 2021	42%
High of period(Jan. - June 2021) in EUR[1]	185
Low of period (Jan. June 2021) in EUR[1]	104

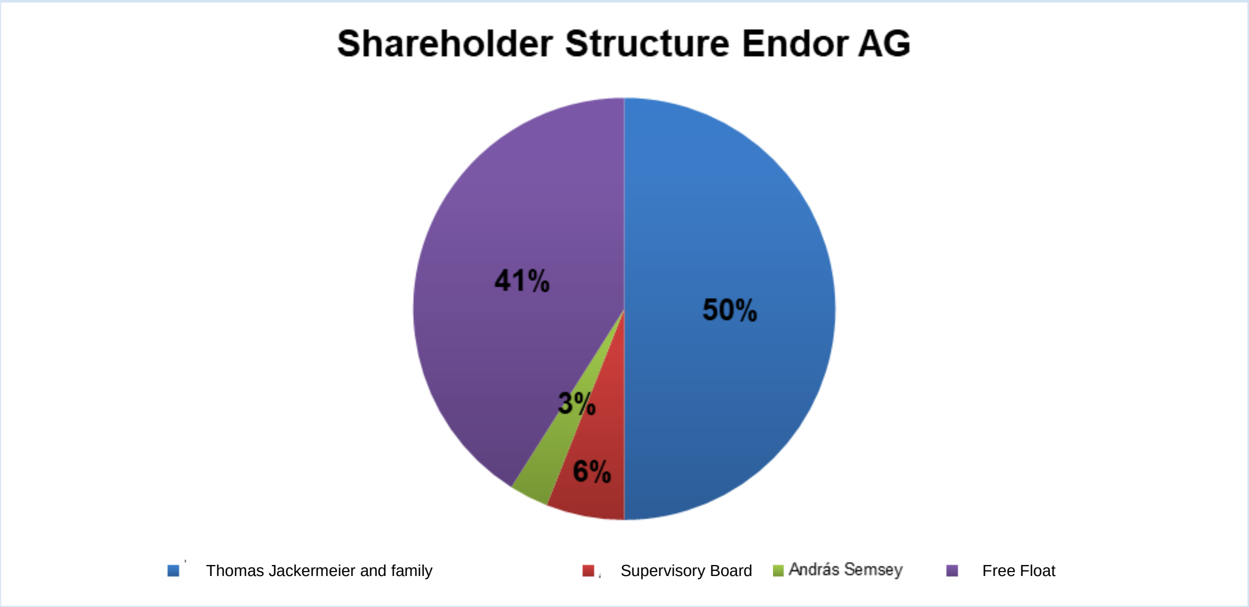
[1] Munich Stock Exchange closing prices

Financial calendar 2021

Date	Event
08/25/2021	Virtual general shareholders’ meeting
By the end of November 2021	Publication of Q3 press release
11/22 - 11/24/2021	Equity Forum

Shareholder structure

According to the latest information available to the Company, Thomas Jackermeier and his family hold approximately 50%, the Supervisory Board 6% and András Semsey 3% of Endor AG. The free float therefore totals 41%.



Management report for the first six months of 2021

1. | Basic information on Endor AG

1.1 | Business model

Endor AG develops and markets high-quality input devices such as high-end steering wheels and pedals for racing simulations on game consoles and PCs as well as driving school simulators. As a "Brainfactory", the company's focus is on the creative sector. Endor carries out product development and prototype construction under its own direction and together with specialised technology partners, primarily in Germany ("Germaneering"). The products are mainly manufactured in Asia. Under the FANATEC brand, Endor sells its products directly to customers mainly via e-commerce. Endor markets driving school simulators through a strong distribution partner. Endor has subsidiaries in the United States, Australia, Japan, China and Hong Kong.

2. | Economy and course of business

2.1| Economy and sector-specific conditions

According to the Institute for the World Economy (IfW), the German economy recovered strongly in the first half of 2021 and is expected to return to its pre-crisis level in the third quarter of 2021. In its latest economic forecast, IfW Kiel expects gross domestic product (GDP) to grow by 3.9% (previously 3.7) and by 4.8% in 2022.[1]

As the pandemic subsides, trade and services are expected to benefit most, growing by 2.4% in 2021 and 8.2% in 2022. The recovery in industry, on the other hand, is despite the very solid order situation, currently being held back by supply bottlenecks which are only likely to gradually disappear, resulting in new momentum only towards the end of the year, the IfW predicts. According to the IfW, industrial production in Germany is currently well below the level indicated by the order situation. The main reason is said to be a lack of supplies, for example due to transport bottlenecks in the shipping industry. According to estimates by the IfW, these bottlenecks are currently costing industry around 5% in value added, which amounts to around 1% of gross domestic product. Over the year as a whole, the losses for the German economy are expected to amount to around EUR 25 billion.

The global digital games market was not adversely affected by the corona pandemic and will continue to grow steadily, according to analysts. The Global Games Market Report 2021 from the market research firm Newzoo estimates that the global games market will grow from USD 175.8 billion in 2021 to more than USD 200 billion in 2024.[2]

[1] IfW Economic Forecast June 2021

[2] https://venturebeat.com/2021/07/04/newzoo-game-market-will-hit-200b-in-2024/

2.2 | Course of business & general statement

The Endor Group was nearly able to confirm the high revenue level from the previous year in the first half of 2021. In particular, the company felt very high demand in the ClubSport series, but demand in other product segments also remained at a very high level. In the first quarter of 2021, revenue doubled year-on-year to EUR 21.9 million, compared to EUR 11.9 million in the previous year. In the second quarter, however, revenue declined compared to the previous year, which was strong due to corona, amounting to EUR 13.5 million (previous year: EUR 24.4 million).

Compared to the previous year, the overall revenue trend in the first half of 2021 was therefore slightly down. This was due to the deliberately planned update and expansion of the product range in the second quarter of 2021, the active renewal of inventories, and the extraordinarily successful Q2 2020. At the same time, however, Endor was confronted with the current challenges in the global logistics industry in the second quarter. By the end of June, additional customer orders of approximately EUR 4.6 million (2.5 million gross profit) had been received. However, due to a lack of product availability, these could not be delivered to the individual warehouses and thus to customers because of the general problems in the logistics chains and flow of goods, especially out of China. Another factor is that products in the high-volume, mid-price segment have been sold out since April. Especially the wheel bases of the CSL and Clubsport series as well as numerous steering wheels were not available for several months and the high-volume, price-sensitive console market can currently only be served with the expensive Podium series. Due to the delayed delivery of the successor products, demand for other main dependent products such as steering wheels, pedals and shifters declined in the second quarter.

As a result of products being sold out or their successor products not yet being in stock, around EUR 7.7 million could not be delivered in the first half of 2021 compared to the plan.

In addition, in the first half of 2021, the Endor Group aligned its structures with its strong growth and began to make substantial investments. For example, the entire IT infrastructure was renewed, personnel was acquired and extensive investments were made in R&D and marketing. As a result of the structural adjustment, the company recorded a decline in earnings in the first half of 2021 compared to the previous year.

After an intensive review of the previous earnings estimates, the Management Board of Endor AG reacted to the revenue shifts due to the negative effects of the worldwide logistics bottlenecks and revised the issued revenue and EBIT forecast. Previously, the company had assumed a slight increase in EBIT. Now the Management Board expects EBIT to decline. The reason for the change in forecasts is the global logistics problems already outlined, resulting in delayed delivery of goods, which means that revenue can only be recognised with a delay and this in turn is leading to lower gross profit and earnings. Previously, Endor expected consolidated revenue in 2021 to exceed the EUR 100 million mark for the first time. Due to the shifts into 2022, the goal now is to match or even slightly exceed the very solid revenue from the previous year.

In this context, it should be noted that revenue and thus earnings will mainly be postponed to the next financial year (2022), when they are to be made up for in the form of additional growth momentum.

A major success in the first half of 2021 was that Fanatec (Endor AG), was able to conclude a partnership with the Japanese game studio Polyphony Digital. Together, the companies are developing new Gran Turismo® licensed racing simulation peripherals with advanced force feedback technology to narrow the gap between simracing and real-world motorsports.

The expansion of the existing partnership with SRO Motorsports Group will also serve in 2021 to optimise positioning of the Fanatec brand. As the title sponsor of the GT World Challenge, the Fanatec brand has been able to be placed in an effective advertising position at racing events to date, which will certainly have a positive effect on further revenue development.

3. | Position of the Endor Group

3.1| Financial position

The Endor Group's total assets increased to EUR 62.0 million in the first half of 2021 from EUR 59.1 million at year-end 2020. This reflects the investments that the Endor Group has made in intangible assets, mainly in research and development, licenses and for new systems, as well as investments in property, plant and equipment. As a result, non-current assets increased from EUR 9.7 million as of the 2020 balance sheet date to EUR 13.2 million at the end of the first half of 2021.

3.2 | Liquidity position

The Endor Group's equity amounted to EUR 23.2 million as of 30 June 2021, compared to EUR 21.4 million as of 31 December 2020. Retained earnings totaled EUR 3.9 million.

Liabilities amounted to EUR 26.4 million as of 30 June 2021, including liabilities to banks of EUR 18.9 million, loans totaling EUR 13.6 million, and overdrafts of EUR 5.3 million. Borrowing was used to finance the significantly increased inventory, with which the company responded to the continuing strong demand in order to avoid long delivery times.

Overall, the Endor Group is in a comfortable liquidity position. The credit line granted and partially unutilised, as well as the cash generated by current operations, are enough to maintain sufficient inventories and to continue investing in growth. The liquidity situation is reviewed on an ongoing basis. As of 30 June 2021, the company had liquid assets of EUR 15.1 million.

3.3 | Earnings position

Consolidated revenue amounted to EUR 35.4 million in the first half of the year compared to EUR 36.3 million in the previous year. The products of the ClubSport series again made a considerable contribution to revenue. However, demand also remained at a very high level in the other product segments.

Compared to the previous year, revenue development in the first half of 2021 decreased by 2%, due to weaker development in the second quarter of 2021. In the second quarter, revenue fell by 45% compared to the same quarter of the previous year, amounting to EUR 13.4 million (previous year: EUR 24.4 million). The decline was due in particular to delivery difficulties caused by the current challenges in the global logistics industry. By the end of June, customer orders worth a further approx. EUR 4.6 million (EUR 2.5 million gross profit) had been received. However, these orders could not be delivered to the individual warehouses and thus to the customers. Another factor is that products in the high-volume, mid-price segment have been sold out since April. Especially the wheel bases of the CSL and Clubsport series as well as numerous steering wheels were not available. The high-volume, price-sensitive console market can currently only be served with the expensive Podium series. Due to the current sell-off of the low-priced wheelbases and the delayed delivery of the successor products, demand for other main dependent products such as steering wheels, pedals and shifters has decreased by about 39% (EUR -3.3 million) from Q1 to Q2 and by about 49% (EUR 4.9 million) from Q2 2021 to Q2 2020.

In the first quarter of 2021, on the other hand, revenue doubled to EUR 21.9 million (previous year: EUR 11.9 million).

Endor invests heavily in the development of new products. This is also reflected in the increased depreciation and amortisation of non-current assets. Compared to the previous year, these increased by 21% to EUR 0.8 million. The cost of materials increased slightly to EUR 15.3 million, compared to EUR 14.4 million in the previous year.

Overall, the Endor Group adjusted its structures in the first half of 2021 to reflect its sustained growth course. Due to the strong growth in product demand, there was increased investment in the second half of the year in the necessary expansion of the workforce. Due to the recent strong business expansion and anticipated growth in the coming years, the Endor Group further expanded the number of employees in the first half of 2021 from 113 as of 31 December 2020 to 156 as of 30 June 2021. Consequently, personnel expenses also increased to EUR 5.5 million in the first half of 2021, compared to EUR 3.0 million in the previous year. The necessary increase in personnel has now largely been completed and costs should stabilise.

As a result of the intensified investment course, other operating expenses also increased by 62% from EUR 7.9 million to EUR 12.8 million in the first half of 2021. The largest individual items within other operating expenses are advertising costs and the selling cost, which together rose by 59% to EUR 7.8 million. The increase is due to the additional partnerships concluded in financial year 2020, e.g. with WRC eSports and the SRO Motorsports Group.

There was also further increased investment in R&D. In this regard, costs increased by EUR 0.6 million to EUR 1.1 million compared to the previous year. Furthermore, investments were made in the installation of new, more up-to-date IT systems, which also led to higher depreciation, IT costs and consulting costs.

Group EBIT (earnings before interest and taxes) amounted to EUR 2.6 million, compared to EUR 10.2 million in the previous year, due to the planned higher cost base accompanied by unexpected shifts in revenue.

4. | Non-financial performance indicators

During the first half of 2021, Endor AG increased the average number of employees by 59 to 149 and at the Group level by 66 to 187 employees. The new hires were mainly in the areas of research & development and sales and had become necessary amidst the growth in order to create the structures to meet the continuing high demand.

5. | Opportunities and risks and forecast

This opportunities and risks report relates to the entire Endor Group, as the opportunities and risks of the respective sales subsidiaries in the US, Australia, Japan and Hong Kong, as well as the purchasing subsidiary in China, are largely reflected at the level of the Endor Group.

5.1 | Risks

The risk situation of the Endor Group has not changed significantly compared to the presentation in the 2020 Annual Report.

5.2 | Opportunities

The opportunity situation of the Endor Group has not changed significantly compared to the presentation in the 2020 Annual Report.

5.3 | Forecast

After an intensive review of the previous revenue and earnings estimates, the Management Board of Endor AG has reacted to the adverse effects of the problems in the global logistics industry by revising the revenue and EBIT forecasts issued. Previously, the company had assumed a slight increase in EBIT. Now the Management Board expects EBIT to decline. The reason for the change in forecast is the aforementioned worldwide logistics problems, which result in delayed delivery of goods, which means that revenue can only be generated and booked with a delay, in turn leading to lower gross profit and earnings. In terms of revenue, Endor had previously assumed that it would be possible to exceed the EUR 100 million mark at the Group level for the first time in 2021. The updated forecast sets the target of matching or even slightly exceeding the very solid revenue from the previous year.

It is important to note that revenue will be delayed into next year due to delayed shipments. Logistics problems are perceived to have a temporary dampening effect.

The Management Board is also pleased that the recently launched new CSL DD product has been very positively received. A high number of advance orders have already been placed, which will gradually impact revenue as of the third quarter of 2021.

The Endor Group is active in high-growth markets with FANATEC brand products. A key growth driver is the booming eSports sector. Simracing, i.e. virtual racing, is becoming increasingly popular. This trend will continue at an accelerated pace in 2021.

The placement of new products in the lower price range of the Fanatec portfolio is intended to significantly expand market share worldwide in the future. In line with its "top-down brand strategy", the company will also deliberately accept slightly lower gross profit margins in the course of this expansion. Due to the overall strong growth, profits will continue to rise in absolute terms. In addition, the Endor Group plans to make extensive investments in financial year 2021 to adapt the corporate structure to the continued strong demand. In 2021, the entire IT infrastructure will be renewed, personnel will be acquired and extensive investments in R&D will be made. In addition, significant investments are being made in marketing.

Landshut, 18 August 2021

Thomas Jackermeier András Semsey I Management Board

Balance sheet of the Endor Group

Endor Group balance sheet in mEUR	**31.12.2020**	**30.06.2021**
Fixed assets		
Intangible assets	5.5	8.1
Property, plant and equipment	4.2	5.1
	9.7	13.2
Current assets		
Inventories	26.3	25.9
Accounts receivable and other assets	4.8	4.0
Cash on hand and in federal bank and other banks	16.3	15.1
	47.4	45.1
Deferred charges and prepaid expenses	0.5	1.6
Deferred taxes	1.6	2.2
ASSETS	**59.1**	**62.0**
Shareholders' equity	21.4	23.2
Provisions and accrued liabilities		
Accrued taxes	8.4	6.7
Other provisions and accrued liabilities	3.9	4.1
	12.3	10.8
Liabilities		
Liabilities due to banks	14.7	18.9
Trade liabilities	6.1	5.0
Other liabilities	3.0	2.5
	23.8	26.4
Deferred taxes	1.7	1.7
LIABILITIES	**59.1**	**62.0**

Profit and loss statement of the Endor Group

Endor Group P&L in mEUR	1. HY 2020	1. HY2021
Revenue	36.3	35.4
Own work capitalised	0.0	0.9
Other operating income	-0.1	0.8
= Total performance	**36.2**	**37.1**
Cost of materials	-14.4	-15.3
= Gross profit	**21.8**	**21.8**
*% Gross profit margin**	*60%*	*57%*
Personnel expenses	-3.0	-5.5
% Labor utilisation rate	*8%*	*16%*
Other operating expenses	-7.9	-12.8
= EBITDA	**10.8**	**3.5**
% EBITDA margin	*30%*	*10%*
Depreciation, amortisation and other write-offs	-0.7	-0.8
= EBIT	**10.2**	**2.6**
% EBIT margin	*28%*	*7%*

*not including own work capitalised and other operating income

Cash flow statement of the Endor Group

Endor Group cash flow statement in kEUR	1. HY 2021
+/- Net result for the period (including minority interests)	1,858
+/- Write-down/write-up on fixed assets	822
+/- Increase/decrease in provisions and accrued liabilities	-1,375
+/- Increase/decrease in inventories*	-301
+/- Increase/decrease in trade payables and other liabilities**	-2,023
+/- Interest expenses/interest income	175
+/- Income tax expense/income	551
+/- Income tax payments	-725
Cash flow from current business activities	**-1,018**
+ Payments received from disposals of intangible assets	84
- Payments made for investments in intangible assets	-3,145
+ Payments received from disposals of property, plant and equipment	0
- Payments made for investments in property, plant and equipment	-1,241
+ Interest received	72
Cash flow from investment activities	**-4,229**
+ Payments received from the issue of bonds and the borrowing of (financing) loans	12,430
- Payments made from the redemption of bonds and of (financing) loans	-12,138
- Paid interest	-247
Cash flow from financing activities	**45**
= Change in cash and cash equivalents with an effect on payments	**-5,202**
Cash on hand and in federal bank, cash in banks and checks	174
Changes in cash and cash equivalents due to exchange rates and valuations	**174**
= Change in cash and cash equivalents with an effect on payments	**-5,028**
Cash and cash equivalents at start of period	**14,856**
Cash and cash equivalents at end of period	**9,827**

* Increase/decrease in trade receivables and other assets not attributable to investment or financing activities

** Not attributable to investment or financing activities

Note: The Endor Group has prepared a consolidated statement of cash flows for the first time during the period ended 30 June 2021. Accordingly, no comparative figures are available from the same period for the previous year.

Imprint

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Disclaimer This semi-annual report contains forward-looking statements. These statements are based on the current experience, assumptions and forecasts of the Management Board and the information currently available to it. The forward-looking statements should not be construed as guarantees of the future developments and results mentioned herein. Future developments and results instead depend on a variety of factors. They involve various risks and uncertainties and are based on assumptions that may not prove to be accurate. We assume no obligation to update the forward-looking statements made in this report.

ENDOR®