

2021 Individual Financial Statements



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Report of the Supervisory Board

Dear shareholders,

In the following, you will be informed about the work of the Supervisory Board in financial year 2021:

Meetings of the Supervisory Board

Seven meetings of the Supervisory Board took place in the reporting year, six as video conferences and one in person. Attendance at the meetings of the Supervisory Board was always 100%.

The members of the Management Board participated in Supervisory Board meetings unless otherwise determined by the Chairman of the Supervisory Board. The chairmanship of the Supervisory Board in 2021 was always held by Andreas Potthoff.

An essential part of all Supervisory Board meetings was the reporting of the Management Board on the business situation with detailed information on the development of revenue and results, the effects of the corona crisis and the resulting supply chain problems, the opportunities and risks of business development as well as the current status of product development and liquidity planning. In addition, the following focal points were dealt with at the individual meetings:

In the meeting held on **20 January 2021** (video conference), the negotiations with SRO regarding the Fanatec GT World Challenge were discussed.

The Annual Financial Statements and the auditor's report were discussed at the meeting on **31 May 2021** (video conference) and the Annual Financial Statements for 2020 were adopted. In addition, the postponement of the CSL DD steering wheel was a topic of the meeting.

The topic of the meeting on **10 August 2021** (video conference) was Thomas Jackermeier's Management Board contract.

The meeting on **25 August 2021** (video conference) was the constituent meeting of the Supervisory Board.

The meeting on **24 September 2021** (face-to-face meeting) focused on the delay of the CSL DD steering wheel and the supply chain issue.

The video conference on **8 October 2021** focused on the planned new construction of the Endor company building.

The meeting on **17 December 2021** (video conference) placed a focus on supply chain issues and the organisational structure of Endor AG. It was decided that the Management Board should be expanded in the medium term to include the position of COO.

The members of the Supervisory Board Richard Rösener and Thomas Mayrhofer each resigned from their office as members of the Supervisory Board with effect from the end of the Annual General Meeting on 25 August 2021. The Annual General Meeting elected Ingo Weber and Rudolf Dittrich to the Supervisory Board. The subsequent constituent meeting of the Supervisory Board on 25 August 2021 elected Andreas Potthoff Chairman and Ingo Weber Deputy Chairman of the Supervisory Board.

Cooperation between the Supervisory Board and the Management Board

In financial year 2021, the Supervisory Board continuously monitored the management of the Management Board and regularly advised it on the management of the company. In doing so, we were always able to convince ourselves of the legality, appropriateness and regularity of the Management Board's work. The board informed us regularly and promptly (in writing and verbally) about the issues related to strategy, the development of the business, the risk situation and risk development relevant to the company. In our view, the Management Board has fulfilled its duties to provide information.

This included sales and revenue planning, broken down by products and regions, as well as monthly information on the revenue and earnings situation. This also included information on deviations of the actual development from previously reported targets, as well as deviations of the business development from the planning. The members of the Supervisory Board always had sufficient opportunity to critically examine the reports and proposed resolutions submitted by the Management Board and to contribute their own suggestions. In particular, we intensively discussed all business transactions of importance to the company on the basis of the Management Board reports and checked them for plausibility.

The Supervisory Board dealt in detail with the company's risk situation, liquidity planning and equity situation on several occasions. As a result of an analysis of the value potential as well as the opportunities and risks of strategic steps, critical operational issues were presented to the Supervisory Board in a clear and differentiated manner.

The Chairman of the Supervisory board and its members also maintained a close and regular exchange of information and ideas with the Management board between board meetings and kept themselves informed of significant developments. Important findings were reported at the latest in the following Supervisory Board meetings.

In the past financial year, there were no conflicts of interest of Management Board and/or Supervisory Board members that would have had to be disclosed to the Supervisory Board without delay.

New members of the Supervisory Board receive appropriate support during their induction. For example, Ingo Weber and Rudolf Dittrich were supported during their induction through individual discussions with the Management Board and the Supervisory Board as well as through comprehensive company documentation and legal information and instructions.

Audit of the Annual and Consolidated Financial Statements

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Munich, elected by the Annual General Meeting on 25 August 2021 to audit the financial statements for financial year 2020, audited the Annual Financial Statements for the financial year from 1 January 2021 to 31 December 2021 and the Management Report of Endor AG prepared by the Management Board in accordance with the provisions of the German Commercial Code (HGB). The auditors also audited the Consolidated Financial Statements. The auditors issued an unqualified audit opinion.

The financial statement documents and the audit reports for financial year 2021 were discussed in detail at the Supervisory Board meeting on 30 May 2022 (balance sheet meeting). The auditor reported on the main results of his audit. He also provided information on the focal points of his audit, including revenue recognition, the existence and valuation of inventories, recognition and valuation of provisions, especially provisions for uncertain liabilities. The auditor was available to answer additional questions and provide information. Following our examination and discussion of the Annual Financial Statements and the Management Report in the Supervisory Board, no objections were raised. The Supervisory Board then approved the results of the audit by the auditor. After completing our audit, we came to the conclusion that there were no objections to be raised, and we adopted the Annual Financial Statements of Endor AG and approved the Consolidated Financial Statements.

Review of the dependency report pursuant to Section 314 (2) and (3) of the German Stock Corporation Act (AktG)

Furthermore, the Supervisory Board examined the report of the Management Board pursuant to Section 312 of the German Stock Corporation Act (AktG) on relationships with affiliated companies for financial year 2021 (dependency report).

The review of this report by the Supervisory Board did not lead to any objections. The Supervisory Board had the Management Board present the advantages and possible risks of the legal transactions described in the dependency report and weighed them against each other according to its own view. Furthermore, the Supervisory Board had the principles used to determine the company's services and the consideration received for them explained to it.

The auditor also audited the dependency report and issued the following audit opinion:

“Following our statutory audit and assessment, we confirm that

1. the actual information in the report is correct,
2. in the legal transactions listed in the report, the performance of the companies was not unreasonably high.”

The auditor submitted the audit report to the Supervisory Board.

The Supervisory Board examined the dependency report of the Management Board and the auditor's report. The Supervisory Board concurs with the results of the audit by the auditor and approves the auditor's report following the final results of its own review. After the final result of the audit, the Supervisory Board had no objections to the declaration of the Management Board at the end of the dependency report.

Proposal for the appropriation of profits

Following its own examination and taking the development of earnings and the financial position of the Group into account, the Supervisory Board concurred with the proposal of the Management Board to allocate EUR 2,000,000.00 of the net profit of Endor AG for the past financial year 2021 totalling EUR 2,114,258.68 to the reserves and to carry forward the remaining amount of EUR 114,258.68 to new account.

Thanks

The Supervisory Board would like to thank the Management Board and all employees of Endor AG for their commitment in financial year 2021.

Landshut, 30 May 2022

Chairman of the Supervisory Board
Andreas Potthoff

Combined Management Report for Financial Year 2021

The Endor AG Group Management Report has been combined with the Management Report of Endor AG in accordance with Section 315 (5) of the German Commercial Code (HGB) in conjunction with Section 298 (2) of the German Commercial Code (HGB). The Management Report is therefore referred to as the Combined Management Report. Unless stated otherwise, the information provided applies to the Endor AG Group and Endor AG jointly.

1. | Principles of Endor AG

1.1 | Business Model

Endor Group 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 “brain factory,” the company’s focus is on the creative sector. Product development and prototype construction are carried out by Endor itself and together with specialised technology partners, mainly in Germany (“Germaneering”). The products are mainly manufactured in Asia. Endor sells its products directly to customers under the FANATEC brand, mainly via its own e-commerce. Endor markets driving school simulators through a distribution partner. In the US, Australia, Japan and Hong Kong, Endor Group is represented by regional warehouses and the following distribution subsidiaries: Endor America LLC, Endor Australia Pty. Ltd, Endor Japan KK and Endor Hongkong Limited. Scuderia Fanatec GmbH, Landshut, Germany, bundles the motor vehicle-related activities in terms of trade, rental, marketing and events.

1.2 | Strategy

Endor Group’s strategy for maintaining and expanding its market position is based on several pillars:

- FANATEC positioned as a premium brand
- Consistent direct sales
- Licensing agreements with motor sports series
- High-end quality with an unbeatable price-performance ratio due to low-cost large-scale production
- FANATEC products as a modular system
- Top-down brand strategy
- Serving differentiated quality and price levels
- Merging real motor sports and sim racing

FANATEC is positioned as a premium brand and is known worldwide in the gaming and motor sports sector. Endor is increasingly establishing the FANATEC brand as a specialist for sim racing accessories, thus benefiting from the eSports boom. Brand awareness is being further expanded through ongoing marketing. This is done through various channels such as in-game branding, i.e. FANATEC advertising in the motor sports games and through licensing agreements with nearly all important motor sports series, such as Formula 1, NASCAR (National Association for Stock-

Car Racing Inc.) and WRC (World Rally Championship). In addition, the FANATEC brand is a multi-year title sponsor of the renowned Fanatec GT World Challenge and the Fanatec GT2 European Series.

Licences from the car manufacturers BMW, McLaren, Bentley and Porsche also underscore its technological and qualitative top position. Endor thus also appeals to customers who want to specifically order components from their favourite car brand. In addition to replicas, steering wheels for real motor sports are also developed and produced. These can then be used in both the racing car and the simulator.

With regard to manufacturing, Endor pursues the cost-efficient and capital-saving approach of not operating its own production facilities, but instead having the products manufactured by selected companies in Asia. The driving school simulators, on the other hand, are assembled in Germany. Endor has a strong focus on high-quality materials in order to meet the high quality standards.

Its strategic orientation also includes the decision that FANATEC products are offered in a modular way. The customer can select and assemble the desired components from several product categories (e.g. wheel base, steering wheels, pedals, gear levers, cockpits). The products are available in different quality levels (CSL, ClubSport, Podium) and are compatible with each other. This enables easy upgrading and binds customers to the FANATEC system in the long term. This is the basis for expanding customer loyalty, which is already high, as well as for further increasing revenue per customer in the future.

The top-down brand strategy is also important in this context. In the future, Endor Group also plans to introduce products in the lower price range of the Fanatec range to the market.

The sales strategy provides for FANATEC products to be sold directly and almost exclusively to end customers via the company's own Endor web shop. This has been built up over the past few years and is continuously adapted to customer needs. This distribution channel offers many advantages over sales through trade partners:

- Faster technical support
- Shortening of logistics routes and times
- Better price-performance ratio due to elimination of the dealer margin
- Higher margin for FANATEC products
- Better advance planning of production and stocks
- Better and faster analysis of possible product defects through direct customer feedback
- Direct marketing opportunities through an extensive customer database

1.3 | Control System

Endor AG manages the company and the Group based on a uniform system of key figures via controlling and Group accounting. The main control parameters are revenue and earnings before interest and taxes (EBIT). Ratios derived from these figures are also considered. The main control variables, when viewed together, also allow for an assessment of capital requirements and profitability.

The members of the Management Board of Endor AG bear full responsibility for the operating results in their respective areas of responsibility. In consultation with the Supervisory Board, the Management Board of Endor AG determines the overall strategy for the company and manages Group-wide activities such as controlling, legal, taxes, financing issues and the capital market listing. It also ensures what it considers to be appropriate risk management and risk controlling as well as compliance management in the company. The Supervisory Board and its Chairman work intensively with the Management Board, so that the statutory representation regulation pursuant to Section 78 para. 1 German Stock Corporation Act (AktG) applies.

1.4 | Research and Development

Continuous and targeted research and development activities are an essential key to Endor Group's long-term competitiveness. New products and complementary services are developed based on careful strategic product planning with the aim of generating added value for the customer, measured primarily in terms of quality, and further expanding Endor AG's market position. As the booming eSports sector in particular is a major growth driver, products for this sector in particular were developed or launched on the market in 2021.

The following product launches took place in 2021:

- CSL Elite Steering Wheel McLaren GT3 V2
- CSL Universal Hub
- CSL DD
- Boost Kit 180
- CSL DD Table Clamp
- CSL Pedals
- CSL Pedals Clutch Kit
- CSL Pedals Load Cell Kit
- CSL Pedals Tuning Kit
- ClubSport Steering Wheel F1® 2021
- ClubSport Steering Wheel Formula V2.5
- ClubSport Steering Wheel Formula V2.5 X
- ClubSport Wheel Rim 320
- ClubSport Wheel Rim 320 Alcantara®
- ClubSport Universal Hub V2
- ClubSport Universal Hub V2 for Xbox
- ClubSport Steering Wheel BMW GT2 V2

- ClubSport Steering Wheel RS
- CSL Steering Wheel P1 V2 Black Friday Edition
- Podium Steering Wheel BMW M4 GT3
- CSL Steering Wheel BMW
- Gran Turismo DD Pro

In financial year 2021, expenses of EUR 2.1 million (previous year: EUR 1.1 million) (same figures for the AG: EUR 2.1 million, previous year: EUR 1.1 million) were incurred for research and development, and EUR 1.5 million (previous year: EUR 0.9 million) (AG: EUR 1.5 million, previous year: EUR 0.9 million) of own development work was capitalised.

2. | Economic Report and Business Development

2.1 | Macroeconomic and Industry-Specific Framework Conditions

Economic development remained influenced by the consequences of the corona pandemic and its containment in 2021. The International Monetary Fund (IMF) has forecast a growth rate of 5.9% for the global economy for 2021 as a whole, the Kiel Institute for the World Economy (IfW) is slightly lower at 5.7%.¹ Especially the supply bottlenecks caused by the containment measures as well as the increased energy prices continue to be important for the overall economic development.

Germany's gross domestic product grew by 2.9% compared to the previous year. The recovery of the German economy was partially slowed down in the course of the year by the resurgence of infections.² Overall, the dent in the recovery process caused by the pandemic will probably be greater than the IfW had assumed in its autumn forecast. However, the setback will be nowhere near as severe as in the winter half-year 2020/2021.

Although the global digital games market continued to be unaffected by the impact of the corona pandemic, the strong sales growth of the previous year could not be continued. According to analysts' estimates, the global games market generated sales of USD 175.8 billion in 2021, which corresponds to a slight decline of -1.1% compared to the previous year. In particular, delays in the release of games were the reason for this.³

In the following years, the games market will continue to grow again and exceed the USD 200 billion mark by the end of 2023.⁴ The analysts at the Newzoo Institute forecast that the games market will grow at an average rate of 7.2% between 2019 and 2023 to reach USD 204.6 billion.⁵

¹ Kiel Economic Reports, No. 85, 15 December: https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_85_2021-Q4_Welt_DE.pdf and IMF World Economic Outlook January 2022

² IfW - Kiel Economic Reports, summary page 1: https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_86_2021-Q4_Deutschland_DE.pdf

³ Global Games Market to Generate \$175.8 Billion in 2021; Despite a Slight Decline, the Market Is on Track to Surpass \$200 Billion in 2023 | Newzoo

⁴ Global Games Market to Generate \$175.8 Billion in 2021; Despite a Slight Decline, the Market Is on Track to Surpass \$200 Billion in 2023 | Newzoo

⁵ Global Games Market to Generate \$175.8 Billion in 2021; Despite a Slight Decline, the Market Is on Track to Surpass \$200 Billion in 2023 | Newzoo

2.2 | Business Performance and Overall Statement

Business performance in 2021 has clearly shown throughout the year that the demand for Endor products is excellent. The company managed to record an increase in demand for its products in terms of order numbers. Due to supply bottlenecks and disruptions in the global logistics chains, however, the high demand could not be converted into renewed sales increases in financial year 2021. In the second and third quarters of 2021 in particular, delays in research and development occurred in the course of updating the product portfolio, as a result of which wheel bases and numerous steering wheels were not available. The delivery bottlenecks and logistics problems, particularly in China and the US, thus prevented sales development in the second and third quarters of 2021 in line with the very good demand.

In the fourth quarter of 2021, however, the situation improved significantly and record sales of EUR 29.9 million (AG: EUR 23.9 million) were achieved in the Group. This is an increase of 2.4% (AG: -36.6%) compared to the already excellent results from the fourth quarter of 2020.

The development of results was influenced in particular by the extensive investment programme that was undertaken in 2021 to adapt the structures to the expected continued strong growth. For example, the entire IT infrastructure was renewed, extensive personnel was acquired and large investments were made in R&D and marketing. Once the short- and medium-term structural adjustments have been completed, the company will be very well positioned for continued growth. However, these measures have temporarily affected profitability. For the longer term, however, the company is in a position to handle EUR 250 million to EUR 300 million in turnover without increasing costs to the same extent.

Major operational successes in financial year 2021 included the conclusion of the partnership with the Japanese game studio Polyphony Digital, for example. Together, the companies are developing new racing simulation peripherals licensed for Gran Turismo® with advanced force feedback technology to narrow the gap between sim racing and real-world motor sports.

In addition, Endor and its Fanatec brand introduced the Gran Turismo™ DD Pro, the first official Direct Drive Wheel for the Gran Turismo™ series. The race-ready package, officially licensed for PlayStation®5 consoles and PlayStation®4 consoles, includes a powerful direct drive wheel base, a steering wheel and pedals. It was developed alongside the CSL DD, in close collaboration with Sony Interactive Entertainment and Polyphony Digital.

3. | Situation of the Company / Group

3.1 | Asset Position

The development of the Group and the individual financial statements is explained in summary form below. Notes with “AG:” refer to the individual financial statements of Endor AG.

Endor Group’s total assets rose from EUR 59.1 million in the previous year to EUR 70.6 million in 2021 (AG: EUR 68.0 million, previous year: EUR 58.1 million). This reflects the significantly expanded business volume. Besides the increase in fixed assets from EUR 9.7 million in the previous year to EUR 15.7 million (AG: EUR 13.6 million, previous year: EUR 8.0 million) as of the balance sheet date 2021, the higher current assets contributed significantly to the increase in total assets. Current assets increased overall by 11.7% (AG: 8.3%) from EUR 47.4 million to EUR 52.9 million (AG: EUR 53.7 million, previous year: EUR 49.6 million). Inventories in particular rose sharply from EUR 26.3 million the previous year to EUR 32.4 million, due to previous and further growth (AG: EUR 26.5 million, previous year: EUR 20.5 million). Receivables and other assets also increased from EUR 4.8 million to EUR 6.0 million (figures in the AG differ due to intercompany relationships: EUR 16.5 million, previous year: EUR 18.1 million).

3.2 | Financial Position

Endor Group’s equity fell from EUR 21.4 million in the previous year to EUR 16.6 million as of the 2021 balance sheet date (AG: EUR 19.2 million, previous year: EUR 25.1 million), in particular due to the lower net retained profits compared to the previous year as a result of the distribution made.

The subscribed capital of Endor AG was increased by EUR 13.6 million to EUR 15.5 million from company funds by resolution of the Annual General Meeting on 25 August 2021.

Liabilities rose to EUR 40.9 million (previous year: EUR 23.8 million), mainly due to the greater use of credit lines (AG: EUR 38.2 million, previous year: EUR 21.7 million).

Endor Group invested EUR 8.7 million (previous year: EUR 6.8 million) (AG: EUR 8.1 million, previous year: EUR 5.0 million) in fixed assets in the reporting period. This amount was significantly higher than the depreciation for 2021 of EUR 2.1 million (AG: EUR 1.9 million). At EUR 4.1 million (previous year: EUR 2.6 million) (AG: EUR 4.1 million, previous year: EUR 2.6 million), the majority of investments went towards the development of new products, along with EUR 1.5 million in machinery and tools and a further EUR 2.5 million in the planning of a new building and other equipment.

As of 31 December 2021, the Group had liquid funds of EUR 14.5 million (previous year: EUR 16.3 million) (AG: EUR 10.8 million, previous year: EUR 11.1 million). Liabilities to banks amounted to EUR 24.2 million (previous year: EUR 14.7 million) (AG: EUR 23.3 million, previous year: EUR 13.5 million).

The borrowing served in particular to finance the working capital in the operating business.

Overall, Endor Group is in a comfortable liquidity position. The credit line of EUR 30 million granted to Endor AG and the cash generated by current business are sufficient to maintain sufficient inventories and to enable further growth with higher order and advance payment volumes. The liquidity situation is reviewed on an ongoing basis.

3.3 | Earnings Position

Endor Group's revenue in 2021 was EUR 81.3 million compared to EUR 90.2 million in the previous year (AG: EUR 73.1 million, previous year: EUR 88.1 million). This represents a decline of 9.9% (AG -17%), which can be attributed in particular to the delivery bottlenecks and delayed development and the resulting weakening of sales towards the middle of the year. Products of the ClubSport series contributed a considerable share to revenue. Demand in the other product segments was also very high in the reporting period, however. Sales at Group level are distributed as follows: EUR 46.1 million (previous year: EUR 50.2 million) in Europe, EUR 28.6 million (previous year: EUR 32.7 million) in North America, EUR 3.9 million (previous year: EUR 5.6 million) in Australia and EUR 2.7 million (previous year: EUR 1.7 million) in Japan (for 2021 supplemented by sales of EUR 4.2 million in Germany via Scuderia Fanatec GmbH).

The gross profit margin of Endor Group – adjusted for sales and expenses with subsidiaries – was 54% in 2021. The gross profit margin was 58% in the previous year (AG: 48%, previous year: 55%). The slight decline in the consolidated margin is due in particular to a change in the product mix and increased transport costs.

Due to the strong expansion of the business in the reporting year and the expected growth in the years to come, Endor Group increased the number of employees in the Group in 2021 from 163 to a total of 175 as of 31 December 2021 (AG: 135, previous year: 127). Personnel expenses increased accordingly from EUR 7.4 million in the previous year to EUR 10.4 million (AG: EUR 9.2 million, previous year: EUR 6.6 million).

Endor Group invests heavily in the development of new products. This is also reflected in the increased depreciation on fixed assets, which increased by 19.7% in 2021 compared to the previous year (AG: +39.6%).

Other operating expenses increased by a total of 21.0% (AG: 30.4%) from EUR 25.0 million to EUR 30.3 million (AG: EUR 25.2 million, previous year: EUR 19.3 million). The largest individual items within the other operating expenses are the costs of goods sold at EUR 12.9 million (AG: EUR 6.9 million), as well as costs for licences and concessions, which fell by -16% to EUR 2.7 million (AG: -15% to EUR 2.4 million).

EBIT (consolidated earnings before the financial result and taxes) amounted to EUR 6.6 million in 2021 after EUR 20.7 million in the previous year (AG: EUR 3.4 million, previous year: EUR 23.4 million). The decline of -68% (AG: -86%) is due in particular to the decline in sales, the gross profit margin and increased operating costs. The latter reasons in particular are directly related to the extensive programmes in 2021 to adapt the structures to the expected continued strong growth.

Overall, the revenue and earnings forecast adjusted in August 2021, according to which the Management Board expected a decline in EBIT and revenue below the EUR 100 million mark, was achieved.

4. | Non-Financial Performance Indicators

In financial year 2021, Endor AG increased the average number of employees by 103 to 146 and at Group level from 127 in 2020 to 185. The new hires were mainly in the areas of research & development and sales.

5. | Opportunities and Risk and Forecast Report

The following opportunity and risk 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 Endor AG.

5.1 | Risk Report

Functioning controlling in both the operational and commercial areas of responsibility enables a self-contained security system. The current risk management system limits business risk as much as possible. Both the Management Board and the Supervisory Board are constantly kept informed of what is going on. This makes it possible to intervene at short notice in the event of any deviations or disruptions.

Despite assessment and consideration of the risks listed below, it cannot be ruled out that the asset, financial and earnings position of the company could be negatively affected by these risks.

5.1.1. | Macroeconomic Risks

Endor Group's products are generally not as dependent on the economy as other industries. Nevertheless, the company cannot completely escape macroeconomic influences. A major macroeconomic imponderable continues to be the COVID-19 pandemic. The outbreak of the coronavirus and its increasingly global spread have resulted in massive interventions in public life. This led to a severe global economic downturn. At present, it is not possible to reliably forecast the extent of the pandemic's further impact on the global economy.

If the global economy were to develop significantly worse than expected due to the COVID-19 pandemic or the Russia-Ukraine conflict, and if this were to result in delivery bottlenecks for supplier parts, for example, this would also have a negative impact on Endor's sales and earnings.

Another looming threat is that new outbreaks or variants of the coronavirus will occur. For example, another unpredictable lockdown in China could have a major impact on the company. Endor has a large share of its products manufactured in China. Therefore, a new lockdown could have a negative impact on Endor's production capacities and supply chain. This would place a burden on sales and earnings.

A global financial crisis as a result of the corona pandemic could lead to a slump in consumer confidence and thus to restraint in private spending. Poor consumer sentiment could also have a negative impact on Endor's business figures.

5.1.2. | Industry Risks

a) Competitive Risks

Due to its business model, Endor Group operates in markets with high competitive pressure. The sales market in particular is characterised by intense price competition due to a large number of national and international competitors, which is regularly accompanied by a decline in prices that can be asserted on the market. We therefore try to achieve the sales and profit targets we have set for ourselves, through innovative products if possible.

b) Risk of delayed product development

The success of Endor Group depends heavily on the timely and high-quality development and completion of input devices for new versions of the licensed game consoles. As a rule, after the market launch of a new version, the game console manufacturers provide the licensee with the hardware and software components needed to develop accessories compatible with the game console. We therefore strive to be in a position to develop a high-quality product compatible with the new game console version and to produce it in sufficient quantities before or at the same time as our competitors or in good time before the start of a period of high sales (e.g. Black Friday, Christmas business).

c) Product liability and warranty risks

There are risks from product liability and warranty, e.g. due to defects or malfunctions of the steering wheels, both towards business partners and end customers. The product liability and warranty risks are partly insured. In addition, part of the warranty risk can be passed on to the manufacturers and suppliers of the products.

d) Legal risks

The products distributed by Endor Group are subject to certain legal provisions in the respective sales countries, in particular with regard to environmental compatibility and health hazards. Within the European Union, the EU Directive on Waste Electrical and Electronic Equipment and the EU Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment, which were implemented in Germany by the Electrical and Electronic Equipment Act that came into force on 24 March 2005, apply in particular in this regard. As a rule, such provisions are associated with restrictions and obligations for manufacturers. To our knowledge, the products distributed by Endor Group comply with all legal requirements applicable in the countries of destination.

5.1.3. | Company-Specific Risks

a) Dependence on suppliers, materials and transport routes

Endor Group has each product manufactured by one or two suppliers and predominantly in China. In the event of a supplier or material failure or major delays in transit, Endor Group may not be able to fill the orders placed with it by its customers or may only be able to do so with delay, which could lead to a loss of revenue. Furthermore, Endor Group could be forced to procure its components and products from substitute suppliers and manufacturers at less favourable conditions at short notice or have them manufactured, which would have a negative impact on the company's profit margin.

b) Dependence on licensors

The business is partly dependent on game console manufacturers granting licences to Endor Group with respect to the development, manufacture and distribution of accessories for their respective game consoles.

c) Loss of know-how

Endor Group also relies on external development partners to develop its products. The resulting know-how represents a significant asset for the company. However, this can only be protected to a very limited extent by means of industrial property rights, in particular patents, but essentially only by means of non-disclosure agreements or contractual agreements. There is therefore a risk with regard to the permanent secrecy of this know-how. Partial or complete disclosure of this know-how to third parties could lead to the loss of advantages gained over competitors and, if necessary, to the loss of the possibility of passing on this know-how through licensing agreements with corresponding income.

d) Dependence on managers and qualified employees

The successful implementation of the company's objectives and thus the success of Endor Group are based to a large extent on the skills, contacts and strategic leadership of the current members of the Management Board of Endor AG. The success of Endor Group will therefore continue to depend, at least in part, on the Management Board members remaining with the company in the medium term or succeeding in finding suitable successors in good time.

Endor Group also seeks to retain key employees to avoid the adverse impact of losing these employees or difficulties in finding additional qualified employees.

The internal processes and structures are also to be successfully further developed for the volume planned.

e) Poor product quality and compatibility

If a production defect is not discovered or is discovered too late, this can lead to considerable losses in sales if part of the goods have to be reworked. In addition, costs for reworking, freight, repair and reworking of the products could result.

A compatibility problem with a popular game can also result in a significantly increased rate of returns, regardless of who caused the problem.

f) Risks due to minimum licence amounts

When concluding a licence agreement, the licensor usually requires a minimum licence amount, which must be paid annually or over the course of the year. If the sales of the licensed products are below the minimum value, the profitability per unit can deteriorate considerably. Even a negative contribution margin cannot be ruled out in this case.

g) Currency risks

Endor Group purchases the products it sells from manufacturers outside the euro currency area and is subject to corresponding currency risks. Currency risks also arise on the sales side due to distribution outside the euro currency area.

h) Impairment of operations due to COVID-19

If one or more Endor AG employees were to become infected, it is possible that all Endor AG employees would have to be quarantined and would no longer be able to work from their usual place of work. This would lead to disruptions in operations and could have a negative impact on Endor Group's business.

Should the restriction of travel and the cancellation of trade fairs continue over a longer period of time, this could also disrupt operations and lead to losses in revenue and earnings.

5.2 | Opportunity Report

The past has shown that the introduction of popular racing games in the steering wheel business ensures a significant increase in demand. The new version of the blockbuster Gran Turismo was launched already in the first quarter of 2022. Endor AG with its Fanatec brand is introducing the Gran Turismo™ DD Pro, the first official Direct Drive Wheel for the Gran Turismo™ series. The race-ready package officially licensed for PlayStation®5 consoles and PlayStation®4 consoles includes a powerful direct drive wheel base, a steering wheel and pedals. It was developed in parallel with the CSL DD, in close cooperation with Sony Interactive Entertainment and Polyphony Digital.

The eSports boom is probably only just beginning, especially in the sim racing segment. Due to the significantly increasing popularity of eSport races, which are now also broadcast on TV and prominent streaming platforms, there is considerable market and customer potential.

By further establishing the FANATEC brand in motor sports, the awareness and appreciation of FANATEC products increases significantly. The advertising directly in the game through the advertising banners at the track also contribute to this. Overall, the strong advertising presence should lead to sustained strong demand for our products.

Further expansion of eSports partnerships with motor sports series and car manufacturers would have a positive impact on sim racing product sales and Endor Group's business success.

The expansion of the product range upwards and downwards leads to the development of new groups of customers and offers current customers the chance to upgrade.

5.3 | Forecast Report

Endor Group is active in growing markets with the products of the FANATEC brand. The booming eSports sector is a major growth driver. Sim racing, i.e. virtual racing, is becoming increasingly popular. This trend will also continue in 2022.

Endor Group has gotten off to an excellent start to the current year 2022 and was able to set a new quarterly record in the first three months with revenue of EUR 46.5 million. The launch of the racing video game GT7 has once again boosted sales in the sim racing segment. The past has shown that the launch of popular racing games provides significant additional momentum in the steering wheel business. The Gran Turismo series in particular is popular with consumers worldwide and is considered a blockbuster in the scene. In this context, Endor AG and its Fanatec brand have developed the Gran Turismo™ DD Pro, the first official Direct Drive Wheel for the Gran Turismo™ series. The placement of new products in the lower price range of the Fanatec portfolio is also intended to significantly expand the market share worldwide.

Overall, the Management Board expects consolidated sales for financial year 2022 to be in the low triple-digit million range for the first time, with EBIT rising moderately at the same time. The expected development of the Group is reflected analogously in Endor AG, whereby Endor AG is around 10% below the absolute amounts of the Group.

However, a very large factor of uncertainty is the continuation of the Russian war in Ukraine and the resulting economic consequences, which are currently difficult to assess. In the worst case, a further escalation of the conflict could also have an impact on Endor AG's forecast.

For the non-financial indicator of the number of employees, the Management Board assumes a constant overall level, supplemented by targeted project-related assignments for the aforementioned restructuring and updating of the IT infrastructure.

6. | Final Declaration pursuant to Section 312 (3) of the German Stock Corporation Act (AktG)

Bamboo Invest UG (haftungsbeschränkt), Landshut, holds around 40% of the shares in Endor AG, but has had a clear majority at the Annual General Meeting for the last three years. It is thus considered to be the controlling company. Endor AG is therefore obliged pursuant to Section 312 of the German Stock Corporation Act (AktG) to prepare a report on its relations with Bamboo Invest UG (haftungsbeschränkt), Landshut, and its affiliated companies for financial year 2021 and has issued the following final declaration therein:

“In the legal transactions listed in the report on relationships with affiliated companies, our company received appropriate consideration for each legal transaction according to the circumstances known to us at the time the legal transactions were carried out. There were no measures or omissions of measures within the meaning of Section 312 of the German Stock Corporation Act (AktG).”

Landshut, 25 May 2022

Thomas Jackermeier

András Semsey

Dr.-Ing. Michael Op de Hipt

Management Board

Income Statement of Endor AG

	2021	2020
	EUR	EUR
1. Sales revenue	73,075,192,35	88,128,522,18
2. Other own work capitalised	1,539,848,00	882,945,32
3. Other operating income	3,247,758,70	1,330,165,91
	<u>77,862,799,05</u>	<u>90.341.633,41</u>
4. Cost of materials Cost of raw materials, consumables and supplies and of purchased goods	<u>38,143,707,87</u>	<u>39.728.498,69</u>
5. Personnel expenses		
a) Wages and salaries	7,872,142,67	5.705.571,82
b) Social security contributions and expenses for pension costs	<u>1,327,304,17</u>	<u>863.625,83</u>
	<u>9,199,446,84</u>	<u>6.569.197,65</u>
6. Amortisation of intangible fixed assets and depreciation of tangible fixed assets, property, plant and equipment	1,900,283,99	1,322,884,22
7. Other operating expenses	<u>25,174,052,15</u>	<u>19,359,654,23</u>
	<u>3,445,308,20</u>	<u>23.361.398,62</u>
8. Other interest and similar income	236,236,07	15,133,96
9. Interest and similar expenses	353,451,16	344,189,06
10. Taxes on income and earnings	<u>1,482,875,25</u>	<u>7,067,779,93</u>
	<u>-1,600,090,34</u>	<u>-7.396.835,03</u>
11. Result after taxes	<u>1,845,217,86</u>	<u>15,964,563,59</u>
12. Other taxes	<u>6,065,96</u>	<u>1,956,82</u>
13. Net profit for the year	<u>1,839,151,90</u>	<u>15,962,606,77</u>
14. Profit carried forward	16,047,797,56	3,985,190,79
15. Transfer to revenue reserves	-8,023,898,78	-3,900,000,00
16. Distribution	<u>-7,748,792,00</u>	<u>0,00</u>
17. Balance sheet profit	<u>2,114,258,68</u>	<u>16,047,797,56</u>

Balance sheet of ENDOR AG as of 31. Dezember 2021

Activa	As of 31.12.2021 EUR	As of 31.12.2020 EUR
A. Fixed assets		
I. Intangible assets		
1. Self-created industrial and similar rights	8,476,684,15	5,461,447,04
2. Purchased industrial and similar rights	17,490,00	22,277,62
	8,494,174,15	5,483,724,66
II. Property, plant and equipment land and buildings incl. those on third-party land	1.517.874,22	1.468.621,40
1. party land	1.639.495,00	635.809,50
2. Technical equipment and machinery	499.739,00	316.580,50
3. Other plants, business equipment	1.430.696,91	39.904,24
4. Prepayments made	5.087.805,13	2.460.915,64
III. Financial assets		
Shares in affiliated companies	35.112,36	34.286,73
B. Current assets		
I. Inventories		
1. Raw materials and supplies	4,970,673,31	3,523,934,22
2. Finished products and goods	14,225,725,56	8,364,805,55
3. Prepayments made	12,216,940,34	9,469,791,54
4. Advance payments received on orders	-4,948,710,05	-900,118,48
	26,464,629,16	20,458,412,83
II. Receivables and other assets		
Trade receivables and other		
1, receivables	195,776,56	384,741,88
2, Receivables from affiliated companies	13,729,515,95	15,111,647,93
3, Other assets	2,536,764,10	2,594,373,92
	16,462,056,61	18,090,763,73
III. Cash and cash equivalents	10,787,559,02	11,065,387,41
C. Prepaid expenses	650,206,82	462,969,71
	67,981,543,25	58,056,460,71

Passiva	As of 31,12,2021 EUR	As of 31,12,2020 EUR
A, Equity		
I, Subscribed capital	15,497,584,00	1,937,198,00
II. Capital reserve	1.608.621,19	2.887.108,41
III. Retained earnings		
Other revenue reserves	0,00	4.258.000,00
IV. Balance sheet profit	2.114.258,68	16.047.797,56
	19.220.463,87	25.130.103,97
B. Provisions		
1. Tax reserves	5.149.233,28	6.817.915,93
2. Other provisions	2.815.187,50	2.784.081,05
	7.964.420,78	9.601.996,98
C. Accounts payable		
Liabilities towards		
1. Banks	23.333.216,98	13.548.230,00
2. Liabilities from deliveries and services	11,235,545,09	5,328,973,93
3, Liabilities to affiliated companies	1,461,480,88	488,938,53
4, Other liabilities	2,169,415,65	2,291,217,30
	38,199,658,60	21,657,359,76
D, Deferred tax liabilities	2,597,000,00	1,667,000,00

Statement of Changes in Fixed Assets of Endor AG

	Acquisition-/Production costs				Accumulated depreciation					Book values		
	As of 1.1.2021	Additions	Rebooking	Disposals	As of 31.12.2021	As of 1.1.2021	Additions	Disposals	As of 31.12.2021	As of 31.12.2021	As of 31.12.2020	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
I. Intangible assets												
1. Self-created industrial property rights and similar rights	8.969.524,67	4.139.653,20	0,00	139.570,03	12.969.607,84	3.508.077,63	1.008.791,95	23.945,89	4.492.923,69	8.476.684,15	5.461.447,04	
2. Property rights acquired and similar rights	444.639,04	575.402,98	0,00	571.222,98	448.819,04	422.361,42	129.735,60	120.767,98	431.329,04	17.490,00	22.277,62	
	9.414.163,71	4.715.056,18	0,00	710.793,01	13.418.426,88	3.930.439,05	1.138.527,55	144.713,87	4.924.252,73	8.494.174,15	5.483.724,66	
II. Property, plant and equipment												
1. Land and buildings including buildings on third-party land	1.468.621,40	49.252,82	0,00	0,00	1.517.874,22	0,00	0,00	0,00	0,00	1.517.874,22	1.468.621,40	
2. Technical Installations, machines and other plants	1.463.487,01	1.472.544,15	39.904,24	0,00	2.975.935,40	827.677,51	508.762,89	0,00	1.336.440,40	1.639.495,00	635.809,50	
3. Factory & business equipment	721.510,52	422.340,68	21.340,87	32.383,98	1.132.808,09	404.930,02	252.993,55	24.854,48	633.069,09	499.739,00	316.580,50	
4. Prepayments made	39.904,24	1.452.037,78	-61.245,11	0,00	1.430.696,91	0,00	0,00	0,00	0,00	1.430.696,91	39.904,24	
	3.693.523,17	3.396.175,43	0,00	32.383,98	7.057.314,62	1.232.607,53	761.756,44	24.854,48	1.969.509,49	5.087.805,13	2.460.915,64	
III. Financial assets												
Shares in affiliated companies	168.851,23	825,63	0,00	0,00	169.676,86	134.564,50	0,00	0,00	134.564,50	35.112,36	34.286,73	
	13.276.538,11	8.112.057,24	0,00	743.176,99	20.645.418,36	5.297.611,08	1.900.283,99	169.568,35	7.028.326,72	13.617.091,64	7.978.927,03	

Notes to the financial statements of Endor AG for the financial year from 1 January to 31 December 2021

1. General information on the content and structure of the financial statements

The Annual Financial Statements were prepared on the basis of the accounting regulations of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). They comprise the Consolidated Statement of Financial Position, the Income Statement and the Notes.

Where there are options to disclose information in the Consolidated Statement of Financial Position, the Income Statement or the Notes, the required disclosures have been made in the Notes. The total cost method was chosen for the profit and loss account.

According to the size categories specified in Section 267 of the German Commercial Code (HGB), the company is considered a large corporation.

1.1. Information on the identification of the company according to the court of register

Company name according to court of register:	Endor AG
Registered office according to the court of register:	Landshut
Register entry:	Commercial register
Court of register:	Landshut
Register no.:	HRB 5487

1.2. Accounting and valuation principles

Internally generated intangible assets were recognised at development cost, taking calculated hourly rates into account.

Acquired intangible assets were recognised at acquisition cost and, if subject to wear and tear, reduced by scheduled amortisation.

Property, plant and equipment were recognised at acquisition or production cost and, if subject to wear and tear, reduced by scheduled depreciation.

Scheduled depreciation was carried out on a straight-line basis according to the expected useful life of the assets.

Inventories were recognised at acquisition or production cost. If the current values were lower on the balance sheet date, these were recognised.

Receivables and securities were measured taking all identifiable risks into account.

Other assets were generally measured at nominal value, taking all identifiable risks into account.

Cash and cash equivalents were recognised at their nominal value.

Prepaid expenses relate to expenditure before the balance sheet date that constitutes an expense for a certain period after that date.

Deferred taxes were recognised on the temporary differences between the commercial and tax balance sheets for internally generated intangible assets. The calculation of deferred taxes is based on an effective tax rate of 31%.

Tax provisions and other provisions were made for all other uncertain liabilities. All recognisable risks were taken into account.

Liabilities were recognised at the settlement amount.

The financial statements contain items denominated in foreign currencies that have been translated into EUR.

Receivables and liabilities in foreign currencies were valued at the mean spot exchange rate on the balance sheet date.

1.3. Accounting and valuation methods differing from those of the previous year

For the Annual Financial Statements, the accounting and valuation methods applied thus far were essentially adopted.

There was no fundamental change in the accounting and valuation methods compared to the previous year.

2. Notes to the Consolidated Statement of Financial Position

2.1. Fixed assets

The statement of changes in fixed assets that is presented separately is an integral part of the Notes.

2.2. Internally generated intangible assets

In the financial year, development costs of EUR 4,140 thousand (previous year: EUR 2,637 thousand) were capitalised for internally generated intangible fixed assets.

EUR 35 thousand (previous year: 58 EUR thousand) were related to finished internally generated intangible assets and EUR 4,105 thousand (previous year: EUR 2,579 thousand) to internally generated intangible assets under development.

The internally generated intangible assets amounted to EUR 8,477 thousand (previous year: EUR 5,461 thousand) as of 31 December 2021.

Own work capitalised amounted to EUR 1,540 thousand (previous year: EUR 883 thousand). The total amount of research and development costs not capitalised in the financial year was EUR 2,057 thousand (previous year: EUR 1,147 thousand).

2.3. Industrial property rights and similar rights acquired for consideration

After the change of system provider, unscheduled write-offs amounting to EUR 571 thousand were made on the costs of the originally planned ERP system incurred by then in 2021. This is offset by reimbursements from the system provider in the amount of EUR 476 thousand.

2.4. Receivables and other assets

Receivables from affiliated companies in the amount of EUR 8,627 thousand (previous year: EUR 9,955 thousand) constitute trade receivables. There were EUR 5,103 thousand (previous year: EUR 5,157 thousand) in receivables from affiliated companies from the granting of loans including interest receivables.

Other assets include receivables in the amount of EUR 9 thousand (previous year: EUR 8 thousand) that have a remaining term of more than one year.

2.5. Information on the subscribed capital

On 25 August 2021, the Annual General Meeting resolved to increase the share capital by EUR 13,560,386.00 and to amend the Articles of Association accordingly. This is considered a capital increase from company funds.

2.6. Information on the class of shares

The share capital of EUR 15,497,584 is divided into 15,497,584 EUR shares that have been made out to the bearer since the resolution of 10 April 2006.

2.7. Information on the conditional capital

The share capital of the company was conditionally increased from EUR 1,620,122.00 by up to EUR 162,012.00 by resolution of the Annual General Meeting of 25 August 2011.

With subscription rights declarations dated 11 July 2016, employees and the Management Board exercised their subscription rights for a total of 71,941 no-par value shares and thus subscribed for and acquired 71,941 new shares in Endor AG at an issue price of EUR 1.00 per share. The total issue amount is EUR 71,941.00.

With the subscription right declaration of 1 August 2017, the subscription right was exercised once again. 6,978 shares at an issue price of EUR 1.00 were subscribed to and taken on. The total issue amount was EUR 6,978.00.

The subscription right was exercised again with the subscription right declaration of 12 June 2019. 76,145 no-par value shares at a value of EUR 1.00 were subscribed to and taken on. The total issue amount is EUR 76,145.00.

The conditional capital was cancelled by resolution of 22 November 2019.

The share capital of the company was conditionally increased by up to EUR 40,000.00 by resolution of the Annual General Meeting on 25 August 2021. After the implementation of the capital increase from company funds, the conditional capital increased to EUR 320,000.00.

2.8. Information on the authorised capital

By resolution of the Annual General Meeting of 22 July 2016, the Management Board is authorised, with the consent of the Supervisory Board, to increase the share capital once or several times by up to a total of EUR 891,067.00 by issuing new no-par value bearer shares against cash contributions until 2 August 2021, whereby the subscription rights of shareholders may be excluded. The authorised capital was cancelled by resolution of 18 December 2020.

By resolution of the Annual General Meeting of 18 December 2020, the Management Board was authorised, with the consent of the Supervisory Board, to increase the share capital by up to a total of EUR 968,599.00 by issuing up to 968,599 new no-par value bearer shares against cash and/or non-cash contributions on one or more occasions by 17 December 2025, whereby shareholders' subscription rights may be excluded.

2.9. Development of the capital reserve and retained earnings

The capital reserve as of 31 December 2021 amounted to EUR 1,608,621.19 in total and is composed as follows:

	Amount EUR thousand
Capital reserve according to Section 272 para. 2 no. 1 HGB (premium)	2,415
Capital reserve according to Section 272 para. 2 no. 4 HGB (other additional payments)	472
Withdrawal for capital increase from company funds	-1,278
Balance on 31 December 2021	1,609

The revenue reserves changed as follows in the reporting year:

	Amount EUR thousand
Balance on 1 January 2021	4,258
Transfer to revenue reserve from profit carried forward	8,024
Withdrawal for capital increase from company funds	-12,282
Balance on 31 December 2021	0

2.10. Distribution block

The total amount, which is subject to the distribution block according to Section 268 para. 8 HGB, amounted to EUR 5,879,684.15.

In detail, the total amount can be broken down as follows:

Total amount according to distribution block

Capitalisation of internally generated intangible fixed assets	EUR 8,477 thousand
Deferred tax liabilities	EUR 2,597 thousand
Total amount	EUR 5,880 thousand

2.11. Provisions

Other provisions mainly include licenses, royalties and warranty provisions. These account for EUR 2.000 thousand (previous year: EUR 1,937) of other provisions.

2.12. Liabilities

The following table shows the remaining terms and security interests of the liabilities listed in the Consolidated Statement of Financial Position (previous year's figures shown in brackets).

Type of liabilities	Remaining term in years			Security
	<1 year	1 – 5 years	>5 years	
	EUR thousand	EUR thousand	EUR thousand	EUR thousand Note
to credit institutions	21,970	1,364	0	1,500
	(13,420)	(129)	(0)	(1,500)
to affiliated companies	1,461	0	0	
	(489)	(0)	(0)	
from deliveries and services	11,236	0	0	
	(5,329)	(0)	(0)	
Other liabilities	2,169	0	0	
	(2,291)	(0)	(0)	
of which from taxes	2,120	0	0	
	(2,239)	(0)	(0)	
of which as part of social security	5	0	0	
	(10)	(0)	(0)	
Miscellaneous other liabilities	45	0	0	
	(42)	(0)	(0)	
Total amount of liabilities	36,836	1,364	0	1,500
	(21,529)	(129)	(0)	(1,500)

The liabilities to banks are secured as follows: enforceable land register debt of EUR 1,500 thousand on the real estate of Endor AG.

2.13. Other financial obligations

In addition to the liabilities shown in the Consolidated Statement of Financial Position, there are the other financial obligations listed below.

	Residual terms			Total amount
	<1 year	1 – 5 years	>5 years	31 December 2021
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Leases	124	61		185
Rental contracts	455	510		965
Order commitment	15,777	23,666		39,443
License agreements	1,474	382		1,856
Sponsorship agreements	2,645	2,500		5,145
Total	20,475	27,119	-	47,594

2.14. Deferred taxes

During the financial year, there were the following changes to the deferred tax balance:

	Status at the beginning of the FY	Change	Status at the end of the FY
	EUR thousand	EUR thousand	EUR thousand
Deferred tax assets	0	0	0
Deferred tax liabilities	-1,667	-930	-2,597
Balance	-1,667	-930	-2,597

The change in deferred taxes is included as an expense in income taxes.

3. Notes to the profit and loss account

3.1. Sales revenues

Sales revenues of EUR 42,770,000 (previous year: EUR 50,190,000) were generated from the sale of goods, EUR 28,482,000 (previous year: EUR 33,920,000) from Group sales and EUR 1,823,000 (previous year: EUR 4,018,000) from revenues from apportionments.

Revenues from the sale of goods in Endor AG are geographically as follows:

Region	Sales in EUR thousand	Share in %
Germany	12,376	29%
UK	6,342	15%
France	3,642	9%
Netherlands	2,720	6%
Spain	1,730	4%
Italy	1,594	4%
various other EU countries	6,974	16%
Intra-community revenues	3,826	9%
Third country	3,567	8%

3.2. Other operating income and other operating expenses

Other operating income includes EUR 1,863 thousand (previous year: EUR 1,082 thousand) in currency gains.

These are offset by currency losses in other operating expenses amounting to EUR 1,088 thousand (previous year: EUR 2,297 thousand).

3.3. Expenses for retirement benefits

Expenses for pensions in the reporting year amounted to EUR 36 thousand (previous year: EUR 29 thousand).

3.4. Affiliated companies

EUR 232 thousand (previous year: EUR 15 thousand) in interest income was generated from affiliated companies.

4. Other information

4.1. Average number of employees during the financial year

The following groups of employees were employed by the company during the financial year:

Employee groups	Number
Employees	144
Senior employees	2
Total number of average employees	146

4.2. Names of the members of the Management Board and the Supervisory Board

During the past financial year, the following individuals were members of the Management Board:

Thomas Jackermeier	Occupation: CEO
András Semsey	Occupation: CFO
Dr.-Ing. Michael Op de Hipt	Occupation: COO

The following individuals are members of the Supervisory Board:

Andreas Potthoff (Chairman) Occupation: Member of the Management Board of Clever Pool AG
Richard Rösener (until 25 August 2021) Occupation: Managing Director of Cubus Partners GmbH
Thomas Mayrhofer (until 25 August 2021) Practising profession: lawyer/partner in the law firm Pinsent Masons
Ingo Weber (Deputy Chairman of the Supervisory Board since 25 August 2021) Occupation: Managing Director of Carcharodon Capital GmbH
Rudolf Dittrich (since 25 August 2021) Occupation: General Manager Small Volume Series, BMW Group

Andreas Potthoff was Chairman of the Supervisory Board in the financial year.

Richard Rösener and Thomas Mayerhofer resigned as members of the Supervisory Board of the company as of 24 August 2021, and the Annual General Meeting of 25 August 2021 elected Ingo Weber and Rudolf Dittrich to the Supervisory Board.

The aforementioned members are also members of the following controlling bodies or supervisory boards:

Andreas Potthoff:

- Scripvest AG, Rothenburg ob der Tauber, Member of the Supervisory Board

Richard Rösener:

- Nexolink Solutions AG, Frankfurt/Main, Chairman of the Supervisory Board

Thomas Mayerhofer:

- Felderer AG, Feldkirchen, Chairman of the Supervisory Board
- Primus Solutions AG, Holzkirchen, Chairman of the Supervisory Board
- Mynaric AG, Gilching, Member of the Supervisory Board

Ingo Weber:

- Going Public Media AG, Member of the Supervisory Board
- KUNO GmbH, Member of the Advisory Board
- MAGNUM EST Digital Health GmbH, Member of the Advisory Board
- Arsipa GmbH, Member of the Advisory Board

4.3. Remuneration of the members of the Management Board and the Supervisory Board

The total remuneration of the members of the Management Board for the financial year was EUR 1,419,253.20.

In accordance with Section 286 para. 4 of the German Commercial Code (HGB), no detailed information is provided by name for each member of the Management Board.

The total remuneration of the members of the Supervisory Board for the financial year was EUR 46,845.10.

4.4. Provisions formed for former members of the Management Board and the Supervisory Board

The provisions for former members of the Supervisory Board amounted to EUR 28 thousand.

4.5. Disclosures on shareholdings in other companies of at least 20 percent of the shares

In accordance with Section 285 no. 11 HGB, the following companies are reported on:

Company name/registered office	Share amount	Annual result EUR	Equity EUR
Endor America LLC, Calabasas (USA)	100%	312,532.91	(402,857.82)
Endor USA LLC, West Hollywood (USA)	100%	-	(14,929.70)
Endor Japan KK, Tokyo (Japan)	100%	97,925.95	149,166.60
Endor Australia Pty Ltd., Richmond (AUS)	100%	116,704.51	339,958.02
Endor HK Ltd, Hong Kong (China)	100%	32,596.06	(11,654.13)
Endor Technology Shenzhen Co. Ltd, Shenzhen (China)	100%	9,829.26	240,549.27
Scuderia Fanatec GmbH, Landshut (Germany)	100%	(220,040.15)	(63,034.18)

Endor Technology Shenzhen Co. Ltd. is a wholly owned subsidiary of Endor HK Ltd.

The figures stated above are taken from a balance sheet as of 31 December 2021 and the 2021 income statement prepared in accordance with the German Commercial Code (HGB). Negative values are shown in brackets.

The Annual Financial Statements of the above-mentioned individual companies are included in the Consolidated Financial Statements of Endor AG, Landshut. The Consolidated Financial Statements are published together with the Annual Financial Statements of Endor AG on the website of Endor AG.

4.6. Proposal or resolution on the appropriation of profits

The Management Board proposes the following appropriation of profit:

Net profit for the year 2021	EUR 1,839,151.90
+ Profit carried forward	EUR 275,106.78
= Balance sheet profit	EUR 2,114,258.68
<hr/>	
- Transfer to reserves	EUR 2,000,000.00
- Carried forward to new account	EUR 114,258.68

4.7. Signature of the Management Board

Landshut, 25 May 2022

Thomas Jackermeier

András Semsey
Management Board

Dr.-Ing. Michael Op de Hipt

Independent Auditor's Report

To ENDOR AG, Landshut

Audit Opinions

We have audited the Annual Financial Statements of **ENDOR AG, Landshut**, consisting of the Consolidated Statement of Financial Position as of 31 December 2021 and the Consolidated Income Statement for the financial year from 1 January to 31 December 2021 as well as the Notes to the Consolidated Financial Statements, including the presentation of the accounting and valuation principles. We have also audited the Combined Management Report of ENDOR AG, Landshut, for the financial year from 1 January to 31 December 2021.

In our opinion, based on the findings of our audit,

- the attached Annual Financial Statements comply in all material respects with the German commercial law provisions applicable to corporations and give a true and fair view of the asset and financial position of the company as of 31 December 2021 and of its earnings position for the financial year from 1 January to 31 December 2021 in accordance with German principles of proper accounting and
- the enclosed Combined Management Report as a whole provides an accurate view of the company's position. In all material respects, this Combined Management Report is consistent with the Annual Financial Statements, complies with German legal requirements and accurately presents the opportunities and risks of future development.

In accordance with Section 322 para. 3 sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations concerning the correctness of the Annual Financial Statements and the Combined Management Report.

Basis for the audit judgements

We conducted our audit of the Annual Financial Statements and the Combined Management Report in accordance with Section 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under those provisions and standards is further described in the “Auditor’s responsibility for the audit of the Annual Financial Statements and the Combined Management Report” section of our auditor’s report. We are independent of the company in accordance with German commercial law and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the Annual Financial Statements and the Combined Management Report.

Responsibility of the legal representatives and the Supervisory Board for the Annual Financial Statements and the Combined Management Report

The legal representatives are responsible for the preparation and fair presentation of these financial statements in accordance with German principles of proper accounting and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Furthermore, the legal representatives are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the legal representatives are responsible for assessing the company’s ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to a going concern. Furthermore, they are responsible for preparing the financial statements on the basis of the going concern principle, unless this is precluded by factual or legal circumstances.

Furthermore, the legal representatives are responsible for the preparation of the Combined Management Report, which as a whole provides an accurate view of the company’s position and is consistent in all material respects with the Annual Financial Statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the arrangements and measures (systems) that they determine are necessary to enable the preparation of a Combined Management Report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence to support the statements in the Combined Management Report.

The Supervisory Board is responsible for overseeing the company’s financial reporting process for the preparation of the Annual Financial Statements and the Combined Management Report.

Auditor’s responsibility for the audit of the Annual Financial Statements and the Combined Management Report

Our objective is to obtain reasonable assurance as to whether the Annual Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Combined Management Report as a whole provides an accurate view of the company's position and is consistent, in all material respects, with the Annual Financial Statements and the audit findings, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the Annual Financial Statements and the Combined Management Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements and Combined Management Report.

During the audit, we exercise professional judgement and maintain a critical attitude.

Furthermore,

- we identify and assess the risks of material misstatement of the Annual Financial Statements and the Combined Management Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting material misstatements is higher in the case of non-compliance than in the case of inaccuracies, as non-compliance may involve fraud, forgery, intentional omissions, misleading representations or the override of internal controls.
- we obtain an understanding of internal control relevant to the audit of the financial statements and of the arrangements and actions relevant to the audit of the Combined Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems of the company.
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the legal representatives.
- we conclude on the appropriateness of the going concern basis of accounting used by management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the Combined Management Report or, if such disclosures are inadequate, to modify our respective audit opinions. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may result in the company being unable to continue as a going concern.
- we assess the overall presentation, structure and content of the Annual Financial Statements, including the disclosures, and whether the Annual Financial Statements represent the underlying transactions and events in a manner that the Annual Financial Statements give a true and fair view of the asset, financial and earnings position of the company in accordance with German principles of proper accounting.
- we assess the consistency of the Combined Management Report with the Annual Financial Statements, its compliance with the law and the understanding of the company's position given by it.
- we perform audit procedures on the forward-looking statements made by management in the Combined Management Report. On the basis of sufficient appropriate audit evidence, we in particular verify the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the appropriate derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

We discuss with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

Munich, 25 May 2022

Ebner Stolz GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Josef Eberl

German Public Auditor

Stefan Wiegratz

German Public Auditor

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Disclaimer: This 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 are not to be understood as guarantees of the future developments and results mentioned therein. Rather, future developments and results 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.



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