

# 2022 Half-Year Report



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## Foreword by the Management Board

Dear Shareholders,

I am pleased to present you with excellent sales and earnings figures for the first half of 2022. The demand for our products was unbroken. We managed to achieve the strong development in sales revenue in particular due to the increasing sales in connection with the SONY launch of the game software "Gran Turismo 7" as well as the significantly better availability of products.

The Gran Turismo series in particular is popular with consumers worldwide and is considered a blockbuster in the scene. Our first official Direct Drive Wheel for the Gran Turismo series was literally snatched out of our hands at the launch of Gran Turismo 7. Our other product lines have also all met with very high demand, however.

Due to the extremely positive development, we are also confident that we will achieve our full-year forecast for 2022.

At the same time, we are following the economic environment very closely, especially the impact of the war in Ukraine and rising inflation. So far, we cannot see any negative impact on our business, which is very good news. But there are no guarantees when it comes to the future development.

Overall, we see ourselves very well positioned. This is also due in particular to our sales strategy. Our own online shop gives us a key advantage. We do not have to pass on any of our margin to middlemen. This means we can either offer the products at a lower price or invest the money in research and development. In addition, we are very strongly positioned in marketing due to our many exclusive sponsoring and licensing agreements. FANATEC has now become an established brand in the entire sim racing scene and we will of course continue to invest in marketing and the quality of our products.

Based on this, we want to continue to grow and set trends in sim racing worldwide. As you know, we are already excellently positioned with our products in Europe, the US, Australia and Japan. As soon as product availability has been secured in the current markets, we want to extend our reach to further countries in Asia and Latin America.

Dear shareholders, we hope you will continue to remain loyal to us, just like our customers, and thank you for sharing the fascination for sim racing with us and accompanying us on our way.

Thank you for your confidence and stay healthy.

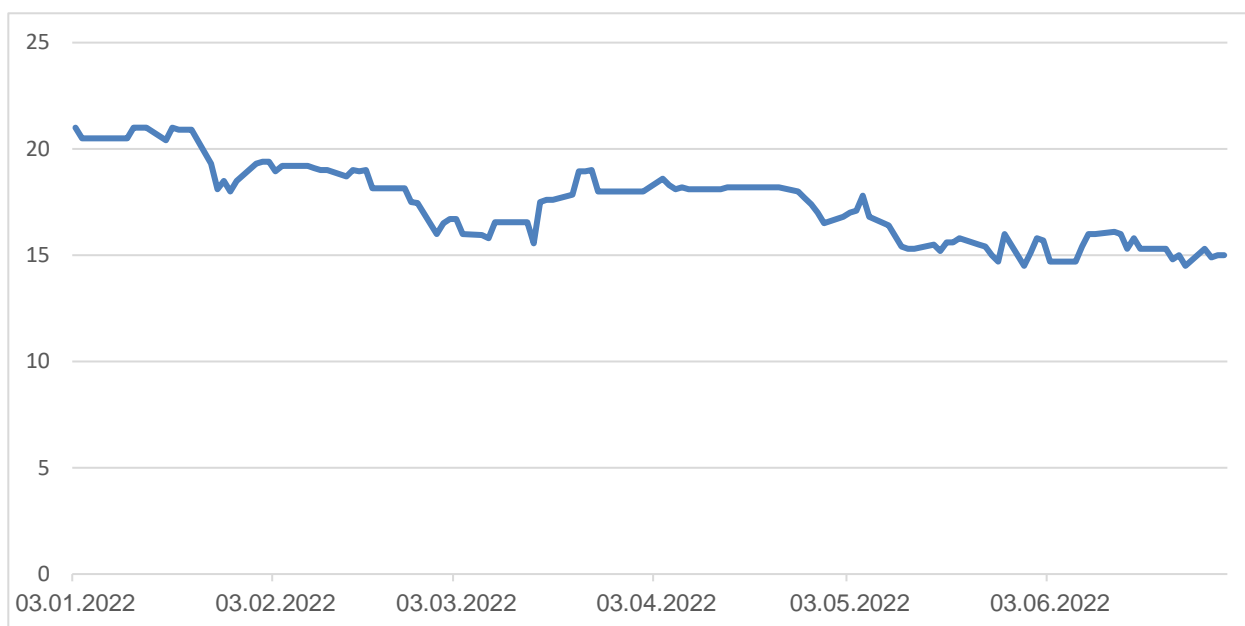
Sincerely yours, Thomas Jackermeier

Management Board of Endor AG

## The Endor share

Endor AG is listed on the Regulated Unofficial Market of the Munich Stock Exchange. In January 2022, the highest closing price for the share on the Munich Stock Exchange in the first half of the year was EUR 21. The lowest closing prices were recorded at the end of May and the end of June at EUR 14.50 each. In the first half of 2022, the Endor share posted an overall performance of -28.6% in a weaker market environment. The market capitalization of Endor AG was EUR 232.5 million as of 30 June 2022.

Share price performance in the first half of 2022 in EUR.



**01/03/2022   02/03/2022   03/03/2022   04/03/2022   05/03/2022   06/03/2022**

### 2022 Financial Calendar

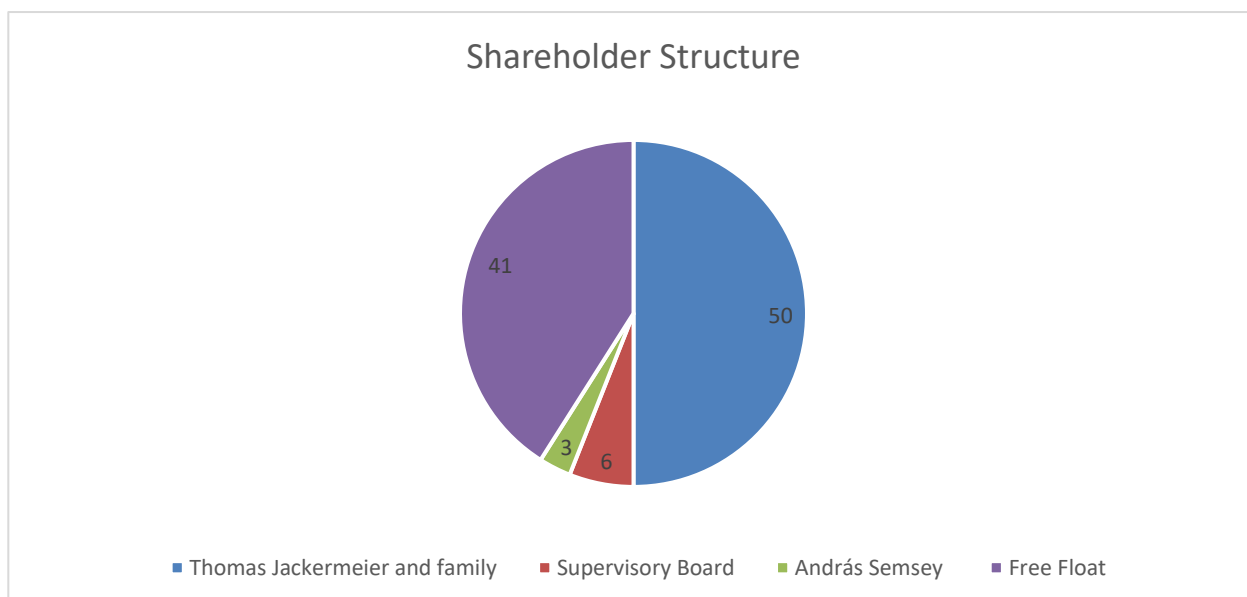
Date	Event
By end of November 2022	Publication of Q3 release
November 28 – 30, 2022	Equity Forum

### Key data on Endor share

WKN (German Securities Identification Number)	549166
ISIN (International Securities Identification Number)	DE0005491666
Ticker symbol	E2N
IPO	June 27, 2006
Issue price	EUR 1.13 <sup>1</sup>
Stock exchanges	Munich, Hamburg, Stuttgart
Type of shares	Bearer shares (ordinary shares)
Stock exchange segment	Open Market Munich Stock Exchange
Number of shares as of June 30, 2022	15,497,584
Market capitalization on June 30, 2022 (in EUR million)	232.5
Share price in EUR on June 30, 2022 <sup>2</sup>	15.0 <sup>1</sup>
Percentage change in half-year 2022 <sup>2</sup>	-28.6%
High for the period (Jan. – June 2022) in EUR <sup>2</sup>	21.0 <sup>1</sup>
Low for the period (Jan. – Dec. 2022) in EUR <sup>2</sup>	14.5 <sup>1</sup>

### Shareholder structure

Based on the latest information available to the company, Thomas Jackermeier and his family hold approx. 50%, the Supervisory Board 6% and András Semsey 3% of the shares in Endor AG. The free float is thus at 41%.



<sup>1</sup> after stock split

<sup>2</sup> Munich Stock Exchange closing prices

# Management Report for the first half of 2022

## 1. | Basic information on Endor AG

### 1.1 | Business model

Endor AG develops and markets high-quality input and entry 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 specialized technology partners, mainly in Germany (“Germaneering”). Most of these products are manufactured in Asia. Endor markets its products directly to customers under the FANATEC brand, mainly via its own e-commerce. The company sells its driving school simulators through a selected distribution partner. Endor is represented by subsidiaries in the US, Australia, Japan, China and Hong Kong.

## 2. | Economic Report and Business Performance

### 2.1 | Macroeconomic and sector-specific conditions

The economic environment worldwide deteriorated quite considerably in the first half of 2022 and the uncertainties have increased further. This can be seen in the economic forecasts of the International Monetary Fund (IMF), which are subject to frequent downward adjustments. According to the IMF, several shocks have hit the global economy, which was already weakened by the pandemic. The IMF cites high inflation, especially in the United States and the major European economies, an unexpectedly sharp slowdown in growth in China due to the country’s no-COVID policy and yet other negative effects from the war in Ukraine.<sup>3</sup>

In its latest forecast, the IMF expects global growth of only 3.2 percent this year,<sup>4</sup> 0.4 percentage points less than assumed in April.

For the eurozone, the IMF expects growth to be 0.2 percentage points lower at 2.6 percent. In Germany, gross domestic product (GDP) is expected to grow by only 1.2 percent – a significant downgrade compared to the forecast issued in May. At that time, the IMF had still forecast growth of around 2 percent for 2023 and 2022.

The outlook for the global games market, on the other hand, remains optimistic. According to analysts, the games market will continue to grow in the years to come and surpass the USD 200 billion mark by the end of 2023.<sup>5</sup> 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.<sup>6</sup>

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<sup>3</sup> World Economic Outlook, IMF, July 2022

<sup>4</sup> World Economic Outlook, IMF, July 2022

<sup>5</sup> 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

<sup>6</sup> 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 development & overall statement

The Endor Group managed to continue its strong development of the second half of 2021 in the first half of 2022. Group sales amounted to EUR 79.3 million in the first six months of 2022. This corresponds to a doubling or increase of 124 percent compared to the previous year's figure of EUR 35.4 million.

The biggest boost came from rising sales in connection with SONY's launch of the "Gran Turismo 7" game software, as well as due to significantly better product availability. Past experience has shown that the launch of popular racing games provides significant additional momentum and pre-orders in the steering wheel business. The Gran Turismo series in particular is quite popular with consumers worldwide and is a blockbuster in the scene. Endor AG has benefited in particular from the fact that it developed the first official Direct Drive Wheel for the Gran Turismo™ series with its Fanatec brand, the Gran Turismo™ DD Pro.

At the same time, the recent structural adjustment to the strong growth course has been largely completed, thus stabilizing the cost base. In 2021, the Endor Group had aligned its structures to the strong growth and made extensive investments. For example, the entire IT infrastructure was replaced, personnel was hired and substantial investments were made in R&D and marketing. These measures were no longer necessary to the same extent in the first half of 2022.

Due to the structural adjustments made then, the company still recorded a temporarily weaker result in the first half of 2021. In the first half of 2022, however, the result rose sharply. Group EBIT (earnings after taxes plus taxes on income and earnings plus interest expenses less interest income) reached EUR 17.7 million after EUR 2.6 million the previous year, an increase of 567 percent. The EBIT margin was 22 percent after 7 percent the previous year.

The expansion of the Management Board to include Dr-Ing M. Op de Hipt was also an important step in the first half of 2022. The appointment was made as of April 19, 2022. In addition to the overarching responsibility as a member of the Management Board, the Chief Operating Officer's (COO) area of responsibility includes in particular Operations (including Production, Quality, Purchasing and Logistics), Research & Development (R&D) and Customer Care. Dr-Ing M. Op de Hipt also supports the Management Board members already in office. Thomas Jackermeier (Chairman of the Management Board) will continue to be responsible for Corporate Strategy, Product Management, Marketing and Sales, while András Semsey is responsible for Finance, Corporate Administration and Legal.

### **3. | Position of the Endor Group**

#### **3.1 | Asset position**

The Endor Group's total assets rose to Euro 82.9 million as of 30 June 2022, compared to Euro 70.6 million at the end of 2021. On the assets side, the increase in total assets is due to the rise in inventories to Euro 51.0 million (31.12.2021: Euro 32.4 million). The increase on the liabilities side is due to the significant rise in equity and the increase in provisions.

#### **3.2 | Financial position**

The Endor Group's equity amounted to Euro 27.0 million as of 30 June 2022, compared to Euro 16.6 million as of 31 December 2021. The capital reserve amounted to Euro 1.6 million. The increase in equity is due to the good profit development in the first half of 2022.

Provisions increased to 17.5 million euros after 10.4 million euros at the end of 2021, mainly due to higher tax provisions because of the good profit development.

Liabilities amounted to 35.7 million euros as of 30 June 2022 (31.12.2021: 41.0 million euros). The most important items are liabilities to banks of EUR 23.5 million, trade payables of EUR 11.4 million, other liabilities of EUR 0.7 million and liabilities to affiliated companies of EUR 0.1 million. Liabilities to banks were divided into EUR 2.4 million in loans, EUR 18.5 million in money market loans and EUR 2.6 million in overdrafts.

Overall, the Endor Group is in a comfortable position in terms of its liquidity. The credit line of EUR 32 million granted to Endor AG and the cash generated by the ongoing business are sufficient to maintain sufficient inventories and to enable high product availability and further growth with higher order and advance payment volumes. The liquidity situation is reviewed on an ongoing basis. As of June 30, 2022, the company had liquid funds of EUR 5.7 million.



### 3.3 | Earnings position

Group sales amounted to EUR 79.3 million in the first half of 2022. This represents an increase of 124 percent compared to the previous year's figure of EUR 35.4 million.

The biggest boost came from rising sales in connection with SONY's launch of the "Gran Turismo 7" game software, as well as thanks to significantly better product availability. Past experience has shown that the launch of popular racing games provides significant additional momentum and pre-orders 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 Endor Group managed to achieve new record sales already in the first quarter of EUR 46.5 million in total and thus more than double the already high sales from the previous year's quarter (EUR 21.9 million). In the second quarter, sales of EUR 32.8 million were achieved after EUR 13.4 million in the previous year.

Despite the strong development, the sales trend cannot be extrapolated for the year, as Endor AG benefited from a strong special boom due to Gran Turismo in the first half of the year. The remaining two quarters will depend heavily on the stability of the supply chains – especially in China – and the availability of goods.

Endor invests heavily in the development of new products. This is indirectly reflected in the increased depreciation on fixed assets. Compared to the previous year, this increased by 60% to EUR 1.3 million. Cost of materials doubled compared to the previous year to EUR 35.5 million after EUR 15.3 million in the first half of 2021.

The recent increase in staff has now been largely completed and costs have stabilized. At EUR 5.3 million (previous year: EUR 5.5 million), personnel expenses remained at roughly the previous year's level.

As a result of the strong growth, other operating expenses also increased by 75% from EUR 12.8 million to EUR 22.4 million in the first half of 2022. The largest individual items within other operating expenses are advertising costs and costs of goods sold, which increased by a total of EUR 5.9 million to EUR 13.6 million (previous year: EUR 7.8 million). Further investments were also made in R& D. Expenditure here remained at the previous year's level of EUR 1.1 million (previous year: EUR 1.1 million).

Group EBIT (earnings after taxes plus taxes on income and earnings plus interest expenses less interest income) increased to EUR 17.7 million after EUR 2.6 million in the previous year, an increase of 567 percent. The EBIT margin reached 22 percent after 7 percent the previous year.

## **4. | Non-financial performance indicators**

In the first half of 2022, the average number of employees in the AG was 139 (previous year: 149).

## **5. | Opportunity and Risk and Forecast Report**

The 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 the Endor Group.

### **5.1 | Risk Report**

The risk situation of the Endor Group has not changed significantly compared to the presentation in the 2021 Annual Report.

### **5.2 | Opportunity Report**

The Endor Group's opportunity situation has not changed significantly compared to the presentation in the 2021 Annual Report.

### **5.3 | Forecast Report**

The forecast has not changed compared to the version in the 2021 Annual Report. Accordingly, for fiscal year 2022, the Management Board expects Group sales 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.

The continuation of Russia's war with Ukraine and the resulting economic consequences, which are currently difficult to assess, represent a major factor of uncertainty, however. In a worst-case scenario, 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.

Landshut, August 18, 2022

Thomas Jackermeier    Andrés Semsey    Dr-Ing. M. Op de Hipt    | Management Board

## Financial Statement of the Endor Group

<b>Endor Group Financial Statement in EUR million</b>	<b>Dec 31, 2021</b>	<b>June 30, 2022</b>
Fixed assets		
Intangible assets	8.5	9.6
Property, plant and equipment	7.2	6.8
	15.7	16.4
Current assets		
Inventories	32.4	51.0
Receivables and other assets	6.0	6.5
Cash in hand, Bundesbank balances, bank balances	14.5	5.7
	52.9	63.2
Prepaid expenses and deferred charges	0.7	1.7
Deferred tax assets	1.3	1.6
<b>ASSETS</b>	<b>70.6</b>	<b>82.9</b>
Equity	16.6	27.0
Provisions		
Tax provisions	6.5	11.8
Other provisions	3.9	5.6
	10.4	17.5
Liabilities		
Liabilities to banks	24.2	23.5
Liabilities from deliveries and services	12.4	11.4
Other liabilities	4.4	0.8
	41.0	35.7
Deferred tax liabilities	2.6	2.6
<b>LIABILITIES</b>	<b>70.6</b>	<b>82.9</b>

## Profit and Loss Statement for the Endor Group

Endor Group P&L in EUR million	HY1 2021	HY1 2022
Sales revenue	35.4	79.3
Own work capitalized	0.9	0.6
Other operating income	0.8	2.3
<b>= Total output</b>	<b>37.1</b>	<b>82.2</b>
Cost of materials	-15.3	-35.5
<b>= Gross profit</b>	<b>21.8</b>	<b>46.7</b>
<i>% Gross profit margin*</i>	57%	55%
Personnel expenses	-5.5	-5.3
<i>% Personnel cost ratio</i>	16%	7%
Other expenses	-12.8	-22.4
<b>= EBITDA</b>	<b>3.5</b>	<b>19.0</b>
<i>% EBITDA margin</i>	10%	24%
Depreciation	-0.8	-1.3
<b>= EBIT</b>	<b>2.6</b>	<b>17.7</b>
<b>% EBIT margin</b>	<b>7%</b>	<b>22%</b>

\*excluding own work capitalized and other operating income

## Cash Flow Statement of the Endor Group

<b>Endor Group Cash Flow Statement in EUR thousand</b>	<b>HY 1 2022</b>
+/- Result for the period (including minority interests)	10,288
+/- Depreciation/write-ups on fixed assets	1,318
+/- Increase/decrease in provisions	-71
+/- Increase/decrease in inventories*	-19,256
+/- Increase/decrease in trade payables and other liabilities**	-5,386
+/- Interest expenses/interest income	169
+/- Income tax expense/income	7,129
+/- Income tax payments	-281
<b>Cash flow from operating activities</b>	<b>-6,090</b>
+ Proceeds from disposals of intangible assets	0
- Payments for investments in intangible assets	-1,748
+ Proceeds from disposals of property, plant and equipment	80
- Payments for investments in property, plant and equipment	-332
+ Interest received	75
<b>Cash flow from investing activities</b>	<b>-1,925</b>
+ Proceeds from issuing bonds and taking out (financial) loans	528
- Payments from the redemption of bonds and (financial) loans	-1,731
- Interest paid	-244
<b>Cash flow from financing activities</b>	<b>-1,448</b>
<b>= Change in cash and cash equivalents with an effect on payments</b>	<b>-9,462</b>
Cash on hand, Bundesbank balances, bank balances and cheques	120
<b>Exchange rate and valuation-related changes in cash and cash equivalents</b>	<b>120</b>
<b>= Changes in cash and cash equivalents</b>	<b>-9,342</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>12,415</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>3,073</b>

\* of trade receivables and other assets not attributable to investing or financing activities

\*\* that are not attributable to investing or financing activities

## Imprint

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**Disclaimer:** This Half-Year Report contains forward-looking statements that are based on current experience, the 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 might not prove to be accurate. We assume no obligation to update the forward-looking statements made in this report.



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