

Annual Financial Statements | 2022



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Report of the Supervisory Board

Dear shareholders,

In the following, we inform you about the work of the Supervisory Board in financial year 2022:

Meetings of the Supervisory Board

Five meetings of the Supervisory Board were held in the reporting year, three in the form of a video conference and two in person. In addition, two resolutions were passed by circular resolution. Attendance at the meetings of the Supervisory Board was always 100%. In 2023, up until the meeting to approve the financial statements on 13 September 2023, three further meetings were held, two of which were attended. In addition, three resolutions were passed by circular resolution.

The members of the Management Board participated in Supervisory Board meetings unless otherwise determined by the Chairman of the Supervisory Board. Mr. Andreas Potthoff continued to chair the Supervisory Board in 2022.

The main content of all Supervisory Board meetings was reporting by the Management Board on the business situation with detailed information on the development of revenue and earnings, the continuing effects of the corona crisis and the resulting supply chain problems, the opportunities and risks of business development, and the current status of product development and liquidity planning. With the easing of the supply chains at the end of 2022, the issue of excessively high advance orders and inventory backlogs of components, in particular chips, then came to the fore. In addition, the following focal points were addressed:

- Annual Financial Statements 2021 for the AG and the Group, including the proposal for the appropriation of profits
- The development of revenue and liquidity planning for 2022/23 as well as medium-term planning through 2025
- Investment and financing planning for the period 2023 to 2025
- Measures related to the current macroeconomic situation, inflation in Germany and potential changes in demand for consumer goods due to this
- Issues relating to the composition of the Management Board
- Construction of the new company building
- Measures to be taken due to supply chain bottlenecks continuing in 2022 and beyond

Cooperation between the Supervisory Board and the Management Board

In financial year 2022, the Supervisory Board once again continuously monitored the management activities of the Management Board and regularly advised it on the management of the company. In doing so, we were able to convince ourselves at all times that the work of the Management Board was legal, expedient and proper. 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 fulfilled its duties to provide information.

In addition to sales and revenue planning, broken down by products and regions, this also included monthly information on the revenue and earnings situation and, since October 2022, weekly liquidity updates. This also included information on deviations in the actual development from previously reported targets, as well as deviations in the development of the business 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 reviewed them for plausibility.

On several occasions, the Supervisory Board dealt in detail with the company's risk situation, liquidity planning and equity situation. 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 various Supervisory Board 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 at the following Supervisory Board meetings.

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

Audit of the Annual and the Consolidated Financial Statements

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Munich, elected by the Annual General Meeting on 22 July 2022 to audit the financial statements for financial year 2022, audited the financial statements for the financial year from 1 January 2022 to 31 December 2022 and the Management Report of Endor AG prepared by the Management Board in accordance with the provisions of the German Commercial Code (HGB). The auditor also audited the Consolidated Financial Statements and issued an unqualified audit opinion.

The financial statement documents and the audit reports for financial year 2022 were discussed in detail at the Supervisory Board meeting on 13 September 2023 (balance sheet meeting). The auditor reported on the main findings of the audit. He also provided information on the focal points of his audit, including revenue recognition, consolidation entries, elimination of intercompany profits, consolidated cash flow statements and in particular the existence and valuation of inventories. The auditor was available to answer further questions and provide additional information. Following our examination and discussion of the Annual Financial Statements and the Management Report by 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 concluded that there were no objections to be raised and 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 2022 (dependency report).

The Supervisory Board's review of this report did not give rise to any objections. The Supervisory Board had the Management Board explain the advantages and possible risks of the legal transactions described in the dependency report and weighed them against each other based on 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. Based on the final results of the audit, the Supervisory Board had no objections to the declaration of the Management Board at the end of the dependency report.

Personnel changes on the Management Board

At the Supervisory Board meeting on 14 April 2022, Dr. Michael Op de Hipt was appointed to the Management Board of Endor AG and the Management Board was thus simultaneously expanded to include the area of responsibility of the Chief Operating Officer (COO), in particular the areas of Operations (including Production, Quality, Purchasing and Logistics), Research & Development (R&D) and Customer Care.

The Management Board contract of Dr. Michael Op de Hipt was terminated by mutual agreement effective 31 March 2023. The duties of the COO were assumed internally on an interim basis. As of 1 June 2023, Mr. Daniel Meyberg was appointed to serve on the Management Board from the company's own ranks as its new COO and Mrs. Belma Nadarevic joined the Board as CMO.

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 carry forward the net retained profit of Endor AG for the past financial year 2022 totaling EUR 6,665,258.33 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 2022.

Landshut, 13 September 2023

Chairman of the Supervisory Board
Andreas Potthoff

Combined Management Report for Financial Year 2022

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 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 via 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 motor sports games, and through licensing agreements with nearly all major 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.

Licenses from the car manufacturers BMW, McLaren, Bentley and Porsche also underscore the company's 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, the company also develops and manufactures steering wheels for real motor sports. 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 be 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. Here, Endor Group is currently also intensifying the introduction of 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 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 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 performance indicators via controlling and Group accounting. The main control parameters are revenue and earnings before interest, taxes, depreciation and amortisation (EBITDA), which are the Group's most important financial performance indicators.

The key performance indicator was changed from earnings before interest and taxes (EBIT) to EBITDA in order to improve comparability on the capital market and eliminate non-recurring effects (such as impairment losses).

Furthermore, ratios derived from these variables are also taken into consideration. When viewed together, the key performance indicators 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 and effective risk management and risk controlling as well as compliance management by the company. The Supervisory Board and its Chairman work intensively with the Management Board, so that the statutory representation regulations pursuant to Section 78 (1) of the German Stock Corporation Act (AktG) applies.

1.4 | Research and Development

Continuous and targeted research and development activities are important 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 key growth driver, products for this sector in particular were developed and/or launched on the market in 2022.

The following product launches took place in 2022:

- CSL Elite Pedals V2
- ClubSport Steering Wheel F1® Esports V2

In financial year 2022, expenses of EUR 7.8 million (previous year: EUR 6.2 million) were incurred for research and development. Of this amount, EUR 5.7 million (previous year: EUR 4.1 million) was capitalised, which corresponds to a capitalisation rate of 72% (previous year: 66%). Own work capitalised amounted to EUR 1.1 million (previous year: EUR 1.5 million).

In the year under review, amortisation of capitalised development costs amounted to EUR 1.4 million (previous year: EUR 1.0 million).

Due to the fact that all research and development activities are conducted at Endor AG, all of the aforementioned Endor Group figures also correspond to those of Endor AG.

2. | Economic Report and Business Development

2.1 | Macroeconomic and Industry-Specific Framework Conditions

According to calculations by the International Monetary Fund (IMF), growth of the global economy slowed significantly in 2022 from 6.0% in 2021 to 3.2%.^{*} The initial recovery of the global economy from the effects of the corona pandemic came to an end in 2022 under the pressure of high energy prices and great uncertainty. According to the Kiel Institute for the World Economy (IfW), the brakes are now increasingly being applied by monetary policy, which was tightened rather late but then very quickly and will probably be tightened further in view of continuing high inflationary pressure. Global production increased only weakly toward the end of the year and is expected to expand only moderately in the current year despite a noticeable revival in China.[†]

With economic growth of 1.8%, Germany was well below the euro zone average of 3.5% in 2022.[‡] A comparatively good first quarter with growth of 0.8% was followed by a slowdown to 0.1% in the second quarter. Despite slight signs of improvement in the third quarter with growth of 0.5%, IfW Kiel has remained skeptical for the winter half-year. In the final quarter of last year, economic output slipped by 0.4%, barely higher than at the start of 2022. The main reason for the weak overall economic performance was the energy crisis triggered by Russia's attacks on Ukraine, which severely slowed the post-pandemic recovery. As a result, the growth rate in 2022 of 1.8% was already significantly lower than had been expected before the start of the war.[§]

The global digital games market was still not negatively affected by the impact of the corona pandemic, but nevertheless the strong revenue growth of the past years could not be continued. According to analyst estimates, the global games market generated revenues of USD 184.4 billion in 2022, representing a year-on-year decline of -4.3%. In this context, analysts see 2022 as a correction year after the market had recorded two years of growth triggered by the global lockdown.^{**}

In the following years, the games market is expected to grow again and exceed the USD 200 billion mark by the end of 2025.^{††} Analysts at the Newzoo Institute forecast that the games market will grow at an average rate of 3.4% between 2020 and 2025 to reach USD 211.2 billion.^{‡‡}

^{*} World Economic Outlook, October 2022 (<https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022>).

[†] Kiel Economic Reports World, No. 99 (2023 | Q1) (https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2023/KKB_99_2023-Q1_Welt.pdf)

[‡] Kiel Economic Reports Euro Area, No. 100 (2023 | Q1) (https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2023/KKB_100_2023-Q1_Euroraum.pdf)

[§] Kiel Economic Reports Germany, No. 101 (2023|Q1) (https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2023/KKB_101_2023-Q1_Deutschland_DE.pdf)

^{**} The Games Market in 2022: The Year in Numbers | Newzoo

^{††} The Games Market Will Decline -4.3% to \$184.4 Billion in 2022; Long-Term Outlook Remains Positive | Newzoo

^{‡‡} The Games Market Will Decline -4.3% to \$184.4 Billion in 2022; Long-Term Outlook Remains Positive | Newzoo

2.2 | Business Performance and Overall Statement

Business performance in 2022 has again shown that demand for Endor Group products remains very good and continues to grow. The company managed to record an increase in demand for its products in terms of order numbers.

With Group revenue of EUR 119.2 million after EUR 81.3 million, Endor Group exceeded the previous year's figure by 46.6%. At EUR 79.3 million, the largest share of the increase in revenue was achieved in the first half of 2022. In particular, the increasing sales of the GT DD Wheelbase as well as a significantly better availability of goods had a positive effect here. The very strong development of sales of the first two quarters weakened from the third quarter of 2022 on. This was due in particular to the fact that some of the best-selling products were not available in the third and fourth quarters due to the continuing chip shortage.

Supply bottlenecks and disruptions in the global logistics chains continued in financial year 2022, which is why the high demand could not be fully met in some cases. In particular, the second half of the year saw a slight decline due to supply bottlenecks within the chip industry, after the situation had initially improved significantly in the first half of the year.

After the development of earnings in the previous year was influenced by the extensive 2021 investment programme to adapt structures to the continued strong growth expected, a decline in Group earnings (EBIT) to EUR 5.0 million had to be accepted in financial year 2022 (previous year: EUR 6.6 million).

Major operational successes in financial year 2022 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 introduced the Gran Turismo™ DD Pro, the first official Direct Drive Wheel for the Gran Turismo™ series, for its Fanatec brand. The race-ready package, officially licensed for PlayStation®5 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 marked with "AG:" refer to the individual financial statements of Endor AG.

Endor Group's total assets increased from EUR 70.6 million in the previous year to EUR 101.3 million in 2022 (AG: EUR 102.4 million, previous year: EUR 68.0 million). This reflects the

significantly higher business volume. Current assets increased overall by 35.7% from EUR 52.9 million to EUR 71.8 million (AG: EUR 78.6 million, previous year: EUR 53.7 million, +46.3%). Inventories in particular rose sharply from EUR 32.4 million in the previous year to EUR 55.9 million as a result of the strong growth, corresponding stockpiling and precautions due to the tense situation in the logistics chains (AG: EUR 40.5 million, previous year: EUR 26.5 million). Receivables and other assets increased from EUR 6.0 million to EUR 8.9 million (different situation in the AG due to intercompany relationships: EUR 35.2 million, previous year: EUR 16.5 million). As of 31 December 2022, the Group had cash and cash equivalents of EUR 7.0 million (previous year: EUR 14.5 million) (AG: EUR 2.9 million, previous year: EUR 10.8 million). Current assets increased from EUR 15.7 million in the previous year to EUR 25.2 million (AG: EUR 23.4 million, previous year: EUR 13.6 million) as of the balance sheet date in 2022. This increase is mainly due to the capitalisation of development services and the new building.

3.2 | Financial Position

Endor Group's equity increased to EUR 20.4 million as of the balance sheet date 31 December 2022, compared to EUR 16.6 million in the previous year (AG: EUR 25.8 million, previous year: EUR 19.2 million). The subscribed capital of Endor AG remained unchanged from the previous year at EUR 15.5 million.

Liabilities increased to EUR 64.4 million after EUR 40.9 million in the previous year (AG: EUR 62.5 million, previous year: EUR 38.2 million). At EUR 45.9 million (AG: EUR 45.3 million), liabilities to banks accounted for the largest share. The credit lines granted were extended to EUR 44 million in financial year 2022. Of this amount, approximately EUR 38 million had been drawn down as of the balance sheet date. Other liabilities of EUR 7.5 million (AG: EUR 1.7 million) included in particular tax liabilities of EUR 7.5 million (AG: EUR 1.6 million).

Endor Group invested EUR 12.3 million (previous year: EUR 8.7 million) (AG: EUR 12.1 million, previous year: EUR 8.1 million) in fixed assets in the reporting period. This amount was significantly higher than the depreciation and amortisation for 2022 of EUR 2.6 million (AG: EUR 2.3 million). At EUR 5.7 million (previous year: EUR 4.1 million) (AG: EUR 5.7 million, previous year: EUR 4.1 million), the majority of investments were made in the development of new products, in addition to EUR 0.4 million in machinery and tools and other plant and office equipment, as well as another EUR 5.5 million in the construction of the new headquarters in Landshut and EUR 0.7 million in a new plot of land. As of the balance sheet date, investment obligations for the new building amounted to EUR 19.9 million.

Overall, Endor Group finds itself in a somewhat tight liquidity situation. In particular, the necessary stockpiling of electronic components has led to an increased outflow of liquidity. The credit lines of EUR 44 million granted to Endor AG and the cash generated by current operations are sufficient to hold sufficient inventories (especially electronic components) and to enable further growth with higher order and advance payment volumes. The liquidity situation is reviewed on an ongoing basis.

Endor Group always was and still is able to meet its payment obligations.

3.3 | Earnings Position

Endor Group's revenue in 2022 amounted to EUR 119.2 million, compared to EUR 81.3 million in the previous year (AG: EUR 115.9 million, previous year: EUR 73.1 million) and was thus within the range of the forecast made in the previous year. Revenue thus increased by 46.6% (AG: +58.5%). The largest share of the increase in revenue for the full year 2022 was in the first half of 2022, by posting an increase of 124.0% to EUR 79.3 million (previous year: EUR 35.4 million). In particular, the increasing sales in connection with the SONY launch of the gaming software "Gran Turismo 7" as well as the significantly better availability of goods had an impact here. In the second half of 2022, sales momentum was limited in particular due to a lack of availability in connection with supply difficulties in the chip industry, and revenue declined by 13%.

At Group level, international sales can be broken down as follows: EUR 61.6 million (previous year: EUR 42.8 million) in Europe, EUR 42.9 million (previous year: EUR 28.6 million) in North America, EUR 5.9 million (previous year: EUR 3.9 million) in Australia and EUR 8.8 million (previous year: EUR 2.7 million) in Japan.

The gross profit margin of Endor Group – adjusted for revenues and expenses with subsidiaries – was 53.3% in 2022. The gross profit margin was 54.3% in the previous year (AG: 52%, previous year: 54%). The slight decline in the consolidated margin is attributable 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 ahead, Endor Group once again slightly increased the number of employees in the Group in 2022 from 175 to a total of 190 as of 31 December 2022 (AG: 150, previous year: 135). At EUR 10.3 million, personnel expenses remained at the level of the previous year (AG: EUR 9.0 million, previous year: EUR 9.2 million).

Depreciation and amortisation of fixed assets was 23% higher in 2022 than in the previous year at EUR 2.6 million (AG: EUR 2.3 million or + 22%). In addition, impairment losses of EUR 6.3 million had to be recognised on current assets, mainly in connection with chip deliveries in 2022.

Other operating expenses increased by a total of 44.3% (AG: 32.3%) from EUR 30.3 million to EUR 43.7 million (AG: EUR 33.3 million, previous year: EUR 25.2 million). The largest individual items within other operating expenses were the cost of goods sold at EUR 20.4 million (AG: EUR 9.4 million), as well as costs for licenses and concessions, which increased by 100% to EUR 5.4 million (AG: 124.5% to EUR 5.4 million).

EBIT (consolidated earnings before interest and taxes) amounted to EUR 5.0 million in 2022 after EUR 6.6 million in the previous year (AG: EUR 9.7 million, previous year: EUR 3.4 million). EBITDA (consolidated earnings before interest, taxes, depreciation and amortisation) amounted to EUR 14.1 million, compared to EUR 8.7 million in the previous year (AG: EUR 18.3 million, previous year: EUR 5.4 million). The significant difference between EBIT and EBITDA was mainly due to unscheduled write-downs in inventories related to chip deliveries in 2022. This is also the main reason why the previous year's forecast for EBIT was not achieved. The increase in revenue was therefore reflected mainly in EBITDA.

4. | Non-Financial Performance Indicators

In financial year 2022, Endor AG reduced the average number of employees from 146 to 141 and at Group level from 185 in 2021 to 181. The slight fluctuation is mainly due to the many new hires in 2021.

5. Supplementary Report

Please refer to the respective disclosures in the (Group) notes for reporting on events after the balance sheet date.

6. | Opportunity, 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.

6.1 | Risk Report

A self-contained safety system enables functioning controlling in both the operational and commercial areas of responsibility. 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 current events. 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.

6.1.1. | 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 arose from the outbreak of the Russian Ukraine war. In the wake of the COVID-19 pandemic, which was not yet over, this led to a further economic slump in an already tense economic situation. At present, it is not possible to reliably forecast the extent of the further impact of the war on the global economy.

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

Another looming risk that cannot be ruled out is that new outbreaks or variants of the coronavirus could occur. For example, an unpredictable lockdown in China could have a major impact on the company. Endor has a large share of its products manufactured in China. Therefore, another lockdown could have a negative impact on Endor's production capacities and supply chain. This would impact sales and earnings.

A global financial crisis as a result of the corona pandemic or the Russian Ukraine war 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.

6.1.2 | 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. Endor therefore strives to achieve its sales and earnings targets 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 manufacturers of the game consoles 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 and produce sufficient quantities of a high-quality product that is compatible with the new game console version 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

Risks from product liability and warranty exist both vis-à-vis business partners and end customers, e.g. due to defects or malfunctions of the steering wheels. 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 respect. As a rule, such provisions are associated with restrictions and obligations for manufacturers. To the company's knowledge, the products distributed by Endor Group comply with all legal requirements applicable in the countries of destination.

6.1.3. | Company-specific risks

a) Liquidity risks

Due to operational developments such as the strong growth, a corresponding stockpiling (mainly electronic components) and the precautions taken due to the tense situation in the logistics chains, Endor had to expand its credit lines in the short term in 2022 and is therefore subject to an increased liquidity risk compared to the previous year.

In the context of the current financing situation, besides loans for the construction project, the Group has access to various credit lines amounting to approximately EUR 53 million for operations, which are largely utilised. These credit lines have been granted until further notice in the amount of EUR 26 million and are due in the amount of EUR 11 million at the end of October 2023 and in the amount of EUR 12 million at the end of December 2023.

Should the banking environment deteriorate and credit lines not be extended or be terminated at short notice, an increased outflow of liquidity is to be expected which, depending on operating performance, could only be partially offset by operating cash flow and, in particular, would also have to be financed by external cash inflows. In particular, there are risks if the Group's planned sales, which are slightly higher than the previous year's figure and nearly half of which relate to the months of October to December, cannot be realised.

Based on the discussions with the banks to date, the current equity ratio in the Group, the previously unencumbered assets (in particular inventories and brand) and the upcoming launches of new products in 2023, the movie "Gran Turismo," the Forza Motorsport 8 for the Xbox to be released in October and the associated reduction in inventories and operating cash flows, the Management Board considers the financing situation to be non-critical.

b) 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 the failure of a supplier, material or major delays in transit, Endor Group may not be able to fill the orders placed 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 terms at short notice or have them manufactured, which would have a negative impact on the company's profit margin.

c) Dependence on licensors

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

d) Loss of know-how

Endor Group also uses 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, where applicable, to the loss of the possibility of passing on this know-how through licensing agreements with corresponding income.

e) 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 provided by the current members of the Management Board of Endor AG and employees in key positions. The success of Endor Group in the future will therefore continue to depend, at least in part, on limiting the fluctuation of employees in relevant positions or ensuring suitable successors in good time.

Endor Group seeks to retain key employees by offering performance-based compensation, good career opportunities, and opportunities for further development in order to avoid the adverse effects of losing these employees or difficulties in finding additional qualified employees.

f) Poor product quality and compatibility

If a production defect is not discovered or discovered too late, this could 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.

g) Risks due to minimum license amounts

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

h) Currency risks

Endor Group procures 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.

6.2 | Opportunity Report

The past has shown that the introduction of popular racing games in the steering wheel business provides a significant increase in demand. The biggest driver of sales in 2022 was the launch of the Gran Turismo licensed products GT DD Pro and GT DD Pro Wheel Base. The partnership will be expanded and there are already plans to launch another Gran Turismo licensed product in 2023. In conjunction with the “Gran Turismo” movie and the premium partnership with a strong presence in the game, demand is also expected to be stimulated here.

The Forza Motorsport 8 that is heavy on sim racing is the equivalent of Gran Turismo 7 on the Xbox and will be released in October. We expect an increase in demand for our Xbox-compatible products in the fourth quarter.

The eSports boom is probably only just beginning, especially in the sim racing segment. Due to the significantly increasing popularity of eSports 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 customer groups and offers current customers the chance to upgrade.

6.3 | Forecast Report

Endor Group is active in growing markets with the products of the FANATEC brand. The booming eSports sector is a key growth driver. Sim racing, i.e. virtual racing, is becoming increasingly popular. This trend should also continue at an increased pace in 2023.

The first half of 2023 has been significantly weaker than in 2022. This is due on the one hand to the positive non-recurring effects from GT7 in 2022 and to delivery-related sales losses in the first quarter of 2023 and general consumer restraint on the other hand. We expect the fourth quarter to be very strong due to the market launch of several products and the expansion of the entry-level range.

Overall, the Management Board expects consolidated sales slightly above the level of the previous year and EBITDA in the low double-digit million range for financial year 2023. Due to better comparability on the capital market and elimination of non-recurring effects (such as special write-downs), the forecast has been changed from EBIT to EBITDA. The expected development of the Group is reflected analogously in Endor AG.

Current political and economic developments and their consequences (including a loss of purchasing power), which are currently difficult to assess, remain a very large factor of uncertainty for the forecast and further development in the company. In the worst case, a further deterioration could have a negative impact on the forecast for Endor Group and Endor AG.

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.

7. | 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 past 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 2022, in which it has issued the following final declaration:

“In the legal transactions listed in the report on relations 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.”

Landshut, 13 September 2023

Thomas Jackermeier

András Semsey

Daniel Meyberg

Belma Nadarevic

Management Board

Balance Sheet of Endor AG

Balance sheet of ENDOR AG, Landshut,
 as of 31. Dezember 2022

Assets	As of 31.12.22 EUR	As of 31.12.21 EUR
A. Fixed assets		
I. Intangible assets		
1. Self-created industrial and similar rights	12,530,471.19	8,476,684.15
2. Purchased industrial and similar rights	10,196.00	17,490.00
	<u>12,540,667.19</u>	<u>8,494,174.15</u>
II. Property, plant and equipment		
1. Land and buildings including those on the third-party land	2,200,504.60	1,517,874.22
2. Technical equipment and machinery	1,267,153.19	1,639,495.00
3. Other plants, business equipment	410,888.50	499,739.00
4. Prepayments made	6,919,846.22	1,430,696.91
	<u>10,798,392.51</u>	<u>5,087,805.13</u>
III. Financial assets		
Shares in affiliated companies	35,112.36	35,112.36
B. Current assets		
I. Inventories		
1. Raw materials and supplies	12,365,720.39	4,970,673.31
2. Finished products and goods	16,209,640.70	14,225,725.56
3. Prepayments made	13,017,688.61	12,216,940.34
4. Advance payments received on orders	-1,108,409.18	-4,948,710.05
	<u>40,484,640.52</u>	<u>26,464,629.16</u>
II. Receivables and other assets		
1. Trade receivables	76,777.17	195,776.56
2. Receivables from affiliated companies	32,148,656.83	13,729,515.95
3. Other assets	2,962,927.33	2,536,764.10
	<u>35,188,361.33</u>	<u>16,462,056.61</u>
III. Cash and cash equivalents	2,911,194.69	10,787,559.02
C. Prepaid expenses	470,108.89	650,206.82
	<u>102,428,477.49</u>	<u>67,981,543.25</u>

Liabilities	As of 31.12.22	As of 31.12.21
	EUR	EUR
A. Equity		
I. Subscribed capital	15,497,584.00	15,497,584.00
II. Capital reserves	1,608,621.19	1,608,621.19
III. Retained earnings		
Other retained earnings	2,000,000.00	0.00
IV. Net profit	6,665,258.33	2,114,258.68
	<u>25,771,463.52</u>	<u>19,220,463.87</u>
B. Provisions		
1. Tax provisions	5,254,265.60	5,149,233.28
2. Other provisions	5,037,311.09	2,815,187.50
	<u>10,291,576.69</u>	<u>7,964,420.78</u>
C. Liabilities		
1. Liabilities to	45,272,734.47	23,333,216.98
2. Trade payables		
	10,155,938.11	11,235,545.09
3. Liabilities to affiliated companies	5,416,104.64	1,461,480.88
4. Other liabilities	1,695,660.06	2,169,415.65
	<u>62,540,437.28</u>	<u>38,199,658.60</u>
D. Deferred tax	3,825,000.00	2,597,000.00
	<u>102,428,477.49</u>	<u>67,981,543.25</u>

Income Statement of Endor AG

Income Statement
of ENDOR AG, Landshut,
for the period from 1 January to 31 December 2022

	2022	2021
	EUR	EUR
1. Sales revenue	115,852,244.10	73,075,192.35
2. Other own work capitalised	1,058,126.74	1,539,848.00
3. Other operating income	2,862,103.58	3,247,758.70
	<u>119,772,474.42</u>	<u>77,862,799.05</u>
4. Cost of materials		
Cost of raw materials, consumables and supplies and of goods purchased	<u>59,152,150.83</u>	<u>38,143,707.87</u>
5. Personnel expenses		
a) Wages and salaries	7,717,649.73	7,872,142.67
b) Social security contributions and expenses for pensions	<u>1,250,589.73</u>	<u>1,327,304.17</u>
	<u>8,968,239.46</u>	<u>9,199,446.84</u>
6. Amortisation		
a) of intangible fixed assets pertaining to property, plant and equipment	2,320,632.11	1,900,283.99
b) of current assets, to the extent that such depreciation exceeds the usual depreciation and amortisation	6,322,964.81	0.00
7. Other operating expenses	<u>33,316,444.76</u>	<u>25,174,052.15</u>
	<u>9,692,042.45</u>	<u>3,445,308.20</u>
8. Other interest and similar income	134,904.93	236,236.07
9. Interest and similar expenses	683,562.89	353,451.16
10. Taxes on income and earnings	<u>2,588,246.06</u>	<u>1,482,875.25</u>
	<u>-3,136,904.02</u>	<u>-1,600,090.34</u>
11. Result after taxes	<u>6,555,138.43</u>	<u>1,845,217.86</u>
12. Other taxes	<u>4,138.78</u>	<u>6,065.96</u>
13. Net profit for the year	6,550,999.65	1,839,151.90
14. Profit carried forward	2,114,258.68	16,047,797.56
15. Transferred to revenue reserves	-2,000,000.00	-8,023,898.78
16. Distribution	0.00	-7,748,792.00
17. Balance sheet profit	<u>6,665,258.33</u>	<u>2,114,258.68</u>

Development of Fixed Assets of Endor AG

	Acquisition/production costs						Accumulated depreciation				Carrying amounts			
	As of 1/1/2022	Additions	Rebooking	Disposals	As of 31.12.22	As of 1/1/2022	Additions	Disposals	As of 31.12.22	As of 31.12.22	As of 31.12.22	As of 31.12.21		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR		
I. Intangible assets														
1. Self-created industrial property rights and similar rights	12,969,607.84	5,681,730.95	-266,084.97	7,522.22	18,377,731.60	4,492,923.69	1,354,336.72	0.00	5,847,260.41	12,530,471.19	8,476,684.15			
2. Property rights acquired	448,819.04	6,490.00	0.00	0.00	455,309.04	431,329.04	13,784.00	0.00	445,113.04	10,196.00	17,490.00			
	13,418,426.88	5,688,220.95	-266,084.97	7,522.22	18,833,040.64	4,924,252.73	1,368,120.72	0.00	6,292,373.45	12,540,667.19	8,494,174.15			
II. Property, plant and equipment														
1. Land and buildings, including buildings on the third-party land	1,517,874.22	682,630.38	0.00	0.00	2,200,504.60	0.00	0.00	0.00	0.00	2,200,504.60	1,517,874.22			
2. Technical equipment and machinery	2,975,935.40	54,106.29	266,084.97	0.00	3,296,126.66	1,336,440.40	692,533.07	0.00	2,028,973.47	1,267,153.19	1,639,495.00			
3. Other equipment, plant and office equipment	1,132,808.09	171,127.82	0.00	0.00	1,303,935.91	633,069.09	259,978.32	0.00	893,047.41	410,888.50	499,739.00			
4. Prepayments made	1,430,696.91	5,489,149.31	0.00	0.00	6,919,846.22	0.00	0.00	0.00	0.00	6,919,846.22	1,430,696.91			
	7,057,314.62	6,397,013.80	266,084.97	0.00	13,720,413.39	1,969,509.49	952,511.39	0.00	2,922,020.88	10,798,392.51	5,087,805.13			
III. Financial assets														
Shares in affiliated companies	169,676.86	0.00	0.00	0.00	169,676.86	134,564.50	0.00	0.00	134,564.50	35,112.36	35,112.36			
	20,645,418.36	12,085,234.75	0.00	7,522.22	32,723,130.89	7,028,326.72	2,320,632.11	0.00	9,348,958.83	23,374,172.06	13,617,091.64			

Notes to the Financial Statements

Notes to the financial statements of Endor AG for the financial year from 1 January to 31 December 2022

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

The Annual Financial Statements have been prepared on the basis of the accounting provisions of the German Commercial Code 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 the 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 imputed hourly rates into account, and were reduced by scheduled amortisation from the date of completion.

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

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

Amortisation was performed on a straight-line basis over the expected useful lives of the assets. The useful life of intangible assets is between 1 and 5 years.

Shares in affiliated companies were carried at cost less impairment losses in the event of a probable permanent reduction in value.

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

Receivables 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 expenditures prior to the balance sheet date that constitute expenses 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 30.525%.

Tax provisions and other provisions were made for all other uncertain liabilities for all other uncertain liabilities at the settlement amount required according to prudent business judgment. 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 denominated 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 previously applied in the past 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

Development costs of EUR 5,682 thousand (previous year: EUR 4,140 thousand) for internally generated intangible assets were capitalised in the financial year.

EUR 0 thousand (previous year: EUR 35 thousand) relates to finished internally generated intangible assets and EUR 5,682 thousand (previous year: EUR 4,105 thousand) to internally generated intangible assets under development.

Internally generated intangible assets amounted to EUR 12,530 thousand as of 31 December 2022 (previous year: EUR 8,477 thousand).

Own work capitalised amounted to 1,058 thousand (previous year: EUR 1,540 thousand). The total amount of research and development costs not capitalised in the financial year was EUR 2,145 thousand (previous year: EUR 2,057 thousand).

2.3 Inventories

In the financial year, write-downs to the lower fair value at the reporting date in the amount of EUR 6.3 million were recognised, which are attributable to deliveries of microchips in 2022.

2.4 Receivables and other assets

Receivables from affiliated companies in the amount of EUR 26,954 thousand (previous year: EUR 8,627 thousand) relate to trade receivables. There were EUR 5,194 thousand (previous year: EUR 5,103 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 9 thousand) that have a remaining term of more than one year.

2.5. Information on the class of shares

The share capital of Endor AG in the amount of EUR 15,497,584 is divided into 15.497.584 shares that have been bearer shares since the resolution of 10 April 2006.

2.6. Information on the conditional capital

The share capital of the company was conditionally increased by up to EUR 40,000.00 by resolution of the Annual General Meeting on 15 August 2021. After the implementation of the capital increase from company funds, the conditional capital increased to EUR 320,000.00.

2.7. Information on the authorised capital

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

2.8 Development of the capital reserve and retained earnings

The capital reserve as of 31 December 2022 amounted to EUR 1,608,621.19 in total.

Retained earnings changed as follows in the reporting year:

	Amount
	EUR thousand
Balance on 1 January 2022	0
Transfer to the revenue reserve from retained earnings	2,000
Balance on 31 December 2022	2,000

2.9 Information on shareholdings in the capital of Endor AG

Bamboo Invest UG, Landshut, has held a stake of more than 25% in Endor AG since its formation. No written notification pursuant to Section 20 (1) of the German Stock Corporation Act (AktG) has been made to date.

2.10. Distribution block

The total amount subject to the distribution block pursuant to Section 268 (8) HGB amounted to EUR 8,705,471.19.

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

Total amount according to the distribution block

Capitalisation of internally generated intangible fixed assets	EUR 12,530 thousand
Recognition of deferred tax liabilities	EUR 3,825
Total amount	EUR 8,705

2.11. Provisions

Other provisions mainly comprise

- Provisions for licenses: EUR 1,914 thousand (previous year: EUR 715 thousand)
- Provisions for warranties: EUR 1,154 thousand (previous year: EUR 802 thousand)
- Provisions for outstanding invoices: EUR 797 thousand (previous year: EUR 135 thousand)
- Provisions for bonuses: EUR 483 thousand (previous year: EUR 483 thousand)
- Miscellaneous other provisions: EUR 690 thousand (previous year: EUR 680 thousand)

2.12. Liabilities

The following table shows the remaining terms to maturity 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	1 - 5	>5	
	EUR thousand	EUR thousand	EUR thousand	Note
to credit institutions	38,045	1,420	5,808	20,000
	(21,970)	(1,364)	(0)	(1,500)
to affiliated companies	5,416	0	0	
	(1,461)	(0)	(0)	
from deliveries and services	10,156	0	0	
	(11,236)	(0)	(0)	
Other liabilities	1,696	0	0	
	(2,169)	(0)	(0)	
of which from taxes	1,638	0	0	
	(2,120)	(0)	(0)	
of which as part of social security	9	0	0	
	(5)	(0)	(0)	
Miscellaneous other liabilities	49	0	0	
	(45)	(0)	(0)	
Total amount of liabilities	55,313	1,420	5,808	20,000
	(36,836)	(1,364)	(0)	(1,500)

Liabilities to banks are secured as follows: enforceable land register debt of EUR 20,000 thousand on the real estate of Endor AG.

2.13. Other financial obligations

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

	Residual terms			Total amount
	<1	1 - 5	>5	31 Dec. 2022
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Leases	95	91	0	186
Rental contracts	543	241	0	784
Order commitment	68,372	7,023	0	75,396
License agreements	187	382	0	569
Sponsorship agreements	2,645	145	0	2,790
Total	71,842	7,882	0	79,725

2.14. Deferred taxes

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

	Status at 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	2,597	1,228	3,825
Balance	2,597	1,228	3,825

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 61,604 thousand (previous year: EUR 42,770 thousand) were generated from the sale of goods to third parties, EUR 47,802 thousand (previous year: EUR 28,482 thousand) from Group sales, and EUR 6,446 thousand (previous year: EUR 1,823 thousand) from revenues from apportionments.

Revenues from the sale of goods to third parties in Endor AG break down geographically as follows:

Region	Sales in EUR thousand	Share in %
Germany	17,762	29%
Various other EU countries	10,082	16%
UK	7,864	13%
Third country	6,935	11%
France	6,241	10%
Intra-community revenues	4,365	7%
Netherlands	3,600	6%
Spain	2,542	4%
Italy	2,214	4%

3.2 Other operating income and other operating expenses

Other operating income includes EUR 2,269 thousand in currency gains (previous year: EUR 1,863 thousand).

These are offset by currency losses in other operating expenses of EUR 3,099 thousand (previous year: EUR 1,088 thousand).

3.3 Expenses for retirement benefits

Expenses for pensions in the reporting year amounted to EUR 34 thousand (previous year: EUR 36 thousand).

3.4 Affiliated companies

EUR 132 thousand (previous year: EUR 232 thousand) in interest income was generated from affiliated companies.

3.5. Expenses and income of exceptional size or significance

The write-downs of current assets amounting to EUR 6.3 million include write-downs to the lower fair value at the reporting date of microchips recognized in inventories amounting to EUR 6.3 million.

4. Other information

4.1 Average number of employees during the financial year

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

Employee groups

Number

Employees	138
Senior employees	3

Total average number of employees
141

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 (from 19 April 2022 to 31 March 2023)	Occupation: COO
Daniel Meyberg (since 1 June 2023)	Occupation: COO
Belma Nadarevic (since 1 June 2023)	Occupation: CMO

The following individuals were members of the Supervisory Board:

Andreas Potthoff (Chairman)
Occupation: Member of the Management Board of Clever Pool AG

Ingo Weber (Deputy Chairman of the Supervisory Board)
Occupation: Managing Director of Carcharodon Capital GmbH

Rudolf Dittrich
Occupation: General Manager Small Volume Series, BMW Group

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

The members listed were also members of the following controlling bodies or supervisory boards:

Andreas Potthoff:

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

Ingo Weber:

- PAS Financial Services AG, Chairman of the Supervisory Board
- Magnum EST Digital Health GmbH, Member of the Advisory Board
- KUNO 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 amounted to EUR 1,559,253.23 .

In accordance with Section 286 (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 amounted to 20,820.10 EUR.

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

Provisions for former members of the Supervisory Board amounted to EUR 0 thousand (previous year: 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%	1,491,461.94	1,285,648.89
Endor USA LLC, West Hollywood (USA)	100%	(441.63)	(15,557.09)
Endor Japan KK, Tokyo (Japan)	100%	343,528.04	437,175.96
Endor Australia Pty Ltd., Richmond (AUS)	100%	196,574.05	510,320.27
Endor HK Ltd., Hong Kong (China)	100%	(25,329.82)	(45,940.77)
Endor Technology Shenzhen Co. Ltd., Shenzhen (China)	100%	50,591.37	283,813.46
Scuderia Fanatec GmbH	100%	(422,772.26)	(485,806.44)

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 2022 and the 2022 income statement prepared in accordance with the German Commercial Code (HGB).

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 Individual 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 profits:

Net profit for 2022	EUR 6,550,999.65
+ Profit carried forward	EUR 114,258.68
= Balance sheet profit	EUR 6,665,258.33
<hr/>	
- Carried forward to new account	EUR 6,665,258.33

Signatures of the Management Board

Landshut, 13 September 2023

Thomas Jackermeier

András Semsey

Daniel Meyberg

Belma Nadarevic

Management Board

Independent Auditor's Report

To ENDOR AG, Landshut

Audit Opinions

We have audited the Annual Financial Statements of **ENDOR AG, Landshut**, comprising the Consolidated Statement of Financial Position as of 31 December 2022 and the Consolidated Income Statement for the financial year from 1 January to 31 December 2022 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 2022.

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

- the attached Annual Financial Statements comply in all material respects with the provisions of German commercial law applicable to corporations and give a true and fair view of the asset and financial position of the company as of 31 December 2022 and of its earnings position for the financial year from 1 January to 31 December 2022 in accordance with German principles of proper accounting; and
- the attached 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 judgments

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 (i.e., accounting manipulations and misstatements of assets).

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, the legal representatives 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 and 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 it determines are necessary to enable the preparation of the Combined Management Report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made 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 opinions 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 Annual Financial Statements and the Combined Management Report.

During the audit, we exercise professional judgment 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 opinions. The risk of not detecting material misstatements resulting from fraud is higher than the risk of not detecting material misstatements resulting from error, as non-compliance can involve collusion, 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 the company's systems.

we evaluate the appropriateness of the 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 could 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 based on the audit evidence obtained up to the date of our audit opinion. However, future events or conditions could cause the company to cease to be able 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 such a way 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 derived 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 could 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 significant deficiencies in internal control that we identify during our audit.

Munich, 13 September 2023

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Josef Eberl
German Public Auditor

Michael Pliefke
German Public Auditor

Imprint | Financial Calendar

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Financial Calendar 2023

Date	Event
25 October 2023	Annual General Meeting 2023
November 2023	Publication of the Quarterly Statement Q3 2023

Disclaimer: These Annual Financial Statements contain 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.

