



ANNUAL REPORT

# AR/2021

**CHERRY** 



# KEY GROUP FIGURES (IFRS)

€ million / as reported	Jan. 1 – Dec. 31, 2021	Jan. 1 – Dec. 31, 2020 <sup>1</sup>	Change
<b>Revenue</b>	168.5	130.2	29.4 %
of which GAMING	82.8	73.5	12.6 %
of which PROFESSIONAL	85.7	56.7	51.2 %
EBITDA	42.8	35.3	21.4 %
EBITDA (adjusted) <sup>2</sup>	48.9	37.1	31.6 %
EBITDA margin (in %)	25.4	27.1	-1.7 PP.
EBITDA margin (adjusted, in %) <sup>2</sup>	29.0	28.5	0.5 PP.
EBIT	27.6	25.0	10.6 %
EBIT (adjusted) <sup>2</sup>	33.7	26.8	25.5 %
EBIT margin (in %)	16.4	19.2	-2.8 PP.
EBIT margin (adjusted, in %) <sup>2</sup>	20.0	20.6	-0.6 PP.
Group net profit	9.3	17.5	-47.0 %
Earnings per share (in €)	0.42	-0.49	n.a.
Cash flows from operating activities	7.8	n.a.	n.a.
Cash flows from investing activities	-14.4	n.a.	n.a.
Free cash flow	-6.6	n.a.	n.a.

<sup>1</sup> In the 2020 fiscal year, the Cherry AG Group did not yet exist in its current structure. Therefore, unaudited comparative figures for the Cherry Holding Group are presented for the previous year's corresponding period.

<sup>2</sup> Adjusted for one-time and/or non-operating items.

€ million / as reported	Dec. 31, 2021	Dec. 31, 2020	Change	Share	
Balance sheet total	411.0	290.5	41.5 %	ISIN	DE000A3CRRN9
Cash and cash equivalents	109.7	22.9	379.0 %	WKN	A3CRRN
Equity	293.2	142.6	105.6 %	Ticker (trading symbol)	C3RY
Equity ratio (in %)	71.3	49.1	22.2 PP.	Share type	Ordinary bearer shares (no par value)
Employees	554	496	11.7 %	First quotation	June 29, 2021
				Total number of outstanding shares	24,300,000
				Stock exchange and segment	Prime Standard / Regulated market FWB
				Designated sponsor	Hauck & Aufhäuser Privatbankiers AG
				Xetra closing price on Dec. 31, 2021	€ 24.90
				Market capitalization as of Dec. 31, 2021	€ 605.1 million



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# TO OUR SHAREHOLDERS

## DEAR SHAREHOLDERS

Our first year as a listed company was a highly successful one, despite the increasingly challenging macroeconomic environment. In the fourth quarter, we continued to implement the organizational measures we saw as necessary to secure continued growth and, with a 29% jump in revenue for the full year and an adjusted EBITDA margin of 29%, we outperformed the market as a whole. In addition to the highly effective business model we have adopted, Cherry's success is due in particular to the outstanding commitment of our staff across all operational functions, who shape our corporate culture and breathe life into the values that define Cherry as a brand. We are also delighted with the many new people who have joined Cherry over the past year, further broadening the diversity of our team.

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Rolf Unterberger (CEO)



Bernd Wagner (CFO/COO)

Moreover, our globally leading mechanical keyboard switch technology and the strength of the Cherry brand, especially for gamers in the Asia-Pacific market, continue to drive our business performance into the next phase of our corporate development. With our Ultra-Low Profile switches, we are the world's sole supplier of genuine mechanical keyboard switches with a very low profile of just 3.5 mm, which will also enable their use in office notebooks going forward. The constant broadening of our product range to include new technical highlights, the well-known Cherry quality, and a contemporary, multiple award-winning design ensure that Cherry customers are always one step ahead of the rest. One example in particular is our newly developed Advanced Wireless technology, which now enables us to offer wireless gaming keyboards such as the MX 3.0S

With our Ultra-Low Profile switches, we are the world's sole supplier of genuine mechanical keyboard switches with a very low profile of just 3.5 mm, which will also enable their use in office notebooks going forward.



The plastic-free packaging now in use for Cherry products also reflects our growing ecological awareness.

Wireless with a very low latency of less than one milli-second; a major step forward for gamers in terms of user convenience and individuality. Our product portfolio for office and remote working applications now includes a broad range of products in numerous color and country variants, which have won a host of design awards and provide users with an array of ergonomic benefits. The plastic-free packaging now in use for Cherry products also reflects our growing ecological awareness. As part of our e-commerce strategy, we intend to continue enhancing our multi-channel sales activities during the current year. In the healthcare sector, our systems for connecting to the German telematics infrastructure (TI) make us one of only two providers approved by gematik GmbH. Cherry's state-of-the-art ST-1506 e-health terminal is certified by the German Federal Office for Information Security (BSI) and has proven to be extremely reliable and popular in practical everyday use.

While we are continuously working to develop innovations, we are also expanding our production capacities and further boosting efficiency with new, high-performance manufacturing facilities for mechanical switches. Together with our new Management Board colleague Dr. Udo Streller as Chief Operating Officer, we are ideally equipped to manage growth as we move forward.

For the current year, we have taken into account the current high level of uncertainty due to the COVID 19 pandemic and the Ukraine war with revenue expectations of EUR 170 million to around EUR 190 million and an adjusted EBITDA margin of 23% to 26%. At the same time, we have taken various measures to support our strategic growth path in the medium and long term. Against the backdrop of the existing trends in our markets, our growth expectations for the coming years therefore remain in the double-digit range with an increase in the adjusted EBITDA margin.

Despite the highly distressing current situation, we wish our business partners, shareholders, and employees every success in 2022.

Munich, March 2022

Rolf Unterberger  
(CEO)

Bernd Wagner  
(CFO/COO)

While we are continuously working to develop innovations, we are also expanding our production capacities and further boosting efficiency with new, high-performance manufacturing facilities for mechanical switches.



# REPORT OF THE SUPERVISORY BOARD

## DEAR SHAREHOLDERS,

For Cherry AG, the financial year 2021 was predominantly defined by the process of the change of the legal form into a German stock corporation (Aktiengesellschaft, AG) and the subsequent IPO of the Company which was completed with the admission to trading of shares of Cherry AG at the Regulated Market (Prime Standard) on the Frankfurt Stock Exchange.

Furthermore, Cherry AG has successfully continued its growth course despite the increasingly difficult general conditions in the second half of 2021. The business model with the two business areas Gaming and Professional as well as the strategic positioning in the respective markets have proven to be robust and sustainable overall.

On behalf of the Supervisory Board, I would like to thank the members of the Management Board and the employees of Cherry AG and its subsidiaries for their outstanding work under difficult circumstances. The Supervisory Board is convinced about the strategic opportunities for the Cherry business. In near term we expect from the unlawful Russian military attack on the Ukraine no material direct impact on Cherry business, but the indirect implications from the economic sanctions are currently very difficult to evaluate as the impact with regard to increased material, energy prices and logistics costs are uncertain and will be monitored very closely.

In the following section you will find the report of the Supervisory Board on its activities and the activities of its committees in the financial year 2021.

## COMPOSITION OF THE SUPERVISORY BOARD

In the 2021 financial year, the Supervisory Board consisted of Marcel Stolk (Chairman), Jim Burns (Deputy Chairman and Chairman of the Audit Committee), Joachim Coers (member of the Personnel & Compensation Committee), Heather Faust (Chairwoman of the Personnel & Compensation Committee, member of the Audit Committee), Steven M. Greenberg (Chairman of the Nomination Committee), Tariq Osman (member of the Nomination Committee and of the Personnel & Compensation Committee) and Dino Sawaya (member of the Audit Committee and of the Nomination Committee). The current Supervisory Board members were elected in the shareholders' meeting of Cherry Holding GmbH on 25 May 2021 together with the resolution to convert Cherry Holding GmbH into a stock corporation. Their terms of office end with the conclusion of the Annual General Meeting that passes a resolution concerning the ratification of their acts for the financial year ending on 31 December 2025.

## CONSULTATION AND MONITORING

The Supervisory Board duly performed its duties in accordance with statutory requirements, the Articles of Association, the Supervisory Board's Rules of Proce-



Marcel Stolk, Chairman of the Supervisory Board

dures and the German Corporate Governance Code. It received regular and detailed written and oral reports on the intended business strategy, material issues regarding financial, investment, personnel planning and the progress of business as well as risks and opportunities. In particular, the Supervisory Board has reviewed and advised on the group's general strategy as developed by the Management Board. The Supervisory Board was directly involved in all material decisions, in particular the IPO, its preparation and all other related decisions and measures. Transactions requiring approval of the Supervisory Board were presented by the Management Board.



## MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

The plenum of the Supervisory Board held five meetings in financial year 2021. In addition the Audit Committee held three meetings and the Personal and Compensation Committee convened six times. In addition, the Supervisory Board passed four resolutions outside of meetings by e-mail and by written circular resolution. The Supervisory Board and its committees also convened regularly without the Management Board as necessary to deliberate on items that pertained to the Management Board or required internal discussion among Supervisory Board members alone. The plenum of the Supervisory Board was informed about the results of meetings of the committees at its subsequent plenary meetings. All meetings of the Supervisory Board and its committees were attended by all of its members.

Due to the COVID-19 pandemic, the meetings were partially held as video and teleconferences.

### Overview of Plenary and Committee Meetings and Attendance on an Individual Basis in Fiscal Year 2021

Member	Tenure	Plenum	Audit Committee	Personnel & Compensation Committee	Nomination Committee
Marcel Stolk	May 2021 / AGM 2026	5 / 5	–		–
Jim Burns	May 2021 / AGM 2026	5 / 5	3 / 3		–
Joachim Coers	May 2021 / AGM 2026	5 / 5	–	6 / 6	–
Heather Faust	May 2021 / AGM 2026	5 / 5	3 / 3	6 / 6	–
Steven M. Greenberg	May 2021 / AGM 2026	5 / 5	–		–
Tariq Osman	May 2021 / AGM 2026	5 / 5	–	6 / 6	–
Dino Sawaya	May 2021 / AGM 2026	5 / 5	3 / 3		–

## PLENARY MEETINGS

In each of its ordinary quarterly meetings in H2 2021 the plenum of the Supervisory Board analyzed and discussed the management reports on the development of the business and the Company's strategy as well as capital markets developments. In addition, the Supervisory Board dealt with the following focus areas:

At its constituent meeting on 25 May 2021, the Supervisory Board appointed Mr. Marcel Stolk as Chairman and Mr. Jim Burns as Deputy Chairman of the Supervisory Board, each until the end of the annual general meeting which passes a resolution concerning the ratification of their acts for the financial year ending on 31 December 2025. Furthermore, the Supervisory Board appointed Mr. Rolf Unterberger and Mr. Bernd Wagner as members of the Management Board of the Company from the date when the change of the legal form into the German stock corporation becomes effective until the end of 30 June 2025. Mr. Rolf Unterberger has been appointed

as CEO of the Company. The change of the legal form was registered with the commercial register of the Local Court of Munich on 2 June 2021 and thus became effective on that date.

At its meeting on 14 June 2021, the Supervisory Board approved the launch of the IPO of the Company, in particular on the Public Offering of Securities Insurance, the Underwriting Agreement and the Cost Sharing and Indemnity Agreement. Moreover, the Supervisory Board resolved on several corporate governance issues, in particular on the adoption of the Rules of Procedure for the Supervisory Board and the Rules of Procedure for the Management Board of the Company, on the target quota of women on the Supervisory Board and on the Management Board and resolved on several recommendations of the German Corporate Governance Code. Furthermore, the Supervisory Board resolved on the establishment of an Audit Committee, a Nomination Committee and a Personnel and Compensation Committee. The Supervisory Board also approved the employment terms and the execution of the service agreements with the members of the Management Board at this meeting.

At its ordinary meeting on 28 September 2021, the Supervisory Board received information on the financial performance of the Company and expectations for the full year 2021. Moreover, the Supervisory Board received an update on ESG reporting at Cherry, on key projects in each of the Gaming and Professional business areas and on the M&A strategy of the Company. The Chairman of the Audit Committee reported the topics discussed at the recent Audit Committee meeting. The Chairwoman of the Personnel and Compensation Committee reported about the deliberations of the Committee.



On 15 December 2021, a further meeting of the Supervisory Board took place, which was also attended by the members of the Management Board. The Management Board informed about the course of business for the financial year and gave a preliminary outlook for the 2022 financial year. The Management Board also presented the five-year plan for the Company and the key business areas of the Company. At its meeting on 15 December 2021, the Supervisory Board approved the decisions of the Management Board regarding the Annual General Meeting 2022 according to Sec. 1 para. 6 sentence 1 COVID-19-G. Moreover, the Management Board and the Supervisory Board resolved on the Declaration of Compliance with the German Corporate Governance Code [Deutscher Corporate Governance Kodex, DCGK] according to Sec. 161 AktG. The recommendations contained in the German Corporate Governance Code have been complied with and will continue to be complied with in the future. The Declaration of Compliance has been published on the website of the Company.

At its meeting on 16 December 2021, the Supervisory Board resolved upon the terms of the LTI 2021 Tranche ending on 31 December 2023. In particular, the Supervisory Board determined the performance targets for the LTI EBITDA target for the fiscal years 2021, 2022 and 2023. Detailed information on the LTI and the performance criteria can be obtained in the remuneration report for the fiscal year 2021.

Based on the law and the requirements laid down in the Articles of Association and the Management Board's Rules of Procedure, certain transactions and measures require the prior approval of the Supervisory Board. These transactions were presented to the Supervisory Board for approval. The transactions included inter alia the acquisition of a production machine, the establish-

ment of a legal entity in Taiwan and the launch of the transformation of the Company into a European Company (Societas Europaea, SE).

## AUDIT COMMITTEE

The Audit Committee reviewed the H1 2021 report and the corresponding press release as well as the investor presentation. Moreover, the Audit Committee reviewed the full year forecast 2021. The Audit Committee reviewed the financial statements, disclosures and investor messaging for the 9 months ending September 2021. The Audit Committee regularly reviewed and discussed the focus of the audit, ongoing risks and litigation, ESG reporting, and the approval of non-audit services. The Audit Committee was involved on discussions on additional requirements for public listed companies, such as the implementation of internal risk detection system, segment reporting, the ESEF (European Single Electronic Format) and the required capabilities of the finance department and audit experience on the Audit Committee under the Act strengthening the financial market integrity (FISG).

## PERSONNEL AND COMPENSATION COMMITTEE

The Personnel and Compensation committee reviewed the overall service agreements of the Management Board members including the short term and long term incentive scheme for 2021. The structure of the current roles and responsibilities in the Management Board were reviewed in detail. Strategic succession planning options and personnel-related matters with regard to the composition and an enlargement of the Management Board were on the agenda.

The Personnel and Compensation committee also reviewed the targets for the 2021 tranche of the LTI for the Management Board and the corresponding documentation and discussed the expansion of the LTI participants to include certain second tier managers for the 2022 tranche of the LTI.

## CONFLICTS OF INTEREST

According to the recommendation E.1 of the German Corporate Governance Code, the Supervisory Board shall inform the annual general meeting in its report on any conflicts of interest which have arisen and how they have been addressed. No conflicts of interest arose in the Supervisory Board in the 2021 financial year. In particular, no conflict of interest was disclosed to the Chairman of the Supervisory Board by a member of the Supervisory Board or reported by a member of the Management Board or third parties.

## TRAINING AND PROFESSIONAL DEVELOPMENT

The Company has supported the Supervisory Board members upon their appointment with a virtual or face-to-face onboarding training including detailed onboarding materials. The topics covered by the onboarding included tasks, rights and duties of the Supervisory Board, set-up and internal organization, conflicts of interest and directors' dealings. Besides, the company educated the members of the Supervisory Board about regulatory changes, such as the new legal and governance framework for Management Board and Supervisory Board remuneration.





## AUDIT AND RATIFICATION OF THE ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

At the shareholders meeting of Cherry Holding GmbH on 25 May 2021, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Essen, was elected as auditor and group auditor for the fiscal year 2021. The audit covered the annual and consolidated financial statements and the combined management report for Cherry AG and the Cherry group for the 2021 fiscal year. In all cases, an unqualified audit opinion was granted. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, also reviewed the report of the Management Board on relations with affiliated companies (Dependent Company Report).

The annual financial statements of Cherry AG and the combined management report for Cherry AG and the Cherry group were prepared in accordance with German statutory regulations.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable in the European Union as well as in accordance with the supplementary German statutory provisions applicable under Section 315e (1) of the German Commercial Code (HGB). The auditor conducted the audit in accordance with Section 317 of the German Commercial Code (HGB) and the EU Regulation on Auditors, in compliance with the generally accepted German standards for the audit of financial statements issued by the Institute of Chartered Accountants (Institut der Wirtschaftsprüfer) and in supplementary consideration of the International Stand-

ards on Auditing (ISA). The annual financial statements, the consolidated financial statements and the combined management report were dealt with in-depth and discussed in detail at the meeting of the audit committee on 24 March 2022. In particular, the Audit Committee dealt with the key audit matters outlined in the respective auditor's report (including the audit procedure). The auditor's reports were made available to all members of the Supervisory Board and were discussed in detail in the presence of the auditor at the Supervisory Board's meeting on 30 March 2022. The auditor reported on the scope, the key aspects and the main results of its audit and in particular on the key audit matters and the audit procedure. No significant weaknesses in the internal control and risk management system were reported. The Management Board explained the financial statements of Cherry AG and the Cherry group in detail during this meeting. The Supervisory Board agrees with the results of the audit. Following the final review by the Audit Committee and the Supervisory Board's own review, no objections arise. The Management Board has prepared the annual financial statements and the consolidated financial statements on 31 March 2022. The Supervisory Board has approved the annual financial statements and the consolidated financial statements. The annual financial statements are therefore adopted.

The Management Board draw up the abovementioned report on relations with affiliated companies (Dependent Company Report) for the fiscal year from January 1, 2021 to December 31, 2021 in accordance with § 312 of the German Stock Corporation Act. The auditor issued the following audit opinion as summary of its audit: "On completion of our audit in accordance with professional standards, we confirm that

1. the factual statements in the report are correct,
2. the consideration paid by the company for the legal transactions listed in the report was not inappropriately high or disadvantages were compensated,
3. with regard to the measures listed in the report, there are no circumstances that would indicate an assessment significantly different from that of the Executive Board."

The Supervisory Board agreed with the auditor's findings. According to the final result of the audit by the Supervisory Board, there are no objections to the declaration of the Management Board at the end of the report.

For the Supervisory Board

Marcel Stolk  
Chairman



# CHERRY ON THE CAPITAL MARKET

Since its founding in 1953, Cherry has been synonymous with innovative, high-quality products designed specifically to meet diverse customer needs. As a globally active manufacturer of high-end switches for mechanical keyboards and computer input devices for applications in the areas of gaming & e-sports, office, industry as well as in the healthcare sector, Cherry AG is listed in the Prime Standard quality segment of the Frankfurt Stock Exchange with bearer shares (ISIN DE000A3CRRN9, WKN A3CRRN).

## INVESTMENT HIGHLIGHTS

### Global market leader

Established market position as global market leader for mechanical gaming keyboard switches

### Innovation and quality leadership

Impressive track record since 1953 in developing high-quality product innovations

### Brand recognition

High international brand recognition and brand loyalty in core markets

### Blue chip customer base

Prestigious customers place their trust in reliable, high-quality Cherry technology

### Global multichannel sales

Comprehensive mix of sales channels (distributors, resellers, systems houses, retailers, e-tailers, DTC)

### Scalable production base

Highly automated assembly machines and warehouse robotics

### Solid financial profile

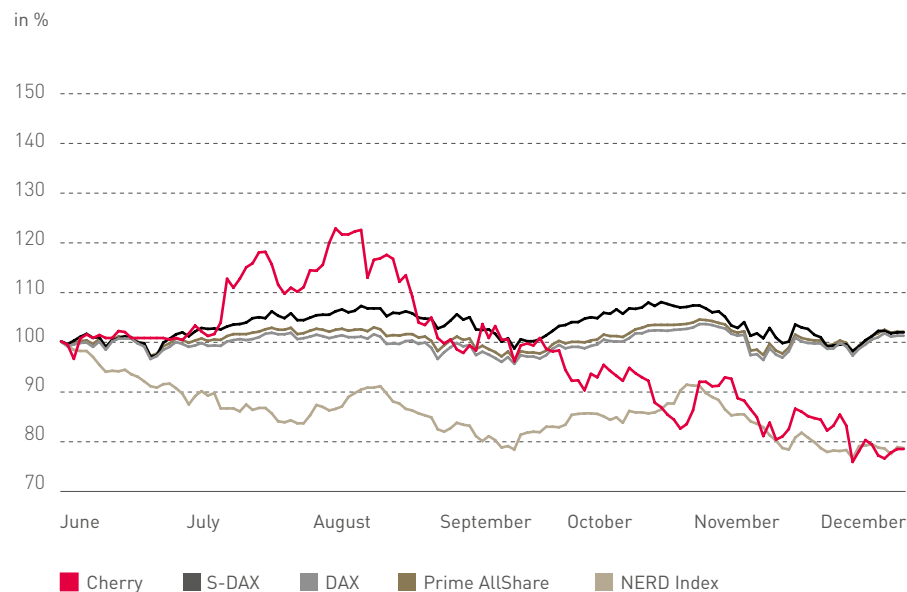
High profitability and attractive cash conversion

## ANALYSTS

Institute	Analyst	Recommendation	Target Price <sup>1</sup>	Date
ABN AMRO / ODDO BHF	Julian Dobrovolschi, Leopoldo Palazzi Trivelli	Outperform	€ 33.00	March 8, 2022
Hauck & Aufhäuser Privatbankiers AG	Marie-Thérèse Grübner, Tim Wunderlich	Buy	€ 44.00	January 26, 2022
	Jörg Philipp Frey,			February 4, 2022
Warburg Research	Andreas Wolf	Buy	€ 40.00	

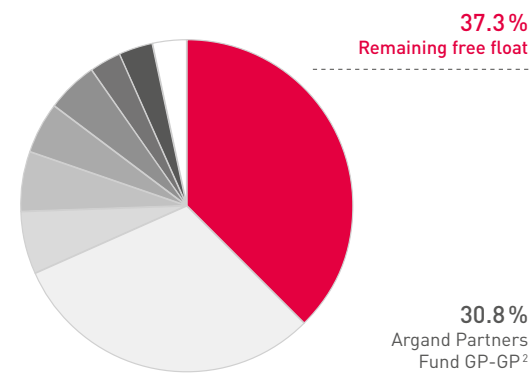
<sup>1</sup> Cherry AG updates the analyst overview regularly. The evaluations presented here merely reflect the opinion of the financial institutions, research companies or analysts named therein. Cherry AG assumes no liability for the selection, timeliness, completeness or accuracy of the analyst recommendations reproduced and their content nor the consensus listed here. Interested parties are recommended to obtain research reports from the respective analysts directly or from the corresponding financial institutions or research companies. Cherry AG does not provide research reports.

## RELATIVE PERFORMANCE OF THE CHERRY SHARE



## SHAREHOLDER STRUCTURE<sup>1</sup>

3.2 %	Glenernie Capital Ltd
3.5 %	UBS Group AG
3.2 %	Janus Henderson
5.0 %	The Capital Group Companies
5.0 %	Swedbank Robur Fonder
5.9 %	DWS Investment
6.1 %	Ophir Asset Management



<sup>1</sup> Information is based on voting rights notifications pursuant to Art. 40, Para. 1 of the German Securities Trading Act (WpHG). Status: March 22, 2022

<sup>2</sup> Based on internal investor reporting to Cherry, not subject to disclosure.





# Winning innovation

**CHERRY MX 3.0S Wireless** The wireless version of the renowned high-performance gaming keyboard. Thanks to CHERRY Advanced Wireless Technology, there are no limits to how you play – even when you are wireless, you can choose from different connection modes and go at full speed with a latency of less than 1 ms.



LLM

## 40 channels

switched up to  
1600 x per second

(typical methods  
only 5 – 8 channels)



**CHERRY Advanced Wireless Technology** At the core of CHERRY Advanced Wireless Technology is a special Bluetooth based Low-Latency Mode (LLM). The technology is based on a coexistence specification, which defines how multiple wireless products should communicate with a minimum of interference, thus opening the doorway to lower latencies. LLM also allows for extremely short data packages, driving the latency further down.



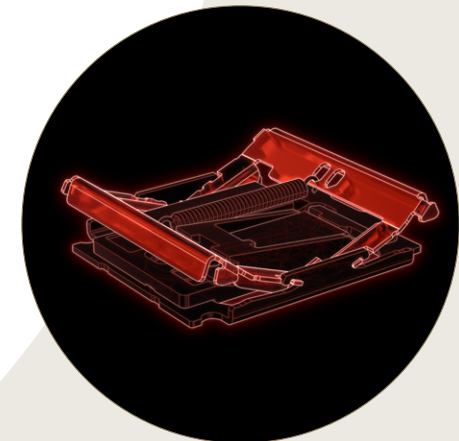
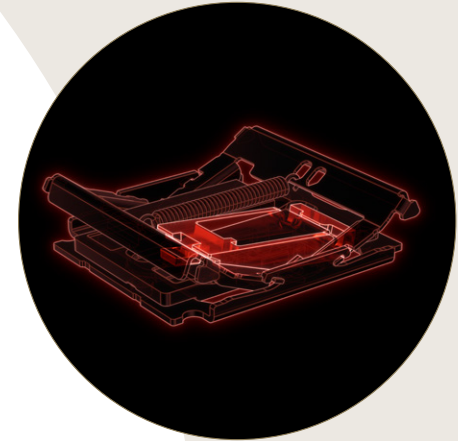
# Innovation that sets standards

“Both the sound and feel of these true mechanical keys are superior to almost any laptop keyboard, delivering a satisfying click and tactile feedback.”

Matthew Buzzi, PC Mag Australia



**CHERRY MX Ultra Low Profile** It is one of the latest innovations in switch technology. The completely newly developed and patented key switch is with an overall height of 3.5 mm at the limit of technical feasibility and thus serves as a new benchmark for high-end notebook and desktop keyboards. Proven MX features such as the Gold Crosspoint contact system ensure a first-class typing feel in an ultra-low-profile format, allowing the MX ULP to meet the demands of power users. Of course, the MX ULP also bears the “Made in Germany” seal.



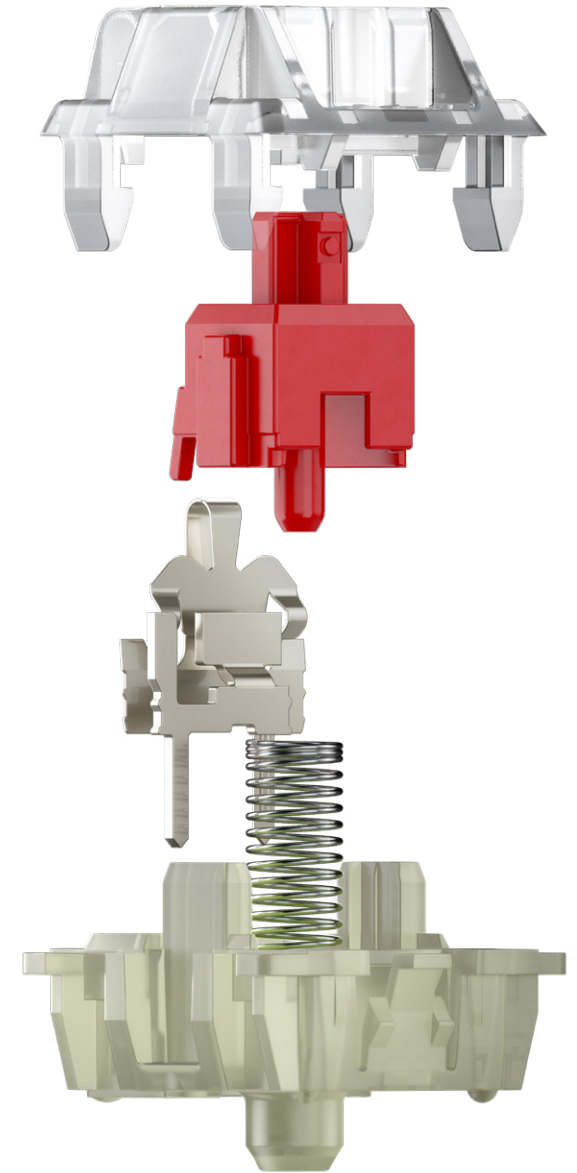
**CHERRY G80-3000 S (TKL)** A reinterpretation of the original corded keyboard from 1989 and reduced to the essentials. Durable, precise and reliable thanks to the MX switches used in millions of devices. CHERRY is the only switch manufacturer that is guaranteeing a lifetime of 100 million actuations without loss of input quality for all MX Low Profile switches and selected MX Standard switches.



## Quality leadership as a brand value



“What I’ve learned over the years of working with a variety of global companies is that the quality of the products is crucial in the success of the business and directly connected with brand reputation. In fact, that is everything. CHERRY always offers uncompromised quality, sleek designs and exceptional finishes beyond fully aligning with the customers needs. This adds tremendous value to the brand and further affects the positive preferences of ‘German quality’ that consumers demand.” Scott Yi, PC Direct Korea







**CHERRY HC 2.2** The ideal blend of wearing comfort and sound quality for extra-long gaming sessions. With its perfect fit, clear sound reproduction and easily accessible volume controls, it is the best possible choice for any use. The ergonomically shaped ear cushions made of soft PU leather, and the adjustable headband with silicone air cushions make it comfortable to wear for hours at a time. Virtual surround sound, a wide sound spectrum and a sensitive, detachable microphone ensure perfect sound and tone. Design: marwin GmbH, Marcus Kuchler



## Award-winning product design

**CHERRY MC 2.1** Perfectly in your hand, high performance in the game – the right RGB gaming mouse for every game. Thanks to the extra flexible cable, reduced weight, silicone inserts on the sides, and easily accessible buttons, it provides a comfortable and ergonomic positioning for any hand. The stylish RGB lighting, practical DPI display combined with the high-quality 5,000 DPI PIXART sensor and customization options via software make the MC 2.1 the ideal casual gaming mouse. Design: VISION Institut für Designtransfer, Prof. Peter Raab



“With its eHealth terminal, CHERRY has developed a high-quality and very reliable terminal, in which innovative functionalities have been combined with an appealing design. Thanks to the NFC interface and a touchscreen glass surface, it is easy to disinfect and absolutely intuitive to operate – while also being ideally prepared for future applications. We especially appreciate the high integrability through the unique web service for monitoring or remote maintenance functions via the integrated REST-API!”

Marcus Zenkel, Director Competence Center Telematics & eHealth, Bechtle IT-Systemhaus GmbH



# Outstanding design and function



**CHERRY How Function Becomes Form** CHERRY emphasizes on technology and will thus continue to lead the development of timeless design. According to the idea, that form must follow function, CHERRY aims to design simple and useful IT peripherals, components, and software that are sustainable and built to last.

**CHERRY eHealth Terminal ST-1506** With its easy to clean and high-resolution touchscreen the ST-1506 eHealth Terminal provides a hygienic and intuitive solution for health professionals. Thanks to the integration of remote services, the ST-1506 is perfect for an integration in a managed environment in hospitals and medical supply centers. The ST-1506 eHealth Terminal is the first device in this product category that uses a touchscreen interface. Most existing products still use physical buttons which leads to an old-fashioned look and causes hygiene problems because of the tiny gaps between the buttons. Design: BRANDIS Industrial Design

SIMPLE

INNOVATIVE

USEFUL

BUILT TO LAST



“Climate change presents us with major challenges. Therefore, we are delighted that our long-standing business partner CHERRY has many products in its portfolio marked with the “Blauer Engel” eco-label. Over 25 years ago, CHERRY was one of the first manufacturers of suitably certified keyboards to be recognized with this label. Today, many CHERRY products bear the “Blauer Engel.” Aspects such as the “GS” seal of approval or plastic-free packaging will also become increasingly important in the future and make CHERRY an exceptional partner for us.”

Bodo Amkreutz, Senior Product Manager, api Computerhandels GmbH



# Environment & sustainability certified with the “Blauer Engel”



**Consistent protection of our environment** This is a declared goal of CHERRY and an integral part of our corporate policy. Besides others, environmentally friendly procurement, sustainable and energy-efficient production and almost completely recyclable products are a green thread running through all business areas of our company. CHERRY was the first keyboard manufacturer to receive the “Blauer Engel” eco-label back in 1994. We want to continue to receive this oldest environmental protection-related award in the world for a wide range of specified products. Under the slogan “Good for me. Good for the environment.” the German Ecolabel “Blauer Engel” guarantees that a product places less burden on the environment and fulfils high standards with respect to the protection of human health – while also having the same fitness for use and quality as other products.



# 02 Combined Management Report

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## 1. CHERRY GROUP PROFILE

### 1.1. Business model

The Cherry Group, comprising Cherry AG and its consolidated subsidiaries, is a globally operating manufacturer of high-end mechanical keyboard switches and computer input devices. Its business focus is on mechanical keyboard switches for gaming keyboards as well as office and industry keyboards and a variety of computer input devices, which are used in a wide range of applications, particularly gaming, office, industry, cybersecurity, and telematics solutions for the healthcare sector. Since it was founded in 1953, Cherry has been synonymous with innovative, high-quality products developed specifically to meet the various needs of its customers.

Cherry has its operational headquarters in Auerbach in the Upper Palatinate region of Bavaria and employs over 550 people at production facilities in Auerbach (Germany), Zhuhai (China), and Vienna (Austria) as well as various sales offices in Auerbach, Pegnitz, Munich, Paris, Kenosha (USA), Shanghai, Taipei, and Hong Kong. Cherry is also represented by its own sales teams in England and Sweden.

In 1983, Cherry invented the first mechanical switches for keyboards and is a leading supplier of these components. Cherry Europe GmbH manages development, production, and sales from its operational headquarters in Auerbach. Cherry products are manufactured with a range of automatic assembly machines of various technological generations and capacities. The Cherry Group has integrated test procedures into its production processes to ensure full compliance with its own quality requirements. The switches are sold primarily to globally operating gaming peripherals vendors using a B2B marketing approach and supplied via distribution warehouses located in Auerbach and Hong Kong. Cherry's exceptional level of brand recognition in the market for mechanical keyboard switches enables it to pursue a pull strategy by having the world's leading peripherals suppliers recommend its switch technology to their end customers.

Cherry also offers a wide range of its own PC gaming peripherals, including keyboards, mice, and headsets – all precisely tailored to meet the needs of professional users in the worlds of gaming and e-sports. Cherry products are manufactured at the Group's plant in Zhuhai (China) using almost fully automated assembly equipment

and processes. Cherry's in-house developed gaming peripherals are primarily sold via distributors and online platforms in the major gaming markets of Asia. Although the geographical focus is on China as the continent's largest single market followed by South Korea, in 2021 Cherry entered further markets in Southeast Asia including Indonesia, Malaysia, and Hong Kong as well as Australia.

The Cherry Group's commercial activities can be divided into two key business areas: GAMING and PROFESSIONAL. The GAMING business area mainly comprises the manufacture and sale of mechanical switches for gaming keyboards as well as peripheral devices for gaming PCs. The PROFESSIONAL business area manufactures and sells PC peripherals for use in office and industrial applications as well as safe, hygienic peripherals for the healthcare sector. In the 2021 fiscal year, reporting to the Management Board was carried out during the year on the basis of the legal Group units or locations (see 1.4. Management system). For 2022, it is planned to align internal reporting and thus also segment reporting in line with the business areas.

In the 2021 fiscal year, reporting to the Management Board was carried out during the year on the basis of the legal Group units or locations (see 1.4. Management system). For 2022, it is planned to align internal reporting and thus also segment reporting in line with the business areas.

Cherry's PROFESSIONAL business area offers PC peripherals that have been specially developed for both office and industrial use. The range of Cherry devices designed for this professional user group includes keyboards, mice, and combinations, each equipped with a host of product features. These PC peripherals are manufactured on the basis of Cherry specifications, Cherry designs, and Cherry quality processes by selected production partners abroad or at the Group's own production facilities in China. The entire product portfolio for office or home office applications comprises a large number of different products in numerous color and country variants. Cherry products are mainly sold by regional and national distributors in Europe, the USA, and Asia, who resell them to end users both online and offline via various sales channels (sub-distributors, resellers, systems houses, retailers, and e-tailers).

Finally, Cherry's PROFESSIONAL business area focuses on developing, manufacturing, and selling innovative tamper-proof peripherals capable of a wide range of functions, such as keyboards for encrypted input transmission, keyboards with integrated

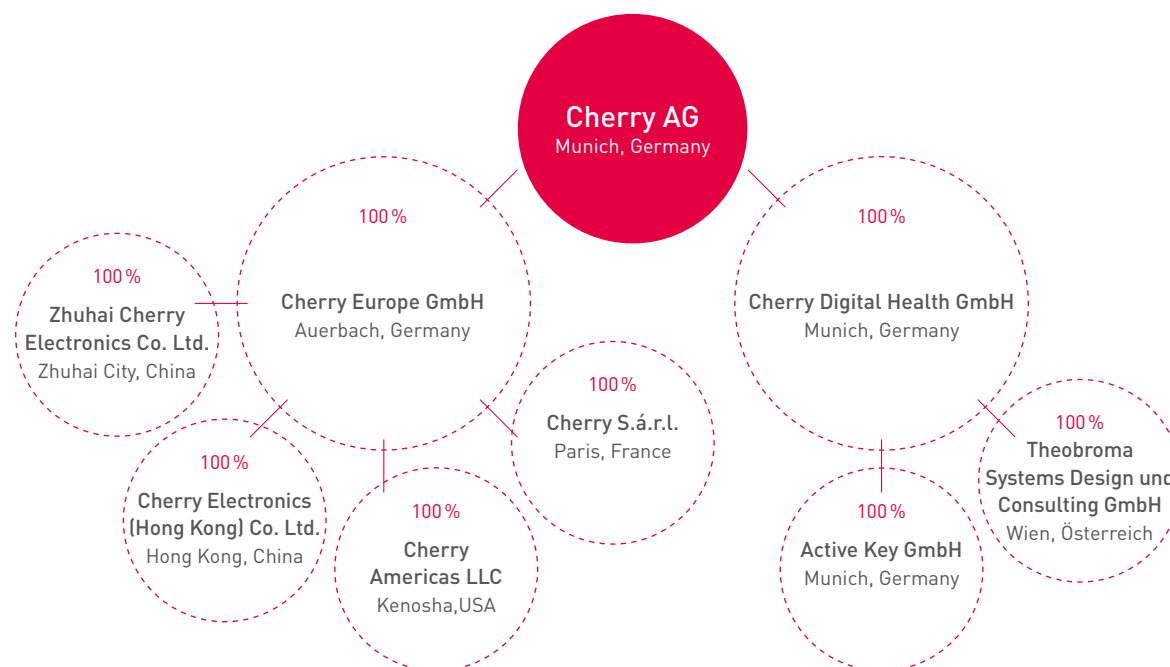


smartcard readers, and input and output terminals for workstations in the healthcare sector. Moreover, Cherry has been approved by gematik GmbH as one of only two providers of systems for connecting to the German telematics infrastructure (TI) in the healthcare sector. The state-of-the-art ST-1506 e-health terminal is certified by the German Federal Office for Information Security (BSI) and sold on the market by specialized systems integrators. The SMD circuit boards are manufactured and the devices subsequently assembled at Cherry's production facility in Vienna. The market for telematics infrastructure in the German healthcare sector presents a high barrier to market entry for potential competitors due to its strict security and certification requirements. Furthermore, with the acquisition of Active Key GmbH, Pegnitz, a specialized manufacturer of hygienic and washable keyboards and mice, in May 2021 (and subsequent relocation of its registered office to Munich), Cherry has specifically broadened its product portfolio in the Digital Health market.

## 1.2. Group structure

The Cherry Group is headed by the parent company Cherry AG, which had two wholly owned direct subsidiaries as of December 31, 2021: Cherry Europe GmbH (Auerbach, Germany) and Cherry Digital Health GmbH (Munich, Germany). Cherry Europe GmbH also has further wholly owned subsidiaries located in Zhuhai (China), Hong Kong (China), Kenosha (Wisconsin, USA), and Paris (France). Cherry Digital Health GmbH is the organizational entity via which Cherry holds the wholly owned subsidiaries Active Key GmbH (Munich, Germany) and Theobroma Systems Design und Consulting GmbH (Vienna, Austria).

Cherry operates two highly automated, state-of-the-art manufacturing facilities in Auerbach (Germany) and Zhuhai (China), a smaller assembly facility that specializes in producing printed circuit boards and e-health terminals located in Vienna (Austria), and several sales offices in Auerbach, Munich, Pegnitz, Paris, Kenosha (USA), Taipei (Taiwan), and Hong Kong. Cherry also has its own sales teams in the UK and Sweden.





### 1.3. Strategy and target system

Cherry's strategy focuses on innovation and quality leadership in order to further increase its competitive edge based on the specific performance advantages of its range of products and services. Cherry leverages its long-standing core competencies to continue driving business growth through continuous innovation. In doing so, Cherry aspires to offer additional benefits to each of its end customers as well as to further expand its global reach through multichannel sales. At the same time, the strategy is to bolster planned corporate growth and brand awareness via a combination of organic and inorganic growth measures. Cherry's targeted inorganic measures include selective acquisitions aimed at complementing its product portfolio and expanding its geographical presence at international level.

Cherry's competitive advantages include:

- Established position as global market leader for mechanical gaming keyboard switches
- Quality leadership with a track record of developing product innovations
- High brand awareness and brand loyalty in core markets
- Blue chip customer base with high switching costs
- Global multichannel sales
- Scalable production base with highly automated assembly equipment and warehouse robotics

Cherry has also defined specific strategic objectives for its two business areas.

The following strategic objectives have been defined for the GAMING business area:

- In the Components business unit, Cherry aims to achieve rapid market penetration in the segment for high-quality gaming notebooks with its MX Ultra Low Profile switches. These switches will also be aimed at other market segments such as high-quality office notebooks. Finally, the market launch of an innovative analog switch technology is expected to offer additional specific performance advantages for professional users in the gaming and e-sports sector going forward.
- The strategy in the Gaming Devices business unit is aimed at expansion in the new markets recently entered in the Asian region, broadening and diversifying the

product portfolio, and establishing a comprehensive ecosystem with central gaming utility software for keyboards, mice, and headsets.

The following strategic objectives have been defined for the PROFESSIONAL business area:

- In the Peripherals business unit, efforts are also being made to expand and diversify the product portfolio, including the addition of new wireless keyboards and desktop combinations designed for creators as well as ergonomically optimized peripherals. The strategic focus is also on penetrating regional markets, particularly in Europe and North America, through selective sales channels and, in particular, the establishment and expansion of e-commerce sales via major online marketplaces in Europe and the USA.
- The strategy in the Digital Health business unit is to decisively drive the further rollout of the ST-1506 eHealth terminal and the new PP-1516 PIN pad in the healthcare sector in order to gain market share and be part of the second generation of technology for German telematics infrastructure (TI 2.0) from 2025. gematik GmbH is currently planning to establish a federally interconnected healthcare system that will enable all user groups to collaborate efficiently in order to provide improved patient care within the EU going forward. The new PP-1516 eHealth PIN pad is scheduled for market launch in mid-2022; it enables separate PIN entry for patients and already has the technical capability for more extensive use with second-generation software products. Cherry therefore sees strategic potential to launch software-based products and applications, such as payment functions and value-added services, for the new TI 2.0 technology generation expected from 2025.

### 1.4. Management system

For corporate management purposes, the Cherry Group is organized into seven legal and segment reporting entities: Cherry Europe GmbH, Cherry Digital Health GmbH, Cherry Americas LLC, Zhuhai Cherry Electronics Co. Ltd., Cherry Electronics (Hong Kong) Co. Ltd., Theobroma Systems Design und Consulting GmbH, and Active Key GmbH.

The management system is based on a comprehensive reporting system and regular meetings of the Supervisory Board and the Management Board, including discussing



the risk report at regular intervals. Revenue and sales volume developments are reported on a daily, and the liquidity situation on a weekly basis. There is also a medium-term liquidity plan that is continuously updated. Detailed financial reports are prepared on a monthly basis. In addition, Cherry publishes quarterly statements as well as half-yearly and annual reports to document business performance to external parties. Monthly management reviews involving the various business units and subsidiaries serve to analyze and manage all the relevant performance and risk factors. Management Board meetings are held on a weekly basis. The Supervisory Board meets four to six times a year, or more frequently if required to do so. The Audit Committee is part of the Supervisory Board and acts as an additional controlling body.

The Management Board uses revenue and adjusted EBITDA as financial performance indicators. In addition to the segments, these performance indicators are also presented for the GAMING and PROFESSIONAL business areas in the statement of net assets position, financial position and results of operations.

### Financial performance indicators

#### Group revenue

Cherry's commercial activities in the GAMING business area are largely defined by the development, production, and supply of a range of keyboard switches with varying product specifications, which are installed as intermediate products in the gaming keyboards of leading global peripheral equipment suppliers and also in keyboards from Cherry and other suppliers for professional users in the gaming and e-sports sectors. By contrast, activities in the PROFESSIONAL business area are largely driven by the mega-trends of new work, remote working, and digitalization, and target market segments that have different dynamics. Alongside access to the various regional markets, the main influencing factors include the mix of distribution channels used in each case and the respective time to market for innovations.

In this respect, Group revenue is subject to a number of different factors in terms of their nature, extent, and direction, the aggregate impact of which is regularly assessed by the Management Board. In the outlook, this fact is taken into account by specifying a target range.

### Use of Alternative Performance Measures (ESMA)

#### EBITDA margin (adjusted)

EBITDA represents the Group's earnings before interest, taxes, the depreciation of property, plant and equipment and the amortization of intangible assets, adjusted for non-recurring items, and generally reflects the operational profitability and the efficiency of a company's economic performance. Profitability can thus be viewed over time as well as in an international comparison – regardless of the respective financing structure and income tax regime.

The Management Board's overriding strategy is to ensure that the defined growth trajectory can be implemented with an appropriate level of profitability. All relevant expense items are therefore forecast after taking account of the planned revenue performance of the Cherry Group as a whole. This is reflected in the fact that the indicator of profitability for forecasting purposes is expressed as an (adjusted) EBITDA margin, which thus also takes into account the dynamic effects that arise over time in expense and income items.

#### Adjusted EBITDA

Cherry defines adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization) as sustainable normalized operating profit, which reflects profitability adjusted for non-recurring items, which can be either added or subtracted. Cherry breaks down these non-recurring items into five categories:

- (i) Non-recurring or extraordinary personnel expenses (including costs relating to the final settlement of share-based remuneration)
- (ii) Expenses relating to the capital market and the Initial Public Offering
- (iii) Expenses relating to M&A transactions
- (iv) Expenses relating to natural disasters and pandemics
- (v) Other non-recurring special expenses



## 1.5. Research and development

In line with the current corporate strategy, it is of vital importance to constantly innovate by means of research and development in order to continue driving future corporate growth and further sharpen Cherry's competitive edge in terms of innovation and quality leadership. Cherry's development work focuses on specifically expanding its product portfolio to include new, technologically and functionally innovative products, as well as exploit existing gaps in the market and replace products at the end of their respective useful lives in a timely manner.

Development work is largely managed from the Cherry Group's location in Auerbach (Germany). Cherry's operational headquarters acts as a development center for the Components business unit, where all R&D activities are carried out on an in-house basis. In the other business units, however, Cherry maintains close relationships with development partners from various regions. These partnerships relate to projects that include the development of security hardware, software, and security products, design studies, and hardware and software development in general. The Gaming Devices business unit conducts its development work at the Cherry locations in Auerbach (Germany) and Zhuhai (China). Cherry also maintains further development partnerships with local manufacturers. Development work in the Peripherals business unit relates primarily to the definition of product and design specifications, while the product development work itself is regularly carried out by Cherry's respective contract manufacturers. In the Digital Health business unit, development activities are carried out at Cherry's sites in Vienna (Austria) and Auerbach (Germany) and also include the development of embedded Linux software in the security and healthcare sectors as well as various industrial applications in the field of IoT (Internet of Things).

The GAMING business area focused on the following development projects during the fiscal year under report:

- With the CHERRY MX Ultra Low Profile switch, Cherry has developed a switch technology, which, with its tactile and acoustic switching characteristics, initially should enable it to enter the gaming notebook market and, at a later date, the office notebook market as well.
- The focus of development work in the Gaming Devices business unit was on expanding the product portfolio. The most important new products in 2021 included the new HC2.2 gaming headset and the new MC2.1 gaming mouse. The "retro" gaming

keyboard G80-3000S was also developed to complement the portfolio, as well as the Cherry MV 3.0 gaming keyboard fitted with the recently developed CHERRY MV switch. Cherry has also collaborated with development partners to create the Advanced Wireless technology for keyboards.

The PROFESSIONAL business area focused on the following development projects during the year under report:

- In the Peripherals business unit, development was also concentrated on expanding the portfolio and updating or replacing existing product lines and models. The focus here was on specific radio frequency and Bluetooth® standards with the aim of ensuring sustainable product quality. R&D also worked specifically on developing specific mechanical keyboards tailored to meet the requirements of the "Creator" segment.
- Development in the Digital Health business unit focused primarily on the ST-1506 eHealth standalone terminal as a platform and the 1516 eHealth PIN Pad. The eHealth terminal already achieved market maturity in the first quarter 2021. The terminal was developed on the basis of the multi-paradigm system programming language RUST and thus represents the basic development for Cherry's Digital Health business unit in the future telematics infrastructure for the German healthcare system (TI 2.0) as a scalable platform. As planned, the CHERRY PP-1516 eHealth PIN pad is still at the development stage and/or undergoing the approval process up to the third quarter 2022 and represents a modern and easily disinfectable solution for digitalized workplaces in the healthcare sector. Telematics infrastructure applications such as the electronic medication plan (eMP), the emergency data management (NFDM), or the electronic patient record (ePA) require patients to enter their PIN to uniquely identify and release their personal data. The clear separation of patients and medical professionals is designed to ensure an efficient workflow.

As of December 31, 2021, a total of 55 employees were engaged in research and development work (December 31, 2020: 48 employees).

Research and development expenses amounted to EUR 6.1 million in the year under report (2020: EUR 4.5 million). Of this amount, EUR 2.0 million (2020: EUR 2.2 million) was attributable to the GAMING business area and EUR 4.1 million (2020: EUR 2.3 million) to the PROFESSIONAL business area, corresponding to an R&D ratio of



approximately 2.4% of revenue in the GAMING business area (2020: 3.0%) and 4.8% of revenue in the PROFESSIONAL business area (2020: 4.1%).

Moreover, in-house development costs amounting to EUR 2.6 million were capitalized as intangible assets in the 2021 fiscal year (2020: EUR 2.7 million), which mainly related to the MX Ultra Low Profile project and developments in the field of e-health. Including capitalized development costs, the total expenditure ratio for research and development was therefore 43.3% (2020: 60.4%).

## 2. REPORT ON ECONOMIC POSITION

### 2.1. Macroeconomic and sector-specific environment

The world economy was largely defined by the course of the COVID-19 pandemic in the year under report. The increasing spread of the Omicron variant at the end of the year posed an additional risk to a broad economic recovery in the winter months.

According to the International Monetary Fund's (IMF) October 2021 World Economic Outlook, the momentum of global economic recovery has recently weakened due to critical supply shortfalls caused by supply chain disruptions. As a result, the IMF sees the risks to further economic development as having increased overall and the necessary political trade-offs have become more complex. In October 2021, the IMF downwardly revised its estimate of global economic growth for 2021 by 0.1% to 5.9%, compared with its July 2021 forecast, as some developing countries have now been downgraded significantly and pandemic-related supply chain disruptions are increasingly weighing on the economic outlook for the advanced economies. This revision was confirmed by the IMF in its update from January 2022. Accordingly, in addition to supply bottlenecks, higher raw materials prices and other factors have led to a rapid rise in inflation in both the USA and Germany. While real private consumption was still considered a key driver of global economic growth in 2020, according to IMF calculations, real investment predominated in the summer of 2021, with growth momentum weakening overall.





In its January 2022 update projection, the IMF predicted a disproportionately low growth rate of 5.0% in the advanced economies in 2021 (2020: -4.5%), while growth of 6.5% was expected for the emerging markets and developing economies (2020: -2.0%). In the regions important for Cherry, the IMF estimated economic growth for the full year 2021 at 2.7% in Germany (2020: -4.6%), 5.2% in the eurozone (2020: -6.4%), 5.6% in the USA (2020: -3.4%), 8.1% in China (2020: 2.3%) and 3.1% in the Association of Southeast Asian Nations (ASEAN: Indonesia, Malaysia, Philippines, Thailand, Vietnam) countries (2021: -3.4%).

According to the Federal Statistical Office DESTATIS [source: press release no. 074 dated February 25, 2022], Germany's gross domestic product (GDP) fell by 0.3% in the fourth quarter 2021 compared with the third quarter 2021 - adjusted for price, seasonal and calendar effects. After economic output grew again last summer despite increasing supply and material bottlenecks, the recovery of the German economy was halted by the fourth Corona wave and renewed tightening of Corona protection measures at the end of the year. However, economic output was still 1.1% lower than in the fourth quarter of 2019, i.e. the quarter prior to the beginning of the COVID-19 crisis. For the full year 2022, the German Federal Statistical Office DESTATIS reports an increase of 2.9% in price-, season-, and calendar-adjusted GDP, although economic development is still seen as heavily dependent on the future course of the COVID-19 pandemic and the accompanying protective measures.

In both the GAMING and the PROFESSIONAL business areas, Cherry is fundamentally exposed to various market developments and sector-specific conditions.

In October 2021, the market research institute Newzoo estimated the global market volume for PC games at USD 36.7 billion for 2021, a decline of -0.8% compared to the previous year. At USD 34.1 billion, the vast majority of this amount was attributable to the packaged/digital PC games market segment, i.e. market growth of 0.9% year on year. The remaining USD 2.6 billion related to the browser games market segment, representing a decrease of 18.2% compared with one year earlier. Furthermore, according to the "Global Games Market Report" published in July 2021, Newzoo expected the number of gamers worldwide to have increased by around 5.3% year-on-year to around 2.96 billion in 2021. Of this figure, the Asia-Pacific region alone accounted for around 55% with around 1.615 billion gamers, where Newzoo estimated that the number had grown by around 4.8% year on year. In 2021, Newzoo estimated the number of PC gamers at around 1.6 billion worldwide.

According to the Technavio report "Gaming Peripheral Market by Technology, Type, and Geography – Forecast and Analysis 2020-2024", the market research institute Infiniti Research Limited estimated the global market for gaming peripherals relevant to Cherry's GAMING business area at USD 9.035 billion in 2021, corresponding to annual growth of around 5.4%. Gaming peripherals include the product groups controllers, headsets, keyboards, gaming mice, and mouse pads. Technavio names Corsair Components Inc., GN Store Nord AS, Kingston Technology Co. Inc., Logitech International SA, Microsoft Corp., Razer Inc., Sennheiser electronic GmbH und Co. KG, Sony Corp., SteelSeries ApS, and Turtle Beach Corp. as the main vendors. Among the biggest market trends, Technavio specifically cites the rising popularity of multi-player video games, the increasingly widespread use of haptic gaming peripherals, and the growing customizability of gaming mice via control software.

Market demand for the PC peripherals used in office and industrial applications, a topic highly relevant for Cherry's PROFESSIONAL business area, is greatly influenced by the globally growing "work-from-anywhere" trend. According to the "State of remote work 2021" (<https://owlabs.com/state-of-remote-work/2021>) report published by OWL Labs in collaboration with Global Workplace Analytics in September 2021, around 70% of full-time employees in the USA have worked remotely, i.e. performed their work independent of their company's location. The results of the study showed that 94% of those surveyed estimated their work productivity to be the same or higher than when working in their offices. In the report, OWL Labs points out that employers in the USA have already begun adapting workplaces to suit a new hybrid working model. In a working paper published in April 2021, "Why working from home will stick," the National Bureau of Economic Research estimates that the productivity gain from permanently establishing or optimizing remote work in the USA is around 4.6% compared to levels measured prior to the outbreak of the COVID-19 pandemic.

The white paper "Telematics Infrastructure 2.0 for a Federally Connected Healthcare System" published by gematik GmbH in January 2021 ([https://www.gematik.de/media/gematik/Medien/Telematikinfrastruktur/Dokumente/gematik\\_Whitepaper\\_Arena\\_digitale\\_Medizin\\_TI\\_2.0\\_Web.pdf](https://www.gematik.de/media/gematik/Medien/Telematikinfrastruktur/Dokumente/gematik_Whitepaper_Arena_digitale_Medizin_TI_2.0_Web.pdf)) describes the architectural principles of TI 2.0. According to the paper, a common platform will be created for the national telematics infrastructure in the healthcare system that can be used on a nationwide basis. The adoption of the Patient Data Protection Act (PDSG) has paved the way for access to the telematics infrastructure in the German healthcare system. Among other things, the telematics infrastructure includes the electronic patient file, the



electronic prescription, and electronic emergency data, i.e. medical data that may be required in case of an emergency. These applications are used in conjunction with patients' electronic health cards. Healthcare professionals are to be given patient-related access to the applications of the telematics infrastructure. Access will be made possible via a corresponding card reader by using the electronic health professional card (eHBA) and the security module card type B (SMC-B).

## 2.2. Business performance and key influencing factors

In the 2020 fiscal year, the Cherry AG Group did not yet exist in its current structure. Therefore, comparative figures of the Cherry Holding Group are presented for the prior-year period.

The fiscal year was characterized by high revenue growth of 29.4% to EUR 168.5 million (2020: EUR 130.2 million), although in the second half of the year momentum was slowed down by disruptions in international supply chains caused by the COVID-19 pandemic. All segments contributed to the growth except for the Cherry Americas LLC segment, where disruptions in the global supply chain had a negative impact.

### Segment performance

With a 54.2% share of revenue amounting to EUR 91.4 million, the **Cherry Europe GmbH** segment is the largest in the Cherry Group. Cherry Europe is responsible for the Cherry Group's entire business with components and all sales activities outside the USA and the China, Hong Kong and Taiwan region. Segment revenue increased by EUR 28.1 million compared with one year earlier. Revenue growth during the fiscal year was driven by the expansion of e-commerce business and Cherry's broader product portfolio as well as the successful rollout of our e-health terminals in the German healthcare market. Order intake for the Cherry Europe segment amounted to EUR 89.0 million, up by EUR 14.0 million or 18.7% on the previous year's figure of EUR 74.9 million. As of December 31, 2021, the order book stood at EUR 13.4 million, 20.7% down on the previous year's corresponding figure of EUR 16.8 million, reflecting the segment's significantly improved ability to deliver on the back of higher production capacity. A total of EUR 7.7 million was invested in development projects and the expansion of production capacity during the year under report. EBITDA of EUR 26.6 million improved by EUR 4.1 million compared to the previous year. The EBITDA margin was 20.4% compared with 20.8% in the previous year.

Revenue generated in the **Cherry Electronics (Hong Kong) Co. Ltd.** segment amounted to EUR 40.2 million, up by EUR 2.2 million or 5.7% year on year, resulting primarily from the growing demand for Gaming products in sales territory covered by this entity. At EUR 39.7 million, order intake was EUR 0.5 million or 1.2% above the previous year's level of EUR 39.2 million. As of December 31, 2021, the order book totaled EUR 1.2 million and was therefore unchanged compared with one year earlier. EBITDA of EUR 6.9 million improved by EUR 0.7 million compared to the previous year. The EBITDA margin is 16.9% compared to 16.1% in the previous year.

Revenue generated in the **Zhuhai Cherry Electronics Co. Ltd.** segment amounted to EUR 22.6 million, up by EUR 4.4 million or 24.0% year on year (2020: EUR 18.2 million). The growth resulted from the rising demand for Gaming products and the expansion of the Office Peripherals range of products in the region. Order intake totaled EUR 21.5 million, down by EUR 2.5 million or 10.4% compared with the previous year's figure of EUR 24.0 million. As of December 31, 2021, the order book stood at EUR 7.1 million, down by EUR 1.8 million or 20.6% on one year earlier. Following the extremely high popularity of Gaming products over the past two years of the pandemic, demand is easing somewhat and cannot yet be compensated for by growth in Office Peripherals. EBITDA of EUR 7.5 million improved by EUR 1.6 million compared to the previous year. The EBITDA margin is 23.8% compared to 22.4% in the previous year.

Revenue generated in the **Cherry Americas LLC** segment amounted to EUR 10.1 million, i.e. EUR 0.2 million or 1.7% down on the previous year's figure of EUR 10.3 million. The decline reflected the impact of the COVID-19 pandemic, which caused disruptions in the supply chain, particularly in the second half of the fiscal year, and compromised Cherry's ability to deliver. Excluding this factor, segment growth would have been significantly higher. At EUR 12.2 million, order intake was EUR 1.3 million or 12.2% above the previous year's level of EUR 10.9 million. As of December 31, 2021, the order book stood at EUR 1.5 million, up by EUR 1.0 million or 194.4% on the EUR 0.5 million recorded one year earlier. The higher order book figure was attributable to the growing demand for Office Peripherals in the region. EBITDA of EUR 0.6 million was unchanged from the previous year. The EBITDA margin is 5.4% compared to 5.6% in the previous year.



The remaining segments generated revenue of EUR 4.2 million, up by EUR 3.8 million year on year, mainly due to the first-time consolidation of Active Key GmbH after its acquisition on May 7, 2021 and the revenue contribution of Theobroma GmbH, which was acquired in October 2020. These segments contribute EUR 1.2 million to EBITDA.

## Business area performance

Pandemic-related supply chain disruptions led to temporary fluctuations in the ordering behavior of customers in the GAMING business area. Overall, however, the GAMING business area, comprising the Components and Gaming Devices business units, and the PROFESSIONAL business area, comprising the Peripherals and Digital Health business units, accounted for an almost equal share of Group revenue.

€ million / as reported	GAMING			PROFESSIONAL			Group		
	Jan. 1 – Dec. 31, 2021	Jan. 1 – Dec. 31, 2020	Change	Jan. 1 – Dec. 31, 2021	Jan. 1 – Dec. 31, 2020	Change	Jan. 1 – Dec. 31, 2021	Jan. 1 – Dec. 31, 2020	Change
Revenue (with third parties)	82.8	73.5	12.6 %	85.7	56.7	51.2 %	168.5	130.2	29.4 %
EBITDA (adjusted)	29.3	27.4	6.8 %	19.6	9.7	102.3 %	48.9	37.1	31.6 %
EBITDA margin (adjusted)	35.4 %	37.3 %	-1.9 PP.	22.8 %	17.1 %	5.7 PP.	29.0 %	28.5 %	0.5 PP.
EBIT (adjusted)	18.3	18.9	-3.1 %	15.4	7.9	94.2 %	33.7	26.8	25.5 %
EBIT margin (adjusted)	22.1 %	25.7 %	-3.6 PP.	18.0 %	14.0 %	4.0 PP.	20.0 %	20.6 %	-0.6 PP.

Accordingly, revenue generated in the GAMING business area increased by 12.6% to EUR 82.8 million in the 2021 fiscal year (2020: EUR 73.5 million), whereby the slower growth rate was largely attributable to the impact of the COVID-19 pandemic in the second half of the year. The growth rate also reflected fluctuations in the ordering behavior of Cherry's customers for keyboard switches as a result of bottlenecks in their supply chains. At the same time, the new MX Ultra Low Profile keyboard switch for the first customer Alienware (Dell) designed for use in high-end gaming notebooks began contributing to revenue in the GAMING business area as of January. The business area also entered new sales markets for Gaming Devices in the year under report, particularly in Hong Kong, Macau, Malaysia, Indonesia, and Australia. Finally, the MX 3.0S Wireless, the first wireless gaming keyboard with extremely low latency, contributed to revenue in this business area from the third quarter onwards. With an

adjusted EBITDA margin of 35.4% (2020: 37.3%), profitability in this business area remained at a high level.

Revenue in the PROFESSIONAL business area increased by 51.2% to EUR 85.7 million in the 2021 fiscal year (2020: EUR 56.7 million), due in particular to entering the e-commerce market with office peripherals, the successful rollout of our ST-1506 e-health terminals in the German healthcare market, and the first-time consolidation of Active Key GmbH after its acquisition on May 7, 2021. The product portfolio in the Peripherals business unit was expanded to include new mechanical keyboards such as the G80-3000N TKL and the MX 10.0N as well as the STREAM KEYBOARD WIRELESS, the 2.4-GHz wireless version of the highly popular STREAM KEYBOARD.



## 2.3. Net assets position, financial position and results of operations

### Results of operations of the Cherry Group

Despite the highly competitive market environment, Cherry generated revenue of EUR 168.5 million in the 2021 fiscal year (previous year: EUR 130.2 million) and thus also achieved the original outlook from the Group Management Report 2020 (EUR 160 - 170 million). Of this amount, the EMEA economic region accounted for 43.1%, APAC for 51.1%, and AMER for 5.8%. The strongest product segment in terms of revenue was Gaming (switches and gaming devices), which accounted for 49.1% of total revenue, and Professional with 50.9%.

At 40.9%, the gross profit (gross margin II) on revenue was significantly higher than the previous year's figure of 34.2%. Exchange rate effects (primarily USD, CNY and GBP) are increasingly affecting revenue invoiced in foreign currencies, but also supplies of materials purchased in the same currencies as well as local selling expenses, so that the exchange rate effect impact on the Cherry Group's gross margin needs to be constantly monitored and protected by hedging transactions going forward. With effect from September 2021, Cherry therefore appointed a Group Chief Treasurer who will continue to manage exposures to currency, interest rate, and commodity risks as appropriate. The increasing level of revenue being generated in the UK poses a potential risk, as Cherry largely invoices its customers in GBP but does not purchase any of its materials in that currency. Selling expenses amounted to approximately 10.0% of revenue, and administrative expenses to approximately 10.6% of revenue in the period under report.

EBITDA is reported with and without adjustments and normalizations. Adjustments and normalizations mainly eliminate the non-recurring costs incurred in the first half of 2021, including transaction costs in conjunction with the acquisition of Active Key GmbH, subsequent costs for the entry of Argand Partners into Cherry, as well as IPO costs. EBITDA was 25.4% (non-adjusted) and 29.0% (adjusted). The outlook for adjusted EBITDA in the Group Management Report 2020 was 27.0% - 29.0%. Operating profit (EBIT) was 16.4% (non-adjusted) and 20.0% (adjusted). The non-recurring factors arising in the 2021 fiscal year totaled a negative amount of EUR 6.1 million. In addition, net non-recurring expenses of EUR 9.9 million were incurred in the financial result for the early repayment of loans. As a result, the Group net profit amounts to EUR 9,287k for the 2021 fiscal year.

### Reconciliation to alternative performance measures (ESMA) <sup>1</sup>

The following table shows the reconciliation of EBIT, EBITDA, adjusted EBIT, and adjusted EBITDA to Cherry AG's Group net profit for the 2021 fiscal year:

€ thousand	Jan. 1 – Dec. 31, 2021	Jan. 1 – Dec. 31, 2020
<b>Group net profit</b>	<b>9,287</b>	<b>17,537</b>
+ Income taxes	4,208	6,750
- Financial result	-14,125	-695
<b>EBIT</b>	<b>27,619</b>	<b>24,982</b>
+/- Personnel expenses (including share-based personnel expenses) / (income)	3,659	398
+ Expenses related to capital market transactions	909	–
+ Expenses related to M&A transactions	924	517
+ Expenses related to natural disasters and pandemics	12	615
+ Other non-recurring expenses	574	337
<b>Adjusted EBIT</b>	<b>33,697</b>	<b>26,849</b>
+ Depreciation, amortization and impairment losses <sup>2</sup>	15,188	10,284
<b>Adjusted EBITDA</b>	<b>48,885</b>	<b>37,133</b>
<b>EBIT</b>	<b>27,619</b>	<b>24,982</b>
+ Depreciation, amortization and impairment losses <sup>2</sup>	15,188	10,284
<b>EBITDA</b>	<b>42,807</b>	<b>35,266</b>

<sup>1</sup> unaudited

<sup>2</sup> incl. amortization of order book acquired

### Financial position of the Cherry Group

Net working capital, i.e. current assets (excluding cash and cash equivalents) less current liabilities (excluding financial liabilities), increased by 240.9% year-on-year to EUR 38.0 million as of December 31, 2021, reflecting Group growth. The main drivers



were inventories with + EUR 16.9 million and receivables with + EUR 8.7 million. Net working capital thus corresponded to 22.5% of revenue. Cash flows from operating activities totaled EUR 7.8 million. Investments amounting to EUR 14.4 million (December 31, 2020: EUR 2.6 million) were financed out of cash and cash equivalents.

Cash flow from investing activities amounted to EUR -14.4 million. In the 2021 fiscal year, mainly machinery, buildings, and tools were financed under operating leases and are presented in the statement of financial position as additions to right-of-use assets amounting to EUR 5.3 million, in line with IFRS 16. Here, investments exceeded depreciation by EUR 4.0 million.

At the end of the reporting period, cash at bank amounted to EUR 109.7 million (December 31, 2020: EUR 22.9 million). The credit lines made available to Cherry by Unicredit Bank AG totaling EUR 10 million to cover operational liquidity requirements had not been drawn down as of December 31, 2021. In conjunction with the new financing raised, a credit line of EUR 45.0 million was established and drawn down on October 6, 2021. The available liquidity is adequate to finance both organic and inorganic growth.

Cash flow from financing activities amounted to EUR 92.4 million and was mainly characterized by cash received from equity contributions of EUR 137.6 million, cash paid for the repayment of financial loans of EUR 80.2 million and cash received from financial loans raised of EUR 45.0 million.

Due to the increase in share capital to EUR 24.3 million and the cash inflows from the IPO, equity improved significantly again by 205.6% to EUR 293.2 million, assuring sufficient liquidity to finance further growth and planned investments.

As of December 31, 2021, the equity ratio was 71.3% (December 31, 2020: 49.1%), whereby the improvement was mainly due to the cash funds received in conjunction with the IPO.

### Principles and objectives of financial management

Cherry AG's external sources of financing include the issuance of shares as well as short-term and long-term borrowings. The Cherry Group funds its internal financial requirements primarily out of its own cash flow surpluses. In light of the refinancing

measures undertaken after the IPO, the Group has sufficient cash and cash equivalents available to finance the targeted growth.

The Cherry Group's ability and intention to pay dividends in future years will depend on its financial position, results of operations, capital requirements, investment alternatives, and other factors that the Management Board and the Supervisory Board deem relevant, as well as any proposals made by the Management Board and the Supervisory Board. The proposal put forward by the Management Board and the Supervisory Board regarding dividend payments is subject to the approval of the Annual General Meeting. The Company expects that the primary source of funding for the payment of dividends, if any, will be interest and similar income generated by it, as well as any dividends or other payments it receives from its current and future subsidiaries.

The Management Board plans to invest future distributable profits in the organic development of the business and therefore will not propose a dividend payment at the Annual General Meeting.

### Net assets position of the Cherry Group

In the year under report, the Cherry Group's total assets increased by 41.5% to EUR 411.0 million as of December 31, 2021 (December 31, 2020: EUR 290.5 million) due to the increased business volume and the IPO completed during the course of the year.

At EUR 243.4 million, non-current assets as of December 31, 2021 were up by 2.8% on the previous year's figure of EUR 228.0 million, largely due to the EUR 5.5 million increase in intangible assets.

Investments in property, plant and equipment increased by EUR 5.2 million or 390.8% from EUR 1.8 million to EUR 7.0 million, and therefore exceeded depreciation amounting to EUR 6.2 million. Investments in 2021 were aimed primarily at expanding the capacity of Cherry's automatic assembly equipment. As of December 31, 2021, the carrying amount of property, plant and equipment totaled EUR 24.9 million (December 31, 2020: EUR 24.5 million).

Investments in intangible assets totaled EUR 7.6 million (2020: EUR 0.9 million) in the 2021 fiscal year, mainly in connection with capitalized development costs and good-





will. The carrying amount of intangible assets increased by 1.6% to stand at EUR 190.1 million (2020: EUR 184.6 million) at the end of the period under report. Impairment tests on intangible assets did not result in any need to record impairment losses.

Taking scheduled depreciation and amortization into account, non-current assets increased by 2.8% or EUR 5.9 million to EUR 215.0 million in the 2021 fiscal year (December 31, 2020: EUR 209.1 million).

Current assets increased significantly by 283.1% or EUR 114.4 million compared to the EUR 62.5 million reported as of December 31, 2020. The increase related primarily to inventories (up by EUR 16.9 million), cash and cash equivalents (up by EUR 86.8 million), and receivables (up by EUR 8.7 million). The increase in cash and cash equivalents was mainly attributable to the proceeds from the IPO that gave rise to a cash inflow of EUR 133.3 million, which, less the repayment of loans of a net amount of EUR 35 million, was added to liquidity.

Cash at banks amounted to EUR 109.7 million at the end of the fiscal year (December 31, 2020: EUR 22.9 million), i.e. 26.8% of total assets (2020: 21.5%). The significant growth in business volume caused inventories to increase by 61.7% to EUR 44.2 million and receivables by 55.5% to EUR 19.6 million. The negative free cash flow of EUR 6.6 million in the reporting year results from investments in property, plant and equipment and the acquisition of Active Key GmbH in the past financial year.

## Liabilities

Non-current liabilities decreased significantly by 26.2% or EUR 30.0 million to EUR 84.7 million. The lower figure results from the newly structured and optimized refinancing of the Cherry Group at the time of the IPO. The refinancing ensures the long-term financing of the Group's planned growth.

Current liabilities decreased by 0.3% or EUR 0.1 million to EUR 33.3 million. While trade payables increased by EUR 3.4 million, financial liabilities decreased by EUR 5.9 million.

## Overall statement on the net assets, financial position and results of operations of the Cherry Group

Cherry is highly satisfied with the course of its business activities during the period under report. The Cherry Group surpassed its revenue targets, and the IPO in June 2021 places it in a position to additionally drive both organic and inorganic growth. The Group's entry into new markets, most recently in Hong Kong/Macau and South-east Asia, combined with additional product innovations, created the conditions for a successful fiscal year. In the high-performing month of November 2021, the Cherry Group set a new revenue record (for external revenue) of EUR 16.9 million. During the period under report, the Group appointed a new head of the Asia-Pacific region as well as additional key managers in the second half of the year (including Investor Relations, Mergers & Acquisitions, and Treasury), who took up their duties in the third quarter.

## 2.4. Non-financial performance indicators

### Employees

A key prerequisite for the long-term viability of the Cherry Group and the effective implementation of its strategic and operational objectives is the successful recruitment, development, and retention of qualified staff. The Management Board has defined the essential principles of the Cherry Group's corporate culture in its Code of Business Conduct, which applies throughout the enterprise.

As of December 31, 2021, the Cherry Group employed a workforce of 554 people (December 31, 2020: 496 people), 443 of whom were working in the Europe region (December 31, 2020: 392 employees), 19 in the North America region (December 31, 2020: 18 employees), and 92 in the Asia region (December 31, 2020: 86 employees). During the 2021 fiscal year, 90 new employees were recruited across the Group (December 31, 2020: 73 employees) and 23 employees were added through corporate acquisitions (December 31, 2020: 18 employees). Over the 12-month reporting period, the Cherry Group employed an average number of 532 people (December 31, 2020: 490 people). The growth was driven mainly by the expansion of production capacity at the Group's Auerbach and Vienna locations as well as by the general growth in business volume and Cherry's transition to a stock corporation.



Number of employees by function	Dec. 31, 2021	Dec. 31, 2020
Production	244	220
Quality management	52	52
Materials management	68	62
Product management and development	55	40
Sales and marketing	76	60
Administration	59	62
<b>Total</b>	<b>554</b>	<b>496</b>

The proportion of female employees in the Cherry Group rose slightly to 41.5% (December 31, 2020: 40.1%). At 42, the average age of employees in the Group remained unchanged from the previous year.

Personnel expense amounted to EUR 36.5 million during the period under report (2020: EUR 26.8 million).

In the course of providing training and qualification opportunities, Cherry regularly conducts technical training courses, product training, and advanced courses on legal and regulatory topics. Needs-based training plays a decisive role in ensuring that qualified staff are capable of meeting the market requirements of the future. As of December 31, 2021, a total of 12 young people (December 31, 2020: 14) were undergoing training for occupations such as industrial management assistant and mechatronics technician.

## Quality

In view of the Cherry Group's strategic positioning as an innovation and quality leader, maintaining an outstanding level of quality is an essential factor in the long-term success of the Cherry brand. The high quality standards that Cherry expects across its entire range of products and services require a comprehensive understanding of quality that extends throughout the entire value chain. Apart from the technical quality of Cherry's production facilities, this understanding of quality also includes ensuring functional quality at the product development stage as well as long-term quality across the entire life cycle of products in terms of product management. Finally, the aspect of product sustainability is becoming increasingly important in quality management.

Within its integrated management system, Cherry monitors a variety of internal and external issues as well as environmental conditions for a range of stakeholders in the context of its organizational structure. These relate to the DIN standards ISO 9001 (quality management), ISO 14001 (environmental management), and ISO 50001 (energy management). Audit management within the Cherry Group is organizationally divided into system, process, and product audits as well as those for external suppliers and service providers and approval audits.

Accordingly, a large number of internal and external quality standards have been drawn up for the various product groups as well as for the main components and groups thereof. Furthermore, all the applicable laws, standards, and EU directives, for example on the relevant measurement and testing procedures, are managed centrally by Cherry's Quality Management team on an international basis. The so-called Common Criteria of the international Common Criteria Recognition Arrangement (CCRA) are also taken into account in order to meet the criteria and evaluation methods of specific technological safety characteristics for certain product groups in order to achieve certification at international level.

## 3. REPORT ON THE SEPARATE FINANCIAL STATEMENTS OF CHERRY AG

### 3.1. Results of operations of Cherry AG (HGB)

The separate financial statements of Cherry AG are prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). As the Group's holding company, Cherry AG does not perform any operating activities, but primarily financing and centralized functions.

Cherry AG holds either direct or indirect interests in the operating units.

In its function as Group holding company, the business situation and development of Cherry AG are determined by the earnings contributions of the subgroups. For this reason, no significant financial performance indicator has been defined for Cherry AG.



The results of operations of Cherry AG during the period under report were significantly influenced by the following factors:

- Other operating income in the 2021 fiscal year mainly related to the Initial Public Offering of Cherry AG. The application of a cost-sharing agreement stipulating the ratio for sharing expenses incurred in conjunction with the IPO within the shareholder structure gave rise to the recognition of other income
- Apart from the recruitment of new staff, personnel expense related to administrative employees who transferred from Cherry Europe GmbH to Cherry AG
- Income from investments comprised income recorded in conjunction with the profit and loss transfer agreement in place with Cherry Europe GmbH
- Other operating expenses were primarily attributable to the IPO and the expense line items arising therefrom

The results of operations of Cherry AG during the year under report were significantly impacted by a penalty incurred for the early repayment of a purchase price loan that was repaid prematurely on June 30, 2021, as well as the interest expense incurred up to the date of repayment.

### 3.2. Financial position of Cherry AG (HGB)

Cherry AG is the holding company responsible for the centralized financial management of the Cherry Group. It aggregates capital requirements at Group level and undertakes the necessary financing measures on behalf of the Cherry Group as a whole. The main objectives of financial management are to secure the liquidity of the Cherry Group worldwide on a constant and long-term basis, to optimize financing expenses and earnings, and to manage and minimize both currency and interest rate risks. Cherry AG collaborates with international credit institutions on a long-term basis and in a spirit of trust. To the extent possible, Group companies are financed in their own local currencies. Cherry AG also processes the majority of payment transactions on behalf of the Group.

Cherry AG's creditworthiness was guaranteed at all times during the fiscal year under report. Cherry AG had sufficient credit lines at its disposal to cover its working capital requirements at all times. The existing current account credit line amounting to EUR 10 million was not utilized during the 2021 fiscal year.

As of December 31, 2021, financial assets included the 100% investment in Cherry Europe GmbH, Auerbach, and the 100% investment in Cherry Digital Health GmbH, Munich, which were held by Cherry Holding GmbH and transferred to that entity following the merger of Cherry Holding GmbH and Cherry AG.

### 3.3. Net assets position of Cherry AG (HGB)

The total assets of Cherry AG increased by EUR 105 million to stand at EUR 333 million at the end of the reporting period (December 31, 2020: EUR 229 million).

On the assets side of the statement of financial position, working capital in particular increased to EUR 116 million (December 31, 2020: EUR 0.9 million), reflecting the expansion of capacity required to handle new customer projects and the significant increase in cash and cash equivalents.

The takeover of some of the personnel and the additional development of the HR structure were the main reasons for the increase in provisions.

Trade payables, payables to affiliated companies, and other financial liabilities rose to EUR 4.8 million (December 31, 2020: EUR 52k).

Non-current liabilities decreased from EUR 81.4 million to EUR 45 million due to the repayment of a loan amounting to EUR 80 million (nominal) at the time of the IPO on the one hand and a new loan raised amounting to EUR 45 million (nominal) in the fourth quarter of the year on the other.

Equity increased from EUR 146 million to EUR 282 million as of December 31, 2021, mainly due to the increase in subscribed capital and contributions to capital reserves totaling EUR 137.6 million in conjunction with the IPO at the end of June 2021.

### 3.4. Overall statement on the net assets position, financial position and results of operations of Cherry AG (HGB)

The main asset items in the statement of financial position of Cherry AG were shares in affiliated companies and financing receivables from affiliated companies. Cash at bank was higher than one year earlier.



Equity corresponded to 85% of total assets.

Results of operations are significantly influenced by the profit and loss transfer structure applied within the Cherry Group. The Group's operating subsidiaries work within a constantly growing market environment and benefit from a highly technical and innovative range of products, some of which are safeguarded by patent rights.

### 3.5. Outlook for Cherry AG (HGB)

In these times of progressive digitalization, Cherry AG intends to maintain and further bolster its robust position in this highly growth-oriented business environment. Cherry AG's investee companies serve the markets in which they operate with extremely high standards of quality. The Group's broad range of innovative products is designed to meet customer demand and both customer and legal requirements. The administrative structure will continue to be expanded in line with corporate growth.

Due to its function as a holding company, the business position and development of Cherry AG are determined by the earnings contributions of the subgroups. The business performance of Cherry AG is essentially subject to the same risks and opportunities as that of the Cherry Group as a whole. Further information is provided in the "Report on opportunities and risks".

Risks for Cherry AG continue to result primarily from the recoverability of financial assets and financial instruments (i.e. receivables from affiliated companies). In light of the existing profit and loss transfer agreement with Cherry Europe GmbH, the development of the Group as a whole has a significant influence on the results of operations of Cherry AG.

For the 2022 fiscal year, the Management Board is forecasting significantly higher net profit for Cherry AG compared to the previous year, taking profit transfers into account. This forecast is based on the planning of the various Cherry Group companies, which also form the basis for the forecast of Group net profit for the Group's companies. For further information, please refer to the section "Business performance outlook for the Cherry Group".

## 4. REPORT ON OPPORTUNITIES AND RISKS

### 4.1. Opportunities report

#### Opportunities

The Management Board of Cherry considers the Group well positioned to continue growing in the coming years and to remain profitable in the process. The markets that Cherry serves are driven by highly promising mega-trends, including the booming global e-sports and gaming markets, working and learning from home (home office/distance learning), the increasing importance of IT security, and the digitalization of the German healthcare system.

In the GAMING business area, the Group has an opportunity to broaden the potential market for its own switches. For example, opportunities exist to enter markets that have so far been dominated by alternative technologies such as rubber dome or membrane technology, e.g. in the field of gaming laptops or premium office laptops. Cherry's new ultra-low profile switches, for which production capacities will be significantly expanded going forward, make it possible to install mechanical switches in laptops.

Cherry sees further opportunities for dynamic growth in the Gaming Devices business, which go hand in glove with the positive development of markets expected in the Far East for gaming peripherals. The gaming peripherals that Cherry manufactures itself are primarily sold in the fast-growing gaming peripherals markets of Asia, with the main focus being on China and South Korea to date.

In the Peripherals business unit, which is part of the PROFESIONAL business area, Cherry is primarily targeting customers in its home market of Germany and is also represented in the USA as well as in its established markets in France and the UK. The peripherals are currently sold mainly via distributors to B2B end customers as well as online, including a number of major blue chip companies. By expanding its direct sales capabilities, Cherry could increasingly gain new customer markets for itself, including, for example, the "creator" market, which includes frequent writers such as journalists, programmers, and other professionals.



After the end of the COVID-19 pandemic, the Management Board also expects that working from home, remote working, and distance learning will remain viable business opportunities and that the trend will move toward more hybrid forms of working and learning. A study conducted by the Boston Consulting Group at the end of 2020 already revealed that 89% of respondents expect to work at least partly from another location rather than the office going forward. If the trend towards hybrid working continues, it will become necessary to equip two workplaces for a great many employees, creating opportunities for Cherry's Peripherals business unit.

The security of data and other information is considered highly important, especially in certain fields such as the healthcare sector. Cherry is one of only two providers of peripheral devices to the German healthcare industry with certified products that will be considered for establishing a secure telematics infrastructure in Germany in the coming years. Cherry rates the resulting business opportunities as significant. As other countries specify details of their health telematics systems and requirements, Cherry will be able to offer its products in other geographical markets, based on the experience it expects to gain in Germany.

In order to pursue other growth opportunities in addition to organic development, Cherry is continuously reviewing potential acquisition targets, focusing on companies that allow Cherry to expand its own innovation pipeline, as was the case, for example, with the acquisition of Active Key GmbH in the first half of 2021, a company that manufactures hygienic, washable keyboards and mice. Further growth options can be exploited going forward by continuing to expand existing business areas through acquisitions and by driving expansion into additional regional markets.

### Overall assessment of the opportunity situation

The 2021 fiscal year was largely characterized by the COVID-19 pandemic.

However, despite its impact, Cherry continues to see itself as well positioned to remain on track for profitable growth. Cherry continually analyzes any opportunities that present themselves with a view to exploiting those that complement its corporate strategy.

A key element of this strategy is to continuously develop new products up to market maturity and promote their sales accordingly.

The growing market in the Gaming business area in particular presents promising opportunities for newly developed products that are fully geared to customer requirements. Cherry follows this market and its developments very closely in order to satisfy consumer needs with its product innovations and thus ensure that the Group continues to perform well.

## 4.2. Risk report

### Risk management

Risk management is a key component in all the Cherry Group's decision-making and business processes. We view risks in the broadest sense as the danger of not achieving our financial and operational targets as planned and, in the narrowest sense, of jeopardizing the going-concern status of the enterprise. To ensure the long-term success of the Cherry Group, it is therefore essential to identify and analyze risks effectively and eliminate or mitigate them by means of targeted management measures. These proactive risk management measures can therefore also create opportunities.

### Risk processes

As part of its risk management process, Cherry will conduct formal risk assessments on a quarterly basis going forward. The processes required for this purpose are currently being developed and implemented and will supplement the existing processes described below.

The following factors are particularly worth emphasizing in this context.

### Reporting as a centralized risk management tool

Cherry has established a reporting system throughout the Group, with information reported on a monthly basis. Apart from the usual presentation of economic performance in the form of an income statement, the following reporting and analysis data are particularly worth highlighting from a risk perspective:





- Comparison of planned and actual revenue and earnings and analysis of year-on-year changes
- Budget and updated forecasts for the current year
- Daily sales report, including order intake, order book, and revenue performance
- Daily production report
- Liquidity status and its development over time, including net cash and liquidity planning
- Overdue receivables report
- Review of new product developments in the market in the context of revenue and gross margins of new products shown by Controlling in the Review & Release meeting
- Employee key figures relating to recruiting, sickness rate and fluctuation

The reporting system has been established with a view to ensuring effective risk management.

#### Reporting cycles

As a rule, most reports are prepared on a monthly basis with the exception of the weekly liquidity report. Forecasts are updated each quarter on a rolling basis. A range of operational risk assessments are processed and documented on a weekly basis during Management Board meetings.

#### Reporting channels

There are no electronic workflow systems in place for notifying newly emerging risks, the absence of risks, or the onset of risks. Instead, the system is based on a large number of individual reporting channels that go to the Management Board in a concentrated form. A variety of reporting channels feed into the controlling reporting system. Information from the various reporting channels is dealt with on a systematic basis at Management Board meetings (see below), in the monthly management meeting as well as in the Review & Release meeting, which is always attended by the Management Board. All relevant points are escalated via e-mail, the inclusion of agenda items, and by regularly reviewing the risk report.

Management Board meetings with risk management items as standard on the agenda

The agenda of Management Board meetings includes the following standard items regarding risk issues:

- Explanation of reporting by the Chief Financial Officer (once a month)
- Discussion on the performance of individual Group companies and their forecasts; attendance of local management and/or business unit heads at the monthly business review meetings in the event of variances between forecast and actual figures, changes to forecasts, or other risks that need to be identified, as well as regular reporting and discussion at Management Board meetings
- Discussion of the status and development of (risk) projects and issues
- Discussion of capital market-related (risk) issues
- Reporting of significant overdue items in the receivables portfolio (also at Group level) by the CFO; discussion of possible underlying reasons and definition of activities to collect the receivables or change payment terms

#### Risk assessment methodology

The methodology for classifying and assessing risks was completely changed for the 2021 fiscal year. For this reason, a concept was developed together with the Management Board to enable risks to be assessed on an individual basis.

#### Risk assessment

The status of identified risks can be assessed by estimating the probability of occurrence and the possible amount of damage. The result at the respective point in time – and thus also as of the balance sheet date – is shown in an aggregated list of risk exposures.

Individual risks are assessed using the methodology described above, with risks measured by comparing the gross risk amount to EBITDA.

After offsetting the impact of countermeasures that have already been implemented, any net risk exposure still remaining is included in the risk matrix.



## Risk matrix

The risk matrix comprises the current list of risk exposures, measured on the basis of the probability of occurrence and potential amount of damage for risks that can be identified and assessed.

### Risk categories

Similar types of risk are presented in summarized categories and sorted by risk severity below:

- Market and business risks
- Operational risks
- Legal risks
- Financial risks
- Other risks

### Market and business risks

#### Risks relating to declining market demand

The market volume of the various business areas may decrease, especially due to the war in Ukraine, leading to increased selling price pressure and shrinking margins. Reasons for declining market volumes include general economic trends, stronger competition (especially from China), changes in customer demand, and market trends.

In 2021, the macroeconomic environment was significantly weaker than expected during the first half of the year, reflecting the severe impact of the COVID-19 pandemic on the economic regions in which Cherry primarily operates. In the second half of the year, however, the effects were far more noticeable in the Gaming business area, but also in Peripherals, due to the fourth wave of the pandemic. The Management Board views the COVID-19 crisis as having accelerated digitalization in many respects. The private sector, the public sector, and consumers are investing in digital technologies, including a catch-up effect for some investments that had been temporarily postponed.

This particular risk was included in the risk assessment for the first time in the 2021 fiscal year. The extent of risk was classified as low.

The probability of occurrence is estimated to be higher and the extent is also considered higher for the first half of 2022, given the ongoing Covid-19 pandemic and price competition from many market competitors. The risk factor is therefore higher.

#### Risks relating to changes in the market and competition structure

Cherry is a substantial medium-sized manufacturer of computer peripherals with a diversified customer structure ranging from smaller SMEs to major international corporations and generates the majority of its revenue with large companies. However, major companies could increasingly purchase products from other suppliers at lower market prices in order to free themselves from Cherry's brand strength. Prices continue to be under pressure in these two business units.

Cherry is a global brand manufacturer and aspires to continue enhancing and strengthening its importance and market visibility. To date, Cherry has managed to grow organically faster than the market as a whole.

The probability of occurrence continues to be assessed as possible and the extent as medium. The risk factor therefore remains unchanged.

#### COVID-19 pandemic

The new type of coronavirus (COVID-19) began spreading worldwide in December 2019 and has been classified as a pandemic by the World Health Organization (WHO). The virus emerged in almost every region of the world and triggered a sustained negative impact on the global economy. In 2020 and 2021, COVID-19 paralyzed social life and large sectors of the economy in many parts of Europe and Germany and the restrictions have continued into 2022.

Despite the challenging market and social conditions, the Cherry Group and its main business areas came through the 2021 fiscal year in a robust manner. However, Cherry is monitoring the situation very closely and already took a variety of precautionary measures in 2021. Examples include rules of conduct for employees and precautions for remote working as well as offers of vaccination and rapid tests. A



"Covid task force" was formed, which reports directly to the Management Board. Major internal and external events were either canceled or replaced with video conference calls. The risk was included in the risk manual in 2021 and is being assessed for the first time. The probability of occurrence is assessed as possible and the extent as high.

## Operational risks

### Procurement and production risks

Cherry's supply chain is dependent on suppliers delivering products on time and in good quality. In some cases, however, Cherry purchases certain materials from only one supplier, with whom it usually has a long-standing relationship, or from a limited number of suppliers, thus increasing the risk in the supply chain. However, any delay in supply, for example due to the ongoing COVID-19 pandemic or the Ukraine war, could, in turn, negatively impact Cherry's ability to deliver products to its customers by the due date.

Cherry counters this risk by seeking long-term, trusting relationships with key suppliers and building up additional redundancies in certain cases.

The probability of occurrence continues to be assessed as possible and the extent as medium. The risk factor therefore remains unchanged.

### Ukraine crisis

During the preparation of the financial statements in March 2022, the Ukraine crisis came as a complete surprise to all market participants. Cherry itself, however, is not directly affected by it. No customer or supplier relationships exist that could have a negative impact on Cherry's operations.

The effects on the world markets resulting from the crisis could affect Cherry indirectly through falling customer demand and directly through rising raw material and energy prices.

## Legal risks

### Compliance risks

As a listed company on the regulated market, Cherry is subject to a wide range of additional statutory regulations and obligations. No legal or compliance risks were identified in Q4 2021.

Cherry monitors current legislation and legal judgments in this regard, obtains assessments from experienced capital markets attorneys, and raises awareness throughout the organization on how to deal with the legal obligations of a publicly traded company. For example, Cherry has established the position of Compliance Officer, compiled an insider list, and is engaged in ongoing efforts to identify transactions that could either be insider crimes or lead to imbalances in capital market information.

The probability of occurrence continues to be assessed as highly unlikely and the extent as low. The risk factor therefore remains unchanged.

Risks relating to violations of compliance, legal provisions, regulatory requirements, and taxation laws

Cherry is subject to various regulations and governmental policies and requires certain certifications and approvals, particularly for its Healthcare & Security Peripherals products. Our business and results of operations could be adversely impacted by the regulatory environment in a variety of ways, such as if we were unable to obtain or renew the necessary permits and certifications, or if we were unable to meet our obligations.

## Financial risks

### Risk of default on receivables

Cherry Group entities are exposed to risks related to advance payments for supplies and services when they enter into supply contracts in foreign countries. These risks result from advance payments, some of which are currently unsecured, for which no



deliveries or services have yet been made or rendered. Accordingly, there is a risk of default in the event of the supplier's insolvency.

This risk is assessed for the first time. The probability of occurrence is assessed as low and the extent as high.

## Other risks

### Risks relating to M&A activities

Selective acquisitions in Cherry's core field of business or complementary business areas are a key factor in its growth strategy. Cherry will continue to pursue acquisition opportunities as it moves forward in order to achieve its strategic growth trajectory and strengthen its market position. However, there is no guarantee that Cherry will be able to identify attractive opportunities or successfully integrate target companies and is therefore exposed to both market and financial risks. Cherry mitigates these risks by carefully considering any acquisitions and only going through with them if they recognizably complement its existing product portfolio. Furthermore, the Management Board and others responsible for implementing Cherry's M&A strategy consult competent experts on a project-related basis.

### Personnel

The knowledge and experience of Cherry's employees is one of the most important factors in its success. Cherry depends on attracting and retaining highly qualified managers and specialists for its corporate success. Competition for qualified talent is intense, particularly in the south German state of Bavaria where Cherry is based. At the same time, the first effects of demographic change are becoming apparent. Cherry counters the risk of a possible shortage of skilled workers having a negative impact on its business or of key employees switching to another employer by creating an attractive working environment with appropriate performance incentives for suitably qualified employees.

The probability of occurrence is assessed as low and the extent as low.

## Overall assessment of the risk situation

Every risk is assessed by estimating the probability of occurrence and the possible amount of damage. The risk factor of each risk is calculated by multiplying the probability of occurrence (1-10) and the amount of damage (1-10). Cherry's overall risk profile, i.e. the sum of all risk factors, was rated at a total of 1,587 points as of Q4 2021. The main drivers of this development are the risk from the COVID-19 pandemic and the increase in risk factors for risks from the competitive environment as well as product risks in conjunction with the shortage of raw materials, semiconductors, and transport capacities.

At present, none of the individual risks identified is considered to pose a threat to the Group's continued existence. The risk-bearing capacity is based on the level of equity, which amounted to EUR 290.9 million as of December 31, 2021. Adjusted EBITDA for 2021 amounted to approximately EUR 48.9 million. The gross risk amount for all risks is EUR 41.1 million and net (after countermeasures) EUR 17.9 million. The risks listed could nevertheless have a negative impact on the net assets, financial position and results of operations.

The Cherry Management Board considers the identified risks to be limited and manageable. No risks have been identified which, either individually or taken as a whole, could jeopardize Cherry's going-concern status, as even if all of the above risks were to materialize, equity would exceed the amount of the loss by more than seven times the calculated gross loss.



## 5. OUTLOOK

### 5.1. Macroeconomic and sector-specific outlook

The global economy continues to be significantly held down by the restrictive impact of the COVID-19 pandemic, since the first quarter 2022 also of the Ukraine war, and its resulting effect on international supply chains as well as on the political measures taken in response to it. The increasing spread of the Omicron variant since the turn of the year as well as the further progress of the Ukraine war pose an additional risk to a broad economic recovery.

The International Monetary Fund (IMF) expects in its outlook as at Januar 2022 global economic growth to decline to 4.4% in 2022 and to continue slowing down to around 3.8% in the following year. It also predicts that output in the advanced economies will exceed medium-term projections made prior to the COVID-19 pandemic, mainly due to the expected continuation of economic policy support in the USA designed to promote potential for growth. By contrast, the IMF expects business performance in the emerging and developing economies to continue experiencing a decline, due to their slower vaccine uptake and lack of effective economic support. In this context, the IMF expects price pressures to ease overall in the course of the current year, with the emerging markets and developing economies likely to continue being impacted by higher food prices, the delayed effects of rising oil prices, and higher import prices driven by exchange rate depreciation. According to the IMF's assessment, the current high degree of uncertainty regarding the likelihood of inflation depends largely on the further course of the COVID-19 pandemic, the duration of supply chain disruptions, and the rate of inflation expected by key market players.

In its forecast from January 2022, the IMF predicts a disproportionately low level of 3.9% growth for the advanced economies in 2022 (2021: 5.0%) and growth of 4.8% for the emerging markets and developing economies (2021: 6.5%). In the regions that are key for Cherry, the IMF estimates economic growth in 2022 at 3.8% in Germany (2021: 2.7%), 3.9% in the eurozone (2021: 5.2%), 4.0% in the USA (2021: 5.6%), 4.8% in China (2021: 8.1%) and 5.6% in the Association of Southeast Asian Nations (ASEAN: Indonesia, Malaysia, Philippines, Thailand, Vietnam) countries (2021: 3.1%).

In the GAMING and PROFESSIONAL business areas, Cherry continues to be exposed to a variety of market developments and sector-specific conditions.

Business activities in the GAMING business area are defined by the overall global market for gaming and e-sports. According to the "Global Games Market Report" published in July 2021, the market research institute Newzoo expects the overall market to recover quickly from its slight downturn in 2021. In October 2021, Newzoo predicted that the global market volume for gaming would reach USD 218.8 billion in 2024, corresponding to a compound annual growth rate (CAGR) of 8.7% (base year: 2019). Moreover, Newzoo expects the number of players worldwide to surpass the 3-billion mark during the current year and continue rising to 3.3 billion by 2024 at a CAGR of 5.6% (base year: 2015).

According to the Technavio report "Gaming Peripheral Market by Technology, Type, and Geography – Forecast and Analysis 2021-2025" published in October 2021, the market research institute Infiniti Research Limited estimates that the global market for gaming peripherals relevant to Cherry's GAMING business area will grow by USD 3.36 billion by 2025, corresponding to a CAGR of 6.9% (base year: 2021). Of the total projected market growth, the Asia-Pacific region accounts for around 36%, with China and Japan considered the most significant individual markets in the region. In particular, Technavio cites the growing popularity of e-sports and the increasing availability of ultra-HD televisions and PCs as being among the key drivers of market growth, alongside other factors. Ultra high-definition (HD) TVs and PCs offer far higher color quality as well as better sound, i.e. factors which are becoming increasingly important for gaming applications. Accordingly, the preferred use of HD TVs and PCs for gaming applications represents a key growth driver for high-quality gaming peripherals.

Market demand for the PC peripherals used in office and industrial applications, highly relevant for Cherry's PROFESSIONAL business area, will continue to be greatly influenced by the globally growing "work-from-anywhere" trend. The report "The post-pandemic economy – the future of work after COVID-19" published by the McKinsey Global Institute in February 2021 identifies three trends that will have significant implications for the labor market of the future, which have been accelerated by the COVID-19 pandemic. According to the report, 20 to 25% of employees in advanced economies could work remotely three to five days a week in the long term without any loss of productivity. Another 15 to 20% are expected to work remotely on one to two days per week. In specific terms, McKinsey sees the potential proportion of employees who could work remotely as up to 48% of the workforce in the UK, 41% in France, 40% in Germany, 39% in the US and Japan, and 37% in Spain. In China, the potential





for remote working is estimated at 21% of the workforce. Due to the pandemic, the volume of e-commerce is also expected to grow between two- and five-fold, partially driven by the broadening proliferation of digital platforms. Finally, McKinsey cites the trend towards automation due to the increasingly widespread deployment of robots and artificial intelligence.

According to the German government's coalition agreement, appropriate and flexible solutions are to be developed in dialog with all stakeholders to ensure a healthy home office working environment. Moreover, people working in suitable occupations are to be granted a right to work both remotely and from home. Accordingly, employers will only be able to object to employees' wishes if they conflict with work-related interests. Ultimately, it should also be possible for German employees to work remotely throughout the EU without any problems.

In its white paper "Telematics Infrastructure 2.0 for a Federally Connected Healthcare System" published in January 2021, gematik GmbH points to the key importance of digital health apps (DIGA) as a new third pillar of patient care alongside outpatient and inpatient care facilities. According to gematik GmbH, Germany is playing a pioneering role in the integration of medical apps in healthcare with the so-called "DIGA Fast Track".

The introduction of an electronic register for healthcare professionals (eGBR) is intended to help manage the issuing of electronic cards for health professionals (eHBA) to members of healthcare professions, healthcare workers, and other providers of medically prescribed services, i.e. the so-called non-chambered professions, going forward. These electronic healthcare professional cards will be required in order to access the data and applications on the electronic healthcare card (eGK). The electronic register for healthcare professionals (eGBR) is currently in the process of being established. According to the Münster district government, in the German state of North Rhine-Westphalia, members of the following professional groups will initially be able to apply for their eHBA from the eGBR as part of the pilot operation, assuming they have received their professional license from an authority based in North Rhine-Westphalia:

- Nursing professionals
- Geriatric nurses
- Healthcare and nursing staff
- Pediatric healthcare and nursing staff
- Physiotherapists
- Midwives

In an initial step, the following institutions can apply to the eGBR:

- Obstetrics facilities
- Healthcare, nursing, and geriatric care facilities
- Physiotherapy facilities

The eGBR will also allow members of other non-licensed health professions to obtain an electronic card for health professionals (eHBA) going forward.

## 5.2. Business performance outlook for the Cherry Group

Cherry has implemented a broad set of measures to bolster its strategic course of growth in the medium and long term. These include in particular the further strengthening of its management resources, investments in new, highly automated assembly machines and IT infrastructure, the build-up of inventories with a view to ensuring supply capability for the further planned expansion of the Group's e-commerce business, and stepping up sales activities in defined new markets. The Management Board's medium-term prediction of double-digit revenue growth therefore remains in place based on expected underlying conditions and market trends.

The 2022 fiscal year, however, remains subject to a high degree of uncertainty due to the COVID-19 pandemic and the ongoing war in Ukraine. In addition to various regional lockdowns in China, which are affecting warehouses and production sites within the supply chains, this also includes fluctuating customer ordering behavior in light of the limited availability of other components, particularly semiconductors, and high inventory levels. For these reasons, the Management Board forecasts lower revenue growth in the current fiscal year than in the previous 12-month period.

At the same time, the planned level of growth-oriented investments, particularly those earmarked to develop management capacities, the cost of regional expansion

and the growth of the e-commerce business as well as accelerating inflation are likely to result in a temporary downturn in operating profit. Moreover, the Russia-Ukraine conflict is expected to have an additional negative impact on profitability due to higher material, energy and logistics costs.

For the currently existing segments, the Management Board expects the following development:

Before consolidation	Cherry Europe GmbH	Cherry Digital Health GmbH	Theobroma Systems Design und Consulting GmbH	Active Key GmbH	Zhuhai Cherry Electronics Co. Ltd-	Cherry Electronics (Hong Kong) Co Ltd.	Cherry Americas LLC
Expected revenue development	[5-10 %]	15-25 %	15-25 %	30-40 %	10-15 %	10-15 %	15-20 %
EBITDA margin (adjusted)	20-25 %	12-16 %	18-23 %	25-28 %	20-24 %	15-19 %	4-6 %

For the future segments GAMING und PROFESSIONAL the Management Board expects the following development:

For the GAMING business area, the Management Board therefore expects revenue growth in the mid-single-digit percentage range in the current fiscal year with a slightly lower (adjusted) EBITDA margin due to macroeconomic developments as well as temporary increases in material prices, shipping costs, and non-recurring marketing expenses for expansion in the Asia-Pacific region. In addition to Cherry's existing customers for the new MX Ultra Low Profile switch, four of whom are to be supplied for the first time in the course of 2022, the Management Board aims to continue expanding Cherry's customer base going forward. Furthermore, the expected growth in the GAMING business area will be driven by the additions to the Gaming Devices product portfolio initiated in the 2021 fiscal year and the recently entered sales markets in Southeast Asia.

The Management Board expects revenue in the PROFESSIONAL business area to grow in the low double-digit-percentage range in the 2022 fiscal year. In addition to the targeted expansion of the product portfolio in the Peripherals business unit, growth will be driven primarily by the selective expansion of sales channels, particu-

larly in the e-commerce business via major online marketplaces in Europe in the second half of the year. Moreover, in the Digital Health business unit, the successful ST-1506 e-health terminal and, from the second half of the year, the new PP-1516 e-health PIN pad designed for use in the telematics infrastructure for healthcare in Germany, are expected to contribute to overall revenue growth. The (adjusted) EBITDA margin in this business area will be impacted by increased investments in new products, software, manpower, and marketing expenses designed to drive future growth in the e-commerce business and expansion in the Asia-Pacific region and thus also decrease slightly.

Taking these factors into account, the Management Board expects Group revenue in the region of EUR 170 million to EUR 190 million for the 2022 fiscal year with an adjusted EBITDA margin of 23% to 26%. Beyond 2022, the Management Board anticipates double-digit revenue growth and an improved adjusted EBITDA margin.



## 6. OTHER DISCLOSURES

### 6.1. Disclosures required by takeover law (section 289a, section 315 a (1) HGB)

1. As of December 31, 2021, Cherry AG's subscribed capital comprised the following: Share capital amounted to EUR 24,300,000.00, divided into 24,300,000 no-par value bearer shares. All shares carry the same rights and obligations. The rights and obligations of the shareholders are set out in detail in the provisions of the German Stock Corporation Act (AktG), particularly sections 12, 53a et seq., 118 et seq., and 186 AktG.
2. Any Cherry AG shares held either directly or indirectly by members of the Management Board are subject to a blocking period that expires on December 29, 2022. Any Cherry AG shares held either directly or indirectly by Marcel Stolk, Chairman of the Supervisory Board, and/or Steven M. Greenberg, member of the Supervisory Board, are subject to a blocking period that expires on June 29, 2022. The Management Board is not aware of any further limitations affecting voting rights or the transfer of shares.
3. According to a voting rights notification received by Cherry AG on July 30, 2021, as well as internal notifications to Cherry AG from individual investors that are not subject to disclosure requirements, the following direct shareholding exceeds 10% of the voting rights: Cherry TopCo S.à r.l. (Argand Partners Fund GP-GP, Ltd.): 30.79%.
4. There are no shareholders with special controlling rights.
5. There are no controls over voting rights relating to shares held by employees.
6. The appointment and dismissal of members of the Management Board is governed by sections 84 and 85 of the German Stock Corporation Act (AktG) and article 7 of the Articles of Association of Cherry AG. The Management Board consists of one or more members. The Supervisory Board determines the number of members on the Management Board. The Supervisory Board may appoint a Chairman of the Management Board and also a Deputy Chairman. The Supervisory Board appoints members of the Management Board, concludes employment contracts, revokes appointments, and also amends and terminates employment contracts. The Supervisory Board may issue Rules of Procedure for the Management Board.

7. In accordance with the resolution of the Annual General Meeting held on June 11, 2021, the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital of Cherry AG by up to EUR 10,000,000 by issuing up to 10,000,000 new no-par value bearer shares in return for cash contributions and/or contributions in kind (Authorized Capital) on or before June 10, 2026. The authorization may be exercised once or several times in partial amounts, but only up to EUR 10,000,000 in total. Shareholders are fully entitled to subscription rights. If share capital increases are made against cash contributions, the shares may also be underwritten by banks or companies designated by the Management Board as defined in section 186 (5) sentence 1 of the German Stock Corporation Act (AktG), subject to the obligation to offer them to the shareholders for subscription.

By resolution of the Annual General Meeting held on June 23, 2021, the share capital was conditionally increased by up to EUR 10,000,000, divided into up to 10,000,000 no-par value bearer shares (Conditional Capital). The Conditional Capital increase may only be executed if the holders or creditors of option or conversion rights – or those required to convert/exercise options arising from bonds with warrants and/or convertible bonds, profit participation rights and/or participating bonds issued against cash or non-cash contributions (or combinations of these instruments) that have been issued or guaranteed by Cherry AG or by a subsidiary of Cherry AG until June 22, 2026, based on the authorization given to the Management Board by resolution of the Annual General Meeting held on June 23, 2021 – exercise their option or conversion rights or, if they are required to convert/exercise options, actually fulfill their obligation, or if Cherry AG exercises an option to grant shares in the Company in whole or in part instead of payment of the cash amount due. The Conditional Capital increase will not be executed if a cash settlement is granted or treasury shares, shares from authorized capital, or shares in another listed company are used to service the issue. The new shares shall be issued at the option or conversion price, which is to be determined in each case in accordance with the above authorization resolution. The new shares shall participate in profits from the beginning of the fiscal year in which they are created. To the extent legally permissible, the Management Board may, with the approval of the Supervisory Board, determine the profit participation of new shares in deviation from this and from section 60 (2) sentence 3 AktG, including for a fiscal year which has already expired.



8. Cherry AG's credit agreements do not include change-of-control clauses that grant creditors an extraordinary right of termination.

9. Cherry AG has not entered into any compensation agreements, either with members of the Management Board or with employees, regarding termination of employment in the event of a takeover offer.

## 6.2. Remuneration report in accordance with section 162 AktG

The remuneration report for the 2021 fiscal year is published on the Cherry website at <https://ir.cherry.de/home/corporate-governance/>.

## 6.3. Corporate Governance Statement pursuant to sections 289f and 315d of the German Commercial Code (HGB)

The corporate governance statement for the 2021 fiscal year is published on the Cherry website at <https://ir.cherry.de/home/corporate-governance/>.

## 6.4. Internal control system and risk management system relating to the Group financial reporting process

Pursuant to sections 289 (4) and 315 (4) of the German Commercial Code (HGB), Cherry AG is required to describe the key features of its financial reporting-related internal control and risk management system in the management report.

In connection with the IPO on June 29, 2021, Cherry AG is still in the process of establishing a fully comprehensive internal control system (ICS) and risk management system.

Accordingly, it is a top priority for the Management Board of Cherry AG to fully establish, implement and automate such systems in the fiscal year 2022 and in subsequent years. System-supported, automated processes, which will become an elementary component of the ICS, are also to contribute to this.

In summary, Cherry AG considers risk management as part of its internal control system. In this context, the ICS is understood as an ongoing process comprising organizational, control, and monitoring structures to ensure compliance with legal and corporate requirements at all times.

The Management Board of Cherry AG is responsible for the extent and the structuring of the ICS, taking the specific requirements of the Cherry Group duly into account. Monitoring the effectiveness of the ICS is one of the duties of the Supervisory Board of Cherry AG, which receives regular reports from the Management Board regarding the status of the ICS and the results of internal control and monitoring measures. Together with the Supervisory Board, the Management Board reviews the appropriateness, effectiveness, and functionality of the ICS within the Cherry Group and currently performs its duties using informational, audit, and reporting formats. ICS audits are based on a risk-oriented reporting system, which is managed by risk controlling and regularly includes checks at subsidiaries. Moreover, the Accounting and Controlling departments are responsible for checking the correctness of fixed asset and inventory counts. The external auditor also examines the parts of the ICS relevant to financial reporting for effectiveness as part of its risk-oriented audit approach.

Strict measures relating to signing authorizations for banks were implemented by Treasury. These include FRAUD prevention through segregation of authorizations and signature levels, as well as six-eye approval for master data changes to bank details.

The financial reporting-related ICS comprises principles, procedures, and measures to ensure the effectiveness, efficiency, and correctness of financial reporting and to ensure compliance with the relevant laws and standards, and is subject to continuous further development. For the purposes of preparing the Consolidated Financial Statements, the ICS serves in particular to ensure the correct application of International Financial Reporting Standards (IFRS) as endorsed by the European Union and the application of the additional requirements of German commercial law pursuant to section 315e of the German Commercial Code (HGB). For the purposes of preparing the Separate Financial Statements and the management report, the ICS additionally helps to ensure compliance with the provisions of commercial law.



Any ICS must always take into account that, regardless of its structure, it cannot provide absolute certainty that material inaccuracies in the financial statements will be prevented or detected. This could be caused, for example, by incorrect discretionary decisions, inadequate controls, or criminal acts.

In order to counteract these potential risks and causes, Cherry AG is planning to establish an internal audit department as a staff unit in 2023.

The following assertions relate to fully consolidated subsidiaries of Cherry AG, where Cherry AG has the power, either directly or indirectly, to determine the financial and monetary policies of those entities so as to obtain benefits from their activities.

The tasks of Cherry AG's risk management system include defining measures to identify and assess risks, mitigating them to an acceptable level, and monitoring the identified risks.

Risk management requires organized action to deal appropriately with uncertainties and risks and encourages employees to make use of regulations and tools to ensure compliance with risk management principles. In addition to operational risk management, it also includes the systematic early identification, management, and monitoring of risk. In this context, financial reporting-related risk management focuses on the risk of an inaccuracy in the accounting systems as well as in external reporting.

Accordingly, all subsidiaries are integrated into the risk management system and its specified reporting structures. This includes the risk reporting system, which is based on the risk manual. In order to manage the individual risks, the risks of the risk early warning system are discussed every quarter in a monthly management meeting and any measures taken are coordinated with the Management Board.

Specific financial reporting-related risks may arise, for example, in connection with the conclusion of unusual or complex transactions. Furthermore, business transactions that are not routinely processed are subject to a latent risk. As a matter of necessity, a limited number of people throughout the organization are granted discretionary powers in the context of the recognition and measurement of assets and liabilities, which may result in further financial reporting-related risks.

The financial reporting-related ICS comprises internal controls defined on the basis of risk aspects for the processes relevant to financial reporting as well as the processes supporting the IT systems. IT security, change management, and operational IT processes are of particular importance in this respect. Organizational, preventive and detection controls are applied, which can be IT-based or manual. The high qualification of employees, their regular training, a minimum dual control principle, and the functional separation of administrative, executive and approval processes are indispensable for the effectiveness and efficiency of the financial reporting-related ICS for the Cherry Group. The Group Accounting department and other accounting departments are responsible for managing the financial reporting processes. Laws, financial reporting standards, and other documents are continuously analyzed with regard to their relevance and impact on financial reporting. Relevant requirements are recorded and communicated in the Group's financial accounting policy and form the basis for preparing the financial statements. In addition, supplementary procedural instructions such as the intercompany guideline, standardized reporting formats, IT systems, and IT-supported reporting and consolidation processes support the process of standardized and proper Group financial reporting. The Group Accounting department ensures that these requirements are complied with uniformly throughout the Group. The Group companies are responsible for ensuring that their financial reporting-related processes and systems run correctly and promptly, and are supported in this endeavor by the accounting departments of the Cherry Group's various subsidiaries as well as external service providers.

If significant control weaknesses or opportunities for improvement are identified, these are assessed and countermeasures are developed together with the persons responsible in order to further improve the effectiveness of the ICS. The implementation of these measures is monitored by the Management Board and may be the subject of follow-up activities. The Supervisory Board is closely involved at every stage to ensure the high quality of the financial reporting-related ICS. If the Cherry Group continues to grow and will exceed EUR 250 million in revenue, it plans to set up its own internal audit department in order to cope with the corresponding increase in complexity. For the time being, however, external service providers commissioned by the Management Board in consultation with the Supervisory Board are used as required.





### 6.5. Final declaration of the Management Board pursuant to section 312 (3) sentence 3 AktG

According to the circumstances known to us at the time when legal transactions were carried out or measures were taken or omitted, Cherry AG received appropriate consideration for each legal transaction and was not disadvantaged by the fact that measures were taken or omitted.

Munich, March 30, 2022

The Management Board

Handwritten signature of Rolf Unterberger in black ink.

Rolf Unterberger  
(CEO)

Handwritten signature of Bernd Wagner in black ink.

Bernd Wagner  
(CFO/COO)

# 03 Consolidated Financial Statements

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	Note	2021	2020
Revenue	8.1	168,526	36,256
Cost of sales		-99,673	-28,314
Gross profit		68,853	7,942
Marketing and selling expenses		-16,929	-4,398
Research and development expenses		-6,103	-1,243
Administrative expenses		-17,796	-3,164
Other operating income	8.2	2,867	318
Other operating expenses	8.5	-3,274	-5,708
Operating result before interest and taxes (EBIT)		27,619	-6,253
Financial result	8.6	-14,125	-2,172
Earnings before taxes (EBT)		13,494	-8,425
Income taxes	8.7	-4,208	854
<b>Group net profit/loss</b>		<b>9,287</b>	<b>-7,571</b>
Undiluted (basic) earnings per share (in EUR)	8.8	0.42	-0.49
Diluted earnings per share (in EUR)	8.8	0.42	-0.49

### Income and expenses not recognized through profit or loss

€ thousand	Note	2021	2020
<b>Other comprehensive income that will be reclassified subsequently to profit or loss</b>		<b>4,218</b>	<b>-358</b>
Foreign currency translation of financial statements of foreign entities	7.1	4,218	-358
<b>Other comprehensive income that will not be reclassified subsequently to profit or loss</b>		<b>5</b>	<b>-9</b>
Actuarial gains and losses	7.1	7	-4
Other changes	7.1	-2	-5
<b>Income and expenses not recognized through profit or loss</b>		<b>4,223</b>	<b>-366</b>
<b>Total comprehensive income for the year</b>		<b>13,509</b>	<b>-7,938</b>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### ASSETS

€ thousand

	Note	Dec. 31, 2021	Dec. 31, 2020
<b>NON-CURRENT ASSETS</b>			
Intangible assets	6.2	190,109	184,614
Property, plant and equipment	6.1	24,941	24,502
Right-of-use assets	6.3	17,989	16,459
Shares in affiliated companies		–	31
Other non-financial assets	6.7	5	205
Deferred tax assets	7.6	1,307	2,234
<b>Total non-current assets</b>		<b>234,351</b>	<b>228,045</b>
<b>CURRENT ASSETS</b>			
Inventories	6.4	44,156	27,265
Trade receivables	6.5	19,610	10,887
Current income tax receivables		1,853	52
Financial assets	6.6	–	25
Other non-financial assets	6.7	1,329	1,359
Cash and cash equivalents	6.8	109,678	22,900
<b>Total current assets</b>		<b>176,626</b>	<b>62,488</b>
<b>Total assets</b>		<b>410,977</b>	<b>290,532</b>



## EQUITY AND LIABILITIES

€ thousand

	Note	Dec. 31, 2021	Dec. 31, 2020 <sup>1</sup>
<b>EQUITY</b>	7.1		
Subscribed capital		24,300	36
Capital reserves		263,280	150,486
Unappropriated profit/ accumulated deficit		1,716	-7,571
Accumulated other comprehensive income		3,856	-366
<b>Total equity</b>		<b>293,152</b>	<b>142,585</b>
<b>NON-CURRENT LIABILITIES</b>			
Pension provisions	7.2	917	994
Other provisions	7.3	1,021	939
Financial liabilities	7.5	46,095	74,748
Lease liabilities	6.3	14,549	13,208
Other non-financial liabilities	7.4	115	125
Deferred tax liabilities	7.6	21,997	24,715
<b>Total non-current liabilities</b>		<b>84,694</b>	<b>114,729</b>
<b>CURRENT LIABILITIES</b>			
Other provisions	7.3	252	480
Financial liabilities	7.5	202	6,072
Lease liabilities	6.3	3,982	3,334
Trade payables		17,892	14,499
Current income tax liabilities		1,435	1,941
Other financial liabilities	7.4	5,564	4,063
Other non-financial liabilities	7.4	3,804	2,830
<b>Total current liabilities</b>		<b>33,131</b>	<b>33,219</b>
<b>Total equity and liabilities</b>		<b>410,977</b>	<b>290,532</b>

<sup>1</sup> Previous year figures partially adjusted. Reference is made to the explanations in the Notes under 4.





## CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand

	Note	2021	2020
Net profit/loss for the year		9,287	-7,571
Depreciation, amortization and write-downs (+) / reversals thereof (-) on fixed assets		14,954	3,485
Increase (+) / decrease (-) in provisions		-522	4,800
Other non-cash expenses (+) / income (-)		9,810	219
Gains (-) / losses (+) on disposal of fixed assets		44	-
Increase (-) / decrease (+) in inventories, trade receivables and other assets		-28,673	7,813
Increase (-) / decrease (+) in trade payables and other liabilities		3,761	-340
Interest expenses (+) / interest income (-)	8.6	14,125	1,935
Interest paid (-)		-13,749	-152
Interest received (+)		5	6
Tax expenses	8.7	4,208	-854
Income tax paid (+/-)		-5,435	-4,533
<b>Cash flows from operating activities</b>		<b>7,815</b>	<b>4,808</b>
Cash received (+) from disposals of property, plant and equipment		122	151
Cash paid (-) for investments in property, plant and equipment		-6,750	-1,794
Cash paid (-) for investments in intangible assets		-2,931	-912
Cash paid (-) for the purchase of consolidated companies	10.	-4,869	-205,609
Cash paid (-) for investments in non-consolidated subsidiaries		-	-31
<b>Cash flows from investing activities</b>		<b>-14,427</b>	<b>-208,195</b>
Cash received (+) from equity contributions	7.1	137,600	150,268
Cash paid (-) for capital procurement costs	7.1	-6,345	-
Cash paid (-) for other non-current financial liabilities	10.	-3,610	-751
Cash paid (-) for the repayment of (financial) loans	10.	-80,248	-150
Cash received (+) from (financial) loans raised	10.	45,045	80,085
Cash paid (-) in connection with new loans raised		-	-2,831
<b>Cash flows from financing activities</b>		<b>92,442</b>	<b>226,621</b>
Cash-relevant change in cash and cash equivalents		85,830	23,234
Changes in cash and cash equivalents due to changes in exchange rates, scope of consolidation, and valuation		948	-359
<b>Cash and cash equivalents at beginning of the year</b>		<b>22,900</b>	<b>25</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>109,678</b>	<b>22,900</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	Subscribed capital	Capital reserves	Unappropriated profit	Accumulated other comprehensive income Foreign currency translation of financial statements of foreign entities	Accumulated other comprehensive income Actuarial gains and losses	Total equity
<b>Jan. 1, 2020</b>	25	–	–	–	–	25
Share capital increase	11	150,257	–	–	–	150,268
Group net profit/loss	–	–	-7,571	–	–	-7,571
Foreign currency translation of financial statements of foreign entities	–	–	–	-358	–	-358
Actuarial gains and losses	–	–	–	–	-4	-4
Income taxes on other comprehensive income	–	–	–	–	-5	-5
Other comprehensive income	–	–	–	-358	-8	-366
Total comprehensive income	–	–	-7,571	-358	-8	-7,938
Impact of share-based payments	–	229	–	–	–	229
<b>Dec. 31, 2020</b>	36	150,486	-7,571	-358	-8	142,585
<b>Jan. 1, 2021</b>	36	150,486	-7,571	-358	-8	142,585
Capital increase	24,264	113,108	–	–	–	137,372
Capital procurement transaction costs	–	-4,496	–	–	–	-4,496
Group net profit/loss	–	–	9,287	–	–	9,287
Foreign currency translation of financial statements of foreign entities	–	–	–	4,218	–	4,218
Actuarial gains and losses	–	–	–	–	7	7
Income taxes on other comprehensive income	–	–	–	–	-2	-2
Other comprehensive income	–	–	–	4,218	5	4,223
Total comprehensive income	–	–	9,287	4,218	5	13,509
Impact of share-based payments	–	4,183	–	–	–	4,183
<b>December 31, 2021</b>	24,300	263,280	1,716	3,860	-3	293,152



# NOTES

## 1. GENERAL EXPLANATORY COMMENTS

### 1.1. General information about the Cherry Group

The main business purpose of the Cherry Group, which has its registered offices in Munich and Auerbach, is the development and distribution of mechanical keyboard switches, IT peripherals, security systems, software, the import and export of such items, trading with purchased IT peripherals, security systems, software and the provision of development and service activities in the field of IT, as well as all related business.

The parent company of the Cherry Group is Cherry AG, which is registered in the Commercial Register of the Munich Local Court under HRB 266697. The registered office of the Company is Einsteinstraße 174 in 81677 Munich, Germany.

With the contract of May 21, 2020 and effective September 30, 2020, Cherry AG (formerly: Cherry AcquiCo GmbH) acquired all of the assets, liabilities and employees of Cherry Holding GmbH (registered office: Cherrystrasse, 91275 Auerbach), including all subsidiaries, by means a share acquisition. As a result of this transaction, the Cherry AG Group came into being on September 30, 2020. Accordingly, in addition to the amounts of Cherry AG for the period prior to the acquisition from January 1, 2020 to September 30, 2020, both the consolidated income statement and the consolidated statement of cash flows of the previous fiscal year include in particular the amounts of the entire Group for the period from October 1 to December 31, 2020 and are therefore not comparable with the 2021 fiscal year.

The Consolidated Financial Statements for the 2021 fiscal year were approved for publication by the Management Board on March 30, 2022.

### 1.2. Basis of preparation of the Consolidated Financial Statements

In line with Section 315e (1) of the German Commercial Code (HGB), Cherry AG has prepared its Consolidated Financial Statements for the year ended December 31, 2021 in accordance with the international accounting standards as specified in Regulation 1606/2002 of the European Parliament and of the Council. The Consolidated Financial Statements comply with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and their respective interpretations (IFRIC/SIC), as required to be applied in the European Union (EU) for the 2021 fiscal year, and have been supplemented by certain disclosures and the Group Management Report in conjunction with Section 315e HGB.

The Consolidated Financial Statements have been prepared on the basis of historical cost.

The financial statements of all fully consolidated companies have been prepared using uniform accounting and measurement principles. The individual financial statements of these companies have been drawn up as of the Group's reporting date (December 31, 2021).

The Consolidated Financial Statements have been drawn up in euros, the functional currency of the parent company. Unless stated otherwise, all amounts are stated in thousands of euros (EUR k).

For computational reasons, rounding differences may occur in tables and cross-references compared to the mathematically exact values (EUR k; percentages (%) etc.).

The consolidated balance sheet is presented in accordance with IAS 1 (Presentation of Financial Statements) using the current/non-current method, whereby assets expected to be realized within twelve months of the reporting date, and liabilities that are due to be settled within one year of the reporting date, are generally classified as current. The income statement is classified using the cost of sales method.



### 1.3. Consolidation principles

The Consolidated Financial Statements comprise the financial statements of Cherry AG and its subsidiaries as of December 31, 2021, over which Cherry AG – either directly or indirectly – has a controlling influence.

All significant subsidiaries, in which Cherry AG directly or indirectly holds the majority of voting rights and has the power to control, are fully consolidated. Control as defined by IFRS 10 exists when the Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In addition, on the basis of existing rights, the Group must have the ability to control the activities of the investee that have a significant impact on its returns. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and are deconsolidated as soon as the parent company no longer has control.

All assets, liabilities, equity, income and expenses that result from inter-company transactions are offset and eliminated in full, as are intercompany profits and losses arising on the sale/purchase of goods and services. Similarly, all dividends distributed within the Group are eliminated. Deferred taxes are recognized on consolidation procedures which impact profit or loss.

### 1.4. Group reporting entity

As of December 31, 2021, the Consolidated Financial Statements of Cherry AG include the parent company, Cherry AG, and the following Group entities:

### List of investments

Fully consolidated entities	Principal activity	December 31, 2021	Dec. 31, 2020
Cherry Holding GmbH, Auerbach	Holding company	–	100 %
Cherry Europe GmbH, Auerbach	Production, sales and marketing	100 %	100 %
Cherry Digital Health GmbH, Munich	Sales and marketing	100 %	100 %
Active Key GmbH, Munich	Sales and marketing	100 %	–
Theobroma Systems Design und Consulting GmbH, Vienna (Austria)	Production, sales and marketing	100 %	100 %
Zhuhai Cherry Electronics Co. Ltd, Zhuhai City (China)	Production, sales and marketing	100 %	100 %
Cherry Electronics (Hong Kong) Co Ltd, Hong Kong (China)	Sales and marketing	100 %	100 %
Cherry Americas LLC, Kenosha (USA)	Sales and marketing	100 %	100 %
Cherry S.A.R.L, Paris (France)	Sales and marketing	100 %	100 %

The subsidiary Cherry Digital Health GmbH, Munich, which was not fully consolidated until December 31, 2020 for reasons of materiality, has been fully consolidated with effect from January 1, 2021.

In March 2021, it was decided to initiate a merger of Cherry AcquiCo GmbH and Cherry Holding GmbH. Accordingly, Cherry Holding GmbH was merged into Cherry AcquiCo GmbH. The notification of the merger to the Commercial Register was filed on April 6, 2021. The merger was entered in the Commercial Register on April 19, 2021. In conjunction with the merger, Cherry AcquiCo GmbH was renamed Cherry Holding GmbH. The seat of the Company continues to be Munich. In accordance with a resolution taken at the Annual General Meeting on May 25, 2021, the legal form of Cherry Holding GmbH was changed to that of a stock corporation under the name "Cherry AG".

A branch office of Cherry Electronics (Hong Kong) Co. Ltd. was established in Taiwan on January 8, 2018.



Further information about the various business combinations is provided in note 2 below.

In accordance with Section 264 (3) HGB, Cherry Europe GmbH, Cherry Digital Health GmbH and Active Key GmbH are exempted due to their inclusion in the Consolidated Financial Statements of Cherry AG from preparing and publishing annual financial statements and a management report and from being audited.

### 1.5. Initial Public Offering

Cherry began the process of obtaining a stock exchange listing via an Initial Public Offering (IPO) during the first quarter 2021. The listing took place on June 28, 2021, and the first trading day was June 29, 2021. A total of 4,300,000 new shares were issued in conjunction with the IPO, taking the total number of ordinary bearer shares with no par value in circulation to 24,300,000. The shares are listed on the Frankfurt Stock Exchange. The initial share quotation amounted to EUR 32.00.

Costs totaling EUR 6,345k arising in 2021 in connection with the IPO were offset against capital reserves as capital procurement costs. Other expenses not incurred in direct connection with the issue of new shares were recognized through profit or loss.

## 2. BUSINESS COMBINATIONS

With the contract dated May 5, 2021 (signing) the Cherry Group acquired 100% of the limited partner's shares of Active Key GmbH & Co. KG, Pegnitz, upon withdrawal from the company by the general partner. The acquisition was completed on May 7, 2021. Active Key has a broad portfolio of hygienic and robust computer input devices, with a focus on hospitals and industrial customers, including peripherals that contribute to infectious disease control, such as washable medical-grade keyboards and disinfectable keyboards and mice. Recently, this product area has seen high demand in light of the Covid-19 pandemic. The acquired business with industrial keyboards complements the Cherry Group's portfolio. Active Key has good technological expertise in the niche market of hygienic, robust, anti-dust, washable and industrial input devices, which the Cherry Group intends to leverage.

The fair values of the identifiable assets and liabilities of Active Key and the derivation of goodwill at the acquisition date are as follows (contingent liabilities were notified):

€ thousand

#### Assets

Intangible assets	1,571
Property, plant and equipment	50
Right-of-use assets	311
Inventories	1,595
Trade receivables	486
Other assets	28
Cash and cash equivalents	477

#### Liabilities

Trade payables	-407
Other current liabilities	-283
Non-current liabilities	-554
<b>Total of identifiable net assets measured at fair value</b>	<b>3,274</b>
<b>Total consideration transferred</b>	<b>6,326</b>
Goodwill	3,052

Out of the total purchase price of EUR 6,326k, all of which is to be settled in cash, an amount of EUR 4,726k was paid during the year under report. The remaining EUR 1,600k is payable within twelve months of the acquisition date and is reported within "Other current financial liabilities". Goodwill mainly represents expected synergy benefits in the product and customer portfolio.

The goodwill arising on the transaction is deductible for tax purposes.





The fair value and the gross amount of acquired receivables were as follows:

€ thousand	Fair value	Gross amount
Trade receivables	486	486
Other assets	32	32

The fair value of the acquired receivables represents the best estimate of the cash flows expected to be collected from these receivables.

One-off transaction costs amounting to EUR 115k were recognized through profit or loss in 2021 as administrative expenses.

Revenue and profit after tax generated by Active Key after the acquisition date amounted to EUR 3,313k and EUR 521k respectively. If the acquisition had occurred at the beginning of the 2021 fiscal year, Group revenue and profit after tax would have amounted to EUR 170,379k and EUR 9,735k respectively.

#### Significant business combinations in the 2020 fiscal year

In a business combination taking effect from September 30, 2020, Cherry AcquiCo GmbH (now: Cherry AG) acquired 100% of the shares and voting rights in Cherry Holding GmbH including all of its subsidiaries. Information on the financing of the acquisition is provided in note 5.5.

Cherry Holding GmbH and its subsidiaries develop and distribute mechanical keyboard switches, IT peripherals, security systems, software, including the import and export of such items, buy in and sell IT peripherals, security systems and software and provide development and other services in the field of IT as well as all related business. This wide range of business activities constitutes the business object of the entire Group.

By way of this acquisition via Cherry AcquiCo GmbH, the private equity firm Argand Partners expanded its portfolio of market-leading specialty manufacturing and business service companies with sustainable competitive advantages and strong growth potential.

The fair values of the identifiable assets and liabilities of Cherry Holding GmbH and all of its subsidiaries and the calculation of goodwill as of the acquisition date are as follows (contingent liabilities were not identified):

€ thousand	
<b>Assets</b>	
Intangible assets	81,628
Property, plant and equipment	23,395
Right-of-use assets	16,082
Inventories	33,419
Trade receivables	12,807
Other assets	404
Cash and cash equivalents	10,580
Deferred tax assets	1,330
<b>Liabilities</b>	
Trade payables	-13,024
Other current liabilities	-8,431
Non-current liabilities	-18,145
Deferred tax liabilities	-26,714
<b>Total of identifiable net assets measured at fair value</b>	<b>113,331</b>
<b>Total consideration transferred</b>	<b>216,090</b>
Goodwill	102,759

The purchase price of EUR 216,090k was settled in cash.

Goodwill represents the expected growth potential in the upcoming years.

Goodwill arising on the transaction is not deductible for tax purposes.



The fair value and the gross amount of acquired receivables were as follows:

€ thousand	Fair value	Gross amount
Trade receivables	12,807	12,807
Other assets	404	404

The fair value of the acquired receivables represents the best estimate of the cash flows expected to be collected from these receivables.

Transaction costs amounting to EUR 5,151k were recognized in profit or loss in 2020 as other operating expenses.

Revenue and profit generated by Cherry Holding GmbH and its subsidiaries in the 2020 fiscal year after the acquisition date amounted to EUR 35,869k and EUR 3,948k respectively. If the acquisition had occurred at the beginning of the 2020 fiscal year, Group revenue and profit in the 2020 fiscal year would have amounted to EUR 129,817k and EUR 6,100k respectively.

### 3. SIGNIFICANT ESTIMATES, ASSUMPTIONS AND AREAS OF JUDGMENT

The preparation of the Consolidated Financial Statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the recognition, measurement and disclosure of assets and liabilities, income and expenses, as well as the disclosure of contingent liabilities as of the reporting date. However, the uncertainties associated with these assumptions and estimates could give rise to outcomes that require adjustments to the carrying amounts of the assets or liabilities concerned in future periods.

The assumptions and estimates are based on information known at the date the Consolidated Financial Statements were authorized for issue. Assumptions and estimates are monitored on a regular basis and adjusted to take account of actual developments where necessary. The effect of changes in assumptions and estimates is recognized in profit or loss when new information comes to light.

In 2021, as in the previous fiscal year, it was necessary to assess the potential impact of the coronavirus pandemic on financial reporting, in particular on significant estimates, assumptions and areas of judgment. The pandemic has had a favorable impact on our business, in that it has accelerated underlying market trends such as increased e-sports and gaming activity as well as growth in work from home, work from anywhere and remote training. Alongside these mega-trends, it is also Cherry's strategy to expand its scope of business through e-commerce sales channels with a focus on B2C retail markets. However, it is uncertain whether revenue growth can be continued in this way once the pandemic eases or is eliminated. From management's perspective, the impact of the coronavirus pandemic on the Cherry Group has been minor to date and no material impact on future financial reporting is currently expected. Customer creditworthiness continues to be reviewed on a regular basis and no material impact on the receivables portfolio was identified in 2021.

Cherry is mitigating the impact of semiconductor and chip shortages that occurred in the 2021 fiscal year by buying in and stocking up on a long-term basis (as reflected in the higher level of inventories) and by passing on higher transportation costs to customers by raising selling prices. In parallel, redundancies are being built into supply chains in order to secure production requirements.



The key assumptions and estimates that involve a significant degree of risk in terms of potential adjustments to the carrying amounts of assets and liabilities within the coming fiscal year are discussed below:

### Business combinations

As a general rule, assets acquired and liabilities assumed in conjunction with business combinations are measured at their fair value. As there is no active market for many assets and liabilities, it is often necessary to determine fair values using recognized measurement methods, including, for example, the license price analogy method and the multi-period excess earnings method. For the purposes of the purchase price allocation of the Cherry Group in 2020, the license price analogy method was applied to determine the fair value of the Cherry brand, whereas the customer base was valued using the multi-period excess earnings method. These two methods were also used in the purchase price allocation for Active Key. The key measurement parameters required to be estimated when using these methods are the future cash flows resulting from assets and liabilities, the license rate and the interest rates to be applied for discounting. The measurement of contingent payment obligations relating to business combinations requires assumptions to be made about the underlying key parameters relevant for measurement. Significant assumptions are also required to be made as part of the process of allocating goodwill to cash-generating units (CGUs) and in estimating the useful lives of intangible assets subject to amortization.

### Capitalized development costs

Assumptions and estimates for internally generated intangible assets recognized on development costs for future products mainly involve assessing whether the asset will generate future economic benefits, in particular whether it can be demonstrated that there is a market for the product concerned. Cherry regularly launches development projects in collaboration with existing customers where there is a good likelihood that interest for the developed products already exists. The recoverability of capitalized development costs is assessed on an ongoing basis during the development phase, based on the progress of the project.

### Impairment of financial assets

Regular reviews are performed to determine whether impairment losses are required to be recognized for financial assets, in particular trade receivables (e.g. due to a lack of creditworthiness on the part of a customer). Estimates of future credit losses are based on past experience, adjusted to take account of the latest assessment of the impact of the Covid-19 pandemic.

### Impairment testing

In accordance with IAS 36, numerous parameters are required to be estimated in conjunction with impairment testing for goodwill, capitalized development costs, other intangible assets and property, plant and equipment. In particular, estimates of future cash flows, growth rates and the discount rate are required in this context. During the detailed planning phase, revenue growth is generally planned on the basis of past experience, taking into account current short- to medium-term expectations. This includes planned market strategies and, for the time being, the expected impact of the Covid-19 pandemic. After the detailed planning phase, long-term revenue growth is assumed on the basis of the latest business plan at the beginning of 2022. In light of the product portfolio, gross margins are planned to remain constant. Due to the nature of the Cherry Group's products, impairment is influenced in particular by technological developments, which are therefore observed and assessed on a regular basis. Information on impairment testing is provided in note 6.2.

In the context of determining impairment losses on inventories, range discounts are applied that are based on the Company's estimates from past experience.

### Deferred tax assets

The Cherry Group is liable to pay income taxes in several countries. Estimates must be made for the recognition of deferred taxes. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which they can be utilized. Management's assumptions therefore take into account estimates of future taxable income and the expected reversal of timing differences. Further details relating to deferred taxes are provided in note 7.6.



## Measurement of other provisions

Other provisions, in particular provisions for warranty obligations, are by their nature subject to uncertainties regarding the amount and/or timing of the obligations. Cherry is required in some cases to make assumptions about the likelihood of incurring obligations or future developments (e.g. for future costs) on the basis of past experience. Measurement on the basis of past experience, however, means that non-current provisions in particular are subject to a high degree of uncertainty. The measurement of non-current provisions is also particularly dependent on the selection and subsequent development of the market-compatible discount factor used.

## Share-based remuneration

When recognizing personnel expenses arising in conjunction with share-based remuneration, management is required to estimate the number of share rights expected to vest and therefore become exercisable after the end of the vesting period. In addition, various input factors are required to be estimated for the option pricing models used (volatility, interest rate).

The carrying amounts of the items affected by the above key assumptions and estimates are disclosed in the respective notes.

## Significant areas of judgment

Significant judgments need to be made in assessing whether an intangible asset has a definite or indefinite useful life.

The Cherry Group has entered into several lease arrangements that include renewal and termination options. These options are negotiated by management to provide flexibility in managing the leasing asset portfolio, in line with the Group's business requirements. Management exercises significant judgment in determining whether these renewal and termination options will be exercised with reasonable certainty.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements of Cherry AG are prepared on the basis of uniform Group accounting policies, of which the following are considered the most significant.

### Acquisition and production cost

The acquisition cost of an item includes its purchase price and any directly attributable incidental costs. The cost of internally generated assets, from which future economic benefits are expected to flow to the Group and that can be measured reliably, comprises costs directly attributable to the production process and an appropriate proportion of production-related overheads.

### Fair values

The fair value of financial instruments traded on organized markets is determined on the basis of the quoted market price (bid price) at the end of the reporting period. The fair value of financial instruments for which there is no active market is determined using recognized valuation techniques. These include deriving fair values from recent arm's-length market transactions between knowledgeable, willing parties, drawing on comparisons of fair values of substantially similar instruments, applying discounted cash flow analysis as well as making use of other valuation models.

### Foreign currency translation

The financial statements of consolidated subsidiaries which are drawn up in a foreign currency are translated into euros using the functional currency concept in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates). All non-German subsidiaries use the local currency of the relevant country as their functional currency since they all run their operations separately in financial, economic and organizational terms. Accordingly, assets and debt are translated at the closing rates at the end of the reporting period, and expenses and income are generally translated at average rates. Equity items are translated at historical rates as of the date they were first accounted for by the Cherry Group.



Differences arising from foreign currency translation at closing rates are shown separately in equity as "Foreign currency translation of financial statements of foreign entities".

For the reporting period presented, the Group used the following exchange rates against the euro for the major currencies:

Closing rates	US dollar (USD)	Chinese renminbi (CNY)	Taiwanese dollar (TWD)
December 31, 2020	1,22637	8,00533	34,43317
<b>December 31, 2021</b>	<b>1,13260</b>	<b>7,19470</b>	<b>31,36980</b>
Averaged annual rates	(USD)	(CNY)	(TWD)
2020 <sup>1</sup>	1,19570	7,88555	33,95054
<b>2021</b>	<b>1,18360</b>	<b>7,63392</b>	<b>33,12837</b>

<sup>1</sup> Exchange rates applied for the period of consolidation of foreign subsidiaries from September 30, 2020 to December 31, 2020.

## Business combinations and goodwill

As a general rule, business combinations are accounted for using the purchase method. For these purposes, acquisition cost comprises the fair value of the assets given, equity interests issued and liabilities incurred at the date of acquisition. All directly attributable incidental acquisition costs are expensed as incurred.

Goodwill acquired in a business combination is allocated from the date of acquisition to each of the Group's cash-generating units (CGUs) or groups of cash-generating units that are expected to benefit from the synergies of the combination.

Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment once a year. An impairment test is performed when events or circumstances indicate that the carrying amount of goodwill may not be recoverable. An impairment loss is recognized if the recoverable amount of the CGU is less than its carrying amount. Impairment losses recognized on goodwill are not reversed in subsequent periods.

## Intangible assets

Intangible assets with finite useful lives are measured subsequent to initial recognition at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method and recognized in the corresponding functional costs in the income statement. During the period under report, the Cherry Group carried intangible assets with definite useful lives, in particular capitalized software licenses and capitalized customer relationships. The useful lives of capitalized intangible assets vary depending on the underlying contractual agreement:

Intangible assets	Useful lives
Software licenses	3–5 years
Customer relationships	8 years

Intangible assets with indefinite useful lives are mainly in the form of trademarks. These intangible assets are not amortized but tested for impairment at least annually.





## Research and development expenses

Research costs are recognized as expense in the period in which they are incurred. Development costs relating to individual projects are capitalized if the criteria specified by IAS 38 are met. Capitalized development costs are stated at cost less accumulated amortization and impairment losses and are amortized on a straight-line basis over a period of 4-8 years.

### Property, plant and equipment

Property, plant and equipment are measured at acquisition and/or production cost less accumulated depreciation and impairment losses. The Group applies the straight-line method of depreciation, based on the following estimated useful lives:

Property, plant and equipment	Useful lives
Plant and machinery	4 – 10 years
Other operational and office equipment	1 – 15 years
Tools	4 years

Investment grants are recognized at the time when the associated conditions are fulfilled and the grant is awarded. Investment grant income is deferred and released to the income statement over the useful life of the related assets and reported in current or non-current other liabilities.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. As in the previous year, no borrowing costs were capitalized in the 2021 fiscal year.

## Leases

Cherry, as lessee, recognizes a right-of-use asset and a lease liability at the commencement date of the lease.

In accordance with the option available in IFRS 16.5, however, no right-of-use assets or lease liabilities are recognized for leases for which the underlying assets are considered to be of low value. In these cases, lease payments are recognized as an

expense on either a straight-line basis over the lease term or another systematic basis if this is more representative of the pattern of the lease's benefit. The same applies to leases with a term of less than 12 months. If the lease includes a renewal option which the Cherry Group is reasonably certain to exercise, the lease payments during the option period are taken into account. The assessment is based on the respective current business situation.

Right-of-use assets are stated at cost less accumulated depreciation and, if applicable, accumulated impairment losses. Depreciation on right-of-use assets is calculated on a straight-line basis over the applicable contract term. Lease liabilities are recognized at the present value of the lease payments to be made over the lease term, which are discounted as a general rule using the Cherry Group's incremental borrowing rate unless the implicit interest rate of the lease is known. Lease liabilities are subsequently measured at amortized cost using the effective interest method and adjusted in the event of changes or remeasurement.

## Impairment of property, plant and equipment, intangible assets and right-of-use assets

The Cherry Group reviews the carrying amounts of intangible assets, property, plant and equipment and right-of-use assets for impairment whenever there is an indication that the asset may be impaired. Impairment is tested by comparing the carrying amount with the recoverable amount. If the carrying amount of an asset exceeds its recoverable amount, the asset is deemed to be impaired and is written down to its recoverable amount through profit or loss. In order to determine the asset's value in use as a measure of the recoverable amount, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If an asset does not generate cash flows that are independent of the cash flows from other assets or groups of assets, the impairment test is performed at the level of the CGU to which the asset belongs. If the recoverable amount of a CGU is lower than its carrying amount, an impairment loss is recognized for the difference between the carrying amount and the lower recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last



impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The higher carrying amount resulting from the reversal may not, however, exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. The reversal of an impairment loss is recognized in profit or loss.

## Inventories

Inventories of raw materials and supplies, work in progress, finished goods and goods for resale are stated at the lower of acquisition and production cost and net realizable value at the end of the reporting period. If the net realizable value of inventories at the end of the reporting period is lower than their carrying amount, specific write-downs are recorded, with inventory turnover taken into account where appropriate. The net realizable value of obsolete inventories is assumed to be zero.

Acquisition costs mainly include the purchase price and inbound freight. Production costs include direct material and production costs as well as an appropriate portion of material overheads and depreciation. Uplifts for overheads are determined on the basis of budgeted amounts and compared with the actual rates for the period under report. Goods for resale, raw materials and supplies are valued at weighted average cost.

## Financial instruments

According to IAS 32, a financial instrument gives rise to a contractual right/obligation that will result in the inflow/outflow of financial assets. A financial instrument can be either non-derivative (such as trade receivables and payables, financial receivables and financial liabilities, and marketable securities) or derivative (such as a hedge against risks from changes in exchange rates and interest rates).

## Non-derivative financial instruments

The main financial instruments used by the Cherry Group are cash and cash equivalents, bank loans and trade receivables and payables.

Cash and cash equivalents comprise cash, demand deposits and other current highly liquid financial assets with an original maturity of less than three months from the date of acquisition and are recognized at their nominal value.

Trade receivables are measured at amortized cost using the effective interest method less any impairment allowances, based on their cash flow characteristics and the "hold" business model. The Cherry Group's trade receivables comprise exclusively principal amounts due from customers that are not, as a general rule, subject to interest. Accordingly, contractual interest payments do not normally arise.

In order to track and determine changes in credit risk, Cherry uses maturity bands to estimate historical default rates on trade receivables (simplified approach) for the purpose of estimating impairment allowances in accordance with IFRS 9. The credit-worthiness of (major) customers is checked both before and during the customer relationship, using various measures (credit reports, trading limits, etc.), focusing in particular on short-term solvency. As a general rule, it is assumed that receivables are exposed to practically zero impairment risk before they fall due. It is also generally assumed that the probability of default on a receivable increases in line with the number of days past due. In this context, historical data and an expectation component relating to possible future changes are taken into account.

The usual payment terms are between 20 and 30 days. The structure of trade receivables in the Cherry Group is characterized for the most part by a high turnover rate. In 2021, over 90% of outstanding receivables were paid by the due date and no receivables were derecognized through profit or loss. The Cherry Group analyzes the maturity structure of receivables on a monthly basis and regularly reviews the creditworthiness of its customers. A strict dunning system is in place. The Covid-19 pandemic has not had any significant impact on receivables to date and is not expected to do so going forward.



Based on the simplified approach and taking into account future expectations, there is currently no requirement to recognize impairment allowances, even though a risk of default exists in theory.

Bank loans and trade payables are also measured at amortized cost using the effective interest method. Embedded derivative instruments that are required to be separated are measured at fair value.

Depending on their maturity, financial instruments are presented in the consolidated statement of financial position as either current or non-current assets or liabilities. Financial instruments are accounted for on the basis of the maturity date.

### Derivative financial instruments and hedging relationships in accordance with IFRS 9

Derivative financial instruments are initially recognized when a contract is concluded, measured at fair value. Subsequently they are also measured at fair value and classified as “measured at fair value through profit or loss”. Derivative financial instruments are recognized as assets if they have a positive fair value and as liabilities if they have a negative fair value. Gains or losses arising from changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized immediately through profit or loss.

As in the previous year, the Cherry Group did not enter into any derivative financial instruments in the 2021 fiscal year and does not currently apply hedge accounting.

The contracts entered into by Cherry GmbH for the purpose of the receipt or delivery of precious metals (gold, silver, copper) are used in the ordinary course of business and therefore regularly meet the requirements of the so-called “own use exemption” pursuant to IFRS 9.2.4, and therefore do not qualify as derivative financial instruments within the meaning of IFRS 9.

### Provisions

Provisions are recognized for all legal or constructive obligations to third parties arising from past events, if the amount or timing of those obligations is uncertain at the end of the reporting period, it is probable that an outflow of resources will be required to settle the obligation and the amount thereof can be reliably determined or estimated. Provisions are measured as a general rule on the basis of the probable settlement amount, taking into account future cost increases. Non-current provisions are discounted using a pre-tax rate that reflects the risks specific to the liability. Where a provision is discounted, any increase due to the unwinding of the interest over time is recognized as interest expense. Provisions are adjusted over time to take account of new facts and circumstances.

### Pensions

The Cherry Group has both defined benefit and defined contribution pension plans. A defined contribution plan involves the payment of fixed amounts to a non-Group company (fund), whereby the Cherry Group does not have any legal or constructive obligation to pay any additional amounts if the fund does not have sufficient assets to meet the pension entitlements of all employees for the current or past fiscal years. The contributions are recognized as personnel expense when they fall due. Prepayments of contributions are recognized as an asset to the extent that there is a right to a refund or a reduction in future payments.

Defined benefit pension plans usually specify the amount of benefits to be paid to the employee on reaching pensionable age. The amount is normally based on one or more factors (age, service period and salary).

The provision for defined benefit plans recognized in the consolidated statement of financial position is calculated using the actuarial projected unit credit method prescribed by IAS 19. Under this method, future obligations are measured on the basis of the relevant portion of the benefits earned up to the end of the reporting period. The valuation takes into account certain trend assumptions (e.g. future salary and pension trends) for the relevant variables that affect the benefit amount. In accordance with IAS 19, actuarial gains and losses are recognized directly and in full through other comprehensive income.



## Share-based remuneration

Share-based remuneration is granted to selected management employees in conjunction with share ownership plans. Further information about these programs is provided in note 11.3.

The program qualifies equity settled plans as defined in IFRS 2. The resulting fair value is determined at the grant date and recognized as personnel expense with a corresponding increase to equity. The measurement of fair value takes into account both market-related performance conditions and non-vesting conditions, but excludes service conditions and non-market-related performance conditions. The total expense is recognized over the vesting period.

## Income taxes

### Current taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, measured on the basis of the tax rates and tax laws applicable at the end of the reporting period in the countries where the Group operates and generates taxable income. Taxes are recognized through profit or loss unless they relate to items recognized directly in equity or through other comprehensive income. In this case, the taxes are also recognized in equity or through other comprehensive income.

## Deferred taxes

Deferred taxes are recognized using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes as well as on tax losses available for carryforward.

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses available for carryforward and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, tax losses and tax credits can be utilized. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred tax assets and liabilities are measured at future tax rates, whereby changes in tax rates are generally taken into account when it is probable that they will be enacted.

Deferred taxes relating to items recognized directly in equity or through other comprehensive income are not recognized through profit or loss, but also in directly equity or through other comprehensive income.

## Revenue and profit/loss recognition

Revenue is recognized when a valid contract is place, the identifiable performance obligations arising from the contract and the payment terms are evident, the contract has commercial substance and it is probable that the agreed consideration will be collected. To the extent that different contracts with customers agreed at or near the same time are not independent of each other, they are combined for revenue recognition purposes into a single contract. The Cherry Group recognizes revenue when a performance obligation has been satisfied.

Revenue is generally recognized on the basis of a point in time.



Revenue from the sale of products is recognized when control of ownership (also taking various Incoterms into account) have been transferred to the distributor or customer, i.e. when the respective performance obligation has been fulfilled.

Any variable components, such as discounts, performance incentives, or bonuses included in the agreed consideration are taken into account for the purposes of determining the amount of revenue to be recognized once a performance obligation has been satisfied. Revenue from variable components is only recognized to the extent that it is highly probable that it will not be required to be reversed in the future. If a contract includes multiple performance obligations, the agreed consideration is allocated for revenue recognition purposes to the individual performance obligations on the basis of relative stand-alone selling prices. As a general rule, Cherry negotiates individual performance components separately, with selling prices agreed at a level commensurate with market retail prices.

Income not arising from ordinary business activities is recognized as other operating income. This includes, in particular, realized currency gains.

Interest income is recognized on an accrual basis as the interest accrues. Dividend income is recognized through profit or loss when the legal right to receive the payment arises.

### Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to Cherry AG shareholders by the weighted average number of shares outstanding during the fiscal year. Diluted earnings per share are calculated assuming that all potentially dilutive share-based payment plans are converted or exercised.

### Changes in accounting policies

In the 2021 fiscal year, an adjustment was made to the structure of the consolidated statement of financial position within the line item current other liabilities with a view to increasing transparency. The previous year's amounts have been adjusted accordingly.

€ thousand	Dec. 31, 2020		Dec. 31, 2020
<b>New structure</b>		<b>Old structure</b>	
Other financial liabilities	4,063	Other liabilities	6,893
Other non-financial liabilities	2,830		
<b>Total</b>	<b>6,893</b>	<b>Total</b>	<b>6,893</b>





## 5. NEW STANDARDS AND INTERPRETATIONS

### New and revised Standards and Interpretations required to be applied for the first time in the fiscal year

The following Standards, as revised by the International Accounting Standards Board, were required to be applied for the first time in the Consolidated Financial Statements for the year ended December 31, 2021:

- IAS 39, IFRS 9, IFRS 7, IFRS 4 and IFRS 16 Benchmark Interest Rate Reform (Phase 2)
- IFRS 4 Extension of the Temporary Exception to the Application of IFRS 9
- IFRS 16 Extension of Exemptions to Covid-19-related Rent Concessions Beyond June 30, 2021.

The application of these amendments did not have any significant impact on the Consolidated Financial Statements for the year ended December 31, 2021.

### Standards and Interpretations not yet applied (published but not yet mandatory or, in some cases, not yet applicable in the EU)

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have issued further Standards und Interpretations, which were not mandatory for the 2021 fiscal year or are not yet applicable in the EU.

Standard/ Interpretation	Name	Mandatory first application date for Cherry	Expected impact for Cherry
IFRS 3	Amendment of References to the Updated Framework	January 1, 2022	None
IAS 37	Onerous Contracts– Costs of Fulfilling a Contract	January 1, 2022	None
IAS 16	Property, Plant and Equipment – Income before Intended Use	January 1, 2022	None
IFRS 1, IFRS 9, IFRS 16, IAS 41	Annual Improvements to IFRSs (2018 -2020 Cycle)	January 1, 2022	None
IFRS 17	Insurance Contracts	January 1, 2023	None
IAS 1 <sup>1</sup>	Classification of Liabilities as Current or Non-current	January 1, 2023	None
IAS 1	Changes in Accounting Policies	January 1, 2023	No significant impact
IAS 8	Definition of Accounting Estimates	January 1, 2023	No significant impact
IAS 12 <sup>1</sup>	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	January 1, 2023	None
IFRS 17 <sup>1</sup>	Initial application of IFRS 17 and IFRS 9 - Comparative Information	January 1, 2023	None

<sup>1</sup> Not yet endorsed by the EU



## 6. EXPLANATORY NOTES TO GROUP ASSETS

### 6.1. Property, plant and equipment

Property, plant and equipment developed as follows:

Acquisition or manufacturing cost/cost of generation	Land, titles to land, buildings including buildings on third-party land	Plant and machinery	Other operational equipment, office equipment	Payments on account and assets under construction	Total
€ thousand					
<b>January 1, 2020</b>	–	–	–	–	–
Additions relating to the Cherry Group business combination	653	18,464	2,470	1,806	23,392
Additions relating to the Theobroma business combination	75	819	48	21	963
Additions	107	882	302	504	1,794
Disposals	–	-121	-80	-73	-274
Reclassifications	202	205	29	-437	–
Currency translation effects	-1	-45	-12	–	-58
<b>Balance as of December 31, 2020</b>	<b>1,036</b>	<b>20,204</b>	<b>2,757</b>	<b>1,820</b>	<b>25,818</b>
Additions relating to business combinations	2	8	40	–	50
Additions	93	3,754	1,258	1,906	7,011
Disposals	–	–	-26	-159	-185
Reclassifications	–	1,381	4	-1,713	-328
Currency translation effects	3	276	26	5	310
<b>Balance as of December 31, 2021</b>	<b>1,134</b>	<b>25,623</b>	<b>4,059</b>	<b>1,859</b>	<b>32,676</b>



Depreciation, amortization, and impairment losses	Land, titles to land, buildings including buildings on third-party land	Plant and machinery	Other operational equipment, office equipment	Payments on account and assets under construction	Total
€ thousand					
<b>January 1, 2020</b>	–	–	–	–	–
Expense for the year	43	1,276	167	–	1,486
Impairment losses	–	–	–	–	–
Disposals	–	-114	-5	–	-119
Reclassifications	–	–	–	–	–
Currency translation effects	-1	-41	-8	–	-50
<b>Balance as of December 31, 2020</b>	<b>42</b>	<b>1,121</b>	<b>154</b>	<b>–</b>	<b>1,317</b>
Expense for the year	106	5,433	693	–	6,232
Impairment losses	–	–	–	–	–
Disposals	–	–	-18	–	-18
Reclassifications	–	–	–	–	–
Currency translation effects	3	167	34	–	204
<b>Balance as of December 31, 2021</b>	<b>151</b>	<b>6,721</b>	<b>863</b>	<b>–</b>	<b>7,735</b>
<b>Carrying amounts</b>					
<b>January 1, 2020</b>	–	–	–	–	–
<b>December 31, 2020</b>	<b>994</b>	<b>19,084</b>	<b>2,603</b>	<b>1,820</b>	<b>24,502</b>
<b>December 31, 2021</b>	<b>983</b>	<b>18,902</b>	<b>3,196</b>	<b>1,859</b>	<b>24,941</b>

Reclassifications include amounts transferred from assets under construction to the individual line items of property, plant and equipment.

Land, titles to land and buildings, including buildings on third-party land, include leasehold improvements.

Purchase commitments for property, plant and equipment amounted to EUR 4,339k as of December 31, 2021 (December 31, 2020: EUR 6,613k).

As of December 31, 2021, none of Cherry Europe GmbH's property, plant and equipment served as collateral for bank loans of Cherry AG (December 31, 2020: EUR 10,688k).



## 6.2. Intangible assets

Intangible assets developed during the year under report as follows:

Acquisition and production cost € thousand	Development costs and internally generated industrial property rights and similar rights and assets	Development costs relating to projects in progress	Industrial property rights, licenses and patents	Customer base	Brand	Goodwill	Advance payments	Total
<b>Balance as of January 1, 2020</b>	-	-	-	-	-	-	-	-
Additions relating to the Cherry Group business combination	4,902	4,710	1,014	20,932	50,070	102,759	-	184,387
Additions relating to the Theobroma business combination	-	-	20	-	-	458	-	478
Additions	-	895	17	-	-	-	-	912
Disposals	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Currency translation effects	-	-	-74	-	-	-	-	-74
<b>Balance as of December 31, 2020</b>	4,902	5,605	978	20,932	50,070	103,217	-	185,704
Additions relating to business combinations	1,459	-	17	-	95	3,052	-	4,623
Additions	-	2,642	213	-	-	-	76	2,931
Disposals	-	-	-	-	-	-	-	-
Reclassifications	7,138	-7,138	328	-	-	-	-	328
Currency translation effects	-	-	82	-	-	-2,271	-	2,353
<b>Balance as of December 31, 2021</b>	13,499	1,109	1,618	20,932	50,165	108,540	76	195,939



Depreciation, amortization, and impairment losses	Development costs and internally generated industrial property rights and similar rights and assets	Development costs relating to projects in progress	Industrial property rights, licenses and patents	Customer base	Brand	Goodwill	Advance payments	Total
€ thousand								
<b>Balance as of January 1, 2020</b>	-	-	-	-	-	-	-	-
Expense for the year	139	-	365	654	-	-	-	1,158
Disposals	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Currency translation effects	-	-	-68	-	-	-	-	-68
<b>Balance as of December 31, 2020</b>	139	-	297	654	-	-	-	1,091
Expense for the year	1,334	-	702	2,617	-	-	-	4,653
Disposals	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Currency translation effects	-	-	87	-	-	-	-	87
<b>Balance as of December 31, 2021</b>	1,473	-	1,086	3,271	-	-	-	5,831
<b>Carrying amounts</b>								
<b>Balance as of January 1, 2020</b>	-	-	-	-	-	-	-	-
<b>Balance as of December 31, 2020</b>	4,763	5,605	681	20,278	50,070	103,217	-	184,614
<b>Balance as of December 31, 2021</b>	12,026	1,109	532	17,661	50,165	108,540	76	190,109

As of December 31, 2021, intangible assets identified and capitalized in conjunction with the Cherry Group purchase price allocation comprised goodwill amounting to EUR 102,759k (December 31, 2020: EUR 102,759k), a customer base amounting to EUR 17,661k (December 31, 2020: EUR 20,278k) and the Cherry brand mark amounting to EUR 50,070k (December 31, 2020: EUR 50,070k). Intangible assets also included goodwill arising on the acquisition of Active Key amounting to EUR 3,052k, acquired technology amounting to EUR 1,134k and the acquired brand amounting to EUR 95k.

The fair value of the Cherry brand mark was determined on the basis of the present values of notional royalty income on revenue sales attributable to the brand. Goodwill and trademark rights were initially recognized at the values determined at the date of the acquisition of Cherry Holding GmbH and its subsidiaries and have an indefinite useful life. The Cherry brand has been well established for decades (Cherry has been

in existence since around 1958) and the Cherry Group intends to continue using it. Based on current information, the products sold under the brand will generate net cash inflows for the Group for an indefinite period of time. Goodwill and the Cherry brand were tested for impairment in the 2021 fiscal year.

Development costs and internally generated industrial property rights and similar rights and assets include acquired development costs with a carrying amount of EUR 5,307k (December 31, 2020: EUR 4,173k).

Purchase commitments for intangible assets amount to EUR 73k as of December 31, 2021 (December 31, 2020: EUR 73k).



## Impairment testing of goodwill and the Cherry brand

For the purposes of impairment testing of goodwill (EUR 105,030k, December 31, 2020: EUR 102,759k) and the Cherry brand (EUR 50,070k, December 31, 2020: EUR 50,070k) that arose in conjunction with the acquisition of the Cherry Group, cash-generating units (CGUs) have been defined as the legally independent subsidiaries. These are Cherry Europe GmbH (Auerbach) (goodwill EUR 75,731k, December 31, 2020: EUR 75,731k; brand EUR 50,070k, December 31, 2020: 50,070k), Cherry Americas LCC (Wisconsin, USA) (goodwill EUR 9,276k, December 31, 2020: EUR 8,962k), and Cherry Zhuhai Electronics Ltd. (Zhuhai, China) (goodwill EUR 20,022, December 31, 2020: 18,066k). Goodwill and the Cherry brand have been allocated to these subsidiaries due to the fact that they benefit the legal entities concerned as well as their products and geographical regions.

For the purposes of the impairment test in 2021, the recoverable amount was based on value in use, with recoverability measured using the discounted cash flow method.

Calculations are based on forecasted revenue, EBIT and EBITDA, as derived from management's most recent forecasts. Over the detailed 5-year forecast period, revenue was assumed to grow at an average rate of 16.9%. Subsequent to that period, a growth rate of 1% (2020: 1%) was assumed for each of the CGUs, with the gross margin remaining at roughly the same level, and an average cost of capital of 7.65% (2020: 8.76%) applied in each case. In 2021, as in the previous year, there was no requirement to recognize any impairment losses on the basis of the fair values determined.

Goodwill arising on the acquisition of Theobroma Systems Design und Consulting GmbH in the 2020 fiscal year amounting to EUR 458k was tested for impairment, with the outcome that no impairment loss was required to be recognized.

Goodwill and the trademark arising on the acquisition of Active Key in 2021 amounting to EUR 3,052k and EUR 95k respectively, were also tested for impairment, also with the outcome that no impairment losses were required to be recognized.





### 6.3. Right-of-use assets and lease liabilities

Right-of-use assets developed during the year under report as follows:

Acquisition and production cost € thousand	Right-of-use assets – buildings	Right-of-use assets – plant and machinery	Right-of-use assets – tools	Right-of-use assets – vehicles	Right-of-use assets – Other operational and office equipment	Total
<b>Balance as of January 1, 2020</b>	-	-	-	-	-	-
Additions relating to the Cherry Group business combination	9,496	4,181	2,056	325	28	16,086
Additions relating to the Theobroma business combination	836	-	-	104	-	940
Additions	54	69	122	18	22	285
Disposals	-9	-	-	-	-7	-16
Reclassifications	-	-	-	-	-	-
Currency translation effects	-4	-	-	-	-	-4
<b>Balance as of December 31, 2020</b>	<b>10,372</b>	<b>4,250</b>	<b>2,178</b>	<b>447</b>	<b>43</b>	<b>17,291</b>
Additions relating to business combinations	291	-	-	20	-	311
Additions	300	4,396	428	152	-	5,276
Disposals	-177	-	-	-91	-	-268
Reclassifications	-	-	-	-	-	-
Currency translation effects	161	-	-	7	-	168
<b>Balance as of December 31, 2021</b>	<b>10,947</b>	<b>8,646</b>	<b>2,606</b>	<b>535</b>	<b>43</b>	<b>22,778</b>



Depreciation, amortization, and impairment losses € thousand	Right-of-use assets – buildings	Right-of-use assets – plant and machinery	Right-of-use assets – tools	Right-of-use assets – vehicles	Right-of-use assets – Other operational and office equipment	Total
<b>Balance as of January 1, 2020</b>	-	-	-	-	-	-
Expense for the year	330	311	138	54	9	842
Disposals	-9	-	-	-	-4	-13
Reclassifications	-	-	-	-	-	-
Currency translation effects	-	-	-	-	-	-
<b>Balance as of December 31, 2020</b>	<b>321</b>	<b>311</b>	<b>138</b>	<b>54</b>	<b>5</b>	<b>829</b>
Expense for the year	1,364	1,734	731	200	20	4,049
Disposals	-158	-	-	-57	-	-215
Reclassifications	-	-	-	-	-	-
Currency translation effects	112	-	-	14	-	126
<b>Balance as of December 31, 2021</b>	<b>1,639</b>	<b>2,045</b>	<b>869</b>	<b>211</b>	<b>25</b>	<b>4,789</b>
<b>Carrying amounts</b>						
<b>Balance as of January 1, 2020</b>	-	-	-	-	-	-
<b>Balance as of December 31, 2020</b>	<b>10,051</b>	<b>3,939</b>	<b>2,040</b>	<b>393</b>	<b>38</b>	<b>16,459</b>
<b>Balance as of December 31, 2021</b>	<b>9,308</b>	<b>6,601</b>	<b>1,737</b>	<b>324</b>	<b>18</b>	<b>17,989</b>

The Cherry Group's leasing activities relate primarily to leases for machinery, tools, vehicles, real estate and IT equipment. Lease agreements for machinery usually run for terms of between 4 and 7 years. Tools have a lease term of 4 years, vehicles 3–4 years, real estate 10–12 years and IT equipment 3–5 years.



Lease liabilities related to the following:

### Non-current liabilities

€ thousand	Dec. 31, 2021	Dec. 31, 2020
Lease liabilities for buildings	7,965	8,741
Lease liabilities for machinery	4,969	2,671
Leasing liabilities for tools	1,418	1,554
Lease liabilities for vehicles	185	224
Lease liability for other operational and office equipment	12	18
<b>Total</b>	<b>14,549</b>	<b>13,208</b>

### Current liabilities

€ thousand	Dec. 31, 2021	Dec. 31, 2020
Lease liabilities for buildings	1,435	1,327
Lease liabilities for machinery	1,846	1,321
Leasing liabilities for tools	550	502
Lease liabilities for vehicles	145	164
Lease liability for other operational and office equipment	6	20
<b>Total</b>	<b>3,982</b>	<b>3,334</b>

Maturity analysis of lease liabilities:

€ thousand	2021	2020
Up to 1 year	3,982	3,334
1 to 5 years	10,481	8,234
More than 5 years	4,068	4,974
<b>Total</b>	<b>18,531</b>	<b>16,542</b>
<b>Lease liabilities for buildings</b>	<b>9,400</b>	<b>10,068</b>
Up to 1 year	1,435	1,327
1 to 5 years	4,389	4,224
More than 5 years	3,576	4,517
<b>Lease liabilities for machinery</b>	<b>6,815</b>	<b>3,992</b>
Up to 1 year	1,846	1,321
1 to 5 years	4,554	2,371
More than 5 years	415	300
<b>Leasing liabilities for tools</b>	<b>1,968</b>	<b>2,056</b>
Up to 1 year	550	502
1 to 5 years	1,341	1,397
More than 5 years	77	157
<b>Lease liabilities for vehicles</b>	<b>330</b>	<b>388</b>
Up to 1 year	145	164
1 to 5 years	185	224
<b>Lease liability for other operational and office equipment</b>	<b>18</b>	<b>38</b>
Up to 1 year	6	20
1 to 5 years	12	18

The following amounts were recognized in the year under report through profit or loss:

€ thousand	2021	2020
Depreciation of right-of-use assets	4,049	842
Interest expense for lease liabilities	389	65
Lease expense for short-term leases	67	–
Lease expense for leases of low-value assets	101	6
Total amount recognized through profit or loss	4,606	913

Cash outflows for leases in 2021 totaled EUR 3,982k (2020: EUR 816k).

#### 6.4. Inventories

Inventories comprised the following:

€ thousand	Dec. 31, 2021	Dec. 31, 2020
Raw materials and supplies	13,816	9,690
Work in progress	2,303	891
Finished goods	12,091	6,667
Goods for resale	15,128	9,832
Advance payments	818	185
<b>Total</b>	<b>44,156</b>	<b>27,265</b>

The significant increase in transportation costs contributed to an increase in the acquisition and production cost of inventories in 2021.

Write-downs on inventories as of December 31, 2021, including the effects of exchange rates, totaled EUR 1,165k (December 31, 2020: EUR 1,294k).

As in the previous year, all inventory write-downs were reported within cost of sales in the 2021 fiscal year.

The lower level of write-downs recorded at December 31, 2021 was mainly due to the stronger USD exchange rate at that date compared to one year earlier.

As of December 31, 2021, none of Cherry Europe GmbH's inventories served as collateral for bank loans of Cherry AG (December 31, 2020: EUR 19,425k).

#### 6.5. Trade receivables

As of December 31, 2021, none of Cherry Europe GmbH's trade receivables (December 31, 2020: € 200,236k) served as collateral for bank loans of Cherry AG (December 31, 2020: EUR 5,503k).

#### 6.6. Financial assets

As of December 31, 2021, none of Cherry Europe GmbH's financial assets served as collateral for bank loans of Cherry AG (December 31, 2020: EUR 25k).

#### 6.7. Other non-financial assets

Other non-financial assets comprised the following:

€ thousand	Dec. 31, 2021	Dec. 31, 2020
Receivables relating to other taxes	477	753
Prepaid expenses	680	591
Other	177	220
<b>Other assets</b>	<b>1,334</b>	<b>1,564</b>

Receivables relating to other taxes comprise mainly sales taxes.

Prepaid expenses mainly include amounts paid upfront for services relating to SAP user licenses, maintenance services and insurance premiums. At the end of the previous fiscal year, costs amounting to EUR 250k in connection with obtaining a revolving credit line were deferred and recognized as expense over the term of the credit line. On repayment of the loans at the end of June 2021, the credit line was also ter-



minated and the remaining deferred amount was expensed through profit or loss. Other assets mainly include deposit payments for rented office space.

## 6.8. Cash and cash equivalents

As of December 31, 2021, none of Cherry Europe GmbH's cash and cash equivalents served as collateral for bank loans of Cherry AG (December 31, 2020: EUR 6,843k).

# 7. EXPLANATORY NOTES TO GROUP EQUITY AND LIABILITIES

## 7.1. Equity

### Subscribed capital

The subscribed capital of the parent company amounting to EUR 24,300k (December 31, 2020: EUR 36k) is fully paid up.

On May 25, 2021, the sole shareholder of Cherry AG resolved at an Extraordinary Meeting of Shareholders to increase the subscribed capital by EUR 1,963,747 from EUR 36,253 to EUR 2,000,000 by means of a transfer out of capital reserves (share capital increase out of existing company funds) in order to meet the statutory requirements for the subscribed capital of a stock corporation before the Company changed its legal form into that of a stock corporation (AG).

At the Annual General Meeting on June 11, 2021, it was resolved to increase the Company's share capital by EUR 18,000,000 from EUR 2,000,000 to EUR 20,000,000 by means of a transfer out of capital reserves (share capital increase out of existing company funds). At the same time, an authorized capital amounting to EUR 10,000,000 was resolved. The Management Board is authorized, with the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions on or before June 10, 2026 by a total of up to EUR 10,000,000 in return for cash and/or non-cash contributions, whereby the subscription rights of shareholders may be excluded (Authorized Capital 2021/I).

At the Annual General Meeting held on June 23, 2021, it was resolved to increase the share capital by EUR 4,300,000 from EUR 20,000,000 to EUR 24,300,000. At the same time, a conditional capital amounting to EUR 10,000,000 was resolved (Conditional Capital 2021/I).

As of December 31, 2021, the subscribed capital comprised 24,300,000 ordinary bearer shares with no par value. As of December 31, 2020 (and therefore prior to the change in legal form) the subscribed capital comprised 36,253 shares with a nominal value of EUR 1 per share.

### Development of the number of shares

Number of shares	2021
Arising on change of legal form	2,000,000
Share capital increase out of existing company funds	18,000,000
Issued at the time of the IPO	4,300,000
<b>Number of shares as of December 31</b>	<b>24,300,000</b>

In the 2020 fiscal year, the subscribed capital was increased by EUR 11k to EUR 36k by resolution of the shareholders' meeting on September 30, 2020, and consisted of 36,253 shares with a nominal value of EUR 1 per share as of December 31, 2020.

### Capital reserves

As of December 31, 2021, capital reserves stood at EUR 263,280k (December 31, 2020: EUR 150,486k). The Cherry IPO in 2021 gave rise to a payment of EUR 133.3 million into capital reserves. Directly attributable capital procurement costs amounting to EUR 6.3 million, less income taxes thereon amounting to EUR 1.8 million, were offset against capital reserves. Furthermore, capital reserves decreased as a result of two share capital increases out of company funds amounting to EUR 20.0 million.

The share ownership plan for management and the Advisory Board, which had been in place since September 30, 2020, was settled and terminated in the course of the IPO, resulting in the recognition in 2021 of non-cash personnel expenses amounting to EUR 3,757k (2020: EUR 229k), which were offset against capital reserves in accordance with IFRS 2.



A new share-based remuneration program (LTI = Long Term Incentive Program) was established at the time of the IPO, initially only for the Management Board of Cherry AG. Further information is provided in note 11.3 (Related party disclosures). The new share-based remuneration program gave rise to personnel expenses amounting to EUR 197k in 2021, which were required to be recognized directly in equity in accordance with IFRS 2 and therefore resulted in an increase in capital reserves.

In the 2020 fiscal year, a payment of EUR 150,257k was made to the capital reserve by the shareholder in the course of the acquisition of the shares in Cherry Holding GmbH and its subsidiaries as of September 30, 2020.

### Accumulated other comprehensive income

Accumulated other comprehensive income comprises mainly differences arising on the translation of the financial statements of the foreign subsidiaries into the Group's reporting currency (euro) amounting to EUR 3,860k (2020: EUR 358k).

In addition, actuarial gains amounting to EUR 7k (2020: losses of EUR 4k) arising on pension obligations, net of deferred taxes thereon amounting to EUR -2k (2020: EUR +5k), were recognized through other comprehensive income.

Changes in equity during the period under report are shown in the consolidated statement of changes in equity.

## 7.2. Pension provisions

Pension provisions include deferred compensation for senior executives as well as defined-benefit pension plans for employees who wish to top up their post-retirement benefits by contributing part of their remuneration. Provisions are also recognized for defined-benefit obligations in Germany for current and former employees and their surviving dependents.

The obligations are calculated using the projected unit credit method. In line with the pension commitment made, benefits are paid upon regular retirement, early retirement or death.

Under deferred compensation arrangements, senior executives defer part of their incentive payments and convert them into pension capital, payable at the earliest from the age of 62.

The defined benefit plan is only in use as a company pension arrangement (the ZF pension) at German companies of the Cherry Group. As of December 31, 2021, a provision for the ZF pension was recognized amounting to EUR 191k (December 31, 2020: EUR 198k) and reported as provisions for pensions and other obligations. The ZF pension also includes a long-service award component, whereby, based on a company agreement, the beneficiary is entitled to 1.3 months' pay for 25 years and 2.3 months' pay for 40 years of service. These amounts are, however, not paid out to the beneficiary immediately. Instead, they are converted into a so-called "long-service pension module".

Another component of the pension plan is the welfare fund for members of senior management, which constitutes an employer-financed benefit. Previously, this category of people also had the option of participating in deferred compensation arrangements, for which a provision is recorded as of December 31, 2021 amounting to EUR 726k (December 31, 2020: EUR 797k).

The amount of the obligations arising from commitments made was calculated actuarially, applying the following assumptions:

### Germany

in %	Dec. 31, 2021	Dec. 31, 2020
Discount rate	0.69	0.58
Pension trend	1,0	1,0
Duration in years	8	8

The 2018 G biometric tables issued by Prof. Dr. Klaus Heubeck are used as the basis of computation for pension obligations in Germany.

A change in the disclosed discount rate by +/- 0.25% points would result in a reduction of EUR 17.9k (December 31, 2020: EUR 20.7k) or an increase of EUR 19.4k



{December 31, 2020: EUR 22.3k} in pension obligations as of December 31, 2021. For the purposes of measuring sensitivity, the same methodology was applied as that used to determine pension provisions at the end of the reporting period.

The amounts recognized in the statement of financial position arise as follows:

€ thousand	Dec. 31, 2021	Dec. 31, 2020
Present value of pension benefits covered by accounting provisions	917	994
Present value of funded pension benefits	-	-
<b>Pension provisions</b>	<b>917</b>	<b>994</b>

The present value of pension obligations developed as follows during the year under report:

#### Development of present value of pension obligations

€ thousand	Dec. 31, 2021	Dec. 31, 2020
Present value of defined benefit obligations as of January 1	994	-
Addition relating to the Cherry Group business combination	-	1,009
Interest expense	5	2
New actuarial (gains) / losses arising	-7	4
Pension plan payments	-75	-19
Other changes	-	-
<b>Present value of defined benefit obligations as of December 31</b>	<b>917</b>	<b>994</b>

New actuarial gains/losses arose primarily as a result of financial-mathematical effects.

The pension expense for defined benefit obligations reported in the income statement comprised the following:

#### Allocation of pension expense

€ thousand	Dec. 31, 2021	Dec. 31, 2020
Current service cost	-	-
Interest expense	5	2
<b>Total</b>	<b>5</b>	<b>2</b>

The expense incurred from unwinding the discount on pension obligations is reported as part of interest expense within the financial result.

Pension agreements in place at the end of the year under report give rise to the following pension payment obligations for the Cherry Group, analyzed by the expected due date:

#### Analysis of benefit payments by due date

€ thousand	Dec. 31, 2021	Dec. 31, 2020
Up to 1 year	605	82
More than 1 year	312	912
	<b>917</b>	<b>994</b>

Defined contribution entitlements arose for the German subsidiary as well as for the foreign companies, resulting in the recognition of a total expense for defined contribution plans in the 2021 fiscal year amounting to EUR 324k (2020: EUR 488k).



### 7.3. Other provisions

Other provisions developed as follows:

#### Other provisions (current)

€ thousand	Warranties	Other	Total
<b>Balance as of January 1, 2021</b>	<b>158</b>	<b>322</b>	<b>480</b>
Additions relating to business combinations	-	-	-
Utilized	-91	-274	-365
Reversed	-	-48	-48
Allocated	114	71	185
<b>Balance as of December 31, 2021</b>	<b>181</b>	<b>71</b>	<b>252</b>

The provision for warranties is calculated based on experience from previous years. Assumptions used to calculate the provision for warranty claims were based on current sales levels and current information available about returns based on the warranty period for all products sold. The change in other current provisions in the amount of EUR 251k mainly results from the utilization of the provision for a settlement case in the USA pending as of December 31, 2020.

#### Other provisions (non-current)

€ thousand	Warranties	Long service awards	Phased retirement	Total
Balance as of January 1, 2021	196	611	132	939
Additions relating to business combinations	311	-	-	311
Utilized	-140	-60	-81	-281
Reversed	-311	-	-	-311
Allocated	258	21	81	360
Unwinding of discounts (+)/ discounting (-)	3	-	-	3
Balance as of December 31, 2021	317	572	132	1,021

The non-current portion of warranty provisions covers a period of up to 3 years. The cash outflow of the phased retirement provisions is expected to become effective in the next 2 years. Long-service awards are granted for working for 25 years and 40 years for the company.

### 7.4. Other non-financial and financial liabilities

#### Other non-financial and financial liabilities (current)

€ thousand	Dec. 31, 2021	Dec. 31, 2020
Liabilities to employees	2,741	2,474
Other tax liabilities	189	36
Contract liabilities	784	320
Other liabilities	90	-
Total other non-financial liabilities	3,804	2,830
Other financial liabilities	5,564	4,063
<b>Total</b>	<b>9,368</b>	<b>6,893</b>

As at the end of the previous fiscal year, liabilities to employees as of December 31, 2021 comprised liabilities from accrued vacation and accrued time credits as well as performance-based payments and leave of absence and redundancy payments.

Both payroll tax and VAT liabilities are included in other tax liabilities.

Contract liabilities are reported under current and non-current liabilities depending on the term. These are recognized in sales per unit of the quantity purchased. Of the carrying amount of contract liabilities of EUR 320k as of December 31, 2020, EUR 156k resulted in revenues in 2021, while contract liabilities of EUR 620k were added in 2021, resulting in a carrying amount of EUR 784k as of December 31, 2021. Of this amount, EUR 298k is expected to result in revenue in 2022.

Other financial liabilities include in particular customer bonuses amounting to EUR 1,091k (December 31, 2020: EUR 1,474k) and advertising allowances amounting to EUR 507k (December 31, 2020: EUR 417k) related to marketing initiatives with customers in the first and second levels of trade, as well as accruals for services pro-



vided by the Supervisory Board and for the audit of the annual financial statements. The customer bonus is calculated using a defined revenue target and comprised the annual bonus and quarterly bonus for the fourth quarter of the respective year and recorded as a deduction from revenue.

Other liabilities include amounts due in connection with purchase price payments for the acquisition of Active Key totaling EUR 1,600k as well as liabilities for outstanding supplier invoices amounting to EUR 724k (December 31, 2020: EUR 2,194k).

#### Other non-financial liabilities (non-current)

€ thousand	Dec. 31, 2021	Dec. 31, 2020
Investment grants	115	125
Other	-	-
<b>Total</b>	<b>115</b>	<b>125</b>

Investment grants relate to government-funded production facilities of a foreign subsidiary.

## 7.5. Financial liabilities

Cherry Group's current and non-current financial liabilities mainly relate to liabilities to banks.

In accordance with the loan agreement dated August 11, 2020, Cherry AG took out a loan in the nominal amount of EUR 80,000k in order to finance the purchase price for the shares of Cherry Holding GmbH and its subsidiaries. The loan agreements grant Cherry AG early termination rights at certain points in time in return for compensation payments whose amount is dependent on the actual date of the termination. The loan is subject to variable interest based on EURIBOR and contains a floor of 0% in respect of the EURIBOR. Under certain circumstances, the lender has the option to terminate the contract. These conditions classify as embedded derivatives within the meaning of IFRS 9.4.3.1. Due to the fact that the embedded derivatives are not (seen as a whole) closely related to the loan agreement as host contract, they are required to be separated from the loan agreement and measured as derivatives at fair value

through profit or loss. The loan liability is accounted for as a financial liability at amortized cost using the effective interest method.

The costs of raising the loan amounting to EUR 2,831k were deducted from the loan liabilities and are being expensed through profit or loss over the term of the loan using the effective interest method.

The loan was repaid on June 30, 2021 immediately following the IPO, incurring an early repayment penalty of EUR 7,784k, which was recognized as a cash outflow for cash flow reporting purposes and as part of the financial result within the income statement. As a consequence of the repayment, the transaction costs previously recognized as deferred expenses, measured using the effective interest method, as well as the embedded financial derivatives were expensed through profit or loss within the financial result. Applying the effective interest method and derecognizing the embedded financial derivatives gave rise to a total expense of EUR 2,252k in 2021. In addition, interest expenses incurred on the loan amounted to EUR 2,816k. The unused credit line amounting to EUR 10,000k was terminated.

On June 29, 2021, a new credit line totaling EUR 55,000k was agreed with UniCredit Bank AG in Munich, of which EUR 10,000k was designated as an overdraft facility. As of December 31, 2021, an amount of EUR 45,000k (tranche A) out of the credit facility was being utilized to finance non-organic growth. No collateral has been provided in conjunction with the credit agreement.

The credit agreement runs for five years. The interest rate for each component of the loan is calculated as a percentage of the sum of the applicable interest rates, comprising a bank margin added as an uplift to the underlying EURIBOR interest rate for the corresponding completed term for drawing down tranche A (3 or 6 months) and the current account facility (1, 3 or 6 months). In addition, a commitment fee of 0.35% is charged for amounts not drawn down from tranche A and for the current account facility. The credit agreement contains financial covenants requiring, among other things, compliance with a net leverage ratio that is limited to the ratio of net debt to adjusted EBITDA. All covenants stipulated in the credit agreement were complied with as of December 31, 2021.

## Current financial liabilities

As of December 31, 2020, current financial liabilities included the current portion of the purchase price loan of Cherry AG amounting to EUR 4,431k. As of December 31, 2021, foreign subsidiaries had short-term bank loans amounting to EUR 202k (December 31, 2020: EUR 1,239k) and, as of December 31, 2020, a Covid government loan ("Paycheck Protection Program") in the USA amounting to EUR 402k, which was converted into a non-repayable grant in 2021.

## Non-current financial liabilities

As of December 31, 2020, non-current financial liabilities related to the non-current portion of the purchase price loan of Cherry AG amounting to EUR 72,927k on the one hand and to the fair value of the related embedded financial derivatives amounting to EUR 1,821k on the other. As of December 31, 2021, non-current financial liabilities mainly included the drawn-down credit facility of EUR 45,000k (tranche A) as well as the non-current bank loans of foreign subsidiaries amounting to EUR 833k.

## 7.6. Deferred taxes

After offsetting deferred tax assets and liabilities, the amounts presented in the Consolidated Financial Statements are as follows:

€ thousand	Dec. 31, 2021	Dec. 31, 2020
Deferred tax assets	1,307	2,234
Deferred tax liabilities	21,997	24,715

Deferred tax assets and liabilities relate to the following significant line items in the consolidated statement of financial position:

	Dec. 31, 2021		Dec. 31, 2020	
€ thousand	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	472	22,387	483	24,631
Property, plant and equipment	-	2,276	-	513
Receivables	43	-	58	29
Inventories	705	-	550	-
Other assets	76	53	-	71
Pension provisions	62	-	77	-
Other provisions	40	-	69	-
Liabilities	20	38	218	182
Tax losses available for carryforward	2,489	-	1,289	-
Right-of-use assets from leases	-	5,189	-	4,500
Lease liabilities	5,346	-	4,701	-
<b>Total</b>	<b>9,253</b>	<b>29,943</b>	<b>7,445</b>	<b>29,926</b>
Offset	-7,946	-7,946	-5,211	-5,211
<b>Total</b>	<b>1,307</b>	<b>21,997</b>	<b>2,234</b>	<b>24,715</b>

Tax losses available for carryforward totaled EUR 3,311k (December 31, 2020: EUR 5,298k), of which EUR 2,948k (December 31, 2020: EUR 4,791k) can be utilized within the next 20 years. This results in deferred tax assets amounting to EUR 650k (December 31, 2020: EUR 1,289k). The item loss carryforwards also includes deferred tax assets of EUR 1,839k (December 31, 2020: EUR 0k) on existing interest carryforwards.



As of December 31, 2021, no deferred tax assets were recognized on tax losses available for carryforward amounting to EUR 363k (December 31, 2020: EUR 507k), which can be utilized either within the next 20 years (EUR 362k, December 31, 2020: EUR 335k) or indefinitely (EUR 0k, December 31, 2020: 172k).

Deferred tax liabilities on temporary differences amounting to EUR 1,458k (December 31, 2020: EUR 100k) relating to outside basis differences were not recognized as they are not expected to be utilized in the foreseeable future.

The Group's effective tax rate is unchanged from the previous year at 29.13% and includes German corporation tax at 15%, solidarity surcharge at 5.5% and municipal trade tax at 13.3%. The local income tax rates applied to foreign companies vary between 16.5% and 29.0%, unchanged from the previous year.

The following table reconciles the expected tax expense to the actual disclosed tax expense. In order to determine the expected tax expense, the profit before income taxes has been multiplied by the Group's effective tax rate.

€ thousand	2021	2020
Profit/loss before tax	13,494	-8,425
Expected income tax expense	3,930	-2,454
Divergent foreign tax rates	-888	-211
Tax-exempt income	-271	-39
Expenses not deductible for tax purposes	726	114
Foreign withholding tax	8	137
Impact of tax losses available for carryforward	-389	59
Tax expense relating to current tax of prior periods	263	29
Change in permanent differences	842	1,251
Other	-13	260
<b>Effective income tax expense</b>	<b>4,208</b>	<b>-854</b>
<b>Effective tax rate (in %)</b>	<b>31.2</b>	<b>10.1</b>

## 8. EXPLANATORY NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 8.1. Revenue

Revenue recognized in accordance with IFRS 15 based on the currently applicable price lists and price discounts break down as follows in accordance with IFRS 15.114:

#### Revenue by product type

€ thousand	Dec. 31, 2021	Dec. 31, 2020
<b>Gaming</b>		
Gaming Switches	57,744	14,248
Gaming Peripherals	25,069	5,936
<b>Professional</b>		
Office & Industry Peripherals	48,201	11,151
Office	40,417	9,459
Industry	7,784	1,692
Healthcare & Security Peripherals	37,512	4,921
Security	7,234	1,634
eHealth	26,861	2,661
Point of Sales Products	3,417	626
<b>Total revenue by product type</b>	<b>168,526</b>	<b>36,256</b>

The Cherry Group recognizes revenue from the sale of products and services at the point in time when control and benefits are transferred to the dealer or customer. Deliveries that have (not yet) been paid are reported as trade receivables.



## Revenue by region 2021

€ thousand	Germany	USA	China	Hong Kong	Austria	Total
Gaming Switches	21,295	601	3	35,845	-	57,744
Gaming Peripherals	759	197	20,057	4,056	-	25,069
Office & Industry Peripherals	41,107	4,881	1,910	303	-	48,201
Healthcare & Security Peripherals	31,557	4,412	659	11	873	37,512
<b>Total revenue by region</b>	<b>94,718</b>	<b>10,091</b>	<b>22,629</b>	<b>40,215</b>	<b>873</b>	<b>168,526</b>

## Revenue by region 2020

€ thousand	Germany	USA	China	Hong Kong	Austria	Total
Gaming Switches	5,260	268	20	8,700	-	14,248
Gaming Peripherals	465	32	4,819	620	-	5,936
Office & Industry Peripherals	9,976	1,010	99	65	-	11,151
Healthcare & Security Peripherals	4,032	502	-	-	387	4,921
<b>Total revenue by region</b>	<b>19,733</b>	<b>1,812</b>	<b>4,938</b>	<b>9,385</b>	<b>387</b>	<b>36,256</b>

## 8.2. Other operating income

€ thousand	2021	2020
Exchange rate gains	251	300
Gains on sales of property, plant and equipment	4	1
Other	2,612	17
<b>Total</b>	<b>2,867</b>	<b>318</b>

The line item "Other" comprises income amounting to EUR 2,612k relating primarily to the IPO of Cherry AG. Under a cost-sharing arrangement, costs associated with the IPO were shared between the parties concerned. The recharging of costs initially paid by Cherry gave rise to other operating income amounting to EUR 2.4 million.

## 8.3. Cost of materials

€ thousand	2021	2020
Cost of raw materials, supplies and purchased goods for resale	64,277	18,401
Cost of purchased services	2,417	643
<b>Total</b>	<b>66,694</b>	<b>19,044</b>

The cost of materials expense ratio for the 2021 fiscal year was 39.6% (2020: 52.5%).





## 8.4. Personnel expense

The following amounts were recognized as personnel expense:

€ thousand	2021	2020
Direct and indirect remuneration	30,442	6,296
Social security costs	5,862	1,203
Pension costs	188	56
<b>Total</b>	<b>36,492</b>	<b>7,555</b>

The average number of employees by region developed as follows:

	2021	2020
Europe	427	389
North America	18	18
Asia	87	83
<b>Total</b>	<b>532</b>	<b>490</b>

## 8.5. Other operating expenses

Other operating expenses comprised the following:

€ thousand	2021	2020
Exchange rate losses	735	87
Losses on sales of property, plant and equipment	48	13
Losses on sales of intangible assets	-	-
Transaction costs	-	5,151
Other expenses	2,491	457
<b>Total</b>	<b>3,274</b>	<b>5,708</b>

The higher amount of other expenses in the 2021 fiscal year was mainly due to IPO-related expenses that were not directly attributable to capital procurement costs and therefore not offset against capital reserves.

## 8.6. Financial result

The financial result comprised the following:

€ thousand	2021	2020
Interest and similar income	-5	-1
Total interest income	-5	-1
Interest and similar expenses	14,117	2,168
Expenses from discounting and the unwinding of discounts	13	5
Total finance expense	14,130	2,173
<b>Total</b>	<b>14,125</b>	<b>2,172</b>

Interest and similar expenses comprised mainly interest and like items amounting to EUR 14,673k (2020: EUR 1,592k) incurred in connection with the Cherry AG purchase price loan, fair value measurement gains on embedded derivatives amounting to EUR 1,821k (2020: losses amounting to EUR 418k), interest and similar expenses amounting to EUR 367k incurred in connection with the loan taken out in October 2021, and interest expenses totaling EUR 389k (2020: EUR 65k) from lease obligations.

## 8.7. Income taxes

Income tax expense/income comprised the following:

€ thousand	2021	2020
Deferred tax income (-) / expense (+)	97	-2,772
Current tax income (-) / expense (+) thereof relating to prior periods: EUR 263k (2020: EUR 29k)	4,111	1,918
<b>Total</b>	<b>4,208</b>	<b>-854</b>



Deferred taxes reported in the statement of financial position, included EUR -2k (2020: EUR -5k) recognized through other comprehensive income in the 2021 fiscal year. A further EUR 1.8 million of income taxes were recognized directly in equity in connection with transaction costs arising on the issuance of new shares at the time of the IPO.

### 8.8. Earnings per share

Due to the fact that Cherry AG did not yet exist as a stock corporation as of December 31, 2020, the earnings per share information for fiscal year 2020 is based on a retro-active adjustment of the number of shares as if shares in comparable proportions had already existed in 2020.

Group net profit in € thousand,  
number of shares in thousand,  
Earnings per share in EUR

	2021	2020
Group net profit attributable to shareholders of Cherry AG	9,287	-7,571
Less dilutive effect of share-based remuneration	-	-
Group net profit attributable to shareholders of Cherry AG (for the purpose of calculating diluted earnings per share)	9,287	-7,571
Weighted average number of shares in circulation	22,179	28
Dilutive effect of share-based remuneration	-	-
Weighted average number of shares in circulation (diluted)	22,179	15,352
Undiluted earnings per share	0.42	-0.49
Diluted earnings per share	0.42	-0.49

## 9. SEGMENT INFORMATION

Cherry AG presented segment information for the first time in the 2021 fiscal year.

Information about the operating segments is provided on a basis consistent with the system of internal reporting to the so-called “chief operating decision-maker”. The Management Board, as the chief operating decision-maker of the Cherry Group, reviews business activities from the perspective of the legal entities and has identified seven reportable segments:

- Cherry Europe GmbH
- Cherry Digital Health GmbH
- Theobroma Systems Design and Consulting GmbH
- Active Key GmbH
- Zhuhai Cherry Electronics Co.Ltd.
- Cherry Electronics (Hong Kong) Co. Ltd.
- Cherry Americas LLC



The Management Board assesses the performance of the operating segments on the basis of adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) and adjusted EBIT (earnings before interest and taxes). The following table shows segment information for the reportable segments for the 2021 fiscal year, as communicated to the Management Board:

€ thousand	Cherry Europe GmbH	Cherry Digital Health GmbH	Theobroma Systems Design and Consulting GmbH	Active Key GmbH	Zhuhai Cherry Electronics Co. Ltd.	Cherry Electronics (Hong Kong) Co Ltd.	Cherry Americas LLC	Cherry AG / Cherry SARL / Elimination	Group
External revenue	91,406	-	872	3,313	22,630	40,213	10,092	-	168,526
Intragroup revenue	39,006	20,183	12,757	749	8,729	434	231	-82,090	-
Total revenue	130,412	20,183	13,629	4,062	31,359	40,647	10,323	-82,090	168,526
Gross Profit II	39,207	6,778	2,722	1,570	9,201	8,112	3,250	-1,986	68,853
Adjusted EBITDA	31,015	4,427	1,493	1,630	7,467	6,872	222	-4,259	48,867
Depreciation, amortization and impairment losses	-9,124	-549	-390	-623	-665	-	-72	-3,765	-15,188
Adjusted EBIT	21,891	3,878	1,104	1,008	6,803	6,872	150	-8,024	33,682
Capital expenditure	7,702	1,295	392	4,672	1,175	1	15	-638	14,614
Segment assets <sup>1</sup>	107,764	12,633	8,179	7,616	21,053	14,399	6,394	232,939	410,977
Segment liabilities <sup>2</sup>	-64,597	-6,361	-6,688	-7,070	-6,130	-7,381	-2,161	-17,438	-117,825

1 Segment assets comprise all non-current and current assets reported in the statement of financial position and therefore correspond to total assets.

2 Segment liabilities include all non-current and current liabilities reported in the statement of financial position.



The table below shows the segment disclosures for the 2020 fiscal year:

€ thousand	Cherry GmbH (incl. Digital Health Business)	Theobroma Systems Design and Consulting GmbH	Zhuhai Cherry Electronics Co. Ltd.	Cherry Electronics (Hong Kong) Co Ltd.	Cherry Americas LLC	Cherry AcquiCo GmbH/Cherry Holding GmbH/ Cherry SARL/ consolidation	Group
External revenue	19,733	387	4,938	9,385	1,812	-	36,256
Intragroup revenue	9,507	642	1,807	-	-	-11,956	-
Total revenue	29,240	1,029	6,745	9,385	1,812	-11,956	36,256
Gross Profit II	10,183	321	1,795	1,546	652	-6,555	7,942
Adjusted EBITDA	7,838	45	1,418	1,487	3	-373	10,418
Depreciation, amortization and impairment losses	-2,165	-93	-169	-155	-19	-2,989	-5,590
Adjusted EBIT	5,673	-48	1,248	1,333	-15	-3,363	4,828
Capital expenditure	2,411	166	129	1	-	458	3,165
Segment assets <sup>1</sup>	97,218	4,017	13,129	10,265	5,337	160,566	290,532
Segment liabilities <sup>2</sup>	-50,776	-3,539	-4,683	-5,322	-1,912	-81,715	-147,947

1 Segment assets comprise all non-current and current assets reported in the statement of financial position and therefore correspond to total assets.

2 Segment liabilities include all non-current and current liabilities reported in the statement of financial position.

### Reconciliation of EBIT to operating profit before tax

€ thousand	2021	2020
Total adjusted EBIT of reportable segments	41,706	8,191
Cherry AG / Cherry SARL / Elimination	-8,023	-3,363
Adjustments	-6,063	-11,081
EBIT	27,619	-6,253
Financial result	-14,125	-2,172
<b>Profit before tax</b>	<b>13,494</b>	<b>-8,425</b>

The adjustments include non-recurring or extraordinary personnel expenses (incl. costs associated with the final settlement of share-based personnel expenses), expenses in connection with the capital market/initial public offering, expenses in connection with M&A transactions, expenses in connection with natural disasters and pandemics, and other non-recurring special charges.



## Group-wide information

Information about revenue by product group and geographical area is provided in note 8.1. (Revenue). Revenue is allocated to geographical areas on the basis of the domicile of the Cherry Group entity that generated the revenue.

Non-current assets, excluding financial instruments and deferred tax assets, are located in the following countries:

In the 2021 fiscal year, revenue amounting to more than 10% of total revenue was generated with two separate customers, one within the Zhuhai Cherry Electronics Co. Ltd. segment (EUR 19,939k) and one within the Cherry Europe GmbH segment (EUR 17,441k). In the 2020 fiscal year, revenue amounting to more than 10% of total revenue was generated with three customers each. With one customer, revenue of EUR 4,826k was generated by the segment Zhuhai Cherry Electronics Co. Ltd. and with another customer revenue of EUR 4,184k and with the third customer revenue of EUR 4,476k was generated by the segment Cherry Europe GmbH.

### 2021

€ thousand	Germany	USA	China	Hong Kong	Rest of Europe	Total
<b>Non-current assets</b>	198,653	9,367	22,514	1	2,509	233,044

### 2020

€ thousand	Germany	USA	China	Hong Kong	Rest of Europe	Total
<b>Non-current assets</b>	194,151	9,056	19,848	1	2,557	225,613



## 10. EXPLANATORY NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The Cherry Group's consolidated cash flow statement shows how cash and cash equivalents have changed as a result of cash inflows and outflows during the 2021 and 2020 fiscal years, and therefore provides information on the source and application of funds. The cash flow statement has been drawn up in accordance with IAS 7 Statements of Cash Flows, distinguishing between cash flows from operating, investing and financing activities.

Cash flows from operating activities include outflows for transaction costs incurred in conjunction with the acquisition of subsidiaries amounting to EUR 115k (2020: EUR 5,251k).

Cash flows from investing activities reported for the 2020 fiscal year include a cash outflow of EUR 216,090k relating to the acquisition of Cherry Holding GmbH (and its subsidiaries) as of September 30, 2020, less cash amounting to EUR 10,580k acquired in conjunction with the business combination.

The acquisition of Theobroma Systems Design und Consulting GmbH resulted in a cash outflow of EUR 400k during the 2020 fiscal, less cash amounting to EUR 300k acquired in conjunction with the business combination. Cash flows from investing activities in the 2021 fiscal year included a further EUR 620k of cash outflows relating to the purchase price.

The acquisition of Active Key in 2021 gave rise to cash outflows for the purchase price amounting to EUR 4,726k, less cash amounting to EUR 477k acquired in conjunction with the business combination. Further information is provided in note 2 (Business combinations).

Cash flows from financing activities include new loans raised amounting to EUR 45,045k (2020: EUR 77,254k) and repayments of loans amounting of EUR 80,248k (2020: EUR 150k) at the level of Cherry AG and foreign subsidiaries. Further information about new loans raised and loan repayments is provided in note 7.5 (Financial liabilities).

Cash and cash equivalents as of December 31, 2021 comprised exclusively short-term bank balances with a remaining term of less than 3 months amounting EUR 109,678k (2020: EUR 22,900k).

Reconciliation of changes in financial liabilities to cash flows from financing activities:

€ thousand	Loans payable	Lease liabilities	Total
<b>Opening balance as of January 1, 2020</b>	-	-	-
+ Additions relating to business combinations	1,724	16,947	19
+ New loans raised	77,254	-	77,254
- Loan repayments	-150	-751	-900
+/- Exchange rate effects	-19	-	-19
+/- Other	2,011	345	2,356
<b>Closing balance as of December 31, 2020</b>	<b>80,820</b>	<b>16,542</b>	<b>97,362</b>
+ Additions relating to business combinations	-	311	311
+ New loans raised	45,045	-	45,045
- Repayments	-80,248	-3,610	-83,858
+/- Other	680	5,288	5,968
<b>Closing balance as of December 31, 2021</b>	<b>46,297</b>	<b>18,531</b>	<b>64,828</b>

The column "Loans payable" includes embedded derivatives. The line item "Other" mainly includes the impact of the effective interest calculation relating to the purchase price loan, the fair value measurement impact of embedded derivatives, and the increase in lease liabilities that did not involve an outflow of cash funds, as well as foreign currency effects..



## 11. OTHER DISCLOSURES

### 11.1. Contingent liabilities

As in the previous year, no guarantees were issued during the 2021 fiscal year and the Cherry Group has no contingent liabilities.

### 11.2. Other disclosures on risk and capital management and financial instruments

#### Capital management

The Cherry Group determines its capital requirements in relation to its risk exposures. It manages its capital structure and adjusts it, where necessary, considering changes in the economic environment. This includes managing the Group's equity and non-current financial liabilities. The primary objective of the Group's capital management is to reduce its finance charges by maintaining a strong credit rating and healthy equity ratio and to ensure financial stability and a high cash conversion ratio. Group equity is monitored centrally by the Group's management. The agreements with lenders existing as of December 31, 2021 and December 31, 2020 included agreements stipulating compliance with certain financial covenants. The Group has complied with these covenants at all times.

Further information about the Group's financing strategy is provided in the section on Group net assets and capital structure in the Group Management Report.

#### Financial risk management objectives and methods

During its operating activities, the Cherry Group is exposed to interest rate and foreign currency risks. In addition, liquidity and credit risks may arise from the financial instruments recognized. The Group's policy is aimed at avoiding or mitigating these risks as far as possible. The relevant measures are generally implemented at the level of the individual companies concerned.

#### Interest rate risk

Interest rate risks arise from interest rate changes which could have negative effects on the assets, liabilities, financial position and financial performance of the Group. Fluctuations in interest rates lead to changes in the interest result as well as changes in the carrying amounts of interest-bearing assets.

In connection with the purchase price financing in 2020, it was necessary to make interest payments and loan repayments to the financing bank. To finance the purchase price, Cherry AG had raised amortizable loans and accepted covenants, which, among other stipulations, were dependent on the performance of the Cherry Group. These loans were repaid in full in mid-2021 at the time of the IPO. A new loan was raised in October 2021, which gives rise to interest and loan repayments going forward. Interest rates are fixed periodically and are based on 12-month Euribor with a floor of 0%.

A hypothetical increase/decrease in interest rates of 0.25 percentage points per annum relevant for interest-bearing finance liabilities as of December 31, 2021 would have caused interest expenses to be EUR 113k higher/lower (December 31, 2020: EUR 209k), with a corresponding reduction in equity. Taking into account the interest rate floor, this only applies to an interest rate of up to 0%..

#### Foreign currency risk

Due to the Cherry Group's international focus, the Group is exposed to foreign currency risks from its operating activities as a result of exchange rate fluctuations between the functional currencies of the Group companies and other currencies. Currency risks as defined by IFRS 7 arise on account of financial instruments of a monetary nature being denominated in a currency that is not the functional currency. Significant non-derivative items which give rise to currency risks for the Group are cash, receivables and liabilities. For transactions settled in US dollars, Chinese yuan and pound sterling, changes in the respective exchange rate in relation to the euro or other functional currencies of Group companies may have a significant impact on the Group's cash flows. However, the currency risk is manageable for the Group as a significant portion of its materials are purchased in USD or CNY and the Group has its own production facilities in China. For the Cherry Group, there is an excess of expenditures in US dollars over income. Measures are planned in 2022 to reduce this excess or engage in currency hedging transactions. Open positions from rising sales to the UK are partially hedged by price adjustment clauses agreed with customers.





A hypothetical change in the foreign exchange rates of +/- 5% relevant for receivables and payables as of December 31, 2021 which are not denominated in the functional currency of the respective Group company would have led to an effect on pre-tax profit or loss of EUR -59k and EUR +53k (December 31, 2020: EUR -38k and EUR +42k respectively, with a corresponding change in equity).

### Liquidity risk

The most important objective of the Group is to ensure the solvency of all Cherry companies at all times. The Group companies primarily make local financing arrangements which are monitored by the Group's management.

The following table shows the contractual undiscounted payments in connection with the Group's recognized liabilities as of the reporting date on the basis of undiscounted cash flows in subsequent years. The table includes all instruments held as of December 31, 2021 and for which payments have already been contractually agreed. Amounts denominated in a foreign currency are translated at the respective closing rate. The variable interest payments on the financial instruments, in particular on loans, are calculated using expected interest rates. Financial liabilities that are repayable on demand are always assigned to the earliest possible time band. The disclosures are made on the basis of the contractual, non-discounted payments.

	Carrying amount	Cash flows		
				2024
€ thousand	Dec. 31, 2021	2022	2023	and thereafter
Interest bearing loans and borrowings	46,297	-1,633	-1,545	-47,963
Other current financial liabilities	5,564	-5,564	-	-
Trade payables	17,892	-17,892	-	-
Embedded derivatives	-	-	-	-

	Carrying amount	Cash flows		
				2024
€ thousand	Dec. 31, 2021	2021	2022	and thereafter
Interest bearing loans and borrowings	78,999	-10,290	-10,416	-89,624
Other current financial liabilities	4,063	-4,063	-	-
Trade payables	14,499	-14,499	-	-
Embedded derivatives	1,821	-	-	-1,821

### Credit risks

Credit risk related to a financial asset is the risk that the counterparty will not meet its obligations. The maximum exposure to loans issued and customer receivables is equal to the carrying amounts before specific bad debt allowances. There is no credit risk related to derivative financial instruments as there are no such transactions.



### Carrying amounts and fair values by measurement category

The following table shows the carrying amounts of the Group's significant financial instruments broken down by category:

€ thousand	Dec. 31, 2021	Dec. 31, 2020
<b>Assets measured at amortized cost</b>		
Trade receivables	19,610	10,887
Current financial assets	-	25
Cash and cash equivalents	109,678	22,900
<b>Assets measured at fair value</b>		
Shares in affiliated companies	-	31
<b>Total</b>	<b>129,288</b>	<b>33,843</b>

€ thousand	Dec. 31, 2021	Dec. 31, 2020
<b>Liabilities measured at amortized cost</b>		
Trade payables	17,892	14,499
Current financial liabilities	202	6,072
Other current financial liabilities	5,564	4,063
Non-current financial liabilities (excluding derivatives)	46,095	72,927
<b>Liabilities measured at fair value</b>		
Embedded derivatives requiring to be separated	-	1,821
<b>Total</b>	<b>69,753</b>	<b>99,382</b>

The fair value of trade receivables and payables, current financial assets, cash and cash equivalents as well as current liabilities to banks and other current financial liabilities is equal to their carrying amount due to their short-term maturities. There is no difference between the carrying amount and the market value of shares in affiliated companies. Financial liabilities reported as of December 31, 2020 relating to the purchase price loan were subject to a variable interest rate based on EURIBOR. Fluctuations in the underlying interest rate lead to a variable interest charge in the future, which means that the carrying amount approximates the fair value (Level 2). Only offset transaction fees amounting to EUR 2,670k need to be added to arrive at the fair value. The loan agreed in June 2021 is also subject to variable interest rates, which means that the carrying amount approximates the fair value (Level 2).

As of December 31, 2020, embedded derivatives that were required to be separated from the host contract were measured at fair value (Level 3). These consisted of three parts: an interest floor, a termination option of the borrower and a termination option of the lender. The interest floor was measured based on a normal distribution model considering the current swap rates for the six-month EURIBOR as estimator for the risk-free yield curve, futures rates for the six-month EURIBOR as well as corresponding floor volatilities. The termination options of the borrower and the lender were determined by measuring swaptions while using a so called "Long Receiver Swap-tion" for the termination option of the borrower and a so-called "Long Payer Swap-tion" for the termination option of the lender. The measurement of these swaptions was based on the so called "Hull-White" approach. In both cases current swap rates for the six-month EURIBOR as estimator for the risk-free yield curve, futures rates for the six-month EURIBOR and corresponding swaption volatilities were used.

In the case of the termination option of the lender, the probability of an exit was considered as significant unobservable input. As of December 31, 2020 the probability was estimated at 2–10% for the different exit phases. A change of the probability to 5–15% would have an impact on the fair value of the embedded derivatives of EUR 295k.

Expenses recognized though profit or loss in this context result from the measurement of the embedded derivatives and are presented in the line item "Financial result" in the income statement.



### Reconciliation of financial liabilities measured at fair value (Level 3)

€ thousand

Opening balance as of January 1, 2020	-
Additions	1,403
Gains/losses recognized in profit or loss	418
<b>Closing balance as of December 31, 2020</b>	<b>1,821</b>
Gains/losses recognized in profit or loss	-1,821
Disposals	-
<b>Closing balance as of December 31, 2021</b>	<b>-</b>

The effects on the income statement arising from the individual categories are presented below:

### Items of income, expense, gains or losses relating to significant financial instruments analyzed by category

2021 € thousand	Interest income	Interest expense	Measurement effects	Impairment	Reversal of impairment	<b>Net result</b>
Assets measured at amortized cost	5	-	-	-	-	5
Liabilities measured at amortized cost	-	-15,052	-	-	-	-15,052
Liabilities measured at fair value (derivatives)	-	-	1,821	-	-	1,821
<b>Total</b>	<b>5</b>	<b>-15,052</b>	<b>1,821</b>	<b>-</b>	<b>-</b>	<b>-13,226</b>

2020 € thousand	Interest income	Interest expense	Measurement effects	Impairment	Reversal of impairment	<b>Net result</b>
Assets measured at amortized cost	1	-	-	-	-	1
Liabilities measured at amortized cost	-	-1,750	-	-	-	-1,750
Liabilities measured at fair value (derivatives)	-	-	-418	-	-	-418
<b>Total</b>	<b>1</b>	<b>-1,750</b>	<b>-418</b>	<b>-</b>	<b>-</b>	<b>-2,167</b>

The net foreign currency loss of EUR 484k (December 31, 2020: net foreign currency gain of EUR 213k) recognized through profit or loss relates to assets and liabilities measured at amortized cost.

In accordance with IFRS 7, financial instruments measured at fair value are allocated to one of the levels of a three-level measurement hierarchy (level 1: financial instruments whose fair value can be determined directly from market prices in active markets; level 2: financial instruments whose fair value can be determined directly or indirectly on the basis of observable market data; level 3: financial instruments whose fair value can be determined using valuation techniques based on market data not directly observable in an active market).

Cherry did not value any assets or liabilities at fair value as of December 31, 2021 (2020: none, except for the shares in the unconsolidated subsidiary and embedded derivatives).



### 11.3. Related party disclosures

In the course of ordinary business, the Cherry Group enters into business relationships with numerous companies, including companies that are related parties. For the Cherry Group, on the one hand related parties in accordance with IAS 24 as of December 31, 2021 primarily include companies of the Argand group, in particular:

- Cherry TopCo S.à r.l., Luxembourg
- Cherry HoldCo S.à r.l., Luxembourg
- Cherry MEP GmbH & Co. KG, Düsseldorf
- Cherry Strip GmbH & Co. KG, Düsseldorf
- Cherry MEP Strip GP GmbH, Berlin
- Rainier Co-Investment Holdings, LP, Cayman Islands
- Argand Partners; LP, New York, USA

Furthermore, prior to the IPO, companies of the GENUI group were considered related parties (on the basis of significant influence), in particular:

- GENUI Fund GmbH & Co. KG, Neuer Wall 80 in 20354 Hamburg, Germany
- Greendich Enterprise Co, 2F, No. 18, Alley 1, Lane 768, Sec. 4, Bade Road, Nangang Dist. Taipei City 115, Taiwan
- Genui Sechste Beteiligungsgesellschaft mbH, Cherrystraße 1 in 91275 Auerbach i.d. OPf., Germany

Cherry AG prepares consolidated financial statements for the smallest and largest group of companies. These consolidated financial statements are published in the Bundesanzeiger [German Federal Gazette].

In connection with the IPO, Cherry AG entered into a cost sharing agreement with Cherry TopCo S.à r.l. Under the terms of this agreement, expenses arising for fees, attorneys, consultants and similar items – commissioned and paid partly by Cherry AG and partly by Cherry TopCo S.à r.l. – were divided between the two parties. The expenses concerned amounted to EUR 1,649k and EUR 3,100k for Cherry AG and Cherry TopCo S.à r.l. respectively. There were no outstanding balances as of December 31, 2021.

### Disclosures in accordance with IFRS 2 Share-based Payment

In connection with the acquisition of the shares of Cherry Holding GmbH by Cherry AG as of September 30, 2020, selected members of the management of Cherry AG and its subsidiaries were granted an indirect investment in Cherry AG. The managers purchased shares by way of this share ownership plan, whereby the shares were held via Cherry MEP GmbH & Co. KG and Cherry Strip GmbH & Co. KG. For a part of the acquired shares (8.2 million shares), the managers received a certain price for the shares to be sold when leaving the company dependent on their remaining in the Cherry Group during the four-year period after grant date. The plan qualified as an equity-settled plan as defined in IFRS 2. The benefits granted to the managers were to be recognized over a period of four years in profit or loss, with a corresponding entry in capital reserves. The fair value at the grant date in accordance with IFRS 2 was determined based on a Black-Scholes model and, considering an exit date at the end of 2024, led to a fair value of EUR 4,925k, corresponding to a market value per share of EUR 0.55. The valuation as of October 1, 2020 was based on a volatility of 60%, a risk-free interest rate and a dividend rate of 0% each and a vesting period of 4 years.

In 2020, expenses of EUR 229k relating to the new share ownership plan were recorded as personnel expenses.

The share ownership plan was settled with the beneficiaries and terminated at the time of the IPO, resulting in the recognition of non-cash personnel expenses amounting to EUR 3,757k in 2021 in accordance with IFRS 2, with a corresponding entry in capital reserves.

A new share-based Long Term Incentive Program (LTI) was established at the time of the IPO, initially only for the Management Board of Cherry AG. The LTI exists in addition to the Management Board remuneration paid as a fixed salary as well a short-term incentive (STI). The LTI is granted for each fiscal year separately (grant year), followed by a three-year performance period (LTI performance period) and a one-year holding period. The LTI is generally cash-settled. At Cherry AG's discretion, however, it may be settled by the awarding of shares. The Company will settle in shares. Remuneration is paid in the form of virtual shares, the number of which depends on the level of attainment of LTI performance targets, which are normally based 50% on the Group's adjusted EBITDA and 50% on the relative total shareholder return (TSR)



of Cherry AG. The value of the virtual shares to be paid out is based on the future share price of Cherry AG. The plan qualifies as an equity-settled plan as defined in IFRS 2. In accordance with IFRS 2, the fair value of the virtual shares at the grant date was measured on the basis of a Monte Carlo simulation, taking into account the terms and conditions of the plan. The model simulates the TSR and compares it with a peer group comprising SDAX companies, taking into account the volatility of the Cherry AG share price compared to the SDAX.

The following key parameters were used in the model:

- Weighted average fair value at grant date: EUR 28.41
- Share price at grant date: EUR 30.66
- Expected volatility (weighted average): 57.0%
- Expected term (weighted average): 5.7 years
- Expected dividends: 0.0%
- Risk-free interest rate -0.68%

The expected term is based on historical data and current estimates and does not necessarily reflect future actual exercise patterns. Expected volatility is based on the assumption that historical volatilities corresponding to the period of expected terms are indicative of future trends, but do not necessarily correspond to actual outcomes.

In total, 10,700 virtual shares were granted in 2021. The same number were outstanding as of December 31, 2021. The weighted average fair value of the virtual shares granted in 2021 is EUR 34.40.

In 2021, expenses amounting to EUR 197k were recognized for the LTI in personnel expenses.

In addition, members of the Management Board and the Supervisory Board and their relatives also qualify as related parties.

The Management Board during the 2021 fiscal year comprised:

- Rolf Unterberger, Chief Executive Officer
- Bernd Wagner, Chief Financial Officer and Chief Operations Officer

The Supervisory Board during the financial year 2021 comprised:

- Marcel Stolk, Chairman of the Supervisory Board
- James Burns, Vice Chairman of the Supervisory Board and Chairman of the Audit Committee
- Joachim Coers, Member of the Personnel and Compensation Committee
- Heather Faust, Chairwoman of the Personnel and Compensation Committee and member of the Audit Committee
- Steven M. Greenberg, Chairman of the Nomination Committee
- Tariq Osman, Member of the Nomination Committee and Member of the Personnel and Compensation Committee
- Dino Sawaya, Member of the Audit Committee and Member of the Nomination Committee

### Management remuneration

€ thousand	2021	2020
Short-term benefits	1,352	297
Post-employment benefits	11	-
Other long-term benefits	-	54
Benefits resulting from termination of employment relationships	-	-
Share-based remuneration	2,715	168
<b>Total</b>	<b>4,078</b>	<b>519</b>

The figures reported for the 2021 fiscal year relate to the Management Board of Cherry AG. The figures reported for the 2020 fiscal year relate to three members of the management of the various national companies. In addition to basic salaries, social security and pension contributions, the amounts include bonuses and company cars as well as share-based remuneration from the respective share ownership plans.

The expense for the fixed remuneration of the Supervisory Board for the 2021 fiscal year amounted to EUR 319k. Other remuneration, mainly expenses, totaled EUR 33k. In addition, there were expenses from share-based payments of EUR 321k.



As in the previous year, no loans or advances were granted to members of the Management Board or the Supervisory Board in 2021.

#### 11.4. Corporate Governance

On December 15, 2021, the Management Board and the Supervisory Board of Cherry AG jointly issued the declaration required by Section 161 of the German Stock Corporation Act (AktG) and made it publicly available on the Cherry AG website at <https://ir.cherry.de/home/corporate-governance/>.

#### 11.5. Auditor's fees

€ thousand	2021	2020
Audit services	457	337
Other attestation services	608	-
Tax advisory services	-	-
Other services	99	-
<b>Total</b>	<b>1,164</b>	<b>337</b>

Audit services relate primarily to the fees for the audit of the Consolidated Financial Statements (incl. the associated audits that are mandatory for listed companies, e.g. formal review of the Management Board Compensation Report, ESEF) the review of the quarterly interim reports and the Half-year Financial Report and the audits of the separate financial statements of Cherry AG and subsidiaries included in the Consolidated Financial Statements. Fees for other attestation services relate to services in connection with the founding report of Cherry AG and the IPO (comfort letter). An amount of EUR 137k relates to the fiscal year 2020.

Fees incurred for the 2021 fiscal year for the services of the auditors Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Essen branch, are included in the administrative expenses. The total also includes the costs of the Ernst & Young network, which relate to the audit of the separate financial statements for the individual companies of the Cherry Group in Germany and abroad.

#### 11.6. Events after the end of the reporting period

In February 2022, the existing branch of Cherry Electronics (Hong Kong) Co. Ltd. in Taiwan was converted into a legal entity operating under the name Cherry Taiwan Electronics Co., Ltd.

At the beginning of 2022, Cherry AG initiated the necessary steps to convert the company from a German stock corporation into a European company, so-called Societas Europea (SE).

From April 2022, the Management Board of Cherry AG is to be expanded to include another member in the function of Chief Operating Officer in order to be able to continue to drive forward the planned growth of the Cherry Group. Bernd Wagner will then focus on the role of Chief Financial Officer.

The Russia-Ukraine conflict is expected to negatively impact profitability through higher material, energy and logistics costs.

The Management Board decided in March to introduce short-time working for the production of keyboard switches at the Auerbach site for a period of 4 months, effective April 1. The reduction can be set at between 30 and 70% in accordance with an agreement with the Works Council. This measure is intended to counteract a further increase in the high inventory levels built up in the previous year.

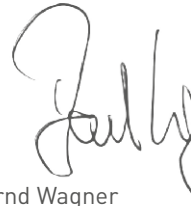
Beyond this, no events occurred after the end of the fiscal year that are of particular significance for the net assets, financial position and results of operations.

Munich, March 30, 2022

Cherry AG

The Management Board

  
Rolf Unterberger  
(CEO)

  
Bernd Wagner  
(CFO/COO)

## RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES

“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and loss of the Company, and the combined management report for Cherry AG and the Group includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.”

Munich, 30 March 2022

Cherry AG



Rolf Unterberger  
(CEO)



Bernd Wagner  
(CFO/COO)





## INDEPENDENT AUDITOR'S REPORT

To Cherry AG

### Report on the audit of the consolidated financial statements and of the group management report

#### Opinions

We have audited the consolidated financial statements of Cherry AG, Munich, and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from 1 January 2021 to 31 December 2021, the consolidated statement of financial position as at 31 December 2021, consolidated statement of cash flows and consolidated statement of changes in equity for the fiscal year from 1 January 2021 to 31 December 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Cherry AG, which was combined with the management report of the Company, for the fiscal year from 1 January 2021 to 31 December 2021. In accordance with German legal requirements, we have not audited the content of the Group management declaration pursuant to § 315d of the German Commercial Code (HGB) published on the website indicated in the Group management report, which forms part of the Group management report. Furthermore, we have not audited the content of the non-management report disclosures contained in the section "Reconciliation of alternative performance measures (ESMA)" of the Group management report. Non-management report disclosures in the Group management report are disclosures that are neither required by sections 315, 315a or by sections 315b to 315d of the German Commercial Code (HGB), nor required by GAS 20. We have not audited the content of the information provided by the Company outside the management report and referred to by cross-reference in section 6.2 of the Group management report. In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with

these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2021 and of its financial performance for the fiscal year from 1 January 2021 to 31 December 2021, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the above-mentioned corporate governance statement or the above-mentioned section "Reconciliation of alternative performance measures (ESMA)" of the group management report. Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

#### Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.



## Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2021 to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

### [1] Impairment testing of goodwill

#### Reasons why the matter was determined to be a key audit matter

The goodwill presented in the consolidated financial statements of Cherry AG relates to the acquisition of subsidiaries and represents a significant item of the statement of financial position.

The Company tests goodwill for impairment annually as of 31 December of a given year to determine any potential need to recognize impairment losses. The result of these valuations is highly dependent on the executive directors' estimate of future cash flows and the respective discount rates used.

In light of the materiality of goodwill both in relation to total assets and equity, the complexity of the valuation as well as the judgment exercised during valuation and the related risk of material misstatement of the consolidated financial statements, we identified the goodwill impairment test as a key audit matter in our audit.

#### Auditor's response

As part of our audit procedures, we analyzed the process implemented by the legal representatives of Cherry AG against the background of the requirements of IAS 36 for determining the recoverable amounts of cash-generating units or groups of such units to which goodwill has been allocated for possible risks of error. We analyzed the budgets and forecasts by comparing them with the results actually achieved in the past and the current development of business figures. We also referred to the market

development realized in the fiscal year as well as the forecast market development of comparable entities in our analysis. We obtained an understanding of the significant assumptions underlying the business growth and business performance forecasts through detailed discussions with the executive directors of Cherry AG. In addition, we compared the budget for the coming year on which the impairment test was based and the Group's medium-term planning with the budget and medium-term planning approved by the Supervisory Board.

The other key valuation assumptions, such as the discount rate and the growth rate, were examined on the basis of an analysis of market indicators. Using our own sensitivity analyses, we assessed impairment risks in the event of changes in key valuation assumptions. We also verified the mathematical accuracy of the valuation models. Our procedures did not lead to any reservations relating to the valuation of goodwill.

#### Reference to related disclosures

With regard to the accounting policies applied for goodwill, see the disclosure in note (4) "Significant accounting policies" of the notes to the consolidated financial statements and on the impairment of intangible assets under (6.2). For the related disclosures on judgments by the executive directors and sources of estimation uncertainty as well as the disclosures on goodwill, see the disclosure under "Significant estimates, assumptions and judgments" in note (3) and "Intangible assets" in note (6) "Notes to the Group's assets" of the notes to the consolidated financial statements.

### [2] Revenue recognition

#### Reasons why the matter was determined to be a key audit matter

Cherry AG generates its revenues from the sale of computer input devices. Due to the large number of different contractual agreements for the various services in different countries in the consolidated financial statements of Cherry AG, there is an increased risk of error for the existence as well as the recognition of revenue on an accrual basis. Given the material significance of the revenue recognition matters, we consider revenue recognition to be a key audit matter.

Auditor's response

As part of our audit procedures, we traced the processes implemented by the legal representatives of Cherry AG for the recognition of revenue, in particular taking into account sales deductions. To substantiate the existence of revenue, we examined whether it led to trade receivables and in turn, if payments were received in settlement of these receivables. Moreover, we checked the recognition of revenue based on the contractual arrangements on a sample basis with regard to the requirements of IFRS 15 for revenue recognition.

In addition, we obtained balance confirmations from customers. Furthermore, with regard to the accrual-based recognition of sales, we verified the recognized sales on the basis of invoices and proof of delivery on a sample basis, in particular in the first and last month before the reporting date. With regard to sales deductions, we identified significant items on the basis of data analyses and verified the recognition on a sample basis using supporting documents.

Our audit procedures did not lead to any reservations with regard to revenue recognition. Reference to related disclosures

Information about the accounting policies with regard to revenue is provided in note (4) "Summary of key accounting principles" of the notes to the consolidated financial statements. Information about the composition of revenue is provided in note (8.1) "Revenue" of the notes to the consolidated financial statements.

### Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG on the German Corporate Governance Code, which is part of the group statement on corporate governance. In all other respects, the executive directors are responsible for the other information.

The other information comprises the above-mentioned Group Corporate Governance Statement and the above-mentioned non-management report disclosures contained in the Group Management Report in the section "Reconciliation of Alternative Performance Measures (ESMA)". In addition, the other information includes other compo-

nents intended for the annual report, a version of which we have obtained up to the date of this auditor's report, in particular:

- the declaration by the legal representatives pursuant to § 264 (2) sentence 3 in conjunction with. § 297 (2) sentence 4 and § 315 (1) sentence 5 HGB,
- the Declaration of Conformity with the Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG), which is published outside the Group Management Report,
- the "Key Group Figures" and the foreword by the Board of Management,
- the report of the Supervisory Board,
- the further information in section 01 "To our shareholders" and section 05 "Further information"

but not the consolidated financial statements, the group management report disclosures included in the substantive audit, and our audit opinion thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

## Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits 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 taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group 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 opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group 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 these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, 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.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.



## Other legal and regulatory requirements

**Report on the assurance on the electronic rendering of the consolidated financial statements and the group management report prepared for publication purposes in accordance with Sec. 317 (3a) HGB**

### Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached file "Cherry\_AG\_KAuLB-2021-12-31.zip" and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from 1 January 2021 to 31 December 2021 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

### Basis for the opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the enclosed file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management

Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (10.2021). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

### Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

### Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.



- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

#### Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 6 April 2021. We were engaged by the Supervisory Board on 7 October 2021. We have been the group auditor of Cherry AG without interruption since fiscal year 2021.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

We provided the following services in addition to the audit of the financial statements for the audited company or the companies controlled by it:

- special audits required by law under stock corporation law;
- special audits required by law under company law;

- non-statutory audit services on financial information;
- non-statutory assurance services on capital market transactions.

#### Other matter – Use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Bundesanzeiger [German Federal Gazette] – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

#### German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Andreas Muzzu.

Dortmund, 31 March 2022  
Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Muzzu Michael  
Wirtschaftsprüfer  
[German Public Auditor]

Wirtschaftsprüfer  
[German Public Auditor]





# 04 Annual Financial Statements

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Cherry AG has combined its separate and group management reports into a Combined Management Report, which is published in the Cherry AG Annual Report for 2021. The annual financial statements and the Combined Management Report of Cherry AG for the 2021 fiscal year are published in the Bundesanzeiger [German Federal Gazette] and can also be obtained via the Company Register website.



# STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2021

## ASSETS

€ thousand

### A. NON-CURRENT ASSETS

#### I. Intangible assets

Franchises, industrial property rights and similar rights and assets,  
and licenses for such rights and assets acquired for consideration

52

–

#### II. Property, plant and equipment

Other operational and office equipment

40

–

#### III. Long-term financial assets

##### 1. Shares in affiliated companies

216,244

219,992

##### 2. Non-current loans receivable from affiliated companies

–

5,400

216,244

225,392

### B. CURRENT ASSETS

#### I. Receivables and other assets

##### 1. Trade receivables

23

–

##### 2. Receivables from affiliated companies

26,926

911

##### 3. Other assets

139

–

#### II. Cash on hand and at bank

89,373

–

116,461

911

### C. PREPAID EXPENSES

443

2,327

### Total assets

333,240

228,630



## EQUITY AND LIABILITIES

€ thousand

### A. EQUITY

	Dec. 31, 2021	Dec. 31, 2020
I. Subscribed capital	24,300	36
II. Capital reserves	263,593	150,257
III. Accumulated deficit brought forward	-3,935	–
IV. Net loss for the year	-2,251	-3,935
	<b>281,707</b>	<b>146,358</b>

### B. PROVISIONS

1. Provision for pensions and similar commitments	133	–
2. Tax provisions	828	–
3. Other provisions	795	820
	<b>1,756</b>	<b>820</b>

### C. PAYABLES

1. Liabilities to banks	45,000	81,400
2. Trade payables	567	52
3. Payables to affiliated companies	3,272	–
4. Payables to affiliated companies		
thereof from taxes EUR 99,212.99 (previous year: EUR 0.00)		
thereof from social security EUR 0.00 (previous year: EUR 0.00)	938	–
	<b>49,777</b>	<b>81,452</b>

### Total equity and liabilities

**333,240**      **228,630**



# INCOME STATEMENT

FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2021

€ thousand

	Jan. 1 – Dec. 31, 2021	Jan. 1 – Dec. 31, 2020
1. Revenue	–	–
2. Other operating income		
thereof from currency translation EUR 0.00 (previous year: EUR 4,945.63)	10,946	5
3. Personnel expense		
a) Wages and salaries	5,302	–
b) Social security, pension and welfare expenses		
thereof for pensions EUR 26,234.41 (previous year: EUR 0.00)	806	–
4. Depreciation and amortization on intangible assets and property, plant and equipment	50	–
5. Other operating expenses		
thereof from currency translation EUR 740.16 (previous year: EUR 19,731.02)	12,335	2,151
6. Income from profit transfer	19,474	–
7. Income from non-current loans receivable		
thereof from affiliated companies EUR 0.00 (previous year: EUR 27,000.00)	–	27
8. Interest and similar expenses		
thereof from accrued interest EUR 2,018.66 (previous year: EUR 0.00)	13,796	1,816
9. Income taxes	382	–
10. Loss after tax	-2,251	-3,935
11. Other taxes	–	–
<b>12. Net loss for the year</b>	<b>-2,251</b>	<b>-3,935</b>



## ANALYSIS OF CHANGES IN FIXED ASSETS

€ thousand	Acquisition cost				Dec. 31, 2021
	Jan. 1, 2021	Additions	Disposals	Reclassifications	
<b>I. Intangible assets</b>					
Franchises, industrial property rights and similar rights and assets, and licenses for such rights and assets acquired for consideration	–	70		–	70
<b>II. Property, plant and equipment</b>					
Other operational and office equipment	–	72		–	72
<b>III. Long-term financial assets</b>					
1. Shares in affiliated companies	219,992	31	3,779		216,244
2. Non-current loans receivable from affiliated companies	5,400		5,400		0
	225,392				216,244
<b>Total</b>	<b>225,392</b>	<b>173</b>	<b>9,179</b>		<b>216,386</b>

€ thousand	Accumulated depreciation and amortization				Carrying amounts	
	Jan. 1, 2021	Additions	Disposals	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2020
<b>I. Intangible assets</b>						
Franchises, industrial property rights and similar rights and assets, and licenses for such rights and assets acquired for consideration	–	18		18	52	–
<b>II. Property, plant and equipment</b>						
Other operational and office equipment	–	32	–	32	40	–
<b>III. Long-term financial assets</b>						
1. Shares in affiliated companies	–				216,244	219,992
2. Non-current loans receivable from affiliated companies	–				–	5,400
	–				216,244	225,392
<b>Total</b>	<b>–</b>	<b>50</b>		<b>50</b>	<b>216,336</b>	<b>225,392</b>



# NOTES TO FINANCIAL STATEMENTS FOR THE 2021 FISCAL YEAR

## GENERAL INFORMATION

The accompanying financial statements have been prepared in accordance with Section 242 ff. and Section 264 ff. of the German Commercial Code (HGB) and the relevant provisions of the German Stock Corporation Act (AktG). The rules relevant for large-sized companies apply.

As the parent company of the Cherry Group, Cherry AG prepares consolidated financial statements pursuant to Section 315e (1) HGB in accordance with International Financial Reporting Standards (IFRS), as applicable in the EU.

The Company Financial Statements and the Consolidated Financial Statements will be published in the Federal Gazette and are also available on the Internet at <https://ir.cherry.de/home/publications/>.

The income statement has been prepared in accordance with the total cost method (expenses classified by nature of expenses).

In order to improve clarity of presentation, information on amounts relating to other balance sheet items and “thereof disclosures” are mainly provided in the notes to the financial statements.

The Company commenced business operations in the course of the 2020 fiscal year. Due to the merger of the subsidiary Cherry Holding GmbH, Auerbach into the Company with registration on April 19, 2021, comparability with the previous year is limited in this respect.

## COMPANY REGISTER INFORMATION

Cherry AG (formerly: Cherry AcquiCo GmbH), with its registered office in Munich, is registered in the Commercial Register of the Local Court of Munich under the number HRB 266697. The change of legal form to a stock corporation was resolved at the Shareholders' meeting on May 25, 2021. The change of legal form became effective by entry in the Commercial Register on June 2, 2021.

## ACCOUNTING POLICIES

The financial statements have been prepared using the following unchanged accounting policies.

The recognition and measurement of items in the financial statements comply with the general rules contained in Sections 246 to 256a HGB, taking into account the requirements for large corporations contained in Sections 264 ff. HGB.

Assets and liabilities have been measured using the going-concern assumption.

Intangible assets are measured at cost and amortized, as a general rule, on a straight-line basis over a period of 3 years.

Property, plant and equipment are measured initially at cost and depreciated on a straight-line basis over their expected useful lives of between 3 and 13 years. Depreciable movable assets with an acquisition cost of up to EUR 250 are expensed in full in the year of acquisition. Low-value assets with an acquisition cost of between EUR 251 and EUR 800 are depreciated in full in the year of acquisition.

Financial assets are stated at the lower end of cost or their attributable fair value as of the end of the reporting period.

Non-current loans receivables, other receivables and other assets are stated at their nominal value. Appropriate allowances are recognized for all items exposed to risk.

Prepaid expenses relate to amounts paid before the year-end, which represent an expense for a specific period after the year-end.



Subscribed capital is stated at its nominal amount.

Capital reserves include contributions made by shareholders over and above the Company's subscribed capital.

Pension provisions are calculated in accordance with actuarial principles using the projected unit credit method and the 2018 G Heubeck mortality tables. Alongside appropriate fluctuation trends, the calculation takes account of a pension trend of 1.0%. The measurement of the pension obligations is based on entitlements acquired up to 2018; a salary trend is therefore not relevant. Pension obligations are discounted using the discount rate published by the Deutsche Bundesbank corresponding to the average market interest rate for the past ten years for liabilities with an assumed remaining term of 15 years. For the purposes of the valuation as of December 31, 2021, a discount rate of 1.87% was applied. The difference between the amounts calculated using the 10-year and 7-year average interest rates as of December 31, 2021 is not available for distribution. For the purposes of calculating the difference, a 7-year average interest rate of 1.35% as of December 31, 2021 was applied.

Other provisions cover all liabilities of uncertain amount as well as anticipated losses on onerous contracts and are stated at the expected settlement amount measured in accordance with the principle of reasonable business prudence (i.e. including future cost and price rises). Provisions with a term of more than one year are discounted.

Payables are measured at the expected settlement amount.

Deferred taxes arising from temporary or quasi-permanent differences between the accounting and tax bases of assets, liabilities, prepaid expenses and deferred income are measured using the entity-specific tax rates that are expected to prevail when the differences reverse. The resulting increases and decreases in taxes are not discounted. Deferred tax assets and liabilities are offset where permitted. As permitted by Section 274 (1) sentence 2 HGB, Cherry AG has elected not to recognize the surplus of deferred tax assets over deferred tax liabilities. Deferred tax assets mainly result from non-deductible interest (interest barrier) and a loss carryforward.

Foreign currency assets and payables are translated using the spot rate prevailing at the end of the reporting period. In the case of items with a remaining term of more than one year, the realization principle (Section 252 (1) no. 4 half-sentence 2 HGB) and the acquisition cost principle (Section 253 (1) sentence 1 HGB) have been complied with.

## EXPLANATORY NOTES ON THE STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

### Assets

#### Fixed assets

Changes in the individual line items during the 2021 fiscal year are shown below in an analysis of changes in fixed assets.

As of December 31, 2020, financial assets comprised the 100% shareholding in Cherry Holding GmbH, Auerbach, in addition to loans. This entity was merged into Cherry AG in April 2021, with retrospective effect from January 1, 2021. As of December 31, 2021, financial assets comprised the 100% investment in Cherry Europe GmbH, Auerbach, and the 100% investment in Cherry Digital Health GmbH, Munich, both of which were held by Cherry Holding GmbH.

#### Current assets

As of the end of the previous fiscal year, all receivables and other assets have a remaining term of less than one year. Receivables from affiliated companies include trade receivables amounting to EUR 1,020k (December 31, 2020: EUR 27k).

As in the previous year, there were no receivables from or payables to shareholders at the end of reporting period.





## Equity and liabilities

### Equity

The subscribed capital of the parent company amounting to EUR 24,300k (December 31, 2020: EUR 36k) is fully paid up.

On May 25, 2021, the sole shareholder of Cherry AG resolved at an Extraordinary Meeting of Shareholders to increase the subscribed capital by EUR 1,963,747 from EUR 36,253 to EUR 2,000,000 by means of a transfer out of capital reserves (share capital increase out of existing company funds) in order to meet the statutory requirements for the subscribed capital of a stock corporation before the Company changed its legal form into that of a stock corporation (AG).

At the Annual General Meeting on June 11, 2021, it was resolved to increase the Company's share capital by EUR 18,000,000 from EUR 2,000,000 to EUR 20,000,000 by means of a transfer out of capital reserves (share capital increase out of existing company funds). At the same time, an authorized capital amounting to EUR 10,000,000 was resolved. The Management Board is authorized, with the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions on or before June 10, 2026 by a total of up to EUR 10,000,000 in return for cash and/or non-cash contributions, whereby the subscription rights of shareholders may be excluded (Authorized Capital 2021/I).

At the Annual General Meeting held on June 23, 2021, it was resolved to increase the share capital by EUR 4,300,000 from EUR 20,000,000 to EUR 24,300,000. At the same time, a conditional capital amounting to EUR 10,000,000 was resolved (Conditional Capital 2021/I).

The 4,300,000 shares were issued as part of an Initial Public Offering. The listing took place on June 28, 2021, and the first day of trading was June 29, 2021. The shares are listed on the Frankfurt Stock Exchange. The initial share quotation amounted to EUR 32.00.

As of December 31, 2021, the subscribed capital comprised 24,300,000 ordinary bearer shares with no par value. As of December 31, 2020 (and therefore prior to the change in legal form) the subscribed capital comprised 36,253 shares with a nominal value of EUR 1 per share.

As of December 31, 2021 capital reserves stood at EUR 263,593k (December 31, 2020: EUR 150,257k). The Cherry IPO in 2021 gave rise to a payment of EUR 133.3 million into capital reserves. Furthermore, capital reserves decreased as a result of a share capital increase out of company funds amounting to EUR 18.0 million and EUR 2.0 million.

The distribution block pursuant to Section 253 (6) HGB amounts to EUR 366.

### Other provisions

Other provisions include mainly obligations for outstanding supplier invoices, costs arising in conjunction with of the audit of the annual financial statements, and the accrued cost of Supervisory Board activities.



## Payables

		thereof with a remaining term of				
Dec. 31, 2021						
in €	Total	Up to 1 year	From 1 to 5 years	More than 5 years	Amounts pledged as collateral	Collateral type
Liabilities to banks	45,000,000.00	–	45,000,000.00	–	–	
Trade payables	567,120.89	567,120.89	–	–	–	
Payables to affiliated companies	3,271,653.73	3,271,653.73	–	–	–	
Other payables	938,064.60	938,064.60	–	–	–	
Total	49,776,839.22	4,776,839.22	45,000,000.00	–	–	

		thereof with a remaining term of					
Dec. 31, 2020			Up to 1 year	From 1 to 5 years	More than 5 years	Amounts pledged as collateral	Collateral type
in €	Total						
Liabilities to banks	81,400,000.00	4,400,000.00	20,000,000.00	57,000,000.00	80,000,000.00	Shares in subsidiaries pledged	
Trade payables	52,402.78	52,402.78	–	–	–	None	
Total	81,452,402.78	4,452,402.78	20,000,000.00	57,000,000.00	80,000,000.00		

In accordance with the loan agreement dated August 11, 2020, the Company took out a loan in the nominal amount of EUR 80,000k in order to finance the purchase price for the shares of Cherry Holding GmbH and its subsidiaries. The loan agreements grant Cherry AG early termination rights at certain points in time in return for compensation payments whose amount is dependent on the actual date of termination. The loan is subject to variable interest based on EURIBOR and contains a floor of 0% in respect of the EURIBOR. Under certain circumstances, the lender has the option to terminate the contract. The loan was repaid on June 30, 2021 immediately following the IPO, incurring an early repayment penalty of EUR 7,784k, which was recognized as interest and similar expenses in the income statement. In addition, interest expenses incurred on the loan amounted to EUR 2,816k. The unused credit line amounting to EUR 10,000k was terminated.

On June 29, 2021, a new credit line totaling EUR 55,000k was agreed with UniCredit Bank AG in Munich, of which EUR 10,000k was designated as an overdraft facility. The current account overdraft facility was not being utilized at the end of the reporting period. As of December 31, 2021, an amount of EUR 45,000k (tranche A) out of the credit facility was being utilized to finance non-organic growth. No collateral has been provided in conjunction with the credit agreement.

The credit agreement runs for a term of five years. The interest rate for each component of the loan is calculated as a percentage of the sum of the applicable interest rates, comprising a bank margin added as an uplift to the underlying EURIBOR interest rate for the corresponding completed term for drawing down tranche A (3 or 6 months) and the current account facility (1, 3 or 6 months). In addition, a commitment fee of 0.35% is charged for amounts not drawn down from tranche A and for the cur-



rent account overdraft facility. The credit agreement contains financial covenants requiring, among other things, compliance with a net leverage ratio that is limited to the ratio of net debt to adjusted EBITDA. All covenants stipulated in the credit agreement were complied with as of December 31, 2021.

Payables to affiliated companies mainly relate to non-current loans payable. Other payables include primarily obligations for employee bonuses, outstanding vacation and accrued time credits.

## EXPLANATORY NOTES TO THE INCOME STATEMENT

Other operating income in 2021 fiscal year amounting to EUR 10,946k results from expenses passed on within the Group in accordance with the Group agreement and from expenses incurred in connection with the IPO of Cherry AG. In accordance with a cost transfer agreement between the Company and the shareholder, the IPO expenses attributable to the former shareholder on a pro rata basis were charged on. In this respect, the income is extraordinary income.

The other operating expenses are mainly the result of costs incurred in connection with the IPO and a loss from the takeover of the “Headquarters” business activities from Cherry Europe GmbH. In total, extraordinary expenses of EUR 7,778k were incurred.

Personnel expense related to employees who transferred from Cherry Europe GmbH as well as employees newly recruited during the fiscal year under report.

In the 2021 fiscal year, other operating expenses related mainly to the IPO and the expense items arising therefrom.

In the previous fiscal year, other operating expenses included expenses for services in connection with the restructuring of the Cherry Group amounting to EUR 2,131k that did not qualify as incidental acquisition costs.

Income from profit transfer includes income arising on the Profit and Loss Transfer Agreement in place with Cherry Europe GmbH.

Income from non-current loans receivable includes income from affiliated companies amounting to EUR 0k (2020: EUR 27k).

Interest and similar expenses result mainly from interest paid on bank loans as well as a penalty arising on the early repayment of the purchase price loan on June 30, 2021.

## CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

At the end of the reporting period, there were no contingent liabilities requiring disclosure pursuant to Section 251 and Section 268 (7) HGB, with the exception of the following matter: Cherry AG undertakes until December 31, 2021 to ensure that Cherry Digital Health GmbH and Active Key GmbH are managed and financially equipped in such a way that they are always in a position to meet their obligations to their creditors as of December 31, 2021 in a timely manner (obligation to pay up). We consider the risk of utilization to be low, as the companies are economically successful.

The following other financial obligations exist as December 31, 2021:

Purchase commitments EUR 21k.

## MANAGEMENT BOARD AND SUPERVISORY BOARD

The Management Board during the 2021 fiscal year comprised:

- Rolf Unterberger, Chief Executive Officer (Chairman of the Management Board)
- Bernd Wagner, Chief Financial Officer and Chief Operations Officer

The members of the Management Board were appointed in June in the course of the conversion to an AG. Prior to this, the members of the Management Board were already managing directors of the Company. The following overview covers the entire period from January to December 2021.



The remuneration of the members of the Management Board serving in the year under report consists of the following:

in €	Basic salary and social security contributions	Bonus 2021	Company car and pension contributions	Remuneration after retirement	Severance payments	Total remuneration
Rolf Unterberger	400,670	375,241	22,943	0.00	0.00	798,854
Bernd Wagner	318,170	221,519	24,498	0.00	0.00	564,187
<b>Gesamt</b>	<b>718,840</b>	<b>596,760</b>	<b>47,441</b>	<b>0</b>	<b>0</b>	<b>1,363,041</b>

The Management Board members also received conditionally awarded shares worth EUR 368,046, which will only be paid out in cash or shares after the end of the performance period (end of 2023) and a further year of the holding period (end of 2024) if the criteria required for this have been met after the end of the performance period.

In the 2021 fiscal year, the following people were members of the Supervisory Board of Cherry AG:

#### Marcel Stolk (born 1967)

- Chairman of the Supervisory Board
- Member since: May 25, 2021
- Elected until: End of the Annual General Meeting 2026
- Principal occupation: Independent consultant
- Memberships in legally required supervisory boards or comparable domestic or foreign supervisory bodies of business enterprises (as at December 31, 2021): None

#### Jim Burns (born 1964)

- Deputy Chairman of the Supervisory Board
- Member since: May 25, 2021
- Elected until: End of the Annual General Meeting 2026
- Principal occupation: Independent consultant
- Memberships in legally required supervisory boards or comparable domestic or foreign supervisory bodies of business enterprises (as at December 31, 2021): None

#### Joachim Coers (born 1965)

- Member since: May 25, 2021
- Elected until: End of the Annual General Meeting 2026
- Principal occupation: Investor
- Memberships in legally required supervisory boards or comparable domestic or foreign supervisory bodies of business enterprises (as at December 31, 2021):
  - KAP AG, Fulda, Germany: Member of the Supervisory Board, Chairman of the Audit Committee
  - ensian group GmbH, Leutkirch im Allgäu, Germany: Member of the Advisory Board

#### Heather L. Faust (born 1979)

- Member since: May 25, 2021
- Elected until: End of the Annual General Meeting 2026
- Principal occupation: Managing Partner at Argand Partners, LP, New York, New York, United States of America
- Memberships in legally required supervisory boards or comparable domestic or foreign supervisory bodies of business enterprises (as at December 31, 2021):
  - Grosse Point Beacon Acquisition, Inc., Delaware, United States of America: Chairwoman of the Board of Directors
  - OASE Management GmbH, Steinfurt, Germany: Chairwoman of the Advisory Board
  - Tensar Corporation, Alpharetta, Georgia, United States of America: Member of the Board of Directors
  - Sigma Electric Manufacturing Corporation, Garner, North Carolina, United States of America: Member of the Board of Directors
  - Concrete Pumping Holdings, Inc., Thornton, Colorado, United States of America: Member of the Board of Directors

**Steven M. Greenberg (born 1970)**

- Member since: May 25, 2021
- Elected until: End of the Annual General Meeting 2026
- Principal occupation: Patent Attorney, [Partner at Shutts & Bowen LLP, West Palm Beach, Florida, United States of America]
- Memberships in legally required supervisory boards or comparable domestic or foreign supervisory bodies of business enterprises (as at December 31, 2021):
  - Ardent Medical Corporation, Boynton Beach, Florida, United States of America: President
  - CRGO Global, Boca Raton, Florida, United States of America and Bruxelles, Belgium: President

**Tariq Osman (born 1978)**

- Member since: May 25, 2021
- Elected until: End of the Annual General Meeting 2026
- Principal occupation: Private equity investor
- Memberships in legally required supervisory boards or comparable domestic or foreign supervisory bodies of business enterprises (as at December 31, 2021): None

**Dino Sawaya (born 1983)**

- Member since: May 25, 2021
- Elected until: End of the Annual General Meeting 2026
- Principal occupation: Investment Advisor at Argand Partners, LP, New York, New York, United States of America
- Memberships in legally required supervisory boards or comparable domestic or foreign supervisory bodies of business enterprises (as at December 31, 2021):
  - Seybert's Billiards Corporation, Coldwater, Michigan, United States of America: Member of the Board of Directors
  - Apartment Guardian Inc., Los Angeles, California, United States of America: Member of the Board of Directors
  - OASE Management GmbH, Steinfurt, Germany: Member of the Advisory Board

The expense for the fixed remuneration of the Supervisory Board for the 2021 fiscal year amounted to EUR 255k. Other remuneration, mainly attendance fees, totaled EUR 64k.

As in the previous year, no loans or advances were granted to members of the Management Board or the Supervisory Board in 2021.

**SHAREHOLDINGS (VALUES IN EUR)****Direct and indirect shareholdings**

	Shareholding in %	Equity	Net profit/loss for the year
Cherry Europe GmbH, Auerbach <sup>2</sup>	100	43,754,012.47	0
Cherry Digital Health GmbH, Munich <sup>2</sup>	100	4,788,539.32	2,815,826.48
Active Key, GmbH, Munich	100	439,848.43	414,848.43
Theobroma Systems Design and Consulting GmbH, Vienna, Austria <sup>1</sup>	100	1,491,156.27	1,012,875.87
Zhuhai Cherry Electronics Co. Ltd., Zhuhai City, China <sup>1</sup>	100	14,922,732.96	5,235,969.10
Cherry Electronics (Hong Kong) Co Ltd., Hong Kong, China <sup>1</sup>	100	7,017,838.30	5,720,919.72
Cherry Americas LLC, Kenosha, USA <sup>1</sup>	100	4,233,147.02	485,860.10
Cherry S.A.R.L., Paris, France <sup>1</sup>	100	244,828.13	17,609.05

<sup>1</sup> in accordance with IFRS reporting

<sup>2</sup> Direct investments



## Other disclosures

Cherry AG employed an annual average of 61.4 employees (head count) during the 2021 fiscal year (2020: 0), and 68 employees (head count) as of the end of the reporting period (December 31, 2020: 0). These are employed in the areas of materials management (26 heads on an annual average as the largest area) and purchasing, administration, IT, customer service and marketing.

Cherry AG prepares consolidated financial statements for the biggest and smallest circle of Group entities and publishes them in the Bundesanzeiger [German Federal Gazette].

The Company does not disclose related party transactions as there are no transactions with related parties that are not customary in the market.

## PROPOSED APPROPRIATION OF RESULTS

The net loss for the year will be carried forward.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

In February 2022, the existing branch of Cherry Electronics (Hong Kong) Co. Ltd. in Taiwan was converted into a legal entity operating under the name Cherry Taiwan Electronics Co., Ltd.

At the beginning of 2022, Cherry AG initiated the necessary steps to convert the company from a German stock corporation into a European company, so-called Societas Europea (SE).

From April 2022, the Management Board of Cherry AG is to be expanded to include another member in the function of Chief Operating Officer in order to be able to continue to drive forward the planned growth of the Cherry Group. Bernd Wagner will then focus on the role of Chief Financial Officer.

It is expected that the Russia-Ukraine conflict will have a negative impact on the profitability of the Group companies and could therefore also affect the income from profit transfer of the Company.

Beyond this, no events occurred after the end of the fiscal year that are of particular significance for the net assets, financial position and results of operations.

## DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 AKTG

On December 15, 2021, the Management Board and the Supervisory Board of Cherry AG jointly issued the declaration required by Section 161 of the German Stock Corporation Act (AktG) and made it publicly available on the Cherry AG website at <https://ir.cherry.de/home/corporate-governance/>.

## AUDITOR'S FEES

The total expense recognized for external auditors' fees pursuant to Section 319 (1) HGB comprises the following:

in

€ thousand

	2021	2020
Audits of financial statements	457	254
Other attestation services	608	54
Tax advisory services	–	–
Other services	99	–
<b>Total</b>	<b>1,164</b>	<b>308</b>

Audit services relate primarily to the fees for the audit of the Consolidated Financial Statements, the review of the Half-year Financial Report and the audits of the separate financial statements of Cherry AG and subsidiaries included in the Consolidated Financial Statements. Fees for other attestation services mainly relate to services in connection with the IPO (comfort letter). An amount of EUR 137k relates to the fiscal year 2020.



The disclosures pursuant to Section 289a HGB are made in the combined management report of Cherry AG and the Group management report and will be published in the Annual Report 2021.

## RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES

“To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and loss of the Company, and the management report – which has been combined with the group management report – includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.”

Munich, 30 March 2022  
Cherry AG

Rolf Unterberger  
(CEO)

Bernd Wagner  
(CFO/COO)





## INDEPENDENT AUDITOR'S REPORT

To Cherry AG

### Report on the audit of the annual financial statements and of the management report

#### Opinions

We have audited the annual financial statements of Cherry AG, Munich, which comprise the balance sheet as at 31 December 2021, and the income statement for the fiscal year from 1 January 2021 to 31 December 2021, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Cherry AG, which was combined with the group management report, for the fiscal year from 1 January 2021 to 31 December 2021. In accordance with German legal requirements, we have not audited the content of the corporate governance statement pursuant to § 289f HGB published on the website indicated in the management report, which forms part of the management report. Furthermore, we have not audited the content of the disclosures in the section "Reconciliation to alternative performance measures (ESMA)" of the management report that are not part of the management report. Non-management report disclosures in the management report are disclosures that are not required by sections 289, 289a or 289b to 289f HGB. We have not audited the content of the information provided by the Company outside the management report and referred to by cross-reference in section 6.2 of the Group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2021 and of its financial performance for the fiscal year from 1 January 2021 to 31 December 2021 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal require-

ments and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the above-mentioned corporate governance statement and does not extend to the above-mentioned section "Reconciliation to alternative performance measures (ESMA)" in the management report.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

#### Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

#### Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from 1 January 2021 to 31 December 2021. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.



Below, we describe what we consider to be the key audit matter:

### Impairment of shares in affiliated companies

#### Reasons why the matter was determined to be a key audit matter

The shares in affiliates represent a significant part of the Company's assets. The valuation of shares in affiliates for commercial law purposes is based on the acquisition cost or lower net realizable value. The fair values were determined as the present values of expected future income disclosed in the forecasts prepared by the executive directors using the capitalization of earnings method. The forecasts also take into account expectations regarding future market development and assumptions about trends in macroeconomic factors. The individually calculated cost of capital of the financial assets is used for discounting.

The result of this valuation is highly dependent on the executive directors' estimate of future cash flows and the respective discount and growth rates used. The assessment of the recoverability of the shares therefore involves significant uncertainty. In light of this and due to the high level of complexity of the valuation, the impairment of shares in affiliates was a key audit matter.

#### Auditor's response

As part of our audit, we examined the Company's forecast process and obtained an understanding of the method of determining the fair values. In this context, we assessed in particular whether the calculation of the fair values of shares in affiliates using the capitalization of earnings method comply with the relevant measurement standards. In doing so, we discussed the key value drivers with the legal representatives and compared them with general and industry-specific market expectations. In addition, we compared the budget for the coming year on which the calculation of the fair values is based and the medium-term planning of the Company with the budget

approved by the Supervisory Board and the approved medium-term planning. Furthermore, we analyzed the accuracy of the forecasts by comparing the planning prepared in past periods with the results actually achieved. Based on our understanding that even relatively small changes in the discount rate used can have significant effects on the amount of the capitalized earnings value of the affiliates, we re-performed the calculations and examined whether the parameters included correspond to external market data. We also checked the clerical accuracy of the calculation method on a sample basis.

Our procedures did not lead to any reservations relating to the valuation of shares in affiliates.

#### Reference to related disclosures

The Company's disclosures on the valuation of shares in affiliates are included in the notes to the financial statements, section 3.2 "Recognition and measurement policies."

#### Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG on the German Corporate Governance Code, which is part of the statement on corporate governance. In all other respects, the executive directors are responsible for the other information.

The other information comprises the above-mentioned corporate governance statement and the above-mentioned non-management report disclosures contained in the management report in the section "Reconciliation to alternative performance measures (ESMA)".



In addition, the other information includes other components intended for the annual report, a version of which we have obtained up to the time of issuing this auditor's report, in particular:

- the declaration by the legal representatives in accordance with § 264 (2) sentence 3,
- the Declaration of Conformity with the Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG), which is published outside the management report,
- the "Key Group Figures" and the foreword by the Executive Board,
- the report of the Supervisory Board,
- the further information in section 01 "To our stockholders" and in section 05 "Further information"

but not the annual financial statements, the management report information included in the substantive audit and our associated auditor's report. Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report**

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial

statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

#### **Auditor's responsibilities for the audit of the annual financial statements and of the management report**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of



future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits 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 taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the 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 opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the 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 these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the man-

agement report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, 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.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.



## Other legal and regulatory requirements

**Report on the assurance on the electronic rendering of the annual financial statements and the management report prepared for publication purposes in accordance with Sec. 317 (3a) HGB**

### Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the attached file "Cherry\_AG\_JAuLB\_ESEF-2021-12-31.zip" and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the annual financial statements and the management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying annual financial statements and the accompanying management report for the fiscal year from 1 January 2021 to 31 December 2021 contained in the "Report on the audit of the annual financial statements and of the management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

### Basis for the opinion

We conducted our assurance work on the rendering of the annual financial statements and the management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for

Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410 (10.2021)). Our responsibility in accordance therewith is further described in the "Auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

### Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the annual financial statements and the management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format. The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

**Auditor's responsibilities for the assurance work on the ESEF documents**  
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regu-



lation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.

- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited annual financial statements and to the audited management report.

#### Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the Annual General Meeting on 6 April 2021. We were engaged by the Supervisory Board on 7 October 2021. We have been the auditor of Cherry AG without interruption since fiscal year 2021.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

We have performed the following services, which were not disclosed in the annual financial statements or the management report, in addition to the audit of the financial statements for the audited entity or for entities controlled by the audited entity:

- Non-statutory assurance services in relation to financial information,
- non-statutory audit services relating to capital market transactions,
- special audit required by law in relation to stock corporation law,
- special audit required by law, special audit required by law.

#### Other matter – Use of the auditor's report

Our auditor's report must always be read together with the audited annual financial statements and the audited management report as well as the assured ESEF documents. The annual financial statements and the management report converted to the ESEF format – including the versions to be published in the Bundesanzeiger [German Federal Gazette] – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Andreas Muzzu.

Dortmund, 31 March 2022

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Muzzu Michael

Wirtschaftsprüfer

(German Public Auditor)

Wirtschaftsprüfer

(German Public Auditor)



## FINANCIAL CALENDAR 2022<sup>1</sup>

Annual Report / Consolidated Financial Statements 2021	March 31, 2022
US Roadshow (virtual)	April 4-5, 2022
MicroCap Days 2022	April 7, 2022
Interim Statement Q1 2022	May 11, 2022
Stockpicker Summit	May 12-13, 2022
BeNeLux Roadshow (virtual)	May 17, 2022
Equity Forum	May 23-25, 2022
Annual General Meeting	June 8, 2022
Half-Year Report 2022	August 11, 2022
Equity Forum	September 5-6, 2022
Interim Statement Q3/9M 2022	November 15, 2022
Münchner Kapitalmarkt Konferenz	November 16, 2022
Eigenkapitalforum	November 28-30, 2022

<sup>1</sup> Expected dates



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