

ANNUAL GENERAL MEETING  
MAY 17, 2023

SPEECH OF THE MANAGEMENT BOARD

Oliver Kaltner

Chairman of the Management Board (CEO)

Dr Mathias Dähn

Member of the Management Board (CFO)

" Transformation and Innovation "

- The spoken word applies -

CONVENIENCE TRANSLATION

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## I. Welcome and look back on the 2022 fiscal year (CEO)

### 1) Welcome

Dear Shareholders,  
Dear shareholder representatives,  
Dear Mr. Chairman and Chairperson of the Meeting,  
Ladies and gentlemen,

I'd also like to welcome you to the Annual General Meeting of Cherry SE.

Since January 1 of this year, I lead the board of directors of your company as Chairman. This means the Management Board has been restructured together with Udo Streller as COO and Mathias Dähn as CFO. I have taken over the role of CEO from Rolf Unterberger, who led the business of CHERRY SE from May 2018 until the end of 2022. This is the first Annual General Meeting of CHERRY SE at which I will report to you. As members of the Management Board, we personally hold a total of 75,600 shares in CHERRY SE.

Before Mathias Dähn, my colleague on the Management Board, who has been the new CFO of Cherry SE for a few weeks now, looks back on the finalized 2022 fiscal year and presents the corresponding classifications to you, please allow me a few words regarding my personal horizon of experience.

I was born in Wiesbaden in 1968 and graduated in business administration from the University of Applied Sciences in Mainz in 1993. I have gained international management experience in companies of various sizes in the fields of information technology, digital business as well as consumer electronics. This also included companies that are focused on cloud-based offerings and IoT services with software-as-a-service business models. In this corporate environment, I accompanied several cross-border M&A transactions.

I wanted to mention this before going into the future strategic direction of Cherry SE later.

Dear Shareholders,  
As you have known since the announcement of the annual financial statements in March, CHERRY SE closed the past fiscal year 2022 with consolidated sales of EUR 130.2 million and adjusted EBITDA of EUR 15.2 million, corresponding to an adjusted EBITDA margin of 11.5%. In this respect, the fiscal year was a disappointment for you as shareholders and for all of us at CHERRY. According to our joint assessment, the company has very good substance and great potential, which we as the new management now need to leverage. This will be an exciting,

promising, but not easy path. The current fiscal year is a year of transition, and we will keep you informed with the greatest possible clarity about our steps along this path. Please regard this as a promise of transparency from the new management.

Mathias Daehn will explain these numbers in more detail.

An adjusted EBITDA margin of only 11.5% in the past fiscal year 2022 means: CHERRY SE needs a new strategic direction, a new orientation, and a structural optimization program. Over the past few months, I have been working with our team to analyze our business and our processes in detail.

CHERRY has undergone several changes in its ownership structure in recent years. The change from one private equity partner to another was followed by the IPO in the summer of 2021 with a subsequent change in legal form to an SE. In this context, the necessary changeover from manual, partly personnel-based individual solutions in the planning and process organization has not yet been fully completed. We still see a need for optimization in the fundamental processes from market analysis and assessment, through sales planning and control, production planning and control, to finance, accounting and controlling, to achieve greater overall resilience and precision in our business and economic processes. Overall, it is necessary to significantly increase the speed in the organization. CHERRY is a tech company, an industry that requires speed. To improve operational processes, we are uniformly and consistently converting our international sales to Salesforce. The interaction between Sales-Supply and Chain-Finance will also be based on a new system.

We are already seeing the effects of these measures in the 1st quarter of the current fiscal year. In the Peripherals business unit, i.e., our office products, we are up 13.7% on the prior-year quarter. In Gaming Devices, we were even +20.6% compared to Q1 2022. In the context of the announcements from other market players, we are the company with growth results.

Ladies and gentlemen, let me now give you an outlook on the future of our company.

Strategically, we want to transform CHERRY into a hardware, software and cloud services company with a comprehensive and relevant product offering in the international market.

It's our goal to develop CHERRY into an international provider of agnostic digital ecosystems. As CEO, it is my clear conviction that CHERRY has great potential here to use its hardware base as an active lever. Hardware remains a key component in our portfolio and in our business development in the coming years. On its own, it will be substantially enriched and revenue streams will be expanded. And we still see a combination of profitable, organic, and strategic inorganic growth in our medium-term planning. We have sufficient financial scope for this.

We have defined five **focus areas** for our turnaround: Operational optimization measures, Product Segments, M&A, Internationalization, and People & Culture. I will now go into these in more detail.

### **Operational optimization measures**

Our Operational optimization measures will include internal efficiency and cost measures as well as process optimization. We are also taking a holistic approach to operational excellence. This is a major lever for improving the performance of our company, and the first measures are already having a successful impact at this point.

Particular attention is being paid to production in conjunction with merchandise management. The sooner we have reduced the high inventory levels of switches to normal levels, the sooner we will be able to appropriately control and increase our overall production capacity utilization again.

We can report an initial success of our measures: we were able to reduce the value of Components inventories by around 10% in the first quarter and will continue to reduce the remaining excess inventories in a controlled manner without jeopardizing our profitability and growth targets.

With notification dated March 20, 2023, we also announced that we are discontinuing the product line with VIOLA keyboard switches and keyboards. From a commercial, economic, and strategic/conceptual point of view, this product segment did not have sufficient sales potential and thus no prospect of secured continuous sales on the required scale.

We know that these are hard burdens for our employees. We are very grateful for the loyalty of our teams to our company and appreciate this commitment. Conversely, it is our management responsibility to improve this current situation in manufacturing.

### **Product segments**

For the future, we see growth opportunities in selected product segments.

The digitalization of the German healthcare sector is gaining momentum and we are closely examining the currently still highly fragmented provider market for software and cloud-based services. In this market segment, we see several young companies with software-as-a-service business models that might be interesting for CHERRY. Considering our strong market position and society's increasing affinity for digital and mobile usage, there is great potential for us here in terms of recurring revenue streams. A key advantage is that we do not have to invest in building production facilities, and we keep the CHERRY business model "asset-light".

At the same time, we can expand our existing software competence in a targeted manner and partly use it in other markets.

With the rapid spread of e-sports activities worldwide, the demand of millions of gamers for comprehensive platform offers that can be used on the move will also increase. We also see enormous potential here in the future for expanding our value chain in the direction of software-based services. In this context, cloud services will certainly also play an increasing role.

Hardware alone is therefore not the key in this industry. It requires interaction with software and services. At the end of my outlook, I will take a closer look at the areas of health and gaming.

Components: CHERRY's business model has so far been based on working with the so-called ODR, the manufacturing companies for the major brands such as Hewlett-Packard, Dell, Acer, Asus, Samsung, Microsoft, Medion, Lenovo and others. This makes us primarily dependent on contract manufacturing and project orders, which leads to price pressure, volatility, and a fundamentally rather late access to current market trends and developments.

It is our goal to place CHERRY as a global OEM partner for innovative components and keyboards.

## **M&A**

Inorganic growth will continue to be an important building block in our corporate strategy. Especially, the Digital Health & Solutions area is well suited for rapid further development through transactions. As already mentioned, in addition to the digitization of the German healthcare sector, we see great potential for further cloud-based software-as-a-service offerings, which are expected to emerge in the next technology generation from 2025. Transactions will enable us to expand our market presence at an early stage to make the business model highly scalable. What matters here is a sufficiently activatable so-called installed base. We have achieved this prerequisite with the CHERRY e-health terminals in the medical sector.

One principle in our M&A activities is that the assets must directly create content, technology and value.

## **Internationalization**

In recent years, CHERRY's business has focused primarily on the German-speaking market in addition to the United States and China.

With our "Gaming Goes Global" initiative, we are now deepening our sales lines in the major markets and at the same time broadening them in the markets of Central Europe with France and the UK, Benelux, the Nordic countries, Italy, and Spain, as well as Korea and other Asian countries. This way, we are driving forward the internationalization of our business. With the cultural and business integration of Xtrfy Gaming AB, which we acquired at the turn of the year, we are underpinning our innovative strength and relevance in the gaming and e-sports market. In addition to that, we will further strengthen our multi-channel sales and make targeted additions to our product portfolio.

With the cultural and business integration of Xtrfy Gaming AB, which we acquired at the turn of the year, we are underpinning our innovative strength and relevance in the gaming and e-sports market. In addition, we will further strengthen our multi-channel sales and make targeted additions to our product portfolio.

The implementation of the e-commerce strategy, which began in 2021, primarily in our B2C business, is already creating significant added value in addressing customers, ensuring a standard market flow of goods, and, as a result, in the expansion of our distribution activities. E-commerce platforms such as Amazon attest to CHERRY's high performance in customer management, starting with customer

contact, the range of goods, availability, rapid logistical processing, and after-sales customer support.

The e-commerce channel will already account for a substantial share of our multi-channel sales soon. Both in Europe, in Asia and now finally in America.

In the important markets of China and the USA, we are focusing on the localization factor. We are continuing to reshape the American organization and optimize product and partner planning to activate market potential for CHERRY and help the company achieve significant and profitable growth in the most important Western market. In China, we added a female Chinese manager to our organization, immediately reinforcing our commitment to gender diversity.

### **People & Culture**

We are convinced that the success of our company depends on our employees. And especially with the transformation towards end-customer business and software, other skills are additionally required. We have already started to create an agile culture for quick decisions. CHERRY is a very strong brand, but we will also need to be even more attractive as an employer in the future to attract the best possible talent. This will be an important driver for our transformation and revenue growth. Promising talents are already available internally at CHERRY. Appropriate support programs will be introduced soon to promote and develop these talents.

We can build on our very strong brand. We are represented in 30 markets worldwide and have a loyal customer base with a close relationship to the brand, our products and our team. However, in order to leverage the growth potential, we need to position ourselves better, organize ourselves better and implement reliable plans professionally - and, as I said, build up more speed.

Ladies and Gentlemen,

Much - in fact everything - has been said about the impact of the Covid 19 pandemic, the Russia/Ukraine war, rising energy prices, and rising inflation.



These macroeconomic conditions remain unchanged. But they must not cause us as a company to lose focus on our own strength, opportunities, and responsibilities.

What is exciting for our company are the effects on the world of work and its far-reaching transformation. This is not just about digitization or technical communications equipment. Rather, we are amid a paradigm shift, because the "new work" and "work-from-anywhere" trends, rapidly developing "satellite hubs," and structural and demographic change are also accompanied by a fundamental change in the attitude of working people toward life and their fundamental values.

We are confident that we will achieve the targets set for 2023.

We are optimistic about CHERRY's future opportunities in the global market. The next decade should be one that takes CHERRY to a new level.

Ladies and gentlemen, I would now like to hand over to my colleague on the Executive Board, Dr. Mathias Dähn, who will explain the main financial results for 2022 and the first quarter of 2023. Dear Mathias, please go ahead.

## II. Results of the 2022 financial year (CFO)

### 1) Overall development of revenues and results

Ladies and Gentlemen,

I would also like to welcome you to today's Annual General Meeting. As you know, I have been appointed as Chief Financial Officer of Cherry SE with effect from 15 April 2023. I'd therefore ask you to allow me to briefly introduce myself: I am a native of Munich and, after studying business administration at the University of Bamberg, I gained broad management experience both in large corporations and in more dynamic companies. I am now pleased to be able to contribute this experience to the benefit of our company. Since 2011, I have always worked in the CFO function of listed companies.

The comprehensive annual report for the year 2022 was presented by the board in its composition at the end of March. At the same time, Cherry published a separate non-financial report for the last year, which reflects the status quo regarding sustainability in the company.

As Oliver Kaltner has already mentioned, the past fiscal year 2022 was characterized by difficult macroeconomic and geopolitical conditions, which had a negative impact on CHERRY's business.

Overall, the results achieved fell short of the plans for the past business year. In particular, the business with mechanical keyboard switches and gaming keyboards, which was mainly concentrated in the Asian economic area in the past business year, was strongly impaired compared to the previous year. The GAMING business area recorded a decline in revenue of 50.2% to 41.2 million euros.

This was contrasted by our PROFESSIONAL business area with a growth in turnover of 6.5% to 91.3 million euros. This resulted in a shift in the contribution to revenue and especially the contribution to earnings of the two business segments. Whereas in the previous year they each contributed about half of the group's revenue, the revenue contribution of the GAMING business area decreased to 31.1 % and the revenue contribution of the PROFESSIONAL business area increased accordingly to 68.9 %.

Repeated temporary closures of Chinese production and logistics sites during the local zero-covid policy, both at Cherry and at its customers, slowed down the **flow of goods** considerably or brought it to a hold at times. As a result, distributors and customers of the company had comparatively **high inventories**, which they sold off as a matter of priority instead of stocking up on new goods. This had a negative impact on the **ordering behavior of our customers for switches**.

In the PROFESSIONAL business area, growth was mainly driven by the expansion of the e-commerce business. In addition to the founding of a new company, CHERRY E-Commerce GmbH, which combines the business activities for the EMEA sales region, new employees, who bring important skills and experience to this business model, were hired.

Overall, the Company recorded a 21.4 per cent decline in consolidated revenue to EUR 132.5 million and achieved an adjusted EBITDA margin of 11.5 per cent.

This means that both key figures are below the original forecast from the Group Management Report 2021, in which a Group revenue of EUR 170 to 190 million and an EBITDA margin of between 23 and 26 % were targeted. The forecast was adjusted twice during the year to reflect current business developments. Group revenue is within the last forecast of 7 November 2022, which reduced the expectations for Group revenue to EUR 130 to 140 million. The adjusted EBITDA margin is below the updated expectation of 13 to 15 %, which was already made available to the capital market on February 8, 2023, as well as in the context of a renewed adjustment of the expected value, on March 20, 2023, through the publication of an insider information pursuant to Article 17 of the market abuse regulation.

## 2) Development of the business areas

### (1) Business performance GAMING

In the GAMING business area, revenue in the Components business unit fell by 62.6% to EUR 21.6m. The keyboard switch business, as mentioned above, was the most affected by the negative macroeconomic conditions due to strong price pressure and high inventory overhangs at distributors and customers.

In the Gaming Devices business unit, revenue fell by 21.9% to EUR 19.6 million, which is partly due to the change to a new Chinese distributor, which was not completed by the end of the year, and thus led to a temporary reduction in revenue of around EUR 1.5 million.

The adjusted EBITDA of the business segment was EUR -0.3 million, which corresponds to an adjusted EBITDA margin of -0.7%.

## (2) Business performance PROFESSIONAL

The growth of the PROFESSIONAL business area remained pleasingly positive overall despite the current economic conditions, with total revenue rising by EUR 5.6 million to EUR 91.3 million.

Revenues with office, industry, security and PoS peripherals rose by 10.7 % to EUR 65.2 million, which is mainly due to the expansion of activities in the eCommerce segment.

Sales of eHealth products in the Digital Health business unit were slightly below the previous year's level at EUR 26.1 million, down 3.0 %. Various delays in the telematics infrastructure in the implementation of new specialized applications such as the e-prescription or the electronic patient file as well as the exchange of connectors have recently led to a reluctance to buy on the part of customers.

The adjusted EBITDA of the PROFESSIONAL business area was EUR 15.5 million, which corresponds to an adjusted EBITDA margin of 17.0%.

## 3) Key figures in the 2022 fiscal year

Considering the development of revenues described before, the **gross margin**, which the company defines as the cost of sales margin, fell to 27.8 %, after this was still 40.9 % in 2021.

The main drivers for the lower gross margin are shifts in the product mix, higher revenue-reducing effects between gross and net sales, such as bonuses and discounts, idle production costs due to lower capacity utilization at the Auerbach site, and increased material and logistics costs.

On the other hand, market development costs, which were still reported under marketing and sales costs in the previous year, were reported under sales deductions from July 1, 2022, due to their increasing importance in the 2022 fiscal year in accordance with IFRS 15. The change in reporting was made for the costs of the entire year in the amount of approximately EUR 1.9 million, including the costs that had already been incurred before the time of the changeover.

In addition, the gross margin was influenced by **impairments on VIOLA technology assets**, depreciation on rights of use, property, plant and equipment and inventories of around EUR 2.7 million, as well as various special effects, such as severance payments of EUR 0.6 million, which were incurred as part of the adjustment of personnel capacity in the Components business unit.

The impairment of VIOLA technology assets resulted from the Company's strategic decision to terminate the related switches and keyboards business prematurely from a commercial, economic, and strategic conceptual perspective and to phase out the technology. As a result, no further revenue is expected from the product line, which is why the assets associated with VIOLA were tested for impairment. In the course of 2022, the only major customer and strategic project partner of the CHERRY VIOLA switches to date announced that it no longer intended to purchase the volumes underlying the supply contract, partly due to the prevailing market and demand situation.

**Research and development costs increased** by 47.5% to EUR 9.0 million compared to the same period of the previous year, which corresponds to an R&D ratio of 6.8%. The reason for this is an increase in expenses for new product developments for targeted portfolio expansion with effect from February 2023 as well as a value adjustment of capitalized development costs of the VIOLA platform in the amount of EUR 0.8 million. In addition, development costs totaling EUR 3.1 million were capitalized in the past fiscal year.

To further pursue the organic growth strategy, **marketing and distribution costs** increased by 14.2% to EUR 19.3 million in the reporting period, which corresponds to a distribution cost ratio of 14.6%. The main drivers for this are start-up and implementation costs incurred while implementing the joint eCommerce strategy of the Gaming Devices and Peripherals divisions. These primarily include consulting, IT, and personnel costs as well as costs in connection with the expansion of the workforce. As a result of the reclassification of market development costs from sales costs to sales deductions, sales costs were reduced by around EUR 1.9 million in the reporting period compared to the previous year.

On a positive note, the company was able to reduce its **administrative costs** by 14.6 % to EUR 15.2 million in the same period. This corresponds to an administrative expense ratio of 11.5 % at. This is mainly due to the costs incurred in preparation for the IPO in the previous year as well as the discontinuation of the one-time share-based payment according to IFRS 2 incurred in the context of the IPO because of the termination of the previous program. Additional savings were achieved through active cost management initiated in the past financial year.

The **EBITDA margin**, which is defined as a financial performance indicator in addition to Group turnover, is shown with and without adjustments and normalization. The adjustments in the past financial year mainly relate to costs in connection with the personnel change in the Executive Board, one-off effects in connection with M&A projects, the implementation of the eCommerce strategy and the severance payments at the Auerbach site, and legal costs in connection with the change of legal form of CHERRYAG to the European legal form of S.E. The EBITDA margin in the past financial year was 9.2% and the adjusted EBITDA margin was 11.5%, as it has been already mentioned.

The economic development in the past financial year and the business performance in the first quarter of 2023 led to reduced growth expectations for the following years, which - together with increased capital costs - have a negative impact on the future inflow of benefits and the fair value of expected cash flows from balance sheet assets. The impairment test of the goodwill recognized in the balance sheet as of December 31, 2022, resulted in an impairment requirement of EUR 29.9 million, which is mainly driven by the sharp decline in revenue in the Components business unit and is fully attributable to the assets of Cherry Europe GmbH. The impairment is shown separately in the income statement under "Impairment of goodwill".

The reported earnings before interest and taxes (**EBIT**) in the past financial year thus amounted to EUR -36.5 million, which corresponds to a negative EBIT margin of - 27.5 %.

The financial result improved by EUR 12.2 million to EUR -1.9 million in the reporting period compared to the previous year, despite the increased interest rate level, which is mainly due to the discontinuation of the payment of an early repayment penalty in the context of a debt restructuring in the previous year.

With a financial result of EUR -1.9 million and taking into account the negative pre-tax result and a tax income, the consolidated result was EUR -35.7 million.

Net working capital, defined as the balance of current assets (excluding cash and cash equivalents) and current liabilities (excluding financial liabilities), increased by 7.6% to EUR 40.9 million as of the balance sheet date compared to the previous year. The main driver of this is the increase in inventories, which was financed from own funds.

Cash flow from operating activities amounted to EUR 5.8 million and cash flow from investing activities to EUR -11.3 million.

Cash and cash equivalents decreased by EUR 16.9 million to EUR 92.8 million as of the balance sheet date compared to the previous year. Considering the EUR 45.0 million credit line utilized, this resulted in **net liquidity** of EUR 29.9 million as of December 31, 2022. Excluding current and non-current lease liabilities and pension provisions, net liquidity amounted to EUR 47.6 million at the balance sheet date.

The balance sheet equity decreased by EUR 41.3 million to EUR 251.8 million compared to the previous year. The reasons for this are the effects from the share buyback program 2022 in the amount of EUR 6.8 million, which are recognized as a reduction in equity, as well as the negative consolidated result of the reporting period in the amount of EUR -35.7 million. This resulted in a continued high **equity ratio** of 66.4% as of December 31, 2022.

### III. First quarter results 2023

#### 1) Overall development of revenues and results

Ladies and Gentlemen,

Let us now turn to the results of the first quarter of the current year, which we published at the beginning of this week. This development was already anticipated in the previous internal planning and thus also in the external outlook for the 2023 fiscal year. Overall business performance was above our internal forecasts.

In Q1, Cherry generated consolidated revenues of EUR 28.7 million and an adjusted EBITDA of EUR -1.3 million, which corresponds to an adjusted EBITDA margin of -4.6%.

Reported earnings were impacted by lower switch sales, increased material and logistics costs, and underutilized production capacity. In addition, administrative expenses were significantly higher than in the previous year, mainly due to one-time expenses in connection with changes in the management team. In the first quarter, the Company successfully implemented a number of measures to improve process organization and operations in order to improve sales management, forecasting and financial planning, as well as to reduce costs and inventories.

## 2) Development of the business areas

### (1) Business performance GAMING

In detail: The GAMING business area continued to face challenging market conditions in the first quarter. At EUR 10.7 million, revenues were 10.1% below the comparable figure for the previous year (EUR 11.9 million). The main reason for the decline is the still hesitant sale of switches in the Components business unit, which generated revenues of EUR 4.1 million, 35.9% below the level of the same period last year (EUR 6.4 million). Both well-known OEMs and contract manufacturers still have high inventories of keyboards and switches, which increasingly led to inventory clearing and sell-off campaigns.

The Gaming Devices business unit was much more stable despite the challenging market environment. Turnover here amounted to EUR 6.6 million, 20.6% above the level of the previous year, which is mainly due to successful strategic sales partnerships and cooperations with leading games manufacturers as well as the first-time consolidation of the Swedish e-sports specialist Xtrfy Gaming, which was acquired at the turn of the year. Xtrfy's revenue contribution in the first quarter amounted to EUR 1.2 million and its pro rata EBITDA was EUR 0.3 million, which is in line with our internal planning.

With the implementation of the "Gaming Goes Global" project and the expansion of strong relationships with gaming communities and influencers, the business potential in this market segment will be consistently further exploited in the future.

The adjusted EBITDA margin in this business area was 0.7% in the reporting period, which is due in particular to a lack of fixed cost coverage against the backdrop of lower revenues in the Components business segment.



## (2) PROFESSIONAL business performance

The PROFESSIONAL business area generated revenue of EUR 18.0 million in the first quarter of 2023, 14.7% below the previous year's figure. The development of the individual business units was very different. The business volume with Peripherals increased by 13.7% to EUR 15.7 million thanks to improved sales management and the measures introduced for operational excellence. In addition to the expansion of the e-commerce business, the introduction of the new product category microphones, which has met with a great response worldwide, also made a significant contribution. They offer a wide range of applications to a broad customer base, such as gaming, podcast production or other digital content.

The Digital Health & Solutions business unit, which has also taken over the security devices business from the Peripherals business unit since the beginning of the year, continued to suffer greatly from the reluctance to buy e-health terminals in the first quarter and achieved revenues of EUR 2.3 million, 75.9% lower than in the previous year. The reasons for this are - as before - politically induced delays in the telematics infrastructure for the implementation of new specialized applications such as the e-prescription or the electronic patient file. The implementation planned by the Federal Ministry of Health, which is binding for all patients in Germany from the end of 2024, favors sales of the new Cherry eHealth PinPad, which passed through the certification process in the past quarter and will thus be available for marketing from the second quarter of 2023 onwards. We currently assume that the delays in the implementation of new specialized applications will slowly disappear from the second half of the year.

The adjusted EBITDA margin in this business area was -7.8 percent in the reporting period, due to start-up and implementation costs incurred in connection with the implementation of the eCommerce strategy and higher personnel costs resulting from new hires in eCommerce Sales.

## IV. Forecast and Outlook

### 1) Expectations for 2023 as a transition and consolidation year

Ladies and Gentlemen,

We regard the current business year as a year of **transition and consolidation**, which we in management will use to adapt the company to the changed framework conditions and the further developed strategy.

Despite the continuing macroeconomic challenges, we expect overall revenue growth for the 2023 financial year compared to the previous year. **We are planning for a revenue range of EUR 135 to 165 million and an adjusted EBITDA margin in the range of 10 to 14 %.**

In the medium term, we are aiming for a return to an adjusted EBITDA margin at Group level of over 20 %.

#### V. Reference to agenda item 7

Ladies and Gentlemen,

Within the framework of agenda item 7, a resolution is to be passed today on the approval of a profit and loss transfer agreement.

We suggest that you approve the profit and loss transfer agreement concluded between Cherry SE and Cherry Peripherals GmbH on March 20, 2023.

The profit and loss transfer agreement, its background and the economic situation of the companies involved are explained in detail in a joint report by the Management Board of CHERRY SE and the management of Cherry Peripherals GmbH on agenda item 7. This report and the other documents subject to mandatory disclosure are available to shareholders on the Company's website from the time the Annual General Meeting is convened and will also be available for inspection here in the meeting room at the registration table during today's Annual General Meeting.

The Stock Corporation Act stipulates that the Management Board must also provide you with some information on the profit transfer agreement at the Annual General Meeting. I will therefore explain the profit transfer agreement and the reasons for concluding it to you again, but I will concentrate on a summary of the main aspects and refer you to the documents referred to for details.

Let me first explain the reasons why we consider it appropriate to conclude the profit and loss transfer agreement.

The Company holds 100 percent of the share capital of Cherry Peripherals GmbH. The objective of the profit and loss transfer agreement is therefore to establish a tax group for corporate income tax and trade tax purposes between Cherry SE as the so-called controlling company and Cherry Peripherals GmbH as the so-called controlled company. As a result, the income of the respective controlled company is directly attributed to Cherry SE for tax purposes. Positive and negative results can be offset for tax purposes in the tax group at the level of Cherry SE, which can lead to tax advantages depending on the earnings situation.

Let me now briefly explain some key provisions of the profit and loss transfer agreement:

The central element of the profit and loss transfer agreement is the obligation of Cherry Peripherals GmbH as the controlled company to transfer its entire profit to Cherry SE in each case. For the calculation of profits, the formation or release of reserves as well as any loss carried forward from the previous year must be taken into account.

As a counterbalance to the transfer of profits by the Controlled Company, the agreement provides for the obligation of Cherry SE to offset any net loss of Cherry Peripherals GmbH arising during the term of the agreement, to the extent that this is not offset by withdrawing amounts from other revenue reserves which were allocated to them during the term of the agreement.

These provisions are standard for profit and loss transfer agreements.

Cherry Peripherals GmbH was founded on November 24, 2022, as a shelf company and capitalized by way of economic reestablishment after acquisition by Cherry SE in December 2022. Cherry Peripherals GmbH was not yet operational in fiscal year 2022, but will commence operational activities for the first time in the current fiscal year. Barring the occurrence of unexpected events, we expect Cherry Peripherals GmbH to generate a slightly positive result in the current fiscal year and subsequent years. We therefore do not expect the aforementioned contractual loss compensation obligation of Cherry SE to come into effect in the next few years.

As there are no outside shareholders in Cherry Peripherals GmbH other than Cherry SE, no compensation or settlement provisions were necessary in the profit and loss transfer agreement. Accordingly, an audit of the profit and loss transfer agreement by an independent contract auditor was not necessary.

In summary, I can state that the profit transfer agreement is beneficial for Cherry SE as a whole. We therefore ask you to approve the agreement today under agenda item 7.

## VI. Information on the share buy back program

Ladies and Gentlemen,

Let me now give you some information on our share buyback program. The German Stock Corporation Act (AktG) requires the Management Board to report to you at the Annual General Meeting on the acquisition and use of treasury shares.

After holding the Annual General Meeting 2022, the Management Board of the Company resolved with the approval of the Supervisory Board on June 9, 2022, to implement a share buyback program. The share buyback program is based on the authorization granted by the Annual General Meeting on June 23, 2021, under agenda item 3 to acquire and use treasury shares. Based on this authorization, the Management Board has resolved, with the approval of the Supervisory Board, to acquire a total of up to two million treasury shares of the Company in the period from June 13, 2022, to June 30, 2023, at a total purchase price, excluding incidental acquisition costs, of up to EUR 25 million up to a price cap of EUR 14 per share.

In the notice convening today's Annual General Meeting, the Management Board already provided a report on the acquisition of treasury shares under this share buyback program and on their use in the period from June 13, 2022, up to and including the date of convening this Annual General Meeting. This report is also available for inspection at the registration desk at today's Annual General Meeting.

In addition, I would like to report to you on behalf of the Management Board on the acquisition of treasury shares under the share buyback program from the date of convocation of this Annual General Meeting.

In the period since the day this Annual General Meeting was convened, i.e. since April 5, 2023, up to and including today, a total of 164,773 treasury shares were acquired under the share buyback program at an average price of around EUR 4.81 per share and a total purchase price (excluding incidental acquisition costs) of around EUR 793,310,62. This corresponds to a pro rata amount of the share capital of EUR 164,773.00 and thus to around 0.68% of the Company's share capital.

No treasury shares have been used since this Annual General Meeting was convened. Considering the 843,822 treasury shares existing on the day this Annual General Meeting was convened; the Company therefore currently holds 1,008,595 treasury shares. This corresponds to around 4.15% of the Company's share capital and is therefore within the limit of 10% of the Company's share

capital provided for in the authorization of the Annual General Meeting of June 23, 2021, under agenda item 3.

Further information on the share buyback program, including detailed information on the purchase transactions, is available on the Company's website.

With that, I'd like to give the floor back to Oliver Kaltner. Dear Oliver, please go ahead.

## VII. Current business year: Transformation and Innovation (CEO)

### 1) Economic framework conditions and megatrends

#### (1) Strategic focus on high-growth market segments

Ladies and Gentlemen,

The International Monetary Fund forecasts a decline in global economic growth to 2.9% in 2023 and a slight recovery to around 3.1% in 2024, with only disproportionately low growth of 1.2% expected in the advanced economies in the current financial year.

Particularly interesting for our business:

The market research institute **Newzoo**, which has been involved in the gaming sector since 2012, assumes that the overall market for gaming will have gone through a correction phase in 2022, while the long-term growth potential is still seen as positive. Accordingly, Newzoo estimates the average annual growth rate of this market at 3.4 % until 2025.

In particular, the growth of the gaming peripherals segment relevant to our GAMING business area is estimated by the **market research institute Infinity Research** to reach USD 5.6 billion by 2027, which corresponds to a compound annual growth rate of 9.4%. Growth is expected to be driven significantly by the increasing popularity of e-sports, an area that Cherry has clearly focused on strategically. Our product offering is internationally relevant and meets the requirements in terms of product features and price points.

Let me give you an example: We are rolling out our MX Ultra-Low Profile mechanical keyboard switches across all business units. These are considered one of the greatest innovations in switch technology. The patented switches have an overall height of only 3.5 mm and provide a unique typing feel thanks to the Gold Crosspoint contact system. This also makes the ULP series perfect for high-end gaming laptops as well as high-end office notebooks, which are becoming increasingly popular with the growing e-sports, streaming and creator communities.

## (2) Megatrend Gaming / eSports

In the alpha generation (i.e., those born after 2010), gaming is already by far the most important source of entertainment. According to estimates, the number of global gamers exceeded the **three-billion-threshold** in 2022 and will have reached 3.5 billion participants by 2025. The global market volume for gaming is estimated at a volume of 218.8 billion US dollars in 2024. All have extremely positive prospects for the future. When I joined the gaming industry at Electronic Arts in 1999, we were convinced that gaming had very good prospects. This enormous market potential alone and the fact that gaming has become the largest segment in the entertainment industry, far ahead of film and music, are remarkable.

For streamers, recreational gamers or professional e-sportsmen, the games and thus necessarily also the equipment are becoming increasingly customizable, mobile and high-quality. CHERRY is one of the few companies that has dedicated itself to the trend for more quality, usability and durability. With its genuine mechanical keyboard switches in ultra-flat design for gaming laptops, CHERRY has developed a robust, durable, and precise solution that is perfect for high-quality gaming and high-end notebooks.

More and more gamers also want gaming hardware that can be specifically and individually adjusted to their preferred playing style. "**Individual customization**" is the core term here. CHERRY is responding to this trend with the MX Ergo Clear switch model. The model is particularly characterized by its tactile switching characteristic without an audible click as well as a light actuation force. This makes it possible to write or play in a more relaxed manner for many hours without tiring the fingers. The product is aimed directly at the gaming community, who always want their keyboards to have the best and highest quality Cherry switches. The boundary between gaming and office applications is visibly dissolving.

CHERRY is constantly working to help shape the future of gaming and the world of work. In an industry that is developing rapidly, this requires a **mindset** that works in **start-up logic**. It's about looking radically outwards: What trends are emerging? Who are the possible target groups? What do they want? If you want to be innovative, you must dare to question established paths and think about things in a new way. Co-working and exchange in so-called "satellite hubs" are just two examples of how CHERRY is shaping its own everyday work life to give innovations room for the future.

### (3) Megatrend "Work-from-anywhere"

Ladies and Gentlemen,

The world of work has changed rapidly under pandemic conditions - this continues to happen: "Work from Anywhere" is no longer just a trend, but has long since become reality and the new standard in many areas. This is also the case at CHERRY itself. According to the German Federal Statistical Office, more than two-thirds of Germans prefer hybrid work models.

In the beginning, the focus was still on optimizing the technology that enables good picture and sound quality. Increasingly, however, the focus is also on the input devices themselves - such as keyboards, mice, headsets, and microphones. Office work involves an average of tens of thousands of keystrokes per day, creators even up to 80,000. This is an enormous strain on joints, tendons, and muscles.

Programmers, journalists or translators suffer particularly frequently from corresponding physical complaints. To prevent these, numerous companies, including Bosch, HP, Lufthansa, Siemens, or Vodafone, now ergonomic keyboards and mice from CHERRY. This means they are right on trend: the high-quality office applications are not only good for your health. They are a real added value that employers can use to positively differentiate themselves in the "war for talents". Ergonomics meets technology and design. That's what CHERRY stands for.

Let me take a look at the dynamic development in the European e-commerce business.

The e-commerce sales channel offers great and sustainable sales potential for CHERRY. Therefore, we will expand the business internationally in the current year, both in Europe and in the USA. With our new software specifically designed for e-commerce, the CHERRY business model will become horizontally and vertically scalable in this area in the future. CHERRY's acceptance on these platforms is regularly measured by the platform providers. We are clearly at the upper end of performance and acceptance here.

### (4) Trend industry: professional equipment for creators

The creative industry is booming. This is associated with a special target group, the so-called **creators**, i.e. programmers, journalists, copywriters, graphic designers, influencers, artists or entertainers. For these frequent typists, professional and comfortable work - high-quality materials, ergonomic designs - is particularly important.



The potential is enormous: in recent years, creators have developed into an industry with an estimated turnover of 100 billion dollars. There is recognizable potential in this, and the signals are clearly set for growth. With numerous tools and platforms, this industry will continue to develop rapidly.

Overall, professionalization of the industry is discernible. Individual creatives are growing beyond the term 'solopreneur'. Teams are being formed and real companies are emerging around content. The way Generation Z creatives are building these businesses today is dynamic and success oriented. They rely on decentralized teams of contributors, so-called "satellite hubs", which we want to gradually expand internationally in our own business organization as well. The building of a **new workplace culture** will increasingly come to the fore. Working models are changing - virtual marketplaces and communities may even take over some of these core services in the future. In this working world, the triad of hardware, software and cloud services is an established standard.

### VIII. Cloud-based Software-as-a-Service in the Digital Health & Solutions business unit

Ladies and Gentlemen,  
CHERRY has in the past and will continue to adapt to changing conditions. Moreover, our strategic roadmap will also be aligned with these developments.

In doing so, we will continue to build on the **relevance of our product range**, our **innovative strength** and **core competencies** as well as the further operational **professionalization of** our company. Based on this, we will continue to grow profitably in the coming years, because the markets we address are driven by promising megatrends.

In the German healthcare industry, CHERRY is one of only two peripheral device providers with certified products that will be considered for the establishment and expansion of a secure telematics infrastructure in this country in the coming years. With our state-of-the-art eHealth products, we have some unique selling points in this market segment compared to the competition. Last year, we provided a new, comprehensive firmware update for our terminals that includes a VPN client to support TI-as-a-Service infrastructures, as well as MAC support, among numerous other features. The business opportunities for us in this market are therefore enormous.

This is also due to the high market entry barriers resulting from the high security standards of the Federal Office for Information Security. Therefore, we have a very good starting position to actively accompany the advancing digitalization of the German health care system as an important player.

Accordingly, our strategy in the **Digital Health business unit** is significantly shaped by the concrete health policy design of the next technology generation of the German telematics infrastructure. gematik GmbH is currently planning the development of a federally networked healthcare system that will enable all user groups to collaborate efficiently across patient care within the EU in the future.

Our specific goal is to further increase our market share of currently over 50 % with our e-health terminal and thus further expand our leading market position. With over 100,000 devices installed in the market, we are ideally positioned for the further digitalization of healthcare. This installed base forms the foundation for growth in digital business.

The e-health PIN pad, which was recently certified and presented at DMEA 2023 in Berlin at the end of April, has an easily disinfectable surface for separate PIN entry by patients and already has the technical capability for further use. It not only has NFC interfaces, but also a 5MP camera for scanning data matrix and QR codes. The PIN pad is required for certain applications of the telematics infrastructure such as the electronic medication plan, emergency data management or the electronic patient file and will increase our installed hardware base in the telematics infrastructure as soon as the corresponding applications become relevant in everyday medical practice.

However, we also see additional very large potential for further cloud-based software-as-a-service offerings, which are expected to emerge in the next technology generation.

Here we will expand our market presence at an early stage, particularly through M&A transactions, to make the business model highly scalable. Furthermore, we closely watch and analyze the market developments and we are already in corresponding talks with takeover targets.

## IX. Concluding remarks and thanks to staff

Ladies and Gentlemen,

We are aware that we need to regain trust. Trust in the investment is the sum of trust in the management, the plan, and the implementation.

Thank you for accompanying us on this journey as shareholders.

CHERRY is a strong brand with a remarkable legacy. We combine our positioning in the global market with global megatrends.

Our vision for a cloud-based software-as-a-service offering will expand our opportunities in the market.

The tremendous dedication of the entire CHERRY team across all operational functions will once again enable this company to turn plans into successes.

At this point, we as the Management Board would like to expressly thank our employees for their special commitment during these challenging times and look forward to successfully shaping the future together.

As the Management Board, we would also like to thank the Supervisory Board and its Chairman Marcel Stolk for their constructive and goal-oriented cooperation.

We have a lot of work ahead of us. With the new team, we will tackle it courageously, passionately and with a clear view of a promising future.

With that, I would like to hand the floor back to the chairman of the meeting, Joachim Coers.