INTERIM STATEMENT FIRST QUARTER

Q1/2023

CHERRY

KEY GROUP FIGURES (IFRS)

€ million / as reported	Jan. 1 to March 31, 2023	Jan. 1 to March 31, 2022	Change
Revenue	28.7	33.0	-13.0%
thereof Gaming	10.7	11.9	-10.1%
thereof Professional	18.0	21.1	-14.7%
Gross profit	6.6	9.8	-32.7%
Gross profit margin	23.0%	29.9%	-6.9 pp
EBITDA	-2.8	3.9	-171.8%
EBITDA (adjusted) [1]	-1.3	4.4	-129.5%
EBITDA margin	-9.8%	11.9%	-21.7 pp
EBITDA margin (adjusted) [1]	-4.6%	13.4%	-18.0 pp
EBIT	-6.6	0.0	0.0%
EBIT (adjusted) [1]	-5.1	0.5	-1120.0%
Group net loss	-5.3	-0.3	1666.7%
Earnings per share (in €)	-0.23	-0.01	2200.0%
Cash flows from operating activities	-17.8	-2.7	559.3%
Cash flows from investing activities	-8.2	-2.0	310.0%
Free cash flow	-26.0	-4.7	453.2%

€ million / as reported	March 31, 2023	Dec. 31, 2022	Change
Total assets	367.0	379.1	-3.2%
Cash and cash equivalents	65.9	92.8	-29.0%
Net working capital [2]	57.3	40.9	40.1%
Equity	246.4	251.8	-2.1%
Equity ratio	67.1%	66.4%	0.7 pp
Net cash (+)/net debt (-) [3]	20.4	47.6	-57,1%
Employees	440	490	-10.2%

1 Adjusted for one-time and/or non-operating items.
2 Balance of current assets (excluding cash and cash equivalents) and current liabilities (excluding financial debt).
3 Liabilities to banks less cash and cash equivalents.

Share	
ISIN	DE000A3CRRN9
WKN	A3CRRN
Ticker (trading symbol)	C3RY
Share type	Ordinary bearer shares (no par value)
First quotation	June 29, 2021
Total number of outstanding shares	24,300,000
thereof: Number of treasury shares	843,822
Stock exchange and segment	Prime Standard / regulated market FWB
Designated sponsor	Hauck Aufhäuser Lampe
Xetra closing price on March 31, 2023	€5.60
Market capitalization as of March 31, 2023	€131.4 million

SUMMARY

CHALLENGING Q1 BUT PERFORMANCE AHEAD OF INTERNAL BUDGETS AND ON TRACK FOR FY GUIDANCE

SUBSTANTIAL PROGRESS IN THE REPOSITIONING OF THE BUSINESS

- As anticipated the business environment continued to remain challenging in the first quarter, with higher interest rates dampening demand for consumer electronics and the impact of discounting as companies looked to reduce inventory.

- Against this backdrop Cherry reported sales of EUR 28.7 m (Q1 2022: EUR 33.0m) and an adjusted EBITDA margin of [-4.6%] (Q1 2022: 13.4%) – the performance was ahead of internal budgets.

- The results were impacted by lower sales of switches, increased material and logistics costs, and underutilized production capacity. In addition, administrative expenses were significantly higher than the previous year, mainly due to non-recurring expenses related to changes in the senior management team.

- We have successfully implemented a range of operational excellence programs to improve organizational processes, sales management, forecasting and financial planning and reduce costs and inventory.

- The growth trends in eSports and gaming, hybrid office workstations and the digitalisation of the German healthcare sector represent strong growth opportunities for the business in the future.

- Cherry confirms its full year guidance of revenues in the range of EUR 135-165 million and an adjusted EBITDA margin of 10 – 14%.

Oliver Kaltner (CEO)

OLIVER KALTNER, CEO OF CHERRY COMMENTED:

“This is my first quarter as CEO of Cherry and despite internal challenges and the ongoing tough market conditions, which will continue to pose particular challenges for all companies in 2023, I remain fully convinced of the substance and potential of the company. At Cherry SE, we want to be even more focused and better at our planning and workflow processes to convert the view from the market into growth in the market. This requires accurate work in detail and some time. Operational excellence will be more important than ever to return Cherry to a profitable growth path.

While it is fundamentally disappointing to announce a loss for the period, it was expected and we are ahead of internal projections, which include quarter-over-quarter growth versus the prior quarter. Accordingly, we are confident of achieving our targets for the fiscal year.”

DEAR SHAREHOLDERS,

We are pleased to report that during the first quarter of 2023 we have made significant progress in laying the foundations for the successful transformation of Cherry which we believe will deliver strong financial results in the future.

As expected, the economic environment for our business activities remained challenging in the past quarter. High inflation rates are dampening private demand for consumer electronics and at the same time, major market players are making efforts to reduce their high inventories via discounted sales campaigns. This and other factors are not new, so we have reflected and planned for them. In the first quarter of 2023, this resulted in CHERRY SE sales of EUR 28.7 million and EBITDA of EUR -2.8 million, adjusted for special effects EUR -1.3 million. The adjusted EBITDA margin amounts to -4.6%.

Recording a loss for the first quarter is clearly not a satisfactory outcome for Cherry, yet it was budgeted for. The key drivers of the negative result are the lower quarterly revenue, negative margin effects due to the lower percentage of switches in the portfolio, increased material and logistics costs, and demand-related underutilization of production capacity. In addition, administrative expenses were significantly higher than the previous year, mainly due to non-recurring expenses in conjunction with the changes in our Management Board.

During the reporting period, we reduced the inventory of components by around 10% and we will continue to reduce the remaining excess inventories as well, without jeopardizing our profitability and growth targets. In line with our growth strategy, we have begun to build inventory in preparation for our further internationalization of the business with Finished Goods Gaming & Peripherals now in 30 markets in support of our Gaming goes global initiative, which will be officially launched in the second quarter. In addition to Germany and France, the most important strategic target markets for this are in particular the UK and the USA.

In January, we completed the acquisition of the Swedish e-sports specialist Xtrfy which offers us a substantial opportunity for further strategic growth in the gaming business. Integration is progressing well, with product joint product roadmap development and synchronization of marketing and sales plans. We are also delighted at how easily the Xtrfy team has become part of our global Cherry family.

Importantly we have also initiated a range of operational excellence programs to improve sales management, forecasting and financial planning and our cost structure, which already had an positive impact on our results in the quarter and Cherry already gained market share in key segments. One aspect of this is the establishment of new strategic partnerships in the switch business in the form of direct agreements with the so-called OEM manufacturers as well as the use of new automatic assembly machines in switch production from early summer.

In the Peripherals business unit, we are also working rigorously on the further international expansion of our business and intend to open up additional European sales markets in the course of the current year as well as systematically expanding our e-commerce business in Europe and the USA, where we are targeting growth of around 60% year on year. To achieve these objectives, a fast, 24/7 delivery capability is just as essential as maintaining appropriate inventory levels in our own warehouses and throughout the relevant distribution channels. During the second quarter, we intend to additionally introduce the latest Xtrfy products to the Cherry sales channels and create a joint product roadmap for Gaming Devices as the year progresses. With the successful launch of our premium USB microphones CHERRY UM 3.0, CHERRY UM 6.0 ADVANCED, and CHERRY UM 9.0 PRO RGB, we have added a completely new category of products to our portfolio. With its attractive looks and sturdy metal three-legged stand design, the UM Series has a broad range of uses in any gaming or office setup and provides professional sound quality in every situation. This product line receives 5 out of 5 rating stars on Amazon platforms in the vast majority of cases.

As expected first-quarter sales figures for our e-health terminals were down on the strong performance seen one year earlier. We continue to assume that the health policy framework will provide better guidance for users in the course of the second half of the year regarding the use of the various TI applications. In April, we received approval from gematik GmbH for our new CHERRY PIN Pad PP-1516, which, as a supplement to the ST-1506 e-health card terminal, is aimed in particular at TI applications such as the electronic medication plan (eMP), emergency data management (NFDM), and the electronic patient record (ePA).

In M&A, we have adapted our strategic focus with the aim of further developing our Digital Health & Solutions business model as a cloud-based software-as-a-service solution. With a highly scalable software business, we intend to benefit from annually recurring revenue with integrated hardware components in the medium term.

Against this background, we are confident of returning to profitability as early as the current second quarter. For the full year, we confirm the guidance of March 30 with sales in the range of EUR 135 to 165 million and an adjusted EBITDA margin of 10-14%. Over the medium term we believe Cherry can deliver EBITDA margins of more than 20%.

We would like to take this opportunity to explicitly thank the entire Cherry team for their outstanding personal commitment in the first quarter and extend a warm welcome to all our new colleagues. We would also like to thank you as our shareholders for you continued trust in our company.

Munich, May 2023

Oliver Kaltner
CEO

Mathias Dähn
CFO

Dr. Udo Streller
COO

CHERRY ON THE CAPITAL MARKET

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 SE is a globally operating manufacturer of high-end mechanical keyboard switches and computer input devices for applications in the fields of gaming, e-sports, office, industry, and healthcare. Cherry SE is listed in the Prime Standard quality segment of the Frankfurt Stock Exchange with its bearer shares (ISIN DE000A3CRRN9, WKN A3CRRN).

INVESTMENT HIGHLIGHTS

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

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

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

Scalable production base
Highly automated assembly machines and warehouse robotics

Brand recognition
High international brand recognition and brand loyalty in core markets

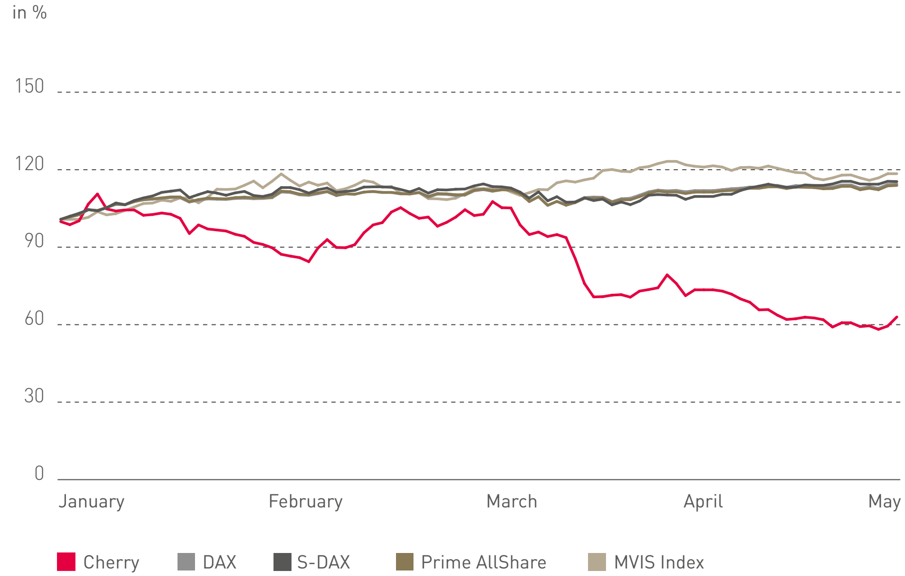
Solid financial profile
High profitability and attractive cash conversion

Blue chip customer base
Prestigious customers place their trust in reliable, high-quality Cherry technology

ANALYSTS

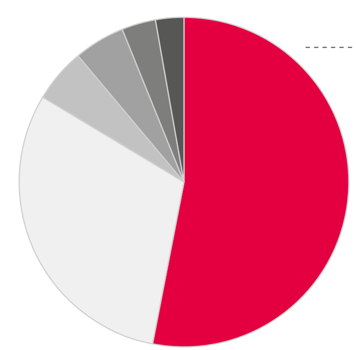
Institute	Analyst	Recommendation	Target price	Date
ABN AMRO / ODDO BHF	Julian Dobrovolschi Leopoldo Palazzi Trivelli	Outperform	€12.60	March 30, 2023
Hauck Aufhäuser Investment Banking	Marie-Thérèse Gruebner Tim Wunderlich	Buy	€12.00	April 28, 2023
Metzler Capital Markets	Tom Diedrich	Buy	€8.60	March 31, 2023
Montega AG – Equity Research	Miguel Lago Mascato	Buy	€11.00	April 3, 2023
Warburg Research	Jörg Philipp Frey Andreas Wolf	Buy	€11.00	April 3, 2023

RELATIVE PERFORMANCE OF THE CHERRY SHARE



SHAREHOLDER STRUCTURE[1]

- 3.0% Cherry SE (Treasury Shares)
- 3.3% Paladin Asset Management
- 4.9% Swedbank Robur Fonder
- 5.2% The Capital Group Companies
- 30.8% Argand Partners Fund GP-GP[2]



52.8%
Remaining free float[3]

1 Information is based on voting rights notifications pursuant to Art. 40, Para. 1 of the German Securities Trading Act (WpHG).
2 Based on internal investor reporting to Cherry, not subject to disclosure.
3 Includes 1.8% held directly and indirectly by the members of the Management Board.

First class **sound quality**

GERMAN DESIGN AWARD SPECIAL 2023

CHERRY UM 3.0, CHERRY UM 6.0 ADVANCED and CHERRY UM 9.0 PRO RGB

From now on, our premium USB microphones bring new momentum to everyday entertainment and work. Whether gaming or streaming sessions, video calls, distance learning or in the office – the UM series is versatile and offers professional sound quality in any situation. With their appealing look and sturdy three-legged metal design base, the CHERRY UM MICROPHONES are the eye-catcher in any gaming or office setup – designed to provide the best possible recording experience.

BUSINESS PERFORMANCE

In line with expectations, the first quarter 2023 continued to be characterized by unfavorable geopolitical and macroeconomic conditions. The ongoing war in Ukraine and the aftermath of the COVID-19 pandemic generated a high level of economic uncertainty worldwide. The high inflation rates in the USA and the European Economic Area (EEA) as well as the resulting rise in interest rates in particular had a negative impact on business activities across all markets and sectors.

These economic conditions were already fully anticipated in the Cherry Group's management forecasts, which also form the basis for the outlook for the 2023 fiscal year.

Despite the challenging circumstances, Cherry succeeded in gaining market share in key segments and surpassing its own expectations through efficient sales management and further operational improvements. In the three-month period under report, Cherry generated Group revenue totaling EUR 28.7 million and negative adjusted EBITDA amounting to EUR -1.3 million. Main reasons for the negative EBITDA are lower quarterly revenues, negative margin effects due to the lower percentage of switches in the portfolio, increased material and logistics costs, and demand-related underutilization of production capacity.

The Management Board has already taken various courses of action across all of the Group's business units to restore profitability to previous levels in the medium term. Among other things, these measures are intended to strategically realign the Group and return to growth as swiftly as possible. Some of the measures already began to take effect in the first quarter.

The explanatory notes to the income statement and the cash flow statement relate to the first quarter of the current fiscal year; explanatory notes to the statement of financial position relate to March 31, 2023 and the change during the first quarter of the 2023 fiscal year. Comparative figures relate in each case to the same period or point in time one year earlier.

Due to differences in the presentation of units in the report, minor rounding differences may occur for the summation of individual figures or in the presentation of differences between the reporting period and the comparable period of the previous year. In particular, percentage changes between the period under report and the comparable period may show slight deviations due to the rounding of figures.

BUSINESS PERFORMANCE

GAMING business area

The **GAMING business area** continued to face challenging market conditions in the first quarter of the current fiscal year. At EUR 10.7 million, revenue was below the previous year's figure of EUR 11.9 million.

The main reason for the decline was the continuing sluggish sale of switches in the **Components business unit**, which generated revenue of EUR 4.1 million, thus exceeding internal targets but falling 35.9% short of the previous year's level (Q1/2022: EUR 6.4 million).

Both well-known keyboard brands (OEMs) and contract manufacturers continue to hold substantial inventories of keyboards and switches and have therefore intensified their measures to downsize inventory levels, partly through sell-off campaigns, as a result of which higher discounts to customers caused increased pressure on selling prices for components supplied during the first three-month period. Moreover, a trend towards smaller keyboards with 20-30% fewer keys has recently emerged among end consumers in the gaming segment, which has also had a negative impact on demand for switches and their sales potential in general.

In order to adjust production capacities to the currently lower demand levels, production at the Auerbach plant continued to operate on short-time working arrangements during the first quarter 2023. The measure had already been decided on in the previous fiscal year and expanded during the period under report to cover other indirect areas of activity within the Components business unit. A direct extension of the measure beyond March 31, 2023 is not possible for the time being due to legal restrictions, but a renewed application can be considered later in the current fiscal year if the need arises.

Moreover, the new automatic assembly machine for ULP switches was delivered in March, which will significantly expand potential production capacity for this new switch technology as of April this year.

The particularly flat, yet mechanical switch gives consumers a clear, unique advantage compared to the rubber dome technology widely used by the competition and this was one of the reasons why the ULP switch enjoyed such high popularity in the 2022 fiscal year, thereby exceeding previous production capacities. The technology also offers additional business potential going forward. With its ultra-flat design, the switch opens up completely new application options and thus the opportunity to enter new market segments. Besides gaming notebooks, it can also be deployed in high-end office notebooks, for example.

Cherry's management team continues to work vigorously on cost optimization projects as well as proactive inventory management in order to increase margins again in the Components business unit and further reduce resources tied up in working capital. In this context, inventories in the Components busines unit were decreased by some 10% during the quarter under report. Production is currently limited solely to switches that are required by customers and not already available in sufficient quantities.

The attractiveness of the product range is to be increased with the addition of further innovations, including a number of product launches planned for the third quarter of the current fiscal year. In addition, new strategic initiatives and partnerships with globally operating OEMs are expected to further extend the reach of Cherry switches in the near future.

The **Gaming Devices business unit** performed far more positively, despite the challenging market conditions. Revenue amounted to EUR 6.6 million, 20.0% up on the previous year (Q1/2022: EUR 5.5 million).

New strategic partnerships and collaborations with leading games manufacturers have enabled Cherry to significantly extend the reach of its Gaming Devices and enter new markets. As a result, the Group was able to perceptibly grow its market share compared to the previous year. Cherry will therefore continue to build further strong relationships with gaming communities and influencers going forward.

As reported in the Annual Report 2022, Cherry has acquired the e-sports specialist Xtrfy, a move that is expected to generate substantial benefits, including improved access to the gaming and e-sports community. The transaction was completed on January 17, 2023. The two associated companies "Xtrfy Gaming AB" and "Built on Experience AB" based in Landskrona, Sweden, were consolidated for the first time in the first quarter 2023 and are therefore fully included in the figures reported for the three-month period.

Cherry and Xtrfy are combining their expertise in the Gaming Devices business unit with immediate effect, a fact clearly underlined by the new joint brand presence under the name Cherry Xtrfy. The merging of the two brands has created the perfect symbiosis of Swedish design and German engineering. The freshly created brand is intended to provide professionals, enthusiasts, and hobby gamers alike with professional gaming equipment. Moreover, Cherry Xtrfy has been named as official equipment partner of Team Vitality, a French professional e-sports organization. The partnership with Team Vitality, which is one of the best not only in Europe, but worldwide, has been initially agreed until the end of 2024.

With the "Gaming Goes Global" project, which was still in the implementation phase in the first quarter of the current fiscal year, the Gaming Devices business is to be successively expanded across the other sales regions of the Cherry Group as of the second quarter 2023. This means that the business, which was previously heavily focused on the Asian economic region, will now be rolled out to some 30 markets. The move to a new distributor in China, which was completed in the first quarter 2023, has now additionally set the course for an improved level of market penetration in China.

Adjusted EBITDA for the GAMING business area in the first quarter of the current fiscal year amounted to EUR 0.1 million (Q1/2022: EUR 0.9 million). The adjusted EBITDA margin came in at 0.7% compared to 7.4% one year earlier.

PROFESSIONAL business area

In the first quarter of the current fiscal year, the **PROFESSIONAL business area** generated revenue totaling EUR 18.0 million and therefore 14.7% below the corresponding figure recorded one year earlier (Q1/2022: EUR 21.1 million), with performance differing significantly from one business unit to the next.

The market for office peripherals stabilized somewhat in the first quarter of the current fiscal year. Revenue generated by the **Peripherals business unit** was better than expected as a result of rigorous sales management and operational improvements, rising by EUR 1.9 million (+13.8%) to EUR 15.7 million year on year (Q1/2022: EUR 13.8 million).

Cherry's commitment to quality and customer satisfaction has meanwhile found a loyal following of users who truly appreciate the superior performance and durability of our products. Moreover, Cherry continually places great emphasis on product innovation and design. The Group works constantly on developing high-quality peripherals for gaming, office, and industry applications in its efforts to continuously adapt to the changing needs of the industry. The success of this strategy was clear to see in the first quarter, with growth achieved partially by the successful launch of several new products, including Cherry's entry into the "microphones" product category, which met with a great response and plenty of positive feedback worldwide.

With its new microphones, the Cherry Group has opened up a new product segment, offering customers a wide range of potential applications, such as in gaming as well as the production of podcasts and other digital content. The products are being well received by the market and have already been included in a number of product comparison tests.

During the three-month period under report, work also continued on systematically implementing the e-commerce strategy, which had a positive impact on revenue. In particular, business generated via Amazon performed well.

The **Digital Health business unit**, on the other hand, which also took over the Security Devices business from the Peripherals business unit at the beginning of the year, continued to suffer during the first quarter from the current reluctance of potential customers to purchase the e-health terminal. At EUR 2.3 million, revenue recorded for the Digital Health business unit was well down on the level recorded one year earlier (Q1/2022: EUR 7.2 million).

Despite the product's competitive market position, sales of the e-health terminal are currently sluggish. The underlying reasons for the low uptake are politically induced delays in the telematics infrastructure regarding the implementation of new, specialized applications such as the e-prescription and the electronic patient record. According to the German Federal Minister of Health, the latter is to be implemented on a mandatory basis for all patients in Germany as of the end of 2024. This fact would also drive sales of the e-health pin pad, which passed all the required certifications in the three-month period under report and will thus be available from the second quarter 2023. Delays in implementing new, specialized applications are expected to gradually dissipate in the second half of the year.

Business with hygienic, washable keyboards and security devices, on the other hand, remained buoyant.

Adjusted EBITDA for the PROFESSIONAL business area in the first quarter of the current fiscal year finished at negative EUR -1.4 million (Q1/2022: EUR +3.5 million). The adjusted EBITDA margin came in at -7.8% compared to +16.7% one year earlier.

The PROFESSIONAL business area's share of total revenue decreased to 62.7% (Q1/2022: 63.9%), while the GAMING business area's share increased correspondingly to 37.3% (Q1/2022: 36.1%).

€ million / as reported	GAMING Jan. 1 to March 31, 2023	GAMING Jan. 1 to March 31, 2022	GAMING Change	PROFESSIONAL Jan. 1 to March 31, 2023	PROFESSIONAL Jan. 1 to March 31, 2022	PROFESSIONAL Change	Group Jan. 1 to March 31, 2023	Group Jan. 1 to March 31, 2022	Group Change
Revenue (with third parties)	10.7	11.9	-10.1%	18.0	21.1	-14.7%	28.7	33.0	-13.0%
Gross profit	1.8	1.7	5.9%	4.8	8.2	-41.5%	6.6	9.8	-32.7%
Gross margin	16.4%	14.1%	2.3 pp	26.9%	38.7%	-11.8 pp	23.0%	29.9%	-6.9 pp
EBITDA (adjusted)[1]	0.1	0.9	-88.9%	-1.4	3.5	-140.0%	-1.3	4.4	-129.5%
EBITDA margin (adjusted)[1]	0.7%	7.4%	-6.7 pp	-7.8%	16.7%	-24.5 pp	-4.6%	13.4%	-18.0 pp
EBIT (adjusted)[1]	-2.5	-1.9	31.6%	-2.6	2.4	-208.3%	-5.1	0.5	-1120.0%
EBIT margin (adjusted)[1]	-23.3%	-15.8%	-7.5 pp	-14.2%	11.2%	-25.4 pp	-17.6%	1.5%	-19.1 pp

1 Adjusted for one-time and/or non-operating items.

EXPLANATORY NOTES TO THE INCOME STATEMENT

Group revenue for the first quarter 2023 amounted to EUR 28.7 million and was thus EUR 4.3 million below the figure recorded one year earlier (Q1/2022: EUR 33.0 million).

The primary reasons for the decline were the currently low volume of business in the Components business unit, which generated revenue of EUR 4.1 million (Q1/2022: EUR 6.4 million), and the low revenue contribution from the Digital Health business unit, where revenue totaled EUR 2.3 million (Q1/2022: EUR 7.2 million).

The gross profit amounted to EUR 6.6 million (Q1/2022: EUR 9.8 million), the gross profit margin was 23.0% (Q1/2022: 29.9%). The reduced figure was mainly attributable to lower quarterly revenue, negative product mix effects due to the lower percentage of switches in the portfolio, increased material and logistics costs, and demand-related underutilization of production capacity.

Research and development expenses of EUR 2.0 million were identical to the previous year (Q1/2022: EUR 2.0 million). Cherry focuses rigorously on continuously developing new products in order to meet changing market requirements.

Marketing and selling expenses amounted to EUR 5.5 million and were EUR 1.2 million higher than one year earlier (Q1/2022: EUR 4.3 million). The increase related primarily to start-up and implementation costs as part of the e-commerce strategy as well as higher personnel costs due to the recruitment of suitably skilled people for the e-commerce sales team. Furthermore, the management team of the Peripherals business unit was further professionalized and enlarged in the course of 2022.

Administrative expenses rose to EUR 6.0 million and were therefore significantly higher than the previous year's figure (Q1/2022: EUR 3.1 million). The main reason related to non-recurring expenses in conjunction with the change of personnel in the Management Board (CEO and CFO), i.e. primarily one-time and non-operating exceptional effects, which are predominantly adjusted. Moreover, the Management Board was enlarged to include an additional member (COO) compared to the previous year. Further expenses were also incurred relating to personnel recruitment, legal counsel, and higher costs in conjunction with the audit of the annual financial statements.

The other operating result amounted to EUR +0.3 million (Q1/2022: EUR -0.4 million), mainly attributable to currency effects and positive effects from the hedging of USD transactions.

EBITDA came in at EUR -2.8 million (Q1/2022: EUR +3.9 million). Adjusted EBITDA totaled EUR -1.3 million (Q1/2022: EUR +4.4 million). EBIT amounted to EUR -6.6 million (Q1/2022: EUR 0.0 million). Adjusted EBIT totaled EUR -5.1 million (Q1/2022: EUR +0.5 million).

The financial result was EUR -0.6 million (Q1/2022: EUR -0.5 million), whereby the increase was primarily due to higher refinancing costs. Of the credit line totaling EUR 55 million at UniCredit Bank AG, EUR 45 million had been drawn down as of March 31, 2023. Since the expiry of the fixed interest rate in 2022, the loan has been subject to variable interest rates.

The net loss for the three-month period to March 31, 2023 amounted to EUR -5.3 million (March 31, 2022: EUR -0.3 million).

RECONCILIATION TO ALTERNATIVE PERFORMANCE MEASURES (ESMA)

The following table shows the reconciliation of EBIT, EBITDA, adjusted EBIT, and adjusted EBITDA to the Cherry's Group net loss for the first quarter of the 2023 fiscal year:

in € Mio.	Jan. 1 to March 31, 2023	Jan. 1 to March 31, 2022
Group net loss	**-5,321**	**-253**
+ Income taxes	-1,842	-200
+ Financial result	606	468
EBIT	**-6,557**	**14**
+/- Personnel expenses (including share-based personnel expenses) / (income)	1,322	-
+ Expenses related to capital market transactions	-	-
+ Expenses related to M&A transactions	30	-
+ Expenses related to natural disasters and pandemics	-	-
+ Other non-recurring expenses	145	472
Adjusted EBIT [1]	**-5,060**	**486**
+ Depreciation, amortization and impairment losses [2]	3,740	3,918
Adjusted EBITDA [1]	**-1,320**	**4,405**
EBIT	**-6,557**	**14**
+ Depreciation, amortization and impairment losses [2]	3,740	3,918
EBITDA	**-2,817**	**3,933**

1 Adjusted for one-time and/or non-operating items.
2 Including depreciation and amortization of acquired order book.

EXPLANATORY NOTES TO THE STATEMENT OF FINANCIAL POSITION

Total assets decreased by EUR 12.1 million to EUR 367.0 million in the first quarter of the current fiscal year (December 31, 2022: EUR 379.1 million).

Cash at bank went down by EUR 26.9 million to EUR 65.9 million (December 31, 2022: EUR 92.8 million). Some of the liquid funds were used to additionally build up inventories, which increased by EUR 9.9 million to EUR 74.9 million compared to the level recorded at the end of 2022 (December 31, 2022: EUR 65.0 million). In addition, trade payables were increasingly serviced, resulting in a EUR 5.2 million decrease to EUR 25.7 million (December 31, 2022: EUR 30.9 million). Trade receivables, on the other hand, remained almost unchanged at EUR 16.4 million compared to the amount reported in the previous year's consolidated financial statements (December 31, 2022: EUR 16.3 million). This was primarily due to a higher proportion of outstanding receivables with prolonged payment terms, e.g. in conjunction with the e-commerce business conducted via Amazon. Furthermore, the first part of the purchase price for Xtrfy, which is to be paid in cash in accordance with the acquisition agreement (EUR 3.9 million), was disbursed to the former owners.

Primarily due to the Group net loss amounting to EUR -5.3 million, equity as disclosed in the statement of financial position decreased to EUR 246.4 million (December 31, 2022: EUR 251.8 million).

EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash outflows from operating activities in the first quarter 2023 amounted to EUR -17.8 million, a deterioration of EUR -15.1 million compared to the first quarter of the previous year (Q1/2022: EUR -2.7 million). The main reasons were the EUR -5.1 million reduction in the net result reported for the period, a EUR -3.1 million increase in assets, primarily relating to higher inventories, as well as a greater reduction in trade payables and other liabilities totaling EUR -5.6 million.

Net cash outflows from investing activities amounted to EUR -8.2 million, up by EUR -6.2 million compared to the previous year. The main reason for the increase was the payment of the first tranche of the purchase price for the acquisition of Xtrfy amounting to EUR 3.9 million, which was paid in cash, and the transfer of 234,138 treasury shares at a market value of around EUR 1.8 million at the time of the transaction.

At EUR -1.2 million, net cash outflows from financing activities were slightly higher than one year earlier (Q1/2022: EUR -1.0 million). The issue of Cherry SE's treasury shares as part of the acquisition of Xtrfy (EUR +1.8 million) as a purchase price component had a positive impact. Conversely, there was a cash outflow for the acquisition of treasury shares due to the continuation of the 2022 share buyback program (EUR -1.2 million) and the repayment of a bank loan relating to the newly consolidated companies (EUR -0.7 million).

As of March 31, 2023, cash and cash equivalents amounted to EUR 65.9 million (March 31, 2022: EUR 104.2 million). The change during the first quarter of the current fiscal year amounted to EUR -26.9 million (Q1/2022: EUR -5.5 million).

REPORT ON OPPORTUNITIES AND RISKS

Cherry has published its detailed "Report on opportunities and risks" in the Annual Report 2022, which is available online on the Company website at: https://ir.cherry.de/home/publications/

This report, which is part of the Combined Management Report for the Group and Cherry SE, provides a comprehensive overview of the opportunities and risks identified for the Cherry Group.

In the first quarter 2023, no changes occurred compared to the opportunities and risks described in detail in the Annual Report 2022; the individual assessments of the potential monetary impact and the probability of occurrence remain unchanged.

However, additional opportunities and risks have arisen relating to financial factors, which will be newly included and assessed for the first time in the report on opportunities and risks at the half-year stage of the 2023 fiscal year.

The exchange rate of the euro (the currency in which the Cherry Group reports) to the US dollar is currently subject to a great deal of volatility, with fluctuations between high and low differing by some 15% during the past six months. It is not currently possible to reliably forecast further developments in view of the prevailing geopolitical and macroeconomic conditions, thus making it difficult to plan for the resulting exchange rate effects. Since Cherry sources a considerable part of its raw materials and goods in US dollars and generates a significantly lower amount of revenue in that currency, any appreciation of the euro against the US dollar will have a positive effect on the Group's earnings, as the net expense after currency translation into euros is lower. Conversely, any depreciation of the euro against the US dollar will have a negative impact on earnings. The effects resulting from exchange rate fluctuations are primarily reflected in the cost of materials due to fluctuating procurement prices, i.e. within the gross profit margin, and also partially within other operating income. Since the beginning of the year, liabilities in US dollars have been partially hedged by derivatives (FX hedges) in order to avoid any negative impact from a potential devaluation of the euro and to achieve greater planning certainty.

Any further increases in interest rates will also pose a financial risk for the Cherry Group. In response to the high rate of inflation, the European Central Bank again raised its key interest rate by 0.5 percentage points to 3.5% effective March 22, 2023, which means the key interest rate rose by a total of 1.0 percentage points during the first quarter 2023, after standing at 0% only nine months previously. Interest rates are therefore currently developing at a highly dynamic rate and if the upward trend continues, Cherry will face a financial risk due to the higher cost of refinancing that primarily relates to the credit line with UniCredit Bank totaling EUR 55 million. Since October 2022, the interest rate on this facility has been adjusted quarterly in accordance with the underlying reference interest rates. As of March 31, 2023, EUR 45 million had been drawn down from this credit line.

The Management Board of Cherry SE considers the risks identified in the context of risk management to be both limited and manageable. No risks have been identified which, either individually or taken as a whole, could jeopardize the going-concern status of the Cherry Group.

Furthermore, Cherry possesses a high level of liquid funds. At the end of the reporting period, cash at bank amounted to EUR 65.9 million.

OUTLOOK REPORT

In the Combined Management Report 2022, the Management Board provided a detailed explanation of the assumptions and longer-term trends underlying its forecast for the 2023 fiscal year. Cherry adopted a broad raft of measures to counteract the negative impacts of the macroeconomic environment, driven mainly by the combined effects of the COVID-19 pandemic, the war in Ukraine, and the resulting energy crisis, in order to return the Group to its pre-crisis growth trajectory as swiftly as possible. The measures included rigorous cost management as well as investments in both IT systems and IT infrastructure with the aim of optimizing the management of Group business processes. In the first half of 2023, new, highly automated production lines are scheduled to go into operation for the assembly of switches ("MX Gen. 4", "ULP II"), which will increase manufacturing capacity for the new generations of switches many times over while maintaining the same high quality, thereby significantly cutting unit costs. Moreover, the e-commerce sales channel will be significantly expanded during the 2023 fiscal year. Apart from Amazon, further marketplaces are to be connected and business with end customers (B2C) will also be developed. Through the "Gaming Goes Global" project, the Gaming Devices business, which until recently was heavily focused on the Asian market, is to be rolled out across all Cherry's international markets, constructively underpinning its e-commerce strategy and expanding Cherry's market position on a more global footing.

Against this backdrop, the Management Board regards the current fiscal year as one of transition and consolidation in which adjustments will be made to suit changing framework conditions and the newly evolved corporate strategy.

The year 2023 is likely to remain challenging. However, as Cherry surpassed its own expectations in the first quarter, the Management Board confirms its forecast for the current fiscal year, as notified on March 30, 2023, with revenue in the region of EUR 135 to 165 million and an adjusted positive EBITDA margin of 10-14%. The long-term underlying growth trends in e-sports and gaming, hybrid office workplaces, and the digitization of the German healthcare system continue to be positive factors for Cherry and represent strong growth drivers for our business in the medium term.

The Cherry Group as a whole aims to return to an adjusted EBITDA margin of over 20% in the medium term.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2023 (IFRS/UNAUDITED)

€ thousand	Jan. 1 to March 31, 2023	Jan. 1 to March 31, 2022
Revenue	28,700	32,962
Cost of sales	-22,099	-23,123
Gross profit	6,601	9,840
Marketing and selling expenses	-5,544	-4,321
Research and development expenses	-1,950	-2,004
Administrative expenses	-5,973	-3,094
Other operating income	404	69
Other operating expenses	-96	-475
Operating result before interest and taxes (EBIT)	-6,558	14
Financial result	-606	-468
Earnings before taxes (EBT)	-7,164	-454
Income taxes	1,843	200
Group net loss	**-5,321**	**-253**
Undiluted (basic) earnings per share (in €)	-0.23	-0.01
Diluted earnings per share (in €)	-0.23	-0.01

Income and expenses not recognized through profit or loss € thousand	Jan. 1 to March 31, 2023	Jan. 1 to March 31, 2022
Other comprehensive income that will be reclassified subsequently to profit or loss	**-1,025**	**1,194**
Foreign currency translation of financial statements of foreign entities	-1,025	1,194
Other comprehensive income that will not be reclassified subsequently to profit or loss	**-**	**-**
Actuarial gains and losses	-	-
Other changes	-	-
Income and expenses not recognized through profit or loss	**-1,025**	**1,194**
Total comprehensive income for the period	**-6,346**	**941**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2023 (IFRS/UNAUDITED)

ASSETS

€ thousand	March 31, 2023	Dec. 31, 2022
NON-CURRENT ASSETS		
Intangible assets	161,280	158,663
Property, plant and equipment	24,385	24,109
Right-of-use assets	14,401	14,553
Other non-financial assets	99	12
Deferred tax assets	6,976	4,938
	207,141	**202,275**
CURRENT ASSETS		
Inventories	74,918	65,021
Trade receivables	16,397	16,348
Current income tax receivables	693	346
Other non-financial assets	1,912	2,228
Cash and cash equivalents	65,916	92,848
	159,836	**176,791**
Total assets	**366,977**	**379,066**

EQUITY AND LIABILITIES

€ thousand	March 31, 2023	Dec. 31, 2022
EQUITY		
Subscribed capital	23,456	23,393
Capital reserves	258,416	257,585
Accumulated deficit	-39,333	-34,012
Accumulated other comprehensive income	3,834	4,860
	246,373	**251,826**
NON-CURRENT LIABILITIES		
Pension provisions	534	718
Other provisions	817	765
Financial liabilities	45,267	45,278
Lease liabilities	12,663	12,898
Other non-financial liabilities	104	105
Deferred tax liabilities	20,371	20,216
	79,756	**79,980**
CURRENT LIABILITIES		
Other provisions	684	253
Financial liabilities	207	208
Lease liabilities	4,037	4,027
Trade payables	25,689	30,886
Current income tax liabilities	1,947	1,962
Other financial liabilities	3,349	6,088
Other non-financial liabilities	4,935	3,836
	40,848	**47,260**
Total equity and liabilities	**366,977**	**379,066**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2023 (IFRS/UNAUDITED)

€ thousand	Jan. 1 to March 31, 2023	Jan. 1 to March 31, 2022
Net loss for the period	-5,321	-253
Depreciation, amortization and write-downs (+) / reversals thereof (-) on fixed assets	3,691	3,918
Increase (+) / decrease (-) in provisions	274	-25
Other non-cash expenses (+) / income (-)	42	90
Gain (-) / loss (+) on disposals of fixed assets	16	-
Increase (-) / decrease (+) in inventories, trade receivables and other assets	-5,588	-2,512
Increase (+) / decrease (-) in trade payables and other liabilities	-8,331	-2,747
Interest expenses (+) / interest income (-)	606	468
Interest paid (-)	-762	-436
Interest received (+)	32	1
Tax expenses	-1,842	-200
Income tax paid (+/-)	-657	-967
Cash flows from operating activities	**-17,840**	**-2,663**
Cash received (+) from disposals of property, plant and equipment	-	-
Cash paid (-) for investments in property, plant and equipment	-1,514	-1,237
Cash received (+) from disposals of intangible assets	20	-
Cash paid (-) for investments in intangible assets	-988	-737
Cash paid (-) for the purchase of consolidated companies	-5,708	-
Cash flows from investing activities	**-8,190**	**-1,974**
Cash received (+) from equity contributions	1,786	-
Cash paid (-) in connection with share buyback program	-1,221	-
Cash paid (-) from other current financial liabilities (IFRS 16 Leases)	-1,005	-998
Cash paid (-) for the repayment of (financial) loans	-753	-53
Cash received (+) from (financial) loans raised	-	10
Cash flows from financing activities	**-1,193**	**-1,041**
Cash-relevant change in cash and cash equivalents	-27,223	-5,679
Changes in cash and cash equivalents due to changes in exchange rates, scope of consolidation, and valuation	291	198
Cash and cash equivalents at beginning of period	**92,848**	**109,678**
Cash and cash equivalents at end of period	**65,916**	**104,198**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2023 (IFRS/UNAUDITED)

€ thousand	Subscribed capital	Capital reserves	Accumulated profit/deficit	Accumulated other comprehensive income Foreign currency translation of financial statements of foreign entities	Accumulated other comprehensive income Actuarial gains and losses	Total equity
January 1, 2022	**24,300**	**263,280**	**1,716**	**3,860**	**-3**	**293,152**
Share capital increase	-	-	-	-	-	-
Capital procurement transaction costs	-	-	-	-	-	-
Group net loss for period	-	-	-253	-	-	-253
Foreign currency translation of financial statements of foreign entities	-	-	-116	1,194	-	1,079
Other comprehensive income	-	-	-116	1,194	-	1,079
Total comprehensive income	-	-	-369	1,194	-	826
Impact of share-based payments	-	-109	-	-	-	-109
March 31, 2022	**24,300**	**263,171**	**1,347**	**5,054**	**-3**	**293,869**
January 1, 2023	**23,393**	**257,585**	**-34,012**	**4,777**	**83**	**251,826**
Share capital increase	234	1,552	-	-	-	1,786
Share buybacks	-171	-1,050	-	-	-	-1,221
Group net loss for period	-	-	-5,321	-	-	-5,321
Foreign currency translation of financial statements of foreign entities	-	-	-	-1,026	-	-1,026
Other comprehensive income	-	-	-	-1,026	-	-1,026
Total comprehensive income	-	-	-5,321	-1,026	-	-6,347
Impact of share-based payments	-	329	-	-	-	329
March 31, 2023	**23,456**	**258,416**	**-39,333**	**3,751**	**83**	**246,373**

FINANCIAL CALENDAR 2023[1]

Spring Conference (EF)	May 15 2023
Annual General Meeting	May 17 2023
Warburg Highlights	June 15 2023
Half-year Report	August 14 2023
Autumn Conference (EF)	September 4 2023
Berenberg Flagship German Corporate Conference	September 18–20 2023
Quarterly Report (Q3/9M)	November 15 2023
Münchner Kapitalmarkt Konferenz (mkk)	November 16 2023

1 Expected dates

IMPRINT

Cherry SE
Rosental 7
c/o Mindspace
D-80331 Munich, Germany

Postal address
Cherrystrasse 2
D-91275 Auerbach, Germany

Investor Relations
Dr. Kai Holtmann
T +49 175 1971503
F +49 96 43 20 61-900
Email: kai.holtmann@cherry.de