ANNUAL REPORT

AR/2022

CHERRY

KEY GROUP FIGURES (IFRS)

€ million / as reported	Jan. 1–Dec. 31, 2022	Jan. 1–Dec. 31, 2021	Change
Revenue	132.5	168.5	-21.4%
thereof Gaming	41.2	82.8	-50.2%
thereof Professional	91.3	85.7	6.5%
Gross profit	36.9	68.9	-46.4%
Gross profit margin	27.8%	40.9%	-13.1pp.
EBITDA	12.2	42.8	-71.5%
EBITDA (adjusted) [1]	15.2	48.9	-68.9%
EBITDA margin	9.2%	25.4%	-16.2pp.
EBITDA margin (adjusted) [1]	11.5%	29.0%	-17.5pp.
EBIT	-36.5	27.6	-232.2%
EBIT (adjusted) [1]	-33.5	33.7	-199.4%
Group net loss/profit	-35.7	9.3	-483.9%
Earnings per share (in €)	-1.49	0.42	-454.8%
Cash flows from operating activities	5.8	7.8	-25.6%
Cash flows from investing activities	-11.3	-14.4	-21.5%
Free cash flow	-5.5	-6.6	-16.7%

€ million / as reported	Dec. 31, 2022	Dec. 31, 2021	Change
Total assets	379.1	411.0	-7.8%
Cash and cash equivalents	92.8	109.7	-15.4%
Net working capital [2]	40.9	38.0	7.6%
Equity	251.8	293.2	-14.1%
Equity ratio	66.4%	71.3%	-4.9pp.
Net cash [3]	29.9	44.4	-32.7%
Employees	490	554	-11.6%

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, current and non-current lease liabilities, and pension provisions 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 own shares	907,117
Stock exchange and segment	Prime Standard / regulated market FWB
Designated sponsor	Hauck Aufhäuser Lampe
Xetra closing price as of December 31, 2022	€7.58
Market capitalization as of December 31, 2022	€184.2 million

Content

FOREWORD BY THE MANAGEMENT BOARD

DEAR SHAREHOLDERS,


Oliver Kaltner (CEO)


Bernd Wagner (CFO)


Dr. Udo Streller (COO)

The 2022 fiscal year brought with it a number of exceptional challenges for society, the economy, and our company alike. The dual global impact of the COVID-19 pandemic and Russia's invasion of Ukraine – both of which are ongoing – was particularly manifest in the form of high energy and raw materials costs, repeated supply chain disruptions (especially in China due to the zero-covid policy and recurrent lockdowns), and the significantly higher cost of living. Soaring inflation and rapidly rising interest rates led to a marked downturn in consumer spending in most developed economies. This combination of factors frustrated our attempts to finish the 2022 fiscal year as originally forecast, despite our excellent market positioning, the further expansion of our product portfolio, and the outstanding commitment of our employees. With Group revenue of around EUR 132.5 million and an adjusted EBITDA margin of 11.5%, we fell well short of the targets we had set ourselves. In particular, our profitable business with mechanical keyboard switches and gaming keyboards in the Asian market fell short of previous years' levels.

> In the current fiscal year we are focusing on the further evolution of our business model with the aim of again increasing operating profitability and optimizing how best to allocate capital.

We have been countering this trend since the first quarter of the past fiscal year with, among other things, active operating cost management in the areas of production, maintenance, warehousing and logistics in our Components business unit. In the current fiscal year, we are focusing on the further development of our business model with the aim of increasing operating profitability again and optimizing the use of available resources.

The analysis of our current product range is leading to specific strategic adjustments. This goes hand in hand with our fundamental, future-oriented brand, product and price positioning in the mid- to high-end segment.

In the current fiscal year we are focusing on the further evolution of our business model with the aim of again increasing operating profitability and optimizing how best to allocate capital. To give us inspiration, we need look no further than the impressive 70-year company history that we call the Cherry legacy. Since its foundation in 1953, Cherry has continuously worked to develop its products and grow market share in line with customer needs. In this special anniversary year, this Cherry legacy is not only the mainstay, but also a springboard into a successful future of sustainable business and substantial expansion. We understand the concept of sustainability in a holistic sense. As a brand, Cherry remains synonymous with quality, design, innovation, and sustainability. Cherry products provide customers and users alike with professional access to the digital world.

The main external factors driving this demand are the dynamically growing popularity of e-sports worldwide and the global "work-from-anywhere" trend, as well as the digitalization of the German and European healthcare sector, which is expected to gain momentum again this year, and finally the further expansion of our e-commerce activities. With our "Gaming Goes Global" project, we intend to significantly grow and internationalize our gaming peripherals line of business as of the second quarter 2023, thereby also ramping up our own internal demand for mechanical keyboard switches. Completed in January, the acquisition of the Swedish e-sports specialist Xtrfy is set to play a key strategic role in this respect. At the same time, we are systematically expanding our office peripherals business across all relevant sales channels and regions. Cherry already offers a wide range of user experience solutions in an

Cherry already offers a wide range of user experience solutions

increasingly digitalized world. From a value chain perspective, our strategy will be to leverage this tremendous potential by moving additionally towards software- and cloud-based solutions that complement our hardware expertise. We aim to develop Cherry into an international provider of agnostic digital ecosystems. Our medium-term forecasts continue to be based on a combination of profitable organic growth and strategic inorganic growth through effective M&A activities.

We assume that the relevant markets will only grow slowly in 2023 and that the coming fiscal year will be a consolidation or transition year for Cherry. We are aiming for sales growth as well as an improvement in margins compared to last year.

As this depends to a large extent on further economic developments, we expect consolidated revenue of between EUR 135 and 165 million. Taking into account the various cost optimization measures and growth initiatives, we expect an adjusted EBITDA margin of between 10 and 14% for the current financial year.

Despite the ongoing unfavorable economic environment, in this, our anniversary year, we can look forward to a highly promising future. More than ever, success is based on concentrating on the essentials, drawing up resilient business plans with a balanced margin structure, and implementing them in an efficient, professional manner.

With its product offerings, Cherry is very well positioned to absorb the multi-layered market trends and to serve the international markets successfully and sustainably.

We would like to take this opportunity to wish our business partners, shareholders, and employees every success for 2023.

Munich, March 2023

With our "Gaming Goes Global" project, we intend to significantly grow and internationalize our gaming peripherals line of business as of the second quarter 2023 …

Oliver Kaltner
CEO

Bernd Wagner
CFO

Dr. Udo Streller
COO

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

For Cherry SE, the financial year 2022 was dominated by the lingering impact of the global COVID-19 pandemic on the economy and supply chains, the Russian invasion of Ukraine in February 2022 and significant price increases for raw materials and energy in combination with higher costs of purchasing and living. The decline in demand, especially in China and Hong Kong, in combination with excessive inventory levels at our customers and steep rise in inflation and interest rates resulted in revenue and earnings falling significantly short of original expectations.

Despite the increasingly difficult general conditions in the 2022 financial year, the two business areas GAMING and PROFESSIONAL performed very different.

While the PROFESSIONAL business could continue its growth path and maintain good profit margins, the GAMING business has been impacted by declining component switch demand and excess inventory at our OEM's (Original Equipment Manufacturer) customers leading to strong decline in sales and a drop of profitability to almost break-even EBITDA-N-level.

Cherry SE has taken various measures to secure future profitability via cost reductions and to expand the strategic growth course in the medium and long term. This includes headcount reduction in Auerbach production as well as expansion of the e-commerce business and the increase of sales activities in defined new markets. In addition, Cherry SE has further advanced the strategic expansion of the Gaming business area through the acquisition of the two Swedish Xtrfy companies, Xtrfy Gaming AB and Build on Experience AB, which was completed in January 2023. Xtrfy, as a specialist in e-sports equipment, has access to the growing gaming and e-sports community, contributing to Cherry's product management and marketing and expands Cherry's market presence in Europe, particularly in the Nordic countries. The Xtrfy product range is fully complementary to Cherry and gives us the occupancy of additional product and price categories, which underpins our confidence for the future growth plan. With the "Gaming Goes Global" project, the new team will generate substantial growth by internationalizing our gaming business in breadth and depth.

The Supervisory Board is convinced of the strategic opportunities for Cherry's business activities. However, against the backdrop of the expected global slowdown in economic growth and rising inflation as a result of the war against Ukraine, the continued disruption of supply chains as a result of the lockdowns in China, the high inventory levels of customers and the associated decline in demand, Cherry was unable to achieve the originally targeted revenue growth for the group. Forecasts have already been adjusted accordingly during the year and the Company will continue to take strategic mid-term and concrete short-term measures for sustainable business development.

With a view to management, at the end of the 2022 financial year, Mr. Rolf Unterberger resigned from his office as member and Chairman of the Management Board. The Supervisory Board thanks Mr. Rolf Unterberger for his successful term of office and his great commitment to the Company. On 27 November 2022, the Supervisory Board unanimously appointed Mr. Oliver Kaltner as CEO and Chairman of the Management Board as of 1 January 2023. The Supervisory Board is convinced that Mr. Oliver Kaltner is an excellent fit for Cherry due to his extensive, successful activities in the industry and can bring valuable experience from both a management and investor perspective to lead the Company to renewed profitable growth both in terms of revenues and EBITDA.

Marcel Stolk, Vorsitzender des Aufsichtsrats

In the 2022 financial year, the change of legal form to a European Company (Societas Europaea, SE) resolved by the Annual General Meeting was successfully completed with the registration in the Commercial Register on 13 December 2022. Until this date, the Company operated as Cherry AG in the financial year 2022 and the Supervisory Board acted as the Supervisory Board of Cherry AG, with the exception of the constituent meeting of the Supervisory Board of Cherry SE.

On behalf of the Supervisory Board, I would like to thank the members of the Management Board and all employees of Cherry SE and its subsidiaries for their outstanding work under the continuing challenging circumstances and their passionate commitment to the Company's exciting new initiatives for 2023.

In the following section you will find the report of the Supervisory Board on its activities and the activities of its committees in the financial year 2022.

COMPOSITION OF THE SUPERVISORY BOARD

In the 2022 financial year, the Supervisory Board of Cherry AG consisted of Marcel Stolk (Chairman), James Burns (Deputy Chairman and Chairman of the Audit Committee), Joachim Coers (member of the Personnel and Compensation Committee), Heather Faust (Chairwoman of the Personnel and Compensation Committee, member of the Audit Committee), Steven M. Greenberg (Chairman of the Nomination Committee), Tariq Osman (member of the Nomination Committee and of the Personnel and Compensation Committee) and Dino Sawaya (member of the Audit Committee and the Nomination Committee).

At the Annual General Meeting on 8 June 2022, all current members of the Supervisory Board were elected as the first members of the Supervisory Board of Cherry SE in connection with the resolution on the conversion of Cherry AG into a European Company (Societas Europaea, SE). Their election took place in each case with effect as of the date of registration of the conversion of the Company in the commercial register on 13 December 2022 and for a term of office until the end of the General Meeting which resolves on the discharge of the members of the Supervisory Board for the first financial year of Cherry SE, i.e. the Annual General Meeting in the financial year 2023.

The Supervisory Board of Cherry SE constituted itself on 18 October 2022 and confirmed Marcel Stolk as Chairman and James Burns as Deputy Chairman of the Supervisory Board. For Cherry SE, the Audit Committee was enlarged to four members, with James Burns continuing to act as Chairman. Heather Faust and Dino Sawaya continue to serve on the Audit Committee and Joachim Coers has joined as an additional independent member. The Nomination Committee was reduced to two members and now consists of Chairman Steven M. Greenberg and additional member Dino Sawaya. The Personnel and Compensation Committee again consisted of three members. While Heather Faust continues to be Chairwoman, Marcel Stolk is now a further member of this committee alongside Joachim Coers. The Supervisory Board has thus ensured that both the Audit Committee and the Personnel and Compensation Committee consist of a majority of independent members of the Supervisory Board, taking into account the expectations of institutional investors in particular and the requirements of modern corporate governance.

CONSULTATION AND MONITORING

The Supervisory Board duly performed the duties in accordance with the statutory requirements, the Articles of Association, the Supervisory Board's Rules of Procedure and the German Corporate Governance Code. It received regular and detailed written and oral reports on the intended business strategy, material issues regarding financial, investment and personnel planning and the progress of business as well as risks and opportunities. In particular, the Supervisory Board was informed by the Management Board from June 2022 onwards at regular intervals of approximately one month about the current key financial figures of the Company, measures to reduce costs and possible restructuring programs, the M&A strategy of the Company, the financial and personnel development as well as the situation of the individual business units and the status of the conversion into an SE and discussed these topics with the Management Board. In addition, the Supervisory Board reviewed the sustainability report for the financial year 2022, which is published as a summarised separate non-financial report on the Company's website. The Supervisory Board has reviewed and advised on the fundamental strategic orientation of the group as developed by the Management Board. The Supervisory Board was directly involved in all material decisions and transactions requiring approval of the Supervisory Board were presented by the Management Board.

MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

The Supervisory Board plenum formally met eight times in the 2022 financial year. One meeting was held in person and seven meetings were held as video conferences. In addition, the Supervisory Board passed resolutions outside of a meeting by email three times. The Audit Committee held a total of six meetings in the 2022 financial year, the Personnel and Compensation

Committee met five times and the Nomination Committee met twice. The Supervisory Board and its committees also convened regularly without the Management Board as necessary to deliberate on items that pertained to the Management Board or required internal discussion among Supervisory Board members alone. The outcome of committee meetings was reported in the respective subsequent plenary meeting.

Tariq Osman was unable to attend one meeting of the Supervisory Board. The other members of the Supervisory Board each attended all meetings of the Supervisory Board. All members of the Audit Committee attended all meetings of the Audit Committee. Heather Faust and Joachim Coers both attended all meetings of the Personnel and Compensation Committee and Tariq Osman was unable to attend two of the five meetings. Steven M. Greenberg and Dino Sawaya attended all meetings of the Nomination Committee and Tariq Osman was unable to attend either of the two meetings.

Overview of Plenary and Committee Meetings and Attendance on an Individual Basis in the 2022 Financial Year

Member	Plenum	Audit Committee	Personnel and Compensation Committee	Nomination Committee
Marcel Stolk	8 / 8	–	–	–
James Burns	8 / 8	6 / 6	–	–
Joachim Coers	8 / 8	–	5 / 5	–
Heather Faust	8 / 8	6 / 6	5 / 5	–
Steven M. Greenberg	8 / 8	–	–	2 / 2
Tariq Osman	7 / 8	–	3 / 5	0 / 2
Dino Sawaya	8 / 8	6 / 6	–	2 / 2

PLENARY MEETINGS

In each of its ordinary quarterly meetings of the 2022 financial year the plenum of the Supervisory Board analyzed and discussed the management reports on the development of the business and the Company's strategy as well as capital markets developments. In addition, the Supervisory Board dealt with the following focus areas:

At its meeting on 30 March 2022, the Supervisory Board dealt with the annual financial statements and the consolidated financial statements as well as the combined management report for Cherry AG and the group as of 31 December 2021, the Dependent Company Report for the 2021 financial year, the remuneration report for the 2021 financial year and the report of the Supervisory Board for the 2021 financial year. In addition, the Supervisory Board approved the establishment of a limited liability company (GmbH) under German law to operate the European e-commerce business. The Chairman of the Audit Committee reported on the topics discussed in the last meeting of the Audit Committee. The Chairperson of the Personnel and Compensation Committee reported on the committee's deliberations.

At its meeting on 20 April 2022, the Supervisory Board approved the agenda items for the Annual General Meeting on 8 June 2022, the separate non-financial report of Cherry AG for the period from 1 January to 31 December 2021 and the new appointment of a Head of HR and a Head of E-Commerce. After extensive consultation in December 2021, the Supervisory Board had already approved the decision of the Management Board to hold the Annual General Meeting in 2022 as virtual meeting without physical presence of the shareholders.

At its meeting on 4 May 2022, the Supervisory Board approved the conclusion of the profit and loss transfer agreement between Cherry Digital Health GmbH and Active Key GmbH. In addition, the Management Board presented the financial figures for the first quarter and the Chairman of the Audit Committee reported on the topics discussed in the last meeting of the Audit Committee.

At its meeting on 16 July 2022, the Supervisory Board received information on the preliminary key financial figures for the first half of 2022 as well as on the Management Board's current considerations regarding the development and organisation of the various business units within the group. In addition, the Supervisory Board discussed the business development in the second half of 2022.

At its meeting on 17 July 2022, the Supervisory Board approved the continuation of the share buy-back program, taking into account the business development in the first half of 2022.

At the constituent meeting of the Supervisory Board of Cherry SE on 18 October 2022, the Supervisory Board appointed Marcel Stolk as Chairman and James Burns as Deputy Chairman of the Supervisory Board. Furthermore, the Supervisory Board appointed Mr. Rolf Unterberger, Mr. Bernd Wagner and Dr. Udo Streller as members of the Management Board of Cherry SE. Mr. Rolf Unterberger was appointed Chairman of the Management Board of Cherry SE. The Supervisory Board determined that contractual agreements, i.e. also the service agreements with the members of the Management Board, remain effective due to the principle of the identity-preserving change of legal form and approved the current service agreements with the members of the Management Board for Cherry SE. The change of legal form into Cherry SE was registered with the commercial register of the Local Court of Munich on 13 December 2022 and thus became effective on that date.

At its meeting on 27 November 2022, the Supervisory Board acknowledged that Mr. Rolf Unterberger had resigned from his office as member of the Management Board and Chairman of the Management Board with effect from 31 December 2022 and it approved the conclusion of a termination agreement with Mr. Unterberger. Furthermore, the Supervisory Board appointed Mr. Oliver Kaltner as a member of the Management Board for the period from 1 January 2023 until the end of 31 December 2025, appointed him as Chairman of the Management Board and approved the conclusion of his Management Board service agreement. These resolutions were passed again with respect to Cherry SE after the change of legal form took effect and the continued validity of the existing agreements was confirmed or approved for the legal form of the SE.

In its meeting on 12 December 2022, the Supervisory Board of Cherry AG approved the acquisition of Xtrfy. In addition, the Management Board provided information on the financial development and budget planning for the period 2023-2025. The Supervisory Board was also informed about the amendment to the German Corporate Governance Code and the change to the skills and expertise profile in relation to sustainability aspects required as a result. In addition, the Supervisory Board received an update on the individual business units, the status of the conversion into an SE, the risk strategy and the plans for the Annual General Meeting in 2023.

Based on the law and the requirements laid down in the Articles of Association and the Management Board's Rules of Procedure, certain transactions and measures require the prior approval of the Supervisory Board. These transactions were presented to the Supervisory Board for approval. The transactions included the conclusion of a profit and loss transfer agreement, the acquisition and establishment of subsidiaries and the granting of general commercial power of representation (Prokura) for the Company and its subsidiaries.

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

In accordance with the requirements following the amendment of the German Corporate Governance Code in 2022, the Supervisory Board has supplemented its skills and expertise profile with knowledge and experience in the field of sustainability and adopted the joint Declaration of Compliance of the Management Board and the Supervisory Board pursuant to Section 161 of the German Stock Corporation Act (AktG). The Declaration of Compliance has been made permanently available on the Company's website in the Governance section.

AUDIT COMMITTEE

The Audit Committee reviewed the annual financial statements, consolidated financial statements and combined management report as well as the non-financial report for the 2022 financial year, the 2022 half-year report and the quarterly reports for the first quarter and the third quarter of the 2022 financial year. The Audit Committee regularly reviewed and discussed the audit focus and quality, risks and ongoing litigation, the organizational talent and staffing levels of the finance team, as well as the approval of non-audit services. In addition, it discussed the assessment of the audit risk, the audit strategy and audit planning as well as the audit results with the auditor. The Audit Committee also consulted with the auditor without the Management Board being present. Outside of the meetings, the Chairman of the Audit Committee regularly exchanged information with the auditor on the progress of the audit and reported to the Committee on this. The Audit Committee also dealt with the accounting and the accounting process, the adequacy and effectiveness of the Company's internal control system and risk management system (including sustainability-related aspects) as well as the effectiveness, equipment and findings of the internal audit system.

PERSONNEL AND COMPENSATION COMMITTEE

The Personnel and Compensation Committee reviewed the short- and long-term remuneration components of the Management Board members for the 2022 financial year. Based on the relevant documents, the Personnel and Compensation Committee reviewed in particular the achievement of the targets for the 2021 STI tranche for the Management Board. In addition, the structure of the current tasks and areas of responsibility on the Management Board were examined in detail. Strategic succession planning and personnel topics with regard to the composition of the Management Board and the appointment of a new Management Board member were also discussed. The Personnel and Audit Committee oversaw the selection process for the appointment of a new Chairman of the Management Board and prepared his service agreement as well as the termination agreement with the resigning Management Board member Mr. Rolf Unterberger.

NOMINATION COMMITTEE

In accordance with the objectives for the composition of the Supervisory Board, the Nomination Committee has submitted a proposal to the Supervisory Board that the members of the Supervisory Board also be proposed for election to the first Supervisory Board of Cherry SE at the Annual General Meeting.

CONFLICTS OF INTEREST

According to recommendation E.1 of the German Corporate Governance Code, the Supervisory Board shall inform the Annual General Meeting in its report of any conflicts of interest which have arisen and how they have been addressed. No conflicts of interest arose in the Supervisory Board in the 2022 financial year. In particular, no conflict of interest was disclosed by a member of the Supervisory Board to the Chairman of the Supervisory Board or reported by a member of the Management Board or third parties.

TRAINING AND PROFESSIONAL DEVELOPMENT

The Company trained the members of the Supervisory Board on corporate governance topics and on the duties and competencies of the Supervisory Board.

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

At the Annual General Meeting on 8 June 2022, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, with its registered office in Stuttgart, Essen branch, was elected as auditor and group auditor for the 2022 financial year. The audit covered the annual and consolidated financial statements and the combined management report for the Company and the group for the 2022 financial year. In all cases, an unqualified audit opinion was issued.

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

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable in the European Union as well as in accordance with the supplementary German statutory provisions applicable under Section 315e (1) of the German Commercial Code (HGB). The auditor conducted the audit in accordance with Section 317 of the German Commercial Code (HGB) and the EU Regulation on Auditors, in compliance with the generally accepted German standards for the audit of financial statements issued by the Institute of Chartered Accountants (Institut der Wirtschaftsprüfer) and in supplementary consideration of the International Standards on Auditing (ISA).The annual financial statements, the consolidated financial statements and the combined management report were dealt with in-depth and discussed in detail at the meeting of the Audit Committee on 23 March 2023. In particular, the Audit Committee dealt with the key audit matters outlined in the respective auditor's report (including the audit procedure). The auditor's reports were made available to all members of the Supervisory Board and were discussed in detail in the presence of the auditor at the Supervisory Board's meeting on 27 March 2023. The auditor reported on the scope, the key aspects and the main results of the audit and in particular on the key audit matters and the audit procedure. No significant weaknesses in the internal control and risk management system were reported. The Management Board explained the financial statements of Cherry SE and the Cherry group in detail during this meeting. The Supervisory Board agreed with the results of the audit. Following the final review by the Audit Committee and the Supervisory Board's own review, no objections arose. The Management Board prepared the annual financial statements and the consolidated financial statements. The Supervisory Board approved the annual financial statements and the consolidated financial statements on 29 March 2023. The annual financial statements are therefore adopted.

SUMMARISED SEPARATE NON-FINANCIAL REPORT

The Supervisory Board also dealt with the summarised separate non-financial report for the Company and the group for the period from 1 January to 31 December 2022 (referred to as the Sustainability Report 2022) prepared by the Management Board.

The separate non-financial report was carefully examined by the Supervisory Board in its meeting on 27 March 2023. All members of the Supervisory Board were provided with the documents for this in good time. The Management Board was present at the Supervisory Board meeting and explained the report. All additional questions of the Supervisory Board members were answered and supplementary information was provided. In the course of the detailed discussion, it was jointly agreed that information regarding EU-taxonomy will be covered for the first time in the 2023 non-financial report in 2024 and no reasons were identified that preclude the proper and appropriate preparation of the summarised separate non-financial report.

On the basis of its own examination, the Supervisory Board took note of and approved the summarised separate non-financial report for the Company and the group for the period from 1 January to 31 December 2022 on 29 March 2023 and had no objections to the report.

For the Supervisory Board

Marcel Stolk
Chairman

CHERRY ON THE CAPITAL MARKET

Cherry is a global manufacturer of high-end mechanical keyboard switches and computer input devices such as keyboards, mice, microphones and headsets for gaming & e-sports and (hybrid) office workstation applications as well as industrial applications and the healthcare sector. Since its founding in 1953, Cherry has stood for innovative and high-quality products and services that are developed specifically for different customer needs. Cherry SE has been listed in the Prime Standard quality segment of the Frankfurt Stock Exchange with bearer shares since 2021 (ISIN DE000A3CRRN9, WKN A3CRRN).

INVESTMENT HIGHLIGHTS

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

Quality leadership
Quality leadership with a track record of product innovation

Brand strength
High brand awareness and brand loyalty in core markets

Blue chip customer base
High customer loyalty with blue-chip customer base in B2B business

Multi-channel sales
Sales channel mix in B2B and B2C (distributors, resellers, system houses, retailers, e-tailers, DTC)

Scalable production base
Highly automated assembly machines and warehouse robotics

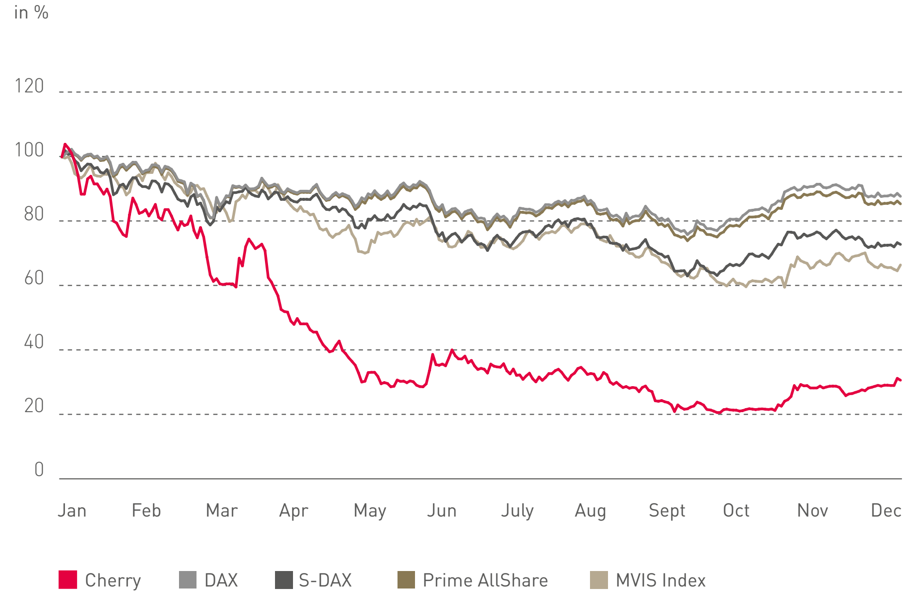
Sustainability
Consistent orientation of the business model to international ESG standards

ANALYSTS

Institute	Analyst[1]	Recommendation	Target Price	Date
ABN AMRO / ODDO BHF	Julian Dobrovolschi Leopoldo Palazzi Trivelli	Outperform	€ 12.60	March 7, 2023
Hauck Aufhäuser Investment Banking	Marie-Thérèse Gruebner Tim Wunderlich	Buy	€ 12.00	March 21, 2023
Metzler Capital Markets	Tom Diedrich	Buy	€ 10.30	February 3, 2023
Montega AG – Equity Research	Miguel Lago Mascato Sebastian Weidhüner	Buy	€ 11.00	March 22, 2023
Warburg Research	Jörg Philipp Frey Andreas Wolf	Buy	€ 13.00	February 9, 2023

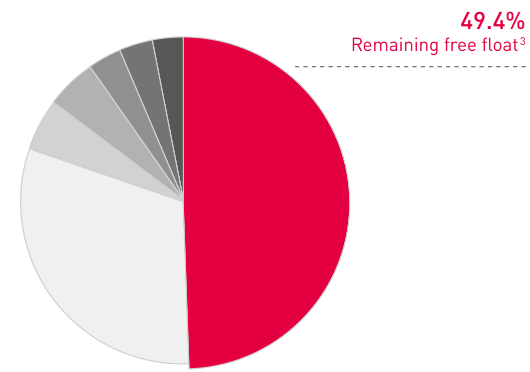
1 Cherry SE updates the analyst overview regularly. The evaluations presented here merely reflect the opinion of the financial institutions, research companies or analysts named therein. Cherry SE assumes no liability for the selection, timeliness, completeness or accuracy of the analyst recommendations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

RELATIVE PERFORMANCE OF THE CHERRY SHARE

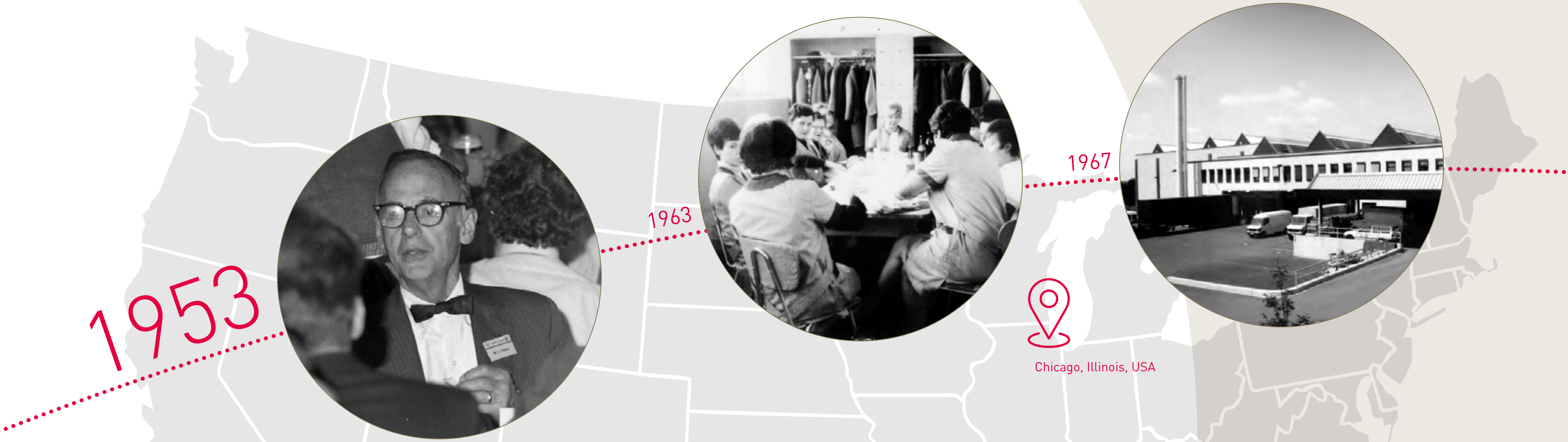


SHAREHOLDER STRUCTURE[1]

3.0% Cherry SE (Treasury Shares)
3.3% UBS Group AG
3.3% Paladin Asset Management
5.2% The Capital Group Companies
5.0% Swedbank Robur Fonder
30.8% Argand Partners Fund GP-GP[2]



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.

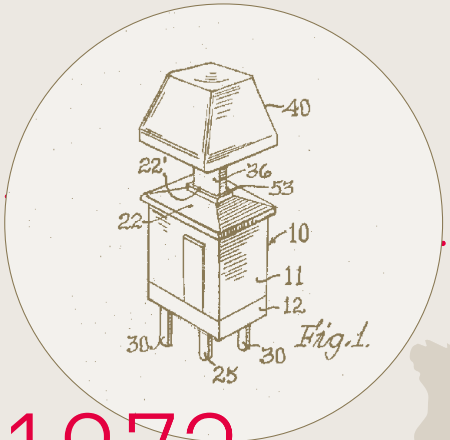


The CHERRY **legacy**

IN 1953, WALTER LORAIN CHERRY FOUNDS CHERRY ELECTRICAL PRODUCTS CORPORATION IN HIGHLAND PARK, ILLINOIS, USA.

The first snap-action switches were produced in the basement of a restaurant in Highland Park, Illinois, USA. In its early days, Cherry Electrical Products supplied the automotive industry and soon grew to include Ford as well as other carmakers. After entering the US automotive market, in 1963, Walter Lorain Cherry ventured across the pond to Europe to establish a German subsidiary, initially in the Fichtel Mountains of Bavaria. In 1967, CHERRY moved into its newly constructed building for the management, development, and production of snap-action and coding switches in Bayreuth. The first forerunners of modern keyboards (such as for industrial machine control systems) were manufactured for the European market. American entrepreneurship meets German engineering. A perfect symbiosis gathered pace and has since become the epitome of precision, durability, and responsibility.

1953 Walter Lorain Cherry
1963 Female employees on break
1967 Production site in Bayreuth



1978

1979

1973

Auerbach in the Upper Palatinate

Production of the first **keyboards**

IN THE SEVENTIES CHERRY BEGINS PRODUCING THE FIRST KEYBOARDS.

On February 6, 1973 the first keyboard switch was patented in the USA. At the time, CHERRY was still mainly producing keyboards for the electric typewriters of other brands, but continued to invest in keyboard switch technology and developed the M6 switch, a precursor to the famous CHERRY MX. Rapid internationalization with production facilities in the USA, Germany, England, and Japan enabled the series production of snap-action, preselector, and automotive switches as well as input keys and keyboards for the world market as early as 1978. In 1979 the German subsidiary relocated to Auerbach in the Upper Palatinate region under the name of Cherry GmbH and in the same year launched the G80-0081 Berthold keyboard, specially designed for controlling typesetting machines in printing works and equipped with M7 switches "made in Germany."

CHERRY und seine Welt 1/79

CHERRY'S ERNTEDANK IN AUERBACH

Einweihung und Eröffnung von Hauptverwaltung und Werk 1

Die neuen Gebäude: Hauptverwaltung und Werk 1 (Elektronik) in Auerbach

In festlichem Rahmen wurden am Freitag, dem 19. Oktober 1979, die Neubauten für Cherry's Hauptverwaltung und Werk 1 eingeweiht und eröffnet. Zahlreiche Besucher aus dem öffentlichen Leben und der Wirtschaft hatten sich eingefunden, um an dem Empfang teilzunehmen, für den bei strahlendem Herbstwetter die Knabenkapelle Auerbach den Auftakt gab.

Winfried Tobolewski, der die Gäste begrüßte, dankte allen, die mit für das Gelingen des Baus gesorgt hatten: Dienstleistungsunternehmen ebenso wie Banken und Behörden, aber auch Politikern, die zum unbürokratischen Ablauf beigetragen hatten. Darauf erfolgte die geistliche Weihe der neuen Gebäude und die Schlüsselübergabe an die Geschäftsleitung durch den Architekten.

Der Firmengründer und Leiter der amerikanischen Cherry-Gesellschaften, Walter Cherry, hatte es sich nicht nehmen lassen, persönlich mit seiner Gattin anzureisen. Im Anschluß an die Schlüsselübergabe ergriff er einen Spaten und pflanzte an sonniger Stelle ein Kirschbäumchen in die Grünfläche vor dem Verwaltungsgebäude - Symbol für das bisherige und auch für die Zukunft erhoffte Wachstum der Gesellschaft.

Auf einem Rundgang durch die Gebäude informierten sich die Teilnehmer sodann über Bedingungen und technischen Stand der Arbeit bei Cherry, und die anschließenden Ansprachen konnten in lockerer Haltung angehört werden: beim liebevoll aufgebauten bayerischen Buffet in der farbenfroh geschmückten Kantine. Die Dekoration, bestehend aus Blumen und Früchten aus Wald und Feld, entsprach dem ... Erntedanks, unter das die ganze Veran... war, und eine Erntekrone ...rpult aufgebaut.

Das Bayreuther Cherry-Werk 2 für Elektrotechnik

...gen zwischen Mitarbeitern, Kunden, Lieferanten und Geschäftsleitung für Cherry stets das Wichtigste war und es auch bleiben soll. So sei die Idee des Dankes, unter der auch dies Fest stehe, ein wesentlicher Teil der gesamten Einstellung des Unternehmens zu allen seinen Freunden.

Zur musika... schen Zith... Abend in... leicht wa... Runde ... die gan...

ZU DIESEM HEFT

Dies ist die erste Ausgabe der neuen Hauszeitschrift der Cherry-Mikroschalter GmbH. Sie soll vierteljährlich erscheinen und ist vor allem für die Mitarbeiter bestimmt, wird aber sicher auch dazu beitragen, anderen ein Bild von dem Unternehmen und seinen Menschen zu geben.

»Cherrry und seine Welt« wird eine unabhängige Veröffentlichung: weder auf die Geschäftsleitung ausgerichtet, noch auf politische oder ideologische Gruppierungen gleich welcher Art. Andererseits kann und soll die Zeitschrift aber als Sprachrohr für jede Art von Meinungen, Berich... ten und Vorschlägen zur Verfügung stehen, d... zum gemeinsamen Besten beitragen können. Das redaktionelle Konzept sieht so aus, daß ... erster Linie über Ereignisse und Entwicklun... berichtet werden soll, die alle Cherry-Mitarb...

IN THE EIGHTIES, THE FIRST CHERRY MX SWITCHES REVOLUTIONIZE THE KEYBOARD INDUSTRY.

Mechanical keyboard technology that provides outstanding reliability and performance is born. Since then, CHERRY MX switch technology and CHERRY keyboards have been the industry benchmark, especially for frequent typists, as the keys do not bounce and not a single character is lost, even when typing at high speed. Produced fully automatically, the MX switches already featured the worldwide unique Cherry Gold Crosspoint contact system and increasingly diverse actuation characteristics that ensure maximum reliability and meet individual requirements. To date, more than 80 billion MX switches have been sold and are used in over 60 million keyboards worldwide, many of which provide a guaranteed life cycle of 100 million keystrokes. **In 1984** the G80-0427 keyboard was launched, one of the first Apple- and IBM-compatible keyboards to feature CHERRY MX Black switches. **The year 1988** witnessed the launch of the G80-3000, one of the most successful and now oldest keyboard series in the world. In its current version it is still a popular device, even today.

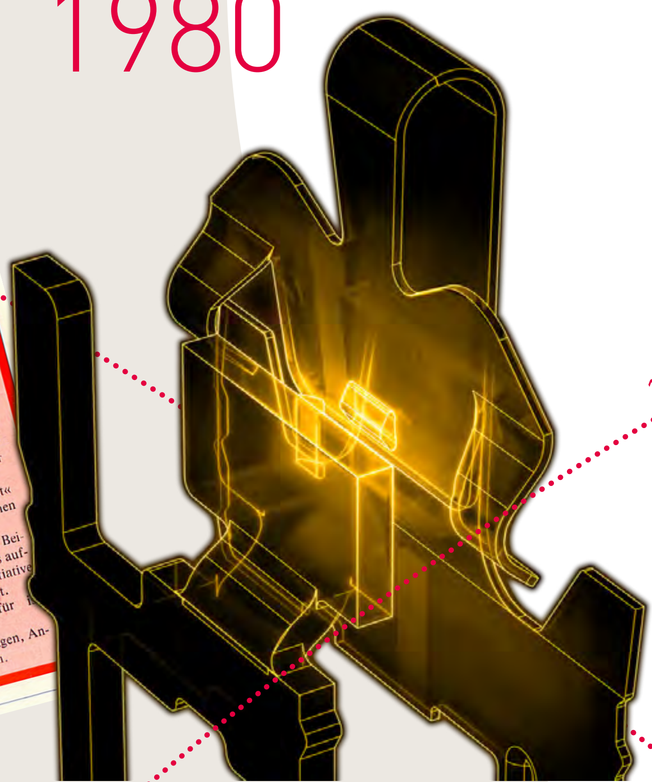
Mechanical keyboards


h/Oberpfalz

lichen Untermalung durch einen bayeri-
erspieler mit Begleitung blieb man bis zum
angeregtem Gespräch beisammen. Viel-
r etwas dran an dem Spruch, der dabei die
achte: »Cherry feiert! So erschallt's durch
ze Oberpfalz.«

Rubrik »Personelles« steht für Nachrichten
dem Kreis der Mitarbeiter und für Informa-
nen aus dem Bereich des Arbeits- und Sozial-
rsicherungs-Rechts zur Verfügung.
Technische und wirtschaftliche Themen sollen in
zwangloser Folge auch allen denen Einblicke
über das Geschehen im Betrieb geben, die an der
jeweiligen Entwicklung selbst nicht unmittelbar
beteiligt sind.
In der ständigen Rubrik »Cherry's Sportwelt«
erhalten die Sportbegeisterten der verschiedenen
Betriebsmannschaften das Wort.
Und zusätzlich können kleine oder größere Bei-
träge aus allen Bereichen des Betriebslebens auf-
genommen werden — am besten auf Initiative
und aus der Feder von Mitarbeitern selbst.
Die redaktionelle Kontaktstelle hierfür
Manfred Schöttner.
Wenden Sie sich bitte an ihn mit Beiträgen, An-
regungen und kritischen Anmerkungen.

1980



1982

1988

1980 MX switch CHERRY Gold Crosspoint
1982 Factory shot of Auerbach production site
1988 Klaus Dieter Lauterbach at the G80-3000 market introduction

Benchmarks in **environmental friendliness**

IN THE 1990S, CHERRY LAUNCHES NUMEROUS STATE-OF-THE-ART KEYBOARDS AND BECOMES A FORCE TO BE RECKONED WITH IN THE BURGEONING INTERNATIONAL DESKTOP PC MARKET.

1998 CHERRY Greenline Keyboard
1998 Angela Merkel at the CeBIT booth

1998

With the CHERRY Greenline, officially unveiled at the CeBIT in 1998, CHERRY began setting standards in terms of eco-friendliness. The first "green" product line was completely free of PVC and hazardous flame retardants. Its innovative development concept meant that for the first time a keyboard could be effectively recycled, and CHERRY even provided a free take-back guarantee at the end of its useful life. Since then, an increasing number of CHERRY products have been awarded the German government's "Blue Angel" environmental label, symbolizing very high standards for eco-friendly products and services.

Cherry's G80-1501 keyboard was the first to be exclusively designed for the healthcare sector, featuring 102 keys and an integrated smart card reader for health insurance cards, making CHERRY an early player in the healthcare market.

Gamers, Creators and other **Professionals**

2004

2005

2000

WITH THE RAPID SPREAD OF THE INTERNET AND THE WORLDWIDE GAMING BOOM, THE DEMAND FOR CHERRY KEYBOARDS AND MX SWITCHES CONTINUES TO GROW IN THE 2000S.

Features that were already highly valued by the world champions in speed typing back in the eighties, such as precise actuation, fast input, and an individual typing feel coupled with maximum reliability and durability, were then also becoming increasingly appreciated by successful gamers, creators, and other professionals. At the same time, CHERRY also set the global standard for keycaps for mechanical keyboards, in terms of both the typical CHERRY cross-shaped key button mount and the distinctive shape of the keycap, which to this day is considered synonymous with ergonomic perfection. In 2005, CHERRY became the overall winner of the "Industrial Excellence Award" in Europe. In 2008, after the founder's son Peter Cherry retired, CHERRY became part of the German automotive supplier ZF. The keyboards, which were previously considered an insider tip by PC gamers in China, were now being systematically further developed for the broad Chinese gaming market. CHERRY MX mechanical gaming keyboards soon became the premium brand in China.

2004 Banking with the CHERRY SmartBoard G83-6700
2005 Revised corporate and brand logo

IN 2014, THE CHERRY MX RGB SWITCH IS INTRODUCED AT THE EXPLICIT REQUEST OF THE GAMING COMMUNITY; ANOTHER SUCCESS STORY TAKES ITS COURSE.

Since then, the mechanical MX gaming keyboards can be illuminated by LEDs with up to 16.8 million colors. Apart from pre-programmed light and color effects, users could also select their own color patterns and illuminate individual keys to create fascinating color effects or subtle monochromatic lighting – depending on personal preference. Those who wanted to program even more customized effects, macros, and professional settings could simply use the CHERRY utility software to do so. **In 2015**, CHERRY participated as an exhibitor at the CES in Las Vegas for the first time and presented itself as an international brand. The exclusive presentation of the CHERRY MX Board 6.0 with its corresponding RealKey technology was a resounding success. In Germany, the CHERRY STREAM XT advanced to become the best-selling keyboard in the country.

After another change of ownership **in 2016**, as a private equity-owned entity, CHERRY focused henceforth exclusively on computer peripherals. Under new management, CHERRY was restructured into the GAMING and PROFESSIONAL business areas. In 2018, the first CHERRY MX Low Profile switch was presented at the CES in Las Vegas and **in 2019** the company moved to its state-of-the-art premises in Auerbach (Bavaria) with automated production and warehouse management. **In 2020**, CHERRY acquired the Austrian company Theobroma and the first e-health terminal for the German telematics infrastructure was launched.

Yet another **success story**

2014 2015 2016 2017 2018 2019

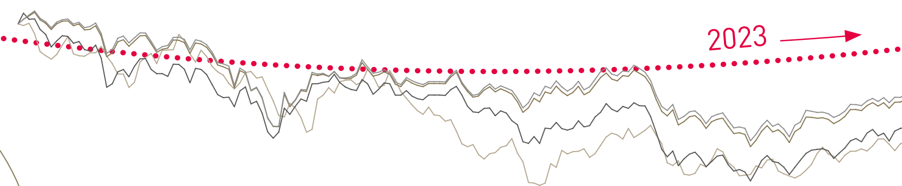
Since 2019 new company headquarters

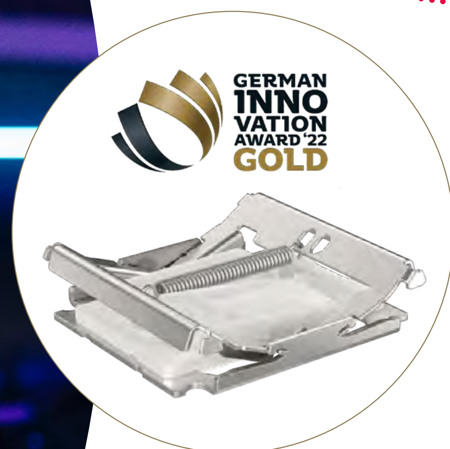
Auerbach in Upper Palatinate

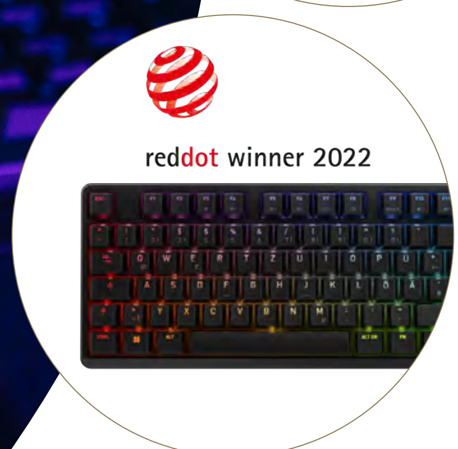
Current MX mechanical gaming keyboard

Awards and latest **switch innovation**

2021







2022 German Innovation Award MX6C
2022 reddot Award G80-3833
2023 German Design Award JA-0720

THE CURRENT DECADE BEGINS WITH CHERRY'S IPO ON THE FRANKFURT STOCK EXCHANGE, FOLLOWED IN 2021 BY ITS LATEST SWITCH INNOVATION, THE CHERRY MX ULTRA LOW PROFILE.

CHERRY has since won a number of prestigious design awards, including the German Design Award, the Red Dot Design Award, and the iF DESIGN AWARD, and was named "Best Brand of the Year 2022" in the "Keyboards" category of the renowned Plus X Award. In May 2021, CHERRY acquired Active Key GmbH, a manufacturer that specializes in hygienic, washable keyboards and mice, with the strategic aim of specifically broadening its range of products in the field of digital healthcare. Then, at the end of 2022, CHERRY acquired another company: the integration of the Swedish e-sports specialist Xtrfy Gaming AB made the year 2023 a special milestone in the worlds of gaming and e-sports. The CHERRY success story is now being continued under new management.

Interview with the Management Board

2023


Oliver Kaltner (CEO)


Bernd Wagner (CFO)


Dr. Udo Streller (COO)

CHERRY was exposed to some considerable economic headwinds during the past fiscal year. In addition to international supply chain disruptions, lockdowns in China, and high inventory levels in the various sales channels, worldwide consumer demand for computer peripherals also lost pace during the year as a result of the war in Ukraine. On January 1, 2023, you succeeded Rolf Unterberger as the new CEO of Cherry SE. How do you assess the prospects for business in 2023, CHERRY's anniversary year?

Oliver Kaltner 2022 was a particularly challenging year, both for the economy and for companies in general, regardless of which sector they operate in. A number of serious crises had to be mastered, which impacted operational processes and planning as well as the implementation of business plans – a real test of endurance for organizations, partners, and teams alike. In fact, the entire tech sector was affected by a variety of negative external circumstances last year. At CHERRY, this fact was reflected in particular in a significant shift in the product mix in terms of revenue and lower operating profitability within the Group. Moreover, our own inventories grew considerably over the course of the year, a problematic situation for products with longer life cycles, as the option of offering high discounts is essentially ruled out. Measures initiated last year while Rolf Unterberger was still CEO included the introduction of short-time working arrangements in the second quarter and the adjustment of personnel capacity at the Auerbach site in the fourth quarter, which was done in the most socially acceptable manner possible. On this basis, we are working together with employee representatives on various personnel management concepts to further raise our level of flexibility. The quicker we bring our high inventories down to a healthy level, the sooner we will be able to bring our overall production capacity utilization back into line with market demand. We are currently focusing on continuing the process of systematically increasing the international scale of our business, especially in the gaming sector. With the cultural and commercial integration of the recently acquired Xtrfy Gaming AB, we are underpinning our innovative strength and our relevance in the field of "gaming and e-sports" in the market. Moreover, we intend to continue bolstering our multi-channel sales strategy and make targeted additions to our product portfolio.

CHERRY Compact Keyboard Bundle

How exactly are you preparing CHERRY for internationalization and cultural diversity?

Oliver Kaltner Looking ahead, employer attractiveness, employee retention, recruitment, commitment, and satisfaction are of growing importance to us when it comes to securing and further enhancing CHERRY's relevance in the market going forward, in view of the company's highly impressive seventy-year history. Diversity is not only limited to gender, but also includes a wide range of age and affiliation factors, internationality, cultural diversity, and a contemporary form of integrative corporate management. With the growing digitalization of the worlds of both work and play, the usage habits of our customers around the world are also changing. Relevance is of key importance to CHERRY in this regard: Our vision is that CHERRY will be regarded worldwide as a blueprint for a comprehensive understanding of contemporary corporate culture.

One of the core elements is the global trend towards hybrid working. Hybrid means opening up geographically, offering a range of working style options, creating space for collaborative and individual working methods, cutting costs and minimizing needless travel by means of technically flexible solutions. At the same time, hybrid means not expecting ready-made solutions, but rather creating one's own working environment within the team under one's own responsibility, so that creativity and performance are ensured, even in these times of digital transformation. These solutions also include satellite hubs; a combination of in-house and co-working offices can become a highly effective network with geographical reach that also significantly enriches the talent pipeline for CHERRY. We will use our anniversary year to additionally sharpen our brand profile both internally and externally, as in modern corporate cultures there is no place for siloed and hierarchical thinking, domineering attitudes, and outdated management styles. We manage our business as team players in a spirit of trust that empowers individuals to act in a responsible manner. Working collaboratively as a team, we see the individual responsibility of each team member as the key to success. This is sustainability in action, firmly rooted in our business model, and the backbone of our corporate culture and leadership principles.

That sounds highly promising. Which role will the upcoming new automatic assembly machines for switches play in the business situation in 2023? And what concrete plans do you have for CHERRY's foreign production sites?

Dr. Udo Streller The two new assembly machines for the CHERRY MX and CHERRY MX ULP switches are milestones for CHERRY's operations. Not only do they significantly boost our manufacturing capacity, they also generate benefits in terms of productivity and product quality. The two machines are currently scheduled to begin production in the second quarter 2023. At our foreign locations we will pay particular attention to the issues of cost efficiency and supplier quality and intend to additionally focus on optimizing the global supply chain in view of our growing e-commerce business.

How will all this be reflected specifically in the financial outlook for 2023?

Bernd Wagner For the current fiscal year we expect Group revenue to be within the range of EUR 135 and 165 million. This will again depend to a large extent on how the economy develops, as it is currently still fraught with a high degree of uncertainty. Taking into account the measures already implemented and planned, we predict an (adjusted) EBITDA margin of between 10 and 14% for the current year. We therefore aim to increase operating profitability again and optimize the way we allocate capital.

text, cloud services are certainly also set to play an increasingly key role. However, we will go into greater detail regarding the individual potential for strategic growth in the further course of the year. Our aim is to specifically expand and internationalize CHERRY's position as a provider of hardware, software, and cloud services.

And which issues are you looking at in the medium term?

Oliver Kaltner We continue to see a combination of profitable organic, and strategic inorganic growth in our medium-term planning. The digitalization of the German healthcare sector is gathering pace, and we are currently taking a detailed look at the still highly fragmented provider market for software and cloud-based services. In this market segment we see a number of young companies with software-as-a-service business models that could be interesting options for CHERRY, partially due to our substantial installed base of e-health terminals for accessing the telematics infrastructure. Taking into account our strong market position and society's increasing affinity for digital and mobile usage, we see major potential here in terms of recurring revenue streams. A key advantage is that we do not need to invest in establishing production facilities to do so and can therefore keep the CHERRY business model "asset-light". At the same time, this strategy will enable us to additionally build on our existing software expertise in a targeted manner and, in some cases, leverage it in other markets. With the rapid spread of e-sports activities worldwide, the need of millions of gamers for comprehensive platform offerings that can be used on the move is also likely to grow. We also see huge potential here to expand our value chain towards software-based services as we move forward. In this con-

Talking about sustainability, the topic has always played a major role for CHERRY throughout the company's seventy-year history. Where do you currently see the greatest potential for CHERRY with regard to ESG?

Oliver Kaltner As a newcomer, I would like to confirm that sustainable thinking has been firmly embedded in the CHERRY team's DNA for a great many years, from product development to production to packaging. Earnest, accountable sustainability is therefore also an integral part of the CHERRY legacy. Personally, I see consistent alignment with international ESG criteria as essential going forward, not only to gain access to the capital market or for the sake of following the relevant environmental and compliance regulations. Our business is impacted by ESG criteria at practically all levels: Apart from the topics of internationalization and digitalization, ESG also impacts functional areas such as sourcing, production, logistics, marketing/sales, operations, finance and, above all, people and culture. In interaction with all our in-house teams, sales partners, suppliers, and end customers, ESG is therefore becoming a vital factor in CHERRY's corporate success. However, ESG cannot be implemented on a top-down basis on such a comprehensive scale. On the contrary, I see our management mission as involving the entire CHERRY team, if possible, in this ongoing process by creating the framework for a cutting-edge, ESG-compliant enterprise. ESG provides guidance, creates framework conditions, and facilitates additional business.

Current CHERRY Gaming Setup

We wish you and the entire CHERRY team every success in this endeavor!

02 Combined Management Report for Cherry SE and the Cherry Group 2022

1. CHERRY GROUP PROFILE

1.1. Business model

The Cherry Group, comprising Cherry SE (the "Company") and its consolidated subsidiaries is a globally operating manufacturer of high-end mechanical keyboard switches and computer input devices such as keyboards, mice, and headsets for applications in the worlds of gaming, e-sports, office and hybrid workplaces, industry, and healthcare. Since it was founded in 1953, Cherry has been synonymous with innovative, high-quality products developed specifically to meet the various needs of its customers.

Cherry has its operational headquarters in Auerbach in the Upper Palatinate region of Bavaria and employed 490 people as of December 31, 2022 in production facilities in Germany (Auerbach), China (Zhuhai) and Austria (Vienna) as well as in several sales offices in Germany (Munich, Auerbach, Pegnitz), France (Paris), USA (Kenosha), China (Shanghai), Taiwan (Taipei) and Hong Kong. Cherry is also represented by its own sales teams in England and Sweden.

The Cherry Group's commercial activities can be divided into two key business areas: GAMING and PROFESSIONAL, which each consolidate different business units. The GAMING business area comprises business with mechanical switches ("Components") as well as the sale of its own gaming peripherals ("Gaming Devices"). The PROFESSIONAL business area comprises business with peripherals for use in office and industrial applications ("Peripherals") as well as safe, hygienic peripherals for the digital healthcare sector ("Digital Health").

The Components business unit is already celebrating its 40th anniversary in the current fiscal year. In 1983, Cherry invented the first mechanical switches for keyboards and has since been a leading supplier of these components. Cherry Europe GmbH manages development, production, and sales from its operational headquarters in Auerbach. Cherry products are manufactured on various automatic assembly machines of different technological generations and capacities. The Cherry Group ensures compliance with its own quality requirements via testing procedures integrated in its production processes. The switches are sold primarily to globally operating vendors of gaming peripherals using a B2B marketing approach and supplied via distribution warehouses located in Auerbach and Hong Kong. Cherry's exceptional level of brand recognition in the market for mechanical keyboard switches enables it to pursue a pull strategy by having the world's leading peripherals suppliers recommend its switch technology to their end customers.

Cherry also offers a wide range of its own PC gaming peripherals, including keyboards, mice, and headsets – all precisely tailored to meet the needs of professional users in the worlds of gaming and e-sports. Cherry products are manufactured at the Group's plant in Zhuhai (China) using almost fully automated assembly equipment and processes. Cherry's in-house developed gaming peripherals are primarily sold via distributors and online platforms in the major gaming markets of Asia. In the 2022 fiscal year, the geographical focus was on China as the largest single market as well as on South Korea. Cherry was also present in other Southeast Asian markets such as Indonesia, Malaysia, and Hong Kong as well as Australia.

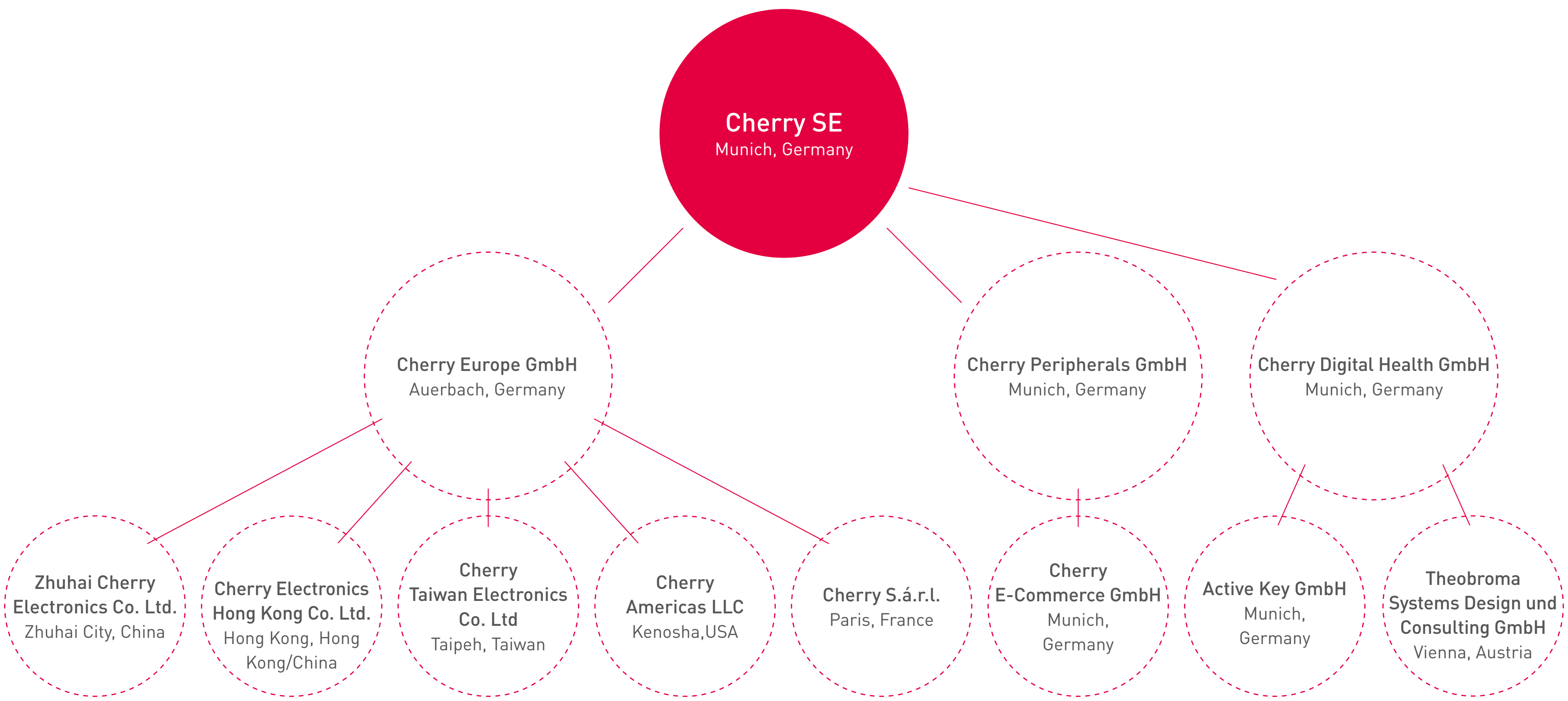
The PROFESSIONAL business area offers peripherals that have been specially developed for both (hybrid) office use and industrial applications. The corresponding devices for this user group essentially include keyboards, mice, desktop combinations, PoS devices, and secure input devices. These peripherals are manufactured on the basis of Cherry specifications, designs, and quality requirements by selected production partners abroad or at the Group's own manufacturing facilities in Zhuhai, China. The entire product portfolio for (hybrid) office workstation applications comprises a large number of different products in numerous color and country variants. Using a B2B approach, Cherry products are mainly sold by regional and national distributors in Europe, the USA, and Asia, who resell them to end users both online and offline via various sales channels (sub-distributors, resellers, systems houses, retailers, and e-tailers). Cherry E-Commerce GmbH also sells the products using a B2C approach via major e-commerce platforms such as Amazon and other online marketplaces.

Finally, within its PROFESSIONAL business area, Cherry focuses on developing, manufacturing, and selling innovative, tamper-proof peripherals capable of a wide range of functions for workstations in the digital healthcare sector. Cherry has been approved by gematik GmbH as one of only two providers of systems for connecting to the German telematics infrastructure (TI) in the healthcare sector. The Cherry eHealth Terminal ST-1506 is certified by the German Federal Office for Information Security (BSI) and distributed via specialized systems integrators to all TI user groups such as hospitals, doctors' surgeries, pharmacies, and other user groups. The SMD circuit boards are manufactured and the terminal devices assembled at the production site of Theobroma Systems Design und Consulting GmbH in Vienna, Austria. The market for telematics infrastructure in the German healthcare sector presents a high barrier to market entry for potential competitors due to its strict security and certification requirements. Cherry is also represented by Active Key GmbH in the market segment for hygienic, washable keyboards and mice.

1.2. Group structure

The entry of the Company in the commercial register on December 13, 2022 completed the change of the legal form of the parent company Cherry AG into a Societas Europaea (SE). As of December 31, 2022 Cherry SE held all the shares in the following subsidiaries:

- Cherry Europe GmbH (Auerbach, Germany)
- Cherry Peripherals GmbH (Munich, Germany) (originally entered in the commercial register as heptus 501. GmbH on November 24, 2022, with the name change to Cherry Peripherals GmbH taking place on December 13, 2022). The business object of Cherry Peripherals GmbH is to develop, manufacture, and distribute mechanical switches, IT peripherals, security systems, software, their import and export, and trade with bought-in IT peripherals, security systems, and software as well as to provide development and other services in the field of IT
- Cherry Digital Health GmbH (Munich, Germany)



As of December 31, 2022, Cherry Europe GmbH had wholly owned subsidiaries located in Zhuhai City (China), Hong Kong (China), Taipei (Taiwan), Kenosha (Wisconsin, USA), and Paris (France).

As of December 31, 2022, Cherry Peripherals GmbH held all the shares in Cherry E-Commerce GmbH (Munich, Germany), which was established and entered in the commercial register on June 9, 2022. The business object of Cherry E-Commerce GmbH is the international sale, also via online channels, of computer input devices, mechanical switches, hardware, and other IT-based and IT-supporting products and peripherals, including all related businesses and services.

As of December 31, 2022, Cherry Digital Health GmbH held all the shares in Active Key GmbH (Munich, Germany) and Theobroma Systems Design und Consulting GmbH (Vienna, Austria).

1.3. Strategy and target system

Cherry's strategy is based on the four key areas of "core competences," "strategic thrust," "business areas and competitive advantages," and "designing value chains." The core competence of innovation and quality leadership is intended to secure Cherry's future competitive position on the market through specific advantages relating to the performance of its range of products and services. Cherry leverages its long-standing core competences to promote future corporate growth by focusing on various fields of innovation. In this endeavor, Cherry strives to offer its end customers specific additional benefits with a relevant range of products and services in order to generate additional competitive advantages going forward. In designing its value chains, Cherry views it as particularly important to broaden its international sales markets and further expand sales channels in the existing GAMING and PROFESSIONAL business areas.

At the same time, the Group's strategy is to additionally promote planned corporate growth and brand awareness via a combination of organic and inorganic growth measures. Cherry defines its targeted inorganic measures as selective acquisitions designed to expand its value chains, complementary core competences, and geographical presence with a relevant range of products and services on an international level.

Cherry's competitive advantages include:

- Established position as global market leader for mechanical gaming keyboard switches
- Quality leadership with a track record of developing innovative products
- High level of brand awareness and brand loyalty in core markets
- High customer retention level among blue-chip customer base in B2B business
- Comprehensive mix of B2B and B2C sales channels (distributors, resellers, systems houses, retailers, e-tailers, DTC)
- Scalable production base with highly automated assembly equipment and warehouse robotics
- Consistent orientation of the business model to meet international ESG standards

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

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

- In the Components business unit, Cherry aims to achieve rapid market penetration in the segment for high-quality gaming notebooks with its MX Ultra Low Profile switches. These switches will also be used to gain market share in other segments such as high-end office notebooks.
- The strategy in the Gaming Devices business unit is aimed at expanding geographical market presence, broadening the product portfolio, and establishing a comprehensive ecosystem with centralized gaming utility software for keyboards, mice, and headsets.

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

- In the Peripherals business unit, efforts are also being made to expand the product portfolio, including the addition of new wireless keyboards and desktop combinations designed for creators as well as ergonomically optimized peripherals. Moreover, the strategic focus is on penetrating regional markets, particularly in Europe and North America, via selective sales channels and the establishment and expansion of e-commerce sales via major online marketplaces in Europe and the USA.

– The strategy in the Digital Health business unit largely comprises the further rollout of the Cherry eHealth terminal ST-1506 and the new Cherry PIN Pad PP-1516 in the German healthcare sector in order to increase the installed base of Cherry hardware among all user groups of the telematics infrastructure and increase market share. The second technology generation of German telematics infrastructure (TI 2.0) thus offers strategic potential for Cherry to launch software-based services with recurring revenue streams.

1.4. Management system

For corporate management purposes, the Cherry Group is organized in seven legal and segment reporting entities: Cherry Europe GmbH, Cherry Digital Health GmbH, Cherry Americas LLC, Zhuhai Cherry Electronics Co. Ltd., Cherry Electronics (Hong Kong) Co. Ltd., Theobroma Systems Design und Consulting GmbH, and Active Key GmbH. The remaining Cherry Group companies are allocated to "Other".

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

The Management Board utilizes the financial performance indicators of revenue and adjusted EBITDA in its corporate decision-making processes. In addition to the segments, these performance indicators are also presented for the GAMING and PROFESSIONAL business areas in the net assets, financial position and results of operations.

The changeover to segment reporting based on the business areas planned for fiscal year 2022 has not taken place due to structural and organizational changes to the Group that have already been made or are still planned, as these may have additional implications for the management model and internal reporting. In the past fiscal year, reporting and management continued to be carried out at the level of the segments, which are based on the legal Group entities.

Financial performance indicators

Group revenue

Cherry's commercial activities in the GAMING business area mainly comprise the development, production, and supply of gaming peripherals and a wide range of keyboard switches with varying product specifications, which are installed as intermediate products in the gaming keyboards of globally leading peripheral equipment vendors and also in keyboards made by Cherry as well as other suppliers for professional users in the gaming and e-sports sectors.

By contrast, the PROFESSIONAL business area, which develops, produces, and supplies peripherals for use in offices, industry, and the healthcare sector, is largely driven by the megatrends of new work, working from home, and digitalization and targets market segments with varying degrees of dynamism. Alongside access to the various regional markets, its main influencing factors include the mix of distribution channels used in each case and the respective time to market for innovations.

In this respect, Group revenue is subject to a number of varying factors (i.e. nature, extent, and direction), each individual and the aggregate impact of which is assessed by the Management Board on a regular basis. In the outlook report, this fact is taken into account by specifying a target range.

Use of Alternative Performance Measures (ESMA)

EBITDA margin (adjusted)

Adjusted EBITDA represents the Group's earnings before interest, taxes, the depreciation of property, plant and equipment, and the amortization of intangible assets, adjusted for non-recurring items.

The indicator therefore reflects the operational profitability and the efficiency of a company's economic performance. Adjusted EBITDA can be used to compare and assess a company's profitability over time and in an international comparison, irrespective of the individual financial structure and local income taxes.

The Management Board manages operating earnings in such a way that the strategically defined growth trajectory can be implemented with an appropriate level of profitability. All relevant expense items are therefore forecast after taking account of the planned revenue performance of the Cherry Group as a whole, excluding non-operating non-recurring items. This is reflected in the fact that the indicator of profitability for forecasting purposes is expressed as a relative (adjusted) EBITDA margin.

EBITDA (adjusted)

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

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

1.5. Research and development

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

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

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

- Development activities in the Components business unit mainly related to technological innovations in keyboard switches, including new product generations and derivatives. A significant proportion of the development work focused on design as well as manufacturing technology for Cherry MX switches with the aim of improving the next generation of products in terms of acoustics, haptics, and performance.

  Development of the tactile variant of the Cherry MX Ultra Low Profile switch (ULP) was completed during the first half of 2022. While the switching characteristics of the Cherry MX ULP in the "click" variant are similar to the Cherry MX Blue switch, which provides an explicit acoustic feedback, the development of the Cherry MX ULP Tactile was based on the characteristics of the Cherry MX Brown, with more of a focus on a noticeable resistance when reaching the click point. The Cherry MX Ultra Low Profile Tactile was developed for user groups who specifically do not require the acoustic feedback of their notebook or desktop keyboards. In addition to gamers and e-sports teams, this also includes people who need to type a great deal, either in the office or remotely, as well as content creators of all kinds who need to work with high precision and appreciate a pleasant, perceptible feel when typing. Furthermore, an innovative analog switch technology for desktop keyboards was developed for series production. These switches offer additional specific performance benefits for professional users in the areas of gaming and e-sports.

- In the Gaming Devices business unit, development focused on gaming keyboards as well as gaming mice and utility software. Looking at gaming keyboards, in addition to expanding the product portfolio and regionally adapting the existing range of products, development focused in particular on a gaming keyboard (MX1.1) with modular expansion and upgrade functionality, which can be flexibly and individually adapted to meet the needs of a large number of customers. Based on Cherry MX Low Profile technology and Cherry Advanced Wireless technology, the Cherry MX LP 2.1 and Cherry MX LP 6.1 gaming keyboards reached the series production stage during the 12-month period under report, both of which feature a compact keyboard layout with 68 keys. The German Design Award-winning gaming keyboard MX2.0S was equipped in a variant with Cherry Advanced Wireless technology and the Cherry MX 3.0S gaming keyboard was developed as a TKL variant (tenkeyless, i.e. without a number pad). A gaming keyboard based on the analog switch technology developed in the Components business unit was also launched during the period under report. Other development work related to a specially designed gaming keyboard with switchable haptics (special damping function).

  In addition, the Cherry MC1.1 and Cherry MC1.1Pro gaming mice were developed for series production.

  During the 12-month period under report, the Cherry utility software was also redesigned on a completely new Cherry software platform that will serve as the basis for all future products developed by the various Cherry business units. The global market launch is scheduled for the current fiscal year. In particular, the new software architecture also interacts with Cherry Advanced Wireless technology as well as other state-of-the-art wireless technologies and, in the course of its further development, will also be based on or provide access to open source architectures with a view to managing the communication of Cherry hardware devices throughout the Group on a centralized basis within a Cherry software ecosystem.

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

- In the Peripherals business unit, development work focused on expanding the current portfolio and upgrading existing products. In this context, the Peripherals development team designed a new type of mechanical keyboard using Cherry MX Ultra Low Profile switches and new USB microphones with varying performance characteristics. The team also developed several multi-device keyboards and mice that can be connected to up to four devices simultaneously. New electronic solutions were also developed for various keyboards in industrial applications, as the previously used microcontrollers have reached the end of their product life cycle.
- In the Digital Health business unit, the majority of development work was carried out in the three areas of e-health, hygiene peripherals, and smart boards. The eHealth solutions team focused on enhancing the eHealth Terminal ST-1506 as well as a new version of the eHealth PIN Pad-1516. The eHealth Terminal ST-1506, which was originally launched in the first quarter 2021, has been developed on the basis of the multi-paradigm system programming language RUST and thus also provides a scalable platform for Cherry in the future telematics infrastructure for the German healthcare system (TI 2.0). The Cherry eHealth PIN Pad PP-1516 has been undergoing an approval process at gematik GmbH as well as certification by the German Federal Office for Information Security (BSI) since the end of 2022. The device has been developed as a state-of-the-art, easily disinfectable solution for digitalized workstations in the healthcare sector. The PIN Pad enables patients to uniquely identify and release their personal data by entering a PIN for applications such as the electronic medication plan (eMP), emergency data management (NFDM), or the electronic patient record (ePA). Apart from the enhanced version of the PIN Pad, the continuous further improvement of the e-health terminal's software was also an essential part of Cherry's development activities aimed at addressing requirements relating to future applications in the telematics infrastructure. Development work on e-health solutions was carried out under the leadership of the e-health product management team, both at the Cherry Group subsidiary Theobroma Systems Design und Consulting GmbH and by external development partners for "embedded Linux" in Germany and Poland.

  Development work conducted by the Group subsidiary Active Key GmbH in the field of hygiene peripherals solutions related to keyboards and mice for applications where hygiene is a critical factor. The keyboards and mice, which can all be thoroughly disinfected by wiping, therefore ensure safe clinical surface disinfection while at the same time being very easy and convenient to use. The waterproof silicone membrane accurately reproduces the contours of the mechanically guided keys, while the gap-free surface effectively protects the user from germs. This part of the product portfolio was further developed under the leadership of the Active Key Product Management team, which also defined and developed technical specifications for new products. The STREAM PROTECT interchangeable membrane is another new product that has been developed for Cherry STREAM keyboards, which are also used in applications outside the healthcare sector where hygiene is a relevant factor.

The Smart Board solutions team of the Group subsidiary Theobroma Systems Design und Consulting GmbH developed embedded systems for smart products in the fields of "Internet of Things" (IoT) and "Industry 4.0" for applications in the fields of health and life sciences, industry, transportation and logistics, retail, and security. The development portfolio consists of SoM (system-on-module) platforms including development kits, single-board computers, and fully customized design products for a variety of devices such as robotic mowers, marine navigation systems, fully automatic coffee machines, and printers, each of which is controlled via corresponding applications.

As of December 31, 2022, a total of 62 people were engaged in research and development work (December 31, 2021: 55 people).

Research and development expenses amounted to EUR 9.0 million in the year under report (2021: EUR 6.1 million). Of this amount, EUR 3.9 million (2021: EUR 2.0 million) was attributable to the GAMING business area and EUR 5.1 million (2021: EUR 4.1 million) to the PROFESSIONAL business area. The R&D ratio amounted to approximately 9.5% of revenue in the GAMING business area (2021: 2.4%) and to approximately 5.7% of revenue in the PROFESSIONAL business area (2021: 4.8%).

Moreover, in-house development costs amounting to EUR 3.1 million were capitalized as intangible assets in the 2022 fiscal year (2021: EUR 2.6 million), which mainly related to developments in the Components, Peripherals and Digital Health business units. Capitalized development costs therefore accounted for 34.4% of the total research and development expenses (2021: 43.3%).

2. BUSINESS REPORT

2.1. Macroeconomic and sector-specific environment

During the year under report, the world economy was significantly impacted by the dual effect of the COVID-19 pandemic and the armed conflict between Russia and Ukraine. Over the course of the year, a number of parallel shocks impacted the world economy, causing high volatility in energy prices, uncertainty in developing economies regarding food security, and rising inflation expectations as well as rapidly rising interest rates. Moreover, the Chinese economy was additionally held down by the zero-covid policy pursued by the government and the recession in the residential real estate sector. In the major industrialized countries, the economic slowdown was mainly due to weakening demand and monetary interest rate policies.

According to the International Monetary Fund's (IMF) "World Economic Outlook – Countering the Cost-of-Living Crisis," report published in October 2022, the world economy continues to face exceptional challenges resulting from Russia's invasion of Ukraine, the permanently higher cost of living, and the economic downturn in China. Persistent and widening inflationary pressures triggered a rapid and synchronous tightening of monetary conditions as well as a sharp appreciation of the US dollar against most other currencies in 2022. The IMF believes that the negative global monetary and financial conditions are likely to ripple through the economy, holding down demand and only helping to gradually dampen inflation in 2023.

While in October 2022 the IMF continued to forecast global economic growth of 3.2% for 2022, it raised this estimate to 3.4% in its January 2023 update "World Economic Outlook – Inflation Peaking Amid Low Growth" on the back of a surprisingly strong third quarter 2022 in many economies, including those of the USA and the eurozone. According to this report, private consumption in the USA has been financed out of savings, which has led to a significant decline in the private savings rate. However, according to the IMF, this positive development is likely to have weakened in most major economies by the last quarter 2022. With global inflation estimated to average 8.8% in 2022, the IMF considers it likely that price inflation has already peaked worldwide.

In its World Economic Outlook published in January 2023, the IMF now anticipates disproportionately low growth of 2.7% in the advanced economies in 2023 (2022:

5.4%), while growth of 3.9% is projected for the group of emerging markets and developing economies (2022: 6.7%). In the regions most important for Cherry, the IMF estimates economic growth in 2023 at 1.9% in Germany (2022: 2.6%), 3.5% in the eurozone (2022: 5.3%), 2.0% in the USA (2022: 5.9%), 3.0% in China (2022: 8.4%) and 5.2% in the Association of Southeast Asian Nations (ASEAN: Indonesia, Malaysia, Philippines, Thailand, Vietnam) countries (2022: 3.8%).

According to the German Federal Statistical Office DESTATIS (source: press release no. 037 dated January 30, 2023), Germany's gross domestic product (GDP) contracted by 0.2% in the fourth quarter 2022 compared to the previous three-month period – adjusted for price, seasonal, and calendar effects. After the German economy held up well in the first three quarters, despite the difficult conditions, economic output decreased slightly in the fourth quarter 2022. In particular, price-, season- and calendar-adjusted private consumer spending, which had supported the German economy in the year to date, was lower than in the preceding quarter. In 2022, price- and calendar-adjusted economic growth came in at 1.9%, although, according to DESTATIS, due to the ongoing COVID-19 crisis and the consequences of the war in Ukraine, these results are subject to greater uncertainty than usual.

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

The market research institute Newzoo estimates the global market volume for PC games to have generated revenue of USD 40.5 billion in 2022, equivalent to a share of around 22% of the total games market (source: Global Games Market Report 2022, July 2022). At USD 38.2 billion, packaged/digital PC games accounted for the vast majority of this amount, resulting in growth of 1.8% in this market segment. The remaining USD 2.3 billion related to the PC browser games market segment, representing a decrease of 16.7% year on year. Furthermore, Newzoo estimates the number of gamers worldwide to have increased by around 4.6% to around 3.198 billion in 2022 compared with the previous year. Of this figure, the Asia-Pacific region alone accounted for around 55% with around 1.746 billion gamers, where Newzoo estimated that the number had grown by around 4.2% year on year. In 2022, Newzoo estimated the number of PC gamers at around 1.045 billion worldwide.

The market segment of PC peripherals for hybrid and remote office workstations, relevant for the PROFESSIONAL business area, is being impacted to a large extent by the sustained global "work-from-anywhere" trend. According to the "State of Remote Work 2022" report published by OWL Labs in collaboration with Global Workplace Analytics in October 2022 (source: https://resources.owllabs.com/blog/2022-state-of-remote-work-report), around 78% of full-time employees in the USA are estimated to have worked remotely, i.e. performed their work independent of their company's location, at least partially in 2022. The figure is therefore 13% up on the previous year. In the representative survey, technological equipment was listed among the three most important benefits mentioned, with 96% relevance.

In October 2022, gematik GmbH published the TI Atlas 2022 on the state of digitalization in the German healthcare system (source: https://www.gematik.de/telematikinfrastruktur/ti-atlas). Practically all pharmacies, hospitals, dentists, and doctors' surgeries are now connected to the telematics infrastructure. Based on a survey, gematik GmbH sees a high level of readiness to be connected to the TI among the new user groups. This includes in particular rehab facilities, outpatient and inpatient care, physiotherapy, obstetrics, and public health departments. gematik GmbH defines full TI capability as having a functioning connector, an operational electronic healthcare professional card and at least one installed TI application. Based on a representative survey of medical facilities, gematik estimates that about 43% of doctors' surgeries, 39% of psychotherapeutic practices, 56% of dental surgeries, 43% of pharmacies, and 24% of hospitals are fully TI-enabled. At the same time, in the TI Atlas 2022 gematik states that 89% of people in Germany have a positive attitude towards the new technologies and 18% are either in possession of or have applied for an electronic health card with NFC functionality, 11% own or have applied for a PIN, and 30% already use digital services within the healthcare system.

2.2. Business performance and key influencing factors

The 2022 fiscal year was a difficult one in both macroeconomic and geopolitical terms. High inflation rates in key sales regions, particularly in Europe and the USA, as well as fears of a global recession triggered by the COVID-19 pandemic and the war in Ukraine led to a high level of economic uncertainty and had a negative impact on the Cherry Group's business. Overall, the results achieved fell short of its original expectations for the 2022 fiscal year.

In particular, business with mechanical keyboard switches and gaming keyboards, which was mainly focused on the Asian economic region during 2022, was well down on the previous year. Repeated temporary closures of Chinese production and logistics sites due to the local zero-covid policy, both at Cherry and at customers, slowed down the flow of goods considerably or brought it to a temporary standstill. As a result, Cherry's distributors and customers both had comparatively high inventories, which they sold off as a matter of priority instead of stocking up on new goods. Moreover, since the beginning of 2022, there has been a trend among end consumers towards smaller gaming keyboards with a 20 to 30% lower number of switches, which further reduced the potential total market volume during the 2022 fiscal year. In response to the changed demand situation, various measures were taken during the year to safeguard the long-term profitability of the switches business. Capacity utilization in the production of classic MX switches was consistently reduced. Since the beginning of the second quarter 2022, production at the Auerbach site has been on a partial short-time working basis. The lower level of employment and the pro-rata reimbursement of short-time working payments enabled Cherry to save a total of around EUR 0.9 million in personnel costs during the nine-month period from April to December 2022.

In addition, the "Gaming Goes Global" project, which aims to expand the distribution of gaming peripherals across all of Cherry's active markets from the second quarter 2023, has set the course for Cherry keyboard switches to be installed in significantly larger quantities in its own gaming keyboards going forward and consequently reduce dependence on external customers. Furthermore, during the 2022 fiscal year, new production lines costing around EUR 10.8 million were ordered with the aim of modernizing production processes ("MX Gen.4", "ULP II") and are expected to be delivered and ready for use during the first half of 2023. The new systems, which will be financed via long-term lease contracts, is expected to increase the possible number of units produced many times over while maintaining the same high level of quality. This will significantly increase production efficiency, which will reduce manufacturing costs in the long term. In addition, the production capacities of the new ULP switches will be significantly increased, opening up the possibility of further application fields in the medium term, e.g. use in premium office notebooks.

In this context, Cherry adjusted its personnel capacities in the production, maintenance, warehousing, and transportation of keyboard switches to suit the changed economic conditions and lower personnel requirements resulting from the planned modernization of its production facilities. As part of a voluntary reconciliation of interests and a social plan jointly agreed with the employee representatives, which was communicated to the workforce at the beginning of September 2022, some 50 jobs had already been cut at the Auerbach site by the end of 2022. The restructuring expense, which mainly comprised severance payments for the employees affected by the social plan, amounted to approximately EUR 0.6 million.

The Components business unit was disproportionately affected by the difficult conditions resulting from the COVID 19 pandemic and the war in Ukraine and fell far short of expectations. The revenues of EUR 21.6 million generated were not sufficient to operate profitably. As a result, the adjusted EBITDA of the GAMING business area became negative and amounted to EUR -0.3 million. During the course of the year, the only major customer and strategic project partner of the Cherry VIOLA switches to date announced that it no longer wished to purchase the volumes underlying the supply contract, among other things due to the prevailing market and demand situation. In the absence of alternative customers, the Management Board of the Cherry Group, in consultation with the Supervisory Board, has decided to terminate the business with the associated switches and keyboards prematurely from a commercial, economic and strategic conceptual point of view 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. This led to an impairment requirement on rights of use, property, plant and equipment, capitalized development costs and inventories totaling EUR 3.5 million, which meant that these were fully written down. These impairment losses have a negative impact on EBIT.

The economic development in the past fiscal year as well as the business development in the first quarter of 2023 so far lead the company to deviate from the original growth path and to review the business development for 2023 and the following years accordingly and to adjust it to the current circumstances. The reduced growth expectations and the increased cost of capital have a negative impact on the present value of the expected future cash flows and lead to an impairment of goodwill in the amount of EUR 29.9 million, which was recognized in EBIT.

The main developments during the 2022 fiscal year are explained in greater detail below. Unless otherwise stated, the explanatory notes to the income statement and the cash flow statement relate to the 2022 fiscal year (i.e. the period under report), while the comparable figures relate to the 2021 fiscal year (comparable period). Explanatory notes to the consolidated statement of financial position refer to December 31, 2022 (end of period under report); comparable figures refer to December 31, 2021 (end of previous period under report). Due to differences in the presentation of units in the report, minor rounding differences may occur compared to the summation of individual figures or in the presentation of differences between the period under report and the comparable period. In particular, percentage changes between the period under report and the comparable period may show slight deviations due to the rounding of figures.

Segment performance

With external revenue amounting to EUR 59.4 million and a 44.9% share of revenue in the 2022 fiscal year, the **Cherry Europe GmbH segment** was again the largest in the Cherry Group. Compared to the previous year (2021: EUR 91.4 million), however, revenue decreased by 35.0%, while the share of revenue was 54.2% one year earlier. The segment includes the earnings result arising on the production of keyboard switches on the one hand, and the sales result from the EMEA region and direct deliveries to selected customers in the Asian economic region on the other. The decline in revenue was mainly due to lower demand for mechanical keyboard switches caused by disruptions in the distribution and supply chains due to the COVID-19 pandemic and the war in Ukraine, high inventory levels at distributors and customers, and the market trend among end users towards smaller gaming keyboards with a lower number of switches. Furthermore, the e-health business was transferred from Cherry Europe GmbH to Cherry Digital Health GmbH as of January 1, 2022. As a result, external sales revenues that were still realized in Cherry Europe GmbH in the previous year were transferred to the Cherry Digital Health GmbH segment. In the previous fiscal year, external e-health revenue included in the segment amounted to EUR 22.7 million. At 12.2%, the gross margin (GP II) was down by 17.9 percentage points year on year (2021: 30.1%). The reasons for the decline were changes in the product and sales channel mix, higher material costs due to adverse exchange rate effects on purchases of raw materials and goods in USD, increased prices for raw materials such as copper, zinc, tin, nickel, and plastic granulates, and an increase in logistics costs. Due to the discontinuation of the VIOLA keypad switch, and thus of the joint strategic project with one of our most important customers, the assets related to the technology were tested for impairment. This resulted in an impairment requirement of around EUR 3.4 million, which was recognized in EBIT. Of the impairment losses, EUR 1.7 million related to rights of use of production equipment and special tooling, EUR 0.8 million to capitalized development costs, EUR 0.1 million to other property, plant and equipment, and EUR 0.8 million to inventories. Except for the valuation allowance on capitalized development costs, all valuation allowances are recognized in cost of sales and thus in GP II. At EUR 68.7 million, order intake for the segment was significantly lower than in the previous year (EUR 89.0 million). At EUR 3.9 million, the order book as of December 31, 2022, was 70.9% below the prior-year figure of EUR 13.4 million. A total of EUR 4.6 million was spent on development (2021: EUR 3.1 million). Administrative expenses rose by EUR 1.0 million year on year to EUR 11.3 million, mainly due to higher intergroup charges levied by Cherry SE. Adjusted EBITDA amounted to EUR -0.1 million, corresponding to a deterioration of EUR 27.1 million compared to the previous year (2021: EUR 27.0 million). The adjusted EBITDA margin came in at -0.1% compared to 20.7% one year earlier.

External revenue in the **Cherry Digital Health GmbH segment** amounted to EUR 19.9 million in the 2022 fiscal year, thereby accounting for 15.0% of Group revenue. The segment did not generate any external revenue in the previous year, as the eHealth terminals were still being sold by Cherry Europe GmbH at that time. Only since January 1, 2022, have sales been handled by Cherry Digital Health GmbH itself. External revenue generated with eHealth terminal business, which was recorded by Cherry Europe GmbH in the previous year, and which is now recorded in the Cherry Digital Health GmbH, amounted to approximately EUR 22.1 million. Adjusted for this effect, the segment declined by EUR 2.2 million or 10.0% year on year. The reduction is mainly the result of increasing reluctance of our customers to purchase in light of various delays in the telematics infrastructure relating to the launch of new specialist applications such as the e-prescription and the electronic patient file. Technical progress is expected from the second half of 2023. Order intake for the 2022 fiscal year amounted to EUR 20.3 million. As of December 31, 2022, the order book stood at EUR 0.4 million. Adjusted EBITDA amounted to EUR 2.1 million (2021: EUR 4.4 million), the adjusted EBITDA margin came in at 10.6% (2021: 21.9%).

The **Cherry Electronics (Hong Kong) Co. Ltd. segment** generated external revenue amounting to EUR 17.4 million in the 2022 fiscal year and was therefore EUR 22.8 million or 43.3% below the corresponding figure recorded one year earlier (2021: EUR 40.2 million). The decline was primarily attributable to lower demand in the Components business unit, mainly reflecting increased competition, high inventory levels at distributors and customers, and the changing market trend towards smaller gaming keyboards that require a lower number of switches. At EUR 7.9 million, order intake was EUR 31.8 million or 80.1% down on the previous year's figure of EUR 39.7 million. At EUR 1.0 million, the order book was also down on the previous year (December 31, 2021: EUR 1.2 million). Adjusted EBITDA amounted to EUR 1.9 million, a year-on-year decrease of EUR 5.0 million or 72.5% (2021: EUR 6.9 million). The adjusted EBITDA margin came in at 11.1% compared to 16.8% in the previous year.

Revenue generated in the **Zhuhai Cherry Electronics Co. Ltd. segment** in the 2022 fiscal year amounted to EUR 17.9 million, i.e. EUR 4.7 million or 20.8% down on the previous year's figure of EUR 22.6 million. The decline was due to temporary production shutdowns caused by COVID-19-related lockdowns in China and the resulting reduced sale of gaming peripherals. After the exceptionally high demand for gaming products witnessed in the past two pandemic-affected years, demand weakened in the 2022 fiscal year. The lower demand for gaming peripherals was not offset by growth in the sale of office peripherals, despite the successful expansion of the e-commerce business as part of the Group's strategy. In addition, there is the change to a new Chinese distributor, in connection with which a separate agreement was reached on the return of remaining inventories in order to be able to resell them directly to the new distributor as part of an initial stocking. Due to delays in the take-back process, mainly caused by unfinished quality checks during the take-back process, goods worth CNY 10.8 million (~ EUR 1.5 million) could not yet be taken back and delivered to the new distributor by year-end 2022. In accordance with the regulations of IFRS 15, this led to a temporary reduction in revenue, which will be fully reversed after the completion of the change of distributor. The take-back process could be fully completed in February 2023. At EUR 16.3 million, order intake in fiscal year 2022 was EUR 5.2 million or 24.2% below the previous year's level of EUR 21.5 million. At EUR 0.5 million, the order backlog at the reporting date was EUR 6.6 million or 92.4% below the figure at the reporting date of the comparative period. At EUR 1.8 million, marketing and selling expenses were significantly higher than one year earlier (2021: EUR 0.9 million). Adjusted EBITDA amounted to EUR 6.3 million, down on the EUR 7.5 million reported the previous year. The EBITDA margin was 21.0% and therefore 2.8 percentage points down year on year (2021: 23.8%).

In the **Cherry Americas LLC segment**, external revenue totaled EUR 12.2 million, up by EUR 2.1 million or 20.8% on the figure recorded in the previous year (2021: EUR 10.1 million). The higher figure resulted on the one hand from increased revenue of approximately EUR 1.6 million generated via the e-commerce business, and from the appreciation of the US dollar against the euro on the other. Adjusted for currency effects, revenue grew by 7.2% year on year. This segment and the AMER sales region continue to offer considerable growth potential for Cherry. Due to the challenges associated with the global COVID 19 pandemic, the segment has only seen moderate growth to date. At EUR 13.4 million, order intake was EUR 1.2 million or 9.8% higher than the previous year's figure of EUR 12.2 million. As of December 31, 2022, the order book stood at EUR 2.2 million, up by EUR 0.7 million or 46.7% on the previous year's figure of EUR 1.5 million. The order book growth was driven by rising demand for Office Peripherals in the region. Adjusted EBITDA deteriorated by EUR 1.0 million to a loss of EUR -0.4 million, driven down by high Amazon-related marketing expenses of approximately EUR 0.8 million. The adjusted EBITDA margin came in at -3.4% compared to +2.2% in the previous year.

The remaining segments generated external revenue of EUR 5.7 million, up by EUR 1.5 million on the previous year's figure of EUR 4.2 million. These segments contributed EUR 6.4 million (2021: EUR 3.1 million) to adjusted EBITDA, a year-on-year improvement of EUR 3.3 million.

Business area performance

The business environment arising in light of the COVID-19 pandemic and the war in Ukraine, as described above, had a perceptibly negative impact on the ordering behavior of Cherry's customers. The GAMING business area, which comprises the two business units Components and Gaming Devices, was most heavily affected by macroeconomic developments. Revenue generated in the GAMING business area totaled EUR 41.2 million and was 50.2% down on the previous year (2021: EUR 82.8 million). The PROFESSIONAL business area generated revenue totaling EUR 91.3 million (2021: EUR 85.7 million), which corresponds to year-on-year growth of 6.5%. The factors described above led to varying developments in the two business areas, causing a shift in the weighting of revenue and earnings contributions, with the GAMING business area contributing 31.1% (2021: 49.1%) and the PROFESSIONAL business area 68.9% (2021: 50.9%) to revenue in the 2022 fiscal year.

In € million / as reported	GAMING Jan. 1 – Dec. 31, 2022	GAMING Jan. 1 – Dec. 31, 2021	GAMING Change	PROFESSIONAL Jan. 1 – Dec. 31, 2022	PROFESSIONAL Jan. 1 – Dec. 31, 2021	PROFESSIONAL Change	Konzern Jan. 1 – Dec. 31, 2022	Konzern Jan. 1 – Dec. 31, 2021	Konzern Change
Revenue (external)	41.2	82.8	-50.2%	91.3	85.7	6.5%	132.5	168.5	-21.4%
EBITDA (adjusted)	-0.3	29.3	-101.0%	15.5	19.6	-20.9%	15.2	48.9	-68.9%
EBITDA margin (adjusted)	-0.7%	35.4%	-36.1pp.	17.0%	22.9%	-5.9pp.	11.5%	29.0%	-17.5pp.
EBIT (adjusted)	-44.3	18.3	-342.1%	10.8	15.4	-29.9%	-33.5	33.7	-199.4%
EBIT margin (adjusted)	-107.5%	22.1%	-129.6pp.	11.8%	18.0%	-6.1pp.	-25.3%	20.0%	-45.3pp.

Within the **GAMING** business area, revenue generated in the Components business unit decreased by 62.6% from EUR 57.7 million to EUR 21.6 million. Business with keyboard switches was most heavily impacted by the negative macroeconomic conditions due to high pressure on prices, significant excess inventories at distributors and customers, and the new market trend among end consumers towards smaller gaming keyboards with a reduced number of switches. Since our largest current customer and strategic project partner for the Cherry VIOLA switch is apparently discontinuing its products based on this technology due to a lack of profitability, as well as a lack of alternative customers and sales potential, the Management Board of Cherry, in consultation with the Supervisory Board, has decided to terminate the joint project prematurely and to phase out the technology early for commercial, economic and strategic/conceptual reasons. This resulted in an impairment requirement of around EUR 3.5 million, which reduced EBIT. Of this amount, EUR 1.7 million related to rights of use of production facilities and special tooling, EUR 0.8 million to capitalized development costs, EUR 0.1 million to other property, plant and equipment, and EUR 0.9 million to inventories. Except for the impairment loss on capitalized development costs, all impairment losses are recognized in cost of sales. On the positive side, however, brisk demand for switches based on the new ULP technology exceeded the available production volume during the fiscal year under report and related capacities will be expanded in 2023. Mainly due to the economic development in the Components business unit, the company deviates from its original growth path and adjusts the planning for the fiscal year 2023 and the following years to the current circumstances. The reduced growth expectations in connection with increased capital costs led to a need for impairment of balance sheet goodwill in the amount of EUR 29.9 million. With revenue of EUR 19.6 million (2021: EUR 25.1 million), the Gaming Devices business unit also performed below its previous year's level. As described above, one of the factors behind the dip in revenue was the uncompleted changeover from the previous distributor to a successor on the Chinese market at the end of the fiscal year, and which led to a temporary reduction in sales of around EUR 1.5 million due to costly return and quality mixing processes. At EUR 3.9 million, expenses in the area of development costs in the business area were 95.0% above the level of the previous year (EUR 2.0 million). Around EUR 0.8 million of this increase is attributable to the impairment of capitalized development costs for the VIOLA platform. Administrative expenses, on the other hand, decreased by EUR 3.3 million year on year. These were significantly higher in the previous year due to the one-time share-based payment in connection with the termination of the previous program in the course of the IPO, as well as costs in connection with the IPO itself. Adjusted EBITDA for the business area amounted to EUR -0.3 million (2021: EUR 29.3 million), corresponding to a margin of -0.7% (2021: 35.4%).

The **PROFESSIONAL** business area continued to grow well overall, despite the current unfavorable economic conditions, total revenue increased by EUR 5.6 million from EUR 85.7 million to EUR 91.3 million. Revenue generated with office, industry, security and PoS peripherals rose by 10.7% to EUR 65.2 million (previous year: EUR 58.9 million). The expansion of e-commerce activities made it possible to exploit existing market potential in the PERIPHERALS business unit. With the founding of Cherry E-Commerce GmbH and the accompanying recruitment of 9 employees specialized in e-commerce, the groundwork has now been laid for growing Cherry's business with end customers (B2C). At EUR 13.7 million, sales and marketing expenses in this business area were EUR 2.6 million higher than in the previous year (2021: EUR 11.1 million) due to start-up costs. Revenue generated with ehealth products in the Digital Health business unit decreased slightly by 3.0% to EUR 26.1 million (2021: EUR 26.9 million). Demand for hygienic computer input devices is currently very high, driven in part by the COVID-19 pandemic. Demand for e-health terminals was generally stable, although various delays in the telematics infrastructure relating to the implementation of new specialist applications such as the e-prescription or the electronic patient file as well as the exchange of connectors more recently caused customers to hold back on purchases. The adjusted EBITDA for the PROFESSIONAL business area fell to EUR 15.5 million (2021: EUR 19.6 million), while the adjusted EBITDA margin came in at 17.0% compared to 22.9% one year earlier.

Group performance

In light of the persistently challenging business environment during the 2022 fiscal year, particularly for the Components business unit, Group revenue fell by 21.4% to EUR 132.5 million (2021: EUR 168.5 million). The gross profit (GP II and manufacturing cost margin) went down by EUR 32.0 million, giving a margin of 27.8% (2021: 40.9%) on Group revenue.

The main reasons for the lower gross profit margin were product mix effects, higher revenue-reducing effects between gross and net revenue (e.g. bonuses, discounts, MDF, ship and debit), idle production costs due to lower capacity utilization, and increased material and logistics costs. In addition, there were impairment losses on VIOLA technology assets on rights of use, property, plant and equipment and inventories of around EUR 2.7 million, as well as special effects, such as EUR 0.6 million for severance payments incurred as part of the restructuring. On the other hand market development costs (MDF or marketing development funds), which were still reported under marketing and selling expenses in the previous year, have been recorded as sales deductions with effect from July 1 due to their increasing importance in 2022 and in line with the definition stipulated in IFRS 15. The change in presentation of sales deductions has been made for the whole of the 2022 fiscal year (approximately EUR 1.9 million), i.e. including items incurred prior to the adoption of the new accounting policy. Research and development expenses increased by 47.5% year on year to EUR 9.0 million (2021: EUR 6.1 million), corresponding to an R&D ratio of 6.8% (2021: 3.6%). The increase was due to higher expenditure incurred for the development of new products designed to drive targeted portfolio expansion with effect from February 2023 and an impairment loss on capitalized development costs of the VIOLA platform in the amount of EUR 0.8 million.

The continuation of the organic growth strategy caused marketing and selling expenses to rise by 14.2% to EUR 19.3 million during the year under report (2021: EUR 16.9 million), which corresponds to a selling expense ratio of 14.6% (2021: 10.0%). The increase was mainly driven by start-up and implementation costs incurred in conjunction with the application of a joint e-commerce strategy by the Gaming Devices and Peripherals business units. These costs primarily relate to consulting, IT, and HR expenditure as well as recruitment-related costs. The reclassification of marketing development funds from selling expenses to sales deductions reduced selling expenses by approximately EUR 1.9 million compared to the previous year.

Conversely, administrative expenses decreased by 14.6% to EUR 15.2 million (2021: EUR 17.8 million) over the twelve-month period, giving an administrative expense ratio of 11.5% (2021: 10.6%). The lower figure was mainly due to expenses incurred during preparations for the IPO in 2021 and the non-recurrence of the one-time, share-based payment in accordance with IFRS 2 incurred, by termination of the previous program, in connection with the IPO. Additional savings were also achieved by pro-active cost management measures. The increase in the expense ratio, despite a decline in absolute terms, is due to the sharp fall in revenue.

Other operating income and expenses came in at almost identical levels in 2022. The net proceeds of EUR 0.1 million arose from a currency difference of an intercompany dividend payment in USD. In the previous year there was a net expense of EUR 0.4 million, also primarily caused by currency effects.

The economic development in the past fiscal year and the business performance to date in the first quarter of 2023 lead to reduced growth expectations for subsequent years, which – together with increased capital costs – have a negative impact on the future inflow of benefits or the present value of expected cash flows from the balance sheet assets. The impairment test of the balance sheet goodwill 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 of the Components business unit and is fully attributable to the assets of Cherry Europe GmbH. The impairment is reported separately in the income statementunder "Impairment of goodwill".

In the 2022 fiscal year, earnings before interest and taxes (EBIT) was a loss of EUR -36.5 million (2021: profit of EUR +27.6 million), resulting in an EBIT margin of -27.5% (2021: +16.4%).

The financial result improved by EUR 12.2 million to a net negative amount of EUR 1.9 million (2021: net negative EUR 14.1 million) despite the increase in interest rates, whereby the main reason for this development was the payment of an early repayment penalty in the course of debt restructuring in the previous fiscal year.

The loss before tax gave rise to tax income amounting to EUR 2.6 million (2021: tax expense amounting to EUR 4.2 million), resulting in a Group net loss for the year of EUR -35.7 million (2021: Group net profit of EUR 9.3 million).

Adjusted EBITDA amounted to EUR 15.2 million (2021: EUR 48.9 million), with the adjusted EBITDA margin declining by 17.5 percentage points to 11.5% (2021: 29.0%).

In reaching the adjusted EBITDA figure, non-recurring net expenses totaling approximately EUR 3.0 million were taken into account. This includes approximately EUR 0.8 million in personnel expenses, mainly due to severance payments as part of the restructuring at the Auerbach site. A further EUR 0.6 million relates to costs in connection with M&A projects. Other non-recurring costs include around EUR 0.8 million for the implementation of the e-commerce strategy, EUR 0.5 million for the personnel search on the Management Board and EUR 0.3 million for legal advice in connection with the conversion of Cherry AG into the European legal form of S.E. ("Societas Europaea").

Reconciliation to alternative performance measures (ESMA)[1]

The following table shows the reconciliation of EBIT, EBITDA, adjusted EBIT, and adjusted EBITDA to Cherry's Group net loss/profit for the 2022 fiscal year:

in T€	Jan. 1 – Dec. 31, 2022	Jan. 1 – Dec. 31, 2021
Group net loss/profit	**-35,728**	**9,287**
+ Income taxes	-2,620	4,208
- Financial result	-1,863	-14,125
EBIT	**-36,485**	**27,619**
+/- Personnel expenses (including share-based personnel expenses) / (income)	826	3,659
+ Expenses related to capital market transactions	–	909
+ Expenses related to M&A transactions	644	924
+ Expenses related to natural disasters and pandemics	16	12
+ Other non-recurring expenses	1,494	574
Adjusted EBIT	**-33,505**	**33,697**
+ Depreciation, amortization and impairment losses[2]	48,706	15,188
Adjusted EBITDA	**15,201**	**48,885**
EBIT	**-36,485**	**27,619**
+ Depreciation, amortization and impairment losses[2]	48,706	15,188
EBITDA	**12,221**	**42,807**

1 unaudited
2 including impairment of VIOLA inventories in the amount of EUR 901k (2022) / including amortization of order book acquired (2021)

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

Results of operations of the Cherry Group

Within a highly volatile and competitive market environment, Cherry generated revenue of EUR 132.5 million (2021: EUR 168.5 million) and recorded an adjusted EBITDA margin of 11.5% (2021: 29.0%) for the 2022 fiscal year. Both key figures therefore fell short of the original forecast made in the Group Management Report 2021, in which Group revenue of EUR 170–190 million and an EBITDA margin of 23–26% were targeted. The forecast was adjusted twice during the year to reflect current business developments. Group revenue is within the most recent forecast made on November 7, 2022, which adjusted the outlook for Group revenue downwards to EUR 130–140 million. The adjusted EBITDA margin is thereby below the updated forecast of 13–15%. This information was made available to the capital market on February 8, 2023 through the publication of insider information pursuant to Article 17 of Regulation (EU) No. 596/2014.

The general economic conditions caused a shift in the revenue and, in particular, the earnings contribution of the two business areas. While each of these had contributed around half of Group revenue one year earlier, the GAMING business area's contribution decreased to 31.1% (2021: 49.1%) for the year under report. The PROFESSIONAL business area's revenue contribution therefore increased to 68.9% (2021: 50.1%). In the past fiscal year, 45.2 % (previous year: 34.6 %) of revenue was generated with customers based in Germany, 26.0 % in the China and Hong Kong regions (previous year: 37.5 %), and 7.0 % in the USA (previous year: 3.9 %). The other countries in the EMEA sales region accounted for 12.6% of revenue (previous year: 8.4%). In the previous year, 7.1% of revenue was generated in the island state of Samoa.

At 27.8%, gross profit was significantly down on the previous year's 40.9%, mainly due to a higher materials usage ratio within cost of sales of 48.3% (2021: 40.4%), which, in turn, reflected changes in the product mix and price increases for raw materials and logistics services as well as unfavorable exchange rate effects on goods and raw materials purchased in US dollars. Moreover, idle production costs had a highly negative impact on the production cost ratio, which increased by 5.2 percentage points to 23.9% compared to the previous year (18.7%), although measures to limit production costs, e.g. in the form of short-time work, had already been taken. The restructuring at the Auerbach site was not yet able to achieve any significant cost savings in the 2022 fiscal year.

Development expenses went up by 48.2% to EUR 9.0 million, with a clear focus on continuously and astutely supplementing the product range in order to increase its attractiveness for Cherry customers in the long term. In addition, development costs totaling EUR 3.1 million (2021: EUR 2.6 million) were capitalized over the course of 2022. A number of major product launches are planned for 2023. The EUR 2.4 million year-on-year increase in marketing and selling expenses, mainly driven by the further expansion of the e-commerce strategy, was offset by a EUR 2.6 million reduction in administrative expenses, mainly due to the high non-recurring costs incurred in the 2021 fiscal year in conjunction with the IPO, combined with the absence of the associated one-time, share-based payment, in connection with the termination of the program.

EBITDA and EBIT are reported both with and without adjustments and normalizations. The adjustments made in the 2022 fiscal year mainly reflected costs incurred in conjunction with the change of personnel on the Management Board, non-recurring effects in conjunction with M&A projects, the implementation of the e-commerce strategy, and severance payments at the Auerbach site and legal consulting expenses in connection with the change in legal form of the holding company. The EBITDA margin came in at 9.2% (2021: 25.4%) and the adjusted EBITDA margin at 11.5% (2021: 29.0%). The EBIT margin fell to -27.5% (2021: +16.4%) and the adjusted EBIT margin to -25.3% (2021: +20.0%).

The financial result improved significantly to net negative EUR 1.9 million (2021: net negative EUR 14.1 million), the main reason being the absence in 2022 of the early repayment penalty of around EUR 9.9 million recorded in the previous year in connection with refinancing.

The Group net loss for the year amounted to EUR -35.7 million (2021: Group net profit of EUR +9.3 million).

Financial position of the Cherry Group

Net working capital, i.e. current assets (excluding cash and cash equivalents) less current liabilities (excluding financial liabilities), went up by 7.6% from EUR 38.0 million to 40.9 million year on year, driven primarily by an increase in inventories, which was greater than the increase in trade payables, and therefore needed to be financed out of Cherry's own resources. Inventories went up over the twelve-month period by EUR 20.8 million to EUR 65.0 million (2021: EUR 44.2 million). Trade payables, on the other hand, rose by only EUR 13.0 million to EUR 30.9 million.

Net cash inflows from operating activities totaled EUR 5.8 million (2021: EUR 7.8 million). The negative cash flow effect from the year-on-year decrease in Group net profit by EUR 45.0 million was largely offset by the EUR 10.9 million increase in trade payables.

Net cash outflows for investing activities totaled EUR 11.3 million (2021: EUR 14.4 million). In the 2022 fiscal year, the bulk of investments were made in machinery and tools as well as in intangible assets in the form of own development work capitalized. While investments in property, plant and equipment amounting to EUR 5.5 million were EUR 1.5 million lower than in the previous year, investments in intangible assets were around EUR 1.3 million higher (excluding intangible assets acquired in M&A transactions). The change in the net cash outflow for investing activities in 2022 was therefore mainly attributable to the final purchase price payment relating to the acquisition of Active Key GmbH in 2021. The purchase price for Active Key GmbH was settled with the payment of EUR 4.7 million in 2021 and the final tranche of EUR 1.6 million in 2022.

Net cash outflows from financing activities amounted to EUR -11.2 million (2021: net cash inflows: EUR +92.4 million). The decrease in net cash inflows was due partly to the EUR 137.6 million increase in equity recorded in 2021 in conjunction with the IPO and partly to the acquisition of treasury shares in 2022 in conjunction with the share buyback program launched in June 2022, which resulted in a cash outflow of EUR -6.8 million. The early repayment of long-term loans and the new borrowings in conjunction with debt restructuring in the 2021 fiscal year, which had led to a net reduction in cash and cash equivalents amounting to EUR 35.2 million one year earlier, was not repeated and therefore had an offsetting positive effect in the year-on-year comparison.

As of December 31, 2022, cash and cash equivalents totaled EUR 92.8 million (December 31, 2021: 109.7 million). Out of the total credit facility of EUR 55 million made available to Cherry by Unicredit Bank AG, EUR 45 million was being utilized as of December 31, 2022, to cover operational liquidity requirements. This amount had been drawn down on October 6, 2021. Cherry thus continues to have a high level of net cash, which is sufficient to operate its business and also provides a high degree of flexibility to further drive the growth of the company through targeted investments and potential M&A transactions.

As of December 31, 2022, Group equity stood at EUR 251.8 million (December 31, 2021: EUR 293.2 million). The decrease of EUR 41.3 million compared to the previous year mainly reflected the Group net loss for the year amounting to EUR -35.7 million, which includes the impairment of goodwill in the amount of EUR 29.9 million, and the reduction in connection with the share buyback program in the amount of EUR 6.8 million. The equity ratio went down from 71.3% to 66.4% year on year.

Principles and objectives of financial management

Cherry SE's external sources of financing include the issuance of shares as well as short-term and long-term borrowings. The Cherry Group funds its internal financial requirements primarily out of its own cash flow surpluses. In light of the refinancing measures undertaken after the IPO, Cherry SE has sufficient cash and cash equivalents as well as credit lines available to finance its targeted organic and inorganic growth.

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

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

Net assets position of the Cherry Group

As of December 31, 2022, Group net assets amounted to EUR 379.1 million, which increased by EUR 31.9 million or 7.8% compared to the previous year (December 31, 2021: EUR 411.0 million).

Taking depreciation and amortization and impairment of goodwill into account, non-current assets amounted to EUR 202.3 million as of December 31, 2022 and were therefore EUR 32.1 million or 13.7% below the previous year's figure of EUR 234.4 million. This is mainly due to the impairment of goodwill in the amount of EUR 29.9 million and a reduction of IFRS 16 rights of use by EUR 3.4 million and of property, plant and equipment by EUR 0.8 million. Conversely, deferred tax assets increased by EUR 3.6 million.

At EUR 5.5 million (2021: EUR 7.0 million), investments in property, plant and equipment were EUR 1.5 million or 21.0% lower than in the previous year. They were also EUR 0.6 million lower than the scheduled depreciation expense for the year, which amounted to EUR 6.1 million (2021: EUR 6.2 million). Investments in 2022 were aimed primarily at expanding production and assembly facilities. As of December 31, 2022, the carrying amount of property, plant and equipment totaled EUR 24.1 million (December 31, 2021: EUR 24.9 million).

Investments in intangible assets during the 2022 fiscal year totaled EUR 4.2 million (2021: EUR 2.9 million), mainly relating to capitalized development costs (EUR 3.1 million) for new products across both business areas going forward. The carrying amount of intangible assets decreased by 16.5% to stand at EUR 158.7 million (2021: EUR 190.1 million) at the end of the period under report. The reasons for this were the above-mentioned impairment of balance sheet goodwill in the amount of EUR 29.9 million and the impairment of around EUR 0.8 million on capitalized development costs in connection with the VIOLA platform.

Current assets amounted to EUR 176.8 million (December 31, 2021: EUR 176.6 million), up slightly by EUR 0.2 million (+0.1%). Within current assets, there was a shift between inventories, which increased by EUR 20.9 million to EUR 65.0 million over the 12-month period, and cash and cash equivalents, which decreased accordingly by EUR 16.8 million. The main factors driving the inventory build-up were the strategic stockpiling of office peripherals for the expansion of the e-commerce business and the delayed adjustment of switch production in Auerbach to the changed demand situation. Trade receivables went down by EUR 3.3 million, due to the reduced sales volume and active receivables management.

As of December 31, 2022, cash and cash equivalents stood at EUR 92.8 million (December 31, 2021: EUR 109.7 million), i.e. 24.5% of total assets (2021: 26.7%). The amount reported includes EUR 45.0 million drawn down out of the total credit facility made available by UniCredit Bank AG totaling EUR 55.0 million.

Non-current liabilities decreased by EUR 4.7 million to EUR 80.0 million (December 31, 2021: EUR 84.7 million). The main contributing factors were decreases in non-current lease liabilities (down by EUR 1.7 million) and non-current financial liabilities (down by EUR 0.8 million), the latter primarily due to the ongoing repayment of bank loans at the level of Theobroma. Deferred tax liabilities decreased by EUR 1.8 million.

Current liabilities increased significantly by 42.6% to EUR 47.3 million (December 31, 2021: EUR 33.1 million), mainly due to the higher level of trade payables (up by 72.6% to EUR 30.9 million) as a result of the build-up of inventories.

Compared to the 2021 fiscal year, equity decreased by EUR 41.3 million to EUR 251.8 million, reflecting the combined effect of the share buyback program 2022 (EUR -6.8 million), which are recognized as a reduction in equity, and the Group net loss for the year (EUR -35.7 million).

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

The changed economic and geopolitical conditions as a result of the COVID-19 pandemic and the war in Ukraine had a highly negative impact on the Cherry Group's sales volume in the 2022 fiscal year. Whereas in the previous fiscal year Cherry benefited partially from stronger demand from end consumers as a result of the pandemic, it declined unexpectedly in the course of the 2022 fiscal year. The keyboard switch business in particular was severely impacted by this factor.

Due to the circumstances described above, the operating results of both business areas fell short of original expectations. With revenue declining by 21.4% to EUR 132.5 million and an adjusted EBIT of EUR -33.5 million, the result was not a satisfactory one for Cherry.

Cherry sees the past 12-month period as a year of change and continues to consider its economic position as solid under the given circumstances. In view of the macroeconomic conditions prevailing during the first quarter 2023, the ability to make accurate forecasts for the 2023 fiscal year is limited.

Despite the unfavorable overall economic situation, there are currently no significant valuation risks relating to current assets. The EUR 20.9 million build-up of inventories to EUR 65.0 million over the course of the 2022 fiscal year was partially necessary to ensure consistent delivery capability, while expanding the e-commerce business at the same time as global supply chains are already facing difficulties. Specific reduction plans and measures have already been drawn up for inventory increases that have not occurred as part of the policy of strategic stockpiling. Despite the adverse economic situation for many companies, the payment behavior of our customers has not shown any noticeable signs of deterioration. As of December 31, 2022, trade receivables amounted to EUR 16.3 million, i.e. 16.6% lower than in the previous year (December 31, 2021: EUR 19.6 million), partly as a result of the lower business volume, but also due to active receivables management.

With the launch of the "Gaming Goes Global" project, the course shall be set from the second quarter 2023 onwards to successively expand the sale of gaming peripherals – which has so far been mainly focused on the Asian economic area – to include the Cherry Group's other sales regions. As a result, production volumes in Zhuhai and the Group's internal demand for keyboard switches will be raised going forward. In the medium term, the strategy is set to reduce dependence on external customers in the switch business and the currently high inventories of keyboard switches can be reduced by increasing in-house demand.

Moreover, on December 12, 2022, the contracts for the acquisition of the two Swedish companies "Xtrfy AB" and "Built on Experience AB" were signed, which, with their "Xtrfy" brand will ideally complement Cherry's gaming product portfolio and support the implementation of the project aimed at globally expanding the gaming peripherals business. The transaction was completed on January 17, 2023 in Landskrona, Sweden.

Expenditure on product development during the 2022 fiscal year was around EUR 2.9 million above the level of the previous year, with the aim of astutely supplementing the product range with new and innovative products and enhancing the attractiveness of the range for Cherry's customers in the long term. As early as spring 2023, for example, the first Cherry gaming microphones will be launched on the market, which feature a wide range of applications and can also be used in everyday office life.

Furthermore, activities in the e-commerce business have been significantly expanded over the course of the past year. Apart from the founding of Cherry E-Commerce GmbH and the "opening" of our own web shop, 9 new staff members with specialized experience in the business model were recruited during the 2022 fiscal year, and sales processes as well as the system landscape were more closely adapted to meet the requirements of the new business model. With the acquisition of sales software specifically designed for e-commerce, the business model, which offers great potential for Cherry, will become scalable as the project moves forward.

Cherry has an excellent level of liquidity, which will continue to help drive both its organic and its inorganic growth objectives.

2.4. Non-financial performance indicators

Employees

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

As of December 31, 2022, the Cherry Group employed a workforce of 490 people (December 31, 2021: 554 people), 371 of whom were working in the Europe region (December 31, 2021: 443 people), 16 in the North America region (December 31, 2021: 19 people), and 103 in the Asia region (December 31, 2021: 92 people). In the 2022 fiscal year, 57 new people were recruited across the Group (2021: 90 people). In 2022, no new people were added through business acquisitions (2021: 23 people). During the 12-month reporting period, the Cherry Group employed an average of 527 people (2021: 532 people).

Number of employees by function	Dec. 31, 2022	Dec. 31, 2021
Production	161	244
Quality management	53	52
Materials management	64	68
Product management and development	62	55
Sales and marketing	92	76
Administration	58	59
Total	**490**	**554**

The proportion of female employees in the Cherry Group stood at 37.3% (2021: 41.5%). At 42.5, the average age of employees in the Group was slightly higher than in the previous year (42.0 years).

Personnel expense amounted to EUR 34.0 million during the period under report (2021: EUR 36.7 million).

In the course of providing training and qualification opportunities, Cherry regularly conducts technical training courses, product training, and advanced courses on legal and regulatory topics. Needs-based training plays a crucial role in ensuring that qualified staff are capable of meeting the market requirements of the future. As of December 31, 2022, a total of 15 young people (December 31, 2021: 12) were undergoing training for occupations such as industrial management assistant and mechatronics technician.

Quality

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

Within its integrated management system, Cherry monitors numerous internal and external issues as well as environmental conditions for a wide range of stakeholders in the context of its organizational structure. Quality audit management within the Cherry Group is organizationally divided into system, process, and product audits and those for external suppliers and service providers as well as approval audits.

For certain product groups, Common Criteria (CC) are also taken into account. An internationally acknowledged standard (ISO/IEC 15408) specifies criteria used by independent certification bodies to verify whether an IT product or system meets certain security requirements. This standard is especially important in sensitive areas such as government, healthcare, and finance. By complying with the Common Criteria, IT products and systems can be certified and recognized on an international level.

3. REPORT ON THE SEPARATE FINANCIAL STATEMENTS OF CHERRY SE

3.1. Results of operations of Cherry SE (HGB)

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

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

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

Cherry SE generated a net loss of EUR 4.6 million in the past fiscal year.

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

- Other operating income in the 2022 fiscal year mainly resulted from the intragroup recharging of costs and the internal provision of services to subsidiaries, mainly to Cherry Europe GmbH. In the previous year, other operating income related primarily to the IPO of Cherry SE (formerly Cherry AG), as the costs incurred in conjunction with the IPO were allocated to the shareholders at the time on the basis of fixed proportions in accordance with a cost-sharing agreement.
- Personnel expenses mainly comprise the remuneration of senior management as well as salaries for employees in administrative capacities, such as HR, Finance, and Controlling.
- The income from profit transfers in the amount of EUR 1.0 million stems from the profit transfer agreement in place with Cherry Digital Health GmbH.
- The expense for loss transfers in the amount of EUR 4.5 million results from the profit and loss transfer agreement in place with Cherry Europe GmbH.
- Other operating expenses reported for the previous fiscal year related primarily to the IPO and expense items arising therefrom.

The results of operations of Cherry SE in the year under report were significantly affected by the net loss of EUR 3.5 million from the profit and loss transfer agreements with affiliated companies as well as interest costs and similar expenses of EUR 1.4 million.

3.2. Financial position of Cherry SE (HGB)

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

Cherry SE's creditworthiness was guaranteed at all times during the fiscal year under report. Cherry SE had sufficient credit lines at its disposal to cover its working capital requirements at all times. As of December 31, 2022, EUR 45 million of the credit facility totaling EUR 55 million made available to Cherry SE by Unicredit Bank AG to cover operational liquidity requirements was being utilized. This amount was drawn down on October 6, 2021. The existing overdraft facility amounting to EUR 9.5 million and the guarantee line amounting to EUR 0.5 million were not utilized during the 2022 fiscal year.

As of December 31, 2022, cash and cash equivalents amounted to EUR 69.6 million. Furthermore, by the end of the period under report, Cherry SE had acquired 907,117 treasury shares with a transaction volume of approximately EUR 6.8 million in conjunction with the share buyback program, which was launched in June 2022 and can be used in the future as a purchase price component in M&A transactions or for other purposes.

As of December 31, 2022, financial assets comprised the 100% investment in Cherry Europe GmbH, Auerbach, the 100% investment in Cherry Digital Health GmbH, Munich, and the 100% investment in Cherry Peripherals GmbH, Munich.

3.3. Net assets position of Cherry SE (HGB)

As of December 31, 2022, the total assets of Cherry SE stood at EUR 320.0 million (December 31, 2021: EUR 333.2 million), down by EUR 13.2 million compared to one year earlier.

On the assets side, working capital in particular was lower. Receivables from affiliated companies increased by EUR 6.5 million, mainly due to the granting of intragroup loans, which in turn reduced the amount of cash and cash equivalents. Moreover, EUR 6.8 million of cash was used in addition to acquire treasury shares in conjunction with the share buyback program launched in June 2022. At EUR 69.6 million, cash and cash equivalents were EUR 19.8 million lower than at the end of the previous year.

On the liabilities side, provisions totaled EUR 1.5 million, EUR 0.3 million less than one year earlier, mainly due to lower tax expenses. Payables also decreased by EUR 1.7 million year on year, primarily due to the decline in inter-company liabilities. Equity as shown in the statement of financial position decreased by EUR 11.4 million to EUR 270.3 million in the 2022 fiscal year, attributable on the one hand to the net loss for the year amounting to EUR 4.6 million, which was mainly driven by the negative investment result, and on the other hand to the acquisition of treasury shares in the amount of EUR 6.8 million as part of the share buyback program.

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

The main asset items in the statement of financial position of Cherry SE were shares in affiliated companies and financing receivables from affiliated companies. Cash at bank amounted to EUR 69.6 million, EUR 19.8 million lower than one year earlier.

As in the previous year, equity corresponded to 84.5% of total assets.

Results of operations are significantly influenced by the profit and loss transfer structure applied within the Cherry Group. Due to the unfavorable macroeconomic situation caused by the COVID-19 pandemic and the war in Ukraine, the operating business in the Group's various units declined, resulting in a net loss for the year amounting to EUR 3.5 million (2021: net profit of EUR 19.5 million).

The operating subsidiaries were faced with a tough market environment during the fiscal year under report. Nonetheless, the overall market continues to offer potential for future growth, which Cherry intends to exploit with its highly technical and innovative range of products, some of which are protected by patent rights.

3.5. Outlook for Cherry SE (HGB)

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

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

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

For the 2023 fiscal year, the Management Board is planning a net loss in the single-digit million range again, mainly driven by a negative investment result from Cherry Europe GmbH.

4. REPORT ON OPPORTUNITIES AND RISKS

Risk management and early risk detection in the Cherry Group

Pursuant to Section 91 (2) of the German Stock Corporation Act (AktG) and Principle 4 of the German Corporate Governance Code, the management board of a listed company is required to establish an internal control system (ICS) and risk management system (RMS) that are appropriate and effective with respect to the scope of that company's business activities and risk situation. By definition, risk means possible future developments or events that could lead to a deviation from target that is either negative (a risk in the narrower sense) or positive (an opportunity) for Cherry. Cherry's early risk detection system is therefore geared towards the timely identification of developments that could jeopardize the entity's going-concern status and is therefore an important part of the RMS.

The Cherry Group's risk management system (RMS) is made up of the following components in order to function properly:

1. Conception and organization of the RMS
2. Risk culture and communication
3. Recording and identification of significant risks at Cherry
4. Risk analysis and assessment of risks
5. Implementation and appropriateness of risk management measures and compliance with internal controls

Risk principles (risk culture and risk management principles)

The Cherry Group embraces a distinctive risk culture in every respect and has an open and proactive attitude towards risk. This includes the willingness to take risks and the ability to recognize and assess risks as well as manage them in an appropriate manner. Cherry's risk culture is designed to foster innovation and growth in equal measure and therefore requires open communication and a culture of constructive criticism, where errors are seen as learning opportunities and not something to be punished. In addition, clear responsibilities and processes for assessing and managing risks have been established within the organization.

Risk management (RM) is a key component in all the Cherry Group's decision-making and business processes. We view risks in the broadest sense as the danger of not achieving our financial and operational targets as planned and, in the narrower sense, of jeopardizing the going-concern status of the enterprise. To ensure the long-term success of the Cherry Group, it is therefore essential to identify and analyze risks effectively and eliminate or mitigate them by means of targeted management measures. At the same time, our active risk management and early risk identification system can also open up opportunities for us.

Cherry has a system of people, expertise, processes, and data analysis to monitor risks for each of its individual subsidiaries, business units, and the Group as a whole. Although a specialized software system exclusively for risk management purposes is not yet in place, we plan to introduce a system of this type in the foreseeable future. Cherry currently uses a centralized system of management reporting for results controlling, ESG reporting, a whistle-blower system introduced in 2022, and the continuous monitoring of key performance indicators in conjunction with a risk reporting system. Current business figures are recorded directly from financial accounting, analyzed by Controlling and made available to those responsible. Key figures such as revenue, order intake, order book, and current liquidity In particular are also closely monitored. All companies within the group reporting entity are included in the reporting system.

To monitor other risks, such as those arising from extraordinary events (fire, production machine downtime, etc.), high levels of customer receivables, or development projects approaching their budget limit, Cherry has established reporting channels, some of which are fixed and some on an ad-hoc basis. Risks that exceed certain reporting thresholds (risk greater than EUR 250,000 and probability of occurrence greater than 50%) are in any case included on the agenda at Management Board and Supervisory Board meetings. Similar risks at Group subsidiaries are identified through the close involvement of the member of the Management Board responsible in each case (who is also usually a member of the local management team) and monthly business reviews covering all Group subsidiaries and business units.

Any risks to our business are assessed as part of a risk inventory and are evaluated and aggregated on a quarterly basis with regard to their probability of occurrence and level of damage as well as their tolerability for Cherry. Essentially, risks are listed here which, if they were to occur, would result in a deterioration of the Cherry Group's net assets, financial position and results of operations, but also, since 2022, risks relating to the achievement of ESG targets (see also the ESG report). The Chairman of the Supervisory Board and the Chairman of the Audit Committee receive (i) the Risk Manual and (ii) a separate risk report for informational purposes and to verify the compliance of the risk management / early risk detection system. The Audit Committee also receives the associated "Report on opportunities and risks" as part of the Consolidated Financial Statements for review purposes.

Although Cherry may be exposed to additional risks, these are currently unknown or are not (or cannot be) assessed as material at this point in time. The respective risk factor as the basis for the relevance of the risk is derived by multiplying the probability of occurrence and the potential amount of loss.

Risk management process

Cherry's risk management process takes a systematic approach aimed at identifying, assessing, and managing risks. The process consists of the following key steps:

1. Risk identification: This step identifies all potential risks that could have a negative impact on Cherry. This is done by risk assessments.
2. Risk assessment: In this step, the identified risks are assessed to determine which risks have priority and how great the impact on Cherry could be, which is expressed by the risk factor. The risk factor as such is determined by multiplying the factors for the probability of occurrence and the possible quantitative amount of damage.
3. Risk aggregation: In this step, interdependencies and correlations are assessed and an overall risk position is determined by the risk manager.
4. Risk management and mitigation: In this context, the various department heads endeavor to initiate suitable measures to avoid the risks or to mitigate or completely reduce their potential impact.
5. Risk monitoring and reviewing: This step monitors whether the measures implemented are effective, whether the level of risk has changed, and whether adjustments therefore need to be made.
6. Risk reporting: In this step, the risks are summarized in a risk report and reported via the communication channels specified at Cherry. In addition to regular reporting, there is ad-hoc reporting. If the net risk exceeds EUR 250 thousand or there is a deviation from the guidance, a report is made along a defined escalation chain. In the event of sudden risks, the escalation process of the risk management process is initiated and escalated directly to the Management Board or Supervisory Board.

These procedures are carried out on a quarterly basis to ensure that Cherry is adequately protected against potential risks and that it can adapt quickly to changing circumstances. Effective risk management is designed to help drive Cherry's business growth, minimize the risk of loss, and increase financial stability. If risks suddenly arise, the risk management process is initiated and escalated directly to the Management Board and/or the Supervisory Board as deemed necessary.

The Cherry Group is constantly working on stabilizing and improving these processes, which were newly introduced or more formalized in the course of the IPO.

Adequacy and effectiveness of the risk management system and the internal control system (ICS)*.

Cherry sees the early risk detection and management system and the ICS as cross-company control systems that safeguard risks and processes across all areas of the Company.

The risk early warning and management system was comprehensively expanded and further improved in the past fiscal year, made more formal and transferred into corporate practice. It is at an appropriate level for the risk profile of the company.

The status quo of the ICS already includes a number of important measures, but it will be further expanded and formalized in 2023 fiscal year and subsequent years.

The components of the internal control system already in place include, for example:

- Definition of a detailed release matrix including value limits and precise specification of competencies across the various management levels.
- Role and authorization concepts for the Company's software, which carries sensitive data or can be used to exert a significant influence on the Company's business processes.
- Signature of significant contracts by at least two authorized signatories (managing directors and authorized signatories)
- The triggering of investments and costs within the framework of budgets requires internal approval by the respective manager, Controlling and - depending on the scope - one or more members of management
- Provision of accounting guidelines for all Group companies as well as monthly review meetings with the local finance department to discuss business development and accounting issues

The list is not exhaustive and is only intended to provide an insight into components of the internal control system.

*unaudited

4.1. Opportunities report

Opportunities

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

In the GAMING business area, there is still an opportunity for Cherry to broaden the potential market for its own switches after a year of consolidation in 2022. For example, there are opportunities to enter markets that have so far been dominated by alternative technologies such as rubber dome or membrane technology, for instance in the field of gaming laptops or premium office laptops. The installation of mechanical switches in laptops is increasingly being expanded to include new laptop series with Cherry's Ultra Low Profile switches, for which production capacities are to be additionally ramped up going forward.

Cherry also sees further dynamic growth opportunities in the Gaming Devices business, in line with the continued positive forecast development of Asian markets for gaming peripherals. The gaming peripherals that Cherry manufactures itself are currently only being sold in the fast-growing markets of Asia, where the main focus has so far been on China and South Korea. In 2023, Cherry is adopting a strategy of developing the gaming peripherals markets on a global scale.

In the Peripherals business unit, which is part of the PROFESSIONAL business area, Cherry is primarily targeting customers in its home market of Germany as well as in its established regions of France and the UK, but is also represented in the USA, where the market is to be significantly expanded over the next few years. In 2022, Cherry also began selling office peripherals in Asia. The peripherals are currently sold mainly via distributors to B2B end customers as well as online, including a number of major blue chip companies. Through the expansion of direct sales and its recently launched e-commerce business, Cherry intends to increasingly win over new customer segments in the B2C sector and thus position itself more broadly in terms of sales. New markets, for example, are the "creator" segment, which includes frequent writers such as journalists, programmers, and other professionals.

In the wake of the COVID-19 pandemic, working from home, remote working, and distance learning will remain viable business opportunities and the market trend is expected to move towards more hybrid forms of working and learning. Hybrid working will mean that for many employees two or more workstations will have to be equipped and regularly modernized, creating promising opportunities for Cherry's Peripherals business unit.

The security of data and other information is considered highly important, especially in certain fields such as the healthcare sector. Cherry is one of only two providers of peripheral devices to the German healthcare industry with certified products that will be considered for establishing a secure telematics infrastructure in Germany in the coming years. Cherry assesses the resulting business opportunities as significant. In future, Cherry also intends to increasingly expand its range of security products, which use biometric recognition or similar methods to operate a keyboard or a mouse. Software development for so-called IoT products and services will also play an increasingly key role going forward. Cherry has a high level of certification expertise in both of these segments, which can be seen as a competitive advantage.

In order to pursue other profitable growth opportunities in addition to its organic development, Cherry also continuously reviews potential acquisition targets, focusing on companies that enable Cherry to expand its own innovation pipeline with the aim of developing Cherry into a platform provider for cloud-based applications and services by means of agnostic software solutions. Further growth options can be exploited going forward by continuing to expand existing business areas through acquisitions and driving expansion into additional regional markets. In January 2023, Cherry completed the acquisition of the Swedish company Xtrfy. Its product portfolio in the field of high-performance keyboards and mice for e-sports applications completes the range of offerings in the gaming sector, enabling Cherry to enter the global professional gaming sector with its brand. The integration of Xtrfy also provides Cherry with new sales opportunities for Gaming and Office peripherals in the Scandinavian market, among others.

Overall assessment of the opportunity situation

The 2022 fiscal year continued to be dominated by the global COVID-19 pandemic on the one hand and the war in Ukraine that began in February 2022 on the other, with all its consequences, including inflation, rising interest rates, and skyrocketing energy prices for the entire world economy.

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

A key element of Cherry's corporate strategy is to develop new hardware and software products for series production and market them as well as expand its international sales network.

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

4.2. Risk report

Risks within the Cherry Group

Based on the markets in which Cherry operates and the focus of activities in the various Gaming and Peripherals business areas, particularly in terms of product development, sales, and the production of proprietary products and software, Cherry has built up a risk universe specific to itself, which is used as a basis for identifying relevant risks.

1. Risks resulting from the strategy and the market
   a. Macroeconomic and geopolitical risks
   b. Market-related risks
   c. Forecast risks in terms of demand behavior and revenue, etc.
   d. Sales volume risk
   e. Market price risk

2. Risks from operating activities
   a. Litigation risks
   b. Technical risks
   c. Supply chain risks
   d. IT risks

3. Risks relating to violations of compliance, legal provisions, regulatory requirements, and taxation laws
   a. Compliance risks
   b. Legal risks
   c. ESG guidelines
   d. Environmental risks

4. Risks resulting from the field of finance
   a. Financial and liquidity risk
   b. Currency and interest rate risks
   c. Hedging risk
   d. Bad debt and credit risk
   e. Creditworthiness and reputational risk
   f. Financial reporting risks

The main risks for Cherry are presented below based on this categorization.

Strategic and market risks

Risks from declining market demand

The market volume of the individual business units may decline, leading to increased price pressure and falling margins. Reasons for declining market volumes include general economic trends, stronger competition (especially from China), changes in customer demand and market trends.

Macroeconomic conditions have been and continue to be significantly impacted given the impact of the COVID 19 pandemic on the economies in which Cherry primarily operates. In the future, a downturn due to a change in the global economic and political environment cannot be ruled out, particularly due to events such as the war in Ukraine.

This risk is assessed as virtually certain in terms of probability of occurrence and as very high in terms of quantitative damage (>1,000,000 euros).

Risks from market price erosion

Cherry is a larger, medium-sized manufacturer of switches required for the production of computer peripherals, with a diversified customer structure of internationally operating large corporations. The majority of sales are made to these large companies. In the future, large corporations may increasingly purchase products from other suppliers at lower market prices in order to also break away from Cherry's brand strength. In parallel, there is a risk that current excess inventories at all known manufacturers could lead to market price erosion.

This risk is assessed as virtually certain in terms of its probability of occurrence and as high in terms of its quantitative damage amount (EUR 250,000-1,000,000).

Operational risks

Loss of goods by sea as part of the supply chain

Cherry's supply chain is dependent on suppliers that deliver products on time and in good quality. Most of these products are manufactured in Asia and shipped via sea freight to Germany and the United States.

In principle, there is a risk here that such goods and products will be lost to the extent of full containers.

This risk is assessed as unlikely in terms of probability of occurrence and as low in terms of quantitative damage (20,000-50,000 euros).

Customer service in China

Due to a change in the structure of the sales partners, Cherry is forced to take over the customer service for China and to provide it fully independently in the short term.

Due to this short-term nature, there may be temporary dissatisfaction among individual end customers, as they may not receive their accustomed level of support. In the worst case, this could lead to the loss of individual end customers.

This risk is only temporary and its probability of occurrence is assessed as unlikely and its quantitative impact as low (EUR 20,000-50,000).

Overall assessment of the risk situation

Risk-bearing capacity

The Cherry Risk Management Report considers the risk-bearing capacity principle in relation to the organization's overall risk assessment and strategy. Risk aggregation refers to the process of summarizing and integrating risks to which Cherry is exposed with the aim of developing a comprehensive understanding of the overall risk profile. The process includes identifying all relevant risks, observing any changes in risks, and monitoring Cherry's overall risk profile. Aggregating risks can ensure that risk controlling does not overlook significant risks and can make measures to monitor and control risks more effective. Cherry aggregates its risks by category and applies data analysis to do so.

According to the risk-bearing capacity principle, Cherry should keep its risks within a range that it considers both sustainable and acceptable. In other words, the organization must assess the risk-reward ratio to ensure that the potential impact of a given risk does not exceed the underlying benefits.

Cherry applies the risk-bearing capacity principle based on EBITDA and an accepted residual risk of 50% of the EBITDA recorded for the previous fiscal year or LTM (last twelve months).

At present, none of the individual risks identified are considered to pose a threat to the Group's going-concern status. As of December 31, 2022, the risk-bearing capacity was determined as 34.1% in relation to EBITDA (LTM), which amounts to EUR 13.5 million. The accepted residual risk is EUR 4.6 million.

The Management Board considers the identified risks to be limited and manageable. No risks have been identified which, either individually or taken as a whole, could jeopardize the Group's going-concern status.

5. OUTLOOK REPORT

5.1. Macroeconomic and sector-specific outlook

Economic growth worldwide continues to be significantly held down by the twin impact of the COVID-19 pandemic and the war in Ukraine. These factors in particular have resulted in higher central bank interest rates to combat inflation, while the lifting of regional lockdowns in China at the beginning of 2023 has paved the way for a faster-than-expected economic upturn.

In its January 2023 "World Economic Outlook Update – Inflation Peaking Amid Low Growth," the International Monetary Fund (IMF) expects global economic growth to decline to 2.9% in 2023 and recover slightly to around 3.1% in the following year.

According to the IMF's assessment, the lower rate of growth in 2023 compared with 2022 is attributable to the advanced economies, while growth in the emerging and developing economies is likely to have already reached its low point in 2022. Moreover, the IMF expects growth in China to gather pace with the full reopening in 2023. Accordingly, the revival expected in 2024 in both groups of economies reflects the gradual recovery from the effects of the war in Ukraine and the easing of inflation. According to the IMF, in line with the trend in global demand, growth in world trade is expected to decline to 2.4% in 2023, despite the easing of supply-side bottlenecks, before rising to 3.4% in 2024.

In its outlook dated January 2023, the IMF now anticipates a disproportionately low growth level of 1.2% in the advanced economies in 2023 (2022: 2.7%), while growth of 4.0% is projected for the group of emerging markets and developing economies (2022: 3.9%). In the regions most important for Cherry, the IMF estimates economic growth in 2023 at 0.1% in Germany (2022: 1.9%), 0.7% in the eurozone (2022: 3.5%), 1.4% in the USA (2022: 2.0%), 5.2% in China (2022: 3.0%), and 4.3% in the Association of Southeast Asian Nations (ASEAN: Indonesia, Malaysia, Philippines, Thailand, Vietnam) countries (2022: 5.2%).

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

Business activities in the GAMING business area are defined by the overall global market for gaming and e-sports. According to the "Global Games Market Report" published in July 2022, the market research institute Newzoo expects the market as a whole to have gone through a correction phase in 2022, while the long-term growth potential is still viewed in a positive light. Accordingly, Newzoo estimates the compound annual growth rate (CAGR) for the overall market to be 3.4% by 2025 (base year: 2020). Newzoo therefore expects the market as a whole to continue showing healthy growth in the wake of the pandemic, albeit at a lower rate than during the pandemic. Moreover, Newzoo forecasts the number of gamers worldwide to grow at a CAGR of 4.2% to 3.5 billion by 2025 (base year: 2020).

According to the Technavio report "Gaming Peripheral Market by Type, Technology, and Geography – Forecast and Analysis 2023-2027" published in December 2022, the market research institute Infiniti Research Limited estimates that the global market for gaming peripherals relevant to Cherry's GAMING business area will grow by USD 5.61 billion by 2027, corresponding to a CAGR of 9.41% (base year: 2022). According to the report, the market growth is largely driven by the rising popularity of e-sports.

The PC peripherals market segment for devices used in (hybrid) office workstations and industrial applications, which is relevant for Cherry's PROFESSIONAL business area, will continue to be dominated by the global "work-from-anywhere" trend. The "State of Remote Work 2022" report published by OWL Labs and Global Workplace Analytics in October 2022 comes to the empirical conclusion that hybrid work models in the USA will continue to prevail. While employee preferences have continued to evolve overall, the number of people with a preference for remote work has increased by 24% and those with a preference for hybrid jobs by 16%, while the number of those who prefer working from an office has decreased by 24%. Of all respondents surveyed in July 2022, the percentage with a preference for remote work was 42%, the percentage in favor of hybrid work was 36%, and those with a preference for office work was 22%.

gematik GmbH's atlas on the telematics infrastructure 2022 ("TI Atlas 2.0") describes progress in the digitalization of the German healthcare system. According to gematik GmbH, nearly all pharmacies, hospitals, dentists, and doctors' surgeries are now connected to the secure data network of the telematics infrastructure ("TI"). Furthermore, according to a survey conducted by gematik GmbH in June 2022, the proportion of facilities considered fully TI-ready has grown significantly. Accordingly, the share of doctors' surgeries surveyed has grown by 12% and that of hospitals by 19%. gematik GmbH defines the status of fully TI-ready uniformly for all user groups according to the following criteria: a functioning connector, a ready-to-use healthcare professional card, and the installation of at least one TI application.

Finally, in its TI Atlas 2.0, gematik GmbH points to the high level of willingness to accept digital services on the part of the insured people surveyed in this context. According to the survey, around 89% of those surveyed were generally positive about the use of new technologies and around 18% were either already in possession of an electronic healthcare card with NFC function or had applied for one. Additionally, around 11% were already in possession of a PIN for the electronic healthcare card or had applied for one, and 30% were already using digital healthcare services.

The electronic register for healthcare professionals ("eGBR") is scheduled to become fully operational in the course of 2023. This will enable electronic healthcare professional and occupational identification cards to be issued to members of healthcare professions, healthcare trades, and other providers of medically prescribed services, i.e. the so-called "non-chambered" professions, on a countrywide basis. These electronic healthcare professional cards will be required in order to access the data and applications on the electronic healthcare card (eGK).

5.2. Business performance outlook for the Cherry Group

In the 2022 fiscal year, Cherry adopted a broad raft of measures aimed at counteracting the macroeconomic downturn brought about primarily by the combined effects of the COVID-19 pandemic, the war in Ukraine, and the resulting energy crisis, with the aim of enabling the Group to return 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 infrastructure with the aim to optimize the management of business processes. New, highly automated production lines have been ordered ("MX Gen. 4", "ULP II"), which will increase Cherry's capacity to manufacture the new generations of switches many times over while maintaining the same high quality, thereby significantly cutting unit costs. The machines are scheduled to be assembled and ready for use during the first half of 2023.

Moreover, the e-commerce sales channel, which promises considerable and sustainable sales volume potential for Cherry, was significantly expanded during the fiscal year under report. Apart from establishing a new company, Cherry E-Commerce GmbH, which will integrate the business activities of the EMEA sales region going forward, 10 new employees have been recruited, bringing with them substantial expertise and experience to the team. With the acquisition of a new software application specifically designed for e-commerce, the business model will be both horizontally and vertically scalable for Cherry as the project moves forward. The new Cherry website was launched in the final quarter of the 2022 fiscal year and now includes its own online store. As part of the expansion strategy, inventories were built up over the course of the 2022 fiscal year to ensure reliable delivery capability. In addition to Amazon, further marketplaces are scheduled to be added in the course of the 2023 fiscal year, while at the same time developing business with end customers (B2C). Plans are also taking shape in conjunction with the "Gaming Goes Global" project, to roll out business with gaming devices – until now heavily focused on the Asian market – across all Cherry's international markets, thereby constructively underpinning Cherry's e-commerce strategy and expanding its market position on a more globalized footing.

Based on the management measures taken to date, Cherry sees itself as well prepared to take on the challenges of the 2023 fiscal year. Nonetheless, the macroeconomic environment is expected to remain challenging. Despite the many management measures taken, business is not yet expected to fully recover in 2023 and to return to a pre-crisis level. In particular, the uncertain development in the Components business unit leads to a significant decline in growth expectations for this business unit.

Significant risks to business development arise, for example, from a continuation of the war in Ukraine, various areas of global political tension, and the resulting consequences for the global economy, e.g. in the form of rising inflation rates and interest rates. For the fiscal year 2023, the Management Board therefore continues to expect a high degree of economic uncertainty in combination with disproportionate management effort for the Company, which has been reflected accordingly in the forecast. The outlook for fiscal 2023 is for 12 fiscal months, beginning January 01, 2023, and is based on the following framework assumptions:

- Inflation rates in Germany of approximately 6.2% (IFO Institut)
- Prices for raw materials in Components business unit continue to rise, prices for merchandise stable
- Collective bargaining increases for employees to take place in 2023
- A weakening of the US$ against the euro
- Normalization of supply chains

Despite the macroeconomic challenges, the Management Board expects a year-on-year sales growth from EUR 132.5 million to EUR 135 – 165 million and an adjusted EBITDA margin in the range of 10 – 14% for fiscal year 2023.

The forecast is based on the Group’s seven reportable segments to date as well as Cherry E-Commerce GmbH, which will be added as a further reportable segment in the 2023 fiscal year on the basis of planning. For the individual segments, the Management Board expects the following development in terms of revenue and the adjusted EBITDA margin:

Cherry considers the current fiscal year to be a year of transition and consolidation, which the Management Board will use to adapt the company to the changed framework conditions. In the medium term, the aim is to return to an adjusted EBITDA margin of over 20%.

The Management Board expects the following developments for the two business areas GAMING and PROFESSIONAL:

The Management Board forecasts double-digit revenue growth and a slightly higher adjusted EBITDA margin for the GAMING business area in the 2023 fiscal year (2022: negative 0.7%).

The Components business unit was hit hardest by the unfavorable macroeconomic factors seen during the 2022 fiscal year and its performance in 2023 is likely to continue to reflect the lingering knock-on effects. In order to cut costs in the Components business unit in response to sluggish demand, production at the Auerbach site was partially organized on a short-time working basis between April 1, 2022 and December 31, 2022, which was extended into the 2023 fiscal year. Furthermore, as part of a voluntary reconciliation of interests, some 50 production employees were made redundant at the Auerbach site. Staff numbers have therefore already been adjusted downwards in line with the current earnings situation and reduced HR requirements going forward.

Before eliminations arising on consolidation	Cherry Europe GmbH	Cherry E-Commerce GmbH	Cherry Digital Health GmbH	Theobroma Systems Design und Consulting GmbH	Active Key GmbH	Zhuhai Cherry Electronics Co. Ltd.	Cherry Electronics (Hong Kong) Co Ltd.	Cherry Americas LLC
Expected year-on-year change in revenue	(10 – 20%)	> 100%	(10 – 20%)	70 – 90%	15 – 20%	15 – 25%	35 – 45%	25 – 35%
Expected EBITDA margin (adjusted)	-5% to +5%	-5% to +5%	7 – 13%	20 – 25%	25 – 35%	15 – 25%	5 – 15%	1 – 6%

High levels of inventories at customers and distributors, mainly relating to items of unchanged relevance, coupled with the new consumer trend towards smaller gaming keyboards, have had a palpable adverse impact on sales volume potential. Efforts to counteract this development include measures to intensify Cherry's partnerships and generate new leads, both of which are expected to result in reductions in existing inventory levels over the course of the year. Further improvements are expected from the expansion of production capacity for the ULP switch, demand for which exceeded production capacity in the 2022 fiscal year, and which, due to its ultra-flat design, can be deployed for a wider range of applications, such as in high-end office notebooks, thereby creating additional and previously unavailable sales potential.

In the final quarter of 2022, the Gaming Devices business unit was negatively impacted by a change of distributor in China as well as other factors, which resulted in an anticipated reduction of revenue of approximately EUR 1.5 million. This change was completed in Q1 2023 and led to a subsequent time-lagged impact on the quarterly revenue from the previous year. With the "Gaming Goes Global" project, Cherry also plans to roll out business with gaming devices – until recently largely limited to the Asian economic area – across all of Cherry's markets and significantly boost sales volume in conjunction with its e-commerce strategy.

The Management Board forecasts single-digit revenue growth and a slightly lower adjusted EBITDA margin for the PROFESSIONAL business area in the 2023 fiscal year.

In the 2022 fiscal year, the Peripherals business unit was the only part of the enterprise to grow despite the unfavorable market conditions, the main driver being the expansion of e-commerce activities via Amazon. In the course of the current fiscal year, the plan is to grow e-commerce business on a much greater scale, particularly in Europe, but also in the USA. The market continues to offer Cherry very high growth potential, especially as its own market share is still small; the existing product portfolio is indisputably relevant and offers plenty of room for market expansion. The structures required to upscale the business going forward were already put in place in Europe during the 2022 fiscal year.

Growth in the Digital Health business unit stalled somewhat in the second half of the 2022 fiscal year. The primary reason was an increasing reluctance to buy due to various delays in the telematics infrastructure caused by political factors in the implementation of new, specialized applications such as the e-prescription and the electronic patient file. However, these delays are expected to ease increasingly in the course of 2023. Cherry has a strong product positioning with a large installed base compared to its competitors and will now proceed to expand its product range further with the upcoming launch of the PIN Pad. Security products will be reallocated from the Peripherals business unit to Digital Health & Solutions from Q2 2023.

6. OTHER DISCLOSURES

6.1. Disclosures relevant for takeovers (Section 289a, Section 315a (1) HGB)

1. As of December 31, 2022, Cherry SE's subscribed capital comprised the following: The Company's share capital amounted to EUR 24,300,000, divided into 24,300,000 no par value bearer shares. All shares carry the same rights and obligations. The rights and obligations of the shareholders are set out in detail in the provisions of the German Stock Corporation Act (AktG), particularly Sections 12, 53a et seq., 118 et seq., and 186.
2. The Cherry SE shares held either directly or indirectly by members of the Management Board were subject to a vesting period that expired on December 29, 2022. Any Cherry SE shares held either directly or indirectly by Marcel Stolk, Chairman of the Supervisory Board, and/or Steven M. Greenberg, member of the Supervisory Board, were subject to a vesting period that expired on June 29, 2022. The shares of the Company that were transferred to the owners of Xtrfy Gaming AB (Landskrona, Sweden) with value date January 17, 2023 are subject to a restriction on sale until January 16, 2025. The Management Board is not aware of any further limitations affecting voting rights or the transfer of shares.
3. According to a voting rights notification received by Cherry SE on July 30, 2021 as well as internal notifications to Cherry SE from individual investors that are not subject to disclosure requirements, the following direct shareholding exceeds 10% of the voting rights: Cherry TopCo S.à r.l. (Argand Partners Fund GP-GP, Ltd.): 30.79%.
4. There are no shareholders with special rights conferring powers of control.
5. There are no controls over voting rights relating to shares held by employees.
6. The appointment and dismissal of members of the Management Board is governed by Sections 84 and 85 of the German Stock Corporation Act (AktG) and Article 7 of the Articles of Incorporation of Cherry SE. The Management Board consists of one or more members. The Supervisory Board determines the number of members on the Management Board. The Supervisory Board may appoint a Chairman of the Management Board and also a Deputy Chairman. The Supervisory Board appoints members of the Management Board, concludes employment contracts, revokes appointments, and also amends and terminates employment contracts. The Supervisory Board may issue rules of procedure for the Management Board. The members of the Management Board are appointed by the Supervisory Board for a maximum period of five (5) years. Reappointments are permissible.
7. In accordance with the resolution of the Annual General Meeting held on June 11, 2021, the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital of Cherry SE by up to EUR 10,000,000 by issuing up to 10,000,000 new no par value bearer shares in return for cash contributions and/or contributions in kind (Authorized Capital) on or before June 10, 2026. The authorization may be exercised either once or several times in partial amounts, but only up to EUR 10,000,000 in total. Shareholders are fully entitled to subscription rights. If capital increases are made against cash contributions, the shares may also be underwritten by banks or companies designated by the Management Board as defined in Section 186 (5) sentence 1 of the German Stock Corporation Act (AktG), subject to the obligation to offer them to the shareholders for subscription.

   In accordance with the resolution of the Annual General Meeting on June 23, 2021, the Management Board is authorized, with the approval of the Supervisory Board, to acquire treasury shares of the Company until June 22, 2026, up to a total of 10% of the Company's share capital existing at the time the resolution is adopted or – if one of these values is lower – at the time this authorization becomes effective or at the time this authorization is exercised. The authorization may be exercised for any legally permissible purpose. The Management Board shall inform the Annual General Meeting in each case of the exercise of the authorization, in particular of the reasons for and purpose of the acquisition of treasury shares, the number of shares acquired and the amount of capital stock represented by them, the proportion of capital stock represented by them and the consideration for the shares. On June 9, 2022, the Management Board, with the approval of the Supervisory Board, launched a share buyback program using this authorization ("Share Buyback Program 2022"). Under the Share Buyback Program 2022, up to a total of 2,000,000 treasury shares (corresponding to up to approximately 8.2% of the Company's current share capital) may be repurchased in a period from June 13, 2022 to June 30, 2023 at a total purchase price (excluding incidental acquisition costs) of up to EUR 25.0 million. As of the balance sheet date, the Company has repurchased 907,117 treasury shares (corresponding to approximately 3.7% of the Company's share capital).

   By resolution of the Annual General Meeting held on June 23, 2021, the Company's share capital was conditionally increased by up to EUR 10,000,000, divided into up to 10,000,000 no par value bearer shares (Conditional Capital 2021/1). The conditional capital increase may only be executed if the holders or creditors of option or conversion rights – or those required to convert/exercise options arising from bonds with warrants and/or convertible bonds, profit participation rights and/or participating bonds issued against cash or non-cash contributions (or combinations of these instruments) that have been issued or guaranteed by Cherry SE or by a subsidiary of Cherry SE by June 22, 2026, based on the authorization given to the Management Board by resolution of the Annual General Meeting held on June 23, 2021 – exercise their option or conversion rights or, if they are required to convert/exercise options, actually fulfill their obligation, or if Cherry SE exercises an option to grant shares in the Company in whole or in part instead of payment of the cash amount due. The conditional capital increase will not be executed if a cash settlement is granted or treasury shares, shares out of authorized capital, or shares in another listed company are used to service the issue. The new shares shall be issued at the option or conversion price, which is to be determined in each case in accordance with the above authorization resolution. The new shares shall participate in profits from the beginning of the fiscal year in which they are created. To the extent legally permissible, the Management Board may, with the approval of the Supervisory Board, determine the profit participation of new shares in deviation from this and from Section 60 (2) sentence 3 AktG, including for a fiscal year which has already expired.

8. Cherry SE's credit agreements do not include change-of-control clauses that grant creditors any extraordinary right of termination.
9. Cherry SE has not entered into any compensation agreements, either with members of the Management Board or with employees, regarding termination of employment in the event of a takeover offer.

6.2. Remuneration Report pursuant to Section 162 of the German Stock Corporation Act (AktG)

The Remuneration Report for the 2022 fiscal year is published on the Cherry website at https://ir.cherry.de/home/corporate-governance/.

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

The Corporate Governance Statement for the 2022 fiscal year is published on the Cherry website at https://ir.cherry.de/home/corporate-governance/.

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

Pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code (HGB), Cherry SE is required to describe the key features of its financial reporting-related internal control and risk management system in the Management Report. At the time of the IPO on June 29, 2021, Cherry SE (until December 13, 2022 still operating as an AG) was still in the process of establishing a fully comprehensive internal control system (ICS) and risk management system. At the end of the reporting period, significant progress was made, particularly with regard to the risk management system. In the internal control system, additional measures and mechanisms were implemented in isolated cases, but Cherry has not yet achieved the target structure and will therefore be further improved in fiscal year 2023.

Accordingly, it is a top priority for the Management Board of Cherry SE to further expand the internal control and risk management system in the fiscal year 2023 and in the following years and to improve and automate it with the support of IT systems. System-supported, automated processes that will become an elementary component of the ICS are to contribute to this.

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

The Management Board of Cherry SE is responsible for the extent and the structuring of the ICS, taking the specific requirements of the Cherry Group duly into account. Monitoring the effectiveness of the ICS is one of the duties of the Supervisory Board of Cherry SE, which receives regular reports from the Management Board regarding the actual and planned status of the ICS and the results of internal control and monitoring measures. Together with the Supervisory Board, the Management Board reviews the appropriateness, effectiveness, and functionality of the ICS within the Cherry Group and currently performs these duties by means of various informational, audit, and reporting formats. Its reviews are based on a risk-oriented reporting system managed by Risk Controlling, which also regularly provides for checks at subsidiaries. Moreover, the Accounting and Controlling departments are responsible for checking the correctness of fixed asset and inventory counts.

With regard to authorizations to sign for banks, Group Treasury has implemented strict procedures, including fraud prevention measures by segregating authorizations and stipulating authorization levels as well as introducing triple approval for any changes to bank details within the Company's master data.

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

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

In order to counter these potential risks and causes, Cherry SE plans to call upon professional external support for an internal audit if required and intends to build up its own resources in the future, insofar as these are appropriate.

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

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

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

Accordingly, all Group subsidiaries are integrated in the risk management system and its predefined reporting structures, including the risk reporting system, which is based on the Risk Manual. In order to manage the individual risks, any risks identified by the early warning system are discussed at management meetings on a quarterly or monthly basis and any measures defined are coordinated with the Management Board and the Supervisory Board.

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

The financial reporting-related ICS comprises internal controls defined on the basis of risk aspects for the processes relevant to financial reporting as well as the processes supporting the IT systems. IT security, change management, and operational IT processes are of particular importance in this respect. Organizational, preventive, and detection controls are applied, which can be IT-based or manual. The high level of qualification of employees, their regular training, a dual control principle as a minimum standard, and the functional separation of administrative, executive, and approval processes are indispensable for ensuring the effectiveness and efficiency of the financial reporting-related ICS for the Cherry Group. Accounting processes are managed by Group Accounting and other responsible accounting departments. Laws, financial reporting standards, and other documents are continuously analyzed with regard to their relevance and impact on financial reporting. Relevant requirements are recorded and communicated in the Group's financial accounting policy and form the basis for preparing the financial statements. In addition, supplementary procedural instructions such as the Group's accounting memos, intracompany transfer pricing guidelines, standardized reporting formats, IT systems, and IT-supported reporting and consolidation processes support the process of standardized and proper Group financial reporting. Group Accounting ensures that these requirements are complied with uniformly throughout the Group. The Group's companies are responsible for ensuring that their financial reporting-related processes and systems operate correctly and promptly, and are supported in this endeavor by the accounting departments of the Cherry Group's various subsidiaries as well as external service providers. In order to be able to track this, monthly package review calls were implemented with the business units and the "Americas" and "Asia" country organizations, in which the business development of the past reporting month is discussed and special issues are analyzed and debated. In addition, workflow management software was purchased in the reporting year, which will help to structure and monitor the closing process and ensure the correctness of the financial statements.

If significant control weaknesses or opportunities for improvement are identified, these are assessed and countermeasures are developed together with the persons responsible in order to further improve the effectiveness of the ICS. The implementation of these measures is monitored by the Management Board and may be the subject of follow-up activities. The Supervisory Board is closely involved at every stage to ensure the high quality of the financial reporting-related ICS.

03 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	Note	2022	2021
Revenue	8.1	132,514	168,526
Cost of sales		-95,644	-99,673
Gross profit		36,870	68,853
Marketing and selling expenses		-19,330	-16,929
Research and development expenses		-9,042	-6,103
Administrative expenses		-15,221	-17,796
Other operating income	8.2	1,976	2,867
Other operating expenses	8.5	-1,856	-3,274
Impairment of goodwill	6.2	-29,882	–
Operating result before interest and taxes (EBIT)		-36,485	27,619
Financial result	8.6	-1,863	-14,125
Earnings before taxes (EBT)		-38,348	13,494
Income taxes	8.7	2,620	-4,208
Group net loss/profit		**-35,728**	**9,287**
Undiluted (basic) earnings per share (in EUR)	8.8	-1.49	0.42
Diluted earnings per share (in EUR)	8.8	-1.49	0.42

Income and expenses not recognized through profit or loss

€ thousand	Note	2022	2021
Other comprehensive income that will be reclassified subsequently to profit or loss		**917**	**4,218**
Foreign currency translation of financial statements of foreign entities	7.1	917	4,218
Other comprehensive income that will not be reclassified subsequently to profit or loss		**86**	**5**
Actuarial gains and losses	7.1	121	7
Other changes	7.1	-35	-2
Income and expenses not recognized through profit or loss		**1,003**	**4,223**
Total comprehensive income for the year		**-34,725**	**13,509**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

€ thousand	Note	Dec. 31, 2022	Dec. 31, 2021
NON-CURRENT ASSETS			
Intangible assets	6.2	158,663	190,109
Property, plant and equipment	6.1	24,109	24,941
Right-of-use assets	6.3	14,553	17,989
Other non-financial assets	6.5	12	5
Deferred tax assets	7.6	4,938	1,307
Total non-current assets		**202,275**	**234,351**
CURRENT ASSETS			
Inventories	6.4	65,021	44,156
Trade receivables		16,348	19,610
Current income tax receivables		346	1,853
Other non-financial assets	6.5	2,228	1,329
Cash and cash equivalents	10.	92,848	109,678
Total current assets		**176,791**	**176,626**
Total assets		**379,066**	**410,977**

EQUITY AND LIABILITIES

€ thousand

	Note	Dec. 31, 2022	Dec. 31, 2021
EQUITY	7.1		
Subscribed capital		23,393	24,300
Capital reserves		257,585	263,280
Retained earnings		-34,012	1,716
Accumulated other comprehensive income		4,860	3,856
Total equity		**251,826**	**293,152**
NON-CURRENT LIABILITIES			
Pension provisions	7.2	718	917
Other provisions	7.3	765	1,021
Financial liabilities	7.5	45,278	46,095
Lease liabilities	6.3	12,898	14,549
Other non-financial liabilities	7.4	105	115
Deferred tax liabilities	7.6	20,216	21,997
Total non-current liabilities		**79,980**	**84,694**
CURRENT LIABILITIES			
Other provisions	7.3	253	252
Financial liabilities	7.5	208	202
Lease liabilities	6.3	4,027	3,982
Trade payables		30,886	17,892
Current income tax liabilities		1,962	1,435
Other financial liabilities	7.4	6,088	5,564
Other non-financial liabilities	7.4	3,836	3,804
Total current liabilities		**47,260**	**33,131**
Total equity and liabilities		**379,066**	**410,977**

CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand	Note	2022	2021
Net loss/profit for the year		-35,728	9,287
Depreciation, amortization and write-downs (+) / reversals thereof (-) on fixed assets		47,752	14,954
Increase (+) / decrease (-) in provisions		-453	-522
Other non-cash expenses (+) / income (-)		1,038	9,810
Gains (-) / losses (+) on disposal of fixed assets		19	44
Increase (-) / decrease (+) in inventories, trade receivables and other assets		-19,599	-28,673
Increase (-) / decrease (+) in trade payables and other liabilities		14,616	3,761
Interest expenses (+) / interest income (-)	8.6	1,863	14,125
Interest paid (-)		-1,541	-13,749
Interest received (+)		7	5
Tax expenses	8.7	-2,620	4,208
Income tax paid (+/-)		412	-5,435
Cash flows from operating activities		**5,766**	**7,815**
Cash received (+) from disposals of property, plant and equipment		28	122
Cash paid (-) for investments in property, plant and equipment		-5,538	-6,750
Cash received (+) from disposals of intangible assets		8	–
Cash paid (-) for investments in intangible assets		-4,245	-2,931
Cash paid (-) for the purchase of consolidated companies	10.	-1,600	-4,869
Cash flows from investing activities		**-11,347**	**-14,427**
Cash received (+) from equity contributions	7.1	–	137,600
Cash paid (-) in connection with Share Buyback Program 2022	7.1	-6,841	–
Cash paid (-) for capital procurement costs	7.1	–	-6,345
Cash paid (-) for other non-current financial liabilities	10.	-3,751	-3,610
Cash paid (-) for the repayment of (financial) loans	10.	-617	-80,248
Cash received (+) from (financial) loans raised	10.	–	45,045
Cash flows from financing activities		**-11,209**	**92,442**
Cash-relevant change in cash and cash equivalents		-16,790	85,830
Changes in cash and cash equivalents due to changes in exchange rates, scope of consolidation, and valuation		-40	948
Cash and cash equivalents at beginning of year		**109,678**	**22,900**
Cash and cash equivalents at end of year		**92,848**	**109,678**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	Subscribed capital	Capital reserves	Accumulated deficit / unappropriated profit	Accumulated other comprehensive income Foreign currency translation of financial statements of foreign entities	Accumulated other comprehensive income Actuarial gains and losses	Total equity
January 1, 2021	**36**	**150,486**	**-7,571**	**-358**	**-8**	**142,585**
Share capital increase	24,264	113,108	–	–	–	137,372
Capital procurement transaction costs	–	-4,496	–	–	–	-4,496
Group net profit for year	–	–	9,287	–	–	9,287
Foreign currency translation of financial statements of foreign entities	–	–	–	4,218	–	4,218
Actuarial gains and losses	–	–	–	–	7	7
Income taxes on other comprehensive income	–	–	–	–	-2	-2
Other comprehensive income	–	–	–	4,218	5	4,223
Total comprehensive income	–	–	9,287	4,218	5	13,509
Impact of share-based payments	–	4,183	–	–	–	4,183
Dividends	–	–	–	–	–	–
December 31, 2021	**24,300**	**263,280**	**1,716**	**3,860**	**-3**	**293,152**
January 1, 2022	**24,300**	**263,280**	**1,716**	**3,860**	**-3**	**293,152**
Share capital increase	–	–	–	–	–	–
Share buybacks	-907	-5,935	–	–	–	-6,841
Group net loss for year	–	–	-35,728	–	–	-35,728
Foreign currency translation of financial statements of foreign entities	–	–	–	917	–	917
Actuarial gains and losses	–	–	–	–	121	121
Income taxes on other comprehensive income	–	–	–	–	-35	-35
Other comprehensive income	–	–	–	917	86	1,003
Total comprehensive income	–	–	-35,728	917	86	-34,725
Impact of share-based payments	–	240	–	–	–	240
Dividends	–	–	–	–	–	–
December 31, 2022	**23,393**	**257,585**	**-34,012**	**4,777**	**83**	**251,826**

NOTES

1. GENERAL EXPLANATORY COMMENTS

1.1. General information about the Cherry Group

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

The parent company of the Cherry Group is Cherry SE, which is registered in the Commercial Register of the Munich Local Court under HRB 280912. The registered office of the Company is Rosental 7 in 80331 Munich (previously: Einsteinstraße 174 in 81677 Munich), Germany. With effect from the date of entry in the Commercial Register on December 13, 2022, the former Cherry AG (Munich Local Court HRB 266697) became Cherry SE by way of a change in legal form.

The Consolidated Financial Statements for the 2022 fiscal year were approved for publication by the Management Board on March 29, 2023.

1.2. Basis of preparation of the Consolidated Financial Statements

In line with Section 315e (1) of the German Commercial Code (HGB), Cherry SE has prepared its Consolidated Financial Statements for the year ended December 31, 2022 in accordance with the international accounting standards as specified in Regulation 1606/2002 of the European Parliament and of the Council. The Consolidated Financial Statements comply with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and their respective interpretations (IFRIC/SIC), as required to be applied in the European Union (EU) for the 2022 fiscal year, and have been supplemented by certain disclosures and the Group Management Report in conjunction with Section 315e HGB.

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

The financial statements of all fully consolidated companies have been prepared using uniform accounting and measurement principles. The individual financial statements of these companies have been drawn up as of the Group's reporting date (December 31, 2022).

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

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

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

1.3. Consolidation principles

The Consolidated Financial Statements comprise the financial statements of Cherry SE and its subsidiaries as of December 31, 2022, over which Cherry SE – either directly or indirectly – has a controlling influence.

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

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

1.4. Group reporting entity

As of December 31, 2022, the Consolidated Financial Statements of Cherry SE included the parent company, Cherry SE, and the following Group entities:

List of investments

Fully consolidated entities	Principal activity	Dec. 31, 2022	Dec. 31, 2021
Cherry Europe GmbH, Auerbach	Production, sales and marketing	100%	100%
Cherry Digital Health GmbH, Munich	Sales and marketing	100%	100%
Cherry Peripherals GmbH, Munich	Sales and marketing	100%	–
Cherry E-Commerce GmbH, Munich	Sales and marketing	100%	–
Active Key GmbH, Munich	Sales and marketing	100%	100%
Theobroma Systems Design und Consulting GmbH, Vienna (Austria)	Production, sales and marketing	100%	100%
Zhuhai Cherry Electronics Co. Ltd., Zhuhai City (China)	Production, sales and marketing	100%	100%
Cherry Electronics (Hong Kong) Co Ltd., Hong Kong (China)	Sales and marketing	100%	100%
Cherry Taiwan Electronics Co., Ltd, Taiwan	Sales and marketing	100%	–
Cherry Americas LLC, Kenosha (USA)	Sales and marketing	100%	100%
Cherry S.A.R.L, Paris (France)	Sales and marketing	100%	100%

In March 2021, it was decided to initiate a merger of Cherry AcquiCo GmbH and Cherry Holding GmbH. Accordingly, Cherry Holding GmbH was merged into Cherry AcquiCo GmbH. The notification of the merger to the Commercial Register was filed on April 6, 2021. The merger was entered in the Commercial Register on April 19, 2021. In conjunction with the merger, Cherry AcquiCo GmbH was renamed Cherry Holding GmbH. The headquarters of the company continue to be in Munich. In accordance with a resolution taken at the Annual General Meeting on May 25, 2021, the legal form of Cherry Holding GmbH was changed to that of a stock corporation under the name "Cherry AG". With effect from the date on entry in the Commercial Register on December 13, 2022, Cherry AG became Cherry SE by way of a change in legal form.

A branch office of Cherry Electronics (Hong Kong) Co. Ltd. was established in Taiwan on January 8, 2018. The branch office was converted into a legal entity operating under the name Cherry Taiwan Electronics Co., Ltd. in February 2022. The new legal entity is a wholly owned subsidiary of Cherry Europe GmbH.

Cherry E-Commerce GmbH, based in Munich, was established on June 9, 2022. The sales and marketing company, which focuses on the online sale of Cherry products, was initially a wholly owned subsidiary of Cherry SE. In December 2022, Cherry SE contributed its shares in Cherry E-Commerce GmbH to Cherry Peripherals GmbH.

The entity heptus 501. GmbH – which had been entered in the commercial register on November 24, 2022 – changed its name to Cherry Peripherals GmbH with its registered office in Munich on December 13, 2022. Like Cherry Europe GmbH and Cherry Digital Health GmbH, it is a wholly owned subsidiary of Cherry SE.

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

1.5. Initial Public Offering

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

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

2. BUSINESS COMBINATIONS

There were no business combinations during the 2022 fiscal year.

In the 2021 fiscal year, Active Key GmbH & Co. KG, Pegnitz, Germany, was acquired and has been included in the Consolidated Financial Statements as a fully consolidated company since May 2021.

For information on business combinations after December 31, 2022, please see note 11.6 Events after the end of the reporting period.

3. SIGNIFICANT ESTIMATES, ASSUMPTIONS AND AREAS OF JUDGMENT

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

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

In 2022, as in the previous fiscal year, it was necessary to assess the potential impact of the COVID-19 pandemic on financial reporting, in particular on significant estimates, assumptions and areas of judgment. The pandemic initially helped drive business due to increased e-sports and gaming activity worldwide, a surge in hybrid office workplaces (global work-from-anywhere trend) and the expansion of remote training. Cherry responded to these developments in particular by expanding its e-commerce business. In 2022, however, business volumes were negatively impacted by the ongoing disruption of international supply chains caused by the COVID-19 pandemic as well as regional lockdowns in China until December 2022 due to the Chinese government's zero-Covid strategy.

Furthermore, in 2022, the impact of Russia's war of aggression on Ukraine also exacerbated the situation, with international supply chains hindered, resulting in particular in the limited availability of energy, transport and logistics services, and raw materials worldwide. This combination of factors gave rise to rapidly rising purchase prices in many areas of operational and capital expenditure. In response, Cherry is constantly endeavoring to optimize its cost structures by improving the relevant procurement and supply chains.

In the past fiscal year, Cherry took countermeasures to counter potential supply bottlenecks, particularly for semiconductors. Sufficient quantities of these were stockpiled or allocated to suppliers in line with the respective delivery time. In addition, supply chains and flows of goods were optimized and impending risks from "single sourcing" were significantly reduced by expanding the supplier network.

Customer creditworthiness is reviewed on a regular basis and no material impact on the valuation of the receivables portfolio was identified in 2022.

Similarly, the COVID-19 pandemic and the war in Ukraine did not give rise to any increased requirement to write down inventories in 2022. Although inventories have increased compared with the previous year, this increase is not exclusively attributable to these circumstances, but is also partly strategically intended in order to be able to guarantee delivery capability in the course of the further expansion of the eCommerce business. For inventories that do not fall under this strategic inventory build-up, measures for structured reduction have already been defined for the most part.

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

Business combinations

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

Capitalized development costs

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

Impairment of financial assets

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

Impairment testing

In accordance with IAS 36, numerous parameters are required to be estimated in conjunction with impairment testing for goodwill, capitalized development costs, other intangible assets and property, plant and equipment. In particular, estimates of future cash flows, growth rates and the discount rate are required in this context. During the detailed planning phase, revenue growth is generally planned on the basis of past experience, taking into account current short- to medium-term expectations. This includes planned market strategies and, for the time being, the expected impact of the COVID-19 pandemic and the war in Ukraine. After the detailed planning phase, long-term revenue growth is assumed on the basis of the latest business plan, drawn up in the first quarter of 2023. Due to the nature of the Cherry Group's products, impairment is influenced in particular by technological developments, which are therefore observed and assessed on a regular basis. Information on impairment testing is provided in note 6.2.

Impairment of inventories

In the context of determining impairment losses on inventories, write-downs are based on age periods that are applied on the basis of estimates derived from past experience. Inventories are recognized at the lower of cost or net realizable value at the balance sheet date. If the net realizable value of inventories at the balance sheet date is lower than their carrying amount, individual valuation allowances are made on the basis of a standardized valuation model that takes into account the storage durations of the individual inventories.

Deferred tax assets

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

Measurement of other provisions

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

Share-based remuneration

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

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

Significant areas of judgment

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

Acquisition and production costs

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

Fair values

The fair value of financial instruments traded on organized markets is determined on the basis of the quoted market price (bid price) at the end of the reporting period. The fair value of financial instruments for which there is no active market is determined using recognized valuation techniques, such as the use of recent arm's length transactions between knowledgeable, willing parties; the comparison of the current fair value of a substantially similar instrument; discounted cash flow analysis; and other valuation models.

Foreign currency translation

The financial statements of consolidated subsidiaries which are drawn up in a foreign currency are translated into euros using the functional currency concept in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates). With one exception, all non-German subsidiaries use the local currency of the relevant country as their functional currency since they all run their operations separately in financial, economic and organizational terms. In the case of one subsidiary, the functional currency is now the euro rather than the local currency, reflecting the fact that the majority of the transactions of this subsidiary are carried out in euros. Accordingly, assets and liabilities are translated at the closing rates at the end of the reporting period and expenses and income are generally translated at average rates, if the local currency is not the functional currency. Equity items are translated at historical rates as of the date they were first accounted for by the Cherry Group.

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

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

Closing rates	US dollar (USD)	Chinese renminbi (CNY)	Taiwanese dollar (TWD)
December 31, 2021	1.13260	7.19470	31.36980
December 31, 2022	**1.06660**	**7.35820**	**32.81600**

Averaged annual rates	(USD)	(CNY)	(TWD)
2021	1.18360	7.63392	33.12837
2022	**1.05388**	**7.08009**	**31.48545**

Business combinations and goodwill

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

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

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

Intangible assets

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

Intangible assets Useful lives

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

Research and development expenses

Research costs are recognized as expense in the period in which they are incurred. Development costs relating to individual projects are capitalized if the criteria specified by IAS 38 are met. Expenditure on projects, the total cost of which does not exceed EUR 25,000, is recognized directly as expense. Capitalized development costs are stated at cost less accumulated amortization and impairment losses and are amortized on a straight-line basis over a period of 4-8 years.

Property, plant and equipment

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

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

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. As in the previous year, no borrowing costs were capitalized in the 2022 fiscal year.

Leases

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

In accordance with the option available in IFRS 16.5, however, no right-of-use assets or lease liabilities are recognized for leases for which the underlying assets are considered to be of low value. In these cases, lease payments are recognized as an expense on either a straight-line basis over the lease term or another systematic basis if this is more representative of the pattern of the lease's benefit. The same applies to leases with a term of less than 12 months. If the lease includes a renewal option which the Cherry Group is reasonably certain to exercise, the lease payments during the option period are taken into account. The assessment is based on the respective current business situation.

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

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

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

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

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The higher carrying amount resulting from the reversal may not, however, exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. The reversal of an impairment loss is recognized in profit or loss.

Inventories

Inventories of raw materials and supplies, work in progress, finished goods and goods for resale are stated at the lower of cost and net realizable value at the end of the reporting period. If the net realizable value of inventories at the reporting date is lower than their carrying amount, individual write-downs are recognized on the basis of a standardized valuation model that takes into account the storage periods of inventories on an item-by item basis. Inventories whose age or storage period exceeds 24 months are written down by 50%; for obsolete inventories whose age exceeds 36 months, a net realizable value of zero is assumed.

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

Financial instruments

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

Non-derivative financial instruments

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

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

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

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

The usual payment terms are between 20 and 30 days, in individual cases with longer periods agreed. The structure of trade receivables in the Cherry Group is characterized for the most part by a high turnover rate. In 2022, the majority of outstanding receivables were paid by the due date and no receivables were derecognized in profit or loss to a considerable extent. The Cherry Group analyzes the maturity structure of receivables on a monthly basis and regularly reviews the creditworthiness of its customers. A strict dunning system is in place. Neither the COVID-19 pandemic nor the Ukraine war have had any significant impact on the receivables portfolio to date and are not currently expected to do so going forward.

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

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

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

Derivative financial instruments and hedging relationships in accordance with IFRS 9

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

As in the previous fiscal year, the Cherry Group did not enter into any derivative financial instruments in 2022 and does not currently apply hedge accounting. From the first quarter 2023 onwards, hedging transactions will be concluded for a number of currencies, principally the US dollar.

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

Provisions

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

Pensions

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

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

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

Share-based remuneration

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

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

Income taxes

Current taxes

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

Deferred tax liabilities

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

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

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

Revenue and profit/loss recognition

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

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

Revenue from the sale of products is recognized when control of ownership (also taking various incoterms into account) has been transferred to the distributor or customer, i.e. when the respective performance obligation has been fulfilled. In the case of sales to end consumers via the "e-commerce" sales channel, revenue is adjusted by an expected return rate during the statutory cancellation period. For the 2022 fiscal year, revenue from business with end customers in Germany was still negligible.

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

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

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

Earnings per share

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

Changes in estimates

The Cherry Group measures its inventories of raw materials, own products, and goods for resale using the standard cost method in accordance with IAS 2.21. The standard costs used for the valuation of inventories are regularly reviewed and adjusted to actual circumstances where appropriate. Due to generally rising prices, in particular for transportation costs, this review resulted in the valuation of inventories rising by an average of 2.4% during the first half of the 2022 fiscal year.

Furthermore, valuation write-downs on inventories were reassessed in 2022, taking saleability into account. Previously, for example, inventories older than 12 months were written down by 50%. Under the new model for estimating the valuation of inventories, items older than 24 months are now written down by 50% and in full if older than 36 months. The change was made in accordance with IAS 8.34 to reflect changed circumstances, in particular the slowdown in logistical processes on the one hand and strategic stockpiling in conjunction with Cherry's e-commerce strategy on the other.

As the change in accounting estimate relates to the carrying amount of assets, the impact has been recognized in the income statement in accordance with IAS 8.37 in the period in which the change was made. The change in estimate gave rise to a positive impact of EUR 2,278k on earnings in the year under report, which will be reversed in future periods in the form of higher variable material costs when the inventories are sold.

5. NEW STANDARDS AND INTERPRETATIONS

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

The following Standards, as revised by the International Accounting Standards Board, were required to be applied for the first time in the Consolidated Financial Statements for the year ended December 31, 2022:

- IFRS 3 Reference to the Conceptual Framework (Amendments to IFRS 3)
- IAS 37 Onerous Contracts – Costs of Fulfilling a Contract
- IAS 16 Property, Plant and Equipment – Income before Intended Use
- IFRS 1, IFRS 9, IFRS 16 and IAS 41 Annual Improvements to IFRSs (2018-2020 cycle)

Application of these amendments does not have any significant impact on the Consolidated Financial Statements for the year ended December 31, 2022.

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

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

Standard/ Interpretation	Name	Mandatory first application date for Cherry	Expected impact for Cherry
IFRS 17	Insurance Contracts	January 1, 2023	None
IAS 1	Changes in Accounting Policies	January 1, 2023	No significant impact
IAS 8	Definition of Accounting Estimates	January 1, 2023	No significant impact
IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	January 1, 2023	None
IFRS 17	Initial application of IFRS 17 and IFRS 9 – Comparative Information	January 1, 2023	None
IFRS 16[1]	Lease liability in a Sale and Leaseback	January 1, 2024	None
IAS 1[1]	Classification of Liabilities as Current or Non-current	January 1, 2024	None
IAS 1[1]	Non-current Liabilities with Covenants	January 1, 2024	None

1 Not yet endorsed by the EU.

6. EXPLANATORY NOTES TO GROUP ASSETS

6.1. Property, plant and equipment

Property, plant and equipment developed as follows:

Acquisition and production cost € thousand	Land, titles to land, buildings including buildings on third-party land	Plant and machinery	Other operational equipment, office equipment	Payments on account and assets under construction	Total
January 1, 2021	1,036	20,204	2,757	1,820	25,818
Additions relating to business combinations	2	8	40	–	50
Additions	93	3,754	1,258	1,906	7,011
Disposals	–	–	-26	-159	-185
Reclassifications	–	1,381	4	-1,713	-328
Currency translation effects	3	276	26	5	310
Balance as of December 31, 2021	**1,134**	**25,623**	**4,059**	**1,859**	**32,676**
Additions	67	2,249	592	2,630	5,538
Disposals	–	-851	-93	-20	-964
Reclassifications	–	89	-75	-31	-17
Currency translation effects	–	-32	-2	-2	-38
Balance as of December 31, 2022	**1,201**	**27,078**	**4,481**	**4,436**	**37,195**

Depreciation, amortization and impairment losses € thousand	Land, titles to land, buildings including buildings on third-party land	Plant and machinery	Other operational equipment, office equipment	Payments on account and assets under construction	Total
January 1, 2021	42	1,121	154	–	1,317
Expense for the year	106	5,433	693	–	6,232
Impairment losses	–	–	–	–	–
Disposals	–	–	-18	–	-18
Reclassifications	–	–	–	–	-
Currency translation effects	3	167	34	–	204
Balance as of December 31, 2021	**151**	**6,721**	**863**	–	**7,735**
Expense for the year	112	5,131	874	–	6,117
Impairment losses	–	137	23	–	160
Disposals	–	-829	-87	–	-916
Reclassifications	–	–	–	–	–
Currency translation effects	–	-9	–	–	-9
Balance as of December 31, 2022	**263**	**11,151**	**1,673**	–	**13,087**
Carrying amounts					
January 1, 2021	**994**	**19,083**	**2,603**	**1,820**	**24,502**
December 31, 2021	**983**	**18,902**	**3,196**	**1,859**	**24,941**
December 31, 2022	**938**	**15,927**	**2,808**	**4,436**	**24,109**

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

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

Purchase commitments for property, plant and equipment amounted to EUR 1,147k as of December 31, 2022 (December 31, 2021: EUR 4,339k).

The impairment losses of EUR 160k in 2022 are recognized in the statement of comprehensive income under the item “Cost of sales”, mainly relate to fully impaired tools, test equipment and molds for the Cherry VIOLA switches in the segments Cherry Europe GmbH (EUR 142k) and Zhuhai Cherry Electronics Co. Ltd (EUR 18k) and result from the low demand for these switches as well as the decision to no longer pursue the “Cherry VIOLA” technology and to phase out the business with the related switches and keyboards.

6.2. Intangible assets

Intangible assets developed during the year under report as follows:

Intangible assets € thousand	Development costs and internally generated industrial property rights and similar rights and assets	Development costs relating to projects in progress	Industrial property rights, licenses and patents	Customer base	Brand	Goodwill	Payments on account	Total
Acquisition and production cost								
Balance as of January 1, 2021	**4,902**	**5,605**	**978**	**20,932**	**50,070**	**103,217**	**–**	**185,704**
Additions relating to business combinations	1,459	–	17	–	95	3,052	–	4,623
Additions	–	2,642	213	–	–	–	76	2,931
Disposals	–	–	–	–	–	–	–	–
Reclassifications	7,138	-7,138	328	–	–	–	–	328
Currency translation effects	–	–	82	–	–	2,271	–	2,353
Balance as of December 31, 2021	**13,499**	**1,109**	**1,618**	**20,932**	**50,165**	**108,540**	**76**	**195,939**
Additions	–	3,090	577	–	–	–	578	4,245
Disposals	–	-27	-11	–	–	–	–	-38
Reclassifications	–	–	–	–	–	–	17	17
Currency translation effects	–	-12	–	–	–	129	–	117
Balance as of December 31, 2022	**13,499**	**4,160**	**2,184**	**20,932**	**50,165**	**108,669**	**671**	**200,280**

Intangible assets € thousand	Development costs and internally generated industrial property rights and similar rights and assets	Development costs relating to projects in progress	Industrial property rights, licenses and patents	Customer base	Brand	Goodwill	Payments on account	Total
Depreciation, amortization and impairment losses								
Balance as of January 1, 2021	139	–	297	654	–	–	–	1,091
Expense for the year	1,334	–	702	2,617	–	–	–	4,653
Impairment losses	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–	–
Currency translation effects	–	–	87	–	–	–	–	87
Balance as of December 31, 2021	1,473	–	1,086	3,271	–	–	–	5,831
Expense for the year	2,233	–	246	2,617	–	–	–	5,096
Impairment losses	812	–	1	–	–	29,882	–	30,695
Disposals	–	–	-4	–	–	–	–	-4
Currency translation effects	–	–	–	–	–	–	–	–
Balance as of December 31, 2022	4,518	–	1,329	5,888	–	29,882	–	41,618
Carrying amounts								
Balance as of January 1, 2021	4,763	5,605	681	20,278	50,070	103,217	–	184,614
Balance as of December 31, 2021	12,026	1,109	532	17,661	50,165	108,540	76	190,109
Balance as of December 31, 2022	8,981	4,160	855	15,044	50,165	78,787	671	158,663

As of December 31, 2022, intangible assets identified and capitalized in conjunction with the Cherry Group purchase price allocation comprised goodwill amounting to EUR 75,277k (December 31, 2021: EUR 105,030k), a customer base amounting to EUR 15,045k (December 31, 2021: EUR 17,661k) and brand mark rights amounting to EUR 50,070k (December 31, 2021: EUR 50,070k). Intangible assets also included goodwill arising on the acquisition of Active Key amounting to EUR 3,052k (December 31, 2021: EUR 3,052k), acquired technology amounting to EUR 648k (December 31, 2021: EUR 1,134) and the acquired brand amounting to EUR 95k (December 31, 2021: EUR 95k).

The fair value of the Cherry brand mark was determined on the basis of the present values of notional royalty income on sale revenue attributable to the brand. Goodwill and trademark rights were initially recognized at the values determined at the date of the acquisition of Cherry Holding GmbH and its subsidiaries and have an indefinite useful life. The Cherry brand has been well established for decades (Cherry has been in existence since around 1958) and the Cherry Group intends to continue using it. Based on current information, the products sold under the brand will generate net cash inflows for the Group for an indefinite period of time. Goodwill and the Cherry brand were tested for impairment in the 2022 fiscal year.

Development costs and internally generated industrial property rights and similar rights and assets include acquired development costs with a carrying amount of EUR 4,397k (December 31, 2021: EUR 5,307k).

The impairment losses recognized in 2022 on development costs are reported in the statement of comprehensive income under "Research and development costs", relate primarily to fully impaired capitalized development costs for the Cherry VIOLA switches in the Cherry Europe GmbH segment and result from the low demand for these switches and the decision to no longer pursue the "Cherry VIOLA" technology and to phase out the business with the related switches and keyboards.

Purchase commitments for intangible assets amount to EUR 111k at the end of the reporting period (December 31, 2021: EUR 73k).

Impairment testing of goodwill and the Cherry brand

For the purposes of the impairment test for goodwill (EUR 75,277k, December 31, 2021: EUR 105,030k) and the brand (EUR 50,070k, December 31, 2021: EUR 50,070k), which arose as part of the acquisition of the Cherry Group, Cherry has defined the legally independent subsidiaries as cash-generating units. These are Cherry Europe GmbH (Auerbach) (goodwill EUR 45,849k, December 31, 2021: EUR 75,731k), Cherry Americas LLC (Wisconsin/USA) (goodwill EUR 9,851k, December 31, 2021: EUR 9,276k), Zhuhai Cherry Electronics Co Ltd (Zhuhai/China) (goodwill EUR 19,577k, December 31, 2021: EUR 20,022k) and Cherry Electronics (Hong Kong) Co Ltd (Hong Kong/China). Goodwill and the Cherry brand have been allocated to these subsidiaries due to the fact that they benefit the legal entities concerned as well as their products and geographical regions.

For the purposes of the impairment test in 2022, the recoverable amount was based on value in use, with recoverability measured using the discounted cash flow method.

Calculations are based on forecasted revenue, EBIT and EBITDA, as derived from management's most recent forecasts. In the detailed planning period of 5 years, average revenue growth rates of 7.1% (Cherry Europe GmbH), 20.5% (Cherry Americas LLC), 14.1% (Zhuhai Cherry Electronics Co. Ltd.) and 16.1% (Cherry Electronics (Hong Kong) Co. Ltd.) (2021: 16.9%) are currently assumed. After the detailed planning period, a growth rate of 1% (2021: 1%) was assumed for each of the cash-generating units, with the gross margin remaining roughly constant. For the cash-generating units, a cost of capital of 8.25% (Cherry Europe GmbH), 8.26% (Cherry Americas LLC) and 8.56% (Zhuhai Cherry Electronics Co. Ltd. and Cherry Electronics (Hong Kong) Co. Ltd.) (2021: 7.65%) was assumed.

In 2021, there was no impairment requirement for any cash-generating unit on the basis of the recoverable amount determined in this way. In 2022, an impairment loss of EUR 29,882k was recognized on the goodwill of the cash-generating unit Cherry Europe GmbH, which also represents a segment. The carrying amount of the goodwill of Cherry Europe GmbH as of December 31, 2022 is therefore EUR 45,849k. The recoverable amount of the cash-generating unit is EUR 136,761k and corresponds to the value in use. The calculation was based on a cost of capital of 8.25%. The impairment requirement results mainly from the fact that the economic development in fiscal year 2022 and the business performance to date in the first quarter of 2023 have led the Company to deviate from the original growth path and to review the business development for 2023 and subsequent years and adjust it to the current circumstances. The reduced growth expectations as well as the increased cost of capital have a negative impact on the future inflow of benefits.

There was no impairment for the brand with a carrying amount of EUR 50,070k.

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

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

6.3. Right-of-use assets and lease liabilities

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

Acquisition and production cost € thousand	Right-of-use assets – buildings	Right-of-use assets – plant and machinery	Right-of-use assets – tools	Right-of-use assets – vehicles	Right-of-use assets – other operationaland office equipment	**Total**
Balance as of January 1, 2021	**10,372**	**4,250**	**2,178**	**447**	**43**	**17,291**
Additions relating to business combinations	291	–	–	20	–	311
Additions	300	4,396	428	152	–	5,276
Disposals	-177	–	–	-91	–	-268
Reclassifications	–	–	–	–	–	–
Currency translation effects	161	–	–	7	–	168
Balance as of December 31, 2021	**10,947**	**8,646**	**2,606**	**535**	**43**	**22,778**
Additions	56	1,416	478	371	–	2,321
Disposals	–	–	–	-167	-15	-182
Reclassifications	–	–	–	20	-20	–
Currency translation effects	-10	–	–	-2	–	-12
Balance as of December 31, 2022	**10,993**	**10,062**	**3,084**	**757**	**8**	**24,905**

Depreciation, amortization and impairment losses € thousand	Right-of-use assets – buildings	Right-of-use assets – plant and machinery	Right-of-use assets – tools	Right-of-use assets – vehicles	Right-of-use assets – other operationaland office equipment	Total
Balance as of January 1, 2021	321	311	138	54	5	829
Expense for the year	1,364	1,734	731	200	20	4,049
Impairment	–	–	–	–	–	–
Disposals	-158	–	–	-57	–	-215
Reclassifications	–	–	–	–	–	–
Currency translation effects	112	–	–	14	–	126
Balance as of December 31, 2021	1,639	2,045	869	211	25	4,789
Expense for the year	1,393	1,925	508	192	4	4,022
Impairment	–	1,661	–	–	–	1,661
Disposals	–	–	–	-103	-16	-119
Reclassifications	–	–	–	18	-18	–
Currency translation effects	-1	–	–	–	–	-1
Balance as of December 31, 2022	3,031	5,631	1,377	318	-5	10,352
Carrying amounts						
Balance as of January 1, 2021	10,051	3,939	2,040	393	38	16,459
Balance as of December 31, 2021	9,308	6,601	1,737	324	18	17,989
Balance as of December 31, 2022	7,962	4,431	1,707	439	13	14,553

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

Lease liabilities related to the following:

Non-current liabilities

€ thousand	Dec. 31, 2022	Dec. 31, 2021
Lease liabilities for buildings	6,665	7,965
Lease liabilities for machinery	4,546	4,969
Lease liabilities for tools	1,416	1,418
Lease liabilities for vehicles	263	185
Lease liability for other operational and office equipment	8	12
Total	**12,898**	**14,549**

Current liabilities

€ thousand	Dec. 31, 2022	Dec. 31, 2021
Lease liabilities for buildings	1,439	1,435
Lease liabilities for machinery	1,855	1,846
Lease liabilities for tools	557	550
Lease liabilities for vehicles	171	145
Lease liability for other operational and office equipment	5	6
Total	**4,027**	**3,982**

Maturity analysis of lease liabilities:

€ thousand	2022	2021
Up to 1 year	4,027	3,982
1 to 5 years	10,002	10,481
More than 5 years	2,896	4,068
Total	**16,925**	**18,531**
Lease liabilities for buildings	**8,104**	**9,400**
Up to 1 year	1,439	1,435
1 to 5 years	3,887	4,389
More than 5 years	2,778	3,576
Lease liabilities for machinery	**6,401**	**6,815**
Up to 1 year	1,855	1,846
1 to 5 years	4,482	4,554
More than 5 years	64	415
Lease liabilities for tools	**1,973**	**1,968**
Up to 1 year	557	550
1 to 5 years	1,362	1,341
More than 5 years	54	77
Lease liabilities for vehicles	**434**	**330**
Up to 1 year	171	145
1 to 5 years	263	185
Lease liability for other operational and office equipment	**13**	**18**
Up to 1 year	5	6
1 to 5 years	8	12

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

€ thousand	2022	2021
Depreciation of right-of-use assets	4,022	4,049
Impairment losses on right-of-use assets	1,661	–
Interest expense for lease liabilities	290	389
Lease expense for short-term leases	–	67
Lease expense for leases of low-value assets	107	101
Total amount recognized through profit or loss	**6,080**	**4,606**

The impairment losses of EUR 1,661k in 2022 are reported in the statement of comprehensive income under the item "Cost of sales", relate to three fully impaired right-of-use assets from leases for machinery in connection with the production of Cherry VIOLA switches in the Cherry Europe GmbH segment and result from the low demand for these switches and the decision to no longer pursue the "Cherry VIOLA" technology and to phase out the business with the related switches and keyboards.

Cash outflows for leases in 2022 totaled EUR 4,437k (2021: EUR 3,982k).

Cherry has concluded leases for two assembly machines as of December 31, 2022, the term of which will not begin until 2023. The non-cancelable basic terms of the leases are 60 and 84 months, respectively. Monthly lease installments amount to approximately EUR 110k.

6.4. Inventories

Inventories comprised the following:

€ thousand	Dec. 31, 2022	Dec. 31, 2021
Raw materials and supplies	16,321	13,816
Work in progress	2,407	2,303
Finished goods	12,845	12,091
Goods for resale	33,182	15,128
Advance payments	266	818
Total	**65,021**	**44,156**

The increase in inventories was primarily driven by a volume-related increase in stock levels. In terms of value, the significant increase in transportation costs in 2022 contributed to an increase in acquisition and production costs.

Total write-downs on inventories as of December 31, 2022, including exchange rate effects, amounted to EUR 1,895 thousand (2021: EUR 1,165 thousand). This includes a positive effect of EUR 2,278 thousand from the change in estimates for valuation allowances, which is explained in more detail under section 4 "Significant accounting policies". It also includes net write-downs on inventories of VIOLA keyboard switches, keyboards and spare parts in the amount of EUR 901 thousand, which are not recognized in EBITDA, but only in EBIT.

As in the previous year, all inventory write-downs were reported within cost of sales in the 2022 fiscal year.

The increase in the impairment loss requirement in 2022 fiscal year is due in part to a stronger USD exchange rate at year-end 2022 compared to 2021, as a majority of raw materials and merchandise are sourced in USD, and in part to the impairment loss associated with the termination of the Cherry VIOLA keyboard switches and keyboards business.

6.5. Other non-financial assets

Other non-financial assets comprised the following:

€ thousand	Dec. 31, 2022	Dec. 31, 2021
Receivables relating to other taxes	352	477
Prepaid expenses	561	680
Other	1,327	177
Other assets	**2,240**	**1,334**

Receivables relating to other taxes comprise mainly sales taxes.

Prepaid expenses mainly include advance payments for services, SAP users and other software licenses, maintenance services and insurance. Other includes, on the one hand, deposit payments for rented office space and, on the other hand, in this fiscal year, special effects from the change of a Chinese distributor. In this context, goods that had not yet been returned as of the balance sheet date were recognized as other non-financial assets in accordance with the provisions of IFRS 15.

7. EXPLANATORY NOTES TO GROUP EQUITY AND LIABILITIES

7.1. Equity

Subscribed capital

The subscribed capital of the parent company amounting to EUR 24,300k (December 31, 2021: EUR 24,300k) was fully paid up at the end of the reporting period. Of this amount, EUR 907k is held by Cherry SE itself.

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

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

At the Annual General Meeting held on June 23, 2021, it was resolved to increase the share capital by EUR 4,300,000 from EUR 20,000,000 to EUR 24,300,0000. At the same time, a conditional capital amounting to EUR 10,000,000 was resolved (Conditional Capital 2021/I).

Share Buyback Program

On June 9, 2022, the Management Board resolved, with the approval of the Supervisory Board, to launch a share buyback program based on the authorization granted by the Annual General Meeting on June 23, 2021 ("Share Buyback Program 2022"). In accordance with the Share Buyback Program 2022, up to a total of 2,000,000 treasury shares (corresponding to up to approximately 8.2% of the Company's share capital at the beginning of the year) may be repurchased in the period from June 13, 2022 to June 30, 2023 at a total purchase price (excluding incidental acquisition costs) of up to a maximum of EUR 25.0 million and a price cap of EUR 14.00 per share. As of the end of the reporting period, a total of 907,117 shares with a volume of approximately EUR 6,824k had been acquired under the Share Buyback Program 2022, corresponding to around 3.7% of the Company's share capital. The treasury shares acquired in this way may be used for all purposes approved by the Company's Annual General Meeting on June 23, 2021, in particular as a purchase price component for business acquisitions or to service employee stock option programs. Treasury shares are deducted from equity in the consolidated statement of financial position, thereby reducing subscribed capital by EUR 907k and capital reserves by EUR 5,917k (plus transaction costs arising on the share buyback amounting to EUR 17k).

As of December 31, 2022, the subscribed capital comprised 24,300,000 (December 31, 2021: 24,300,000) ordinary bearer shares with no par value, 907,117 of which are held by the Company.

Development of the number of shares

Number of shares	2022	2021
As of January 1	24,300,000	–
Arising on change of legal form	–	2,000,000
Share capital increase out of existing company funds	–	18,000,000
Issued at the time of the IPO	–	4,300,000
Repurchased in conjunction with the Share Buyback Program 2022	-907,117	–
As of December 31	23,392,883	24,300,000

Capital reserves

At the end of the period under report, capital reserves stood at EUR 257,585k (December 31, 2021: EUR 263,280k), having decreased by EUR 5,934k in conjunction with the Share Buyback Program 2022. In the previous fiscal year, the Cherry IPO resulted in capital reserves increasing by EUR 133.3 million. Directly attributable capital procurement costs amounting to EUR 6.3 million, less income taxes thereon amounting to EUR 1.8 million, were offset against capital reserves. Furthermore, capital reserves decreased in 2021 as a result of two share capital increases out of company funds amounting to EUR 20.0 million.

The share ownership plan for management and the Advisory Board, which had been in place since September 30, 2020, was settled and terminated in the course of the IPO, resulting in 2021 in the recognition of a non-cash personnel expense amounting to EUR 3,757k in accordance with IFRS 2, with a corresponding entry in capital reserves.

A new share-based Long Term Incentive Program (LTI) was established at the time of the IPO, initially only for the Management Board of Cherry SE, and extended in 2022 to other senior executives. Further information is provided in note 11.3 (Related party disclosures). The new share-based remuneration program gave rise to personnel expenses amounting to EUR 240k (2021: EUR 197k), which were required to be recognized directly in equity in accordance with IFRS 2 and therefore resulted in an increase in capital reserves.

Accumulated other comprehensive income

Accumulated other comprehensive income comprised mainly differences amounting to EUR 4,777k (2021: EUR 3,860k) arising on the translation of the financial statements of the foreign subsidiaries into the Group's reporting currency (euro).

In addition, actuarial gains amounting to EUR 121k (2021: EUR 7k) arising on pension obligations, net of deferred taxes thereon amounting to EUR -35k (2021: EUR -2k), were recognized though other comprehensive income.

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

7.2. Pension provisions

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

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

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

The defined benefit plan is only in use as a company pension arrangement (the ZF pension) at German companies of the Cherry Group. As of December 31, 2022, a provision for the ZF pension was recognized amounting to EUR 97k (December 31, 2021: EUR 191k) and reported as provisions for pensions and other obligations. The ZF pension also includes a long-service award component, whereby, based on a company agreement, the beneficiary is entitled to 1.3 months' pay for 25 years and 2.3 months' pay for 40 years of service. These amounts are, however, not paid out to the beneficiary immediately. Instead, they are converted into a so-called "long-service pension component".

Another component of the pension plan is the welfare fund for senior executives, which constitutes an employer-financed benefit. Previously, this category of people also had the option of participating in deferred compensation arrangements, for which a provision is recorded as of December 31, 2022 amounting to EUR 621k (December 31, 2021: EUR 726k).

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

Germany

in %	Dec. 31, 2022	Dec. 31, 2021
Discount rate	3.41	0.69
Pension trend	1.0	1.0
Duration in years	6	8

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

A change in the disclosed discount rate by +/- 0.25% points would result in a reduction of EUR 8.1k (December 31, 2021: EUR 17.9k) or an increase of EUR 8.6k (December 31, 2021: EUR 19.4k) in pension obligations as of December 31, 2022. For the purposes of measuring sensitivity, the same methodology was applied as that used to determine pension provisions at the end of the reporting period.

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

€ thousand	Dec. 31, 2022	Dec. 31, 2021
Present value of pension benefits covered by accounting provisions	718	917
Present value of funded pension benefits	–	–
Pension provisions	**718**	**917**

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

Development of present value of pension obligations

€ thousand	Dec. 31, 2022	Dec. 31, 2021
Present value of defined benefit obligations as of January 1	917	994
Interest expense	6	5
New actuarial (gains) / losses arising	-127	-7
Pension plan payments	-78	-75
Other changes	–	–
Present value of defined benefit obligations as of December 31	**718**	**917**

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

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

Allocation of pension expense

€ thousand	Dec. 31, 2022	Dec. 31, 2021
Current service cost	–	–
Interest expense	6	5
Total	**6**	**5**

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

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

Analysis of benefit payments by due date

€ thousand	Dec. 31, 2022	Dec. 31, 2021
Up to 1 year	194	605
More than 1 year	524	312
	718	**917**

Defined contribution pension plan entitlements exist at the level of the German subsidiary as well as the foreign companies, resulting in the recognition of a total expense for defined contribution plans in the 2022 fiscal year amounting to EUR 2,545k (2021: EUR 2,324k).

7.3. Other provisions

Other provisions developed as follows:

Other provisions (current)

€ thousand	Warranties	Other	Total
Balance as of January 1, 2022	**181**	**71**	**252**
Utilized	-88	-29	-117
Reversed	–	-19	-19
Allocated	86	52	138
Currency impact	-1	–	-1
Balance as of December 31, 2022	**178**	**75**	**253**

The provision for warranties is calculated based on past experience. Assumptions used to calculate the provision for warranty claims were based on current sales levels and current information available about returns based on the warranty period for all products sold.

Other provisions (non-current)

€ thousand	Warranties	Long service awards	Phased retirement	Total
Balance as of January 1, 2022	**317**	**572**	**132**	**1,021**
Utilized	-175	-152	-132	-459
Reversed	–	–	–	–
Allocated	202	–	–	202
Unwinding of discounts (+)/ discounting (-)	–	–	–	–
Currency impact	1	–	–	1
Balance as of December 31, 2022	**345**	**420**	**–**	**765**

The non-current portion of warranty provisions covers a period of up to 3 years. Long-service awards are granted for working for 25 years and 40 years for the company.

7.4. Other non-financial and financial liabilities

Other non-financial and financial liabilities (current)

€ thousand	Dec. 31, 2022	Dec. 31, 2021
Liabilities to employees	2,400	2,741
Other tax liabilities	677	189
Contract liabilities	759	784
Other liabilities	–	90
Total other non-financial liabilities	3,836	3,804
Other financial liabilities	6,088	5,564
Total	**9,924**	**9,368**

At the end of the previous fiscal year, liabilities to employees as of December 31, 2022 comprised liabilities for accrued vacation and time credits as well as performance-based payments and leave of absence and redundancy payments.

Other tax liabilities include payroll tax and VAT liabilities.

Contract liabilities are reported under current and non-current liabilities, depending on the term. These are recognized in revenue on the basis of quantities sold. Of the carrying amount of contract liabilities at the end of the previous fiscal year amounting to EUR 784k, EUR 25k resulted in revenues in 2022. No further contract liabilities were added in fiscal year 2022. Of the contract liabilities as of December 31, 2022, EUR 569k is expected to result in revenue in 2023.

Other financial liabilities include in particular customer bonuses amounting to EUR 1,195k (December 31, 2021: EUR 1,091k) and advertising allowances amounting to EUR 734k (December 31, 2021: EUR 507k) related to marketing initiatives with customers in the first and second levels of trade, as well as accruals for services provided by the Supervisory Board and for the audit of the annual financial statements. The customer bonus is calculated using a defined revenue target and comprised the annual bonus and quarterly bonus for the fourth quarter of the respective year and recorded as a deduction from revenue.

Other liabilities include amounts due in connection with purchase price payments related to the acquisition of Active Key amounting to EUR 0k (December 31, 2021: EUR 1,600k) as well as liabilities for outstanding supplier invoices amounting to EUR 3,617k (December 31, 2021: EUR 724k).

Other non-financial liabilities (non-current)

€ thousand	Dec. 31, 2022	Dec. 31, 2021
Investment grants	105	115
Other	–	–
Total	**105**	**115**

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

7.5. Financial liabilities

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

In accordance with the loan agreement dated August 11, 2020, Cherry SE took out a loan in the nominal amount of EUR 80,000k in order to finance the purchase price for the shares of Cherry Holding GmbH and its subsidiaries. The loan agreements granted Cherry SE early termination rights at certain points in time in return for compensation payments whose amount was dependent on the actual date of the termination. The loan was subject to variable interest based on EURIBOR and contained a floor of 0% in respect of the EURIBOR. Under certain circumstances, the lender had the option to terminate the contract. These conditions qualified as embedded derivatives within the meaning of IFRS 9.4.3.1. Due to the fact that the embedded derivatives were not (seen as a whole) closely related to the loan agreement as host contract, they were required to be separated from the loan agreement and measured as derivatives at fair value through profit or loss. The loan liability was accounted for as a financial liability at amortized cost using the effective interest method.

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

The loan was repaid on June 30, 2021 immediately following the IPO, incurring an early repayment penalty of EUR 7,784k, which was recognized as a cash outflow for cash flow reporting purposes and as part of the financial result within the income statement. As a consequence of the repayment, the transaction costs previously recognized as deferred expenses, measured using the effective interest method, as well as the embedded financial derivatives were expensed in the 2022 fiscal year through profit or loss within the financial result. Applying the effective interest method and derecognizing the embedded financial derivatives gave rise to a total expense of EUR 2,252k in 2021. In addition, interest expenses incurred on the loan amounted to EUR 2,816k. The unused credit line amounting to EUR 10,000k was terminated.

On June 29, 2021, a new credit line totaling EUR 55,000k was agreed with UniCredit Bank AG in Munich, of which EUR 10,000k was designated as an overdraft facility. As of December 31, 2022, an amount of EUR 45,000k (December 31, 2021: EUR 45,000k) out of the credit facility (tranche A) was being utilized to finance inorganic growth. No collateral has been provided in conjunction with the credit agreement.

The credit agreement runs for a term of five years. The interest rate for each component of the loan is calculated as a percentage of the sum of the applicable interest rates, comprising a bank margin added as an uplift to the underlying EURIBOR interest rate for the corresponding completed term for drawing down tranche A (3 or 6 months) and the current account facility (1, 3 or 6 months). In addition, a commitment fee of 0.35% is charged for amounts not drawn down from tranche A and for the current account overdraft facility. The credit agreement contains financial covenants requiring, among other things, compliance with a net leverage ratio that is limited to the ratio of net debt to adjusted EBITDA. All covenants stipulated in the credit agreement were complied with as of December 31, 2022.

Current financial liabilities

As of December 31, 2022, foreign subsidiaries had short-term bank loans amounting to EUR 208k (December 31, 2021: EUR 202k).

Non-current financial liabilities

As of December 31, 2022, non-current financial liabilities related primarily to the drawn-down credit facility (tranche A) amounting to EUR 45,000k (December 31, 2021: EUR 45,000k) as well as the non-current bank loans of foreign subsidiaries amounting to EUR 253k (December 31, 2021: EUR 833k) .

7.6. Deferred taxes

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

€ thousand	Dec. 31, 2022	Dec. 31, 2021
Deferred tax assets	4,938	1,307
Deferred tax liabilities	20,216	21,997

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

€ thousand	31.12.2022 Deferred tax assets	31.12.2022 Deferred tax liabilities	31.12.2021 Deferred tax assets	31.12.2021 Deferred tax liabilities
Intangible assets	429	22,036	472	22,387
Property, plant and equipment	69	2,143	–	2,276
Receivables	258	24	43	–
Inventories	1,412	–	705	–
Other assets	1	300	76	53
Pension provisions	22	–	62	–
Other provisions	6	–	40	–
Liabilities	95	76	20	38
Tax losses available for carryforward	6,319	–	2,489	–
Right-of-use assets from leases	–	4,193	–	5,189
Lease liabilities	4,883	–	5,346	–
Total	**13,494**	**28,772**	**9,253**	**29,943**
Offset	-8,556	-8,556	-7,946	-7,946
Total	**4,938**	**20,216**	**1,307**	**21,997**

Tax losses available for carryforward totaled EUR 16,413k (December 31, 2021: EUR 3,311k), of which EUR 15,824k (December 31, 2021: EUR 2,948k) can be utilized. This results in deferred tax assets amounting to EUR 4,176k (December 31, 2021: EUR 650k). Deferred tax assets on tax losses available for carryforward as reported above also include deferred tax assets amounting EUR 2,144k (December 31, 2021: EUR 1,839k) on existing interest carryforwards.

No deferred tax assets were recognized on loss carryforwards of EUR 589k as of December 31, 2022 (December 31, 2021: EUR 363k). The losses can be carried forward indefinitely.

No deferred tax assets have been recognized in the amount of EUR 990k as of December 31, 2022 (December 31, 2021: 1,458k), for taxable temporary differences associated with investments in subsidiaries, because the Company can control their reversal and no reversals will occur in the foreseeable future.

The actual income tax expense has decreased by EUR 20k due to tax credits.

The change in permanent differences is mainly attributable to the amortization of EUR 29,882k recognized in profit or loss resulting from the valuation of assets (impairment goodwill).

The Group's effective tax rate is unchanged from the previous year at 29.13% and includes German corporation tax at 15%, solidarity surcharge at 5.5% and municipal trade tax at 13.3%. The local income tax rates applied to foreign companies vary between 16.5% and 26.63% (2021: 16.5% and 29.0%). The change in the highest foreign tax rate results from the fact that the local income tax rate in the USA has decreased from 8% to 5.627%. The deferred tax expense based on changes in tax rates amounts to EUR 45k (December 31, 2021: EUR 0k).

Deferred tax assets include an amount of EUR 6,738k, where deferred tax assets exceed deferred tax liabilities, relating to Group companies that have recorded a loss. Based on the current planning for these companies, the Group concluded that the deferred tax assets are recoverable using estimated future taxable income.

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

€ thousand	2022	2021
Loss/profit before tax	-38,348	13,494
Expected income tax expense	-11,169	3,930
Divergent foreign tax rates	-639	-888
Tax-exempt income	-251	-271
Expenses not deductible for tax purposes	353	726
Foreign withholding tax	468	8
Impact of tax losses available for carryforward	6	-389
Tax expense relating to current tax of prior periods	135	263
Change in permanent differences	8,466	842
Other	11	-13
Effective income tax expense	**-2,620**	**4,208**
Effective tax rate (in %)	**6.8**	**31.2**

8. EXPLANATORY NOTES TO THE CONSOLIDATED INCOME STATEMENT

8.1. Revenue

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

Revenue by product type

€ thousand	Dec. 31, 2022	Dec. 31, 2021
Gaming	**41,205**	**82,813**
Gaming Switches	21,634	57,744
Gaming Devices	19,571	25,069
Professional	**91,309**	**85,713**
Office and Industry Peripherals	54,308	48,201
Office	47,740	40,417
Industry	6,568	7,784
Healthcare & Security Peripherals	37,001	37,512
Security	6,990	7,234
eHealth	26,124	26,861
Point of Sales Products	3,887	3,417
Total revenue by product type	**132,514**	**168,526**

Revenue for Gaming Devices in 2022 takes into account the switch to a new Chinese distributor, in connection with which a separate agreement was reached on the return of remaining inventories in order to be able to resell them directly to the new distributor as part of an initial fit-out. Due to delays in the take-back process, mainly caused by unfinished quality checks during the take-back process, goods worth CNY 10.8 million (~ EUR 1.5 million) could not yet be taken back and delivered to the new distributor by year-end 2022. In accordance with the regulations of IFRS 15, this led to a temporary reduction in revenue, which will be fully reversed after the completion of the change of distributor. The take-back process was fully completed in February 2023.

The Cherry Group recognizes revenue from the sale of products and services at the point in time when control and benefits are transferred to the dealer or customer. In accordance with the requirements of IFRS 15.B20 et seq., revenue generated from sales to end customers via Cherry's e-commerce channels is recognized at the time the goods are handed over to the shipment provider and adjusted on a proportionate basis to take account of the expected proportion of items likely to be returned on the basis of statutory or contractually guaranteed cancellation rights, through to the date on which such rights expire. Deliveries that have not (yet) been paid are reported as trade receivables.

The analysis of revenue by region is based on the regional domicile of customers. In the previous year, the analysis was based on the domicile of the selling company. The table for the previous year has been adjusted to the new presentation for comparison purposes.

8.2. Other operating income

€ thousand	2022	2021
Exchange gains	1,748	251
Gains on sales of property, plant and equipment	4	4
Other	224	2,612
Total	**1,976**	**2,867**

Exchange rate gains in 2022 amounting to EUR 1,748k result from measurement effects arising at the end of the reporting period as well as realized gains on transactions in foreign currencies.

In 2021, the line item "Other" comprised income amounting to EUR 2,612k relating primarily to the IPO of Cherry SE. Under a cost-sharing arrangement, costs associated with the IPO were shared between the parties concerned. The recharging of costs initially paid by Cherry gave rise to other operating income amounting to EUR 2.4 million.

Revenue by region 2022

€ thousand	Germany	USA	China	Hong Kong	Other	Total
Components	456	498	6,160	11,215	3,305	21,634
Gaming Devices	276	687	14,781	194	3,633	19,571
Office & Industry Peripherals	33,919	4,765	1,824	124	13,676	54,308
Healthcare & Security Peripherals	25,218	3,293	147	–	8,343	37,001
Total revenue by region	**59,869**	**9,243**	**22,912**	**11,533**	**28,957**	**132,514**

Revenue by region 2021

€ thousand	Germany	USA	China	Hong Kong	Other	Total
Components	240	603	14,681	25,938	16,282	57,744
Gaming Devices	423	119	19,995	458	4,074	25,069
Office & Industry Peripherals	30,148	4,052	1,899	63	12,039	48,201
Healthcare & Security Peripherals	27,549	1,876	191	1	7,895	37,512
Total revenue by region	**58,360**	**6,650**	**36,766**	**26,460**	**40,290**	**168,526**

8.3. Cost of materials

€ thousand	2022	2021
Cost of raw materials, supplies and purchased goods for resale	60,249	64,277
Cost of purchased services	1,660	2,417
Total	**61,909**	**66,694**

The cost of materials expense ratio for the 2022 fiscal year was 46.7% (2021: 39.6%), whereby the relative year-on-year increase was driven primarily by higher raw material prices as well as negative exchange rate effects due to the appreciation of the USD over the course of the year with a limited ability to pass these on to customers.

8.4. Personnel expense

The following amounts were recognized as personnel expense:

€ thousand	2022	2021
Direct and indirect remuneration	27,723	30,442
Social security costs	6,157	5,862
Pension costs	93	375
Total	**33,973**	**36,679**

The average number of employees by region developed as follows:

	2022	2021
Europe	414	427
North America	17	18
Asia	96	87
Total	**527**	**532**

8.5. Other operating expenses

Other operating expenses comprised the following:

€ thousand	2022	2021
Exchange rate losses	1,637	735
Losses on sales of property, plant and equipment	15	48
Losses on sales of intangible assets	8	–
Other expenses	196	2,491
Total	**1,856**	**3,274**

The lower amount of other expenses in the 2022 fiscal year was mainly due to IPO-related expenses incurred in the previous year that were not directly attributable to capital procurement costs and therefore not offset against capital reserves.

8.6. Financial result

The financial result comprised the following:

€ thousand	2022	2021
Interest and similar income	-8	-5
Total interest income	-8	-5
Interest and similar expenses	1,857	14,117
Expenses from discounting and the unwinding of discounts	14	13
Total finance expense	1,871	14,130
Total	**1,863**	**14,125**

Interest and similar expenses mainly comprised interest and like items amounting to EUR 1,168k (2021: EUR 367k) relating to the loan taken out in October 2021 and interest on lease liabilities amounting to EUR 290k (2021: EUR 389k).

The loan, which is subject to a variable interest rate and linked to EURIBOR, stood at EUR 45,000k as of December 31, 2022. In light of the current rising trend in interest rates on debt capital, it can be assumed that the refinancing costs of the Cherry Group will continue to increase. Based on an extrapolation of the interest rate arising in Q4 2022 (3.443%), interest expense would be some EUR 400k higher. If the rate were to rise to 5.0%, interest expense would double.

In the previous year, interest and similar expenses also arose in the form of an early repayment penalty and expenses amounting to EUR 14,673k incurred in connection with the Cherry SE purchase price loan. Gains arising on the fair value measurement of embedded derivatives in 2021 amounted to EUR 1,821k.

8.7. Income taxes

Income tax expense/income comprised the following:

€ thousand	2022	2021
Deferred tax income (-) / expense (+)	-5,410	97
Current tax income (-) / expense (+) thereof relating to prior periods: EUR 135k (2021: EUR 263k)	2,790	4,111
Total	**-2,620**	**4,208**

Deferred taxes reported in the statement of financial position included EUR -35k (2021: EUR -2k) recognized through other comprehensive income in the 2022 fiscal year. In 2021, a further EUR 1.8 million of income taxes was recognized directly in equity in connection with transaction costs arising on the issuance of new shares at the time of the IPO.

8.8. Earnings per share

Group net loss/profit in € thousand, number of shares in thousand, Earnings per share in EUR	2022	2021
Group net loss/profit attributable to shareholders of Cherry SE	-35,728	-9,287
Less dilutive effect of share-based remuneration	–	–
Group net loss/profit attributable to shareholders of Cherry SE (for the purpose of calculating diluted earnings per share)	-35,728	-9,287
Weighted average number of shares in circulation	23,977	22,179
Dilutive effect of share-based remuneration	6	–
Weighted average number of shares in circulation (diluted)	23,983	22,179
Undiluted earnings per share	-1.49	0.42
Diluted earnings per share	-1.49	0.42

9. SEGMENT INFORMATION

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

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

The Management Board assesses the performance of the operating segments on the basis of adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) and adjusted EBIT (earnings before interest and taxes). The following table shows segment information for the reportable segments for the 2022 fiscal year, as communicated to the Management Board.

€ thousand	Cherry Europe GmbH	Cherry Digital Health GmbH	Theobroma Systems Design und Consulting GmbH	Active Key GmbH	Zhuhai Cherry Electronics Co. Ltd.	Cherry Electronics (Hong Kong) Co Ltd.	Cherry Americas LLC	Other & Elimination	Group
External revenue	59,444	19,863	755	4,931	17,940	17,428	12,153	-	132,514
Intragroup revenue	21,887	-	17,161	713	12,206	51	1	-52,019	-
Total revenue	81,331	19,863	17,916	5,644	30,146	17,479	12,154	-52,019	132,514
Gross Profit II	9,886	5,282	6,236	2,607	8,453	3,192	3,379	-2,165	36,870
Adjusted EBITDA	-120	2,099	4,879	1,473	6,340	1,935	-411	-994	15,201
EBITDA margin (adjusted)	-0.1%	10.6%	27.2%	26.1%	21.0%	11.1%	-3.4%	1.9%	11.5%
Depreciation, amortization and impairment losses	-12,548	-706	-448	-577	-811	-28	-82	-33,506	-48,706
Adjusted EBIT	-12,668	1,393	4,431	896	5,529	1,907	-493	-34,500	-33,505
EBIT margin (adjusted)	-15.6%	7.0%	24.7%	15.9%	18.3%	10.9%	-4.1%	66.3%	-25.3%
Capital expenditure	6,201	1,280	201	113	1,505	-	29	2,054	11,383
Segment assets [1]	115,651	17,959	10,394	8,908	21,854	11,641	10,986	181,673	379,066
Segment liabilities [2]	-72,363	-11,687	-5,653	-8,361	-11,650	-2,282	-6,839	-8,405	-127,240

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

The following table shows segment information for the 2021 fiscal year:

€ thousand	Cherry GmbH (incl. Digital Health Business)	Cherry Digital Health GmbH	Theobroma Systems Design und Consulting GmbH	Active Key GmbH	Zhuhai Cherry Electronics Co. Ltd.	Cherry Electronics (Hong Kong) Co Ltd.	Cherry Americas LLC	Other & Elimination	Group
External revenue	91,406	–	872	3,313	22,630	40,213	10,092	–	168,526
Intragroup revenue	39,006	20,183	12,757	749	8,729	434	231	-82,090	–
Total revenue	130,412	20,183	13,629	4,062	31,359	40,647	10,323	-82,090	168,526
Gross Profit II	39,207	6,778	2,722	1,570	9,201	8,112	3,250	-1,986	68,853
Adjusted EBITDA	31,015	4,427	1,493	1,630	7,467	6,872	222	-4,259	48,867
EBITDA margin (adjusted)	23.8%	21.9%	11.0%	40.1%	23.8%	16.9%	2.2%	5.2%	29.0%
Depreciation, amortization and impairment losses	-9,124	-549	-390	-623	-665	–	-72	-3,765	-15,188
Adjusted EBIT	21,891	3,878	1,104	1,008	6,803	6,872	150	-8,024	33,682
EBIT margin (adjusted)	16.8%	19.2%	8.1%	24.8%	21.7%	16.9%	1.5%	9.8%	20.0%
Capital expenditure	7,702	1,295	392	4,672	1,175	1	15	-638	14,614
Segment assets[1]	107,764	12,633	8,179	7,616	21,053	14,399	6,394	232,939	410,977
Segment liabilities[2]	-64,597	-6,361	-6,688	-7,070	-6,130	-7,381	-2,161	-17,438	-117,825

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

Reconciliation of EBIT to operating profit before tax:

€ thousand	2022	2021
Total adjusted EBIT of reportable segments	995	41,706
Cherry SE/Cherry SARL/ Elimination	-34,500	-8,025
Adjustments	-2,980	-6,063
EBIT	-36,485	27,619
Financial result	-1,863	-14,125
Loss/profit before tax	**-38,348**	**13,494**

The adjustments include non-recurring or extraordinary personnel expenses (including share-based personnel expenses), expenses in connection with M&A transactions, expenses in connection with natural disasters and pandemics as well as other non-recurring exceptional expenses. The previous year's figure also includes expenses incurred in connection with the capital market/IPO.

Group-wide information

Information about revenue by product group and geographical area is provided in note 8.1. (Revenue). The analysis of revenue by region is based on the regional domicile of customers.

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

2022

€ thousand	Germany	USA	China	Hong Kong	Rest of Europe	Total
Non-current assets	140,207	14,080	30,487	9,287	3,276	197,337

2021

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

In the 2022 fiscal year, no customer accounted for more than 10% of total revenue. In the fiscal year 2021, revenue amounting to more than 10% of total revenue was generated in each case with two customers, one within the Zhuhai Cherry Electronics Co. Ltd. segment (EUR 19,939k) and one within the Cherry Europe GmbH segment (EUR 17,441k).

10. EXPLANATORY NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The Cherry Group's consolidated cash flow statement shows how cash and cash equivalents have changed as a result of cash inflows and outflows during the 2022 and 2021 fiscal years, and therefore provides information on the source and application of funds. The cash flow statement has been drawn up in accordance with IAS 7 Statements of Cash Flows, distinguishing between cash flows from operating, investing and financing activities.

Cash flows from operating activities include outflows for transaction costs incurred in conjunction with the acquisition of subsidiaries amounting to EUR 282k (2021: EUR 115k).

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

The acquisition of Active Key in 2021 gave rise to cash outflows for the purchase price amounting to EUR 4,726k, less cash amounting to EUR 477k acquired in conjunction with the business combination. Cash flows from investing activities in the 2022 fiscal year included a further EUR 1,600k of cash outflows relating to the purchase price.

Cash flows from financing activities include new loans raised amounting to EUR 0k (2021: EUR 45,045k) and repayments amounting to EUR 617k (2021: EUR 80,248k) at the level of Cherry SE as well as domestic and foreign subsidiaries. Further information about new loans raised and loan repayments is provided in note 7.5 (Financial liabilities).

Cash and cash equivalents as of December 31, 2022 exclusively comprised short-term bank balances with a remaining term of less than 3 months amounting to EUR 92,848k (December 31, 2021: EUR 109,678k).

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

€ thousand	Loans payable	Lease liabilities	Total
Opening balance as of January 1, 2021	**80,820**	**16,542**	**97,362**
+ Additions relating to business combinations	–	311	311
+ New loans raised	45,045	–	45,045
- Loan repayments	-80,248	-3,610	-83,858
+/- Other	680	5,288	5,968
Closing balance as of December 31, 2021	**46,297**	**18,531**	**64,828**
+ New loans raised	–	–	–
- Loan repayments	-617	-3,751	-4,368
+/- Other	-194	2,145	1,951
Closing balance as of December 31, 2022	**45,486**	**16,925**	**62,411**

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

11. OTHER DISCLOSURES

11.1. Contingent liabilities

As in the previous year, no guarantees were issued during the 2022 fiscal year and the Cherry Group has no contingent liabilities.

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

Capital management

The Cherry Group determines its capital requirements in relation to its risk exposures. It manages its capital structure and adjusts it, where necessary, considering changes in the economic environment. This includes managing the Group's equity and non-current financial liabilities. The primary objective of the Group's capital management is to reduce its financing expense by maintaining a strong credit rating and healthy equity ratio and to ensure financial stability and a high cash conversion ratio. Group equity is monitored centrally by the Group's management team and Group Treasury. The agreements with lenders existing as of December 31, 2022 and December 31, 2021 included agreements stipulating compliance with certain financial covenants. The Group has complied with these covenants at all times.

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

Financial risk management objectives and methods

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

Interest rate risk

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

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

A hypothetical increase/decrease in interest rates of 25 percentage points per annum relevant for interest-bearing finance liabilities as of December 31, 2022 would have caused interest expenses to be EUR 113k higher (December 31, 2021: EUR 113k), with a corresponding reduction in equity. Taking into account the interest rate floor, this only applies to an interest rate of up to 0%.

Foreign currency risk

Due to its international focus, the Cherry Group is exposed to foreign currency risks from its operating activities as a result of exchange rate fluctuations between the functional currencies of the Group companies and other currencies. Currency risks as defined by IFRS 7 arise on account of financial instruments of a monetary nature being denominated in a currency that is not the functional currency. Significant non-derivative items which give rise to currency risks for the Group are cash, receivables and payables. For transactions settled in US dollars, Chinese yuan and pounds sterling, changes in the respective exchange rate in relation to the euro or other functional currencies of Group companies may have a significant impact on the Group's cash flows. However, the currency risk is manageable for the Group as a significant portion of its materials are purchased in USD or CNY and the Group has its own production facilities in China. For the Cherry Group, there is an excess of expenditures in US dollars over income. Measures are planned for 2023 to reduce this excess by expanding business in the USA. In addition, currency hedging transactions have been deployed with effect from the beginning of 2023. Open positions from rising sales to the UK are partially hedged by price adjustment clauses agreed with customers.

A hypothetical change in the foreign exchange rates of +/- 5% relevant for receivables and payables as of December 31, 2022 which are not denominated in the functional currency of the respective Group company would have led to an effect on pre-tax profit or loss of EUR -202k and EUR +223k (December 31, 2021: EUR -59k and EUR +53k), respectively, with a corresponding change in equity.

Liquidity risk

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

The following table shows the contractual undiscounted payments in connection with the Group's recognized liabilities as of the reporting date on the basis of undiscounted cash flows in subsequent years. The table includes all instruments held as of December 31, 2022 and for which payments had already been contractually agreed. Amounts denominated in a foreign currency are translated at the respective closing rate. The variable interest payments on the financial instruments, in particular on loans, are calculated using expected interest rates. Financial liabilities that are repayable on demand are always assigned to the earliest possible time band. The disclosures are made on the basis of the contractual, non-discounted payments.

	Carrying amount	Cash flows		
€ thousand	Dec. 31, 2022	2023	2024	2025 and thereafter
Loans and borrowings subject to interest	45,486	-2,288	-2,282	-48,736
Other current financial liabilities	6,088	-6,088	–	–
Trade payables	30,886	-30,886	–	–

	Carrying amount	Cash flows		
€ thousand	Dec. 31, 2021	2022	2023	2024 and thereafter
Loans and borrowings subject to interest	46,296	-1,633	-1,545	-47,963
Other current financial liabilities	5,564	-5,564	–	–
Trade payables	17,892	-17,892	–	–

Credit risks

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

Carrying amounts and fair values by measurement category

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

€ thousand	Dec. 31, 2022	Dec. 31, 2021
Assets measured at amortized cost		
Trade receivables	16,348	19,610
Cash and cash equivalents	92,848	109,678
Total	**109,196**	**129,288**

€ thousand	Dec. 31, 2022	Dec. 31, 2021
Liabilities measured at amortized cost		
Trade payables	30,886	17,892
Current financial liabilities	208	202
Other current financial liabilities	6,088	5,564
Non-current financial liabilities (excluding derivatives)	45,278	46,095
Total	**82,460**	**69,753**

The fair value of trade receivables and payables, current financial assets, cash and cash equivalents as well as current liabilities to banks and other current financial liabilities is equal to their carrying amount due to their short-term maturities. The loan agreed in June 2021 is subject to variable interest. Fluctuations in the underlying interest rate lead to a variable interest charge in the future, which means that the carrying amount approximates the fair value (Level 2).

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

€ thousand	
Reconciliation of financial liabilities measured at fair value (Level 3)	
Opening balance as of January 1, 2021	1,821
Gains/losses recognized in profit or loss	-1,821
Disposals	–
Closing balance as of December 31, 2021	–
Gains/losses recognized in profit or loss	–
Disposals	–
Closing balance as of December 31, 2022	–

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

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

2022 € thousand	Interest income	Interest expense	Measurement effects	Impairment	Reversal of impairment	Net result
Assets measured at amortized cost	8	–	–	-113	–	-105
Liabilities measured at amortized cost	–	-1,304	–	–	–	-1,304
Liabilities measured at fair value (derivatives)	–	–	–	–	–	–
Total	**8**	**-1,304**	**–**	**-113**	**–**	**-1,409**

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

The net foreign currency gain of EUR 111k (2021: net foreign currency loss of EUR 484k) recognized in profit or loss relates to assets and liabilities measured at amortized cost.

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

The Cherry Group did not value any assets or liabilities at their fair value as of December 31, 2022 or December 31, 2021.

11.3. Related party disclosures

In the course of ordinary business, the Cherry Group enters into business relationships with numerous companies which may include companies that are related parties. For the Cherry Group, on the one hand related parties in accordance with IAS 24 as of December 31, 2022 primarily include companies of the Argand Group, in particular:

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

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

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

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

In connection with the IPO in 2021, Cherry SE entered into a cost sharing agreement with Cherry TopCo S.à r.l. Under the terms of this agreement, expenses arising for fees, attorneys, consultants and similar items – commissioned and paid partly by Cherry SE and partly by Cherry TopCo S.à r.l. – were divided in the previous fiscal year between the two parties. The expenses concerned in 2021 amounted to EUR 1,649k and EUR 3,100k for Cherry SE and Cherry TopCo S.à r.l. respectively, whereby there were no outstanding balances as of December 31, 2021. There were no transactions with any of the aforementioned related parties in 2022, and likewise, no outstanding balances as of December 31, 2022.

Disclosures in accordance with IFRS 2 Share-based Payment

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

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

A new share-based Long Term Incentive Program (LTI) was established at the time of the IPO, initially only for the Management Board of Cherry SE. The LTI exists in addition to the Management Board remuneration paid as a fixed salary as well a short-term incentive (STI). The LTI is granted for each fiscal year separately (grant year), followed by a three-year performance period (LTI performance period) and a one-year holding period. The LTI is generally cash-settled. At Cherry SE's discretion, however, it may be settled by the awarding of shares. The Company intends to settle in shares. Remuneration is paid in the form of virtual shares, the number of which depends on the level of attainment of LTI performance targets, which are normally based 50% on the Group's adjusted EBITDA and 50% on the relative total shareholder return (TSR) of Cherry SE. The value of the virtual shares to be paid out is based on the future share price of Cherry SE. In 2022 fiscal year, the LTI was extended to selected employees outside the Management Board. The plan qualifies as an equity-settled plan as defined in IFRS 2. In accordance with IFRS 2, the fair value of the virtual shares at the relevant grant date was measured on the basis of a Monte Carlo simulation, taking into account the terms and conditions of the plan. The model simulates the TSR and compares it with a peer group comprising SDAX companies, taking into account the volatility of the Cherry SE share price compared to the SDAX.

The following key parameters were used in the model:

– Weighted average fair value at grant date: EUR 18.73 (2021: EUR 28.41)
– Share price at grant date: EUR 24.90 or EUR 7.58 (2021: EUR 30.66)
– Expected volatility (weighted average): 57.6% (2021: 57.0%)
– Expected term (weighted average): 3.9 years (2021: 5.7 years)
– Expected dividends: 0.0% (2021: 0.0%)
– Risk-free interest rate: -0.55% or 2.55% (2021: -0.68%)

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

In total, 34,125 (2021: 10,700) virtual shares were granted during the year under report. The number of virtual shares outstanding as of December 31, 2022 therefore stood at 44,825.

In 2022, expenses amounting to EUR 240k (2021: EUR 197k) were recognized for the LTI in personnel expenses, which were offset against the capital reserve.

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

The Management Board during the 2022 fiscal year comprised:

– Rolf Unterberger, Chief Executive Officer (until December 31, 2022)
– Bernd Wagner, Chief Financial Officer
– Dr. Udo Streller, Chief Operating Officer (since April 1, 2022)

Oliver Kaltner joined the Management Board as Chief Executive Officer with effect from January 1, 2023.

The Supervisory Board during the 2022 fiscal year comprised:

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

Management remuneration

€ thousand	2022	2021
Short-term benefits	1,160	1,352
Post-employment benefits	12	11
Other long-term benefits	–	–
Benefits resulting from termination of employment relationships	193	–
Share-based remuneration	236	2,715
Total	**1,601**	**4,078**

The figures reported relate to the Management Board of Cherry SE. In addition to basic salaries, social security and pension contributions, the amounts include bonuses and company cars as well as share-based remuneration from the respective share ownership plans.

The expense for the fixed remuneration of the Supervisory Board for the 2022 fiscal year amounted to EUR 493k (2021: EUR 319k). Other remuneration, mainly relating to out-of-pocket expenses, totaled EUR 31k (2021: EUR 33k). In addition, there were expenses for share-based remuneration amounting to EUR 0k (2021: EUR 321k).

As in the previous year, no loans or advances were granted to members of the Management Board or Supervisory Board in 2022.

11.4. Corporate Governance

On December 28, 2022, the Management Board and Supervisory Board of Cherry SE jointly issued the declaration required by Section 161 of the German Stock Corporation Act (AktG) and made it publicly available on the Cherry SE website at https://ir.cherry.de/home/corporate-governance/.

11.5. Auditor's fees

€ thousand	2022	2021
Audit services	578	457
Other attestation services	32	608
Tax advisory services	–	–
Other services	–	99
Total	**610**	**1,164**

Audit services relate primarily to the fees for the audit of the Consolidated Financial Statements (including the associated audits that are mandatory for listed companies, e.g. the formal audit of the Management Board Remuneration Report, ESEF) as well as the annual audits of Cherry SE and subsidiaries included in the Consolidated Financial Statements.

The fees reported for other attestation services in 2022 related to audit services in connection with the change of legal form of the former Cherry AG to SE ("Societas Europaea"). In the previous year, services in connection with the Formation Report of Cherry SE (formerly Cherry AG) and the IPO (comfort letter) were reported in this line item. An amount of EUR 164k (2021: EUR 137k) relates to the previous year.

Fees incurred for the 2022 fiscal year for the services of the auditors Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Dusseldorf branch, are included in administrative expenses. The total also includes the costs of the Ernst & Young network, which relate to the audit of the separate financial statements for the individual companies of the Cherry Group in Germany and abroad.

11.6. Events after the end of the reporting period

On January 17, 2023, Cherry acquired all of the shares of Xtrfy Gaming AB and Built on Experience AB, Landskrona, Sweden. The two companies mainly develop and sell mice and keyboards as well as other peripherals, such as special mouse pads and headsets, in the premium segment for gaming devices and e-sports equipment. The acquisition is intended to strengthen the GAMING business area, expand market presence in Europe, with a focus on the Nordic countries, and broaden the reach of Cherry's global network within the e-sports community.

The fair values of the identified assets and liabilities and the derivation of goodwill at the acquisition date are as follows (contingent liabilities were not identified):

€ thousand	
Assets:	**6,864**
Intangible assets	1,510
Property, plant and equipment	220
Non-current financial assets	92
Inventories	3,698
Trade receivables	818
Other assets	27
Deferred tax assets	167
Cash and cash equivalents	332
Liabilities:	**-3,991**
Trade payables	-978
Other current liabilities	-445
Non-current liabilities	-2,166
Deferred tax liabilities	-402
Total identifiable net assets at fair value	**2,873**
Consideration transferred	**5,075**
Goodwill	2,202

The purchase price allocation presented above is to be considered preliminary at this time due to the short period of time since the acquisition.

The provisional purchase price amounts to approximately EUR 5.1 million and will be settled to approximately one third (EUR 1.6 million) with treasury shares of Cherry SE (234,138 shares) and the remainder in cash. The shares were valued at EUR 7.03 per share, based on the 6-month average Xetra price from June 1 to November 30, 2022. The final purchase price will be determined after the Closing Date Accounts have been drawn up on the basis of audited local financial statements.

Goodwill primarily represents synergy effects in sales and in the formation of a jointly strengthened competitive position in the field of e-sports as well as market access in the European and Asian economic area.. Goodwill is not deductible for tax purposes.

The fair value and the gross amount of the receivables acquired are as follows (the values are to be regarded as provisional):

€ thousand	Fair value	Gross amount
Trade receivables	818	818
Other assets	27	27

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

One-off transaction costs of EUR 282k were recognized in profit or loss in 2022.

After the end of the reporting period, further treasury shares were acquired in conjunction with the share buyback program. As of March 29, 2023, treasury shares accounted for approximately 4.4% of the Company's share capital.

Short-time working at the Auerbach site was extended again and beyond the turn of the year until March 31, 2023. Since January 1, 2023, employees of the Components business unit have also been on partial short-time working. The measure ends as planned on March 31, 2023, as on this date the maximum reference period of 12 months will be reached for the time being. A renewed application at a later date – after a waiting period of 3 months – is possible under certain conditions and will be reviewed by Cherry. If there are further changes to the law/regulations, the extension of the current short-time work will also be examined.

The Russia-Ukraine conflict is expected to impact profitability of individual business units further negatively in the form of higher costs for materials, energy and logistics.

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

Munich, March 29, 2023

Cherry SE
The Management Board

Oliver Kaltner
CEO

Bernd Wagner
CFO

Dr. Udo Streller
COO

RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES

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

Munich, March 29, 2023

Cherry SE

Oliver Kaltner	Bernd Wagner	Dr. Udo Streller
CEO	CFO	COO

Reproduction of the auditor's report

We issued the following auditor's report on the consolidated financial statements and the group management report:

INDEPENDENT AUDITOR'S REPORT

To Cherry SE (formerly: Cherry AG)

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

Opinions

We have audited the consolidated financial statements of Cherry SE (formerly: Cherry AG), Munich, and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from 1 January 2022 to 31 December 2022, the consolidated statement of financial position as at 31 December 2022, consolidated statement of cash flows and consolidated statement of changes in equity for the fiscal year from 1 January 2022 to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Cherry SE (formerly: Cherry AG), which was combined with the management report of the Company, for the fiscal year from 1 January 2022 to 31 December 2022. In accordance with German legal requirements, we have not audited the content of the corporate governance statement pursuant to § 315d of the German Commercial Code (HGB) published on the website indicated in the Group management report, which forms part of the Group management report. Furthermore, we have not audited the content of the non-management report disclosures contained in the sections "Reconciliation of alternative performance measures (ESMA)" and "Adequacy and effectiveness of the risk management system and the internal control system (ICS)" of the Group management report. Non-management report disclosures in the Group management report are disclosures that are neither required by §§ 315, 315a or §§ 315b to 315d of the German Commercial Code (HGB) nor required by GAS 20.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2022 and of its financial performance for the fiscal year from 1 January 2022 to 31 December 2022, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. We do not express an opinion on the content of the above-mentioned corporate governance statement or the content of the above-mentioned sections "Reconciliation of alternative performance measures (ESMA)" and "Adequacy and effectiveness of the risk management system and internal control system (ICS)".

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

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

Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2022 to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

[1] Impairment testing of goodwill

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

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

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

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

Auditor's response

As part of our audit, we analyzed the process implemented by the executive directors of Cherry SE (formerly: Cherry AG) and the accounting policies for determining the recoverable amounts of cash-generating units or groups of units for those units to which goodwill has been allocated to identify any risks of material misstatement.

We assessed whether the approach of Cherry SE´s (formerly: Cherry AG) executive directors complies with IAS 36. We analyzed the budgets and forecasts by comparing them with the results actually achieved in the past and the current development of business figures. We also referred to the market development realized in the fiscal year as well as the forecast market development of comparable entities and publicly available information of analysts in our analysis. We obtained an understanding of the significant assumptions underlying the business growth and business performance forecasts through detailed discussions with the executive directors of Cherry SE (formerly: Cherry AG) and assessed their adequacy on this basis.

The adequacy and methodical accuracy of other significant valuation assumptions, such as the discount and growth rates, was analyzed with the support of our internal valuation specialists on the basis of an analysis of market indicators. We analyzed the inputs used to determine the discount rates with regard to proper derivation and reperformed the calculation in compliance with the relevant requirements of IAS 36.

With the aid of sensitivity analyses, we estimated impairment risks arising when significant valuation assumptions change. We also checked the clerical accuracy of the valuation models in compliance with the requirements of IAS 36.

Our procedures did not lead to any reservations relating to the valuation of goodwill.

Reference to related disclosures

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

[2] Revenue recognition

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

Cherry SE (formerly: Cherry AG) generates its revenue from the sale of computer input devices. Sales revenue relates to sales from the Gaming and Professional segments.

The executive directors of Cherry SE (formerly: Cherry AG) have issued detailed accounting instructions and implemented processes for recognizing revenue.

In light of the large number of different contractual agreements on the various services to different countries there is a higher risk of material misstatement in the consolidated financial statements of Cherry SE (formerly: Cherry AG) in relation to the existence of revenue and correct cut-off for revenue recognition. In light of the materiality and complexity of revenue recognition matters, we consider revenue recognition to be a key audit matter.

Auditor's response

During our audit we obtained an understanding of the process implemented by the executive directors of Cherry SE (formerly: Cherry AG) for revenue recognition, in particular regarding an appropriate consideration of return rights and other sales deductions.

To substantiate the existence of revenue, we examined whether it led to trade receivables and in turn, if payments were received in settlement of these receivables. Moreover, we checked the recognition of revenue based on the contractual arrangements on a sample basis with regard to the requirements of IFRS 15 for revenue recognition. We also obtained balance confirmations from a sample of customers. In addition, we analyzed the last month prior to the reporting date in more detail and verified revenue recognition on a sample basis.

Our procedures did not lead to any reservations relating to the recognition of revenue from the sale of computer input devices.

Reference to related disclosures

Information about the accounting policies with regard to revenue is provided in note (3) "Summary of key accounting principles" of the notes to the consolidated financial statements. Information about the composition of revenue is provided in note (16) "Revenue" of the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG on the German Corporate Governance Code, which is part of the group statement on corporate governance as well as for the remuneration report pursuant to Sec. 162 AktG. In all other respects, the executive directors are responsible for the other information. The other information comprises the management declaration (group statement on corporate governance) referred to above and the above-mentioned non-management report disclosures contained in the Group management report in the sections "Reconciliation of alternative key performance indicators (ESMA)" and "Adequacy and effectiveness of the risk management system and the internal control system (ICS)".

- the responsibility statement pursuant to Sec. 264 (2) Sentence 3 HGB in conjunction with Sec. 297 (2) Sentence 4 and Sec. 315 (1) Sentence 5 HGB,

- the Declaration of Conformity with the Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG), which is published outside the Group Management Report,
- the nonfinancial report pursuant to Sec. 289c, 315c HGB,
- the "Key Group Figures" and the foreword by the Executive Board,
- the report of the Supervisory Board,
- the further information in chapter 01 "To our shareholders" and in chapter 05 "Further information".

but not the consolidated financial statements, not the group management report disclosures whose content is audited and not our auditor's report thereon.

Furthermore, the other information includes all remaining parts of the annual report, which we expect to be provided with after the auditor's report has been issued, in particular:

- "Key Figures at a Glance," "Facts & Figures" as well as the foreword by the Management Board and
- the report of the Supervisory Board.

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

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

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

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

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

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

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement

Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Other legal and regulatory requirements

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

Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached file "cherry-2022-12-31-de.zip" and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from 1 January 2022 to 31 December 2022 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the enclosed file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (06.2022). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

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

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

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

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

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

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

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

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

We were elected as group auditor by the Annual General Meeting on 8 June 2022. We were engaged by the Supervisory Board on 16 August 2022. We have been the group auditor of Cherry SE (formerly: Cherry AG) without interruption since fiscal year 2019.

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

Other matter – Use of the auditor's report

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

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Jan Michael.

Düsseldorf, 29 March 2023
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Michael Wirtschaftsprüfer [German Public Auditor]	Dr. König Wirtschaftsprüfer [German Public Auditor]

04 Annual Financial Statements

STATEMENT OF FINANCIAL POSITIONS

AS OF DECEMBER 31, 2022

ASSETS

in € thousand	Dec. 31, 2022	Dec. 31, 2021
A. NON-CURRENT ASSETS		
I. Intangible assets		
Franchises, industrial property rights and similar rights and assets, and licenses for such rights and assets acquired for consideration	30	52
II. Property, plant and equipment		
Other plant, factory and office equipment	37	40
III. Long-term financial assets		
Shares in affiliated companies	216,297	216,244
	216,364	**216,336**
B. CURRENT ASSETS		
I. Receivables and other assets		
1. Trade receivables	123	23
2. Receivables from affiliated companies	33,424	26,926
3. Other assets	–	139
II. Cash on hand and at bank	69,601	89,373
	103,148	**116,461**
C. PREPAID EXPENSES	453	443
Total assets	**319,965**	**333,240**

EQUITY AND LIABILITIES

in € thousand

		Dec. 31, 2022	Dec. 31, 2021
A. EQUITY			
I. Subscribed capital	24,300		24,300
Treasury shares	-907		
		23,393	
II. Capital reserves		263,593	263,593
III. Revenue reserves		-5,917	–
IV. Accumulated deficit brought forward		-6,186	-3,935
V. Net loss for the year		-4,565	-2,251
		270,318	**281,707**
B. PROVISIONS			
1. Provision for pensions and similar commitments		135	133
2. Tax provisions		380	828
3. Other provisions		985	795
		1,500	**1,756**
C. PAYABLES			
1. Liabilities to banks		45,000	45,000
2. Trade payables		638	567
3. Payables to affiliated companies		1,527	3,272
4. Other payables thereof for taxes €k 282 (previous year: €k 99) thereof for social security €k 0 (previous year: €k 0)		982	938
		48,147	**49,777**
Total equity and liabilities		319,965	333,240

INCOME STATEMENT

FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2022

in € thousand	Jan. 1 – Dec. 31, 2022	Jan. 1 – Dec. 31, 2021
1. Revenue	–	–
2. Other operating income thereof from currency translation €k 0 (previous year: €k 0)	11,834	10,946
3. Personnel expense		
a) Wages and salaries	6,247	5,302
b) Social security, pension and welfare expenses thereof for pensions €k 0 (previous year: €k 26)	964	806
4. Depreciation and amortization on intangible assets and property, plant and equipment	53	50
5. Other operating expenses thereof from currency translation €k 2 (previous year: €k 1)	4,282	12,335
6. Income from profit transfer	995	19,474
7. Expense for loss transfer	4,531	–
8. Other interest and similar income thereof from affiliated companies € 292 (previous year: € 0.00)	292	–
9. Interest and similar expenses thereof from unwinding interest €k 2 (previous year: €k 2)	1,414	13,796
10. Income taxes	195	382
11. Loss after tax	-4,565	-2,251
12. Other taxes	–	–
13. Net loss for the year	**-4.565**	**-2,251**

ANALYSIS OF CHANGES IN FIXED ASSETS

in € thousand	Acquisition cost				
	Jan. 1, 2022	Additions	Disposals	Reclassifications	Dec. 31, 2022
I. Intangible assets					
Franchises, industrial property rights and similar rights and assets, and licenses for such rights and assets acquired for consideration	70	–	–	–	70
II. Property, plant and equipment					
Other operational and office equipment	72	28	-10	–	90
III. Long-term financial assets					
Shares in affiliated companies	216,244	53	–	–	216,297
Total	**216,386**	**81**	**-10**	**–**	**216,457**

in € thousand	Accumulated depreciation and amortization				Carrying amounts	
	Jan. 1, 2022	Additions	Disposals	Dec. 31, 2022	Dec. 31, 2022	Dec. 31, 2021
I. Intangible assets						
Franchises, industrial property rights and similar rights and assets, and licenses for such rights and assets acquired for consideration	18	22	–	40	30	52
II. Property, plant and equipment						
Other operational and office equipment	32	31	-10	53	37	40
III. Long-term financial assets						
Shares in affiliated companies	–	-	–	-	216,297	216,244
Total	**50**	**53**	**-10**	**93**	**216,364**	**216,336**

NOTES TO THE FINANCIAL STATEMENTS FOR THE 2022 FISCAL YEAR

GENERAL INFORMATION

The accompanying financial statements have been prepared pursuant to Article 61 of the Council Regulation (EC) No. 2157/2001 of October 8, 2001 on the Statute for a European company (SE Regulation) in accordance with the provisions applicable to stock corporations in the country in which they have their registered office. In the case of Cherry SE, this means in accordance with the financial reporting and accounting provisions applicable for the fiscal year ended December 31, 2022 contained in particular in the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The rules relevant for large-sized companies apply.

With effect from the date of entry in the Commercial Register on December 13, 2022, Cherry AG changed its legal form to become Cherry SE.

Effective March 1, 2023, the registered office of Cherry SE was changed to the following address and entered in the commercial register: Rosental 7, c/o Mindspace, 80331 Munich. The previous registered office (Einsteinstraße 174, c/o Design Offices Bogenhausen, 81677 Munich) was valid until February 28, 2023.

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

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

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

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

COMPANY REGISTER INFORMATION

Cherry SE (formerly: Cherry AG), with its registered office in Munich, is registered in the Commercial Register of the Local Court of Munich under the number HRB 280912. In accordance with the resolution passed by the Annual General Meeting on June 8, 2022, it was resolved to change the Company's legal form to that of a Societas Europaea (SE). The change in legal form took effect with the corresponding entry in the Commercial Register on December 13, 2022.

ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

Subscribed capital is stated at its arithmetically calculated value.

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

Treasury shares acquired are deducted on the face of the statement of financial position at their arithmetically calculated amount in relation to subscribed capital. The difference between the calculated value and the acquisition cost of treasury shares is offset against freely available reserves.

Pension provisions are calculated in accordance with actuarial principles using the projected unit credit method and the 2018 G Heubeck mortality tables. Alongside appropriate fluctuation trends, the calculation takes account of a pension trend of 1.0%. The measurement of the pension obligations is based on entitlements acquired up to 2018; a salary trend is therefore not relevant. Pension obligations are discounted using the discount rate published by the Deutsche Bundesbank corresponding to the average market interest rate for the past ten years for liabilities with an assumed remaining term of 15 years. For the purposes of the valuation as of December 31, 2022, a discount rate of 1.78% was applied. The difference between the amounts calculated using the 10-year and 7-year average interest rates as of December 31, 2022 is not available for distribution. For the purposes of calculating the difference, a 7-year average interest rate of 1.44% as of December 31, 2022 was applied.

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

Payables are measured at the expected settlement amount.

Deferred taxes arising from temporary or quasi-permanent differences between the accounting and tax bases of assets, liabilities, prepaid expenses and deferred income are measured using the entity-specific tax rates that are expected to prevail when the differences reverse. The resulting increases and decreases in taxes are not discounted. A tax rate of 29.13% is to be applied. Deferred tax assets and liabilities are offset where permitted. As permitted by Section 274 (1) sentence 2 HGB, Cherry SE has elected not to recognize the surplus of deferred tax assets over deferred tax liabilities. Deferred tax assets mainly result from non-deductible interest (interest barrier) and a loss carryforward.

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

EXPLANATORY NOTES ON THE STATEMENT OF FINANCIAL POSITION

Assets

Fixed assets

Changes in the individual line items during the 2022 fiscal year are shown below in an analysis of changes in fixed assets.

As of the end of the previous fiscal year, long-term financial assets comprised the 100% shareholding in Cherry Europe GmbH, Auerbach, and the 100% shareholding in Cherry Digital Health GmbH, Munich. As of December 31,2022, long-term financial assets also included the 100% shareholding in Cherry Peripherals GmbH, Munich, which had been newly entered in the commercial register under the name heptus 501. GmbH on November 24, 2022 and whose name had been changed to Cherry Peripherals GmbH with the entry in the Commercial Register on December 13, 2022.

Current assets

As one year earlier, all receivables and other assets have a remaining term of less than one year. Receivables from affiliated companies include trade receivables amounting to EUR 4,584k (December 31, 2021: EUR 1,020k).

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

Equity and liabilities

Equity

The subscribed capital of the parent company amounting to EUR 24,300k (December 31, 2021: EUR 24,300k) is fully paid up.

At the Annual General Meeting held on June 11, 2021, an authorized capital amounting to EUR 10,000,000 was resolved. The Management Board is authorized, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions on or before June 10, 2026 by a total of up to EUR 10,000,000 in return for cash and/or non-cash contributions, whereby the subscription rights of shareholders may be excluded (Authorized Capital 2021/I).

At the Annual General Meeting held on June 23, 2021, a conditional capital amounting to EUR 10,000,000 was resolved (Conditional Capital 2021/I).

On June 9, 2022, the Management Board resolved, with the approval of the Supervisory Board, to launch a share buyback program based on the authorization granted by the Annual General Meeting on June 23, 2021 ("Share Buyback Program 2022"). In accordance with the Share Buyback Program 2022, up to a total of 2,000,000 treasury shares (corresponding to up to approximately 8.2% of the Company's current issued share capital) may be repurchased in the period from June 13, 2022 to June 30, 2023 at a total purchase price (excluding incidental acquisition costs) of up to a maximum of EUR 25.0 million and a price cap of EUR 14.00 per share. As of the end of the reporting period, a total of 907,117 shares with a volume of approximately EUR 6,824k had been acquired under the Share Buyback Program 2022, equivalent to approximately 3.7% of the Company's current issued share capital. The treasury shares acquired in this way may be used for all purposes approved by the Company's Annual General Meeting on June 23, 2021, in particular as a purchase price component for business acquisitions or to service employee stock option programs. Treasury shares are deducted from equity in the consolidated statement of financial position, as a result of which subscribed capital was reduced by EUR 907k and revenue reserves reported as a negative amount of EUR 5,917k.

As of December 31, 2022 and unchanged from the previous year, the Company's issued share capital comprised 24,300,000 ordinary bearer shares with no par value.

Capital reserves stood at EUR 263,593k at the end of the reporting period (December 31, 2021: EUR 263,593k).

The amount subject to a distribution block pursuant to Section 253 (6) HGB was EUR 231 (December 31, 2021: EUR 366).

Other provisions

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

Payables

December 31, 2022 in EUR	Total	thereof with a remaining term of Up to 1 year	From 1 to 5 years	More than 5 years	Amounts pledged as collateral	Collateral type
Liabilities to banks	45,000,000	–	45,000,000	–	–	–
Trade payables	638,147	638,147	–	–	–	–
Payables to affiliated companies	1,527,353	1,527,353	–	–	–	–
Other payables	982,496	982,496	–	–	–	–
Total	**48,147,996**	**3,147,996**	**45,000,000**	**–**	**–**	**–**

December 31, 2021 in EUR	Total	thereof with a remaining term of Up to 1 year	From 1 to 5 years	More than 5 years	Amounts pledged as collateral	Collateral type
Liabilities to banks	45,000,000	–	45,000,000	–	–	–
Trade payables	567,121	567,121	–	–	–	–
Payables to affiliated companies	3,271,654	3,271,654	–	–	–	–
Other payables	938,065	938,065	–	–	–	–
Total	**49,776,839**	**4,776,839**	**45,000,000**	**–**	**–**	**–**

In accordance with the loan agreement dated August 11, 2020, the Company took out a loan in the nominal amount of EUR 80,000k in order to finance the purchase price for the shares of Cherry Holding GmbH and its subsidiaries. The loan agreement granted the Company early termination rights at certain points in time in return for compensation payments whose amount is dependent on the actual date of termination. The loan had a variable interest rate based on EURIBOR and includes a floor of 0% in relation to EURIBOR. The lender also has a termination option under certain conditions. In the course of the IPO, this termination option was exercised and the purchase price loan was repaid on June 30, 2021. In this connection, an early repayment penalty of EUR 7,784k was incurred, which was recognized in interest and similar expenses. In addition, interest expenses from the loan were incurred in the nominal amount of EUR 2,816k. The credit line of EUR 10,000k granted until June 30, 2021 was terminated upon repayment of the loan.

On June 29, 2021, a new credit line totaling EUR 55,000k was agreed with UniCredit Bank AG in Munich, of which EUR 10,000k was designated as an overdraft facility. The current account overdraft facility was not utilized as of the reporting date, but a guarantee in the amount of EUR 500k was issued under the overdraft facility. As in the previous year, the credit line was utilized in the amount of EUR 45,000 thousand (tranche A) as of December 31, 2022, and is to be used for inorganic growth. No collateral has been provided in conjunction with the credit agreement.

The credit agreement runs for a term of five years. The interest rate for each component of the loan is calculated as a percentage of the sum of the applicable interest rates, comprising a bank margin added as an uplift to the underlying EURIBOR interest rate for the corresponding agreed term for drawing down tranche A (3 or 6 months) and the current account facility (1, 3 or 6 months). In addition, a commitment fee of 0.35% is charged for amounts not drawn down from tranche A and for the current account overdraft facility. The credit agreement contains financial covenants requiring, among other things, compliance with a net leverage ratio that is limited to the ratio of net debt to adjusted EBITDA. All covenants stipulated in the credit agreement were complied with as of December 31, 2022.

Payables to affiliated companies mainly relate to trade payables and to the consolidated tax group for VAT purposes. Other payables include primarily obligations for employee bonuses, vacation entitlements, accrued time credits, payroll taxes and sales tax.

EXPLANATORY NOTES TO THE INCOME STATEMENT

Other operating income in the 2022 fiscal year amounting to EUR 11,834k (2021: EUR 10,946k) results from expenses passed on within the Group in accordance with agreed intragroup arrangements. In the previous year, expenses incurred in connection with the IPO of Cherry SE (formerly: Cherry AG) were reported in this line item. Also in the previous year, IPO-related expenses attributable to the former shareholder on a pro rata basis were passed on to the shareholders in accordance with a cost transfer agreement between the Company and the shareholder. In this respect, the income was extraordinary income.

Other operating expenses amounting to EUR 4,282k (2021: EUR 12,335k) included primarily advisory and audit fees amounting to EUR 2,095k (2021: EUR 8,277k) and bought-in external services amounting to EUR 1,337k (2021: EUR 434k) with the remainder relating to other administrative expenses. In the previous year, other operating expenses were mainly the result of costs incurred in connection with the IPO and a loss from the takeover of the “Central Services” business activities from Cherry Europe GmbH. In total, extraordinary expenses amounting to EUR 7,778k arose in the previous year.

Income from the transfer of profits in 2022 arose in conjunction with the profit transfer agreement in place with Cherry Digital Health GmbH, while expenses from the transfer of losses in 2022 resulted from the profit transfer agreement in place with Cherry Europe GmbH.

Other interest and similar income resulted from amounts recharged to affiliated companies for loans granted.

Interest and similar expenses related mainly to interest payable on bank loans.

CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

As of December 31, 2022, there were the following contingent liabilities requiring disclosure pursuant to Section 251 and Section 268 (7) HGB: Cherry SE has undertaken until December 31, 2023 to ensure that Cherry E-Commerce GmbH and Cherry Peripherals GmbH are managed and provided with financial resources in such a way that they will always be able to meet their obligations to creditors existing as of December 31, 2022 in a timely manner (guarantee to cover obligations). Until December 31, 2022, Cherry SE undertook to ensure that Cherry Digital Health GmbH and Active Key GmbH were managed and provided with financial resources in such a way that they would always be able to meet their obligations to creditors existing as of December 31, 2021 in a timely manner (guarantee to cover obligations).

We consider the risk of having to make a payment under the purchase obligation to be low, as the companies have sufficient liquidity.

The following other financial obligations existed at the end of the period under report: Purchase commitments amounting to EUR 101k (December 31, 2021: EUR 21k), rental and lease agreements amounting to EUR 49k (December 31, 2021: EUR 44k).

MANAGEMENT BOARD AND SUPERVISORY BOARD

The Management Board during the 2022 fiscal year comprised:

- Rolf Unterberger, Chief Executive Officer (Chairman of the Management Board) (until December 31, 2022)
- Bernd Wagner, Chief Financial Officer
- Dr. Udo Streller, Chief Operating Officer (since April 1, 2022)

Oliver Kaltner joined the Management Board as Chief Executive Officer with effect from January 1, 2023.

The remuneration of the members of the Management Board serving in the year under report consists of the following:

2022 in EUR	Basic salary and social security contributions	Bonus 2022	Company car and pension contributions	Remuneration after retirement	Termination benefits	Total remuneration
Rolf Unterberger	400,618	100,902	22,800	–	192,855	717,175
Bernd Wagner	318,072	42,806	25,048	–	–	385,926
Dr. Udo Streller	224,948	22,950	13,900	–	–	261,798
Total	**943,638**	**166,658**	**61,748**	**–**	**192,855**	**1,364,899**

The Management Board members also received conditionally awarded shares with a value of EUR 814,842, which will only be paid out in cash or shares after the end of the performance period (end of 2024) and a further year of the holding period (end of 2025) if the criteria required for this have been met after the end of the performance period.

In fiscal year 2022, the following people were members of the Supervisory Board of Cherry SE:

Marcel Stolk (born 1967)
- Chairman of the Supervisory Board
- Member since: December 13, 2022 (previously Chairman of the Supervisory Board of Cherry AG since May 25, 2021)
- Elected until: End of the Annual General Meeting 2023
- Principal occupation: Independent consultant
- Memberships in legally required supervisory boards or comparable domestic or foreign supervisory bodies of business enterprises (as of December 31, 2021): None

James Burns (born 1964)
- Deputy Chairman of the Supervisory Board
- Member since: December 13, 2022 (previously Deputy Chairman of the Supervisory Board of Cherry AG since May 25, 2021)
- Elected until: End of the Annual General Meeting 2023
- Principal occupation: Independent consultant
- Memberships in legally required supervisory boards or comparable domestic or foreign supervisory bodies of business enterprises (as of December 31, 2022): None

Joachim Coers (born 1965)

- Member since: December 13, 2022 (previously member of the Supervisory Board of Cherry AG since May 25, 2021)
- Elected until: End of the Annual General Meeting 2023
- Principal occupation: Investor
- Memberships in legally required supervisory boards or comparable domestic or foreign supervisory bodies of business enterprises (as of December 31, 2022):
  - ensian group GmbH, Leutkirch im Allgäu, Germany: Member of the Advisory Board

Heather Faust (born 1979)

- Member since: December 13, 2022 (previously member of the Supervisory Board of Cherry AG since May 25, 2021)
- Elected until: End of the Annual General Meeting 2023
- Principal occupation: Managing Partner at Argand Partners, LP, New York, New York, United States of America
- Memberships in legally required supervisory boards or comparable domestic or foreign supervisory bodies of business enterprises (as of December 31, 2022):
  - Grosse Point Beacon Acquisition, Inc., Delaware, United States of America: Chairwoman of the Board of Directors
  - OASE Management GmbH, Hörstel, Germany: Chairwoman of the Advisory Board
  - Sigma Electric Manufacturing Corporation, Garner, North Carolina, United States of America: Member of the Board of Directors
  - Concrete Pumping Holdings, Inc., Thornton, Colorado, United States of America: Member of the Board of Directors

Steven M. Greenberg (born 1970)

- Member since: December 13, 2022 (previously member of the Supervisory Board of Cherry AG since May 25, 2021)
- Elected until: End of the Annual General Meeting 2023
- Principal occupation: Attorney and Advisor in Intellectual Property Law and Innovation Management, President of CRGO Global, Boca Raton, Florida, United States of America
- Memberships in legally required supervisory boards or comparable domestic or foreign supervisory bodies of business enterprises (as at December 31, 2022):
  - Ardent Medical Corporation, Boynton Beach, Florida, United States of America: President

Tariq Osman (born 1978)

- Member since: December 13, 2022 (previously member of the Supervisory Board of Cherry AG since May 25, 2021)
- Elected until: End of the Annual General Meeting 2023
- Principal occupation: Private Equity Investor
- Memberships in legally required supervisory boards or comparable domestic or foreign supervisory bodies of business enterprises (as at December 31, 2022):
  - Paladin Private Equity LLC, New York, New York, United States of America: Member of the Board of Directors

Dino Sawaya (born 1983)

- Member since: December 13, 2022 (previously member of the Supervisory Board of Cherry AG since May 25, 2021)
- Elected until: End of the Annual General Meeting 2023
- Principal occupation: until December 31, 2022, Investment Advisor at Argand Partners, LP, New York, New York, United States of America; since January 1, 2023, Private Equity Investor
- Memberships in legally required supervisory boards or comparable domestic or foreign supervisory bodies of business enterprises (as at December 31, 2022):
  - TeleGeography Corporation, Washington D.C., United States of America: Member of the Board of Directors
  - Seybert's Billiards Corporation, Coldwater, Michigan, United States of America: Member of the Board of Directors
  - Apartment Guardian Inc., Los Angeles, California, United States of America: Member of the Board of Directors
  - OASE Management GmbH, Hörstel, Germany: Member of the Advisory Board

The expense for the fixed remuneration of the Supervisory Board for the 2022 fiscal year amounted to EUR 493k (2021: EUR 319k). Other remuneration, mainly travel expenses, totaled EUR 31k (2021: EUR 33k).

As in the previous year, no loans or advances were granted to members of the Management Board or Supervisory Board in 2022.

SHAREHOLDINGS (VALUES IN EUR)

Direct and indirect shareholdings

	Shareholding in %	Equity	Net profit/loss for the year
Cherry Europe GmbH, Auerbach2	100	43,754,012.47	0.00
Cherry Digital Health GmbH, Munich [2]	100	4,788,539.32	0.00
Cherry Peripherals GmbH, Munich [2]	100	50,100.00	0.00
Cherry E-Commerce GmbH, Munich	100	-559,925.79	-584,925.79
Active Key GmbH, Munich	100	439,848.43	0.00
Theobroma Systems Design und Consulting GmbH, Vienna, Austria [1]	100	4,740,806.82	3,249,650.55
Zhuhai Cherry Electronics Co. Ltd., Zhuhai City, China [1]	100	10,203,394.98	4,066,721.81
Cherry Electronics (Hong Kong) Co Ltd., Hong Kong, China [1]	100	9,358,811.21	1,567,137.73
Cherry Taiwan Electronics Co., Ltd., Taiwan[1]	100	34,048.24	7,390.93
Cherry Americas LLC, Kenosha, USA [1]	100	4,147,798.09	-340,859.96
Cherry S.A.R.L, Paris, France [1]	100	269,091.81	24,263.68

1 in accordance with IFRS
2 Direct investments

OTHER DISCLOSURES

Cherry SE employed an annual average of 73.8 employees (head count) during the 2022 fiscal year (2021: 61.4) and 79 employees (head count) as of the end of the reporting period (2021: 68). These are employed in the areas of materials management (27 people – on an annual average as the largest area), purchasing, Finance & Accounting, Controlling, HR, IT, customer service and marketing.

The Company prepares consolidated financial statements for the smallest circle of Group entities and publishes them in the Bundesanzeiger [German Federal Gazette].

The Company does not disclose related party transactions, as all transactions with related parties are conducted at market conditions.

Disclosures pursuant to section160 (1) no. 8 AktG

- UBS Group AG informed the Company that its share of voting rights exceeded the threshold of 3% of the Company's share capital on January 12, 2022, and on that date held 742,651 voting rights. This corresponds to a share of 3.06% of the share capital.
- Glenernie Capital Ltd informed the Company that its share of voting rights exceeded the threshold of 3% of the Company's share capital on January 13, 2022 and on that date held 768,752 voting rights. This corresponds to a share of 3.16% of the share capital.
- UBS Group AG informed the Company that its share of voting rights fell below the threshold of 3% of the Company's share capital on February 3, 2022 and on that date held 723,096 voting rights. This corresponds to 2.98% of the share capital.
- JPMorgan Asset Management (UK) Limited informed the Company that its share of voting rights fell below the threshold of 3% of the Company's share capital on March 10, 2022 and on that date held 724,936 voting rights. This corresponds to a share of 2.98% of the share capital.
- UBS Group AG informed the Company that its share of voting rights exceeded the threshold of 3% of the Company's share capital on March 14, 2022 and on that date held 777,155 voting rights. This corresponds to a share of 3.20% of the capital stock.
- DWS Investment GmbH informed the Company that its share of voting rights fell below the threshold of 5% of the Company's share capital on March 31, 2022 and on that date held 1,184,052 voting rights. This corresponds to 4.87% of the share capital.
- Ophir Asset Management Pty. Ltd. informed the Company that its share of voting rights fell below the threshold of 5% of the Company's share capital on April 28, 2022 and held 917,299 voting rights on that date. This corresponds to 3.77% of the share capital.
- Perpetual Ltd. informed the Company that its share of voting rights fell below the threshold of 5% of the Company's share capital on April 28, 2022 and on that date held 917,299 voting rights. This corresponds to 3.77% of the share capital.
- DWS Investment GmbH informed the Company that its share of voting rights exceeded the threshold of 5% of the Company's share capital on May 2, 2022 and on that date held 1,257,227 voting rights. This corresponds to 5.17% of the share capital.
- Ophir Asset Management Pty. Ltd. informed the Company that its share of voting rights fell below the threshold of 3% of the Company's share capital on May 17, 2022

and held 705,144 voting rights on that date. This corresponds to a share of 2.90% of the capital stock.

- Perpetual Ltd. informed the Company that its share of voting rights fell below the threshold of 3% of the Company's share capital on May 17, 2022 and on that date held 705,144 voting rights. This corresponds to a share of 2.90% of the capital stock.
- DWS Investment GmbH informed the Company that its share of voting rights fell below the threshold of 5% of the share capital on May 17, 2022 and on that date held 1,108,499 voting rights. This corresponds to 4.56% of the share capital.
- Janus Henderson Group PLC informed the Company that its share of voting rights exceeded the threshold of 5% of the share capital on June 9, 2022 and on that date held 1,448,115 voting rights. This corresponds to a share of 5.96% of the share capital.
- DWS Investment GmbH informed the Company that its share of voting rights fell below the threshold of 3% of the capital stock on June 13, 2022 and on that date held 720,959 voting rights. This corresponds to a share of 2.97% of the share capital.
- Janus Henderson Group PLC informed the Company that its share of voting rights fell below the threshold of 5% of the share capital on October 10, 2022 and on that date held 1,201,529 voting rights. This corresponds to a share of 4.94% of the share capital.
- Cherry AG informed the Company that its share of voting rights reached the threshold of 3% of the share capital on October 25, 2022 and held 729,000 treasury shares on that date. This corresponds to a share of 3.00% of the share capital.
- Janus Henderson Group PLC informed the Company that its share of voting rights fell below the threshold of 3% of the share capital on November 2, 2022 and on that date held 620,888 voting rights. This corresponds to 2.56% of the share capital.
- Glenernie Capital Ltd informed the Company that its share of voting rights fell below the threshold of 3% of the share capital on November 17, 2022 and on that date held 602,552 voting rights. This corresponds to a share of 2.48% of the share capital.

PROPOSED APPROPRIATION OF RESULTS

The net loss for the year will be carried forward.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On January 17, 2023, Cherry Group acquired all shares in Xtrfy Gaming AB and Built on Experience AB, Landskrona, Sweden. The companies primarily develop and sell mice and keyboards as well as other peripherals such as special mouse pads and headsets in the premium segment for gaming devices and e-sports equipment. The acquisition is intended to strengthen the GAMING business segment, expand the market presence in Europe, with a focus on the Nordic countries, as well as the global network in the eSports scene. The preliminary purchase price amounts to approximately EUR 5 million and will be paid in treasury shares of Cherry SE (234,138 pcs.) for approximately one third and in cash for the remainder. The final purchase price will be determined after the preparation of the closing date accounts on the basis of audited local financial statements.

After the balance sheet date, further treasury shares were acquired as part of the share buyback program. As of March 29, 2023, treasury shares amounted to approximately 4.4%.

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

DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 AKTG

On December 28, 2022, the Management Board and Supervisory Board of Cherry SE jointly issued the declaration required by Section 161 of the German Stock Corporation Act (AktG) and made it publicly available on the Cherry SE website at https://ir.cherry.de/home/corporate-governance/.

AUDITOR'S FEES

The total expense recognized for external auditor's fees pursuant to Section 319 (1) HGB comprises the following:

€ thousand	2022	2021
Audit services	578	457
Other attestation services	32	608
Tax advisory services	–	–
Other services	–	99
Total	610	1,164

Audit services relate primarily to the fees for the audit of the Consolidated Financial Statements (including the associated audits that are mandatory for listed companies, e.g. formal audit of the Management Board Remuneration Report, ESEF) as well as the annual audits of Cherry SE and subsidiaries included in the Consolidated Financial Statements.

The fees reported for other attestation services in 2022 related to audit services in connection with the change of legal form of the former Cherry AG to an SE ("Societas Europaea"). In the previous year, services in connection with the Formation Report of Cherry SE (formerly: Cherry AG) and the IPO (comfort letter) were reported in this line item. An amount of EUR 164k (2021: EUR 137k) relates to the previous year.

The disclosures pursuant to Section 289a HGB are made in the combined management report of Cherry SE and the Group and will be published in the Annual Report 2022.

RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and loss of the Company, and the management report – which has been combined with the group management report – includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Munich, March 29, 2023

Cherry SE

Oliver Kaltner
CEO

Bernd Wagner
CFO

Dr. Udo Streller
COO

INDEPENDENT AUDITOR'S REPORT

To Cherry SE (formerly: Cherry AG)

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of Cherry SE (formerly: Cherry AG), Munich, which comprise the balance sheet as at 31 December 2022, and the income statement for the fiscal year from 1 January 2022 to 31 December 2022, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Cherry SE (formerly: Cherry AG), which was combined with the group management report, for the fiscal year from 1 January 2022 to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of the management declaration (statement on corporate governance) pursuant to Sec. 289f HGB, which is published on the website stated in the group management report and is part of the group management report. Furthermore, we have not audited the content of the non-management report disclosures contained in the sections "Reconciliation of alternative performance measures (ESMA)" and "Adequacy and effectiveness of the risk management system and the internal control system (ICS)" of the Group management report. Non-management report disclosures in the management report are disclosures that are not required by sections 289, 289a or 289b to 289f HGB.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2022 and of its financial performance for the fiscal year from 1 January 2022 to 31 December 2022 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. We do not express an opinion on the content of the above-mentioned corporate governance statement or the content of the above-mentioned sections "Reconciliation of alternative performance measures (ESMA)" and "Adequacy and effectiveness of the risk management system and internal control system (ICS)".

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

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

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from 1 January 2022 to 31 December 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

Valuation of shares in affiliates

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

The shares in affiliates represent a significant part of the Company's assets. The valuation of shares in affiliates for commercial law purposes is based on the acquisition cost or lower net realizable value. The fair values were determined as the present values of expected future income disclosed in the forecasts prepared by the executive directors using the capitalization of earnings method. The forecasts also take into account expectations regarding future market development and assumptions about trends in macroeconomic factors. The individually calculated cost of capital of the financial assets is used for discounting.

The result of this valuation is highly dependent on the executive directors' estimate of future cash flows and the respective discount and growth rates used. The valuation of shares in affiliates therefore involves significant uncertainty. In light of this and due to the high level of complexity of the valuation, it was a key audit matter.

Auditor's response

As part of our audit, we examined the Company's forecast process and obtained an understanding of the method of determining the fair values. In this context, we assessed in particular whether the calculation of the fair values of shares in affiliates using the capitalization of earnings method comply with the relevant measurement standards. With the support of our valuation specialists, we discussed the key value drivers with the executive directors and compared them to general and industry-specific market expectations. We also compared the Company's budget for the subsequent year and its medium-term planning with the budget approved by the Supervisory Board as well as the approved medium-term planning. In addition, the planning was compared in terms of consistency with other expectations of the Management Board, such as the forecasts in the management report. Furthermore, we analyzed the accuracy of the forecasts by comparing the planning prepared in past periods with the results actually achieved. Based on our understanding that even relatively small changes in the discount rate used can have significant effects on the amount of the capitalized earnings value of the affiliates, we reperformed the calculations and examined whether the parameters included correspond to external market data. We also checked the clerical accuracy of the calculation method on a sample basis.

Our procedures did not lead to any reservations relating to the valuation of shares in affiliates.

Reference to related disclosures

The Company's disclosures on the valuation of shares in affiliates are included in the notes to the financial statements, section 2 "Accounting policies."

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG on the German Corporate Governance Code, which is part of the group statement on corporate governance as well as for the remuneration report pursuant to Sec. 162 AktG. In all other respects, the executive directors are responsible for the other information. The other information comprises the management declaration (group statement on corporate governance) referred to above and the above-mentioned non-management report disclosures contained in the management report in the sections "Reconciliation of alternative key performance indicators (ESMA)" and "Adequacy and effectiveness of the risk management system and the internal control system (ICS)".

Furthermore, the other information comprises additional parts to be included in the annual report, of which we obtained a version prior to issuing this auditor's report, in particular:

- the affirmation of the legal representatives pursuant to § 264 para. 2 sentence 3 of the German Commercial Code (HGB),
- the declaration of compliance with the Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG), which is published outside the management report,
- the nonfinancial report pursuant to Sec. 289c, 315c HGB,
- the "Key Group Figures" and the foreword by the Executive Board,
- the report of the Supervisory Board,
- the further information in chapter 01 "To our shareholders" and in chapter 05 "Further information".

but not the annual financial statements, not the management report disclosures whose content is audited and not our auditor's report thereon.

Furthermore, the other information includes all remaining parts of the annual report, which we expect to be provided with after the auditor's report has been issued, in particular:

- "Key Figures at a Glance," "Facts & Figures" as well as the foreword by the Management Board and
- the report of the Supervisory Board.

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

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

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

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

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

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

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

Auditor's responsibilities for the audit of the annual financial statements and of the management report

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement

Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

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

– Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

– Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

– Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

– Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

– Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.

– Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Other legal and regulatory requirements

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

Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the attached file "CherrySE Einzelabschluss 2022.zip" and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the annual financial statements and the management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying annual financial statements and the accompanying management report for the fiscal year from 1 January 2022 to 31 December 2022 contained in the "Report on the audit of the annual financial statements and of the management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the annual financial statements and the management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410 (06.2022). Our responsibility in accordance therewith is further described in the "Auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

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

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

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

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

Auditor's responsibilities for the assurance work on the ESEF documents

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

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

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

– Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.

– Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited annual financial statements and to the audited management report.

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

We were elected as auditor by the Annual General Meeting on 8 June 2022. We were engaged by the Supervisory Board on 16 August 2022. We have been the group auditor of Cherry SE (formerly: Cherry AG) without interruption since fiscal year 2019.

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

We have performed the following services, which were not disclosed in the annual financial statements or the management report, in addition to the audit of the financial statements for the audited company:

– Special audit required by law.

Other matter – Use of the auditor's report

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

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Jan Michael.

Düsseldorf, 29 March 2023
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Michael	Dr. König
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

FINANCIAL CALENDAR 2023[1]

Annual Report 2022	March 30 2023
Quarterly Report (Q1)	May 15 2023
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
Quarterly Report (Q3/9M)	November 15 2023
Münchner Kapitalmarkt Konferenz (mkk)	November 16 2023

[1] Expected dates

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