



REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

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

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

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

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

COMPOSITION OF THE SUPERVISORY BOARD

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

CONSULTATION AND MONITORING

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



Marcel Stolk, Chairman of the Supervisory Board

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



MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

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

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

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

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

PLENARY MEETINGS

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

At its constituent meeting on 25 May 2021, the Supervisory Board appointed Mr. Marcel Stolk as Chairman and Mr. Jim Burns as Deputy Chairman of the Supervisory Board, each until the end of the annual general meeting which passes a resolution concerning the ratification of their acts for the financial year ending on 31 December 2025. Furthermore, the Supervisory Board appointed Mr. Rolf Unterberger and Mr. Bernd Wagner as members of the Management Board of the Company from the date when the change of the legal form into the German stock corporation becomes effective until the end of 30 June 2025. Mr. Rolf Unterberger has been appointed as CEO of the Company. The change of the legal form was registered with the commercial register of the Local Court of Munich on 2 June 2021 and thus became effective on that date.

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

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



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

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

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

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

AUDIT COMMITTEE

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

PERSONNEL AND COMPENSATION COMMITTEE

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

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

CONFLICTS OF INTEREST

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

TRAINING AND PROFESSIONAL DEVELOPMENT

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



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

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

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

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable in the European Union as well as in accordance with the supplementary German statutory provisions applicable under Section 315e (1) of the German Commercial Code (HGB). The auditor conducted the audit in accordance with Section 317 of the German Commercial Code (HGB) and the EU Regulation on Auditors, in compliance with the generally accepted German standards for the audit of financial statements issued by the Institute of Chartered Accountants (Institut der Wirtschaftsprüfer) and in supplementary consideration of the International 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 24 March 2022. In particular, the Audit Committee dealt with the key audit matters outlined in the respective auditor's report (including the audit procedure). The auditor's reports were made available to all members of the Supervisory Board and were discussed in detail in the presence of the auditor at the Supervisory Board's meeting on 30 March 2022. The auditor reported on the scope, the key aspects and the main results of its audit and in particular on the key audit matters and the audit procedure. No significant weaknesses in the internal control and risk management system were reported. The Management Board explained the financial statements of Cherry AG and the Cherry group in detail during this meeting. The Supervisory Board agrees with the results of the audit. Following the final review by the Audit Committee and the Supervisory Board's own review, no objections arise. The Management Board has prepared the annual financial statements and the consolidated financial statements on 31 March 2022. The Supervisory Board has approved the annual financial statements and the consolidated financial statements. The annual financial statements are therefore adopted.

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

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

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

SUMMARISED SEPARATE NON-FINANCIAL REPORT

The Supervisory Board also considered the summarised separate non-financial report prepared by the Management Board for Cherry AG and Cherry Group for the period from 1 January to 31 December 2021.

The separate non-financial report was carefully examined by the Supervisory Board in its meeting on 20 April 2022. 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, no reasons were identified that precluded 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 combined separate non-financial report for Cherry AG and the Cherry Group for the period from 1 January to 31 December 2021 on 20 April 2022 and had no objections to the report.

For the Supervisory Board

A handwritten signature in black ink, consisting of several overlapping, fluid strokes that form a stylized, somewhat abstract shape.

Marcel Stolk
Chairman