HALF-YEAR REPORT

H1/2022

CHERRY

KEY GROUP FIGURES (IFRS)

€ million (as reported)	April 1 to June 30, 2022	April 1 to June 30, 2021	Change	January 1 to June 30, 2022	January 1 to June 30, 2021	Change
Revenue	32.9	42.6	-22.8 %	65.9	80.3	-18.0 %
of which GAMING	12.9	23.1	-44.2 %	24.8	42.0	-40.9 %
of which PROFESSIONAL	20.0	19.5	2.6 %	41.1	38.4	7.0 %
Gross profit	11.0	17.6	-37.8 %	20.8	33.1	-37.2 %
Gross profit margin	33.4 %	41.4 %	8.0 PP.	31.6 %	41.3 %	-9.7PP.
EBITDA	4.3	8.8	-51.7 %	8.2	18.9	-56.7 %
EBITDA (adjusted)[1]	5.0	13.3	-62.1 %	9.4	24.2	-61.1 %
EBITDA margin	12.9 %	20.6 %	-7.7 PP.	12.4 %	24.5 %	-12.1 PP.
EBITDA margin (adjusted)[1]	15.3 %	31.2 %	-15.9 PP.	14.3 %	30.2 %	-15.9 PP.
EBIT	0.4	5.0	-92.0 %	0.4	11.7	-96.5 %
EBIT (adjusted)[1]	1.2	9.5	-87.6 %	1.7	17.0	-90.2 %
Group net loss	-0.4	-4.9	n.a.	-0.6	-2.5	n.a.
Earnings per share (in €)	-0.03	-0.24	n.a.	-0.03	-0.13	n.a.
Cash flows from operating activities	2.9	-3.9	n.a.	0.3	-4.2	n.a.
Cash flows from investing activities	-4.4	-5.0	n.a.	-6.3	-8.1	n.a.
Free cash flow	-1.5	-8.9	n.a.	-6.0	-12.3	n.a.

€ million (as reported)	June 30, 2022	Dec. 31, 2021[1]	Change
Total assets	407.7	411.0	-0.8 %
Cash and cash equivalents	99.7	109.7	-9.1 %
Net working capital	45.8	38.0	20.5 %
Equity	293.5	293.2	0.1 %
Equity ratio	72.0 %	71.3 %	0.7 PP.
Net debt[2]	-37.9	-37.5	n.a.
Employees	528	554	-4.7 %

1 Adjusted for one-time and/or non-operating items
2 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
of which: Number of own shares	215,318
Stock exchange and segment	Prime Standard / regulated market FWB
Designated sponsor	Hauck Aufhäuser Lampe
Xetra closing price on June 30, 2022	€8.32
Market capitalization as of June 30, 2022	€202.0 million

DEAR SHAREHOLDERS,

The first half of 2022 was marked by ongoing disruptions in international supply chains due to the global COVID-19 pandemic and the Russian invasion of Ukraine. In China, in addition to our own manufacturing facility for gaming devices in Zhuhai, various production and warehouse sites of suppliers and distributors were temporarily closed as a result of the country's zero-covid policy. In fact, a partial relaxation of the overall conditions in China did not occur until the beginning of June. The disruptions in global supply chains, the temporary closure of Chinese production and logistics sites in response to the COVID-19 pandemic, the current trend among end consumers towards smaller gaming keyboards, and the sell-off of inventories by our distributors and retailers collectively led to lower demand for keyboard switches in the GAMING business area.

However, despite these challenging market conditions, business with our globally unique CHERRY MX Ultra Low Profile mechanical switches, which can also be installed in laptops due to their particularly low overall design height, continued to perform very favorably. Made of stainless steel, the switches are tremendously robust, durable, precise, and exceptionally reliable. These features make the ULP series ideal for high-end gaming laptops and high-quality office notebooks, which are becoming increasingly popular with the growing e-sports, streaming, and creator communities. Alongside the click version, these highly accurate and responsive switches have also been available in a purely tactile version since the second quarter, whereby the mechanical feedback is also perceptible, but the audible click of the switch is absent. In Q2, other well-known manufacturers such as DELL, MSI, XMG, Corsair, and Cairn Devices all announced their intention to use CHERRY MX Ultra Low Profile switches in their high-end gaming laptops and/or desktop keyboards, expanding the existing customer base as planned. We expect to see a continued brisk market uptake with these switches in the premium segment.

The annual JD.com birthday sales event in June was again a resounding success for our Gaming Devices business in China. We were once again able to achieve outstanding results in the overall sales ranking across all keyboard brands (TMall.com No. 2 and JD.com No. 3), additionally underlining the incredible strength of our brand in China. The panel of judges at the prestigious Plus X Awards named CHERRY the "Best Brand of 2022" in Germany, and in July CHERRY also received the award for "Best Customer Satisfaction 2022". The vast majority of consumers surveyed nationwide by Plus X Awards chose CHERRY as their favorite company in terms of customer satisfaction factors such as quality, customer service, innovation, user-friendliness, convenience, availability, and speed of product delivery.

The expansion of our portfolio and sales channels enabled us to drive forward our business activities with Peripherals as planned, whereby the expansion of the e-commerce business initially played a major role on the European market. In this respect, the main focus of our development roadmap was on ergonomic design, optimized typing feedback, a reduced form factor without a number pad, high-quality materials, and specific radio frequency and Bluetooth® standards to ensure sustainable product quality for mobile users.

At the end of April, the comprehensive firmware update of our successful e-health terminal was approved by gematik and the BSI. The new Remote Management system has enabled us to further extend our technological edge in e-health terminals and in July we surpassed the milestone figure of 100,000 e-health terminals sold. Although the overall performance of the e-health market remained very sluggish in the second quarter, we believe we have already succeeded in achieving our target of 50% market share by the middle of the year. However, the nationwide launch of the e-prescription (80,000 issued in pilot regions to date) and eAU applications were again postponed. We currently expect the PIN pad to be certified by the end of 2022.

Group revenue amounted to around EUR 65.9 million for the first half of 2022 (H1/2021: EUR 80.3 million), with the PROFESSIONAL business area's share of Group revenue increasing to approximately 62.4% (H1/2021: 47.7%). The changed product mix within the Group due to lower demand for switches combined with higher material costs are the main reasons for a lower adjusted Group EBITDA of approximately EUR 9.4 million for the six-month period (H1/2021: EUR 24.2 million), resulting in an adjusted EBITDA margin of 14.3% (H1/2021: 30.2%).

Against the backdrop of the global economic slowdown forecast for the remainder of the year and rising inflation triggered by the war in Ukraine, ongoing supply chain disruptions caused by the lockdowns in China, high inventory levels at customers, and the corresponding decline in demand for certain types of mechanical keyboard switches, we now expect lower revenue levels for the full year in the GAMING business area compared with our original growth forecast in the mid-single-digit percentage range. At Group level, this has resulted in our current revenue forecast for the 2022 fiscal year of between around EUR 150 million and EUR 170 million (previously: between around EUR 170 million and EUR 190 million) and an expected adjusted EBITDA margin of 14% to 19% (previously: 23% to 26%).

To conclude, we would like to take this opportunity to extend our sincere thanks to all our employees for their exceptional commitment during this difficult period.

Munich, August 2022

Rolf Unterberger (CEO)

Bernd Wagner (CFO)

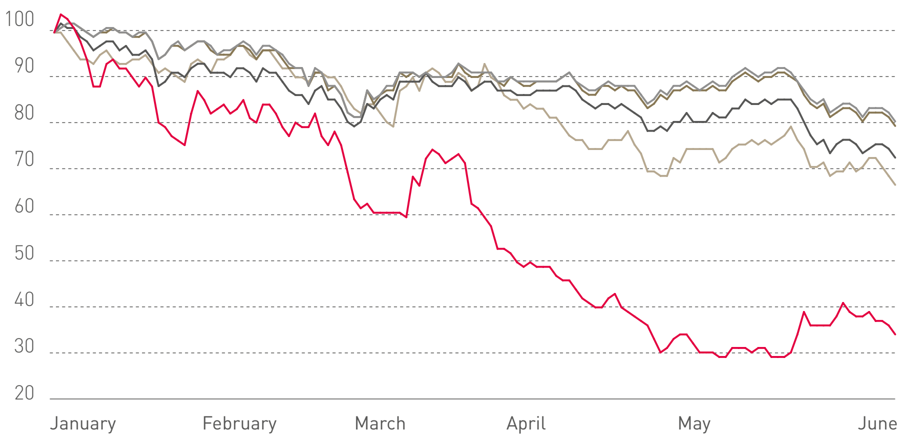
Dr. Udo Streller (COO)

CHERRY ON THE CAPITAL MARKET

Since it was founded in 1953, Cherry has been synonymous with innovative, high-quality products developed specifically to meet the various needs of its customers. Cherry AG is a globally operating manufacturer of high-end mechanical keyboard switches and computer input devices for applications in the fields of gaming, e-sports, office, industry, and healthcare. Cherry AG is listed in the Prime Standard quality segment of the Frankfurt Stock Exchange with its bearer shares (ISIN DE000A3CRRN9, WKN A3CRRN).

RELATIVE PERFORMANCE OF THE CHERRY SHARE

in %



SHAREHOLDER STRUCTURE[1]

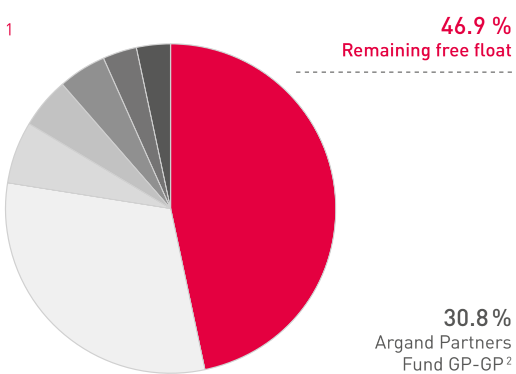
3.2 % Glenernie Capital Ltd

3.2 % UBS Group AG

5.0 % The Capital Group Companies

5.0 % Swedbank Robur Fonder

6.0 % Janus Henderson



1 Information is based on voting rights notifications pursuant to Art. 40, Para. 1 of the German Securities Trading Act (WpHG) as well as on internal notifications to Cherry from individual investors that are not subject to publication.
2 Based on internal investor reporting to Cherry, not subject to disclosure.

INVESTMENT HIGHLIGHTS

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

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

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

Scalable production base
Highly automated assembly machines and warehouse robotics

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

Solid financial profile
High profitability and attractive cash conversion

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

ANALYSTS

Institute	Analyst	Recommendation	Target price[1]	Date
ABN AMRO/ ODDO BHF	Julian Dobrovolschi Leopoldo Palazzi Trivelli	Neutral	€10.40	July 19, 2022
Hauck Aufhäuser Investment Banking	Marie-Thérèse Gruebner Tim Wunderlich	Buy	€31.00	July 18, 2022
Metzler Capital Markets	Tom Diedrich	Buy	€15.00	July 19, 2022
Montega AG – Equity Research	Miguel Lago Mascato Sebastian Weidhüner	Buy	€23.00	July 19, 2022
Warburg Research	Jörg Philipp Frey Andreas Wolf	Buy	€20.00	May 12, 2022

1 Cherry AG regularly updates the analyst overview on its website. The assessments presented merely reflect the opinions of the financial institutions, research companies, and analysts mentioned above. Cherry AG accepts no liability for the selection, accuracy, completeness, or correctness of the analysts' recommendations presented and their content. Interested parties are advised to obtain research reports directly from the respective analysts or from the relevant financial institutions or research companies. Cherry AG does not provide any research reports.

CHERRY Awards 2022

For brand, customer satisfaction, and products

In the first half of 2022, CHERRY received further awards and nominations for outstanding innovation, design, quality and sustainability. These include the IF Design Award 2022 for the MX 10.0N RGB mechanical MX Low Profile Keyboard and the Red Dot Design Award 2022 for the legendary G80-3000S TKL RGB mechanical keyboard, as well as the German Innovation Award 2022 in Gold for the patented MX Ultra Low Profile switches. In addition, CHERRY received the Plus X Awards "Best Brand of the Year 2022" in the keyboard category and "Best Customer Satisfaction 2022", based on a nationwide survey. Certifications such as the highest German sustainability certificate "Blauer Engel" for our peripherals supplement the brand image.

PLUS X AWARD
CHERRY
HÖCHSTE KUNDENZUFRIEDENHEIT 2022
PC Zubehör

PLUS X AWARD
ausgezeichnet als:
BESTE MARKE DES JAHRES 2022

GERMAN DESIGN AWARD WINNER 2022

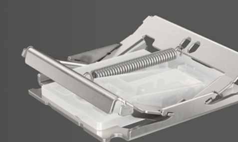
HC 2.2 corded 7.1 headset

GERMAN DESIGN AWARD SPECIAL 2022

MC 2.1 corded RGB mouse

reddot winner 2022

G80-3000S TKL mechanical Keaboard



GERMAN INNOVATION AWARD '22

Patended MX ULP switch

iF DESIGN AWARD 2022

MX 10.0N RGB mechanical MX Low Profile Keyboard

03 Group Interim Report as of June 30, 2022

1. CHERRY GROUP PROFILE

1.1. Business Model

Cherry[1] is a globally operating manufacturer of high-end switches for mechanical keyboards and computer input devices. The Cherry Group's business focus is on production and sale of mechanical switches for keyboards, gaming and office peripherals, and industry keyboards as well as a variety of other computer input devices, which are used in a wide range of applications, particularly in the fields of industry, cybersecurity, and telematics solutions for the healthcare sector. Since it was founded in 1953, Cherry has been synonymous with innovative, high-quality products developed specifically to meet the various needs of its customers.

Cherry is based in Munich, (Bavaria, Germany) and has its operational headquarters in Auerbach in the Upper Palatinate region of Bavaria. The Group employs 528 people at production facilities in Auerbach, Zhuhai (China), and Vienna (Austria) as well as various sales offices in Auerbach, Pegnitz, Munich (Bavaria, Germany), Paris (France), Kenosha (USA), Shanghai (China), Taipei (Taiwan), and Hong Kong (Hong Kong, China). 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. The GAMING business area comprises operations involving mechanical switches for gaming keyboards (Components) as well as the production and sale of gaming peripherals (Gaming Devices). The PROFESSIONAL business area comprises operations with computer peripherals for use in office, industrial, security and POS applications as well as safe, hygienic peripherals for the healthcare sector (Digital Health).

During the period under report, reporting to the Management Board was conducted on the basis of the Group's legal entities or locations (see 1.4. Management system). Due to the planned successive adjustment of internal Group reporting structures, which will be geared more closely to the profitability of the product portfolio and the sales markets, a realignment of segment reporting based on the GAMING and PROFESSIONAL business areas is planned for 2022 and due to be implemented with the Combined Management Report 2022.

1 Abbreviation for the Cherry Group comprising Cherry AG and its consolidated subsidiaries.

1.2. Group structure

The Cherry Group is headed by the parent company Cherry AG, which had three wholly owned direct subsidiaries as of the balance sheet date June 30, 2022: Cherry Europe GmbH (Auerbach, Germany), Cherry Digital Health GmbH (Munich, Germany), and the newly founded Cherry E-Commerce GmbH (Munich, Germany), which was entered in the commercial register on June 9, 2022.

Cherry Europe GmbH also has further wholly owned subsidiaries located in Zhuhai (China), Hong Kong (China), Taipei (Taiwan), Kenosha (Wisconsin, USA), and Paris (France).

Cherry Digital Health GmbH is the organizational entity via which Cherry holds the wholly owned subsidiaries Active Key GmbH (Munich, Germany) and Theobroma Systems Design und Consulting GmbH (Vienna, Austria).

The object of the newly founded company Cherry E-Commerce GmbH is the international sale of computer input devices, mechanical switches, and other IT-supporting products and peripherals, including all related services via online trading platforms and its own web shop. Cherry E-Commerce GmbH will successively commence operations during the second half of the current year.

1.3. Strategy and target system

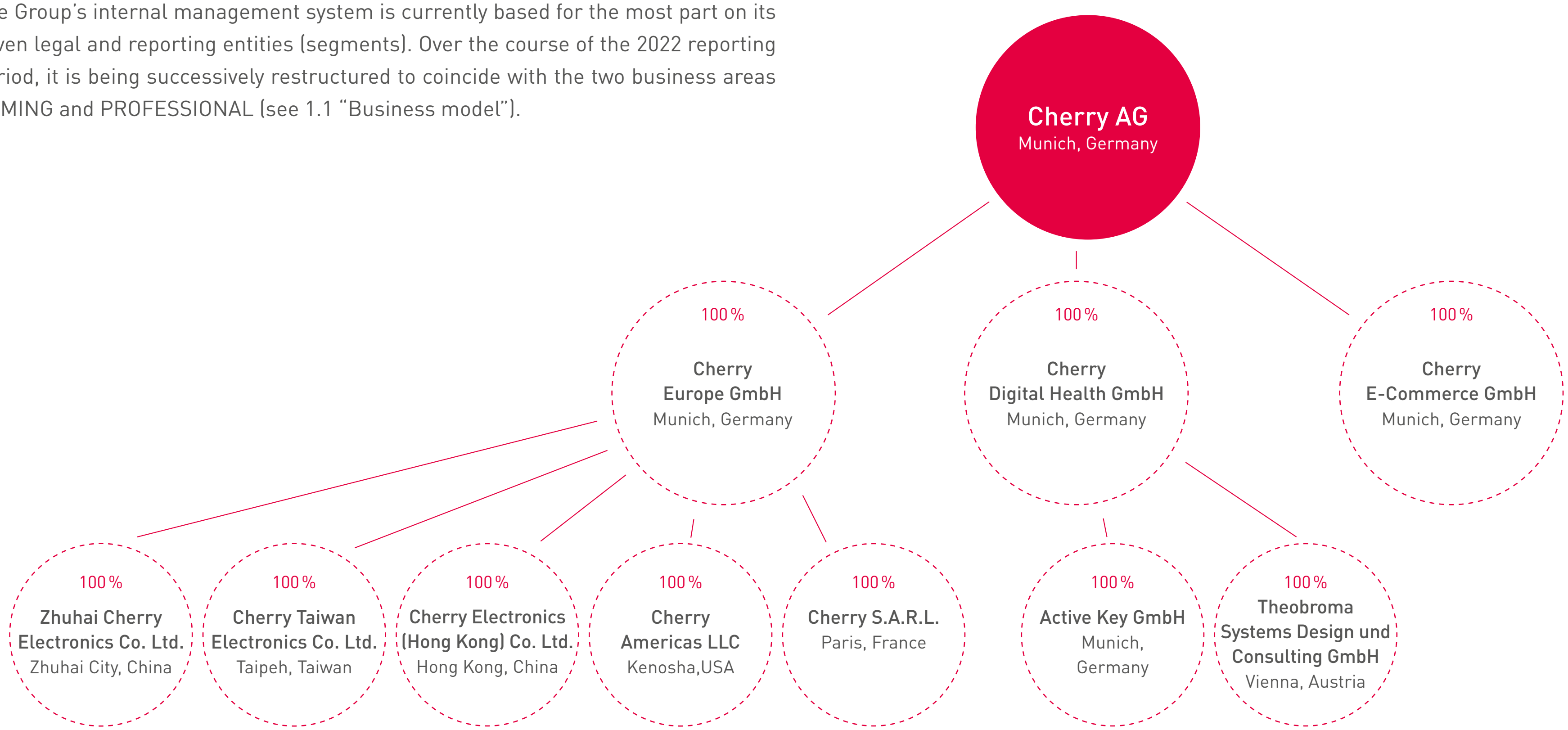
Cherry's strategy focuses on innovation and quality leadership with the aim of further increasing its competitive edge, based on the specific performance advantages of its range of products and services. Cherry leverages its long-standing core competencies to keep driving business growth through continuous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

1.4. Management system

The Group's internal management system is currently based for the most part on its seven legal and reporting entities (segments). Over the course of the 2022 reporting period, it is being successively restructured to coincide with the two business areas GAMING and PROFESSIONAL (see 1.1 "Business model").

Management is based on a comprehensive reporting system and regular meetings of the Management Board and other key personnel, 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. Monthly management reviews involving the various business units and subsidiaries serve to analyze and manage all the relevant performance and risk factors.

The Management Board uses the financial performance indicators of Group revenue and adjusted EBITDA margin to manage the Group. In addition to the segments, these performance indicators were also presented for the GAMING and PROFESSIONAL business areas in the net assets, financial position and results of operations in the period under report.



Use of Alternative Performance Measures (ESMA)

EBITDA (adjusted)

Adjusted EBITDA represents the Group's earnings before interest, taxes, the depreciation of property, plant and equipment, the amortization of intangible assets, and amortization of rights of use in accordance with IFRS 16 adjusted for non-recurring items[2]. The purpose of this key performance indicator is to measure the undiluted operating profitability of the Group's business performance.

Non-recurring items result in adjustments that can be either added or subtracted. Cherry breaks down the 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 expenses

The adjusted items are explained in more detail in the notes to the consolidated financial statements.

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.

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

- In the Components business unit, the tactile version of the CHERRY MX Ultra Low Profile switch, which won the German Innovation Award Gold 2022, was brought to market in the second quarter. In addition to the perceptible mechanical feedback, this version is especially characterized by the absence of the loud audible click otherwise typical for Cherry switches. This means that CHERRY MX Ultra Low Profile technology is now also available for the high-end office notebook market segment. Work also continued on the development of an innovative analog switch technology, the market launch of which is scheduled for the second half of the current year. This represents a systematic evolution of our successful MX switch in terms of the materials used, the overall quality, and the gaming experience. These switches will offer additional specific performance benefits for professional users in the areas of gaming and e-sports going forward.

- In the Gaming Devices business unit, development activities focused on expanding the product portfolio with Cherry's new Advanced Wireless technology. Competitive gamers can now benefit from this fast, specially designed Bluetooth® low-latency technology (LLM) not only with the MX3.0S and the premium MX8.2S keyboard, but also with the MX2.0S keyboard. The MX2.0S, which won the German Design Award, has also been enhanced with a special edition variant to meet the exacting standards required in cyberbars and Internet cafes. Moreover, the MX3.0S keyboard product line has been expanded to include a further model without a right-hand keypad. The two other developments, the MX LP2.1 and the MX LP6.1, also follow the current market trend. As so-called 60% keyboards, they are equipped with Cherry's flatter low-profile MX switches and also with Cherry's innovative Advanced Wireless technology. In the field of gaming mice, the newly developed MC1.1 mouse is intended to occupy the upper entry-level market segment in a range of versions going forward.

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

- In the Peripherals business unit, development activities also concentrated on expanding and optimizing the portfolio to meet the needs of increasingly hybrid workstation environments. The focus of Cherry's development roadmap was on ergonomic design, optimized typing feedback, a reduced form factor without a number pad, high-quality materials, and specific radio frequency and Bluetooth® standards to ensure sustainable product quality for mobile users. The focus was on developing additional wireless products using our innovative Advanced Wireless technology as well as specific mechanical keyboards using CHERRY MX Ultra Low

2 Depreciation and amortization also take into account impairments, which are explained in the notes to the consolidated financial statements where necessary.

Profile switches for the office market. Moreover, the portfolio has been specifically expanded to include ergonomic accessories such as the Slidepad Ergo gliding armrest. Further products designed to optimize the user experience are currently under development for the target group of knowledge workers, streamers, and creators.

- Development in the Digital Health business unit focused primarily on the ST-1506 e-health standalone terminal as a platform and the PP-1516 e-health PIN pad. After the first version of the e-health terminal had already been developed for the market in the first quarter 2021, the enhanced version of the terminal was presented at the DMEA trade show in Berlin at the end of April 2022. The current variant of the e-health terminal now includes a comprehensive Remote Management capability. The CHERRY e-health PIN pad PP-1516 and the necessary extensions to the e-health terminal ST-1506 are still undergoing development as planned until the third quarter 2022 and will be approved by Gematik by the end of the year 2022. Cherry will thus present healthcare providers with a modern and easily disinfectable solution for digitalized workstations in the healthcare sector going forward. Telematics infrastructure applications such as the electronic medication plan (eMP), the emergency data management (NFDM), or the electronic patient record (ePA) require patients to enter their PIN to uniquely identify and release their personal data. With this solution, the clear separation of patients and medical staff should enable an efficient and hygienic workflow.

As of June 30, 2022, a total of 61 employees were engaged in research and development work (December 31, 2021: 55 employees).

In the first half of the current year, research and development expenses amounted to EUR 4.1 million (H1/2021: EUR 2.8 million). Of this amount, EUR 1.5 million (H1/2021: EUR 1.2 million) were attributable to the GAMING business area and EUR 2.6 million (H1/2021: EUR 1.6 million) to the PROFESSIONAL business area, corresponding to an R&D ratio of approximately 6.0% in the GAMING business area (H1/2021: 2.8%) and 6.3% in the PROFESSIONAL business area (H1/2021: 4.2%), in both cases measured as a percentage of revenue.[3]

Additionally, in-house development costs amounting to EUR 1.5 million were capitalized as intangible assets in the first half of 2022 (H1/2021: EUR 1.2 million). Including capitalized development costs, the proportion of total expenditure for research and development was therefore 26.7% (H1/2021: 29.2%).

Additionally, in-house development costs amounting to EUR 1.5 million were capitalized as intangible assets in the first half of 2022 (H1/2021: EUR 1.4 million). The proportion of capitalized development expenses in total research and development expenditure thus amounted to 26.7% (H1/2021: 33.2%).

2. BUSINESS REPORT

2.1. Macroeconomic environment

The global economic outlook has deteriorated significantly since the first quarter. Alongside the impact of further COVID-19 variants and the resulting widespread lockdowns in China, including in key production centers, Russia's invasion of Ukraine in particular has led to increased bottlenecks in global supply chains and consequently to a general slowdown in global economic activity.

The increasing cost pressure caused by very high inflation rates[4], driven among other things by increases in material and energy costs, as well as the rise in logistics costs, has also led to a tightening of monetary policy in many countries, resulting in a drastic increase in financing costs. In light of the added uncertainty in the macroeconomic environment and fears of a global recession, the overall risks to the economic outlook have risen quite sharply.

According to the Federal Statistical Office DESTATIS (source: press release no. 215 dated May 25, 2022), Germany's gross domestic product (GDP) grew by 0.2% in the first quarter 2022 compared to the fourth quarter 2021 – adjusted for price, seasonal, and calendar effects. Economic output, however, was 0.9% lower than in the final three-month period of 2019, i.e. the quarter prior to the beginning of the COVID-19 crisis. According to the press release, the war in Ukraine and the ongoing COVID-19 pandemic have further exacerbated the already existing market turbulence, partly due to disrupted supply chains and rising prices. In this context, private and government consumption spending in Q1 2022 was at a similar level to the previous quarter, while trade with foreign countries declined overall.

3 In each case, after capitalization of internally generated intangible assets as part of product development.

4 Inflation rates for June 2022, each compared with the same month one year earlier: DE +7.6%, USA +9.1%, China +2.5% (source: Statista)

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

In the GAMING business area, the general conditions for the Components business in particular have deteriorated considerably. High inventory levels at key customers, increasing competitive pressure from the Asian region, and the market trend towards smaller keyboards without a separate number pad have all had a negative impact on demand for keyboard switches. For example, according to one study, the market in the USA has contracted by around 15% year on year. The launch of the new ULP switch, on the other hand, sent out a positive signal and demand outstripped available production capacities. Market conditions for Gaming Devices (keyboards and mice) have also worsened slightly, mainly due to high inflation rates in major sales markets.

However, general conditions in the PROFESSIONAL business area are far more positive. Although demand for Office Peripherals was slightly down year on year in the first half of 2022, there is generally a high potential market volume on account of the continuing trend towards remote working and the expansion of e-commerce activities, despite the currently difficult macroeconomic overall conditions. The Group was able to continue its growth course in the Digital Health business unit. Demand in the health field is currently very high, not least driven by the global pandemic and the unbroken trend towards digitalization in the healthcare sector. Furthermore, the Cherry Group is in a very strong competitive position technologically, especially with the new e-health terminal, which has been very well received by the market.

2.2. Business performance and key influencing factors

The first half of 2022 was marked by ongoing disruptions in international supply chains due to the global COVID-19 pandemic and the Russian invasion of Ukraine. In China, a number of our own production and warehouse sites as well as those of suppliers and distributors were temporarily closed as a result of the country's zero-covid policy, also causing local production and sales activities to be suspended for the time being. A slight easing of the general conditions within the country did not materialize until the beginning of June 2022 and must be regarded as temporary in view of the current overall situation.

As a result of the crisis, direct costs in particular have risen sharply and especially the European Economic Area and the USA are exposed to high rates of inflation. Among other factors, the situation is reflected in the gross margin, which decreased by 9.7 percentage points from 41.3% to 31.6% of revenue compared to one year earlier.

In response to the drop in demand, production in Auerbach has partially been operating on short-time working hours since the beginning of April 2022. The lower level of employment resulted in net savings of around EUR 0.5 million in personnel costs in the three-month period from April to June 2022.

These influencing factors led to a significant downturn in revenue of 18.0% to EUR 65.9 million in the first six months of the current year (H1/2021: EUR 80.3 million) and a decline in adjusted EBITDA to EUR 9.4 million (H1/2021: EUR 24.3 million).

Unless otherwise stated, the amounts and percentages given below relate to the six-month period ended June 30, 2022. Comparative figures relate to the first six months of 2021 (comparative period) or the balance sheet date December 31, 2021.

Segment performance

The key performance figures for EBIT and EBITDA presented at segment level have not been adjusted.

The Cherry Europe GmbH segment is the largest of the Cherry Group, with external revenue amounting to EUR 26.5 million, equivalent to a revenue share of 40.3% in the first half of 2022. Cherry Europe GmbH mainly handles business in the EMEA economic region as well as direct deliveries to selected customers in Asia. External revenue decreased significantly by EUR 16.0 million compared to the previous year. The decline is primarily due to a transfer of revenue from the e-health business to the Cherry Digital Health GmbH segment (external prior-year revenue in the comparable period: EUR 8.9 million) and lower demand in the Components business. The gross margin of 18.8% is significantly down from the 31.2% recorded one year earlier. The main reasons are changes in the product mix, rising 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 higher logistics costs. At EUR 29.3 million, order intake for the Cherry Europe GmbH segment was EUR 23.1 million or 44.1% down on the previous year's level of EUR 52.4 million. At EUR 7.6 million as of June 30, 2022, the order book was 69.6% below the previous year's figure of EUR 25.1 million. A total of EUR 3.1 million was invested in development projects and the expansion of production capacities. EBITDA amounted to EUR 0.2 million, deteriorating by EUR 14.3 million year on year (H1/ 2021: EUR 14.5 million). The EBITDA margin came in at 0.6% compared to 23.0% in the previous year.

The Cherry Digital Health GmbH segment generated external revenue of EUR 10.8 million during the first six months of 2022. The segment did not generate any external revenue in the prior-year period, as the e-health terminals were still sold by Cherry Europe GmbH at that time. It is only since January 1, 2022 that sales have been handled by Cherry Digital Health GmbH itself. External revenue from the sale of e-health terminals generated by Cherry Europe GmbH in the prior-year period amounted to EUR 8.9 million. The business therefore grew by EUR 1.9 million or 21.3% year on year. The growth is mainly attributable to a now steady business with e-health terminals, following the sales launch during the first quarter of the previous year.

External revenue generated in the Cherry Electronics (Hong Kong) Co. Ltd. segment in the first half of 2022 totaled EUR 9.7 million, i.e. EUR 11.2 million or 53.6% down on the same period one year earlier. The decline was due to lower demand in the Components business unit. The reasons for this are a highly competitive market environment and the changed market trend towards smaller keyboards that require fewer switches. At EUR 9.1 million, order intake was EUR 11.4 million or 55.6% below the previous year's figure of EUR 20.5 million. At EUR 0.5 million, the order book as of June 30, 2022 also was below the prior year level of EUR 0.7 million. EBITDA for the six-month period amounted to EUR 1.3 million, down by EUR 2.1 million to the prior year level of EUR 3.4 million. The EBITDA margin came in at 13.6% compared to 16.1% one year earlier.

External revenue achieved in the Zhuhai Cherry Electronics Co. Ltd. segment in the first half of 2022 amounted to EUR 11.5 million, up by EUR 0.3 million or 2.5% on the previous year's figure of EUR 11.2 million. The increase was mainly driven by currency effects from the translation of CNY into EUR, the reporting currency of the Cherry Group. Excluding currency factors, revenue decreased by EUR 0.8 million or 7.1% compared to the same period one year earlier, mainly due to temporary production closures caused by COVID-19-related lockdowns, but also partly because of declining demand for gaming devices on the Chinese market. At EUR 7.5 million, order intake was EUR 5.2 million or 40.9% down on the previous year's figure of EUR 12.7 million. At EUR 3.6 million, the order book as of June 30, 2022 stood at EUR 6.3 million or 63.9% below the figure recorded one year earlier. Following the extremely high popularity of Gaming products over the past two years of the pandemic, demand is easing somewhat and has not yet been fully compensated for by growth in the Office Peripherals business unit. EBITDA increased to 3.8 EUR million (H1/2021: EUR 3.4 million). The EBITDA margin came in at 23.9% and was therefore 0.5 percentage points higher year on year (H1/2021: 23.4%).

External revenue generated in the Cherry Americas LLC segment in the first half of 2022 amounted to EUR 4.5 million, up by EUR 0.2 million or 5.9% on the previous year's figure of EUR 4.3 million. Due in particular to the challenges associated with the global COVID-19 pandemic and the recruiting of new talent, the AMER market has not been able to record any major growth to date – despite its high potential. At EUR 6.2 million, order intake was up by EUR 0.3 million or 4.4% on the previous year's level of EUR 6.5 million. At EUR 3.1 million as of June 30, 2022, the order book increased by EUR 0.9 million or 36.9% compared with the figure of EUR 2.2 million reported one year earlier. The order book growth resulted from the increasing demand for Office Peripherals in the region. EBITDA was a negative amount of EUR 0.1 million, a deterioration of EUR 0.8 million compared to the previous year. The EBITDA margin came in at negative 2.4% compared with positive 14.7% in the previous year.

The other segments recorded external revenue of EUR 2.8 million in the first half of 2022, EUR 1.4 million higher than in the previous year. These segments contributed EUR 1.7 million to EBITDA, EUR 7.7 million more than in the same period one year earlier.

Analysis of performance by business area

Disruptions in global supply chains, the temporary closure of Chinese production and logistics sites in response to the COVID-19 pandemic, and the current trend among end consumers towards smaller gaming keyboards led to lower demand for keyboard switches and gaming devices and consequently to a decrease in revenue of 40.9% to EUR 24.8 million (H1/2021: EUR 42.0 million) in the GAMING business area in the first half of 2022. At EUR 2.1 million, adjusted EBITDA was significantly below the previous year's level of EUR 15.2 million. The adjusted EBITDA margin came in at 8.5 (H1/2021: 36.3%).

Revenue in the PROFESSIONAL business area increased by 7.0% year on year to EUR 41.1 million in the first half of 2022 (H1/2021: EUR 38.4 million). The expansion of activities in the e-commerce sector stabilized revenue in the Peripherals business unit, despite the tough market conditions and, at EUR 27.3 million, was only slightly down on the previous year (H1/2021: EUR 28.1 million). Revenue in the Digital Health business unit grew significantly by 33.9% to EUR 13.7 million, driven firstly by rising demand for hygiene input devices and secondly by Cherry's strong competitive position and the high demand for e-health terminals. At EUR 7.3 million, adjusted EBITDA for the PROFESSIONAL business area was below the level recorded one year earlier (H1/2021: EUR 9.0 million). The adjusted EBITDA margin came in at 17.8% compared to 23.5% in the previous year.

The PROFESSIONAL business area's share of total revenue increased to 62.3% (H1/2021: 47.7%), while the GAMING business area's share decreased to 37.7% (H1/2021: 52.3%).

	GAMING			PROFESSIONAL			Group		
€ million (as reported)	**Jan. 1 – June 30, 2022**	Jan. 1 – June 30, 2021	Change	**Jan. 1 – June 30, 2022**	Jan. 1 – June 30, 2021	Change	**Jan. 1 – June 30, 2022**	Jan. 1 – June 30, 2021	Change
Revenue (with third parties)	24.8	42.0	-40.9%	41.1	38.4	7.0%	65.9	80.3	-18.0%
Gross profit	3.8	16.5	-77.2%	17.1	16.7	2.4%	20.8	33.2	-37.2%
Gross margin	15.1%	39.3%	-24.2 pp	41.6%	43.5%	-1.9 pp	31.6%	41.3%	-9.7 pp
EBITDA (adjusted)	2.1	15.2	-86.1%	7.3	9.0	-18.8%	9.4	24.3	-61.1%
EBITDA margin (adjusted)	8.5%	36.3%	-27.8 pp	17.8%	23.5%	-5.7 pp	14.3%	30.2%	-15.9 pp
EBIT (adjusted)	-3.4	9.8	-134.3%	5.0	7.3	-30.8%	1.7	17.0	-90.2%
EBIT margin (adjusted)	-13.5%	23.3%	-36.8 pp	12.2%	18.9%	-6.7 pp	2.5%	21.2%	-18.7 pp

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

Results of operations of the Cherry Group

The highly competitive environment and the challenging conditions caused by a combination of the global COVID-19 pandemic and the war in Ukraine have had a significant impact on both Group revenue and the EBITDA margin.

In a highly competitive market, Cherry generated revenue of EUR 65.9 million (H1/2021: EUR 80.3 million) in the first six months of 2022, a decrease of 18.0% and therefore well below the previous year's level. Of this amount, 62.3% was attributable to the PROFESSIONAL business area and 37.7% to the GAMING business area. While the Components business unit had a considerably smaller share of the portfolio with 19.7% (H1/2021: 36.6%), that of the Peripherals business unit accounted for a far larger 41.5% (H1/2021: 35.0%), despite the slight 2.8% revenue decrease in absolute terms to EUR 27.3 million (H1/2021: EUR 28.1 million). In geographical terms related to customer locations, the EMEA economic region accounted for 52.6%, APAC for 40.8%, and AMER for 6.6%.

Gross profit of EUR 20.8 million in H1 2022 was down by EUR 12.4 million year on year (H1/2021: EUR 33.2 million) and the gross margin of 31.6% was also 9.7 percentage points lower than one year earlier (H1/2021: 41.3%). The main drivers were negative product mix effects, primarily due to the sharp decline in the profitable Components business as well as higher material and logistics costs.

Research and development costs rose by 45.5% to EUR 4.1 million year on year (H1/2021: EUR 2.8 million). The increased level of spending emphasizes Cherry's high innovation and technology standards. The capitalization ratio of 26.7% was 2.5 percentage points lower than in the previous year (29.2%). Sales and marketing costs went up by EUR 1.2 million to EUR 8.6 million year on year, mainly due to personnel recruitment and the start-up costs incurred in connection with the e-commerce expansion strategy. Administrative expenses decreased by EUR 4.2 million to EUR 7.2 million year on year, mainly due to the introduction of the share-based remuneration program in the previous year (non-recurring effect: EUR 3.8 million). Adjusted for this non-recurring effect, administrative expenses decreased by EUR 0.4 million compared with the previous year.

Both EBITDA and EBIT are presented with and without adjustments. The adjustments eliminate exceptional and one-time effects that do not reflect on the Group's operating earnings performance. The objective is to show operating profitability on an undiluted basis.

In the first half of 2022, a total of EUR 1.3 million of non-operating items were adjusted. This included approximately EUR 0.7 million incurred for legal and consulting fees in connection with ongoing M&A projects and the planned change in the corporate form of the Group's parent company. A further EUR 0.5 million related to expenses incurred in connection with implementing the e-commerce strategy. Necessary adjustments to EBITDA amounted to EUR 1.3 million, which means the value of the necessary adjustments in EBIT is therefore identical.

In the first six months of 2021, net expenses totaling EUR 5.3 million were adjusted, mainly comprising costs in connection with the share-based remuneration program (EUR 3.8 million), consulting costs relating to the IPO (EUR 0.9 million) and transaction and consulting costs incurred in connection with the purchase of Active Key GmbH (EUR 0.8 million).

In the first half of 2022, adjusted EBITDA amounted to EUR 9.4 million, down by EUR 14.8 million on the prior-year figure (H1/2021: EUR 24.3 million). At 14.3%, the adjusted EBITDA margin was 15.9 percentage points lower than in the previous year (H1/2021: 30.2%). Adjusted EBIT for the six-month period amounted to EUR 1.7 million, down by EUR 15.4 million year on year (H1/2021: EUR 17.0 million). At 2.5%, the adjusted EBIT margin was 18.7 percentage points lower than in the previous year (H1/2021: 21.2%).

Reconciliation to alternative performance measures (ESMA)

The following table shows the reconciliation of EBIT, EBITDA, adjusted EBIT, and adjusted EBITDA to the Cherry Group's net profit for the first six months of 2022:

€ thousand	Jan. 1 – June 30, 2022	Jan. 1 – June 30, 2021
Group net loss	-615	-2,539
- Income taxes	114	824
- Financial result	911	13,401
EBIT	409	11,686
+/- Personnel expenses (including share-based personnel expenses) / (income)	-	3,659
+ Expenses related to capital market transactions	-	988
+ Expenses related to M&A transactions	386	777
+ Expenses related to natural disasters and pandemics	-	12
+ Other non-recurring expenses	873	-87
Adjusted EBIT	1,668	17,035
+ Depreciation, amortization and impairment losses[1]	7,773	7,217
Adjusted EBITDA	9,441	24,252
EBIT	409	11,686
+ Depreciation, amortization and impairment losses[1]	7,773	7,217
EBITDA	8,182	18,903

1 including depreciation and amortization of acquired order book

Financial position of the Cherry Group

Net working capital, i.e. current assets (excluding cash and cash equivalents) less current liabilities (excluding financial liabilities), climbed by 20.5% over the six-month period under report from EUR 38.0 million to EUR 45.8 million, mainly due to a EUR 8.1 million build-up of inventories. The increase in inventories on this scale primarily reflects the slowdown in global economic activity and logistical processes, and secondly the strategic decision taken to stockpile certain items in order to establish and expand the e-commerce business. Working capital therefore amounted to 69.5% of revenue.

Cash flows from operating activities for the six-month period totaled EUR 0.3 million. The low cash flow is mainly due to the build-up of inventories in conjunction with a decline in revenue in the Components business unit.

Cash outflows for investing activities amounted to EUR 6.3 million in the first six months of 2022. During this period, mainly machinery and tools, some of which are still under construction, amounting to EUR 2.9 million, and intangible assets amounting to EUR 1.8 million were recognized as additions to assets in the balance sheet. Total capital expenditure was below depreciation and amortization, which amounted to EUR 7.8 million.

As of June 30, 2022, cash at bank amounted to EUR 99.7 million, EUR 10.0 million less than at the end of the previous fiscal year (December 31, 2021: EUR 109.7 million). The lower bank balance was also primarily due to the build-up of inventories as well as investments.

As of June 30, 2022, only EUR 0.3 million of the credit lines made available to Cherry by Unicredit Bank AG to cover operating liquidity requirements totaling EUR 10 million had been drawn down for a rent guarantee.

Cash outflows from financing activities totaled a negative amount of EUR 4.4 million and arose on the one hand in connection with the reduction in equity as part of the share buyback program (EUR 1.9 million) and repayments of long-term loans and other liabilities, mostly lease contracts, amounting to EUR 2.5 million on the other.

Equity reported in the consolidated statement of financial position as of June 30, 2022 amounted to EUR 293.5 million, up by only EUR 0.3 million compared with December 31, 2021 (EUR 293.2 million). The Group loss for the first half of 2022 amounting to EUR 0.6 million and the EUR 1.9 million reduction in share capital and capital reserves in conjunction with the share buyback program was overcompensated by positive currency effects, which are recognized directly in equity (EUR 2.9 million).

The equity ratio as of June 30, 2022 was 72.0%, 0.7 percentage points higher than the ratio as of December 31, 2021 (71.3%).

Principles and objectives of financial management

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

On June 9, 2022, the Management Board resolved, with the approval of the Supervisory Board, to launch a share buyback program using the authorization granted by the Annual General Meeting on June 23, 2021 ("Share Buyback Program 2022"). Under the 2022 share buyback program, a total of up to 2,000,000 own shares (corresponding to up to approximately 8.2% of Cherry AG's current 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 subject to a price cap of EUR 14.00 per share. As of June 30, 2022, a total of 215,318 shares with a volume of approximately EUR 1,948k had been acquired under the 2022 share buyback program, corresponding to approximately 0.9% of current share capital. Treasury shares acquired via this method may be used for all purposes approved by the Annual General Meeting held on June 23, 2021, in particular as an acquisition currency for the purchase of companies or to service employee stock option programs.

The Management Board plans to invest 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

The Cherry Group's total assets as of June 30, 2022 amounted to EUR 407.7 million and decreased slightly by EUR 3.2 million during the first half of 2022 compared with December 31, 2021 (EUR 411.0 million).

Current assets totaled EUR 175.4 million, EUR 1.2 below the figure of EUR 176.6 million recorded on December 31, 2021. The change reflects the decrease in cash and cash equivalents, which were mainly used to build up inventories as part of the e-commerce strategy. At EUR 52.3 million, inventories were EUR 8.1 million higher than the figure recorded as of December 31, 2021 (EUR 44.2 million).

At EUR 232.3 million, non-current assets were also slightly below the figure recorded as of December 31, 2021 (EUR 234.4 million). The EUR 2.1 million decrease mainly related to property, plant and equipment as well as right-of-use assets. As of June 30, 2022, property, plant and equipment and right-of-use assets amounted to EUR 24.7 million and EUR 16.1 million respectively. As of December 31, 2021, these figures amounted to EUR 24.9 million and EUR 18.0 million respectively. Intangible assets increased slightly by EUR 0.8 million to EUR 190.9 million during the first half of 2022, due to the high level of investment in research and development projects.

The slight decrease in fixed assets was mainly due to the fact that depreciation and amortization exceeded new investments. Investments in fixed assets during the first half of 2022 totaled EUR 4.9 million, of which approximately EUR 2.9 million related to property, plant and equipment (mainly machinery for the expansion and modernization of production facilities) and EUR 1.8 million to intangible assets, primarily in the context of research and development projects. Depreciation and amortization recorded on fixed assets in the first six months of 2022 amounted to EUR 7.8 million.

Non-current liabilities as of June 30, 2022 were slightly lower at EUR 80.4 million and therefore EUR 4.3 million below the figure recorded as of December 31, 2021 (EUR 84.7 million). The lower figure was mainly due to the pro rata repayment of lease liabilities in accordance with IFRS 16 (EUR 1.9 million) and of bank loans.

At EUR 33.9 million, current liabilities rose slightly by EUR 0.7 million compared to December 31, 2021, mainly due to an increase in trade payables (EUR 0.5 million).

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

The financial result recorded in the first six months of 2022 is not a satisfactory one for Cherry. Due to the general macroeconomic conditions, revenue and adjusted EBITDA fell short of the ambitious targets the Group had set itself. An improvement in the economic and political environment is not currently foreseeable for the second half of the year.

In order to improve the earnings situation, the management team is taking concrete measures on both the revenue performance and cost sides.

Revenue is expected to increase in the second half of the year through the generation of new leads and the further ramping up of e-commerce activities. Moreover, initial efforts are being made to significantly boost production capacity for the new ULP switch in 2023. The new switch has been very well received by the market and is generating demand that greatly exceeds currently available production capacities.

In order to reduce personnel costs, an application was submitted for an extension of short-time working arrangements at our production site in Auerbach, which has been approved initially through August 31, 2022. In addition, a temporary, selective recruitment freeze has been imposed, which means that, for a limited period of time, only key functions are to be filled that either have a direct impact on revenue or are necessary to implement strategic projects or meet legal requirements.

Furthermore, the operational functions of purchasing, logistics, and production are currently being reviewed in terms of efficiency and cost structure and optimized as deemed necessary. This means, for example, that transport distances are being shortened wherever possible, materials are increasingly being sourced where they are processed, and their procurement is being shifted in part to the more favorable Asian economic area, as long as our high quality standards continue to be met. Additionally, in the course of expanding production capacities for the ULP switch, investments will be made in new machines that will generate a significantly higher output and thus have a highly positive impact on unit costs.

Cherry holds a substantial amount of cash, which is available to drive the Group's growth strategy. The funds will be used firstly to develop and enhance new product technologies, and secondly to invest in inorganic growth by means of corporate acquisitions.

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 June 30, 2022, the Cherry Group employed a total of 528 people (December 31, 2021: 554 people). Of these, 415 people were employed in the Europe region (December 31, 2021: 443 people), 17 people were employed in the North America region (December 31, 2021: 19 people), and 96 people were employed in the Asia region (December 31, 2021: 92 people). During the first six months of 2022, 32 new people were recruited across the Group (H1/2021: 41 people) and no people were added through corporate acquisitions (H1/2021: 23 people). Over the six-month reporting period, the Cherry Group employed an average of 536 people (H1/2021: 511 people). The decrease in the number of employees compared with December 31, 2021 is mainly related to the expiry of fixed-term contracts for production staff.

Number of employees by function	June 30, 2022	Dec. 31, 2021
Production	207	244
Quality management	50	52
Materials management	68	68
Product management and development	61	55
Sales and marketing	82	76
Administration	60	59
Total	**528**	**554**

As of June 30, 2022, the proportion of female employees in the Cherry Group was 38.9% (December 31, 2021: 41.5%). The average age of employees in the Group in the first half of 2022 was around 41 years (H1/2021: 42 years). The fluctuation rate in the first half of 2022 stood at 4.9% (H1/2021: 6.1%).

Personnel expense amounted to EUR 17.2 million during the period under report (H1/2021: EUR 20.4 million).

In the course of providing training and qualification opportunities, Cherry regularly conducts technical training courses, product training, compliance training, and advanced courses on legal and regulatory topics. Needs-based training plays a decisive role in ensuring that qualified staff are capable of meeting the market requirements of the future. As of June 30, 2022, a total of 11 young people (June 30, 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.

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

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

3. REPORT ON OPPORTUNITIES AND RISKS

3.1. Opportunities report

Opportunities

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

In the GAMING business area, there is an opportunity for the company to broaden the potential market for its own switches. For example, markets that have so far been dominated by alternative technologies such as rubber dome or membrane technology can be opened up - e.g. in the area of gaming laptops or premium office laptops. The installation of mechanical switches in laptops is made possible by Cherry's new ultra-low profile switches, whose production capacities are to be significantly expanded in the future.

Further dynamic growth opportunities for the company exist in the gaming devices business and go hand in hand with the positive forecast development of Far Eastern markets for gaming peripherals. Cherry's own manufactured gaming peripherals are primarily sold in the fast-growing markets of Asia, with the focus so far on China and South Korea.

In the Peripherals business unit, which is part of the PROFESSIONAL business area, the company primarily targets customers in Cherry's home market in Germany and is also represented in the USA in addition to established market positions in France and the UK, all of which will be greatly expanded over the next few years. Moreover, in 2022, Cherry has already begun to sell its Office Peripherals on the Asian market as well. Currently, the peripherals are being sold primarily via distributors to B2B end customers as well as online, including to several large blue chip companies. Through the expansion of direct sales and the newly developed E-Commerce business, Cherry has increasingly been able to gain new customer segments for itself. These include, for example, the "creator segment", which includes frequent writers such as journalists, programmers, and other professionals.

According to market expectations, even after the end of the COVID-19 pandemic, home office, mobile working, and distance learning are likely to remain just as important and the trend is set to move toward more hybrid forms of working and learning. A study conducted by the Boston Consulting Group at the end of 2020 already revealed that 89% of respondents expect to work at least partly from another location rather than the office going forward. If the trend towards hybrid working continues to gather pace, it will become necessary to equip and regularly renew two workplaces for a great many employees, creating opportunities for Cherry's Peripherals business unit.

Great importance is attached to the security of data and information, especially in certain industries such as the healthcare sector. In the German healthcare industry, Cherry is one of only two providers of peripheral devices with certified products that will be considered for the establishment of a secure telematics infrastructure in this country in the coming years. The company rates the resulting business opportunities as significant. As other countries flesh out their healthcare telematics systems and requirements, Cherry will be able to offer its products in additional geographic markets based on the anticipated experience in Germany.

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 the coming years. Cherry rates the resulting business opportunities as significant, based on its current market position and high market entry barriers. As soon as other countries specify details of their health telematics systems and their requirements, Cherry will be able to offer and position its products in other geographical markets.

In order to implement further growth options in addition to organic growth, Cherry continuously examines potential acquisition targets. The focus is on companies that will enable Cherry to expand its own innovation pipeline. This was the case, for example, with the acquisition of Active Key GmbH in May 2021, a company that produces hygienic, washable keyboards and mice. Going forward, further growth options can be leveraged by further developing existing business areas through acquisitions and driving expansion into additional geographic markets.

Overall assessment of the opportunity situation

The first half of 2022 continued to be impacted by the COVID-19 pandemic and the newly emerged Ukraine crisis.

Despite the impact on the global economy resulting from the pandemic and the crisis, Cherry still considers itself well positioned to remain on a profitable path of growth. Any opportunities that arise are continuously analyzed in order to exploit them as part of Cherry's consistent strategy implementation.

This essentially includes the development of new products to market maturity and their marketing.

The growing market in the gaming sector in particular offers an opportunity for newly developed products that are geared to customer requirements. Cherry follows this market and its developments intensively in order to meet the demand of the markets with its product innovations and thus ensure a continuously positive business development.

3.2. Risk report

Risk management

Risk management plays an integral role in all decision-making and business processes. We understand risks in the broadest sense as the danger of potentially not achieving our financial and operational targets as planned and in the narrowest sense of jeopardizing the existence of the company. To secure the long-term success of the Company, it is therefore essential to effectively identify and analyze risks and eliminate or limit them through appropriate control measures. Our active risk management therefore also opens up opportunities.

Risk processes

Cherry carries out formal risk inquiries on a quarterly basis as part of its risk management. The processes required for this have been implemented and are being implemented in addition to the existing processes described below.

The following aspects are particularly noteworthy here.

Reporting as a centralized risk management tool

Cherry has introduced a reporting system throughout the Group, which is carried out on a monthly basis. In addition to the usual presentation of economic developments in the form of an income statement, the following reporting and evaluation data are particularly noteworthy from a risk perspective:

- Comparison of planned/actual revenue and earnings and the change compared to the previous year
- Quarterly forecasts for the current year
- Daily revenue report including order intake, order book, and revenue performance
- Daily production reports
- Liquidity status and forecast
- Report on overdue receivables
- Review of new product developments in the market
- Employee key figures, including recruiting, sickness rate, and fluctuation

The reporting system was also established with a view to effective risk management.

Reporting cycles

As a rule, most reports are prepared on a monthly basis with the exception of the weekly liquidity report and the daily production and revenue reports. Forecasts are updated each quarter on a rolling basis. A range of operational risk assessments are processed and documented on a weekly basis in conjunction with Management Board and, at regular intervalls, in the Supervisory Board meetings.

Reporting channels

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

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

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

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

Risk assessment methodology

For 2022, risks will be classified and assessed within the framework of newly created procedures, making it possible to assess individual risks.

Risk assessment

The status of identified risks can be assessed by estimating the probability of occurrence and the possible amount of damage. The result at the respective point in time – and therefore also at the end of the reporting period – is shown in an aggregated list of risk exposures.

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

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

Risk matrix

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

Risk categories

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

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

Market and business risks

Risks from declining market demand due to economic conditions

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

In 2022, the impact of macroeconomic conditions has been far greater than expected in terms of business performance during the first half of the year to date, given the severe impact of the COVID-19 pandemic on the economic regions in which Cherry primarily operates. In the first six months of the year, the effects were highly noticeable in the Gaming business area, but also in the Peripherals business unit, due to the fifth wave of the pandemic.

This particular risk was included in the risk assessment for the first time in the 2021 fiscal year. For the current 2022 fiscal year, the extent is assessed as high.

In light of the ongoing COVID-19 pandemic and price competition from many market competitors, the probability of occurrence and extent of impact was estimated to have increased in the first half of 2022. The risk factor has therefore been raised.

Risks relating to changes in the market and competition structure

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

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

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

COVID-19 pandemic

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

Despite the challenging market and social conditions, the Cherry Group and its main business areas came through the 2021 fiscal year in a robust manner. However, Cherry is monitoring the situation very closely and taking precautionary measures as deemed necessary, even when not subject to legal requirements. Examples include rules of conduct for employees and precautions for remote working as well as offers of vaccination and rapid tests. Major internal and external events have been canceled or rescheduled as video conferences. The risk was included in the risk manual in 2021 and has been assessed for the first time. The probability of occurrence has been assessed as higher and the extent as high.

For the second half of 2022, these risks are now assessed as more likely to occur, particularly due to the zero-covid policy being enforced in China.

Operational risks

Procurement and production risks

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

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

The probability of occurrence continues to be assessed as possible for the second half of 2022 and the extent as medium. The risk factor therefore remains unchanged.

Ukraine crisis

In March 2022, the Ukraine crisis came as a complete surprise to the entire market. Cherry itself, however, is still not directly affected by it. Cherry has no customer or supplier relationships that could have a negative impact on its operations in this context.

The effects of the crisis on world markets could, however, affect Cherry indirectly through declining customer demand, higher inflation, and rising prices for both raw materials and energy.

Legal risks

Compliance risks

As a listed company on the regulated market, Cherry is subject to a wide range of additional statutory regulations and obligations. No legal or compliance risks were identified in the first six months of 2022.

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

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

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

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

Financial risks

Risk of default on receivables

Cherry Group entities are exposed to risks related to advance payments for goods and services when they enter into supply contracts in foreign countries. These risks result from advance payments, some of which are currently unsecured, for which no deliveries or services have yet been made or rendered. Accordingly, there is a risk of default in the event of the supplier becoming insolvent.

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

Other risks

Risks relating to M&A activities

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

Personnel

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

The probability of occurrence and the risk extent are both assessed as low.

Overall assessment of the risk situation

Every risk is assessed by estimating the probability of occurrence and the possible amount of damage. The risk factor of each risk is calculated by multiplying the probability of occurrence (1-10) and the possible amount of damage (1-10). Cherry's overall risk profile, i.e. the sum of all its risk factors, was rated at a total of 1,620 points at the halfway stage of 2022. The main drivers of this development are the risk from the COVID-19 pandemic and its related influence on production sites in China, the higher exposure to risks from a competitive perspective, and product risks in conjunction with the shortage of raw materials, semiconductors, and transport capacities.

At present, none of the individual risks identified are considered to pose a threat to the Group's going-concern status. The risk-bearing capacity is based on the level of equity, which amounted to EUR 293.5 million as of June 30, 2022. Adjusted EBITDA for the first half of 2022 amounted to EUR 9.4 million. The risk amount for all risks was EUR 39.7 million on a gross basis and EUR 17.9 million on a net basis (i.e. after countermeasures). The risks highlighted could nevertheless have a negative impact on the net assets, financial position and results of operations.

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

4. OUTLOOK

4.1. Macroeconomic and sector-specific outlook

At present, the world economy is being significantly disrupted by the impact of the COVID-19 pandemic on global supply chains, the poor availability of semiconductor products, and price increases, especially for energy, as a result of the war in Ukraine.

According to the World Economic Outlook of the International Monetary Fund ("IMF") in April 2022, the war in Ukraine will severely slow down the global recovery, inhibit growth, and drive up inflation even higher. For these reasons, the IMF projects global growth of 3.6 percent in 2022 and 2023, down by 0.8 and 0.2 percentage points respectively from its January 2022 forecast.

In its updated outlook, the IMF now anticipates disproportionately low growth of 3.3% in the advanced economies in 2022 (2021: 5.2%), while growth of 3.8% is projected for the group of emerging markets and developing economies (2021: 6.8%). In the regions that are key for Cherry, the IMF estimates economic growth in 2022 at 2.1% in Germany (2021: 2.8%), 2.8% in the eurozone (2021: 5.3%), 3.7% in the USA (2021: 5.7%), 4.4% in China (2021: 8.1%), and 5.3% in countries belonging to the Association of Southeast Asian Nations (ASEAN: Indonesia, Malaysia, Philippines, Thailand, Vietnam) (2021: 3.4%).

In its June 2022 Monthly Report, the German Bundesbank sees the German economy as currently caught in a field of tension between opposing forces. With pandemic safeguards largely dropped, service providers and private consumption are receiving a strong boost. By contrast, the sharp rise in energy prices triggered by the war in Ukraine is fueling the already high inflation rate of around 7% in 2022, which is eroding the purchasing power of private households. Furthermore, heightened supply chain bottlenecks are slowing production and exports are suffering from weaker demand. However, according to German Bundesbank estimates, positive momentum is likely to intensify from the second half of 2022 onwards. Accordingly, slightly declining energy commodity prices, gradually easing supply bottlenecks, and growing demand from foreign markets are expected, with private consumption supported by a partial reduction in savings accumulated during the COVID-19 pandemic. Last but not least, significant wage increases are expected, albeit at a level that is initially only likely to partially offset the high inflation rate.

Against this backdrop, Cherry continues to be exposed to a variety of market developments and sector-related framework conditions in the GAMING and PROFESSIONAL business areas.

Business activities in the GAMING business area are defined by the overall global market for gaming and e-sports. According to the report "How Consumers are Engaging with Games in 2022" released in the second quarter by market research institute Newzoo, gaming is becoming a larger and more important part of daily life with each new generation of gamers. According to the report, gaming is already by far the most important source of entertainment for the so-called Generation Alpha (born after 2010). Moreover, the social aspect of gaming is increasingly acting as a catalyst for the metaverse trend. Meanwhile, according to Newzoo, three quarters of gamers across all age groups sometimes spend time together in game worlds without actually playing the main game and spending on games in general is also on the rise. According to Newzoo estimates, about half of Millennials (born between 1981 and 1994), Generation Z (born between 1995 and 2009), and Generation Alpha spend money on games, which will amount to over USD 200 billion by 2023.

Market demand for the PC peripherals used in office and industrial applications, highly relevant for Cherry's PROFESSIONAL business area, will continue to be greatly influenced by the globally growing "work-from-anywhere" trend. In the April 2022 market study "Current trends in remote working – work from anywhere," KPMG concludes that 89% of the companies surveyed in the EMEA, Americas, and ASPAC regions have already introduced company regulations on remote working or are currently planning to do so. According to the survey, the vast majority have a long-term strategy for remote working, although these vary from company to company, depending on their business model, long-term strategic goals, and corporate culture. While research shows that about 31% of jobs in Europe and some 37% of jobs in the U.S. can be performed remotely, a growing number of employees want to work not only from home but also from other locations. A survey in the U.S. on remote work found that about 65% of workers surveyed wanted to become full-time remote workers after the pandemic, and around 31% preferred hybrid arrangements, with a mixture of some days in the office and some days working remotely.

The electronic health professional register (eGBR), which has been in pilot operation at the Münster district government for North Rhine-Westphalia since the beginning of the year, has been expanded since the second quarter to include the states of Lower Saxony, Hamburg, Bremen, Schleswig-Holstein, and Mecklenburg-Western Pomerania. This will enable employees in the professional fields of nursing, obstetrics, and physiotherapy who received their professional licenses in these northern states to apply for the electronic health professional card from the electronic health professional register. The electronic health professional card (eHBA) is used for personal electronic authentication in the telematics infrastructure for access to data and applications of the electronic health card (eGK).

4.2. Business performance outlook for the Cherry Group

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

However, the world economic outlook for the current fiscal year has recently deteriorated quite significantly. For this reason, on July 18, 2022 the Management Board updated its original forecast for the 2022 fiscal year with the publication of insider information pursuant to Article 17 of the Market Abuse Regulation (MAR). Accordingly, Group revenue is now expected to be within the range of EUR 150–170 million (previously: EUR 170–190 million), with an adjusted EBITDA margin of 14–19% (previously: 23–26%).

The Management Board now predicts the following performance for the currently existing segments:

prior to consolidation	Cherry Europe GmbH	Cherry Digital Health GmbH	Theobroma Systems Design und Consulting GmbH	Active Key GmbH	Zhuhai Cherry Electronics Co. Ltd.	Cherry Electronics (Hong Kong) Co Ltd.	Cherry Americas LLC
Expected revenue performance	New: (28 – 32%) Previously: (5 – 10%)	New: 10 – 15% Previously: 15 – 25%	New: 35 – 40% Previously: 15 – 25%	New: 40 – 45% Previously: 30 – 40%	New: 19 – 24% Previously: 10 – 15%	New: 40 – 45% Previously: 10 – 15%	New: 30 – 35% Previously: 15 – 20%
EBITDA margin (adjusted)	New: 8 – 11% Previously: 20 – 25%	New: 13 – 16% Previously: 12 – 16%	New: 19 – 23% Previously: 18 – 23%	New: 19 – 23% Previously: 25 – 28%	New: 20 – 25% Previously: 20 – 24%	New: 10 – 14% Previously: 15 – 19%	New: 6 – 8% Previously: 4 – 6%

For the future business areas GAMING and PROFESSIONAL, the Management Board expects the following performance:

Against the backdrop of the global economic slowdown and rising inflation expected for the remainder of the year driven by the war in Ukraine, the ongoing supply chain disruptions due to the lockdowns in China, high customer inventory levels, and the economy-related decline in demand for certain mechanical keyboard switches, the Management Board expects the GAMING business area's revenue for the full year to be lower than previously anticipated (previously: revenue growth in the mid-single-digit percentage range), with a lower (adjusted) EBITDA margin due to macroeconomic-related and temporary material price increases, freight costs as well as one-off marketing expenses for expansion in the Asia-Pacific region.

For the PROFESSIONAL business area, the Management Board still expects revenue growth in the low double-digit percentage range for the current fiscal year. In addition to the targeted further expansion of the product portfolio in the Peripherals business unit, growth will be driven primarily by the selective expansion of sales channels, particularly the e-commerce business via major online marketplaces in Europe and the USA in the second half of the year. Moreover, in the Digital Health business unit, the successful ST-1506 e-health terminal designed for use in the telematics infrastructure for healthcare in Germany is expected to contribute to overall revenue growth. The (adjusted) EBITDA margin in this business area will be impacted by increased investments in new products, software, personnel, and marketing expenses designed to drive future growth in the e-commerce business and expansion in the Asia-Pacific region and is therefore also likely to be lower.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD JANUARY 1 TO JUNE 30, 2022 (IFRS/UNAUDITED)

STATEMENT OF COMPREHENSIVE INCOME

€ thousand	Note	April 1 – June 30, 2022	April 1 – June 30, 2021	Jan. 1 – June 30, 2022	Jan. 1 – June 30, 2021
Revenue	5.1	32,893	42,611	65,856	80,329
Cost of sales		-21,918	-24,970	-45,041	-47,176
Gross profit		10,975	17,641	20,815	33,153
Marketing and selling expenses		-4,325	-4,130	-8,646	-7,471
Research and development expenses		-2,089	-1,529	-4,094	-2,814
Administrative expenses		-4,141	-7,547	-7,235	-11,477
Other operating income		369	2,418	439	2,558
Other operating expenses		-394	-1,850	-870	-2,263
Operating result before interest and taxes (EBIT)		395	5,003	409	11,686
Financial result	5.2	-443	-9,774	-911	-13,401
Earnings before taxes (EBT)		-48	-4,771	-502	-1,715
Income tax		-314	-125	-114	-824
Group net loss	5.3	**-362**	**-4,896**	**-615**	**-2,539**
Undiluted (basic) earnings per share (in EUR)	5.4	-0.01	-0.24	-0.03	-0.13
Diluted earnings per share (in EUR)		-0.01	-0.24	-0.03	-0.13

Income and expenses not recognized through profit or loss € thousand	April 1 – June 30, 2022	April 1 – June 30, 2021	Jan. 1 – June 30, 2022	Jan. 1 – June 30, 2022
Other comprehensive income that will be reclassified subsequently to profit or loss	**1,747**	**-154**	**2,941**	**652**
Foreign currency translation of financial statements of foreign entities	1,747	-154	2,941	652
Other comprehensive income that will not be reclassified subsequently to profit or loss	-	-	-	-
Actuarial gains and losses	-	-	-	-
Other changes	-	-	-	-
Income and expenses not recognized through profit or loss	**1,747**	**-154**	**2,941**	**652**
Total comprehensive income for the year	**1,385**	**-5,050**	**2,326**	**-1,887**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2022 (IFRS/UNAUDITED)

ASSETS € thousand	Note	June 30, 2022	December 31, 2021
NON-CURRENT ASSETS			
Intangible assets	3.2	190,874	190,109
Property, plant and equipment	3.1	24,747	24,941
Right-of-use assets	3.3	16,102	17,989
Other non-financial assets		11	5
Deferred tax assets		605	1,307
		232,339	**234,351**
CURRENT ASSETS			
Inventories		52,261	44,156
Trade receivables		20,507	19,610
Current income tax receivables		1,623	1,853
Financial assets		19	-
Other non-financial assets		1,310	1,329
Cash and cash equivalents		99,671	109,678
		175,391	**176,626**
Total assets		**407,730**	**410,977**

EQUITY AND LIABILITIES

€ thousand	Note	June 30, 2022	December 31, 2021
EQUITY			
Subscribed capital	4.1	24,085	24,300
Capital reserves		261,494	263,280
Unappropriated profit		1,100	1,716
Accumulated other comprehensive income		6,798	3,856
		293,477	**293,152**
NON-CURRENT LIABILITIES			
Pension provisions		840	917
Other provisions and accrued liabilities		988	1,021
Financial liabilities	4.2	45,720	46,095
Lease liabilities		12,851	14,549
Other non-financial liabilities		110	115
Deferred tax assets		19,890	21,997
		80,399	**84,694**
CURRENT LIABILITIES			
Other provisions		264	252
Financial liabilities	4.2	1	202
Lease liabilities		3,919	3,982
Trade payables		18,426	17,892
Current income tax liabilities		2,191	1,435
Other financial liabilities		4,181	5,564
Other non-financial liabilities		4,872	3,804
		33,854	**33,131**
Total equity and liabilities		**407,730**	**410,977**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD JANUARY 1 TO JUNE 30, 2022 (IFRS/UNAUDITED)

in T€	Note	April 1 – June 30, 2022	April 1 – June 30, 2021	Jan. 1 – June 30, 2022	Jan. 1 – June 30, 2021
Net loss for the period		-362	-4,896	-615	-2,539
Depreciation, amortization and write-downs (+) / reversals thereof (-) on fixed assets		3,854	3,687	7,773	7,111
Increase (+) / decrease (-) in provisions		-71	3,707	-97	3,535
Other non-cash expenses (+) / income (-)		738	3,849	828	4,172
Gains (-) / losses (+) on disposal of fixed assets		-2	45	-2	45
Increase (-) / decrease (+) in inventories, trade receivables and other assets		-5,892	-6,878	-8,404	-16,986
Increase (-) / decrease (+) in trade payables and other liabilities		3,290	-327	543	3,374
Interest expenses (+) / interest income (-)	5.2	443	9,774	911	13,401
Interest paid (-)		-199	-9,289	-636	-12,209
Interest received (+)		1	1	3	2
Tax expenses		314	125	114	824
Income tax paid (+/-)		832	-1,824	-135	-3,134
Cash flows from operating activities		**2,946**	**-2,026**	**283**	**-2,405**
Cash received (+) from disposals of property, plant and equipment		3	96	3	100
Cash paid (-) for investments in property, plant and equipment		-1,680	-1,805	-2,918	-3,616
Cash received (+) from disposals of intangible assets		-	2	-	3
Cash paid (-) for investments in intangible assets		-1,085	-410	-1,822	-1,282
Cash paid (-) for the purchase of consolidated companies	7.0	-1,600	-2,849	-1,600	-3,269
Cash flows from investing activities		**-4,362**	**-4,966**	**-6,336**	**-8,065**
Cash received (+) from equity contributions	7.0	-	137,600	-	137,600
Cash paid (-) in the course of the share buyback program	4.1	-1,948	-	-1,948	-
Cash paid (-) for capital procurement costs		-	-6,345	-	-6,345
Cash paid (-) for other current financial liabilities (IFRS 16 leases)		-882	-882	-1,880	-1,783
Cash paid (-) for the repayment of (financial) loans		-532	-80,032	-581	-80,069
Cash received (+) from (financial) loans raised		-	-	5	-
Cash flows from financing activities		**-3,362**	**50,341**	**-4,403**	**49,403**
Cash-relevant change in cash and cash equivalents		-4,778	43,349	-10,457	38,933
Changes in cash and cash equivalents due to changes in exchange rates, scope of consolidation, and valuation		251	-67	450	349
Cash and cash equivalents at beginning of period		**104,198**	**18,900**	**109,678**	**22,900**
Cash and cash equivalents at end of period		**99,671**	**62,182**	**99,671**	**62,182**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD JANUARY 1 TO JUNE 30, 2022 (IFRS/UNAUDITED)

in T€	Subscribed capital	Capital reserves	Unappro-priated profit	Accumulated other comprehensive income Foreign currency trans-lation of financial state-ments of foreign entities	Accumulated other comprehensive income Actuarial gains and losses	Total equity
January 1, 2021	**36**	**-7,571**	**-358**	**-358**	**-8**	**142,585**
Share capital increase	24,264	-	-	-	-	133,103
Group net loss	-	-2,539	-	-	-	-2,539
Foreign currency translation of financial state-ments of foreign entities	-	-	652	652	-	652
Actuarial gains and losses	-	-	-	-	-	-
Income taxes on other comprehensive income	-	-	-	-	-	-
Other comprehensive income	-	-	652	652	-	652
Total comprehensive income	-	-2,539	652	652	-	-1,887
Impact of share-based payments	-	-	-	-	-	3,757
June 30, 2021	**24,300**	**-10,110**	**294**	**294**	**-8**	**277,558**
January 1, 2022	**24,300**	**1,716**	**3,860**	**3.860**	**-3**	**293,152**
Share buybacks	-215	-	-	-	-	-1,948
Group net loss	-	-1,615	-	-	-	-1,615
Foreign currency translation of financial state-ments of foreign entities	-	-	2,942	2.942	-	2,942
Actuarial gains and losses	-	-	-	-	-	-
Income taxes on other comprehensive income	-	-	-	-	-	-
Other comprehensive income	-	-	2,942	2.942	-	2,942
Total comprehensive income	-	-1,615	2,942	2.942	-	2,327
Impact of share-based payments	-	-	-	-	-	-54
June 30, 2022	**24,085**	**1,100**	**6,802**	**6.802**	**-3**	**293,477**

NOTES

1. 1. GENERAL EXPLANATORY COMMENTS

1.1. General information about the Cherry Group

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

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

The Condensed Interim Consolidated Financial Statements of Cherry AG and its subsidiaries cover the period from January 1 to June 30, 2022. These statements have neither been audited nor reviewed by the group auditor.

1.2. Basis of preparation of the Consolidated Financial Statements

Cherry AG has prepared the Condensed Interim Consolidated Financial Statements as of June 30, 2022 in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and their respective interpretations (IFRIC/SIC) with respect to interim financial reporting (IAS 34), as adopted by the European Union. Accordingly, the financial statements included in the interim report contain all the information and notes disclosures required by IFRS for condensed interim financial statements.

The interim report does not include all the disclosures normally included in financial statements for a full fiscal year. Accordingly, this interim report should be read in conjunction with Cherry AG's Consolidated Financial Statements for the fiscal year ended December 31, 2021.

The accounting policies applied are consistent with those applied in the previous fiscal year 2021. In the current period, amendments to IFRS 3 "Amendment of References to the Updated Framework", IAS 37 "Onerous Contracts – Costs of Fulfilling Contracts", IAS 16 "Property, Plant and Equipment – Revenue before Intended Use" and IFRS 1, IFRS 9, IFRS 16 and IAS 42 became effective as part of the Annual Improvements to IFRS (2018-2020 cycle), but did not have any impact on the Group's accounting policies nor did they necessitate any retrospective adjustments.

The preparation of the Condensed Interim Consolidated Financial Statements in accordance with IAS 34 requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies in the Group and the reported amounts of assets and liabilities, income and expenses. Actual amounts could differ from those estimates. The results achieved so far in the 2022 fiscal year are not necessarily indicative of future business performance.

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.).

1.3. Group reporting entity

As of June 30, 2022, the Consolidated Financial Statements of Cherry AG included the parent company, Cherry AG, and the following Group entities:

List of investments

			Share-holding in %
Fully consolidated entities:	Principal activity	June 30, 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 E-Commerce GmbH, Munich	Sales and marketing	100	100 %
Active Key GmbH, Munich	Sales and marketing	100	–
Theobroma Systems Design and 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	100 %
Cherry Americas LLC, Kenosha (USA)	Sales and marketing	100	100 %
Cherry S.A.R.L, Paris (France)	Sales and marketing	100	100 %

The formal process of changing Cherry AG's legal form to the European legal form "SE" (Societas Europaea) has been initiated. The conversion is expected to take place by October 23, 2022 at the latest, after which the company will continue to trade under the name Cherry S.E.

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 also entered in the Commercial Register on June 9, 2022. The sales and marketing company, which focuses on the online sale of Cherry products, is a wholly owned subsidiary of Cherry AG, as are Cherry Europe GmbH and Cherry Digital Health GmbH.

2. 2. SIGNIFICANT EVENTS AND TRANSACTIONS

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 current 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 with a price cap of EUR 14.00 per share. As of the end of the reporting period, a total of 215,318 shares with a volume of approximately EUR 1,948k had been acquired under the 2022 Share Buyback Program, equivalent to approximately 0.9% of the Company's current 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 acquisition currency for the acquisition of companies or to service employee stock option programs. Treasury shares owned by the Cherry Group are deducted from equity in the consolidated statement of financial position, namely EUR 215k against subscribed capital and EUR 1,733k against capital reserves.

E-commerce business

It is an important component of the Cherry Group's strategy to achieve further organic growth. On June 9, 2022, Cherry E-Commerce GmbH was therefore entered in the German Commercial Register with the aim of taking over the Group's existing e-commerce business – which is currently already operated on a small scale out of Cherry Europe GmbH – and professionalizing and expanding it further in line with the adopted strategy. The focus of the new entity's sales and marketing activities will initially be on the EMEA region, with e-commerce activities successively expanded in other sales regions such as AMER.

Pursuing this strategic objective will involve incurring start-up costs, mainly in the form of project and consulting costs and ongoing staff recruitment. In addition, the development of e-commerce business requires higher inventory levels in order to meet increased and faster delivery requirements. Implementation costs of EUR 525k were incurred in the first six months of 2022 (adjusted in EBIT & EBITDA). Start-up losses are expected for Cherry E-Commerce GmbH for the fiscal years 2022 and 2023.

Expansion of the Management Board and senior management

Effective April 1, 2022, Dr. Udo Streller took over the position of Chief Operating Officer (COO) at Cherry. Until that date, the role was performed simultaneously by the Chief Financial Officer, Bernd Wagner (CFO), alongside his other duties. Dr. Streller has more than 20 years of management experience across a wide variety of operational fields. His most recent position was that of Chief Operations Officer at Enics AG, Zurich (Switzerland). In light of increasing regulatory requirements for financial reporting following the IPO and the growing complexity of business and logistics processes in general, the Management Board has been expanded to ensure that sufficient management resources are available to adequately pursue and ultimately achieve the Cherry Group's ambitious growth targets.

In addition to the expansion of the Management Board, a number of experienced managers have been appointed to key senior management roles in the Group. Effective April 1, 2022, René Schulz was appointed as head of the Peripherals business unit. He has a wealth of international management experience and most recently worked for our competitor Logitech. With effect from April 1, Gerrit Schick assumed responsibility for the "Digital Health" business unit having previously worked for Philips in Germany and the USA for over 25 years in various management positions. Tobias Klier, also with many years of international management experience, assumed the role of Director Group Finance and Accounting with effect from May 1, 2022. He has extensive expertise in IFRS and HGB accounting and financial reporting as well as in the areas of sales strategy and controlling within the automotive sector.

The use of recruitment agencies and headhunters for the appointment of new members of the management resulted in a total expense of EUR 164k in the first half of 2022 (partially adjusted in EBIT & EBITDA).

Short-time working arrangements

In the wake of the decline in Components business unit sales – against the background of a declining overall market and the fact that inventories of keyboard switches, both at Cherry and at important customers, are already high – short-time working arrangements have been applied for only for production employees in Auerbach with effect from April 1, 2022. The application has been approved through August 31, 2022.

Wage costs incurred in the period from April 1 to June 30, 2022 for the production areas affected by short-time working arrangements have been reduced, reflecting savings due to the temporary reduction compared to the previous level (EUR 615k, after deduction of social security contributions). Temporary employment contracts in production were no longer extended in April.

The short-time working arrangements provide for a temporary reduction in wage payments to 60% or 67% of the previous net amount. Cherry has decided to voluntarily increase the payment to 80% of the previous net wage. The additional expense incurred by Cherry Europe GmbH for the voluntary ongoing top-up of the short-time allowance amounted to EUR 71k in Q2 2022 (plus social security contributions).

M&A costs

It is Cherry's stated strategy to generate sustainable growth, with roughly 50% coming from organic and 50% from non-organic growth. In order to achieve this target, Cherry is in the process of evaluating potential acquisition targets with a team of internal experts and external advisors.

The related market analysis and acquisition activities gave rise to consulting costs in the first half of 2022 amounting to EUR 386k (subtracted in the "EBIT / Adjusted EBITDA" calculation).

Inventories valuation

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 an increase in the valuation of inventories by an average of 2.4% during the first half of the year.

Furthermore, valuation write-downs on inventories were reviewed, taking the marketability of inventories 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 the changed circumstances, in particular the slowdown in logistical processes, as well as the strategic stockpiling of certain items to enable the immediate delivery of products, especially for in the area of e-commerce business.

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 (within the meaning of IAS 8) gave rise to a positive impact of EUR 1,043k on earnings for the six-month period, which will be reversed in future periods in the form of the recognition of higher variable material costs when the inventories are sold.

Change in the corporate form of the holding company

As part of the expansion of the Cherry Group's structure and the ongoing process of internationalization, it is planned to convert Cherry AG, with its headquarters in Munich, into the European legal form of an S.E. ("Societas Europaea"). The conversion is due to be completed by October 23, 2022 at the latest. Thereafter, the Company will continue to operate – without any other changes – under the name Cherry S.E. Converting to the European corporate form underlines our understanding of our status as a group with international operations as well as our identification with Europe. A provision of EUR 129k was recognized for legal and consulting costs in the first half of 2022 in connection with the change in the Company's legal form . The overall effect was adjusted in EBIT & EBITDA.

3. 3. EXPLANATORY NOTES TO GROUP ASSETS

3.1. Property, plant and equipment

Investments in property, plant and equipment in the first half of 2022 amounted to EUR 2,918k (H1/2021: EUR 3,616k).

Investments € thousand	Land, titles to land, buildings including buildings on third-party land	Plant and machinery equipment	Other operational equipment, office equipment	Payments on account and assets under construction	Total
January 1 – June 30, 2022	**24**	**1,022**	**253**	**1,619**	**2,918**
January 1 – June 30, 2021	81	991	371	2,173	3,616

Depreciation and impairment losses on property, plant and equipment totaled EUR 3,161k (H1/2021: EUR 3,007k), including an impairment loss of EUR 29k (H1/2021: EUR 0k) recognized on product-related tools that are no longer required.

3.2. Intangible assets

Investments in right-of-use assets in the first half of 2022 amounted to EUR 193k (H1/2021: EUR 3,885k).

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	Advance payments to suppliers	Total
January 1 – June 30, 2022	**-**	**1,492**	**98**	**-**	**-**	**-**	**232**	**1,822**
January 1 – June 30, 2021	-	1,162	117	-	-	-	3	1,282

Amortization on intangible assets amounted to EUR 2,585k (H1/2021: EUR 2,146k). As in the previous year, no impairment losses were recognized.

3.3. Right-of-use assets

Investments in right-of-use assets in the first half of 2022 amounted to EUR 193k (H1/2021: EUR 3,885k).

Investments € thousand	Right-of-use assets – buildings	Right-of-use assets – plant and machinery	Right-of-use assets – tools	Right-of-use assets – vehicles	Right-of-use assets – Other operational and office equipment	Total
January 1 – June 30, 2022	33	-	-	-	160	193
January 1 – June 30, 2021	93	3,649	-	-	143	3,885

Depreciation on right-of-use assets totaled EUR 2,027k (H1/2021: EUR 1,957k). As in the previous year, no impairment losses were recognized.

4. 4. EXPLANATORY NOTES TO GROUP EQUITY AND LIABILITIES

4.1. Equity

Subscribed capital

The subscribed capital of the parent company amounting to EUR 24,300k was fully paid up as of December 31, 2021. It is divided into 24,300,000 ordinary bearer shares with no par value (Stückaktien), each representing EUR 1.00 of the issued share capital.

On June 9, 2022, the Management Board resolved a share buyback program which provides for the repurchase of up to 2,000,000 treasury shares up to June 30, 2023 (for details, see note 2: Significant events and transactions). Up to June 30, 2022, 215,318 treasury shares with a total volume of approximately EUR 1,948k had been repurchased.

As a result, the subscribed capital of the parent company is reported at an amount of EUR 24,085k as of June 30, 2022 after deduction of the proportionate value of the repurchased shares (215,318 shares at EUR 1.00 each).

Units	2022
As of January 1	24,300,000
Arising on change of legal form	-
Capital increase from company funds	-
Issued as part of the IPO	-
Share buy back	-215,318
As of June 30	**24,084,682**

Capital reserves

As of June 30, 2022 capital reserves stood at EUR 261,494k (December 31, 2021: EUR 263,280k).

Mainly as a result of the share buyback program (for details, see note 2: Significant events and transactions), capital reserves were reduced by the amount by which the repurchase value of treasury shares exceeded the proportionate value of each share representing EUR 1.00 of subscribed capital. The difference between the repurchase value of the 215,318 no-par value shares and their proportionate value of subscribed capital amounted to EUR 1,733k.

The share-based remuneration program of the Management Board (LTI = Long Term Incentive Program) resulted in income in the first half of 2022 amounting to EUR 54k (H1/2021: personnel expense amounting to EUR 3,757k arising in connection with the previous management participation program, which was terminated at the time of the IPO in June 2021). In accordance with IFRS 2, these expenses have been recognized as an increase in capital reserves. The measurement of the obligations already includes the additional remuneration entitlements of the new COO, Dr Udo Streller, and 5 other members of management. The reduction reflects the updated assessment of the level of achievement of LTI performance targets used in the valuation.

Accumulated other comprehensive income

Other comprehensive income for the period comprised mainly differences amounting to EUR 2,941k (H1/2021: EUR 652k) arising on the translation of the financial statements of the foreign subsidiaries into the Group´s reporting currency (euro).

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

4.2. Financial liabilities

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

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. Unchanged from December 31, 2021, an amount of EUR 45,000k (tranche A) out of the credit facility continued to be utilized as of June 30, 2022, also with a view to achieving non-organic growth.

€ thousand	June 30, 2022	Dec. 31, 2021
Current	1	202
Non-current	45,720	46,095
Total	**45,721**	**46,297**

Current financial liabilities as of June 30, 2022 include short-term bank loans amounting to EUR 1k (December 31, 2021: EUR 202k) accounted for at the level of foreign subsidiaries.

As of June 30, 2022, non-current financial liabilities included the drawn-down credit facility (tranche A) of EUR 45,000k (December 31, 2021: EUR 45,000k) as well as non-current bank loans of foreign subsidiaries amounting to EUR 476k (December 31, 2021: EUR 833k).

5. EXPLANATORY NOTES TO THE CONSOLIDATED INCOME STATEMENT

5.1. 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	January 1 – June 30, 2022	January 1 – June 30, 2021
Gaming	24,804	41,978
Professional	41,052	38,351
Total revenue by product type	**65,856**	**80,329**

Revenue by region January 1 – June 30, 2022

€ thousand	Germany	USA	China	Hong Kong	Other	Total
Gaming	183	488	12,914	7,311	3,907	24,803
Professional	26,747	3,324	1,016	59	9,907	41,053
Total revenue by region	**26,930**	**3,812**	**13,930**	**7,370**	**13,814**	**65,856**

Revenue by region January 1 – June 30, 2021[1]

€ thousand	Germany	USA	China	Hong Kong	Other	Total
Gaming	82	329	16,132	13,068	12,367	41,978
Professional	26,472	2,470	871	48	8,490	38,351
Total revenue by region	**26,554**	**2,799**	**17,003**	**13,116**	**20,857**	**80,329**

1 Prior-year figures adjusted.

In the first half of 2022, revenues by region are presented for the first time on a sales market basis, according to the location of the customer. Previously, the presentation was based on the domicile of the respective Group company. The figures for the prior-year period have been adjusted accordingly. The aim of the adjustment of reporting is to achieve greater transparency with regard to the development of the sales markets relevant for Cherry.

Revenues in H1 2022 amount to EUR 65,856k, down 18.0% compared to H1 2021 (EUR 80,329k). The decrease is driven by the GAMING business area, mainly due to lower demand in the Components business unit, which is also the main driver for the decrease in revenues in the regions of China and Hong Kong. The year-on-year decline for the GAMING business area totaled EUR 17,174k or 40.9%.

In contrast, the PROFESSIONAL business area grew by EUR 2,701k or 7.0%. The increase is mainly driven by the Digital Health business unit.

In the reporting period from January to June 30, 2022, advertising cost subsidies (marketing development funds, MDF) paid to distributors and customers amounting to EUR 662k were reclassified from sales and marketing expenses to revenue deductions. The reclassification is based on the Cherry Group's interpretation of IFRS 15.27, which states that such advertising cost subsidies are required to be classified as a reduction of the transaction price (of the original sale) if the manufacturer cannot derive any direct benefit from the service or if the service is not distinct from the original product delivery. In view of the fact that the advertising measures carried out by the distributor or dealer would not currently stand up to a third-party comparison with external marketing agencies, it would appear appropriate to recognize these expenses as revenue deductions going forward.

If the advertising cost subsidies had been reported as revenue deductions in the first half of 2021, revenue in that period would have been approximately EUR 766k lower.

5.2. Financial result

The financial result comprised the following:

€ thousand	January 1 – June 30, 2022	January 1 – June 30, 2021
Interest and similar income	6	2
Total interest income	6	2
Interest and similar expenses	-911	-13,396
Expenses from discounting and the unwinding of discounts	-6	-7
Total finance expense	-917	-13,403
Total	**-911**	**-13,401**

In the first half of 2022, interest and similar expenses comprised mainly interest arising on the loan taken out in October 2021, negative interest on bank deposits and interest expenses incurred on lease obligations amounting to EUR 136k.

In the same period of the previous year, interest expenses and similar expenses included mainly interest and like items amounting to EUR 3,173k in connection with the Cherry AG purchase price loan, fair value measurement gains amounting to EUR 1,821k on embedded derivatives, expenses amounting to EUR 11,501k incurred in connection with the repayment of the loan and interest expenses totaling EUR 171k on lease obligations.

5.3. Earnings per share

Group net profit/loss in € thousand, number of shares in thousand, Earnings per share in €	January 1 – June 30, 2022	January 1 – June 30, 2021
Group net loss attributable to shareholders of Cherry AG	-615	-2.539
Less dilutive effect of share-based remuneration	-	-
Group net loss attributable to shareholders of Cherry AG (for the purpose of calculating diluted earnings per share)	-615	-2,539
Weighted average number of shares in circulation	24,286	20,024
Dilutive effect of share-based remuneration	-	-
Weighted average number of shares in circulation (diluted)	24,286	20,024
Undiluted earnings per share	-0.03	-0-13
Diluted earnings per share	-0.03	-0.13

6. SEGMENT REPORTING

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.

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 first half of the 2022 fiscal year, as communicated to the Management Board.

June 30, 2022 € thousand	Cherry Europe GmbH	Cherry Digital Health GmbH	Theobroma Systems Design and Consulting GmbH	Active Key GmbH	Zhuhai Cherry Electronics Co. Ltd.	Cherry Electronics (Hong Kong) Co Ltd.	Cherry Americas LLC	Other & Elimination	Group
External revenue	26,543	10,832	354	2,401	11,521	9,699	4,505	-	65,856
Intragroup revenue	10,685	-	9,746	261	4,321	9	1	-25,022	-
Total revenue	37,228	10,832	10,100	2,662	15,842	9,708	4,506	-25,022	65,856
Gross margin	6,990	2,786	3,143	1,189	4,437	2,036	1,386	-1,151	20,815
Adjusted EBITDA	743	1,261	2,405	529	3,787	1,330	-109	-505	9,441
Depreciation and amortization	-4,626	-352	-223	-289	-369	-	-33	-1,881	-7,773
Adjusted EBIT	-3,883	909	2,182	240	3,418	1,330	-142	-2,386	1,668
Investments	3,238	483	321	40	660	-	5	-7	4,740
Segment assets [1]	116,070	16,141	9,159	7,977	17,220	12,091	6,553	222,519	407,730
Segment liabilities [2]	-72,903	-8,370	-6,068	-7,150	-8,243	-3,233	-2,099	-6,187	-114,253

The following table shows segment information for the comparative prior-year period from January 1 to June 30, 2021:

June 30, 2022 € 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	42,563	-	451	917	11,245	20,899	4,254	-	80,329
Intragroup revenue	20,651	8,022	4,341	-	3,357	436	211	-37,018	-
Total revenue	63,214	8,022	4,792	917	14,602	21,335	4,465	-37,018	80,329
Gross margin (GM II)	19,720	3,707	682	409	4,198	4,035	1,698	-1,296	33,153
Adjusted EBITDA	14,668	2,764	101	379	3,416	3,447	656	-1,179	24,252
Depreciation and amortization	-4,458	-198	-185	-127	-343	-	-37	-1,869	-7,217
Adjusted EBIT	10,210	2,566	-84	252	3,073	3,447	619	-3,048	17,035
Investments	4,068	3,976	177	4,783	196	1	-	-3,520	9,681
Segment assets [1]	113,328	9,540	7,295	7,699	16,778	8,485	5,474	188,266	356,865
Segment liabilities [2]	-69,909	-4,411	-6,658	-7,527	-5,627	-5,322	-1,489	-20,880	-79,307

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	January 1 – June 30, 2022	January 1 – June 30, 2021
Total adjusted EBIT of reportable segments	4,054	20,083
Other & Elimination	-2,386	-3,048
Adjustments	-1,259	-5,349
EBIT	409	11,686
Financial result	-911	-13,401
Loss before taxes	**-502**	**-1,715**

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

The following adjustments to EBIT/EBITDA were made in the respective reporting periods:

€ thousand	January 1 – June 30, 2022	January 1 – June 30, 2021
Extraordinary personnel expenses	-	3,659
Expenses in connection with the capital market/ initial public offering	-	988
Expenses in connection with M&A transactions	386	777
Expenses in connection with natural disasters and pandemics	-	12
Other non-recurring special charges	873	-87
Total	**1,259**	**5,349**

The adjustments of the non-recurring special charges in the first six months of 2022 comprise the following:

(1) Costs relating to the implementation of the e-commerce strategy in the amount of EUR 525k.

(2) Legal and consulting fees in connection with the conversion of the legal form of the Group's parent company Cherry AG into a European "SE" (Societas Europaea) amounting to EUR 304k (including allocation to a provision for subsequent costs).

7. EXPLANATORY NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Total cash flow for the first half of 2022 was a negative amount of EUR -10,456k (H1/2021: EUR +38,933k), of which a negative amount of EUR -5,678k (H1/2021: EUR -4,416k) was generated in the first quarter and a negative amount of EUR -4,778k (H1/2021: + EUR 43,349k) in the second quarter.

€ thousand	Jan. 1 – March 31, 2022	April 1 – June 30, 2022	Jan. 1 – June 30, 2022	Jan. 1 – March 31, 2021	April 1 – June 30, 2021	Jan. 1 – June 30, 2021
Cash flows from operating activities	-2,663	2,946	283	-379	-2,026	-2,405
Cash flows from investing activities	-1,974	-4,362	-6,336	-3,099	-4,966	-8,065
Cash flows from financing activities	-1,041	-3,362	-4,403	-938	50,341	49,403
Total cash flow	**-5,678**	**-4,778**	**-10,456**	**-4,416**	**43,349**	**38,933**

Cash flow from operating activities was only slightly positive at EUR 283k in the first half of 2022 (H1/2021: EUR -2,405k), primarily due to a EUR 8,105k increase in inventories, for the most part for e-commerce business. The total value of inventories as of June 30, 2022 amounted to EUR 52,261k (December 31, 2021: EUR 44,156k).

Cash flow from investing activities was a negative amount of EUR -6,336 in the first half of 2022 (H1/2021: EUR -8,065k). This was driven by investments in property, plant and equipment (EUR -2,918k including advance payments to suppliers), mainly for production equipment and tools, investments in intangible assets through capitalization of development costs (EUR -1,492k), as well as the final payment for the acquisition of Active Key GmbH amounting to EUR -1,600k.

Cash flow from financing activities was a negative amount of EUR -4,403k in the first six months of 2022 (H1/2021: EUR +49,403k). The current financial year includes the capital reduction of EUR -1,948k in conjunction with the share buyback program as well as the repayment of lease liabilities and loans (EUR -2,461k). The previous year's positive figure included proceeds from the IPO amounting to EUR +137,600k, offset by loan repayments amounting to EUR -80,069k.

8. OTHER DISCLOSURES

8.1. Disclosures on financial instruments

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

€ thousand	June 30, 2022	Dec. 31, 2021
Assets measured at amortized cost		
Trade receivables	20,507	19,610
Current financial assets	19	-
Cash and cash equivalents	99,671	109,678
Total	**120,197**	**129,288**

€ thousand	June 30, 2022	Dec. 31, 2021
Liabilities measured at amortized cost		
Trade payables	18,426	17,892
Current financial liabilities	1	202
Other current financial liabilities	4,181	5,564
Long-term debt	45,720	46,095
Total	**68,328**	**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 rates, which means that the carrying amount approximates the fair value (Level 2).

In the previous year, embedded derivatives that were required to be separated from the host contract were measured at fair value (Level 3). These derivatives were derecognized in the period to June 30, 2021 following the repayment of the loan. They had consisted of three parts: an interest floor, a termination option of the borrower and a termination option of the lender. The interest floor was measured based on a normal distribution model considering the current swap rates for the six-month EURIBOR as estimator for the risk-free yield curve, futures rates for the six-month EURIBOR as well as corresponding floor volatilities. The termination options of the borrower and the lender were determined by measuring swaptions while using a so-called “Long Receiver Swaption” for the termination option of the borrower and a so-called “Long Payer Swaption” for the termination option of the lender. The measurement of these swaptions was based on the so-called “Hull-White” approach. In both cases current swap rates for the six-month EURIBOR as estimator for the risk-free yield curve, futures rates for the six-month EURIBOR and corresponding swaption volatilities were used. In the case of the termination option of the lender, the probability of an exit was considered as significant unobservable input.

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

Reconciliation of financial liabilities measured at fair value (Level 3)	€ thousand
Opening balance as of January 1, 2021	1,821
Gains/losses recognized in profit or loss	-1,821
Closing balance as of December 31, 2021 = June 30, 2022	-

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).

No assets or liabilities were measured by the Cherry Group at their fair value as of June 30, 2022 or December 31, 2021.

8.2. Events after the end of the reporting period

No events occurred after the end of the interim report period that are of particular significance for the net assets, financial position and results of operations.

8.3. Disclosures pursuant to § 115 (5) German Securities Trading Act (WpHG)

These Interim Consolidated Financial Statements and the Interim Group Management Report have not been reviewed by an auditor.

8.4. Responsibility statement by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles, the Condensed Interim Consolidated Financial Statements for the period from January 1 to June 30, 2022 give a true and fair view of the assets, liabilities, financial position and profit of the Group, and the Interim Group Management Report 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, August 11, 2022

Cherry AG

Rolf Unterberger (CEO)

Bernd Wagner (CFO)

Dr. Udo Streller (COO)

FINANCIAL CALENDAR 2022[1]

Equity Forum, Frankfurt am Main	September 5/6
Berenberg German Corporate Flagship Conference	September 19
Interim Statement as of September 30, 2022 – Q3/9M 2022	November 15
Munich Capital Market Conference	November 16
M.M. Warburg Meet the Future Conference	November 18
Equity Forum	November 28 – 30

[1] Expected dates

IMPRINT

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