Prospectus

for the public offering
in the Federal Republic of Germany

of

12,995,000 ordinary bearer shares with no par value (*Stückaktien*), consisting of (i) 4,300,000 new, ordinary bearer shares with no par value (*Stückaktien*) from a capital increase against cash contributions expected to be resolved by an extraordinary shareholders' meeting of the Company on or about June 23, 2021 ("**IPO Capital Increase**"); (ii) 5,000,000 ordinary bearer shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholder which are being offered in a base deal; (iii) 2,000,000 ordinary bearer shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholder subject to the exercise of an upsize option (in full or in part) upon decision of the Selling Shareholder, after consultation with the Sole Global Coordinator, on the date of pricing; and (iv) 1,695,000 ordinary bearer shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholder to cover potential over-allotments (in the case of (ii), (iii) and (iv) such shares shall be issued in part from a capital increase out of the Company's reserves resolved by an extraordinary shareholders' meeting of the Company on June 11, 2021, the "**Base Capital Increase**"),

and at the same time

for the admission to the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)

of

up to 4,300,000 new, ordinary bearer shares with no par value (*Stückaktien*) from the IPO Capital Increase

and of

20,000,000 ordinary bearer shares with no par value (*Stückaktien*)
(including both the existing share capital as of the date of the Prospectus and the shares to be issued in connection with the Base Capital Increase)

– each such share representing a notional share in the share capital of € 1.00 and carrying full dividend rights as from January 1, 2021 –

of

Cherry AG
Munich, Germany

Price Range: € 30.00 – € 38.00

International Securities Identification Number (ISIN): DE000A3CRRN9
German Securities Code (*Wertpapierkennnummer*, WKN): A3CRRN
Trading Symbol: C3RY

Sole Global Coordinator and Joint Bookrunner

Hauck & Aufhäuser

Joint Bookrunners

ABN AMRO **M.M.Warburg & CO**

The date of this Prospectus is June 15, 2021

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1 SUMMARY OF THE PROSPECTUS

1.1 Introduction and Warnings

This prospectus (the "**Prospectus**") relates to shares (the "**Shares**") of Cherry AG, a German Stock Corporation (*Aktiengesellschaft*) with its registered office at Einsteinstraße 174, 81677 Munich, Federal Republic of Germany ("**Germany**"), Legal Entity Identifier ("**LEI**") 984500DF98AA2E011444 (hereinafter also "**Cherry AG**", the "**Issuer**" or the "**Company**", and together with its consolidated subsidiaries, "**Cherry Group**", "**Group**", "**Cherry**", "**we**", "**our**" and "**us**"). The Company became the parent company of the Cherry Group on September 30, 2020 by means of an acquisition of all the shares in the former parent company Cherry Holding GmbH (which was subsequently merged into the Company in April 2021). The term "**Cherry Holding Group**" refers to Cherry Holding GmbH together with its consolidated subsidiaries (including on a sub-consolidated basis of Cherry Holding GmbH after the acquisition of Cherry Holding GmbH by the Company). The International Securities Identification Number ("**ISIN**") of the Company's Shares is DE000A3CRRN9.

Shares will be offered by Hauck & Aufhäuser Privatbankiers AG, Kaiserstraße 24, 60311 Frankfurt am Main, Germany, LEI 529900OOZP78CYPYF471 ("**Hauck & Aufhäuser**", hereinafter also referred to as the "**Sole Global Coordinator**"), ABN AMRO Bank N.V., Gustav Mahlerlaan 10, 1082PP Amsterdam, The Netherlands, LEI BFXS5XCH7N0Y05NIXW11 ("**ABN AMRO**") and M.M.Warburg & CO (AG & Co.) KGaA, Ferdinandstraße 75, 20095 Hamburg, Germany, LEI MZI1VDH2BQLFZGLQDO60 ("**M.M.Warburg**", and together with the Sole Global Coordinator and ABN AMRO, the "**Joint Bookrunners**" or the "**Underwriters**"). The Company and the Sole Global Coordinator will apply for the admission to trading of the Shares. The Company and the Underwriters assume responsibility for the contents of the Prospectus.

The Prospectus is dated June 15, 2021 and has been approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht,* "**BaFin**") as competent authority under Regulation (EU) 2017/1129 on that date. BaFin can be contacted at Marie-Curie-Str. 24-28, 60439 Frankfurt am Main, Germany, by telephone +49 228 4108-0, or via its website: www.bafin.de.

This summary should be read as an introduction to the Prospectus. Any decision to invest in the Shares should be based on a consideration of the Prospectus as a whole by the investor. Investors could lose all or part of their invested capital. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the prospectus, or where it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.

1.2 Key Information on the Issuer

1.2.1 Who is the issuer of the securities?

The legal name of the issuer is "Cherry AG". Cherry AG is incorporated as a stock corporation (*Aktiengesellschaft*) under the laws of Germany. The Company's domicile is Munich, Germany, and it is registered with the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Munich under HRB 266697. The Company can be contacted at its business address: Einsteinstraße 174, 81677 Munich, Germany, by telephone (Auerbach headquarters): +49 9643 2061-0, or via its website: www.cherry.de. The Company's LEI is 984500DF98AA2E011444.

1.2.1.1 Principal activities of the Issuer

Cherry, headquartered in Auerbach in der Oberpfalz, Germany, is a globally active manufacturer of key switches for mechanical keyboards (*i.e.*, those mechanisms located underneath each key of a mechanical keyboard that register the keystroke, "**switches**") and computer input devices. Its business focuses on mechanical keyboard switches for gaming and on peripherals used in a variety of settings, mainly for gaming, office, industry, cybersecurity protection as well as telematics solutions for healthcare practices. As of March 31, 2021, the Group had nearly 500 employees in production facilities and offices in Germany, France, the United Kingdom, China (including Hong Kong and Taiwan), Austria and the United States of America (the "**United States**", "**U.S.**" or "**USA**"). Cherry believes that, since its foundation in 1953, it has stood for premium quality products designed and developed specifically for the needs of its customers.

Cherry is active in two main business areas: Gaming and Professional. The Gaming business area comprises the Gaming Switches business unit, which sells branded mechanical key switches to third-party customers, who in turn use them in PC gaming keyboards sold all around the world, and the Gaming Peripherals business unit, which offers gaming keyboards and mice as well as other peripherals, including gaming headsets, with a focus on premium-priced keyboards for the Asian gaming market. The Professional business area comprises the Office & Industry Peripherals business unit, which sells PC peripherals (keyboards, mice and keyboard/mice combos) with multiple features for use in different governmental, commercial, office, enterprise and industrials applications, and the Healthcare & Security Peripherals business unit, which sells specialized peripherals for the German healthcare system (*e.g.*, certified keyboards with smartcard readers for the electronic healthcare cards as well as PIN and smartcard terminals), peripherals that contribute to infectious disease control, keyboards and mice with special security features as well as point-of-sales peripherals.

Cherry AG, as the holding and management company of the Cherry Group, performs overarching tasks and corporate functions for the Group.

1.2.1.2 Major shareholders

As of the date of the Prospectus and prior to the offering of the Company's Shares, all of the Company's existing Shares are held by Cherry TopCo S.à r.l., Luxembourg, Grand Duchy of Luxembourg ("**Cherry TopCo**" or the "**Selling Shareholder**"). The voting rights held by the Selling Shareholder in the Company are attributed through various entities to Argand Partners Fund GP-GP, Ltd., Grand Cayman, Cayman Islands ("**Argand GP-GP**"), which also holds a major indirect shareholding in the share capital of the Company.

1.2.1.3 Key managing directors

The Company's Management Board (*Vorstand*) has two members: Rolf Unterberger, who acts as Chief Executive Officer (CEO), and Bernd Wagner, who acts as Chief Financial Officer (CFO) and Chief Operating Officer (COO).

1.2.1.4 Statutory auditors

For the fiscal years ended December 31, 2019 and December 31, 2020 of Cherry Holding GmbH, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany, Essen and Dortmund offices ("**EY**"), was appointed as auditor of Cherry Holding GmbH (which was merged into the Company in April 2021). EY was also appointed as statutory auditor by the Company for the fiscal year ended December 31, 2020 and for the current fiscal year ending December 31, 2021 of the Company. For the fiscal year ended December 31, 2018 of Cherry Holding GmbH, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany, Nuremberg office ("**PwC**"), was appointed as auditor by Cherry Holding GmbH (merged into the Company in April 2021).

1.2.2 What is the key financial information regarding the issuer?

The audited consolidated financial statements of Cherry Holding GmbH (which was merged into the Company in April 2021) as of and for the fiscal years ended December 31, 2020, 2019 and 2018 (the "**Audited Consolidated Financial Statements of Cherry Holding GmbH**") and the audited consolidated financial statements of the Company (at the time: Cherry AcquiCo GmbH) as of and for the fiscal year ended December 31, 2020, which however only captures the results of operations for the entire Cherry Group for the period from October 1, 2020 to December 31, 2020 as the Company did not have any consolidated subsidiaries prior to September 30, 2020 (the "**Audited Consolidated Financial Statements of the Company**", and together with the Audited Consolidated Financial Statements of Cherry Holding GmbH, the "**Audited Consolidated Financial Statements**") were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("**IFRS**") and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code (*Handelsgesetzbuch* – "**HGB**") as well as Section 315a para. 1 HGB, respectively. The unaudited condensed interim consolidated financial statements of the Company (at the time: Cherry AcquiCo GmbH) as of and for the three-month period ended March 31, 2021 (the "**Unaudited Condensed Interim Consolidated Financial Statements of the Company**") and the unaudited condensed interim consolidated financial statements of Cherry Holding GmbH as of and for the three-month period ended March 31, 2021 (the "**Unaudited Condensed Interim Consolidated Financial Statements of Cherry Holding GmbH**", and together with the Unaudited Condensed Interim Consolidated Financial Statements of the Company, the "**Unaudited Condensed Interim Consolidated Financial Statements**") were prepared in accordance with IFRS for interim financial reporting (IAS 34). The pro forma consolidated income statement of the Group for the twelve-month period ended December 31, 2020 was prepared in accordance with the IDW Accounting Practice Statement: Preparation of the Pro Forma Financial Information (IDW AcPS AAB 1.004) (*IDW Rechnungslegungshinweis: Erstellung von Pro Forma Finanzinformationen (IDW RH HFA 1.004)*) as published by IDW (the "**Unaudited Pro Forma Financial Information**").

In this summary of the Prospectus, where financial information is presented in tables as financial information of the "Cherry Holding Group", this means that it has been taken from the Audited Consolidated Financial Statements of Cherry Holding GmbH, the Unaudited Condensed Interim Consolidated Financial Statements of Cherry Holding GmbH or the Company's accounting records or internal management reporting system, or has been calculated based on figures from the above-mentioned sources. In this summary of the Prospectus, where financial information is presented in tables as financial information of "Cherry Group", this means that it has been taken from the Audited Consolidated Financial Statements of the Company, the Unaudited Condensed Interim Consolidated Financial Statements of the Company or the Unaudited Pro Forma Financial Information or the Company's accounting records or internal management reporting system, or has been calculated based on figures from the above-mentioned sources.

Further, in this summary of the Prospectus, where financial information is presented as "audited" in tables, this means that it was taken from the Audited Consolidated Financial Statements. Where financial information is presented in tables as "unaudited", this indicates that the financial information has not been taken from the Audited Consolidated Financial Statements but has been taken either from the Unaudited Condensed Interim Financial Statements of the Company or the Unaudited Pro Forma Financial Information or from the Company's accounting records or internal management reporting system, or has been calculated based on figures from the above-mentioned sources. Where financial information is presented in tables as "pro forma", it has been taken from the Unaudited Pro Forma Financial Information.

1.2.2.1 Key financial information from the consolidated income statements and the pro forma consolidated income statement

	January 1 to December 31,	For Fiscal Year ended December 31,			For the Three-Month Period ended March 31,		
	2020	2020	2019	2018	2021		2020
	Cherry Group[1]	Cherry Holding Group			Cherry Group[2]	Cherry Holding Group	
(in € thousand, unless otherwise indicated)	(unaudited, pro forma)	(audited, unless otherwise indicated)			(unaudited)	(unaudited)	
Revenue	130,204	130,204	114,723	100,085	37,718	37,718	27,783
Revenue growth (in %)	—	13.5*	14.6*	—	—	35.6	—
EBIT[3]	9,365	24,982	18,366	13,724	6,682	7,798	3,974
Consolidated profit/loss	90	17,537	12,515	9,293	2,356	5,689	2,805

* Unaudited.

1) Taken from on the Unaudited Pro Forma Financial Information. The Company was used as a vehicle for the acquisition of Cherry Holding GmbH and its consolidated subsidiaries, which took place as of September 30, 2020. The operating business of the Cherry Group consists of the business of Cherry Holding Group solely. Therefore, the consolidated financial statements of the Company as of and for the year ended December 31, 2020 show only the operating business of the Cherry Group for the period from October 1, 2020 to December 31, 2020. The Unaudited Pro Forma Financial Information show the material effects the acquisition of Cherry Holding GmbH would have had on the consolidated income statement of the Company for the fiscal year ended December 31, 2020 as if the acquisition of Cherry Holding GmbH had occurred on January 1, 2020 and include the operating business of the Cherry Group for the entire year 2020. The Unaudited Pro Forma Financial Information have been prepared on the basis of the Audited Consolidated Financial Statements of the Company and the Audited Consolidated Financial Statements of Cherry Holding GmbH for the fiscal year ended December 31, 2020.

2) Since the Company (at the time: Cherry AcquiCo GmbH) only became parent company of Cherry Group on September 30, 2020, the Unaudited Consolidated Interim Financial Statements of the Company do not contain comparable financial information for the three-month period ended March 31, 2020 for the entire Cherry Group with the Company as parent company. No revenue, EBIT or consolidated profit/loss was recorded in the consolidated income statement of the Company for the three-month-period ended March 31, 2020.

3) Referred to as 'Operating result/earnings before interest, taxes and income taxes (EBIT)' ("**EBIT**") in the consolidated income statements and the pro forma consolidated income statement.

1.2.2.2 Key financial information from the consolidated statements of financial position

	As of December 31,				As of March 31,
	2020	2019		2018	2021
	Cherry Group	Cherry Holding Group			Cherry Group
(in € thousand)	(audited, unless otherwise indicated)	(audited, unless otherwise indicated)			(unaudited)
Total assets	290,532	141,504	125,375	116,117	301,624
Total equity	142,585	85,448	68,489	55,854	145,996
(Net Cash) / Net Debt[1]	75,456*	(2,864)*	10,485*	8,609*	82,630

* Unaudited.

1) Calculated as total debt less total liquidity. Total debt is defined as the sum of liabilities to banks, current and non-current lease liabilities and pension provisions. Total liquidity is defined as cash and cash equivalents. A negative value represents a Net Cash position.

1.2.2.3 Key financial information from the consolidated statements of cash flows

	For Fiscal Year ended December 31,			For the Three-Month Period ended March 31,		
	2020	2019	2018	2021		2020
	Cherry Holding Group			Cherry Group[1]	Cherry Holding Group	
(in € thousand)	(audited)			(unaudited)	(unaudited)	
Cash flows from operating activities	22,781	21,348	15,710	(379)	480	4,533
Cash flows from investing activities	(6,343)	(8,617)	(5,295)	(3,099)	(3,099)	(864)
Cash flows from financing activities	(9,158)	(13,294)	(7,499)	(938)	(938)	(624)

1) Since the Company (at the time: Cherry AcquiCo GmbH) only became parent company of Cherry Group on September 30, 2020, the Unaudited Consolidated Interim Financial Statements of the Company do not contain comparable financial information for the three-month period ended March 31, 2020 for the entire Cherry Group with the Company as parent company. No cash flows from operating activities, cash flows from investing activities or cash flows from financing activities were recorded in the consolidated statement of cash flows of the Company for the three-month-period ended March 31, 2020.

1.2.2.4 Key alternative performance measures

	For Fiscal Year ended December 31,			For the Three-Month Period ended March 31,		
	2020	2019	2018	2021		2020
	Cherry Holding Group			Cherry Group[1]	Cherry Holding Group	
(in € thousand, unless otherwise indicated)	(unaudited)			(unaudited)	(unaudited)	
Adjusted EBIT[2]	26,848	20,355	13,724	7,528	8,213	4,089
Adjusted EBIT Margin[3]	20.6%	17.7%	13.7%	20.0%	21.8%	14.7%
Adjusted EBITDA[4]	37,132	29,741	20,947	10,952	10,952	6,486
Adjusted EBITDA Margin[3]	28.5%	25.9%	20.9%	29.0%	29.0%	23.3%
Free Cash Flow[5]	16,438	12,731	10,416	(3,478)	(2,619)	3,669
Cash Conversion Rate[6]	93.7%	101.7%	112.1%	—	—	—

1) Since the Company (at the time: Cherry AcquiCo GmbH) only became parent company of Cherry Group on September 30, 2020, the Unaudited Consolidated Interim Financial Statements of the Company do not contain comparable financial information for the three-month period ended March 31, 2020 for the entire Cherry Group with the Company as parent company.

2) Adjusted EBIT is calculated as EBIT adjusted for the following either non-recurring items or non-operating items: (i) Staff expenses (incl. share-based staff expenses) / (income); (ii) expenses in connection with capital market transactions; (iii) expenses in connection with M&A Transactions; (iv) expenses in connection with natural disaster and pandemic, and (v) other one-off cost (the items (i) through (v), the "**Adjustment Items**").

3) Adjusted EBIT Margin and Adjusted EBITDA Margin are calculated by dividing Adjusted EBIT and Adjusted EBITDA by revenue, as applicable.

4) Adjusted EBITDA is calculated as EBIT plus depreciation and amortization (presented as 'Write-downs (+)/write-ups (-) of non-current assets' in the consolidated statements of cash flows in the respective consolidated financial statements) and adjusted for the Adjustment Items.

5) Free Cash Flow is calculated as cash flows from operating activities less cash flows from investing activities.

6) Cash Conversion Rate is calculated as Free Cash Flow divided by consolidated profit/loss, expressed as a percentage.

1.2.3 What are the key risks that are specific to the issuer?

An investment in the Company's Shares is subject to a number of risks. The following risks are key risks specific to us:

- Our economic development depends on the general economic environment and in particular on the development and trends of the computer industry in all industrialized countries as well as increasingly in the developing countries in Asia, and an economic downturn or negative social, political or other conditions worldwide or in these industries and regions may negatively affect our business, for example in terms of less demand for certain products and increased price pressure.
- We depend on our ability to attract and retain highly qualified managerial staff and skilled personnel, including developers and sales staff, and we face the risk that our business expertise may become available to competitors if key personnel transfers to any of them. Further, we may not be able to attract a sufficient number of skilled personnel and other workers to meet our strategic objectives and grow our business.
- We depend on suppliers to deliver products on time and in good quality. In many cases, we procure materials only from a single supplier or a limited number of suppliers, which increases our supply chain risk.
- Our products, in particular our newly developed products, may fail to gain the expected market acceptance, or, in particular in the case of premium products, they may lose market share to lower-priced products (including those developed by us).
- We are subject to several regulations and governmental policies and require certain certifications and authorizations, in particular for our Healthcare & Security Peripherals products. Our business and results of operations could be affected by the regulatory frameworks in different ways, for example if we were unable to obtain or renew required authorizations and certifications or if we failed to comply with our obligations.
- Our assets, in particular goodwill and other intangible assets such as internally generated industrial and similar rights and assets, industrial rights, licenses and patents, customer lists and brands are subject to the risk of impairment.
- We are exposed to credit risks and may need to write off or write down receivables if our contractual partners are unable to meet their obligations.
- Our tax burden could increase due to changes in tax laws or their application or interpretation, or as a result of current or future tax audits.
- Our results of operations are exposed to currency exchange rate fluctuations, in particular regarding the exchange rates of the U.S. dollar, the British pound sterling, and the Chinese renminbi to the euro, which could result in losses or induce volatility in our earnings. An increasing value of the euro might adversely impact the competitiveness of our products outside the eurozone due to price effects on local markets.
- We have formed partnerships in relation to research and development, production as well as a strategic partnership for the launch of a new key switch and may fail to fulfill our obligations vis-à-vis our partners. In addition, our partners may have conflicting interests, which could negatively affect the partnership's ability to achieve the desired results or could result in a loss or drain of know-how.
- Operational disruptions may have a material adverse effect on our business.
- The Covid-19 pandemic has resulted in a considerable boost for our business due to an acceleration of relevant trends such as increased gaming activity and an increase in B2C sales of office peripherals due to a rise of remote working and learning. It is uncertain whether we will be able to sustain or increase the level of sales once the pandemic ebbs or is overcome.
- We are, have in the past been, and may in the future be, subject to intellectual property infringement claims, which are costly to defend, could require us to pay damages or royalties and could limit our ability to use certain technologies in the future.

1.3 Key Information on the Securities

1.3.1 What are the main features of the securities?

The Prospectus relates to ordinary bearer Shares with no par value (*Stückaktien*), each such share representing a notional value of € 1.00 in the share capital and carrying full dividend rights as from January 1, 2021, with the ISIN: DE000A3CRRN9. All Shares of the Company are shares of the same class and denominated in euro.

Each of the Shares of the Company entitles the shareholder to one vote at the general shareholders' meeting of the Company. Voting rights are not restricted and are the same for all of the Company's shareholders. As of the date of the Prospectus, the Company's Shares have been pledged by the Selling Shareholder as pledgee to a lender of the Company as pledgor. Automatically upon publication of the final offer price (the "**Offer Price**") by the Company, which is expected to occur on June 23, 2021, such pledge will be released. The Company’s Shares are subordinated to all other securities and claims in case of an insolvency of the Company; all Shares are entitled to a share of any distributable liquidation proceeds or insolvency surpluses at the ratio of their proportion in the share capital. The Company's Shares are freely transferable in accordance with the legal requirements for bearer shares (*Inhaberaktien*), subject to customary lock-up commitments as well as selling restrictions applicable to international sales. The Company and the Selling Shareholder have committed to lock-up undertakings for a period of 180 days each. Both members of the Management Board of the Company (also on behalf of their respective private investment vehicles) have committed to lock-up undertakings for a period of 18 months each. In addition, the members of the Supervisory Board of the Company Marcel Stolk and Steven M. Greenberg have committed to lock-up undertakings for a period of 12 months each. The Shares will be entitled to a share of any liquidation proceeds or insolvency surpluses at the ratio of their notional share in the share capital.

Subject to a statutory minimum dividend in case sufficient distributable profit is reported in the Company's audited unconsolidated financial statements prepared in accordance with the requirements of German commercial law applicable to corporations, the

Management Board of the Company does not expect to propose the payment of an annual dividend in the near future, but rather plans to continue to invest in the development of the business and to finance the envisaged M&A strategy.

1.3.2 Where will the securities be traded?

The Company will apply for admission of its Shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard).

1.3.3 What are the key risks that are specific to the securities?

The following risks are key risks specific to the Company's Shares:

- The shares of the Company have not been publicly traded, and there can be no assurance that a liquid trading market for the Company's shares will develop. Hence, in particular, the Company's share price and trading volume of its shares could fluctuate significantly, and investors could lose all or part of their investment.
- The Company's ability to pay dividends depends, among other things, on the Group's results of operations, financial investment needs, the availability of distributable reserves and on its overall financial position. Any of these factors, including the ability of the Company's operating subsidiaries to generate income and transfer profits, may restrict the Company's ability to pay dividends.

1.4 Key Information on the Offer of Securities to the Public and the Admission to Trading on a Regulated Market

1.4.1 Under which conditions and timetable can I invest in this security?

1.4.1.1 Scope and terms of the Offering; allotment; stabilization and greenshoe

The offering that is one of the subject-matters of the Prospectus (the "**Offering**") relates to (i) 4,300,000 new, ordinary bearer Shares with no par value (*Stückaktien*) (the "**New Shares**") from a capital increase against cash contributions expected to be resolved by a shareholders' meeting of the Company on or about June 23, 2021 (the "**IPO Capital Increase**"), (ii) 5,000,000 ordinary bearer Shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholder which are being offered in a base deal (the "**Base Secondary Shares**"), (iii) 2,000,000 ordinary bearer shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholder (the "**Additional Secondary Shares**", and together with the Base Secondary Shares, the "**Secondary Shares**") subject to the exercise of an upsize option (in full or in part) upon decision of the Selling Shareholder, after consultation with the Sole Global Coordinator, on the date of pricing; and (iv) 1,695,000 ordinary bearer Shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholder to cover potential over-allotments (the "**Over-Allotment Shares**", and together with the New Shares and the Secondary Shares, the "**Offer Shares**"). The Secondary Shares and the Over-Allotment Shares shall comprise existing shares as well as shares from a capital increase out of the Company's reserves resolved by an extraordinary shareholders' meeting of the Company on June 11, 2021 and expected to be registered with the Commercial Register on June 18, 2021 (the "**Base Capital Increase**").

The Offering consists of an initial public offering in Germany and private placements in certain jurisdictions outside of Germany. In the United States, the Company's Offer Shares will be offered and sold only to certain qualified institutional buyers as defined in and in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Outside of the United States, the Company's Shares will be offered and sold only in "offshore transactions" within the meaning of, and in reliance on, Regulation S under the Securities Act. The Offer Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold or otherwise transferred to or within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

The anticipated timetable for the Offering, which may be extended or shortened and remains subject to change, is as follows:

June 15, 2021	Approval of the Prospectus by BaFin; publication of the approved Prospectus on the website of Cherry AG (www.cherry.de)
June 16, 2021	Commencement of the period during which investors can submit purchase orders for the Offer Shares (the "**Offer Period**"); application for admission of the Company's Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard)
June 18, 2021	Expected registration of the implementation of the Base Capital Increase.
June 23, 2021	Close of the Offer Period for private investors (natural persons) at 12:00 noon (Central European Summer Time, "**CEST**") and for institutional investors at 14:00 CEST; determination and publication of the Offer Price and the final number of Shares allocated
June 24, 2021	Expected registration of the implementation of the IPO Capital Increase relating to the New Shares with the Commercial Register
June 28, 2021	Expected decision on admission to trading to be issued by the Frankfurt Stock Exchange
June 29, 2021	Commencement of trading in the Company's Shares on the regulated market segment of the Frankfurt Stock Exchange and on the sub-segment thereof with additional post-admission obligations (Prime Standard)
June 29, 2021	Book-entry delivery of the Offer Shares against payment of the Offer Price (settlement and closing)

The price range within which purchase orders may be placed is from € 30.00 to € 38.00 per Offer Share (the "**Price Range**"). The Selling Shareholder and the Company reserve the right, after consultation with the Sole Global Coordinator, to increase or decrease the total number of Offer Shares, to increase or decrease the upper and/or lower limit of the Price Range and/or to extend or shorten the Offer Period.

The Offer Price and the final number of Offer Shares to be placed will be determined jointly by the Company, the Selling Shareholder and the Sole Global Coordinator on behalf of the Underwriters once the Offer Period has expired on the basis of the submitted purchase orders. The allotment of Offer Shares to retail investors and institutional investors will be decided by the Company and the Selling Shareholder after consultation with the Sole Global Coordinator.

In connection with the placement of the Offer Shares, Hauck & Aufhäuser, or persons acting on its behalf, will act as stabilization manager and may, in accordance with legal requirements, take stabilization measures to support the market price of the Company's Shares during a period ending no later than 30 calendar days after the date of the commencement of trading of the Company's Shares on the regulated market of the Frankfurt Stock Exchange – which is expected to be on or about June 29, 2021 – and thereby counteract any selling pressure. The number of Over-Allotment Shares which may be allotted must not exceed 15% of the sum of the allotted New Shares, Base Secondary Shares and the Additional Secondary Shares (if any). The stabilization manager is under no obligation to take any stabilization measures. Under the possible stabilization measures, investors may, in addition to the New Shares and Secondary Shares, be allotted Over-Allotment Shares. In connection with potential over-allotments, the Selling Shareholder has granted the Sole Global Coordinator an option to acquire all or part of the allotted Over-Allotment Shares against payment of the Offer Price less agreed commissions ("**Greenshoe Option**", and any such Over-Allotment Shares purchased upon exercise of the Greenshoe Option, the "**Greenshoe Shares**").

1.4.1.2 Dilution

As of March 31, 2021, the net asset value attributable to the shareholders of the Company in its consolidated statement of financial position based on the Unaudited Interim Consolidated Financial Statements of the Company, calculated as total assets less total current and non-current liabilities and non-controlling interests, amounted to € 146.00 million, which corresponds to € 7.30 per share based on 20,000,000 outstanding shares immediately prior to the completion of the Offering (*i.e.*, after the implementation of the Base Capital Increase, but before the implementation of the IPO Capital Increase).

Assuming full implementation of the IPO Capital Increase (and of the Base Capital Increase) and a placement of 4,300,000 New Shares at the mid-point of the Price Range, after completion of the Offering, the net asset value attributable to the shareholders as of March 31, 2021, would amount to € 11.71 per share, which corresponds to an immediate dilution of € 22.29 per share, or 65.6%, for investors acquiring Offer Shares in the Offering.

1.4.1.3 Expenses

The costs related to the Offering of the Offer Shares and listing of the Company's Shares on the regulated market of the Frankfurt Stock Exchange are expected to total approximately € 22.40 million (of which the Company estimates that the costs for the Company will be approximately € 7.65 million and that the costs for the Selling Shareholder will be approximately € 14.76 million), assuming a full placement of 4,300,000 New Shares and 5,000,000 Base Secondary Shares at the mid-point of the Price Range, full placement of the Over-Allotment Shares, full exercise of the Upsize Option and of the Greenshoe Option, and payment in full of a discretionary performance commission.

Investors will not be charged expenses by the Company, the Selling Shareholder, or the Underwriters (in their capacity as underwriters). Investors may, however, have to bear customary transaction and handling fees charged by their brokers or other financial institutions through which they hold their securities.

1.4.2 Who is the offeror and/or the person asking for admission to trading?

The Offering will be made by the Underwriters. Hauck & Aufhäuser and M.M.Warburg are each incorporated and operating under the laws of Germany, while ABN AMRO is incorporated and operating under the laws of The Netherlands.

The Company, together with Hauck & Aufhäuser, who is acting as admission applicant (*Zulassungsantragsteller*) within the meaning of Section 2 no. 7 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), will apply for admission to trading of the Company's Shares.

1.4.3 Why is this prospectus being produced?

1.4.3.1 Reasons for the Offering and listing

The Company intends to expand its equity and generate cash proceeds from the Offering. It intends to achieve better access to the capital markets with the intended listing of its Shares. The Selling Shareholder intends to partially divest its shareholding in the Company in connection with the Offering.

The Company and the Selling Shareholder believe that the listing of the Company's Shares will provide a number of benefits to the Group, including enhanced brand visibility and recognition and increased flexibility and ability to support and develop the Group's business through organic growth and selective acquisitions.

1.4.3.2 Use and estimated net amounts of the proceeds

The Company intends to use its estimated net proceeds from the Offering of the New Shares

(1) *to repay outstanding debt*: € 89.3 million from the proceeds of the Offering will be applied directly towards the repayment of outstanding debt relating to its Senior Facilities Agreement immediately (repayment of principal in the amount of € 80 million, plus accrued interest, prepayment fee and break costs). In this connection, and leveraging its improved financial strength, the Company expects to replace the Senior Facilities Agreement with a new facilities agreement, including a term loan in the amount of € 45 million and a revolving credit facility in the amount of € 10

million, on more favorable terms suitable for a listed company; the new facilities agreement is expected to be signed either at the end of June 2021 or in July 2021.

(2) *to increase the Group's financial scope to pursue its organic growth strategy:* The Company intends to deploy approximately 60% of the remaining net proceeds from the Offering (together with existing cash on its balance sheet and funds raised from the new credit facilities) to fuel organic growth, in particular to advance and expand the Group's position as a global innovation leader, to develop new, innovative market-leading products across all of the Group's business areas, to expand its premium and leading brand presence and to deepen the Group's global market penetration in accordance with its strategy. In particular, we intend to use roughly half of such net proceeds allocated to organic growth for capacity increases and measures to increase automation in our production processes (such as investments in machinery and tools), and the remaining portion for items relating to R&D, new products and employees, *e.g.*, to fund an increase in marketing initiatives, new product development and the roll-out of e-commerce platforms.

(3) *to increase the Group's financial scope to pursue its inorganic growth strategy*: The Company intends to deploy approximately 40% of the remaining net proceeds from the Offering (together with existing cash on its balance sheet and funds raised from the new credit facilities) to fuel inorganic growth, by pursuing selective acquisitions to complement and further strengthen the Group's product portfolio and the Group's global geographic presence in accordance with its strategy.

Assuming in each case full placement of the Offer Shares (including all Additional Secondary Shares and all Over-Allotment Shares) at the mid-point of the Price Range, *i.e.*, including a full exercise of the Upsize Option and the Greenshoe Option, and payment in full of discretionary performance commissions to the Underwriters, the Company estimates that (i) the net proceeds to the Company from the sale of the New Shares would amount to approximately € 138.55 million and (ii) the net proceeds to the Selling Shareholder from the sale of the Base Secondary Shares, the Additional Secondary Shares and the Greenshoe Shares would amount to approximately € 280.87 million.

1.4.3.3 Underwriting Agreement

The Company, the Selling Shareholder and the Underwriters have entered into an underwriting agreement dated June 14, 2021 (the "**Underwriting Agreement**"), pursuant to which the Underwriters have agreed to underwrite all of the Offer Shares. The Underwriting Agreement also provides that the obligations of the Underwriters are subject to the satisfaction of certain conditions, including, for example, the receipt of customary confirmations and legal opinions satisfactory to the Underwriters.

1.4.3.4 Material conflicts of interest pertaining to the offer and the listing

The Underwriters will receive a commission from the Company and the Selling Shareholder upon successful completion of the Offering. In addition, Hauck & Aufhäuser has been appointed to act as designated sponsor and admission applicant (*Zulassungsantragsteller*) within the meaning of Section 2 no. 7 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*). As a result of these contractual relationships, the Underwriters have a financial interest in the successful completion of the Offering.

Furthermore, in connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for their own account, may acquire shares in the Offering and in that capacity may retain, purchase or sell for its own account such shares or related investments and may offer or sell such shares or other investments otherwise than in connection with the Offering. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contracts for difference) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of shares in the Company. None of the Underwriters intends to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so or as disclosed in the Prospectus.

The Selling Shareholder will receive the proceeds from the sale of the Base Secondary Shares, the Additional Secondary Shares (if any) and the Greenshoe Shares (if any) in the Offering. Accordingly, the Selling Shareholder has an interest in the successful completion of the Offering.

As of the date of the Prospectus, the members of the Company's Management Board (Rolf Unterberger and Bernd Wagner) and all members of the Company's Supervisory Board as well as certain other employees of the Cherry Group are indirectly invested in the Company. Conditional upon the settlement of the Offering, the members of the Company's Management Board and certain members of the Company's Supervisory Board (Steven M. Greenberg and Marcel Stolk) as well as certain other employees of the Cherry Group have sold their indirect shareholdings in the Selling Shareholder held through a management participation program to the Selling Shareholder against a consideration consisting of cash and Shares in the Company. The remaining members of the Supervisory Board (James Burns, Joachim Coers, Heather Faust, Tariq Osman and Dino Sawaya as well as Steven M. Greenberg who holds further indirect participations) are expected to indirectly participate in the proceeds of the Selling Shareholder from the Offering or from an appreciation of the value of their indirect investments as a consequence of the Offering. Accordingly, all these individuals have an interest in the success of the Offering on the best possible terms.

Certain members of the Company's Supervisory Board (Joachim Coers, Heather Faust, Tariq Osman and Dino Sawaya) hold functions at the Selling Shareholder or at affiliates of the Selling Shareholder. Dino Sawaya is also employed by an affiliate of the Selling Shareholder and James Burns and Steven M. Greenberg from time to time provide advisory services to affiliates of the Selling Shareholder. Accordingly, their interests with respect to the Offering and the admission of the Company's Shares to trading may not be aligned with those of the Company or the Company's other shareholders, which constitutes a potential conflict of interest.

2 ZUSAMMENFASSUNG DES PROSPEKTS

(**GERMAN TRANSLATION OF THE SUMMARY OF THE PROSPECTUS**)

2.1 Einleitung und Warnhinweise

Dieser Prospekt (der "**Prospekt**") bezieht sich auf Aktien (die "**Aktien**") der Cherry AG, einer deutschen Aktiengesellschaft mit Sitz in Einsteinstraße 174, 81677 München, Bundesrepublik Deutschland ("**Deutschland**"), Rechtsträgerkennung (*Legal Entity Identifier* – "**LEI**") 984500DF98AA2E011444 (im Folgenden auch "**Cherry AG**", der "**Emittent**" oder die "**Gesellschaft**", und gemeinsam mit ihren konsolidierten Tochtergesellschaften, "**Cherry-Gruppe**", "**Gruppe**", "**Cherry**", "**wir**", "**unser**" und "**uns**"). Die Gesellschaft wurde am 30. September 2020 durch Erwerb aller Anteile an dem vorherigen Mutterunternehmen Cherry Holding GmbH (im April 2021 auf die Gesellschaft verschmolzen). Der Begriff "**Cherry-Holding-Gruppe**" bezeichnet Cherry Holding GmbH, gemeinsam mit ihren konsolidierten Tochtergesellschaften (einschließlich auf teilkonsolidierter Basis nach dem Erwerb der Cherry Holding GmbH durch die Gesellschaft).

Die Internationale Wertpapier-Identifikationsnummer (*International Securities Identification Number* – "**ISIN**") der Aktien der Gesellschaft lautet DE000A3CRRN9.

Die Aktien werden von Hauck & Aufhäuser Privatbankiers AG, Kaiserstraße 24, 60311 Frankfurt am Main, Deutschland, LEI 529900OOZP78CYPYF471 ("**Hauck & Aufhäuser**", im folgenden auch "**Sole Global Coordinator**"), ABN AMRO Bank N.V., Gustav Mahlerlaan 10, 1082PP Amsterdam, Niederlande, LEI BFXS5XCH7N0Y05NIXW11 ("**ABN AMRO**") und M.M.Warburg & CO (AG & Co.) KGaA, Ferdinandstraße 75, 20095 Hamburg, Deutschland, LEI MZI1VDH2BQLFZGLQDO60 ("**M.M.Warburg**", und zusammen mit ABN AMRO und dem Sole Global Coordinator, die "**Joint Bookrunner**" oder die "**Konsortialbanken**") angeboten. Die Gesellschaft und der Sole Global Coordinator werden die Zulassung zum Handel der Aktien beantragen. Die Gesellschaft und die Konsortialbanken übernehmen Verantwortung für den Inhalt des Prospekts.

Der Prospekt datiert vom 15. Juni 2021 und wurde von der Bundesanstalt für Finanzdienstleistungsaufsicht (im Folgenden auch "**BaFin**") gemäß Verordnung (EU) 2017/1129 als zuständiger Behörde an diesem Tag gebilligt. Die BaFin ist erreichbar unter Marie-Curie-Str. 24-28, 60439 Frankfurt am Main, Deutschland, telefonisch unter +49 228 4108-0, oder über ihre Website: www.bafin.de.

Diese Zusammenfassung sollte als Einleitung zu dem Prospekt verstanden werden. Bei jeder Entscheidung, in die Aktien der Gesellschaft zu investieren, sollte sich der Anleger auf den Prospekt als Ganzes stützen. Anleger können das gesamte angelegte Kapital oder einen Teil davon verlieren. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in dem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger nach nationalem Recht möglicherweise die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben. Zivilrechtlich haften nur diejenigen Personen, die die Zusammenfassung samt etwaiger Übersetzungen vorgelegt und übermittelt haben, und dies auch nur für den Fall, dass die Zusammenfassung, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, irreführend, unrichtig oder widersprüchlich ist oder dass sie, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, nicht die Basisinformationen vermittelt, die in Bezug auf Anlagen in die Aktien der Gesellschaft für die Anleger eine Entscheidungshilfe darstellen würden.

2.2 Basisinformationen über die Emittentin

2.2.1 Wer ist die Emittentin der Wertpapiere?

Die Firma der Emittentin lautet "Cherry AG". Die Cherry AG ist eine Aktiengesellschaft nach deutschem Recht. Der Sitz der Gesellschaft ist München, Deutschland, und sie ist im Handelsregister des Amtsgerichts München unter HRB 266697 eingetragen. Die Gesellschaft kann unter der Geschäftsadresse: Einsteinstraße 174, 81677 München, Deutschland oder telefonisch (Hauptsitz in Auerbach) unter: +49 9643 2061-0, oder über ihre Website: www.cherry.de erreicht werden. Die LEI der Gesellschaft lautet 984500DF98AA2E011444.

2.2.1.1 Haupttätigkeiten der Emittentin

Cherry mit Hauptsitz in Auerbach in der Oberpfalz, Deutschland, ist ein weltweit tätiger Hersteller von Tastenschaltern für mechanische Tastaturen (d. h. jene Mechanismen, die sich unter den einzelnen Tasten einer mechanischen Tastatur befinden und den Tastenanschlag registrieren, "**Schalter**") und Computer-Eingabegeräten. Das Geschäft des Unternehmens konzentriert sich auf mechanische Schalter für Gaming-Tastaturen und auf Peripheriegeräte, die in einer Vielzahl von Bereichen eingesetzt werden – hauptsächlich mit den Schwerpunkten Gaming, Office, Industrie, Cybersicherheitsschutz und Lösungen zur Unterstützung des Gesundheitswesens durch elektronische Datenverarbeitung und Kommunikation. Zum 31. März 2021 beschäftigte der Konzern fast 500 Mitarbeiter in Produktionsstätten und Büros in Deutschland, Frankreich, Großbritannien, China (einschließlich Hongkong und Taiwan), Österreich und den Vereinigten Staaten von Amerika (die "**Vereinigten Staaten**", "**U.S.**" oder "**USA**"). Cherry steht nach eigener Einschätzung seit der Gründung im Jahr 1953 für qualitativ hochwertige Produkte, die speziell für die Bedürfnisse der Kunden konzipiert und entwickelt werden.

Cherry ist in zwei Hauptgeschäftsbereichen tätig: Gaming und Professional. Der Geschäftsbereich Gaming umfasst die Geschäftseinheit Gaming Switches, die mechanische Tastenschalter an Drittkunden vertreibt, welche diese wiederum in weltweit verkauften PC-Gaming-Tastaturen einsetzen, sowie die Geschäftseinheit Gaming Peripherals, die Gaming-Tastaturen und -Mäuse sowie weitere Peripheriegeräte, darunter Gaming-Headsets, mit Fokus auf hochpreisige Tastaturen für den asiatischen Gaming-Markt anbietet. Der Geschäftsbereich Professional umfasst die Geschäftseinheit Office & Industry Peripherals, die PC-Peripheriegeräte (Tastaturen, Mäuse und Tastatur/Maus-Kombinationen) mit vielfältigen Funktionen für den Einsatz in verschiedenen Behörden-, Büro-, Unternehmens- und Industrieanwendungen vertreibt, sowie die Geschäftseinheit Healthcare & Security Peripherals, die spezialisierte Peripheriegeräte für das deutsche Gesundheitswesen vertreibt (z. B. zertifizierte

Tastaturen mit Smartcard-Lesern für die elektronische Gesundheitskarte sowie PIN- und Smartcard-Terminals), Peripheriegeräte, die zur Bekämpfung von Infektionskrankheiten beitragen, Tastaturen und Mäuse mit speziellen Sicherheitsmerkmalen sowie Point-of-Sales-Peripheriegeräte.

Die Cherry AG nimmt als Holding- und Managementgesellschaft der Cherry-Gruppe übergreifende Aufgaben und Unternehmensfunktionen für die Gruppe wahr.

2.2.1.2 Hauptanteilseigner

Zum Datum des Prospekts und vor dem Angebot der Aktien durch die Gesellschaft, werden alle bestehenden Aktien der Gesellschaft von der Cherry TopCo S.à r.l., Luxemburg, Großherzogtum Luxemburg ("**Cherry TopCo**" oder "**Abgebender Aktionär**"), gehalten. Die vom Abgebenden Aktionär gehaltenen Stimmrechte an der Gesellschaft werden über verschiedene Gesellschaften der Argand Partners Fund GP-GP, Ltd., Grand Cayman, Cayman Islands ("**Argand GP-GP**") zugerechnet, die auch eine wesentliche mittelbare Beteiligung am Grundkapital der Gesellschaft hält.

2.2.1.3 Hauptgeschäftsführer

Der Vorstand der Gesellschaft besteht aus zwei Mitgliedern: Rolf Unterberger ist Chief Executive Officer (CEO) und Bernd Wagner ist Chief Financial Officer (CFO) sowie Chief Operating Officer (COO).

2.2.1.4 Abschlussprüfer

Für die am 31. Dezember 2019 und 31. Dezember 2020 beendeten Geschäftsjahre der Cherry Holding GmbH wurde die Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Deutschland, Standorte Essen und Dortmund ("**EY**") zum Abschlussprüfer der Cherry Holding GmbH (im April 2021 auf die Gesellschaft verschmolzen) bestellt. EY wurde von der Gesellschaft auch zum Abschlussprüfer für das zum 31. Dezember 2020 beendete Geschäftsjahr und für das laufende und am 31. Dezember 2021 endende Geschäftsjahr der Gesellschaft bestellt. Für das am 31. Dezember 2018 beendete Geschäftsjahr der Cherry Holding GmbH wurde die PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Deutschland, Standort Nürnberg ("**PwC**") von der Cherry Holding GmbH (im April 2021 auf die Gesellschaft verschmolzen) als Abschlussprüfer bestellt.

2.2.2 Welches sind die wesentlichen Finanzinformationen über die Emittentin?

Die geprüften Konzernabschlüsse der Cherry Holding GmbH (im April 2021 auf die Gesellschaft verschmolzen) für die zum 31. Dezember 2020, 2019 und 2018 endenden Geschäftsjahre (die "**Geprüften Konzernabschlüsse der Cherry Holding GmbH**") und der geprüfte Konzernabschluss der Gesellschaft (zu dieser Zeit: Cherry AcquiCo GmbH) für das am 31. Dezember 2020 endenden Geschäftsjahr, der allerdings nur das operative Ergebnis der gesamten Cherry-Gruppe für den Zeitraum 1. Oktober 2020 bis zum 31. Dezember 2020 abdeckt, da die Gesellschaft vor dem 30. September 2020 nicht über zu konsolidierende Tochterunternehmen verfügte ("**Geprüfter Konzernabschluss der Gesellschaft**", und zusammen mit den Geprüften Konzernabschlüssen der Cherry Holding GmbH, die "**Geprüften Konzernabschlüsse**") wurden in Übereinstimmung mit den International Financial Reporting Standards, wie sie in der Europäischen Union anzuwenden sind ("**IFRS**"), und den ergänzend nach § 315e Abs. 1 Handelsgesetzbuch ("**HGB**") bzw. § 315a Abs. 1 HGB anzuwendenden deutschen handelsrechtlichen Vorschriften erstellt. Der ungeprüfte verkürzte Konzernzwischenabschluss der Gesellschaft (zu dieser Zeit: Cherry AcquiCo GmbH) für den zum 31. März 2021 endenden Dreimonatszeitraum (der "**Ungeprüfte Verkürzte Konzernzwischenabschluss der Gesellschaft**") und der ungeprüfte verkürzte Konzernzwischenabschluss der Cherry Holding GmbH für den zum 31. März 2021 endenden Dreimonatszeitraum (der "**Ungeprüfte Verkürzte Konzernzwischenabschluss der Cherry Holding GmbH**" und zusammen mit dem Ungeprüften Verkürzte Konzernzwischenabschluss der Gesellschaft, die "**Ungeprüften Verkürzten Konzernzwischenabschlüsse**") wurde in Übereinstimmung mit den IFRS für Zwischenberichterstattung (IAS 34) erstellt. Die konsolidierte Pro-Forma-Gewinn- und Verlustrechnung der Gruppe für den zum 31. Dezember 2020 endenden Zwölfmonatszeitraum wurde auf der Grundlage des vom IDW veröffentlichten IDW Rechnungslegungshinweises: Erstellung von Pro-Forma-Finanzinformationen (IDW RH HFA 1.004) erstellt (die "**Ungeprüften Pro-Forma-Finanzinformationen**").

Soweit in der Zusammenfassung des Prospekts Finanzinformationen in Tabellen als Finanzinformationen der "Cherry-Holding-Gruppe" bezeichnet sind, bedeutet dies, dass sie den Geprüften Konzernabschlüssen der Cherry Holding GmbH, dem Ungeprüften Verkürzten Konzernzwischenabschluss der Cherry Holding GmbH oder der Buchhaltung bzw. dem internen Berichtswesen der Gesellschaft entnommen oder auf der Grundlage von Zahlen aus den vorgenannten Quellen berechnet wurden. Soweit in der Zusammenfassung des Prospekts Finanzinformationen in Tabellen als Finanzinformationen der "Cherry Gruppe" bezeichnet werden, bedeutet dies, dass sie dem Geprüften Konzernabschluss der Gesellschaft, dem Ungeprüften Verkürzten Konzernzwischenabschluss der Gesellschaft oder den Ungeprüften Pro-Forma-Finanzinformationen oder der Buchhaltung bzw. dem internen Berichtwesen der Gesellschaft entnommen bzw. auf Basis von Zahlen aus den oben genannten Quellen berechnet wurden.

Soweit in der Zusammenfassung des Prospekts Finanzinformationen in Tabellen als "geprüft" bezeichnet sind, bedeutet dies, dass sie den Geprüften Konzernabschlüssen entnommen wurden. Wenn Finanzinformationen in Tabellen als "ungeprüft" bezeichnet werden, bedeutet dies, dass die Finanzinformationen nicht den Geprüften Konzernabschlüssen entnommen wurden, sondern entweder den Ungeprüften Verkürzten Konzernzwischenabschlüssen oder den Ungeprüften Pro-Forma-Finanzinformationen oder der Buchhaltung bzw. dem internen Berichtswesen der Gesellschaft entnommen wurden oder auf Grundlage von Zahlen aus den vorgenannten Quellen berechnet wurden. Soweit Finanzinformationen in Tabellen als "pro forma" bezeichnet werden, bedeutet dies, dass sie den Ungeprüften Pro-Forma-Finanzinformationen entnommen wurden.

2.2.2.1 *Wesentliche Finanzinformationen aus der Konzern-Gewinn- und Verlustrechnung und der Pro-Forma-Konzern-Gewinn- und Verlustrechnung*

(in Tausend Euro, soweit nicht anders angegeben)	1. Januar bis 31. Dezember	Für das Geschäftsjahr zum 31. Dezember			Für den Dreimonatszeitraum zum 31. März		
	2020	2020	2019	2018	2021	2021	2020
	Cherry-Gruppe[1)]	Cherry–Holding-Gruppe			Cherry-Gruppe[2)]	Cherry-Holding-Gruppe	
	(ungeprüft, pro forma)	(geprüft, soweit nicht anders angegeben)			(ungeprüft)	(ungeprüft)	
Umsatzerlöse	130.204	130.204	114.723	100.085	37.718	37.718	27.783
Umsatzwachstum (in %)	—	13,5*	14,6*	—	—	35,6	—
EBIT[3)]	9.365	24.982	18.366	13.724	6.682	7.798	3.974
Konzernüberschuss / -fehlbetrag	90	17.537	12.515	9.293	2,356	5.689	2.805

* Ungeprüft.

1) Den Ungeprüften Pro-Forma Finanzinformationen entnommen. Die Gesellschaft diente als Vehikel für den Erwerb der Cherry Holding GmbH und ihrer konsolidierten Tochtergesellschaften, der zum 30. September 2020 erfolgte. Das operative Geschäft der Cherry-Gruppe besteht ausschließlich aus dem Geschäft der Cherry-Holding-Gruppe. Daher zeigt der Konzernabschluss der Gesellschaft zum 31. Dezember 2020 nur das operative Geschäft der Cherry Gruppe für den Zeitraum vom 1. Oktober 2020 bis zum 31. Dezember 2020. Die Ungeprüften Pro-Forma Finanzinformationen zeigen die wesentlichen Auswirkungen des Erwerbs der Cherry Holding GmbH auf die Konzern-Gewinn- und Verlustrechnung der Gesellschaft für das am 31. Dezember 2020 endende Geschäftsjahr, als ob der Erwerb der Cherry Holding GmbH bereits am 1. Januar 2020 stattgefunden hätte, und beinhalten das operative Geschäft der Cherry-Gruppe für das gesamte Jahr 2020. Die Ungeprüften Pro-Forma Finanzinformationen wurden auf Basis des Geprüften Konzernabschlusses der Gesellschaft sowie des Geprüften Konzernabschlusses der Cherry Holding GmbH für das zum 31. Dezember 2020 endende Geschäftsjahr erstellt.

2) Da die Gesellschaft (zu dieser Zeit: Cherry AcquiCo GmbH) erst am 30. September 2020 Mutterunternehmen der Cherry-Gruppe wurde, enthält der Ungeprüfte Verkürzte Konzernzwischenabschluss der Gesellschaft keine Vergleichszahlen für den Dreimonatszeitraum zum 31. März 2020 für die gesamte Cherry-Gruppe mit der Gesellschaft als Mutterunternehmen. In der Konzern-Gewinn- und Verlustrechnung der Gesellschaft wurden für den Dreimonatszeitraum zum 31. März 2020 keine Umsatzerlöse, kein EBIT und kein Konzernüberschuss/ -fehlbetrag ausgewiesen.

3) In der Konzern-Gewinn- und Verlustrechnung und der Pro-Forma-Konzerngewinn- und Verlustrechnung als 'Betriebliches Ergebnis/Ergebnis vor Zinsen und Steuern und Ertragssteuern (EBIT)' ("**EBIT**") bezeichnet.

2.2.2.2 *Wesentliche Finanzinformationen aus der Konzernbilanz*

(in Tausend Euro)	Zum 31. Dezember				Zum 31. März
	2020	2020	2019	2018	2021
	Cherry-Gruppe	Cherry-Holding-Gruppe			Cherry-Gruppe
	(geprüft, soweit nicht anders angegeben)	(geprüft, soweit nicht anders angegeben)			(ungeprüft)
Aktiva gesamt	290.532	141.504	125.375	116.117	301.624
Summe Eigenkapital	142.585	85.448	68.489	55.854	145.996
(Nettoliquidität) / Nettoverschuldung[1)]	75.456*	(2.864)*	10.485*	8.609*	82.630

* Ungeprüft.

1) Berechnet als Summe Finanzschulden abzüglich Summe Liquidität. Die Summe Finanzschulden wird berechnet als Summe von Bankschulden, kurzfristigen und langfristigen Leasingverbindlichkeiten und Pensionsrückstellungen. Die Summe Liquidität ist definiert als Zahlungsmittel und Zahlungsmitteläquivalente. Ein negativer Betrag zeigt Nettoliquidität.

2.2.2.3 *Wesentliche Finanzinformationen aus der Konzern-Kapitalflussrechnung*

(in Tausend Euro)	Für das Geschäftsjahr zum 31. Dezember			Für den Dreimonatszeitraum zum 31. März		
	2020	2019	2018	2021	2021	2020
	Cherry-Holding-Gruppe			Cherry-Gruppe[1)]	Cherry-Holding-Gruppe	
	(geprüft)			(ungeprüft)	(ungeprüft)	
Cashflow aus laufender Geschäftstätigkeit	22.781	21.348	15.710	(379)	480	4.533
Cashflow aus der Investitionstätigkeit	(6.343)	(8.617)	(5.295)	(3.099)	(3.099)	(864)
Cashflow aus der Finanzierungstätigkeit	(9.158)	(13.294)	(7.499)	(938)	(938)	(624)

1) Da die Gesellschaft (zu dieser Zeit: Cherry AcquiCo GmbH) erst am 30. September 2020 Mutterunternehmen der Cherry-Gruppe wurde, enthält der Ungeprüfte Verkürzte Konzernzwischenabschluss der Gesellschaft keine Vergleichszahlen für den Dreimonatszeitraum zum 31. März 2020 für die gesamte Cherry-Gruppe mit der Gesellschaft als Mutterunternehmen. In der Konzern-Kapitalflussrechnung der Gesellschaft wurden für den Dreimonatszeitraum zum 31. März 2020 keine Cashflows aus laufender Geschäftstätigkeit, Cashflows aus Investitionstätigkeit oder Cashflows aus Finanzierungstätigkeit ausgewiesen.

2.2.2.4 Wesentliche alternative Leistungskennzahlen

	Für das Geschäftsjahr zum 31. Dezember			Für den Dreimonatszeitraum zum 31. März		
	2020	2019	2018	2021	2021	2020
	Cherry-Holding-Gruppe			Cherry Gruppe[1]	Cherry-Holding-Gruppe	
(in Tausend Euro, soweit nicht anders angegeben)	(ungeprüft)			(ungeprüft)	(ungeprüft)	
Bereinigtes EBIT[2]	26.848	20.355	13.724	7.528	8.213	4.089
Bereinigte EBIT Marge[3]	20,6%	17,7%	13,7%	20,0%	21,8%	14,7%
Bereinigtes EBITDA[4]	37.132	29.741	20.947	10.952	10.952	6.486
Bereinigte EBITDA Marge[3]	28,5%	25,9%	20,9%	29,0%	29,0%	23,3%
Free Cash Flow[5]	16.438	12.731	10.416	(3.478)	(2.619)	3.669
Cash Conversion Rate[6]	93,7%	101,7%	112,1%	—	—	—

1) Da die Gesellschaft (zu dieser Zeit: Cherry AcquiCo GmbH) erst am 30. September 2020 Mutterunternehmen der Cherry-Gruppe wurde, enthält der Ungeprüfte Verkürzte Konzernzwischenabschluss der Gesellschaft keine Vergleichszahlen für den Dreimonatszeitraum zum 31. März 2020 für die gesamte Cherry-Gruppe mit der Gesellschaft als Mutterunternehmen.

2) Bereinigtes EBIT wird berechnet als EBIT bereinigt durch die folgenden entweder einmaligen oder nicht-operativen Posten: (i) Personalaufwand (inkl. anteilsbasierter Personalaufwand) / (-ertrag); (ii) Aufwendungen im Zusammenhang mit Kapitalmarkttransaktionen; (iii) Aufwendungen im Zusammenhang mit M&A-Transaktionen; (iv) Aufwendungen im Zusammenhang mit Naturkatastrophen und Pandemien, und (v) sonstige einmalige Kosten (die Posten (i) bis (v), die "**Bereinigungssposten**").

3) Bereinigte EBIT Marge and Bereinigte EBITDA Marge werden berechnet als Bereinigtes EBIT bzw. Bereinigtes EBITDA geteilt durch Umsatzerlöse.

4) Bereinigtes EBITDA wird berechnet als EBIT plus Abschreibungen (bezeichnet als 'Abschreibungen (+)/Zuschreibungen (-) auf Gegenstände des Anlagevermögens' in der Konzern-Kapitalflussrechnung der jeweiligen Konzernabschlüsse), bereinigt um die Bereinigungsposten.

5) Free Cash Flow wird berechnet als Cashflow aus laufender Geschäftstätigkeit abzüglich Cashflow aus der Investitionstätigkeit.

6) Cash Conversion Rate wird berechnet als Free Cash Flow geteilt durch Konzernüberschuss / -fehlbetrag, ausgedrückt in Prozent.

2.2.3 Welches sind die zentralen Risiken, die für die Emittentin spezifisch sind?

Eine Investition in die Aktien der Gesellschaft unterliegt einer Reihe von Risiken. Die folgenden Risiken sind für uns wesentliche, spezifische Risiken:

- Unsere wirtschaftliche Entwicklung ist abhängig vom allgemeinen wirtschaftlichen Umfeld und insbesondere von der Entwicklung und den Trends der Computerindustrie in allen Industrieländern sowie zunehmend auch in den Entwicklungsländern Asiens ab, und ein wirtschaftlicher Abschwung oder nachteilige soziale, politische oder andere Bedingungen weltweit oder in diesen Branchen und Regionen können unser Geschäft nachteilig beeinflussen, zum Beispiel in der Form geringerer Nachfrage nach bestimmten Produkten oder erhöhtem Preisdruck.
- Wir sind von unserer Fähigkeit abhängig, hochqualifizierte Führungskräfte und Fachkräfte, einschließlich Entwickler und Vertriebsmitarbeiter, zu gewinnen und zu halten, und wir sind dem Risiko ausgesetzt, dass unser geschäftliches Know-how für Wettbewerber verfügbar wird, wenn Mitarbeiter in Schlüsselpositionen zu einem Wettbewerber wechseln. Darüber hinaus könnten wir nicht in der Lage sein, eine ausreichende Anzahl von Fachkräften und anderen Mitarbeitern zu gewinnen, um unsere strategischen Ziele zu erreichen und unser Geschäft auszubauen.
- Wir sind davon abhängig, dass unsere Lieferanten Produkte pünktlich und in guter Qualität liefern. In vielen Fällen beziehen wir Hilfs- und Betriebsstoffe nur von einem Lieferanten oder einer begrenzten Anzahl von Lieferanten, was unser Lieferkettenrisiko erhöht.
- Unsere Produkte, insbesondere unsere neu entwickelten Produkte, könnten die erwartete Marktakzeptanz nicht erreichen oder, insbesondere im Fall von Premium-Produkten, Marktanteile an preisgünstigere Produkte verlieren (einschließlich Produkten, die von uns entwickelt wurden).
- Wir unterliegen verschiedenen gesetzlichen Vorschriften und behördlichen Richtlinien und benötigen bestimmte Zertifizierungen und Genehmigungen, insbesondere für unsere Produkte im Geschäftsbereich Healthcare & Security Peripherals. Unser Geschäft und unsere Ertragslage könnten durch die regulatorischen Rahmenbedingungen in unterschiedlicher Weise beeinträchtigt werden, z. B. wenn wir nicht in der Lage sind, erforderliche Genehmigungen und Zertifizierungen zu erhalten oder zu erneuern, oder wenn wir unseren gesetzlichen Verpflichtungen nicht nachkommen würden.
- Unsere Vermögenswerte, insbesondere der Geschäfts- oder Firmenwert und andere immaterielle Vermögenswerte wie selbst geschaffene gewerbliche Schutzrechte und ähnliche Rechte und Werte, gewerbliche Schutzrechte, Lizenzen und Patente, Kundenstamm und Marke, unterliegen dem Risiko einer Wertminderung.
- Wir sind Kreditrisiken ausgesetzt und müssen möglicherweise Forderungen abschreiben oder wertberichtigen, wenn unsere Vertragspartner ihren Verpflichtungen nicht nachkommen.
- Unsere Steuerbelastung könnte sich aufgrund von Änderungen der Steuergesetze oder deren Anwendung oder Auslegung oder als Ergebnis laufender oder zukünftiger Steuerprüfungen erhöhen.
- Unsere Ertragslage ist Wechselkursschwankungen ausgesetzt, insbesondere bezüglich der Wechselkurse von U.S. Dollars, von britischem Pfund Sterling und von chinesischem Renminbi zum Euro, was zu Verlusten oder Volatilität in unserem Ergebnis führen könnte. Ein höherer Wert des Euros könnte die Wettbewerbsfähigkeit unserer Produkte außerhalb der Eurozone aufgrund von Preiseffekten in lokalen Märkten negativ beeinflussen.
- Wir haben Partnerschaften in Bezug auf Forschung und Entwicklung, Produktion sowie eine strategische Partnerschaft für die Markteinführung eines neuen Schalters geschlossen und könnten unseren Verpflichtungen gegenüber unseren Partnern nicht nachkommen. Darüber hinaus können unsere Partner gegensätzliche Interessen haben, was die Fähigkeit

der Partnerschaft, die gewünschten Ergebnisse zu erzielen, negativ beeinträchtigen könnte oder zu einem Verlust oder Abfluss von Know-how führen könnte.

- Betriebliche Unterbrechungen können wesentliche negative Auswirkungen auf unser Geschäft haben.
- Die Covid-19-Pandemie hat zu einem beträchtlichen Schub für unser Geschäft geführt, da sich relevante Trends wie eine erhöhte Gaming-Aktivität und ein Anstieg der B2C-Verkäufe von Büroperipheriegeräten aufgrund einer Zunahme von Remote-Working und -Lernen beschleunigt haben. Es ist unsicher, ob wir in der Lage sein werden, das Umsatzniveau zu halten oder zu steigern, sobald die Pandemie abebbt oder überwunden ist.
- Wir sind, waren in der Vergangenheit und könnten in der Zukunft Gegenstand von Klagen wegen der Verletzung von geistigem Eigentum sein, deren Abwehr kostspielig ist, die uns zur Zahlung von Schadenersatz oder Lizenzgebühren verpflichten könnten und die unsere Fähigkeit zur Nutzung bestimmter Technologien in der Zukunft einschränken könnten.

2.3 Basisinformationen über die Wertpapiere

2.3.1 Welches sind die wichtigsten Merkmale der Wertpapiere?

Der Prospekt bezieht sich auf Inhaberaktien ohne Nennwert, jeweils mit einem anteiligen Betrag am Grundkapital der Gesellschaft von je EUR 1,00 und voller Dividendenberechtigung ab dem 1. Januar 2021 mit der ISIN: DE000A3CRRN9. Alle Aktien der Gesellschaft sind gleicher Gattung und in Euro denominiert.

Jede Aktie der Gesellschaft berechtigt den Aktionär zu einer Stimme in der Hauptversammlung der Gesellschaft. Die Stimmrechte sind nicht beschränkt und für alle Aktionäre der Gesellschaft gleich. Zum Datum dieses Prospekts hat der Abgebende Aktionär als Pfandgeber die Aktien der Gesellschaft an einen Kreditgeber der Gesellschaft als Pfandnehmer verpfändet. Mit Veröffentlichung des endgültigen Angebotspreises ("**der Angebotspreis**") durch die Gesellschaft, die voraussichtlich am 23. Juni 2021 erfolgen soll, wird dieses Pfandrecht freigegeben. Die Aktien sind im Falle einer Insolvenz der Gesellschaft gegenüber allen sonstigen Wertpapieren und Forderungen nachrangig; alle Aktien haben Anspruch auf einen Anteil an einem ausschüttbaren Liquidationserlös oder Insolvenzüberschuss im Verhältnis ihres Anteils am Grundkapital. Vorbehaltlich üblicher Lock-up-Verpflichtungen sowie Verkaufsbeschränkungen für internationale Verkäufe sind die Aktien der Gesellschaft nach den gesetzlichen Bestimmungen für Inhaberaktien frei übertragbar. Die Gesellschaft und der Abgebende Aktionär sind Lock-up-Verpflichtungen jeweils für einen Zeitraum von 180 Tagen eingegangen. Die beiden Mitglieder des Vorstands der Gesellschaft (auch im Namen ihrer jeweiligen Vermögensverwaltungsgesellschaften) sind Lock-up-Verpflichtungen für einen Zeitraum von jeweils 18 Monaten eingegangen. Ferner sind die Mitglieder des Aufsichtsrats der Gesellschaft Marcel Stolk und Steven M. Greenberg Lock-up-Verpflichtungen für einen Zeitraum von jeweils 12 Monaten eingegangen. Die Aktien haben Anspruch auf einen Anteil an dem ausschüttungsfähigen Liquidationserlös oder Insolvenzüberschuss im Verhältnis ihres Anteils am Grundkapital.

Vorbehaltlich einer gesetzlichen Mindestdividende für den Fall, dass in den geprüften nicht konsolidierten Jahresabschlüssen der Gesellschaft, der nach den deutschen, für Kapitalgesellschaften geltenden handelsrechtlichen Vorschriften erstellt wurde, ein ausreichender ausschüttungsfähiger Gewinn ausgewiesen wird, erwartet der Vorstand der Gesellschaft, in der nahen Zukunft keine Dividendenzahlung vorzuschlagen, sondern plant, anstelle dessen weiter in die Entwicklung des Geschäfts zu investieren und die geplante M&A-Strategie zu finanzieren.

2.3.2 Wo werden die Wertpapiere gehandelt?

Die Gesellschaft wird die Zulassung ihrer Aktien zum Handel am regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zu dessen Teilbereich mit weiteren Zulassungsfolgepflichten (Prime Standard) beantragen.

2.3.3 Welches sind die zentralen Risiken, die für die Wertpapiere spezifisch sind?

Die folgenden Risiken sind zentrale Risiken, die für die Aktien der Gesellschaft spezifisch sind:

- Die Aktien der Gesellschaft wurden nicht öffentlich gehandelt, und es kann nicht gewährleistet werden, dass sich ein liquider Handelsmarkt für die Aktien der Gesellschaft entwickeln wird. Daher können insbesondere der Aktienkurs und das Handelsvolumen der Aktien der Gesellschaft erheblich schwanken, und Anleger könnten ihre Anlage ganz oder teilweise verlieren.
- Die Fähigkeit der Gesellschaft, Dividenden zu zahlen, hängt unter anderem von der Ertragslage des Konzerns, dem Bedarf an Finanzinvestitionen, der Verfügbarkeit von ausschüttungsfähigen Rücklagen und der allgemeinen Finanzlage ab. Jeder dieser Faktoren, einschließlich der Fähigkeit der aktiv geschäftstätigen Tochtergesellschaften des Unternehmens, Erträge zu erwirtschaften und Gewinne abzuführen, kann die Fähigkeit der Gesellschaft zur Ausschüttung von Dividenden einschränken.

2.4 Basisinformationen über das öffentliche Angebot von Wertpapieren und die Zulassung zum Handel an einem geregelten Markt

2.4.1 Zu welchen Konditionen und nach welchem Zeitplan kann ich in dieses Wertpapier investieren?

2.4.1.1 Konditionen und Bedingungen des Angebots; Zuteilung; Stabilisierungsmaßnahmen und Greenshoe-Option

Das Angebot, das eines der Gegenstände des Prospekts ist (das "**Angebot**"), besteht aus (i) 4.300.000 neue Inhaberaktien ohne Nennbetrag (die "**Neuen Aktien**") aus einer am oder um den 23. Juni 2021 von der Hauptversammlung der Gesellschaft zu beschließenden Kapitalerhöhung gegen Bareinlagen (die "**IPO-Kapitalerhöhung**"), (ii) 5.000.000 Inhaberaktien ohne Nennbetrag aus der Beteiligung des Abgebenden Aktionärs welche im Rahmen eines Basisgeschäfts angeboten werden (die "**Sekundären Basisaktien**"), (iii) 2.000.000 Inhaberaktien ohne Nennbetrag aus der Beteiligung des Abgebenden Aktionärs (die "**Zusätzlichen Sekundäraktien**" und zusammen mit den Sekundären Basisaktien die "**Sekundäraktien**") vorbehaltlich der (teilweisen oder vollständigen) Ausübung einer Erhöhungsoption nach Entscheidung des Abgebenden Aktionärs nach Abstimmung mit dem

Alleinigen Globalen Koordinator zum Zeitpunkt der Preisfestsetzung; und (iv) 1.695.000 Inhaberaktien ohne Nennbetrag aus der Beteiligung des Abgebenden Aktionärs zur Abdeckung potenzieller Mehrzuteilungen (die "**Mehrzuteilungsaktien**" und, zusammen mit den Neuen Aktien und den Sekundäraktien, die "**Angebotsaktien**"). Die Sekundäraktien und die Mehrzuteilungsaktien sollen sowohl bestehende Aktien als auch Aktien umfassen, die im Wege der Kapitalerhöhung aus Gesellschaftsmitteln ausgegeben werden, über die eine außerordentliche Hauptversammlung der Gesellschaft am 11. Juni 2021 beschlossen hat, und welche am 18. Juni 2021 ins Handelsregister eingetragen werden soll (die "**Basis-Kapitalerhöhung**").

Das Angebot besteht aus einem öffentlichen Angebot in Deutschland und Privatplatzierungen in bestimmten Jurisdiktionen außerhalb von Deutschland. In den Vereinigten Staaten, werden die Angebotsaktien der Gesellschaft nur an qualifizierte institutionelle Käufer im Sinne und auf der Grundlage von Rule 144A des U.S. Securities Act von 1933, in der jeweils gültigen Fassung (der "**Securities Act**") angeboten und verkauft. Außerhalb der Vereinigten Staaten werden die Aktien nur im Rahmen von Offshore-Transaktionen auf der Grundlage von Regulation S Securities Act angeboten und verkauft. Die Angebotsaktien wurden und werden nicht gemäß dem Securities Act oder den Wertpapiergesetzen einer anderen Gebietskörperschaft der Vereinigten Staaten registriert und dürfen nicht in die oder innerhalb der Vereinigten Staaten angeboten, verkauft oder anderweitig übertragen werden, außer gemäß einer Ausnahme von den Registrierungsanforderungen des Securities Act oder im Rahmen einer Transaktion, die nicht den Registrierungsanforderungen des Securities Act unterliegt und in Übereinstimmung mit den geltenden Wertpapiergesetzen eines Bundesstaats oder einer anderen Jurisdiktion in den Vereinigten Staaten.

Der voraussichtliche Zeitplan für das Angebot, das verlängert oder verkürzt werden kann und Änderungen vorbehalten bleibt, sieht wie folgt aus:

15. Juni 2021	Billigung des Prospekts durch die BaFin; Veröffentlichung des gebilligten Prospekts auf der Website der Cherry AG (www.cherry.de)
16. Juni 2021	Beginn des Zeitraums, in dem Anleger Kaufaufträge für die Angebotsaktien abgeben können (der "**Angebotszeitraum**"); Antrag auf Zulassung der Aktien der Gesellschaft zum Handel im regulierten Markt an der Frankfurter Wertpapierbörse und gleichzeitig zum Teilbereich mit weiteren Zulassungsfolgepflichten (Prime Standard)
18. Juni 2021	Voraussichtliche Eintragung der Durchführung der Basis-Kapitalerhöhung
23. Juni 2021	Ende des Angebotszeitraums um 12:00 Uhr (Mitteleuropäische Sommerzeit, "**MESZ**") für Privatangeleger (natürliche Personen) und um 14:00 Uhr (MESZ) für institutionelle Anleger; Festlegung und Veröffentlichung des Angebotspreises und der endgültigen Anzahl der zugeteilten Aktien
24. Juni 2021	Voraussichtliche Eintragung der Durchführung der IPO-Kapitalerhöhung in Bezug auf die Neuen Aktien in das Handelsregister
28. Juni 2021	Voraussichtliche Zulassungsentscheidung durch die Frankfurter Wertpapierbörse
29. Juni 2021	Aufnahme des Handels der Aktien der Gesellschaft im regulierten Markt an der Frankfurter Wertpapierbörse und in dessen Teilbereich mit weiteren Zulassungsfolgepflichten (Prime Standard)
29. Juni 2021	Buchmäßige Lieferung der Angebotsaktien gegen Zahlung des Angebotspreises (Abwicklung und Vollzug)

Die Preisspanne, innerhalb derer Kaufangebote abgegeben werden können, liegt zwischen € 30,00 und € 38,00 pro Angebotsaktie (die "**Preisspanne**"). Der Abgebende Aktionär und die Gesellschaft behalten sich das Recht vor, nach Absprache mit dem Alleinigen Globalen Koordinator, die Gesamtzahl der Angebotsaktien zu erhöhen oder herabzusetzen, die Ober- und/oder Untergrenze der Preisspanne zu erhöhen oder zu senken und/oder den Angebotszeitraum zu verlängern oder zu verkürzen.

Der Angebotspreis und die endgültige Anzahl der zu platzierenden Angebotsaktien werden von der Gesellschaft, dem Abgebenden Aktionär und dem Alleinigen Globalen Koordinator im Auftrag der Konsortialbanken nach Ablauf der Angebotsfrist auf der Grundlage der eingereichten Kaufangebote gemeinsam festgelegt. Über die Zuteilung von Angebotsaktien an Privatanleger und institutionelle Investoren entscheiden die Gesellschaft und der Abgebende Aktionär nach Rücksprache mit dem Alleinigen Globalen Koordinator.

Im Zusammenhang mit der Platzierung der Angebotsaktien wird Hauck & Aufhäuser oder eine von ihr beauftragte Person als Stabilisierungsmanager tätig und kann in Übereinstimmung mit den gesetzlichen Vorgaben Stabilisierungsmaßnahmen ergreifen, um den Kurs der Aktien der Gesellschaft während eines Zeitraums, der spätestens 30 Kalendertage nach Handelsbeginn der Aktien der Gesellschaft am regulierten Markt der Frankfurter Wertpapierbörse – voraussichtlich am oder um den 29. Juni 2021 – endet, zu stützen und dadurch einem etwaigen Verkaufsdruck entgegenzuwirken. Die Anzahl der Mehrzuteilungsaktien, die zugeteilt werden können, darf 15% der Summe der zugeteilten Neuen Aktien, Sekundären Basisaktien und der Zusätzlichen Sekundäraktien (falls vorhanden) nicht überschreiten. Der Stabilisierungsmanager ist nicht verpflichtet, Stabilisierungsmaßnahmen zu ergreifen. Im Rahmen der möglichen Stabilisierungsmaßnahmen können Anlegern zusätzlich zu den Neuen Aktien und Sekundäraktien Mehrzuteilungsaktien zugeteilt werden. Im Zusammenhang mit möglichen Mehrzuteilungen hat der Abgebende Aktionär dem Alleinigen Globalen Koordinator eine Option gewährt, alle oder einen Teil der zugeteilten Mehrzuteilungsaktien gegen Zahlung des Angebotspreises abzüglich vereinbarter Provisionen zu erwerben ("**Greenshoe-Option**", und bei Ausübung der Greenshoe-Option erworbenen Mehrzuteilungsaktien, die "**Greenshoe-Aktien**").

2.4.1.2 Verwässerung

Zum 31. März 2021 betrug der den Aktionären der Gesellschaft in der Konzernbilanz auf der Grundlage des Ungeprüften Konzernzwischenabschlusses der Gesellschaft zuzurechnende Nettovermögenswert, berechnet als Summe Aktiva abzüglich der gesamten kurz- und langfristigen Schulden und nicht beherrschenden Anteile, € 146,00 Mio., was € 7,30 je Aktie auf der Grundlage von 20.000.000 ausstehenden Aktien unmittelbar vor dem Abschluss des Angebots (*d.h.*, nach der Durchführung der Basis-Kapitalerhöhung aber vor der Durchführung der IPO-Kapitalerhöhung) entspricht.

Unter der Annahme der vollumfänglichen Durchführung der IPO-Kapitalerhöhung (sowie der Basis-Kapitalerhöhung) und einer Platzierung von 4.300.000 Neuen Aktien zum Mittelwert der Preisspanne, würde der den Aktionären zum 31. März 2021 zurechenbare Nettovermögenswert nach Abschluss des Angebots € 11,71 pro Aktie betragen, was einer unmittelbaren Verwässerung von € 22,29 pro Aktie, bzw. 65,6%, für Anleger entspricht, die Angebotsaktien im Rahmen des Angebots erwerben.

2.4.1.3 Kosten

Die Kosten im Zusammenhang mit dem Angebot der Angebotsaktien und der Zulassung der Aktien der Gesellschaft zum Handel am regulierten Markt der Frankfurter Wertpapierbörse werden voraussichtlich ca. € 22,40 Mio. betragen (davon schätzt die Gesellschaft die Kosten für die Gesellschaft auf ca. € 7,65 Mio. und die Kosten für den Abgebenden Aktionär auf ca. € 14,76 Mio.), unter der Annahme einer vollständigen Platzierung von 4.300.000 Neuen Aktien und 5.000.000 Sekundären Basisaktien zum Mittelwert der Preisspanne, der vollständigen Platzierung der Mehrzuteilungsaktien, der vollständigen Ausübung der Erhöhungs-Option und der Greenshoe-Option sowie der vollständigen Zahlung einer Ermessensvergütung.

Den Anlegern werden von der Gesellschaft, dem Abgebenden Aktionär oder den Konsortialbanken (in ihrer Eigenschaft als Konsortialbanken) keine Kosten in Rechnung gestellt. Die Anleger können jedoch die üblichen Transaktions- und Bearbeitungsgebühren zu tragen haben, die von ihren Brokern oder anderen Finanzinstituten, über die sie ihre Wertpapiere halten, erhoben werden.

2.4.2 Wer ist der Anbieter und/oder die die Zulassung zum Handel beantragende Person?

Das Angebot wird von den Emissionsbanken unterbreitet. Hauck & Aufhäuser und M.M.Warburg sind jeweils in Deutschland gegründet und nach deutschem Recht tätig, während ABN AMRO in den Niederlanden gegründet wurde und nach niederländischem Recht tätig ist

Die Gesellschaft wird, gemeinsam mit Hauck & Aufhäuser, die als Zulassungsantragsteller im Sinne von § 2 Nr. 7 Wertpapierprospektgesetz handelt, die Zulassung zum Handel beantragen.

2.4.3 Weshalb wird dieser Prospekt erstellt?

2.4.3.1 Gründe für das Angebot und die Zulassung zum Handel

Die Gesellschaft beabsichtigt, mit dem Angebot ihr Eigenkapital zu erhöhen und Barmittel zu generieren. Mit der beabsichtigten Zulassung ihrer Aktien zum Handel beabsichtigt sie, einen besseren Zugang zu den Kapitalmärkten zu erhalten. Der Abgebende Aktionär beabsichtigt, seine Beteiligung an der Gesellschaft im Zusammenhang mit dem Angebot teilweise zu veräußern.

Die Gesellschaft und der Abgebende Aktionär sind der Ansicht, dass die Zulassung der Aktien der Gesellschaft zum Handel der Gruppe eine Reihe von Vorteilen bringen wird, darunter eine verbesserte Visibilität und Bekanntheit ihrer Marke sowie erhöhte Flexibilität und die Fähigkeit, das Geschäft der Gruppe durch organisches Wachstum und ausgewählte Akquisitionen zu unterstützen und zu entwickeln.

2.4.3.2 Zweckbestimmung und geschätzter Nettobetrag der Erlöse

Die Gesellschaft beabsichtigt, den geschätzten Nettoerlös aus dem Angebot der Neuen Aktien zu verwenden

(1) *um noch ausstehende Schulden zu tilgen:* € 89,3 Mio. aus dem Erlös aus dem Angebot werden direkt für die sofortige Rückzahlung der ausstehenden Verbindlichkeiten aus dem Senior Facilities Agreement verwendet (Rückzahlung des Kapitalbetrags in Höhe von € 80 Mio., zuzüglich aufgelaufener Zinsen, Vorfälligkeitsentgelt). In diesem Zusammenhang und unter Ausnutzung ihrer verbesserten Finanzkraft erwartet die Gesellschaft, das Senior Facilities Agreement durch eine neue Kreditfazilität, einschließlich eines Kredits in Höhe von € 45 Mio. sowie einer revolvierenden Kreditfazilität von € 10 Mio. zu günstigeren, für ein börsennotiertes Unternehmen geeigneten Bedingungen zu ersetzen; es wird erwartet, dass das der neue Kreditvertrag entweder Ende Juni oder im Juli 2021 unterzeichnet wird.

(2) *um den finanziellen Spielraum der Gruppe zu erhöhen, um die organische Wachstumsstrategie weiter zu verfolgen:* Die Gesellschaft beabsichtigt, ca. 60% des verbleibenden Nettoerlöses aus dem Angebot (zusammen mit den bestehenden Barmitteln in der Bilanz und den Mitteln aus den neuen Kreditfazilitäten) zur Förderung des organischen Wachstums einzusetzen, insbesondere um die Position der Gruppe als globaler Innovationsführer voranzutreiben und auszubauen, neue, innovative, marktführende Produkte in allen Geschäftsbereichen der Gruppe zu entwickeln, die Präsenz von Premium-Produkten und marktführenden Produkten auszubauen und die globale Markterschließung der Gruppe im Einklang mit seiner Strategie zu vertiefen. Insbesondere beabsichtigen wir, etwa die Hälfte der Nettoerlöse, die dem organischen Wachstum zugewiesen werden, für Kapazitätserweiterungen und Maßnahmen zur Erhöhung der Automatisierung unserer Produktionsprozesse zu verwenden. Der verbleibende Teil soll für Maßnahmen wie eine Erhöhung der Marketinginitiativen, die Entwicklung neuer Produkte und den Roll-out von E-Commerce-Plattformen verwendet werden.

(3) *um den finanziellen Spielraum der Gruppe zu erhöhen, um die anorganische Wachstumsstrategie weiter zu verfolgen*: Die Gesellschaft beabsichtigt ca. 40% des verbleibenden Nettoerlöses aus dem Angebot (zusammen mit den bestehenden Barmitteln in der Bilanz und den Mitteln aus den neuen Kreditfazilitäten) für das anorganische Wachstum einzusetzen, indem sie ausgewählte Akquisitionen zur Ergänzung und weiteren Stärkung des Produktportfolios tätigt und die weltweite geografische Präsenz der Gruppe in Übereinstimmung mit ihrer Strategie verfolgt.

Jeweils unter der Annahme einer vollständigen Platzierung der Angebotsaktien (einschließlich aller Zusätzlichen Sekundäraktien und aller Mehrzuteilungsaktien), d.h. unter der vollständigen Ausübung der Erhöhungsoption und der Greenshoe-Option, zum Mittelwert der Preisspanne sowie der vollständigen Zahlung der Ermessensprovisionen an die Konsortialbanken, schätzt die Gesellschaft, dass (i) der Nettoerlös der Gesellschaft aus dem Verkauf der Neuen Aktien ca. € 138,55 Mio. und (ii) der Nettoerlös des Abgebenden Aktionärs aus dem Verkauf der Sekundären Basisaktien, der Zusätzlichen Sekundäraktien und der Greenshoe-Aktien ca. € 280,87 Mio. betragen würde.

2.4.3.3 Übernahmevertrag

Die Gesellschaft, der Abgebende Aktionär und die Konsortialbanken haben einen Übernahmevertrag am 14. Juni 2021 (der "**Übernahmevertrag**") abgeschlossen, in dem sich die Konsortialbanken zur Übernahme aller Angebotsaktien verpflichtet haben. Der Übernahmevertrag sieht auch vor, dass die Verpflichtungen der Konsortialbanken von der Erfüllung bestimmter Bedingungen abhängen, darunter etwa der Erhalt üblicher Bestätigungen und Rechtsgutachten, die für die Konsortialbanken zufriedenstellend sind.

2.4.3.4 Wesentlichste Interessenkonflikte in Bezug auf das Angebot oder die Zulassung zum Handel

Die Konsortialbanken erhalten bei erfolgreichem Abschluss des Angebots eine Provision von der Gesellschaft und dem Abgebenden Aktionär. Darüber hinaus wurde Hauck & Aufhäuser als Designated Sponsor und Zulassungsantragsteller im Sinne von § 2 Nr. 7 Wertpapierprospektgesetz bestellt. Aufgrund dieser vertraglichen Beziehungen haben die Konsortialbanken ein finanzielles Interesse an einem erfolgreichen Abschluss des Angebots.

Darüber hinaus kann im Zusammenhang mit dem Angebot jede der Konsortialbanken und jedes ihrer jeweiligen verbundenen Unternehmen, das als Anleger auf eigene Rechnung handelt, Aktien im Rahmen des Angebots erwerben und in dieser Eigenschaft solche Aktien oder damit verbundene Anlagen für eigene Rechnung behalten, kaufen oder verkaufen und solche Aktien oder andere Anlagen auf andere Weise als im Zusammenhang mit dem Angebot anbieten oder verkaufen. Des Weiteren können bestimmte der Konsortialbanken oder ihre verbundenen Unternehmen Finanzierungsvereinbarungen (einschließlich Swaps oder Differenzkontrakte) mit Investoren abschließen, in deren Zusammenhang diese Konsortialbanken (oder ihre verbundenen Unternehmen) von Zeit zu Zeit Aktien der Gesellschaft erwerben, halten oder veräußern können. Keiner der Konsortialführer beabsichtigt, den Umfang solcher Anlagen oder Transaktionen offenzulegen, es sei denn, dies geschieht in Übereinstimmung mit einer gesetzlichen oder aufsichtsrechtlichen Verpflichtung oder wie im Prospekt offengelegt.

Der Verkaufserlös aus dem Verkauf der Sekundären Basisaktien, der Zusätzlichen Sekundäraktien (sofern vorhanden) und der Greenshoe-Aktien (sofern vorhanden) wird dem Abgebenden Aktionär zufließen. Dementsprechend hat der Abgebende Aktionär ein Interesse am erfolgreichen Abschluss des Angebots.

Zum Datum des Prospekts sind die Mitglieder des Vorstands der Gesellschaft (Rolf Unterberger und Bernd Wagner) sowie alle Mitglieder des Aufsichtsrats der Gesellschaft sowie einige weitere Mitarbeiter der Cherry-Gruppe indirekt an der Gesellschaft beteiligt. Aufschiebend bedingt auf die Abwicklung des Angebots haben die Mitglieder des Vorstands der Gesellschaft, einige Aufsichtsratsmitglieder der Gesellschaft (Steven M. Greenberg und Marcel Stolk) sowie einige weitere Mitarbeiter der Cherry-Gruppe ihre über ein Management-Beteiligungsprogramm gehaltenen indirekten Beteiligungen an dem Abgebenden Aktionär an den Abgebenden Aktionär gegen eine Gegenleistung veräußert, die aus einer Barzahlung und Aktien der Gesellschaft besteht. Es wird erwartet, dass die übrigen Mitglieder des Aufsichtsrats (James Burns, Joachim Coers, Heather Faust, Tariq Osman und Dino Sawaya sowie Steven M. Greenberg, der weitere indirekte Beteiligungen hält) an den Erlösen des Abgebenden Aktionärs aus dem Angebot indirekt teilhaben oder ihre indirekte Beteiligung als Folge des Angebots im Wert steigt. Dementsprechend haben alle diese Personen ein Interesse am Erfolg des Angebots zu den bestmöglichen Bedingungen. Bestimmte Mitglieder des Aufsichtsrats der Gesellschaft (Joachim Coers, Heather Faust, Tariq Osman und Dino Sawaya) nehmen Funktionen beim Abgebenden Aktionär oder bei verbundenen Unternehmen des Abgebenden Aktionärs wahr. Dino Sawaya ist zudem Angestellter eines verbundenen Unternehmens des Abgebenden Aktionärs und James Burns sowie Steven M. Greenberg erbringen von Zeit zu Zeit Beratungsdienstleistungen für verbundenen Unternehmen des Abgebenden Aktionärs. Dementsprechend stimmen ihre Interessen im Hinblick auf das Angebot und die Zulassung der Aktien der Gesellschaft zum Handel unter Umständen nicht mit denen der Gesellschaft oder der anderen Aktionäre der Gesellschaft überein, was einen potenziellen Interessenkonflikt darstellt.

3 RISK FACTORS

*An investment in the Company's shares is subject to a number of risks. Prospective investors should carefully consider the risk factors set out below, together with the other information contained in the Prospectus, before making an investment decision involving shares of Cherry AG, Munich, Germany ("**Cherry AG**" or the "**Company**" and, together with its direct and indirect subsidiaries, the "**Cherry Group**", the "**Group**", "**Cherry**", "**we**", "**our**" and "**us**"). The Company became the parent company of the Cherry Group on September 30, 2020 by means of an acquisition of all the shares in the former parent company Cherry Holding GmbH (which was subsequently merged into the Company in April 2021). The term "**Cherry Holding Group**" refers to Cherry Holding GmbH together with its consolidated subsidiaries (including on a sub-consolidated basis of Cherry Holding GmbH after the acquisition of Cherry Holding GmbH by the Company).*

The risk factors presented in the Prospectus are limited to risks which are specific to Cherry or the shares in the Company and which are material for taking an informed investment decision. The materiality of the risk factors has been assessed based on the probability of their occurrence and the expected magnitude of their negative impact. The risk factors are presented in categories depending on their nature. In each category the two most material risk factors are mentioned first according to the assessment based on the probability of their occurrence and the expected magnitude of their negative impact. Investors could lose all or part of their investment. The risks mentioned could materialize individually or cumulatively.

3.1 Risks Related to Our Market Environment and Business

3.1.1 Our economic development depends on the general economic environment and in particular on the development and trends of the computer industry in all industrialized countries as well as increasingly in the developing countries in Asia, and an economic downturn or negative social, political or other conditions worldwide or in these industries and regions may negatively affect our business.

The development of our business generally depends on the global macroeconomic development and general economic indicators (especially those affecting discretionary consumer spending) and more specifically on the development and trends of the computer industry in all industrialized countries. Increasingly, the development of the computer industry in the developing countries in Asia also plays a relevant role.

In fiscal year 2020, Cherry Holding Group's revenue from the Europe, Middle East and Africa and the Asia, Pacific region together accounted for 92.2% of Cherry Holding Group's revenue (by location of customer), *i.e.*, with high shares of revenue in Germany and China (incl. Hong Kong), although these revenues also include revenue with original equipment manufacturers ("**OEMs**") and distributors that sell to end-customers in other countries. As a result, an economic slowdown or any other negative development in these markets, including with respect to the computer industry and in particular the gaming market, or other negative conditions (such as social, regulatory or political conditions), would have a material adverse effect on our business, results of operations and profit. Consumer purchases of discretionary items generally decline during recessionary periods and other periods in which disposable income is adversely affected. In particular, purchasing new generations of existing products or new gaming products may be viewed by some of our existing and potential customers as a low priority during such a period. In addition, and although most major competitors either produce or have contract manufacturers in Asia, like us, a major economic downturn in these regions might affect us more than competitors which have a broader customer base across a larger number of regions and countries. Potential negative developments also include a sharpening of the ongoing geopolitical tensions between China and certain Western countries (*e.g.,* the United States of America), as well as trade conflicts and trade tariffs and, more generally, a rapidly changing regulatory environment in China, with a trend towards increasing levels of regulation in different areas which may add complexity to conducting business in China. In addition, we have recently observed an increase in prices in China, driven in particular by certain capacity bottlenecks prompted, among other factors, by ship transportation issues and the resulting increase of container prices. Furthermore, we observe an extended delivery time for semiconductors (*e.g.*, integrated circuits) due to high demand and therefore shortage in the market because of the roll-out of 5G mobile networks. Any of these developments could negatively affect our business.

A potential economic downturn may affect demand for our different product groups differently. For example, for products sold by our Office & Industry Peripherals business unit to corporate customers, economic downturns typically have a negative impact on demand because spending by corporate customers is more based on discretionary IT spending (*i.e.*, in many cases, orders would be postponed until the economic situation improves), while regular replacement cycles of hardware may still take place. Spending by governmental or other public organizations may even be counter-cyclical during economic slowdowns, with public spending often increasing in downturns to boost the economy. For the specific effect of the Covid-19 pandemic and its potential aftermath, see "*3.1.7 The Covid-19 pandemic has resulted in a considerable boost for our business due to an acceleration of relevant trends such as increased gaming activity and an increase in B2C sales of office peripherals due to a rise of remote working and learning. It is uncertain whether we will be able to sustain or increase the level of sales once the pandemic ebbs or is overcome.*".

The dynamic development in the computer and gaming markets (including so-called "eSports"), as well as the increasing cost pressure, influence purchase decisions of market participants. Due to the increasing market transparency, the selling price as well as the related costs for individual products constitute a key decision-making criterion. With growing price pressure, which cannot always be passed on to suppliers, in full or in part, we observe an increasing pressure on margins. We may further be affected by price and margin pressure in the future, which would negatively affect our business, financial position, results of operations and prospects.

3.1.2 We depend on our ability to attract and retain highly qualified managerial staff and skilled personnel, including developers and sales staff, and we face the risk that our business expertise may become available to competitors if key personnel transfers to any of them. Further, we may not be able to attract a sufficient number of skilled personnel and other workers to meet our strategic objectives and grow our business.

The knowledge and expertise of our employees constitute one of our most important success factors. Our performance is substantially dependent on the continued services and performance of our senior management and skilled personnel (such as sales staff, product managers, software and hardware developers, mechanical engineers, skilled workers and other staff with experience in production), many of whom have several years of experience and specialized expertise in our business. In order to be successful, we must attract, retain and motivate executives and other key employees, including those in managerial, technical, marketing and information technology support positions.

In particular, our research and development ("**R&D**") efforts depend on hiring and retaining qualified engineers and developers. With respect to our key innovation projects, we require talented staff in the area of software and hardware design. However, competition for talent in general and qualified employees in particular is intense, especially in technology-driven industries such as the computer industry and in the Bavarian region where Cherry has its headquarters. There is no guarantee that in the future we will succeed in hiring and retaining the required number of such qualified technical and management personnel on terms acceptable to us or at all. We are exposed to the risk of losing staff to competitors, which could result in a transfer of know-how to such competitors. For example, in cases where a specific development project for a new product is stopped, we face the risk that the relevant team may decide to leave the Group.

If we are unable to attract and retain staff, particularly in areas such as R&D and other key functions, such as leadership positions like business unit or corporate department heads, as well as skilled workers, we may lose vital knowledge and expertise, which could have a material adverse effect on our business, results of operations, cash flows and financial position.

In addition, from time to time, potential changes in the senior management team of the Group may be disruptive to our business. The unexpected departure or loss of any of the Group's key personnel could have a material adverse effect on our business, results of operations and financial position. Moreover, the scope of non-competition agreements can be limited under the laws of the jurisdictions where the Group operates. The negative consequences of the departure of key personnel may therefore be exacerbated if such personnel were hired by the Group's competitors. There can be no assurance that we will be able to attract or retain suitable replacements for such personnel in a timely manner or at all. In addition, we may not succeed in formulating and implementing adequate succession plans to ensure continuity in critical positions. Any material loss of know-how caused by the departure of key employees may negatively affect our business.

During fiscal years 2018 to 2020, we have been a fast growing business in terms of our sales and revenue generation and, as part of our strategy, we intend to further grow our business organically. The execution of our strategy will require us to increase our workforce not only in core functions but also in other non-core functions and there is a risk that we will not be able to attract a sufficient number of skilled personnel and other workers to meet our strategic growth objectives. This would negatively affect our business and prospects.

3.1.3 We depend on suppliers to deliver products on time and in good quality. In many cases, we procure materials only from a single supplier or a limited number of suppliers, which increases our supply chain risk.

We are dependent on the timely delivery of high-quality components and raw materials by our suppliers. Any delay in receiving supplies, including as a result of the ongoing Covid-19 pandemic or any other reasons impacting our supply chain, could impair our ability to timely deliver products to our customers. While we have long-term relationships with our most important suppliers, we mainly conduct purchases from our suppliers by way of individual orders. Therefore, we depend on the ability of individual suppliers to deliver the raw materials, components and machinery we need for our operations in the required quantities and quality, and we cannot fully mitigate the risk of delivery delays. In particular, we could be negatively affected by supply bottlenecks or longer delivery times from some critical suppliers (*e.g.*, semiconductors and other electronic components), and in the case of longer time-to-market periods we could suffer a loss of market share. We could also be affected if the supplied machines (*e.g.*, assembly machines) fail to meet our contractually-agreed performance requirements. From time to time we have experienced quality or performance issues with our suppliers and may continue to experience such events in the future. In such cases, we may be involved in disputes with the relevant suppliers and may ultimately have to resort to other providers, potentially at additional costs. We may also be unable to recover any damages from suppliers for delayed supplies or supplies that are insufficient in terms of quality or performance, in particular from suppliers that may be experiencing financial difficulties. In addition, should a supplier (*e.g.*, of a relevant machine, raw material or component) become insolvent, we would have to replace it.

We also face the risk of cost increases, particularly from larger suppliers who, due to their market power, may push through price increases for specific products or raw materials or require other commercial advantages such as more favorable payment terms. Although we strive to pursue a "dual supplier" strategy wherever possible, there are still certain components and raw materials, in particular plastic raw material for key switches for mechanical keyboards (*i.e.*, those mechanisms located underneath each key of a mechanical keyboard that register the keystroke, "**switches**") or inputs for the production of the hygienic peripherals operations recently acquired as part of the acquisition of Active Key GmbH & Co. KG, Pegnitz, Germany ("**Active Key**"), which are currently delivered by a single supplier. Several other components are only available from a small number of suppliers and certain components and machinery we procure (*e.g.*, certain types of assembly machines) are customized for our products. Having only a single or a limited number of suppliers for certain components increases the risk of dependencies and price increases. If one of these suppliers becomes unavailable or stops delivery of its components on commercially reasonable terms, finding another source could result in added cost and manufacturing delays, or we could be forced to cease production of the relevant product altogether. Where we pay a variable purchase price for certain raw materials or components based on the price of a certain metal to avoid price fluctuations in our procurement, we may instead be negatively affected if the price of the used metals increases.

Increased costs or interruptions in our supply chain may also be caused by regulatory restrictions, commodity price fluctuations, export and sales restrictions and controls, as well as other factors beyond our control (such as business interruptions or border closures due to contagious diseases, including a potential further "wave" or "waves" of the Covid-19 pandemic in Europe, China or other countries). For example, in the first quarter of fiscal year 2021, we received global force majeure warnings from a supplier of plastics, prompted by delays in the supplier's own supply chain. While so far no delays or shortages in supply have resulted from this, we may experience such supply chain disruption from similar events in the future. Changes in economic and financial conditions may obstruct or delay our procurement processes as well. For example, the completed withdrawal of the United Kingdom from the European Union may adversely affect our supply chain by way of, among others, delays at the border, which we have recently observed, as well as newly imposed customs duties and administrative challenges.

If our suppliers fail to meet their design, quality, or delivery obligations, we may face production delays and liability towards our customers, for which we may be unable to obtain full or partial recovery from our suppliers. Furthermore, additional costs, interruptions in our existing supply chain, and difficulties in finding suppliers for new products and technologies may reduce our operating margins.

Any of the above factors could negatively affect our business, financial position, results of operations and prospects.

3.1.4 We face risks relating to our products, including that newly developed products may fail to gain the expected market acceptance, or that we may lose market share of our premium products to lower-priced products, including those developed by us.

As an innovative Group, we continuously strive to develop new products and features to make our products more attractive and maintain our market position or gain market share. Such innovation efforts entail high costs and take time, and there can be no guarantee that new products or features will achieve acceptance in the market. If new products or features fail to generate sufficient demand from customers and end-users, we may be unable to recoup the development costs, and our competitive position, business and results of operations may be harmed. For example, with our CHERRY VIOLA key switch, we have recently brought to market a new key switch that targets the mid-market segment, a segment which we had not previously addressed. Furthermore, in March 2021, we launched the new CHERRY MX Ultra Low Profile key switch, which particularly targets the high-end gaming notebook market segment, which we had also not previously addressed. Moreover, we have several products in our pipeline, such as new mechanical switches and alternative technology switches for different applications (which alternative technology and new products may fail to gain the expected acceptance), as well as upgraded professional peripherals to address hybrid working models (which models include "working at home", a model that has only recently gained wide acceptance for a large portion of office workers as a result of the Covid-19 pandemic and which is likely to become less prevalent than during the pandemic-related countermeasures, such as lockdowns, once the pandemic recedes). With respect to these and any other new products we may develop, we face the risk that OEMs and end-users in the relevant market segments may not accept the design, typing feel or other product features, or the price point of the product. Therefore, sales may remain below our expectations. Moreover, the development of new products and features may take longer or be more expensive than expected, and the launch to market may be delayed, causing us to lose business opportunities. In particular, in new markets, such as the market for gaming notebooks, which we have recently entered with our new CHERRY MX Ultra Low Profile key switch or, in the future, potentially non-gaming notebooks as well, there can be no assurance that such switches will receive the long-term acceptance we expect. While we have the expectation that our ultra-low profile switch can act as a "door opener" for us to enter new market segments such as the mobile and tablet keyboard accessory market, we may be unable to expand into such new market segments as expected or at all. We may also be unable to fully exploit the expected "first mover" advantages, be unable to roll-out the product during the envisioned timeline or at all, or find that competitors are able to quickly adapt and launch competing mechanical switch products faster than expected.

In addition, we may be unable to successfully position lower-priced products such as the CHERRY VIOLA key switch in certain markets, such as China, where similar-priced clones of our premium switches are currently available.

Furthermore, a significant share of our revenue is generated with our premium, high-margin CHERRY MX key switches and if customers or end-users were to favor any lower-priced product, including our own CHERRY VIOLA, we could lose revenue and market shares for CHERRY MX key switches, which could also depress our margins.

Any of the above factors could negatively affect our business, financial position, results of operations and prospects.

3.1.5 We have formed partnerships in relation to research and development, production as well as a strategic partnership for the launch of a new key switch and may fail to fulfill our obligations vis-à-vis our partners. In addition, our partners may have conflicting interests, which could negatively affect the partnership's ability to achieve the desired results or could result in a loss or drain of know-how.

We have entered into several agreements with R&D partners, production partners as well as a strategic partnership with Dell for the launch of a new mechanical key switch for gaming notebooks, and we may enter into further partnerships in the future. If we fail to fulfill our obligations under the respective partnership agreements, either in whole or in part, this may lead to claims for damages or termination of the partnerships by the partners. The successful implementation of a present or future project may be endangered or impaired through a breach of contract by a partner or through unforeseen events. Moreover, the success of a present or future cooperation requires that the respective partners constructively pursue the same goals. Thus, our ability to fully exploit the strategic potential in markets in which we operate through partnerships could be impaired if we were unable to agree with our partners on a strategy, the funding and the implementation thereof, and our business could suffer if any important strategic partnership were to be terminated. Additionally, we may be prevented or impeded by our fiduciary obligations towards certain partners from expanding unilaterally in a business area in which they operate.

Furthermore, a competitor of Cherry may gain direct or indirect control over a partnership, *i.e.*, by acquiring a majority interest in a strategic partner, which may lead to the termination of our collaboration with such partner, if legally possible. Even if we decide not to terminate the collaboration or we are unable to do so due to the lack of applicable change-of-control clauses, there is no assurance that we will continue to successfully and constructively collaborate with the new shareholder of the partnership.

It also cannot be ruled out that, in a partnership, technologies will be revealed or required to be revealed to the strategic partner and that they may use the technologies outside of the project in question exclusively for their own purposes. In particular, there is no guarantee that the know-how and trade secrets acquired by or disclosed to the strategic partner during the partnership will not be used or disclosed to third parties during or after the termination of the partnership, thereby adversely affecting our competitive position.

In the event that we decide to withdraw from a strategic partnership, there is also a risk that the partner will claim damages or that we lose access to key technologies. As a consequence, there is also a risk that considerable resources will need to be invested in a replacement technology or new partnership, to the extent that there will be another suitable partner at all.

If we were to be involved in disputes with our strategic partners that hamper the development of our strategy or subject us to liability, this could have a material adverse effect on our business, financial position, results of operations and prospects.

3.1.6 Operational disruptions may have a material adverse effect on our business.

The Group or its production partners could experience disruptions in their manufacturing facilities affecting their ability to manufacture and assemble Cherry's products for a variety of reasons, including, among others, natural catastrophes (such as fire, flooding or earthquake in our Auerbach plant in Germany or damage caused by a typhoon, flooding or an earthquake in our Zhuhai plant in China), epidemics, mechanical failures and similar risks. If any of those events were to occur, we may be unable to shift our engineering and manufacturing operations to alternative sites or to other production partners in a timely manner or at all. The risk of an operational disruption is especially relevant for our production site at our headquarters in Auerbach, Germany, where we develop and produce all of the products of our Gaming Switches business unit. Furthermore, when we plan the launch of a new product, we base our plans on an estimate of the expected demand, among other factors. Should demand for our new products exceed our expectations, we may be unable to adjust our procurement and production capabilities quickly enough to increase capacity in the short term in order to meet the high demand, and we may thus lose business opportunities and risk losing the momentum associated with such a launch or with the onboarding of new customers after the initial launch (the launch phase typically involves an initial agreement with the relevant customers for around three to six months). In addition, in 2014 a large keyboard manufacturer converted from our switches to their own-branded keyboard switch when we ran into capacity constraints, which prevented us from timely fulfilling their orders. Although we have implemented measures since then to significantly improve capacity management of our operations, we cannot eliminate the possibility of future operational disruptions, which may be considerable and which may not be fully within our control.

Thus, disruptions in our operations may have a negative effect on our business, reputation, results of operations, financial position and prospects.

3.1.7 The Covid-19 pandemic has resulted in a considerable boost for our business due to an acceleration of relevant trends such as increased gaming activity and an increase in B2C sales of office peripherals due to a rise of remote working and learning. It is uncertain whether we will be able to sustain or increase the level of sales once the pandemic ebbs or is overcome.

The Covid-19 pandemic has resulted in a considerable boost for our business due to an acceleration of relevant trends. These include an increase in gaming activity, which is relevant for our Gaming Peripherals and Gaming Switches businesses, remote working (so-called "home office") and remote learning (so-called "home schooling" or "e-learning"), which are in particular relevant for our Office & Industry business unit, as well as the shift of many educational and recreational activities to an online format, driven also by the significant limitations imposed on other competing recreational activities due to lockdowns and similar restrictions imposed by national and local governments. Our gaming business experienced a growth in sales in the context of the pandemic in fiscal year 2020, due to the increase in gaming activity, among other factors. In addition, our business with office peripherals saw a shift from almost exclusively business-to-business ("**B2B**") sales to a higher portion of business-to-consumer ("**B2C**") sales, as more employees working from home invested in better equipment for their home offices. In addition, the growth of the business with washable and other hygienic peripherals during the Covid-19 pandemic and the long-term potential we assessed for such business were among the rationales for our acquisition, in May 2021, of Active Key. While we expect many of these trends to continue over time in some form (*e.g.*, with hybrid working models that combine working at the office and working from home), it is uncertain whether we will be able to sustain or increase the level of gaming sales once the pandemic ebbs or is overcome. It is also uncertain whether demand for hygienic peripherals will continue to grow at the expected pace after the pandemic is overcome. It is also possible that the Covid-19 pandemic may have had a stronger positive extraordinary effect than currently assessed, which may make the financial results for fiscal year 2020 not representative of the development of our business in future fiscal years. In addition, if the Covid-19 pandemic leads to a recession, we could lose sales opportunities, in particular from corporate or private (B2C) customers of our Office & Industry Peripherals products, who are more likely to cut costs and defer purchases of these products, even beyond normal replacement cycles. For a discussion of the effects of a general recession or other economic downturn, see "*3.1.1 Our economic development depends on the general economic environment and in particular on the development and trends of the computer industry in all industrialized countries as well as increasingly in the developing countries in Asia, and an economic downturn or negative social, political or other conditions worldwide or in these industries and regions may negatively* affect our business.".

The duration and extent of the impact from the Covid-19 pandemic on our business depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus, the extent and effectiveness of containment actions, the development of trends such as remote working and learning after the pandemic ebbs and the impact of these and other factors on our business. A different than expected development of the key above-mentioned industry trends after the Covid-19 pandemic could have a negative effect on our business, financial position, results of operations and prospects.

3.1.8 The growth of our business, in particular within the gaming market, is generally correlated to trends such as the number of gamers and the popularity and complexity of PC games and any decline in these trends or changes in gaming trends may negatively affect our business.

The growth of our business, and more broadly, of the markets in which we operate (in particular, the gaming market), is dependent on conditions and trends in the industry, such as the number of gamers (with the number of keyboard PC gamers being particularly relevant), the popularity of PC games and the increasing complexity of game controls requiring special gaming devices with precise feedback, programming options and game-supporting illumination. Another relevant trend is the professionalization of gaming, fueled in the past years by a public interest in gaming and eSports investments.

In fiscal year 2020, the Gaming business area (including the Gaming Switches and Gaming Peripherals business units) generated 56% of revenue of Cherry Holding Group. Thus, the success of our business depends on the continued growth of the gaming market, the increase of the number of gamers and the introduction and success of computer games with sophisticated graphics and game features that place greater demands on keyboard reaction processing speed and capacity and other features. While we sell our gaming switches globally, we have taken the strategic decision to sell our gaming peripherals mostly in selected countries and regions, in particular China (including Taiwan) and South Korea, but also in Indonesia; in the United States and Europe we only sell selected gaming peripheral products. Therefore, our own brand for gaming peripherals outside the aforementioned key Asian markets is limited and would benefit from positive trends in the gaming market outside such regions only indirectly, as a switch provider for peripheral manufacturers.

However, the continued growth of the gaming sector depends on many factors, many of which are beyond our control, such as the growth of PCs and gaming consoles, the continued growth of streaming and eSports, including its popularity among fans, amateur eSports athletes and aspiring content creators and how such popularity influences their desire to purchase high-performance gaming peripherals, the continued increase of cloud gaming, as well as general economic conditions which may have an impact, in particular, on consumer spending. Our business could also decline should a negative change occur with respect to the social perception and acceptance of gaming as a leisure activity (for example, due to health-related, social development or other considerations) or a decline in the current popularity of eSports, globally or in certain regions, as well as if legislation or other regulatory restrictions were introduced with respect to gaming and live streaming (including restrictions relating to violence in video games, perceived addiction to video games, limitations on the broadcast of eSports or live streaming, etc.), or if existing regulations were tightened. For example, in China, a major gaming market and one of our key regional markets, there are policies in place designed to reduce perceived addiction, particularly of minors, to online games (see "*3.3.6 Regulations or potential regulations discouraging gaming or limiting certain aspects of gaming may have a negative impact on our business.*"). More generally, the popularity of gaming (including of live game streaming) and eSports could decline in the future relative to other forms of entertainment and changes in consumer demographics, tastes and preferences. In addition, the expected growth regarding cloud gaming (which would mean that gamers no longer need to invest in expensive hardware and have more money left to spend on peripherals) may not materialize as expected. Any stagnation or decline of eSports and live game streaming as well as of the cloud gaming trend could harm our business.

Moreover, while we often see mobile gaming as an "entry-level" for PC gaming as gamers' skills and enthusiasm for gaming increase, any change in this trend, for example resulting in a long-lasting shift away from PCs towards mobile devices or tablets, or a major shift from PCs to consoles, could negatively impact our business relating to Gaming Peripherals.

In addition, we believe that the continued introduction and market acceptance of new or enhanced versions of computer games contributes to support consumer interest in computer gaming generally. The demand for our devices would likely decline, potentially substantially, if computer game companies and developers did not continue to introduce and successfully market sophisticated new and improved games that require increasingly high levels of precise feedback, programming options and other features on an ongoing basis or if demand for computer games among computer gaming enthusiasts or conditions in the computer gaming industry were to deteriorate for any reason. This would also be the case should major eSports trend games, now played to a large extent on PCs, were to be played predominantly on alternative platforms in the future.

As a result, our revenue and other operating results fluctuate due to conditions in the gaming market, and downturns or slowdowns in the growth of this market may have a material adverse effect on our business, results of operations and profit, as well as our prospects.

3.1.9 The markets in which we operate are characterized by changing trends and technological developments. If we cannot continue to manufacture, market and sell innovative products that meet customer requirements for quality, performance and reliability, our revenue may suffer and we may lose market share.

The products we sell in our Gaming business area, which include switches for mechanical keyboards and gaming peripherals, are characterized by rapidly changing technological developments, evolving industry standards, frequent new product or new feature introductions and relatively short replacement life cycles, while in our Professional business area product replacement cycles tend to be longer. In addition, average selling prices for some of our products tend to decline as the product matures, and we expect this trend to continue. Therefore, we must regularly anticipate and swiftly respond to changing customer requirements by introducing new products and by enhancing our existing products with new features or higher performance in order to remain competitive and grow our business. If we fail to correctly assess new trends in our key market segments, other relevant trends and future market developments, this could have a material negative impact on our business, for example if we are unable to develop new products or features to assess such trends in a timely manner and to offer such enhanced products at a competitive price. In particular, in the area of switch development, sometimes considerable development costs are incurred, which can only be passed on to customers in the form of higher prices if they represent a perceived value to the customer compared with competing products. Accordingly, maintaining our technological lead is of particular importance, as otherwise customers may resort to competitor products.

In addition, in order to further grow our business, we also need to quickly develop, manufacture and ship innovative and reliable new products and enhancements to our existing products in a cost-effective and timely manner to take advantage of developments in enabling technologies and the introduction of new computer hardware. Furthermore, our growth depends in part on our ability to introduce and successfully market new computer input devices and categories of such devices, as well as to expand our capabilities in software development. For example, we significantly expanded our software development and production capabilities in the security and healthcare sector by acquiring Theobroma Systems Design and Consulting GmbH, Vienna, Austria ("**Theobroma**"), a developer and manufacturer of embedded systems, in October 2020. This acquisition gave us access to Theobroma's comprehensive expertise in hardware, embedded Linux software development and the production facilities throughout the product development process, initially to be used in the security and healthcare area, but with the intention of extending the skills to our entire portfolio in the medium term. In this new security and healthcare area, we have and will likely continue to encounter competition from large, well-known companies. For example, our major competitor in the German market for peripherals in use for healthcare practices supported by electronic data processing and communication ("**eHealth**") has a much larger installed base than us, as it entered the market before us. Some of these companies have significantly greater financial, manufacturing, marketing, specific know-how and experience in the security and healthcare branch, and other resources than we do and may be able to devote greater resources to the design, development, manufacturing, distribution, promotion, sale and support of their products. In addition, in certain areas of this market, for example in Office & Industry peripherals, we compete with some very large corporates (*e.g.*, Logitech or Microsoft), which have a much broader product range and may benefit from large economies of scale; thus, they may be able to offer lower prices for comparable products. We cannot predict whether we will be successful in developing or marketing new products and categories of products and expanding into new areas and, if we fail to do so, our business may be harmed. We may also experience delays in launching new products, or the ramp up of new products may occur at a slower pace than expected.

We may also be unable to sufficiently differentiate our products from competitor products. In particular, after the patent for our CHERRY MX switch technology, which is used in our key product series of the CHERRY MX key switches, expired a few years ago, so-called "cloned" products of such switches manufactured by competitors have been launched into the market, increasing the competition in one of our core business areas. While we believe that CHERRY MX key switches are perceived as premium products in the market and thus favored by many customers, especially of our Gaming business area, it cannot be ruled out that competitors will be able to close the perceived quality gap. Moreover, other providers may be able to develop more suitable solutions, or be able to launch comparable products faster or at a more competitive price, making it more difficult for us to obtain a meaningful market share at reasonable prices. It is possible that technological developments may render certain of our products, obsolete and require an adjustment of our current product portfolio.

In addition, we face the risk that our products may be replaced by substitute or alternative products which we do not produce or distribute due to factors such as technological developments, new market trends, cost reductions on existing alternative products or new substitute products that have not yet been identified or launched. For example, it is possible that alternative key switch technologies (*e.g.*, opto-mechanical switches) may gain increasing acceptance and replace our mechanical switches. Furthermore, our security/eHealth business could be harmed if the migration trend away from magnet swipe and chip cards (such as those used in several terminals and card readers we offer) to contactless cards (in transportation, payment, digital ID) and innovative payment options embedded in mobile devices became stronger.

If we are unable to keep pace with changing technologies and new trends and technological developments or the innovations we develop fail to gain the expected acceptance, or if we fail to continue to distinguish our products successfully through distinctive, technologically advanced features and design, this could have a material adverse effect on our business, competitive position, results of operations, cash flows and financial position, as well as on our prospects.

3.1.10 The success of our business and our competitive position largely depend on our ability to maintain the strength of our brands, in particular the "CHERRY" brand, among key end-customer groups such as gamers, and any deterioration of our brand among such groups, including due to quality issues or use of our switches in low-quality keyboards, can negatively affect our business and market position.

Our success is dependent, to a large extent, on the strength and reputation of, and value and quality associated with, our brands, in particular the "CHERRY" brand. The strength and reputation of our brands, in particular our key "CHERRY" brand, largely depend on the perception of our brands and statements regarding them on the Internet, including social media, by key groups such as gamers and streamers, since these groups are among our key target groups and also have a significant potential to influence other users of our products. It is therefore key for the continued strength of our brands that we are perceived by our current and potential future customers as a leading manufacturer and provider of technologically advanced, high-quality and high-performance computer input devices in our main business areas. This requires us to continuously invest in innovation to introduce new and enhanced products and features that achieve substantial levels of acceptance among our key target groups, including gamers and influencers. We are also required to invest in, and allocate considerable resources to, advertising, marketing and other efforts to enhance brand awareness and recognition as well as acceptance and loyalty for our products and brands among end-users, distributors, partners and industrial customers which use our products in their own products (*e.g.*, our switches are incorporated into their own branded keyboards). There can be no assurance that the expenses and efforts relating to such innovation and brand-building initiatives will yield the expected results at all or within the expected timeframe, or that the increased sales as a result of such initiatives will offset the costs. Furthermore, certain marketing efforts such as social media marketing, influencer marketing and sponsorship of professional eSports teams, including sponsorships undertaken by our distributors, could become prohibitively expensive, and as a result we may no longer be able to engage in such activities in the future. Moreover, well-known gamers or influencers who use our products and their social media reach are becoming increasingly important, and we face the risk that one of these important gamers and influencers may switch to a competing brand.

The strength and reputation of our brands, especially the "CHERRY" brand, are subject to various risks, many of which are beyond our control. Those risks include, among other things, product recalls, perceived declines in quality, performance or reliability or issues concerning poor quality, performance or reliability, product shortages, damaging action or conduct of professional eSports teams or influencers with whom we cooperate (or may cooperate in the future) or other personalities that are involved in our marketing efforts, unsuccessful or insufficient marketing and merchandising efforts implemented and carried out by us or our distributors, resellers and sales representatives, inability to adequately respond swiftly to changing consumer tastes and preferences or deterioration of the public image or reputation as a result of unfavorable publicity concerning our Group, the products that we sell or other negative publicity. Quality issues may especially arise during ramp up of production after the launch of a new product due to process variations of our assembly lines.

While we are able to decide which keyboard brand uses our key switches, we face the risk that our brand may be harmed if our CHERRY switches are used in keyboards of an OEM which for whatever reason were to experience reputational or quality issues, even if unrelated to our switches. In addition, our brand image and reputation may suffer materially and our revenue could decline if our distributors and partners do not operate duly respecting external or internal standards or do not operate successfully. In addition, from time to time, we have been involved in disputes with distributors, and may be involved in further disputes in the future. These disputes could also damage our brand reputation and/or our relationships with the broader network of our distributors and partners as well as industrial customers.

Any deterioration of the strength of our brands and products, or the costs relating to any unsuccessful initiatives to strengthen our brands and products, could have a material adverse effect on our business, market position, results of operations and financial position, as well as on our prospects.

3.1.11 We operate in increasingly competitive markets. We may lose business to competitors, which include companies that have more comprehensive resources or broader portfolios than us, or we may be unable to successfully expand into new markets. In addition, key customers such as major keyboard manufacturers may decide to develop their own switches.

Our ability to compete successfully is fundamental to our success in existing and new markets. We believe that the principal competitive factors in our markets include product performance, reliability, quality, brand and associated style and image, time-to-market with innovations and new technologies, interoperability of products and responsive customer support on a worldwide basis. Our ability to compete successfully may be adversely affected by numerous factors, including:

- competitors being able to identify and react faster than us to new market trends and evolving consumer preferences, and developing and launching their products faster than we can;
- inability to maintain close relationships with our customers and distributors, particularly in our switches business where we face increasing competition from other switch manufacturers, but also in our Office & Industry Peripherals business, and inability to expand our distribution network as planned (*e.g.*, in our Gaming Peripherals business);
- competitors, especially from Asia, having lower production or delivery costs (due to the location of their production sites and other operations, currency fluctuations or otherwise), which may result in price pressure, and in such competitors being able to offer products at a discount to gain market share or to respond to a decline in consumer demand and oversupply;

- competitors having a stronger brand awareness, including due to better promotion of their products, *e.g.*, through more eSports sponsorships. In addition, we may experience challenges relating to language and cultural barriers, in particular in the large Chinese gaming market;

- competitors having broader product portfolios, which may enable them to cross-sell their products, for example in the Office & Industry Peripherals business where we focus on keyboards, mice and keyboard/mice combos for business applications but do not offer other peripherals such as office headsets or webcams, which some competitors do;

- current and potential competitors, several of which are large, multi-national businesses, having substantially greater financial, technical, sales, marketing, personnel and other resources than we have, including wider distribution networks and larger production and assembly capacities. Especially in the German market for office computer peripherals, we compete with large, globally active players. These competitors may be able to attract market share due to higher brand recognition or more attractive pricing, *e.g.*, based on economies of scale;

- converging markets for computing devices and consumer electronics, as a result of which we expect greater competition in the future from well-established consumer electronics companies;

- our inability to acquire businesses that complement or expand our existing businesses.

We generate a large part of our revenue from selling premium key switches to major keyboard OEMs with strong brands, including Corsair, Logitech, Cooler Master, IKBC, Dell's "Alienware" gaming brand and Hewlett-Packard's "Omen" brand. We could lose sales if these manufacturers decide to co-develop key switches with a competing switch manufacturer (who supplies the "white label" switches to be branded under the keyboard OEM's brand), or, in cases in which they already use co-developed switches, if they increase the share of such switches to the detriment of the share of switches they buy from us, or if they switch to other suppliers (see also "*3.1.14 We are dependent on a few large customers for certain areas of our business.*"). This risk is exacerbated if end-users have or develop a stronger brand loyalty to keyboard manufacturers than to our own brand. In our switches business, increased competition has already led to downward price pressure as a result of declining keyboard prices in the upper-mid and premium segments, including due to an increase in price transparency for the end-customer.

In addition, increased competition may have a negative impact on our ability to sustain our premium price position. Although we observe a trend of gamers spending increasingly large sums on gaming equipment, should this trend plateau, or if in the future certain groups of gamers are not willing to pay the higher price point for our products (including third-party keyboards that include our switches), for example, if certain lower-priced comparable products were to improve their quality, we may need to lower our prices or risk a lower sales volume. In either event, our business could be seriously harmed.

In certain business areas, such as office peripherals (*e.g.*, keyboards and mice), we have a high brand awareness in Europe but a more limited one in other regions. Furthermore, our key product – the mechanical switch – is not widely used in the office setting so far, although we expect that it will become an established technology for office keyboards in the future. Especially in the German market for office peripherals, we compete with large, globally active competitors. These competitors may be able to attract market share due to higher brand recognition or a more attractive pricing, *e.g.*, due to economies of scale. We may not gain or may even lose market share if we are unable to maintain our strong brand or are unable to offer our products at competitive prices.

In addition, certain currency exchange fluctuations (*e.g.*, if the U.S. dollar strengthened against the euro) coupled with a potential inability to consequently adjust or increase our prices, could impair our ability to compete in certain regional markets.

We have also recently launched a new mechanical key switch for gaming laptops with Dell's "Alienware" gaming brand as strategic partner. Gaming laptops/notebooks is a new application area for our mechanical switches and we believe that ours would be the first ultra-slim mechanical switch used in gaming laptops. There can be no assurance that we will be able to expand our switches business into the gaming laptops field successfully, and mechanical switches may not be met with the expected acceptance by laptop gamers, or that the initial excitement we have observed for gaming laptops with our new CHERRY MX Ultra Low Profile key switches will continue over time.

In addition, our strategy includes, besides deepening our market penetration in existing regional markets, the expansion into new regional markets. For example, we strive to expand our Gaming Peripherals business to new countries in Asia in which we expect attractive growth over the coming years, such as Japan, Indonesia and Malaysia, and we plan to expand the sales of our Office & Industry Peripherals products beyond our core markets to the rest of Europe and to expand to China. We also consider expanding our business with security peripherals to other regions, for example the Middle East and Asia, and our eHealth peripherals business (currently focused only on the German market) to the rest of Europe and the United States. However, there can be no assurance that such business expansion into new markets will be successful. For example, Cherry's regional expansion could lead to higher than expected costs (*e.g.*, ramp-up costs or costs relating to setting up the required distribution) or take longer than expected. In addition, Cherry may experience difficulties in adapting to new markets, including the political and economic environment, difficulties in deepening existing and developing additional customer or distributor relationships, difficulties in finding reliable local suppliers and partners, difficulties in recruiting and then retaining a sufficient number of new skilled staff, difficulties in prevailing over local competition and in acquiring sufficient business, among several other factors. In addition, such regional expansion may be less effective than expected and/or be implemented only after a considerable delay, or not at all.

Moreover, our strategy includes, in part, the expansion of our local teams within our Gaming Peripherals business in order to directly carry out marketing and sales tasks previously performed by our distributors and to directly provide certain Asian flagship stores as a complement to our existing distribution network. In order to do so, we plan to expand our local e-commerce capabilities. We may be unable to carry out such expansion within the expected timeframe or budget, or this strategy may prove less successful than a distribution through third-party distributors, and we may fail to realize the expected margin and efficiency improvements.

In addition, we have only recently started to complement our B2B sales channels in the Office & Industry Peripherals business field with B2C sales channels (through our Cherry e-commerce store, Amazon and other e-commerce vendors and platforms) and competitors who already have a broader reach or more experience with these sales channels may have a competitive advantage, resulting in our inability to generate significant revenue from B2C sales channels. In addition, large vendor platforms (such as Amazon) typically wield significant market power over third-party sellers, which could negatively affect our margins or even facilitate the launch of competing products by such vendors using relevant customer purchase information.

Any of the above factors could negatively affect our business, financial position, results of operations and prospects.

3.1.12 The success of our business depends on strong relationships with OEMs and leading IT distributors and our revenue could be harmed if such relationships were to deteriorate.

The Cherry Group continues to enjoy a long-standing, trusting cooperation with OEMs and leading IT distributors, which sell our products via a broad network of partners to private and commercial end-users. There can be no assurance that distributors may not replace Cherry products in their respective product portfolios with competitors' products, which could have a significant negative impact on our earnings in the short term. Moreover, although we believe that we have a strong brand valued by end-users, making it relatively difficult for our OEM customers to change the brand of switches for their keyboards, OEMs may nevertheless decide to resort to other component suppliers, in particular for new keyboard lines they may introduce, but also potentially for their existing product lines. In 2014, one major OEM switched to another switch supplier and we were unable to win another large OEM due to capacity constraints in our production. Therefore, relationships with OEMs and key distributors must be strengthened through a differentiation strategy, the ongoing optimization of the product portfolio, effective cooperation in terms of market development and by optimizing services, with the aim of achieving a deep understanding of trends, markets and Cherry's customers. The stability and quality of our customer relations will therefore have to be shaped even more strongly by market, application and product know-how as well as customer-oriented behavior on the part of our employees. With respect to our gaming products, we currently rely on one major distributor in China. Although we are not bound by an exclusivity obligation towards this distributor, it may be difficult for us to change incumbent structures and distribution channels and we may thus find it challenging to partner with other distributors with respect to gaming products. For our Gaming Peripherals business unit, we had made the strategic decision to not actively market most of our products outside of Asia, in order to avoid entering into direct competition with the customers of our Gaming Switches business unit in other regions and maintain what we believe are strong relationships with our OEM customers. The Gaming Peripherals business unit is therefore predominantly exposed to developments, trends and competition in the Asian markets. However, we now plan on entering markets outside of Asia with pilot projects, which could adversely affect the relationships with our OEM customers. For our eHealth business in Germany, we currently rely on certain distributors who are particularly relevant for the adoption of our eHealth terminals in this market, as they act as the sole point of contact to doctors and other participants in the healthcare system and often play an important role in the purchasing decision. In each of these cases, we are particularly dependent on the relationships with our distributors and any difficulties with the distributors or deterioration of the relationships may significantly harm our business.

Any failure to maintain and strengthen our relationships with OEMs and key distributors may harm our business and have a negative impact on our revenue, financial position and results of operations, as well as our prospects.

3.1.13 The timely launch of new products is becoming increasingly important for us and any late or delayed launch of products, *e.g.*, when compared to competitor product launches, due to shortages or delays of supply or a failure or delay in meeting regulatory requirements or obtaining certifications and authorizations, may prevent us from maintaining or gaining market share and we may not be able to recoup development costs.

Some of our markets are characterized by rapid technological change, product obsolescence, evolving industry standards and new demands for features and performance, the latter especially in our gaming business. If we fail to launch new products in time, we may not be able to gain a significant market share and, consequently, may not be able to recoup development costs (time-to-market risk). Our time-to-market may be negatively impacted by a number of factors, including our ability to identify market trends in time or competitors being in a stronger position to respond quickly to new technologies being able to design, develop, market and sell their products more effectively than we are. In particular, some of our competitors are small or mid-sized specialty companies that can react to changes in industry trends or consumer preferences or introduce new or innovative products more quickly than we can. Our time-to-market may be also negatively affected by shortages of supply or delays in our supply chain, especially from critical suppliers, *e.g.*, due to the impact of the Covid-19 pandemic or other infectious diseases and countermeasures such as transportation restrictions.

Particularly in our gaming business, time-to-market risk could lead to us being unable to capture higher margins from sales to early adopters of new, innovative products that can be sold at a premium. The computer and especially the computer gaming market is generally characterized as a market where end-customers demand new features and performance in short cycles, which may lead to products launched into the market later than planned being perceived as outdated or obsolete. Even if we are able to gain significant market share at a later point in time, we may be unable to yield attractive margins with our products.

Time-to-market risk is especially critical for our business with products for the telematics infrastructure as part of our Healthcare & Security Peripherals business. This risk is particularly relevant in Germany, as the German telematics infrastructure is updated and expanded in various phases (roll-outs). In this specific market, we may also be unable to develop products that meet the regulatory requirements or fail to obtain the required certifications in time or at all (see also "*3.3.1 We are subject to several regulations and governmental policies and require certain certifications and authorizations, in particular for our Healthcare & Security Peripherals products. Our business and results of operations could be affected by the regulatory frameworks in different ways, for example if we were unable to obtain or renew required authorizations and certifications or if we failed to comply with our obligations.*").

If we are unable to launch new products in a timely manner or at all, we may lose business opportunities and market share, and we may not be able to recoup development costs.

Any of the above factors could negatively affect our business, financial position, results of operations and prospects.

3.1.14 We are dependent on a few large customers for certain areas of our business.

In the Gaming Switches business, we generate a large portion of our revenue from a few customers. In fiscal year 2020, for example, we generated roughly three-quarters of the revenue of our Gaming Switches business unit with our top four customers for that business unit. In our Office & Industry Peripherals business unit, roughly 80% of the revenue in fiscal year 2020 was generated with our top ten customers, which are large integrators and resellers/distributors. As a result, we would be particularly affected if one of these major customers were to switch to a different supplier or otherwise reduce the volume of their orders from us, as happened during fiscal year 2019, when we experienced fewer orders from a major OEM customer, and there can be no guarantee that we will be able to sell our products to other OEMs. Any of the above factors could negatively affect our business, financial position, results of operations and prospects.

3.1.15 We face risks in connection with the outsourcing of certain development and production activities to third parties, for example reduced oversight and the more limited ability to control quality.

Some of the activities that are required for the production of our products are outsourced to production partners. For example, some of our keyboards are manufactured in Slovakia by a production partner, based on designing and engineering carried out by several German development partners. Further, in our Gaming Peripherals business unit, we rely on a production partner from China for engineering, production and software development for our mechanical keyboards. We also outsource parts of the production of our Office & Industry Peripherals products, a portion of which are manufactured by contract manufacturers in Slovakia (in our "extended workbench", which means we take responsibility of an outsourced manufacturing facility), especially in the case of office security products, while other products are produced by our partners in China. While we strive to closely monitor such outsourced activities, the outsourcing entails certain inherent risks, such as reduced oversight and a more limited ability to control quality. In case of any shortcomings in the outsourced development or production activities, or in the event of quality issues with our outsourcing partners, our business (including our ability to deliver on time and in the required quality and quantity) and our reputation may suffer. In the past, we have had to insource certain manufacturing activities previously carried out by outsourcing partners to our Auerbach site in Germany. Such changes require time, additional expenses and adjustments in our supply chain. Any of the above factors could negatively affect our business, financial position, results of operations and prospects.

3.1.16 We may be unable to successfully implement our business strategy if we fail to identify, enter into or integrate acquisitions.

Selective acquisitions in our core business or in complementary businesses are one of the elements of our business strategy. For example, we recently acquired our long-time partner Theobroma, a developer and manufacturer of embedded systems, which has comprehensive expertise in hardware development, embedded Linux software development as well as production facilities in Vienna, Austria. The newly acquired development skills are initially to be used at Cherry in the healthcare and security areas. In the medium term, it is planned that our entire portfolio will benefit from the expanded expertise. In addition, we have recently strengthened our Healthcare & Security Peripherals business with another acquisition (Active Key; acquired in May 2021) in the area of healthcare peripherals. In the future, we intend to continue pursuing selective acquisition opportunities in all four business units in order to further grow and expand in a targeted manner. This strategy depends in part on our ability to successfully identify and acquire assets and/or shareholdings in companies that complement our business and find adequate partners or investment targets. If we are unable to do so, or should we lack sufficient resources to participate in acquisitions that we consider necessary, for example, to maintain our market share in a significant regional market or product segment, this could have a material negative impact on our growth and operations.

In addition, we may not be able to achieve the targets for growth, synergies, economies of scale, cost savings, development, production, distribution, or other strategic goals being sought from the acquisition of companies and interests in companies, or it may only be possible to achieve them to an insufficient extent given time and budget constraints. Potential acquisition targets may have lower profit margins, so that in the event of an acquisition our overall profit margin could thereby be reduced.

In addition, future acquisitions may be capital intensive and could require us to incur debt or issue debt or equity securities to finance such acquisitions, which may increase our interest expenses significantly and dilute the interest of our existing shareholders. Moreover, if an acquisition or similar transaction is not completed, in particular if the transaction is abandoned after a longer preparation period, the incurred costs and resources involved, which can be significant, will not be recovered.

Corporate acquisitions are typically associated with significant investment and risk. We may be unable to recognize all risks related to such a transaction in advance during our due diligence or to protect ourselves against such risks, as has happened in the past. For example, there can be no assurance that such risks will be (sufficiently or at all) taken into account in the respective agreements (including warranties). Future acquisitions may also give rise to financial and tax restructuring measures which, even if designed with the aim to achieve a tax-efficient structure, may expose us to risks, for example, if such measures cannot be implemented and/or the tax authorities were to challenge any of the implemented measures. Further, we may face claims, out-of-court disputes, arbitration or litigation in connection with acquisitions and similar transactions. Future acquisitions could result in the incurrence of debt, contingent liabilities or amortization expenses, or impairments of goodwill, if the goodwill recorded on our statement of financial position at the time of the acquisition proves to be too high.

Furthermore, past and future acquisitions and other investments in businesses entail risks relating to the integration of businesses, including, among other things, integration of employees, processes, IT, logistics and other systems, and product offerings, customer and supplier relationships as well as, depending on the regional market and business field, overcoming cultural barriers. Such acquired businesses may not, or not within the anticipated timeframe, achieve the targeted operative development. In particular, integration may be a more complex, time and resource consuming process than anticipated and involve a number of uncertainties. These include, for example, costs and expenses associated with unexpected difficulties, the diversion of management's attention from daily operations and/or strategic business decisions, the potential loss of key employees, suppliers and customers, difficulties in competing with existing business or diverting revenues from existing business, difficulties in complying with foreign regulatory requirements and the additional demands on management related to the increasing size and scope of our operations, especially in the case of larger acquisitions. In addition, it is possible that, following an acquisition, we may face difficulties in the context of negotiations with employee representatives. Such negotiations may relate to measures such as social plans or combining entities with different union tariff systems. A prolonged negotiation process could delay the transaction and the result of such negotiations may turn out to be costlier than expected.

Failure to successfully implement acquisitions and investments, to successfully integrate businesses that have been acquired could have a material adverse effect on our business, results of operations, cash flows and financial position, as well as our prospects.

3.2 Financial Risks

3.2.1 Our assets, in particular goodwill and other intangible assets such as internally generated industrial and similar rights and assets, industrial rights, licenses and patents, customer lists and brands are subject to the risk of impairment.

As of December 31, 2020, we had total assets of € 290.5 million, including a significant amount of intangible assets of € 184.6 million (or 63.5% of total assets) recognized in the Company's consolidated statement of financial position. Thereof, goodwill amounted to € 103.2 million and other intangible assets to € 81.4 million. Other intangible assets consist of development cost and internally generated industrial and similar rights and assets, industrial rights, licenses and patents, customer lists, brands and prepayments. We capitalize development cost if development costs can be reliably estimated, the product or process is technically and commercially feasible, future benefit is probable, we intend and have sufficient resources to be able to complete development and use or sell the asset, and expenditure can be reliably measured during development. As of December 31, 2020, development cost and internally generated industrial and similar rights and assets recognized in the consolidated statement of financial position of the Company amounted to € 10.4 million.

We determine the value of the intangible assets, including the aforementioned, in accordance with applicable accounting principles and distinguish between amortizable intangible assets and non-amortizable assets. Under the International Financial Reporting Standards as applicable in the EU ("**IFRS**"), we are required to annually test our recorded goodwill, intangible assets not yet available for use, such as capitalized development expenditures, and indefinite-lived intangible assets, such as our brand, and to assess the carrying values of other intangible assets when impairment indicators exist. Under financial reporting standard IFRS 9 – "Financial Instruments", contract assets and receivables are measured at amortized cost less impairment losses. Impairment losses on contract assets and receivables include significant judgments and estimates of management based on the credit rating of individual customers, which are in turn based on the assessment of external rating agencies, country-specific default risks, the current economic development, and analysis of past bad debts.

As a result of such tests, we could be required to recognize impairment losses in our income statement if the carrying value exceeds the fair value. Factors that could trigger goodwill impairments include the underperformance of our business relative to projected future operating results, negative industry developments or economic trends, including changes in borrowing rates or weighted average cost of capital, applicable tax rates or changes in working capital. Recognition of an impairment charge would reduce our reported assets and earnings. An impairment loss on goodwill cannot be reversed. Impairment losses on other assets can only be reversed to the extent that the carrying amount of the asset does not exceed the carrying amount that, less depreciation or amortization, would have been determined if no impairment had been recognized. These factors could have a negative effect on our financial position.

3.2.2 We are exposed to credit risks and may need to write off or write down receivables if our contractual partners are unable to meet their obligations.

Credit risk is defined as an unexpected loss in financial instruments if the contractual partner fails to discharge its obligations in full and on time or if the value of collateral declines. We may incur losses if the credit quality of our contractual partners deteriorates or if they default on, or fall behind schedule with, their payment obligations to us. We are in particular exposed to credit risks relating to trade receivables arising from our ordinary course of business, in particular with large customers. This may also be the case if we are unable to sell trade receivables due to a changing macroeconomic environment. A decision to write down or write off claims against contractual partners involves management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts on a portfolio basis. The write off or write down of our receivables may have a material adverse effect on our business, financial position and results of operations.

3.2.3 Our results of operations are exposed to currency exchange rate fluctuations.

While our reporting currency is the euro, due to our global operations, a portion of our revenue is denominated, and some of our consolidated subsidiaries report, in foreign currencies. Our results of operations are therefore affected by exchange rate fluctuations. Although a significant proportion of our material is purchased in the U.S. dollar region and the Chinese renminbi region and we will maintain our own production facilities in China, our results of operations are particularly affected by the exchange rates of the U.S. dollar, the British pound sterling, and the Chinese renminbi to the euro. In addition, an increasing value of the euro might adversely impact the competitiveness of our products outside the eurozone due to price effects on local markets. Across the Group, there is a surplus of expenditures in U.S. dollar compared to revenues. Open positions from increasing sales to the United Kingdom are partially hedged by price adjustment clauses with customers.

Foreign exchange rate fluctuations may affect or induce certain levels of volatility to our results of operations. Whether our results of operations are negatively affected by currency exchange rate fluctuations varies from year to year. For example, in fiscal year 2020, a net gain of € 0.3 million from exchange rate fluctuations was recognized in the consolidated income statement for Cherry Holding Group, while in fiscal year 2019, a net loss of € 0.1 million from exchange rate fluctuations was recognized in the consolidated income statement for Cherry Holding Group (in each case calculated as exchange gains recognized in other operating income less exchange losses recognized in other operating expenses). We cannot predict exchange rate developments and might recognize a loss in the future, which could negatively affect our results of operations and financial position.

3.2.4 We have assumed pension liabilities, and the actual costs incurred in connection with the resulting liabilities may substantially exceed our current estimates.

We have obligations with respect to pension schemes for certain of our current and former employees in Germany. Across the Group there are various pension schemes in place, both defined benefit plans and defined contribution plans. Under these pension schemes, we are required to ensure specific levels of retirement, invalidity, and survivors' benefits for employees participating in the schemes. The calculation of expected liabilities arising from defined benefit plans is based on actuarial estimates and demographic and financial assumptions. As of December 31, 2020, we had recognized pension provisions of € 1.0 million in the Company's consolidated statement of financial position, and in fiscal year 2020, total expenses for defined contribution plans of Cherry Group amounted to € 0.5 million (Cherry Holding Group: € 1.9 million).

The pension provisions may be affected by changes in actuarial assumptions, including life expectancy discount rate, as well as by movements in financial markets. Actual developments may differ from assumptions, *e.g.*, due to changing market and economic conditions, thereby resulting in an increase or decrease in the actual obligations.

Also, changes in the valuation assumptions of pension obligations can affect the defined benefit obligation. We may face the risk of increasing cash outflows if local pension regulations require higher funding levels or change otherwise.

Furthermore, the legal conditions governing our pension obligations are subject to changes in applicable legislation or case law. We may incur new or more extensive pension obligations in the future due to changes in such legislation and case law, or changes may negatively impact previous calculations with respect to our pension obligations. Moreover, future amendments to accounting standards may affect our pension obligations. These factors could have a negative effect on our financial position.

3.2.5 We may be unable to obtain sufficient debt financing at reasonable terms or at all, and our debt cost may become more expensive in the future. In addition, our business could be negatively affected if our customers or suppliers do not have access to financing on economically viable terms.

Our ability to obtain debt financing, guarantees or derivative or hedging lines from financial institutions at commercially acceptable terms, including volume and costs, could depend on several factors, some of which are beyond our control, such as general economic conditions, the availability of credit from financial institutions, market interest rates and global and European Union's monetary policy and financial markets regulation. In addition, deterioration in our business results, financial position or any potential future credit ratings could lead to higher financing and hedging costs, to reduced availability of credit, hedging and guarantee lines, reduced access to capital markets, other commercially unfavorable terms or an acceleration of loans or provision of security.

In addition, we are exposed to risks associated with changes in variable interest rates, in particular as our main financing facility, a € 90.0 million unitranche term and revolving facilities agreement from August 2020 (most recently amended in December 2020) (the "**Senior Facilities Agreement**"). On September 30, 2020, the term facility under the Senior Facilities Agreement was utilized in the full amount of € 80.0 million and applied towards the payment of the purchase price payable under a share purchase agreement relating to the sale and purchase of shares in the former Cherry Holding GmbH (which was merged into the Company in April 2021) and made between the Company as purchaser and Genui Sechste Beteiligungsgesellschaft mbH and Greendich Enterprise Co. as sellers. While we intend to fully repay the amount drawn under the Senior Facilities Agreement with a portion of the proceeds we receive from the offering that is one of the subject-matters of the Prospectus, and to enter into a new financing agreement, we expect the new financing agreement to also be based on variable interest rates. The facilities under the Senior Facilities Agreement bear interest at a floating rate based on EURIBOR, or, in relation to any loan in a currency other than the euro, LIBOR, and a margin. Therefore, an increase or decrease in interest rates would affect our current interest expenses and future refinancing costs to the extent such effects are not hedged.

Any increase in current interest expenses and future refinancing costs could have a material adverse effect on our business, financial position and results of operations.

Our business activities could be similarly negatively affected if our customers or suppliers do not have access to financing on economically viable terms and may therefore reduce their volume of orders for our products or stop these altogether, or they may delay or default on their payments owed to us, which could negatively affect our results of operations and financial position.

3.2.6 The contractual terms and conditions of the Senior Facilities Agreement impose, and the terms and conditions of a new financing agreement to refinance such debt is expected to impose, restrictions on our business and on changes at the shareholder level.

The Senior Facilities Agreement contains, among other things, covenants which include restrictions on mergers, acquisitions, joint ventures, disposals, loans or credit, guarantees and indemnities, dividends and share redemption, payment of subordinated debt, incurrence of financial indebtedness and leases, and issuances of shares, each subject to specific baskets and/or exceptions. In addition, the Senior Facilities Agreement contains a financial covenant that will require us to maintain a maximum ratio of total net debt to adjusted EBITDA, as determined in accordance with the terms of the Senior Facilities Agreement.

Furthermore, the lenders under the Senior Facilities Agreement may terminate the contract upon the occurrence of certain events, including a change of control, as further defined in the Senior Facilities Agreement, or under certain circumstances, upon the sale of all or substantially all of the business and assets of the Cherry Group. In such case, all outstanding loans and all other amounts relating to the terminating lender would become immediately due and payable. Certain other mandatory prepayment events apply, subject in each case to minimum amounts and exceptions, including in relation to (i) the proceeds of warranty or negligence claims that the Company may have against the sellers or third parties in relation to the acquisition of Cherry Holding GmbH, (ii) the proceeds of certain disposals and (iii) the proceeds of certain claims under insurances maintained by any member of the Cherry Group. The Company is also required under certain conditions to apply a percentage of its excess cash flow in the mandatory prepayment of the facilities.

The € 80 million currently drawn under the Senior Facilities Agreement is expected to be repaid in full from the proceeds received by the Company in the context of the Offering, together with accrued interest, prepayment fee and break costs associated with the early repayment. In this connection, we also expect to enter into a new financing agreement including a term loan in the amount of € 45 million and a revolving credit facility in the amount of € 10 million. The new financing agreement is expected to be signed either at the end of June 2021 or in July 2021. We expect, based on the current term sheet of June 2021, that such new financing agreement will also be subject to customary covenants, including a certain net leverage ratio in terms of financial indebtedness to cash and/or EBITDA, and termination/mandatory prepayment events, *e.g.*, in case of a change of control (for example, if any person or group of persons acting in concert – other than Genui Sechste Beteiligungsgesellschaft mbH and/or Argand Partners Fund GP-GP, Ltd. ("**Argand GP-GP**") – were to directly or indirectly hold more than 50% of the issued shares or voting rights in the Company), events of default and undertakings relating to, among others, guarantees, loans out, conditions to be fulfilled regarding acquisitions and joint ventures as well as disposals and others, which may also restrict the way we conduct our business. In addition, we expect the new financing agreement to contemplate a negative pledge and *pari passu* undertakings, subject to limited exceptions, and to include certain guarantees from certain Group companies.

These covenants and restrictions, or other covenants and restrictions under future financing agreements, could limit our financing options and our ability to pursue certain business activities or transactions that may be in our interest or that could help grow our business. Furthermore, failure to make payments when due or to comply with covenants under the terms of such financing agreements could result in an event of default and acceleration of amounts due and enforcement of collateral securing such debt.

3.2.7 We may have to write down inventories or other assets, which could adversely affect our financial position and result in loss of profitability.

On occasion, we may have built up, or in the future may build up, inventories (both work in progress and finished products) that cannot be sold or only sold at lower-than-calculated prices, either because there is insufficient demand from the market (*e.g.*, due to an overall economic recession or technological obsolescence) or intense competition. This may require us to write down the carrying value of such inventory, which would negatively impact our profit and financial position.

3.3 Compliance, Legal, Regulatory and Tax Risks

3.3.1 We are subject to several regulations and governmental policies and require certain certifications and authorizations, in particular for our Healthcare & Security Peripherals products. Our business and results of operations could be affected by the regulatory frameworks in different ways, for example if we were unable to obtain or renew required authorizations and certifications or if we failed to comply with our obligations.

We manufacture, besides various gaming and office products, certain IT security products as well as smartcard readers, keyboards and other components used in Germany's telematics infrastructure. In particular, our telematics products, as part of the telematics infrastructure which is a specific communications network for doctors, hospitals, dentists, pharmacies and other parties acting in the health care sector, are subject to authorization by gematik GmbH ("**gematik**") and other specific regulations. Gematik can add collateral clauses to its authorizations, which can result in additional compliance costs for us or limit to some extent our entrepreneurial freedom. We must also regularly prove the security of our telematics products by way of a certification issued by the German Federal Office for IT Security (*Bundesamt für Sicherheit in der Informationstechnik*, "**BSI**").

We have obtained several authorizations by gematik and BSI for certain products in the telematics field. Similarly, our product portfolio includes a keyboard with card reader that has been certified by the BSI, since the product is used by the German Federal Employment Agency (*Bundesagentur für Arbeit*) for the authentication and provision of electronic signatures and not for the processing of classified government information. We will require extensions of such certifications upon expiration. Future extensions of the gematik and BSI authorizations may require us to update the product to ensure it will comply with any future standards on functionality and security, which evolve quickly. This may result in additional costs. It can also not be assured that we will be able to obtain the required extensions or any new certifications that may be required (*e.g.*, for any new products) in a timely manner or at all. Moreover, the authorizations issued by gematik allow gematik to impose additional collateral clauses or to withdraw the authorizations if such measures are necessary to fulfill legal requirements or to ensure functioning of the telematics infrastructure. A delay in obtaining the required certifications and authorizations may result in a delayed time-to-market, and we may thus lose business opportunities, which would harm our business and results of operations (see also "*3.1.13 The timely launch of new products is becoming increasingly important for us and any late or delayed launch of products, e.g., when compared to competitor product launches, due to shortages or delays of supply or a failure or delay in meeting regulatory requirements or obtaining certifications and authorizations, may prevent us from maintaining or gaining market share and we may not be able to recoup development costs.*").

We have developed and are developing our eHealth solutions specifically for the telematics infrastructure of the German healthcare market. As healthcare markets and the regulatory regimes applicable to them are highly nationalized, we may not be able to sell our relevant products in markets outside of Germany or be able to adapt our products to other market or regulatory requirements, leaving us with a limited market for such products and limiting our geographic expansion potential for such eHealth solutions.

For example, we had to develop a new security platform (including a complete re-engineering of the hardware and software) to continue to serve the eHealth market after the production approval (*Produktionszulassung*) for our only eHealth keyboard at the time expired at the end of 2019. Such a new development entails high costs, as more features are required and the platform needs to accommodate a growing number of healthcare participants. While we believe we may be able to use the new technology for other security-related areas in the future, there can be no assurance that we will obtain the required certifications to expand the use of the technologies as expected. In part, whether a certain technology or technology provider is admitted for a certain security area depends on political decisions which are beyond our control.

In addition, besides several general regulatory obligations relating to telematics products in Germany, we must particularly ensure compliance with a public law agreement concluded with the German Federal Ministry on Economic Affairs and Energy (*Bundesministerium für Wirtschaft und Energie* – "**BMWi**") on behalf of the Federal Republic of Germany in September 2020, to protect the security interests of the Federal Republic of Germany with respect to the supply of components in the telematics infrastructure. The agreement contemplates several information and other duties of the Group as well as restrictions for potential future direct or indirect investors in the Company, and affords the Federal Government several rights. Due to these rights of the Federal Government and restrictions relating to the Group, we may have to consider the interests of the Federal Republic of Germany, require its prior approval for certain actions, and must adhere to the other rights and restrictions mentioned above, and thus may not be able to take certain strategic and management decisions (in a timely manner or at all) that we might otherwise consider beneficial to our business and which a competitor might be able to take more easily or swiftly, and we may lose business opportunities or incur costs or experience other disadvantages.

Furthermore, due to the nature of the business in which we operate, the German foreign investment control regime applies to the Group. In particular, the applicable German Foreign Trade and Payments Ordinance (*Außenwirtschaftsverordnung*) stipulates notification requirements for acquisitions involving German companies that have obtained an authorization for components in the telematics infrastructure. According to an amendment to the German Foreign Trade and Payments Ordinance which became effective on May 1, 2021, our IT security business might also become subject to the foreign investment control regime. In particular, the amendment sets forth statutory notification requirements for companies that develop or manufacture IT products or components of such products that serve as an essential functional feature to protect the availability, integrity, authenticity or confidentiality of information technology systems, components or processes. Consequently, foreign investors who intend to directly acquire 10% or more of the voting rights in the Company will be required to notify the BMWi in writing about the contemplated acquisition. The same applies to indirect acquisitions. The BMWi then assesses whether the acquisition might adversely affect the public order or security of the Federal Republic of Germany, other EU Member States or certain EU projects. Should the BMWi determine adverse effects, the acquisition might be subject to restrictions or could even be prohibited. Pursuant to the aforementioned recent amendment of the German Foreign Trade and Payments Ordinance, similar rules might apply if the acquisition is solely directed at the Group's IT security business, in such case with a threshold of 20% or more of the voting rights, whereby some uncertainty remains at this time as to whether the Group's IT security business (security peripherals) would fall under the new rules.

The increasing burden of complying with these regulations and of obtaining and extending the required certifications and authorizations, as well as a failure to adhere to any such regulations or obtain the required certifications and authorizations, could have a material adverse effect on our reputation, as well as our business, results of operations, cash flows and financial position, as well as our prospects.

3.3.2 Our tax burden could increase due to changes in tax laws or their application or interpretation, or as a result of current or future tax audits.

Cherry's tax burden is dependent on certain aspects of the tax laws across several different jurisdictions and their application and interpretation. Thus, tax matters are subject to a degree of uncertainty in terms of their assessment by the tax authorities in Germany and other countries. Even if Cherry believes that all circumstances have been reported correctly and in compliance with the law, the possibility cannot be ruled out that the tax authorities may come to a different conclusion in individual cases. Changes in tax laws or their interpretation or application or in the amount of taxes imposed on companies could increase the future tax burden. There is currently an ongoing regular tax and wage tax audit carried out by the tax authorities at Cherry Europe GmbH and Cherry Holding GmbH (which was merged into the Company in April 2021) for the fiscal years 2016 to 2018. In addition, in 2018 our Chinese subsidiary was subject to a tax audit conducted by the national tax office in Zhuhai, China, which ended with no findings, and to a customs audit in 2019, which concluded in May 2020 with only a minor infraction as finding. As a result of current or future tax audits or other review actions by the relevant tax authorities, original tax assessments could be revised and/or additional taxes, including interest and penalty payments or social security payments, could be assessed in relation to future or previous tax assessment periods which could lead to an increase in the tax obligations of the Group, either as a result of the relevant tax payment being assessed directly against Cherry or as a result of Cherry becoming liable for the relevant tax as a secondary obligor due to the primary obligor's (*e.g.*, an employee's) failure to pay. This may be due to an interpretation or view of laws and/or facts by tax authorities in a manner deviating from our view.

Due to its international focus, we are exposed to tax and customs risks, in particular with regard to the so-called transfer pricing rules that apply in several jurisdictions and, in relation to cross border business relationships. Pursuant to such rules, related enterprises are obligated to conduct any intercompany transactions on conditions that would also apply among unrelated third parties concluding comparable agreements (the so-called "at arm's length principle") and to provide sufficient documentation thereof, subject to the rules applicable to them in the relevant jurisdiction. The possibility that the tax authorities will challenge Cherry's compliance with applicable transfer pricing rules cannot be ruled out. Furthermore, transfer pricing risks may increase in the future as intra-group cross-border business grows.

The Company and its subsidiaries are subject to tax audits by the respective tax authorities on a regular basis. As a result of current or future tax audits or other reviews by the tax authorities, additional taxes (including withholding taxes, real estate transfer tax, capital duty and stamp duty) could be assessed on Cherry Group companies (for example, in connection with restructuring measures, transaction costs, refund of input-VAT or with intra-group pricing terms) or tax losses carried forward could be reduced, which could lead to an increase in the Group's tax obligations and thus, have a material adverse effect on our financial situation.

The Group's corporate structure has been, and will be in the future, subject to reorganization measures (for example, transfer of subsidiaries, carve-outs, acquisitions or mergers). For example, in April 2021, the former Group company Cherry Holding GmbH was merged by way of an upstream merger into the Company. In addition, in January 2021, the spin-off of the Group's healthcare business, including the shares in Theobroma, into a subsidiary of the Group was registered in the Commercial Register. For tax purposes, the business was spun-off at book value with retroactive effect as of January 1, 2020. Although Cherry tries to consider the relevant tax issues arising from such reorganizations, the tax authorities may question some or all of the positions that Cherry has taken and, consequently, additional taxes may be assessed or tax assets be challenged. For example, the re-assessment of the aforementioned spin-off of the healthcare business could result in considerable tax payments on the basis of a valuation at fair market values, the amount of which cannot be reliably estimated at present.

Furthermore, the Group is constantly exposed to risks arising from the application of international tax concepts used for the purpose of allocating taxing rights between countries, for example, the concept of permanent establishment as used, inter alia, in OECD model treaties. In particular, Cherry's business activities outside of Germany might inadvertently trigger taxation rights of foreign countries (for example, due to a representative's permanent establishment), leading to additional tax burdens for the Group.

Additional tax risks may also arise in relation to VAT, for example, with regard to intra-European shipments as well as sales and supply contracts with our customers (in particular with counterparties in Slovakia). Cherry encounters attempts by those customers to bundle several supply contracts or to negotiate the commercial terms of several suppliers jointly, even when these projects are to be fulfilled in different countries or by different legal entities, leading to the need to accurately allocate turnover volume to the individual projects for VAT purposes. It cannot be ruled out that the tax authorities will challenge allocation methods applied by Cherry, which might result in a higher tax burden for the Group.

If Cherry were to suffer adverse tax assessments, challenges to its transfer pricing or VAT treatment, transactional tax impacts or otherwise increased burdens, including interest and penalty payments or social security payments, this could lead to material adverse effect on the Group's business, results of operations and financial position.

3.3.3 We are, have in the past been, and may in the future be, subject to intellectual property infringement claims, which are costly to defend, could require us to pay damages or royalties and could limit our ability to use certain technologies in the future.

Companies in the technology sector are frequently subject to litigation or disputes based on allegations of infringement or other violations of intellectual property rights. We have in the past faced claims alleging that we have infringed, or that our use of components or products supplied to us by third parties have infringed, patents or other third-party intellectual property rights and may in the future face similar claims. For example, in May 2018, a Chinese company filed an online complaint against "Cherry" on the Alibaba platform "TMall.com", claiming that "Cherry's" use of "MX 1.0" infringed one of its Chinese trademarks for the "MX BOARD". It was then shown to Alibaba/TMall that Cherry had already used the name "MX BOARD" before the filing of the opposing trademark application and was continuing to use it, so that Cherry owned the earlier rights. Alibaba/TMall rejected the complaint of the Chinese company accordingly. We cannot exclude the possibility that we may be involved in similar complaints and disputes in the future.

Any intellectual property claims, with or without merit, can be time-consuming and expensive to litigate or settle. An adverse determination could require that we pay damages, which could be substantial, or stop using technologies found to be in violation of third-party rights and could prevent us from selling some of our products. In order to avoid these restrictions, we may have to seek a license for the technology. Any such license may not be available on reasonable terms or at all, could require us to pay significant royalties and may significantly increase our operating expenses or otherwise seriously harm our business or operating results. As a result, we may need to develop alternative non-infringing technologies, which could require significant effort and expense and might not be successful or, if alternative non-infringing technologies already exist, we may be required to license those technologies from third parties, which may be expensive or impossible. If we cannot license or develop technologies for any infringing aspects of our business, we may be forced to halt sales of our products incorporating the infringing technologies and may be unable to compete effectively. Any of these results may seriously harm our business.

Claims for intellectual property infringement and product warranty claims may have a material adverse effect on our business, results of operations, cash flows and financial position.

3.3.4 Any threat to, or impairment of, our intellectual property rights and know-how could cause us to incur costs to defend these rights, and impair our ability to compete effectively.

As a Group that develops intellectual property and manufactures and markets branded products, we rely on trademark protection to protect our brands, as well as our technological expertise. We have also applied for and obtained patents for certain of our technologies as well as, to a lesser degree design rights. These protections may not adequately safeguard our intellectual property, which may have a material adverse effect on our results of operations. There is a risk that third parties, including our competitors, will infringe on our intellectual property rights, in which case we would have to defend these rights. This may result in significant costs. In addition, we may be unable to effectively combat the proliferation of imitations and counterfeits of our products, a persisting trend, in particular in Asia. On several occasions in the past we have identified imitation and counterfeit products, some of which can barely be distinguished from our branded products. This is particularly the case for our Gaming switches, which are sometimes copied and sold mainly under local Chinese brands.

Moreover, should registered intellectual property rights expire or be subject to geographical restrictions, this could allow competitors to use our intellectual property in order to facilitate entry into the market or strengthen their position. For example, since the patent for our key "CHERRY MX" switch technology expired a few years ago, a number of competitors that produce "clones" of these keyboard switches at a lower price (compared to our original CHERRY MX products) have recently emerged. While the risk of having our products (in particular, switches) copied by other manufacturers is not necessarily tied to the expiration of our related IP rights (since it is possible to work around patents and design very similar products), it is possible that upon expiration of patent protections for other long-standing products in the future, we may face an increase in the number of "cloned" products.

In addition, the extent of patent or trademark protection varies from country to country. In some of the countries in which we operate, patent or trademark protection may be significantly weaker than in the EU or the United States.

There can be no assurance that we will be able to take sufficient measures to effectively protect our trademarks, patents and technological developments and know-how, or effectively prevent others from developing and designing products or technologies which are similar to ours. If our trademarks, patents or technological developments cannot be adequately protected, this could impair the further development of our business and thus significantly impair our competitiveness.

There is also a risk that third parties, including our competitors, will seek a revocation of our intellectual property rights, take legal action to have our intellectual property rights declared null and void, or demand an assignment of such rights. These third parties may bring infringement claims against us or our customers. For instance, competitors may challenge, invalidate or circumvent any existing or future trademarks issued to, or licensed by, us. Accordingly, we could be involved in lengthy and costly litigation to protect our intellectual property, the outcome of which can be uncertain.

We may also decide to file further trademark, patent or design applications seeking to protect selected newly-developed brands, products, technologies, designs or concepts, or apply for registration of existing brands, products or patents in other relevant jurisdictions, but cannot be sure that trademark, patent or other registrations will be issued. There is also a risk that we could lose protection of trademarks if we fail to renew a trademark on a timely basis. In addition, even though a trademark has been duly registered, under local regulation the fact that a trademark is not used for a certain period of time (such as five years in the EU) may render the trademark registration voidable.

Moreover, we rely to some extent on trade secret protection and confidentiality agreements with our employees in order to protect certain products, technologies and other material know-how. Some of our intellectual property and know-how is not protected by registered intellectual property rights, as we consider the disclosure of trade secrets connected with a registration to be more harmful for us than the risk of secrecy violations. A failure to maintain sufficient secrecy, as well as the inability to effectively protect our trademarks and other intellectual property rights, could have a material adverse effect on our business, results of operations, cash flows, financial position, our customer relationships and our reputation.

If protections for our intellectual property and brands prove inadequate, or if we are not able to successfully defend and enforce our intellectual property rights and confidentiality agreements, this may have a material adverse effect on our business, results of operations, cash flows and financial position.

3.3.5 The collection, storage, transmission, use and distribution of user data could give rise to liabilities and additional costs of operation as a result of laws, governmental regulation and risks of security breaches.

When processing personal data, we are subject to privacy-related laws and regulations. These are evolving and are subject to potentially differing interpretations, and international legislative and regulatory bodies may expand or enact laws regarding privacy and data security-related matters. For example, the European Union General Data Protection Regulation ("**GDPR**") and the respective implementation legislation in the national laws of the EU Member States, which in Germany is the Federal Data Protection Act (*Bundesdatenschutzgesetz*), both of which came into effect on May 25, 2018, have led to more stringent operational requirements for processors and controllers of personal data, including, for example, requiring expanded disclosures about how personal information is to be used, limitations on retention of information, mandatory data breach notification requirements, and higher standards for data controllers to demonstrate that they have obtained valid consent or have another legal basis in place to justify their data processing activities. Under the GDPR, fines of up to € 20 million or up to 4% of the total worldwide annual revenue of the preceding fiscal year, whichever is higher, may be assessed for non-compliance. These laws and regulations as well as any potential new privacy laws add additional complexity, requirements, restrictions and potential legal risk, require additional investment in resources to compliance programs, and could impact trading strategies and availability of previously useful data.

Furthermore, information security risks have generally increased in recent years because of the proliferation of new technologies and the increased sophistication and activities of perpetrators of cyberattacks. Although we have several measures in place to deter cyberattacks, hackers and data thieves are increasingly sophisticated and conduct large-scale and complex automated attacks. As cyber threats continue to evolve, we may be required to expend additional resources to further enhance our information security measures, develop additional protocols and/or to investigate and remediate any information security vulnerabilities. We cannot guarantee that our facilities and systems will be free of security breaches, cyberattacks, acts of vandalism, computer viruses, malware, ransomware, denial-of-service attacks, misplaced or lost data, programming and/or human errors or other similar events. Any compromise or perceived compromise of the security of our systems could damage our reputation, result in disruption or interruption to our business operations, reduce demand for our products and subject us to significant liability and expense as well as regulatory action and lawsuits, which would harm our business, operating results and financial position.

In addition, any failure or perceived failure by us to comply with privacy or security laws, policies, legal obligations or industry standards, or any security incident that results in the actual or alleged unauthorized release or transfer of personal data, may result in governmental enforcement actions and investigations, including fines and penalties, enforcement orders requiring us to cease processing or operating in a certain way, litigation and/or adverse publicity, including by consumer advocacy groups, and could cause our customers to lose trust in us, which could have a material adverse effect on our results of operations and our business.

3.3.6 Regulations or potential regulations discouraging gaming or limiting certain aspects of gaming may have a negative impact on our business.

Our Gaming business may be indirectly impacted by laws and regulations which may discourage gaming, reduce access to gaming or prohibit gaming, as we rely on a healthy and growing underlying gaming market, including growing numbers of gamers. Various countries, including the United States, South Korea and China, have implemented or have attempted to implement laws and regulations designed to limit access to games or reduce the amount of time spent playing games due to perceived harm caused by video games, especially to minors. Compliance with such laws and regulations may have a negative impact on the gaming market, which is one of our key areas of expected growth and could thus result in a decline of our sales, limit any sponsorship of eSports participants by our distributor and require our customers to change their business practices in a manner that could materially and adversely affect our business. The impact of such laws and regulations on third parties, such as game developers, could also adversely affect our business, financial position and results of operations, to the extent that it adversely impacts the games industry as a whole.

3.3.7 Our operations are subject to sanctions, anti-corruption, and anti-money laundering laws and regulations, and we may suffer financial, reputational, and business damage if our internal control systems are inadequate to comply with them.

Our operations subject us to compliance risks with respect to various rules and regulations, including, among other things, regarding international sanctions, anti-corruption, and anti-money laundering. Sanctions, anti-corruption, and anti-money laundering regimes evolve over time and it is difficult for us to predict the interpretation, implementation, or enforcement of governmental policies in this area. While we have implemented a code of conduct to avoid these types of behavior and we generally have no direct contact with governmental organizations, because we sell products to these organizations through an integrator or distribution partner, we may indirectly be involved in compliance issues if a distributor, integrator or sales agent for our products were to take part in illegal conduct. Government enforcement authorities or other third parties could find upon a review of our compliance policies and procedures that those policies and procedures are not designed or have not been implemented in a manner that effectively prevents and detects breaches of relevant laws. Our existing internal control and compliance systems may also not prove to be effective in detecting and preventing sanctions violations, corruption, money laundering, or violations of other laws by our employees, sales agents, resellers, distributors, customers, or partners, especially as we sometimes have limited possibilities to enforce our internal control and compliance processes. Our failure to comply with applicable rules and standards could result not only in the imposition of fines and penalties, the confiscation of profits, adverse tax consequences, and reputational damage, but also in the modification, termination, or reduction in value of some of our contracts with customers that have strict compliance policies with respect to their procurement. Compliance risk is higher where we, as part of our strategy, enter new markets and jurisdictions in which we have no previous experience and thus may not be able to identify all applicable laws and regulations.

At the same time, the implementation and stringent application of our internal control systems may result in a loss of existing customer relationships and business opportunities, including in certain markets we consider high-risk from a compliance perspective. In addition, the Group faces increasing costs in light of the increasingly complex legal and regulatory requirements and the need to ensure compliance in all countries in which it conducts business. Moreover, the expansion of our internal control systems may result in the future in delays in our sales and procurement procedures and require considerable human and other resources. There is also a risk that relevant and updated internal policies, guidelines and instructions (relating to different areas, such as tax, legal and product quality) may not be effectively made available to all persons who are meant to apply them due to the lack of a group-wide common platform. This may result in policies not being followed consistently, potential breaches of legal regulations, as well as inefficiencies.

Any of the above factors could negatively affect our business, financial position, results of operations and prospects.

3.3.8 We are exposed to risks regarding antitrust laws and regulations such as fines, damage claims, and restrictions on our ability to do business.

We are subject to antitrust laws and regulations in the European Union and other jurisdictions and therefore exposed to risks related to (private) enforcement actions and damage claims. In addition, we have made selected acquisitions in our recent past and may continue to make such selective acquisitions as part of our strategy, and we may enter into partnerships, each of which exposes us to additional risks and requires careful analysis of potential antitrust issues.

A finding of an infringement of antitrust laws and regulations could adversely affect us in a variety of ways. For example, it could result in significant fines (based on, among other factors, the value of the relevant sales), private enforcement claims by third parties, such as customers or competitors (including the exposure to joint and several liability in the context of cartel damage claims), disclosure of and changes in business practices, which may result in reduced revenue or margins, and reputational damage.

In addition, antitrust rules and regulations in certain jurisdictions, including merger control laws and regulations, may impose restrictions on our ability to carry out certain acquisitions or enter into cooperations and partnerships, thus limiting our ability to grow inorganically, or require forced divestments or other measures. We might also be forced to cease certain business activities as a result of such rules or regulations.

Any of the above factors could negatively affect our business, financial position, results of operations and prospects.

3.3.9 We are subject to various environmental, health and safety and product safety laws and other regulations that could impose substantial costs upon us and may seriously harm our business.

Our operations, properties and the products we sell are subject to a variety of environmental laws and regulations governing, among other things, air emissions, wastewater discharges, management and disposal of hazardous and non-hazardous materials and waste, and remediation of releases of hazardous materials. In Germany, applicable laws include, for instance, the Water Resources Act (*Wasserhaushaltsgesetz*), the Closed Substance Cycle Waste Management Act (*Kreislaufwirtschaftsgesetz*), the Electronic Equipment Act (*Gesetz über das Inverkehrbringen, die Rücknahme und die umweltverträgliche Entsorgung von Elektro- und Elektronikgeräten*) and the Federal Immission Control Act (*Bundes-Immissionsschutzgesetz*) including its related ordinances. In addition, if we failed to comply with present and future requirements under these laws and regulations, or in case of any environmental contamination or releases of hazardous materials on our premises, as well as through disposal of our products, we could incur substantial costs, including clean-up costs, personal injury and property damage claims, fines and penalties, costs to redesign our products or upgrade our facilities and legal costs, or require us to curtail our operations. Environmental contamination or releases of hazardous materials may also subject us to claims of property damage or personal injury, which could result in litigation and require us to make substantial payments to satisfy adverse judgments or pay settlements. Liability under environmental laws can be joint and several and without regard to comparative fault. We also expect that our operations will be affected by new environmental laws and regulations on an ongoing basis, which will likely result in additional costs. Environmental laws and regulations could also require that we redesign our products or change how our products are made, which could harm our business. The costs of complying with environmental laws and regulations or the effect of any claims or liability concerning or resulting from noncompliance or environmental contamination could also seriously harm our business.

We are also subject to health and safety laws, rules, and regulations, which are largely based on European and national legal standards, as well as provisions on product safety in all countries and jurisdictions where we deliver our products and could therefore be held liable in cases concerning damage caused by defective products manufactured by us.

Any of the above factors could negatively affect our business, financial position, results of operations and prospects.

3.3.10 The Group may face risks, including potential disputes and increased costs, relating to the acquisition of employee inventions.

The Group's technological know-how and intellectual property is often discovered by its employees during the course of their employment. Present or former employees who made inventions could continue to hold rights to the inventions they created and may demand the registration of intellectual property rights in their name (vindication) and, under certain circumstances, may also claim damages. The use of the relevant invention by the Group in such cases is not secure, because the inventor could be able to obtain an injunction prohibiting use.

In accordance with the German Act on Employee Inventions (*Gesetz über Arbeitnehmererfindungen*), an invention is deemed to have been effectively claimed by the employer if the employer has not released the invention within four months after having been properly notified of the invention by the employee. If, however, under the provisions of the law, an employee inventor retained sole ownership or co-ownership of any inventions or related intellectual property rights, the Group may lose valuable intellectual property rights (including to competitors) and may be required to obtain and maintain licenses from such employee inventors to such inventions or intellectual property rights in order to use the invention, which may not be possible on commercially reasonable terms or at all.

Moreover, any disputes between the Group and present or former employees pertaining to alleged non-adherence to the provisions of the abovementioned laws relating to employee inventions may be costly to defend and may take up the management's time and efforts irrespective of whether the Group prevails or fails in such dispute.

Any of the above factors could negatively affect our business, financial position, results of operations and prospects.

3.3.11 Cherry is and may become involved in disputes, litigation, arbitration or governmental proceedings.

Companies in the Cherry Group are, in the ordinary course of business, parties to, and may become involved in further, disputes, litigation, arbitration or governmental proceedings, such as, but not limited to, labor-related litigation or litigation or arbitration proceedings with its distribution partners, customers, suppliers, other contractual counterparties, or other third parties, including intellectual property, product liability or warranty claims or claims relating to distribution agreements, confidentiality agreements or other relationships and contracts. Furthermore, Cherry may become subject to proceedings by governmental authorities in connection with its compliance with laws and regulatory requirements.

While the current proceedings are not material to the Group as a whole, the materiality of any future proceedings as well as the outcome of individual proceedings cannot be predicted due to the uncertainties that are always associated with legal disputes. In the event of adverse judgments or settlement agreements, Cherry could be subject to injunctive relief and removal and be obliged to make substantial payments, including payment of the opponent's litigation costs, which could also be significant. Even if Cherry were successful in defending the cases, the Group would still suffer from the distraction of management resources to such litigation, incur certain expenses, and possibly face harm to its reputation from case-related publicity.

The potential liabilities, costs and operating restrictions associated with any potential involvement in disputes, litigation, arbitration or governmental proceedings may, therefore, have a material adverse effect on our business, financial position and results of operations.

3.4 Risks Related to the Offering and the Listing of the Shares

3.4.1 The shares of the Company have not been publicly traded, and there can be no assurance that a liquid trading market for the Company's shares will develop. Hence, in particular, the Company's share price and trading volume of its shares could fluctuate significantly, and investors could lose all or part of their investment.

Prior to the offering and listing of the Company's shares, there has been no public trading in the shares of the Company and they have never been offered to the public. There is no assurance that an active, liquid trading market for the shares will develop or be sustained following the listing of the Company's shares. Furthermore, low liquidity of the Company's shares may entail high volatility regarding share price.

Investors may not be able to sell their shares quickly or at the market price if there is no active trading in the Company's shares. If an active market for the shares does not develop after the listing, the liquidity and market price of the shares may be adversely affected. Since the Company's share price will be affected primarily by the supply and demand for its shares, which cannot be foreseen, in particular, as the shares of the Company have not been publicly traded, it may fluctuate significantly. Such significant fluctuation might be in response to numerous factors, many of which are beyond the Cherry Group's control. These factors include, among others, fluctuations in actual or projected results of operations, changes in projected earnings or failure to meet securities analysts' earnings expectations, the absence of analyst coverage on the Company's shares, changes in trading volumes in the Company's shares, changes in macroeconomic conditions, including fluctuations in foreign currencies, the activities of competitors and suppliers, changes in the market valuations of similar companies, changes in investor and analyst perception of the Company or the Group's industry (including due to changes in public opinion, for example as a result of adverse media coverage), changes in the statutory framework in which the Group operates and other factors.

If an active market for the shares does not develop after the listing, the Company's shares may also be particularly prone to changes in general market conditions and fluctuations of share prices and trading volumes, particularly of shares of companies in the same sector, could lead to pressure on the Company's share price, even though there may not be a reason for this based on the Company's business performance or earnings outlook. Stock prices of many companies, including companies relating to the computer or gaming industry, have experienced price and volume fluctuations in a manner often unrelated to the operating performance of such companies. The Covid-19 pandemic has also led to repeated turmoil in global stock markets. If the Company's share price or the trading volume in its shares declines as a result of the realization of any or all of these events, investors could lose part or all of their investment in the Company's shares. This also applies in the event of an insolvency of the Company since the Company's shares are subordinated to all other securities and claims.

3.4.2 The Company's ability to pay dividends depends, among other things, on the Group's results of operations, financial investment needs, the availability of distributable reserves and on its overall financial position.

The Company's general shareholders' meeting will decide matters relating to the payment of future dividends. These decisions will be based on the particular situation of the Company at the time. The Company's ability to pay dividends depends upon, among other things, its results of operations, financing and investment requirements, as well as the availability of distributable profit (*Bilanzgewinn*). Certain reserves must be established by law, including with respect to activated internally generated intangible assets, and must be deducted when calculating the distributable profit or determining the amount of dividends payable to shareholders. Because the Company conducts parts of its operational business through its subsidiaries, its ability to pay dividends also depends on the ability of its operating subsidiaries to generate income and transfer profits. In addition, the Company's and the Group's respective debt financing arrangements contain and future debt financing arrangements may contain covenants which limit the Company's ability to pay dividends under certain circumstances. Any of these factors, individually or in combination, could restrict the Company's ability to pay dividends. Subject to a statutory minimum dividend in case sufficient distributable profit is reported in the Company's audited unconsolidated financial statements prepared in accordance with the requirements of German commercial law applicable to corporations, the Management Board of the Company does not expect to propose the payment of an annual dividend in the near future, but rather plans to continue to invest in the development of its business and to finance the envisaged M&A strategy. Given that the Company's shares are, and any dividends to be paid in respect of them will be, denominated in euro, an investment in the Company's shares by an investor whose principal currency is not the euro exposes the investor to an additional foreign currency exchange rate risk.

3.4.3 Significant shareholders may use their factual majority at shareholders' meetings to adopt resolutions serving their interests, and the interests of such significant shareholders may conflict with the interests of other shareholders. The main indirect shareholders may make investments in businesses that compete with the Cherry Group, which may have a negative effect on the Group's business.

The Company's current direct controlling shareholder Cherry TopCo S.à r.l. and its ultimate indirect controlling shareholder Argand GP-GP and any other future significant shareholders of the Company may be able to exert influence (through an actual or factual majority in shareholders' meetings) and cast their votes to take resolutions or implement measures that are in their own interest and/or not supported by or in the best interest of, other shareholders. Immediately after completion of the offering, Argand Partners Fund GP-GP, Ltd. will indirectly control, in the aggregate, approximately 53.50% of the Company's voting rights (assuming placement of all of the offered shares, but excluding the overallotment shares), which are held by Cherry TopCo S.à r.l. as direct shareholder of the Company. Depending on the final number of offered shares, the percentage may vary. It is contemplated that, following the completion of the offering and the dissolution of the management equity program set up in relation to Cherry Group, Cherry TopCo S.à r.l. will be reorganized in such a way that its then-remaining direct shareholders (Cherry HoldCo S.à r.l., which is indirectly controlled by Argand GP-GP, Genui Sechste Beteiligungsgesellschaft mbH and Mr. Chin-Moa Lee) would ultimately receive their *pro rata* amount of the shares that Cherry TopCo S.à r.l. holds in the Company. As a result of such transfers, the amount of Cherry TopCo S.à r.l.'s, and, consequently, Argand GP-GP's indirect shareholding in the Company will be reduced. However, due to its significant remaining number of indirectly controlled voting rights after the completion of the offering and after the contemplated transfers, Argand GP-GP may remain in a position to exercise significant influence relating to the Company's general shareholders' meeting. Thus, Argand GP-GP may be able, solely through the direction of the exercise of voting rights and depending on the attendance at the resolving shareholders' meeting, to adopt shareholders' resolutions at the Company that require only a simple majority of the votes cast. Likewise, such action by the significant shareholders of the Company may not always serve the Group's strategy, policies and objectives. Such voting behavior or the exertion of influence in any other way may have a significant adverse effect on the price of the Company's shares and thus adversely affect the Company's ability to raise further capital, irrespective of whether or not the main (indirect) shareholders participate in a future capital increase of the Company. The concentration of share ownership could also delay or prevent certain major corporate actions, including a change of control in the Company, and could thus deter mergers, consolidations, acquisitions or other forms of combination that might be advantageous for investors.

Furthermore, the interests of significant shareholders of the Company and of other shareholders of the Company may not be aligned. The Company's main indirect shareholders or any future major shareholders of the Company have economic or business interests or goals that would turn out inconsistent with the Group's interests or goals. They may engage, participate or hold a right or interest in or render services to a business which competes with the Group, or have investments in companies that are suppliers of the Group.

To the extent that major shareholders engage in the same or similar business activities or lines of business as the Group, or engage in business with any of the Group's suppliers, distributors/dealers or customers, the Group's ability to successfully operate and expand its business may be hampered. These investment activities could have a material adverse effect on the Group's business, financial position and results of operations.

3.4.4 Future sales by the Company's shareholders or investors acquiring shares in the offering, or the perception that such sales occur, could depress the price of the Company's shares.

Sales of a substantial number of the Company's shares in the public market following the listing of the Company's shares, or the perception that such sales might occur, could depress the market price of the Company's shares and could impair the Company's ability to raise capital through the sale of additional equity securities. The shares owned by the selling shareholder are subject to a customary lock-up following the listing of the Company's shares for a period of 180 days. There is no assurance that the selling shareholder, whose interests may not be aligned with those of other shareholders of the Company, will not dispose of its shares in the Company under an exemption from the lock-up or following the expiration of the lock-up period. If this happens, or if one or more of the Company's other shareholders effect a sale or sales of a substantial number of the Company's shares, or if the market believes that such sales might take place, this could have a material adverse effect on the share price of the Company's shares.

3.4.5 Future offerings of debt or equity securities by the Company may adversely affect the market price of the Company's shares, and future capital measures could lead to a significant dilution of existing shareholdings in the Company. Investors in certain jurisdictions could be precluded from participating in any rights offering altogether.

The Company may require further capital in the future to finance the Group's business operations and planned growth or to fulfill regulatory requirements. Therefore, the Company may seek to raise capital through offerings of debt securities (possibly including convertible debt securities) or additional equity securities. An issuance of additional equity securities or securities with a right to convert into equity, such as convertible bonds or warrant bonds, could adversely affect the market price of the Company's shares and would dilute the economic and voting interests of existing shareholders if made without granting subscription rights to existing shareholders. Even if existing shareholders were granted subscription rights, investors in certain jurisdictions outside of Germany may not be able to participate in future issues of Company's shares unless the Company decides to take additional steps to comply with applicable local laws and regulations of such jurisdictions. The Company cannot assure any shareholders outside of Germany that steps will be taken to enable them to exercise their subscription rights, or to permit them to receive any proceeds or other amounts relating to their subscription rights.

Because the timing and nature of any future offering would depend on market conditions, it is not possible to predict or estimate the amount, timing or nature of future offerings. In addition, the acquisition of other companies or investments in companies in exchange for newly issued shares of the Company, as well as the exercise of stock options by the Group's employees in the context of possible future stock option programs or the issuance of shares to employees in the context of possible future employee stock participation programs could lead to a dilution of the economic and voting interests of existing shareholders. Furthermore, a proposal to the general shareholders' meeting to take any of the above mentioned measures, with dilutive effects on the existing shareholdings, or any other announcement thereof, could adversely affect the market price of the Company's shares.

3.4.6 The ability of shareholders to bring actions or enforce judgments against the Company or members of its management board or supervisory board may be limited.

The ability of shareholders to bring an action against the Company may be limited. The Company is a stock corporation incorporated under the laws of Germany. The rights of shareholders are governed by German law and by the Company's articles of association. These rights differ from the rights of shareholders in other jurisdictions. It may be difficult for a shareholder to prevail in a claim against the Company or to enforce liabilities predicated upon the laws of jurisdictions other than Germany.

A shareholder may not be able to enforce a judgment against some or all of the members of the Company's management board or supervisory board. It may not be possible for a shareholder to effect service of process upon members of the management board or supervisory board within such shareholder's country of residence, or to enforce against members of the management board or supervisory board judgments of courts of such shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that a shareholder will be able to enforce any judgment in civil and commercial matters or any judgments against the members of the Company's management board or supervisory board who are residents of countries other than those in which the judgment is made. In addition, German and other courts may not accept jurisdiction and impose civil liability on members of the management board or supervisory board in any original action based solely on foreign securities laws brought against the Company or members of the management board or supervisory board in a court of competent jurisdiction in Germany or other countries. In addition, the Company cannot assure prospective investors that civil liabilities predicated upon foreign securities laws will be enforceable in Germany or any other jurisdiction.

4 GENERAL INFORMATION

4.1 Responsibility for the Contents of the Prospectus

Cherry AG is a German stock corporation (*Aktiengesellschaft*) with its registered seat in Munich, Federal Republic of Germany ("**Germany**"), its business address in Einsteinstraße 174, 81677, Munich, Germany, and registered with the Commercial Register (*Handelsregister*) maintained by the local court (*Amtsgericht*) of Munich under HRB 266697 (hereinafter also "**Cherry AG**" or the "**Company**" and, together with its direct and indirect subsidiaries, "**Cherry Group**", "**Group**", "**Cherry**", "**we**", "**our**" and "**us**". The Company became the parent company of the Cherry Group on September 30, 2020 by means of an acquisition of all the shares in the former parent company Cherry Holding GmbH (which was subsequently merged into the Company in April 2021). The term "**Cherry Holding Group**" refers to Cherry Holding GmbH together with its consolidated subsidiaries (including on a sub-consolidated basis of Cherry Holding GmbH after the acquisition of Cherry Holding GmbH by the Company). The Company, together with Hauck & Aufhäuser Privatbankiers AG, Frankfurt am Main, Germany ("**Hauck & Aufhäuser**"), as sole global coordinator and joint bookrunner, and who, acting as admission applicant (*Zulassungsantragsteller*) within the meaning of Section 2 no. 7 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), will apply, together with the Company, for admission to trading of the Company's shares to the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (hereinafter also referred to as the "**Sole Global Coordinator**"), as well as the joint bookrunners ABN AMRO Bank N.V., Amsterdam, The Netherlands ("**ABN AMRO**") and M.M.Warburg & CO (AG & Co.) KGaA, Hamburg, Germany ("**M.M.Warburg**"; and together with ABN AMRO and the Sole Global Coordinator, the "**Underwriters**"), assume responsibility for the contents of the prospectus (the "**Prospectus**") pursuant to Article 11 para. 1 of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and hereby declare that, to the best of their knowledge, the information contained in the Prospectus is in accordance with the facts and that the Prospectus makes no omission likely to affect its import.

4.2 General Disclaimers; Validity of the Prospectus

Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the respective national legislation of the relevant member state of the European Economic Area ("**EEA**"), have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Neither the Company nor the Underwriters are required by law to update the Prospectus subsequent to the date hereof, except in accordance with Article 23 of the Prospectus Regulation, which stipulates that every significant new factor, material mistake, or material inaccuracy relating to the information included in a prospectus which may affect the assessment of the securities and which arises or is noted between the time when the prospectus is approved and the closing of the offer period or the time when trading on a regulated market begins, whichever occurs later, shall be mentioned in a supplement to the prospectus without undue delay. In any event, the obligation to supplement a prospectus no longer applies when a prospectus is no longer valid. The closing of the offer period for the shares that are the subject matter of the Prospectus is expected to occur on June 23, 2021 and trading of the shares of the Company on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange is expected to begin on June 29, 2021.

Accordingly, the validity of the prospectus will expire with the commencement of trading the Company's Shares on the regulated market of the Frankfurt Stock Exchange, expected on June 29, 2021.

4.3 Competent Authority Approval

The Prospectus constitutes a prospectus for the purposes of Article 3 of Regulation (EU) 2017/1129 and has been filed with and approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, or "**BaFin**") as competent authority under Regulation (EU) 2017/1129. BaFin has only approved the Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. BaFin's approval should not be considered as an endorsement of the Company nor of the quality of the Shares that are the subject of the Prospectus. Investors should make their own assessment as to the suitability of investing in the securities. BaFin can be contacted at Marie-Curie-Str. 24-28, 60439 Frankfurt am Main, Germany, by telephone +49 228 4108-0, or via its website: www.bafin.de.

4.4 Subject Matter of the Prospectus

The Prospectus relates to the offering of 12,995,000 ordinary bearer Shares of the Company with no par value (*Stückaktien*), each such Share representing a notional value of € 1.00 in the Company's share capital (the "**Offering**"), comprising:

- 4,300,000 new, ordinary bearer Shares with no par value (*Stückaktien*) to be issued from a capital increase against cash contributions expected to be resolved by an extraordinary shareholders' meeting of the Company on or about June 23, 2021 and expected to be implemented on June 24, 2021 (the "**IPO Capital Increase**") (the "**New Shares**"),

- 5,000,000 ordinary bearer Shares with no par value (*Stückaktien*) from the holdings of Cherry TopCo S.à r.l., a limited liability company (*société à responsabilité limitée*) under the laws of Luxembourg, registered with the Commercial and Company Register (*Registre de Commerce et des Sociétés*) of Luxembourg under no. B243545 and with registered office in 15 boulevard F.W. Raiffeisen, 2411 Luxembourg, Grand Duchy of Luxembourg (the "**Selling Shareholder**"), which are being offered in a base deal (the "**Base Secondary Shares** "),

- 2,000,000 ordinary bearer Shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholder (the "**Additional Secondary Shares**" and together with the Base Secondary Shares, the "**Secondary Shares**") subject to the exercise of an upsize option (in full or in part) upon decision of the Selling Shareholder, after consultation with the Sole Global Coordinator, on the date of pricing (the "**Upsize Option**"); and

- 1,695,000 bearer Shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholder to cover potential over-allotments (the "**Over-Allotment Shares**", and together with the New Shares and the Secondary Shares, the "**Offer Shares**").

The Secondary Shares and the Over-Allotment Shares shall comprise existing ordinary bearer shares as well as ordinary bearer shares from a capital increase out of the Company's reserves (*Kapitalerhöhung aus Gesellschaftsmitteln*) resolved by an extraordinary shareholders' meeting of the Company on June 11, 2021 and expected to be registered with the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Munich on June 18, 2021 (the "**Base Capital Increase**"). For more information, see "*18.1.2 Development of the Share Capital*".

The Selling Shareholder controls all of the shares and voting rights in the Company. The voting rights held by the Selling Shareholder are attributed through various entities to Argand Partners Fund GP-GP, Ltd., Grand Cayman, Cayman Islands (together with its affiliates, "**Argand Partners**"). For information on the shareholder structure of the Selling Shareholder and other indirect shareholders, see "*17.2 Information on the Selling Shareholder and Management Participation*".

The Selling Shareholder has granted Hauck & Aufhäuser, acting for the account of the Underwriters, an option to acquire up to 1,695,000 shares of the Company at the offer price, less agreed commissions (the "**Greenshoe Option**"), for the sole purpose of enabling Hauck & Aufhäuser to fulfil its redelivery obligation under the securities loan from the Selling Shareholder. The Greenshoe Option may only be exercised during the stabilization period and will end 30 calendar days after the commencement of trading of the Company's shares. For more information, see "*5.7 Stabilization Measures, Over-Allotments and Greenshoe Option*".

The Offering consists of an initial public offering in Germany and private placements in certain jurisdictions outside of Germany. In the United States of America (the "**United States**", "**U.S.**" or "**USA**"), the Company's Offer Shares will be offered and sold only to certain qualified institutional buyers ("**QIBs**") as defined in and in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Outside of the United States, the Company's Shares will be offered and sold only in "offshore transactions" within the meaning of, and in reliance on, Regulation S under the Securities Act. The Offer Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold or otherwise transferred to or within the United States, except pursuant to an exemption from or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

In addition, for the purpose of the admission to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange, the Prospectus relates to up to 4,300,000 New Shares from the IPO Capital Increase and 20,000,000 ordinary bearer shares of the Company with no par value (*Stückaktien*) (including both the existing share capital as of the date of the Prospectus and the shares to be issued in connection with the Base Capital Increase), each representing a notional value of € 1.00 in the Company's share capital, corresponding to the Company's entire share capital.

4.5 Forward-Looking Statements

The Prospectus contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts or events or to facts or events as of the date of the Prospectus. This applies, in particular, to statements in the Prospectus containing information on future earnings capacity, plans and expectations regarding the Cherry Group's business, its growth and profitability, as well as the general economic and legal conditions and other factors to which the Cherry Group is exposed. Statements made using the following wording may be an indication of forward-looking statements: "is likely", "expects", "anticipates", "believes", "predicts", "assumes", "estimates", "plans" or "intends". They can be found in several sections in the Prospectus, for example in the sections "*6.2 Reasons for the Offering and Listing; Use of Proceeds*", "*9.1 Capitalization*", "*9.2 Total Financial Indebtedness*", "*11.4 Principal Factors Affecting Cherry Group's Results*", "*12 Market and Competitive Environment*", "*13.3 Our Strategy*" and "*22 Recent Developments and Outlook*".

The forward-looking statements contained in the Prospectus are based on the Company's current estimates and assessments and made to the best of the Company's knowledge. These forward-looking statements are based on numerous assumptions and are subject to uncertainties and other factors, the occurrence or non-occurrence of which could cause actual circumstances, including with regard to the assets, business, financial position and results of operations as well as profitability of the Group, to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. Even if future results of the Cherry Group meet the expectations expressed herein, they may not be indicative of the results or developments in any subsequent periods.

Cherry's business is also subject to a number of uncertainties that could cause a forward-looking statement, estimate or prediction in the Prospectus to become inaccurate. Accordingly, investors are strongly advised to consider the Prospectus as a whole, including the following sections of the Prospectus: "*11 Operating and Financial Review*", "*12 Market and Competitive Environment*", "*13 Business*" and "*22 Recent Developments and Outlook*", which include more detailed descriptions of factors that might influence the Cherry Group's business performance and the markets in which it operates. The following factors and others described under other sections of the Prospectus should not be construed as exhaustive.

In light of the assumptions as well as uncertainties and other factors, it is also possible that the future events mentioned in the Prospectus may not occur or may differ materially from actual events. In addition, the forward-looking estimates and forecasts reproduced in the Prospectus from third-party sources could prove to be inaccurate. For more information on third-party sources see "*4.6 Information from Third Parties*". These factors are not necessarily all of the important factors that could cause the Company's actual results to differ materially from those expressed in any forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results. The foregoing may prevent the Company from achieving its financial and strategic objectives.

The forward-looking statements contained in the Prospectus speak only as of the date of the Prospectus. Investors are advised that neither the Company nor the Underwriters assume any obligation and do not intend to, except as required by law, publicly release any updates or revisions to these forward-looking statements to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based or to adjust them in line with future events or developments.

4.6 Information from Third Parties

The Prospectus contains industry and customer-related data as well as calculations sourced from industry reports published by third parties, market research reports, publicly available information and commercial publications of third parties. These publications generally state that the information they contain has originated from sources assumed to be reliable, but that the accuracy and completeness of such information is not guaranteed and that the calculations contained therein are based on assumptions. Such information has not been independently verified by the Company and the Company assumes no responsibility for the accuracy of any such information. Market studies are frequently based on information and assumptions that may be neither exact nor appropriate, and their methodology is by nature forward-looking and speculative.

In the Prospectus, the following sources of third party information are cited or mentioned as a basis for the Company's own market assessments presented in the Prospectus:

- Ball, Matthew, "7 Reasons Why Video Gaming Will Take Over", January 4, 2020, available from https://www.matthewball.vc/all/7reasonsgaming;

- BrandLink Marketing Consultants GmbH, Düsseldorf, Germany ("**BrandLink**"), survey designed by Cherry and carried out by BrandLink in November 2017 in Germany among distributors, resellers and B2B customers on brand awareness for selected keyboard manufacturers;

- Caseking.de website, as an example for filter parameters for mechanical keyboard product searches, available from https://www.caseking.de/peripherie/eingabegeraete/tastaturen/mechanische-tastaturen;

- Ergopedia.ca, "Comparing Mechanical, Membrane and Scissor-Switch Membrane Keyboards – Ergonomic Considerations of Keyswitch Type", available from https://www.ergopedia.ca/ergonomic_concepts/Mechanical_Keyswitches_Membrane_Keyswitches_and_Scissor_Switch_Membrane_Keyswitches_Ergonomic_Considerations.html;

- Gaming Gear, "What keyboard does ninja use?", available from the Gear Gaming Hub website at https://geargaminghub.com/what-keyboard-does-ninja-use/;

- gematik, presentation "Telematics Infrastructure and Electronic Health Card", November 21, 2017, available from http://www.deutscher-krankenhaustag.de/images/pdf/2017/Andreas-Grode.pdf;

- gematik website, "Rising to the Challenge Together", available from https://www.gematik.de/ueber-uns/overview/;

- German Federal Ministry of Health (*Bundesministerium für Gesundheit*), "The German healthcare system", 2020, available from https://www.bundesgesundheitsministerium.de/fileadmin/Dateien/5_Publikationen/Gesundheit/Broschueren/200629_BMG_Das_deutsche_Gesundheitssystem_EN.pdf;

- German Federal Ministry of Health, "Driving the digital transformation of Germany's healthcare system for the good of patients", available from https://www.bundesgesundheitsministerium.de/digital-healthcare-act.html;

- GfK SE, Nuremberg, Germany ("**GfK**"), data on computer accessories sales in Germany, France and the United Kingdom for 2020 compiled in the GfK Market Intelligence POS Tracking;

- Innofact AG, Düsseldorf, Germany ("**Innofact**"), consumer survey designed by Cherry and carried out through Innofact in March 2021 among consumers in China regarding gaming keyboard brand perception of selected brands, as well as among consumers in Germany, China, South Korea and the United States regarding brand perception for selected gaming switch brands;

- Innofact, B2B customer survey within the office & industry market segment designed by Cherry and carried out through Innofact in Germany in March 2021;

- International Data Corporation ("**IDC**"), press release "PC Sales Remain on Fire as Fourth Quarter Shipments Grow 26.1% Over the Previous Year, According to IDC", January 11, 2021, available from IDC's website under https://www.idc.com/getdoc.jsp?containerId=prUS47274421;

- IDC, press release of October 14, 2020, "*IDC Studie zu Cyber Security 2020+: COVID-19 lässt Budgets steigen, Sicherheitssituation bleibt bedenklich*", available from https://www.idc.com/getdoc.jsp?containerId=prEUR146933820;

- IDC, "Gaming PCs and Monitors Will Benefit from Increased Time at Home and GPO Refresh in 2020, According to IDC", September 30, 2020, available from IDC's website under https://www.idc.com/getdoc.jsp?containerId=prUS46896420;

- IDC, research press release titled "Ongoing Demand Will Drive Solid Growth for Security Products and Services, According to New IDC Spending Guide", August 13, 2020, available from https://www.idc.com/getdoc.jsp?containerId=prUS46773220;

- McKinsey Global Institute, "The Future of Work after Covid", report dated February 18, 2021;

- Microsoft Corporation, "The New Future of Work – Microsoft Research into the Pandemic's Impact on Work Practices", 2021, available from https://www.microsoft.com/en-us/research/uploads/prod/2021/01/NewFutureOfWorkReport.pdf;

- Newzoo International B.V., Amsterdam, The Netherlands ("**Newzoo**"), data on gaming and eSports, available from newzoo.com/key-numbers;

- Newzoo, "Global Games Market Data – Revenues, Players & Payers, 2015-2023", April 2021 update;

- Newzoo, "Global Games Market Report 2020", 2020;

- Newzoo, "Consumer Insights – PC Peripheral Analysis" (data set as of March 2020), May 8, 2020;

- Newzoo, "Custom Research Survey Findings" (data set as of April 2020), May 8, 2020;

- Newzoo, "Global Esports & Live Streaming Market Report, free version, 2021";

- Newzoo, "Global Esports Market Report 2020, free version";

- OC&C Strategy Consultants (a network of independent, member firms) ("**OC&C**") in partnership with Google, "Growth in the Video Gaming Market: the changing state of play", 2020, available from https://www.occstrategy.com/media/2685/growth-in-the-video-gaming-market_the-changing-state-of-play_online.pdf;

- PC Gamer online magazine, "The most popular desktop gaming clients, ranked", July 5, 2019, available from https://www.pcgamer.com/the-most-popular-desktop-gaming-clients-ranked/;

- Plus X website, Plus X award 2019 for our MC 9620 FPS gaming mouse, available from https://plusxaward.de/en/portfolio/cherry-mc-9620-fps-gaming-maus/ and for our MC8.1 mouse, available from https://plusxaward.de/en/portfolio/cherry-mc-8-1/;

- Rat für Formgebung Service GmbH, German Design Award 2021 – Special Mention CHERRY MX BOARD 2.0S, available from https://www.german-design-award.com/en/the-winners/gallery/detail/33386-cherry-mx-20s-mechanical-gaming-keyboard.html;

- Red Dot, information on 2020 award for our MC8.1 mouse, available from https://www.red-dot.org/project/cherry-mc81-48089;

- Roundhill Financial Inc., New York/New York, United States ("**Roundhill Investments**"), "eSports Tiers – Understanding the Games Driving eSports", August 30, 2019, available from https://www.roundhillinvestments.com/research/esports/esports-tiers;

- Slant website, section "What is the best digital distribution platform for PC Games?, June 14, 2021 update, available from https://www.slant.co/topics/5430/~digital-distribution-platform-for-pc-games;

- Statista, data from "MarketWatch" on the global gaming laptop market size 2020-2026, published in June 2020;

- Steam statistics on lifetime concurrent users, available from https://steamdb.info/app/753/graphs/;

- Sunyaev, A., Kaletsch, A., Dünnnebeil, S. and Krcmar, H., "Attack Scenarios for Possible Misuse of Peripheral Parts in the German Health Information Infrastructure", a 2010 conference paper for the ICEIS 2010 - 12th International Conference on Enterprise Information Systems, available from https://pdfs.semanticscholar.org/7857/04aa89afe9c4e82b223cd6c645864a242942.pdf;

- TechNavio, the syndicated market research brand of Infiniti Research Ltd. ("**Infiniti Research**"), London, United Kingdom ("**TechNavio**"), "Global Gaming Peripheral Market 2021-2025", published in 2021;

- Infiniti Research, information regarding gaming peripherals in China provided to Cherry under the "TechNavio" brand in March 2021;

- Tom's Guide, "Alienware gaming laptops just got Cherry MX keyboards – and it's exactly what they need", by M. Honorof, published in March 2021 and available from https://www.tomsguide.com/news/alienware-laptops-cherry-mx-keys;

- Twitch Tracker, statistics on number of hours watched on Twitch per month, available from https://twitchtracker.com/statistics; as well as on the number of Twitch followers for selected gamers and streamers (known as "Ninja", "pokimane", "summit1g" and "sodappopin", available at https://twitchtracker.com/ninja/statistics, https://twitchtracker.com/pokimane/statistics, https://twitchtracker.com/summit1g/statistics and https://twitchtracker.com/sodapoppin/statistics, respectively). TwitchTracker is not affiliated with Twitch or Amazon;

- WARC.com (a part of Ascential Events (Europe) Limited, a specialist information, data and analytics company), "Change is coming to China's internet cafés", November 9, 2020, available from https://www.warc.com/newsandopinion/news/change-is-coming-to-chinas-internet-cafes/44327; and

- YouTube, channel of the gamer known as "Ninja" for the statistic on the number of followers for that channel, available from https://www.youtube.com/c/Ninja/featured, and on the number of views for that channel, available from https://www.youtube.com/c/Ninja/about.

Where information in the Prospectus has been sourced from a third party, the Company confirms that this information has been accurately reproduced and that, to the extent the Company is aware and able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Investors should nevertheless consider this information carefully. The above-mentioned sources may reserve, and in some cases have expressly reserved, all rights provided by copyright law.

The Prospectus also contains estimates of market and other data and information derived from such data that cannot be obtained from publications by market research institutes or from other independent sources. Such information is partly based on Cherry's own market observations, market research conducted by or on behalf of the Company, the evaluation of industry information (from conferences, sector events, etc.) or internal assessments. The Company's management believes that its estimates of market and other data and the information it has derived from such data assists investors in gaining a better understanding of the industry in which companies of the Group operate in and the Cherry Group's position therein. The Company's own estimates have not been checked or verified externally. The Company nevertheless assumes that its own market observations are reliable, whereby the internal assessments regarding future developments and trends in the markets and businesses described in the Prospectus are subject, by their own nature, to uncertainty, as well as, currently, to additional uncertainties relating to the impact and further development of the Coronavirus pandemic ("**Covid-19**"), a factor with significant potential market implications, as well as its various related effects, as further described under "*12 Market and Competitive Environment*". The Company assumes no responsibility for the accuracy of the Company's own estimates and the information derived therefrom. They may differ from estimates made by competitors of the Group or from future studies conducted by market research institutes or other independent sources.

Information contained on any website or report mentioned in the Prospectus, including the website of the Cherry Group (www.cherry.de) and its other region-specific websites, is not incorporated by reference in the Prospectus and is not part of the Prospectus; it has not been scrutinized or approved by BaFin. The web links included above for certain sources have been last retrieved on June 14, 2021.

4.7 Documents Available for Inspection

For as long as the Prospectus is valid (see "*4.2 General Disclaimers; Validity of the Prospectus*"), copies of the following documents are available for inspection during regular business hours at the Company's offices at Einsteinstraße 174, 81677 Munich, Germany:

(i) the Company's articles of association (the "**Articles of Association**");

(ii) the audited unconsolidated annual financial statements of the Company (at the time: Cherry AcquiCo GmbH) prepared in accordance with the requirements of German commercial law applicable to business corporations (HGB) as of and for the fiscal year ended December 31, 2020 (the "**Audited Unconsolidated Annual Financial Statements of the Company**";

(iii) the following consolidated financial statements of the Company (together, the "**Consolidated Financial Statements of the Company**"):

(A) unaudited condensed interim consolidated financial statements of the Company (at the time: Cherry AcquiCo GmbH) prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("**EU**") ("**IFRS**") for interim financial reporting (IAS 34), as of and for the three-month period ended March 31, 2021 (the "**Unaudited Condensed Interim Consolidated Financial Statements of the Company**");

(B) the audited consolidated financial statements of the Company (at the time: Cherry AcquiCo GmbH) prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e para. 1 German Commercial Code (*Handelsgesetzbuch*, "**HGB**"), as of and for the fiscal year ended December 31, 2020 (the "**Audited Consolidated Financial Statements of the Company**");

(iv) the following consolidated financial statements of its former subsidiary Cherry Holding GmbH (together, the "**Consolidated Financial Statements of Cherry Holding GmbH**"):

(A) the audited consolidated financial statements of Cherry Holding GmbH (merged into the Company in April 2021) prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e para. 1 HGB, as of and for the fiscal years ended December 31, 2020 (the "**Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH**"), 2019 (the "**Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH**") and 2018 (the "**Audited Consolidated Financial Statements 2018 of Cherry Holding GmbH**" and, together with the Audited Consolidated Financial Statements 2020 and the Audited Consolidated Financial Statements 2019, the "**Audited Consolidated Financial Statements of Cherry Holding GmbH**", and, together with the Audited Consolidated Financial Statements of the Company, the "**Audited Consolidated Financial Statements**" and the Audited Consolidated Financial Statements together with the Audited Unconsolidated Annual Financial Statements of the Company, the "**Audited Financial Statements**");

(B) the unaudited condensed interim consolidated financial statements of Cherry Holding GmbH prepared in accordance with IFRS for interim financial reporting (IAS 34), as of and for the three-month period ended March 31, 2021 (the "**Unaudited Condensed Interim Consolidated Financial Statements of Cherry Holding GmbH**", and, together with the Unaudited Condensed Interim Consolidated Financial Statements of the Company, the "**Unaudited Condensed Interim Consolidated Financial Statements**"); and

(v) the unaudited pro forma financial information (pro forma consolidated income statement and explanatory notes) for the Cherry Group for the twelve-month period ended December 31, 2020 prepared in accordance with the IDW Accounting Practice Statement: Preparation of the Pro Forma Financial Information (IDW AcPS AAB 1.004) (*IDW Rechnungslegungshinweis: Erstellung von Pro Forma Finanzinformationen (IDW RH HFA 1.004)*) as published by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer*) (the "**Unaudited Pro Forma Financial Information**").

The documents listed under (i) through (iv) will also be available in electronic form, at least for as long as the Prospectus is valid, on the Company's website (www.cherry.de). The Company's future consolidated, annual financial reports (*Jahresfinanzberichte*) and condensed interim consolidated half-year financial reports (*Halbjahresberichte*) as well as the quarterly group statements will be available on the Company's website (www.cherry.de), from the German Company Register (*Unternehmensregister*) (www.unternehmensregister.de) (except for the quarterly group statements), and from the Company, Einsteinstraße 174, 81677 Munich, Germany. Annual financial reports (*Jahresfinanzberichte*) will also be published in the German Federal Gazette (*Bundesanzeiger*).

4.8 Note Regarding the Presentation of Financial Information

4.8.1 General

Unless otherwise indicated, financial information contained in the Prospectus has been prepared on the basis of IFRS.

The fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018 are also referred to in the Prospectus as "**fiscal year 2020**", "**fiscal year 2019**" and "**fiscal year 2018**", respectively. The current fiscal year, which will end on December 31, 2021, is also referred to as "**fiscal year 2021**".

We present financial information for Cherry Group and for Cherry Holding Group as explained in more detail under "*11.2.1.3 Consequences for the Presentation of Financial Information*". The financial information of Cherry Holding Group presented in the Prospectus for fiscal year 2019 has been taken or derived from the comparative prior-year figures contained in the Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH, unless otherwise indicated, or the Company's accounting records or internal management reporting system. The financial information presented in the Prospectus for fiscal year 2018 has been taken or derived from the Audited Consolidated Financial Statements 2018 of Cherry Holding GmbH, unless otherwise indicated, or from the Company's accounting records or internal management reporting system.

In the Prospectus, where financial information is presented as "audited" in tables, this means that it was taken from the Audited Consolidated Financial Statements. Where financial information is presented in tables as "unaudited", it indicates that the financial information has not been taken from the Audited Consolidated Financial Statements but has been taken either from the Unaudited Consolidated Interim Financial Statements or the Unaudited Pro Forma Financial Information or the Company's accounting records or internal management reporting system or has been calculated based on figures from the above-mentioned sources.

In the Prospectus, where financial information is presented in tables as financial information of "Cherry Holding Group", this means that it has been taken from the Audited Consolidated Financial Statements of Cherry Holding GmbH, the Unaudited Condensed Interim Consolidated Financial Statements of Cherry Holding GmbH or the Company's accounting records or internal management reporting system, or has been calculated based on figures from the above-mentioned sources. Where financial information is presented in tables as financial information of "Cherry Group", this means that it has been taken from the Audited Consolidated Financial Statements of the Company, the Unaudited Condensed Interim Consolidated Financial Statements of the Company or the Unaudited Pro Forma Financial Information or the Company's accounting records or internal management reporting system, or has been calculated based on figures from the above-mentioned sources.

For information regarding the presentation of financial information contained in the Prospectus see the introduction to the section headed "*11 Operating and Financial Review*" and "*11.2 Presentation of Financial Information and Key Factors Affecting Comparability*".

4.8.2 Note on Currency

The amounts set forth in the Prospectus in "**€**" or "**euro**" refer to the single currency of the participating member states in the third stage of the European Economic Union pursuant to the Treaty Establishing the European Community.

The following table explains the denotation of other currencies which are material to the Consolidated Financial Statements or the Unaudited Pro Forma Financial Information, or which are otherwise used in the Prospectus:

Amounts in	refer to the legal currency of
"$", "U.S. Dollar" or "USD"	the United States of America
"CNY" or "Chinese Renminbi"	the People's Republic of China
"TWD" or "Taiwanese Dollar"	Taiwan

The Group's and Cherry Holding Group's principal functional currency is the euro, and the Consolidated Financial Statements and the Audited Unconsolidated Annual Financial Statements as well as the Unaudited Pro Forma Financial Information have been prepared in euro. The financial statements of the consolidated subsidiaries prepared in a foreign currency are translated into euro on the basis of the functional currency concept in accordance with IAS 21 – "The Effects of Changes in Foreign Exchange Rates". The functional currency of all of the Cherry Group's and Cherry Holding Group's foreign subsidiaries is the local currency. Accordingly, assets and liabilities are translated at the closing rates on the reporting date of the consolidated financial statements, and expenses and income at the average rates. Components of equity are translated at historical rates valid on the dates of their respective contribution to Cherry Group or Cherry Holding Group. The differences arising in comparison to translation at the closing rates are separately presented under equity as "Currency translation of financial statements of foreign operations" in the consolidated statement of changes in equity. On disposal of a foreign subsidiary, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss.

For the fiscal years 2020, 2019 and 2018, the following exchange rates against the euro were used by Cherry Holding Group for significant currencies:

Closing rates	U.S. Dollar	Chinese Renminbi	Taiwanese Dollar
December 31, 2020	1.22637	8.00533	34.43317
December 31, 2019	1.12147	7.81304	33.59164
December 31, 2018	1.14438	7.8629	34.97801

Average annual rates	U.S. Dollar	Chinese Renminbi	Taiwanese Dollar
January 1, 2020 to December 31, 2020	1.14128	7.87084	33.59347
January 1, 2019 to December 31, 2019	1.11130	7.79740	33.60568
January 1, 2018 to December 31, 2018	1.1384	7.8398	35.0088

Fluctuations in the currency exchange rates between the euro other currencies will affect the other currency amounts received by holders of the Offer Shares on conversion of the dividends, if any, paid in euro on the Offer Shares.

4.8.3 Note Regarding Figures and Technical Terms

Financial information presented in parentheses or preceded by a "minus" sign in the Prospectus denotes a negative amount. Certain numerical data, financial information and market data in the Prospectus have been rounded in accordance with commercial rounding. Unless otherwise indicated, all financial information presented in the text and tables in this section of the Prospectus is shown in millions of euros (€ million), commercially rounded to the nearest million. Unless otherwise indicated, percentage changes and ratios in the text and tables of the Prospectus are calculated based on the underlying numbers as presented in the Prospectus, *i.e.*, after rounding of such underlying numbers, and then commercially rounded to a whole percentage or to one digit after the decimal point. In some instances, such rounded figures and percentages may not add up to 100% or to the totals or subtotals contained in the Prospectus. Furthermore, totals and subtotals in tables may differ slightly from unrounded figures contained in the Prospectus due to rounding in accordance with commercial rounding. A dash ("—") signifies that the relevant figure is not available or equal to zero, while a zero ("0") or nil signifies that the relevant figure has been rounded to zero or is not available.

A glossary of certain technical and financial terms and abbreviations used in the Prospectus is provided at the end of the Prospectus under the heading "*23 Glossary*".

4.9 Alternative Performance Measures

In accordance with the Commission Delegated Regulation (EU) 2016/301 and the European Securities and Markets Authority ("**ESMA**") Guidelines on alternative performance measures ("**APMs**") of October 5, 2015 (the "**ESMA Guidelines**"), the following sections set out information related to certain financial measures of the Cherry Group that are not defined by IFRS and which the Group regards as APMs within the meaning of the ESMA Guidelines.

4.9.1 Overview

The following sections provide an overview of the APMs presented by us for Cherry Group and for Cherry Holding Group, including a definition of each of the APMs in section "*4.9.2 Definitions*" and a reconciliation of each of the APMs to the nearest IFRS item under "*4.9.3 Reconciliation*".

We present these APMs as (i) supplemental information because they are used by our management to measure operating performance or as an auxiliary control profitability parameter, including in presentations to our management, and as a basis for strategic planning and forecasting, and (ii) they represent measures that we believe are widely used by certain investors, securities analysts, and other parties as supplemental measures of operating and financial performance. These APMs and operating metrics may enhance management's and investors' understanding of our financial performance by excluding items that are not classified as part of our ongoing operations such as non-recurring income and non-operating items.

These APMs are not defined by IFRS or any other internationally accepted accounting principles, and such items should not be considered as an alternative to the historical financial results or other indicators of our results of operations and financial position based on IFRS measures. In particular, they should not be considered as alternatives to Cherry Group's or Cherry Holding Group's net income/loss as an indicator of Cherry Group's or Cherry Holding Group's performance and profitability, or as alternatives to cash flow from operating activities as an indicator of its financial strength. The APMs, as defined by us, may not be comparable to similarly titled measures as presented by other companies due to differences in the way our APMs are calculated. Even though the APMs are used by management to assess ongoing operating performance and indebtedness, and though these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results, cash flows or assets and liabilities as reported under IFRS.

4.9.2 Definitions

APM	Definition	Relevance of its Use
Operating result/earnings before interest, taxes and income taxes (EBIT) ("**EBIT**")	We define EBIT as result from continuing operations, excluding interest and taxes. EBIT is presented as 'Operating result/earnings before interest, taxes and income taxes (EBIT)' in our consolidated income statements.	We disclose EBIT as an APM, as we believe it is a meaningful measure to evaluate the performance of our business activities over time. We understand that this measure is broadly used by analysts, rating agencies and investors in assessing our performance. EBIT is used by Cherry's management as a financial measure to assess the operating performance of our Group.
Earnings before interest, taxes, depreciation and amortization ("**EBITDA**")	We define EBITDA as result from continuing operations, excluding interest, taxes, depreciation and amortization.	We disclose EBITDA as an APM, as we believe it is a meaningful measure to evaluate the performance of our business activities over time. We understand that this measure is broadly used by analysts, rating agencies and investors in assessing our performance.

APM	Definition	Relevance of its Use
Adjusted EBIT ("**Adjusted EBIT**")	We define Adjusted EBIT as EBITA adjusted for either non-recurring items or non-operating items and these items can be added or subtracted. We group the adjustment items into five categories: (i) staff expenses (incl. share-based staff expenses) / (income); (ii) expenses in connection with capital market transactions; (iii) expenses in connection with M&A transactions; (iv) expenses in connection with natural disaster and pandemic, and (v) other one-off cost (the items (i) through (v), the "**Adjustment Items**").	We disclose Adjusted EBIT and Adjusted EBITDA to eliminate either non-recurring items (one-off items) or non-operating items from EBIT and EBITDA, respectively, which are not relevant to the regular business operation to be able to demonstrate the real underlying operational and financial strength of Cherry Group and Cherry Holding Group.
Adjusted EBITDA ("**Adjusted EBITDA**")	We define Adjusted EBITDA as EBITDA adjusted for the aforementioned Adjustment Items.	
EBIT margin ("**EBIT Margin**"), Adjusted EBIT margin ("**Adjusted EBITA Margin**"), EBITDA margin ("**EBITDA Margin**"), and Adjusted EBITDA margin ("**Adjusted EBITDA Margin**")	EBIT Margin, Adjusted EBIT Margin, EBITDA Margin and Adjusted EBITDA Margin are calculated by dividing EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA by revenue, as applicable.	We believe that the presentation of EBIT Margin, Adjusted EBIT Margin, EBITDA Margin and Adjusted EBITDA Margin provides useful information on how our business developed in our markets and enhances the ability of our investors to compare profitability with other companies based on EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA, respectively.
Net cash or net debt ("**(Net Cash) / Net Debt**")	We define (Net Cash) / Net Debt as total debt less total liquidity. Total debt is defined as the sum of liabilities to banks, current and non-current lease liabilities and pension provisions. Total liquidity is defined as cash and cash equivalents. A negative value represents a Net Cash position.	We believe that the presentation of (Net Cash) / Net Debt provides useful information to investors because our management reviews both measures as part of its management of liquidity, financial flexibility, capital structure, covenants and leverage. Furthermore, we understand that certain rating agencies, creditors and credit analysts may monitor our (Net Cash) / Net Debt as part of their assessment of our business.
(Net Cash) / Net Debt to Adjusted EBITDA (LTM) ratio ("**(Net Cash) / Net Debt to Adjusted EBITDA (LTM) Ratio**")	(Net Cash) / Net Debt to Adjusted EBITDA Ratio is calculated by dividing (Net Cash) / Net Debt by Adjusted EBITDA for the twelve-month period ending on a reporting date (LTM). For purposes of calculating the Adjusted (Net Cash) / Net Debt to Adjusted EBITDA (LTM) Ratio for the three-month period ended March 31, 2021, Adjusted EBITDA is calculated as Adjusted EBITDA for the three-month period ended March 31, 2021 plus Adjusted EBITDA for the fiscal year 2020 less Adjusted EBITDA for the three-month period ended March 31, 2020.	This ratio is a measure used by the management to review our liquidity, financial flexibility, capital structure, bank covenants and leverage to maintain ready access to capital markets and to sustain our ability to repay and service our financial obligations over time. The ratio indicates the approximate number of years that would be needed to cover the (Net Cash) / Net Debt through income from continuing operations, excluding interest, taxes, depreciation and amortization. Therefore, we believe that this information provides useful information to investors. Furthermore, we understand that certain rating agencies, creditors and credit analysts may monitor such a ratio.
Free cash flow ("**Free Cash Flow**")	Free cash flow is the amount of cash and cash equivalents available for dividend payments and debt servicing (interest and repayment of loans). It is calculated as cash flows from operating activities less cash flows from investing activities.	We believe that the presentation of Free Cash Flow provides meaningful information to investors because it is a measure of cash generated by our operations after deducting cash flows from investing activities. Therefore, the measure gives an indication of the long-term cash generating ability of our business. For this reason, Free Cash Flow is reported to the management on a regular basis.
Cash conversion rate ("**Cash Conversion Rate**")	Cash Conversion Rate is defined as Free Cash Flow divided by consolidated profit/loss.	We disclose the Cash Conversion Rate as an APM for full fiscal years, as we believe it is a meaningful measure to assess our ability to generate cash, and ultimately to pay dividends. The management considers the Cash Conversion Rate in its management on Cherry Group and Cherry Holding Group level. For this reason, we believe that investors' ability to assess our ability to generate cash flows may be improved by disclosure of this information.

4.9.3 Reconciliation

4.9.3.1 APMs of Cherry Holding Group

The table below sets out the figures for APMs that are based on the Audited Consolidated Financial Statements of Cherry Holding GmbH and the Unaudited Consolidated Condensed Interim Financial Statements of Cherry Holding GmbH as of or for the fiscal year ended December 31, 2020, 2019 and 2018 as well as of or for the three-month periods ended March 31, 2021 and 2020:

	As of or for Fiscal Year ended December 31,			As of or for the Three-Month Period ended March 31,	
	2020	2019	2018	2021	2020
	Cherry Holding Group			Cherry Holding Group	
(in € thousand, except percentages and ratios)	(unaudited, unless otherwise indicated)			(unaudited)	
EBIT[1]	24,982*	18,366*	13,724*	7,798	3,974
EBIT Margin (in %)	19.2	16.0	13.7	20.7	14.3
Adjusted EBIT[1]	26,848	20,355	13,724	8,213	4,089
Adjusted EBIT Margin (in %)	20.6	17.7	13.7	21.8	14.7
EBITDA[1]	35,266	27,752	20,947	10,537	6,371
EBITDA Margin (in %)	27.1	24.2	20.9	27.9	22.9
Adjusted EBITDA[1]	37,132	29,741	20,947	10,952	6,486
Adjusted EBITDA Margin (in %)	28.5	25.9	20.9	29.0	23.3
(Net Cash) / Net Debt[2]	(2,864)	10,485	8,609	2,819	—[5]
(Net Cash) / Net Debt to Adjusted EBITDA (LTM) Ratio	(0.08)	0.35	0.41	0.07[4]	—[5]
Free Cash Flow[3]	16,438	12,731	10,416	(2,619)	3,669
Cash Conversion Rate (in %)	93.7	101.7	112.1	—	—

* Audited.

1) The following table shows the reconciliation of EBIT, EBITDA, Adjusted EBIT and Adjusted EBITDA to consolidated profit/loss of Cherry Holding Group for fiscal years 2020, 2019 and 2018 as well as for the three-month periods ended March 31, 2021 and 2020:

	For Fiscal Year ended December 31,			For the Three-Month Period ended March 31,	
	2020	2019	2018	2021	2020
	Cherry Holding Group			Cherry Holding Group	
(in € thousand)	(unaudited, unless otherwise indicated)			(unaudited)	
Consolidated profit/loss	**17,537***	**12,515***	**9,293***	**5,689**	**2,805**
+ Income taxes	6,750*	4,789*	3,531*	**1,992**	**1,016**
- Financial result[a]	(695)*	(1,062)*	(900)*	(117)	(153)
EBIT	**24,982***	**18,366***	**13,724***	**7,798**	**3,974**
+/- Staff expenses (incl. share-based staff expenses) / (income)[b]	398	—	(459)	131	—
+ Expenses in connection with capital market transactions [b]	—	—	—	144	—
+ Expenses in connection with M&A transactions [b]	517	967	—	12	13
+ Expenses in connection with natural disaster and pandemic [b]	615	—	—	—	—
+ Other one-off cost [b]	337	1,022	459	128	102
Adjusted EBIT	**26,848**	**20,355**	**13,724**	**8,213**	**4,089**
+ Depreciation and amortization [c]	10,284	9,386	7,222	2,739	2,397
Adjusted EBITDA	**37,132**	**29,741**	**20,947**	**10,952**	**6,486**
EBIT	**24,982***	**18,366***	**13,724***	**7,798**	**3,974**
+ Depreciation and amortization[c]	10,284	9,386	7,222	2,739	2,397
EBITDA	**35,266**	**27,752**	**20,947**	**10,537**	**6,371**

* Audited.

a) Referred to as 'interest result' in the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH and in the Audited Consolidated Financial Statements 2018 of Cherry Holding GmbH.

b) For a description of these adjustment items in the three-month periods ended March 31, 2021 and 2020 as well as fiscal years 2020, 2019 and 2018, see "*11.6.3.1.8 EBIT and EBITDA*", "*11.6.3.2.8 EBIT and EBITDA*" and "*11.6.3.3.8 EBIT and EBITDA*".

c) Presented as 'Write-downs (+)/write-ups (-) of non-current assets' in the consolidated statements of cash flows in the Audited Consolidated Financial Statements of Cherry Holding GmbH and in the Unaudited Condensed Interim Consolidated Financial Statements of Cherry Holding GmbH. Cherry applied IFRS 16 from January 1, 2019, which resulted in depreciation and impairment of right-of-use assets from fiscal year 2019. For more information, see "*11.2.2 New Accounting Standard Pronouncements*".

2) The following table shows the reconciliation of (Net Cash) / Net Debt of Cherry Holding Group as of December 31, 2020, 2019 and 2018 as well as of March 31, 2021:

	As of December 31,			As of March 31,
	2020	2019	2018	2021
	Cherry Holding Group			Cherry Holding Group
(in € thousand)	(audited, unless otherwise indicated)			(unaudited)
Liabilities to banks[a]	1,641*	12,293*	23,599*	1,623
+ Current lease liabilities	3,334	2,101	—[c]	3,924
+ Non-current lease liabilities	13,208	10,637	—[c]	15,250
+ Pension provisions	994	1,051	1,023	922
Total debt	**19,177***	**26,082***	**24,622***	**21,719**
Cash and cash equivalents	22,041	15,597	16,013	18,900
Total liquidity	**22,041***	**15,597***	**16,013***	**18,900**
(Net Cash) / Net Debt[b]	**(2,864)***	**10,485***	**8,609***	**2,819**

* Unaudited.

a) December 31, 2018: calculated as the sum of current financial liabilities and non-current financial liabilities; December 31, 2019: non-current financial liabilities; December 31, 2020: short-term bank loan of foreign subsidiaries (€ 1,239 thousand) plus Covid-government loan ("Paycheck Protection Plan") (€ 402 thousand); March 31, 2021: short-term bank loan of foreign subsidiaries (€ 1,202 thousand) plus Covid-government loan ("Paycheck Protection Plan") (€ 421 thousand).

b) (Net Cash) / Net Debt represents total debt minus total liquidity.

c) Cherry Holding Group applied IFRS 16 from January 1, 2019. For more information, see "*11.2.2 New Accounting Standard Pronouncements*".

3) The following table shows the reconciliation of Free Cash Flow of Cherry Holding Group to cash flows from operating activities of Cherry Holding Group for fiscal years 2020, 2019 and 2018 as well as for the three-month periods ended March 31, 2021 and 2020:

	For Fiscal Year ended December 31,			For the Three-Month Period ended March 31,	
	2020	2019	2018	2021	2020
	Cherry Holding Group			Cherry Holding Group	
(in € thousand)	(audited, unless otherwise indicated)			(unaudited)	
Cash flows from operating activities	**22,781**	**21,348**	**15,710**	**480**	**4,533**
- Cash flows from investing activities	6,343	8,617	5,295	3,099	864
Free Cash Flow	**16,438***	**12,731***	**10,416***	**(2,619)**	**3,669**

* Unaudited.

4) For purposes of calculating the (Net Cash) / Net Debt to Adjusted EBITDA (LTM) Ratio for the three-month period ended March 31, 2021, Adjusted EBITDA for the last twelve month ended March 31, 2021 is calculated as Adjusted EBITDA for the three-month period ended March 31, 2021 (€ 10,952 thousand) plus Adjusted EBITDA for the fiscal year ended December 31, 2020 (€ 29,741 thousand) less Adjusted EBITDA for the three-month period ended March 31, 2020 (€ 6,486 thousand), each as set out and reconciled to consolidated profit/loss for the relevant periods in the tables above, and amounted to € 34,207 thousand.

5) The Unaudited Condensed Interim Financial Statements of Cherry Holding GmbH do not contain comparable figures as of March 31, 2020 or for the twelve-month period ended March 31, 2020 to calculate the respective figures.

4.9.3.2 APMs of Cherry Group

Due to the Cherry Acquisition becoming effective as of September 30, 2020, the consolidated income statement and the consolidated statement of cash flows for fiscal year 2020 included in the Audited Consolidated Financial Statements of the Company covers both the results of the Company (at the time: Cherry AcquiCo GmbH) for the period prior to the acquisition from January 1, 2020 to September 30, 2020 (during which the Company did not have any consolidated subsidiaries) and the results of the entire Cherry Group for the period from October 1, 2020 to December 31, 2020. For the same reason, the consolidated income statement and the consolidated statement of cash flows for the three-month period ended March 31, 2020 covers only the results of the Company (at the time: Cherry AcquiCo GmbH) and not the results of the entire Cherry Group with the Company as parent company (see also "*11.2.1.3 Consequences for the Presentation of Financial Information*"). Therefore, the Company believes that such financial information is not reflective of the results of operations and cash flows of the Group in the fiscal year 2020 and the three-month period ended March 31, 2020, which is why the Company does not present APMs on this basis.

The table below sets out the figures for APMs that are based on the Unaudited Condensed Interim Financial Statements of the Company for the three-month period ended March 31, 2021:

(in € thousand, except percentages and ratios)	**As of or for the Three-Month Period ended March 31,** **2021** **Cherry Group** **(unaudited)**
EBIT[1)]	6,682
EBIT Margin (in %)	17.7
Adjusted EBIT[1)]	7,528
Adjusted EBIT Margin (in %)	20.0
EBITDA[1)]	10,106
EBITDA Margin (in %)	26.8
Adjusted EBITDA[1)]	10,952
Adjusted EBITDA Margin (in %)	29.0
(Net Cash) / Net Debt to Adjusted EBITDA (LTM) Ratio	—[3)]
Free Cash Flow[2)]	(3,478)
Cash Conversion Rate (in %)	—

1) The following table shows the reconciliation of EBIT, EBITDA, Adjusted EBIT and Adjusted EBITDA to consolidated profit/loss of Cherry Group for the three-month period ended March 31, 2021:

(in € thousand)	**For the Three-Month Period ended March 31,** **2021** **Cherry Group** **(unaudited)**
Consolidated profit/loss	**2,356**
+ Income taxes	699
- Financial result	(3,627)
EBIT	**6,682**
+/- Staff expenses (incl. share-based staff expenses) / (income)[a)]	151
+ Expenses in connection with capital market transactions[a)]	145
+ Expenses in connection with M&A transactions[a)]	422
+ Expenses in connection with natural disaster and pandemic[a)]	—
+ Other one-off cost)	128
Adjusted EBIT	**7,528**
+ Depreciation and amortization[b)]	3,424
Adjusted EBITDA	**10,952**
EBIT	**6,682**
+ Depreciation and amortization[b)]	3,424
EBITDA	**10,106**

a) For a description of these adjustment items in the three-month period ended March 31, 2021, see "*11.6.2 Discussion of the Consolidated Income Statement of the Company for the Three-Month Period Ended March 31, 2021*".

b) Presented as 'Write-downs (+)/write-ups (-) of non-current assets' in the consolidated statements of cash flows in the Unaudited Condensed Interim Consolidated Financial Statements of the Company.

2) The following table shows the reconciliation of Free Cash Flow of Cherry to cash flows from operating activities of Cherry Group for the three-month period ended March 31, 2021:

	For the Three-Month Period ended March 31,
	2021
	Cherry Group
(in € thousand)	(unaudited)
Cash flows from operating activities	**(379)**
- Cash flows from investing activities	(3,099)
Free Cash Flow	**(3,478)**

3) The Unaudited Condensed Interim Financial Statements of the Company do not contain financial information with which Adjusted EBITDA for the twelve-month period ended March 31, 2021 could be calculated.

The table below sets out the reconciliation of (Net Cash) / Net Debt based on the Unaudited Condensed Interim Financial Statements of the Company and the Audited Consolidated Financial Statements of the Company as of December 31, 2020 and as of March 31, 2021:

	As of	
	December 31, 2020	March 31, 2021[1)]
	Cherry Group	Cherry Group
(in € thousand)	(unaudited, unless otherwise indicated)	(unaudited)
Liabilities to banks	80,820	81,434
+ Current lease liabilities	3,334*	3,924
+ Non-current lease liabilities	13,208*	15,250
+ Pension provisions	994*	922
Total debt	**98,356**	**101,529**
Cash and cash equivalents	22,900*	18,900
Total liquidity	**22,900**	**18,900**
(Net Cash) / Net Debt[2)]	**75,456**	**82,630**

* Audited.

1) The Unaudited Condensed Interim Financial Statements of the Company do not contain comparable figures as of March 31, 2020.

2) (Net Cash) / Net Debt represents total debt minus total liquidity.

5 THE OFFERING

5.1 Subject Matter of the Offering

The subject matter of the Offering relates to 12,995,000 ordinary bearer shares of the Company, each such share representing a notional share of € 1.00 in the share capital and carrying full dividend rights as from January 1, 2021, comprising

- 4,300,000 New Shares,
- 5,000,000 Base Secondary Shares,
- 2,000,000 Additional Secondary Shares and
- 1,695,000 Over-Allotment Shares.

The Offering consists of an initial public offering in Germany and private placements in certain jurisdictions outside of Germany. In the United States, the Offer Shares will be offered and sold only to QIBs as defined in, and in reliance on, Rule 144A under the Securities Act. Outside the United States, the Offer Shares will be offered and sold only in "offshore transactions" within the meaning of, and in reliance on, Regulation S under the Securities Act. The Offer Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold or otherwise transferred to or within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Hauck & Aufhäuser is acting as Sole Global Coordinator and joint bookrunner, and ABN AMRO and M.M.Warburg are each acting as a joint bookrunner.

The Company will receive the proceeds from the sale of the New Shares, less certain commissions and expenses relating to the Offering. The Selling Shareholder will receive the proceeds from the sale of the Base Secondary Shares, and the potential sale of the Additional Secondary Shares and Over-Allotment Shares to the extent that the Upsize Option and the Greenshoe Option are exercised, respectively, in each case less commissions in connection thereto.

Under certain circumstances, the Offering may be terminated, see also "*5.12.3 Termination/Indemnification*".

5.2 Price Range, Offer Period, Offer Price and Allotment

The price range within which purchase orders for the Offer Shares may be placed is € 30.00 to € 38.00 per Offer Share (the "**Price Range**").

The period during which investors may submit purchase orders for the Offer Shares is expected to begin on June 16, 2021 and is expected to end on June 23, 2021 (the "**Offer Period**"). On the last day of the Offer Period, offers to purchase may be submitted (i) until 12:00 noon (Central European Summer Time, "**CEST**") by private investors (natural persons) and (ii) until 14:00 (CEST) by institutional investors. Purchase orders must be expressed in full euro amounts or increments of 25, 50 or 75 euro cents. Multiple purchase orders are permitted.

The Company and the Selling Shareholder reserve the right, together with the Sole Global Coordinator, to increase or decrease the total number of Offer Shares, to increase or decrease the upper limit and/or the lower limit of the Price Range and/or to extend or shorten the Offer Period. Changes in relation to the number of Offer Shares, changes to the Price Range or the extension or shortening of the Offer Period will not invalidate any offers to purchase that have already been submitted. If such change requires the publication of a supplement to the Prospectus, investors who submitted purchase orders before the supplement is published have the right, pursuant to Article 23 of the Prospectus Regulation, to withdraw these offers to purchase within three business days of the publication of the supplement. To the extent that the terms of the Offering are changed, such change will be published by means of electronic media (such as Reuters or Bloomberg) and, if required by Regulation (EU) No 596/2014 ("**Market Abuse Regulation**"), as an ad-hoc release via an electronic information system, on the

Company's website and as a supplement to the Prospectus. Investors who have submitted offers to purchase will not be notified individually.

The Selling Shareholder, after consultation with the Sole Global Coordinator, will decide whether and to what extent to exercise the Upsize Option in its free discretion, depending on market demand and based on the order book resulting from the bookbuilding process. The Selling Shareholder may sell up to 2,000,000 Additional Secondary Shares.

Investors are free to withdraw their offers to purchase until the end of the Offer Period. The placement price (the "**Offer Price**") and the final number of Offer Shares to be placed in the Offering will be set jointly by the Company, the Selling Shareholder and the Sole Global Coordinator on behalf of the Underwriters. The price will be set on the basis of the purchase orders submitted by investors during the Offer Period that have been collated in the order book prepared during a bookbuilding process. These orders will be evaluated according to the prices offered and the investment horizons of the respective investors. This method of setting the number of shares that will be placed at the Offer Price is, in principle, aimed at maximizing proceeds. Consideration will also be given to whether the Offer Price and the number of shares to be placed allow for the reasonable expectation that the share price will demonstrate steady performance in the secondary market given the demand for the Company's shares as reflected in the order book. Attention will be paid not only to the prices offered by investors and the number of investors wanting shares at a particular price, but also to the composition of the group of shareholders in the Company that would result at a given price, and expected investor behavior.

Under certain conditions, the Underwriters may terminate the underwriting agreement regarding the offer and sale of the Offer Shares in connection with the Offering entered into with the Company and the Selling Shareholder on June 14, 2021 (the "**Underwriting Agreement**"), even after commencement of trading of the Company's shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and until settlement and delivery of the Offer Shares, *i.e.*, the Underwriting Agreement may be terminated by the Underwriters until and including June 29, 2021 (for more information, see "*5.12.3 Termination/Indemnification*"). In the case of a termination of the Underwriting Agreement, the Offering will not take place, allocations of Offer Shares to investors will become ineffective, and investors have no claim regarding the delivery of the Offer Shares.

The Company and the Selling Shareholder will not charge any expenses and taxes related to the Offering and listing to investors. Investors will have to bear customary transaction and handling fees charged by their brokers or other financial institutions through which they hold their securities.

The Offer Price and the final number of Offer Shares placed in the Offering (*i.e.*, the result of the Offering) are expected to be set on June 23, 2021. After the Offer Price has been set, the Offer Shares will be allotted to investors on the basis of the offers to purchase then available. The Offer Price and the final number of Offer Shares (that is, the result of the Offering) are expected to be published on or about June 23, 2021 by means of an ad hoc release on an electronic information dissemination system and on the Company's website. Investors who have placed orders to purchase Offer Shares with one of the Underwriters can obtain information from that Underwriter about the Offer Price and the number of Offer Shares allotted to them on the business day following the setting of the Offer Price.

Book-entry delivery of the allotted Offer Shares against payment of the Offer Price is expected to take place two business days after commencement of trading. Particularly if the placement volume proves insufficient to satisfy all orders placed at the placement price, the Underwriters reserve the right to reject orders, or to accept them in part only.

5.3 Expected Timetable

The expected timetable for the Offering, which may be extended or shortened and remains subject to change, is as follows:

June 15, 2021..................	Approval of the Prospectus by BaFin
	Publication of the approved Prospectus on the website of Cherry AG (www.cherry.de)
June 16, 2021..................	Commencement of the Offer Period
	Application for admission of the Company's shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard)
June 18, 2021..................	Expected registration of the implementation of the Base Capital Increase with the Commercial Register
June 23, 2021..................	Close of the Offer Period for private investors (natural persons) at 12:00 noon CEST and for institutional investors at 14:00 CEST
	Determination and publication of the Offer Price and the final number of Offer Shares allocated by means of an ad hoc release on an electronic information dissemination system and on the Company's website
June 24, 2021..................	Expected registration of the implementation of the IPO Capital Increase relating to the New Shares with the Commercial Register
June 28, 2021..................	Expected admission decision to be issued by the Frankfurt Stock Exchange
June 29, 2021..................	Commencement of trading in the Company's shares on the regulated market segment of the Frankfurt Stock Exchange and to the sub-segment thereof with additional post-admission obligations (Prime Standard)
June 29, 2021..................	Book-entry delivery of the Offer Shares against payment of the Offer Price (settlement and closing)

The Prospectus will be published on the website of Cherry AG (www.cherry.de). Printed copies of the Prospectus will be available for distribution free-of-charge at Cherry AG, Einsteinstraße 174, 81677 Munich, Germany, during regular business hours.

5.4 Information on the Shares

5.4.1 Share Capital of the Company; Form and Certification of the Shares

As of the date of the Prospectus, the share capital of the Company amounts to € 2,000,000 and is divided into 2,000,000 ordinary bearer shares (*Inhaberaktien*) with no par value (*Stückaktien*), each representing a notional value of € 1.00 of the Company's share capital. The share capital has been fully paid up. The Company's shares were created pursuant to the laws of Germany and are denominated in euro.

The Secondary Shares and the Over-Allotment Shares offered in the course of the Offering from the holdings of the Selling Shareholder will comprise existing Shares as well as shares yet to be issued under the Base Capital Increase out of the Company's reserves. Under the Base Capital Increase, 18,000,000 shares of the Company will be issued. Upon registration of the Base Capital Increase, the Company's share capital will be increased from € 2,000,000 by € 18,000,000 to € 20,000,000. For more information, see "*18.1.2 Development of the Share*

Capital". The completion of the Base Capital Increase is expected to be registered in the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Munich on or about June 18, 2021.

Under the IPO Capital Increase, up to 4,300,000 New Shares will be issued against cash contributions. Upon registration of the IPO Capital Increase, the Company's share capital will be increased from € 20,000,000 by up to € 4,300,000 to up to € 24,300,000. The completion of the IPO Capital Increase is expected to be registered in the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Munich on or about June 24, 2021.

The Company's existing ordinary bearer shares together with the shares to be issued in connection with the Base Capital Increase, which includes, among other shares, part of the Secondary Shares and the Over-Allotment Shares, shall be represented by a global share certificate which is expected to be deposited with Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn, Germany ("**Clearstream**") on or about June 21, 2021. The global share certificate for the New Shares is expected to be deposited with Clearstream on or about June 24, 2021. The right of the shareholders to receive individual certificates representing their shares is excluded by the Company's Articles of Association.

5.4.2 Voting Rights

Each share confers one vote at the general shareholders' meeting of the Company. The voting rights are not restricted. Major shareholders do not have different voting rights.

5.4.3 Dividend Rights, Participation in Liquidation Proceeds

Each of the existing shares of the Company and the newly issued shares in connection with the Base Capital Increase, including the Secondary Shares and the Over-Allotment Shares, as well as the New Shares from the IPO Capital Increase carry or will carry full dividend rights as from January 1, 2021. In the event of the Company's liquidation, any proceeds will be distributed to the holders of the Company's shares in proportion to their interest in the Company's share capital.

5.4.4 Delivery and Settlement

The delivery of the Offer Shares against payment of the Offer Price and customary security commissions (*Effektenprovision*) is expected to take place two banking days (*i.e.*, days on which commercial banks are open in Frankfurt/Main for regular banking business) after listing commences, which means delivery is expected to occur on or about June 29, 2021. The Offer Shares will be made available to shareholders in book-entry form as co-ownership interests in the global share certificate. Hauck & Aufhäuser will act as settlement agent.

At their discretion, investors may choose to have shares they acquire in the Offering credited to the securities account of a German bank held for their account at Clearstream.

5.4.5 Transferability, Selling Restrictions

The transferability of the shares of the Company is neither restricted by law nor by the Articles of Association of the Company. As of the date of the Prospectus, the Company's Shares have been pledged by the Selling Shareholder as pledgee to a lender of the Company as pledgor to secure claims under or in connection with the Senior Facilities Agreement. Automatically upon publication of the final Offer Price by the Company, which is expected to occur on June 23, 2021, such pledge will be released (see "*13.18.1 Senior Facilities Agreement and Intercreditor Agreement*"). The Company's shares are freely transferable in accordance with the legal requirements for bearer shares. There are no legal restrictions on their ability to be traded, except for the restrictions referred to in section "*5.9 Selling Restrictions*" and no legal restrictions with respect to disposals or transferability, except for the restrictions set forth in section "*5.13 Lock-Up Agreements*".

5.4.6 ISIN / WKN / Trading Symbol

International Securities Identification Number (ISIN)	DE000A3CRRN9
German Securities Identification Number (WKN)	A3CRRN
Trading Symbol	C3RY

5.5 Information on the Existing Shareholders

Immediately prior to the Offering, the entire share capital of the Company is held by the Selling Shareholder, an entity indirectly controlled by Argand Partners Fund GP-GP, Ltd., Grand Cayman, Cayman Islands. Following completion of the Offering and assuming a full placement of the New Shares, the Secondary Shares and the Over-Allotment Shares and full exercise of the Upsize Option and the Greenshoe Option, the Selling Shareholder is expected to continue to hold approximately 46.52% of the Company's share capital. For further details on the ownership structure of the Company (including its indirect shareholders), see "*17 Shareholder Structure*".

5.6 Allotment Criteria

The allotment of Offer Shares to private investors and institutional investors will be decided by the Company and the Selling Shareholder after consultation with the Sole Global Coordinator. The decision ultimately rests with the Company and the Selling Shareholder. Allotments will be made on the basis of the quality of the individual investors and individual orders and other important allotment criteria to be determined by the Company and the Selling Shareholder after consultation with the Sole Global Coordinator. The allotment to private investors will be in accordance with the "Principles for the Allotment of Share Issues to Private Investors" (*Grundsätze für die Zuteilung von Aktienemissionen an Privatanleger*) issued by the German Commission of Stock Exchange Experts (*Börsensachverständigenkommission*) on June 7, 2000. "Qualified Investors" (*qualifizierte Anleger*) under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) in connection with the Prospectus Regulation, as well as "professional clients" (*professionelle Kunden*) and "suitable counterparties" (*geeignete Gegenparteien*) as defined in the German Securities Trading Act (*Wertpapierhandelsgesetz*) are not viewed as "private investors" within the meaning of the allotment rules. Multiple subscriptions by the same investors are permitted. The details of the allotment procedure will be stipulated after expiration of the Offer Period and published in accordance with the above-mentioned allotment principles.

5.7 Stabilization Measures, Over-Allotments and Greenshoe Option

In connection with the placement of the Offer Shares, Hauck & Aufhäuser, acting for the account of the Underwriters, will act as the stabilization manager (the "**Stabilization Manager**") and may, as Stabilization Manager acting in accordance with legal requirements (Article 5 para. 4 and 5 of the Market Abuse Regulation in conjunction with Articles 5 through 8 of the Commission Delegated Regulation (EU) 2016/1052), take stabilization measures to support the market price of the Company's shares during the Stabilization Period (as defined below) and thereby counteract any selling pressure. As set forth in Article 6 para. 5 of the Commission Delegated Regulation (EU) 2016/1052, the Stabilization Manager shall act as central point responsible and shall assume responsibility for the public disclosure requirements and for handling any request from any competent authorities referred to in such regulation.

The Stabilization Manager must record each stabilization order and transaction pursuant to applicable regulations. In addition, details of all stabilization transactions must be reported to the competent authorities of each trading venue on which the securities are admitted to trading or traded, as well as the competent authority of each trading venue where transactions in associated instruments for the stabilization of securities are carried out (if any).

The Stabilization Manager is under no obligation to take any stabilization measures. Therefore, no assurance can be provided that any stabilization measures will be taken. Where stabilization measures are taken, these may be terminated at any time without notice. Such measures may be taken from the date of commencement of trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) – expected to take place on June 29, 2021 – and must be terminated no later than 30 calendar days after such date (the "**Stabilization Period**"). Any profits or losses out of or in connection with stabilization measures shall be borne by the Underwriters.

These measures may result in the market price of the Company's shares being higher than would otherwise have been the case. Moreover, the market price may temporarily be at an unsustainable level. Stabilization measures shall not be carried out above the Offer Price.

Under the possible stabilization measures, investors may, in addition to the New Shares and the Secondary Shares, be allotted the Over-Allotment Shares as part of the allotment of the Offer Shares (the "**Over-Allotment**"). For the purpose of a potential Over-Allotment, the Stabilization Manager, for the account of the Underwriters, will be provided with up to 1,695,000 shares from the holdings of the Selling Shareholder in the form of a securities loan; the number of Over-Allotment Shares will not exceed 15% of the sum of the number of allotted (i) New Shares, (ii) Base Secondary Shares, and (iii) to the extent the Upsize Option is exercised, Additional Secondary Shares. In addition, the Selling Shareholder has granted the Underwriters the Greenshoe Option to acquire a number of Company's shares equal to the borrowed shares at the Offer Price less agreed commissions. The Greenshoe Option will terminate 30 calendar days after commencement of trading of the Company's shares expected to take place on June 29, 2021.

The Stabilization Manager is entitled to exercise the Greenshoe Option up to the extent to which Over-Allotments were initially made; the number of shares from the holdings of the Selling Shareholder for which the Greenshoe Option is exercised is to be reduced by the number of shares held by the Stabilization Manager as of the date on which the Greenshoe Option is exercised and that were acquired by the Stabilization Manager in the context of stabilization measures.

Once the Stabilization Period has ended, an announcement will be made within one week in various media outlets distributed across the entire EEA stating (i) whether stabilization measures were taken, (ii) when stabilization started and when it last occurred, (iii) the price range within which the stabilization measures were taken for each of the dates during which stabilization measures were carried out, and (iv) the trading venue(s) on which stabilization transactions were carried out, where applicable.

5.8 Identification of Target Market

Solely for the purposes of the product governance requirements contained within: (a) Directive 2014/65/EU of May 15, 2014 on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer Shares have been subject to a product approval process. As a result, it has been determined that such Offer Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors (for the purpose of the MiFID II Product Governance Requirements) should note that: the price of the Offer Shares may decline and investors could lose all or part of their investment. The Offer Shares offer no guaranteed income and no capital protection; and an investment in the Offer Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Offer Shares and determining appropriate distribution channels.

5.9 Selling Restrictions

This document does not constitute an offering for the sale of securities in the United States. The Offer Shares have not been and will not be registered under the Securities Act, or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold or otherwise transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States.

The Offer Shares are being offered and sold (i) outside the United States only in reliance on Regulation S under the Securities and (ii) within the United States only to QIBs pursuant to an exemption from the registration requirements under the Securities Act. The Company does not intend to register the Offering or any portion thereof in the United States or to conduct a public offering of the Offer Shares in the United States.

The acceptance of the offer outside of Germany may be subject to restrictions. Persons who intend to accept the offer outside of Germany are requested to inform themselves of and comply with the restrictions that exist outside of Germany.

In relation to each Member State of the European Economic Area (each a "**Member State**"), no Offer Shares have been offered or will be offered pursuant to the Offering to the public in a Member State other than in Germany, except that it may make an offer of Offer Shares in that Member State at any time under the following exemptions under the Prospectus Regulation:

(i) to any qualified investor as defined in the Prospectus Regulation,

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the Sole Global Coordinator for any such offer, or

(iii) in any other circumstances falling within Article 1 para. 4 of the Prospectus Regulation,

provided that no such offer (as set forth in clauses (i) to (ii)) of Offer Shares will result in a requirement for the publication by the Company or any Underwriter of a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this restriction, the expression an "offer of securities to the public" in relation to any Offer Shares in any Member State means a communication to persons in any form and by any means, presenting sufficient information on the terms of the offer and the securities to be offered, so as to enable an investor to decide to purchase or subscribe for those securities.

Sales in the United Kingdom are also subject to restrictions. No Shares have been offered or will be offered pursuant to the Offering to the public in the United Kingdom prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the Financial Conduct Authority, except that the Offer Shares may be offered to the public in the United Kingdom at any time:

(i) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Sole Global Coordinator for any such offer; or

(iii) in any other circumstances falling within Section 86 of the Financial Services and Markets Authority of the United Kingdom ("**FSMA**").

provided that no such offer of the Offer Shares shall require the Company or any Underwriter to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation. For the purposes of this provision, the expression an "**offer to the public**" in relation to the Offer Shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Offer Shares and the expression "**UK Prospectus Regulation**" means the Prospectus Regulation as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.

5.10 Admission to the Frankfurt Stock Exchange and Commencement of Trading

The Company, together with Hauck & Aufhäuser, who is acting as admission applicant (*Zulassungsantragsteller*) within the meaning of Section 2 no. 7 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), expects to apply on or about June 15, 2021 for admission of its entire share capital (including the shares to be issued in connection with the Base Capital Increase and the New Shares to be issued in connection with the IPO Capital Increase) to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, the sub-segment thereof with additional post-admission obligations (Prime Standard).

The decision on the admission of the shares of the Company is expected to be announced on or about June 28, 2021. The decision on the admission of the Company's shares to trading will be made solely by the Frankfurt Stock Exchange at its discretion.

Trading of the shares of the Company on the Frankfurt Stock Exchange is expected to commence on or about June 29, 2021.

5.11 Designated Sponsor

Hauck & Aufhäuser, Kaiserstraße 24, 60311 Frankfurt am Main, Germany, LEI 529900OOZP78CYPYF471, has agreed to assume the function of a designated sponsor (either itself or through one of its affiliates) of the Company's shares traded on the Frankfurt Stock Exchange for a period of two years.

Pursuant to the designated sponsor's agreement entered into between the Company and Hauck & Aufhäuser, the designated sponsor will, among other things, place limited buy and sell orders for shares of the Company in the electronic trading system of the Frankfurt Stock Exchange during regular trading hours. This is intended to achieve greater liquidity in the market for the shares. The designated sponsor is entitled to delegate its duties under the designated sponsor's agreement to third parties. In accordance with Sections 81 and 82 of the Exchange Rules (*Börsenordnung*) for the Frankfurt Stock Exchange, the designated sponsor's agreement stipulates the duties and responsibilities of the designated sponsor. Among other things, the designated sponsor shall be available during trading hours and, upon receipt of a request for a quote, shall promptly supply quotes and enter into transactions on such basis. In addition, the designated sponsor shall provide quotes throughout the auction.

5.12 Underwriters and Underwriting Agreement

5.12.1 General

The Company, the Selling Shareholder and the Underwriters entered into an Underwriting Agreement dated June 14, 2021 with respect to the offer and sale of the Offer Shares.

According to the Underwriting Agreement, each of the Underwriters has agreed, under certain conditions, to acquire the number of Offer Shares specified in the Underwriting Agreement, but in any event only up to the maximum number of Offer Shares set below opposite such Underwriter's name:

Underwriter	Maximum Number of Offer Shares to be Underwritten*	Percentage of Maximum Number of Offer Shares Underwritten
Hauck & Aufhäuser Privatbankiers AG Kaiserstraße 24, 60311 Frankfurt am Main, Germany LEI 529900OOZP78CYPYF471	10,071,125	77.5%
ABN AMRO Bank N.V. Gustav Mahlerlaan 10, 1082PP Amsterdam, The Netherlands LEI BFXS5XCH7N0Y05NIXW11	1,949,250	15.0%
M.M.Warburg & CO (AG & Co.) KGaA Ferdinandstraße 75, 20095 Hamburg, Germany LEI MZI1VDH2BQLFZGLQDO60	974,625	7.5%
Total	**12,995,000**	**100.0%**

* Assuming the issuance of all the New Shares, the full placement of the Secondary Shares (including the Additional Secondary Shares, *i.e.*, assuming full exercise of the Upsize Option), full placement of the Over-Allotment Shares and full exercise of the Greenshoe Option.

Pursuant to the terms and conditions of the Underwriting Agreement, the Company and the Selling Shareholder are required to pay management, underwriting and selling commissions in the maximum aggregate amount of approximately € 13.25 million (at the mid-point of the Price Range; assuming full placement of the New Shares, the Base Secondary Shares and the Additional Secondary Shares as well as full placement of the Over-Allotment Shares and full exercise of the Upsize Option and the Greenshoe Option) to the Underwriters. In addition, the Underwriters may receive a discretionary performance commission from the Company and a discretionary performance commission from the Selling Shareholder (see "*5.12.2 Commissions*"). In the Underwriting Agreement, the Company has agreed to indemnify the Underwriters against certain liabilities.

The Underwriting Agreement also provides that the obligations of the Underwriters are subject to the satisfaction of certain conditions, including, for example, the receipt of a customary confirmation and legal opinions satisfactory to the requirements of the Underwriters.

The obligations of the Underwriters under the Underwriting Agreement are subject to various conditions, including, among other things, (i) the conclusion of a pricing agreement, an agreement on the allocation of costs between the Selling Shareholder and the Company covering also the indemnity against liability claims in connection with the Offering, and an IPO insurance agreement between the Company and an insurance company, (ii) the absence of a material adverse change, such as a reasonably likely material adverse change in or affecting the condition, business, prospects, management, consolidated financial position, shareholders' equity or results of operations of the Group, or a suspension in trading of the Company's securities (other than an intraday suspension for technical reasons) or in securities generally on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the London Stock Exchange or the New York Stock Exchange, (iii) receipt of customary certificates or legal opinions and other letters, and (iv) the making of necessary filings and the receipt of necessary approvals in connection with the Offering and the admission of the Company's shares to trading on the Frankfurt Stock Exchange.

The Underwriters may, from time to time, provide services to companies of the Group and the Selling Shareholder as well any of the indirect shareholders of the Company in the ordinary course of business and may extend credit to and have regular business dealings with companies of the Group and the Selling Shareholder in their capacity as financial institutions (for a more detailed description of the interests of the Underwriters in the Offering, see "*5.14 Interests of Persons Participating in the Offering*").

In connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for its own account, may take up Offer Shares in the Offering and in that capacity may retain, purchase or sell for its own account such securities and any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offering. Accordingly, references in the Prospectus to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. None of the Underwriters intends to disclose the extent of any such investment or transactions unless required by law or regulatory obligations. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps with investors) in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Offer Shares.

5.12.2 Commissions

Pursuant to the terms and conditions of the Underwriting Agreement, the Company and the Selling Shareholder shall pay the Underwriters certain commissions in connection with the Offering.

The commissions include (i) a management fee of 1.50% of the placement value for the placed Offer Shares, and (ii) a placement commission equaling 1.50% of the placement value for the placed Offer Shares. The management fee and the placement commission relating to the placed New Shares shall be paid by the Company, whereas the management fee and the placement commission relating to the placed Secondary Shares (including any Additional Secondary Shares placed, to the extent the Upsize Option is exercised) and the Greenshoe Shares (to the extent that the Over-Allotment Shares are placed and the Greenshoe Option is exercised) shall be borne by the Selling Shareholder.

In addition, the Underwriters may receive (i) a performance commission from the Company, at the Company's own discretion, of up to 1.00% of the placement value for the placed New Shares and (ii) a performance commission of up to 1.00% of the placement value for the placed Secondary Shares (including any Additional Secondary Shares placed, to the extent the Upsize Option is exercised) and for the placed Greenshoe Shares (to the extent that the Over-Allotment Shares are placed and the Greenshoe Option is exercised) from the Selling Shareholder, in each case at the discretion of the Selling Shareholder. The decision on the granting of a performance commission shall be made by the Company and the Selling Shareholder, as the case may be, up to the day on which the proceeds of the issue are transferred to the Company and the Selling Shareholder, respectively. The Underwriters have no legal claim to the payment of the performance commissions.

The management fee and the placement commission shall be divided among the Underwriters on a fixed basis according to their respective underwriting commitments, *i.e.*, 77.5% for Hauck & Aufhäuser, 15.0% for ABN AMRO and 7.5% for M.M.Warburg. The Company and the Selling Shareholder may decide that the discretionary performance commissions shall be apportioned among the Underwriters in proportions that differ from their respective underwriting quotas, *i.e.*, within the abovementioned maximum, the Company and the Selling Shareholder are free to determine the amount of the performance commission, if any, that each Underwriters may receive.

The Company and the Selling Shareholder have also agreed to reimburse the Underwriters for certain costs and expenses (according to an internal split).

The Underwriters may involve selling agents in connection with the Offering and, in this context, may share part of the received commissions with such selling agents.

5.12.3 Termination/Indemnification

The Underwriting Agreement provides that the Underwriters may under certain circumstances terminate the Underwriting Agreement, including after the shares have been allotted and listed, until delivery and settlement has occurred. Grounds for termination include, in particular:

- a material loss or interference with respect to the business of the Company or the Cherry Group taken as a whole; and

- a general suspension or material limitation of trading on the Frankfurt Stock Exchange, the London Stock Exchange or the New York Stock Exchange.

If the Underwriting Agreement is terminated, the Offering will not take place, in which case any allotments already made to investors will be invalidated, and investors will have no claim for delivery. Claims with respect to security commissions already paid and costs incurred by an investor in connection with the subscription of Offer Shares will be governed solely by the legal relationship between the investor and the financial institution to which the investor submitted its purchase order. Investors who engage in short selling bear the risk of being unable to satisfy their delivery obligations.

The Company and the Selling Shareholder have further agreed in the Underwriting Agreement to indemnify the Underwriters against certain liabilities, including liabilities under applicable securities laws that may arise in connection with the Offering.

5.13 Lock-Up Agreements

5.13.1 Lock-Up of the Company

In the Underwriting Agreement, the Company has agreed with each Underwriter that the Company will not, and will not agree to, without the prior written consent of the Sole Global Coordinator (such consent not to be unreasonably withheld or delayed), for a period of 180 calendar days following the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (expected to take place on June 29, 2021):

(a) announce or effect an increase of the share capital of the Company out of authorized capital;

(b) submit a proposal for a capital increase to any shareholders' meeting for resolution;

(c) announce to issue, effect or submit a proposal for the issuance of any securities convertible into shares of the Company or with option rights for shares of the Company; or

(d) enter into a transaction or perform any action economically similar to those described in in (a) through (c) above, in each case above other than as expressly described in the Prospectus (*e.g.*, the Company lock-up does not apply to the capital increases described in the Prospectus).

In addition, the Company may, however, offer, sell and issue options, warrants and shares of the Company (i) under future management and/or employee share purchase and share option schemes or (ii) as partial or full consideration for a business acquired by the Company or for purposes of entering into a joint venture, provided that in case of (ii) the Company shall consult with the Sole Global Coordinator prior to the issuance of the shares or other securities.

5.13.2 Lock-Up of the Selling Shareholder

In the Underwriting Agreement, the Selling Shareholder has undertaken not to, without the prior written consent of the Sole Global Coordinator (such consent not to be unreasonably withheld or delayed), for a period of 180 days following the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (expected to take place on June 29, 2021):

(a) offer, pledge, allot, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of the Company, or any other member of the Cherry Group, or any other securities of the Company, or any other member of the Cherry Group, including securities convertible into or exercisable or exchangeable for shares of the Company, or any other member of the Cherry Group;

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, the economic risk of ownership of shares of the Company, whether any such transaction described in clause (a) above or this clause (b) is to be settled by delivery of shares of the Company or such other securities, in cash or otherwise;

(c) make any demand for, or exercise any right with respect to, the registration under U.S. securities laws of any shares of the Company or any security convertible into or exercisable or exchangeable for shares of the Company or any derivatives thereon;

(d) propose any increase in the share capital of the Company, vote in favor of such a proposed increase or otherwise support any proposal for the issuance of any securities convertible into shares of the Company, with option rights for shares of the Company; or

(e) enter into a transaction or perform any action economically similar to those described in (a) through (d) above,

in each case of the clauses (a) to (e) above other than for the purposes of the Offering or as expressly described in the Prospectus.

The foregoing lock-up restrictions for the Selling Shareholder will not restrict (i) the tender, sale and transfer of the Company's shares in a takeover bid for the shares of the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), (ii) the over-the-counter (*außerbörsliche*) transfer of Company's shares by the Selling Shareholder to any of its affiliates and the transfer of Company’s shares by any Authorized Recipient (as defined below) to another Authorized Recipient, and (iii) any allotments, distributions or other transfers of the Company's shares to direct or indirect shareholders or other securities holders of the Selling Shareholder or any affiliates of such shareholders or securities holders (together with any affiliates under (ii), the "Authorized Recipients"), in one or more steps, provided that in each case mentioned in (i), (ii) and (iii) the Authorized Recipient agrees to be bound by the foregoing lock-up restrictions by entering into a corresponding lock-up undertaking, provided, however, that in the case of a transfer to the Selling Shareholder's shareholder Genui Sechste Beteiligungsgesellschaft mbH ("**GENUI**") as transferee and Authorized Recipient, the corresponding lock-up undertaking to be entered into by GENUI shall provide that a further transfer of the Company's shares to the Supervisory Board member Joachim Coers (who is the sole shareholder and managing director of JOBECO Management GmbH which is in turn a shareholder of GENUI) or any entity controlled by Joachim Coers shall be subject to the condition precedent that Joachim Coers and/or any entity controlled by Joachim Coers as transferee (and Authorized Recipient) enters into a lock-up undertaking substantially on the same terms as the Supervisory Board members Marcel Stolk and Steven M. Greenberg (see "*5.13.3 (Indirect) Lock-Up of the Members of the Management Board and of Certain Members of the Supervisory Board*").

5.13.3 (Indirect) Lock-Up of the Members of the Management Board and of Certain Members of the Supervisory Board

The members of the Management Board, *i.e.*, Rolf Unterberger and Bernd Wagner, are indirectly invested in the Company through private investment vehicles that are invested in the management participation vehicles Cherry MEP GmbH & Co. KG ("**MEP KG**") and Cherry MEP GmbH & Co. KG ("**Strip KG**", and together with MEP KG, the "**Investment KGs**"), which are in turn invested in the Selling Shareholder as part of a management equity program ("**MEP**") (see "*17.2 Information on the Selling Shareholder and Management Participation*" and "*19.4.1 Management Equity Program*"). Conditional upon settlement of the Offering, the members of the Management Board (through private investment vehicles) as well as certain members of the Supervisory Board, namely Steven M. Greenberg and Marcel Stolk, have sold their (indirect) shareholdings in MEP KG and Strip KG to the Selling Shareholder against a consideration consisting of cash and Shares in the Company for tax purposes (see "*19.4.1.2 Dissolution of the MEP Structure*").

The members of the Management Board have committed in connection with the Underwriting Agreement (also on behalf of their respective private investment vehicles) to a lock-up period of 18 months following the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (expected to take place on or about June 29, 2021). During such lock-up period, the members of the Management Board may not sell any of their remaining (indirect) equity holdings or enter into certain other transactions that are economically similar to a sale.

In connection with the Underwriting Agreement, two members of the Supervisory Board, namely Steven M. Greenberg and Marcel Stolk, have committed to a lock-up period of twelve months following the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (expected to take place on June 29, 2021). During such lock-up period, the members of the Supervisory Board Marcel Stolk and Steven M. Greenberg may not (and in the case of the last six months of the period: they may not, without the prior written consent of the Sole Global Coordinator) sell any of their remaining equity holdings or enter into certain other transactions that are economically similar to a sale. Following the completion of the Offering and the dissolution of the MEP, it is contemplated that the Selling Shareholder shall be reorganized in such a way that would ultimately result in the Selling Shareholder's then-remaining shareholders (Cherry HoldCo S.à r.l., Grand Duchy of Luxembourg ("**Cherry HoldCo**"), GENUI and Mr. Chin-Moa Lee (see "*17.2 Information on the Selling Shareholder and Management Participation*")) receiving their *pro rata* amount of shares in the Company after deduction of certain costs and liabilities. It is further expected that GENUI will then distribute shares to its shareholders, including JOBECO Management GmbH (which is wholly-owned and controlled by its managing director, the Supervisory Board member Joachim Coers). Under a lock-up undertaking to be entered into by GENUI in accordance with the terms of the Underwriting Agreement, such distribution shall require that Joachim Coers and/or any entity controlled by Joachim Coers as transferee of the Company's shares enters into a lock-up undertaking substantially on the same terms as the Supervisory Board members Marcel Stolk and Steven M. Greenberg.

The foregoing lock-up restrictions for the members of the Management Board and the Supervisory Board will not restrict the tender, sale and transfer of the Company's shares in a takeover bid for the shares of the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*),

5.14 Interests of Persons Participating in the Offering

In connection with the Offering and the admission of the Company's shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard), the Underwriters have a contractual relationship with the Company and the Selling Shareholder. The Underwriters advise the Company and the Selling Shareholder on the transaction and coordinate the structuring and execution of the transaction. In addition, Hauck & Aufhäuser has been appointed to act as designated sponsor and admission applicant (*Zulassungsantragsteller*) within the meaning of Section 2 no. 7 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*). On successful completion of the Offering, the Underwriters will receive a commission from the Company and the Selling Shareholder (see "*5.12.2 Commissions*"). As a result of these contractual relationships, the Underwriters have a financial interest in the successful completion of the Offering.

Furthermore, in connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for their own account, may acquire shares in the Offering and in that capacity may retain, purchase or sell for its own account such shares or related investments and may offer or sell such shares or other investments otherwise than in connection with the Offering.

Accordingly, references in the Prospectus to shares being offered or placed should be read as including any offering or placement of shares to any Underwriters or any of their respective affiliates acting in such capacity. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contracts for difference) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of shares in the Company. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so or as disclosed in the Prospectus.

The Selling Shareholder will receive the proceeds from the sale of the Base Secondary Shares, the Additional Secondary Shares (if any) and the Greenshoe Shares (if any) in the Offering. Assuming a placement of all 5,000,000 Base Secondary Shares and full placement of the Additional Secondary Shares, in each case at the mid-point of the Price Range, full exercise of the Greenshoe Option, and payment in full of the discretionary performance commission to the Underwriters, net proceeds to the Selling Shareholder would amount to approximately € 280.87 million, or 67.0% of the total net proceeds from the Offering (see also "*6.1 Proceeds and Costs of the Offering and the Listing*"). Accordingly, the Selling Shareholder has an interest in the successful completion of the Offering. For an overview of direct and indirect shareholders of the Selling Shareholder, see "*17.1 Major Shareholders*" and "*17.2 Information on the Selling Shareholder and Management Participation*".

Certain members of the Company's supervisory board ("**Supervisory Board**"), namely Joachim Coers, Heather Faust, Tariq Osman and Dino Sawaya, hold functions at the Selling Shareholder or at affiliates of the Selling Shareholder. Dino Sawaya is also employed by an affiliate of the Selling Shareholder and Steven M. Greenberg from time to time provides advisory services to affiliates of the Selling Shareholder. See "*19.3.2 Current Members of the Supervisory Board*". Accordingly, their interests with respect to the Offering and admission of the Company's Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (*Prime Standard*) may not be aligned with those of the Company or the Company's other shareholders, which constitutes a potential conflict of interest.

As of the date of the Prospectus, the members of the Company's management board ("**Management Board**") (Rolf Unterberger and Bernd Wagner) and all members of the Supervisory Board (James Burns, Joachim Coers, Heather Faust, Steven M. Greenberg, Tariq Osman, Dino Sawaya, and Marcel Stolk) as well as certain other employees of the Cherry Group, are indirectly invested in the Company. Conditional upon the settlement of the Offering, the members of the Company's Management Board (through private investment vehicles) and certain members of the Company's Supervisory Board (Steven M. Greenberg and Marcel Stolk) as well as certain other employees of the Cherry Group have sold their indirect shareholdings held in the Selling Shareholder through the MEP (see "*19.4.1 Management Equity Program*") to the Selling Shareholder against a consideration consisting of cash and Shares in the Company. The remaining members of the Supervisory Board (James Burns, Joachim Coers, Heather Faust, Tariq Osman and Dino Sawaya as well as Steven M. Greenberg through further indirect participations) are expected to indirectly participate in the proceeds of the Selling Shareholder from the Offering or from an appreciation of the value of their indirect investments as a consequence of the Offering. Furthermore, the member of the Supervisory Board Joachim Coers may (indirectly) receive a number of shares in the Company yet to be determined in the event that the Selling Shareholder is reorganized and its direct shareholder GENUI distributes shares to its own shareholders, including JOBECO Management GmbH (which is wholly-owned and controlled by its managing director Joachim Coers). See also "*19.2.5 Shareholdings of the members of the Management Board in the Company*", "*19.3.6 Shareholdings of Supervisory Board Members*" and "*19.4.1 Management Equity Program*". Accordingly, all these individuals have an interest in the success of the Offering at the best possible terms.

Other than the interests described above, there are no material interests, in particular no material conflicts of interest, with respect to the Offering.

6 REASONS FOR THE OFFERING; USE OF PROCEEDS AND COSTS OF THE OFFERING AND THE LISTING

6.1 Proceeds and Costs of the Offering and the Listing

The Company will receive the proceeds from the sale of the New Shares. The Selling Shareholder will receive the proceeds of the Offering resulting from the sale of the Base Secondary Shares, the potential sale of the Additional Secondary Shares, if and to the extent the Upsize Option is exercised, and from the sale of Greenshoe Shares, if and to the extent that the Greenshoe Option in relation to the Over-Allotment Shares is exercised.

Assuming full placement of the New Shares at the mid-point of the Price Range and payment in full of the discretionary performance commission to the Underwriters, the Company estimates that the net proceeds to the Company from the sale of the New Shares would amount to approximately € 138.55 million.

Assuming full placement of the Base Secondary Shares at the mid-point of the Price Range, full exercise of the Upsize Option and the Greenshoe Option and payment in full of the discretionary performance commission to the Underwriters, the Company estimates that the net proceeds to the Selling Shareholder from the sale of the Base Secondary Shares, the Additional Secondary Shares and the Greenshoe Shares would amount to approximately € 280.87 million.

The expenses related to the Offering and the listing of the Company's entire share capital are expected to total approximately € 22.40 million at the mid-point of the Price Range. The Selling Shareholder will pay the portion of the costs that is attributable to (i) the sale of the Base Secondary Shares and the potential sale of the Additional Secondary Shares, if and to the extent the Upsize Option is exercised, and (ii) if and to the extent that the Greenshoe Option is exercised, the sale of the Greenshoe Shares. The Company estimates that the overall costs for the Company will be approximately € 7.65 million at the mid-point of the Price Range, and that the overall costs for the Selling Shareholder will be approximately € 14.76 million at the mid-point of the Price Range, assuming, in each case, full placement of the Offer Shares, full exercise of the Upsize Option and the Greenshoe Option and payment in full of a discretionary performance commission.

Investors will not be charged expenses by the Company or the Underwriters in connection with their role as underwriters. Investors may, however, have to bear customary transaction and handling fees charged by their brokers or other account-keeping financial institutions.

6.2 Reasons for the Offering and Listing; Use of Proceeds

The Company intends to use its estimated net proceeds from the Offering of the New Shares

(1) to repay outstanding debt, as set forth below:

€ 89.3 million from the proceeds of the Offering will be applied directly towards the repayment of outstanding debt relating to its Senior Facilities Agreement immediately (repayment of principal in the amount of € 80 million, plus accrued interest, prepayment fee and break costs). In this connection, and leveraging on the improved financial strength, the Company expects to replace the Senior Facilities Agreement with a new facilities agreement, including a term loan in the amount of € 45 million and a revolving credit facility in the amount of € 10 million, on more favorable terms suitable for a listed company; the new facility agreement is expected to be signed either at the end of June 2021 or in July 2021.

(2) to increase the Group's financial scope to pursue its organic growth strategy, as set forth below:

The Company intends to deploy approximately 60% of the remaining net proceeds from the Offering (together with existing cash on its balance sheet and funds raised from the new credit facilities) to fuel organic growth, in particular to advance and expand the Group's position as a global innovation leader, to develop new, innovative market-leading products across all of the Group's business areas, to expand its premium and leading brand presence and to deepen the Group's global market penetration in accordance with its strategy (see "*13.3 Our Strategy*"). In particular, we intend to use roughly half of such net proceeds allocated to organic growth for capacity increases and measures to increase automation in our production processes (such as investments in machinery and tools), and the remaining portion for items relating to

R&D, new products and employees, e.g., to fund an increase in marketing initiatives, new product development and the roll-out of e-commerce platforms.

(3) to increase the Group's financial scope to pursue its inorganic growth strategy, as set forth below:

The Company intends to deploy approximately 40% of the remaining net proceeds from the Offering (together with existing cash on its balance sheet and funds raised from the new credit facilities) to fuel inorganic growth, by pursuing selective acquisitions to complement and further strengthen the Group's product portfolio and the Group's global geographic presence in accordance with its strategy (see "*13.3.3 Pursuing selective acquisitions to complement and further strengthen our product portfolio and our global geographic presence*").

The Company intends to have the Company's shares admitted to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard) to achieve better access to the capital markets and further support the development of the Cherry Group. The Company and the Selling Shareholder believe the listing will provide a number of benefits to the Group, including an enhanced external profile, further improved brand recognition and increased flexibility and ability to support and develop the Group's business through organic growth and selective acquisitions.

The Selling Shareholder will offer the Base Secondary Shares, the Additional Shares and the Over-Allotment Shares to partially divest their shareholdings in the Company, to ensure sufficient free float and trading liquidity in the Company's shares and to facilitate potential stabilization measures.

7 DILUTION

According to the consolidated statement of financial position in the unaudited condensed consolidated interim financial statements of the Company as of and for the three-month period ended March 31, 2021, the Cherry Group's net asset value, which is calculated as total assets less total non-current and total current liabilities, amounted to € 146.00 million as of March 31, 2021, and would amount to € 7.30 per share of the Company based on 20,000,000 outstanding shares of the Company after the implementation of the Base Capital Increase but before implementation of the IPO Capital Increase.

The dilutive effect of the Offering is illustrated in the table below demonstrating the amount by which the Offer Price at the mid-point of the Price Range exceeds the equity attributable to shareholders per share after completion of the Offering and the implementation of the IPO Capital Increase assuming the steps described below had taken place on March 31, 2021. In this respect, the net book value attributable to shareholders as of March 31, 2021 is adjusted for the effects of the Offering, assuming an increase in the net book value attributable to shareholders at the mid-point of the Price Range by € 138.55 million. The assumed increase is based on the expected net proceeds from the sale of the New Shares not considering any tax effects. The adjusted net book value attributable to shareholders is expressed as a per share figure, assuming 24,300,000 outstanding shares of the Company upon completion of the Offering and implementation of the IPO Capital Increase (as well as the Base Capital Increase) (this per share figure being referred to as the "**Post-IPO Equity attributable to Shareholders per Share**").

	As of March 31, 2021
	(unaudited)
Offer price per share (in €; based on the mid-point of the Price Range)	34.00
Maximum number of New Shares to be placed in the Offering	4,300,000
Total number of Company Shares after the implementation of the Base Capital Increase and the IPO Capital Increase (assuming full placement of the New Shares)	24,300,000
Total gross proceeds to the Company assuming full placement of the New Shares at the mid-point of the Price Range (in € million)	146.20
Estimated total costs of the Offering to be borne by the Company (including underwriting and placement commissions payable to the Underwriters and assuming further payment in full of the discretionary performance commission) at the mid-point of the Price Range (in € million)	7.65
Total net proceeds to the Company assuming full placement of the New Shares at the mid-point of the Price Range (in € million)	138.55
Equity attributable to shareholders per share as of March 31, 2021 (assuming 20,000,000 outstanding shares of the Company after the implementation of the Base Capital Increase but before implementation of the IPO Capital Increase) (in €)	7.30
Post-IPO Equity attributable to Shareholders per Share (in €)	11.71
Amount by which the Offer Price per share (mid-point of the Price Range) exceeds the Post-IPO Equity attributable to Shareholders per Share (immediate dilution to the new shareholders of the Company per share) (in €)	22.29
Percentage by which the Offer Price per share exceeds the Post-IPO Equity attributable to Shareholders per Share	190.35%
Immediate dilution for investors acquiring Offer Shares in the Offering (in %)	65.6%

For information on the shareholdings of the Group's major shareholder (including indirect shareholders) immediately prior to implementation of the Offering and upon completion of the Offering, see "*17 Shareholder Structure*".

8 DIVIDEND POLICY

8.1 General Rules on Allocation of Profits and Dividend Payments

Shareholders have a share in the Company's retained earnings determined in proportion to their interest in the Company's share capital. The participation of new shares in the profits may be determined in a different manner.

Distributions of dividends on shares for a given fiscal year are generally determined by a process in which the Management Board and the Supervisory Board submit a proposal for the distribution of dividends to the annual general shareholders' meeting held within the first eight months of the subsequent fiscal year. The general shareholders' meeting then adopts a resolution on such distribution with simple majority of the votes cast without being bound by the proposal of the Management Board and the Supervisory Board. Under German law, dividends can only be resolved upon and paid if the unconsolidated annual financial statements of the Company show retained earnings (*Bilanzgewinn*). The retained earnings are calculated based on the Company's unconsolidated annual financial statements prepared in accordance with the requirements of German commercial law applicable to corporations ("**German GAAP**"). In contrast to the Company's consolidated financial statements, which are prepared in accordance with IFRS, the unconsolidated annual financial statements are prepared in accordance with German GAAP. These accounting principles differ from IFRS in material respects. The unconsolidated annual financial statements of the Company are approved by the Management Board and the Supervisory Board unless the Management Board and the Supervisory Board refer the approval to the general shareholders' meeting. In determining the retained earnings, the net income or loss for a fiscal year (*Jahresüberschuss/-fehlbetrag*) is adjusted for earnings brought forward from the previous year (*Gewinn-/Verlustvorträge*) as well as for reversals from and transfers to reserves. Certain reserves are required to be set by law and amounts mandatorily allocated to these reserves in the given fiscal year must be deducted when calculating the retained earnings. Subject to certain statutory restrictions, the general shareholders' meeting is entitled to transfer additional amounts to the reserves or carry them forward. The Management Board must prepare unconsolidated annual financial statements (balance sheet, income statement and notes to the unconsolidated annual financial statements) and a management report for the previous fiscal year by the statutory deadline and present these to the Supervisory Board and the auditors immediately after preparation. At the same time, the Management Board must present to the Supervisory Board a proposal for the allocation of the Company's retained earnings pursuant to Section 170 German Stock Corporation Act (*Aktiengesetz – AktG*). The Supervisory Board must review the unconsolidated annual financial statements, the Management Board's management report and the proposal for the allocation of the retained earnings and report to the general shareholders' meeting in writing on the results. If the Management Board and the Supervisory Board approve the unconsolidated annual financial statements, they may transfer the net income for a fiscal year remaining after deducting any transfers to statutory reserves and any losses brought forward to other revenue reserves. The portion of the net income for a fiscal year transferred to other revenue reserves may not exceed 50.0% of the net income to the extent the other revenue reserves exceed, or would exceed following such transfer, 50.0% of the registered share capital of the Company.

Dividends resolved by the general shareholders' meeting are due and payable on the third business day following the relevant general shareholders' meeting, unless a later payment has been resolved in the dividend resolution, in compliance with the rules of the respective clearing system. Under German law, the right to dividend payments is generally time-barred after three years for the benefit of the Company.

The New Shares will be entitled to profit participation as from January 1, 2021, *i.e.*, for the full fiscal year 2021 and for all subsequent fiscal years. The dividends will be paid out in accordance with the rules of the clearing system of Clearstream. Details on dividend payments and the respective payment agent will be published in the German Federal Gazette (*Bundesanzeiger*) after the general shareholders' meeting. Neither German law nor the Company's Articles of Association provide for a special procedure for the exercise of dividend rights by shareholders not resident in Germany.

Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid. For more information on the taxation of dividends see "*20.2 Taxation of Dividends*".

8.2 Dividend Policy and Earnings per Share

The Company's ability and intention to pay dividends in the future will depend on its financial position, results of operations, capital requirements, investment alternatives and other factors that the Management Board and Supervisory Board may deem relevant, and any proposals by the Management Board and Supervisory Board regarding dividend payments will be subject to the approval at the general shareholders' meeting. The Company can provide no assurance that it will pay dividends in future years. The Company expects that the principal source of funds for the payment of dividends, if any, will be interest and similar income generated by it as well as dividends and other payments received from its current and future subsidiaries. The determination of each subsidiary's ability to pay dividends is made in accordance with applicable law.

Subject to a statutory minimum dividend in case sufficient distributable profit is reported in the Company's audited unconsolidated financial statements prepared in accordance with the requirements of German commercial law applicable to corporations, the Management Board of the Company does not expect to propose the payment of an annual dividend in the near future, but rather plans to continue to invest in the organic development of its business and to finance the implementation of the strategy to grow also inorganically. If and when a dividend shall be paid, then the precise dividend payout ratio will be determined on a yearly basis considering all relevant factors, including the financing requirements of the Group. The Company's ability to pay dividends in future years will depend on the amount of distributable retained earnings pursuant to the German generally accepted accounting principles in a given fiscal year. The Company can provide no assurance regarding the amounts of future retained earnings, if any, and consequently, the Company can provide no assurance that it will pay dividends in future years. Moreover, the Company's results of operations set out in the Audited Unconsolidated Annual Financial Statements of the Company may not be indicative of the amounts of future dividend payments.

9 CAPITALIZATION AND INDEBTEDNESS

Investors should read the tables in this section in conjunction with "*11 Operating and Financial Review*", the Audited Consolidated Financial Statements of the Company and the Unaudited Condensed Interim Consolidated Financial Statements of the Company, including the notes thereto, which are presented in the "*21 Financial Information*" section.

9.1 Capitalization

The following table sets forth an overview of the capitalization of the Cherry Group as of March 31, 2021, derived from the Unaudited Condensed Interim Consolidated Financial Statements of the Company and the Company's accounting records on a historical basis and as adjusted for the assumed completion of the Offering and not considering any tax effects. The information in the right-hand column is based on (i) the assumption of a complete placement of the New Shares at the mid-point of the Price Range and that the Company had received net proceeds from the Offering of the New Shares in the aggregate amount of € 138,552 thousand (based on the mid-point of the Price Range and a full placement of the New Shares) already on March 31, 2021; (ii) the assumption that the related IPO capital increase had been executed on March 31, 2021, as well as (iii) the assumption that the Base Capital Increase and the capital increase from capital reserves which was registered on May 28, 2021 (see "*18.1.2 Development of the Share Capital*") had both been executed on March 31, 2021, not considering any tax effects.

	As of March 31, 2021	**As of March 31, 2021 (as Adjusted for the Net Proceeds from a Full Placement of the New Shares)***
(in € thousand)	**(unaudited)**	
Total current debt (including current portion of non-current debt)[1]	**36,931**	**36,931**
Guaranteed[2]	500	500
Secured[3]	3,702	3,702
Unguaranteed/Unsecured	32,729	32,729
Total non-current debt (excluding current portion of non-current debt)[4]	**118,697**	**118,697**
Guaranteed[2]	—	—
Secured[3]	73,117	73,117
Unguaranteed/Unsecured	45,580	45,580
Shareholders' Equity[5]	**145,996**	**284,548**
Share capital[6]	36	24,300
Legal reserve[7]	150,735	265,023
Other reserves[8]	(4,775)	(4,775)
Total[9]	**301,624**	**440,176**

* Assuming that (i) the issue of 4,300,000 New Shares (each such share with a notional value of € 1.00 in the share capital of the Company) at an assumed Offer Price of € 34.00 (based on the mid-point of the Price Range), including the execution of the related IPO Capital Increase, with net proceeds of € 138,552 thousand, (ii) the capital increase out of the Company's reserves (*Kapitalerhöhung aus Gesellschaftsmitteln*) from € 36,253.00 by € 1,963,747.00 to € 2,000,000.00 and (iii) the Base Capital Increase from € 2,000,000.00 by € 18,000,000.00 to € 20,000,000.00, had been effected on March 31, 2021, not considering any tax effects.

1) 'Total current debt' is referred to as 'Total current liabilities' in the Unaudited Condensed Interim Consolidated Financial Statements of the Company.

2) Guaranteed debt comprises non-current financial liabilities of Theobroma Systems Design and Consulting GmbH in the form of a Covid-19 bridge loan that is guaranteed by state-owned development bank Austria Wirtschaftsservice Gesellschaft mbH.

3) Secured debt comprises current or non-current financial liabilities of Cherry AcquiCo GmbH resulting from the Senior Financing Agreement (see "*13.18.1 Senior Facilities Agreement and Intercreditor Agreement*") that are secured by way of pledges or charges over the shares of the Company and subsidiaries, security over bank accounts, assignments of receivables, and, where applicable, pledges over IP rights and transfers by way of security in respect of inventory and plant and machinery, as well as bank loans of Theobroma that are secured by way of bills of exchange and global assignments.

4) 'Total non-current debt' is referred to as 'Total non-current liabilities' in the Unaudited Condensed Interim Consolidated Financial Statements of the Company.

5) 'Shareholders' Equity' is calculated as the sum of 'Share capital', 'Legal reserve' and 'Other reserves'.

6) 'Share capital' is referred to as 'Subscribed capital' in the Unaudited Condensed Interim Consolidated Financial Statements of the Company.

7) 'Legal reserve' is referred to as 'Capital reserves' in the Unaudited Condensed Interim Consolidated Financial Statements of the Company.

8) 'Other reserves' is calculated as the sum of 'Net retained profit' and 'Accumulated other comprehensive income', each as presented in the Unaudited Condensed Interim Consolidated Financial Statements of the Company.

9) 'Total' is calculated as the sum of 'Total current debt', 'Total non-current debt' and 'Shareholders' Equity'.

9.2 Total Financial Indebtedness

The following table shows an overview of the total financial indebtedness of the Cherry Group as of March 31, 2021, derived from the Unaudited Condensed Interim Consolidated Financial Statements of the Company and the Company's accounting records on a historical basis and as adjusted for the assumed completion of the Offering and not considering any tax effects. The information in the right-hand column is based on (i) the assumption of a complete placement of the New Shares at the mid-point of the Price Range and that the Company had received net proceeds from the Offering of the New Shares in the aggregate amount of € 138,552 thousand (based on the mid-point of the Price Range and a full placement of the New Shares) already on March 31, 2021, as well as (ii) the assumption that the IPO capital increase had been executed on March 31, 2021, as well as (iii) the assumption that the Base Capital Increase and the capital increase from capital reserves which was registered on May 28, 2021 (see "*18.1.2 Development of the Share Capital*") had both been implemented by March 31, 2021, not considering any tax effects.

	As of March 31, 2021	**As of March 31, 2021 (as Adjusted for the Net Proceeds from a Full Placement of the New Shares)***
(in € thousand)	**(unaudited)**	
A. Cash[1]	18,900	157,452
B. Cash equivalents[1]	—	—
C. Other current financial assets[2]	25	25
D. Liquidity (A + B + C)	**18,925**	**157,477**
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)[3]	5,546	5,546
F. Current portion of non-current financial debt[4]	3,000	3,000
G. Current financial indebtedness (E + F)	**8,546**	**8,546**
H. Net current financial indebtedness (G - D)	**(10,379)**	**(148,931)**
I. Non-current financial debt (excluding current portion and debt instruments)[5]	92,061	92,061
J. Debt instruments[6]	—	—
K. Non-current trade and other payables[7]	—	—
L. Non-current financial indebtedness (I + J + K)	**92,061**	**92,061**
M. Total financial indebtedness (H + L)	**81,682**	**(56,870)**

* Assuming that (i) the issue of 4,300,000 New Shares (each such share with a notional value of € 1.00 in the share capital of the Company) at an assumed Offer Price of € 34.00 (based on the mid-point of the Price Range), including the execution of the related IPO Capital Increase, with net proceeds of € 138,552 thousand, (ii) the capital increase out of the Company's reserves (*Kapitalerhöhung aus Gesellschaftsmitteln*) from € 36,253.00 by € 1,963,747.00 to € 2,000,000.00 and (iii) the Base Capital Increase from € 2,000,000.00 by € 18,000,000.00 to € 20,000,000.00, had been effected on March 31, 2021, not considering any tax effects.

1) 'Cash' corresponds to 'Cash and cash equivalents' in the Unaudited Condensed Interim Consolidated Financial Statements of the Company and includes 'Cash equivalents'. As of March 31, 2021, the Company had no cash equivalents recognized within 'Cash and cash equivalents' in its consolidated statement of financial position and the cash amounts recognized were not subject to any restrictions.

2) 'Other current financial assets' corresponds to 'Current financial assets' in the Unaudited Condensed Interim Consolidated Financial Statements of the Company.

3) 'Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)' is calculated as the line items 'Current financial liabilities' and 'Current lease liabilities', each as presented in the Unaudited Condensed Interim Consolidated Financial Statements of the Company less current portions of non-current financial debt as shown in F. 'Current portion of non-current financial debt'.

4) 'Current portion of non-current financial debt' relates to the short-term portion of the purchase price loan of the Company in the amount of € 3,000 thousand as presented in Note 4.2 to the Unaudited Condensed Interim Consolidated Financial Statements of the Company.

5) 'Non-current financial debt (excluding current portion and debt instruments' is calculated as the sum of the line items 'Non-current financial liabilities' and 'Non-current lease liabilities' in the Unaudited Condensed Interim Consolidated Financial Statements of the Company.

6) 'Debt Instruments' does not apply. Cherry had no outstanding debt instruments as of March 31, 2021.

7) 'Non-current trade and other payables' does not apply.

In the table above, item E. 'Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)' includes current lease liabilities of € 3,924 thousand as of March 31, 2021 and item I. 'Non-current financial debt (excluding current portion and debt instruments)' includes non-current lease liabilities of € 15,250 thousand as of March 31, 2021, each as presented in the consolidated statement of financial position as of March 31, 2021 in the Unaudited Condensed Interim Consolidated Financial Statements of the Company.

9.3 Indirect and Contingent Indebtedness

As of March 31, 2021, the Group had no indirect and contingent indebtedness.

9.4 Working Capital Statement

In the Company's opinion, Cherry Group's working capital is sufficient to meet the present requirements of the Cherry Group over a period of at least twelve months from the date of the Prospectus. The proceeds from the Offering have not been included in the calculation of the Cherry Group's working capital.

10 UNAUDITED PRO FORMA FINANCIAL INFORMATION

10.1 Introduction

With the contract of May 21, 2020 and effective September 30, 2020, Cherry AcquiCo GmbH (also referred to as the "**Company**", together with its subsidiaries the "**Group**") acquired all of the shares in Cherry Holding GmbH, Auerbach (including all of its subsidiaries (Cherry Holding Group)) from Genui Sechste Beteiligungsgesellschaft mbH, Germany and Greendich Enterprise Co., Taiwan/China (the "**Cherry Acquisition**"). The consideration for all shares of Cherry Holding GmbH amounted to EUR 216,090k and was paid in cash.

The Company was used as an acquisition vehicle for the acquisition of Cherry Holding GmbH and its consolidated subsidiaries. In accordance with IFRS 3 Business Combinations Cherry AcquiCo GmbH was determined to be the acquirer of Cherry Holding Group. First consolidation of Cherry Holding Group was conducted as of September 30, 2020.

The operating business of the whole group of the Company consists of the business of Cherry Holding Group. Thus, the acquisition of Cherry Holding Group has a significant impact on the net assets, financial position and profit or loss of the Group and will substantially affect profit or loss in the future. Therefore, Cherry AcquiCo GmbH prepared the following pro forma financial information, consisting of a pro forma consolidated income statement for the fiscal year ended December 31, 2020 and the related pro forma notes thereto (together, the "**Unaudited Pro Forma Financial Information**").

The purpose of the Unaudited Pro Forma Financial Information is to show the material effects the acquisition of the shares in Cherry Holding GmbH would have had on the consolidated income statement in the consolidated financial statements of the Company for the fiscal year ended December 31, 2020 if the Cherry Acquisition had occurred on 1 January 2020. As such, the Unaudited Pro Forma Financial Information is based on various pro forma assumptions described in the accompanying pro forma notes, which are considered reasonable, and is prepared for illustrative purposes only. Therefore, the Unaudited Pro Forma Financial Information describes only a hypothetical situation and, due to its nature, does not reflect the actual profit or loss of the Group if the acquisition of Cherry Holding GmbH and all of its subsidiaries had actually occurred on January 1, 2020 nor does it indicate the future development of net assets, financial position and profit or loss of the Company after the Cherry Acquisition.

The Unaudited Pro Forma Financial Information is only meaningful when read in conjunction, and therefore, has to be read in conjunction with the Audited Consolidated Financial Statements of the Company (as defined below) for the fiscal year ended December 31, 2020 and the Audited Consolidated Financial Statements of the Cherry Holding GmbH (as defined below).

The Unaudited Pro Forma Financial Information is presented in euros. Unless stated otherwise, all figures are stated in thousands of euros (EUR k). Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures (EUR k, percentages (%), etc.).

<u>Historical financial information used</u>

The Unaudited Pro Forma Financial Information was prepared on the basis of the following historical financial information:

- the audited consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2020 which were prepared in accordance with International Financial Reporting Standards as adopted by the EU ("**IFRS**"), as included elsewhere in this prospectus (the "**Audited Consolidated Financial Statements of the Company**"),

- the unaudited consolidated income statement of Cherry Holding GmbH for the period from January 1, 2020 to September 30, 2020 which was prepared in accordance with the applicable IFRS. Such income statement was derived from the audited consolidated financial statements of Cherry Holding GmbH as of and for the fiscal year ended December 31, 2020 which were prepared in accordance with IFRS as included elsewhere in this prospectus (the "**Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH**") and the Company's accounting records.

10.2 Underlying Principles of Preparation

The Unaudited Pro Forma Financial Information has been prepared in accordance with the IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (IDW AcPS AAB 1.004) (*IDW Rechnungslegungshinweis: Erstellung von Pro-Forma-Finanzinformationen (IDW RH HFA 1.004)*) as promulgated by the Institute of Public Auditors in Germany (IDW, *Institut der Wirtschaftsprüfer in Deutschland e.V.*).

The Unaudited Pro Forma Financial Information has been prepared consistently in all material aspects on the basis of IFRS and the accounting policies of the Company, as described in the notes to the Audited Consolidated Financial Statements of the Company.

10.3 Basis of Preparation

Cherry AcquiCo GmbH acquired 100% of the shares and voting rights of Cherry Holding GmbH and obtained control over Cherry Holding GmbH and all of its subsidiaries. The purchase price amounted to EUR 216,090k and was paid in cash. Based on IFRS 3 Business Combinations, in the Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH, the Company was determined to be the acquirer of Cherry Holding GmbH and all of its subsidiaries and applied the acquisition method of accounting with respect to the assets and liabilities of Cherry Holding GmbH and all of its subsidiaries which have been measured at fair value as of September 30, 2020. Cherry AcquiCo GmbH has prepared a preliminary purchase price allocation which is subject to a final determination of the fair values according to IFRS in the course of 12 months after the acquisition. For the preliminary purchase price allocation reference is made to note 3 to the Audited Consolidated Financial Statements 2020 of Cherry AcquiCo GmbH.

For the purposes of the Unaudited Pro Forma Financial Information it is assumed that the acquisition occurred as of January 1, 2020 and that the purchase price allocation made as of September 30, 2020 is unchanged as of January 1, 2020.

In order to finance the Cherry Acquisition the Company entered into a loan agreement in the nominal amount of EUR 80,000k. The loan is redeemable and has a term until August 11, 2026. The loan is subject to variable interest with 7% above EURIBOR and contains a floor of 0% in respect of the EURIBOR. The loan agreement grants the borrower early termination rights at certain points in time in return for compensation payments whose amount is dependent on the actual date of the termination. Under certain circumstances the lender has the option to terminate the contract. Transaction cost and arrangement fees for new loans amount to a total of EUR 2,831k.

The pro forma adjustments with respect to the loan are based on the assumptions that the loan to acquire the shares of Cherry Holding GmbH was drawn on January 1, 2020 and related interest expenses were included in the pro forma consolidated income statement for the year ended December 31, 2020 based on the actual conditions of the loan.

In connection with the Cherry Acquisition selected members of the management of the Company and its subsidiaries were granted an indirect investment in Cherry AcquiCo GmbH. The managers purchased shares by way of a share ownership plan. For a part of the acquired shares the managers receive a certain price for the shares to be sold when leaving the company depending on the duration of their engagement in the Group in the next four years as of the granting date. The plan is to be regarded as equity-settled plan in the meaning of IFRS 2 Share-based payment. The benefits granted to the managers are to be recognized over a period of four years in profit or loss and are charged to the capital reserves.

For the purposes of the Unaudited Pro Forma Financial Information it is assumed that the share ownership plan was granted to the selected managers as of January 1, 2020.

10.4 Pro Forma Adjustments

The pro forma adjustments made for the purpose of the Unaudited Pro Forma Financial Information are based on the information available at the time of the preparation of the Unaudited Pro Forma Financial Information and on certain pro forma assumptions which are directly attributable to the acquisition of Cherry Holding GmbH and all of its subsidiaries. They are described in the pro forma notes.

The following pro forma adjustments with a recurring effect have been made to the aggregated income statement for the fiscal year ended December 31, 2020 with regard to the purchase price allocation procedures and transaction related items:

a) The fair values of machinery as well as of right-of-use assets, measured in the course of the preliminary purchase price allocation, exceeded the carrying amounts recorded in the consolidated financial statements of Cherry Holding GmbH by a total of EUR 6,938k. The useful lives of the machinery were estimated at 13 years and the useful lives of the right-of-use assets depend on the respective lease terms and range up to eleven years. As a result, for the additional nine months ending September 30, 2020, the additional depreciation resulting from the above fair value measurement of machinery as well as right of use assets amount to EUR 786k. Applying a tax rate of 29.13% on the additional depreciation results in the release of deferred tax liabilities and, thus, recording of tax income of EUR 229k.

b) The fair values of customer relationships as well as for right-of-use assets, measured in the course of the preliminary purchase price allocation, exceeded the carrying amounts recorded in the consolidated financial statements of Cherry Holding GmbH by a total of EUR 16,842k. The useful live of the customer relationships were estimated at eight years. As a result, for the additional nine months ending September 30, 2020, the additional depreciation resulting from the above fair value measurement of customer relationships as well as right of use assets amount to EUR 1,692k. Applying a tax rate of 29.13% on the additional depreciation the respective adjustment to deferred income taxes amounts to an income of EUR 493k.

c) The total amount of EUR 690k includes additional expenses in the amount of EUR 687k resulting from personnel expenses for the share ownership plan granted to selected managers for the additional nine months ending September 30, 2020. As the share ownership plan has no effect on taxable income no income tax adjustments have to be considered. The remaining amount of the pro forma adjustment of EUR 3k represents the amortisation of the fair value measurement for the additional nine months ending September 30, 2020 resulting from the preliminary purchase price allocation for right-of-use assets. Applying a tax rate of 29.13% the respective adjustment to deferred income taxes amounts to an income of EUR 1k.

d) The amount of EUR 4,772k represents additional interest expenses of Cherry AcquiCo GmbH related to the purchase price loan in the nominal amount of EUR 80,000k for financing the additional nine months ending September 30, 2020. The interest expense was calculated using the effective interest method reflecting also the additional amortization of the loan-raising costs. The effect of the additional interest expenses on deferred income taxes is calculated by applying a tax rate of 29.13% and subtracting the effect of non deductible interest expenses for German trade tax purposes. This results in deferred income taxes amounting to an income of EUR 1.240k.

e) Reflects the total effect of the adjustments described under a) to d) above on deferred tax income and amounts to EUR 1.962k.

10.5 Pro Forma Consolidated Income Statement for the period January 1 to December 31, 2020

	Historical financial information		Aggregated financial information			
	Consolidated Income Statement Cherry AcquiCo GmbH	**Consolidated Income Statement Cherry Holding GmbH**		**Pro Forma Notes**	**Pro Forma Adjustments**	**Pro Forma Consolidated Income Statement**
in €k	**01.01. – 31.12.2020**	**01.01. – 30.09.2020**	**01.01. – 31.12.2020**			**01.01. – 31.12.2020**
Revenue	36,256	93,948	130,204			130,204
Cost of sales	(28,314)	(57,302)	(85,616)	(a)	(786)	(86,402)
Gross profit	**7,942**	**36,646**	**44,588**			**43,802**

in €k	Historical financial information Consolidated Income Statement Cherry AcquiCo GmbH 01.01. – 31.12.2020	Consolidated Income Statement Cherry Holding GmbH 01.01. – 30.09.2020	Aggregated financial information 01.01. – 31.12.2020	Pro Forma Notes	Pro Forma Adjustments	Pro Forma Consolidated Income Statement 01.01. – 31.12.2020
Marketing and selling expenses........	(4,398)	(8,189)	(12,587)	(b)	(1,692)	(14,278)
Research and development costs.....	(1,243)	(3,284)	(4,527)		0	(4,527)
Administrative expenses..................	(3,164)	(6,451)	(9,615)	(c)	(690)	(10,305)
Other operating income	318	701	1,018			1,018
Other operating expenses..................	(5,708)	(637)	(6,345)			(6,345)
Operating result/earnings before interest, taxes and income taxes (EBIT).............	**(6,253)**	**18,787**	**12,534**			**9,365**
Financial result	(2,172)	(576.672)	(2,748)	(d)	(4,772)	(7,521)
Earnings before taxes (EBT)	**(8,425)**	**18,210**	**9,785**			**1,845**
Income taxes............	854	(4,571)	(3,717)	(a) (b) (c) (d) (e)	1,962	(1,755)
Profit for the year from continuing operations................	**(7,571)**	**13,639**	**6,068**			**90**
Consolidated profit/loss................	**(7,571)**	**13,639**	**6,068**			**90**

10.6 Examination Report

To *Cherry AcquiCo GmbH, Munich*

We have examined whether the pro forma financial information as of December 31, 2020 of Cherry AcquiCo GmbH, München (the "**Company**"), has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the Company. The pro forma financial information comprises a pro forma consolidated income statement for the period from January 1, 2020 to December 31, 2020 as well as pro forma notes.

The purpose of the pro forma financial information is to present the material effects the transaction described in the pro forma notes would have had on the historical financial statements if the Company had existed in the structure created by the transaction throughout the entire reporting period of the pro forma consolidated income statement. As pro forma financial information reflects a hypothetical situation it is not entirely consistent with the presentation that would have resulted had the relevant events actually occurred at the beginning of the reporting period of the pro forma consolidated income statement. The compilation of the pro forma financial information in accordance with the principles of *IDW Rechnungslegungshinweis: Erstellung von Pro Forma Finanzinformationen (IDW RH HFA 1.004) (IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (IDW AcPS AAB 1.004))* promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors in Germany) (IDW) is the responsibility of the Company's management.

Our responsibility is, based on our examination, to express an opinion whether the pro forma financial information has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the Company. This also involves evaluating the overall presentation of the pro forma financial information. The subject matter of this engagement does neither include an audit or review of the basic figures including their adjustments to the accounting policies of the Company, nor of the pro forma assumptions stated in the pro forma notes.

We have planned and performed our examination in accordance with *IDW Prüfungshinweis: Prüfung von Pro Forma Finanzinformationen (IDW PH 9.960.1) (IDW Auditing Practice Statement: Examination of Pro Forma Financial Information (IDW AuPS 9.960.1))* promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) in such a way that material errors in the compilation of the pro forma financial information on the basis stated in the pro forma notes and in the compilation of this basis consistent with the accounting policies of the Company are detected with reasonable assurance.

In our opinion, the pro forma financial information has been properly compiled on the basis stated in the pro forma notes. This basis is consistent with the accounting policies of the Company.

Dortmund, May 26, 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Muzzu Michael

11 OPERATING AND FINANCIAL REVIEW

Investors should read the following discussion and analysis of our financial condition and results of operations in conjunction with the sections "3 Risk Factors", "4.5 Forward-Looking Statements", "4.8 Note Regarding the Presentation of Financial Information", "4.9 Alternative Performance Measures", "10 Unaudited Pro Forma Financial Information" and "12 Market and Competitive Environment", the Audited Consolidated Financial Statements of Cherry Holding GmbH, the Unaudited Consolidated Interim Financial Statements of Cherry Holding GmbH as well as the Audited Unconsolidated Annual Financial Statements of the Company, the Audited Consolidated Financial Statements of the Company, Unaudited Consolidated Interim Financial Statements of the Company and the Unaudited Pro Forma Financial Information of the Company, which are included in the Prospectus. For further information on the financial statements, see also pages F-1 et seq.

Cherry Group's audited consolidated financial statements and the other historical financial information included in the Prospectus do not necessarily indicate the Group's future results of operations, financial position and cash flows. In addition, the results of operations for interim periods included in the Prospectus are not necessarily indicative of the results to be expected for the full year or any future reporting period.

In this section, where financial information is presented as "audited" in tables, this means that it was taken from the Audited Consolidated Financial Statements. Where financial information is presented in tables as "unaudited", it indicates that the financial information has not been taken from the Audited Consolidated Financial Statements but has been taken either from the Unaudited Condensed Interim Consolidated Financial Statements or from Cherry Group's accounting records or internal management reporting system or has been calculated based on figures from the above-mentioned sources.

Certain tables in this section also include certain APMs. However, these APMs are not defined by IFRS or any other internationally accepted accounting principles, and such items should not be considered as an alternative to the historical financial results or other indicators of Cherry Group's or Cherry Holding Group's results of operations and financial position based on IFRS measures. In particular, they should not be considered as alternatives to the Group's consolidated profit/loss as an indicator of Cherry Group's or Cherry Holding Group's performance and profitability, or as alternatives to cash flows from operating activities as an indicator of its financial strength. The APMs, as defined by Cherry Group and Cherry Holding Group, may not be comparable to similarly titled measures as presented by other companies due to differences in the way Cherry Group's and Cherry Holding Group's APMs are calculated. Even though the APMs are used by management to assess ongoing operating performance and indebtedness, and though these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of Cherry Group's and Cherry Holding Group's results, cash flows or assets and liabilities as reported under IFRS.

In addition, while financial measures, including APMs, presented in this section for the fiscal years ended December 31, 2020, 2019 and 2018 and the three-month periods ended March 31, 2021 and 2020 are based on, and derived from, the Audited Consolidated Financial Statements of Cherry Holding GmbH and the Unaudited Condensed Interim Consolidated Financial Statements of Cherry Holding GmbH, financial measures, including APMs, presented in this section for the three-month period ended March 31, 2021 and the fiscal year ended December 31, 2020, where indicated, are based on, and derived from, the Audited Consolidated Financial Statements of the Company or the Unaudited Condensed Interim Consolidated Financial Statements of the Company. Consequently, these financial measures are not comparable as such but require certain adjustments to permit a meaningful comparison.

Financial information presented in parentheses or preceded by a "minus" sign in the Prospectus denote a negative amount. Certain numerical data, financial information and market data in the Prospectus have been rounded in accordance with commercial rounding. Unless otherwise indicated, all financial information presented in the text and tables in this section of the Prospectus is shown in thousands or millions of euros (€ thousand or € million), commercially rounded to the nearest thousand or million, as applicable. Unless otherwise indicated, percentage changes and ratios in the text and tables of the Prospectus are calculated based on the underlying numbers as presented in the Prospectus, i.e., after rounding of such underlying numbers, and then commercially rounded to a whole percentage or to one digit after the decimal point. In some instances, such rounded figures and percentages may not add up to 100% or to the totals or subtotals contained in the Prospectus. Furthermore, totals and subtotals in tables may differ slightly from unrounded figures contained in the Prospectus due to rounding in accordance with commercial rounding. A dash ("—") signifies that the relevant figure is not available or equal to zero, while a zero ("0") or nil signifies that the relevant figure has been rounded to zero.

11.1 Overview

Cherry, headquartered in Auerbach in der Oberpfalz ("**Auerbach**"), Germany, is a globally active manufacturer of switches for mechanical keyboards (*i.e.*, those mechanisms located underneath each key of a mechanical keyboard that register the keystroke, "**switches**") and computer input devices. Its business focusses on mechanical keyboard switches for gaming keyboards and on peripherals used in a variety of settings, mainly for gaming, office, industry, cybersecurity protection as well as telematics solutions for healthcare practices. As of March 31, 2021, the Group had nearly 500 employees in production facilities and offices in Germany, France, the United Kingdom, China (including Hong Kong and Taiwan), Austria and the United States. Cherry believes that, since its foundation in 1953, it has stood for premium quality products designed and developed specifically for the needs of its customers.

Cherry Group is active in two business areas, gaming ("**Gaming**") and professional ("**Professional**"):

- Our Gaming business area comprises the business units gaming switches ("**Gaming Switches**") and gaming peripherals ("**Gaming Peripherals**"). Cherry Group believes that the Gaming Switches business unit is the world's leading manufacturer of premium mechanical switches for gaming keyboards. Its product portfolio comprises the original CHERRY MX key switch, the CHERRY MX Low Profile key switch, the CHERRY VIOLA key switch, the new CHERRY MX Ultra Low Profile key switch, which is suitable for laptops, as well as other key switches. Customers of the business unit comprise many of the world's largest keyboard original equipment manufacturers ("**OEMs**") as well as Cherry Group's Gaming Peripherals business unit.

  Our Gaming Peripherals business unit offers gaming keyboards and mice as well as other peripherals, including gaming headsets, with a focus on the Asian gaming market where we believe it holds strong market positions.

- Our Professional business area comprises the business units office & industry peripherals ("**Office & Industry Peripherals**") and healthcare & security peripherals ("**Healthcare & Security Peripherals**"). Our Office & Industry Peripherals business unit mainly offers office keyboards and mice, with a strong focus on the European market and presently, to a lesser degree, the North American market. We believe that our Office & Industry Peripherals business unit's office and industry business has a strong market position, especially in Germany.

  The Healthcare & Security Peripherals business unit's product portfolio comprises telematics peripherals and other peripherals for the healthcare market ("**eHealth**" products), including keyboards and smart terminals. Our eHealth products are produced mainly for the German telematics market, where we are one of only two providers of certified peripherals. Further, the business unit produces secure keyboards and mice. In addition, point-of-sales ("**POS**") keyboards with card-readers are offered.

Neither the Gaming and Professional business areas nor the business units active in these areas form operating segments for the purpose of segment reporting under IFRS 8 – "Operating Segments". Cherry Group and Cherry Holding Group are steered at the level of their legal entities.

11.2 Presentation of Financial Information and Key Factors Affecting Comparability

11.2.1 Reorganization of the Group

11.2.1.1 Acquisition of Cherry Holding GmbH by the Company

The Company was used as an acquisition vehicle for the acquisition of Cherry Holding GmbH and its consolidated subsidiaries and was activated only in May 2020. Under a share purchase agreement dated May 21, 2020 and with effect as of September 30, 2020, Cherry AG (as of closing under the legal name Cherry AcquiCo GmbH and in the legal form of a German company with limited liability (*Gesellschaft mit beschränkter Haftung*)) acquired all of the shares in the former parent company Cherry Holding GmbH, from GENUI and Greendich Enterprise Co., Taiwan/China ("**Greendich**") against cash consideration (the "**Cherry Acquisition**"). The share purchase was partially financed with a term loan drawn under the Senior Facilities Agreement (see "*13.18.1 Senior Facilities Agreement and Intercreditor Agreement*") by the Company (at the time: Cherry AcquiCo GmbH) in a nominal amount of € 80.0 million.

The fair values of the identifiable assets and liabilities of Cherry Holding GmbH and all its subsidiaries and the calculation of the goodwill as of the acquisition date on the consolidated level of the Company (at the time: Cherry AcquiCo GmbH) were as follows; contingent liabilities were not identified:

(in € thousand)	As of the acquisition date (audited)
Assets	
Intangible assets	81,628
Property, plant and equipment	23,395
Right-of-use assets	16,082
Inventories	33,419
Trade receivables	12,807
Other assets	404
Cash and cash equivalents	10,580
Deferred tax assets	1,330
Liabilities	
Trade payables	13,024
Other short-term liabilities	8,431
Long-term liabilities	18,145
Deferred tax liabilities	26,714
Sum of the net assets at fair value	**113,331**
Consideration transferred	**216,090**
Goodwill	102,759

The above purchase price allocation is considered as preliminary as of December 31, 2020.

As a result of the purchase price allocation, the inventory was revalued at fair market value and experienced a € 4.0 million adjustments for embedded profits on the inventory, which was amortized in the period October 1 to December 31, 2020 on the level of the Company.

The purchase price in the amount of € 216.1 million was paid in cash. The goodwill primarily represents the expected growth potential in the upcoming years. The goodwill is not deductible for tax purposes.

The fair value and the gross amount of the acquired receivables were as follows:

(in € thousand)	As of the acquisition date (audited)	
	Fair value	Gross amount
Trade receivables	12,807	12,807
Other assets	404	404

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

Transaction cost in the amount of € 5.2 million were directly expensed in fiscal year 2020 (of which € 4.6 million were incurred in the nine-month period ended September 30, 2020) as other operating expenses on a consolidated basis of the Company. In addition, the Company incurred consulting fees for the spin-off of the digital health business and central functions of € 0.4 million, included in other expenses as presented in Note 6.5 to the Audited Consolidated Financial Statements of the Company.

During the Cherry Acquisition, the Company's shareholder Cherry TopCo (Selling Shareholder) contributed € 150.3 million into the capital reserves of the Company.

11.2.1.2 *Merger of Cherry Holding GmbH with the Company*

In April 2021, Cherry Holding GmbH was merged into the Company (at the time: Cherry AcquiCo GmbH) with retroactive effect from January 1, 2021.

11.2.1.3 *Consequences for the Presentation of Financial Information*

Due to the Cherry Acquisition becoming effective as of September 30, 2020, the consolidated income statement and the consolidated statement of cash flows for fiscal year 2020 included in the Audited Consolidated Financial Statements of the Company cover both the results of the Company (at the time: Cherry AcquiCo) for the period prior to the acquisition from January 1, 2020 to September 30, 2020 (during which the Company did not have any consolidated subsidiaries) and the result of the entire Cherry Group as a group of companies with the Company as parent company for the period from October 1, 2020 to December 31, 2020. Therefore, the consolidated income statement and the consolidated statement of cash flows of the Company for the fiscal year ended December 31, 2020 do not present the result of Cherry Group for the entire fiscal year 2020. To provide investors with financial information for fiscal year 2020 for the entire Group, the Company has prepared the Unaudited Pro Forma Financial Information (see "*10 Unaudited Pro Forma Financial Information*").

Due to the Cherry Acquisition, the Unaudited Consolidated Interim Financial Statements of the Company do not contain comparable historical financial information for the three-month period ended March 31, 2020 for the entire Cherry Group with the Company as parent company but only the result of the Company for such period, as the Company did not have any subsidiaries during such period. To provide investors with financial information of the operating business for the three-month period ended March 31, 2020, the Unaudited Condensed Interim Consolidated Financial Statements of Cherry Holding GmbH were prepared. The Unaudited Condensed Interim Consolidated Financial Statements of Cherry Holding GmbH cover the results of operations of Cherry Holding Group as of and for the three-month periods ended March 31, 2021 and 2020.

Investors should note that, due to the Cherry Acquisition and the consequences for the consolidated financial statements of the Company, there is limited comparability of the Audited Consolidated Financial Statements of Cherry Holding GmbH and the Unaudited Condensed Interim Consolidated Financial Statements of Cherry Holding GmbH as parent company of Cherry Holding Group on the one hand and the Audited Consolidated Financial Statements of the Company and the Unaudited Condensed Interim Consolidated Financial Statements of the Company as parent company of Cherry Group on the other hand.

Unless otherwise indicated, historical financial information as of or for fiscal years ended December 31, 2020, 2019 and 2018 presented in this section "*11 Operating and Financial Review*" has been taken from the Audited Consolidated Financial Statements of Cherry Holding GmbH or from the former Cherry Holding Group's accounting records or internal management reporting system or has been calculated based on figures from the above-mentioned sources.

Further, where financial information is presented in tables in this section "*11 Operating and Financial Review*" as financial information of "Cherry Holding Group", this means that it has been taken from the Audited Consolidated Financial Statements of Cherry Holding GmbH, the Unaudited Condensed Interim Consolidated Financial Statements of Cherry Holding GmbH or the Company's accounting records or internal management reporting system, or has been calculated based on figures from the above-mentioned sources. Where financial information is presented in tables in this section "*11 Operating and Financial Review*" as financial information of "Cherry Group", this means that it has been taken from the Audited Consolidated Financial Statements of the Company or the Unaudited Condensed Interim Consolidated Financial Statements of the Company or the Company's accounting records or internal management reporting system, or has been calculated based on figures from the above-mentioned sources.

11.2.2 New Accounting Standard Pronouncements

Certain new or amended accounting standards were applied for the first time during the financial periods under review (while it should be noted that the Company applied IFRS for the first time for the preparation of its consolidated financial statements as of and for the fiscal year 2020), none of which had a material impact on our consolidated financial statements except as described below. For further details, see Note 2 to the Audited Consolidated Financial Statements of the Company, Note 2 to the Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH, Note 2 to the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH, and Note 2 to the Audited Consolidated Financial Statements 2018 of Cherry Holding GmbH.

In January 2016, the IASB issued IFRS 16 – "Leases" ("**IFRS 16**"). The most important effect of IFRS 16 on the Group is the introduction of a single accounting model for the lessee, requiring it to recognize all assets and liabilities under all leases with terms of more than 12 months and underlying assets of more than U.S. Dollar 5,000. At the inception of the contract, the Group must assess whether the contract is a lease by analyzing whether it conveys a right to control the use of an identified asset for a period in exchange for consideration. The implementation of IFRS 16 lead to an increase in total property, plant and equipment and financial liabilities as of January 1, 2019. The Group adopted IFRS 16 as of January 1, 2019 using a modified retrospective approach (*i.e.*, comparative figures for the preceding year are not adjusted). Cherry Group's leasing activities mainly relate to the leasing of machinery, tools, vehicles, real estate and IT.

As of January 1, 2019, Cherry Holding Group recognized lease liabilities amounted to € 2.9 million. The remaining lease liability of Cherry Holding Group as of January 1, 2019 was recognized using the incremental borrowing rate of 1.75%.

As of December 31, 2019, right-of-use assets of € 12.6 million were recognized in the consolidated statement of financial position of Cherry Holding GmbH, comprising non-current lease liabilities of € 10.6 million and current lease liabilities of € 2.1 million.

In addition, beginning with the fiscal year 2019, operating lease expenses were replaced by depreciation for leases (Cherry Holding Group: € 1.7 million in fiscal year 2019 and € 2.8 million in fiscal year 2020) and interest expense on lease liabilities (Cherry Holding Group: € 0.1 million in fiscal year 2019 and € 0.2 million in fiscal year 2020). Due to the recognition of depreciation for leases, the application of IFRS 16 resulted in an increase of EBITDA. Furthermore, applying IFRS 16 resulted in a deterioration in cash flows from financing activities and an improvement in cash flows from operating activities.

For additional information regarding the first-time application of IFRS 16, see Note 2 to the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH.

11.3 Key Events in the Periods Under Review

In the periods under review, we believe that the following events have been the key events for Cherry Group in addition to the Cherry Acquisition (see "*11.2.1.1 Acquisition of Cherry Holding GmbH by the Company*").

11.3.1 Acquisition of Greendich Customers

On October 11, 2018, Cherry Holding GmbH, GENUI, Cherry Holding GmbH's then sole shareholder, Greendich, Cherry's former exclusive distribution partner for CHERRY MX key switches of the Gaming Switches business unit for some Asian markets, and Mr. Chin-Moa Lee, as shareholder of Greendich, signed a contribution and shareholders' agreement regarding Cherry Holding GmbH under which Greendich contributed existing distributor agreements including Greendich's customer base into Cherry Holding GmbH against issue of shares in Cherry Holding GmbH with effect as of November 1, 2018 (the "**Greendich Customers Acquisition**"). The customer list valued at € 1.4 million was subsequently contributed to the subsidiary Cherry Europe GmbH (at the time still under the corporate name "Cherry GmbH") in a contribution in kind and sold to the subsidiary Cherry Electronics (Hong Kong) Co. Ltd. for € 1.4 million. In addition, Greendich and Cherry Europe GmbH concluded a service level agreement and a new distribution agreement limited to specific customers of Greendich under which Cherry Europe GmbH also repurchased inventories from Greendich, in particular merchandise (see "*15.2.1.1 Agreements with Greendich Enterprise Co.*"). Sales activities in the relevant markets are now undertaken by Cherry's Hong Kong subsidiary Cherry Electronic (Hong Kong) Co., Ltd. After the Greendich Customers Acquisition, our Gaming Switches business unit was able to directly sell to OEM customers, which resulted in higher sales prices from fiscal year 2018 onwards and allowed the capture of the distributor margin (see "*11.6.3.3.1 Revenue*" and "*11.6.3.3.2 Cost of Sales*").

11.3.2 Acquisition of Theobroma

Effective October 1, 2020, Cherry Holding GmbH acquired 100% of the shares and voting rights of Theobroma Systems Design und Consulting GmbH, Vienna ("**Theobroma**") via a business combination (the "**Theobroma Acquisition**"). Theobroma designs and produces embedded systems which support various industrial applications in the field of 'IoT' and 'Industry 4.0'.

By way of the acquisition, Cherry Group is increasing its capacities for the development and production in the field of security and obtains access to Theobroma's comprehensive expertise in embedded Linux software development and the production facilities throughout the whole product development process. We see Theobroma as a complementary business with potential for higher gross margins in the future through an expansion of the existing customer base and product portfolio, especially embedded systems.

The fair values of the identifiable assets and liabilities of Theobroma and the calculation of the goodwill as of the acquisition date are set out in Note 3 to the Audited Consolidated Financial Statements of the Company and Note 3 to the Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH; contingent liabilities were not identified. The sum of net assets at fair value amounted to € 0.6 million as of the acquisition date and the consideration transferred to € 1.0 million, leading to the recognition of goodwill in an amount of € 0.5 million as of the acquisition date. The purchase price in the amount of € 1.0 was and will be paid in cash in 2020 and 2021. Before December 31, 2020, an amount of € 0.4 million was paid. In the three-month period ended March 31, 2021, a further amount of € 0.4 million was paid for the purchase of Theobroma. The acquisition price represented less than half of the revenue generated by Theobroma of € 2.2 million in Theobroma's fiscal year from July 1, 2018 to June 30, 2019 and of € 2.7 million in Theobroma's fiscal year from July 1, 2019 to June 30, 2020 prior to the Theobroma Acquisition. The goodwill primarily represents the know-how and expertise of the employees of the acquired company regarding software development. The goodwill is not deductible for tax purposes. The aforementioned purchase price allocation is considered as preliminary as of December 31, 2020.

For the fair value and the gross amount of the acquired receivables, see Note 3 to the Audited Consolidated Financial Statements of the Company and Note 3 to the Audited Consolidated Annual Financial Statements 2020 of Cherry Holding GmbH. Transaction cost in the amount of € 0.1 million were directly expensed in fiscal year 2020 as administration cost.

11.4 Principal Factors Affecting Cherry Group's Results

The following provides an overview of the principal market-related external factors and business-related operational factors which, in the Company's view, have affected the results of Cherry Group and Cherry Holding Group or may in the future affect the results of Cherry Group.

11.4.1 Factors Affecting Revenue

11.4.1.1 Market Development and Trends

Our revenue and results of operations are affected by the development of, and trends in, our markets, which differ for our Gaming business area and our Professional business area.

11.4.1.1.1 Gaming business area

During the periods under review, our Gaming business area benefitted from significant growth in its markets. The gaming market has been driven by several overarching trends, most of which are expected to continue and intensify. These trends include the increasing popularity of gaming and a growing number of gamers (particularly important for Cherry is the growth of PC gaming and a growing number of PC gamers globally), as well as the growing popularity of eSports. Numerous factors have contributed to these trends, including the volume, variety and complexity of gaming content increasingly rivaling television content, new gaming models being introduced (such as subscription models and cloud gaming) and the increasing time spent on gaming. These trends have resulted in increased demand for peripherals specifically designed for gamers, and especially the professionalization of gaming through the rise of eSports has led to increased demand from gaming enthusiasts for not only gaming-specific peripherals but premium peripherals that meet professional standards (for detailed information on the development of key trends in the gaming market, see "*12.2 The Gaming Market – Key Trends*"). We have made strategic decisions to capture these trends and benefit from increasing demand for premium gaming peripherals by organically growing the businesses of our Gaming business area. For example, we have expanded our portfolio of original CHERRY MX key switches used in many premium keyboards of almost all globally active keyboard OEMs, brought new, innovative key switch designs to the market to benefit from growth of different segments of the gaming market (see "*11.4.1.3 Innovation; Expansion of our Product Portfolio*"), and the Greendich Customers Acquisition has allowed us control the value chain of our Gaming Switches business unit in its important Asian markets from production to sale to the OEM customer (see "*11.3.1 Acquisition of Greendich Customers*" and "*11.6.3.3.1 Revenue*").

The relevant market for our Gaming Switches business unit is the global PC gaming market, which is a proxy for global PC gaming keyboards and in turn a proxy for mechanical switch demand. With respect to Gaming Peripherals, the vast majority of our revenue in this business unit is generated in Asia, with a primary focus on the Chinese and South Korean markets and, from a product category perspective, a focus on gaming mechanical keyboards in the mid-, high- and premium-priced segments. The gaming mechanical keyboard market segment in China has grown in the periods under review, in particular due to factors such as the increasing number of Chinese gamers, gamers' buying frequency and willingness to pay for mechanical keyboards, which most gamers consider to enable a better gaming performance, the professionalization of gaming and public interest in eSports as well as the high popularity of PC games combined with increasing game control complexity requiring gaming devices with precise control and feedback. Many of the characteristics and factors relevant to the gaming mechanical keyboards market segment also apply to the relevant market for our Gaming Switches business. Therefore, demand for mechanical key switches is mostly driven by growth in the underlying gaming industry, including the increasing number of gaming professionals and gaming enthusiasts.

In our Gaming Peripherals business unit, we aim at capturing market trends such as gamers increasingly buying into peripherals ecosystems and shorter replacement cycles for gaming peripherals than for office peripherals, particularly through the introduction of new models of gaming keyboards and mice as well as expansion of our product portfolio with our first gaming headset and increasingly harmonized designs and synchronized functionalities. Currently, the vast majority of our Gaming Peripherals revenue (roughly 95%) is generated with gaming keyboards. As part of our strategy, we plan to build out our offering with mice and headsets, an area in which we see significant organic and inorganic growth potential, to round out our product offering (see also "*13.3 Our Strategy*"). In fiscal year 2020, the Covid-19 pandemic was also responsible for a considerable boost of revenue of our Gaming business areas due to an acceleration of relevant trends such as an increase in gaming activity. While we expect the general trends in the Gaming market to continue, there can be no assurance that market growth will continue at the level experienced during fiscal year 2020, especially in the short term after an eventual end of the Covid-19 pandemic.

From fiscal year 2018 to fiscal year 2020, the revenue of Cherry Holding Group's Gaming business area has grown at a compound annual growth rate ("**CAGR**") of 20.4%. In fiscal year 2020, the Gaming business area contributed € 73.5 million, or 56.5%, to revenue of Cherry Holding Group of € 130.2 million. In the same period, the Gaming Switches business unit contributed revenue of € 52.5 million, or 40.3%, to the revenue of Cherry Holding Group and the Gaming Peripherals business unit revenue of € 21.1 million, or 16.2%, to revenue of Cherry Holding Group.

In the three-month period ended March 31, 2021, our Gaming business area contributed € 18.8 million, or 49.9%, to the Cherry Group's revenue of € 37.7 million. In the same period, the Gaming Switches business unit contributed revenue of € 13.3 million, or 35.3%, to the revenue of Cherry Group and the Gaming Peripherals business unit contributed revenue of € 5.6 million, or 14.9%, to revenue of Cherry Group.

We therefore believe that market development and trends in the gaming market, especially as they relate to demand for mechanical keyboards and mechanical key switches, will affect our future revenue and results of operations to a considerable degree.

11.4.1.1.2 Professional business area

Historically, the markets of the Office & Industry Peripherals business unit of our Professional business area have not experienced significant growth. However, structural and secular trends towards working from home and home schooling/e-learning have increased non-gaming demand for PCs and PC peripherals. These trends were also influenced by the Covid-19 pandemic and we expect these trends to continue, with a larger share of the workforce working exclusively from home or in hybrid models after the Covid-19 pandemic. In particular, we see a trend towards more professional and ergonomic workstations used by employees working from home. Addressing this trend has helped us to counter declining demand for our products from other business customers ("business-to-business" or "**B2B**") by opening new sales channels to end-users ("business-to-consumers" or "**B2C**"), especially through e-commerce. Other underlying growth factors include the shift from blue to white collar work and the growing digitalization of work environments. We also observe a trend towards more premium products that can be sold at higher prices. For more details on the development and trends in the markets of the Office & Industry Peripherals business unit, see "*12.3.1.1 Market Characteristics, Development and Trends*". While we expect that, *e.g.*, working from home and e-learning, will result in continued growth in the markets of our Office & Industry Peripherals business unit, and the effects of the pandemic have resulted in an increase of the installed office & industry peripherals base that our customers may wish to replace with newer products in future, there can be no assurance that market growth will continue on the level experienced during fiscal year 2020, especially in the short term after an eventual end of the Covid-19 pandemic. Presently, we generate roughly 75% of our Office & Industry Peripherals sales through B2B sales channels and 25% through B2C sales channels and we estimate that the share of B2C sales will increase to 45% in the mid-term.

In our Healthcare & Security Peripherals business unit, we sell eHealth products predominantly for the German healthcare market and in particular the German telematics infrastructure. The German telematics infrastructure is expanding in evolving functionality and interconnectedness of systems in phases (rollouts), which drives growth. New applications and regulatory requirements result in a more frequent replacement of hardware. For example, the typical lifetime/replacement cycle for the eHealth terminals ranges between four and six years, depending on the customer group. A further driver of growth is the growing relevance of infectious disease control, which we intend to address with healthcare peripherals that can be disinfected. For more information on the German eHealth market, see "*12.3.3.1 Market Characteristics and Trends*", and for risks relating to our future performance in this market, see "*3.1.13 The timely launch of new products is becoming increasingly important for us and any late or delayed launch of products, e.g., when compared to competitor product launches, due to shortages or delays of supply or a failure or delay in meeting regulatory requirements or obtaining certifications and authorizations, may prevent us from maintaining or gaining market share and we may not be able to recoup development costs.*" and "*3.3.1 We are subject to several regulations and governmental policies and require certain certifications and authorizations, in particular for our Healthcare & Security Peripherals products. Our business and results of operations could be affected by the regulatory frameworks in different ways, for example if we were unable to obtain or renew required authorizations and certifications or if we failed to comply with our obligations.*". The markets for our security peripherals are generally showing strong growth, driven by the need to contain threats for digital infrastructure, as part of espionage. The Covid-19 pandemic has contributed to an increased number of attacks due to more lenient security standards in work-from-home environments, which has led and is expected to continue to lead to increased spending on security solutions. For more information, see "*12.3.2.1 Market Characteristics and Trends*". In our business with POS products, the markets for our products are generally stagnating, as many retailers shift their point-of-sale terminals from keyboards to touch-screen terminals and systems. Contactless payment methods are also contributing to this trend. Our point-of-sale business is mainly focused on the markets in the United States where point-of-sale keyboards are still in use by, *e.g.*, large supermarkets, car rentals, hotel receptions and airline service kiosks. We expect that keyboards will likely remain an integral part of point-of-sale solutions in some fields with special requirements for typing and cashiering.

From fiscal year 2018 to fiscal year 2020, revenue of Cherry Holding Group's Professional business area has grown at a CAGR of 7.4%. In fiscal year 2020, the Professional business area contributed € 56.7 million, or 43.5%, to the revenue of Cherry Holding Group of € 130.2 million. In the same period, the Office & Industry Peripherals business unit contributed revenue of € 40.8 million, or 31.3%, to the revenue of Cherry Holding Group and the Healthcare & Security Peripherals business unit revenue of € 15.9 million, or 12.2%, to the revenue of Cherry Holding Group.

In the three-month period ended March 31, 2021, our Professional business area contributed € 18.9 million, or 50.1%, to the Cherry Group's revenue of € 37.7 million. In the same period, the Office & Industry Peripherals business unit contributed revenue of € 12.4 million, or 32.9%, to the revenue of Cherry Group and the Healthcare & Security Peripherals business unit contributed revenue of € 6.4 million, or 17.0%, to revenue of Cherry Group.

For these reasons, we believe that market development and trends in the markets of our Professional business area will also affect our future revenue and results of operations to a considerable degree.

For related risks for our future performance, especially in light of an end of the Covid-19 pandemic, see section "*3.1 Risks Related to Our Market Environment and Business*" and "*3.1.7 The Covid-19 pandemic has resulted in a considerable boost for our business due to an acceleration of relevant trends such as increased gaming activity and an increase in B2C sales of office peripherals due to a rise of remote working and learning. It is uncertain whether we will be able to sustain or increase the level of sales once the pandemic ebbs or is overcome.*".

11.4.1.2 Global Macroeconomic Conditions

Our revenue is affected by global macroeconomic conditions, although only to a limited and varying degree, in particular as Cherry's sales in its Gaming business area have a high sensitivity to developments in global gaming markets, which are subject to overriding trends, including non-economic, social trends discussed below (see "*12 Market and Competitive Environment*"). In its Professional business area, Cherry Group and Cherry Holding Group have historically had a strong focus on the German market but expanded the activities in France, the United Kingdom, the Scandinavian region and the United States, which has subjected the business more and more to global macroeconomic conditions instead of regional trends.

The effects of changes in global macroeconomic conditions on our sales also vary among our businesses, and especially in our Professional business area, we depend to a significant degree on the spending behavior of end-customers. For example, corporate end-customers of our Office & Industry Peripherals business unit tend to cut or delay spending and replacement of peripherals in times of depressed macroeconomic activity. Governments and other public authorities, on the other hand, often spend during times of depressed macroeconomic activity to stimulate growth.

While the impact of the Covid-19 pandemic has considerably boosted growth of the gaming market (see also "*12.2 The Gaming Market – Key Trends*" and "*12.2.4.1 Market Characteristics, Development and Trends*"), we cannot know whether this growth will continue following the conclusion of the Covid-19 pandemic or if the market will return to its pre-Covid-19 size. Furthermore, there can be no assurance that the Covid-19 pandemic will not at some point have a negative effect on global macroeconomic conditions, which in turn reduces the amount of disposable income held by consumers and could damage the gaming market. In our business with eHealth products, demand is mainly driven by governmental decisions to expand the digitalization of public healthcare systems and the need for protection against increasing cybersecurity threats, as well as a growing number of healthcare participants (such as doctors, pharmacies, dentists and hospitals) that are required to use electronic health cards requiring smartcard readers (see "*12.3.3.1 Market Characteristics and Trends*").

Exposure to changes in global macroeconomic conditions therefore may only indirectly or only partially affect our sales (see also "*3.1.1 Our economic development depends on the general economic environment and in particular on the development and trends of the computer industry in all industrialized countries as well as increasingly in the developing countries in Asia, and an economic downturn or negative social, political or other conditions worldwide or in these industries and regions may negatively* affect our business.").

11.4.1.3 Innovation; Expansion of our Product Portfolio

Due to the developments and trends in our markets, our ability to capture market share and generate future sales growth and sustained economic value is driven by our ability to provide innovative products and expand our product portfolio. We therefore believe that investment in research and development ("**R&D**") is fundamental to our success (see also "*13.11 Research and Development; Innovation*", "*13.2.2 Innovation and quality leader with a track record of successful new product development" and "13.3.1Advancing and expanding our position as a global innovation leader, and developing new, innovative market-leading products across all our business areas*") and have based our strategy around innovation and expansion of our product portfolio.

Gaming business area – In the Gaming Switches business unit of our Gaming business area, we have expanded our portfolio of original CHERRY MX gaming switches by adding silent and RGB-capable variants to our portfolio. In addition, we developed and brought to market in 2018 the CHERRY MX Low Profile key switch, which for slimmer keyboard designs. In addition, with the innovative switch technology of the CHERRY VIOLA, we have developed a key switch that will allow us to expand our product portfolio into the mid-price segment of the gaming keyboard market. Further, we have developed the CHERRY MX Ultra Low Profile key switch, which is based on an innovative key switch technology that makes this mechanical key switch suitable to the premium notebook market, with potential not only for the gaming but also the office & industry markets. The CHERRY MX Ultra Low Profile key switch was launched in March 2021 and is already available in selected gaming notebooks of our strategic partner Dell with its Alienware brand (see "*13.2.2 Innovation and quality leader with a track record of successful new product development*" and "*13.4.1.1.4 CHERRY MX Ultra Low Profile*"). The CHERRY MX Ultra Low Profile switch has higher production costs, but also a higher selling price than traditional MX switches. For our Gaming Peripherals business unit, the focus is on the development of products with advanced functions and capabilities, including wireless connectivity. Further, the expansion of the product portfolio of our Gaming Peripherals business unit is vital to its future success as gamers increasingly buy into gaming ecosystems with harmonized designs and synchronized functions. In this regard, we developed and brought to market in fiscal years 2020 and 2021, *e.g.*, the high-end CHERRY MC8.1 gaming mouse and the CHERRY HC 8.2 gaming headset with matching designs.

Professional business area – While the products of our Office & Industry Peripherals business unit have generally longer product replacement cycles than those of our Gaming Peripherals business unit, trends such as working from home and our strategic expansion of the business through e-commerce sales channels with a focus on the B2C retail market are expected to require more frequent refreshments of our core product lines and new designs in the future. Recently, we have expanded our product portfolio with wireless keyboards and mice as well as with keyboards and mice with an ergonomic design to enable us to benefit from relevant market trends. In the eHealth business of our Healthcare & Security Peripherals business unit, regulatory initiatives and regimes require us to continuously innovate and expand our product portfolio to maintain and capture additional market share. For example, the German telematics infrastructure is expanding in functionality and interconnectedness of systems in phases (roll-outs), for each of which our products have to meet certain certification requirements that continue to evolve (see also "*12.3.3.1 Market Characteristics and Trends*").

Our ability to successfully launch innovative products before or alongside our competitors also affects our margins and consolidated profit, especially in our Gaming business area, as time-to-market is becoming increasingly critical. An early market launch allows us to sell products at higher prices and capture the so-called 'earlier-adopter margin'.

For risks relating to innovations and our future performance, see "*3.1.9 The markets in which we operate are characterized by changing trends and technological developments. If we cannot continue to manufacture, market and sell innovative products that meet customer requirements for quality, performance and reliability, our revenue may suffer and we may lose market share.*" and "*3.1.4 We face risks relating to our products, including that newly developed products may fail to gain the expected market acceptance, or that we may lose market share of our premium products to lower-priced products, including those developed by us.*".

11.4.1.4 Competitive Environment

Our results of operations may be affected by the intensity of competition in our markets, which may not only result in us losing market share and, consequently, revenue, but also in price pressure, thereby depressing our margins and profitability. The competitive environment differs for our different businesses.

Gaming business area – In our Gaming Switches business unit, we compete with a relatively small number of other switch manufacturers, mainly from the Asia/Pacific region. Some keyboard OEMs also co-develop gaming switches for their keyboards with switch manufacturers. Leading keyboard OEMs often procure gaming switches from different manufacturers, depending on the price point of their keyboards. Today, we generally focus on mechanical key switches for premium-priced gaming keyboards although we have recently also brought to market a key switch model for the mid-price market segments. Keyboards equipped with our key switches are therefore mostly priced in the mid-, high, or premium market segment. In our own assessment, we have a strong market position in the market for gaming switches, which have allowed us to generate revenues and significant margins in the periods under review. We have also recently launched the new CHERRY MX Ultra Low Profile mechanical switch for gaming laptops, which opens a new attractive underlying market – the gaming laptops/notebooks market. In this new application field, we believe we have a strong competitive advantage, as ours is currently the slimmest true mechanical switch for gaming laptops. Furthermore, we could in the future also use this switch in non-gaming areas, such as business laptops, notebooks and keyboards. For more information, see "*12.2.5.2 Competitive Environment*".

In our Gaming Peripherals business unit (with which we are mainly active in Asia/Pacific – a large and fast-growing gaming market – and especially in China (see "*11.4.1.5 Geographical Exposure*"), in particular in the premium price segment) we compete with large, well-established global OEMs and regional or local specialists. In South Korea, another relevant regional market for this business, we mainly compete with two large, well-established global OEMs and a large local player, but also with many mostly local brands. For more details on the competitive environment in our Gaming Peripherals markets, see "*12.2.4.2 Competitive Environment*".

Professional business area – In the markets of our Office & Industry Peripherals business unit, we mainly compete with peripherals specialists with a medium price positioning, peripherals "boutiques" focusing on premium specialized peripheral products, and diversified consumer electronics companies that sell at premium price points. Especially in our business with office and industry peripherals, we have focused on business-to-business sales channels but in fiscal year 2020 have also opened business-to-customer sales channels, in particular e-commerce. In the periods under review, we have been predominantly active in selected European markets and in the United States (see "*11.4.1.5 Geographical Exposure*"), with varying market shares. For more details on the competitive environment in our Office & Industry Peripherals markets, see "*12.3.1.2 Competitive Environment*".

In the markets of our Healthcare & Security Peripherals business unit, in our business with eHealth products, we were predominantly active in the German market for telematics infrastructure in the periods under review. Presently, there is only one other competitor with certified telematics products in this market, which has a larger installed base than we do, although we believe our product platform is more modern. In our business with security peripherals, the competitive environment is fragmented and mainly includes OEMs without a strong focus on peripherals. For more information, see "*12.3.2.2 Competitive Environment*".

We believe that, in the periods under review, our results of operations have benefitted from our strong market positions in most of our markets as described above and in more detail section "*12 Market and Competitive Environment*" and we expect to benefit from our market positions in the future.

For related risks of our competitive environment for our future performance, see "*3.1.10 The success of our business and our competitive position largely depend on our ability to maintain the strength of our brands, in particular the "CHERRY" brand, among key end-customer groups such as gamers, and any deterioration of our brand among such groups, including due to quality issues or use of our switches in low-quality keyboards, can negatively affect our business and market position.*" and "*3.1.11 We operate in increasingly competitive markets. We may lose business to competitors, which include companies that have more comprehensive resources or broader portfolios than us, or we may be unable to successfully expand into new markets. In addition, key customers such as major keyboard manufacturers may decide to develop their own switches.*".

11.4.1.5 Geographical Exposure

Our revenue generation is also affected by our geographical exposure. In fiscal year 2020, Cherry Holding Group generated 37.3% of its revenue by location of customer in Europe, the Middle East and Africa (EMEA) (fiscal year 2019: 41.0%), 54.9% in the Asia, Pacific region (fiscal year 2019: 50.2%) and 7.8% in the Americas (fiscal year 2019: 8.8%).

Our geographical exposure is influenced by the markets of our business units as well as by their customers and end-customers as well as certain region-specific factors:

Gaming business area – In our Gaming business area, our Gaming Switches business unit's revenue is predominantly generated in China (including Hong Kong and Taiwan), as almost all of the world's major keyboard OEMs maintain their production facilities in the region. These OEMs sell keyboards branded with our gaming switches to distributors or end-customers all over the world, including the important North American and European markets, which is why we believe that the revenue we record in these regions does not reflect the market reach of our switch products and of our exposure to varying trends and developments in end-customers' markets. For our Gaming Peripherals business unit, we had made the strategic decision to not actively market most of our products outside of Asia, to avoid entering into direct competition with the customers of our Gaming Switches business unit in other regions and maintain what we believe are strong relationships with our OEM customers. However, we have recently decided to sell selected gaming peripheral products also outside of Asia and have already launched pilot projects. The Gaming Peripherals business unit is therefore predominantly exposed to developments, trends and competition in the Asian markets, which may change if we enter markets outside of Asia with significant volume. The Gaming business area is furthermore subject to some degree of quarterly revenue and therefore earnings volatility as the period prior to the Spring Festival (Chinese New Year) is an important period for OEM customers of our Gaming Switches business unit, but also our Gaming Peripherals business unit, to introduce new gaming peripherals and increase stock. For this reason, the Gaming business area often posts slightly higher revenue in the fourth quarter of the fiscal year.

Professional business area – In our Professional business area, the Office & Industry Peripherals business unit currently has a geographic focus on certain key European countries, primarily Germany, but also France and the United Kingdom, as well as on the United States. Moreover, we are expanding our geographic focus to other European countries that are showing dynamic growth, such as the Nordic countries and certain Central Eastern European countries. Products are mainly sold to distributors that are active in these regions but also increasingly to e-commerce customers with a retail focus. The regions where the Healthcare & Securities Peripherals business unit records revenue are more distinguishable by type of product. Our business with eHealth products has a strong focus on the German market as many of its products are specifically designed for the German telematics infrastructure and its certification requirements. However, we plan to adapt our products to different markets and their regulatory regimes in the future. Our security peripherals are certified and sold in different countries, such as Germany, the United States, the Czech Republic, Canada, Spain and the United Kingdom.

11.4.1.6 Mergers & Acquisitions

As part of our strategy, we plan to grow our business inorganically through mergers & acquisitions (see "*13.3.3 Pursuing selective acquisitions to complement and further strengthen our product portfolio and our global geographic presence*"). In addition to the Theobroma Acquisition, which we undertook in fiscal year 2020, in May 2021 we acquired the business of Active Key GmbH & Co. KG, Pegnitz, Germany ("**Active Key**") for a purchase price of € 6.3 million (see also "*22.1 Recent Developments*"). Based on preliminary figures, Active Key generated revenue of € 5.9 million and had an EBITDA margin of over 25% in fiscal year 2020. We believe that these and any future acquisitions will affect our revenue and profitability, including due the expansion of our product portfolio, change of our geographical exposure. For risks relating to our mergers & acquisitions strategy, see "*3.1.16 We may be unable to successfully implement our business strategy if we fail to identify, enter into or integrate acquisitions.*".

11.4.2 Factors Affecting Profitability

We believe that the following factors materially affect our margins and consolidated profit, some of which are of recurring nature:

11.4.2.1 Product Mix

Our profitability is affected by our product mix. Our Gaming Peripherals and Office & Industry Peripherals business units have generally shown strong margins in the periods under review and our Gaming Switches and Healthcare & Security Peripherals business units have shown even stronger margins. In the periods under review, the business areas and products within business areas typically showed varying gross margin profiles ranging from 30% to 60%. We see opportunities for margin improvement across all our business units, in particular the Gaming Switches and Healthcare & Security Peripherals business units.

11.4.2.2 Prices of Raw Materials and Components

Prices for materials, primarily incurred for finished keyboards and mice, as well as raw materials and components, including, among other things, printed circuit boards, plastic parts for keyboards and for switches, "extended workbench" for building keyboards, housings and key caps, strip material for contact pieces for different types of switches of keyboards, and springs for key switches, are a major recurring cost factor affecting Cherry Group's profitability. In fiscal years 2020, 2019 and 2018, Cherry Holding Group incurred cost of materials of € 55.7 million (or 42.8% of Cherry Holding Group's revenue for the period), € 49.4 million (or 43.1% of Cherry Holding Group's revenue for the period) and € 43.1 million (or 43.1% of Cherry Holding Group's revenue for the period), respectively. The decrease of the ratio of cost of materials to revenue from fiscal year 2018 to 2019 despite an increase in the absolute amount of cost of materials was mainly attributable to higher sales prices, in particular the Gaming Switches business unit, and from fiscal year 2019 to fiscal year 2020 mainly owing to changes in the product mix. In the three-months ended March 31, 2021, cost of materials of Cherry Holding Group amounted to € 14.3 million, which is 37.9% of Cherry Holding Group's revenue for the period.

11.4.2.3 Research and Development Costs

Cherry believes that the ability to offer innovative products, expand its product portfolio and update its main product lines is vital to stay competitive and generate future revenue growth (see "*11.4.1.3 Innovation; Expansion of our Product Portfolio*"). Therefore, Cherry invests continuously in R&D. In our Gaming business area, all R&D activities of the Gaming Switches business unit are steered from our headquarters located in Auerbach, Germany. R&D activities in our Professional business area are often undertaken together with R&D partners. For more information on our R&D activities, see "*13.11.1 Research and Development Activities*".

Research and development costs are a significant cost factor affecting our profitability. In fiscal years 2020, 2019 and 2018, Cherry Holding Group incurred research and development costs of € 4.5 million (or 3.5% of Cherry Holding Group's revenue for the period), € 4.5 million (or 3.9% of Cherry Holding Group's revenue for the period), and € 5.5 million (or 5.5% of Cherry Holding Group's revenue for the period), respectively. In the three-month period ended March 31, 2021, Cherry Group incurred research and development costs of € 1.3 million (or 3.4% of the Group's revenue for the period). A major share of our research and development costs is attributable to personnel expenses.

In addition, as part of our R&D activities, Cherry Holding Group invested € 2.7 million in capitalized development expenditures (recoded as investments in/additions to internally generated industrial and similar rights and assets as part of intangible assets, see "*11.8.4.1 Past Capital Expenditures*") in fiscal year 2020 and € 3.1 million in fiscal year 2019. Cherry Group invested € 0.8 million in capitalized development expenditures in the three-month period ended March 31, 2021. After completion of the development phase, capitalized development expenditures are amortized on a straight-line basis in subsequent fiscal years over a period of five years. For the criteria for the recognition of capitalized development expenditures, see Note 1.6 to the Audited Consolidated Financial Statements of the Company and Note 1.6 to the Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH.

11.4.2.4 Personnel Expenses

Personnel expenses are another major recurring cost factor affecting our profitability. In the periods under review, we increased our headcount to meet growing demand for our products as well as due to the Theobroma Acquisition. On average, by headcount, Cherry Holding Group employed 446 people in fiscal year 2020, 402 in fiscal year 2019 and 376 in fiscal year 2018, as presented in Note 6.4 to the Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH and Note 5.4 to the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH. By function, a major part of our workforce was and will continue to be employed in production (see also "*13.14 Employees*"). Consequently, a significant part of our personnel expenses is reflected in cost of sales. Due to the set-up of our operations, which are centered on our headquarters in Auerbach, Germany, where all products of our Gaming Switches business units are developed and produced (see also "*13.8 Overview of Global Footprint*" and "*13.11.2 R&D Organization*"), a significant share of our personnel expenses has been and will continue to be incurred in Germany, which is generally characterized by high wage levels. In fiscal year 2019, we were able to conclude a shop agreement with IG Metall Bayern for our German operations (see "*13.14.2 Collective Bargaining Agreements and Shop Agreements; Employee Representatives, Trade Unions and Works Council*"), which limits wage increases to a certain degree. Over the period presented, we also increased our sales force, contributing to an increase of marketing and selling expenses.

In fiscal years 2020, 2019 and 2018, personnel expenses of Cherry Holding Group amounted to € 26.8 million (or 20.6% of Cherry Holding Group's revenue for the period), € 23.2 million (or 20.2% of Cherry Holding Group's revenue for the period) and € 22.5 million (or 22.5% of Cherry Holding Group's revenue for the period), respectively. The increase from fiscal year 2018 to fiscal year 2020 was mainly attributable to the increased headcount. In the three-month period ended March 31, 2021, Cherry Holding Group's personnel expenses amounted to € 8.3 million (or 22.0% of Cherry Holding Group's revenue for the period).

For more information on personnel expenses, see Note 6.4 to the Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH and Note 5.4 to the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH.

11.4.2.5 Operational Efficiency Measures

Our profitability is also affected by our operational efficiency. Especially in connection with the relocation to our new headquarters in Auerbach, Germany, where we implemented an automatic warehousing and driverless transportation system to produce our Gaming Switches products, we have undertaken measures, and plan to undertake additional measures, to further drive automation and increase our operational efficiency. In fiscal year 2020, these measure have already contributed to an increase in gross profit (see "*11.6.3.2.3 Gross Profit*") and general profitability. Further planned measures include the increase of 'multi-machine handling', *i.e.*, one operator handles multiple machines (see also "*22.2 Outlook*"), and the increase of shifts in our facilities in Zhuhai, China.

11.5 Description of Key Line Items From the Consolidated Statements of Income

Certain individual line items in the consolidated statements of income of Cherry prepared in accordance with IFRS are described below:

Revenue – Revenue is recognized based on the provisions of IFRS 15. The recognition of revenue requires that the contract is to be approved by the parties, performance obligations resulting from the contract and the payment terms are identified, the contract has commercial substance and it is probable that the agreed upon consideration will be collected. As far as more than one contract with the customer which are entered into at or near the same time are not independent from each other, these contracts must be combined and analyzed as one contract. Subsequently, revenue is recognized as soon as the performance obligation has been satisfied. Basically, according to IFRS 15 revenue is recognized at a point in time. However, revenue is recognized over time as far as the customer simultaneously receives and consumes the benefits, Cherry creates or enhances an asset that is controlled by the customer or Cherry creates an asset without alternative use and Cherry has an enforceable right to payment for performance completed to date. Revenue from sales of goods and services is recognized at the time of transfer of control and benefits to the dealer or customer – this includes the consideration of Incoterms – if the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or still to be incurred in connection with the transaction can be reliably determined. In determining the amount of revenue to be recognized for the performance obligation satisfied variable consideration must be considered in the total consideration agreed upon. This includes, for example, rebates, incentives, bonuses and penalties. Revenue from variable consideration is recognized only to the extent that it is highly probable that a significant reversal will not occur. If one contract contains more than one performance obligation the consideration is allocated to each performance obligation based on the relative stand-alone selling prices. Cherry regularly negotiates each performance obligation separately. Generally, prices are agreed upon which represent the stand-alone selling prices.

Cost of sales – Cost of sales comprise direct costs of material (bill of material), production costs (primarily labor, machine hours and electricity) and indirect production costs (*e.g.*, quality control, material management and logistics).

Marketing and selling expenses – Marketing and selling expenses comprise costs for our sales staff, commissions, sales provisions, and marketing expenses for exhibitions, travel and marketing material.

Research and development costs – Research and development costs comprise personnel costs, third-party costs and amortization of capitalized development expenditures.

Administrative expenses – Administrative expenses comprise all costs for IT, human resources, treasury, purchasing and other administration costs.

Operating result/earnings before interest, taxes and income taxes (EBIT) – We define EBIT, as presented in our consolidated income statements, as consolidated profit/loss for the period before income taxes and financial result (referred to as 'interest result' in the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH).

Earnings before taxes (EBT) – We define EBT, as presented in our consolidated income statements, as consolidated profit/loss for the period before income taxes.

For definitions of APMs used by Cherry Group and their reconciliation to IFRS line items, see "*4.9 Alternative Performance Measures*".

11.6 Results of Operations

11.6.1 Overview

The following table provides an overview of the consolidated income statements for the fiscal years ended December 31, 2020, 2019 and 2018, as well as for the three-month periods ended March 31, 2021 and 2020:

	For the Fiscal Year ended December 31,			**For the Three-Month Period ended March 31,**			
	2020	**2019**	**2018**	**2021**	**2020[1)]**	**2021**	**2020**
	Cherry Holding Group			**Cherry Group**		**Cherry Holding Group**	
(in € thousand)	**(audited)**			**(unaudited)**		**(unaudited)**	
Revenue	**130,204**	**114,723**	**100,085**	**37,718**	**0**	**37,718**	**27,783**
Cost of sales	(79,370)	(71,301)	(64,763)	(22,207)	0	(22,047)	(17,593)
Gross profit	**50,834**	**43,422**	**35,322**	**15,511**	**0**	**15,671**	**10,190**
Marketing and selling expenses	(12,025)	(11,785)	(8,049)	(3,341)	0	(2,815)	(2,606)
Research and development costs	(4,526)	(4,530)	(5,501)	(1,285)	0	(1,285)	(1,236)
Administrative expenses	(9,615)	(7,227)	(8,272)	(3,930)	0	(3,501)	(2,170)
Other operating income	1,013	359	801	140	0	140	95
Other operating expenses	(699)	(1,873)	(576)	(413)	0	(412)	(298)
Operating result/earnings before interest, taxes and income taxes (EBIT)	**24,982**	**18,366**	**13,724**	**6,682**	**0**	**7,798**	**3,974**
Financial result[2)]	(695)	(1,062)	(900)	(3,627)	0	(117)	(153)
Earnings before taxes (EBT)	**24,287**	**17,304**	**12,824**	**3,055**	**0**	**7,681**	**3,821**
Income taxes	(6,750)	(4,789)	(3,531)	(699)	0	(1,992)	(1,016)
Profit for the year from continuing operations	**17,537**	**12,515**	**9,293**	**2,356**	**0**	**5,689**	**2,805**

(in € thousand)	For the Fiscal Year ended December 31, 2020	2019	2018	For the Three-Month Period ended March 31, 2021	2020[1]	2021	2020
	Cherry Holding Group			Cherry Group		Cherry Holding Group	
	(audited)			(unaudited)		(unaudited)	
Consolidated profit/loss................	**17,537**	**12,515**	**9,293**	**2,356**	**0**	**5,689**	**2,805**

1) Since the Company (at the time: Cherry AcquiCo GmbH) only became parent company of Cherry Group on September 30, 2020, the Unaudited Consolidated Interim Financial Statements of the Company do not contain comparable financial information for the three-month period ended March 31, 2020 for the entire Cherry Group with the Company as parent company. See also "*11.2.1.3 Consequences for the Presentation of Financial Information*".

2) Financial result is referred to as 'interest result' in the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH and in the Audited Consolidated Financial Statements 2018 of Cherry Holding GmbH.

11.6.2 Discussion of the Consolidated Income Statement of the Company for the Three-Month Period Ended March 31, 2021

The following section discusses the consolidated income statement of the Company for the three-month period ended March 31, 2021.

Revenue was € 37.7 million in the three-month period ended March 31, 2021. The following table presents an overview of Cherry Group's revenue in the three-month period ended March 31, 2021, including breakdowns by business area and business units:

(in € thousand)	For the Three-Month Period ended March 31, 2021
	Cherry Group
	(unaudited)
Revenue	**37,718**
thereof: Gaming	18,837
thereof: Gaming Switches	*13,274*
Gaming Peripherals	*5,563*
Professional	18,881
thereof: Office & Industry Peripherals..........	*12,440*
Healthcare & Security Peripherals..........	*6,441*
Others/Metal Fab	0

Cost of sales amounted to € 22.2 million in the three-month period ended March 31, 2021, resulting in a gross profit of € 15.5 million in the three-month period ended March 31, 2021. Gross profit margin was 41.1% (calculated as the ratio of gross profit to revenue for the period and based on the underlying numbers in € thousand as presented under "*11.6.1 Overview*").

Marketing and selling expenses amounted to € 3.3 million in the three-month period ended March 31, 2021 and research and development costs amounted to € 1.3 million in the same period.

Administrative expenses amounted to € 3.9 million in the three-month period ended March 31, 2021.

Other operating income amounted to € 0.1 million and other operating expenses amounted to € 0.4 million in the three-month period ended March 31, 2021, including € 0.2 million of currency loss.

EBIT was € 6.7 million in the three-month period ended March 31, 2021. EBIT Margin was 17.7% in the three-month period ended March 31, 2021. In the three-month period ended March 31, 2021, EBIT was burdened by (i) staff expenses (incl. share-based staff expenses) of € 0.2 million for a management participation program, (ii) expenses in connection with capital market transactions of € 0.1 million for consultants, (iii) expenses incurred in connection with M&A transactions of € 0.4 million for legal fees and (iv) other one-off cost of € 0.1 million in the form of executive search costs. Adjusted for these items, Adjusted EBIT amounted to € 7.5 million in the three-month period ended March 31, 2021. Adjusted EBIT Margin was 20.0% in the three-month period ended March 31, 2021.

EBITDA was € 10.1 million in the three-month period ended March 31, 2021. EBITDA Margin was 26.8% in the three-month period ended March 31, 2021. Adjusted EBITDA (EBITDA adjusted for the items described above), was € 11.0 million in the three-month period ended March 31, 2021. Adjusted EBITDA Margin was 29.0% in the three-month period ended March 31, 2021.

For the definitions, calculations and reconciliation of the APMs presented in this section, see "*4.9 Alternative Performance Measures*".

Negative financial result amounted to € 3.6 million in the three-month period ended March 31, 2021, therein € 3.6 million of interest and similar expenses mainly comprising interest expenses resulting from the purchase price loan of the Company amounting to € 1.6 million, expenses from the measurement of embedded derivatives at fair value of € 1.9 million as well as interest expenses relating to lease obligations of € 0.1 million.

As a result, earnings before taxes (EBT) amounted to € 3.1 million in the three-month period ended March 31, 2021. Income taxes amounted to € 0.7 million in the three-month period ended March 31, 2021. The Group generated consolidated profit of € 2.4 million in the three-month period ended March 31, 2021.

11.6.3 Discussion of the Consolidated Income Statements of Cherry Holding GmbH

The following sections discuss the consolidated income statements of Cherry Holding GmbH for the fiscal years ended December 31, 2020, 2019 and 2018, as well as for the three-month periods ended March 31, 2021 and 2020.

11.6.3.1 Comparison of the Three-Month Periods Ended March 31, 2021 and 2020

11.6.3.1.1 Revenue

The following table presents revenue of Cherry Holding Group in the three-month periods ended March 31, 2021 and 2020, including breakdowns by business area and business units:

	For the Three-Month Periods ended March 31,	
	2021	**2020**
	Cherry Holding Group	
(in € thousand)	**(unaudited)**	
Revenue	**37,718**	**27,783**
thereof: Gaming	18,837	14,167
thereof: Gaming Switches	*13,274*	*10,529*
Gaming Peripherals	*5,563*	*3,638*
Professional	18,881	13,616
thereof: Office & Industry Peripherals	*12,440*	*10,689*
Healthcare & Security Peripherals	*6,441*	*2,927*
Others/Metal Fab	0	0

Revenue increased from € 27.8 million in the three-month period ended March 31, 2020 by € 9.9 million, or 35.6%, to € 37.7 million in the three-month period ended March 31, 2021, driven by all businesses.

The Gaming business area contributed € 18.8 million, or 49.9%, to Cherry Holding Group's revenue in the three-month period ended March 31, 2021, compared to € 14.2 million, or 51.1%, in the three-month period ended March 31, 2020. Both the Gaming Switches business unit and the Gaming Peripherals contributed to this increase of € 4.6 million, or 32.4%, in the three-month period ended March 31, 2021 when compared to the three-month period ended March 31, 2020. In the Gaming Switches business unit, revenue increased from € 10.5 million in the three-month period ended March 31, 2020, by € 2.8 million, or 26.7%, to € 13.3 million in the three-month period ended March 31, 2021. This increase was primarily due to higher demand from customers. Revenue of the

Gaming Peripherals business unit also increased from € 3.6 million in the three-month period ended March 31, 2020, by € 2.0 million, or 55.6%, to € 5.6 million in the three-month period ended March 31, 2021. This increase was primarily due to the roll-out of new gaming products.

The Professional business area contributed € 18.9 million, or 50.1%, to Cherry Holding Group's revenue in the three-month period ended March 31, 2021, compared to € 13.6 million, or 48.9%, in the three-month period ended March 31, 2020. Both the Office & Industry Peripherals business unit and the Healthcare & Security Peripherals business unit contributed to this increase of € 5.3 million, or 39.0%, in the three-month period ended March 31, 2021 when compared to the three-month period ended March 31, 2020. In the Office & Industry Peripherals business unit, revenue grew from € 10.7 million in the three-month period ended March 31, 2020 by € 1.7 million, or 15.9%, to € 12.4 million in the three-month period ended March 31, 2021, primarily due to continued demand for work from home, home schooling and federal projects as well as the growth in e-commerce in Europe. Revenue of the Healthcare & Security Peripherals business unit more than doubled from € 2.9 million in the three-month period ended March 31, 2020 by € 3.5 million to € 6.4 million. This increase was primarily attributable to revenue generated from sales of eHealth products, which increased from € 0.0 million in the three-month period ended March 31, 2020 to € 4.4 million in the three-month period ended March 31, 2021, overcompensating declines in revenue from security products and point of sale products.

11.6.3.1.2 Cost of Sales

Cost of sales increased from € 17.6 million in the three-month period ended March 31, 2020 by € 4.4 million, or 25.0%, to € 22.0 million in the three-month period ended March 31, 2021, the smaller relative increase when compared to the relative increase in revenue over the same periods was predominantly attributable to the product mix.

11.6.3.1.3 Gross Profit

Gross profit increased from € 10.2 million in the three-month period ended March 31, 2020 by € 5.5 million, or 53.9%, to € 15.7 million in the three-month period ended March 31, 2021. This increase was mainly attributable to sales growth and product mix. As a result, gross profit margin improved from 36.7% in the three-month period ended March 31, 2020 to 41.5% in the three-month period ended March 31, 2021 (calculated as the ratio of gross profit to revenue for the relevant period and based on the underlying numbers in € thousand as presented under "*11.6.1 Overview*").

11.6.3.1.4 Marketing and Selling Expenses

Marketing and selling expenses increased from € 2.6 million in the three-month period ended March 31, 2020 by € 0.2 million, or 7.7%, to € 2.8 million in the three-month period ended March 31, 2021, primarily due to increased sales activity.

11.6.3.1.5 Research and Development Costs

Research and Development Costs remained largely stable at € 1.3 million in the three-month period ended March 31, 2021, compared to € 1.2 million in the three-month period ended March 31, 2020.

11.6.3.1.6 Administrative Expenses

Administrative expenses increased from € 2.2 million in the three-month period ended March 31, 2020 by € 1.3 million, or 59.1%, to € 3.5 million in the three-month period ended March 31, 2021. This increase primarily resulted from share-based payments, the spin-off of central functions and additional administrative expenses due to the inclusion of Theobroma.

11.6.3.1.7 Other Operating Income and Other Operating Expenses

Other operating income was € 0.1 million in the three-month period ended March 31, 2021, compared to € 0.1 million in the three-month period ended March 31, 2020. Other operating expenses increased from € 0.3 million in the three-month period ended March 31, 2020 by € 0.1 million, or 33.3%, to € 0.4 million in the three-month period ended March 31, 2021.

11.6.3.1.8 EBIT and EBITDA

EBIT increased from € 4.0 million in the three-month period ended March 31, 2020 by € 3.8 million, or 95.0%, to € 7.8 million in the three-month period ended March 31, 2021, mainly due to the aforementioned increase in gross profit, partially offset by higher administrative expenses. As a result, EBIT Margin improved from 14.3% in the three-month period ended March 31, 2020 to 20.7% in the three-month period ended March 31, 2021.

In the three-month period ended March 31, 2021, EBIT was burdened by (i) staff expenses (incl. share-based staff expenses) of € 0.1 million for share-based payments, (ii) expenses in connection with capital market transactions of € 0.1 million for market studies, (iii) expenses in connection with M&A transactions and (iv) other one-off cost of € 0.1 million mainly for spin-offs of central functions and the digital health business. In comparison, in the three-month period ended March 31, 2020, EBIT was burdened by (i) expenses in connection with M&A transactions and (ii) other one-off costs of € 0.1 million related to the relocation into the new headquarters.

Adjusted for these items, Adjusted EBIT amounted to € 8.2 million in the three-month period ended March 31, 2021, compared to € 4.1 million in the three-month period ended March 31, 2020. Adjusted EBIT Margin was 21.8% in the three-month period ended March 31, 2021, compared to 14.7% in the three-month period ended March 31, 2020.

EBITDA increased from € 6.4 million in the three-month period ended March 31, 2020 by € 4.1 million, or 64.1%, to € 10.5 million in the three-month period ended March 31, 2021. This increase was predominantly attributable to the same factors as the increase in EBIT over the same period. In addition, it reflected higher depreciation and amortization (presented as 'Write-downs (+)/write-ups (-) of non-current assets' in the consolidated statements of cash flows in the respective financial statements), which increased from € 2.4 million in three-month period ended March 31, 2020 by € 0.3 million, or 12.5%, to € 2.7 million in the three-month period ended March 31, 2021, mainly driven by higher depreciation of right of use assets, which increased from € 0.6 million in the three-month period ended March 31, 2020 by € 0.3 million, or 50.0%, to € 0.9 million in the three-month period ended March 31, 2021. With this, EBITDA Margin improved from 22.9% in the three-month period ended March 31, 2020 to 27.9% in the three-month period ended March 31, 2021.

Adjusted EBITDA (EBITDA adjusted for the items described above for the relevant period), increased from € 6.5 million in the three-month period ended March 31, 2020 by € 4.5 million, or 69.2% to € 11.0 million in the three-month period ended March 31, 2021. Adjusted EBITDA Margin improved from 23.3% in the three-month period ended March 31, 2020 to 29.0% in the three-month period ended March 31, 2021.

For the definitions, calculations and reconciliation of the APMs presented in this section, see "*4.9 Alternative Performance Measures*".

11.6.3.1.9 Financial Result

Negative financial result decreased from € 0.2 million in the three-month period ended March 31, 2020 to € 0.1 million in the three-month period ended March 31, 2021, mainly due to a decrease in interest expenses.

11.6.3.1.10 Earnings Before Taxes (EBT)

Earnings before taxes (EBT) more than doubled from € 3.8 million in the three-month period ended March 31, 2020 by € 3.9 million to € 7.7 million in the three-month period ended March 31, 2021. The development of earnings before taxes (EBT) in the three-month period ended March 31, 2020 compared to the three-month period ended March 31, 2021 largely followed the pattern of the development of EBIT.

11.6.3.1.11 Income Taxes

Income taxes increased from € 1.0 million in the three-month period ended March 31, 2020 by € 1.0 million to € 2.0 million in the three-month period ended March 31, 2021, mainly due to higher earnings before taxes (EBT).

11.6.3.1.12 Consolidated Profit

As a result of the factors discussed above, consolidated profit more than doubled from € 2.8 million in the three-month period ended March 31, 2020 by € 2.9 million to € 5.7 million in the three-month period ended March 31, 2021.

11.6.3.2 Comparison of Fiscal Years 2020 and 2019

11.6.3.2.1 Revenue

The following table presents revenue of Cherry Holding Group in fiscal years ended December 31, 2020 and 2019, including breakdowns by business area and business units:

	For the Fiscal Year ended December 31,	
	2020	**2019**
	Cherry Holding Group	
(in € thousand)	**(audited, unless otherwise indicated)**	
Revenue	**130,204**	**114,723**
thereof: Gaming	73,532*	61,379*
thereof: Gaming Switches	*52,482*	*45,518*
Gaming Peripherals	*21,050*	*15,861*
Professional	56,672*	53,359*
thereof: Office & Industry Peripherals	*40,796*	*37,145*
Healthcare & Security Peripherals	*15,876*	*16,214*
Others/Metal Fab	0	(14)

* Unaudited.

Revenue increased from € 114.7 million in fiscal year 2019 by € 15.5 million, or 13.5%, to € 130.2 million in fiscal year 2020, primarily driven by the Gaming business area.

The Gaming business area contributed € 73.5 million, or 56.5%, to Cherry Holding Group's revenue in fiscal year 2020, compared to € 61.4 million, or 53.5%, in fiscal year 2019. This increase of € 12.1 million, or 19.7%, in revenue from fiscal year 2019 to fiscal year 2020 was mainly attributable to the Gaming Switches business unit, where revenue increased from € 45.5 million in fiscal year 2019 by € 7.0 million, or 15.4%, to € 52.5 million in fiscal year 2020. Revenue of the Gaming Peripherals business unit also grew from € 15.9 million in fiscal year 2019 by € 5.2 million, or 32.7%, to € 21.1 million in fiscal year 2020. Both business units benefited from the accelerating development of the gaming market (see "*12.2 The Gaming Market – Key Trends*", "*12.2.4.1 Market Characteristics, Development and Trends*" and "*12.2.5.1 Market Characteristics, Development and Trends*"). In the Gaming Peripherals business unit, revenue growth was also supported by strong demand from newly entered markets, in particular the South Korean market, and market acceptance of newly introduced gaming keyboards and mice.

The Professional business area contributed € 56.7 million, or 43.5%, to Cherry Holding Group's revenue in fiscal year 2020, compared to € 53.4 million, or 46.6%, in fiscal year 2019. This increase of € 3.3 million, or 6.2%, in revenue from fiscal year 2019 to fiscal year 2020 was attributable to the Office & Industry Peripherals business unit, which increased its revenue from € 37.1 million in fiscal year 2019 by € 3.7 million, or 10.0%, to € 40.8 million in fiscal year 2020, including due to increased demand from distributors. The business unit was also able to acquire new customers, which increased its sales in Northern Europe and the United Kingdom. The Office & Industry Peripherals business unit benefited from new trends such as working from home and remote learning, which were also accelerated due to the impact of the Covid-19 pandemic. On the other hand, revenue with corporate and industrial customers contracted slightly in certain industries (*e.g.*, airline, car rental, hotels) because of postponed spending considering the Covid-19 pandemic. In the Healthcare & Security Peripherals business unit, revenue decreased slightly from € 16.2 million in fiscal year 2019 by € 0.3 million, or 1.9%, to € 15.9 million in fiscal year 2020. This was mainly due to decreasing revenue with eHealth products, which decreased from € 4.7 million in fiscal year 2019 by € 1.3 million, or 27.7%, to € 3.4 million in fiscal year 2020, predominantly due to a delayed production start of products after the Theobroma Acquisition.

11.6.3.2.2 Cost of Sales

Cost of sales increased from € 71.3 million in fiscal year 2019 by € 8.1 million, or 11.4%, to € 79.4 million in fiscal year 2020, mainly due to the increased sales volume, particularly in the Gaming business area.

11.6.3.2.3 Gross Profit

Gross profit increased from € 43.4 million in fiscal year 2019 by € 7.4 million, or 17.1%, to € 50.8 million in fiscal year 2020. This increase primarily resulted from price increases, a change in the product mix with new products that have better gross margins and economies of scale, and efficiency improvements due to automatization, including because of the newly implemented automatic warehousing and driverless transportation system at the production site in Auerbach, Germany. As a result, gross profit margin improved from 37.8% in fiscal year 2019 to 39.0% in fiscal year 2020 (calculated as the ratio of gross profit to revenue for the relevant period and based on the underlying numbers in € thousand as presented under "*11.6.1 Overview*").

11.6.3.2.4 Marketing and Selling Expenses

Marketing and selling expenses slightly increased from € 11.8 million in fiscal year 2019 by € 0.2 million, or 1.7%, to € 12.0 million in fiscal year 2020, which primarily resulted from volume-related kickback payments and hiring of additional sales personnel.

11.6.3.2.5 Research and Development Costs

Research and development costs remained virtually stable and amounted to € 4.5 million in fiscal year 2020, compared to € 4.5 million in fiscal year 2019.

11.6.3.2.6 Administrative Expenses

Administrative expenses increased from € 7.2 million in fiscal year 2019 by € 2.4 million, or 33.3%, to € 9.6 million in fiscal year 2020. This increase was mainly driven by transaction costs, including advisory fees.

11.6.3.2.7 Other Operating Income and Other Operating Expenses

Other operating income increased from € 0.4 million in fiscal year 2019 by € 0.6 million to € 1.0 million in fiscal year 2020, mainly due to exchange gains, which increased from € 0.3 million in fiscal year 2019 by € 0.5 million to € 0.8 million in fiscal year 2020. Over the same period, other operating expenses decreased from € 1.9 million by € 1.2 million to € 0.7 million, mainly as other operating expenses in fiscal year 2019 had included higher one-time costs relating to construction of the new headquarters in Auerbach, Germany, and the associated relocation to the new premises (see "*11.6.3.3.7 Other Operating Income and Other Operating Expenses*").

11.6.3.2.8 EBIT and EBITDA

EBIT increased from € 18.4 million in fiscal year 2019 by € 6.6 million, or 35.9%, to € 25.0 million in fiscal year 2020, mainly due to the aforementioned increase in gross profit and higher administrative expenses. As a result, EBIT Margin improved from 16.0% in fiscal year 2019 to 19.2% in fiscal year 2020.

In fiscal year 2020, EBIT was burdened by (i) € 0.4 million staff expenses (incl. share-based staff expenses), including € 0.2 million for share-based expenses for the Group's MEP (see "*19.4.1 Management Equity Program*" and "*15.2.2 Relationships with Management Board and Supervisory Board Members*") and € 0.2 million for accrual for severance payments for provisions made in the context of a settlement agreement with an employee of our United States subsidiary, (ii) € 0.5 million expenses in connection with M&A transactions, including expenses for strategy consulting in relation to potential M&A transactions, expenses of € 0.5 million for due diligence of potential M&A targets as well as expenses for legal fees relating to the early repayment of a bank loan in the context of the Cherry Acquisition, (iii) € 0.6 million expenses in connection with natural disaster and pandemic, including expenses of € 0.4 million for a staff bonus and expenses for the implementation of preventative measures such as disinfections, and (iv) other one-off cost of € 0.3 million, including € 0.2 million for the engagement of a headhunter for the search of a new managing director for the subsidiary in the United States, expenses of € 0.1 million in relation to the relocation to the new headquarters in Auerbach, Germany, and additional expenses for audit in connection with the preparation of the financial statements after the Cherry Acquisition. In comparison, in fiscal year 2019, EBIT was burdened by (i) other one-off cost of € 1.0 million, including € 0.9 million expenses in relation to the construction of and relocation to the new headquarters in Auerbach, Germany, and € 0.1 million expenses in relation to the first-time adoption of IFRS for our consolidated financial statements for fiscal year 2018 and (ii) € 1.0 million expenses in connection with potential M&A transactions incurred for strategy consulting and market analysis.

Adjusted for these items, Adjusted EBIT amounted to € 26.8 million in fiscal year 2020, compared to € 20.4 million in fiscal year 2019. Adjusted EBIT Margin was 20.6% in fiscal year 2020, compared to 17.7% in fiscal year 2019.

EBITDA increased from € 27.8 million in fiscal year 2019 by € 7.5 million, or 27.0%, to € 35.3 million in fiscal year 2020. This increase was predominantly attributable to the same factors as the increase of EBIT over the same period. In addition, it reflected higher depreciation and amortization (presented as 'Write-downs (+)/write-ups (-) of non-current assets' in the consolidated statements of cash flows in the respective financial statements), which increased from € 9.4 million in fiscal year 2019 by € 0.9 million, or 9.6%, to € 10.3 million in fiscal year 2020, mainly driven by higher depreciation of right-of-use assets, which increased from € 1.7 million in fiscal year 2019 by € 1.1 million, or 64.7%, to € 2.8 million. With this, EBITDA Margin improved from 24.2% in fiscal year 2019 to 27.1% in fiscal year 2020.

Adjusted EBITDA (EBITDA adjusted for the items described above for the relevant period), increased from € 29.7 million in fiscal year 2019 by € 7.4 million, or 27.9% to € 37.1 million in fiscal year 2020. Adjusted EBITDA Margin improved from 25.9% in fiscal year 2019 to 28.5% in fiscal year 2020.

For the definitions, calculations and reconciliation of the APMs presented in this section, see "*4.9 Alternative Performance Measures*".

11.6.3.2.9 Financial Result

Negative financial result decreased from € 1.1 million in fiscal year 2019 by € 0.4 million, or 36.4%, to € 0.7 million in fiscal year 2020, mainly due to lower interest and similar expenses.

11.6.3.2.10 Earnings Before Taxes (EBT)

Earnings before taxes (EBT) increased from € 17.3 million in fiscal year 2019 by € 7.0 million, or 40.5%, to € 24.3 million in fiscal year 2020. The development of earnings before taxes (EBT) from fiscal year 2019 to fiscal year 2020 mainly followed the pattern of the development of EBIT.

11.6.3.2.11 Income Taxes

Income taxes increased from € 4.8 million in fiscal year 2019 by € 2.0 million, or 41.7%, to € 6.8 million in fiscal year 2020. This increase mainly resulted from higher earnings before taxes (EBT). The effective tax rate (income taxes divided by earnings before taxes (EBT)) of Cherry Holding Group increased from 27.68% in fiscal year 2019 to 27.79% in fiscal year 2020.

For more information, see Note 5.6, Note 5.7 and Note 6.7 to the Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH.

11.6.3.2.12 Consolidated Profit

As a result of the factors discussed above, consolidated profit increased from € 12.5 million in fiscal year 2019 by € 5.0 million, or 40.0%, to € 17.5 million in fiscal year 2020.

11.6.3.3 Comparison of Fiscal Years 2019 and 2018

11.6.3.3.1 Revenue

The following table presents revenue of Cherry Holding Group for fiscal years ended December 31, 2019 and 2018, including breakdowns by business area and business units:

	For the Fiscal Year ended December 31,	
	2019	**2018**
	Cherry Holding Group	
(in € thousand)	**(audited, unless otherwise indicated)**	
Revenue	**114,723**	**100,085**
thereof: Gaming	61,379*	50,706*

(in € thousand)	For the Fiscal Year ended December 31, 2019	2018
	Cherry Holding Group	
	(audited, unless otherwise indicated)	
thereof: Gaming Switches[1]	*45,518*	*36,167*
Gaming Peripherals[2]	*15,861*	*14,539*
Professional	53,358*	49,175*
thereof: Office & Industry Peripherals[3]	*37,145*	*35,993**
Healthcare & Security Peripherals[4]	*16,213*	*13,182**
Others/Metal Fab	(14)	204

* Unaudited.

1) Referred to as revenue by product type 'Components' in Note 5.1 to the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH and in Note 5.1 to the Audited Consolidated Financial Statements 2018 of Cherry Holding GmbH, respectively.

2) Referred to as revenue by product type 'Gaming Devices' in Note 5.1 to the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH and in Note 5.1 to the Audited Consolidated Financial Statements 2018 of Cherry Holding GmbH, respectively.

3) For fiscal year 2018 calculated by adding revenue by product types 'Industrial' and 'Office' each as presented in Note 5.1 to the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH and in Note 5.1 to the Audited Consolidated Financial Statements 2018 of Cherry Holding GmbH, respectively.

4) For fiscal year 2018 calculated by adding revenue by product types 'Security', 'eHealth' and 'Point of Sales Products' each as presented in Note 5.1 to the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH and in Note 5.1 to the Audited Consolidated Financial Statements 2018 of Cherry Holding GmbH, respectively.

Revenue of Cherry Holding Group increased from € 100.1 million in fiscal year 2018 by € 14.6 million, or 14.6%, to € 114.7 million in fiscal year 2019, driven by all businesses.

The Gaming business area contributed € 61.4 million, or 53.5%, to Cherry Holding Group's revenue in fiscal year 2019, compared to € 50.7 million, or 50.6%, in fiscal year 2018. This increase of € 10.7 million, or 21.1%, in revenue from fiscal year 2018 to fiscal year 2019 was mainly attributable to the Gaming Switches business unit, where revenue increased from € 36.2 million in fiscal year 2018 by € 9.3 million, or 25.7%, to € 45.5 million in fiscal year 2019, mainly driven by (i) the capture of the gross margin of its former distributor Greendich after the Greendich Customers Acquisition, which allowed it to record the related revenue at OEM-customer prices, and (ii) higher demand, particularly from major keyboard OEMs on the back of a growing gaming market (see "*12.2 The Gaming Market – Key Trends*"). Due to this additional demand, the Gaming Switches business unit was able to offset a decline in sales volume with a major keyboard OEM. Revenue of the Gaming Peripherals business unit also grew from € 14.5 million by € 1.4 million, or 9.7%, to € 15.9 million in fiscal year 2019, benefitting from market trends.

The Professional business area contributed € 53.4 million, or 46.6%, to Cherry Holding Group's revenue in fiscal year 2019, compared to € 49.2 million, or 49.2%, in fiscal year 2018. This increase of € 4.2 million, or 8.5%, from fiscal year 2018 to fiscal year 2019 was attributable to growth in both the Office & Industry Peripherals and the Healthcare & Security Peripherals business units. In the Office & Industry Peripherals business unit, growth mainly resulted from a systematic marketing approach and the expansion of sales activities in regions outside of the home market of Germany. The Healthcare & Security Peripherals business unit increased its revenue from € 13.2 million in fiscal year 2018 by € 3.0 million, or 22.7%, to € 16.2 million in fiscal year 2019. This increase was mainly driven by revenue of eHealth products, which increased from € 2.9 million in fiscal year 2018 by € 1.8 million, or 62.1%, to € 4.7 million in fiscal year 2019, mainly driven by the first roll-out of telematics infrastructure in Germany.

11.6.3.3.2 Cost of Sales

Cost of sales increased from € 64.8 million in fiscal year 2018 by € 6.5 million, or 10.0%, to € 71.3 million in fiscal year 2019. While cost of materials within cost of sales increased largely in line with growth of revenue, personnel expenses and depreciation and amortization within cost of sales remained largely stable.

11.6.3.3.3 Gross Profit

Gross profit increased from € 35.3 million in fiscal year 2018 by € 8.1 million, or 22.9%, to € 43.4 million in fiscal year 2019. The increase of gross profit reflected the higher increase in revenue when compared with the increase of cost of sales and resulted in a gross profit margin of 37.8% in fiscal year 2019, compared to 35.3% in fiscal year 2018 (calculated as the ratio of gross profit to revenue for the relevant period and based on the underlying numbers in € thousand as presented under "*11.6.1 Overview*"). Gross profit margin particularly increased in the Gaming Switches business unit on higher sales volume as well as on higher sales prices, including due to the capture of the distributor margin of Greendich after the Greendich Customers Acquisition. Growth in this business unit was partially offset by higher direct production costs per piece of our high-volume CHERRY MX original key switches. In addition, the gross profit margin improved on a change of the product mix to higher-margin products. Strong growth with higher-margin products in our Healthcare & Security Peripherals business unit also contributed to gross profit.

11.6.3.3.4 Marketing and Selling Expenses

Marketing and selling expenses increased from € 8.0 million in fiscal year 2018 by € 3.8 million, or 47.5%, to € 11.8 million in fiscal year 2019. This increase was attributable to various factors, which include: an increase of the own sales personnel, partially offset by resulting lower commissions to external sales representatives, a reclassification of warehouse costs from other cost of sales within cost of sales to marketing and selling expenses, higher freight and shipping costs due to an increased usage of air freight in order to secure supply from Asia, knowledge transfer costs of € 0.5 million paid in the context of the Greendich Customers Acquisition as well as amortization of € 0.6 million of the customer base acquired from Greendich that is recognized within intangible assets. In addition, we improved the correct allocation of consulting expenses to the corresponding functional area, *e.g.*, trademark-related consulting fees that were part of administrative expenses in fiscal year 2018 were allocated to marketing and selling expenses in fiscal year 2019.

11.6.3.3.5 Research and Development Costs

Research and development costs decreased from € 5.5 million in fiscal year 2018 by € 1.0 million, or 18.2%, to € 4.5 million in fiscal year 2019. This decrease resulted predominantly from capitalization of development costs (see "*11.8.4.1.3 Capital Expenditures in Fiscal Year* 2019").

11.6.3.3.6 Administrative Expenses

Administrative expenses decreased from € 8.3 million in fiscal year 2018 by € 1.1 million, or 13.3%, to € 7.2 million in fiscal year 2019. This decrease partially resulted from the aforementioned reclassification of consulting expenses from administrative expenses to marketing and selling expenses (see "*11.6.3.3.4 Marketing and Selling Expenses*").

11.6.3.3.7 Other Operating Income and Other Operating Expenses

Other operating income decreased from € 0.8 million in fiscal year 2018 by € 0.4 million to € 0.4 million in fiscal year 2019, mainly due to income from disposals of property, plant and equipment, which contributed to other operating income in 2018. Over the same period, other operating expenses increased from € 0.6 million by € 1.3 million to € 1.9 million. The increase in other operating expenses mainly resulted from expenses relating to the relocation of production and administration facilities to Cherry's new headquarters in Auerbach, Germany.

11.6.3.3.8 EBIT and EBITDA

EBIT increased from € 13.7 million in fiscal year 2018 by € 4.7 million, or 34.3%, to € 18.4 million in fiscal year 2019. The increase resulted predominantly from the same factors that resulted in an increase of gross profit, the increase in marketing and selling expenses and the decreases in research and development costs and administrative expenses. EBIT Margin improved from 13.7% in fiscal year 2018 to 16.0% in fiscal year 2019.

In fiscal year 2019, EBIT was burdened by (i) other one-off cost of € 1.0 million, including € 0.9 million expenses in relation to the construction and relocation to the new headquarters in Auerbach, Germany, as well as expenses for double rent for the new and old headquarters and € 0.1 million expenses in relation to the first-time adoption of IFRS for Cherry Holding Group's consolidated financial statements for fiscal year 2018, and (ii) € 1.0 million expenses in connection with potential M&A transactions incurred for strategy consulting and market analysis. In comparison, in fiscal year 2018, EBIT included (i) staff income of € 0.5 million from settlement of an existing pension plan and (ii) other one-off cost of € 0.5 million in the form of expenses for recruitment, planning and layout of the new headquarters, new IT systems and other services. The net effect of these items in fiscal year 2018 was nil.

Adjusted for these items, Adjusted EBIT amounted to € 20.4 million in fiscal year 2019, compared to € 13.7 million in fiscal year 2018. Adjusted EBIT Margin was 17.7% in fiscal year 2019, compared to 13.7% in fiscal year 2018.

EBITDA increased from € 20.9 million in fiscal year 2018 by € 6.9 million, or 33.0%, to € 27.8 million in fiscal year 2019. This increase was predominantly attributable to the same factors as the increase of EBIT over the same period. In addition, it reflected higher depreciation and amortization (presented as 'Write-downs (+)/write-ups (-) of non-current assets' in the consolidated statements of cash flows in the respective financial statements), which increased from € 7.2 million in fiscal year 2018 by € 2.2 million, or 30.6%, to € 9.4 million in fiscal year 2019. This increase in depreciation and amortization mainly resulted from depreciation of right-of-use assets due to first time application of IFRS 16, which amounted to € 1.7 million in fiscal year 2019 (see also "*11.2.2 New Accounting Standard Pronouncements*"). With this, EBITDA Margin improved from 20.9% in fiscal year 2018 to 24.2% in fiscal year 2019.

Adjusted EBITDA (EBITDA adjusted for the items described above for the relevant period), increased from € 20.9 million in fiscal year 2018 by € 8.8 million, or 42.1% to € 29.7 million in fiscal year 2019. Consequently, Adjusted EBITDA Margin improved from 20.9% in fiscal year 2018 to 25.9% in fiscal year 2019.

For the definitions, calculations and reconciliation of the APMs presented in this section, see "*4.9 Alternative Performance Measures*".

11.6.3.3.9 Financial Result

Negative financial result (referred to as 'interest result' in the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH and in the Audited Consolidated Financial Statements 2018 of Cherry Holding GmbH) increased from € 0.9 million in fiscal year 2018 by € 0.2 million, or 22.2%, to € 1.1 million in fiscal year 2019. This increase was primarily attributable to higher interest expenses and similar expenses, including interest expense on lease liabilities of € 0.1 million.

11.6.3.3.10 Earnings Before Taxes (EBT)

Earnings before taxes (EBT) increased from € 12.8 million in fiscal year 2018 by € 4.5 million, or 35.2%, to € 17.3 million in fiscal year 2019. Since financial result in absolute terms remained largely stable, the development of earnings before taxes (EBT) was primarily determined by the patterns as discussed for EBIT (see "*11.6.3.3.8 EBIT and EBITDA*").

11.6.3.3.11 Income Taxes

Income taxes increased from € 3.5 million in fiscal year 2018 by € 1.3 million, or 37.1%, to € 4.8 million in fiscal year 2019. This increase mainly resulted from higher EBT, changes in local income tax for a subsidiary of the Group in Wisconsin, United States, and a deferred tax expense in the amount of € 0.9 million in fiscal year 2019 whereas income taxes in fiscal year 2018 had included a deferred tax income in the amount of € 0.3 million. The Group used a loss carry forward in an amount of € 0.6 million in fiscal year 2019 to partially offset the increases. Current tax expense remained largely stable. The effective tax rate (income taxes divided by earnings before taxes (EBT)) of the Group increased from 27.53% in fiscal year 2018 to 27.68% in fiscal year 2019.

For more information, see Note 4.6, Note 4.7 and Note 5.7 to the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH.

11.6.3.3.12 Consolidated Profit

As a result of the factors discussed above, consolidated profit increased from € 9.3 million in fiscal year 2018 by € 3.2 million, or 34.4%, to € 12.5 million in fiscal year 2019.

11.7 Financial Position

11.7.1 Overview

The following table presents an overview of the consolidated statements of financial position as of December 31, 2020, 2019, 2018, as well as of March 31, 2021:

	As of December 31,				As of March 31,	
	2020		2019	2018	2021	
	Cherry Group	Cherry Holding Group			Cherry Group	Cherry Holding Group
(in € thousands)	(audited, unless otherwise indicated)	(audited, unless otherwise indicated)			(unaudited)	(unaudited)
ASSETS						
Non-current assets						
Intangible assets	184,614	43,709	42,584	41,307	184,509	44,129
Property, plant and equipment	24,502	17,940	18,973	19,246	24,872	18,441
Right-of-use assets	16,459	16,254	12,628	—	18,954	18,778
Shares in affiliated companies	31	31	—	—	—	—
Other non-current assets	205	7	7	7	193	7
Deferred taxes	2,234	1,174	1,522[1)]	917	3,629	1,468
Total non-current assets	**228,045**	**79,115**	**75,714**[1)]	**61,477**	**232,157**	**82,823**
Current assets						
Inventories	27,265	27,265	22,159	22,709	30,097	30,097
Trade receivables	10,887	10,887	10,287	13,593	18,624	18,624
Current income tax receivables	52	52	—	604	277	277
Financial assets	25	860	—	—	25	3,212
Other current assets	1,359	1,284	1,618	1,110	1,544	872
Cash and cash equivalents	22,900	22,041	15,597	16,013	18,900	18,900
Deferred taxes	—	—	—[1)]	611	—	—
Total current assets	**62,488**	**62,389**	**49,661**[1)]	**54,640**	**69,467**	**71,982**
Total assets	**290,532**	**141,504**	**125,375**	**116,117**	**301,624**	**154,805**
EQUITY AND LIABILITIES						
Equity						
Subscribed capital	36	26	26	26	36	26
Capital reserves	150,486	46,769	46,540	46,540	150,735	46,998
Net retained profit	(7,571)	40,123	22,587	10,072	(5,215)	45,812
Accumulated other comprehensive income	(366)	(1,470)	(664)	(784)	440	(664)
Total Equity	**142,585**	**85,448**	**68,489**	**55,854**	**145,996**	**92,172**
Non-current liabilities						
Pension provisions	994	994	1,051	1,023	922	922
Other non-current provisions	939	939	1,635	1,837	941	941
Financial liabilities	74,748	5,400	12,294	19,850	76,811	5,400
Lease liabilities	13,208	13,208	10,637	—	15,250	15,250
Other non-current liabilities	125	125	52	628	123	123
Deferred taxes	24,715	6,587	6,074[1)]	5,177	24,650	6,714

	As of December 31,				As of March 31,	
	2020		2019	2018	2021	
	Cherry Group	Cherry Holding Group			Cherry Group	Cherry Holding Group
(in € thousands)	(audited, unless otherwise indicated)	(audited, unless otherwise indicated)			(unaudited)	(unaudited)
Total non-current liabilities	**114,729**	**27,253**	**31,743[1)]**	**28,515**	**118,697**	**29,350**
Current liabilities						
Other current provisions	480	450	150	186	365	365
Financial liabilities	6,072	2,501	—	3,749	4,622	1,622
Lease liabilities	3,334	3,334	2,101	—	3,924	3,924
Trade payables	14,499	14,473	13,564	17,124	16,572	16,500
Current income tax liabilities	1,941	1,941	3,868	1,633	2,883	2,883
Other current liabilities	6,893	6,104	5,460	9,021	8,565	7,988
Deferred taxes	—	—	—[1)]	35	—	—
Total current liabilities	**33,219**	**28,803**	**25,143[1)]**	**31,748**	**36,931**	**33,282**
Total liabilities[2)]	**147,948***	**56,056***	**56,886***	**60,263***	**155,628**	**62,632**
Total equity and liabilities	**290,532**	**141,504**	**125,375**	**116,117**	**301,624**	**154,805**

* Unaudited.

1) In fiscal year 2019, contrary to IAS 1.56, deferred tax assets and deferred tax liabilities were partly presented as current in the statement of financial position. Thus, in the statement of financial position as of December 31, 2020 a retrospective correction of this presentation was made. As of December 31, 2020 deferred tax assets in the amount of € 1.2 million (December 31, 2019: € 1.5 million) and deferred tax liabilities in the amount of € 6.6 million (December 31, 2019: € 6.1 million) are presented as non-current.

2) 'Total liabilities' is calculated as the sum of 'Total non-current liabilities' and 'Total current liabilities'.

11.7.2 Discussion of the Consolidated Statements of Financial Position of the Company

The following sections discuss the consolidated statements of financial position of the Company as of December 31, 2020 and as of March 31, 2021.

11.7.2.1 Assets

As of March 31, 2021, total assets amounted to € 301.6 million and comprised total non-current assets of € 232.2 million (77.0% of total assets) and total current assets of € 69.5 million (23.0% of total assets). In comparison, total assets amounted to € 290.5 million as of December 31, 2020, comprising total non-current assets of € 228.0 million (78.5% of total assets) and total current assets of € 62.5 million (21.5% of total assets). The increase in total assets as of March 31, 2021 when compared to total assets as of December 31, 2020 was attributable to increases in both non-current and current assets.

Total non-current assets increased from € 228.0 million as of December 31, 2020 by € 4.2 million, or 1.8%, to € 232.2 million as of March 31, 2021, mainly due to an increase in right-of-use assets, which increased from € 16.5 million as of December 31, 2020 by € 2.5 million, or 15.2%, to € 19.0 million as of March 31, 2021, primarily resulting from leases of machinery. In addition, non-current deferred taxes increased from € 2.2 million as of December 31, 2020 by € 1.4 million, or 63.6%, to € 3.6 million as of March 31, 2021, primarily due to the first-time adoption of embedded-derivatives accounting in the context of the Senior Facilities Agreement (see "*13.18.1 Senior Facilities Agreement and Intercreditor Agreement*").

Total current assets increased from € 62.5 million as of December 31, 2020 by € 7.0 million, or 11.2%, to € 69.5 million as of March 31, 2021. This increase resulted primarily from an increase in trade receivables, which increased from € 10.9 million as of December 31, 2020 by € 7.7 million, or 70.6%, to € 18.6 million as of March 31, 2021, mainly due to increased sales. In addition, inventories increased from € 27.3 million as of December 31, 2020 by € 2.8 million, or 10.3%, to € 30.1 million as of March 31, 2021, primarily due to increased stock to secure the supply chain during the Covid-19 pandemic. These increases were partially offset by a decrease in cash and cash equivalents from € 22.9 million as of December 31, 2020 by € 4.0 million, or 17.5%, to € 18.9 million as of March 31, 2021, mainly due to half-year payment of interest.

11.7.2.2 Liabilities

As of March 31, 2021, total (current and non-current) liabilities amounted to € 155.6 million and comprised total non-current liabilities of € 118.7 million (76.3% of total liabilities) and total current liabilities of € 36.9 million (23.7% of total liabilities). In comparison, total (current and non-current) liabilities amounted to € 147.9 million as of December 31, 2020, comprising total non-current liabilities of € 114.7 million (77.6% of total liabilities) and total current liabilities of € 33.2 million (22.4% of total liabilities).

Total non-current liabilities increased from € 114.7 million as of December 31, 2020 by € 4.0 million, or 3.5%, to € 118.7 million as of March 31, 2021, mainly due to increases in financial liabilities and lease liabilities. Financial liabilities increased from € 74.7 million as of December 31, 2020 by € 2.1 million, or 2.8%, to € 76.8 million as of March 31, 2021, mainly due to the increased likelihood of future payment obligations under embedded derivatives. Lease liabilities increased from € 13.2 million as of December 31, 2020 by € 2.1 million, or 15.9%, to € 15.3 million as of March 31, 2021, primarily resulting from increased lease liabilities for leases of machinery.

Total current liabilities increased from € 33.2 million as of December 31, 2020 by € 3.7 million, or 11.1%, to € 36.9 million as of March 31, 2021. This increase primarily resulted from increases in trade payables, current income tax liabilities and other liabilities, which were partially offset by a decrease in financial liabilities. Trade payables increased from € 14.5 million as of December 31, 2020 by € 2.1 million, or 14.5%, to € 16.6 million as of March 31, 2021, mainly due to increased stock. Current income tax liabilities increased from € 1.9 million as of December 31, 2020 by € 1.0 million, or 52.6%, to € 2.9 million as of March 31, 2021, due to outstanding payments for taxes for previous years and provisions due to EBT in the three-month period ended March 31, 2021. Other current liabilities increased from € 6.9 million as of December 31, 2020 by € 1.7 million, or 24.6%, to € 8.6 million as of March 31, 2021, mainly due to increase of provisions for sales bonuses and outstanding supplier invoices. Financial liabilities decreased from € 6.1 million as of December 31, 2020 by € 1.5 million, or 24.6%, to € 4.6 million as of March 31, 2021, mainly due to interest payments.

11.7.2.3 Equity

Total equity amounted to € 146.0 million as of March 31, 2021 (48.4% of total equity and liabilities), compared to € 142.6 million (49.1% of total equity and liabilities) as of December 31, 2020. The increase of € 3.4 million, or 2.4%, from December 31, 2020 to March 31, 2021 was primarily attributable to the Group's consolidated profit of € 2.4 million in the three-month period ending March 31, 2021, leading to a reduction of negative net retained profit from € 7.6 million as of December 31, 2020 to negative net retained profit of € 5.2 million as of March 31, 2021.

11.7.3 Discussion of the Consolidated Statements of Financial Position of Cherry Holding GmbH

The following sections discuss the consolidated statements of financial position of Cherry Holding GmbH as of December 31, 2020, 2019 and 2018, as well as of March 31, 2021.

11.7.3.1 Comparison as of March 31, 2021 and December 31, 2020

11.7.3.1.1 Assets

As of March 31, 2021, total assets amounted to € 154.8 million and comprised total non-current assets of € 82.8 million (53.5% of total assets) and total current assets of € 72.0 million (46.5% of total assets). In comparison, total assets amounted to € 141.5 million as of December 31, 2020, comprising total non-current assets of € 79.1 million (55.9% of total assets) and total current assets of € 62.4 million (44.1% of total assets). The increase in total assets as of March 31, 2021 when compared to total assets as of December 31, 2020 was attributable to increases in both non-current and current assets.

Total non-current assets increased from € 79.1 million as of December 31, 2020 by € 3.7 million, or 4.7%, to € 82.8 million as of March 31, 2021, mainly due to an increase in right-of-use assets, which increased from € 16.3 million as of December 31, 2020 by € 2.5 million, or 15.3%, to € 18.8 million as of March 31, 2021, primarily resulting from leasing of machinery.

Total current assets increased from € 62.4 million as of December 31, 2020 by € 9.6 million, or 15.4%, to € 72.0 million as of March 31, 2021. This increase resulted primarily from an increase in trade receivables, which increased from € 10.9 million as of December 31, 2020 by € 7.7 million, or 70.6%, to € 18.6 million as of March 31, 2021, mainly due to increased sales. In addition, inventories increased from € 27.3 million as of December 31, 2020 by € 2.8 million, or 10.3%, to € 30.1 million as of March 31, 2021, primarily due to increased stock to secure the supply chain during the Covid-19 pandemic. These increases were partially offset by a decrease of cash and cash equivalents from € 22.0 million as of December 31, 2020 by € 3.1 million, or 14.1%, to € 18.9 million as of March 31, 2021, mainly due to interest payments.

11.7.3.1.2 Liabilities

As of March 31, 2021, total (current and non-current) liabilities amounted to € 62.6 million and comprised total non-current liabilities of € 29.4 million (47.0% of total liabilities) and total current liabilities of € 33.3 million (53.2% of total liabilities). In comparison, total (current and non-current) liabilities amounted to € 56.1 million as of December 31, 2020, comprising total non-current liabilities of € 27.3 million (48.7% of total liabilities) and total current liabilities of € 28.8 million (51.3% of total liabilities).

Total non-current liabilities increased from € 27.3 million as of December 31, 2020 by € 2.1 million, or 7.7%, to € 29.4 million as of March 31, 2021, mainly due to increases in non-current lease liabilities, which increased from € 13.2 million as of December 31, 2020 by € 2.1 million, or 15.9%, to € 15.3 million as of March 31, 2021, primarily resulting from leases of machinery.

Total current liabilities increased from € 28.8 million as of December 31, 2020 by € 4.5 million, or 15.6%, to € 33.3 million as of March 31, 2021. This increase primarily resulted from increases in trade payables, current income tax liabilities and other liabilities, which were partially offset by a decrease in current financial liabilities. Trade payables increased from € 14.5 million as of December 31, 2020 by € 2.0 million, or 13.8%, to € 16.5 million as of March 31, 2021, mainly due to increased stock. Current income tax liabilities increased from € 1.9 million as of December 31, 2020 by € 1.0 million, or 52.6%, to € 2.9 million as of March 31, 2021, primarily due to outstanding payments for taxes for previous years and provisions due to EBT in the three-month period ended March 31, 2021. Other current liabilities increased from € 6.1 million as of December 31, 2020 by € 1.9 million, or 31.1%, to € 8.0 million as of March 31, 2021, mainly due to increased provisions for sales bonuses and outstanding supplier invoices. Current financial liabilities decreased from € 2.5 million as of December 31, 2020 by € 0.9 million, or 36.0%, to € 1.6 million as of March 31, 2021, mainly due to reduced liabilities to the Company.

11.7.3.1.3 Equity

Total equity amounted to € 92.2 million as of March 31, 2021 (59.6% of total equity and liabilities), compared to € 85.4 million (60.4% of total equity and liabilities) as of December 31, 2020. The increase of € 6.8 million, or 8.0%, from December 31, 2020 to March 31, 2021 was primarily attributable to Cherry Holding Group's consolidated profit of € 5.7 million in the three-month period ending March 31, 2021, leading to an increase of net retained profit from € 40.1 million as of December 31, 2020 to € 45.8 million as of March 31, 2021.

11.7.3.2 Comparison as of December 31, 2020 and December 31, 2019

11.7.3.2.1 Assets

As of December 31, 2020, total assets amounted to € 141.5 million and comprised total non-current assets of € 79.1 million (55.9% of total assets) and total current assets of € 62.4 million (44.1% of total assets). In comparison, total assets amounted to € 125.4 million as of December 31, 2019, comprising total non-current assets of € 75.7 million (60.4% of total assets) and total current assets of € 49.7 million (39.6% of total assets). The increase of total assets as of December 31, 2020 when compared to total assets as of December 31, 2019 was mainly attributable to the increase in current assets.

Total non-current assets increased from € 75.7 million as of December 31, 2019 by € 3.4 million, or 4.5%, to € 79.1 million as of December 31, 2020. Intangible assets, comprising mostly goodwill, brand, customer list, internally generated industrial and similar rights and assets and industrial rights, licenses and patents, increased from € 42.6 million as of December 31, 2019 by € 1.1, or 2.6%, to € 43.7 million, primarily as a result of additions to internally generated industrial and similar rights and assets due to capitalized development expenditures in fiscal year 2020 (see "*11.8.4.1.2 Capital Expenditures in Fiscal Year 2020*"), which overcompensated regular amortization. Right-of-use assets increased from € 12.6 million as of December 31, 2019 by € 3.7 million, or

29.4%, to € 16.3 million as of December 31, 2020, mainly due to investments in the form of leases of office space, production sites and new machinery as described under "*11.8.4.1.2 Capital Expenditures in Fiscal Year* 2020").

Total current assets increased from € 49.7 million as of December 31, 2019 by € 12.7 million, or 25.6%, to € 62.4 million as of December 31, 2020, primarily due to an increase in cash and cash equivalents, which increased from € 15.6 million as of December 31, 2019 by € 6.4 million, or 41.0%, to € 22.0 million as of December 31, 2020, mainly as a result of less financing cash outflow in fiscal year 2020 when compared to fiscal year 2019 (see "*11.8.2.3.2 Comparison of Fiscal Years 2020 and 2019*"). In addition, inventories increased from € 22.2 million as of December 31, 2019 by € 5.1 million, or 23.0%, to € 27.3 million as of December 31, 2020, primarily driven by management decision to increase the inventory of raw materials, consumables and supplies in light of the Covid-19 pandemic and the build-up of inventories for the order of a large customer (see "*11.8.3 Trade Working Capital*"). In addition, inventories increased due to the Theobroma Acquisition. Other current assets remained mostly stable.

11.7.3.2.2 Liabilities

As of December 31, 2020, total (current and non-current) liabilities amounted to € 56.1 million and comprised total non-current liabilities of € 27.3 million (48.7% of total liabilities) and total current liabilities of € 28.8 million (51.3% of total liabilities). In comparison, total (current and non-current) liabilities amounted to € 56.9 million as of December 31, 2019, comprising total non-current liabilities of € 31.7 million (55.7% of total liabilities) and total current liabilities of € 25.1 million (44.1% of total liabilities).

Total non-current liabilities decreased from € 31.7 million as of December 31, 2019 by € 4.4 million, or 13.9%, to € 27.3 million as of December 31, 2020, mainly because of a decrease in non-current financial liabilities from € 12.3 million as of December 31, 2019 by € 6.9 million, or 56.1%, to € 5.4 million as of December 31, 2020. This decrease primarily resulted from the repayment of existing non-current financial liabilities in the course of the Cherry Acquisition, in which the Company also granted Cherry Holding GmbH a shareholder loan of € 5.4 million (see also "*11.9.1.3 Liabilities on a Consolidated Basis of Cherry Holding GmbH*"). This decrease was partially set-off by an increase in non-current lease liabilities, which increased from € 10.6 million as of December 31, 2019 by € 2.6 million, or 24.5%, to € 13.2 million as of December 31, 2020, primarily resulting from capital expenditures as described under "*11.8.4.1.2 Capital Expenditures in Fiscal Year 2020*") net of reductions due to lease payments, see further Note 4.3 to the Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH.

Total current liabilities increased from € 25.1 million as of December 31, 2019 by € 3.7 million, or 14.7%, to € 28.8 million as of December 31, 2020, mainly resulting from an increase in current financial liabilities and current lease liabilities. Current financial liabilities increased from nil as of December 31, 2019 to € 2.5 million as of December 31, 2020 due to liabilities acquired in the Theobroma Acquisition and included liabilities to the Company of € 0.9 million and other liabilities as described under "*11.9.1.3 Liabilities on a Consolidated Basis of Cherry Holding GmbH*". Current lease liabilities increased due to capital expenditures made in fiscal year 2020 (see "*11.8.4.1.2 Capital Expenditures in Fiscal Year 2020*"). Trade payables increased from € 13.6 million as of December 31, 2019 by € 0.9 million, or 6.6%, to € 14.5 million as of December 31, 2020, as discussed for the changes in trade working capital "*11.8.3 Trade Working Capital*". Current income tax liabilities decreased from € 3.9 million as of December 31, 2019 by € 2.0 million, or 51.3%, to € 1.9 million as of December 31, 2020.

11.7.3.2.3 Equity

Total equity amounted to € 85.4 million as of December 31, 2020 (60.4% of total equity and liabilities), compared to € 68.5 million (54.6% of total equity and liabilities) as of December 31, 2019. The increase of € 16.9 million, or 24.7%, from December 31, 2019 to December 31, 2020 was primarily attributable to Cherry Holding Group's consolidated profit of € 17.5 million in fiscal year 2020. Net retained profit as of December 31, 2020 included, among other items, consolidated profit of € 17.5 million for fiscal year 2020 as well as net retained profit of € 22.6 million from the previous year.

11.7.3.3 Comparison as of December 31, 2019 and December 31, 2018

Cherry Holding Group applied IFRS 16 for the first time from January 1, 2019. First time application affected the assets and liabilities of Cherry Holding Group as set out under "*11.2.2 New Accounting Standard Pronouncements*" above. Since Cherry Holding Group applied the "modified retrospective approach", there is limited comparability of the consolidated financial position of Cherry Holding GmbH as of December 31, 2018 and 2019.

11.7.3.3.1 Assets

As of December 31, 2019, total assets amounted to € 125.4 million and comprised total non-current assets of € 75.7 million (60.4% of total assets) and total current assets of € 49.7 million (39.6% of total assets). In comparison, total assets amounted to € 116.1 million as of December 31, 2018, comprising total non-current assets of € 61.5 million (53.0% of total assets) and total current assets of € 54.6 million (47.0% of total assets). The increase of total assets as of December 31, 2019 when compared to total assets as of December 31, 2018 was mainly attributable to the increase in non-current assets.

Total non-current assets increased from € 61.5 million as of December 31, 2018 by € 14.2 million, or 23.1%, to € 75.7 million as of December 31, 2019. This increase mainly resulted from the recognition of right-of-use assets amounting to € 12.6 million after first-time application of IFRS 16 as of January 1, 2019. In addition, intangible assets increased from € 41.3 million as of December 31, 2018 by € 1.3 million, or 3.1%, to € 42.6 million as of December 31, 2019, mainly resulting from additions to internally generated industrial and similar rights and assets in the form of capitalized development expenditures in the amount of € 3.1 million and other additions to intangible assets in fiscal year 2019 (see also "*11.8.4.1.3 Capital Expenditures in Fiscal Year 2019*"), which were partially offset by amortization, including of the customer base acquired in the Greendich Customers Acquisition recognized under customer list as part of intangible assets. The high level of intangible assets was mainly a result of purchase price allocation effects after the acquisition of Cherry Holding Group by GENUI in fiscal year 2016 (see "*13.6 History and Development of the Group*").

Total current assets decreased from € 54.6 million as of December 31, 2018 by € 4.9 million, or 9.0%, to € 49.7 million as of December 31, 2019. This decrease mainly resulted from a decrease in trade receivables from € 13.6 million as of December 31, 2018 by € 3.3 million, or 24.3%, to € 10.3 million as of December 31, 2019, as discussed for the changes in trade working capital (see "*11.8.3 Trade Working Capital*"). In particular, inventories remained largely stable, as a reduction of inventories acquired from Greendich in fiscal year 2018 in the context of the Greendich Customers Acquisition was offset by an increase in other inventories due to increased demand for Cherry Holding Group's products. Cash and cash equivalents decreased only slightly from € 16.0 million as of December 31, 2018 by € 0.4 million, or 2.5%, to € 15.6 million as of December 31, 2019, despite the repayment of bank loans (see "*11.9.1.3 Liabilities on a Consolidated Basis of Cherry Holding GmbH*").

11.7.3.3.2 Liabilities

As of December 31, 2019, total (current and non-current) liabilities amounted to € 56.9 million and comprised total non-current liabilities of € 31.7 million (55.7% of total liabilities) and total current liabilities of € 25.1 million (44.1% of total liabilities). In comparison, total (current and non-current) liabilities amounted to € 60.3 million as of December 31, 2018, comprising total non-current liabilities of € 28.5 million (47.3% of total liabilities) and total current liabilities of € 31.7 million (52.6% of total liabilities).

Total non-current liabilities increased from € 28.5 million as of December 31, 2018 by € 3.2 million, or 11.2%, to € 31.7 million as of December 31, 2019. This was mainly attributable to changes in financial liabilities and lease liabilities. Non-current financial liabilities decreased from € 19.9 million as of December 31, 2018 by € 7.6 million, or 38.2%, to € 12.3 million as of December 31, 2019, mainly due to repayment of the remaining outstanding amount of a bank loan, the long-term portion of which amounted to € 8.0 million. In addition, first time application of IFRS 16 as of January 1, 2019 led to the recognition of non-current lease liabilities in an amount of € 10.6 million as of December 31, 2019.

Total current liabilities decreased from € 31.7 million as of December 31, 2018 by € 6.6 million, or 20.8%, to € 25.1 million as of December 31, 2019. This decrease resulted from a reduction of current financial liabilities from € 3.7 million as of December 31, 2018 to nil as of December 31, 2019 due to the aforementioned repayment of the remaining outstanding amount of a bank loan. Trade payables decreased from € 17.1 million as of December 31, 2018 by € 3.5 million, or 20.5%, to € 13.6 million as of December 31, 2019, primarily due to payment for the inventories purchased in the context of the Greendich Customers Acquisition (see also "*11.8.3 Trade Working Capital*"). In addition, other current liabilities decreased from € 9.0 million as of December 31, 2018 by € 3.5 million, or 38.9%, to € 5.5 million as of December 31, 2019 mainly due to a decrease of personnel liabilities resulting from a payment of pensions. These decreases were partially offset by an increase in current income tax liabilities from € 1.6 million as of December 31, 2018 by € 2.3 million to € 3.9 million as of December 31, 2019. First time application of IFRS 16 resulted in a recognition of current lease liabilities in an amount of € 2.1 million as of December 31, 2019.

11.7.3.3.3 Equity

Total equity amounted to € 68.5 million as of December 31, 2019 (54.6% of total equity and liabilities), compared to € 55.9 million (48.1% of total equity and liabilities) as of December 31, 2018. The increase of € 12.6 million, or 22.5%, from December 31, 2018 to December 31, 2019 was primarily attributable to the Group's consolidated profit of € 12.5 million in fiscal year 2019 recognized in net retained profit as of December 31, 2019 as well as the contribution of Greendich's customer base of € 1.4 million to the capital reserves. Net retained profit as of December 31, 2019 included, among other items, consolidated profit for the fiscal year 2019 of € 12.5 million and net retained profit from the previous year of € 10.1 million.

11.8 Liquidity and Capitalization

11.8.1 Overview

During the periods under review, Cherry Holding Group's and Cherry Group's primary sources of liquidity for funding its operations, capital expenditures and trade working capital requirements were cash generated from operations and lines of credit. The Group may also, from time to time, seek other sources of funding, which may include debt or equity financing, depending on the Group's acquisition and investment strategy, its financing needs and market conditions. In addition, Cherry AG (at the time: Cherry AcquiCo GmbH) incurred liabilities in connection with the Cherry Acquisition. For information on Cherry Holding Group's and Cherry Group's financial liabilities, see "*11.9 Liabilities*".

11.8.2 Cash Flow

11.8.2.1 Overview

The following table provides an overview of the consolidated statements of cash flows for the fiscal years ended December 31, 2020, 2019 and 2018, as well as for the three-month periods ended March 31, 2021 and 2020:

	For the Fiscal Year ended December 31,			For the Three-Month Period ended March 31,			
	2020	2019	2018	2021	2020[1)]	2021	2020
	Cherry Holding Group			Cherry Group		Cherry Holding Group	
(in € thousand)	(audited)			(unaudited)		(unaudited)	
1. Cash flows from operating activities							
Profit/loss for the period (including minority interests)	17,537	12,515	9,293	2,356	0	5,689	2,805
Write-downs (+)/write-ups (-) of non-current assets	10,284	9,386	7,222	3,424	0	2,739	2,397
Increase (+)/decrease (-) in provisions	(3,737)	(788)	(1,402)	(172)	0	(142)	(2,478)
Other non-cash expenses (+)/income (-)	284	(331)	(915)	323	0	302	(147)
Gain (-)/loss (+) on disposals of non-current assets	21	6	(223)	0	0	0	1
Increase (-)/decrease (+) in inventories, trade receivables and other assets	(4,371)	3,628	(7,154)	(10,108)	0	(12,065)	2
Increase (+)/decrease (-) in trade payables and other liabilities	1,120	(7,060)	7,260	3,701	0	3,246	1,041
Interest expenses (+)/interest income (-)	695	1,062	900	3,627	0	117	153
Interest paid (-)	(303)	(447)	(745)	(2,920)	0	(89)	(57)
Interest received (+)	3	4	5	1	0	1	0
Tax expenses	6,750	4,789	3,531	699	0	1,992	1,016
Income taxes paid (+/-)	(5,501)	(1,417)	(2,062)	(1,310)	0	(1,310)	(200)
Cash flows from operating activities	**22,781**	**21,348**	**15,710**	**(379)**	0	**480**	**4,533**

(in € thousand)	For the Fiscal Year ended December 31,			For the Three-Month Period ended March 31,			
	2020	2019	2018	2021	2020[1)]	2021	2020
	Cherry Holding Group			Cherry Group		Cherry Holding Group	
	(audited)			(unaudited)		(unaudited)	
2. Cash flows from investing activities							
Cash received (+) from disposals of property, plant and equipment	1,538	1,719	934	4	0	4	649
Cash paid (-) for investments in property, plant and equipment	(4,872)	(6,947)	(5,939)	(1,811)	0	(1,811)	(891)
Cash received (+) from disposals of intangible assets	0	(6)	—	0	0	0	0
Cash paid (-) for investments in intangible assets	(2,878)	(3,383)	(290)	(872)	0	(872)	(622)
Cash paid (-) for investments in consolidated companies	(100)	—	—	(420)	0	(420)	0
Cash paid (-) for investments in non-consolidated subsidiaries	(31)	—	—	0	0	0	0
Cash flows from investing activities	**(6,343)**	**(8,617)**	**(5,295)**	**(3,099)**	0	**(3,099)**	**(864)**
3. Cash flows from financing activities							
Cash received (+) from equity contribution	0	0	1	0	0	0	0
Cash repayments (-) of other non-current financial liabilities	(2,446)	(1,594)	—	(901)	0	(901)	(624)
Cash repayments (-) of bonds and loans	(12,650)	(11,700)	(7,500)	(37)	0	(37)	0
Cash received (+) from the issuance of bonds and loans	5,938	—	—	0	0	0	0
Cash flows from financing activities	**(9,158)**	**(13,294)**	**(7,499)**	**(938)**	0	**(938)**	**(624)**
4. Cash and cash equivalents at the end of the period							
Change in cash and cash equivalents (subtotal of 1 to 3)	7,280	(563)	2,916	(4,416)	0	(3,557)	(3,045)
Changes in cash and cash equivalents due to exchange rates, changes in the basis of consolidation and valuation and valuation	(836)	146	(61)	416	0	416	123
Cash and cash equivalents at the beginning of the period	15,597	16,013	13,158	22,900	25	22,041	15,597
Cash and cash equivalents at the end of the period	22,041	15,597	16,013	18,900	25	18,900	18,765
Composition of cash and cash equivalents							
Cash	22,041	15,597	16,013	18,900	25	18,900	18,765
Cash and cash equivalents at the end of the period	**22,041**	**15,597**	**16,013**	**18,900**	25	**18,900**	**18,765**

1) Since the Company (at the time: Cherry AcquiCo GmbH) only became parent company of Cherry Group on September 30, 2020, the Unaudited Consolidated Interim Financial Statements of the Company do not contain comparable financial information for the three-

month period ended March 31, 2020 for the entire Cherry Group with the Company as parent company. See also "*11.2.1.3 Consequences for the Presentation of Financial Information*".

11.8.2.2 Discussion of the Consolidated Statement of Cash Flows of the Company for the Three-Month Period ended March 31, 2021

The following section discusses the consolidated statement of cash flows of the Company for the three-month period ended March 31, 2021.

In the three-month period ended March 31, 2021, cash flows from operating activities amounted to a cash outflow of € 0.4 million, including cash outflows for interest paid of € 2.9 million.

Cash flows from investing activities in the three-month period ended March 31, 2021 amounted to a cash outflow of € 3.1 million, including cash paid for investments in consolidated companies of € 0.4 million for the purchase price of the acquisition of Theobroma in fiscal year 2020.

In the three-month period ended March 31, 2021, cash flows from financing activities amounted to a cash outflow of € 0.9 million.

With this development of consolidated cash flows in the three-month period ended March 31, 2021, cash and cash equivalents at the end of the period amounted to € 18.9 million. Cash and cash equivalents were predominantly held in euro.

Free Cash Flow amounted to a cash outflow of € 3.5 million in the three-month period ended March 31, 2021.

11.8.2.3 Discussion of the Consolidated Statements of Cash Flows of Cherry Holding GmbH

The following sections discuss the consolidated statements of cash flows of Cherry Holding GmbH for the fiscal years ended December 31, 2020, 2019 and 2018, as well as for the three-month periods ended March 31, 2021 and 2020.

11.8.2.3.1 Comparison of the Three-Month Periods Ended March 31, 2021 and 2020

In the three-month period ended March 31, 2021, cash flows from operating activities amounted to a cash inflow of € 0.5 million, compared to a cash inflow of € 4.5 million in the three-month period ended March 31, 2020. Higher cash inflows due to increased profit for the period (including minority interests) of € 5.7 million in the three-month period ended March 31, 2021, compared to € 2.8 million in the three-month period ended March 31, 2020, were offset by higher increases in inventories, trade receivables and other assets, which changed from a net cash inflow of € 0.0 million in the three-month period ended March 31, 2020 to a net cash outflow of € 12.1 million in the three-month period ended March 31, 2021 (see also "*11.8.3 Trade Working Capital*"), partially offset by cash inflows for increases in trade payables and other liabilities, which amounted to € 3.2 million in the three-month period ended March 31, 2021, compared to € 1.0 million in the three-month period ended March 31, 2020. Changes in tax expenses and income taxes paid over the period ended March 31, 2020 and 2021 largely offset each other.

Cash flows from investing activities in the three-month period ended March 31, 2021 amounted to a cash outflow of € 3.1 million, compared to a cash outflow of € 0.9 million in the three-month period ended March 31, 2020, primarily due to higher cash paid for investments in property, plant and equipment, which amounted to € 1.8 million in the three-month period ended March 31, 2021 and included cash payments for machinery and toolings as well as prepayments for machinery, compared to € 0.9 million in the three-month period ended March 31, 2020. In addition, cash flows from investing activities in the three-month period ended March 31, 2021 included cash paid for investments in consolidated companies of € 0.4 million for the purchase price for the acquisition of Theobroma in fiscal year 2020.

In the three-month period ended March 31, 2021, cash flows from financing activities amounted to a cash outflow of € 0.9 million, compared to a cash outflow of € 0.6 million in the three-month period ended March 31, 2020, primarily due to payment of lease liabilities.

With this development of consolidated cash flows in the three-month period ended March 31, 2021, cash and cash equivalents at the end of the period amounted to € 18.9 million. Cash and cash equivalents were predominantly held in euro.

Free Cash Flow changed from a cash inflow of € 3.7 million in the three-month period ended March 31, 2020 to a cash outflow of € 2.6 million in the three-month period ended March 31, 2021.

11.8.2.3.2 Comparison of Fiscal Years 2020 and 2019

In fiscal year 2020, cash flows from operating activities amounted to a cash inflow of € 22.8 million, compared to a cash inflow of € 21.3 million in fiscal year 2019. This increase mainly resulted from an increase in profit for the period (including minority interests) from € 12.5 million in fiscal year 2019 to € 17.5 million in fiscal year 2020 and changes in inventories, trade receivables and trade payables (see also "*11.8.3 Trade Working Capital*"), which was partially offset by higher cash outflows for income taxes paid of € 5.5 million in fiscal year 2020, compared to € 1.4 million in fiscal year 2019.

Cash flows from investing activities in fiscal year 2020 amounted to a cash outflow of € 6.3 million, compared to a cash outflow of € 8.6 million in fiscal year 2019. This decrease of € 2.3 million mainly resulted from a reduction of cash paid for investments in property, plant and equipment from € 6.9 million in fiscal year 2019 by € 2.0 million to € 4.9 million in fiscal year 2020, as cash outflows in fiscal year 2019 had included cash outflows in relation to the construction of the new manufacturing facilities and headquarters in Auerbach, Germany.

In fiscal year 2020, cash flows from financing activities amounted to a cash outflow of € 9.2 million, compared to a cash outflow of € 13.3 million in fiscal year 2019. As the full outstanding loan amount to a bank was repaid in total shortly before the Cherry Acquisition, there was in total a cash outflow from cash repayments of bonds and loans of € 12.7 million (incl. repayment of loans at Theobroma) in fiscal year 2020 compared to a cash outflow of € 11.7 million in fiscal year 2019, cash received from the issuance of bonds and loans of € 5.9 million (primarily from the Company in an amount of € 5.4 million) in fiscal year 2020 (fiscal year 2019: nil) primarily related to the granting of a shareholder loan by the Company (see also "*11.9.1.3 Liabilities on a Consolidated Basis of Cherry Holding GmbH*"). Additional cash outflows related to the principal portion of lease payments of € 2.4 million in fiscal year 2020, compared to € 1.6 million in fiscal year 2019.

With this development of consolidated cash flows in fiscal year 2020, cash and cash equivalents at the end of the period amounted to € 22.0 million. Cash and cash equivalents were predominantly held in euro.

Free Cash Flow increased from € 12.7 million in fiscal year 2019 to € 16.4 million in fiscal year 2020. This resulted in a Cash Conversion Rate of 93.7% in fiscal year 2020 (fiscal year 2019: 101.7%).

11.8.2.3.3 Comparison of Fiscal Years 2019 and 2018

In fiscal year 2019, cash flows from operating activities amounted to a cash inflow of € 21.3 million, compared to a cash inflow of € 15.7 million in fiscal year 2018. This € 5.6 million increase in cash inflow mainly resulted from an increased profit for the period (including minority interests) from € 9.3 million in fiscal year 2018 to €12.5 million in fiscal year 2019 and a positive effect from changes in operating working capital, which changed from a cash outflow in fiscal year 2018 to a cash inflow in fiscal year 2019.

Cash flows from investing activities amounted to a cash outflow of € 8.6 million in fiscal year 2019, compared to a cash outflow of € 5.3 million in fiscal year 2018. This € 3.3 million increase in cash outflow from fiscal year 2018 to fiscal year 2019 was primarily attributable to cash paid for investments in intangible assets in an amount of € 3.4 million, mainly comprising cash flows relating to capitalized development expenditures. In addition, cash paid for investments in property, plant and equipment increased from € 5.9 million in fiscal year 2018 by € 1.0 million, or 16.9%, to € 6.9 million in fiscal year 2019, mainly due to cash outflows for capital expenditures in relation to the construction of the new manufacturing facilities and headquarters in Auerbach, Germany, capacity increases, tooling and maintenance. In addition, cash received from disposals of property, plant and equipment increased from € 0.9 million in fiscal year 2018 by € 0.8 million to € 1.7 million in fiscal year 2019, mainly due to a sale-and-lease-back transaction for a punching machine and an automated small parts warehouse.

In fiscal year 2019, cash flows from financing activities amounted to a cash outflow of € 13.3 million, compared to a cash outflow of € 7.5 million in fiscal year 2018. These cash outflows primarily resulted from increased cash repayments of bonds and loans for the repayment of a bank loan in the amount of € 11.7 million in fiscal year 2019, compared to € 7.5 million in fiscal year 2018. Additional cash outflows in fiscal year 2019 of € 1.6 million in cash repayments of other non-current financial liabilities mainly resulted from lease payments after first-time application of IFRS 16 (see "*11.2.2 New Accounting Standard Pronouncements*").

With this development of consolidated cash flows in fiscal year 2019, cash and cash equivalents at the end of the period amounted to € 15.6 million. Cash and cash equivalents were predominantly held in euro.

Free Cash Flow increased from € 10.4 million in fiscal year 2018 to € 12.7 million in fiscal year 2019. Cash Conversion Rate was 101.7% in fiscal year 2019 (fiscal year 2018: 112.1%).

11.8.3 Trade Working Capital

The development of Cherry Holding Group's and Cherry Group's trade working capital is a key factor for cash flows from operating activities. Cherry Group and Cherry Holding Group define trade working capital as the sum of inventories and trade receivables less trade payables.

On an ongoing basis, Cherry Group takes steps to reduce its trade working capital, although developments outside the Group's control may prevent it from realizing this goal in a given period. The Group actively manages its trade working capital and aims to keep it efficient, in particular by actively managing its inventories.

The following table presents trade working capital as of December 31, 2020, 2019 and 2018, as well as of March 31, 2021:

	As of December 31,				As of March 31,	
	2020		2019	2018	2021	
	Cherry Group	Cherry Holding Group			Cherry Group	Cherry Holding Group
(in € thousands, unless otherwise indicated)	**(audited, unless otherwise indicated)**	**(audited, unless otherwise indicated)**			**(unaudited)**	**(unaudited)**
Inventories	27,265	27,265	22,159	22,709	30,097	30,097
+ Trade receivables	10,887	10,887	10,287	13,593	18,624	18,624
+ Trade payables	(14,499)	(14,473)	(13,564)	(17,124)	(16,572)	(16,500)
Trade working capital	**23,653***	**23,679***	**18,882***	**19,178***	**32,149**	**32,221**
as a percentage of revenue	—1)	*18.2%**	*16.5%**	*19.2%**	—	—

* Unaudited.

1) The Audited Consolidated Financial Statements of the Company do not contain revenue covering the entire Cherry Group for the whole fiscal year 2020.

Since the differences between trade working capital of Cherry Group and of Cherry Holding Group as of March 31, 2021 and as of December 31, 2020 are not material, this section discusses the development of trade working capital on a consolidated basis of Cherry Holding GmbH.

In the three-month period ended March 31, 2021, trade working capital increased from € 23.7 million as of December 31, 2020 by € 8.5 million, or 35.9%, to € 32.2 million as of March 31, 2021. Inventories increased from € 27.3 million as of December 31, 2020 by € 2.8 million, or 10.3%, to € 30.1 million as of March 31, 2021, primarily due to increased stock to secure the supply chain during the Covid-19 pandemic. Trade receivables increased from € 10.9 million as of December 31, 2020 by € 7.7 million, or 70.6%, to € 18.6 million as of March 31, 2021, mainly due to higher sales. Trade payables increased from € 14.5 million as of December 31, 2020 by € 2.0 million, or 13.8%, to € 16.5 million as of March 31, 2021, primarily due to increased stock.

In fiscal year 2020, trade working capital increased from € 18.9 million as of December 31, 2019 by € 4.8 million, or 25.4%, to € 23.7 million as of December 31, 2020. This was primarily a result of an increase in inventories, particularly raw materials, consumables and supplies, which increased from € 5.9 million as of December 31, 2019 by € 3.8 million, or 64.4%, to € 9.7 million as of December 31, 2020 due to the decision to increase raw materials, consumables and supplies mainly as a cushion to potential supply chain disruptions prompted by the Covid-19 pandemic and countermeasures imposed by governments and other public authorities to ensure fulfilment of orders. Merchandise increased from € 7.8 million as of December 31, 2019 by € 2.0 million, or 25.6%, to € 9.8

million, mainly due to a large volume order and production of office peripherals to secure the supply chain considering the Covid-19 pandemic. Trade receivables increased from € 10.3 million as of December 31, 2019 by € 0.6 million, or 5.8%, to € 10.9 million as of December 31, 2020 due to increased sales volume. Trade payables increased from € 13.6 million as of December 31, 2019 by € 0.9 million, or 6.6%, to € 14.5 million as of December 31, 2020 due to purchase price liabilities to the shareholders of Theobroma incurred as a result of the Theobroma Acquisition.

In fiscal year 2019, trade working capital decreased slightly from € 19.2 million as of December 31, 2018 by € 0.3 million, or 1.6%, to € 18.9 million as of December 31, 2019. Inventories remained virtually stable but came from a high level as of December 31, 2018, which included merchandise in an amount of € 13.1 million, a part of which was acquired together with the customer base of the former distributor Greendich in the context of the Greendich Customers Acquisition. Merchandise was significantly reduced from € 13.1 million as of December 31, 2018 by € 5.3 million, or 40.5%, to € 7.8 million as of December 31, 2019 due to reclassification into finished products. Consequently, finished products increased from € 2.5 million as of December 31, 2018 by € 4.9 million to € 7.4 million as of December 31, 2019. Further, Greendich had repurchased parts of inventories in December 2018 to secure deliveries during a transition period after the Greendich Customers Acquisition, which had contributed to a high level of trade receivables as of December 31, 2018. Trade payables decreased from € 17.1 million as of December 31, 2018 by € 3.5 million, or 20.5%, to € 13.6 million as of December 31, 2019, mainly due to payment for the inventories purchased from Greendich.

11.8.4 Capital Expenditures

Cherry Group's and Cherry Holding Group's capital expenditures reflect (i) capital expenditures used to acquire, upgrade, and maintain physical assets such as property, plant, and equipment, as well as intangible assets such as software or licenses, including capitalized development expenditures, (ii) capital expenditures in the form of leases and (iii) other investments in the form of mergers & acquisitions.

Capital expenditures shown in this section are not identical with cash flows from investing activities as described above under "*11.8.2 Cash Flow*", mainly as the latter excludes non-cash elements.

11.8.4.1 Past Capital Expenditures

The following tables provides an overview of capital expenditures for the fiscal years ended December 31, 2020, 2019 and 2018 as well as for the three-month period ended March 31, 2021:

	For the Fiscal Year ended December 31,			**For the Three-Month Period ended March 31,**	
	2020	**2019**	**2018**	**2021**	
	Cherry Holding Group			**Cherry Group**	**Cherry Holding Group**
(in € thousand)	**(audited, unless otherwise indicated)**			**(unaudited)**	**(unaudited)**
Investments in / Additions to property, plant and equipment	**4,872**	**6,947**	**5,939**	**1,811**	**1,811**
thereof: Land, land rights and buildings, including buildings on third-party land	*331*	*1*	*0*	*81*	*81*
Plant and machinery	*2,207*	*888*	*4,592*	*237*	*237*
Other equipment, furniture and fixtures	*792*	*1,243*	*282*	*224*	*224*
Prepayments and assets under construction	*1,542*	*4,816*	*1,064*	*1,269*	*1,269*
Additions to intangible assets	**2,878**	**3,383**	**1,687**	**872**	**872**
therein: (Development cost and) Internally generated industrial and similar rights and assets (capitalized development expenditures)	*2,735*	*3,068*	*—*	*828*	*828*

(in € thousand)	For the Fiscal Year ended December 31, 2020	2019	2018	For the Three-Month Period ended March 31, 2021	
	Cherry Holding Group			Cherry Group	Cherry Holding Group
	(audited, unless otherwise indicated)			(unaudited)	(unaudited)
Capital expenditures (excl. lease capital expenditures)[1]	**7,750***	**10,329***	**7,626***	**2,683**	**2,683**
Additions to right-of-use assets (lease capital expenditures)	**5,616**	**14,330**	—[3]	**3,424**	**3,424**
therein: ROU for buildings	*806*	*10,266*	—[3]	*93*	*93*
ROU for machinery	*2,790*	*2,491*	—[3]	*3,331*	*3,331*
ROU for tools	*1,814*	*738*	—[3]	*0*	*0*
ROU for vehicles	*179*	*490*	—[3]	*0*	*0*
Total capital expenditures[2]	**13,366***	**24,659***	**7,626***	**6,107**	**6,107**

* Unaudited.

1) Calculated as additions to property, plant and equipment plus additions to intangible assets.

2) Calculated as capital expenditures (excl. lease capital expenditures) plus additions to right-of-use assets (lease capital expenditures).

3) Cherry Holding Group applied IFRS 16 for the first time as of January 1, 2019, see "*11.2.2 New Accounting Standard Pronouncements*".

In the periods under review and until the date of the Prospectus, the main areas for capital expenditures were related to the development and production of new products, including our CHERRY VIOLA and CHERRY MX Ultra Low Profile key switches, as well as eHealth solutions and regular maintenance. On a geographical basis, our capital expenditures are predominantly made in Germany for our headquarters and production site in Auerbach, Germany.

In the period from March 31, 2021 until the date of the Prospectus, in May 2021, we acquired the business of Active Key, Pegnitz, Germany for a purchase price of € 6.3 million (see "*22.1 Recent Developments*"). The investment was financed from available liquidity. Other than that, there have been no material capital expenditures projects undertaken during this period.

In the periods under review, capital expenditures have been funded with cash flows from operating activities and partially paid for by customers. In addition, capital expenditures have been made through leases.

11.8.4.1.1 Capital Expenditures in the Three-Month Period ended March 31, 2021

Since there are no material differences between investments on a consolidated basis of the Company and Cherry Holding GmbH in the three-month period ended March 31, 2021, the following section only discusses capital expenditures of Cherry Holding Group.

In the three-month period ended March 31, 2021, capital expenditures (excl. lease capital expenditures) of Cherry Holding Group amounted to € 2.7 million. These capital expenditures mainly related to machinery and toolings. Capital expenditures in the three-month period ended March 31, 2021 also included € 0.8 million in capitalized development expenditures.

Further, lease capital expenditures of Cherry Holding Group in the three-month period ended March 31, 2021 amounted to € 3.4 million. Thereof, ROU for machinery amounted to € 3.3 million and was mainly spent on machinery for production of the CHERRY Ultra Low Profile key switch.

11.8.4.1.2 Capital Expenditures in Fiscal Year 2020

In fiscal year 2020, total capital expenditures amounted to € 13.4 million.

In fiscal year 2020, capital expenditures (excl. lease capital expenditures) of Cherry Holding Group amounted to € 7.8 million. These capital expenditures mainly related to increases of production capacity and tooling for the manufacturing facilities at our headquarters in Auerbach, Germany but also at suppliers for the development and production of our CHERRY VIOLA key switch, the CHERRY MX Ultra Low Profile key switch and eHealth products, all spent in our Germany operations. Capital expenditures (excl. lease capital expenditures) of Cherry Holding Group in fiscal year 2020 also included € 2.7 million in capitalized development expenditures.

Further, lease capital expenditures of Cherry Holding Group in fiscal year 2020 amounted to € 5.6 million. Thereof, ROU for machinery amounted to € 2.8 million and ROU for tools in an amounted to € 1.8 million in fiscal year 2020, mainly relating to capacity expansions and tooling for the above-mentioned projects. ROU for buildings in fiscal year 2020 included the prolongation of the lease of our production sites in Zhuhai, China.

In addition, investments in fiscal year 2020 also related to the Theobroma Acquisition (see "*11.3.2 Acquisition of Theobroma*").

11.8.4.1.3 Capital Expenditures in Fiscal Year 2019

In fiscal year 2019, total capital expenditures of Cherry Holding Group amounted to € 24.7 million.

In fiscal year 2019, capital expenditures (excluding lease capital expenditures) of Cherry Holding Group amounted to € 10.3 million. These capital expenditures mainly related to constructions of our new manufacturing facilities and headquarters in Auerbach, Germany, increases of production capacity and tooling mainly at our production facilities in Auerbach, Germany but also at suppliers for the development and production of our CHERRY VIOLA key switch, the CHERRY MX Ultra Low Profile key switch, the CHERRY MX Low Profile key switch, including an RGB variant, and eHealth and security solutions, including terminals for the German telematics infrastructure and a secure keyboard. Other capital expenditures related to development of new products, tooling and testing equipment for Gaming Peripherals at our facilities in Zhuhai City, China. In addition, capital expenditures were made for regular maintenance and into our quality department. Capital expenditures (excluding lease capital expenditures) in fiscal year 2019 also included € 3.1 million in capitalized development expenditures recognized as additions to internally generated industrial and similar rights and assets related to R&D projects after management decision taken to capitalize such costs starting from January 1, 2019 to account for the higher number of large projects when compared to prior projects. Such capitalized development expenditures related mostly to R&D projects for the CHERRY MX Ultra Low Profile key switch and eHealth solutions for the German telematics infrastructure. Related capital expenditures were spent in Germany.

Further, lease capital expenditures of Cherry Holding Group in fiscal year 2019 amounted to € 14.3 million. Thereof, € 10.3 million related to ROU for buildings, mostly relating to the lease of the new headquarters in Auerbach, Germany in fiscal year 2019, to which we relocated on October 1, 2019. Further lease capital expenditures of Cherry Holding Group related to ROU for machinery of € 2.5 million and ROU for tools of € 0.7 million in fiscal year 2019, mainly relating to capacity expansions and tooling for the above mentioned projects and new equipment for the new headquarters in Auerbach, Germany.

11.8.4.1.4 Capital Expenditures in Fiscal Year 2018

In fiscal year 2018, total capital expenditures of Cherry Holding Group amounted to € 7.6 million. These capital expenditures mainly related to increases of production capacity and tooling mainly at the production facilities in Auerbach, Germany but also at suppliers for the development and production of the CHERRY VIOLA key switch, the CHERRY MX Ultra Low Profile key switch and the CHERRY MX Low Profile key switch. In addition, a significant share of capital expenditures for the production facilities in Auerbach, Germany, related to maintenance (replacement tools) for the CHERRY MX original switches production as well as the CHERRY MX Low Profile, MX Ultra Low Profile and CHERRY VIOLA production. Other capital expenditures related to development of new products, tooling and testing equipment for Gaming Peripherals at the facilities in Zhuhai City, China.

Capital expenditures of Cherry Holding Group in fiscal year 2018 also included the recognition of the customer base of Greendich recognized under customer list as part of intangible assets in an amount of € 1.4 million, which was contributed into Cherry Holding GmbH and then transferred to the Hong Kong subsidiary (see "*11.3.1 Acquisition of Greendich Customers*").

11.8.4.2 Ongoing and Planned Capital Expenditures

During fiscal year 2021, we will continue our capital expenditures started in the three-month period ended March 31, 2021 and earlier. We have budgeted annual capital expenditures, including lease capital expenditures, over the short-term of between € 20.0 million and € 22.0 million. Under our internal decision making policies, each material individual capital expenditures project is resolved on separately. As of the date of the Prospectus, there are no material ongoing capital expenditures projects and no firm decisions have been taken on planned projects that are material. Expected investments mainly relate to capacity increases and tooling for new variants of the products of our Gaming Switches business unit with a focus on the CHERRY MX Ultra Low Profile key switch as well as regular maintenance (replacement tooling) for our gaming switches production at our manufacturing facilities in Auerbach, Germany. In addition, we plan to invest in the development of new products, production equipment and tooling for our Gaming Peripherals business unit in Zhuhai City, China and for our Healthcare & Security Peripherals business units in Germany. In addition, we plan capital expenditures for regular maintenance.

Capital expenditures for all ongoing and planned capital expenditures have been funded or are intended to be funded from cash flows from operating activities, paid for by customers or made in the form of leases, or funded from existing liquidity.

11.9 Liabilities

11.9.1 Financial Liabilities and Other Financial Liabilities

11.9.1.1 Overview

The following table presents an overview of financial liabilities, lease liabilities and other financial liabilities as of December 31, 2020, 2019, 2018, as well as of March 31, 2021:

	As of December 31,				As of March 31,	
	2020		2019	2018	2021	
	Cherry Group	Cherry Holding Group			Cherry Group	Cherry Holding Group
(in € thousands)	(audited, unless otherwise indicated)	(audited, unless otherwise indicated)			(unaudited)	(unaudited)
Financial liabilities (current)						
Financial liabilities	6,072	2,501	—	3,749	4,622	1,622
Lease liabilities	3,334	3,334	2,101	—[1]	3,924	3,924
Other financial liabilities	4,085	3,296	2,646	2,893	4,095	3,518
Total financial liabilities (current)	**13,491***	**9,131***	**4,747***	**6,642***	**12,641**	**9,064**
Financial liabilities (non-current)						
Financial liabilities	74,748	5,400	12,294	19,850	76,811	5,400
Lease liabilities	13,208	13,208	10,637	—[1]	15,250	15,250
Total financial liabilities (non-current)	**87,956**	**18,608**	**22,931**	**19,850***	**92,061**	**20,650**

* Unaudited.

1) Cherry Group applied IFRS 16 for the first time as of January 1, 2019, see "*11.2.2 New Accounting Standard Pronouncements*".

11.9.1.2 Liabilities on a Consolidated Basis of the Company

The following section discusses the financial liabilities and other financial liabilities of Cherry Group based on the Audited Consolidated Financial Statements of the Company and the Unaudited Condensed Interim Consolidated Financial Statements of the Company.

As of March 31, 2021, non-current financial liabilities included the purchase price loan drawn under the Senior Facilities Agreement (see "*13.18.1 Senior Facilities Agreement and Intercreditor Agreement*") by the Company in the amount of € 73.1 million and the fair value of related embedded derivatives in the amount of € 3.7 million. Current financial liabilities included the short-term portion of the aforementioned term loan of the Company in the amount of € 3.0 million as well as short-term loans of foreign subsidiaries in the amount of € 1.6 million, including the Covid-19 government loan mentioned under "*11.9.1.3 Liabilities on a Consolidated Basis of Cherry Holding GmbH*" below. In June 2021, this government loan was converted to a non-repayable subsidy.

Current other financial liabilities as of March 31, 2020 primarily arose from obligations for outstanding invoices and advertising allowances, including customer bonuses.

Total current and non-current lease liabilities amounted to € 19.2 million as of March 31, 2021.

As of March 31, 2021, Net Debt on a consolidated basis of the Company amounted to € 82.6 million (see "*4.9.3.2 APMs of Cherry Group*").

As of December 31, 2020, non-current financial liabilities included the purchase price loan drawn under the Senior Facilities Agreement (see "*13.18.1 Senior Facilities Agreement and Intercreditor Agreement*") by the Company in the amount of € 72.9 million and to the fair value of embedded derivatives in the amount of € 1.8 million. Current financial liabilities included the short-term portion of the aforementioned term loan of the Company in the amount of € 4.4 million as of December 31, 2020. Furthermore, as of December 31, 2020 current financial liabilities included the liabilities incurred by subsidiaries of the Company (other than the long-term loan granted by the Company to Cherry Holding GmbH) as set out under "*11.9.1.3 Liabilities on a Consolidated Basis of Cherry Holding GmbH*" below.

Current other financial liabilities as of December 31, 2020 primarily arose from obligations for outstanding invoices and advertising allowances, including customer bonuses, for more information, see Note 5.5 to the Audited Consolidated Financial Statements of the Company.

For lease liabilities as of December 31, 2020 and 2019, see Note 4.3 to the Audited Consolidated Financial Statements of the Company.

As of December 31, 2020, Net Debt on a consolidated basis of the Company amounted to € 75.5 million (see "*4.9.3.2 APMs of Cherry Group*").

11.9.1.3 Liabilities on a Consolidated Basis of Cherry Holding GmbH

The following section discusses the financial liabilities and other financial liabilities of Cherry Holding Group based on the Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH, the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH and the Unaudited Condensed Interim Consolidated Financial Statements of Cherry Holding GmbH.

As of March 31, 2021 non-current financial liabilities included a loan granted by the Company to Cherry Holding GmbH in the amount of € 5.4 million. Current financial liabilities as of March 31, 2021 included loans of foreign subsidiaries in the amount of € 1.6 million, including the Covid-19 government loan mentioned below. In June 2021, this government loan was converted to a non-repayable subsidy.

Current other financial liabilities as of March 31, 2020 primarily arose from obligations for outstanding invoices and advertising allowances, including customer bonuses.

Total current and non-current lease liabilities amounted to € 19.2 million as of March 31, 2021.

As of March 31, 2021, Net Debt on a consolidated basis of Cherry Holding GmbH amounted to € 2.8 million (see "*4.9.3.1 APMs of Cherry Holding Group*").

As of December 31, 2020, non-current financial liabilities included a loan granted by the Company (at the time: Cherry AcquiCo GmbH) to Cherry Holding GmbH in the amount of € 5.4 million. Furthermore, Cherry Holding GmbH had liabilities of € 0.9 million recognized in current financial liabilities owed to Cherry AcquiCo GmbH resulting from bank balances held by Cherry Holding GmbH for Cherry AcquiCo GmbH. In addition, as of December 31, 2020, a foreign subsidiary had a short-term bank loan outstanding in the amount of € 1.2 million, and a Covid-19 government loan in the United States amounted to € 0.4 million, each recognized in current financial liabilities. As of December 31, 2019, Cherry Holding Group's current and non-current financial liabilities had solely related to loans drawn under a bank loan dated October 11, 2016, which had been partially repaid in fiscal year 2019. This loan was completely paid back as of September 30, 2020 in connection with the Cherry Acquisition.

Current other financial liabilities as of December 31, 2020, 2019 and 2018 primarily arose from obligations for outstanding invoices and advertising allowances, including customer bonuses, for more information, see Note 5.5

to the Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH and Note 4.5 to the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH.

For lease liabilities as of December 31, 2020 and 2019, see Note 4.3 to the Audited Consolidated Financial Statements 2020 and Note 3.3 to the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH. Due to first-time application of IFRS 16, no lease liabilities were recognized on a consolidated basis of Cherry Holding GmbH as of December 31, 2018.

As of December 31, 2020, Cherry Holding GmbH had a Net Cash position of € 2.9 million on a consolidated basis (see "*4.9.3.1 APMs of Cherry Holding Group*").

11.9.2 Other Material Financial Obligations

11.9.2.1 Pension and Similar Employee Benefit Obligations

Cherry Group provides pension schemes to its employees, including deferred compensation for senior executives and the defined benefit plans for employees who wish to top up their post-retirement benefits by contributing part of their remuneration. Pension provisions are recognized for defined benefit obligations for current and former employees and their surviving dependents in Germany. The obligations are calculated using the projected unit credit method. In line with the pension commitment made, benefits are paid upon regular retirement, early retirement or death. Under deferred compensation arrangements, senior executives defer part of their incentive payments and convert them into pension capital, payable at the earliest from the age of 62. A defined benefit plan is only in use as an occupational pension arrangement (ZF pension) at the German subsidiary Cherry Europe GmbH.

At a German subsidiary, direct insurance policies and the metal pension fund are offered as additional occupational pension arrangements. The monthly benefits paid by the employer specified in the collective agreement of € 26.59 per employee are also invested in this context. Other occupational pension arrangements are the direct insurance policy and pension fund options. In this case, there are contracts under which either the employer or the employee make contributions. Furthermore, the statutory pension insurance in Germany and Austria are considered as defined contribution plan.

Two employees in the UK are insured through the statutory pension insurance scheme. One employee is insured through the existing group agreement for occupational pensions. The employer and employee make monthly contributions under this agreement. There is a pension scheme for employees in place at the US subsidiary in the form of a 401k retirement plan.

The following table provides an overview of pension provisions recognized in the consolidated statements of financial position as of December 31, 2020, 2019 and 2018:

	As of December 31,			
	2020		2019	2018
	Cherry Group	Cherry Holding Group		
(in € thousands)	**(audited, unless otherwise indicated)**	**(audited, unless otherwise indicated)**		
Present value of the pension commitments financed by provisions	994	994	1,051	1,023
Present value of the funded pension commitments	0	0	0	—
Fair value of plan assets	0	0	0	—
Pension provisions	**994**	**994**	**1,051**	**1,023**

As of March 31, 2021, pension provisions amounted to € 0.9 million on a consolidated basis of the Company.

For further information on pension and similar employee benefit obligations and their development, see Note 5.2 to the Audited Consolidated Financial Statements of the Company, Note 5.2 to the Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH and Note 4.2 to the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH.

11.9.2.2 Contingent Liabilities and Similar Commitments

The following table shows payment obligations under operating leases as of December 31, 2020, 2019 and 2018:

	As of December 31,			
	2020		2019	2018
	Cherry Group	Cherry Holding Group		
(in € thousands)	(audited, unless otherwise indicated)	(audited, unless otherwise indicated)		
Obligations under operating leases				
Up to 1 year	—	—	31	1,739
1 and 5 years	—	—	0	6,361
More than 5 years	—	—	0	6,826
Total	—	—	**31***	**14,926***

* Unaudited.

Obligations under operating leases primarily related to rent for offices, lease agreements and leases of vehicles, office equipment and machinery. The decrease in obligations under operating leases after December 31, 2018 is a result of the application of IFRS 16 (see "*11.2.2 New Accounting Standard Pronouncements*"). Due to the application if IFRS 16, there were no off-balance sheet obligations under operating leases as of December 31, 2020 and as of March 31, 2021 on a consolidated basis of Cherry Holding GmbH and of the Company.

As of December 31, 2020 and as of March 31, 2021, Cherry Group and Cherry Holding Group had no contingent liabilities and guarantee commitments.

11.10 Capital Management; Disclosure about Market and Other Financial Risks; Financial Instruments

The Group determines its capital requirements in relation to its risk exposure. It manages its capital structure and will adjust it, if necessary, considering changes in the economic environment. This includes managing the Group's equity and non-current financial liabilities. The primary objective of the Group's capital management is to reduce its finance charges by maintaining a strong credit rating and healthy equity ratio and to ensure financial stability and a high cash conversion ratio. Group equity is monitored centrally by the Group's management. The agreements with lenders existing as of December 31, 2020 include agreements stipulating compliance with certain financial covenants. The Group complied with these covenants.

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

For a detailed description of quantitative and qualitative disclosure on selected risks, see Note 8.2 to the Audited Consolidated Financial Statements of the Company and Note 8.2 to the Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH.

11.11 Significant Accounting Estimates and Assumptions

See Notes 1.5 and 1.6 to the Audited Consolidated Financial Statements of the Company and Note 1.5 and 1.6 to the Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH for a description of significant accounting estimates and assumptions and significant accounting policies.

11.12 Information from the Audited Unconsolidated Annual Financial Statements

The Audited Unconsolidated Annual Financial Statements of the Company were prepared in accordance with the requirements of German commercial law applicable to business corporations (German GAAP) and contain a balance sheet, an income statement, and notes thereto. Until April 2020, the Company was a dormant company and, until the Cherry Acquisition in September 2020 (see "*11.2.1.1 Acquisition of Cherry Holding GmbH by the Company*"), had no material assets or liabilities and did not have any business operations. Therefore, the Company's unconsolidated financial statements for the fiscal year ended December 31, 2020 have only limited information value.

In fiscal year 2020, the Company recorded a net loss for the year of € 3,934.5 thousand (fiscal year 2019: € 0.4 thousand), mainly due to other operating expenses of € 2,150.7 thousand (fiscal year 2019: € 0.4 thousand) in the form of expenses for services procured in connection with the Cherry Acquisition and corresponding fees for legal advisors, auditors and other advisors as well as and general administrative expenses related to the procurement of services such as accounting and the auditing of the unconsolidated financial statements. Interest and similar expenses amounted to € 1,815.7 thousand (fiscal year 2019: € 0), relating to interest provisions on the term loan drawn under the Senior Facilities Agreement (see "*13.18.1 Senior Facilities Agreement and Intercreditor Agreement*").

Total assets amounted to € 228,630.2 thousand as of December 31, 2020 (December 31, 2019: € 24.6 thousand). Thereof, shares in affiliates (comprising the 100% equity investment in Cherry Holding GmbH) amounted to € 219,992.2 thousand (December 31, 2019: € 0), and loans to affiliates amounted to € 5,400 thousand as of December 31, 2020 (December 31, 2019: € 0). Liabilities amounted to € 81,452.4 thousand as of December 31, 2020 (December 31, 2019: € 0), including liabilities to banks of € 81,400.0 thousand relating to the term loan drawn under the Senior Facilities Agreement. Other provisions amounted to € 819.8 thousand (December 31, 2019: € 0) and related to transaction costs incurred in connection with the Cherry Acquisition. Equity amounted to € 146,358.0 thousand as of December 31, 2020 (December 31, 2019: € 24.6 thousand), including capital reserves of € 150,256.6 thousand as of December 31, 2020 (December 31, 2019: € 0) resulting from the Cherry Acquisition, and, among other items, net loss for the year.

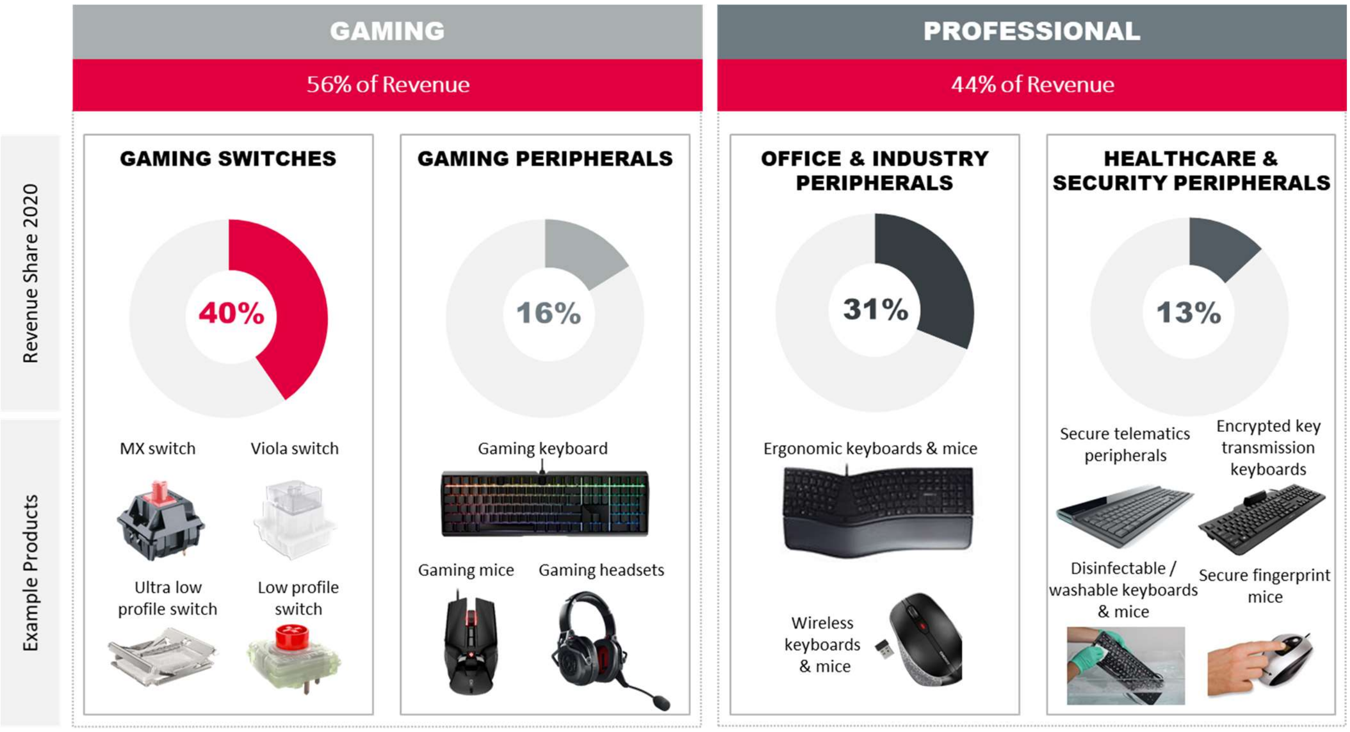
For further information on the Audited Unconsolidated Annual Financial Statements of the Company, see pages "*F-237*" et seq.

12 MARKET AND COMPETITIVE ENVIRONMENT

12.1 Introduction

The Cherry Group operates with two business areas, namely Gaming and Professional, which are exposed to very different market trends and underlying markets.

Overview of Cherry's operational set-up (business areas and business units)



Note: Revenue shares presented in the chart refer to shares of the revenue of the business areas Gaming, with the business units Gaming Switches and Gaming Peripherals, and Professional, with the business units Office & Industry Peripherals and Healthcare & Security Peripherals, in total revenue for Cherry Holding Group in fiscal year 2020.

Our **Gaming** business area accounted for 56% of the Cherry Holding Group's revenue in fiscal year 2020. This business area comprises two business units:

- The largest business unit within our Gaming business area is **Gaming Switches** (accounting for 40% of the revenue of Cherry Holding Group in fiscal year 2020). Within this business unit we sell branded mechanical switches to third-party OEM customers who in turn use them in PC gaming keyboards which are then sold all around the world. The relevant market for our Gaming Switches business unit is therefore the global PC gaming market, which is a proxy for global PC gaming keyboards and in turn a proxy for mechanical switch demand. Within the mechanical switch market, we focus on premium, high-performance mechanical switches that are used predominantly for gaming.

- Our **Gaming Peripherals** business unit (accounting for 16% of revenue of Cherry Holding Group in fiscal year 2020) sells PC gaming peripherals (including gaming keyboards, mice and headsets). The vast majority of our revenue in Gaming Peripherals is generated in Asia, with a primary focus on the Chinese and South Korean markets, so that the description below of our relevant market (or "**Addressed Gaming Peripherals Market**") will be focused on these geographic regions. Within the Addressed Gaming Peripherals Market, we mostly focus on product categories relevant to our Gaming business, in particular keyboards, mice and headsets, but not controllers, which are a large category within the Addressed Gaming Peripherals Market but which are not part of our product portfolio.

For our Gaming business area, the underlying gaming market and its key trends are particularly important, and in particular the PC gaming market therein (see "*12.2 The Gaming Market – Key Trends*"). In addition, we have now expanded our gaming mechanical switches business to other areas of the gaming market, in particular gaming laptops and notebooks (and may continue to expand into other fields, such as mechanical switches being used in a professional setting, *e.g.*, in business laptops and notebooks).

Our **Professional** business area accounted for 44% of revenue of Cherry Holding Group in fiscal year 2020. This business area comprises two business units:

- The largest business unit within our Professional business area is **Office & Industry Peripherals**, which accounted for 31% of revenue of Cherry Holding Group in fiscal year 2020. Within this business unit, we sell PC peripherals (including keyboards, mice and so-called "desktop sets" (*i.e.*, keyboard/mice combos) with multiple features, allowing for end-use customers to choose both corded and wireless connections, traditional and ergonomic designs and with or without cybersecurity features. In the Office & Industry Peripherals business unit, we sell our peripherals both online and through distributors primarily to business to business ("**B2B**") end-use customers who use them for professional purposes in governmental, commercial office, enterprise and a variety of other industrial settings. This business unit currently has a geographic focus on certain key European countries, primarily in Germany, but also in France and the United Kingdom as well as on the United States. Moreover, we are expanding our geographic focus to other European countries that are showing dynamic growth, such as the Nordic countries and certain Central Eastern European countries. The market description of our relevant market in this area (the "**Addressed Market for Office & Industry Peripherals**") below shall be based on our key relevant geographic regions and, from a product perspective, on PC peripherals (specifically keyboards, mice and keyboard/mice combos).

- Our **Healthcare & Security Peripherals** business unit accounted for 13% of revenue of Cherry Holding Group in fiscal year 2020. This business unit focusses on innovative manipulation-protected and extensive functionality peripherals, including encrypted key transmission keyboards, secure fingerprint enabled mice, integrated smartcard readers and input/output user terminals. We have also recently expanded our product portfolio to include peripherals that contribute to infectious disease control, such as washable medical-grade keyboards and disinfectable keyboards and mice. Many of our **cybersecurity peripherals** are certified and TAA compliant (*i.e.*, compliant with the U.S. Trade Agreements Act, meaning that the products are manufactured or "substantially transformed" in a TAA "designated country") and available for use by military and civilian governmental institutions and across a variety of commercial and industrial businesses where data sensitivity and cybersecurity are of paramount importance. This business unit's cybersecurity peripherals are certified in different countries, such as Germany, the United States, the Czech Republic, Canada, Spain and the United Kingdom. Based on this geographic range, the market description below will focus on the cybersecurity-enabled peripheral markets in Europe and North America only. In addition, Cherry also offers a broad selection of **specialized peripherals for use in the German healthcare system**. This product offering includes telematics peripherals (*e.g.*, certified keyboards with smartcard readers for the electronic healthcare cards as well as PIN and smartcard terminals). Our healthcare-focused keyboards and integrated smartcard terminals, have been approved by *Gesellschaft für Telematik* ("**gematik**"), the German government body set up to oversee Germany's development of a fully-digitalized healthcare system. These products therefore satisfy gematik's strict security and functionality criteria as the end user interface for recording, communicating and updating patient data within the healthcare telematics infrastructure. Further, Cherry's keyboards for the German healthcare industry feature an extensive manipulation protection that also qualified it to receive certification by Germany's Federal Office for Information Security ("**BSI**"). This highly-tailored healthcare product offering is currently only sold to the German healthcare system, and thus the market description further below will focus on the German healthcare telematics market only. Moreover, in this business unit we have historically offered, and we continue to offer for selected projects, POS peripherals.

For some of our relevant markets, or certain portions thereof, little or no third-party information is available (or the reported scope of third-party data may not match our relevant portfolio and geographical focus). In such cases, as well as for certain trends and market characteristics, the description below is based on our own market research, assessment and observations. The actual market and competitive environment may differ from our assessment and other market participants or market research companies (which may also use different market definitions, category breakdowns, definition of price-based segments, such as premium, high, medium or low price segment, methodology, etc.) may have a different view.

In addition, all assessments regarding future developments and trends in the markets described in this chapter are subject to additional uncertainties, including relating to the impact of the Covid-19 pandemic and its various related effects, including effects of lockdown and other restrictive measures and related trends. Some of the cited third-party sources were published several months ago and therefore forecasts contained therein may not take into account (or may not do so to a full extent) more recent positive or negative developments relating to the Covid-19 pandemic and the relevant implications for our markets after the publication date of such sources. Where sources have published updates based on the Covid-19 pandemic, any forward-looking information is still subject to uncertainties, so that such updates may turn out in hindsight to be inaccurate.

12.2 The Gaming Market – Key Trends

12.2.1 Increasing Popularity of Gaming, Especially PC Gaming

Both the global market for gaming mechanical switches (which is linked to the mechanical keyboard market) and the Addressed Gaming Peripherals Market are driven by overarching trends in the gaming market, and in particular the growing number of gamers. The growth of the gaming market has evolved over several decades from a solitary hobby in a niche category to a mainstream activity with a large and fast-growing professional eSports segment; for example, over half of the U.K. population was playing games in 2019 (source: OC&C in partnership with Google, "Growth in the Video Gaming Market: the changing state of play", 2020 (the "**OC&C Gaming Report**").

There are several positive factors which we believe will continue to drive growth in the overall gaming market, and therefore, demand for high-performance PC gaming peripherals. Our market observations also coincide with a number of trends and findings discussed in several studies and articles, for example in the OC&C Gaming Report and in the article "7 Reasons Why Video Gaming Will Take Over", January 4, 2020, published by Matthew Ball, former head of Strategy at AmazonStudios (the "**M. Ball Article**"). Several factors are contributing to gaming taking on a central role in the entertainment landscape, including:

- *The rise in popularity of professional and eSports gaming*: The rising popularity of eSports is promoting video games and attracting new gamers. In addition, this popularity is converting casual gamers into professional and semi-professional gamers, which contributes to an increase of the share (and sales) of special, high-quality gaming equipment, such as mechanical keyboards, gaming mice and headsets. For more information, see "*12.2.3 Increasing Popularity of eSports*".

- *Players are playing for longer*, with the average gamer playing for over 10 hours per week (versus less than 8 hours a decade ago). In addition, the advent of high-speed networked gaming has seen the growth of rich *multiplayer experiences* (such as League of Legends), with 'play' increasingly taking a more open-form mode – and groups of players using the game space as much as an area to socialize with friends as to complete the missions themselves. As this trend develops, the line between video games and social networks continues to blur (source: OC&C Gaming Report).

- *Increasing volume and variety of gaming content*: The ever-increasing level of content in gaming (and the different forms in which it can be monetized) is resulting in an increase in the level of engagement and "play time". In addition, modern games are designed to facilitate and absorb experimentation and user-generated content and experiences (so-called "democratization" of content creation), which further drives audience attachment and the time spent with games. Core gaming IP is remarkably resilient, with many established gaming franchises having topped sales charts repeatedly with new installments over the past decade (source: M. Ball Article).

- *Increasing total monetization:* Monetization has also increased in line with this trend – the video games industry now represents more revenue than the music and movie industries combined. While the "pay upfront" model continues to erode, publishers find new "always-on" revenue models, so that monetization can be continued after the initial purchase or download (*e.g.*, through (i) subscriptions, especially in massively multiplayer online ("**MMO**") games (*e.g.*, World of Warcraft; MMO games are mostly PC-based), where players are required to pay an ongoing fee to play; (ii) micro-transactions, *e.g.*, to purchase additional features – both cosmetic and functional items, such as weapons or extra lives); and (iii) season passes (source: OC&C Gaming Report).

- *The changing nature of games:* The way that players engage with games also continues to evolve – creating *new consumers, new segments of gamer and new gaming behaviors*. Publishers are now developing games to be never-ending. For example, Fortnite has experienced unprecedented success, reportedly earning the most annual revenue of any game in history in 2018. Its success in part has been achieved by encapsulating the latest innovation on many key gaming trends. Fortnite is free-to-play, but has experienced rapid revenue growth through micropayments for purely cosmetic items, such as dance moves. The game has regular content iterations and the use of 'seasons' to provide an ongoing narrative that help to maintain user engagement. In addition, watching games has emerged as a new mode of engagement (*e.g.*, eSports viewing), with this trend having growing implications for the ways in which publishers acquire new players and engage with their audiences (source: OC&C Gaming Report).

- *The gaming ecosystem is replicating and expanding the TV experience*: With an abundance and wide range of content and formats (fueled by intense competition), easy access and offering different engagement levels – gaming is thus appealing to a larger and broader audience. Gaming enables unprecedented content leverage over prior investments of content providers (*e.g.*, in terms of using, and then expanding, characters, stories and programming, also in the form of optional, ancillary content). This means that gaming content is exponentially scalable (source: M. Ball article).

- *Technological advancements as driver for gaming content and capabilities*: Gaming is more powerfully influenced by technology and technological change than other categories, which also means that technological changes have also driven substantial new types of content. Technological advances (*e.g.*, the shift from arcades to consoles enabled functions such as "saving" and "pausing" games, and online gaming enabled multiplayer experiences) expand gaming's capabilities, with new content experiences and new monetization models being unlocked (such as subscriptions *i.e.*, services which allow access to all games available on a certain platform for a monthly fee, or cloud gaming, *i.e.*, services which allow access to remotely hosted games) (source: M. Ball article). In our view, technological change has an impact, in particular, in the PC gaming category.

We believe that the powerful combination of these secular trends will shape gaming's growth in terms of both the number of players and the average playtime per player. Furthermore, in the past, gamers relied on peripherals that had been designed for office use, and which lacked integration capabilities and the features and performance required to optimize a gamer's performance and enjoyment potential. Nowadays, gaming has reached a level of sophistication, complexity, competition and professionalization (*e.g.*, with eSports) that requires specialized, high-quality peripherals that are able to maximize such potential.

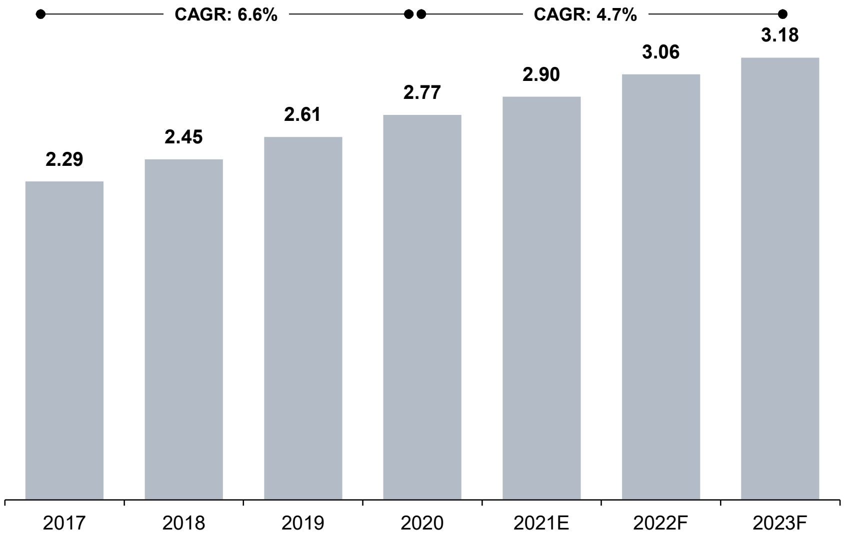
12.2.2 Growing Number of PC Gamers Globally

According to Newzoo, there were 2.8 billion gamers worldwide by the end of 2020, thereof 54% in Asia/Pacific – a region that houses some of the fastest-growing markets worldwide (source: Newzoo, "Global Games Market Data – Revenues, Players & Payers, 2015-2023", April 2021 update, hereinafter referred to as "**Newzoo Global Games Market Data**"). Newzoo uses the term "players" to refer to active gamers, which it defines in its "Global Games Market Report 2020" as all people who have played (digital) games on a PC, console, mobile device, or cloud gaming service in the past six months). According to the same source, 1.3 billion of global gamers were PC gamers, with 0.8 billion playing on consoles and 2.6 billion playing on mobile devices, reflecting that a large number of gamers play across platforms.

Also according to the Newzoo Global Games Market Data, the number of gamers worldwide is expected to continue to grow in the coming years, and is projected to surpass the three-billion mark by 2022, with a CAGR of 4.7% over the 2020-2023 period (CAGR calculated by the Company based on the underlying Newzoo figures). Much of this growth is expected to be driven by growth regions such as Asia/Pacific, the Middle East and Africa as well as Latin America, whereby many players in these regions are entering gaming via mobile.

The following chart presents an overview of the past and projected development of the number of gamers:

Number of global gamers (2017-2023F) (in billion)



Source: Newzoo Global Games Market Data; CAGRs calculated by the Company from the underlying Newzoo figures.

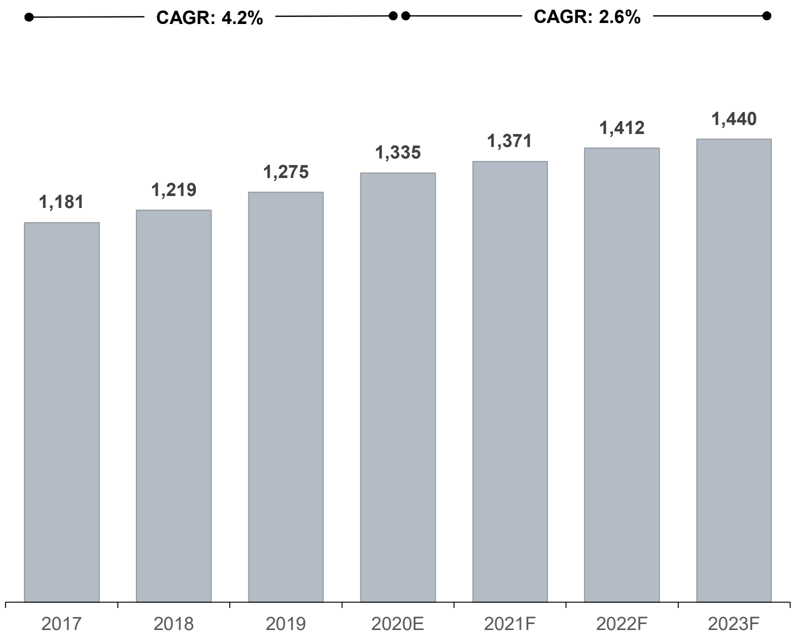
Notes: Newzoo figures for gamers in this data set include the total gaming population regardless of age and are based on research, mainly in the form of invite-only interviews, across 32 countries/markets; these represent more than 90% of global game revenues (as described in Newzoo's "Global Games Market Report 2020"). Gamer figures in billion are rounded to two decimal places.

While the number of gamers increased in 2020 compared to 2019, and pre-Covid-19 estimates already projected additional growth throughout the upcoming years (*e.g.*, as per Newzoo data), due to the Covid-19 pandemic, the growth in the number of gamers accelerated due to the opportunity to socialize and co-experience content without physical contact, among other factors. We believe that many of the trends leading to this acceleration during the pandemic will be long-lasting, as explained above.

Particularly relevant for Cherry's business is the development in the number of keyboard PC gamers, *i.e.*, those gamers playing downloaded or boxed PC games, but excluding browser games. Mobile gaming is an important pathway to PC gaming, as entry-level gaming enthusiasts on a smartphone or tablet move to highly specialized PC gaming peripherals as their enthusiasm and competitive motivation increases. Most games are now offered across multiple platforms (*e.g.*, mobile, PC and console). For professional gamers (eSports), the PC has evolved to be the dominant eSports platform, as keyboard and mouse allow precise control and complex commands that are required for most of the popular eSports game titles and genres.

The following chart presents an overview of the development and expected development of the number of PC gamers worldwide:

Number of global PC gamers (2017-2023F) (in million)



Source: Newzoo Global Games Market Data; CAGRs calculated by the Company from the underlying Newzoo figures. Gamer figures rounded to the next million.

PC gamers, console gamers and mobile gamers are typically not mutually exclusive characterizations of the gamer community. Platform overlap is indeed the norm, with the significant majority of gamers playing games across all three major platforms – PCs, consoles and mobile phones. According to a survey carried out by Newzoo in nine focus countries in March 2020, more than 60% of all gamers and over 80% of active PC gamers (*i.e.*, gamers between 10 and 50 years old who play games on a PC at least once a month) already game across the three above-mentioned major platforms (source: Newzoo, "Consumer Insights – PC Peripheral Analysis", May 2020 ("**Newzoo Consumer Insights Report**"); online survey with over 25,000 respondents in Germany, France, the United Kingdom, Sweden, Poland, the United States, China, Japan and Russia). This cross-platform ecosystem is encouraged by the game developer industry with most new games now available across two or more different platforms.

A high number of entry-level, casual gamers begin playing simple games on mobile devices. As these gamers become more competitive and wish to play more complex games they gravitate towards PCs (with consoles as an intermediate stage). According to the Newzoo Consumer Insights Report, most active gamers have already moved from non-gaming to gaming keyboards; globally, over two-thirds of active PC gamers owns a gaming keyboard. In addition, according to the same report, roughly half of those gamers who own a gaming keyboard would be interested in buying a new one in the next six months. The group of "owners/intenders" has typically a higher income and hardware budget than non-owners/intenders. Gaming keyboard owners/intenders are also more likely to play videogames for competitive reasons. In our assessment, and based on the above, we see a small, but rapidly growing "hardcore" PC gamer community accounting for the bulk of gaming peripheral spend.

The level of complexity of a video game, and hence which platform is viewed as most ideal, depends on the game genre. Some games are viewed with similar popularity on both PCs and consoles, whereas others are designed exclusively for PCs. The latter tend to be much more complicated compared with console games. While in the past, games were 2D and gamers needed to focus on a limited number of controls (*e.g.*, left, right, jump), nowadays, games are in 3D with an increasing number of commands and a growing demand to press multiple keys at the same time in order to be competitive, making it difficult to play on mobile or a console. Such increasing complexity results in a stronger focus on performance and, hence, drives demand for high performing gaming peripherals.

Indeed, PC platforms support the ability to play more complex games. Examples of games played almost exclusively or mostly on PCs include strategy games, *e.g.*, Starcraft, Total War and Civilization; simulation/world-building games (*e.g.*, SimCity); MMO games (*e.g.*, World of Warcraft); simulators (*e.g.*, Microsoft Flight Simulator) as well as games that depend on user-driven content (so-called "modding", *e.g.*, Minecraft), complex role playing games ("**RPGs**"), virtual reality ("**VR**") games and independent developer (Indie) games. These are examples of gaming products that benefit specifically from the PC platform's ability to cater to complex or unusual gameplay. Fundamental to this is the gamers' ability to tailor the user experience to their own needs or style, setting up their gaming equipment to suit the game rather than the game being specifically tailored to the gaming equipment. As a result, PC gaming platforms offer a significantly broader experience, when compared to mobile and console platforms, as a result of the sheer variety that it offers. According to an analysis published by Roundhill Investments ("eSports Tiers – Understanding the Games Driving eSports", August 30, 2019), based in part on Newzoo data, all of the games categorized in the analysis as "Tier 1" games and "Tier 1-A" games were played exclusively on a PC platform. "Tier 1" games were defined as games that combine storied histories within eSports with the potential for future growth, and which are consistently near the top of the pack when it comes to viewership; this category included Dota2, League of Legends and Counter-Strike: Global Offensive. "Tier 1-A" games were defined as games which, despite lacking the history of "Tier 1" games, are proving to be major commercial successes, and included Fortnite and Overwatch.

12.2.3 Increasing Popularity of eSports

Newzoo defines eSports as competitive gaming at a professional level and in an organized format (a tournament or league) with a specific goal (*i.e.*, winning a champion title or prize money) and a clear distinction between players and teams that are competing against each other (source: Newzoo, "2020 Global Esports Market Report, free version"; hereinafter the "**Newzoo Esports Report**").

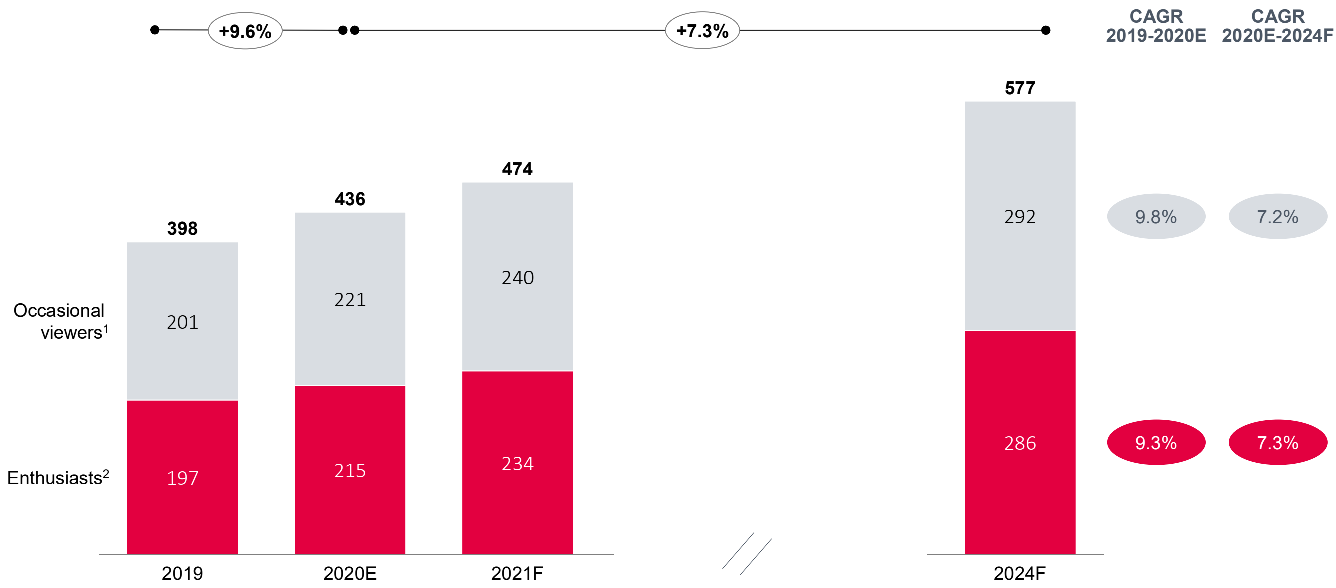
The rising popularity of eSports is promoting video games and attracting new gamers. In addition, this popularity is converting casual gamers into professional and semi-professional gamers, which contributes to an increase of the share (and sales) of special, high-quality gaming equipment, such as mechanical keyboards, gaming mice and headsets. Especially fast-paced or complex games are in the focus of eSports competitions (*e.g.*, the Fortnite World Cup, Dota 2's The International, the League of Legends World Championship, the StarCraft II World Championship Series, the Counter-Strike: Global Offensive Major Championships and many other professional and semi-professional tournament, leagues and circuits hosted by game developers or specialized eSports companies). The League of Legends World Championship was 2020's biggest tournament by live viewership hours on Twitch and YouTube, with 91.9 million hours, while League of Legends Champions Korea Summer was the most-watched league by live viewership hours on Twitch and YouTube, generating 53.9 million hours (source: Newzoo, "Global Esports & Live Streaming Market Report, free version, 2021).

Gaming brands also use eSports as a platform to promote their products. This includes sponsoring of tournaments, leagues or other events and organization of own events, providing financial funds (*e.g.*, trophies and prizes) or materials (such as equipment or the venue). Gaming products are also often provided to social media influencers and professional product test channels as a form to reach a target audience with a relatively small financial commitment. For example, Cherry's distributor JoyWay "sponsors" certain young eSports teams and cooperates with influencers as part of its brand-enhancing and marketing activities to reach target groups of Cherry products it distributes. These "sponsorships" are carried out on selected occasions, often limited to specific exhibitions or events and to specific regions. In addition, we see a number of top professional and streaming gamers in the world who use CHERRY-branded products. For example, Richard Tyler Blevins, the U.S. gamer known as "Ninja" with 16.7 million Twitch followers and over 540 million total Twitch views as well as 24.2 million YouTube subscribers and over 2.4 billion views, uses the Ducky One 2 Mini RGB keyboard with CHERRY MX Brown switches (sources: Twitch Tracker statistics, available from https://twitchtracker.com/ninja/statistics (May 31, 2021); YouTube/Ninja channel information available from https://www.youtube.com/c/Ninja/featured and https://www.youtube.com/c/Ninja/about (all figures as of May 31, 2021); as well as Gaming Gear, "What keyboard does ninja use?", available from https://geargaminghub.com/what-keyboard-does-ninja-use/).

The number of eSports viewers worldwide has increased during the past few years and is expected to grow further during the next few years. According to Newzoo, the global eSports audience reached 435.9 million viewers in 2020, including 215.4 million eSports enthusiasts (defined as people who watch professional eSports content more than once a month) and a further 220.5 million occasional viewers (defined as people who watch professional eSports less than once a month). The number of eSports viewers increased by 9.6% in 2020 compared to 2019, according to the same source, and is expected to further increase to 474.0 million in 2021 and reach 577.2 million by 2024 (which represents a projected 2020-2024 CAGR of 7.3%) (source: Newzoo, chart on eSports audience growth, available under newzoo.com/key-numbers; update as of March 2021; definitions taken from the Newzoo Esports Report; CAGR calculated by the Company based on the underlying Newzoo figures).

According to the Newzoo Esports Report, the number of local eSports events, leagues, and media rights deals are also expected to increase.

Number of eSports viewers, by type (2019-2024F) (in million)



Source: Newzoo, eSports data chart included on Newzoo's website under https://newzoo.com/key-numbers/ (update as of March 2021); CAGRs for 2020-2024F calculated by the Company from the underlying Newzoo figures for 2020 and 2024F; CAGRs for 2019-2020 for occasional viewers and enthusiasts calculated by the Company from the underlying Newzoo figures.

Notes: Due to rounding, eSports enthusiasts and occasional viewers may not add up to the total audience. Newzoo viewer figures have been rounded to the next million by the Company.

1 Occasional viewers are people who watch eSports but less than once per month.
2 Enthusiasts are people who watch eSports more than once per month.

Newzoo estimates the revenues relating to global eSports in 2020 at USD 947 million. During the Covid-19 pandemic, eSports has seen mixed results: On the one hand, eSports was a key pastime for many consumers when lockdowns began and traditional sports seasons were suspended, while eSports quickly adapted to the new environment and continued – reflected in the growth in the number of eSports viewers in 2020 compared to 2019. For example, the adoption of live streaming of eSports events was accelerated during the pandemic. On the other hand, ecosystem instability and economic instability during the Covid-19 pandemic have negatively impacted key eSports revenue streams (*e.g.*, due to the cancelation of in-person events, which eliminated ticket revenues and negatively impacted merchandise sales (source: Newzoo, "Global Esports & Live Streaming Market Report, free version, 2021"). After stagnation of the eSports market revenues during the Covid-19 pandemic in 2020, the market is expected to continue its double-digit growth in upcoming years. Newzoo expects such revenues to reach USD 1,618 million by 2024 (source: chart on eSports revenue growth, available under newzoo.com/key-numbers; March 2021 update), representing a 2020-2024 CAGR of 14.3% (CAGR calculated by the Company based on the underlying Newzoo figures). In addition, Newzoo expects future grow in particular in emerging eSports markets, such as Southeast Asia, Japan and Latin America, which are closing the gaps with older, more developed eSports markets (source: Newzoo Esports Report). According to the same source, brand-building will prove crucial in the coming years, with the strongest brands attracting the most fans, as well as new monetization methods, content formats and competitors, as well as changing content packages and broadcasting rights. The Newzoo Esports Report saw China remaining the largest eSports market in 2020, with more than a third of the market in terms of revenue, followed by North America and Western Europe.

Video game engagement continues to increase, as shown by viewership and in-game player counts on Twitch and Steam. For example, in Twitch, the leading live game streaming platform (as per Twitch's own account), the number of hours watched reached a record of 2.18 billion in March 2021, beating the previous record of 2.17 billion hours in January 2021, thus making the first quarter of 2021 the strongest quarter in terms of numbers of hours watched so far (with 97% more hours watched than during the first quarter of 2020; total hours watched include mostly gaming, but also other streamed contents) (source: Twitch Tracker, https://twitchtracker.com/statistics). Similarly, in Steam, the leading online digital PC games marketplace (as stated, for example, in a PC Gamer article, "The most popular desktop gaming clients, ranked", July 5, 2019, and on Slant's website, section "What is the best digital distribution platform for PC Games?, June 14, 2021 update), the average daily peak of lifetime concurrent users in March 2021 was 25.7 million, compared to 24.0 in December 2020 (source: https://steamdb.info/app/753/graphs/).

12.2.4 The Addressed Gaming Peripherals Market

12.2.4.1 Market Characteristics, Development and Trends

Gaming peripherals refer to auxiliary devices, such as controllers, keyboards, and gaming mice, which connect to computers or gaming consoles to offer easy game playing (definition according to Infiniti Research's TechNavio report "Global Gaming Peripheral Market 2021-2025"). The total gaming peripheral market can be defined to include (as product categories) gaming keyboards, mice, controllers and headsets – in each case, both wireless and corded – as well as mousepads. The estimated size of this market may vary depending on the specific offerings from providers of such gear which are taken into account for the size calculation. The value of the global gaming peripheral market is projected to increase from USD 8.5 billion (or € 7.2 billion) in 2020 to USD 11.9 billion (or € 10.1 billion) in 2025, representing a projected 2020-2025 CAGR of approximately 6.9% (source: Infiniti Research's TechNavio report "Global Gaming Peripheral Market 2021-2025"); size based on retail prices; conversion of figures into € performed by the Company using TechNavio figures in USD million, with a fixed rate of USD 1 = € 0.85).

Our Addressed Gaming Peripherals Market has a focus on Asia/Pacific, which was the region accounting for the second largest share of global gaming peripherals sales in 2020 (after North America), and the region expected to show the highest growth over the coming years, from USD 2.4 billion (or € 2.1 billion) in 2020 to USD 3.6 billion (or € 3.1 billion) in 2025, representing a 2020-2025 CAGR of 8.4%, due to the increasing demand for high-quality gaming products (source: Infiniti Research's TechNavio report "Global Gaming Peripheral Market 2021-2025" report; conversion into € performed by the Company using TechNavio figures in USD million, with a fixed rate of USD 1 = € 0.85). In addition, according to the same source, the APAC region is dominated by PC gamers because of the low investments in hardware by individual gamers.

Within Asia/Pacific, Cherry's focus is mainly in China, and – to a lesser extent – in South Korea.

Growth in the Addressed Gaming Peripherals Market is mostly supported by trends such as the above-mentioned trends relating to:

- the growing number of active gamers and the increasing popularity of PC games, as more people begin to game, because it allows for better interaction opportunities with others compared to other media;
- increased game control complexity, requiring special gaming devices with precise feedback, programming options and game-supporting illumination; as well as
- the professionalization of gaming, fueled by public interest in eSports and eSports investments.

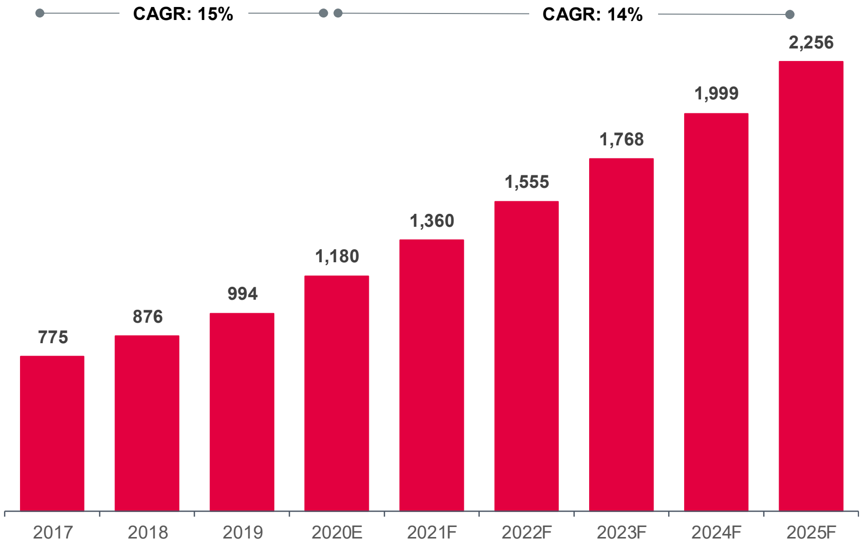
The number of PC gamers in China increased from 311 million in 2015 to 397 million in 2020; with a major acceleration (more than approximately 9.5% growth) between 2018 and 2019, and a 4.2% growth from 2019 to 2020, and is expected to reach 427 million by 2023 (source: Newzoo, Global Games Market Data). In addition, an increasing number of gamers started to buy or upgrade their own equipment in lockdown times in connection with the Covid-19 pandemic, for example as Internet cafés in China were closed and in order to keep playing during lockdowns. Owning equipment makes it more unlikely for gamers to return to Internet cafés even after the Covid-19 pandemic and drive a sustained demand for peripheral replacements. According to a survey conducted by Niko Partners, more than 55% of Internet café users in China did not plan to return to those cafés after the pandemic is over (source: WARC, "Change is coming to China's internet cafés", November 9, 2020, available from the WARC website, reporting on the Niko Partners survey, among others). Moreover, the increasing access to high-speed Internet and the rise of cloud gaming (also referred to as "gaming on demand", *i.e.*, the ability to play a game on any device without owning the physical hardware required to process it or needing a local copy of the game itself, as defined in Newzoo's Global Games Market Report 2020) means that gamers no longer need to invest in expensive hardware and have more money left to spend on peripherals. It also means that more new gamers are able to access gaming. According to Newzoo, the revenue estimates for global cloud gaming amounted to USD 633 million in 2020, and are expected to grow to USD 1,445 million in 2021 (representing a growth of 128%)

and to reach USD 5,135 million by 2023 (representing a 2020-2023 CAGR of 101%) (source: Newzoo website, section "key numbers", March 2021 update, figures for "base scenario"; CAGRs calculated by the Company with the underlying Newzoo data).

We also observe a trend where having an ecosystem of gaming peripherals that are harmonized in design and have synchronized functionalities, supported by a common software, is becoming increasingly important to gamers. In addition, we observe a trend towards an increasing number of peripherals per gamer.

Sales of gaming peripherals in **China** are projected to increase at a CAGR of approximately 14% over the 2020-2024F period, as shown in the following chart, based on customized data on the Chinese peripherals market provided to Cherry by Infiniti Research under the "TechNavio" brand (the "**TechNavio Gaming Peripherals Data**"):

Gaming peripherals market in China (2017-2025F) (in € million)



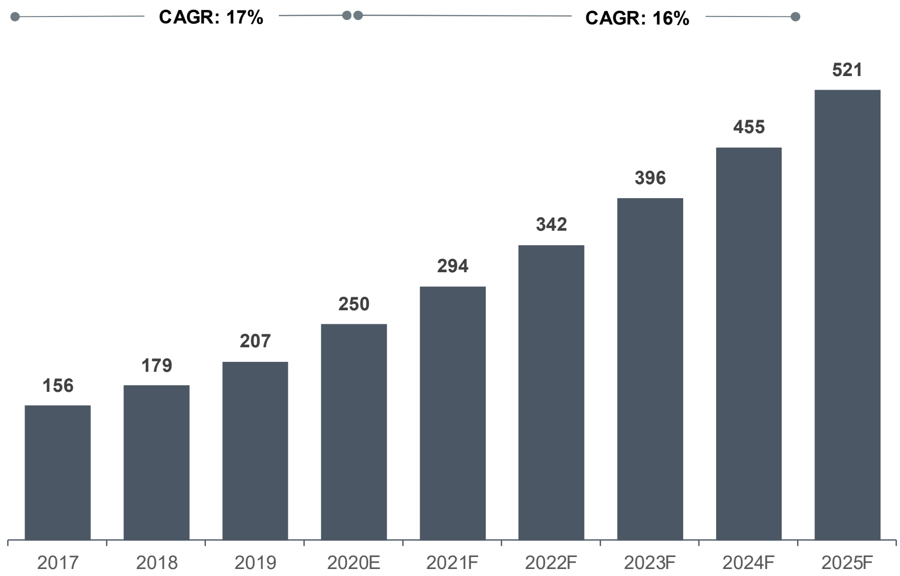
Source: TechNavio Gaming Peripherals Data. Conversion from USD into € performed by the Company using a fixed rate of USD 1 = € 0.85. Rounded to the next € million.

Besides the popularity of eSports and the rising number of gaming enthusiasts in China, growth is also driven by the catch-up in the adoption of a broader variety of gaming peripherals.

From the different product categories of the Addressed Gaming Peripherals Market, mechanical gaming keyboards play the most important role for Cherry, in line with our product offering. Mechanical keyboards are primarily used for gaming and offer longer durability, faster inputs and more precise feedback compared to traditional rubber dome or membrane keyboards. For example, in a mechanical keyboard the key is already activated when the key is pressed half-way, resulting in instant response and less wear-out of keys. By contrast, in a rubber dome/membrane keyboard, keys must be pressed down completely in order to be activated, resulting in low responsiveness, faster wear-out of the keys and finger fatigue and long-term discomfort when typing. In addition, mechanical keyboards offer enhanced functionality, such as red-blue-green ("**RBG**") illumination, programmable keys, n-key rollover, etc. Mechanical keyboards enjoy the highest popularity in Asian countries (whereby the level of popularity depends on the type of game and ambition of the gamer). According to a customized survey carried out by Newzoo in April 2020 in selected regional markets and included in Newzoo's Custom Research Survey Findings, May 2020 ("**Newzoo Switch Preference Survey**"), a majority of the respondents categorized as so-called "switch knowledgeables" prefer mechanical switches, in particular in China (including Taiwan) (62%); with 47% in North America and 48% in Western Europe, and with much lower percentages for other types of switches; "switch knowledgeables" are defined as keyboard owners that know and understand what keyboard switches are; this would typically include "hardcore" gamers and gaming enthusiasts. Survey countries were the USA, Canada, the United Kingdom, Germany, France and China (including Taiwan)). According to the same source, the main reasons provided by the "switch knowledgeable" respondents of such survey mentioned "tactile feeling" and "better in-game" with 43% and 42%, respectively, as the main reasons why mechanical switches are important for gaming, while only a minimal share (4%) of informed players found mechanical switches were not important.

Mechanical keyboard sales in China are expected to grow at a CAGR of approximately 16% over the 2020-2025F period, to reach € 521 million by 2025, as shown in the following chart:

Mechanical gaming keyboard market in China (2017-2025F) (in € million)



Source: TechNavio Gaming Peripherals Data. Conversion from USD into € performed by the Company using a fixed rate of USD 1 = € 0.85.

Similar to the drivers of the overall Addressed Gaming Peripherals Market, growth in the gaming mechanical keyboard market segment in China is attributable to several drivers, including an increasing number of Chinese gamers (expected growth from 664 million in 2020 to 703 million by 2023, according to the Newzoo Global Games Market Data), gamers' buying frequency and willingness to pay for mechanical keyboards, which most gamers consider to enable a better gaming performance, the professionalization of gaming and public interest in eSports as well as the high popularity of PC games combined with increasing game control complexity requiring gaming devices with precise control and feedback. According to Newzoo's "Global Esports & Live Streaming Market Report", free version, 2021, China will have the most eSports enthusiasts in 2021 with 92.8 million, and it will also be the largest market for games live streaming, with an audience of 193.0 million in 2021. China will also be the largest market by revenues, with total revenues of USD 360.1 million expected in 2021, representing an increase of 14% compared to 2020.

In addition, in China low-price mechanical keyboards are available (sometimes even with high-quality switches), which further contributes to an increase in the share of mechanical keyboards compared to non-mechanical ones. However, Cherry is not present with its product portfolio in the Chinese low price segment for mechanical gaming keyboards (selling price below € 40), but rather offers products in the other price segments, *i.e.*, mid- (above €40 to € 80), high (above € 80 to € 120) and, in particular, premium price segment (above € 120).

The growing wealth across the Chinese populations is resulting in an increased demand for more premium/luxury products, which also has a favorable impact on the demand for premium gaming peripherals, including those sold by Cherry.

In addition, the gaming peripherals market in **South Korea** is also a relevant market for Cherry, supported by a large underlying gaming market: With USD 7.3 billion in gaming revenues and 32 million gamers in 2020 (including more than 27 million PC gamers), South Korea is the third-largest gaming market in Asia/Pacific behind China and Japan (source: Newzoo Global Games Market Data). Gaming is broadly accepted in South Korean society and the eSports industry is particularly prominent in that country as well.

12.2.4.2 Competitive Environment

In our key market segment for gaming mechanical keyboards in China, and excluding the low price segment which is dominated by local brands, we compete mainly with large, well-established players such as Logitech International S.A., Lausanne, Switzerland ("**Logitech**"), Corsair Components, Inc., Fremont/California, USA ("**Corsair**"), Razer Inc., Cayman Islands ("**Razer**") and regional (or local) specialists such as iKBC Co. Ltd., California, USA ("**IKBC**"). Major keyboard manufacturers often use third-party switches, including those provided by competitors (such as CHERRY switches). For more information, see "*12.2.5.2 Competitive Environment*").

In the premium price segment in China (which we define for purposes of this assessment as gaming keyboards selling at more than € 130; in this price segment, gaming keyboards are almost exclusively mechanical), we assess that Cherry is the clear market leader, with a market share of approximately 36% in 2020 (own analysis based on sales and end-customer prices, including VAT, as stated on the Chinese websites for the different brands and converted from CNY into €; our assessment includes an analysis of competitor websites as well as data on gaming keyboard sales, including price structures, for 2020). According to the same analysis, the second-largest keyboard manufacturer in China in terms of sales (*i.e.*, Logitech), had a 13% market share, followed by Corsair (11%), Razer (10%) and SteelSeries ApS, Frederiksberg, Denmark (8%).

In addition, according to a consumer survey designed by Cherry and carried out through Innofact in March 2021 among Chinese customers, respondents were willing to pay – on average – a theoretical price premium of 3.4% for a CHERRY-branded mechanical keyboard (compared to an unbranded keyboard) – the third highest brand premium in that market segment and country. The survey analyzed the willingness of respondents to pay a theoretical price premium for gaming mechanical keyboards of ten selected brands compared to an unbranded product, and was carried out in China with a survey population of 339 respondents (whereby the sample included both customers purchasing in the premium segments (where we believe the willingness to pay a premium for a keyboard equipped with CHERRY-branded switches would tend to be higher than in the overall category of potential customers) as well as those buying in other price segments).

In South Korea, the main players in the market segment for gaming mechanical keyboards are ABKO Co., Ltd., Seoul, South Korea ("**ABKO**"), Logitech and Corsair. The rest of the market segment is highly fragmented, with a dominance of local brands. Due to the high end-user loyalty to local products, international gaming brands are facing high entry barriers, unless reputation in the premium segment is increased through eSports investments, or if awareness in the low-price segment is created by partnering with so-called "PC Bangs", which are public spaces where computer games can be played around the clock for a cheap price.

12.2.5 The Global Market for Gaming Mechanical Switches

We sell our mechanical switches to keyboard OEMs that are globally active. We focus on premium mechanical switches, which are used in medium (price range of above € 40 to € 80), high (above € 80 to € 120) and premium mechanical keyboards (more than € 120). By contrast, gaming mechanical keyboards in the low-price segment (less than € 40) are not addressed by the Group. In addition to its premium switches (in particular, the CHERRY MX original switches and the CHERRY MX Low Profile key switch), Cherry has recently begun offering a simpler key switch, the CHERRY VIOLA key switch, that targets the mid-market gaming keyboard segment.

In addition, we have recently launched our new CHERRY MX Ultra Low Profile key switch for laptops, already securing demand for such switch with selected gaming laptops in the premium segment (as of approximately € 1,500) of the gaming brand Alienware (which is a brand of Dell Technologies Inc., Round Rock/Texas, USA ("**Dell**"). The CHERRY MX Ultra Low Profile key switch is currently the slimmest mechanical switch specifically designed for gaming laptops. According to a posting in a specialized site for reviews of gaming and other electronic devices (Tom's Guide), while there had been isolated attempts to include mechanical keyboards in gaming laptops a few years ago, this had resulted in the laptops being thick and heavy, which runs counter to the idea of having a gaming system that can be easily transported anywhere. By contrast, the CHERRY MX Ultra Low Profile key switches are no thicker than the average membrane laptop key. Thus, having a mechanical switch thin enough for a laptop keyboard represents a significant breakthrough in portable gaming technology (source: "Alienware gaming laptops just got Cherry MX keyboards – and it's exactly what they need", by M. Honorof, published in Tom's Guide in March 2021). This development opens a new attractive underlying market – the gaming laptops/notebooks market – for our gaming mechanical switches. Moreover, there could be potential to expand the use of our CHERRY MX Ultra Low Profile key switches to other non-gaming areas, such as their use in business laptops, notebooks and keyboards.

12.2.5.1 Market Characteristics, Development and Trends

Many of the characteristics and considerations applicable to the gaming mechanical keyboards segment of our Addressed Gaming Peripherals Market and which are explained above also apply to mechanical key switches, as our relevant market for gaming mechanical key switches is directly linked to the global mechanical keyboard market. Therefore, demand for mechanical key switches is mostly driven by growth in underlying gaming industry, including the increasing number of gaming professionals, as well as significant investments in eSports.

When buying a new keyboard, switches are often an important factor in the purchasing decision of customers, in particular in China and the United States.

We estimate that the global market segment currently relevant for us (*i.e.*, the market segment for premium mechanical switches that are built into premium-, high- and medium-priced gaming keyboards) ranged roughly between € 60 million and € 70 million in 2020. In our assessment, our relevant market for gaming mechanical switches will continue to grow over the next few years.

The following trends are driving growth in the market for gaming mechanical switches:

- more people are starting to game, *e.g.*, as it provides a better opportunity to interact with others compared to other media;

- investment in premium equipment is increasing, for example as people increase their gaming time and the number of gaming enthusiasts increase, so that even casual gamers are beginning to invest more into more premium peripherals, including premium keyboards (most of which have mechanical switches);

- demand for mechanical switches is increasing, driven among other factors by the increase in the number of gaming enthusiasts, as well as new applications areas outside of gaming; and

- demand from content creators and heavy users such as software developers.

In addition, generally flat and slightly increasing average sales prices for gaming mechanical switches indicate a stable price level expected for the next years.

We also see market growth potential form a growing range of applications for mechanical switches, for example in gaming laptops and notebooks, which provide more flexibility to play from anywhere. Moreover, with additional or different features (*e.g.*, "silent" switches), mechanical keyboards are becoming increasingly interesting for a wider range of user groups, also outside of gaming (*e.g.*, for people in home office preferring the better haptics and higher quality of mechanical keyboards, or programmers who value tactility and efficiency).

The gaming notebook market (including both gaming notebooks and laptops, which are typically larger than notebooks), which we plan to serve with our new CHERRY MX Ultra Low Profile key switches, had an estimated value of approximately USD 11 billion in 2020 and is expected to grow at a CAGR of 7.1% over the 2021-2026 period to reach USD 18 billion by the end of 2026 (source: Statista, with data from "MarketWatch" on the global gaming laptop market size 2020-2026, published in June 2020). We expect growth in gaming notebooks due to rapidly evolving technology and changed consumption behaviors, such as the trend towards mobile and travel. These trends increase demand for gaming notebooks, which are easier to carry around, in particular by professional gamers. According to IDC data, the number of gaming notebooks shipped in 2020 was estimated to reach 22.3 million units and is expected to grow at a 2020-2024 CAGR of around 7.9%, to reach 30.2 million units in 2024 (source: IDC, "Gaming PCs and Monitors Will Benefit from Increased Time at Home and GPO Refresh in 2020, According to IDC", September 30, 2020; IDC identifies gaming notebooks that have a premium or performance grade GPU, including the mid-range and high-end offerings from Nvidia and AMD, but excluding professional grade GPUs such as the Quadro or Radeon Pro). These figures show the significant potential for the use of our CHERRY MX Ultra Low Profile key switches in the market for gaming laptops. We estimate that gaming laptops offer a potential of around 64 mechanical keys per notebook (*e.g.*, as our CHERRY MX Ultra Low Profile only supports standard 1x1 key size, but not smaller form factor function keys F1 – F12, so that not all keys would use Cherry's technology). While the market for notebook switches is currently still in the early stages, we see a growing potential for switch manufacturers such as ourselves in this market. Currently, major keyboard brands in the gaming laptop market are Dell/Alienware; the "ROG" (Republic of Gamers) brand of ASUSTeK Computer Inc., Taipei/Taiwan, China ("**Asus**"); Micro-Star Int'l Co. Ltd., Taiwan/China ("**MSI**"); the "Omen"-branded laptops of Hewlett-Packard Company, Palo Alto/California, USA ("**HP**"); as well as Razer, but also other brands, such as Lenovo Group Limited, Quarry Bay/Hong Kong, China ("**Lenovo**"), Acer Group, Taiwan/China; and Xiaomi Tech, Peking, China, operate in this market.

12.2.5.2 Competitive Environment

In the global market for gaming mechanical switches, we compete with a relatively small number of other switch manufacturers (mainly from Asia/Pacific). Competing manufacturers of switches built into gaming mechanical keyboards (excluding the low-priced segment) mainly include Dongguan Kaihua Electronics Co., Ltd., Dongguan, China (which sells the "Kailh"-branded switches) ("**Kailh**"), Huizhou Zhengrui Electronics Co., Ltd., Huizhou, China (which manufactures the "TTC"-branded switches) ("**TTC**") and Omron K.K., Tokyo, Japan ("**Omron**"). We also compete to a lesser extent with smaller-scale players such as GATERON Jianda Long Electronic Technology Co., Ltd., Huizhou, China ("**Gateron**"), and Huizhou Greetech Electronic Co., Ltd., Huizhou, China ("**Greetech**"), as well as with local low-cost players, which are however less relevant since they mainly serve specialized or low-cost segments.

In addition, some major keyboard brands collaborate with switch suppliers in product design and management, *e.g.*, in co-developing gaming mechanical switches for certain keyboards together (the switch manufacturer then produces the switches for the keyboard manufacturer). Depending on the price of the keyboard, the leading brands often use different switch manufacturers. Unlike Cherry, most competitors offer "white label" switches to their customers, *i.e.*, switches which are used in keyboards without stating the switch brand. By contrast, keyboards containing CHERRY switches are co-branded (*e.g.*, with a "CHERRY inside" label on the keyboard packaging). Moreover, keyboards equipped with CHERRY switches are always "sole source", *i.e.*, never dual- or multi-sourced.

CHERRY switches are, for example, used by major keyboard manufacturers such as Corsair, Asus, Cooler Master Company, Taipei/Taiwan, China ("**Cooler Master**"), the "Omen"-branded keyboards of HP, iKBC, Dell's Alienware-branded keyboards, DuckyChannel International Co., Ltd., Taipei/Taiwan, China ("**Ducky**") and for a small selection of "Hyper X"-branded keyboards of Kingston Technology Europe Co LLP, Sunbury-on-Thames, England, for which HP announced a definitive acquisition agreement in February 2020, which is expected to close in the second quarter of 2021 ("**Hyper X**") and of Logitech keyboards. In addition, our CHERRY MX Ultra Low Profile key switches are now offered for certain models of the Alienware gaming notebooks.

The majority of the gaming keyboards equipped with CHERRY switches are priced in the mid-, high- and premium-price segment. For example, according to our own price analysis performed on global keyboard manufacturers in Germany in April 2021, approximately 70% of the gaming keyboards equipped with CHERRY switches were in the price range between € 125 and € 175, while around 60% of the gaming keyboards equipped with switches of one of the Asia/Pacific-based switch manufacturer competitors were in the price range of € 50 to € 75 (our analysis was based on web-crawling and other methods, and assessed retail prices, including VAT, for global brand gaming keyboards equipped with CHERRY switches and competitor switches; keyboard prices were not weighted to account for the number of sales for each keyboard).

Furthermore, according to our own assessment of a selection of top global gaming keyboard manufacturers performed in April 2021, we supply switches to eight of a selection of nine of the largest keyboard manufacturers (excluding Cherry), and our switches are used almost exclusively in gaming keyboards in the high (above € 80 to € 120) and premium (more than € 120 and until € 300) price segments (our analysis was based on web-crawling and other methods for eight selected major keyboard manufacturers, excluding Cherry). In addition, according to this analysis, CHERRY switches are the most prevalent switch in the high- and premium segments of the gaming keyboard market (defined as indicated above). Cherry has recently entered the mid-price segment with its CHERRY VIOLA key switch (for more information, see "*13.4.1.1.5 CHERRY VIOLA*").

Within the relevant market segment of medium-, high- and premium-priced gaming mechanical keyboards (*i.e.*, for all keyboards priced over € 40), we assess (based on our modeling of the market size (in terms of units) for gaming mechanical keyboards included in the TechNavio Gaming Peripherals Data, which estimates that a total of 10.22 million gaming mechanical keyboards were sold in 2020 globally) that Cherry is the leading manufacturer of mechanical key switches globally, with a market share of approximately 42% in 2020 in terms of total switch units sold in 2020 (calculation assumes that each keyboard contains approximately 100 switches).

In addition, according to a consumer survey designed by Cherry and carried out by Innofact in March 2021, customers are – on average – willing to pay a theoretical premium for a keyboard equipped with CHERRY switches, indicating a superior customer perception of the Group's switches: CHERRY had the highest scoring in this survey in China in terms of the price that consumers are willing to pay, on average, for a mechanical keyboard with switches from selected brands compared to a no-name brand, the second-highest in each of Germany and South Korea and the third-highest in the United States (total respondent samples were 451, 383, 393 and 443, respectively; the survey included the top 5 brands for each of the surveyed countries and prices were based on the respective local currencies). Moreover, CHERRY was also the preferred brand for keyboard switches among "switch knowledgeable" respondents of the Newzoo Switch Preference Survey, with 36% of total respondents in the selected regional markets preferring CHERRY switches (Romer-G was preferred by 12%, Omron by 11%, Tesoro by 7%, Gateron and Scissor Switch by 5% each, Matias by 4%, Kailh by 3% and Topre by 2%, according to the same source). Also according to the Newzoo Switch Preference Survey, "switch knowledgeables" expressed a marked willingness to pay "significantly more money for a gaming keyboard with CHERRY switches" compared to different brands, namely 78% of the "switch knowledgeable" respondents in China (including Taiwan), 64% of those in North America, and 61% of those in Western Europe (for the selected survey countries; the price premium was not quantified in the question used in the survey).

12.3 The Addressed Markets for Professional Peripherals

12.3.1 The Addressed Market for Office & Industry Peripherals

As mentioned above, our Addressed Market for Office & Industry Peripherals is focused on certain key European countries, as well as on the United States. For purposes of the following market description, we will focus on Germany, France, the United Kingdom and the United States. Our Addressed Market for Office & Industry Peripherals shows a correlation with PC sales in our relevant geographic markets.

12.3.1.1 Market Characteristics, Development and Trends

According to our own assessment, our Addressed Market for Office & Industry Peripherals in Germany, France, the United Kingdom and the United States had a rough estimated aggregate value of approximately € 1 billion in 2020 (own assessment based on a modeling of keyboard sales data for our four main focus countries). This estimate includes sales for (non-gaming) keyboards, mice and keyboard/mice combos in Germany, France and the United Kingdom and (non-gaming) keyboards in the United States, which correlates with the product categories sold by Cherry in each of the four focus geographic markets. Historically, the market has shown nominal growth (except for the United States, where the market has been slightly decreasing), but we expect future growth due to the structural and secular growth trends outlined below.

However, our Addressed Market for Office and Industry Peripherals has experienced certain growth recently, driven in particular by trends such as working from home and home schooling/e-learning – which have shown a significant increase as a result of the Covid-19 pandemic and related restrictive measures (*e.g.*, lockdowns). Working from home and home schooling have increased demand for PCs and therefore also for computer peripherals, such as keyboards, mice and headsets (as basically each person in a household working or learning from home requires his or her own PC (or laptop)). According to preliminary results from IDC's PC tracker, with the pandemic still in full swing, traditional PCs (inclusive of desktops, notebooks, and workstations) were once again an in-demand consumer technology. The fourth quarter of 2020 saw global shipments grow 26.1% year over year to 91.6 million units. The same category of devices grew by 13.1% year over year for the full year 2020 with the catalysts being work from home, remote learning, and restored consumer demand (source: IDC, preliminary results from the IDC Worldwide Quarterly Personal Computing Device Tracker, as stated in the IDC article "PC Sales Remain on Fire as Fourth Quarter Shipments Grow 26.1% Over the Previous Year, According to IDC", January 11, 2021, "**IDC PC Tracker Article**"; includes shipments to distribution channels or end-users; PCs include desktops, notebooks and workstations).

The growing demand for working from home and hybrid models (combining office time and working from home) is likely to remain even after the Covid-19 pandemic. Indeed, several companies have publicly commented on their plans to permanently adopt some of the new ways of working. An analysis carried out by McKinsey to determine how extensively remote work might persist after the pandemic (analyzing its potential across more than 2,000 tasks used in some 800 occupations in eight focus countries, and considering only remote work that can be done without a loss of productivity) found that about 20% to 25% of the workforces in advanced economies could work from home between three and five days a week (source: McKinsey Global Institute, "The Future of Work after Covid", report dated February 18, 2021). According to the same source, in particular "computer-based office work" and "classroom and training" are the two categories offering the highest potential for remote work. The same study found that 70% of time spent in computer-based office work could be spent remotely without losing effectiveness, and that many employers are devising hybrid remote working strategies for the long term to expand access to talent, increase employee satisfaction and reduce real estate costs. We expect such hybrid models will continue to result in a higher demand for an initial and/or second set of office peripherals.

In addition, the IDC PC Tracker Article sees indications that the surge in PC demand observed during the Covid-19 pandemic still has a way to go. While the key drivers for 2020's growth centered around work from home and remote learning needs, the strength of the consumer market is also an important factor, with gaming PCs and monitor sales at all-time highs and Chrome-based devices expanding beyond education into the consumer market. Therefore, IDC believes that the pandemic not only fueled PC market demand, but also created opportunities that resulted in a market expansion.

Research from Microsoft into the pandemic's impact on work practices summarized in a paper entitled "The New Future of Work", 2021, found that, pre-Covid-19, many "information workers" (*i.e.*, people who do non-routine cognitive work creating, manipulating, or analyzing information) worked from home on an occasional basis to accomplish focused work or for personal reasons. Such work did not necessitate investing in a full ergonomic set-up like what the workers were using in their office settings. With the transition to remote work following the pandemic, however, many workers attempted to set up workstations that would allow them to be comfortable and productive. Among the items that most workers commonly added were a single external monitor to expand screen real estate, keyboards and mice. Also, working from home in make-shift offices highlighted the importance of ergonomics. According to the Microsoft report, companies' investment in ensuring employees have ergonomic equipment (*e.g.*, keyboards and ergo mice) in their homes could avoid costly longer-term health issues for their workforce. Furthermore, according to the same source, companies are now faced with making new hybrid work policies and workplace modifications to ensure a safe environment and instill confidence with employees. For devices, ease of cleaning and hygiene are top concerns for IT decision-makers, especially those in industries where employees share devices and contamination is a concern (*e.g.*, healthcare, retail, food processing).

Other underlying growth factors contributing to a demand increase for these peripherals include the observable shift from blue to white collar workers and a growing digitalization of the work environment, both of which are accelerating demand for computer hardware and office peripherals. In addition, while in general terms product innovations for these peripherals, such as Bluetooth connectivity and new designs, tend to reduce the lifetime of a product, they can also contribute to demand of higher-priced products (*e.g.*, those offering Bluetooth and ergonomic peripherals). We observe a shift towards more premium products (with higher quality and better ergonomics, including wireless and mechanical keyboards, used for example by software developers), which are higher priced. In addition, we observe that technological advancement and increasing workplace demands are driving shorter replacement cycles for office peripherals.

A B2B customer survey within the office & industry market segment carried out in Germany by Innofact AG in March 2021 (the "**Innofact B2B O&I Survey**") found that among the key purchasing criteria for PC keyboards for B2B customers were quality (65.0%), security (51.4%), ergonomics and comfort (e.g., good haptics) (51.2%), technical specifications (e.g., mechanical switches, card port, wireless) (51.0%), price (43.0%), brand reputation (38.9%), a bundle option (e.g., keyboard + mouse + headset) (38.6%), sound (35.0%), brand uniformity with existing devices (33.1%) and style and design (31.9%) (selection of surveyed criteria with percentages of respondents; total number of respondents: 414).

12.3.1.2 Competitive Environment

The competitive landscape in the Addressed Market for Office and Industry Peripherals consists of different types of players, including (i) peripheral specialists with a medium price positioning and focus on peripherals (*e.g.*, Cherry and Logitech); (ii) peripheral "boutiques" focusing on premium peripheral products, or often even specializing on single product categories, such as keyboards or ergonomic peripherals (*e.g.*, the "Das Keyboard"-branded keyboards of Metadot Corporation, Austin/Texas, USA; 3Dconnexion GmbH, Munich, Germany; and Azio Corporation, City of Industry/California, USA); (iii) diversified consumer electronics ("**CE**") companies at a premium price point (*e.g.*, Apple Inc., Cupertino/California, USA, "**Apple**"); (iv) diversified CE giants, which typically have a large assortment of products and focus on the mass market (*e.g.*, Microsoft Corporation, Redmond/Washington, USA; Lenovo; Asus; HP and Dell; and (v) discount players which offer a broad entry-level assortment (*e.g.*, Hama GmbH & Co KG, Monheim, Germany, or Trust International B.V., Dordrecht, The Netherlands); as well as private label players (*e.g.*, the "AmazonBasic" of Amazon.com, Inc., Seattle/Washington, USA ("**Amazon**"). Therefore, many of our competitors have broader portfolios including peripherals that are not part of our product offering (*e.g.*, video conferencing equipment). The most relevant competitors for Cherry are those mentioned under (i) and (iii) above.

We currently sell a large majority (roughly three-quarters) of our Office & Industry Peripherals products to other businesses (B2B) and only a smaller portion to end-users (B2C). The increase in people working and studying from home, which was accelerated by the Covid-19 pandemic, has increased demand from B2C customers.

According to our own analysis, in 2020, Cherry had the second-largest market share for office and industry peripherals in our home market Germany and the third-largest share in France; it was also the #5 brand in the United Kingdom, also in terms of volume. According to data on computer accessories sales compiled by GfK (GfK Market Intelligence POS Tracking), our 2020 market shares in terms of volume in Germany, France and the

United Kingdom were 24%, 7% and 5%, respectively. According to our own analysis, Logitech is by far the largest player in those three countries. Other relevant competitors in these countries are Microsoft, Dell, Apple, HP and Lenovo, among others. For the United States, we estimate Cherry's market share in terms of volume to be below 1%, based on rough estimates.

CHERRY is well distinguished as a B2B brand and often seen as providing the "best-in-class" product (*i.e.*, higher quality than competing products) in the respective categories, also for industrial applications vis-à-vis large competitors, according to our own assessment. According to a survey among distributors, resellers and B2B customers, designed by Cherry and carried out by BrandLink in November 2017, CHERRY had the highest aided brand awareness among selected keyboard manufacturers in Germany (99%) (total number of respondents: 590). In addition, according to the Innofact B2B O&I Survey, Cherry's performance regarding the key referenced purchase criteria for PC keyboards scored 55.4% for quality and 51.4% for brand reputation, the second-highest scoring after Apple, but before the other surveyed brands, namely Logitech, HP, Dell, Microsoft, Lenovo and rapoo (question on performance regarding criteria was only posed to respondents who had bought the respective brand; at a maximum, 3 brands were queried in each case; selected findings only). Moreover, Cherry had the highest scoring in the same survey in terms of bundle option (49.2%), the second-highest in sound (46.9%) and the third-highest in ergonomics and comfort.

12.3.2 The Market for Security and Other Peripherals

12.3.2.1 Market Characteristics and Trends

Security peripherals such as keyboards with encrypted data transmission can contribute to protect against cyber-threats and are used in particular in industries handling sensitive information (*e.g.*, defense and banking). Depending on the use and the target market, these products require different certification. For example, in Germany certain security peripherals must receive certification from the German Federal Office for IT Security (*Bundesamt für Sicherheit in der Informationstechnik*, "**BSI**"). In certain cases, there are certain limitations as to where the products may be produced; *e.g.*, certain smartcard readers for the U.S. market may not be produced in China. We offer several security peripherals (such as security keyboards) satisfying different applicable standards, some with BSI certification.

The market for security peripherals is generally growing strongly, driven by the need to contain various threats encountered by companies – such as digital sabotage of IT systems and processes, theft of sensitive digital documents and spying on electronic communication – which are often carried out by keyloggers (*i.e.*, computer programs that record every keystroke made by a computer user, in particular so as to gain fraudulent access to passwords and other confidential information), in particular as part of medical, banking, defense, government and industrial espionage. Moreover, there are additional security concerns in the context of remote working (*e.g.*, data breach concerns), which is also driving further investments in security protection.

According to IDC, worldwide spending on security products and services (which is a larger underlying market than the one served by Cherry, but with correlating trends) was set to grow in 2020 by 6% over 2019, as organizations invest in solutions to meet the needs of a much larger remote workforce and a wide range of security threats and requirements. As the global economy recovers from the impact of the Covid-19 pandemic, IDC expects worldwide security spending to continue to grow (source: IDC, "Ongoing Demand Will Drive Solid Growth for Security Products and Services, According to New IDC Spending Guide", August 13, 2020). According to the same source, while IT spending contracted across most industries and technologies in the wake of the pandemic, security spend remained strong, particularly in industries including federal/state/local governments and telecommunication companies, which are expected to grow significantly in the forecast period until 2024, while banking, manufacturing, and professional services are expected to continue to have the largest share of security spending.

In Germany, the IT security situation remains challenging, according to the study on "Cybersecurity 2020+" published in October 2020 by IDC. The growing complexity of IT landscapes, the agility and mass of cyberattacks, and the rising compliance requirements are becoming increasingly difficult to manage with existing IT security resources. The Covid-19 pandemic, with the associated shift of a large number of employees to working-from-home regimes, is another challenge for the quality of companies' IT protection systems and response capabilities. According to the same source, comprehensive IT security is becoming more critical to the business success of any company or organization. In a survey that IDC conducted for its report in Germany in August 2020, 78% of the surveyed companies had been successfully attacked, while 63% emphasized that cyber risks require a changed security architecture. According to the survey, network security, data protection and cloud security were the top IT security issues. A further result of the survey is that IT security is one of the "winners" of the Covid-19 pandemic: 38% of respondents had increased their budgets for home office and remote work security, and 31% of respondents planned to spend more on network security (source: IDC press release of October 14, 2020, "*IDC Studie zu Cyber Security 2020+: COVID-19 lässt Budgets steigen, Sicherheitssituation bleibt bedenklich*").

With respect to POS peripherals, the market is generally stagnating, as the use of POS keyboards in many retail segments is shrinking, as an increasing number of small shops mainly use terminal and touch-screen systems (which Cherry does not currently offer as part of its portfolio) and technologies shift, for example to mobile/contactless payment, with magnet stripe payment becoming less relevant. Keyboard-based POS are mainly still used by some large supermarkets as well as hotel receptions and airline service kiosks. Cherry's POS peripherals business is mainly focused on the USA, with other relevant regions generally varying from year to year depending on single large projects. We expect that keyboards are likely to remain an integral part of POS solutions in some fields with special requirements for typing and cashiering.

12.3.2.2 Competitive Environment

In our relevant markets for security peripherals, we compete with a large number of competitors, since the competitive landscape in this field is very fragmented. Competitors in security peripherals are mainly OEMs who do not have a strong focus on peripherals but sell keyboards with smartcard readers in combination with their PCs and laptops.

With respect to the U.S. market for POS peripherals, as already mentioned, the market is changing towards touch applications and more mobile solutions. In the original POS keyboards / peripherals market, we compete, on the one hand, with smaller and medium-sized companies and, on the other hand, with some OEMs who are competitors and customers as well.

12.3.3 The German Market for Healthcare Peripherals

12.3.3.1 Market Characteristics and Trends

The size of the German market for healthcare peripherals is ultimately influenced by the number of practices, hospitals and pharmacies as well as the number of e-card terminals per practice or institution and the price per e-card terminal.

Trends driving growth in the German market for eHealth peripherals are mainly the digitalization of the German healthcare system and the need for protection against increasing cybersecurity threats. In Germany, the roll-out of eHealth card terminals is occurring in waves. After a first wave (2009-2015) in which the offline version of the electronic healthcare card was rolled out, the second and third waves – the first and second online phases, "**OPB1**" and "**OPB2**", respectively – were rolled out. As of January 1, 2021, the third online phase ("**OPB3**"), which introduces the electronic health record, has begun. In addition, e-prescriptions will be available soon (as of July 2021; source; gematik website, "Rising to the Challenge Together", included in the "Über uns/Overview" section). For more information, see "*13.2 German Regulations Regarding the Telematics Infrastructure*". Each wave is linked to different mandatory specifications for the relevant telematics applications must fulfil, and manufacturers must apply for all relevant certifications. The offline phase and the OPB1 phase required each a new card reader to be able to read the new types of card. During the OPB2 phase, additional online telematics applications were supported, such as communication between medical care providers, electronic medication plans and emergency data. While in this phase the OPB1 readers are still technically usable, bigger displays and NFC connectivity are required for the new applications. For more information on certifications relating to our eHealth peripherals, see "*14.3.1 Telematic Products*".

With the introduction of the eHealth card in Germany and the periodic roll-outs, doctors and other professionals in the healthcare business need additional e-card terminals. According to information provided by gematik, a significant number of participants in the German healthcare system are required to use electronic health cards requiring smartcard readers: the German healthcare systems includes some 190,000 physicians in around 2,000 hospitals as well as 102,000 physicians' practices, around 22,500 psychologists and psychotherapists, some 20,200 pharmacies, 44,500 dental practices, more than 100 statutory health insurances for approximately 73 million people with statutory health insurance in Germany, around 1,150 facilities for preventive care/rehabilitation and around 1.5 million other professionals in healthcare-related occupations (source: gematik, presentation "Telematics Infrastructure and Electronic Health Card", November 21, 2017, except for the figures on German inhabitants covered by statutory health insurance (2018), which are taken from "The German healthcare system", German Federal Ministry of Health, 2020). As part of the telematics infrastructure of the German healthcare system, Germany is creating an obligatory digital network for the health sector, where patients are to be able to use digital offers such as the electronic patient record, nationwide and as soon as possible. It is now compulsory for pharmacies (since the end of September 2020) and hospitals (since January 1, 2021) to get connected to Germany's Telematics Infrastructure ("**TI**"). Midwives and physiotherapists, as well as long-term care and rehabilitation facilities, may connect to the TI on a voluntary basis (costs incurred for voluntary connection will be reimbursed). In addition, Germany has increased the fee deduction for physicians who still refuse to be connected to the TI to 2.5% as of March 1, 2020 (previously 1%) (source: German Federal Ministry of Health, "Driving the digital transformation of Germany's healthcare system for the good of patients", available from the website of the Ministry of Health under https://www.bundesgesundheitsministerium.de/digital-healthcare-act.html).

The eHealth card is subject to different cybersecurity threats, including spying on personal data (*e.g.*, stealing administrative data, prescriptions or medical emergency information), disrupting the use of the card (*e.g.*, by permanent ejection of attached cards, being able to tamper with filling or deleting of prescriptions, or blocking a card), or misuse of an eHealth card's functionality (*e.g.*, pairing a card reader without explicit administration permission, malpractice of encryptions and signing functions and creating inconsistent prescriptions) (source: "Attack Scenarios for Possible Misuse of Peripheral Parts in the German Health Information Infrastructure", a 2010 conference paper by A. Sunyaev, A. Kaletsch, S. Dünnnebeil and H. Krcmar). This highlights the importance of secure peripherals such as the eHealth card readers and the relevance of the stringent certification processes required.

The new applications and regulatory requirements for e-card terminals are expected to result in a more frequent replacement of e-card terminals (*e.g.*, doctors are not allowed to repair e-card terminals but rather must purchase a new terminal in case the old one is defective due to the high security requirements). Thus, despite a declining number of practices and pharmacies in Germany, we estimate the market for eHealth terminals will grow over the next few years as new applications areas (such as electronic medication plans) drive additional demand for terminals in all doctor offices.

In the German market for eHealth peripherals, healthcare IT providers act as "gatekeepers" to the market, as they are the only contact points to doctors and often play an important role in the purchasing decision. Each healthcare provider has a defined starter package that is offered to doctors; they not only bundle components for a solution, but also often develop their own software. As a result, having good relationships with the important providers is critical in order to succeed in the market.

A further growth driver for this market is the growing relevance of infectious disease control in hospital settings as well as in offices or public spaces (*e.g.*, where people share the use of PCs and peripherals). This trend – which is long-term and not limited to concerns relating to the Covid-19 pandemic – is driving demand for healthcare peripherals that allow for disinfection, washable medical-grade keyboards, etc.

12.3.3.2 Competitive Environment

Cherry and Ingenico S.A., Paris, France ("**Ingenico**") are currently the only players in Germany which are certified as suppliers for e-card terminals for the German healthcare sector and which are marketed by large IT healthcare providers. Cherry also has OPB-2 certified products. While Ingenico has currently a larger installed base for eHealth peripherals in Germany, in our view, we have the most modern platform for e-card terminals for the German healthcare market, which has passed the extensive certification process. According to our own estimate, in 2020, Ingenico and Cherry had a market share of roughly 90% and 10%, respectively, of the German market for eHealth peripherals in terms of number of units sold.

13 BUSINESS

13.1 Overview

Cherry, headquartered in Auerbach, Germany, is a globally active manufacturer of switches for mechanical keyboards and computer input devices. Its business focuses on mechanical keyboard switches for gaming and on peripherals used in a variety of settings, mainly for gaming, office, industry, cybersecurity protection as well as telematics solutions for healthcare practices. Cherry believes that, since its foundation in 1953, it has stood for premium quality products designed and developed specifically for the needs of its customers. Cherry is active in two main business areas: **Gaming** (comprising the Gaming Switches and the Gaming Peripherals business units) and **Professional** (comprising the Office & Industry Peripherals and the Healthcare & Security Peripherals business units).

Our **Gaming** business area accounted for 56% of revenue of Cherry Holding Group in fiscal year 2020:

- The largest business unit within our Gaming business area is **Gaming Switches**. It accounted for 40% of revenue of Cherry Holding Group in fiscal year 2020. Within this business unit we sell branded mechanical switches to third-party OEM customers who in turn use them in PC gaming keyboards which are then sold all around the world. We mainly focus on premium, high-performance mechanical switches that are used predominantly for gaming keyboards. Cherry's customers in the Gaming Switches business unit comprise some of the world's most reputable blue-chip companies within the PC and gaming field as well as their design manufacturers. We have also recently successfully launched a new ultra low profile mechanical switch for gaming laptops which is currently offered for a selection of Dell's Alienware gaming laptops.

- Our **Gaming Peripherals** business unit, accounting for 16% of revenue of Cherry Holding Group in fiscal year 2020, sells PC gaming peripherals (including gaming keyboards, mice and headsets) mostly in Asia, with a primary focus on the Chinese (including Taiwanese) and South Korean markets. We have also recently begun selling selective gaming peripherals in Europe and North America.

Our **Professional** business area accounted for 44% of revenue of Cherry Holding Group in fiscal year 2020:

- Our **Office & Industry Peripherals** business unit within the Professional business area accounted for 31% of revenue of Cherry Holding Group in fiscal year 2020. Within this business unit, we sell PC peripherals (including keyboards, mice and keyboard/mice combos) with multiple features, both online and through distributors, to end-use customers who use them for professional purposes in governmental, commercial office, enterprise and a variety of other industrial settings. This business unit currently has a geographic focus on certain key European countries, primarily in Germany, but also in France and the United Kingdom as well as on the United States. In the fiscal year 2020, Germany, France and the United Kingdom accounted together for more than three-quarters of the revenue generated by our Office & Industry Peripherals. Moreover, we are expanding our geographic focus to other European countries that are showing dynamic growth, such as the Nordic countries and certain Central Eastern European countries and also plan to expand into China.

- Our **Healthcare & Security Peripherals** business unit accounted for 13% of revenue of Cherry Holding Group in fiscal year 2020. Within this business unit, we focus on manipulation-protected and extensive functionality peripherals, including encrypted key transmission keyboards, secure fingerprint enabled mice, integrated smartcard readers and input/output user terminals. We have also recently expanded our product portfolio to include peripherals that contribute to infectious disease control, such as washable medical-grade keyboards and disinfectable keyboards and mice (with the acquisition of Active Key in May 2021). Many of our cybersecurity peripherals are certified and TAA compliant and available for use by military and civilian governmental institutions and across a variety of commercial and industrial businesses where data sensitivity and cybersecurity are of paramount importance. This business unit's cybersecurity peripherals are certified in different countries, such as Germany, the United States, the Czech Republic, Canada, Spain and the United Kingdom. We also offer a broad selection of specialized peripherals for use in the German healthcare system, such as telematics peripherals (*e.g.*, certified keyboards with smartcard readers for the electronic healthcare cards as well as PIN and smartcard terminals). Our healthcare-focused keyboards and integrated smartcard terminals have been approved by gematik. Further, Cherry's keyboards for the German healthcare industry feature an extensive manipulation protection and are BSI-certified. Moreover, in this business unit we have historically offered, and we continue to offer, POS peripherals for selected projects.

Cherry operates two highly automated state-of-the-art production facilities in Auerbach, Germany, and Zhuhai City, China and a smaller factory focused on our eHealth terminals based in Vienna, Austria. As of March 31, 2021, the Group employed nearly 500 people in production facilities and offices in Germany, France, the United Kingdom, China (including Hong Kong and Taiwan), Austria and the United States.

In fiscal year 2020, revenue was € 130.2 million, EBIT was € 25.0 million and EBITDA was € 35.3 million, in each case in respect of Cherry Holding Group.

13.2 Competitive Strengths

We believe we have the strengths listed below. In our assessment, these create a unique and leading position for us within the global gaming and specialized peripherals markets.

13.2.1 Established number one global market position for mechanical gaming keyboard switches

We are the inventor of the MX mechanical keyboard switch, having first launched this product in 1983. Today the Group offers a comprehensive portfolio of mechanical switches used in gaming keyboards and in keyboards used by content creators and other heavy users (*e.g.*, heavy office typers or software developers). Specialized mechanical keyboard switches are highly sought after by hardcore and enthusiast gamers, who value performance and features over price and represent the highest spenders in the category: according to Newzoo, core PC gamers (defined as 10 to 50 year old online population that plays more than 6 hours per week on PC) are the more attractive customers for PC peripherals, since they tend to purchase hardware and peripherals more frequently and are more likely to stay up-to-date on the latest trend in the market (source: Newzoo Consumer Insights Report, May 2020). Within the relevant market segment of medium-, high- and premium-priced gaming mechanical keyboards, we assess (based on our modeling of the market for gaming mechanical keyboards included in the TechNavio Gaming Peripherals Data) that Cherry is the number one manufacturer of mechanical key switches globally, with a market share of approximately 42% in terms of total switch units sold in 2020.

In our view, CHERRY switches offer a competitive advantage compared to mechanical switches manufactured by our competitors. In particular, we believe our offering to be market leading in terms of workmanship, gaming focus, reliance, responsiveness, reputation and innovation. In addition, we are in our view the only major manufacturer offering mechanical switches characterized by "made in Germany" quality.

13.2.2 Innovation and quality leader with a track record of successful new product development

Having invented the mechanical switch, we continue to be, in our assessment, the innovation leader in the global mechanical switches market, being the first company to design, produce and launch a number of innovative and successful products for this market. Our CHERRY MX switch from 1983 is the original switch with a gold-based cross-point at its core, which ensures reliability and durability. We assess that we are the benchmark in regard to lifetime warranty, *e.g.*, guaranteeing over 100 million key presses (depending on the switch variant) without loss of quality. Switch quality in keyboards is paramount, given that if just one of the 100-110 switches per keyboard fails, it would render the entire product useless. In 2018, we developed the CHERRY MX Low Profile mechanical switch, based on the successful classic CHERRY MX switch, but 35% lower in height. These key switches were specifically designed for flat desktop applications while maintaining the feeling of our classical switch. In 2020, we brought the CHERRY VIOLA to market, a simpler but innovative design including a patented alternative contact system. In 2021, we launched the CHERRY MX Ultra Low Profile key switch, which we believe is the slimmest true mechanical switch in the market to date, at 3.5 mm total height. This switch is based on a completely new design, but retains the key mechanical functionality of closing mechanically with touching metal parts. The CHERRY MX Ultra Low Profile switch was launched in March 2021 and is now used in premium gaming notebooks of our first to-market partner, Dell's Alienware brand. We expect that in fiscal year 2021, the innovative switches brought to market during the past few years (*i.e.*, CHERRY MX Ultra Low Profile, CHERRY MX Low Profile and CHERRY VIOLA) will represent roughly 14% of our expected production volume of approximately 690 million switches (in units).

In addition, we believe that Cherry's quality leadership is also reflected by the fact that it has set the standard for key technical specifications of switch types across manufacturers. For example, Cherry invented a color code to define the technical specifications of a certain switch. Cherry's color code has become industry standard across almost all competitors, who apply this code to their own portfolio and thereby contribute indirectly to the brand awareness of the CHERRY brand. The color code is further a key purchase criterion for customers. As such, dedicated online shops use the Cherry color code as a main search criterion to filter the search for an appropriate keyboard (*e.g.*, the German Caseking.de website, see https://www.caseking.de/peripherie/eingabegeraete/tastaturen/mechanische-tastaturen).

13.2.3 Leading brand recognition and pricing power in our core markets

The CHERRY global brand is well established in all of our core markets. We supply switches to eight of the largest global keyboard manufacturers (excluding Cherry) and our switches are used almost exclusively in gaming keyboards in the high (above € 80 to € 120) and premium (more than € 120) price segments (source: Company assessment based on web-crawling and other methods, April 2021).

Cherry's distribution partner in China, JoyWay, carries out a successful strategy of "sponsoring" mainly Asian-based popular eSports teams for individual events or selected (even one-time) marketing measures together with popular gaming personalities. In our view, these select measures enhance the visibility of our products with a very limited financial investment compared to traditional eSport sponsorship. Cherry plans to continue to carry out such marketing initiatives through JoyWay in 2021 and beyond, predominantly with respect to Asian eSports teams. Our premium brand recognition is further strengthened at no cost to us by the fact that a number of the top professional and streaming gamers in the world use, and publish the fact that they use, CHERRY-branded products; for example, Richard Tyler Blevins, the U.S. gamer known as "Ninja" (see "*12.2.3 Increasing Popularity of eSports*").

The CHERRY brand has superior customer perception in our core regions of China, South Korea, Germany and the United States: In a recent consumer survey (designed by Cherry and carried out by Innofact in March 2021), customers in China were willing to pay a higher premium for a CHERRY-branded switch mechanical keyboard than any other brand globally. In South Korea and Germany, customers were willing to pay the second-highest premium, and in the United States, the third-highest premium, according to the same source. All our keyboard manufacturer customers leverage the CHERRY brand in their marketing, and our keyboard switches are exclusively co-branded with all such customers and not white labeled, furthering our excellent brand recognition.

13.2.4 Growth driven by multiple secular growth trends and underlying markets with strong growth

We estimate that our key addressable markets are characterized by high growth, strong underlying secular growth drivers and multiple favorable consumer trends.

We believe that future growth in our Gaming business area – including both our Gaming Switches and our Gaming Peripherals business units – will be driven especially by the growth in the number of gamers globally (expected growth from 2.8 billion in 2020 to 3.2 billion in 2023, according to the Newzoo Global Games Market Data), in particular the growth of the number of gamers in one of our core markets, Asia/Pacific (with the number of total gamers expected to grow from 1.5 billion in 2020 to 1.7 billion in 2023, according to the same Newzoo source). There were approximately 1.34 billion PC gamers globally in 2020 (the gamers' category that is particularly relevant for Cherry's business), with the number expected to grow to approximately 1.44 billion by 2023, according to the Newzoo Global Games Market Data. We believe the ongoing shift of gaming from a niche category to a mainstream activity, partly due to the increased use of gaming as a social medium and the continued shift to gaming from other forms of entertainment will continue to underpin this growth (as pointed out by several sources; see "*12.2 The Gaming Market – Key Trends*"). In particular, we expect increasing demand for high-performance gaming products, especially from committed gamers and hardcore enthusiasts, with the number of eSports viewers expected to grow from 436 million in 2020 to over 570 million by 2024 (source: Newzoo Esports data included on Newzoo's website/"key numbers" section).

We expect our Office & Industry Peripherals business (within the Professional business area) to continue to experience growth driven in particular by trends such as working from home and home schooling/e-learning – which have increased significantly as a result of the Covid-19 pandemic and related restrictive measures (*e.g.*, lockdowns). Working from home and home schooling have accelerated demand for PCs and therefore also for computer peripherals, such as keyboards and mice. The fourth quarter of 2020 saw global shipments of traditional PCs grow 26.1% year over year to 91.6 million units. The same category of devices grew by 13.1% year over year for the full year 2020 with the catalysts being work from home, remote learning, and restored consumer demand (source: IDC PC Tracker Article). We expect hybrid working (*i.e.*, models combining working from home and office time) and learning from home models to emerge as standard, even after the end of the Covid-19 pandemic. We believe that premium gaming peripherals – such as Cherry's – allow non-professionals to considerably improve their in-game performance and experience, without the high investments associated with a full-fledged gaming set-up typically used by hardcore gamers. Thus, for those who aspire to similar set-ups as professional gamers, premium peripherals typically act as entry-level equipment.

We believe that strong growth in our Healthcare & Security Peripherals business unit (within the Professional business area) will be driven by secular trends such as the rise of cybersecurity threats and awareness and ongoing infectious disease concerns in a post Covid-19 world. We expect that the increase in the use of remote environments (as mentioned in sources such as McKinsey's "The Future of Work after Covid" report, February 2021) will lead to increased security standards and heighten demand for secure mode peripherals such as our SECURE BOARD 1.0, which provides protection against key loggers. In addition, we believe that the ongoing digitalization of the German healthcare system will continue to drive growth for our eHealth peripherals such as the CHERRY e-card health terminals. Furthermore, the growing and long-term relevance of infectious disease control in hospital settings as well as in offices and public spaces (*e.g.*, where people share the use of PCs and peripherals) is expected to drive demand for our healthcare peripherals that allow for disinfection, such as washable medical-grade keyboards

13.2.5 Global distribution and scalable manufacturing footprint with highly automated state-of-the-art production facilities

Cherry operates two highly automated state-of-the-art production facilities in Auerbach, Germany, and Zhuhai City, China. In particular, we have invested in highly-automated machinery in our facilities, including customized machines and a fully-automated robotic transport system in our Auerbach factory which operates continuously – 24 hours a day, seven days a week. We also operate a smaller factory focused on our eHealth terminals based in Vienna, Austria. Our scalable production base is characterized by "Made in Germany" quality and low labor requirements.

We operate a global distribution network through direct sales as well as trusted distribution partners. We thus use different distribution channels – such as B2B direct, B2B via distributors and B2C e-commerce channels – depending on the product segment to better reach our customers.

13.2.6 Blue-chip customer base subject to high switching costs

Cherry's customers in the Gaming Switches business unit comprise some of the world's most reputable blue-chip companies within the gaming field as well as their design manufacturers, including almost all global blue-chip manufacturers of keyboards, such as Logitech, Corsair, Dell, HP. Cherry also serves blue-chip corporates in the Professional business, including BMW, Allianz, Telefonica and Axa.

Keyboard platforms are engineered around Cherry switches and keyboard manufacturer customers leverage the CHERRY brand in their marketing materials (*e.g.*, with a "CHERRY inside" or equivalent label on the keyboard packaging), effectively co-Branding their products and creating an extra barrier to changing suppliers.

We believe that several factors contribute to creating further barriers to a Cherry customer switching to another supplier. For example:

- keyboard manufacturers typically create a specific design around a specific CHERRY switch,
- the use of CHERRY switches helps customers in positioning their keyboards in the premium- and high-price market segments, and
- the close collaboration and common innovation between Cherry and our customers that contribute to creating further barriers to a customer changing their switch supplier from us.

In our professional business we operate primarily in the B2B domain, where corporate standardization regarding IT equipment also provides, in our view, an additional barrier to changing to another supplier.

13.2.7 Impressive financial profile with high margins and attractive cash conversion

The Group has a successful history of delivering profitable growth. In fiscal year 2020, revenue was € 130.2 million and Adjusted EBITDA was € 37.1 million (in each case with reference to Cherry Holding Group). Cherry Holding Group has consistently expanded its gross profit margin, Adjusted EBIT Margin and Adjusted EBITDA Margin since fiscal year 2018 and has an attractive Free Cash Flow Conversion Rate ranging between 93% and 113% during fiscal years 2018 to 2020.

In fiscal years 2018 to 2020, the Cherry Holding Group has consistently improved its Adjusted EBITDA Margin from 20.9% in fiscal year 2018, to 25.9% in fiscal year 2019 and 28.5% in fiscal year 2020, representing an improvement of 760 basis points in the three-year period. Our ability to regularly increase prices through our premium positioning is among the reasons why we have been able to consistently improve our gross profit margin (calculated as the ratio of gross profit to revenue for the relevant period and based on the underlying numbers in € thousand as presented under "*11.6.1 Overview*") in the three fiscal years 2018 to 2020, from 35.3% in fiscal year 2018, over 37.8% in fiscal year 2019 to 39.0% in fiscal year 2020, in each case with reference to Cherry Holding Group. Adjusted EBIT Margin of Cherry Holding Group increased from 13.7% in fiscal year 2018, over 17.7% in fiscal year 2019 to 20.6% in fiscal year 2020.

Our business has generated significant cash flows, with Free Cash Flow of Cherry Holding Group rising from € 10.4 million in fiscal year 2018 to € 16.4 million in fiscal year 2020. Cash Conversion Rate of Cherry Holding Group has ranged between 93% and 113% during the past three fiscal years: 112.1% in fiscal year 2018, 101.7% in fiscal year 2019 and 93.7% in fiscal year 2020.

We have also delivered consistent and accelerating revenue growth: Between fiscal year 2018 and fiscal year 2020, Cherry Holding Group's revenues grew at a CAGR of 14.1%, while in the three-month period ended March 31, 2021, revenue of Cherry Holding Group was € 37.7 million, representing an increase of 35.6% in comparison with the corresponding period in 2020.

13.2.8 Highly experienced management team

Cherry has a highly experienced management team. The Company's CEO, Rolf Unterberger, has 31 years of corporate experience, with a track record across business development, sales & marketing, M&A as well as R&D and engineering. In addition, the Company's CFO, Bernd Wagner, has 28 years of corporate experience across the fields of finance, operations, IT, legal & compliance as well as investor and lender relations.

Rolf Unterberger and Bernd Wagner joined Cherry in May 2018 and November 2017, respectively. Since joining, they have overseen a period of consistent annual expansion of Cherry Holding Group's gross profit margin, Adjusted EBITDA Margin and Adjusted EBIT Margin between fiscal year 2018 and fiscal year 2020 while driving revenue up in the same period at a CAGR of 14.1%. In the same time period, the management team worked on the roll out of new innovative products including the CHERRY MX Ultra Low Profile key switch and new eHealth terminals, which were launched in March 2021 and December 2020, respectively, and contributed to the accelerated growth of Cherry Holding Group's revenue by 35.6% in the three-month period ended March 31, 2021 in comparison to the corresponding period in fiscal year 2020.

Beside the CEO and CFO, Cherry has also built a strong leadership team globally. The business unit heads focus on the growth of the vertical business and the corporate department heads (*e.g.*, for material management, quality, human relations and IT, among other functions) support the business with their strong process competence as well as high level of expertise, while the country heads drive the business across the verticals (*i.e.*, our four business units) in their regions and countries. With our very experienced global leadership team, we believe that Cherry has developed strong market traction and especially strong execution competence in implementing the Group's strategy and growth over the last years.

13.3 Our Strategy

We intend to benefit from both our leading market positions and our attractive underlying markets (many of which are rapidly growing, see "*12 Market and Competitive Environment*") in order to drive growth through continued innovation. We also strive to create additional value to our customers and want to expand our global reach and penetrate further regional markets to reach additional end-users of our products. We aim to improve our brand recognition by a combination of organic growth measures as well as inorganic growth. Our organic growth is fueled by our focus on innovative products and technologies, backed by continued quality leadership, and coupled with geographic expansion. Besides an overarching strategy for the Group, we also have specific strategic objectives for our four business units. In addition to its net proceeds from the Offering (see "*6.2 Reasons for the Offering and Listing; Use of Proceeds*"), the Company intends to use the existing cash on its balance sheet to implement its strategic objectives.

13.3.1 Advancing and expanding our position as a global innovation leader, and developing new, innovative market-leading products across all our business areas

Capitalizing on our expertise and innovative power, we plan to create new mechanical switches and alternative technology switches for different applications in order to further strengthen our position as a market leader in mechanical switches to support the strong growing gaming market. We also intend to develop new products for the growing gaming ecosystem and to address the increased complexity of games, which creates the need for high performing gaming peripherals. In our Gaming Peripherals business unit, our near-term product roadmap includes new series for two products, namely a corded headset with 7.1 virtual surround sound, vibrant sound for gameplay, noise positioning and easy access control buttons for volume control and mute (HC 2.2) and a new gaming mouse (MC 2.1). In addition, we strive to create high-quality professional peripherals for applications such as remote learning and work from everywhere. Cherry will support the upgrade of the current standard equipment for hybrid work models, which we believe will result in faster replacement cycles. Furthermore, we expect that wireless technology and ergonomic peripherals will play a significant role. With new innovative and highly secure platforms and applications, we aspire to drive innovation in the German telematics infrastructure. Beside the digitalization of the German healthcare sector, Cherry will focus on peripherals which can be easily disinfected. Our near-term product roadmap includes a new high-quality mechanical keyboard with card reader for the German telematics infrastructure system that can be coated with a hygienic cover (which shall be the successor product for our eGK-Tastatur G87-1505), and a customized cash register module with card reader to be integrated into a cash register solution of a leading pharmacy service company.

13.3.2 Expanding our premium and leading brand presence and deepen our global market penetration

We intend to further expand our customer base and increase our share of wallet with existing customers with new innovations. For example, we strive to expand our Gaming Peripherals business to new countries in Asia in which we expect attractive growth over the coming years, such as Japan, Indonesia and Malaysia. CHERRY's strong brand recognition will help us to expand our market share in Europe (in particular, in the Nordic countries and in Central Eastern European countries) as well as in the United States and China. We also plan to grow the strong base of Cherry's B2B client base and increase our share of B2C business via additional online platforms (which also includes setting up warehouse centers as well as logistic, IT and financial structures (either outsourced or in-house) to support our own e-commerce store, once it is fully launched). In addition, we plan to leverage our strength and experience gained during our long-term participation in the German telematics infrastructure (eHealth) business to expand this business into other markets in Europe and the United States.

13.3.3 Pursuing selective acquisitions to complement and further strengthen our product portfolio and our global geographic presence

Beside the strong organic growth path we continue to plan for Cherry, we intend to pursue a focused and disciplined acquisition strategy. We have already recently expanded our portfolio with the Theobroma Acquisition (October 2020), with which we acquired embedded development competence on which our eHealth and security portfolio products are based. In addition, in May 2021, we acquired Active Key, which has a broad and deep portfolio of hygienic and robust input devices, with a focus on hospitals and industrial customers. This product area has seen high demand recently in light of the Covid-19 pandemic. We plan to expand our product portfolio and our solutions through selective acquisitions in both our Gaming and Professional business areas and across our four business units in order to leverage Cherry's broad and diverse customer base with selected acquired portfolio elements. We will strongly focus on expanding our core competence and product portfolio in the current verticals (*i.e.*, our four business units) with complementary, quality products close to our existing portfolio and markets and in order to increase or presence in certain regions. Especially targets that offer, in our view, synergies in terms of market access and both international and regional sales channels would fit in our acquisition strategy. In general terms, the typical profile of potential targets includes companies operating in the United States, Europe and Asia, with an approximate revenue range between € 15 million to € 35 million and double-digit percentages for EBITDA/EBIT margins. Among several leads, we have currently identified four to five potential targets, of which we have started a potential acquisition process for three. Overall, we expect to finalize one or two acquisitions during the next 12 months.

For example, we are looking to expand our portfolio of Gaming peripherals, *e.g.*, with additional peripheral products (keyboards, mice and gaming headsets) targeting Asian consumers, in order to strengthen our core portfolio. In addition, we want to expand our portfolio with, for example, streaming and software components. In our business with Office & Industry peripherals, we intend to focus, for example, on office headsets and video collaboration as well as ergonomic devices. Furthermore, we are looking at other peripherals to complement the "workplace of the future" and are interested in niche/specific use peripherals (*e.g.*, ergonomic, rugged use peripherals for industrial use and peripherals for medical use). In the healthcare area, we see a strong demand for peripherals that can be easily disinfected, and, beyond the Active Key acquisition in May 2021, we plan to further grow in this area, and would consider a potential acquisition in the field of disinfectable peripherals, *e.g.*, in the United States. Through regional acquisitions, we expect to strengthen our regional presence, market recognition and brand recognition, while at the same time pursuing revenue growth and profitability.

13.3.4 Strategic Objectives for Our Business Units

13.3.4.1 Gaming Switches

In our Gaming Switches business unit, we intend to improve market penetration in the gaming laptop market segment with our CHERRY MX Ultra Low Profile switches. Our ultra low profile switch is set to capture further laptop segments, such as creator laptops (*i.e.*, laptops designed primarily for the purpose of heavy-duty content creation tasks) or high-end business laptops. In addition, we believe that our ultra low profile switch can act as a "door opener" for us to enter new market segments such as the mobile and tablet keyboard accessory market. We also plan to continue to set new standards in the market, driven by unique switch innovations in the keyboard and laptop markets. We are currently developing a new innovative switch technology to offer end-users additional features (patents pending), and plan to implement new products to complement our gaming switches portfolio.

13.3.4.2 Gaming Peripherals

Our strategy for the Gaming Peripherals business unit includes the introduction of new keyboards, mice and headsets to expand all our product lines (for example, for different price categories). It also includes establishing a comprehensive ecosystem encompassing keyboards, mice, headsets and central software in all lines, as well as introducing additional wireless technologies, in both cases organically and through one or more potential acquisitions. From a regional perspective, we intend to further penetrate our core gaming markets (China and South Korea), further expanding our presence in the regions of Taiwan and Hong Kong (both China) during 2021 and also expanding into Indonesia in 2021. Moreover, we plan to enter new markets, such as the greater Asia region (in particular Japan, which is the next large gaming market we plan to enter), potentially through an acquisition that would enable us to provide an individual portfolio adapted to this market's characteristics. We also plan to enter the U.S. and European markets with selective gaming peripherals and have already started several pilot projects in this connection. In terms of distribution, we plan to expand our distribution network in Asia. Furthermore, we plan to take over marketing and sales tasks previously performed by our distributors (which we believe would contribute to increasing our margins and efficiency) and to directly provide flagship stores such as JD.com or TMall by ourselves, to systematically support our comprehensive distribution network. In order to do so, we will expand our local e-commerce capabilities and may expand our distribution network through suitable acquisitions.

13.3.4.3 Office & Industry Peripherals

We plan to introduce new products to further expand the portfolio of our Office & Industry business unit, including new wireless keyboards & desktop combos and new corded keyboards. For example, a wireless keyboard featuring our CHERY MX Ultra Low Profile key switches addressed in particular to creative writers and heavy typers, is expected to be launched in 2022. If we identify suitable acquisition targets, we may also expand our portfolio to new product categories, such as video collaboration products, headsets and other peripherals. From a regional perspective, besides further penetrating our existing core European markets (Germany, France and the United Kingdom) and the U.S. market, we strive to further drive our sales in the rest of Europe and to expand to China. In this connection, we have already set up first distribution and partner contacts in the United States and China. Currently, most of our Office & Industry products (around three-quarters) are sold to B2B customers. We intend to strengthen and expand our e-commerce strategy to enhance our sales to B2C customers (in order to reach around 45% of our business unit sales in the mid-term). Our B2C strategy execution is aimed at building out e-commerce platforms on major online retailers, especially Amazon, but also others such as Google, Euronics and Alternate. In addition, we plan to set up or own online shop and carry out a strong marketing campaign to support our B2C sales efforts.

13.3.4.4 *Healthcare & Security Peripherals*

We believe that we have attractive opportunities for future growth in innovative markets. These opportunities arise mainly from our high roll-out of existing products in our addressable German eHealth market (with the ongoing OPB2 roll-out) and the potential to address the very large medical practitioner market segment. We also see an opportunity to replicate our software and hardware offering in other healthcare markets and believe that the increasing data security requirements will contribute to our product growth.

We expect to grow our offering with products satisfying governmental standards and common criteria for certified products for the German healthcare market, with value-added services that support our new, innovative and certified products, such as an eHealth PIN-Pad, and software-driven products and applications, such as payment applications and value-added services (*e.g.*, through customer loyalty programs or advertisements on the PIN-Pad). Moreover, we expect that new services such as fast replacement and extended warranty contracts may contribute to our generation of recurring revenues. In addition, we strive to provide a very high level of product security to our healthcare and corporate end-users, leveraging on and expanding Cherry's reputation through our more than 25 years of presence in the German healthcare market and by offering customer retention tools, such as online webinars and client education events and demos. Furthermore, we intend to leverage our long-standing relationships with our distribution channels, create new partnerships, improve the technological tools for customer acquisition (*e.g.*, combining "business social media" with artificial intelligence) and expand regionally (regions of particular interest for our business with security and healthcare peripherals are the Middle East and Asia).

We also plan to leverage the synergies we expect to arise from the recent acquisition of Active Key and its broad portfolio for hygienic peripherals, including a broader common market access through Active Key's vertical approach (*e.g.*, by gaining additional vertical access to hospitals) in combination with the Group's channel approach and the gained know-how regarding hygienic products (*e.g.*, to potentially add hygienic elements to CHERRY products), as well as synergies resulting from the combined regional reach and the extended customer base. If we find a suitable target, we would consider further expanding in this business field through another acquisition.

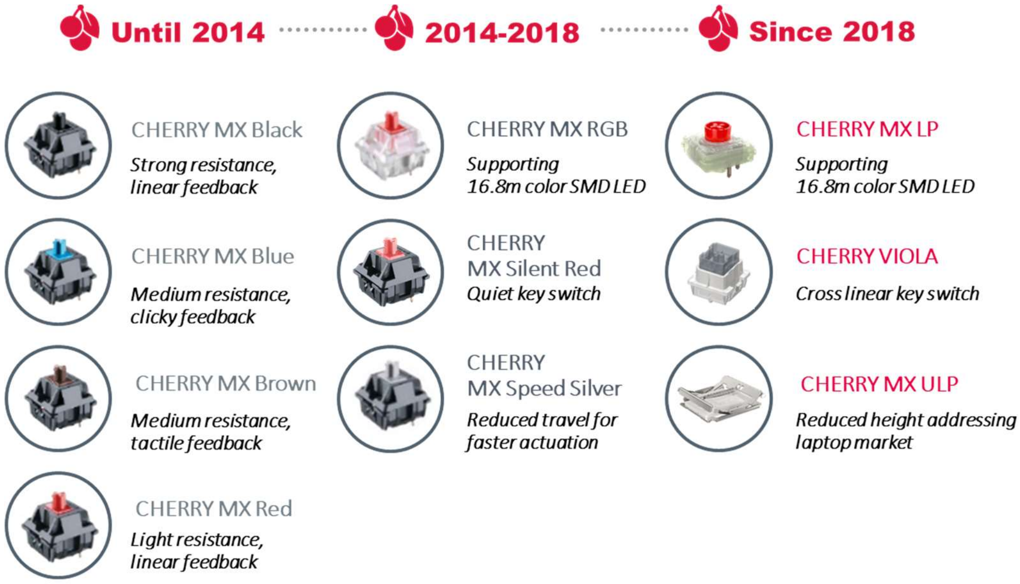
13.4 Products

13.4.1 Gaming

13.4.1.1 *Gaming Switches*

Our Gaming Switches business unit offers a comprehensive portfolio of mechanical key switches for gaming, office and other professional applications. Cherry switches are used by almost all global blue-chip manufacturers of keyboards and other input devices, especially in the gaming industry. Cherry also offers multiple models of gaming equipment devices equipped with its own switches through its Gaming Peripherals business unit (see "*13.4.1.2 Gaming Peripherals*"). We offer a suite of full-size, low profile and ultra-low profile premium key switches based on our CHERRY MX mechanical technology, including the original CHERRY MX key switches, CHERRY MX Low Profile and our new CHERRY MX Ultra Low Profile key switches, as well as CHERRY VIOLA key switches.

The following chart provides and overview of our main key switch models:



The continuous expansion of our portfolio of mechanical switches, including the introduction of new variants, and innovations (such as the CHERRY VIOLA key switch) have allowed us to increase our share of customers' spending, including in other price segments (*e.g.*, mid-price market segment), while also entering new market segments (*e.g.*, the notebook market) with our CHERRY MX Ultra Low Profile key switch.

13.4.1.1.1 Technical Characteristics of Mechanical Key Switches

A mechanical switch is a physical switch underneath each key of a mechanical keyboard that registers when a key is pressed down, thus allowing the keyboard to send a signal to the computer that a key has been pressed. Mechanical key switches come with variations in technical design and properties such as actuation force, pre-travel, total travel bounce time and form of audible or tactile feedback. The actuation force refers to the amount of operating force that is required to press the key and is measured in centinewton ("**cN**") (or grams). Key switches requiring a lower actuation force tend to be preferred by end-users who desire quick execution of key strokes, while key switches requiring higher actuation force tend to be favored by end-users who value accuracy and want to avoid inadvertent key inputs. Pre-travel refers to the distance the stem of a key switch must be pressed downward before contact with the actuation point is made, while "total travel" is the distance of pre-travel plus the distance to return from the actuation point to the switch's original position.

Mechanical key switches can be linear, tactile (with different variations) and 'clicky'. Linear key switches have a consistent keystroke and provide no tactile or audible feedback. Tactile key switches are designed with a pressure point (bump) in the middle of travel around the actuation point and provide a tactile feedback. In 'clicky' key switches, the tactile feedback is accompanied by a 'click' sound, providing audible feedback as well. In comparison, other key switch technologies offer only a limited choice.

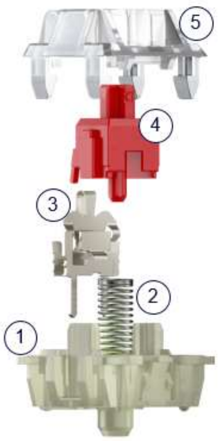
Compared to membrane or rubber dome switches, which offer a durability of around 5 million key presses (for membrane switches without rubber dome) or up to 10 million key presses (for rubber dome switches), mechanical key switches allow for a higher number of key presses without loss of quality. For example, while Cherry estimates that its switches allow 50 to 100 million presses without loss of quality, the estimated durability of membrane or rubber dome switches is between 5 and 10 million keystrokes. Another advantage of mechanical key switches is that they are already activated when the key is pressed down to the activation point (*i.e.*, when the key is pressed half-way or approximately 2mm), resulting in an instant response (<1 millisecond) and less wear-out of keys. For these reasons, mechanical keyboards are often used for gaming, where speed of response can be a crucial factor. By contrast, in a rubber dome/membrane keyboard, keys must be pressed down completely in order to be activated, resulting in low responsiveness, faster wear-out of the keys and finger fatigue and long-term discomfort. The majority of computer keyboards currently in production use a rubber or silicon dome membrane key switches. In these switches, the middle layer of the membrane keeps the top and bottom layers from contacting each other, except when a switch is depressed completely. This also makes membrane key switches quiet. Membrane key switches are usually 'full-travel', *i.e.*, the key will typically move down 3.5 millimeters ("**mm**") to 4.0 mm (sometimes less) before 'bottoming out', and the elasticity of the membrane returns the keycap and associated plunger to their default 'up' position.

Scissor-switch membrane keyboards are a distinct subset of rubber dome switch keyboards. These keyboards still use rubber domes, but a special plastic 'scissors' mechanism links the keycap to a plunger that depresses the rubber dome with a much shorter travel than the typical rubber dome keyboard. The smaller, shallower footprint makes scissor-switches popular on laptops and other portable keyboards (source for descriptions of membrane and scissor switches: "Comparing Mechanical, Membrane and Scissor-Switch Membrane Keyboards – Ergonomic Considerations of Keyswitch Type", available from www.ergopedia.ca).

Cherry's color code has become industry standard across almost all competitors, who apply this code to their own portfolio and thereby contribute indirectly to the brand awareness of the CHERRY brand.

13.4.1.1.2 CHERRY MX

We introduced our first CHERRY MX mechanical key switch in 1983 and we believe that our more than 35 years of expertise, manufacturing quality and the technological characteristics of our original CHERRY MX key switches distinguish our product portfolio from that of our competitors. An original CHERRY MX switch consists of five elements plus the removable key cap:



(1) the housing base,

(2) the precision coil spring, which is calibrated for a specific type of key switch and its type of pressure force,

(3) the MX gold cross-point contact, which consists of two triangular components that make contact with each other when the key is pressed,

(4) the switching slide or stem, which creates the pre-travel of the switch and the keystroke feel, and

(5) the upper housing.

The key cap is attached to the upper part of the stem.

A main differentiator of our CHERRY MX key switches is the gold-based cross-point contact. The gold-based cross-point is the heart of our key switches and ensures both reliability and durability. With high precision, triangular cross-contacts meet each other at precise right angles. The gold plating of the electrical contact enclosure has self-cleaning effect and protects the key switch against corrosion. Our CHERRY MX technology ensures bounce times of typically less than 1 millisecond. We believe that, due to the general advantages of mechanical key switches and the specific design and build quality, many blue-chip keyboard OEMs favor our CHERRY MX key switches for their gaming keyboards. Our CHERRY MX key switches allow them to meet the high demands of professional PC gamers and gaming enthusiasts, who desire fast inputs, a reliable execution of keypresses and a long lifespan. Mechanical keyboards with CHERRY MX key switches are also popular in commercial and industrial environments, as they meet professional requirements of durability and reliability. The design and built of our original CHERRY MX key switches ensures a high level of durability, allowing, for some variants, more than 100 million key presses without loss of quality, while others allow for more than 50 million key presses.

Our portfolio of original CHERRY MX key switches comprises several models with different characteristics, which we distinguish and label by the color of the stem. The force required to trigger a key operation varies based on the model of the key switch and, for example, ranges from 45 cN for our CHERRY MX Red and Speed Silver models to 80 cN in the case of our CHERRY MX Green and Grey models. Pre-travel ranges between 1.9 mm for the CHERRY MX Silent Black model and 2.2 mm for the CHERRY MX Blue and Green models. Further, our offering comprises linear, tactile and 'clicky' key switches.

The five most popular color models of the original CHERRY MX key switches family are Red, Brown, Blue, Black and Speed Silver. Due to their characteristics, users typically favor these switches for specific applications:

- *CHERRY MX Red and CHERRY MX Silent Red* – Our CHERRY MX Red key switch is popular among gamers because it is a linear switch without a pressure point and can be triggered quickly and with minimal actuation force. On the CHERRY MX Red key switch, we guarantee over 100 million keystrokes or contact switches per switch without loss of quality. A short bounce time of typically less than 1 millisecond allows for a high switching frequency. With CHERRY MX Silent Red, we offer a variation with our noise reducing dampening technology with an integrated 2-component stem that minimizes bottom-out and top-out noise.

- *CHERRY MX BLACK and CHERRY MX Silent Black* – The CHERRY MX Black is our oldest switch, which was first introduced in 1983. Like the CHERRY MX Red, the CHERRY MX Black is a linear switch but requires a greater actuation force. It is suited for users looking for high accuracy as the tighter coil spring, for example, ensures a quicker return of the switch to its initial position. The CHERRY MX Black is suitable for players of strategy games such as real-time strategy games as well as for point-of-sale keyboards for cash register systems because the switch characteristics reduce unwanted key inputs. The switch is also available in the CHERRY MX Silent Black variant with our patented noise dampening technology.

- *CHERRY MX Blue* – We believe that the CHERRY MX Blue key switch is popular among writing enthusiasts, as it offers precise tactile and audible 'click' feedback. Due to their audible feedback, these switches are not an optimal solution for open space offices, but are suitable for users who value a precise input.

- *CHERRY MX Brown* – Our CHERRY MX Brown key switch has a tactile actuation point, but without the classic 'click' sound of the CHERRY MX Blue key switch. Its quieter operation and noticeable actuation makes it a preferred switch for office users. It is also a good alternative for gamers who frequently use their keyboard for typing.

- *CHERRY MX Speed Silver* – The CHERRY MX Speed Silver is the fastest model of the CHERRY MX switch family. Due to the linear switching characteristics combined with the low spring resistance, the silver switch triggers directly. It is well suited for gamers that play games requiring fast inputs.

CHERRY MX Red, Silent Red, Black, Blue, Brown and Speed Silver switches are also available in a red, green and blue ("**RGB**") color model variant that allows the use of a surface-mounted device ("**SMD**"), employing a light-emitting diode ("**LED**") semiconductor light source, to illuminate the keys, either in a single color or in multiple RGB colors. The RGB variants have a lens, transparent casing and scattering surface that ensure more consistent lighting through the keycap and are especially popular in gaming keyboards.

Furthermore, we offer specialty switches, including the CHERRY MX Green key switch, a slightly modified version of the CHERRY MX Blue that requires a higher actuation force. The CHERRY MX Grey and the CHERRY MX Clear key switches are sister models of the CHERRY MX Brown that also require higher actuation forces than the CHERRY MX Brown.

Our CHERRY MX technology allows us to guarantee more than 100 million actuations for our CHERRY MX Red, Black, Brown and Speed Silver key switches and over 50 million actuations for all of our other CHERRY MX models without loss of quality.

13.4.1.1.3 CHERRY MX Low Profile

We offer CHERRY MX Low Profile key switches which are based on the CHERRY MX technology but are approximately 35% lower in height than classical CHERRY MX key switches. These key switches were specifically designed for flat desktop applications while maintaining the feeling of our classical CHERRY MX key switches.

Our CHERRY MX Low Profile family comprises two models, Red and Speed. Both models come in RGB variants. The CHERRY MX Low Profile Red has similar switching characteristic as the CHERRY MX Red while the CHERRY MX Low Profile Speed has similar characteristics as the CHERRY MX Speed Silver. Due to the lower height of the low profile key switches, both pre-travel and total travel are reduced compared to those of the original models.

13.4.1.1.4 CHERRY MX Ultra Low Profile

In March 2021, we introduced the CHERRY MX Ultra Low Profile key switch to the market, which is based on a new switch design and is lower in height than the CHERRY MX Low Profile. Like our other CHERRY MX key switches, the CHERRY MX Ultra Low Profile uses gold-based cross-point contacts. Its components are made of stainless steel and translucent plastic, which allows the use of RGB illumination. The CHERRY MX Ultra Low Profile is a tactile, 'clicky' key switch. The switch's total height is 3.5 mm without the key cap, which in our assessment makes it the thinnest "true" (meaning the contacts are closed mechanically with touching metal parts) mechanical key switch in the market. When compared to other key switch technologies used in notebooks, in particular membrane and scissor switches, the CHERRY MX Ultra Low Profile shares the advantages of our original CHERRY MX key switches, namely, faster actuation, longer durability and a true mechanical typing experience. The switch is therefore suited for the premium gaming notebook segment but the advantages of our mechanical switch technology also make the CHERRY MX Ultra Low Profile suited for thin gaming and office desktop keyboards. It offers a high switching frequency for fast gaming and typing and is designed to allow for cost-saving surface-mount device assembly production *(i.e.*, the components are mounted or placed directly onto the surface of a printed circuit board). On the CHERRY MX Ultra Low Profile switch, we currently guarantee over 15 million actuations per switch without loss of quality and we are currently working to improve this to over 20 million actuations. Bounce times for our Cherry MX Ultra Low Profile switch are typically <1 millisecond (whereas for rubber dome switches, bounce times typically range between 5 and 10 milliseconds). Initially, the CHERRY MX Ultra Low Profile key switch will be used in premium gaming notebooks of our first-to-market partner Alienware. In 2021, we estimate that we will manufacture approximately 10 million CHERRY MX Ultra Low Profile switches at our Auerbach facility as part of the ramp-up for this product, whereby such production estimates are regularly adjusted to consider current and expected customer demand, and expect to produce a larger number in the coming years. We also plan to incorporate our CHERRY MX Ultra Low Profile switch into office keyboards during the course of 2022.

13.4.1.1.5 CHERRY VIOLA

The CHERRY VIOLA is our only key switch designed specifically for the medium price keyboard segment, targeting more price-sensitive customers. Due to a simple design, its switching characteristic, and a new innovative contact system, the CHERRY VIOLA can replace entry-level technologies such as membrane and rubber dome switches and hybrid solutions. We believe it thus represents a significantly higher quality alternative when it comes to reliability, true mechanical typing feel and durability. The CHERRY VIOLA has distinctive switching characteristics: a two-stage, linear actuation that we refer to as "CrossLinear" by us. After the pre-travel, the actuation force ramps up to the end of the full travel distance. The resulting characteristic curve enables CHERRY VIOLA to offer ergonomic over-travel (*i.e.*, the travel of the switch after the actuation point) and fast reset. We also specially designed the shifting characteristics to meet the requirements of the target end-customers. Further, the switch utilizes our patented self-cleaning V-Shape contact system that establishes an efficient connection between two pads on the circuit board.

Our CHERRY VIOLA is optimized for use with monochrome or RGB-capable SMD LEDs. We have designed the upper part of the VIOLA's housing to be transparent and to guarantee uniform illumination of the entire key cap, resulting in a bright display of all colors of the RGB spectrum.

13.4.1.1.6 CHERRY ML

The CHERRY ML switch is well suited not only for industrial, but also for a variety of other applications. It can be employed in telecommunications equipment and medical technology. The switch utilizes our gold-based cross-point contact concept with self-cleaning contacts that are resistant to dust and dirt. Since the 1990's it has been used in original CHERRY keyboards around the globe and in keyboards of demanding-input-device OEMs. Compared to the original CHERRY MX key switches. Further, it has an actuation feeling with little resistance and a very short bounce time for high switching frequency. We guarantee 20 million actuations per switch without loss of quality.

13.4.1.2 Gaming Peripherals

The product portfolio of our Gaming Peripherals business unit mainly comprises gaming keyboards, which use our CHERRY MX and CHERRY VIOLA key switches, and gaming mice. Furthermore, we offer other accessories such as our CHERRY HC 8.2 headset and the ergonomic gaming chair CHERRY GC 5.0. We believe that gamers value when their gaming peripherals function as an ecosystem. For this reason, many of our CHERRY gaming devices not only have a harmonized design but also increasingly have synchronized functionality. For example, our CHERRY Utility Software allows users to control CHERRY keyboards as well as mice and will offer the option to synchronize RGB lighting and other features and settings across devices.

13.4.1.2.1 Keyboards

CHERRY MX BOARD 2.0S

CHERRY G80-3000 S TKL

We offer a variety of gaming keyboards with full-size or compact designs (so-called 'tenkeyless' ("**TKL**"), *i.e.*, without a number pad) and key layouts. In 2020, we sold approximately 0.5 million gaming keyboards. Most CHERRY MX keyboards are offered only in Asia. They are available with different CHERRY MX key switches to satisfy individual user preferences. All of our gaming keyboards feature N-key rollover, which means that all keys are read simultaneously, anti-ghosting circuitry, which ensures that there are no input errors, and other features, *e.g.*, abrasion-resistant, laser-etched key caps and a WIN key lockout function for gaming. Depending on the model, our keyboards also come with some of the following features: solid aluminum housings; RGB illuminations in more than 16 million colors, with numerous integrated color routines; the CHERRY button to access our CHERRY utility software; macro and multimedia keys; onboard memory to store settings; detachable USB cables; and detachable palm rests, which we also sell separately.

With our CHERRY Utility Software, users can individualize keyboard settings, including dynamic RGB illumination and programming of macro keys to start a sequence of key commands with a single press.

The following table provides an overview of some of our premium gaming keyboards with CHERRY MX key switches and their key features:

	CHERRY MX BOARD 9.0	**CHERRY MX BOARD 8.0**	**CHERRY MX BOARD 6.0**	**CHERRY MX BOARD 5.0**	**CHERRY MX BOARD 3.0 S**	**CHERRY MX 2.0S**	**CHERRY MX BOARD 1.0 / TKL**	**CHERRY G80-3000 / S TKL**
Layout	Full-size	Compact	Full-size	Full-size	Full-size	Full-size	Full size / compact (TKL variant)	Full size / compact (S TKL variant)
Aluminum housing	—	✓	✓	—	✓	—	—	—
Switches...............	MX Blue, Brown, Red and Black	MX Blue, Brown, Red, Silent Red, Black and Silent Black	MX Blue, Brown, Red and Black	MX Blue, Brown, Red, Silent Red and Black	MX Blue, Brown, Red, Silent Red and Black	MX Blue, Brown, Red, Silent Red and Black	MX Blue, Brown, Red, Silent Red and Black	MX Blue, Brown, Red and Black
Customizable RGB lighting.........	✓	✓	✓	—	✓	✓	✓	— / ✓ (S TKL variant)
Multimedia keys....	✓	—	✓	✓	✓	✓	✓	— / ✓ (S TKL variant)
Programmable macro keys...........	✓	—	—	—	—	—	—	—
Palm rest..............	—	—	✓	✓	Sold separately	Sold separately	✓	—

Our newest model, the CHERRY MX 10.0, which is exclusively sold in Asia, uses our CHERRY MX Low Profile key switches which allow for a thin keyboard design with only 22 millimeters in height. The CHERRY MX 10.0 features an aluminum housing, RGB lighting programmable with our CHERRY Utility Software and 8 MB on-board memory. It is available with CHERRY MX Low Profile Red and Speed key switches. Other keyboards recently added to our portfolio are the CHERRY MX Board 3.0 S and the CHERRY G80-3000, which also comes in the S TKL variant.

We believe that our keyboards also have aesthetically pleasing designs. For example, the CHERRY MX 2.0S was awarded with the "German Design Award Special 2021" in the categories excellent product design, computer and communication (source: Rat für Formgebung Service GmbH, German Design Award 2021).

13.4.1.2.2 Mice

We offer various types of gaming mice with different features. The CHERRY MC 9620 FPS is our most advanced gaming mouse designed for use in first-person shooters ("**FPS**"). It has received the 2019 "Plus X" Award for high quality, design, ease of use and ergonomics (source: plusxaward.de).

CHERRY MC 9620 FPS

It features a precise, optical sensor with a dots per inch ("**dpi**") resolution that can be set up to 12,000 dpi with our CHERRY Utility Software. The sensor resolution determines the sensitivity with which the cursor reacts to physical movements of the mouse. For the same physical movement, a higher dpi leads to a further movement of the cursor. Dpi settings can be accessed with the CHERRY Button. The software allows for five freely programmable profile settings for the dpi resolution. The profiles can be changed via hardware dpi switches and are displayed via white status lights. In total, the mouse has 9 buttons. Further, the mouse has a maximum acceleration of up to 250 inch per second or 50 grams, which refers to the speed at which the mouse can be physically moved without loss of sensor information. Extra-large Teflon glide pads ensure smooth and stable mouse movements. The CHERRY MC 9620 FPS has an ergonomic fit and can be adjusted with a palm rest that can be extended in 5 stages. Furthermore, it allows for weight adjustment with the included three 5 gram weights. The mouse features RGB illumination with logo projection (meaning it projects a customizable logo on the desk or surface) with the complete color spectrum of over 16 million colors.

The RGB settings of the CHERRY MC 9620 FPS can be programmed through the CHERRY Utility Software. It has a durable built due to high-quality materials and surfaces as well as textile cable and side grip surfaces.

In our high-end CHERRY MC8.1 mouse, innovative technology and high-quality materials are combined with what we believe is a stylish design. The patented ball-bearing-mounted upper housing and exchangeable side panels provide adaptability for ergonomics and gaming speed. Its sensor, with a resolution of up to 16,000 dpi, together with the extra-large Teflon glide pads ensures precise movements and high scanning accuracy with constant response times. Further, the mouse features our patented tank track mouse wheel, an instant access button for the CHERRY Utility Software, RGB lighting and five other freely assignable buttons. Pairs of magnetically fastened ergonomic side panels make the CHERRY MC8.1 suitable for right- and left-handers. The design of the CHERRY MC8.1 matches the design of our CHERRY MX BOARD 8.0 and the CHERRY HC 8.2 (see "*13.4.1.2.3 Headsets*"). Our MC8.1 mouse won the Red Dot design award in 2020 for its ergonomics and functionality (source: Red Dot website) and the Plus X 2020 award for its innovation, high quality, design, ease of use and ergonomics (source: plusxaward.de).

13.4.1.2.3 Headsets

Our CHERRY HC 8.2 is a premium gaming high-definition (HD) headset with an integrated USB sound card and 7.1 surround sound. This CHERRY headset is a cooperation project with a renowned, long-time experienced premium audio brand from Germany. It features a 40 mm linear HD driver for deep bass and silky treble for music, films, gaming sound and home office use. The HD microphone with special directional characteristics for best speech intelligibility can be switched off via hardware button. A second microphone is responsible for intelligent echo cancellation. The CHERRY HC 8.2 has soft, extra padded cooling over-ear cushioning for high wearing comfort and sound encapsulation. Volume can be controlled directly on the headphones (only via USB). With an individually assignable multifunction button, custom sound profiles can be called up. The headset is recommended for PCs, but also suitable for gaming consoles, smartphones, tablets and online conferences. Its robust design in gunmetal look matches our 8 series CHERRY keyboards and mice. The CHERRY HC 8.2 is only sold in China.

13.4.2 Professional

13.4.2.1 Office & Industry Peripherals

Our Office & Industry Peripherals business unit, manufactures and sells computer peripherals including keyboards, mice and desktop combos with a high quality at what we believe are attractive price points. In addition, we offer selected ancillary accessories. We focus on workspace equipment for home office and office use. Customers of our Office & Industry Peripherals business unit include distributors, system integrators and multi-channel resellers with an increasing focus on e-commerce. While in the past were mainly focused on the B2B business, we have started targeting retail end-customers and are now increasing our market share in the B2C business as well. In 2020, we sold roughly 1.5 million keyboards, 0.5 million desktop combos and 1.3 million mice within our Office & Industry Peripherals business unit. The vast majority (approximately 95%) of our Office & Industry Peripherals keyboards are currently based on the rubber dome and scissor technologies.

13.4.2.1.1 Keyboards and Keyboard-Mouse-Combos

We offer a variety of keyboards specifically addressed to the office, home office and industry markets. In our portfolio, office keyboards are the most important source of revenue. The CHERRY STREAM KEYBOARD is one of our most popular models of office and home office keyboards and has been refined over the years. The latest version of the CHERRY STREAM KEYBOARD was brought to market in 2019. It is a robust, reliable and durable keyboard that uses scissor switches for the keys. This keyboard technology is also used in high-end laptops, and produces a very special typing feel. Scissor switches ensure no delays on the screen, fluent typing without stopping, control over the input at all times and thus fewer typos. The switch design allows for flatter keys, giving the user a more precise keystroke as well as less wear and tear. In addition, the CHERRY STREAM KEYBOARD is very quiet, which makes it especially suitable for office and home office applications where users appreciate low noise levels, *e.g.*, during video calls.

Wireless keyboards and keyboard-mouse-combos are becoming a more and more popular element of ergonomic and professional desks and our portfolio includes a wide variety of relevant desktop combos. For example, we offer the CHERRY STREAM KEYBOARD as a wireless keyboard-mouse-combo in the form of the CHERRY STREAM DESKTOP set.

CHERRY STREAM DESKTOP

The CHERRY DW 9000 Slim is a wireless keyboard and mouse combo with a puristic design that can be connected either via Bluetooth® or 2.4 GHz, both with AES-128 encryption. Using both types of connection, it works with two devices at the same time. The keyboard uses our scissor switches and contains an integrated metal plate, lending it an optimal sturdiness and stability. Rubber feet allows the user to adjust the keyboard for a steeper angel. High stability is ensured by the metal plate, which prevents bending and bounding. The CHERRY DW 9000 Slim's lithium batteries allow it to be used for weeks without needing to be recharged. Furthermore, we offer other wireless keyboard and mouse models, including as part of our CHERRY DW series.

The CHERRY GENTIX DESKTOP is another popular, budget-friendly wireless keyboard-mouse-combo that comes with our CHERRY GENTIX Mouse (see also "*13.4.2.1.2 Mice*") and has a flat height and integrated palm rest.

The scissor switches are also used in the CHERRY KC 6000 SLIM, which has compact dimensions and state-of-the-art design. It is a sturdy keyboard with an integrated metal plate that has 6 extra keys. We also offer a version of the CHERRY KC SLIM for MAC OSX computers that provides quick access to 12 frequently used MAC OSX functions.

With the CHERRY KC 4500 ERGO, we offer a desktop keyboard with an ergonomic design. It features a curved keypad adapted to the movement of the hands and fingers for fatigue-free typing and a soft padded palm rest with memory foam and high-quality PU leather. Multimedia buttons allow the user to control audio and video software.

In addition, we offer many more models of office and home office keyboards with different features at varying price points.

Our CHERRY Keys software allows remapping of keys to access apps, files, individual text modules or macros for all of our keyboards and even third-party keyboards. Most of our office keyboards are also sold as a desktop set together with a CHERRY mouse.

13.4.2.1.2 Mice

We also offer a wide array of office and home office mice. Our CHERRY MC and MW families comprise corded and wireless mice.

CHERRY MW 8 ADVANCED

The CHERRY MW 8 ADVANCED features a highly-precise sensor with up to 3,200 dpi that makes the mouse useable with high-resolution monitors and works on nearly all surfaces. It can be connected either through a supplied 2.4 GHz wireless USB receiver or via Bluetooth® with AES-128 encryption. This allows, for example, a laptop to be connected via Bluetooth® and a PC to be connected via a regular wireless connection, so both can be operated with the same mouse.

Our CHERRY MW 8 ERGO has similar features as the CHERRY MW 8 ADVANCED and is also equipped with a thumb-rest for fatigue-free working, especially for right-handers, and has a metal surface.

The CHERRY MW 2310 2.0 is a versatile 6-button wireless mouse with 2.4 GHz technology and succeeds our successful CHERRY MW 2310. Its ergonomic design is suitable for both right- and left-handers. The technical concept of the mouse makes it highly energy efficient; it can be operated for up to three years before the batteries have to be changed. Our CHERRY MW 4500, which is also available as a left-hand version, has an angle shape allowing the wrist to rest in a 45° angle. All CHERRY MW mice have six buttons and come with a nano USB receiver that can be left in the device it is connected to.

As part of our CHERRY GENTIX family, we offer reliable corded mice in a modern, symmetrical design suited for both right- and left-handers. In addition to the base variant, we offer a silent model with special 'no-click' buttons that is best suited for offices with multiple workplaces and an illuminated model that comes with a blue light on the sides. Further, we specifically designed a version of the CHERRY GENTIX with a 3,600 dpi high-precision sensor to be used with high-resolution monitors. All CHERRY GENTIX mice have rubber-coated side sections designed for enhanced grip.

In addition to these office mice, we offer several other models with varying characteristics.

13.4.2.2 Healthcare & Security Peripherals

Our Healthcare & Security Peripherals business unit offers eHealth as well as security products. The most relevant end-customers of our Healthcare & Security Peripherals business unit are from end-markets such as corporates, retail, restaurants, hospitality, healthcare (in particular doctors, pharmacies, hospitals and medical centers, systems integrators and administrators), transportation, entertainment, government and warehouses or distribution centers.

We also offer point-of-sale keyboards for federal and cash register systems (POS). Here, we also sell our products to distributors, OEMs and systems integrators.

13.4.2.2.1 eHealth/Healthcare Products

We offer specialized devices for the TI in Germany. The telematics infrastructure is intended to connect participants in the German healthcare system for the secure exchange of information across all involved sectors and systems (health insurance companies, doctors, dentists, psychotherapists, other medical professions, hospitals, pharmacies, etc.). It is a self-contained network to which only registered users, both individuals and institutions, with an electronic health professional ID card (*Heilberufeausweis* – "**HBA**"), medical practice security cards (SMC-B), gSMC-KT security cards or electronic health card (*elektronische Gesundsheitskarte* – "**eGK**") have access. In the future, in addition to medical doctors, clinics, and pharmacies, other healthcare professions, as well as nursing homes and rehabilitation facilities, are also expected to be connected to the telematics infrastructure. The secure exchange of data across several sectors and systems is designed so that persons and service providers can use various applications. Mandatory applications include, for example, the online comparison of the insured person's master data (*Versichertenstammdatenmanagement* – "**VDSM**") on the electronic health card (*elektronische Gesundheitskarte* – "**eGK**") or the electronic patient file ("**ePA**") and several further applications like the electronic prescription (*eRezept*).

CHERRY offers various products to allow doctors and other registered professionals to access patient data, with a focus on terminal and keyboard devices. Those products have to be certified by the German Federal Office for Information Security (*Bundesamt für Sicherheit in der Informationstechnik* – "**BSI**") and approved by gematik (see also "*12.3.3.1 Market Characteristics and Trends*" and "*14.3.1 Telematic Products*").

Our CHERRY electronic health card keyboard (eGK-Tastatur G87-1505) can read security cards (eGK and SMC-B) that are used in telematics infrastructure to authenticate a professional user, as well as security cards (also offered by CHERRY) that are used with any eHealth terminal for identification of a terminal (gSMC-KT). The CHERRY electronic health card keyboard also has a graphical display for the terminal.

CHERRY eHealth Keyboard G8A-1526

As a successor of the CHERRY electronic health card keyboard (eGK-Tastatur G87-1505), we launched a new modern terminal device integrated in a keyboard, the CHERRY eHealth Keyboard G8A-1526. It is equipped with the four necessary card slots for TI applications, with an integrated contactless/near field communication ("**NFC**") reader and an access point for the CHERRY eHealth PIN-Pad PP-1516. As an easily disinfectable keyboard device, it complements our modern and innovative product portfolio for the involved participants within the telematics infrastructure.

For use particularly in spaces where hygiene is critical, we offer the CHERRY KC 1068, which is a keyboard sealed in a protective covering for easy cleaning. It is resistant to water, cleaning fluids, diesel and most common disinfectants.

The CHERRY eHealth Terminal ST-1506 is our second card terminal device for applications within the TI and is sold at around € 300 per terminal. With the CHERRY eHealth Terminal ST-1506, we offer a modern and easily disinfectable solution for workplaces in the healthcare sector. The high-definition color glass display enables good readability and intuitive handling. The ability to operate the terminal without power supply via Power-Over-Ethernet makes the terminal suitable for clinics. Remote service applications are also supported by a web service. Furthermore, the terminal has four card slots (for eGK, HBA, SMC-B, gSMC-KT) and is capable of contactless reading of NFC-capable cards for use in future applications. The CHERRY eHealth Terminal was approved by gematik for the TI in the first quarter of 2021 and was available for us by all service providers in the German healthcare sector in March 2021.

Several TI applications (*e.g.*, electronic medication plan 'eMP' and emergency data management 'NFDM') require the release of patient data by means of a PIN. For this reason, Cherry will launch a modern and easily disinfectable device, the CHERRY eHealth PIN-Pad PP-1516. This input device will be placed exclusively on the patient's side to ensure convenient and uncomplicated access to data. As an optional additional device, it only works in conjunction with an approved CHERRY eHealth terminal (eGK keyboard or new eHealth terminal). The CHERRY eHealth PIN-Pad PP-1516 is currently under development and its launch is planned for the second quarter of 2022. The contactless/NFC interface enables the device to be used in future TI applications at medical facilities. The existing health cards (2.0) have only a contact interface, whereas the new cards (2.1) have both contact and contactless interfaces and some health insurances have begun rolling these out to patients. The typical lifetime of such cards is currently around five years. Regulatory approval of the PIN-Pad is expected to be granted in connection with a re-certification of the CHERRY eHealth Terminal ST-1506's approval by gematik expected by the end of 2021. It does not need to be certified itself according to the Common Criteria for Information Technology Security Evaluation, which are international standards for the certification of IT security products. The specifications for a new card generation (3.0) is planned for 2022; it is not yet clear if such cards will be contactless, but this is likely, in our view. In that case, we would expect such cards to be rolled out as of 2023, at the earliest, and also expect that by the end of 2028, contactless cards would be the only (or dominant) way to identify patients. New applications (multi-value) such as payments, advertisements or loyalty rewards are also potential product areas currently under evaluation.

CHERRY eHealth Terminal ST-1506

CHERRY eHealth PIN-Pad PP-1516

In addition, in connection with the acquisition of Active Key in May 2021, we acquired a broad and deep portfolio of peripherals, including water-resistant, watertight immersible, disinfectable and washable keyboards and mice, with applications in particular in the Healthcare field (hygiene and medical applications), but also for industrial, POS and office use.

For example, the AK-C8100 medical PC keyboard, with a 105 key standard layout, offers 360º safeguard against dirt and splash water and uses a silicone key membrane to ensure a high level of hygiene. Flat keys allow for a thorough surface disinfection of the key field by spray/wipe sanitizing of the seamless, low profile silicone key membrane without corners and edges, while the low-force tactile key feel enables heavy-duty type writing in hygiene critical applications. This keyboard is offered in a "fully sealed" variant, which fulfils Protection Class IP68 (*i.e.*, is dust resistant and can be immersed in 1.5 meters of freshwater for up to 30 minutes, according to the IP Code classification pursuant to the IEC standard 60529, published by the International Electrotechnical Commission) by full sealing of the key membrane with the keyboard housing; alternatively, a variant is available in which the silicone key membrane can be exchanged for routine disinfection.

Another example of the newly-acquired portfolio is the AK-PMT2 mouse, a watertight sanitizable medical mouse that combines high quality and long life expectancy and has been developed in particular for use in hygiene critical areas. The solid silicon cover prevents ingress of dust and liquids and allows thorough cleaning and surface disinfection. The wireless version operates in an effective range of up to 10 meters.

AK-C8100

AK-PMT2

13.4.2.2.2 Security Products

We deliver smartcard keyboards and terminals for security applications (*e.g.*, authentication) and governmental institutions and businesses with higher security requirements. Products mostly include smartcard keyboards (which are sold at average prices of between € 50 and € 70), but also smartcard terminals and a fingerprint-reader mouse, as well as selected ancillary accessories (*e.g.*, keyboard covers).

Our CHERRY KC 1000 SC combines the benefits of a classic CHERRY office keyboard with the security-related requirements of a security keyboard. It features a smart, wired security keyboard with integrated chip card terminal and ensures secure PIN entry. The keyboard satisfies requirements defined by FIPS 201 (Federal Information Processing Standard Publication 201 issued by the National Institute of Standards and Technology, United States). The CHERRY KC 1000 SC works, among others, with the eGK. With the CHERRY KC 1000 SC-Z, we offer a variant of the CHERRY KC 1000 SC that has been developed under BSI-certified conditions. Its integrated smartcard terminal meets the requirements for electronic signatures, including under the eIDAS Regulation (Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC), authentications, data encryption and access authorizations. It is certified pursuant to the international Common Criteria for Information Technology Security Evaluation. Based on the CHERRY KC 1000 SC platform, we offer the CHERRY SECURE BOARD 1.0, which is an ergonomic keyboard with an integrated reader for smartcards and cards/tags with an RF/NFC interface. For added security and confidentiality, the keyboard can be switched to a secure mode, in which the device can authenticate itself by a certificate, and the key transmission is encrypted. This renders hardware key loggers useless because the standard keyboard channel is locked, and so-called 'BadUSB attacks' (*i.e.*, attacks via USB devices with a modified firmware that can execute viruses and other forms of malware) cannot be carried out. Thin clients that have the necessary software integrated are particularly suitable for using these functions.

Further, our portfolio includes the CHERRY MultiBoard MX V2 G80-8000, which is a keyboard that is freely programmable with our professional CHERRY Tools Software and has a built-in magnetic card reader. It is suited for large volume data transmissions, *e.g.*, in the hotel and catering business, the travel sector or banks and insurance companies. It utilizes our CHERRY MX key switches to ensure longevity.

13.5 Customers

Cherry's customers in the Gaming Switches business unit comprise some of the world's most reputable blue-chip companies within the PC and gaming field as well as their design manufacturers. In 2020, the top three customers for gaming switches included a keyboard brand that Cherry serves directly and two are distributors/agents that serve multiple keyboard brands. In our Gaming Peripherals business unit, we have one major large direct customer, JoyWay Beijing which presently acts as our sole distribution partner and sells our products to retailers, mainly in China (see "*13.10 Sales and Distribution; Marketing*"). JoyWay Beijing represented approximately 10% of our Group revenue and over 80% of the revenue of our Gaming Peripherals business unit in fiscal year 2020.

In our Office & Industry Peripherals business unit, we have a variety of customers due to our multi-level channel sales model (which uses both distributors and resellers). Thus, our customers in this area include resellers, system integrators and OEMs. Already more than 10,000 resellers globally sell our Office & Industry Peripherals products. We usually have between one and five focus distributors in each of the countries or regions in which we are present, Germany, France, the United Kingdom, the Benelux region, Scandinavia and the US. We also focus on about 100 partners on the second sales level ("platinum", "gold" and "silver"; see "*12.8 Sales and Distribution; Marketing*") to push sales initiatives towards private, corporate and government customers and are expanding our sales channels towards e-commerce.

In the Healthcare & Security Peripherals business unit, we sell to several customers. Healthcare products are sold to major distributors/resellers and systems integrators in the healthcare sector, as we do not currently sell directly to end-users in this field, whereby we may be able to sell directly to one or more large end-customers in the future. As the German telematics infrastructure is expanded to new segments of the healthcare industry, our sales channels will also expand to additional IT distribution channels covering such new segments. Customers of our security products include companies and organizations that handle data of which theft would either pose a threat to the organization or others (including financial, physical and regarding privacy rights), such as governments and public authorities, defense/army institutions, financial institutions, healthcare providers, corporates and educational institutions.

Cherry has dedicated order-centers in Auerbach (where the central order center is located), the United States, Zhuhai and Taiwan (both, China). These centers handle all customer orders and trigger the required production or purchase orders in coordination with the central order center.

13.6 History and Development of the Group

The roots of the Cherry Group go back to 1953 in the United States, when Walter Lorain Cherry founded the Cherry Electrical Products Corporation, manufacturing its first micro-switches (*e.g.*, for arcade machines) on the basement of a restaurant in Highland Park/Illinois, United States. After entering the U.S. automotive market, Mr. Cherry expanded into Europe in 1963 with a German company (other companies and branches would follow over the years), marking the beginning of a successful combination of American entrepreneurship and German engineering. In 1965, the CHERRY brand mark was registered in Germany; further trademarks followed over the next years in different countries. Over the years, Cherry became a global brand, recognized for its successful production of basic, snap-action and rotary switches, selector switches and input key switches.

In 1967, Cherry relocated its production facilities to Bayreuth, Germany. In 1973, Cherry began with the production of computer keyboards, a milestone in the history of the Group, which remains one of the key pillars of the Cherry brand and its corporate identity. In 1979, Cherry opened its new headquarters and production plant in Auerbach, Germany. Today, Cherry is the oldest existing manufacturer of computer keyboards.

In 1983, Cherry achieved a milestone with the development and production of the CHERRY MX Black key switch. Additional CHERRY MX key switch models have been added since. There are now billions of CHERRY MX switches used in millions of keyboards around the world that are based on our CHERRY MX technology.

In the 1990's, the "Amiga A2000 CHERRY" keyboard was released, further establishing the Group's reputation as a producer of high-quality switches, and in 1994, the Group launched its first healthcare keyboard (model G80-1501) in Germany.

In 2008, Peter Cherry, son of founder Walter L. Cherry, sold Cherry to the German automotive company ZF Friedrichshafen AG. Cherry was acquired in 2016 by GENUI, an investment company based in Hamburg, Germany (after the carve-out of the computer input device operations from ZF Friedrichshafen AG) and Cherry Holding GmbH became the parent company of Cherry Group. In September 2020, Argand Partners, a private equity firm based in New York and the San Francisco bay area acquired a majority interest in the Group and the Company (formerly known as Cherry AcquiCo GmbH) became the parent company of the Group (see "*11.2.1.1 Acquisition of Cherry Holding GmbH by the Company*"). For more details on the shareholder structure of the Cherry Group, see "*17 Shareholder Structure*".

In 2014, Cherry introduced the MX RGB switch. In 2017, the Group was reorganized into four business units under a new management team, and in 2018, Cherry took over the switch distribution business from Greendich. Also in 2018, Cherry launched the MX Low Profile switch.

In December 2019, the Group opened a new headquarters and state-of-the-art production site and increased capacity for CHERRY MX key switches in Auerbach, Germany.

In October 2020, Cherry acquired Theobroma Systems Design and Consulting GmbH, an Austrian-based developer and trusted manufacturer of embedded systems with which Cherry already had a long-standing development partnership. These support various industrial applications in the field of 'IoT' and 'Industry 4.0'. With this acquisition, Cherry expanded its development and production capacities in the security sector. Also in 2020, the Group launched its CHERRY VIOLA key switch, targeted at the medium-priced gaming keyboard segment. Recently, in March 2021, Cherry introduced its CHERRY MX Ultra Low Profile key switch, a slim mechanical switch for gaming laptops.

13.7 Procurement and Suppliers

We have a process-oriented supply chain organization to ensure order fulfilment along the whole supply chain. Our strategic procurement process takes place within our production facilities in Auerbach, Germany, Vienna, Austria, and Zhuhai City, China. Our procurement activities are focused not only on ensuring that our production locations are supplied with the required materials and components and on cutting costs, but also on partnering with innovative suppliers and ensuring the quality of our finished products. We strive to have long-standing and close relationships with our suppliers, who provide us with raw materials for the entire range of our product portfolio. We regularly visit and evaluate suppliers to constantly monitor supplier performance in line with Cherry's quality standards. We follow a dual supplier strategy and plan to extend it where possible in order to reduce existing dependencies and price risks.

In addition, we have developed a Code of Business Conduct that contains, among others, rules and guidelines for the relationships with suppliers, to ensure compliance with applicable legal regulations and the selection of suppliers based solely on competitive merit, based on a comparison of the price, quality, performance, and suitability of the products or services offered.

We source from a global supplier base, namely from Asia/Pacific, Western Europe, Eastern Europe and North America. Our top suppliers include well-known companies that deliver finished keyboards, mice (with different features, such as fingerprint functionality) and several components. Sourced components include, among others, printed circuit boards, plastic parts for keyboards and for switches, "extended workbench" for building keyboards, housings and key caps, strip material for contact pieces for different types of switches of keyboards, and springs for key switches). For most of the Office & Industry keyboards we sell, we use third-party non-mechanical switches. Plastic parts are sourced locally in Germany, while the springs for our switches are sourced in Italy. The raw material metal parts for the contact system are sourced in Germany (whereas the actual manufacturing of the contact system takes place in-house).

We mainly conduct purchases from our suppliers by way of individual orders rather than long-term supply agreements. In individual cases, we have agreed with our suppliers to couple the prices for the supplied goods to the price for gold and metal for 2020.

13.8 Overview of Global Footprint

We have a global production and distribution presence in all of our main regions and markets, the United States, Europe and Eastern Asia, as shown in the following chart:

13.9 Production

Cherry operates two highly automated state-of-the-art production facilities in Auerbach, Germany, and Zhuhai City, China. In 2019, we completed construction and moved to our new headquarters in Auerbach. With a total of roughly 8,500 sqm (thereof around 3,200 sqm for the production area (without counting utility rooms) and some 950 sqm for warehousing), the location in Auerbach not only serves as our headquarters and R&D site, but also as the manufacturing facilities for products of our Gaming Switches business unit. Our Gaming Switches business unit's products are fully manufactured and assembled in our Auerbach facility and, from there, distributed to our customers worldwide. We believe that this production set-up allows us not only to maintain the high quality of our products but also to capture the whole value chain of gaming switch production. The Auerbach facility has currently an annual capacity to produce a maximum of 1,100 million switches, and had an annual output of around 500 million switches in fiscal year 2020 (this includes both switches sold by our Gaming Switches business unit as well as switches required for our internal production, *e.g.*, for the production of Gaming Peripherals). In our assessment, the assembly line capacity and/or tooling capacity at our Auerbach facility can be increased at any time if required; a typical lead time to increase the capacity would be between ten and twelve months. For 2021, we currently estimate that we will produce approximately 690 million switches at our Auerbach facility, whereby such production estimates are regularly adjusted to consider current and expected customer demand. Our CHERRY MX standard and RGB switches make up the vast majority of the switches we manufacture. As of December 31, 2020, we had more than 310 employees, on a full-time equivalent ("**FTE**") basis, in our Auerbach site.

We also operate production facilities in Zhuhai City, China, in which we manufacture the vast majority of our own gaming peripherals (virtually all of our gaming keyboards) for the Chinese and other Asian markets. The facilities have approximately 3,120 sqm for production and 1,550 sqm for warehousing and fulfil high automation standards. In this location, our gaming keyboards are assembled (with products and components sourced from third parties, except for our own gaming switches). This facility has currently an annual capacity to produce a maximum of 1.8 million keyboards, and had an annual output of around 850,000 peripherals (to a large extent gaming keyboards, but also a security keyboard and POS peripherals) in fiscal year 2020. As of December 31, 2020, we had 82 employees, on an FTE basis, in our Chinese site in Zhuhai City.

Our production processes are based on the use of the state-of-the-art industrial robots, fully automatic, self-engineered assembly systems which offer, in our view, a substantially higher productivity than standard assembly machines, an integrated process monitoring and largely automated testing procedures. Both of our production plants in Germany and China are certified in accordance with DIN EN ISO 9001 and ISO 14001.

In addition, with the acquisition of Theobroma Systems in October 2020 (see also "*13.11.2 R&D Organization*" and "*11.3.2 Acquisition of Theobroma*"), we added our facilities in Vienna, Austria. There, we manufacture hardware and software, mainly for various industrial applications in the fields of 'Internet of Things' and 'Industry 4.0' with a focus of security and healthcare computer input devices. Presently, the capabilities are mostly used in the Healthcare & Security Peripherals business unit; for example, our eHealth terminal ST-1506 is produced at our Vienna facility. Our new eHealth PIN-Pad PP-1516 and the electronics for the new eHealth keyboard G8A-1526 are also planned to be produced in this facility, with the final assembly for such keyboards expected to take place at our Auerbach plant. The Vienna facility currently has an annual capacity to produce a maximum of 96,000 digital health terminals. As of December 31, 2020, there were 16 employees, on an FTE basis, working at the Vienna site.

Some of the production activities and steps required for our products are outsourced to production partners. For example, the production of our gaming mice and headsets is currently outsourced to external suppliers. Similarly, part of our eHealth products are manufactured in the Czech Republic by a trusted partner, based on design and engineering carried out by several German external development partners. In this case, Cherry is responsible for project management along the design and production phase, which includes monitoring quality standards and the fulfilment of certification requirements as well as obtaining the necessary certifications. We also outsource parts of the production of our office and industry peripherals, *e.g.*, a portion of our Office & Industry Peripherals products are manufactured by contract manufacturers in the Czech Republic and in Slovakia (in our "extended workbench", which means we take responsibility of an outsourced manufacturing facility), especially in the case of office security products, while other products are produced by our partners in China. The production of the hygienic peripherals sold by our new subsidiary Active Key GmbH (which business was acquired in May 2021) is carried out by contract manufacturers.

Cherry intends to increase its productivity by introducing a multi-machine handling concept, *i.e.*, one machine operator would in future operate several machines instead of a "one person – one machine" handling. Initial feasibility tests to ensure such multi-machine operation can be carried out with a high level of quality and efficiency took place in March and April 2021. The test results were analyzed in May 2021 and we have recently began with the expansion of this concept to all machines in our Auerbach site. We also see further potential to increase productivity in the future in our Zhuhai plant, for example by increasing the shifts (from currently 1–2 shifts to 3 shifts), if required to fulfil increasing demand.

13.10 Sales and Distribution; Marketing

We operate a global distribution network through direct sales as well as trusted distribution partners. We have our own sales offices located in Auerbach, Germany; Kenosha/Wisconsin, United States; London, United Kingdom; Paris, France; Taipei and Hong Kong. We thus use different distribution channels depending on the product segment:

Our direct sales team focuses on the sale of the products of our Gaming Switches business unit to blue-chip customers including both global brands and contract manufacturers. Our branch office in Taipei, Taiwan/China, allows us to be close to most of our main customers for Gaming switches, who operate their main research and development centers for keyboards and other input devices in Taipei. We believe that this close customer proximity allows us to identify trends early and adjust our offering accordingly, and to market our own innovations. Our Gaming Peripherals products are presently distributed through our sole distribution partner JoyWay Beijing to online and offline retailers, mainly in China. Our solid relationship with JoyWay goes back some fifteen years. In 2020, we entered the South Korean market with our new distribution partner "PC Direct". Further in 2020, we started trial runs in Taiwan and the Western world.

In our Professional business area, our channel sales team has a very strong and highly diversified footprint in Germany, France and the United Kingdom. New distributors and partners are set up in the regions Benelux, Scandinavia, Eastern Europa and the United States. We sell our office, home-office and industrial products as well as security and point-of-sales solutions largely through distributors, system integrators and solution providers to B2B and B2C end-customers, healthcare providers or government institutions. We use a multi-level sales strategy with distributors and a large number of resellers. While we were mainly focused on the B2B business in the past, we have started targeting retail end-customers and are now increasing our B2C business. We plan to begin using marketing tools to enhance our brand awareness such as "Search Engine Advertising" as of the last quarter of 2021 or the first quarter of 2022. In addition the Company is developing an e-commerce store within the Office & Industry Peripherals business unit.

We work with a broad and deep network of distribution partners and specialist dealers, who receive CHERRY products for their further resale. We have established a Premium Partner Program to create loyalty and incentivization for such partners. Distribution partners may operate at different levels, for example as certified resellers, who frequently receive product information and point-of-sale material; "silver" partners, who in addition to the above and among other benefits also receive a partner bonus; "gold" partners, who, in addition to the above, receive partner marketing and free product samples for projects; or "platinum" partners, a status that includes comprehensive care, individual partner marketing, active product portfolio management, sampling, etc.

In addition, we pursue a strategy of "sponsoring", through our Chinese distributor, JoyWay, certain young and widely popular eSports teams, currently in Asia. This strategy typically includes selected (even one-time) marketing measures (*e.g.*, for individual events) together with popular gaming personalities. These measures allow to enhance visibility of our products with a very limited investment. For example, in previous years JoyWay organized events or marketing actions with several popular eSports teams including the "Old Boys", "Qing Jiu club", "White shark e-sports club", "17", "1246" and "team Aster". We plan to continue to carry out such marketing initiatives over the coming years, predominately regarding Asian eSports teams and through JoyWay. Cherry cooperates (currently through JoyWay) with influencers as part of its brand-enhancing and marketing activities to reach target groups.

The marketing of our brand is further aided by a number of the top professional and streaming gamers in the world who use and publish the fact that they use Cherry-branded products; for example Richard Tyler Blevins, the U.S. gamer known as "Ninja" (see "*12.2.3 Increasing Popularity of eSports*"). Other gamers and streamers using gaming keyboards with Cherry switches include those known as "pokimane" (the female streamer with the most followers on her Twitch channel, with over 7.8 million followers), "summit1g" (5.9 million Twitch followers) and "sodapoppin" (3.0 million Twitch followers) (all data as compiled on Twitch Tracker, available from twitchtracker.com, as of May 31, 2021).

13.11 Research and Development; Innovation

13.11.1 Research and Development Activities

Innovation through R&D is critical for us to drive future growth and we believe that investments in R&D have been and will continue to be fundamental to our success. Our R&D activities focus on the expansion of our product portfolio in terms of new, innovative technologies and products, closing of white spots in the portfolio as well as on updates and replacements of end-of-lifecycle products.

In our Gaming business area, we undertook the following key R&D projects in fiscal years 2020, 2019 and 2018 as well as during the current fiscal year: Our Gaming Switches business unit focusses on the development of new, innovative switches. With the development of the CHERRY VIOLA and its unique switch technology, we successfully developed and brought to market a key switch aimed at the mid-price segment especially of the market for gaming keyboards. The switch is already in use by keyboard OEMs and our Gaming Devices business unit has developed our own keyboard based on the CHERRY VIOLA for the Chinese gaming market. With the CHERRY MX Ultra Low Profile, we have successfully developed a completely new switch technology which we believe will allow us to enter the market for gaming notebooks. In our Gaming Peripherals business unit, R&D activities focused on the expansion of our product portfolio. Together with development partners, we expanded our series of CHERRY MX keyboards, introduced the CHERRY MV 3.0 keyboard, and also developed new gaming mice, including our high-end model, the CHERRY MC 9620 FPS. Furthermore, the business unit added our first gaming headset to its portfolio, the CHERRY HC 8.2.

In our Professional business area, we have undertaken the following R&D projects: Our Office & Industry Peripherals business unit also focused on the expansion of its peripherals portfolio as well as on updates and replacements of existing product lines and models. We are focusing our R&D activities on state-of-the-art and latest radio frequency and Bluetooth® standards to meet the expectations of our customers and ensure sustainable product quality. In our Healthcare & Security Peripherals business unit, we focused on the development of a new version of our highly successful CHERRY KC 1000 SC keyboard, which in its SC-Z variant now has a BSI certification. In addition, among others, we developed the CHERRY SECURE BOARD 1.0, which we specifically designed to work with thin clients. A major focus was on the development of products for the roll-out of the next phase of telematics infrastructure in Germany, for which we developed our new CHERRY eHealth Keyboard G8A-1526 keyboard as well as a smartcard and a PIN terminal.

In the three-month period ended March 31, 2021 and in fiscal years 2020, 2019 and 2018, Cherry Holding Group incurred research and development costs of € 1.3 million, or 3.4% of Cherry Holding Group's revenue, € 4.5 million, or 3.5% of Cherry Holding Group's revenue, € 4.5 million, or 3.9% of Cherry Holding Group's revenue, and € 5.5 million, or 5.5% of Cherry Holding Group's revenue, respectively. In addition, Cherry Holding Group invested € 2.7 million in capitalized development expenditures in fiscal year 2020 and € 3.1 million in fiscal year 2019, see also "*11.8.4.1 Past Capital Expenditures*"). The largest portion of our research and development costs during fiscal year 2020 related to gaming switches and eHealth.

13.11.2 R&D Organization

Our R&D activities are mostly steered from our headquarters in Auerbach, Germany. Our headquarters acts as the R&D center for our Gaming Switches business unit, for which we do all R&D work ourselves. In our other business units, we have formed strong relationships with development partners from many different regions. Such partnerships relate to, among others, security hardware and software, the development of security products, design studies, the development of hardware housing, or new gaming utility software. For our Gaming Peripherals business unit, R&D is handled from our operations in Germany and China. In addition, we have entered into development partnerships with local manufacturers. In our Professional business area, R&D is mostly limited to the definition of product specifications. For the Office & Industry Peripherals business unit, development and manufacturing are handled by contract manufacturers while healthcare products for our Healthcare & Security Peripherals business unit are developed and manufactured in-house in Vienna, Austria, and in Auerbach, Germany. Security products are developed partly in-house and manufactured by contract manufacturers in China and the Czech Republic as well as by our own operations in China.

Furthermore, with the acquisition of Theobroma Systems Design and Consulting GmbH, Vienna, Austria ("**Theobroma**"), we significantly expanded our software development and production capabilities in the security and healthcare sector by acquiring a developer and manufacturer of embedded systems. These support various industrial applications in the field of 'IoT' and 'Industry 4.0'. Prior to the acquisition, we already had a long-standing development partnership with Theobroma, with a focus on security computer input devices. The acquisition gave us access to Theobroma's comprehensive expertise in embedded Linux software development and the production facilities throughout the product development process. The newly acquired development skills are initially to be used at Cherry in the healthcare and security areas. In the medium term, it is planned that our entire portfolio will benefit from the expanded expertise.

13.12 Intellectual Property Rights

We place high importance on our intellectual property ("**IP**") rights including protection of our "CHERRY" trademark, which enjoys a strong brand recognition. We have a strong R&D base resulting in a substantial portfolio of patents. In addition, software developments play a significant role for our business, *e.g.*, including the development of drivers for our hardware products as well as utility software for certain products, especially in the gaming segment.

As of March 2021, we held 219 trademarks, comprising international and national trademarks. These trademarks include, among others, the word "CHERRY" and figurative elements of our logo including certain variations, and names and designations of our main product lines such as "B. UNLIMITED", "CHERRY MX", "CHERRY MC" and "STREAM". We have also registered several international trademarks as well as a German and European trademark for our "VIOLA" product line. Nearly all of these trademarks are registered for computer input devices such as keyboards and mice, switches and card readers. In addition, with the Active Key acquisition in May 2021, we acquired the "Active Key" trademark, which is registered both as a U.K. and as a European Union trademark.

In addition, as of March, we held 126 patents and patent applications, design patents as well as utility models, mainly relating to our key switches, gaming, office and industry peripherals as well as eHealth products. Therein included are 48 patents, 10 design patens and 9 utility models. Furthermore, 59 patent applications are pending, many of which relate to patents for recent innovations in our mechanical key switches business. The majority of the IP rights are registered in Germany, but several international, European, Chinese (including Taiwanese), Australian and United States registrations exist. Our patent for one of the Group's main products, the CHERRY MX keyboard switch, which we had received in 1984, expired a few years ago. Thereafter, a number of competitors that produce so-called "clones" of these keyboard switches have emerged (see *"3.3.4 Any threat to, or impairment of, our intellectual property rights and know-how could cause us to incur costs to defend these rights, and impair our ability to compete effectively.*"), which typically market these clones under local Asian brands. Regarding our new CHERRY MX Ultra Low Profile switch, we have filed two main patents during 2018: The first one describes the general switch design/technology, while the second patent protects the specific click design and contact technology of the switch. Protection under these two filed patents runs until 2038. Besides patent protection, there is a significant production know-how for the high precision, low tolerance metal parts involved. In turn, the latest patents for the CHERRY MX Low Profile switch cover the overall design of the switch (*e.g.*, the light guide in the top housing). Patents for the CHERRY VIOLA switch protect the overall design of the two-finger-contact system.

Furthermore, we develop both the system drivers and certain utility software for our products. Such software developments are typically subject to copyright protection, which in most countries (including Germany, the United States and China) come into existence without the need of a formal registration.

Other than an in-licensing agreement with JoyWay Beijing relating to the licenses we require for marketing and distributing the CHERRY MX 8.0 keyboard (developed by JoyWay Beijing) outside of China, we do not have any material technology or trademark in-licensing or out-licensing agreements in place.

Another important part of our IP strategy relates to partnerships with development partners in our Gaming Peripherals business unit and the business units of our Professional business area. Depending on our business area, such partnerships relate to the development of firmware updates for our products, hardware and software development services and projects in the field of data security and cryptology, the development of gaming peripherals and related control and utility software as well as firmware. Under most of the development partnership agreements, we are either entitled to any IP rights and know-how in connection with the joint development efforts or are granted licenses or rights of use. In some cases, the development agreements provide for joint ownership of IP rights and know how. For our Gaming Switches business, however, all developments are made in-house from our headquarters in Auerbach, Germany.

Cherry Europe GmbH has a remuneration directive for employee inventions in place with effect as from August 1, 2019, which provides the framework for the remuneration of all employee inventions made in Cherry Europe GmbH's site in Auerbach, Germany. By operation of German law, IP rights to an invention are automatically assigned to Cherry Europe GmbH. The compensation for employee inventions is based on a fixed remuneration model with specific lump sums. If an employee inventor decides to accept the fixed remuneration under the framework, a separate remuneration agreement is concluded. Otherwise, a remuneration in accordance with the requirements of the German Act on Employee Inventions (*Gesetz über Arbeitnehmererfindungen*) and its related official guidelines will be paid.

We also own more than 100 internet domains, covering in particular the term "cherry" along with certain business-relevant additions or abbreviations, such as "cherry-world", "cherry-europe", "cherry-ehealth", "cherry-devices", "cherry-hardware", "cherry-gaming" or "cherry-switches". There are also several domain names relating to our CHERRY MX product lines such as "mx-gaming" or "cherry-mx". The names are *inter alia* registered under the top level domains ".com", ".de", ".asia", ".cn", ".info", ".eu" and ".net". We have granted our distribution partner JoyWay Beijing the non-exclusive, non-transferable, non-sublicensable right to use the domain "cherry.cn", provided that it is used for the distribution of CHERRY products.

13.13 Information Technology and Cybersecurity

Our IT infrastructure mostly relies on standard software products for our own IT, including ERP software, Salesforce and other software suited running on standardized infrastructure in the cloud, and a customized product related to ERP-software. In connection with the relocation of the construction of our new headquarters in Auerbach, Germany, we implemented an automatic warehousing and driverless transportation system to increase efficiency.

We have several measures in place to deter cyberattacks, including firewalls, antivirus, antiscam and antispam systems. In addition, so-called penetration testing, where an attack is staged to check for vulnerabilities, is performed twice a year for all external IP addresses and services. As a safeguard in case of theft, notebooks are encrypted. As an additional security measure to minimize potential disruptions, separate development teams work without contact to each other (*e.g.*, by having separate telephone lines and networks). Moreover, we have outsourced a cyber-protection plan for the Group, which includes regular controlled test cyberattacks.

13.14 Employees

13.14.1 Overview

The following table sets forth the number of employees (based on headcount) of the Cherry Group as of the dates and for the functions indicated below. Since December 31, 2018, our number of employees has grown in all functional areas in line with growth of our business:

	As of December 31,				As of March 31,
	2020		2019	2018	2021
Number of Employees (based on headcount) at end of period (by functions)	**Cherry Group (unaudited)**	**Cherry Holding Group (unaudited)**			**Cherry Group (unaudited)**
Production	220	220	174	169	248
Quality Management	52	52	42	42	51
Materials Management	62	62	53	56	63
Product Management & Development	40	40	29	26	39
Sales & Marketing	60	60	54	52	62
Administration	62	62	56	53	61
Total	**496**	**496**	**408**	**398**	**524**

From a regional perspective, we increased our headcount in Europe and Asia. In fiscal year 2020, the Theobroma Acquisition also contributed to the increase in headcount (18 employees transferred to the Group as a result of the Theobroma Acquisition). The following table sets forth the number of employees (based on headcount) of the Cherry Group by region as of the dates indicated below:

	As of December 31,				As of March 31,
	2020		2019	2018	2021
Number of Employees (based on headcount) at end of period (by region)	**Cherry Group (unaudited)**	**Cherry Holding Group (unaudited)**			**Cherry Group (unaudited)**
Europe	392	392	322	310	417
Northern America	18	18	19	21	18
Asia	86	86	67	67	89
Total	**496**	**496**	**408**	**398**	**524**

The following table sets forth the average number of employees (based on headcount) of the Cherry Group by region for the periods indicated below:

Average Number of Employees (based on headcount) (by region)[1]	For the Fiscal Year Ended December 31,				For the Three-Month Period Ended March 31,
	2020		2019	2018	2021
	Cherry Group	Cherry Holding Group			Cherry Group
	(audited)	(audited)			(unaudited)
Europe	389	350	316	290	407
Northern America	18	18	19	19	18
Asia	83	78	67	67	87
Total	**490**	**446**	**402**	**376**	**512**

1) The numbers of employees indicate the average numbers of employees in the operating entities of Cherry Group.

From March 31, 2021 until the date of the Prospectus, the number of employees has increased as a result of the transfer of 21 employees in connection with our acquisition of Active Key in May 2021 as well as due to additional hiring to accommodate the growth of the business.

13.14.2 Collective Bargaining Agreements and Shop Agreements; Employee Representatives, Trade Unions and Works Council

Cherry Europe GmbH, Auerbach, Germany (formerly with the corporate name of "Cherry GmbH"; hereinafter "**Cherry Europe GmbH**"), a wholly-owned subsidiary of the Company, is a full member of the employers' association of the Bavarian metal and electronics industry (*Arbeitgeberverband der Bayrischen Metall- und Elektro-Industrie e.V.*) in Germany and as such bound by the regional collective bargaining agreements between the employers' association and the trade union IG Metall. Irrespective of the membership, the regional collective bargaining agreements apply at Cherry Europe GmbH as if Cherry Europe GmbH were a member, due to an agreement with the trade union IG Metall. Additionally, based on the standard employment agreements used by Cherry Europe GmbH, the collective bargaining agreements concluded with IG Metall for the Auerbach site from time to time apply both to tariff employees who are members of the IG Metall trade union and to non-member tariff employees working at that site.

On July 10, 2019, Cherry Europe GmbH (at the time still under the corporate name "Cherry GmbH") and IG Metall entered into an agreement regarding a new company collective bargaining agreement (*Werkstarifvertrag*) in order to summarize already applicable special collective terms and key issue papers (*Eckpunktepapiere*) as well as to stipulate some new points regarding working time and senior part-time. Cherry Europe GmbH and IG Metall implemented the terms of this agreement by means of a company collective bargaining agreement and a supplementary collective bargaining agreement (*Ergänzungstarifvertrag*), both dated November 1, 2019. Pursuant to such agreements, the collective bargaining agreements between IG Metall and the employers' association of the Bavarian metal and electronics industry or its umbrella association (*Gesamtverband der metallindustriellen Arbeitgeberverbände e.V.*) apply (*e.g.*, peace obligation or termination of agreements), with the only difference that the arbitration body (*Schlichtungsstelle*) in case of disputes is replaced by a conciliation board under the German Works Constitution Act (*Betriebsverfassungsgesetz*). The agreement can be terminated by either party with three months' written notice to the end of a month, but not before January 1, 2023.

The supplementary collective bargaining agreement dated November 1, 2019 regarding the protection of the Auerbach site (*Ergänzungstarifvertrag Standortsicherung Auerbach*) takes account of the fact that Cherry Europe GmbH intended to further expand compared to the plan which was the basis of the former "*Zukunftspaket Cherry*" dated October 26, 2017, which is no longer in effect. In addition to the new site in Auerbach, further investments and new product launches were planned for the Auerbach site. According to such supplementary agreement, the implementation of the additional payment under the collective bargaining agreement (*tarifliches Zusatzgeld*) was suspended for the years 2019 and until mid-2020. An additional payment of € 350 to each employee covered by this agreement was paid in the second half of 2020. A shop agreement on details regarding the supplementary payment was concluded in November 2020. In addition, the supplementary agreement (including a protocol note (*Protokollnotiz*)) includes, among others, stipulations as to the regular weekly working time, which shall continue to be 38 instead of 37 hours without additional compensation until December 31, 2022, while as of January 1, 2023, it will be reduced by one hour each year until the regular weekly working time of the then applicable regional collective bargaining agreements has been reached. In addition, the regional collective bargaining agreements' rules regarding a flexible retirement and regarding senior part-time are suspended, and the parties agreed to negotiate a comparable solution which was supposed to be implemented with effect as of January 1, 2020. In August 2020, a shop agreement providing for an alternative partial retirement scheme (*Alternatives Vorruhestands-Modell*) was reached with the works council, applying to all employees in the Auerbach site (with the exception of executive employees (*leitende Angestellte*)). Also, shop agreements regarding profit-sharing above the standard pay scale and rules on internships and qualification measures, respectively, were to be concluded. This is not the case yet.

Furthermore, if the employers' association and the trade union agree on a wage increase, Cherry Europe GmbH and the trade union may object to its implementation within a period of four weeks in writing. In this case, negotiations are to be conducted during which the wage increase will not apply. In case of significant changes of the economic situation, both parties have the right to enforce negotiations with a notice period of four weeks to the end of a month. Only members of the trade union shall have a legal claim under this collective bargaining agreement. The supplementary collective bargaining agreement became effective on November 1, 2019 and has a fixed term until December 31, 2022. The trade union has a special termination right with two months' notice if Cherry Europe GmbH does not comply with its commitments regarding the investments and products for the Auerbach site. In addition, the trade union has the right to terminate the agreement without notice (and without after-effect) if insolvency proceedings over Cherry Europe GmbH's estate are commenced. Pursuant to the supplementary agreement, the parties agreed, among other things, to stipulate a shift allowance in a shop agreement, to amend the shop agreement on working time, to implement an above-tariff profit participation scheme shall be implemented as well as rules on traineeships and qualification initiatives.

Moreover, in November 2020, we entered into a shop agreement providing for a supplementary allowance for employees, either in the form of a cash payment or additional vacation days.

On December 17, 2015, Cherry Europe GmbH (at the time still under the corporate name "Cherry GmbH"), ZF Friedrichshafen AG and IG Metall entered into a collective bargaining agreement regarding the independence of the product line Computer Input Device (CID). As part of this collective bargaining agreement, Cherry Europe GmbH acknowledged to apply specific company collective bargaining agreements of ZF Friedrichshafen AG. While some of these company collective bargaining agreements have already expired, the acknowledgement is still relevant in particular regarding the collective bargaining agreement concerning certain topics, such as the status of negotiations regarding the implementation of a performance compensation (*Leistungsentgelt*), among others. Currently, the performance compensation paid is 5% and 7%, respectively, of an employee's base compensation, depending on the wage group. The rules regarding the performance compensation are currently being revised.

In addition to the company collective bargaining agreements, the regional collective bargaining agreements of the metal and electronics industry in Bavaria which apply to Cherry Europe GmbH provide for general terms and conditions such as wages and the remuneration system, termination protection for elderly employees, preclusion periods, surcharges, the right to participate in senior part-time arrangements, annual special payments and qualification measures.

A works council is in place at Cherry Europe GmbH. It has nine members and it has established an economic committee (*Wirtschaftsausschuss*).

Several shop agreements (*Betriebsvereinbarungen*) apply at the Auerbach site which contain general terms for the employment regarding, for example, shift allowances, vacation, bonus payments on the group level (*Gruppenprämie*), on-call duty, performance evaluation and mobile working. On July 10, 2019, Cherry Europe GmbH (at the time still under the corporate name "Cherry GmbH") and its works council agreed to enter into or amend existing shop agreements regarding several topics in the future. Subsequently, Cherry Europe GmbH (at the time: "Cherry GmbH") entered into an agreement with respect to working time and shift work which came into effect on July 1, 2020. With respect to traineeships and qualification initiatives, these topics have not yet been reflected in shop agreements.

In addition, according to a shop agreement dated October 1, 2018, Cherry Europe GmbH grants certain jubilee payments after 25 years of service and an increased amount after 40 years of service. However, as part of the protocol note dated November 1, 2019, Cherry Europe GmbH, its works council and IG Metall agreed that jubilee payments and bonuses due to the period of employment (*Betriebszugehörigkeitsprämie*) shall be suspended (*ausgesetzt*), with new rules expected to be implemented by December 31, 2022 at the latest.

No material strikes or other industrial actions have taken place during fiscal years 2018, 2019 and 2020 and none of these actions have occurred in fiscal year 2021 until the date of the Prospectus. In 2018, while our German production plant was located in a site shared with ZF Friedrichshafen AG, a few employees participated in a warning strike to sympathize with ZF Friedrichshafen AG employees who were striking. Since our relocation to a new site in Auerbach, Germany, we have not experienced such measures.

13.14.3 Pension Schemes of the Cherry Group

Until October 1, 2018, a company pension scheme for Cherry Europe GmbH (at the time still under the corporate name "Cherry GmbH") was in place called "ZF-Rente". By means of a shop agreement dated October 1, 2018, Cherry Europe GmbH (at the time: "Cherry GmbH") and its works council closed this company pension scheme. The parties agreed that with effect as of January 1, 2018, no employer-financed entitlements (*Anwartschaften*) could be acquired, and that employees should be offered a lump-sum payment in order to compensate for the company pension entitlement to the extent legally possible. The vast majority of the employees of Cherry Europe GmbH at that time accepted the settlement offer. The latest point in time by which the employees had the opportunity to convert their salary was August 31, 2018. A new company pension scheme was put into place and replaced those previously applicable. The ZF-Rente company pension scheme was originally operated via a support fund, but is continued in form of a direct pension commitment.

Cherry Europe GmbH grants a surplus in the amount of 20% of the individual employee's contribution in favor of all other employees regardless of the implementation method (*Durchführungsweg*) since January 1, 2019. The maximum total contribution is 4% of the contribution ceiling (*Beitragsbemessungsgrenze*) for the statutory pension insurance. Furthermore, Cherry Europe GmbH grants contributions to employee pension capital formation (*altersvorsorgewirksame Leistungen*) pursuant to the applicable collective bargaining agreement to be paid into a direct insurance or a pension investment fund (*Pensionsfond*).

For management employees (*Geschäftsleitung*) and managers of the second level who are nominated by the management, a shop agreement dated October 1, 2018 provides for a company pension scheme for executives. Under this company pension scheme, each executive is entitled to an employer's contribution if he or she defers compensation to a support fund (*Unterstützungskasse*) equal to the executive's contribution, subject to a maximum annual amount. This plan is operated via Allianz-Pensions-Management e.V.; reinsurance contracts are in place.

In some cases, there are pension commitments in place based on individual agreements, *e.g.*, for key employees there are existing commitments which are operated via direct insurances, support funds or pension funds.

There are also different legacy company pension schemes, which applied until 2008 in favor of the employees of Cherry Europe GmbH (at the time still under the corporate name "Cherry GmbH") in the form of direct insurances, pension funds and support funds and which are closed for new entrants. Between 2008 and 2015, the pension fund and the direct insurance plan of the metal industry (*Metall Pensionsfond und Metall Direktversicherung*) were implemented as well as the abovementioned ZF-Rente and a deferred compensation plan for executive employees. Cherry Europe GmbH has also committed itself under a separation agreement with one of its former managing directors to compensate company pension entitlements of the managing director in three installments, of which only one installment (payable on January 31, 2022) remains outstanding as of the date of the Prospectus.

In addition, the few employees of Cherry Europe GmbH who are located in the United Kingdom participate in a company pension scheme.

As of December 31, 2020, we had recognized pension provisions of € 1.0 million in the Company's consolidated statement of financial position, and in fiscal year 2020, total expenses for defined contribution plans of Cherry Group amounted to € 0.5 million (Cherry Holding Group: € 1.9 million).

13.15 Environmental, Social and Governance

Compliance with environmental, social and governance ("**ESG**") principles is at the heart of our Company and forms the basis for respectful, reliable, trustful and long-term partnerships with or business partners and associates.

- *Environment* – Consistent protection of our environment is a declared goal of the Cherry Group and an integral part of our corporate policy. From green procurement to environmentally-sound and energy-efficient production, to near-complete recycling of our products at the end of their lifecycle- environmental protection is the green thread that runs through all of our business operations. Besides compliance with all relevant local and international environmental conventions and legislation, we strive to design our assembly processes in a manner that ensures a low environmental impact. We also set a focus on pollution prevention (*e.g.*, in water and air), waste management and energy efficiency processes. Headquartered in a region renowned for its water conservation, we are subject to special production requirements by the German regulatory authorities, which explains our focus on clean production methods. Taking into account the EU Regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals ("**REACH**") and international guidelines on the Restriction of (the use of certain) Hazardous Substances in electrical and electronic Equipment ("**RoHS**"), we focus on selecting environmentally-friendly material. This also includes avoiding so-called "conflict minerals" and implementing optimized transport routes in the supply chain. The detailed designs of our products are geared towards energy-efficient production and an almost complete recycling concept. Recent environmentally friendly initiatives within the Group include the establishment of an Environment Officer in our Auerbach site in Germany, the reduction of carbon dioxide by bundling transports, and switching from plastic packaging to silk paper for office equipment. We have also signed contracts for worldwide licensing concerning packaging (paper, cardboard, and plastics), batteries and accumulators and waste of electrical and electronic equipment. The reporting for these materials is based on legal requirements (*i.e.*, in Germany, the Packaging and Batteries Act (*Verpackungs- und Batteriengesetz*) and the Electronic Equipment Act (*Elektro- und Elektronikgerätegesetz*). We are currently rolling-out the replacement of plastic bowls for the transportation of switches with bio-bowls to reduce the use of plastic, and expect to finish the roll-out by the end of the current year.

- *Social* – Besides compliance with all relevant local labor laws, standards and regulations as well as international conventions on human rights, as well as with relevant local health and safety laws, standards and regulations, we also focus on ensuring safe and healthy working conditions, and offering training and education programs for all employees. We have established a Cherry compliance policy applicable to all our employees worldwide *(i.e.*, in our Code of Business Conduct). Other recent initiatives include the establishment (in 2019) of a Safety and Fire Protection Officer for our Auerbach site in Germany and the preparation of a roll-out of a plastic-reinforced floor cover in the production to improve comfort and safety for workers. In fiscal year 2020, we offered more than 70 training sessions to our staff.

- *Governance* – Besides Compliance with local legislation, international standards and regulation regarding anti-trust and corruption (which are also part of Cherry's compliance policy), we strive to operate with high standards of business ethics and a focus on transparency. Recent initiatives include the establishment of a Group-wide Compliance Officer and the roll-out of a new policy requiring two signatories ("dual control principle") for all material contracts and orders. For orders we have a staggered signature rule with various signatures and seniority levels required depending on the size of an order. We have also outsourced a cyber-protection plan for the Group, which includes regular controlled test attacks.

Cherry has pioneered the certification of sustainable keyboards with the "Blue Angel" eco-label, and we continue to being committed to preserving the world's oldest environmental label for our products, which are characterized by a high standard of quality and product longevity, a recycling-friendly construction and conformance to standardized ergonomic requirements. Our products, including their packaging, are then to be recycled, at no cost to the end user. Cherry has concluded the necessary contracts with competent service providers to secure the country-specific system participation in recycling initiatives for the recycling of our keyboards and mice at the end of their life cycle.

13.16 Insurance

Our insurance coverage includes, among others, general liability (*Haftpflichtversicherung*) and product liability insurance customary in our industry, transportation insurance (including insurance of goods in transit), business interruption insurance covering loss of profits (*Ertragsausfallversicherung*) as well as environmental damage and environmental liability insurance, property damage insurance covering buildings, facilities and machinery, as well as certain insurance for managers and certain other employees, such as accident insurance, car and travel insurance. Some of the policies are global master or group-level policies, while certain risks are insured by local policies (*e.g.*, for our Chinese and U.S. subsidiaries).

The Company has also obtained directors' and officers' (D&O) liability insurance (*Vermögensschaden-Haftpflichtversicherung*) for the benefit of the members of the Management Board and the Supervisory Board, with a total coverage of approximately € 10 million per fiscal year. The D&O insurance provides coverage in case of liability claims due to breaches of duty and wrongful acts by these board members. As required by applicable German law, each member of the Management Board remains personally responsible in the case of any finding of personal liability, as the case may be, for 10% of the total amount of such personal liability, up to an amount equaling 1.5 times of the member's total annual fixed remuneration from the Group.

As of the date of the Prospectus, on the basis of its current knowledge and based on the Group's risk management, the Company believes that its insurance coverage, including the maximum coverage amounts and terms and conditions of the policies, are standard and appropriate for its business. The Company cannot guarantee, however, that it will not incur any losses or be the subject of claims that exceed the scope of the relevant insurance policy. The Company may increase its insurance coverage in the future as it deems appropriate.

13.17 Legal and Administrative Proceedings

The Cherry Group is from time to time involved in court, arbitration and regulatory proceedings and out-of-court disputes in Germany and other countries, which are not described herein and which are part of the ordinary conduct of the Group's business. In the past, such disputes and proceedings have been, and in the future will likely be, related to, among other things, contractual claims by or against business partners, such as customers, suppliers and distributors, claims for infringement of IP rights (*e.g.*, patents and trademarks), product liability claims, employment matters, and regulatory compliance matters. As of the date of the Prospectus, the Group believes that no actual or threatened governmental, legal, or arbitration proceedings (including any proceedings which are pending or threatened of which the Group is aware) during the last twelve months may have, or have had in the recent past, a material effect on the Group's financial position or profitability.

13.18 Material Contracts

13.18.1 Senior Facilities Agreement and Intercreditor Agreement

The Company is a borrower and guarantor under a € 90 million unitranche term and revolving facilities agreement originally dated August 11, 2020 (and amended on September 14, 2020 and December 16, 2020) (the "**Senior Facilities Agreement**").

The Senior Facilities Agreement provides for a € 80.0 million senior term loan facility ("**Term Facility**") and a € 10 million super senior revolving credit facility ("**Revolving Facility**"). Hayfin DLF III Luxco S.à r.l., Luxembourg, Grand Duchy of Luxembourg, acts as senior arranger under the Senior Facilities Agreement, while certain Hayfin funds act as Term Facility lenders, Oldenburgische Landesbank Aktiengesellschaft, Oldenburg, Germany, as Revolving Facility arranger and Revolving Facility lender and Hayfin Services LLP, London, United Kingdom, as agent and security agent. The Senior Facilities Agreement also contains an optional uncommitted incremental term loan facility ranking *pari passu* with the Term Facility in an amount of up to € 38 million which is to be applied towards permitted acquisitions, provided that the conditions for establishment are satisfied and the Term Facility lenders or other financial institutions or entities selected by the Company agree to make such incremental facility available. The base currency under the Senior Facilities Agreement is the euro. The Revolving Facility may be drawn in euro (as base currency) or, under certain conditions, in other currencies.

In connection with the Senior Facilities Agreement, the Company as debtor and the Selling Shareholder (Cherry TopCo) are party to an intercreditor agreement originally dated August 11, 2020 (and amended on December 16, 2020) (the "**Intercreditor Agreement**"), entered into with the arrangers and lenders as well as the agent and the security agent under the Senior Facilities Agreement. Among other things, the Intercreditor Agreement regulates the relationship between the Term Facility lenders and the Revolving Facility lenders and subordinates any intra-group liabilities.

On December 18, 2020, (i) Cherry Europe GmbH (at the time still under the corporate name "Cherry GmbH") acceded to the Senior Facilities Agreement as an additional borrower, (ii) each of Cherry Europe GmbH (at the time: "Cherry GmbH"), Cherry Digital Health GmbH and Cherry Electronics (Hong Kong) Company Limited acceded to the Senior Facilities Agreement as an additional guarantor and (iii) each of Cherry Holding GmbH (which was subsequently merged into the Company in April 2021), Cherry Europe GmbH (at the time: "Cherry

GmbH"), Cherry Digital Health GmbH and Cherry Electronics (Hong Kong) Company Limited acceded to the Intercreditor Agreement as an additional debtor.

On September 30, 2020, the Term Facility was utilized in the full amount of € 80.0 million and applied towards the payment of the purchase price payable under a share purchase agreement dated May 21, 2020 relating to the sale and purchase of shares in the former Cherry Holding GmbH (which was subsequently merged into the Company in April 2021) and made between the Company as purchaser and GENUI and Greendich as sellers. The Revolving Facility may be applied towards the working capital needs of the Company and its subsidiaries, including costs and expenses incurred, and working capital requirements of the Cherry Group of any permitted acquisition. As of the date of the Prospectus, the Revolving Facility remains undrawn and no incremental facility has been established.

The claims of the lenders under the Senior Facilities Agreement are secured, including by way of pledges over the shares of the Company, Cherry Europe GmbH and Cherry Digital Health GmbH and a charge over the shares in Cherry Electronics (Hong Kong) Company Limited, security over bank accounts, assignments of receivables, and, where applicable, pledges over IP rights and transfers by way of security in respect of inventory and plant and machinery.

The Senior Facilities Agreement includes representations, information undertakings, general undertakings (including a negative pledge and restrictions on mergers, acquisitions, joint ventures, disposals, loans or credit, guarantees and indemnities, dividends and share redemption, payment of subordinated debt, incurrence of financial indebtedness and leases, issuances of shares and certain compliance covenants, each subject to specific baskets and/or negotiated exceptions) and events of default (including but not limited to non-payment, breach of financial covenants, breach of other obligations, cross-default, cross-acceleration and material adverse change provisions) which are customary for a unitranche acquisition financing of this nature.

In addition, the Senior Facilities Agreement includes a leverage-based financial covenant (being total net debt to adjusted EBITDA, as specified in the Senior Facilities Agreement, tested on each calendar quarter date on a rolling last twelve month basis) which is required to be reported on in a compliance certificate to be issued by the Company together with its quarterly and annual financial statements. Different leverage ratios are set out for the Term Facility lenders and the Revolving Facility lenders, which progressively decrease for subsequent periods during the term of the Senior Facilities Agreement. The Company has complied with the financial covenant on each applicable testing date. The target leverage for the period ending on December 31, 2020 was 3.272:1 for the Term Facility lenders and 4.750:1 for the Revolving Facility lenders. The reported leverage of the Company for such period was 1.77:1, being significantly below the stated leverage targets.

The Term Facility is required to be repaid in installments of € 3.0 million on August 11, 2021 and € 5.0 million on each subsequent anniversary of the date of the Senior Facilities Agreement, with the remaining outstanding amount being payable on the final maturity date of the Term Facility, *i.e.*, on August 11, 2026. A mechanic is included in the Senior Facilities Agreement to increase the repayment amounts under the Term Facility following establishment and drawdown of any incremental facility. The final maturity of the Revolving Facility is February 11, 2026. Each revolving loan is required to be paid on the last day of its interest period, subject to customary cashless rollover mechanics. An annual clean-down applies in respect of the Revolving Facility.

The rate of interest on each loan for each interest period is the percentage rate per annum which is the aggregate of (i) the margin and (ii) EURIBOR, or, in relation to any loan in a currency other than the euro, LIBOR (in each case subject to a zero floor). The margin is determined by reference to the leverage as certified in the most recent compliance certificate, ranging between 6.50% and 7.50% p.a. under the Term Facility and 2.75% and 3.50% p.a. under the Revolving Facility, depending on the leverage ratio. Any potential downward adjustment to the margin due to a lower leverage will only become effective after December 30, 2021. In general, a borrower must pay accrued interest on a loan on the last day of each interest period and, in case of a revolving loan, if the interest period is longer than six months, on the dates falling at six monthly intervals after the first day of the interest period.

Upon (i) a change of control (such definition including that the Selling Shareholder (Cherry TopCo) ceases to legally and beneficially own and control directly 100% of the issued share capital and the votes attaching to the shares in the Company) or (ii) flotation of any shares in a member of the Cherry Group or any of its holding companies on any stock exchange or (iii) upon the sale of all or substantially all of the business and assets of the Cherry Group, the Company is required to issue a change of control notice to the agent under the Senior Facilities Agreement. If a lender so requires within 30 days of receipt of a change of control notice, the agent under the

Senior Facilities Agreement shall cancel the commitments of that lender and declare the participations of that lender in all outstanding loans and all other amounts immediately due and payable.

Certain other mandatory prepayment events apply, subject in each case to minimum amounts and exceptions, including in relation to (i) the proceeds of warranty or negligence claims that the Company may have against the sellers or third parties in relation to the acquisition of Cherry Holding GmbH, (ii) the proceeds of certain disposals and (iii) the proceeds of certain claims under insurances maintained by any member of the Cherry Group. The Company is also required under certain conditions to apply a percentage of its excess cash flow in the mandatory prepayment of the facilities.

Voluntary prepayments of term loans and revolving loans by a borrower are also permitted subject to certain customary requirements.

A prepayment fee is payable on the amount of the Term Facility that is prepaid before September 30, 2023 (i) by way of voluntary prepayment or (ii) upon a change of control, flotation or sale of all or substantially all of the business and assets of the group or (iii) upon an acceleration of the Term Facility. The amount of the prepayment fee depends on the time at which such prepayment is made. If a prepayment is made before September 30, 2022, a make whole premium will be payable to the lenders under the Term Facility in an amount equal to (a) 1% of the amount prepaid plus (b) the sum of all scheduled interest payments (whether capitalized or not), being EURIBOR + margin of 7.00% p.a., that would otherwise have accrued or been due on the principal of the amount prepaid from the date of such prepayment until September 30, 2022. The margin may be as high as 7.50% p.a. depending on the Group's leverage calculation at the time of such prepayment. If the prepayment is made between October 1, 2022 and September 30, 2023, a prepayment fee will be payable in an amount equal to 1% of the amount prepaid. No prepayment fee will be payable in respect of any amounts prepaid following October 1, 2023.

The Company intends to terminate the Senior Facilities Agreement, the Intercreditor Agreement and the related finance documents and to repay amounts outstanding under its Senior Facilities Agreement from part of the net proceeds from the Offering. The Company will instruct the settlement agent to apply part of the proceeds of the Offering directly towards the prepayment of all amounts accrued and outstanding under the Senior Facilities Agreement (prepayment of principal in the amount of € 80 million, plus a prepayment fee, as described above, accrued interest and all other amounts accrued and outstanding under the finance documents, such aggregate amount being the "**Release Amount**", at € 89.3 million).

In preparation for the Offering, a security release agreement (the "**Release Agreement**") will be entered into with Hayfin Services LLP as agent and security agent under the Senior Facilities Agreement and each of the other pledgees under security documents entered into in connection with the Senior Facilities Agreement, under which:

(a) the release of security over the shares in the Company will become effective upon publication of the offer price by the Company; and

(b) the (i) release of all remaining security granted by members of the Group under the other security documents and (ii) cancellation of the Senior Facilities Agreement and related finance documents, will be conditional (*aufschiebend bedingt*) upon receipt by Hayfin Services LLP as agent of the Release Amount, to be applied in prepayment of loans outstanding under the Term Facility, the prepayment fee, accrued interest and all other amounts accrued and outstanding under the finance documents.

The Release Agreement shall contemplate that the payment of the Release Amount shall occur on the date of the settlement of the Offering, expected to take place on June 29, 2021.

13.18.2 Term Sheet relating to a New Financing Agreement

In June 2021, we agreed on a term sheet to enter into a new facilities agreement with a term loan facility in the amount of € 45 million and a revolving credit facility in the amount of € 10 million, which is expected to be signed either at the end of June 2021 or in July 2021. This financing agreement is intended to replace our current Senior Facilities Agreement and Intercreditor Agreement. The € 80 million currently drawn from the Senior Facilities Agreement are expected to be repaid (together with the other elements of the Release Amount, *i.e.*, in the total amount of € 89.3 million) from the proceeds received by the Company from the sale of the New Shares in the context of the Offering.

The proceeds from the new term loan and the new revolving facility are expected to be available for acquisitions as well as other general corporate purposes. Both the term loan and the revolving facility are expected to have a term of five years, with interest being based on EURIBOR plus a certain margin to be agreed upon with the financing parties.

We expect, based on the current term sheet of June 2021, that such new financing agreement will also be subject to customary covenants, including a certain net leverage ratio in terms of financial indebtedness to cash and/or EBITDA (requiring quarterly testing and the provision of a compliance certificate), and termination/mandatory prepayment events, *e.g.*, in case of a change of control (for example, if any person or group of persons acting in concert – other than Genui Sechste Beteiligungsgesellschaft mbH and/or Argand Partners Fund GP-GP, Ltd. – were to directly or indirectly hold more than 50% of the issued shares or voting rights in the Company), events of default and undertakings (regarding, among others, guarantees, loans out, conditions to be fulfilled regarding acquisitions and joint ventures as well as disposals and others). In addition, we expect the new financing agreement to contemplate a negative pledge and *pari passu* undertakings, subject to limited exceptions, and to include certain guarantees from certain Group companies.

13.18.3 Security Agreement relating to Telematics Infrastructure

In September 2020, and in connection with the acquisition of an indirect shareholding by Argand Partners in the Company, the Company, Cherry Europe GmbH (at the time still under the corporate name "Cherry GmbH") and several funds affiliated with Argand Partners (the "**Argand Funds**") entered into an agreement with the Federal Republic of Germany, represented by the Federal Ministry of Economic Affairs and Energy (*Bundesministerium für Wirtschaft und Energie* – "**BMWi**") to protect the security interests of the Federal Republic of Germany with respect to the Company ("**Security Agreement**"). The Security Agreement grants the Federal Republic of Germany certain rights and imposes restrictions on the Company and the Group with respect to the supply of components in the telematics infrastructure ("**Sensitive Activities**"). The specific rights of the Federal Republic of Germany and the restrictions on the Company under the Security Agreement include, among other things:

- a reporting duty of Cherry and audit rights of the Federal Government (on a regular basis, and upon demand) concerning the Company's performance to ensure compliance with its obligations pertaining to Sensitive Activities;
- Cherry's obligation to supply the Federal Government or any individuals designated by the BMG within fourteen weeks after a written request, with three specified telematics components (with an expected demand of 10,000 units per year) at standard market conditions;
- Cherry's obligation to ensure, for a period of eight years after the conclusion of the Security Agreement, customer support and developer support relating to software modifications that are required for security, functionality and interoperability reasons in order to operate the telematics components at standard market conditions;
- Cherry's obligation to apply, for a period of five years after the conclusion of the Security Agreement in September 2020, with regard to the specified telematics components and all products newly developed in the field of eHealth with relevance for the telematics infrastructure, both for certification by the BSI and for a gematik authorization. In addition, Cherry must meet the requirements applicable in each case and make available to the competent authority in each case all documents required for certification or licensing, respectively;
- Cherry's obligation to inform the BSI's certification department without undue delay if and when security-relevant changes in the tested life cycle of the Company's products occur;
- Cherry's obligation to ensure that, at all times, at least one member of the Company's extended management (consisting of its managing directors registered in the Commercial Register from time to time and the head competent for the eHealth business area) holds a citizenship of an EU member state, has his/her place of residence in Germany and is especially entrusted with ensuring compliance with the terms of the Security Agreement and is available to the Federal Government for any questions and requests for information; and
- Cherry's obligation to ensure that Company retains its status as a legally independent company and its registered office in the Federal Republic of Germany for the term of the Security Agreement.

The Security Agreement is binding for us and certain of our current indirect shareholders which are affiliated with Argand Partners. The Security Agreement contemplates that it shall end on the day after the day on which the percentage of voting rights held directly or indirectly by such Argand shareholders falls below the threshold which is relevant at that time under the German Foreign Trade and Payments Ordinance (which is currently 10%). However, it is likely that foreign investors who may in the future intend to acquire directly 10% or more of the voting rights in the Company, and who must therefore notify the acquisition to BMWi and undergo an investment screening process, will be requested to enter into a similar Security Agreement with the Federal Republic of Germany. If the recent amendment of the German Foreign Trade and Payments Ordinance (effective as of May 1, 2021) were to apply to the Group's IT security business, similar rules might apply, however with a threshold of 20% or more of the voting rights, whereby some uncertainty remains at this time as to whether the Group's IT security business (security peripherals) would fall under the new rules.

In addition, in connection thereto, on April 28, 2021, the Company, Cherry Europe GmbH and the Argand Funds entered into an indemnification agreement on the allocation of the liability that might arise in connection with the Security Agreement (for more information, see "*15.2.1.3 Security Agreement with the Federal Republic of Germany and Security Agreement Indemnification*").

14 REGULATORY ENVIRONMENT

14.1 Regulatory Overview

The Cherry Group manufactures, among various gaming, office, and IT security products, smartcard readers, keyboards and other components used in Germany's telematics infrastructure. The telematics infrastructure is a specific communications network for doctors, hospitals, dentists and other parties acting in the health care sector. Such products are subject to authorization by gematik, and we hold several such authorizations. Besides the general regulatory obligations which are outlined below, we must particularly ensure compliance with a public law agreement concluded with the BMWi on behalf of the Federal Republic of Germany. For more information on gematik and on the abovementioned agreement with the BMWi, see "*13.18.3 Security Agreement relating to Telematics Infrastructure*".

14.2 German Regulations Regarding the Telematics Infrastructure

The implementation of a secure telematics infrastructure and the timetable for the introduction of medical applications is governed by the Secure Digital Communications and Applications in Healthcare Act (*Gesetz für sichere digitale Kommunikation und Anwendungen im Gesundheitswesen* – "**eHealth Act**"). Under the eHealth Act timetable, the online roll-out for the eHealth card (*elektronische Gesunheitskarte*) and respective eHealth card terminals started in 2017 with the first online phase (*Online-Produktivbetrieb* – OPB1) taking place in 2019. As of January 1, 2019, only electronic health cards from the second online phase (*Online-Produktivbetrieb* – OPB2), are valid. The OPB2 eHealth card and eHealth card terminals support newer cryptographic processes and specialist medical applications such as emergency data management or the e-medication plan, which are stored directly on the card.

Finally, as of January 1, 2021, the third online phase (*Online-Produktivbetrieb* – OPB3) has been initiated which introduces the electronic health record (*elektronische Patientenakte* – ePA). In phase 1 of the roll-out, health insurers will offer their insureds an app for download, which they can use to access the electronic medical record. This will enable insured persons to use their ePA access independently via a smartphone or tablet. At the same time, a test and introductory phase with selected medical practices will begin. In phase 2, all physicians will be connected to the ePA (second quarter of 2021). In phase 3, and at the latest by July 1, 2021, according to the current schedule, all health care providers working with contract physicians must be able to use and fill the ePA. In hospitals, the ePA must be up and running by January 1, 2022 at the latest.

Our eHealth card terminal ST-1506 fulfills the specifications required for eHealth products under all online phases, namely OPB1, OPB2 and OPB3. Our eHealth card terminals are also compatible with the ePA specifications.

14.3 Authorizations and Certifications for Products

14.3.1 Telematic Products

Authorizations for components used in Germany's telematics infrastructure are issued by gematik pursuant to Section 325 of the German Social Code Book V (*Sozialgesetzbuch V* – "**SGB V**"), if the products are functional, interoperable and secure. gematik can add collateral clauses to its authorizations. Manufacturers must prove security of their products by way of a certification issued by the BSI.

We have obtained authorizations by gematik and BSI for our eHealth terminal G87-1505. The gematik authorization was recently extended and will expire on March 27, 2023; the BSI authorization on March 27, 2023. Extension of the gematik and BSI authorizations may require us to update the product so that it fulfills current standards on functionality and security, which evolve quickly. For example, the extension of the gematik certification requires an update of the firmware and a new certification process. In addition, we purchase "gsMC-KT" cards from two suppliers which already include the required authorization for such cards. We also obtained the final gematik certification for our ST-1506 eHealth terminal in the first quarter of 2021.

The authorizations issued by gematik allow gematik to impose additional collateral clauses or to withdraw the authorizations if such measures are necessary to fulfill legal requirements or to ensure functioning of the telematics infrastructure.

14.3.2 Security Products

Our product portfolio includes a keyboard with card reader, "KC 1000 SC-Z", which has been certified by the BSI (the certification has been granted until January 2023 and may be extended in the context of a recertification process thereafter). We supply this product via an intermediary to the Federal Employment Agency (*Bundesagentur für Arbeit*), where it is used exclusively for the authentication and provision of electronic signatures and not for the processing of classified government information.

14.4 State Aid

In connection with the Covid-19 pandemic, certain of our foreign subsidiaries have received bridge loan financings. In the United States, our subsidiary received a Covid-19 government loan under the Paycheck Protection Program that was converted into a non-repayable subsidy in June 2021(see "*11.9.1 Financial Liabilities and Other Financial Liabilities*"). Our subsidiary in Austria has taken out a Covid-19 bridge loan that is guaranteed by state-owned development bank Austria Wirtschaftsservice Gesellschaft mbH. In addition, our subsidiary in China has received a Covid-19 state aid (a non-repayable grant).

14.5 Anti-Corruption and Anti-Bribery

To avoid liability under German criminal law, we must adhere to strict rules against corruption and bribery involving public officials (Section 334 of the German Criminal Code (*Strafgesetzbuch*)) or employees or business representatives of the private sector (Section 299 of the German Criminal Code), as well as strict rules against bribes meant as an incentive to violating one's official duties (Section 333 of the German Criminal Code). These provisions may under certain conditions also apply to circumstances that occur solely or partly on foreign territory.

14.6 Health, Safety, and Environment

14.6.1 Health and Safety

We are subject to health and safety laws, rules, and regulations, which are largely based on European and national legal standards. We review our work safety requirements on a regular basis and aim at improving the relevant workplace conditions and operations to reduce the risks of injuries to a minimum. We are aware of the impact that work has on health, safety and the environment. We are committed to controlling and mitigating this impact, for instance, by reducing the water and energy consumption and carbon dioxide emissions in our manufacturing processes and by offering various health and safety initiatives at our sites. Our quality management system has been certified pursuant to the international standards of ISO 9001.

14.6.2 Environment

Our operations are subject to various obligations and requirements relating to the protection of the environment, depending on the location of our production facilities. In Germany, applicable laws include, for instance, the Water Resources Act (*Wasserhaushaltsgesetz*), the Closed Substance Cycle Waste Management Act (*Kreislaufwirtschaftsgesetz*) and the Federal Immission Control Act (*Bundes-Immissionsschutzgesetz*) including its related ordinances.

Our environmental management system and our energy management system have been certified pursuant to the international standards of ISO 14001 (Environment) und ISO 50001 (Energy).

As manufacturers of electronic devices, we are subject to the Electronic Equipment Act (*Gesetz über das Inverkehrbringen, die Rücknahme und die umweltverträgliche Entsorgung von Elektro- und Elektronikgeräten* – "**ElektroG**"). Under the ElektroG, we are obliged to fulfill specific duties concerning product design, sale of products and their disposal, in order to reduce waste and ensure the recyclability of our products. We must register each of our products with the Federal Environmental Agency (*Umweltbundesamt*, "**UBA**") prior to its introduction to the market and we have to submit regular reports on the number of electronic devices distributed by us to a public register (*Stiftung EAR*). Furthermore, we are obliged to prove to the UBA on a yearly basis that we provide sufficient security, *e.g.*, as a bank guarantee on first demand, to ensure the cover of disposal costs in case of insolvency. In case of non-compliance with our obligations under the ElektroG, the UBA may issue administrative fines of up to € 100,000 per case of non-compliance.

14.7 Product Safety and Liability

We are subject to provisions on product safety in all countries and jurisdictions where we deliver our products and could therefore be held liable in cases concerning damage caused by defective products manufactured by us.

In Germany, our general obligations concerning product safety and liability follow from the Product Safety Act (*Produktsicherheitsgesetz*) and the Product Liability Act (*Produkthaftungsgesetz*), unless more specific laws and regulations apply.

Furthermore, liability claims for defective products could arise from contractual liabilities and general civil tort law. The German Civil Code (*Bürgerliches Gesetzbuch*) obliges the manufacturer of a product to monitor and put in place adequate safety precautions, even when a safety risk arises after the product was introduced into the market.

14.8 Other Laws and Regulations

14.8.1 Data Protection

When processing personal data, we are subject to the EU General Data Protection Regulation ("**GDPR**") and the respective implementation legislation in the national laws of the EU Member States, which in Germany is the Federal Data Protection Act (*Bundesdatenschutzgesetz*). Both the GDPR and the Federal Data Protection Act have been applicable since May 25, 2018. The GDPR has significantly changed the legal framework for data protection in Europe and triggered additional compliance efforts and costs for German companies in general. We have implemented a variety of measures in order to achieve compliance (including, but not limited to, adjustments of internal processes, safeguarding of internal and external data transfers, entering into data protection contracts, and monitoring by our legal and compliance team) and are further developing our data protection systems and procedures. A violation of obligations under the GDPR may constitute an administrative offense, which can result in fines or investigative measures imposed by the competent data protection authority.

14.8.2 Supply Chain Compliance

On March 5, 2020, the German Parliament adopted the Mineral Raw Material Due Diligence Act (*Mineralische-Rohstoffe-Sorgfaltspflichten-Gesetz*) to implement Regulation (EU) 2017/821 laying down supply chain due diligence obligations for EU importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas. From 2021 onwards, importers are subject to comprehensive organizational, verification, information, and cooperation obligations, which are intended to improve the guarantee and control of compliance along the supply chain in trade with minerals and metals.

In addition, on June 11, 2021, the German Parliament adopted the Supply Chain Act (*Lieferkettengesetz*). The adoption of the Supply Chain Act must still be ratified by the Federal Council (*Bundestag*), which is expected to decide thereupon towards the end of June 2021. The Supply Chain Act shall oblige companies to ensure protection of human rights and minimum social and environmental standards in their supply chains. The Supply Chain Act shall come into effect in 2023. At first, only companies with more than 3,000 employees will be subject to its provisions, but as of January 2024, this threshold will be lowered to 1,000 employees. As we currently employ about 500 employees, we do not expect to fall under the Supply Chain Act. After 2024, the application scope of the Supply Chain Act shall be reviewed. Compliance with the obligations under the Supply Chain Act shall be enforced by means of substantial administrative fines.

14.8.3 Foreign Investment Control

14.8.3.1 General Framework

Due to the nature of the business in which we operate, the German foreign investment control regime applies to the Group. In particular, the applicable German Foreign Trade and Payments Ordinance (*Außenwirtschaftsverordnung*) stipulates notification requirements for acquisitions involving German companies that have obtained an authorization for components in the telematics infrastructure. Furthermore, in light of an amendment to the German Foreign Trade and Payments Ordinance which was executed by the Federal Government on April 27, 2021 and which became effective on May 1, 2021, our IT security business might also become subject to the foreign investment control regime. In particular, the amendment sets forth statutory notification requirements for companies that develop or manufacture IT products or components of such products that serve as an essential functional feature to protect the availability, integrity, authenticity or confidentiality of information technology systems, components or processes.

Consequently, foreign investors who intend to directly acquire 10% or more of the voting rights in the Company will be required to notify the BMWi in writing about the contemplated acquisition. The same applies to indirect acquisitions. Thus, all foreign investors upstream of a direct acquirer or holder of shares of the Company are relevant for the foreign investment control procedure, provided that the relevant foreign investor holds at least 10% of the voting rights in the respective investment vehicle and provided further that all other investment vehicles (if any) downstream of the respective investment vehicle in which the foreign investor holds or acquires at least 10% of the voting rights also hold or acquire at least 10% of the voting rights in the respective next downstream investment vehicle down to the direct acquirer or holder of shares of the Company and the direct acquirer or holder of shares of the Company holds at least 10% of the Company's voting rights, *i.e.*, there must be a holding of at least 10% of the voting rights at each level of the shareholding chain. When calculating the amount of voting rights, the voting rights of third parties with whom the foreign investor has concluded an agreement on the joint exercise of voting rights are attributable to the foreign investor. Pursuant to the aforementioned recent amendment of the German Foreign Trade and Payments Ordinance, similar rules might apply if the acquisition is solely directed at the Group's IT security business, in such case with a threshold of 20% or more of the voting rights, whereby some uncertainty remains at this time as to whether the Group's IT security business (security peripherals) would fall under the new rules.

The notification to the BMWi needs to present the acquisition, the acquirer, and the domestic company to be acquired and outline the fields of business in which the acquirer and the domestic company to be acquired are active. The BMWi then assesses whether the acquisition might adversely affect the public order or security of the Federal Republic of Germany, other EU Member States or certain EU projects. The extent of the assessment depends on the identity and background of the interested buyer. In cases where the BMWi determines adverse effects, the acquisition might be subject to restrictions or could even be prohibited. Clearance by the BMWi qualifies as a closing condition for all transactions that are subject to statutory notification requirements, *i.e*., the direct or indirect acquisition of at least 10% of the Company's voting rights (or at least 20% of the voting rights if the acquisition is solely directed at the Group's IT security business, if the new rules under the aforementioned amendment of the German Foreign Trade and Payments Ordinance were to apply) by a foreign investor can only be completed after the BMWi has cleared the acquisition.

14.8.3.2 Security Agreement with the Federal Republic of Germany

In September 2020, and in connection with the acquisition of a majority indirect interest in the Company, the Company, Cherry Europe GmbH (at the time still under the corporate name "Cherry GmbH") and several funds affiliated with Argand Partners entered into an agreement with the Federal Republic of Germany, represented by the BMWi, to protect the security interests of the Federal Republic of Germany with respect to the supply of components in the telematics infrastructure. For more information on such agreement and the relevant duties and obligations for the Group as well as restrictions for potential future direct or indirect investors in the Company, see "*13.18.3 Security Agreement relating to Telematics Infrastructure*".

Due to these rights of the Federal Government and restrictions relating to the Group, we may have to consider the interests of the Federal Republic of Germany, require its prior approval for certain actions, and must adhere to the other rights and restrictions mentioned above, and thus may not be able to take certain strategic and management decisions (in a timely manner or at all) that we might otherwise consider beneficial to our business and which a competitor might be able to take more easily or swiftly, and we may lose business opportunities or incur costs or experience other disadvantages.

14.8.4 E-Gaming Regulations and Similar Restrictions

We are aware that some jurisdictions – such as the United States, South Korea and China – have implemented laws and regulations that regulate e-gaming in order to mitigate potentially harmful health effects of e-gaming, in particular on minors. For example, a law passed in November 2019 in China limits the time during which children under 18 can play video games to less than 90 minutes on weekdays and three hours on weekends, with no video game playing allowed between 10 p.m. to 8 a.m. These regulations also require game publishers to enforce these limits based on user logins. In September 2020, the Chinese government implemented its own name-based authentication system to be made available to all companies to uphold these laws.

Such regulations could indirectly impact our business, financial position and results of operations, as we produce and sell, *inter alia*, e-gaming devices. We are not aware of any similar regulations in Germany or in the EU or any concrete intentions of national or European legislators to introduce such e-gaming regulations in the foreseeable future. Existing national and European e-gaming regulation targets primarily the protection of minors and focusses on restricting their access to software that might adversely affect their development. These regulations do not directly affect the design, production and sale of gaming equipment.

However, political discussions in Germany and the EU around further restrictions for the e-gaming sector arise from time to time and might lead to concrete legislative developments and e-gaming regulation in the future. See also "*3.3.6 Regulations or potential regulations discouraging gaming or limiting certain aspects of gaming may have a negative impact on our business.*".

14.9 German Act on Employees' Inventions

Under German law, rights to an invention made in the context of an employment relationship do not, upon their creation, automatically vest in or transfer to the employer. Instead, the employer must assume ownership in accordance with the mandatory procedures set out in the German Act on Employees' Inventions (*Arbeitnehmererfindungsgesetz* – "**ArbEG**"). Under the law, for inventions made after October 1, 2009, assumption of ownership by the employer is presumed, unless the employer has explicitly released the invention within four months following notification. With regard to inventions made by managing directors, the ArbEG is not applicable. Such inventions must be assigned to the company by assignment agreement. For the Group's arrangements in connection with the ArbEG, see "*13.12 Intellectual Property Rights*".

15 TRANSACTIONS AND LEGAL RELATIONSHIPS WITH RELATED PARTIES

15.1 Overview

In accordance with IAS (International Accounting Standard) 24 "Related Party Disclosures", related parties include those entities with whom the Company forms an affiliated group or in which it holds an interest that enables it to either exercise a significant influence over the business policy of the associate or joint control over the business policy of the joint venture, as well as the principal shareholders in the Company, including their affiliates. In addition, related parties also include the members of the Management Board and Supervisory Board and close members of their families, as well as those entities over which the members of the Management Board or their close family members are able to exercise a significant influence or in which they hold a significant share of voting rights.

Set forth below are transactions with related parties for fiscal years 2020, 2019 and 2018 as well as for the current fiscal year until the date of the Prospectus. Business relationships between the Company and other companies of the Cherry Group are not included.

15.2 Transactions with Related Parties

In the course of ordinary business, the Cherry Group enters into business relationships with numerous companies, including companies that are related parties. Related-parties comprise the Selling shareholder and the Company's indirect shareholders (see "*17 Shareholder Structure*").

In addition, members of the management board and the advisory board as well as their close family members qualify as related parties.

Further information in related party transactions in fiscal years 2020, 2019 and 2018 can be found in Note 8.3 to the Audited Consolidated Financial Statements of the Company, Note 8.3 to the Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH and in Note 7.3 to the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH.

15.2.1 Relationships Between the Group and its Shareholders

15.2.1.1 Agreements with Greendich Enterprise Co.

In connection with the Greendich Customers Acquisition, on October 1, 2018, Cherry Europe GmbH (at the time still under the corporate name "Cherry GmbH") and Greendich, as of the date of the Prospectus an indirect shareholder of Cherry, holding 1.7% of the shares in Cherry AG's sole direct shareholder Cherry TopCo (the Selling Shareholder), entered into a distribution agreement (the "**Greendich Distribution Agreement**"). In light of the contribution of a former distribution agreement and customer base of Greendich into Cherry Holding GmbH (see "*11.3.1 Acquisition of Greendich Customers*") and cancellation of such agreement as of November 1, 2018, the parties entered into the Distribution Agreement with respect to a limited number of specific customers of Greendich, which were carried over from the cancelled distribution agreement. Inventories held by Greendich not allocated to customers that remained with Greendich were repurchased by Cherry. Under the Greendich Distribution Agreement, Cherry grants Greendich the right to advertise and distribute products of Cherry's Gaming Switches business unit as non-exclusive authorized dealer in the sales territories of China (including Hong Kong and Taiwan) for certain customers. In addition, certain funding for past projects of Cherry granted by Greendich was amortized by means of discounts to purchase prices under. The Greendich Distribution Agreement runs for an indefinite time and can be terminated by each party with a notice period of twelve months to the end of each month. Further, each party can terminate the Greendich Distribution Agreement for good cause.

Furthermore, on October 11, 2018, Cherry Europe GmbH (at the time still under the corporate name "Cherry GmbH") and Greendich concluded a service level agreement (the "**Greendich SLA"**) to set out the cooperation between Cherry and Greendich from November 1, 2018. Under the Greendich SLA, Greendich handed over to Cherry Europe GmbH relationships and contacts as well as network and know-how for the distribution of products of the Gaming Switches business unit in the Asian markets. Greendich agreed to actively support Cherry's business activities in the relevant markets with marketing and sales support, logistic support, order handling, quality management and general administration such as invoicing against payment of a monthly service fee. The Greendich SLA had an initial term of twelve month, with automatic renewal for twelve-month periods unless terminated by either party with a notice period of six months to the end of the respective twelve months term. Further, each party can terminate the Greendich Distribution Agreement for good cause.

15.2.1.2 Intercreditor Agreement

The Company, Cherry Europe GmbH, Cherry Digital Health GmbH, Cherry Electronics (Hong Kong) Company Limited and the Selling Shareholder are parties, and Cherry Holding GmbH until the merger with the Company was a party, to the Intercreditor Agreement, see "*13.18.1 Senior Facilities Agreement and Intercreditor Agreement*".

15.2.1.3 Security Agreement with the Federal Republic of Germany and Security Agreement Indemnification

The Company, Cherry Europe GmbH and the Argand Funds are party to the Security Agreement, see "*13.18.3 Security Agreement relating to Telematics Infrastructure" and "14.8.3.2 Security Agreement with the Federal Republic of Germany*".

In addition, in connection thereto, on April 28, 2021, the Company, Cherry Europe GmbH and the Argand Funds entered into an indemnification agreement on the allocation of the liability that might arise in connection with the Security Agreement (the "**Security Agreement Indemnification**"). The Security Agreement Indemnification was entered into because after the conversion of the Company into a German stock corporation (which was entered into the Commercial Register of the Company and therefore became effective on June 2, 2021, on which date the Security Agreement Indemnification came into effect), Argand may no longer instruct the management of the Company, and is therefore no longer in a position to ensure compliance with the Security Agreement – an agreement governed by public law –, but will remain liable thereunder. Pursuant to the Security Agreement Indemnification, the Company and Cherry Europe GmbH are obligated to indemnify and hold harmless the Argand Funds from and against all liability and claims that the BMWi (on behalf of the Federal Republic of Germany) or any third party may bring against the Argand Funds under or in connection with the Security Agreement, and against any damages suffered by the Argand Funds from or in connection with the non-performance of any obligation of the parties to the Security Agreement.

15.2.1.4 Underwriting Agreement

The Company, the Selling Shareholder and the Underwriters entered into an Underwriting Agreement dated June 14, 2021 with respect to the offer and sale of the Offer Shares, see "*5.12 Underwriters and Underwriting Agreement*".

15.2.1.5 Cost Sharing and Indemnity Agreement between the Company and the Selling Shareholder in Connection with the Offering

On June 14, 2021, the Selling Shareholder and the Company entered into a cost sharing and indemnity agreement regarding the allocation of costs and liability in connection with the Offering (the "**Cost Sharing and Indemnity Agreement**"). Pursuant to the Cost Sharing and Indemnity Agreement, the Selling Shareholder will reimburse the Company for certain costs that are incurred in connection with the preparation and the execution of the Offering on a *pro rata* basis, calculated according to the ratio of the number of Secondary Base Shares and Additional Base Shares to the aggregate number of shares placed in the Offering (excluding Over-Allotment Shares). The costs to be reimbursed include, in particular, certain legal, auditor, and other advisor fees, underwriters' commissions, as well as the cost of insuring against liability claims. The Selling Shareholder further agreed to indemnify the Company from all liability risks in connection with the Offering on a *pro rata* basis, including the pro rata share of all reasonable legal costs. In addition, the Company has agreed, upon indemnification by the Selling Shareholder and to the extent legally permissible, to assign certain claims the Company may have against third parties to the Selling Shareholder.

15.2.2 Relationships with Management Board and Supervisory Board Members

The Company defines related persons as the members of the Management Board and the Supervisory Board and employees in key management positions in the Cherry Group as well as their close family members. In connection with the Cherry Acquisition, an old share ownership plan (see Note 8.3 to the Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH and Note 7.3 to the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH) was cancelled and a new share ownership plan was set up. This plan also grants selected members of the management of Cherry Holding GmbH and its subsidiaries an indirect investment in Cherry

AcquiCo GmbH and in the periods presented, included the members of the Management Board. The managers purchased shares by way of this plan. These shares are (indirectly) held via MEP KG and Strip KG (for more information, see "*19.4.1 Management Equity Program*"). For a part of the acquired shares, the managers receive a certain price for the shares to be sold when leaving the company depending on their stay in the Group in the next 4 years as of the granting date. The plan is to be regarded as equity-settled plan in the meaning of IFRS 2. The benefits granted to the managers are to be recognized over a period of 4 years in profit or loss and are charged to the capital reserves. The fair value at the grant date according to IFRS 2 was determined based on a Black-Scholes model and, considering an exit date at the end of 2024, led to a fair value of € 4.9 million. The valuation as of October 1, 2020 was based on a volatility of 60%, a risk-free rate and a dividend rate of 0% each and a vesting period of 4 years.

	For the Fiscal Year ended December 31,		
	2020	2019	2018
(in € thousand)	Cherry Holding Group		
Short-term benefits	1,186	1,286	1,151
Post-employment benefits	0	0	—
Other long-term benefits	100	151	187
Termination benefits	0	0	—
Share-based payments	168	0	—
Total	**1,454**	**1,437**	**1,338**

The disclosures relate to three members of management (2019: four members, 2018: 9 members, pro rata) of various national subsidiaries. In addition to base salaries, the amounts include social security contributions and old-age pension provisions, bonuses and company cars. See Note 8.3 to the Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH and Note 7.3 to the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH.

For further information on the compensation of the members of the Management Board and the Supervisory Board for their services see also "*19.2.4 Compensation, Other Benefits*" and "*19.3.5 Compensation*", respectively.

16 GENERAL INFORMATION ON THE COMPANY

16.1 Formation and Incorporation; Legal Form, Legal and Commercial Name, Registered Seat

The Company's predecessor was founded as a limited liability company (*Gesellschaft mit beschränkter Haftung*) under the laws of Germany by a shareholders' agreement dated April 26, 2019 as a so-called "shelf" company, and was registered under the name "Kronen zweitausend623 GmbH" with the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Charlottenburg (Berlin) under HRB 206592 B on May 9, 2019.

On May 22, 2020, the change of the corporate name to Cherry AcquiCo GmbH was registered with the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Charlottenburg (Berlin). On February 18, 2021, the change of the Company's registered seat to Munich was registered with the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Munich, and the Company received a new HRB number, HRB 263478.

On April 19, 2021, our former subsidiary Cherry Holding GmbH was merged into the Company. In connection with this merger, the Company's corporate name was changed to "Cherry Holding GmbH" for the interim period until its change of legal form to a German stock corporation (*Aktiengesellschaft*). The change of corporate name was registered with the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Munich on April 20, 2021.

On May 25, 2021, the Company's sole shareholder approved a resolution to change the Company's legal form to a German stock corporation (*Aktiengesellschaft*) under the legal name "Cherry AG". The changes in legal form and name were registered with the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Munich on June 2, 2021 under the Company's new HRB number HRB 266697. These changes were effected in accordance with the applicable provisions of the German Transformation Act (*Umwandlungsgesetz*).

Accordingly, as of the date of the Prospectus, the Company is incorporated as a stock corporation (*Aktiengesellschaft*) in Germany and subject to the laws of Germany, under the name "Cherry AG" and with registered seat in Munich, Germany. The Company's business address is Einsteinstraße 174, 81677 Munich, Germany, telephone (Auerbach headquarters): +49 9643 2061-0, Internet address: www.cherry.de. Information contained on this website is not incorporated by reference in the Prospectus and does not form part of the Prospectus.

Cherry AG's Legal Entity Identifier (LEI) is 984500DF98AA2E011444.

The Company and its subsidiaries and investment companies appear in business dealings predominantly as "CHERRY".

16.2 Fiscal Year and Duration of the Company

The Company's fiscal year ends on December 31 of each calendar year. The duration of the Company is unlimited.

16.3 Purpose of the Company

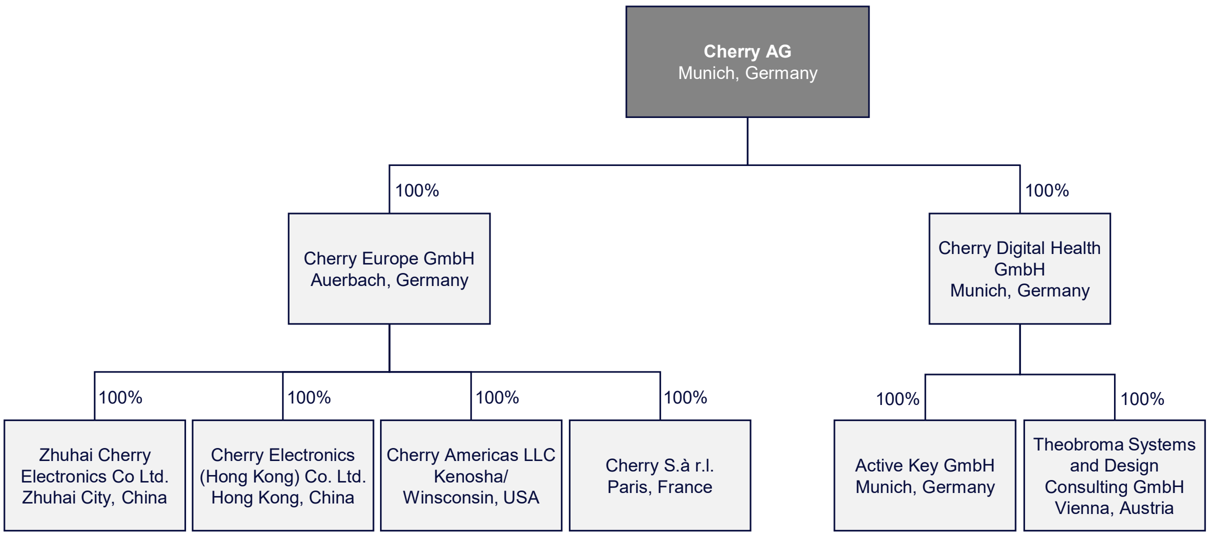
Pursuant to Section 2 para. 1 of the Articles of Association, the Company's corporate purpose (*Unternehmensgegenstand*) is the holding, management, acquisition and sale of participations in other companies, in particular in companies which are directly or indirectly engaged in the development and design, manufacture, distribution, import and export of computer input devices, mechanical switches and hardware as well as IT-based and IT-supporting products and peripheral devices, including security systems and other systems and software, as well as the provision of services (including the provision of administrative and management services) which are not subject to authorization to other companies and including Group companies, *inter alia* in the areas of Finance, Human Resources, IT, Controlling, Data Protection, Materials Management, Order Management, Logistics & Warehouse management, Strategic and operative Purchasing and Procurement as well as Customer Service department.

According to Section 2 para. 2 of the Articles of Association, the Company is entitled to perform all acts and take all steps and conduct all kind of transactions which relate to the purpose of the Company or which are appropriate to directly or indirectly further the attainment of the object of the Company. In particular, the Company may assume the position of a general partner in companies. It may also establish or acquire enterprises in Germany or abroad and participate in such enterprises as well as manage such enterprises or confine itself to the management of its participation. The Company can completely or partially have its operations, including the participations it holds, conducted by affiliated companies or transfer or outsource its operations to such affiliated companies and it may conclude intercompany agreements. The Company may also establish branch offices and permanent establishments in Germany and abroad. The Company may limit its activity to a part of the areas designated in the preceding paragraph.

16.4 Group Structure and Holdings

The Company is the parent company of the Cherry Group and functions largely as a management holding company. As such, it performs the typical tasks of a holding company that does not conduct any business operations itself, such as strategic company development. The business operations of the Cherry Group are conducted exclusively through directly and indirectly owned subsidiaries.

The chart below shows the Company and its consolidated subsidiaries as of the date of the Prospectus (percentages refer to both shares in the capital and voting rights of the respective subsidiary):



The following table provides an overview of all of the Company's subsidiaries. All shares in such subsidiaries have been fully paid-in.

Corporate name and corporate seat	LEI	Main line of business	Direct or indirect share of capital[1)]
Cherry Europe GmbH, Auerbach, Germany	529900EHOVXK8LDQZC82	Production and distribution	100%
Zhuhai Cherry Electronics Co. Ltd., Zhuhai City, China	N/A	Production and distribution	100%
Cherry Electronics (Hong Kong) Co. Ltd., Hong Kong, China	N/A	Sales	100%
Cherry Americas LLC, Kenosha/Wisconsin, USA	N/A	Sales	100%
Cherry S.à r.l., Paris, France	N/A	Sales	100%
Cherry Digital Health GmbH, Munich, Germany	N/A	Development, production and distribution of eHealth peripherals, security systems, hardware and software for healthcare applications	100%
Theobroma Systems and Design Consulting GmbH, Vienna, Austria	N/A	Software development, production and distribution for peripherals in the security and healthcare sector	100%
Active Key GmbH, Munich, Germany	N/A	Development and sale of hygienic peripherals	100%

1) Except for Cherry Digital Health GmbH and Active Key GmbH, all subsidiaries were fully consolidated in the Audited Consolidated Financial Statements of the Company and the Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH. Cherry

Digital Health GmbH has been fully consolidated in the Unaudited Condensed Interim Financial Statements of the Company.

Note: N/A means "not applicable".

Regarding the shareholdings held by the Company, there have been no changes since March 31, 2021, except for the merger of the former Group company Cherry Holding GmbH into the Company in April 2021 and the acquisition of the Active Key business in May 2021, resulting in the addition of Active Key GmbH as an indirect subsidiary of the Company (Active Key GmbH acted as the acquisition vehicle and is the successor of the former company under which the Active Key business operated).

16.5 Auditors

For the fiscal years ended December 31, 2020 and December 31, 2019, Cherry Holding GmbH (merged into the Company in April 2021) appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Flughafenstraße 61, 70629 Stuttgart, Germany, through its Essen and Dortmund offices ("**EY**"), as its auditor of the Audited Consolidated Financial Statements 2020 of Cherry Holding GmbH and the Audited Consolidated Financial Statements 2019 of Cherry Holding GmbH. Moreover, EY has been appointed by the Company as the statutory auditor of the audited consolidated financial statements to be prepared in accordance with IFRS as of and for the fiscal year ending December 31, 2021 as well as for the audited unconsolidated annual financial statements of the Company to be prepared in accordance with HGB as of and for the fiscal year ending December 31, 2021.

In addition, EY was appointed by the Company as the statutory auditor of the Audited Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2020 prepared in accordance with IFRS and for the Unaudited Unconsolidated Annual Financial Statements of the Company.

For the fiscal year ended December 31, 2018, Cherry Holding GmbH (which was subsequently merged into the Company in April 2021) appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Friedrich-Ebert-Anlage 35–37, 60327 Frankfurt am Main, Germany, through its Nuremberg office ("**PwC**"), as its auditor of the Audited Consolidated Financial Statements 2018 of Cherry Holding GmbH.

The Audited Consolidated Financial Statements of Cherry Holding GmbH have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e para. 1 HGB. In each case, EY and PwC, as the case may be, conducted their audits in accordance with Section 317 HGB and German generally accepted standards for financial statement audits, which are promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer*) and in accordance with the EU Audit Regulation (Regulation No. 537/2014), and issued an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*).

Each of EY and PwC is a member of the German Chamber of Public Accountants (*deutsche Wirtschaftsprüferkammer*), Rauchstraße 26, 10787 Berlin, Germany, and a member of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer e.V., IDW*).

See also "*4.7 Documents Available for Inspection*".

16.6 Announcements, Paying Agent

In accordance with the Company's Articles of Association, announcements of the Company are to be published in the German Federal Gazette (*Bundesanzeiger*), unless otherwise required by law. Furthermore, the Articles of Association allow for notices to the shareholders of the Company to be, to the extent permitted by law, also transmitted via remote data transmission means.

Notices in connection with the approval of the Prospectus or of supplements to the Prospectus are published in compliance with the provisions of the Prospectus Regulation and in the form specified for the Prospectus, in particular, by being published on the Company's website (www.cherry.de).

The Company's paying agent is Bankhaus Gebr. Martin AG, Schlossplatz 7, 73033 Göppingen, Germany, LEI 529900984Z5768JBQF32.

17 SHAREHOLDER STRUCTURE

17.1 Major Shareholders

As of the date of the Prospectus, the following entities directly or indirectly hold major holdings in voting rights of the Company that would be notifiable pursuant to Sections 33 et. seqq. of the German Securities Trading Act (*Wertpapierhandelsgesetz*): Prior to the Offering of the Company's Shares, all of the Company's existing Shares and therefore all of the voting rights in the Company are directly held by the Selling Shareholder (Cherry TopCo). The Selling Shareholder directly holds 100% of the voting rights in the Company. These voting rights held by the Selling Shareholder are attributed pursuant to Section 34 of the German Securities Trading Act in full to each entity along the attribution chain set out in footnote 1 to the table below, with Argand Partners Fund GP-GP, Ltd., Grand Cayman, Cayman Islands "**Argand GP-GP**") as the ultimate shareholder (the Selling Shareholder and such entities together, the "**Major Shareholders**").

Upon completion of the Offering but prior to dissolution of the MEP's Investment KGs (see "*19.4.1.2 Dissolution of the MEP Structure*"), the shareholder structure of the Company will be as shown below (assuming in each case the full implementation of (i) the Base Capital Increase and (ii) the IPO Capital Increase regarding the New Shares):

			Upon completion of the Offering with placement of all New Shares and							
	Prior to the completion of the Offering[1]		the Base Secondary Shares (no exercise of the Upsize or Greenshoe Options)		the Base and Additional Secondary Shares (full exercise of the Upsize Option, but no exercise of the Greenshoe Option)		the Base Secondary and Greenshoe Shares (full exercise of the Greenshoe Option, but no exercise of the Upsize Option)		the Base Secondary, Additional Secondary and Greenshoe Shares (full exercise of the Upsize and Greenshoe Options)	
Ownership in the Company	**No. of shares**	**As a %**	**No. of shares**	**As a %**	**No. of shares**	**As a %**	**No. of shares**	**As a %**	**No. of shares**	**As a %**
Selling Shareholder[2]	20,000,000	100.00	15,000,000	61.73	13,000,000	53.50	13,605,000	55.99	11,305,000	46.52
Free float	—	—	9,300,000	38.27	11,300,000	46.50	10,695,000	44.01	12,995,000	53.48
Total	**20,000,000**	**100.00**	**24,300,000**	**100.00**	**24,300,000**	**100.00**	**24,300,000**	**100.00**	**24,300,000**	**100.00**

1) Prior to the implementation of the IPO Capital Increase, but after the implementation of the Base Capital Increase.

2) The voting rights directly held by the Selling Shareholder in the Company are attributed in full to each of the following entities along the following attribution chain: Selling Shareholder – Cherry HoldCo – Rainier Co-Investment Holdings, LP, Grand Cayman, Cayman Islands ("**Rainier**"), which holds 100% of the voting rights in Cherry HoldCo – Argand Partners Fund GP, LP, Grand Cayman, Cayman Islands – Argand GP-GP.

Each share of the Company confers the right to one vote at the Company's general shareholders' meeting. Voting rights are the same for all of the Company's shareholders. Pursuant to German law, to the extent that the Company may have major shareholders at any time, it may not grant them voting rights that differ from those of any of its other shareholders.

As of the date of the Prospectus, the Selling Shareholder holds the entire share capital of and all voting rights in the Company, and therefore holds a controlling interest in the Company. Upon completion of the Offering and under the assumption of full placement of the New Shares, the Base Secondary and the Additional Secondary Shares (full exercise of the Upsize Option, but no exercise of the Greenshoe Option), the Selling Shareholder would hold approximately 53.50% of the Company's share capital and voting rights.

17.2 Information on the Selling Shareholder and Management Participation

As of the date of the Prospectus, the direct shareholders of the Selling Shareholder, and therefore indirect shareholders of the Company are (percentages refer to shares in the total share capital of the Selling Shareholder):

- Cherry HoldCo, which directly holds 66.18% of the shares in the Selling Shareholder;
- GENUI, which directly holds 29.93% of the shares in the Selling Shareholder,
- Greendich, which directly holds 1.66% of the shares in the Selling Shareholder and will transfer its direct shareholding in the Selling Shareholder to Greendich's shareholder Mr. Chin-Moa Lee prior to the

commencement of trading in the Company's shares on the regulated market segment of the Frankfurt Stock Exchange and to the sub-segment thereof with additional post-admission obligations (Prime Standard), which is expected to occur on June 29, 2021,

- the management participation vehicle MEP KG, which directly holds 0.73% of the shares in the Selling Shareholder, and

- the management participation vehicle Strip KG, which directly holds 1.50% of the shares in the Selling Shareholder.

Shareholders in the Selling Shareholder hold common shares and/or preference shares, the latter of which having preferential treatment in the case of share redemptions, distributions and liquidation.

GENUI holds 78.84% of its share capital in own (treasury) shares, while GENUI I GmbH & Co. KG, Hamburg, Germany, holds 18.54% in GENUI; the remaining shares in GENUI are held by minority investors. Therefore, GENUI is controlled by GENUI I GmbH & Co. KG, which, in turn, is directly controlled by Genui GP GmbH, Hamburg, Germany, as its sole general partner (*persönlich haftender Gesellschafter*). Genui GP GmbH is wholly owned, and therefore controlled by, Genui GmbH, Hamburg, Germany.

MEP KG and Strip KG are entities through which the members of the Management Board as well as certain other key employees of the Group have invested in the Selling Shareholder, and thereby indirectly in the Company, see "*19.4.1 Management Equity Program*". These investments are made in the form of limited partnership interests (*Kommanditanteile*). MEP KG and Strip KG are each managed by Cherry HoldCo as managing limited partner (*geschäftsführender Kommanditist*). The sole general partner (*Komplementär*) of MEP KG and Strip KG is Cherry MEP Strip GP GmbH, which is a wholly-owned subsidiary of Cherry HoldCo. As of the date of the Prospectus, 14 and 14 participants (in each case including the members of the Management Board through investment management vehicles and Cherry HoldCo as managing limited partner (*geschäftsführender Kommanditist*)) are indirectly invested in the Group as limited partners (*Kommanditisten*) of MEP KG and Strip KG, respectively. In addition to its direct shareholding of 66.18% in the share capital of the Selling Shareholder, Cherry HoldCo, as one of the limited partners in MEP KG and Strip KG (for the purposes of holding warehoused shares for future allocation to other participants) indirectly holds further shares in the share capital of the Selling Shareholder. Under the MEP Purchase and Transfer Agreement, the MEP structure will be dissolved after settlement of the Offering (see "*19.4.1.2 Dissolution of the MEP Structure*"), which will lead to an increase of the shareholding percentages held by Cherry HoldCo, GENUI and Greendich in the Selling Shareholder.

Furthermore, funds affiliated with Argand GP-GP and their investors hold indirect shareholdings in the Company through direct and indirect participations in Rainier, which holds all of the shares in Cherry HoldCo.

Following the completion of the Offering and the dissolution of the MEP, it is contemplated that the Selling Shareholder shall be reorganized in such a way that would ultimately result in the Selling Shareholder's then-remaining shareholders (Cherry HoldCo, GENUI and Mr. Chin-Moa Lee) receiving their *pro rata* amount of Shares in the Company after deduction of certain costs and liabilities.

18 INFORMATION ON THE SHARE CAPITAL OF THE COMPANY AND APPLICABLE REGULATIONS

The following overview presents information regarding the Company's share capital as well as certain provisions of the Company's Articles of Association and of German law.

18.1 Share Capital and Shares

18.1.1 Current Share Capital; Shares

As of the date of the Prospectus, and prior to the implementation of the Base Capital Increase and the IPO Capital Increase, both expected to be implemented in connection with the Offering, the Company's registered share capital amounts to € 2,000,000 and is divided into 2,000,000 ordinary bearer shares (*Inhaberaktien*) with no par value (*Stückaktien*) and each representing a notional share of € 1.00 in the Company's share capital. All shares are fully paid. The Company's shares were created pursuant to German law and are denominated in euro. Likewise, the shares to be issued in connection with the Base Capital Increase and the IPO Capital Increase will be created pursuant to German law and denominated in euro.

Each share confers one vote at the Company's general shareholders' meeting. There are no restrictions on voting rights and the shares carry full dividend entitlement. The transferability of the Company's shares is not restricted by law or the Company's Articles of Association.

As of the date of the Prospectus, the Company and its subsidiaries hold no shares in the Company, nor does a third party hold any shares of the Company on behalf, or for the account, of the Company.

18.1.2 Development of the Share Capital

The Company was founded on April 26, 2019 (with the initial legal name "Kronen zweitausend623 GmbH" and registered with the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Charlottenburg (Berlin) under HRB 206592 B on May 9, 2019 as a limited liability company (*Gesellschaft mit beschränkter Haftung*) with a share capital of € 25,000.

On September 30, 2020, the shareholders' meeting of the Company resolved to increase the share capital from € 25,000.00 by € 11,253.00 to € 36,253.00. This capital increase was entered into the Commercial Register of the Local Court of Charlottenburg (Berlin) on October 12, 2020.

On May 25, 2021, an extraordinary shareholders' meeting of the Company resolved to increase the share capital from € 36,253.00 by € 1,963,747.00 to € 2,000,000.00 out of the Company's reserves (*Kapitalerhöhung aus Gesellschaftsmitteln*) in order to comply with the statutory requirements for the share capital of a stock corporation (*Aktiengesellschaft*) prior to the effectiveness of the conversion of the legal form of the Company into a stock corporation. This capital increase was registered with the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Munich (following the change of registered seat of the Company from Berlin to Munich in February 2021) on May 28, 2021.

On June 11, 2021, an extraordinary shareholders' meeting of the Company resolved to increase the share capital from € 2,000,000.00 by € 18,000,000.00 to € 20,000,000.00 out of the Company's reserves (*Kapitalerhöhung aus Gesellschaftsmitteln*) in order to facilitate the trading of the Company's shares following the Offering. This capital increase (which is referred to in the Prospectus as "Base Capital Increase") is expected to be registered with the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Munich on June 18, 2021. Following the consummation of the Base Capital Increase, the Company's share capital will include the Secondary Shares and the Over-Allotment Shares from the shareholdings of the Selling Shareholder to be offered as part of the Offering.

The share capital of the Company is expected to be further increased by resolution of an extraordinary shareholders' meeting of the Company on June 23, 2021 against a contribution in cash from € 20,000,000.00 by up to € 4,300,000.00 to up to € 24,300,000.00 for the purpose of creating the New Shares (this capital increase is referred to in the Prospectus as "IPO Capital Increase"). It is anticipated that the implementation of this capital increase will be registered with the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Munich on or about June 24, 2021.

Following consummation of the Base Capital Increase and the IPO Capital Increase, the Company's share capital will amount to up to € 24,300,000.00, divided into up to 24,300,000 ordinary bearer shares (*Inhaberaktien*) with no par value (*Stückaktien*), each representing a proportionate amount of the share capital of € 1.00. The share capital will be fully paid.

18.2 Authorized Capital

An extraordinary shareholders' meeting of the Company on June 11, 2021 resolved on an authorized share capital and the amendment of the Articles of Association by the inclusion of such authorized share capital. Upon this resolution taking effect upon its registration with the Commercial Register, expected to occur on June 18, 2021, the Company will have an authorized share capital in conjunction with Section 202 of the German Stock Corporation Act (*Aktiengesetz*). The Management Board shall then be authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital on or before June 10, 2026, on one or more occasions, by up to € 10,000,000.00 through the issuance of up to 10,000,000 new ordinary bearer shares with no par value in return for contributions in cash or in kind (the "**Authorized Capital**").

As of the date of the Prospectus, the Company has not made use of the Authorized Capital.

Shareholders will generally be granted a subscription right, unless the Management Board exercises the authorizations described below to exclude subscription rights, subject to the consent of the Supervisory Board. In the event of capital increases against cash contributions, the new shares may also be taken up by a credit institution or a financial institution operating pursuant to Section 53 para. 1 sentence 1 or Section 53b para. 1 sentence 1 or para. 7 the German Banking Act (*Kreditwesengesetz*) or a syndicate of such credit or financial institutions, in each case as determined by the Management Board, subject to an undertaking to offer the shares to shareholders for subscription (indirect subscription right).

The Management Board shall furthermore be authorized, in each case subject to the Supervisory Board's approval, to exclude the subscription rights of shareholders one or multiple times in each of the following cases:

- to the extent necessary in order to even out fractional amounts in the case of capital increases against cash or non-cash contributions;

- in the case of capital increases against contributions in kind for the purposes of business combinations or acquisitions of companies, company assets, operations or shares in companies, industrial property rights (*i.e.*, patents, utility models, trademarks or licenses thereto) or other product rights; or

- in the case of capital increases against cash contributions, if the amount for which the new shares are issued does not significantly fall short of the market price of shares of the same class at the time of final determination of the amount for which the shares are issued (simplified exclusion of subscription rights in accordance with Section 186 para. 3 sentence 4 of the German Stock Corporation Act). The shares issued under exclusion of the subscription right in accordance with Section 186 para. 3 sentence 4 of the German Stock Corporation Act may not exceed 10% of the share capital existing at the time when the authorization enters into effect or when the authorization is exercised. This upper limit of 10% of capital stock shall be reduced by the prorated amount of the capital stock attributable to those shares sold as treasury shares during the period of effectiveness of this authorization under the exclusion of the subscription right in accordance with Section 71 para. 1 no. 8 sentence 5, Section 186 para. 3 sentence 4 of the German Stock Corporation Act and by the prorated amount of shares in view of which a conversion right or option right or an obligation to convert or to opt on the basis of warrant bonds and/or convertible bonds exists which have been issued since the granting of this authorization under exclusion of shareholder subscription rights in accordance with Sec. 221 para. 4, 186 para. 3, sentence 4 of the German Stock Corporation Act.

The proportionate amount of the share capital attributable to shares which are issued under exclusion of the subscription right of the shareholders in exchange for cash contributions or contributions in kind may not exceed in total 50% of the share capital of the company existing at the time the shareholder's meeting passes the resolution. Subject to any renewed authorization on the exclusion of the subscription right passed by a future shareholder's meeting, those shares which are issued during the period of effectiveness of this authorization under the exclusion of the subscription right under any other authorization will be credited against this limit.

The Management Board shall be further authorized, subject to the approval by the Supervisory Board, to determine the remaining details regarding any such authorized capital and the conditions for the issuance of shares. The Supervisory Board is authorized to amend the wording of Section 4 of the Articles of Association following the completion, in whole or in part, of a capital increase out of Authorized Capital.

18.3 Conditional Capital

An extraordinary shareholders' meeting of the Company on June 23, 2021 is expected to resolve on a conditional share capital and the amendment of the Articles of Association by the inclusion of such conditional share capital. In this connection, the share capital of the Company may be increased, subject to certain conditions, by up to € 10,000,000.00, by issuing up to 10,000,000 new ordinary bearer shares with no par value (the "**Conditional Capital**").

The sole purpose of the Conditional Capital is to grant new shares to the holders or creditors of convertible and/or option bonds, participation rights and/or participating bonds (or combinations of these instruments), which would be issued by the Company or by a subordinate Group company on or before June 22, 2026 on the basis of the authorization expected to be resolved by the extraordinary shareholders' meeting on the same day as the Conditional Capital in return for contributions in cash or in kind. The new shares would be issued at the option or conversion price to be determined in each case in accordance with the authorization resolution described above.

The Conditional Capital increase would be carried out only in the event that bonds that are structured with option or conversion rights or obligations are issued, only in accordance with the authorization expected to be resolved by the extraordinary shareholders' meeting on the same day as the Conditional Capital, and only insofar as use is made of option or conversion rights or holders of bonds required to convert them or to exercise an option to fulfill their obligation to convert them or exercise their option or if the Company exercises an option to grant no-par value shares of the Company in full or in part in lieu of payment of the monetary amount that is due. The conditional capital increase would not be carried out if a cash settlement is granted or treasury shares, shares from Authorized Capital or shares from another listed company are used to service the increase.

The newly issued shares would participate in the profit of the Company from the beginning of the fiscal year in which they are created. To the extent permissible by law, the Management Board is entitled, subject to the approval by the Supervisory Board, to depart from this provision and from Section 60 para. 2 of the German Stock Corporation Act, and can also determine an entitlement to profit participation for a fiscal year that has already ended.

The Management Board shall be authorized, subject to the approval by the Supervisory Board, to determine the remaining details for any such Conditional Capital increase. The Supervisory Board is authorized to adjust the wording of the Articles of Association in accordance with the respective utilization of the Conditional Capital. The same shall apply in the event that the authorization for the issue of options and/or convertible bonds, participation rights and/or participating bonds (or combinations of these instruments) has not been utilized after the term of the authorization has expired, as well as in the event that the Conditional Capital has not been utilized after the periods for the exercise of option or conversion rights or, respectively, for the fulfilment of option or conversion obligations have expired.

18.4 Authorization to Issue Convertible Bonds and Option Bonds

On or about June 23, 2021, the extraordinary shareholders' meeting of the Company is expected to authorize the Management Board, subject to the approval by the Supervisory Board, to issue once or several times in return for a contribution in cash or in kind, on or before June 22, 2026, bearer or registered convertible bonds and option bonds, participation rights, or participating bonds, or combinations of these instruments (together referred to hereinafter as the bonds) for an aggregate nominal amount of up to € 400,000,000.00, with or without a definite maturity date, and to impose option obligations on the holders or creditors (together referred to hereinafter as the holders) of option bonds, option participation rights, or option participating bonds, or to grant conversion rights or impose conversion obligations for up to 10,000,000 new ordinary bearer shares) with no par value (*Stückaktien*) of the Company with a proportionate amount of the capital stock of up to € 10,000,000.00, in accordance with the respective bond conditions.

The bonds may be denominated in euro or in the legal currency of another OECD country, provided the equivalent amounts to those stated above in euros are not exceeded. The bonds can also be issued by a subordinate Group company. In this case, the Management Board is authorized, subject to the approval by the Supervisory Board, to guarantee the bonds on behalf of the Company and to grant or impose on holders of the bonds conversion or option rights or obligations for new ordinary bearer shares with no-par value of the Company.

Shareholders are generally granted a subscription right to the bonds. If shareholders are not granted a direct subscription right, the statutory subscription right will be granted to shareholders in such a manner that the bonds will be issued to a credit institution, a financial institution or a syndicate of such credit or financial institutions, subject to the obligation to offer the bonds to shareholders for subscription. If the bonds are issued by a subsidiary of the Company, the Company must ensure that the Company's shareholders are granted subscription rights in line with the above sentence.

However, the Management Board shall be authorized, subject to the approval by the Supervisory Board, to exclude the shareholders' subscription right for fractional amounts resulting from the subscription ratio and also to exclude the subscription right to such extent as this is necessary in order to grant holders of bonds option or conversion rights or option or conversion obligations that have been issued by the Company or by subsidiaries of the Company, a right to subscribe for new bonds to the extent to which they would be entitled to as shareholders after exercising their option or conversion rights or, as the case may be, after fulfillment of their option or conversion obligations.

The Management Board shall be further authorized, subject to the approval of the Supervisory Board, to exclude the shareholders' subscription right in its entirety for bonds issued against cash payment and with option or conversion rights or option or conversion obligations, if the Management Board, after due examination, comes to the conclusion that the issue price of the bond is not significantly lower than the hypothetical market price of the bond as determined in accordance with generally accepted, in particular financial mathematical, methods. However, this authorization to exclude the subscription right only applies to bonds with option or conversion rights or option or conversion obligations for shares with a proportionate amount of the capital stock which may not exceed 10% of the capital stock at the time when the authorization becomes effective or – if the value is lower – at the time when the authorization is exercised. The aforementioned 10%-limit includes shares that were issued or sold with an exclusion of subscription rights directly or indirectly pursuant to Section 186 para. 3 sentence 4 of the German Stock Corporation Act during the term of the authorization up to the time of issuance of bonds with option or conversion rights or option or conversion obligations with an exclusion of subscription rights pursuant to Section 186 para. 3 sentence 4 of the German Stock Corporation Act.

If participation rights or participating bonds are issued without an option or conversion right or an option or conversion obligation, the Management Board is authorized, subject to the approval by the Supervisory Board, to exclude the shareholders' subscription right in its entirety if these participation rights or participating bonds are structured in a way similar to bonds, *i.e.*, they do not provide for any shareholder rights in the Company or grant any share in the liquidation proceeds, and the amount of interest rate is not calculated on basis of net income, net retained profit or dividends. In addition, the interest rate and the issue price of profit participation rights or participating bonds must correspond to the market conditions prevailing at the time of issuance.

In the event that option bonds are issued, one or more options shall be attached to each bond (such bond, a partial bond) that entitle the holder to subscribe to ordinary bearer shares of the Company with no par value under the bond conditions that are determined by the Management Board. For option bonds issued by the Company and denominated in euro, the bond conditions may stipulate that the option price can also be settled by the transfer of partial bonds and, as the case may be, an additional cash payment. The proportionate amount of the capital stock attributable to the shares to be issued for each partial bond may not exceed the nominal value of the partial bond. If there are fractional amounts of shares, it can be stipulated that these fractions can be added together, in accordance with the bond conditions, in return for an additional cash payment, as the case may be, for the purpose of acquiring whole shares. The same applies in the event options are attached to a profit participation right or a participating bond.

If convertible bonds are issued, the holders of the partial bonds are granted the right to convert their partial bonds into ordinary bearer shares of the Company with no par value in accordance with the convertible bond conditions as determined by the Management Board. The conversion ratio is determined by dividing the nominal value or the partial bond's issue price that is below the nominal value by the conversion price that has been set for a bearer share of the Company with no par value and can be rounded up or down to a whole number. Furthermore, the convertible bond conditions can set out that an additional cash payment has to be made for non-convertible fractional amounts and that these are to be consolidated or otherwise compensated. The convertible bond conditions may stipulate that the conversion ratio is variable and that the conversion price will be calculated (subject to the minimum price as determined below) within a predetermined range, depending on the performance of the Company's shares during the term of the bond. The same shall apply for convertible participation rights and convertible participating bonds.

The option or conversion price, as determined for a share of the Company, must be – except for cases in which an option or conversion obligation or a right to delivery of shares is provided for – equivalent to at least 80% of the volume-weighted average closing price of the Company's shares on the electronic trading system on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during the last ten trading days before the day of the Management Board's resolution on the issuance of the bond or – if a subscription right is granted – at least 80% of the volume-weighted average price of the Company's shares on the electronic trading system of the Frankfurt Stock Exchange during the subscription period, except for the days during the subscription period that are required for the timely announcement of the option or conversion price pursuant to Section 186 para. 2 sentence 2 of the German Stock Corporation Act. Section 9 para. 1 and Section 199 of the German Stock Corporation Act remain unaffected.

The bond conditions may also provide for a conversion obligation or option obligation at the end of the term (or at another point in time) or for the right of the Company to grant holders of the bonds, upon the final maturity of the bond to which option or conversion rights or obligations are attached (including maturity due to termination), in whole or in part, shares of the Company or shares of another listed company in lieu of payment of the cash amount due. In these cases, the option or conversion price can, under the more detailed terms of the bond conditions, be equivalent to the volume-weighted average closing price of the Company's shares on the electronic trading system of the Frankfurt Stock Exchange (during the ten trading days before or after the final maturity date, even if this average price is below the minimum price stated above. The proportionate amount of the capital stock of the Company's shares to be issued upon conversion or exercise of the option may not exceed the nominal value of the bonds. Compliance with Section 9 para. 1 and Section 199 para. 2 of the German Stock Corporation Act is necessary.

The authorization of the Management Board shall also include the possibility that the more detailed terms of the bond conditions can under certain circumstances provide for protection against dilution or adjustment mechanisms, provided that such adjustments are not already regulated by law. Measures for protection against dilution and adjustment mechanisms may address, in particular, the event that the Company's capital changes during the term of the bonds (for example due to a capital increase or decrease, or a share split), but may also apply in connection with dividend payments, the issuance of further convertible or option bonds, as well as in case of extraordinary events that occur during the term of the bonds or the option bonds (for example, a change of control). Measures for protection against dilution and adjustment may include, in particular, granting subscription rights, changing the conversion or option price, and changing or granting cash components. Section 9 para. 1 and Section 199 of the German Stock Corporation Act remain unaffected.

The bond conditions may also stipulate that the bond that carries option or conversion rights can be converted at the Company's discretion into new shares from authorized capital or into existing shares of the Company or into shares of another listed company, instead of being converted into new shares from conditional capital, or that the option right can be fulfilled by delivering such shares or that an option obligation can be settled with the delivery of such shares. The bond conditions can also stipulate that the Company has the right to pay a cash amount instead of granting new shares in the event of a conversion or the exercise of an option.

The Management Board shall be authorized, subject to the approval by the Supervisory Board, to further specify the details of the issuance and structure of the bonds, in particular with regard to the interest rate, issue price, term and denomination, provisions for protection against dilution, the option or conversion period and, within the aforementioned framework, the option and conversion price, or to specify such details in agreement with the corporate bodies of the Group company issuing the option or convertible bond.

18.5 Authorization to Acquire Treasury Shares

The Company may not acquire its own shares unless authorized by a shareholders' meeting or in other very limited circumstances as set out in the German Stock Corporation Act. Shareholders may not grant a share repurchase authorization that is valid for more than five years. The rules of the German Stock Corporation Act generally limit repurchases to 10% of the share capital and re-sales must generally be made either on a stock exchange, in a manner that treats all shareholders equally or in accordance with the rules that apply to subscription rights relating to a capital increase.

The Company's extraordinary shareholders' meeting on June 23, 2021 is expected to authorize the Company to acquire for any purpose permissible, on or before June 22, 2026, treasury shares of up to a total maximum of 10% of the share capital existing at the time of the adoption of the resolution or – if such amount is lower – at the time the authorization is exercised. The authorization can be exercised individually or jointly, by the Company or also by one of its subordinate Group companies, or by third parties on behalf of the Company or on behalf of its subordinate Group companies. The authorization to acquire and use own shares can be exercised in whole or in part, once or multiple times.

The shares acquired based on this authorization, together with other shares of the Company which are in the possession of the Company or are attributable to it pursuant to Sections 71a et seq. of the German Stock Corporation Act, may at no time exceed 10% of the Company's share capital. At the discretion of the Management Board, such acquisition may be conducted (i) through a stock exchange or (ii) by means of a public offer directed at all shareholders or a public solicitation to submit offers ("**Acquisition Offer**").

- If the acquisition is conducted through a stock exchange, the consideration paid by the Company for each of the Company's shares (excluding incidental acquisition costs) may not be more than 10% higher or lower than the price of the Company's shares, as determined by the opening auction on the trading date, in the Xetra trading system (or a comparable successor system) of the Frankfurt Stock Exchange.

- If the acquisition is made by way of an Acquisition Offer, the purchase or sales price offered, or the maximum amount of the purchase or sales price range per share (excluding incidental purchasing costs), may not be more than 10% higher or lower than the average of the closing auction price in the Xetra trading system (or a comparable successor system) of the Frankfurt Stock Exchange over the three stock trading days before the date of the public announcement of the offer or the public request to submit a sales offer. If there is significant deviation from the relevant price after publication of a purchase offer, the offer can be adjusted. In this case, the average price over the three stock trading days before the date of publication of any adjustment will be the reference figure and the 10% ceiling must be applied to this amount. If the purchase offer is oversubscribed, or in the event of a request to submit a sales offer, if multiple identical offers are submitted but not all can be accepted, acceptance must be based on the ratio of shares tendered (tendering ratios). In addition, numbers can be rounded down to avoid fractional shares.

The authorization to acquire treasury shares can be exercised for any legally permissible purpose, particularly in pursuit of one of more of the purposes set out below, under exclusion of the subscription rights of the shareholders, and can be exercised individually or jointly, by the Company or a subsidiary Group company, or by third parties on behalf of the Company or on behalf of any subsidiary Group company:

- The Management Board is authorized, with the consent of the Supervisory Board, to sell shares acquired under the above authorization in another manner than through the stock exchange or by submitting an Acquisition Offer, provided that the sale is made for cash and at a price that is not significantly lower than the stock exchange price of the Company's shares at the time of sale (simplified exclusion of subscription rights under Section 186 para. 3 sentence 4 of the German Stock Corporation Act. The shares sold pursuant to this authorization cannot exceed 10% of the share capital, either at the time the resolution is adopted at the annual shareholders' meeting or when this authorization is exercised. The ceiling of 10% of capital stock shall be reduced by the pro-rated amount of the capital stock attributable to those shares issued during the period of effectiveness of this authorization under the exclusion of the subscription right in direct or analogous application of Section 186 para. 3 sentence 4 of the German Stock Corporation Act. Furthermore, this ceiling is decreased by shares that have been or must be issued in order to satisfy option or conversion rights, if the bonds were granted or imposed under exclusion of the subscription right in accordance with Section 186 para. 3 sentence 4 of the German Stock Corporation Act during the period of effectiveness of this authorization.

- The Management Board shall be authorized, with the consent of the Supervisory Board, to transfer the shares acquired under the above authorization to third parties for contribution in kind, particularly for the acquisition of companies, parts of companies, or interests in companies or for business combinations, as well as for the acquisition of other assets, including rights and claims.

- The Management Board shall be authorized, with the consent of the Supervisory Board, to use the shares acquired under the above authorization to meet obligations under conversion or option rights or conversion obligations under convertible or option bonds issued by the Company or a subsidiary Group company, or under participation rights or participation bonds (or combinations of these instruments) that grant a conversion right or option right or stipulate a conversion or option obligation.

- The Management Board shall be authorized, with the consent of the Supervisory Board, to use the shares acquired under the above authorization in order to grant holders of convertible or option bonds issued by the Company or a subsidiary Group company, or under participation rights or participation bonds (or combinations of these instruments) that grant a conversion right or option right or stipulate a conversion or option obligation, shares in the amount they would be entitled to after exercising the conversion or option right, or to which they would have a subscription right after fulfillment of the conversion or option obligation.

- The Management Board shall be authorized to offer the shares acquired under the above authorization to persons who are or were employed by the Company or one of its affiliated companies for purchase (employee shares).

Additionally, in the event of a sale of shares with an offer to all shareholders, the Management Board can exclude the subscription right of the shareholders for fractional amounts with the consent of the Supervisory Board.

The Management Board shall be authorized to redeem the shares acquired under the above authorization without any further resolution by the shareholders' meeting. Generally, such a redemption will result in a reduction of capital. The Management Board is then authorized to change the definition of the number of shares in the Articles of Association. The Management Board can, however, declare that the share capital shall remain unchanged. In that case, the redemption will instead result in an increase of the remaining shares' proportion of the share capital under Section 8 para. 3 of the German Stock Corporation Act.

In each case, the Management Board must inform the shareholders' meeting about the utilization of the above authorizations, in particular about the reasons for and the purpose of the acquisition of treasury shares, the number of treasury shares acquired and the amount of the share capital attributable to them, the portion of the share capital represented by them and the equivalent value of the shares.

18.6 General Provisions Governing Share Capital Increases and Decreases

The German Stock Corporation Act (*Aktiengesetz*) provides that the share capital of a stock corporation may be increased by a resolution of the general shareholders' meeting. Such resolution must be adopted by a majority of at least 75.0% of the share capital represented when the resolution is passed unless the stock corporation's articles of association provide for a different majority. Our Articles of Association provide in Section 17 para. 2 that the resolutions of the general shareholders' meeting are adopted by a simple majority of the votes cast unless mandatory law or the articles of association require a higher majority or additional requirements (which is currently not the case under the Articles of Association of the Company).

In addition, shareholders may resolve to create authorized capital by a vote of 75.0% of the share capital represented at the passing of the resolution authorizing the Management Board to issue Shares, up to a specific amount within a period not exceeding five years. The total amount of the authorized capital created by the shareholders' meeting may not exceed 50.0% of the share capital in existence at the time of the authorization, that is, at the time the authorized capital is entered into the commercial register.

Additionally, shareholders may resolve to create conditional capital for the purpose of issuing Shares (i) to holders of convertible bonds or other securities convertible into Shares of the Company, (ii) as consideration in connection with a merger with another company or (iii) to executives and employees. A resolution to create conditional capital must be adopted by at least 75.0% of the share capital represented at the passing of the resolution. The total amount of the conditional capital created for the purpose of share issues to executives and employees may not exceed 10.0%, a conditional capital created for any other purpose may not exceed 50.0% of the nominal share capital in existence at the time such resolution is passed. The creation of conditional capital beyond this threshold is permitted only for the purpose of enabling the Company to make an exchange in the event of its impending insolvency or for the purpose of averting over indebtedness.

A resolution to reduce the share capital must be adopted by at least 75.0% of the share capital represented at the passing of the resolution.

18.7 General Provisions on Shareholders' Pre-Emptive Rights

According to the German Stock Corporation Act (*Aktiengesetz*), every shareholder is generally entitled to subscription rights to any new shares issued within the framework of a capital increase, including convertible bonds, bonds with warrants, profit-sharing rights or income bonds. Such subscription rights are freely transferable and may generally be traded on German stock exchanges within a specified period prior to the expiration of such period.

The general shareholders' meeting may pass a resolution excluding subscription rights if at least 75.0% of the share capital represented adopts the resolution. To exclude subscription rights, the Executive Board must also make a report available to the shareholders justifying the exclusion and demonstrating that the Company's interest in excluding the subscription rights outweighs the shareholders' interest in keeping them. The exclusion of subscription rights upon the issuance of new shares is permitted, in particular, if the Company increases the share capital against cash contributions, the amount of the capital increase does not exceed 10.0% of the existing share capital and the issue price of the new shares is not significantly lower than the stock exchange price of the Company's existing shares.

18.8 General Provisions on Use of Profits

The distribution of dividends on the Company's shares for a given fiscal year is resolved by the general shareholders' meeting of the subsequent fiscal year following a proposal by the Management Board and the Supervisory Board.

Under the German Stock Corporation Act (*Aktiengesetz*), a resolution regarding dividends and any distribution thereof must be based on a balance sheet profit, recorded in the Company's unconsolidated financial statements. When determining the balance sheet profit available for distribution, net income / loss must be adjusted to account for profit / loss carry-forwards of the previous years, as well as release of or allocation to reserves. Certain reserves are required by law and the respective allocations must be deducted when calculating the amount of balance sheet profit available for distribution. For further details, see section "*8.2 Dividend Policy and Earnings per Share*".

18.9 General Provisions Governing the Liquidation of the Company

Apart from liquidation as a result of insolvency proceedings, the Company may be liquidated by a resolution of the shareholders' meeting to dissolve the Company followed by a liquidation procedure. The resolution of the shareholders' meeting requires a simple majority of the votes cast, as well as a majority of at least three quarters of the share capital represented at the time the resolution is adopted. Pursuant to the German Stock Corporation Act (*Aktiengesetz*), in the event of liquidation, the assets remaining after all Company liabilities have been satisfied are distributed among the shareholders proportionally to their interest in the Company's share capital. Certain restrictions, in particular restrictions for the benefit of creditors, must be observed.

18.10 Squeeze-Out of Minority Shareholders

Under the rules of Sections 327a et seq. of the German Stock Corporation Act regarding the so-called "squeeze-out" of minority shareholders, the general meeting of a stock corporation may resolve upon request by a shareholder who holds 95.0% of the share capital (majority shareholder) that the shares held by the remaining minority shareholders be transferred to the majority shareholder against payment of adequate cash compensation. The amount of the cash compensation to be granted to the minority shareholders must reflect the situation of the company at the time the resolution is adopted by the general meeting. For the purpose of calculating the compensation amount, the full enterprise value is relevant, which will generally be determined by applying the discounted future earnings method (*Ertragswertmethode*). The minority shareholders are entitled to file for valuation proceedings (*Spruchverfahren*), in the course of which the appropriateness of the cash compensation is reviewed.

Under the German Transformation Act (*Umwandlungsgesetz*), a majority shareholder holding at least 90.0% of a stock corporation's share capital can require the general shareholders' meeting to resolve that the minority shareholders must sell their stock to the majority shareholder against the payment of adequate compensation in cash, provided that (i) the majority shareholder is a stock corporation, a partnership limited by shares (*KGaA*), or a European stock corporation (SE) having its seat in Germany, and (ii) the squeeze-out is performed to facilitate a merger under the German Transformation Act (*Umwandlungsgesetz*) between the majority shareholder and the stock corporation. The general shareholders' meeting approving the squeeze-out must take place within three months of the conclusion of the merger agreement. The procedure for the squeeze-out is essentially identical to the squeeze-out under stock corporation law described above, including the minority shareholders' right to have the appropriateness of the cash compensation reviewed.

Furthermore, pursuant to the provisions in Sections 39a and 39b of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) regarding the so-called "takeover law squeeze-out", a bidder who, following a takeover offer or a mandatory tender offer, holds at least 95.0% of the voting share capital of the target company may, within a period of three months following the expiration of the acceptance period, apply to the Regional Court (*Landgericht*) of Frankfurt am Main for a court order to transfer to such bidder the remaining voting shares against payment of adequate compensation. No resolution of the general meeting is required. The consideration granted under the takeover offer or the mandatory tender offer is considered adequate compensation if the bidder, based on such offer, has acquired at least 90.0% of the share capital subject to the offer. Furthermore, following a takeover offer or a mandatory tender offer, the shareholders of the target company who did not accept such offer may accept the offer within three months after the expiration of the acceptance period (so-called "sell-out"), provided the bidder is entitled to file an application for the transfer of the remaining voting shares in accordance with Section 39a of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) (Section 39c of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*)).

Pursuant to the provisions of Sections 319 et seq. of the German Stock Corporation Act (*Aktiengesetz*) regarding the integration (*Eingliederung*) of a subsidiary, the general meeting of a stock corporation may resolve the integration into another company, provided that the future principal company (*Hauptgesellschaft*) is a German stock corporation and holds at least 95.0% of the shares of the company to be integrated. The shareholders of the integrated company are entitled to adequate compensation, which is generally to be granted in the form of shares of the principal company. The amount of compensation is to be determined by the so-called merger value ratio (*Verschmelzungswertrelation*) between the companies, *i.e.*, the exchange ratio, which would have to be considered adequate in the event of a merger of the two companies.

18.11 Mandatory Takeover Bids

Pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), every person whose share of voting rights reaches or exceeds 30.0% of the voting shares of the Company (after admission of the Company's shares to trading on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)) must publish this fact, including the percentage of its voting rights, within seven calendar days by publication on the Internet and through electronic media for disseminating financial information. Subsequently, and unless an exemption from this obligation has been granted by BaFin, such person must submit a mandatory public tender offer to all shareholders of the Company. The German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) contains several rules that provide for an attribution and aggregation of voting rights in order to ensure that the shares are attributed to the person actually controlling the voting rights attached thereto. If a person fails to give notice of reaching or exceeding the 30.0% threshold or fails to submit a mandatory public tender offer, shareholder rights (including voting rights and, in certain cases, the right to collect dividends and liquidation proceeds) are suspended for the duration of non-compliance under certain circumstances. In addition, a fine may be imposed.

18.12 Disclosure Requirements for Holdings of Shares and Other Instruments

Cherry AG and its shareholders are subject to the shareholding disclosure obligations under the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*). Section 33 of the German Securities Trading Act requires that anyone who acquires, sells or whose shareholding in any other way reaches, exceeds or falls below 3.0%, 5.0%, 10.0%, 15.0%, 20.0%, 25.0%, 30.0%, 50.0% or 75.0% of the voting rights in an issuer whose home country is Germany and whose shares are admitted to trading on an organized market must immediately, and no later than within four trading days of such occurrence, notify the issuer and at the same time BaFin. The notice period commences as soon as the person obliged to notify (*Meldepflichtiger*) knows, or, under the circumstances of the case should know, that his or her voting rights reach, exceed or fall below the abovementioned thresholds, and no later than two trading days after reaching, exceeding or falling below the threshold. Only in the case where the voting rights reach, exceed or fall below the thresholds as a result of an event affecting all voting rights, then the notice period may commence at a later time. The notification requirement is set off by the establishment of an obligation to transfer such ownership immediately (*ohne zeitliche Verzögerung*).

Notice must be given using a standard form annexed to the German Securities Trading Reporting Regulation (*Wertpapierhandelsanzeigeverordnung*). It must include the address of the individual or entity, the share of voting rights held and the date of reaching, exceeding or falling below the respective threshold, and must be issued via a mandatory standard form. The Company must publish such notices immediately, but no later than within three trading days after their receipt, via media outlets or outlets where it can be assumed that the notice will be disseminated in the EU and the non-EU parties to the agreement on the EEA (so-called "Medienbündel"). The

Company must also transmit the notice to BaFin and to the German Business Register (*Unternehmensregister*) for storage.

For purposes of the notification requirements, the German Securities Trading Act (*Wertpapierhandelsgesetz*) contains various rules that require the attribution (*Zurechnung*) of voting rights of certain persons associated with the shareholder or acting together with the shareholder. For example, shares held by a subsidiary (as defined in Section 35 of the German Securities Trading Act (*Wertpapierhandelsgesetz*)) are attributed to the parent company; similarly, shares held by a third company for the account of another company are attributed to the latter. Furthermore, any kind of cooperation among shareholders that is intended to effect a permanent and material change in the business strategy of the Company can result in an attribution of voting rights. This means that the cooperation does not necessarily have to concern the exercise of voting rights specifically; coordination in individual cases, however, will not trigger the attribution of voting rights.

Pursuant to Section 38 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), similar obligations to notify the Company and BaFin for reaching, exceeding or falling below the abovementioned thresholds (other than the 3.0% threshold) apply to direct and indirect holders of certain instruments other than shares. This applies to instruments that grant upon maturity an unconditional right to acquire already issued voting shares of the Company, a discretionary right to acquire such shares, or instruments that refer to such shares and have a similar economic effect to the aforementioned instruments. Notifiable instruments include, inter alia, transferable securities, options, futures contracts, swaps, forward rate agreements and contracts for difference. The number of voting rights relevant for the notification requirement will generally be calculated by reference to the full nominal amount of shares underlying the instrument except where the instrument provides exclusively for a cash settlement. Details for such calculations are laid down in the Commission Delegated Regulation (EU) 2015/761 of December 17, 2014.

Shares or instruments held for trading by a securities services company are not taken into account for determining the notification obligation if it is ensured that the voting rights held by them are not exercised, and that they amount to no more than 5.0% of the voting shares, or do not grant the right to purchase more than 5.0% of the voting shares.

Notifiable holdings pursuant to Sections 33 and 38 of the German Securities Trading Act must be aggregated, leading to a notification obligation for total holdings above a 5.0% threshold pursuant to Section 39 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

Furthermore, a person obliged to notify (*Meldepflichtiger*) who reaches or exceeds the threshold of 10.0% of the voting rights, or a higher threshold, is obligated to notify the issuer within 20 trading days regarding the objective being pursued through the acquisition of voting rights, as well as regarding the source of the funds used for the purchase pursuant to Section 43 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). Changes in those objectives must also be reported within 20 trading days. An issuer may stipulate in its Articles of Association that the aforementioned disclosure requirement does not apply.

In case that the disclosure requirements are not met, shareholder rights (including voting rights and, in certain cases, the right to collect dividends and liquidation proceeds) are – subject to certain exceptions – suspended for the duration of non-compliance. If the failure to comply with the disclosure requirements specifically relates to the share of voting rights and is the result of a willful or grossly negligent conduct, the suspension period is extended by six months after the person obliged to notify (*Meldepflichtiger*) files the required notification. In addition, a fine may be imposed if a required notification is not at all, incorrectly or incompletely made, or not made in the right manner or in a timely fashion. BaFin also has the right to publish decisions on sanctions and measures with regard to violations of the disclosure obligations and persons responsible for such violations.

18.13 Disclosure of Transactions of Persons Discharging Managerial Responsibilities

Pursuant to Article 19 of the Market Abuse Regulation (Regulation (EU) No. 596/2014 of April 16, 2014) ("**Market Abuse Regulation**"), persons discharging managerial responsibilities ("**Executives**") shall notify the Company and BaFin of every transaction conducted on their own account relating to shares or debt instruments of the Company or to derivatives or other financial instruments linked thereto (so-called "directors' dealings"). The same applies to persons closely associated with Executives who must notify the Company and BaFin if they enter into such transactions. Transactions that must be notified also include, among others, pledging or lending of financial instruments, transactions undertaken by any person professionally arranging or executing transactions on behalf of an Executive or a closely associated person, including where discretion is exercised, as well as transactions made under a life insurance policy. The notification requirement applies to any subsequent transaction once a total amount of € 20,000 has been reached within a calendar year. Notification shall be made promptly and no later than three business days after the date of the transaction.

For the purposes of the Market Abuse Regulation, Executive means a person within the Company who is a member of the administrative, management or supervisory body of the Company or a senior executive who is not such member but who has regular access to inside information relating directly or indirectly to the Company and who has power to take managerial decisions affecting the future developments and business prospects of the Company. A person closely associated with an Executive means certain family members, namely a spouse, a registered civil partner (*eingetragener Lebenspartner*), a dependent child as well as a relative who has shared the same household for at least one year on the date of the transaction concerned. A person closely associated also includes a legal person, trust or partnership, the managerial responsibilities of which are discharged by an Executive of the Company or by a family member of his or hers. Finally, the term includes a legal person, trust or partnership which is directly or indirectly controlled by an Executive of the Company (or by one of its family members) or which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person.

The Company shall ensure that information of which it is notified is published within two business days after the receipt of the notification in a manner which enables fast access to this information on a non-discriminatory basis in accordance with ESMA's implementing technical standards. Furthermore, according to the German Securities Trading Act (*Wertpapierhandelsgesetz*), the Company shall without undue delay, but not before its publication, transmit the information to the German Business Register (*Unternehmensregister*) and notify BaFin. Non-compliance with the notification requirements may result in a fine.

18.14 Post-Admission Disclosure Requirements

Due to the admission to trading of the Company's shares, the Company is subject to the legal disclosure requirements for German stock corporations with shares listed on a public exchange. These disclosure requirements include, among others, periodic financial reporting and other required disclosures according to the German Securities Trading Act (*Wertpapierhandelsgesetz*) as well as disclosure requirements under the Market Abuse Regulation. The Company will also be obliged under the Listing Rules of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (*Börsenordnung für die Frankfurter Wertpapierbörse*), as amended from time to time, to publish quarterly statements, as the Company's shares are listed on the Prime Standard sub-segment of the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

Pursuant to Article 17 of the Market Abuse Regulation, the Company shall inform the public as soon as possible of inside information (as defined below) which directly concerns the Company. In such case the Company shall also, prior to informing the public, inform BaFin and the management of the trading venues and facilities (*Geschäftsführungen der Handelsplätze*) where financial instruments of the Company have been admitted to trading or been included in such trading, and, after publication, without undue delay transmit the information to the German Business Register (*Unternehmensregister*).

Inside information comprises, among others, any information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

The Company may, on its own responsibility, delay disclosure of inside information if (i) immediate disclosure is likely to prejudice the legitimate interests of the Company, (ii) delay of disclosure is not likely to mislead the public and (iii) the Company is able to ensure that the inside information will remain confidential. In such case, the Company shall also inform BaFin that disclosure of the information was delayed and shall provide a written explanation of how the conditions set out in the preceding sentence were met, immediately after the information is disclosed to the public. Where disclosure of inside information has been delayed and the confidentiality of that inside information is no longer ensured, the Company shall disclose such inside information to the public as soon as possible.

18.15 EU Short Selling Regulation

Under Regulation (EU) No 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps (the "**EU Short Selling Regulation**"), short sales of shares (*i.e.*, sales of shares that the seller does not own, with the intention of acquiring shares of the same class at a later point in time in order to be able to deliver the shares to the buyer), are permitted only under certain conditions. Significant net short positions in shares must be reported to BaFin and, if a certain threshold is exceeded, they must also be publicly disclosed. The reporting and publication obligations are set forth in detail in the German Regulation on Net-Short Positions (*Netto-Leerverkaufspositionsverordnung*) of December 17, 2012, as amended. Net short positions are calculated by netting the long and short positions held by a natural or legal person in the issued capital of the company concerned. The details are set forth in the EU Short Selling Regulation and the regulations adopted by the EU Commission implementing it. In certain situations, described in greater detail in the EU Short Selling Regulation, BaFin is permitted to restrict short selling and comparable transactions.

19 GOVERNING BODIES

19.1 Overview

The governing bodies of the Company are the Management Board (*Vorstand*), the Supervisory Board (*Aufsichtsrat*) and the general shareholders' meeting (*Hauptversammlung*). The responsibilities and powers of these corporate bodies are determined by the German Stock Corporation Act (*Aktiengesetz*), the Articles of Association (*Satzung*) and the rules of procedure for the Management Board (*Geschäftsordnung für den Vorstand*) and the Supervisory Board (*Geschäftsordnung für den Aufsichtsrat*).

The Management Board conducts the business of the Company in accordance with relevant applicable laws, the Articles of Association of the Company and its rules of procedure. The Management Board represents the Company when dealing with third parties. The members of the Management Board are appointed by the Supervisory Board and the Supervisory Board is also entitled to remove any members of the Management Board under certain circumstances. German law generally prohibits concurrent membership in the management board and the supervisory board of a stock corporation (*Aktiengesellschaft*).

The Management Board must ensure that appropriate risk management and risk control mechanisms are established and maintained within the Company, its subsidiaries and affiliates. This is to ensure that developments endangering the existence of the Company can be identified at an early stage. The Management Board is also required to report any material issues in relation to business transactions and any material developments regarding the business to the Supervisory Board. It has to make such reports on a quarterly basis and must include issues pertaining to the turnover and developments within the Company, its subsidiaries and joint ventures. The Management Board is further required to report any planned business policies and other fundamental issues concerning corporate planning (including financial, investment and staff planning) to the Supervisory Board once a year; differences between the actual developments and previously reported goals, including the reasons for any deviations, must also be addressed. In the meeting of the Supervisory Board in which the annual financial statements are discussed, the Management Board must also report on the profitability of the Company, especially in relation to return on equity. As a general rule, the Management Board is required to report events which could have a material effect on the Company and transactions which could be of material importance, especially in relation to the Company's profitability or liquidity, and to do so in a timely manner. This is to ensure that the Supervisory Board is able to assess such transactions prior to any action being taken. The Management Board is required to report any other important events to the chairman of the Supervisory Board without undue delay; this includes events at an affiliated company of which the Management Board has become aware and which could potentially have a material impact on the Company. Moreover, any member of the Supervisory Board may at any time demand a report to the Supervisory Board about the affairs of the Company.

Pursuant to Section 111 of the German Stock Corporation Act, the Supervisory Board advises and oversees the Management Board' management of the Company but is itself not entitled to manage the Company. The Articles of Association of the Company may, however, designate the types of transactions that require the approval of the Supervisory Board. In addition, the Supervisory Board may itself require that certain types of transactions are subject to its approval. Matters subject to such prior approval of the Supervisory Board of Cherry AG pursuant to the internal rules of procedure of the Management Board currently include, among others:

- the adoption and amendment of business plans (profit and loss, finance, investment, personnel and similar plans), regardless of whether their scope is one year, mid-term or long-term on a rolling basis;

- material changes, expansion or reductions in the lines of business of the Company or entry into new lines of business substantially deviating from the previous range of products and services offered and distribution channels used;

- the conclusion, change and termination of joint venture agreements, cooperation agreements, framework agreements, inter-company agreements within the meaning of Sec. 291 et seqq. AktG (including agreements regarding silent participations), profit participation loans or other agreements with far-reaching consequences that are not part of the ordinary course of business;

- the establishment, acquisition, closure and sale of business units, parts of business units or branches, including entering into an obligation to acquire participations in companies or partnerships of any kind or business, to sell or otherwise dispose of shares or participations in subsidiaries as well as the liquidation of subsidiaries;

- the conclusion, amendment and termination of (i) employment or service agreements with an individual remuneration of € 125,000 p.a. or more, or (ii) agreements with advisors or external service providers with a remuneration of € 125,000 p.a. (in each case, unless included in the approved annual budget), excluding, in the case of (i), terminations for cause if there is imminent danger and approval cannot be obtained in time;

- investments in or the acquisition of long-term assets with an investment amount of more than € 250,000 as well as the sale of fixed assets in cases in which the individual change to the balance sheet or the individual sale price exceeds € 250,000 (in each case, if not included in the approved annual budget);

- disposals of IP rights outside the ordinary course of business of the Company as well as the conclusion, amendment or termination of agreements regarding the granting or acquisition of licenses, patents or know-how (excluding licenses to distribution partners and end-users in the ordinary course of business);

- the acquisition, sale, encumbrance or other disposal of real property or equivalent rights or the obligation to do so;

- entering into credit agreements as borrower or lender or into convertible obligations, granting loan collaterals, granting sureties (*Bürgschaften*), guarantees and obligations or joint liability, in each case for obligations of a third party (in each case, unless included in the approved annual budget and specified for each case and person), with the exception of ordinary bank deposits (liquid funds) and borrowings within usual banking credit limits up to € 500,000, if approved by the Supervisory Board;

- the conclusion of agreements with members of the Management Board or Supervisory Board as well as their related persons such as relatives or companies or partnerships in which these members or their relatives directly or indirectly hold shares or voting rights;

- speculative transactions of any kind, in particular investments in futures (including forward contracts of any kind, in particular for foreign currencies, bonds or stock traded at stock markets and rights unless they are covered by claims securely entered into) and the use of derivatives;

- the conclusion, amendment or termination of agreements (including product policy agreements) by which the Company incurs expenses or obligations of more than € 250,000 in each individual case or – in the case of agreements with continuing obligations – more than € 250,000 p.a. or with a fair value of more than € 250,000 (excluding purchasing transactions within the ordinary course of business); and

- matters on which the Management Board as a whole cannot reach an agreement.

In addition to the aforementioned transactions and measures, the Supervisory Board may designate other types of transactions and measures as subject to its consent pursuant to the rules of procedure of the Management Board or of the Supervisory Board or by a resolution of its members. The Supervisory Board may also give revocable consent in advance to a certain group of transactions in general or to individual transactions that meet certain requirements.

The members of the Management Board and the Supervisory Board owe fiduciary duties to the Company, *i.e.*, a duty of loyalty, a duty of legality and a duty of care. The members of these corporate bodies must perform their duties taking into account a broad range of interests, in particular those of the Company, its shareholders, employees, and creditors. The shareholders' right to equal treatment and equal access to information must also be taken into account. If members of the Management Board or the Supervisory Board breach their duties, they may be liable individually, or jointly and severally with other members of the Management Board or the Supervisory Board, as the case may be, to the Company for compensatory damages.

Under German law, a shareholder generally cannot take direct action against a member of the management board or the supervisory board of a German stock corporation with its registered office in Germany if the shareholder suspects that such member or members have violated their duties towards the company. Consequently, under German law, generally only the Company has the right to pursue claims for damages against a member of the Management Board or the Supervisory Board. The Management Board represents the Company in relation to claims brought against members of the Supervisory Board and, in turn, the Supervisory Board represents the

Company in relation to claims brought against members of the Management Board. Pursuant to a decision by the German Federal Court of Justice (*Bundesgerichtshof*), the Supervisory Board is required to pursue damages claims that are likely to be successful against members of the Management Board, unless significant interests of the Company either take precedence over or are of equal importance to any such claim.

If the governing body authorized to represent the Company decides against pursuing a claim, claims for damages can be pursued by the shareholders following a resolution (by a simple majority of the votes cast) of the shareholders' meeting. The shareholders' meeting can also appoint a special representative (*besonderer Vertreter)* to pursue such claims. Based on the resolution of the shareholders' meeting to claim damages, shareholders with a combined shareholding of 10% or more of the entire share capital or holders of shares with an aggregate nominal value of € 1 million may also apply to the competent court for the appointment of a special representative, such decision being subject to the court's discretion.

Furthermore, the shareholders' meeting can, by a simple majority resolution, appoint a special auditor (*Sonderprüfer*) to review any measures taken by the Company, in particular in relation to its management. If the shareholders' meeting rejects a motion to appoint a special auditor, the court must appoint a special auditor at the request of shareholders who hold shares representing at least 1% of the share capital or shares with an aggregate nominal value of at least € 100,000 if the facts justify the suspicion of irregularities or that gross violations of the law or the Articles of Association have been committed. If the shareholders' meeting appoints a special auditor, the court must appoint a different special auditor at the request of shareholders who hold shares representing at least 1% of the share capital or shares with an aggregate nominal value of at least € 100,000 if this is deemed necessary with respect to the person who has been appointed as special auditor. Shareholders and shareholder associations can use the shareholder forum of the German Federal Gazette (*Bundesanzeiger*), which is available through the German Company Register's (*Unternehmensregister*) website, to call upon other shareholders to jointly, or through third-party representation, request a special audit, appoint a special auditor, demand that a shareholders' meeting is convened, or exercise their voting rights in a shareholders' meeting. If there is evidence leading to the strong suspicion that the Company has incurred damages through irregularities or gross violations of the law or the Articles of Association, shareholders whose shareholding constitutes at least 1% of the share capital or who hold shares with an aggregate nominal value of at least € 100,000 may request with a court to be allowed to bring a claim for damages of the Company in their own name but on behalf of the Company against members of governing bodies, subject to certain procedural requirements. Such claims, however, become inadmissible if the Company itself files a claim for damages.

The Company may only waive or settle claims for compensation against members of the Management Board or the Supervisory Board three years after the claim has arisen and only if (a) the shareholders resolve to do so in a shareholders' meeting by a simple majority resolution and (b) a quorum of the shareholders, together holding shares which represent at least 10% of the share capital, does not object to this in the minutes of the meeting.

Under German law, individual shareholders and any other persons are prohibited from intentionally using their influence within the Company to cause a member of the Management Board or the Supervisory Board to engage in conduct that could be damaging to the Company. A shareholder controlling the Company may not use its influence to persuade the Company to act against the Company's interests unless there is a domination agreement (*Beherrschungsvertrag*) between such shareholder and the Company in place and the influence exerted is within the limits of certain statutory mandatory provisions or any damages are compensated. Anyone intentionally exercising influence to cause a member of the Management Board or the Supervisory Board, an authorized signatory (*Prokurist*), or a general representative (*Handlungsbevollmächtigter*) to act to the detriment of the Company or its shareholders is required to compensate the Company and its shareholders for any damages resulting from such behavior. In addition, in this context, the members of the Management Board and the Supervisory Board are jointly and severally liable if their actions or omissions amount to a violation of their duty of care.

19.2 Management Board

19.2.1 Overview

The Management Board consists of one or more members with the Supervisory Board determining their number. The Supervisory Board appoints members of the Management Board for a maximum term of five years. The Supervisory Board may appoint members of the Management Board to act as chairperson and deputy chairperson of the Management Board.

Reappointment or extension of the term of members of the Management Board, each for a maximum period of up to five years, is permissible. The Supervisory Board may revoke the appointment of a member of the Management Board prior to the expiration of the member's term for good cause, such as a gross breach of fiduciary duty, or if the shareholders' meeting passes a vote of no-confidence with respect to such member, unless the no-confidence vote was clearly unreasonable.

The Supervisory Board is also responsible for entering into, amending and terminating service agreements with members of the Management Board and, in general, for representing the Company in and out of court vis-à-vis the members of the Management Board.

19.2.2 Current Members of the Management Board

The following table lists the current members of the Management Board, their age, the date on which they were first appointed, their term of appointment and their current internal responsibilities:

Name	Year of Birth	Member since	Appointed until	Responsibilities
Rolf Unterberger	1966	May 2021	June 30, 2025	Chairman of the Management Board and Chief Executive Officer (CEO)
Bernd Wagner	1961	May 2021	June 30, 2025	Chief Financial Officer (CFO) and Chief Operating Officer (COO)

The termination dates of the service agreements for each individual member of the Management Board correspond with their respective terms in office. All members of the Management Board were previously (*i.e.*, prior to the change of the Company's legal form) managing directors (*Geschäftsführer*) of the Company.

19.2.2.1 Rolf Unterberger

Rolf Unterberger was born in 1966 in Zürich, Switzerland. He has a degree in mechanical engineering (*Machinenbau-Ingenieur*) from the Higher Technical Institute in Klagenfurt, Austria, and a degree in industrial engineering (*Wirtschaftsingenieur*) from the Mittweida University of Applied Sciences in Germany. Mr. Unterberger is an internationally experienced executive manager with 31 years of experience in various industries (telecommunications, IT services, media, high tech, software services and professional services), countries and management positions. He is managing director of RMU CAPITAL GmbH (a private investment vehicle) since June 2011. Further, he is chairman of the advisory board (*Beirat*) of ASSMANN Holding GmbH, Lüdenscheid, Germany. From August 2016 to May 2018, Rolf Unterberger was a member (vice-chairman) of the Supervisory Board of euromicron AG (now: euromicron AG (in Insolvenz)), Neu-Isenburg, Germany. From 2018 to 2020, Mr. Unterberger was also a member of the board of directors at DASAN Zhone Solutions Inc., Oakland, California, United States. As a partner and managing director of Executive Interim Partners GmbH, Rolf Unterberger took on interim management mandates on C-Level from 2015 to 2019, including a position as managing director at KEYMILE GmbH from 2016 to 2018. From 2015 to 2020, Rolf Unterberger served on the Advisory Board of Melboss Music, Inc., Palo Alto, California, United States. From 2012 to 2014, Rolf Unterberger was Executive Manager (Chief Sales Officer and Chief Marketing Officer) of Frequentis AG in Vienna, Austria, in charge of Sales and Marketing. Previously, he worked internationally at Accenture as a partner and managing director in Munich, and in the Siemens Group in various general management positions.

On May 25, 2021, Rolf Unterberger was appointed by the Supervisory Board of Cherry AG to become Chief Executive Officer of the Company, with effect as from June 2, 2021 (*i.e.*, as of the effective date of the Company's change of legal form to a German stock corporation). He has also been the Chief Executive Officer of Cherry Europe GmbH (formerly: Cherry GmbH) since May 2018.

19.2.2.2 Bernd Wagner

Bernd Wagner was born in 1961 in Munich, Germany. He has a degree in business administration (*Betriebswirtschaft*) from the Ludwig Maximilian University in Munich, Germany, obtained in 1989. He also completed the Siemens Management Trainee Program as a business-related study program and finished it with a diploma thesis on logistics in 1988. Mr. Wagner is an internationally experienced executive manager with more than thirty years of experience in various industries (IT services, restructuring, private equity, healthcare, aviation, furniture industry and professional services), countries and management positions.

From 2014 to 2018, Mr. Wagner was a board member of Internationale Möbel-Selection AG in Liechtenstein and Poland, as Chief Financial Officer and Chief Restructuring Officer, and from 2017 to 2018, he was also vice chairman of the supervisory board of that company. Before that, he was Chief Restructuring Officer at Nexpert AG in Hamburg, Germany, and worked for the DruckChemie Group in Frankfurt and Stuttgart (both, Germany) as chairman of the management board. He was also Chief Financial Officer at Pfaff-silberblau Maschinenbau GmbH in Augsburg, Germany, from 2005 to 2010. In 2005, Bernd Wagner was Chief Financial Officer at Infor Business Solutions AG in Munich, Germany. Prior to that he was also Chief Financial Officer at NorCom Information Technology AG, a publicly listed company based in Munich, Germany, for nearly five years. From 1993 to 1999, he worked in general management positions at Deutsche BA Luftfahrtgesellschaft mbH in London, Berlin, Munich and Friedrichshafen. Previously, he had worked for nearly three years at LTU Lufttransport-Unternehmen GmbH in Munich and Düsseldorf. Since June 2018, Bernd Wagner is managing director of Wagner Beteiligungs GmbH (a private investment vehicle).

On May 25, 2021, Bernd Wagner was appointed by the Supervisory Board of Cherry AG to become Chief Financial Officer of the Company, with effect as from June 2, 2021 (*i.e.*, as of the effective date of the Company's change of legal form to a German stock corporation). He has also been the Chief Financial Officer and Chief Operating Officer of Cherry Europe GmbH (formerly Cherry GmbH) since November 2017.

19.2.3 Contact

The members of the Management Board can be contacted at the Company's business address.

19.2.4 Compensation, Other Benefits

19.2.4.1 Prior to the Conversion into a German Stock Corporation (Aktiengesellschaft)

Prior to the Company's conversion into a German Stock Corporation (Aktiengesellschaft) on June 2, 2021 (see "*16.1 Formation and Incorporation; Legal Form, Legal and Commercial Name, Registered Seat*") and until December 31, 2020, the compensation of the members of the Management Board within the Cherry Group was paid by Cherry Europe GmbH (at the time still under the corporate name "Cherry GmbH") in connection with Mr. Unterberger's and Mr. Wagner's position as managing directors (*Geschäftsführer*) of Cherry Europe GmbH. Their compensation consisted of fixed monthly cash payments and a variable component (*i.e.*, a performance-related incentive payment tied to the achievement of certain targets). With effect as of January 1, 2021, the respective service agreements were transferred to Cherry Holding GmbH (which was subsequently merged into the Company in April 2021) and the relevant amounts were increased for both, namely (i) for Mr. Unterberger, to an annual gross salary of € 385,710 and an annual performance-related incentive payment of € 308,568 in case 100% of the defined targets are met in the respective year (a 100% target achievement is hereinafter referred to as "**Target Bonus**") (ii) for Mr. Wagner, to an annual gross salary of € 303,600 and an annual performance-related incentive payment with € 182,160 as Target Bonus. For both members, the incentive payment shall be capped at 150% of the Target Bonus. In addition, both Mr. Unterberger and Mr. Wagner received certain benefits such as the use of a company car (whereby, in one case, the Management Board member can opt for a monthly car allowance in lieu, although he currently has opted for the company car) as well as the possibility to convert remuneration into a company pension scheme (*Brutto-Entgeltumwandlung*).

19.2.4.2 After Conversion into a German Stock Corporation (Aktiengesellschaft)

The Company has concluded new service agreements with each member of the Management Board which shall come into effect as from June 2, 2021 (*i.e.*, as of the effective date of the Company's change of legal form to a German stock corporation), provided, however, that the shares of the Company are admitted to trading on the stock exchange by September 30, 2021 at the latest (condition precedent). The service agreements of Mr. Unterberger and Mr. Wagner are governed by German law and based on substantially similar terms. Each has a term until the end of June 30, 2025.

The remuneration of the members of the Management Board comprises fixed non-performance-based components and variable performance-based components.

19.2.4.2.1 Non-performance-based Components (Fixed Remuneration)

The members of the Management Board receive an annual fixed non-performance-based remuneration in cash. It is paid in twelve equal installments as a monthly salary. The fixed remuneration for Mr. Unterberger amounts to € 385,710 p.a. (gross) and the fixed remuneration for Mr. Wagner amounts to € 303,600 p.a. (gross) (unchanged from their fixed salary as managing directors of the Company prior to its conversion into a German stock corporation).

Additionally, other benefits are granted to the members of the Management Board, such as a company car or a fixed mobility subsidy, reimbursement of travel expenses, accident insurance and contributions to health and long-term care insurance premiums as well as the possibility to convert remuneration into a company pension scheme as currently in place (*Brutto-Entgeltumwandlung*) for which the Company shall provide an employer's contribution of € 400 per month for each member of the Management Board. For the provisions on D&O insurance see "*19.2.4.2.4 Certain Other Provisions*".

19.2.4.2.2 Performance-based Components (Variable Remuneration)

In addition to the fixed remuneration, the members of the Management Board are entitled to receive a performance-based variable remuneration. The latter consists of a short-term variable remuneration element (Short-Term Incentive, "**STI**") and a long-term incentive variable remuneration element (Long-Term Incentive, "**LTI**") on the basis of the Company's long-term incentive plan for Management Board members ("**LTIP**").

Short-Term Incentive for members of the Management Board (STI)

The STI is determined based on the level of achievement of certain targets set by the Supervisory Board in consultation with the members of the Management Board prior to, or at the beginning of, each fiscal year but in any case no later than January 31. The STI is paid as an annual cash bonus and capped at a maximum of € 462,852 p.a. (gross) for Mr. Unterberger and € 273,240 p.a. (gross) for Mr. Wagner. The STI shall be based on targets regarding the adjusted group EBITDA (70 %) and one or two non-financial targets (30 %). For the STI in fiscal year 2021 (only), the targets set under the former service agreements shall apply. If a service agreement begins or ends during the course of a fiscal year, the STI for the respective service agreement will be paid *pro rata temporis* for the fiscal year. Members of the Management Board whose service agreements are terminated for good cause according to Section 626 of the German Civil Code (*Bürgerliches Gesetzbuch*) or whose appointment is revoked by the Company prematurely for an important reason according to Section 84 (4) of the German Stock Corporation Act (*Aktiengesetz*) or who resign from office without having good cause to do so are not entitled to claim any STI for the fiscal year in which the agreement is terminated and all claims to the STI that have not yet been paid out expire.

Long-Term Incentive for members of the Management Board (LTI)

Each member of the Management Board is entitled to take part in an LTIP. The LTI is based on the level of achievement of certain financial targets during a three-year performance period ("**Performance Period**") in accordance with the LTIP terms and conditions, as amended from time to time. Each Performance Period is followed by a one-year holding period; hence the LTIP as a whole has a four-year period. Each Performance Period starts at the beginning of a fiscal year ("**Grant Year**") and ends three years after the beginning of the period.

The LTI is based on the development of virtual shares ("**Performance Shares**") conditionally awarded in annual tranches ("**LTI Tranches**") during the Performance Period. The first full LTI tranche will be granted for fiscal year 2022; for fiscal year 2021, special rules apply. At the beginning of a new Performance Period, each member of the Management Board is awarded a specific number of Performances Shares ("**Start Performance Shares**"). The number of Start Performance Shares is calculated by dividing the members' respective annual target amount for the LTI, *i.e.*, the amount of € 462,852 for Mr. Unterberger and € 273,240 for Mr. Wagner, by the initial share price. The initial share price is defined as the average closing price of the Company's share over the last 60 consecutive trading days before the start of the respective Grant Year.

After the end of a Performance Period, the number of the conditionally granted Start Performance Shares is multiplied with the achievement of certain financial targets ("**LTI Performance Targets**"). These LTI Performance Targets shall be set by the Supervisory Board and shall regularly include a target of the adjusted group EBITDA (50%) and a target of the relative total shareholder return (50%) of the Company, each measured over the three-year Performance Period. Depending on the level of achievement of the LTI Performance Targets, the number of Start Performance Shares that becomes unconditional and vested shall be determined ("**Final Performance Shares**").

After the holding period, the respective LTI Tranche shall be paid out. The payout amount of each LTI Tranche is calculated by multiplying the number of the Final Performance Shares with the average closing price of the Company's share over the last 60 consecutive trading days before the end of the respective holding period. The Company reserves the right to compensate the members of the Management Board for their LTI claims with shares of the Company (instead of a cash payment).

The payout amount for each LTI Tranche is capped at a maximum of € 2.5 million p.a. (gross) for Mr. Unterberger and € 2.0 million p.a. (gross) for Mr. Wagner. The Company does not compensate any income tax resulting from the payment of the LTI.

If a Management Board member resigns from office during the term of a Performance Period or a new member joins the Management Board during the term of a Performance Period, the member receives the LTI *pro rata temporis*. Members of the Management Board whose service agreements are terminated for good reason according to Section 626 of the German Civil Code whose appointment is revoked by the Company prematurely for an important reason according to Section 84 (3) of the German Stock Corporation Act or who resign from office without having good cause to do so are not entitled to claim any payout for LTI Tranches that were already awarded but have not been paid out up to this date.

Malus and Clawback

The payout of STI and LTI is subject to malus and clawback conditions. If a Member of the Management Board violates his obligations within the meaning of Section 93 of the German Stock Corporation Act or the Member of the Management Board seriously violates his compliance obligations during or in the period until the end of one year after the expiry of (i) the performance period of an STI, and, respectively, (ii) the performance period of an LTI, entitlements to the payment of the relevant variable remuneration components expire before the corresponding payment (malus) and, respectively, in a case of gross negligence can be reclaimed by the Company after the corresponding payment has been made (clawback).

19.2.4.2.3 Overall Maximum Remuneration

The annual overall maximum remuneration (including the fixed annual remuneration, the STI and the LTI) (*Maximalvergütung*) shall amount to € 3.5 million p.a. (gross) for Mr. Unterberger and € 3.0 million p.a. (gross) for Mr. Wagner.

19.2.4.2.4 Certain Other Provisions

All members of the Management Board are covered by D&O insurance policies with reasonable coverage and a deductible in line with the respective provisions of the German Stock Corporation Act of 10% of the damage but not exceeding 150% of the fixed annual remuneration. The D&O insurance policies cover financial losses arising from a breach of duty by the members of the Management Board in the course of fulfilling their duties.

Any severance payment that is granted in the course of a premature termination of a service agreement is capped at a maximum amount equivalent to two annual incomes (based on the fixed annual remuneration and the STI).

19.2.4.3 Total Remuneration in Fiscal Year 2020

In fiscal year 2020, the members of the Management Board only received remuneration relating to their function as managing directors (*Geschäftsführer*) under their then existing service agreements with Cherry Europe GmbH (at the time still under the corporate name "Cherry GmbH"). The Company did not pay any remuneration/benefits upon the termination of such employment agreements (after the new service agreements with the Company were entered into), other long-term remuneration, compensation for termination, or share-based compensation to members of the Management Board.

For fiscal year 2020, Mr. Rolf Unterberger received from the Cherry Group a fixed annual compensation in the amount of € 335,400 and a performance-related incentive payment in the amount of € 216,000 (paid in April 2021), while Mr. Bernd Wagner received a fixed annual compensation of € 264,000 and a performance-related incentive payment of € 102,000 (also paid in April 2021).

19.2.5 Shareholdings of the members of the Management Board in the Company

As of the date of the Prospectus, the Company's Chief Executive Officer, Rolf Unterberger, and the Company's Chief Financial Officer, Bernd Wagner, (on a look-through basis) hold 0.72% and 0.59%, respectively of the Company's share capital indirectly through limited partnership interests, including interests that will vest upon the completion of the Offering (in each case held via an investment vehicle of the respective Management Board member), in the management participation vehicles MEP KG and Strip KG (for more information, see "*17.2 Information on the Selling Shareholder and Management Participation*" and "*19.4.1 Management Equity Program*"). Conditional upon the settlement of the Offering, the members of the Company's Management Board (through investment vehicles) have sold their indirect shareholdings in the Selling Shareholder to the Selling Shareholder against a consideration consisting of cash and Shares in the Company.

19.2.6 Term and Termination of Service Agreements, Commitments in connection with Termination of Management Board Membership

The termination dates of the service agreements for each individual member of the Management Board correspond with their respective terms in office. The service agreements of the members of the Management Board oblige the Company to notify the respective member of the Management Board within a defined timeframe before the termination of the service agreement about the Company's intention regarding a renewal of the service agreement.

Except for a severance payment in the case of a premature termination (see "*19.2.4.2.4 Certain Other Provisions*"), no additional benefits have been pledged to any member of the Board of Management in the event of termination of their service. None of the service agreements of the members of the Management Board includes a post-contractual non-compete covenant.

Beyond the service agreements of the members of the Management Board, there are no further service or employment agreements between the Company, its subsidiaries and the respective members of the Management Board under which any member of the Management Board is eligible for benefits from the Company or its subsidiaries in the event of the termination of his service.

19.3 Supervisory Board

19.3.1 Overview

Pursuant to the Articles of Association and in accordance with the requirements of German law, the Supervisory Board consists of seven members. All of the members are appointed by the Company's shareholders' meeting and represent the shareholders.

According to the Articles of Association, unless the shareholders' meeting has set a shorter term of office, the term of office of each Supervisory Board member, as well as the term of each substitute member that may be appointed, expires at the end of the annual shareholders' meeting ratifying the activities of the Supervisory Board for the fourth fiscal year following the commencement of the member's term of office, not including the fiscal year in which the term commences. Members may be re-elected. For members of the Supervisory Board who leave office before the end of their term, a successor must be elected for the remaining term of the leaving member, unless the Company's shareholders' meeting specifies a different term for such successor.

The Supervisory Board elects a chairperson and a deputy chairperson from amongst its members to serve for the duration of those members' terms, unless a shorter period is determined at the time of their respective election.

19.3.2 Current Members of the Supervisory Board

The following table shows the names of the members of the Supervisory Board of the Company as of the successful completion of the Offering (together with the positions each of the members of the Supervisory Board holds or has held as a member of a management, administrative or supervisory body in companies or as a partner in partnerships outside the Cherry Group in the last five years):

Name	Year of Birth	Member since	Appointed until	Further positions as a member of a management, administrative or supervisory body in companies or as a partner in partnerships in the last five years
Marcel Stolk (Chairman)......................	1967	May 2021	2026*	*Present:* • Director of Adoria Investments B.V. (since January 2005) *Past:* • Member of the Board of Directors of Logitech Europe S.A. (from June 2011 to April 2019, Executive Chairman from April 2013 to April 2019)
James Burns (Deputy Chairman).........	1964	May 2021	2026*	*Present:* • Member of the Advisory Board of Cristo Rey High School Work-Study of San José Jesuit High School (since April 2020) *Past:* • Member of the Advisory Board of Leavey School of Business of Santa Clara University (from May 2013 to June 2020) • Santa Clara University, Ignatian Center for Jesuit Education of Santa Clara University (from December 2012 to May 2021)
Joachim Coers	1965	May 2021	2026*	*Present:* • Managing Director of: o JOBECO Management GmbH (since March 2013) o FV Parade-Invest GmbH (since May 2017) o FV Oberwerder Damm GmbH (since December 2019) o Familiy Value Erste GmbH (since December 2019) o Genui Sechste Beteiligungsgesellschaft mbH (from October 2020 to June 2021[1)]) • Member of the Supervisory Board of: o KAP AG (since July 2019; Chairman of the Audit Committee); • Member of the Advisory Board of: o ensian group GmbH (since June 2016); • Member of: o BJC Equity KG (as Managing Partner since May 2006) o JBJ Bond KG (as Managing Partner since May 2012) o CBJ Bond Management KG (as Managing Partner since August 2012) o JODA G.b.R. (as Managing Partner since November 2017) *Past:* • Member of the Advisory Board: o Genui Sechste Beteiligungsgesellschaft mbH (November 2016 to September 2020) o ENcome Energy Performance GmbH (from April 2014 to May 2021) • Member of: o JB EQUITY KG (as Managing Partner from July

Name	Year of Birth	Member since	Appointed until	Further positions as a member of a management, administrative or supervisory body in companies or as a partner in partnerships in the last five years
				2012 to August 2016)
Heather Faust......................................	1979	May 2021	2026*	*Present:* • Member of the Board of Directors of: o Grosse Point Beacon Acquisition, Inc. (since March 2020, Chairwoman) o Concrete Pumping Holdings, Inc. (since December 2018) o Sigma Electric Manufacturing Corporation (since July 2019) o Tensar Corporation (since July 2014) o Argand Partners Fund GP-GP, Ltd. (since November 2015) • Member of the Management of: o Pylos Beacon Holdings S.à r.l. (since October 2017) o Cherry TopCo S.à r.l. (the Selling Shareholder) (since May 2021) o Cherry HoldCo S.à r.l. (since May 2021) o Diecast Beacon S.à r.l (since May 2021) o Copper Beacon S.à r.l (since May 2021) o Aluminium Beacon S.à r.l (since May 2021) o Aluminium Beacon GP S.à r.l (since May 2021) o Bronze Beacon S.à r.l (since May 2021) • Member of the Advisory Board of OASE Management GmbH (since October 2017, Chairwoman) • Managing Partner of Argand Partners, LP (since April 2021; Partner since November 2015) • Managing Director of Argand Partners, LLC (since August 2015) • Member of: o Branch Point, LLC (since October 2015) o Powder Houses LLC (since November 2017) o Serenity Coast LLC (since August 2019) o Coleman Capital Partners LLC (since April 2020) *Past:* • Member of the Board of Directors of: o Industrea Acquisition Corp. (from July 2017 to December 2018) o Sigma Electric Manufacturing Corporation Private Limited (from December 2016 to June 2019) • Manager of: o CFLL Holdings, LLC (December 2018 to July 2019) o CFLL Sponsor Holdings, LLC (formerly known as Industrea Alexandria LLC and since merged into CFLL Holdings, LLC) (April 2017 to July 2019)
Steven M. Greenberg	1970	May 2021	2026*	*Present:* • President of: o Ardent Medical Corporation (since May 2015) o Steven M. Greenberg, P.A. d/b/a CRGO Global (since January 2006) • Partner of Shutts & Bowen, LLP (September 2018 until December 2021) • Member of: o Greenberg Family Properties, LLC (managing member since 2007) o Fast Dog, LLC (since January 2020) o Osthus Group Partners, LLC (since February 2020)

Name	Year of Birth	Member since	Appointed until	Further positions as a member of a management, administrative or supervisory body in companies or as a partner in partnerships in the last five years
				o Chennai Innovation Partners, LLC (since June 2017) *Past:* • Partner of CRGO Greenberg, LLC d/b/a CRGO Law (from January 2014 to August 2018) • Managing member of Fast Dog, LLC (from October 2014 to December 2019)
Tariq Osman.......................................	1978	May 2021	2026*	*Present:* • Member of the Board of Directors of Argand Partners Fund GP-GP, Ltd. (since November 2015) • Partner of Argand Partners, LP (since November 2015) • Managing Director of Argand Partners, LLC (since August 2015) • Member of Argand Odyssey LLC (since November 2015) *Past:* • Member of the Board of Directors of: o Brinton Carpets Ltd (from July 2017 to May 2021, Chairman from July 2017 to December 2018) o Sigma Electric Manufacturing Corporation (from July 2019 to May 2021, Chairman from July 2019 to January 2020) o Sigma Electric Manufacturing Corporation Private Limited (from October 2016 to July 2019, Chairman from October 2016 to June 2019) o Concrete Pumping Holdings, Inc. (from December 2018 to April 2021) o Industrea Acquisition Corp. (from July 2017 to December 2018) o GS Foods Group, Inc. (from April 2014 to October 2019) o Hercules Offshore, Inc. (from November 2015 to June 2016) o KMHD Flooring Holdco Ltd. (from June 2017 to May 2021) o KMHD Parent Company Ltd. (from June 2017 to May 2021) o KMHD Flooring Acquisition Co. Ltd. (from June 2017 to May 2021) • Member of the Management of: o Cherry TopCo S.à r.l. (the Selling Shareholder) (from September 2020 to May 2021) o Cherry HoldCo S.à r.l. (from May 2020 to May 2021) o Diecast Beacon S.à r.l (from October 2016 to May 2021) o Copper Beacon S.à r.l (from October 2016 to May 2021) o Aluminium Beacon S.à r.l (from October 2016 to May 2021) o Aluminium Beacon GP S.à r.l (from October 2016 to May 2021) o Bronze Beacon S.à r.l (from October 2016 to May 2021) o CFLL Holdings, LLC (from December 2018 until July 2019) o CFLL Sponsor Holdings, LLC (formerly known as Industrea Alexandria LLC and since merged into CFLL Holdings, LLC) (from April 2017 to July 2019)

Name	Year of Birth	Member since	Appointed until	Further positions as a member of a management, administrative or supervisory body in companies or as a partner in partnerships in the last five years
				o Concrete Pumping Intermediate Acquisition Corp. (President, from February 2019 to May 2021)
Dino Sawaya	1983	May 2021	2026*	*Present:* • Member of the Board of Directors of: o Seybert's Billiards Corporation (since December 2020) o Apartment Guardian Inc. (since March 2020) • Member of the Management of: o Cherry TopCo S.à r.l. (the Selling Shareholder) (since September 2020) o Cherry HoldCo S.à r.l. (since May 2020) o Pylos Beacon Holdings S.à r.l. (since October 2017) o Billiards Group LLC (since December 2020, as representative of Billiards Investment Holdings LLC) o Billiards Investment Holdings LLC (since December 2020, Co-Manager, as representative of San Pietro Beach LLC) • Member of the Advisory Board of OASE Management GmbH (since October 2017) • Sole Partner of: o San Pietro Beach LLC (since November 2020) o White Beach LLC (since March 2020) o Bronte Beach LLC (since May 2021) *Past:* • Member of the Board of Directors of: o Paddington Bay Pty Ltd (from August 2013 to July 2018) o Paddington Bay Partners Pty Ltd (from October 2014 to November 2018)

* The term of the members of the Supervisory Board shall expire on the date of the annual shareholders' meeting that resolves on the ratification of the activities of the Supervisory Board for the fiscal year ending December 31, 2025.

1) Joachim Coers is expected to resign as Managing Director of Genui Sechste Beteiligungsgesellschaft mbH by the end of June 2021.

19.3.2.1 Marcel Stolk (Chairman) – Brief Biography

Marcel Stolk was born in 1967 in Middelburg, The Netherlands. He worked as a sales and marketing manager at Aashima Technology B.V. from 1985 to 1990. In 1991, he switched to Logitech group, where he worked in numerous positions until 2005. At Logitech group, he was Managing Director Benelux from 1991 to 1992, Region Director Northern Europe from 1993 to 1996, Marketing Director EMEA from 1996 to 1997 and Vice President & General Manager EMEA from 1997 to 2000. In 1998, he also completed the executive program in international executive management at Stanford Graduate School of Business. Further, from 2000 to 2005, he was Senior Vice President Worldwide Sales & Marketing and a member of the senior management of Logitech International S.A. In 2005, he left Logitech and founded Adoria Investments B.V., where he is director and sole owner. From 2010 to 2011, he also was Chief Executive Officer of SourceTag B.V. Marcel Stolk returned to the Logitech group in 2011. He was a member of the Board of Directors of Logitech Europe S.A. from June 2011 to April 2019 and Executive Chairman from April 2013 to April 2019. From a management perspective Marcel Stolk was Vice President Sales & Marketing EMEA from 2011 to 2013. From April 2014 to April 2019, he assumed the role of Senior Vice President of the Consumer Computing Platforms Business Group. Since 2019, Marcel Stolk is shareholder and advisor of Junea B.V. Further, since 2020, he is an investor and advisor at Knight Venture Capital B.V.

From September 2020 through May 2021, Marcel Stolk also served as a member of the advisory board (*Beirat*) of the Company (then in the form of a German limited liability company (*Gesellschaft mit beschränkter Haftung*)).

19.3.2.2 James Burns (Deputy Chairman) – Brief Biography

James Burns was born in 1964 in San Francisco. California, United States. He studied Accounting at Santa Clara University, California, United States, where he received a bachelor's degree in accounting in 1986. From 1987 to

1988, he worked as a senior auditor and certified public accountant at Ernst & Young Global Limited. In 1988, he switched to Hewlett-Packard Company (now HP Inc.), where he worked in numerous positions for more than two decades, until 2012. At Hewlett-Packard, he started as a cost accountant and later held several executive positions, including Director of Supply Chain of the Mobile Computing Division (2000 to 2002), General Manager of the Mobile Computing Division (2002 to 2003), Vice President Customer Operations and Service and General Manager of Services of the Personal Computing Division from 2003 to 2004, Vice President and General Manager of the Personal Computing Attach business (2004 to 2007), Vice President of Investor Relations (2007 to 2010), Vice President and Chief Financial Officer of the HP Enterprise Business (2010 to 2011) and Senior Vice President and Chief Operating Officer Enterprise Services (2011 to 2012). From 2013 to 2016, Mr. Burns was Executive Vice President and Chief Financial Officer of Silver Spring Networks, Inc., a provider of smart grid products headquartered in San Jose/California, United States. From 2016 to 2017, he was Chief Financial Officer at Accela, Inc., a provider of a cloud-based platform of solutions for governmental customers. Since 2017, James Burns works as an independent consultant at Jim Burns Consulting. In addition, he is an adjunct lecturer at Santa Clara University, Leavey School of Business, Santa Clara, California, United States. He also served on the Advisory Board of the Leavey School of Business (from May 2013 to June 2020) and on the Advisory Board of the Ignatian Center for Jesuit Education (from December 2012 to May 2021), both within Santa Clara University. Furthermore, since April 2016, he is an advisor of Onerent, Inc. Since 2016, he is also an advisor of Zennify, Inc. James Burns also serves on the Advisory Board of Cristo Rey High School Work-Study of San José Jesuit High School in San Jose/California, United States, since March 2020.

19.3.2.3 Joachim Coers – Brief Biography

Joachim Coers was born in 1965 in Mülheim/Ruhr, Germany. Since 1991 he holds a diploma in economics (*Diplom-Volkswirt*) from the Rheinische Friedrich-Wilhelms University in Bonn, Germany. From 1993 to 2004, he worked for the Daimler-Benz Group in different divisions (debis Services, Trucks NAFTA, Railsystems, Passenger Cars Asia) and locations (Frankfurt am Main and Berlin, Germany, Portland, Oregon, USA, Tokyo, Japan). From 2004 to 2013 he worked for MTU Friedrichshafen GmbH & Tognum AG in Friedrichshafen, Germany as member of the management board, in the beginning as CFO and labor director and later as CEO. Since 2013 Joachim Coers is active as private investor and advisor and has assumed various functions as listed under "*19.3.2 Current Members of the Supervisory Board*" above.

19.3.2.4 Heather Faust – Brief Biography

Heather Faust was born in 1979 in New Jersey, United States. In 2002, she received a bachelor of science in engineering degree from Princeton University, Princeton, New Jersey, United States. From 2002 to 2005, she worked as a business analyst at McKinsey & Company in New York, New York, United States. From 2003 to 2004, she took a leave of absence from McKinsey and worked as a manager with the U.S. Department of Defense for the Coalition Provisional Authority in Baghdad, Iraq. From 2005-2006, she was the director of strategic planning for Sesame Workshop in New York, New York, United States. In 2008, she received a master of business administration degree from Harvard Business School, Cambridge, Massachusetts, United States. From 2008 to 2015, she was an investment professional at the private equity firm Castle Harlan, Inc., New York, New York, United States. During her time at Castle Harlan, Inc. she was a member of the Board of Directors of Ames True Temper, Inc., IDQ Holdings, Inc. and Baker & Taylor, Inc. In 2015, she was a Managing Partner of the private equity firm CHI Private Equity, the successor entity to Castle Harlan, Inc. In July 2015, she co-founded the private equity firm Argand Partners and is a Managing Partner of Argand Partners, LP, New York, New York, United States. At Argand Partners, she serves on the Board of Directors of Argand Partners Fund GP-GP, Ltd. since September 2015 and is a Partner of Argand Partners, LP ("**Argand**"), which is the asset manager for Rainier Co-Investment Holdings, LP, which indirectly controls the Selling Shareholder. She currently also serves on the Board of Directors of Tensar Corporation, Sigma Electric Manufacturing Corporation, Concrete Pumping Holdings, Inc., and Grosse Point Beacon Acquisition, Inc. (the parent of operating companies including Midwest Can & Container Specialties). She previously served as a member of the Board of Directors of Industrea Acquisition Corp., which was a special purpose acquisition company formed by an affiliate of Argand. She also serves on the Advisory Board of OASE Management GmbH.

For these and other present and past functions, see also the table under "*19.3.2 Current Members of the Supervisory Board*" above.

From September 30, 2020 through May 2021, Heather Faust served as a member of the advisory board (*Beirat*) of the Company (then in the form of a German limited liability company (*Gesellschaft mit beschränkter Haftung*)).

19.3.2.5 Steven M. Greenberg – Brief Biography

Steven M. Greenberg was born in 1970 in Portsmouth, Virginia, United States. He studied economics and electrical engineering at Columbia University in New York, New York, United States, where he received a bachelor's degree in economics in 1992 and a bachelor's degree in electrical engineering in 1993. From 1993 to 1994, he worked as a programmer analyst at Datacor, Inc. From 1994 to 1995, he worked at Quantachrome Corporation as a research & development engineer and from 1995 to 1996 as a software engineer at SIRS, Inc. Between 1997 and 2003, he worked at different law firms, and in 1999, he received a Juris Doctor (J.D.) degree from the University of Florida, Gainesville/Florida, United States, where he studied law from 1996 to 1999. Having worked at the predecessor law firm since 2003, in 2006, he co-founded the law firm Carey Rodriguez Greenberg O'Keefe, LLP, where he was Partner and Head of Intellectual Property Transactions until 2013. From 2014 to 2018, he was Partner and Head of Intellectual Property Transactions at CRGO Greenberg, LLC, the successor firm formed from Carey Rodriguez Greenberg O'Keefe, LLP, before becoming a partner at the law firm Shutts & Bowen LLP, where he practiced as part of the Intellectual Property Practice Group and will stay as a Contract Partner until December 2021. Since January 2006, Steven M. Greenberg also has operated Steven M. Greenberg, P.A. (Professional Association) doing business since January 2021 under the CRGO Global moniker, where he acts as President and is responsible for Intellectual Asset Development and Management. In addition, since 2015, he is President of Ardent Medical Corporation and is responsible for the management of the company patent portfolio.

From September 30, 2020 through May 2021, Steven M. Greenberg served as a member of the advisory board (*Beirat*) of the Company (then in the form of a German limited liability company (*Gesellschaft mit beschränkter Haftung*)).

19.3.2.6 Tariq Osman – Brief Biography

Tariq Osman was born in 1978 in Khartoum, Sudan. He received a bachelor of electrical & electronic engineering degree from the University of Adelaide, Adelaide, Australia, in 1997 and a master of engineering (telecommunications) degree from Macquarie University, Sydney, Australia, in 1999. He started his professional career in 1999 at Gutteridge, Haskins & Davey Limited, Sydney, Australia, where he worked as an energy consultant. In 2000, he switched to McKinsey & Company in Sydney, Australia, where he was Business Analyst from 2000 to 2002 and Associate from 2002 to 2003. In 2003, he joined the private equity firm Castle Harlan, Inc., New York, New York, United States, where he worked in various functions until July 2015 and most recently (in 2015) was Managing Partner of CHI Private Equity. His time at Castle Harlan, Inc. included time at CHAMP Private Equity, which is an affiliate of Castle Harlan, Inc. He also was a member of the Board of Directors of International Energy Services Limited, Blue Star Group Limited and of Shelf Drilling, Ltd. In 2006, he also received a master of applied finance degree (executive program) from Macquarie University, Sydney, Australia, and in 2012 a master in business administration degree (executive program) from The Wharton School of the University of Pennsylvania, Philadelphia, Pennsylvania, United States. In July 2015, he co-founded the private equity firm Argand Partners, New York, New York, United States. Argand Partners, LP (Argand) is the asset manager for Rainier Co-Investment Holdings, LP, which indirectly controls the Selling Shareholder. He is a Managing Director of Argand Partners LLC (since November 2015). In addition, he is a member of the Board of Directors of Argand Partners Fund GP-GP, Ltd. (since November 2015). From April 2014 to October 2019, he was member and, until July 2015, Chairman of the Board of Directors of GS Foods Group, Inc. (Gold Star Foods). From November 2015 to June 2016, he was a member of the Board of Directors of Hercules Offshore, Inc. From July 2017 to May 2021, Tariq Osman was a member of the Board of Directors of Brinton Carpets Limited, where he served as Chairman of the Board of Directors from July 2017 to December 2018. Further, from October 2016 to June 2019, he was a member of the Board of Directors of Sigma Electric Manufacturing Corporation Private Limited and from July 2019 to May 2021, he was a member of the Board of Directors of Sigma Electric Manufacturing Corporation, where he served as Chairman from October 2016 to January 2020. From July 2017 to December 2018, he was Director & Executive Vice President at Industrea Acquisition Corp., which was a special purpose acquisition company formed by an affiliate of Argand for the purpose of the business combination with Concrete Pumping Holdings, Inc. From December 2018 to April 2021, Tariq Osman was as member and Vice Chairman of the Board of Directors of Concrete Pumping Holdings, Inc.

For these and other present and past functions, see also the table under "*19.3.2 Current Members of the Supervisory Board*" above.

From September 30, 2020 through May 2021, Tariq Osman served as a member of the advisory board (*Beirat*) of the Company (then in the form of a German limited liability company (*Gesellschaft mit beschränkter Haftung*)).

19.3.2.7 Dino Sawaya – Brief Biography

Dino Sawaya was born in 1983 in Sydney, Australia. He received a Bachelor of Commerce degree from The University of New South Wales, Sydney, Australia, in 2004. In 2007, he received a Bachelor of Laws degree from The University of Sydney, Sydney, Australia. He started his professional career in 2008 as an analyst in investment banking at Deutsche Bank (Deutsche Australia Limited), Sydney, Australia. In 2011, he moved to Australian private equity firm CHAMP Private Equity where he worked for CHAMP Group Services Pty Ltd as an Associate until 2014. From August 2013 to July 2018, he was a member of the Board of Directors of Paddington Bay Pty Ltd, and from October 2014 to November 2018 a member of the Board of Directors of Paddington Bay Partners Pty Ltd. Between 2015 and 2018, he was a Vice President and from 2019 onwards a Principal at Argand Partners, LP, which is the asset manager for Rainier Co-Investment Holdings, LP, which indirectly controls the Selling Shareholder. Furthermore, since October 2017, he has been a member of the Advisory Board of OASE Management GmbH and of Pylos Beacon Holdings S.à r.l. Since December 2020, he has been a member of the Board of Directors and Treasurer of Seybert's Billiards Corporation, a Co-Manager (as representative of San Pietro Beach LLC) of Billiards Investment Holdings LLC and a Manager (as representative of Billiards Investment Holdings LLC) of Billiards Group LLC. Further, since March 2020, he is a member of the Board of Directors and Assistant Secretary of Apartment Guardian Inc. Since March 2020, he has been the owner and single-member of White Beach LLC, since November 2020 the owner and single-member of San Pietro Beach LLC, and since May 2021 the owner and single-member of Bronte Beach LLC.

Since May 2020, Dino Sawaya has been a member of the management of Cherry HoldCo S.à r.l. Further, since September 2020, he has been a member of the management of the Selling Shareholder, Cherry TopCo S.à r.l., which is wholly owned by Cherry HoldCo S.à r.l.

From September 30, 2020 to May 2021, Dino Sawaya served as a member of the advisory board (*Beirat*) of the Company (then in the form of a German limited liability company (*Gesellschaft mit beschränkter Haftung*)).

19.3.3 Contact

The members of the Supervisory Board can be contacted under the Company's address.

19.3.4 Committees

Supervisory Board's decision-making authority may be delegated to committees to the extent permitted by law. The Supervisory Board has, in accordance with its rules of procedure, formed an audit committee (*Prüfungsausschuss*) (the "**Audit Committee**"), a nomination committee (*Nominierungsausschuss*) (the "**Nomination Committee**") and a personnel & compensation committee ("**Personnel & Compensation Committee**").

19.3.4.1 Audit Committee

The Audit Committee is composed of three members. In particular, the Audit Committee is responsible for monitoring the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit functions and compliance. The Committee shall prepare the Supervisory Board's resolutions on the annual financial statements and the agreements with the auditor (especially commissioning, establishing the main points of the audit and reaching agreement on the auditor's remuneration).

Furthermore, the Committee is obliged to take appropriate measures to ensure and control the auditor's independence. In addition, it shall review and monitor the compliance management system and the compliance actions taken by the Management Board, deal with compliance cases, where the Management Board is personally involved. Further, it decides in lieu of the Supervisory Board on the approval of agreements (with the exception of employment and service agreements), other transactions and investments up to the limit of twice the amount which leads in an individual case to the Supervisory Board approval requirement pursuant to the Rules of Procedure for the Management Board.

As of the date of the Prospectus, the Audit Committee consists of James Burns (Chairman), Heather Faust and Dino Sawaya.

19.3.4.2 Nomination Committee

The Nomination Committee is composed of three members. The Committee shall meet when necessary and propose suitable candidates to the Supervisory Board to propose to the annual shareholder's meeting. While doing so, it shall take the Company's international activity, potential conflicts of interests and diversity into account. In addition, the Nomination Committee shall prepare a periodical review of the Supervisory Board efficiency and support the Chairman regarding internal affairs of the Supervisory Board.

As of the date of the Prospectus, the Nomination Committee consists of Steven M. Greenberg (Chairman), Tariq Osman and Dino Sawaya.

19.3.4.3 Personnel & Compensation Committee

The Personnel & Compensation Committee is composed of three members. The Committee shall meet when necessary and set, assess and recommend for shareholder approval the remuneration systems for the members of the Management Board. It shall also propose specific targets and review annual achievements of STI & LTI objectives, review and propose adjustments to the compensation of the members of the Management Board, if required, review and propose internal and external candidates for the potential succession of the Management Board members and decides in lieu of the Supervisory Board on the approval of the hiring of new senior employees of the Cherry Group with an annual compensation up to the limit of twice the amount which leads in an individual case to the Supervisory Board approval requirement pursuant to the Rules of Procedure for the Management Board.

As of the date of the Prospectus, the Personnel & Compensation Committee consists of Heather Faust (Chairwoman), Tariq Osman and Joachim Coers.

19.3.5 Compensation

From September 30, 2020 until June 30, 2021, each of Marcel Stolk and Steven M. Greenberg were granted a compensation from the Selling Shareholder of € 12,500 per commenced calendar quarter for their service on the advisory board (*Beirat*) of the Company (then in the form of a German limited liability company (*Gesellschaft mit beschränkter Haftung*)). Compensation claims against the Selling Shareholder were assigned to Cherry HoldCo S.à r.l. For the period from September 30, 2020 until March 31, 2021, the assigned compensation claims were paid for by Cherry HoldCo S.à r.l. in MEP Shares (see "*19.4.1 Management Equity Program*") and the compensation for the three-month period ending June 30, 2021 will be paid in cash.

The remuneration of the Supervisory Board members was resolved by a resolution of an extraordinary shareholders' meeting held on June 11, 2021. According to such resolution, each Supervisory Board member receives a fixed annual remuneration of € 45,000.00, except for the chairperson of the Supervisory Board and her or his deputy, who receive fixed annual remuneration of € 90,000.00 and € 67,500.00, respectively. Additionally, the following Supervisory Board members receive a fixed annual remuneration for their work on the committees of the Supervisory Board: The chairperson of the Audit Committee receives additionally € 25,000 p.a., while the remaining members of the Audit Committee receive € 12,500.00 p.a. each. The chairperson of the Nomination Committee and the chairperson of the Personnel & Compensation Committee (provided the Nomination Committee and the Personnel & Compensation Committee have each acted at least once in the fiscal year) receive additionally € 15,000.00 p.a. each, while the remaining members of the Nomination Committee and the Personnel & Compensation Committee receive € 7,500.00 p.a. each. The remuneration of members of the Supervisory Board who have not been members for an entire year is calculated *pro rata* for the respective year (including with respect to the remuneration as a member of a committee, if applicable).

In addition to the remuneration paid, the Company reimburses the members of the Supervisory Board for their reasonable out-of-pocket expenses incurred in the performance of their duties as Supervisory Board members as well as the value added tax on their compensation and out-of-pocket expenses.

Furthermore, the Supervisory Board members shall be included, where existing, in a D&O liability insurance for board members maintained by the Company in the Company's interests that will provide reasonable coverage against financial damages. The premiums for this insurance policy are paid by the Company as well. The Supervisory Board members James Burns, Heather Faust, Steven M. Greenberg, Tariq Osman and Dino Sawaya are also insured under Argand Partner's general partnership liability insurance and indemnified by the Argand Funds.

The current members of the Supervisory Board have been appointed on May 25, 2021.

19.3.6 Shareholdings of Supervisory Board Members

As of the date of the Prospectus, the members of the Supervisory Board Marcel Stolk and Steven M. Greenberg are indirectly invested in the Company through interest held in MEP KG and Strip KG, which hold shares in the Selling Shareholder (see "*19.4.1 Management Equity Program*"). Conditional upon settlement of the Offering, Marcel Stolk and Steven M. Greenberg have sold their shareholdings in MEP KG and Strip KG to the Selling Shareholder against a consideration consisting of cash and shares in the Company (see "*19.4.1.2 Dissolution of the MEP Structure*"). Joachim Coers is indirectly invested in the Company through shareholdings in the Selling Shareholder's minority shareholder GENUI, made through his wholly-owned investment vehicle JOBECO Management GmbH. Following the expected reorganization of the Selling Shareholder by means of which GENUI would ultimately receive shares in the Company, it is further expected that Joachim Coers would indirectly receive a number of shares in the Company yet to be determined through a distribution by GENUI to its shareholders. The members of the Supervisory Board James Burns, Heather Faust, Tariq Osman and Dino Sawaya as well as Steven M. Greenberg are indirectly invested in the Company through interests in funds and entities affiliated with Argand Partners, LP, including the Major Shareholders.

19.4 Management Participation Programs

19.4.1 Management Equity Program

In connection with the acquisition of the Cherry Group business, a management equity program (MEP) was set up in order to align the economic interests of the members of the management team, including both members of the Management Board and other employees of the Group, and the interests of the future shareholders of the Group.

19.4.1.1 Current MEP Structure

The MEP granted participating persons, in particular both members of the Management Board and certain employees of the Cherry Group ("**MEP Participants**"), the opportunity to acquire an indirect interest in the Company. For that purpose, Cherry HoldCo established two German partnerships, Strip KG and MEP KG (the Investment KGs) to pool such investments. The MEP Participants participate indirectly in the Cherry Group through limited partnership interests (*Kommanditanteile*) ("**MEP Shares**") in the Investment KGs (see "*17.2 Information on the Selling Shareholder and Management Participation*") and to which a number of preference shares and a number of common shares in the Selling Shareholder, which continue to be held by MEP KG and Strip KG, is contractually allocated. The sole general partner (*Komplementär*) of each Investment KG is Cherry MEP Strip GP GmbH ("**MEP GP**"), a German limited liability company, which is a wholly owned subsidiary of Cherry HoldCo. Cherry HoldCo is indirectly controlled by the Argand Partners. Cherry HoldCo is also holding MEP Shares in both Investment KGs, which have not been transferred to MEP Participants but are reserved for further MEP Participants (*i.e.*, warehoused MEP Shares). Cherry HoldCo is appointed as managing limited partner (*geschäftsführender Kommanditist*) for each Investment KG.

As of the date of the Prospectus, 14 participants, including both members of the Management Board and Cherry HoldCo as well as certain other employees of the Group, are participating in the MEP. All of the MEP Participants are participating through both Investment KGs. Each MEP Participant has acquired its MEP Shares against a contribution in cash and/or in kind (*Sachleistung*) of certain claims for payment. In the aggregate, the MEP Participants invested over time a low single-digit EUR million amount through (i) Strip KG representing in aggregate 1.50% of the total share capital of the Selling Shareholder and/or through (ii) MEP KG for rights representing in aggregate 0.73% of the total share capital of the Selling Shareholder.

As of the date of the Prospectus, the MEP Participants indirectly hold in total 2.23% of the share capital of the Selling Shareholder (*i.e.*, on a look-through basis, 2.23% of the total share capital of the Company). Thereof, Rolf Unterberger, the Chairman of the Management Board and Chief Executive Officer of the Company, indirectly holds 0.20% of the total share capital of the Selling Shareholder through MEP KG and 0.52% through Strip KG. Bernd Wagner, the Chief Financial Officer and Chief Operating Officer, indirectly holds 0.20% of the total share capital of the Selling Shareholder through MEP KG and 0.39% through Strip KG. Further, the Chairman of the Supervisory Board, Marcel Stolk, and the member of the Supervisory Board Steven M. Greenberg are MEP Participants. The MEP Shares held by each member of the Management Board in MEP KG are subject to vesting periods and will be fully vested upon completion of the Offering.

19.4.1.2 Dissolution of the MEP Structure

Cherry HoldCo, the Selling Shareholder, the MEP GP and the MEP Participants have entered into a purchase and transfer agreement (the "**MEP Purchase and Transfer Agreement**") to dissolve the Investment KGs. Conditional upon settlement of the Offering, the MEP Participants and Cherry HoldCo shall sell and transfer to the Selling Shareholder their respective MEP Shares. As consideration for the MEP Shares, each MEP Participant and Cherry HoldCo shall receive a number of Shares in the Company and/or a cash compensation. For purposes of determining such compensation, the market value of the Shares held by the Selling Shareholder prior to the completion of the Offering shall be determined by reference to the Offer Price, and such market value shall be reduced by certain costs and liabilities incurred by the Selling Shareholder until settlement of the Offering, including certain costs incurred for the purposes of preparing and implementing the Offering and certain costs unrelated to the Offering, and a fixed lump sum amount of € 100,000 to cover further costs of the Selling Shareholder. This net market value shall be allocated *pro rata* to the preference shares in the Selling Shareholder allocated to each MEP Participant through Strip KG, and any excess of the net market value shall be allocated *pro rata* to the common shares in the Selling Shareholder allocated to each MEP Participant through MEP KG and Strip KG. The resulting total amount allocated to a MEP Participant shall then be further reduced by the *pro rata* amount of costs and liabilities incurred by MEP KG and Strip KG minus cash available at each of MEP KG and Strip KG until settlement of the Offering, resulting in the purchase price for all MEP Shares held by a MEP Participant or Cherry HoldCo (each a "**MEP Shares Purchase Price**").

Cherry HoldCo shall receive the MEP Shares Purchase Price in cash. All other MEP Participants, including Rolf Unterberger and Bernd Wagner, shall receive 73% of the MEP Shares Purchase Price as consideration in Shares in the Company and 27% in cash. The amount of cash received would be sufficient to cover a potential future tax obligation for each of the other MEP Participants arising as a consequence of the Offering. The Shares received as consideration by the members of the Management Board, Rolf Unterberger and Bernd Wagner, as well as by the members of the Supervisory Board Marcel Stolk and Steven M. Greenberg will be subject to lock-up commitments (see "*5.13.3 (Indirect) Lock-Up of the Members of the Management Board and of Certain Members of the Supervisory Board*"). The number of Shares in the Company to be received shall be calculated by dividing the MEP Shares Purchase Price by the Offer Price and multiplying the resulting number by 73%. The remaining portion of the MEP Shares Purchase Price shall be paid in cash.

At the mid-point of the Price Range and assuming (i) estimated costs and liabilities incurred by the Selling Shareholder until settlement of the Offering and including the aforementioned fixed lump sum amount of € 100,000 totaling approximately € 19.56 million and (ii) estimated costs and liabilities incurred by MEP KG and Strip KG of approximately € 0.06 million and no cash available at MEP KG and Strip KG until settlement of the Offering, Rolf Unterberger would receive (indirectly) approximately € 4.97 million in cash and approximately 1.63% of the Shares in the Company, Bernd Wagner would receive (indirectly) approximately € 4.75 million in cash and approximately 1.55% of the Shares in the Company, Steven M. Greenberg would receive approximately € 0.16 million in cash and approximately 0.05% of the Shares in the Company and Marcel Stolk would receive approximately € 0.92 million in cash and approximately 0.30% of the Shares in the Company, whereby shareholding percentages are calculated based on the number of shares of the Company outstanding assuming a full placement of the New Shares.

Under the MEP Purchase and Transfer Agreement, MEP GP will also withdraw from the Investment KGs as their general partner without compensation, subject to the settlement of the Offering. As a consequence, the assets of MEP KG and Strip KG will transfer to the Selling Shareholder by way of accretion (*im Wege der Anwachsung*) after the settlement of the Offering and the MEP will thus be dissolved.

19.4.2 Future Incentive Plans

As of the date of the Prospectus, the Company does not have any management or employee participation programs except for the existing MEP. However, the Company will consider implementing a share-based or share-price-based employee participation program after the completion of the Offering. For any share-based program, the Company would utilize the Authorized Capital (see "*18.2 Authorized Capital*"), the Conditional Capital (see "*18.3 Conditional Capital*"), or shares acquired under the authorization to acquire own shares up to 10% of the Company's share capital (see "*18.5 Authorization to Acquire Treasury Shares*"). Structure and performance parameters have not yet been decided.

19.5 Certain Information on the Members of the Management Board and the Supervisory Board, Conflict of Interest

From August 2016 to May 2018, Mr. Rolf Unterberger, the Chairman of the Management Board and Chief Executive Officer of the Company, was a member (vice-chairman) of the Supervisory Board of euromicron AG (now: euromicron AG (in Insolvenz)), Neu-Isenburg, Germany. More than a year after he left this office on his own initiative, and after court order dated December 23, 2019, insolvency proceedings over the assets of euromicron AG were opened. Other than that, during the last five years, no current member of the Management Board or Supervisory Board was convicted in relation to fraudulent offenses, associated with any bankruptcies, receiverships or liquidations or subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

At the date of the Prospectus, no family relationships exist among the members of the Management Board, among the members of the Supervisory Board and among the members of the Management Board on the one hand and the members of the Supervisory Board on the other hand.

As of the date of the Prospectus, the members of the Management Board and all members of the Supervisory Board are indirectly invested in the Company. Conditional upon the settlement of the Offering, the members of the Company's Management Board and certain members of the Company's Supervisory Board (Steven M. Greenberg and Marcel Stolk) have sold their (indirect) shareholdings in the Investment KGs to the Selling Shareholder against a consideration consisting of cash and shares in the Company. The remaining members of the Supervisory Board (James Burns, Joachim Coers, Heather Faust, Tariq Osman and Dino Sawaya as well as Steven M. Greenberg through further indirect participations) are expected to indirectly participate in the proceeds of the Selling Shareholder from the Offering or from an appreciation of the value of their indirect investments as a consequence of the Offering. (see "*19.2.4 Compensation, Other Benefits*", "*19.2.5 Shareholdings of the members of the Management Board in the Company*", "*19.2.5 Shareholdings of the members of the Management Board in the Company*" and "*19.4.1 Management Equity Program*"). Furthermore, Joachim Coers may (indirectly) receive a number of shares in the Company yet to be determined in the event that the Selling Shareholder is reorganized and its direct shareholder GENUI distributes shares in the Company received in the course of such reorganization to its own shareholders, including JOBECOM Management GmbH (which is wholly-owned and controlled by its managing director Joachim Coers). Accordingly, all these individuals have an interest in the success of the Offering on the best possible terms.

Except as described above, prior to completion of the Offering, the members of the Management Board and the Supervisory Board hold no other participation in the Company. To the extent the members of the Management Board or the Supervisory Board indirectly participate in the results of the Company, they may, separately from their positions in the respective governing body, have financial interests as a result of their participations, which constitutes a potential conflict of interest.

Certain members of the Supervisory Board, namely Joachim Coers, Heather Faust, Tariq Osman and Dino Sawaya are affiliated with the Selling Shareholder, either because they are members of the management of the Selling Shareholder (as is the case for Dino Sawaya) or of affiliates of the Selling Shareholder (as is the case for Joachim Coers who holds a management position at a shareholder of GENUI as well as for Heather Faust, Tariq Osman and Dino Sawaya, who hold management positions at other Major Shareholders) or because they are employees of the Argand Partners (as is the case for Dino Sawaya who is employed by Argand Partners). In addition, Argand Partners, LP has agreed that Argand representatives will support his appointment as a member of the Supervisory Board. The interests of Cherry AG on the one hand and the Selling Shareholder and its affiliates on the other hand may not always be aligned. This is a potential conflict of interest for the aforementioned persons in respect of their duty as members of the Supervisory Board to act in the best interests of the Company. However, it should be noted that according to applicable German law, Supervisory Board members may not act in their own interests or in the interests of persons or companies with whom they have a close relationship if those interests conflict with those of the Company or if such interests are used to attract business opportunities for such members that would otherwise have gone to the Company.

Further, James Burns and Steven M. Greenberg are part of the senior executive advisor network of Argand Partners, to which they from time to time provide strategic counseling in relation to the investments and prospective investments of Argand Partners funds and other affiliates.

Except as described above, there are no actual or potential conflicts of interest between any duties of the members of the Management Board and the Supervisory Board to the Company and their private interests and/or other duties.

19.6 Corporate Governance and Compliance

The objective of the Code in its most recent version of December 16, 2019, as published in the German Federal Gazette (*Bundesanzeiger*) on March 20, 2020, is to make the dual German corporate governance system transparent and understandable. The Code includes principles (*Grundsätze*), recommendations ("should provisions") (*Empfehlungen*) and suggestions ("can provisions") (*Anregungen*) governing the management and monitoring of German listed companies that are accepted nationally and internationally as standards of good and responsible governance. It aims to promote confidence in the management and supervision of German listed companies by investors, customers, employees and the general public. The principles (*Grundsätze*) reflect material legal requirements for responsible governance, and are used to inform investors and other stakeholders. Compliance with the recommendations or suggestions of the Code is not obligatory. German stock corporation law only requires the Management Board and the Supervisory Board of a listed company to state annually that the recommendations (*Empfehlungen*) in the Code have been complied with or to explain which recommendations have not been complied with and are not being applied and the reasons behind non-compliance ("comply or explain"). This enables companies to take into account sector- or company-specific special characteristics. Well-justified departures from recommendations (*Empfehlungen*) of the Code may be in the best interests of good corporate governance. It is possible to deviate from the suggestions (*Anregungen*) contained in the Code without disclosure.

The matters addressed by the Code include the shareholders' meeting, the management board and the supervisory board, transparency and accounting, as well as auditing of financial statements. Compliance with the recommendations or suggestions of the Code is – as aforementioned – not obligatory. German stock corporation law only requires the management board and the supervisory board of a listed company to state annually that the recommendations (*Empfehlungen*) in the Code have been complied with, or to explain which recommendations have not been complied with and are not being applied and the reasons behind non-compliance. The declaration of conformity must be publicly available on the Company's website for a period of at least five years.

Prior to the listing of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company is not subject to the obligation to render a declaration as to compliance with the Code.

As of the date of the Prospectus, the Company complies, and following the listing of the Company's shares on the Frankfurt Stock Exchange intends to comply, with all recommendations of the Code.

20 TAXATION OF SHAREHOLDERS IN GERMANY

The tax laws of any jurisdiction with authority to impose taxes on the Company's shareholders and the tax laws of the Company's country of incorporation (i.e., Germany) may have an impact on the income received from the Shares.

The following section presents a number of key German taxation principles which generally are or can be relevant to the acquisition, holding or transfer of shares both by a shareholder (an individual, a partnership or corporation) that has a tax domicile in Germany (that is, whose place of residence, habitual abode, registered office or place of management is in Germany) and by a shareholder without a tax domicile in Germany. The information is not exhaustive and does not constitute a definitive explanation of all possible aspects of taxation that could be relevant for shareholders. The information is based on the tax laws in force in Germany as of the date of the Prospectus (and their interpretation by administrative directives and courts) as well as typical provisions of double taxation treaties that Germany has concluded with other countries. Tax law can change – sometimes retrospectively. Moreover, it cannot be ruled out that the German tax authorities or courts may consider an alternative interpretation or application to be correct that differs from the one described in this section.

This section cannot serve as a substitute for tailored tax advice to individual shareholders. Shareholders are therefore advised to consult their tax advisers regarding the tax implications of the acquisition, holding or transfer of shares and regarding the procedures to be followed to achieve a possible reimbursement of German withholding tax (Kapitalertragsteuer). Only such advisers are in a position to take the specific tax-relevant circumstances of individual shareholders into due account.

20.1 Income Tax Implications of the Holding, Sale and Transfer of Shares

In terms of the taxation of shareholders of the Company, a distinction must be made between taxation in connection with the holding of shares ("*20.2 Taxation of Dividends*") and taxation in connection with the sale of shares ("*20.3 Taxation of Capital Gains*") and taxation in connection with the gratuitous transfer of shares ("*20.5 Inheritance and Gift Tax*").

20.2 Taxation of Dividends

20.2.1 Withholding Tax

As a general rule, dividends distributed to the shareholder are subject to a withholding tax (*Kapitalertragsteuer*) of 25.0% and a solidarity surcharge of 5.5% thereon (*i.e.*, 26.375% in total plus church tax, if applicable). This, however, will not apply if and to the extent that dividend payments are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 Körperschaftsteuergesetz*, "**KStG**"); in this case no withholding tax will be withheld. However, these payments will reduce the acquisition costs of the shares and may, consequently, result in or increase a taxable gain upon the disposal of the shares (see below at "*20.3 Taxation of Capital Gains*"). The assessment basis for the withholding tax is the dividend approved by the general shareholders' meeting.

If shares – as it is the case with the shares in the Company – are admitted for collective custody by a central securities depository (*Wertpapiersammelbank*) pursuant to Section 5 German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such bank for collective custody (*Sammelverwahrung*) in Germany, the withholding tax is withheld and passed on for the account of the shareholders (i) by the domestic credit or financial services institution (*inländisches Kredit- oder Finanzdienstleistungsinstitut*) (including domestic branches of such foreign enterprises), by the domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or by the domestic securities trading bank (*inländische Wertpapierhandelsbank*) which keeps or administers the shares and disburses or credits the dividends to the shareholder or disburses the dividends to a foreign agent, (ii) by the central securities depository (*Wertpapiersammelbank*) to which the shares were entrusted for collective custody if the dividends are disbursed to a foreign agent by such central securities depository (*Wertpapiersammelbank*) or (iii) by the Company itself if and to the extent shares held in collective custody (*Sammelverwahrung*) by the central securities depository (*Wertpapiersammelbank*) are treated as so-called "abgesetzte Bestände" (stock being held separately) (hereinafter in all cases, the "**Dividend Paying Agent**"). Aside from the case of stock being held separately, the Company does not assume any responsibility for the withholding of the withholding tax.

In general, the withholding tax must be withheld without regard as to whether and to what extent the dividend is exempt from (corporate) income tax at the level of the shareholder and whether the shareholder is domiciled in Germany or abroad.

However, withholding tax on dividends distributed to a company domiciled in another EU Member State within the meaning of Article 2 of the Council Directive 2011/96/EU of November 30, 2011, as amended ("**Parent-Subsidiary Directive**"), may be refunded upon application and subject to further conditions. This also applies to dividends distributed to a permanent establishment of such a parent company in another EU Member State or to a parent company that is subject to unlimited tax liability in Germany, provided that the participation in the Company is actually part of such permanent establishment's business assets. Further requirements for the refund of withholding tax under the Parent-Subsidiary Directive are that the shareholder has directly held at least 10.0% of the Company's registered share capital continuously for one year and that a respective application is filed with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*, *Hauptdienstsitz Bonn-Beuel*, An der Küppe 1, D-53225 Bonn, Germany). If, in the case of a holding of at least 10.0% of the Company's registered share capital, shares held in collective custody (*Sammelverwahrung*) by the German central securities depository (*Wertpapiersammelbank*) Clearstream Banking AG are treated as so-called "*abgesetzte Bestände*" (stock being held separately), the German tax authorities will not object when the main paying agent (*Hauptzahlstelle*) of the Company upon presentation of a valid exemption certificate (*Freistellungsbescheinigung*) and of a proof that this stock has been held separately, disburses the dividend without deducting withholding tax. An exemption certificate can be granted upon application (using official application forms) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) (at the above address).

With respect to distributions made to shareholders not tax resident in Germany, the withholding tax may be at least partially refunded in accordance with an applicable double taxation treaty Germany has entered into with the respective shareholder's country of residence if the shares neither form part of the assets of a permanent establishment or a fixed place of business in Germany, nor form part of business assets for which a permanent representative in Germany has been appointed. The withholding tax refund is generally granted by the German Federal Central Tax Office (at the above address) upon application in such a manner that the difference between the total amount withheld, including the solidarity surcharge, and the reduced withholding tax actually owed under the relevant double taxation treaty (generally between 5.0% and 15.0%) is refunded by the German Federal Central Tax Office. A refund is not required if the Federal Central Tax Office has, upon application on the officially prescribed form, issued an exemption certificate (*Freistellungsbescheinigung*) which documents that the prerequisites for the application of the reduced withholding tax rates have been met. Dividends covered by the exemption certificate of the shareholder are then only subject to the reduced withholding tax rates stipulated in the exemption certificate.

Forms for the reimbursement and the exemption from the withholding at source procedure are available at the German Federal Central Tax Office (at the above address or online at https://www.bzst.de).

If dividends are distributed to corporations subject to non-resident taxation in Germany, *i.e.*, corporations with no registered office or place of management in Germany and if the shares neither belong to the assets of a permanent establishment or fixed place of business in Germany nor are part of business assets for which a permanent representative in Germany has been appointed, two-fifths of the tax withheld at the source can generally be refunded even if not all of the prerequisites for a refund under the Parent-Subsidiary Directive or an applicable double taxation treaty are fulfilled. The relevant application forms are available at the German Federal Central Tax Office (at the above address).

The aforementioned possibilities for an exemption from or a refund of withholding tax depend on certain other conditions being met (particularly the fulfillment of so-called "substance requirements" – *Substanzerfordernisse*).

Pursuant to a special rule, the aforementioned withholding tax reliefs as well as the credit of withholding tax described in the section "*20.2.2 Taxation of Dividends of Shareholders with a Tax Domicile in Germany*" below for shares held as non-business and as business assets will only be granted if the shareholder (i) has been the economic owner of the shares for a continuous period of at least 45 days during the period starting 45 days prior to the date when the dividend becomes due and ending 45 days after such date (the "**Minimum Holding Period**" (*Mindesthaltedauer*)), (ii) has been exposed (if taking into account claims of the shareholder from transactions reducing the risk of changes of the market value of the shares and corresponding claims of related parties of the shareholder) to at least 70.0% of the risk resulting from a decrease-in-value of the shares continuously during the Minimum Holding Period (the minimum change-in-value risk (*Mindestwertänderungsrisiko*)) and (iii) is not obliged to forward (*vergüten*) these dividends, directly or indirectly, in total or to more than 50.0% to another person.

In the event that a shareholder tax resident in Germany does not meet the aforementioned three requirements, three fifths of the withholding tax levied on the dividends (*i.e.*, 15.0% of the dividends) is not creditable, but may, upon application, be deducted when determining the shareholder's taxable income in an assessment procedure. Shareholders who do not meet the requirements but who have, nevertheless, not suffered a withholding tax deduction on the dividends (for example, due to the presentation of a non-assessment certificate) or have already obtained a refund of the taxes withheld, are obliged to notify their competent tax office thereof and to make the payment of an amount corresponding to the amount which would otherwise be withheld; pursuant to the law regarding tax incentives for electric mobility and the amendment of further tax regulations (*Gesetz zur weiteren steuerlichen Förderung der Elektromobilität und zur Änderung weiterer steuerlicher Vorschriften*) that came into force on December 18, 2019, this amount will be equal to 15.0% of the dividends from January 1, 2019 onwards. The special rule on the restriction of withholding tax credit does not apply to a shareholder if either (i) his or her amount of dividend income on shares (including shares of the Company) and certain profit participation rights (*Genussrechte*) does not exceed an amount of € 20,000 in a given tax assessment period or if (ii) he or she has been, upon actual receipt of the dividend, the economic owner of the shares for a continuous period of at least one year, whereby shares of the shareholder acquired first are deemed to be sold first (first in – first out).

In the event that a shareholder not tax resident in Germany does not meet the aforementioned three requirements, a refund of the withholding tax pursuant to a double taxation treaty is not available. This restriction only applies if (i) the applicable double taxation treaty provides for a tax reduction leading to an applicable tax rate of less than 15.0%, (ii) the shareholder is not a corporation that directly holds at least a participation of 10.0% of the equity capital of the Company and is subject to tax on its income and profits in its state of residence without being exempt and (iii) the shareholder has not been, upon actual receipt of the dividend, the economic owner of the shares for a continuous period of at least one year, whereby shares of the shareholder acquired first are deemed to be sold first (first in – first out).

The Dividend Paying Agent which keeps or administrates the shares and pays or credits the capital income is required to create so-called "pots for offsetting losses" (*Verlustverrechnungstöpfe*) to allow for negative capital income to be set off against current and future positive capital income. A set off of negative capital income at one Dividend Paying Agent against positive capital income at another Dividend Paying Agent is only possible in the course of the income tax assessment at the level of the respective shareholder. In such case the relevant shareholder has to apply for a certificate confirming the amount of losses not offset with the Dividend Paying Agent where the pot for offsetting losses exists. The application is irrevocable and must reach the Dividend Paying Agent until December 15 of the respective year, as otherwise the losses will be carried forward by the respective Dividend Paying Agent to the following year.

Withholding tax will not be withheld by a Dividend Paying Agent if the shareholder provides such Dividend Paying Agent with an application for exemption (*Freistellungsauftrag*) to the extent such shareholder's capital income does not exceed the annual lump-sum deduction (*Sparer-Pauschbetrag*) of € 801 (€ 1,602 for married couples and registered partners jointly assessed) as outlined on the application for exemption. Furthermore, no withholding tax will be levied if the shareholder provides the Dividend Paying Agent with a non-assessment certificate (*Nichtveranlagungsbescheinigung*) to be applied for with the competent tax office.

20.2.2 Taxation of Dividends of Shareholders with a Tax Domicile in Germany

This section applies to shareholders with a tax domicile in Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

20.2.2.1 Shares Held as Non-Business Assets

Dividends distributed to shareholders with a tax domicile in Germany whose shares are held as non-business assets form part of their taxable capital investment income, which is subject to a special uniform income tax rate of 25.0% plus solidarity surcharge of 5.5% thereon (*i.e.*, 26.375% in total plus church tax, if applicable). The income tax owed for this dividend income is generally satisfied by the withholding tax withheld by the Dividend Paying Agent (flat-rate withholding tax (*Abgeltungsteuer*)). Income-related expenses cannot be deducted from the shareholder's capital investment income (including dividends), except for an annual lump-sum deduction (*Sparer-Pauschbetrag*) of € 801 (€ 1,602 for married couples and registered partners jointly assessed). However, the shareholder may request that his capital investment income (including dividends) along with his other taxable income be subject to a progressive income tax rate (instead of the uniform tax rate for capital investment income) if this results in a lower tax burden. In this case, income-related expenses cannot be deducted from the capital investment income, except for the aforementioned annual lump-sum deduction.

If the withholding tax deduction does not satisfy (*abgelten*) the tax liability of the shareholder, the withholding tax will generally be credited against the progressive income tax and any excess amount will be refunded if the requirements of the special rule on the restriction of withholding tax credit (see above "*20.2.1 Withholding Tax*") are fulfilled.

Exceptions from the flat-rate withholding tax also apply upon application for shareholders who have a shareholding of at least 25.0% in the Company and for shareholders who have a shareholding of at least 1.0% in the Company and are able to entrepreneurially influence the business activities of the company through a professional work for the Company. In this situation, the tax treatment described below at "*20.2.2.2.2 Sole Proprietors*") applies.

For taxpayers, subject to church tax, such tax will be withheld by way of an automated procedure and remitted to the religious community levying the tax. Church tax withheld at source may not be deducted as a special expense (*Sonderausgabe*) in the course of the tax assessment, but the Dividend Paying Agent may reduce the standard withholding tax rate (including the solidarity surcharge of 26.375%) by the church tax to be withheld on the dividends. Where shareholders have lodged a timely written objection with the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (at the above address)) (so-called "blocking notice" – *Sperrvermerk*) as regards the automated retrieval of data on their religious affiliation, church tax will not be automatically deducted. In this case, a shareholder subject to church tax is obliged to declare the dividends in his income tax return. The church tax on the dividends is then levied by way of a tax assessment.

Shareholders who are subject to German tax residents' taxation and hold their shares as non-business assets may be paid the dividends without deduction of withholding tax if certain prerequisites are met, in particular, if the shareholder has provided a non-assessment certificate (*Nichtveranlagungs-Bescheinigung*) or an exemption instruction (*Freistellungsauftrag*) and the exempt amount indicated therein has not yet been exhausted.

As an exemption, dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) and are paid to shareholders with a tax domicile in Germany whose shares are held as non-business assets, do – contrary to the above – not form part of the shareholder's taxable income but reduce the acquisition costs for the underlying shares. This results in a higher capital gain in the event of the shares' disposal (see below at "*20.3 Taxation of Capital Gains*"). However, this will not apply if (i) the shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his legal predecessors at any point during the five years preceding the (deemed, as the case may be,) disposal directly or indirectly held at least 1.0% of the share capital of the Company (a "**Qualified Holding**") and (ii) the dividend payment funded from the Company's contribution account for tax purposes exceeds the actual acquisition costs of the shares. In such a case of a Qualified Holding, a dividend payment funded from the Company's contribution account for tax purposes is deemed a sale of the shares and is taxable as a capital gain if and to the extent the dividend payment funded from the Company's contribution account for tax purposes exceeds the acquisition costs of the shares. In this case the taxation corresponds with the description in the section "*20.3.1.1 Shares Held as Non-Business Assets*" made with regard to shareholders maintaining a Qualified Holding.

20.2.2.2 Shares Held as Business Assets

Dividends from shares held as business assets of a shareholder with a tax domicile in Germany are not subject to the flat-rate withholding tax. However, dividends are generally subject to the withholding tax on capital investment income of 25.0% plus 5.5% solidarity surcharge thereon, resulting in an aggregate tax rate of 26.375%, plus church tax for individuals, if applicable. The withholding tax (including the solidarity surcharge and church tax, if applicable) withheld and paid by the Dividend Paying Agent will generally be credited against the shareholder's income or corporate income tax liability (including the solidarity surcharge and church tax, if applicable) or refunded in the amount of any excess if the requirements of the special rule on the restriction of withholding tax credit (see above "*20.2.1 Withholding Tax*") are fulfilled. The taxation depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship).

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) and are paid to shareholders with a tax domicile in Germany whose shares are held as business assets, are generally fully tax-exempt in the hands of such shareholder but reduce the acquisition costs for the underlying shares. To the extent the dividend payments funded from the Company's contribution account for tax purposes exceed the actual acquisition costs of the shares, a taxable capital gain occurs. The taxation of such gain corresponds with the description in the section "*20.3.1.2 Shares Held as Business Assets*" made with regard to shareholders whose shares are held as business assets.

20.2.2.2.1 Corporations

If the shareholder is a corporation with a tax domicile in Germany, the dividends are in general effectively 95.0% exempt from corporate income tax and the solidarity surcharge. 5.0% of the dividends are treated as non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge) at a total tax rate of 15.825%. Business expenses actually incurred in direct relation to the dividends may be deducted. However, dividends are not exempt from corporate income tax (including solidarity surcharge thereon), if the shareholder only holds a direct participation of less than 10.0% in the Company's registered share capital at the beginning of the calendar year ("**Portfolio Participation**" – *Streubesitzbeteiligung*). Participations of at least 10.0% acquired during a calendar year are deemed to have been acquired at the beginning of the calendar year. Participations which a shareholder holds through a partnership (including those that are co-entrepreneurships (*Mitunternehmerschaften*)) are attributable to the shareholder only on a pro rata basis at the ratio of the interest share of the shareholder in the assets of the relevant partnership.

Dividends (after deducting business expenses economically related to the dividends) are subject to trade tax in the full amount, unless the shareholder held at least 15.0% of the Company's registered share capital at the beginning of the relevant tax assessment period. In the latter case, the dividends are not subject to trade tax; however, trade tax is levied on the amount considered to be a non-deductible business expense (amounting to 5.0% of the dividend). Trade tax depends on the municipal trade tax multiplier applied by the relevant municipal authority.

Special rules apply to dividends received by companies active in the financial and insurance sectors, as well as pension funds (see below "*20.4 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

20.2.2.2.2 Sole Proprietors

If the shares are held as business assets by a sole proprietor with a tax domicile in Germany, only 60.0% of the dividends are subject to a progressive income tax (plus the solidarity surcharge) at a total tax rate of up to approximately 47.5%, known as the partial income method (*Teileinkünfteverfahren*). The partial income method does not apply with respect to church tax (if applicable). Only 60.0% of the business expenses economically related to the dividends are tax-deductible. If the shares belong to a domestic permanent establishment in Germany of a business operation of the shareholder, the dividend income (after deducting business expenses economically related thereto) is not only subject to income tax but is also fully subject to trade tax, unless the shareholder held at least 15.0% of the Company's registered share capital at the beginning of the relevant tax assessment period. In this latter case, the net amount of dividends, *i.e.*, after deducting directly related expenses, is exempt from trade tax. As a rule, trade tax can be credited against the shareholder's personal income tax, either in full or in part, by means of a lump-sum tax credit method, depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

20.2.2.2.3 Partnerships

If the shareholder is a partnership with a tax domicile in Germany, the income or corporate income tax, as the case may be, and the solidarity surcharge are not levied at the level of the partnership but at the level of the respective partner. The taxation for every partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the dividends contained in the profit share of the shareholder will be taxed in accordance with the principles applicable for corporations (see "*20.2.2.2.1 Corporations*" above). If the partner is an individual, the taxation is in line with the principles described for sole proprietors (see "*20.2.2.2.2 Sole Proprietors*" above). Upon application and subject to further conditions, an individual as a partner can have his personal income tax rate lowered for earnings not withdrawn from the partnership.

In addition, the dividends are generally subject to trade tax in the full amount at the level of a commercial or deemed commercial partnership if the shares are attributed to a German permanent establishment of the partnership. If a partner of the partnership is an individual, the portion of the trade tax paid by the partnership pertaining to his profit share will generally be credited, either in full or in part, against his personal income tax by means of a lump-sum method – depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer. If the partnership held at least 15.0% of the Company's registered share capital at the beginning of the relevant tax assessment period, the dividends (after deduction of business expenses economically related thereto) should generally not be subject to trade tax. In this case, trade tax should, however, be levied on 5.0% of the dividends to the extent they are attributable to the profit share of a corporate partner to whom at least 10.0% of the shares in the Company are attributable on a look-through basis, since this portion of the dividends should be deemed to be non-deductible business expenses. The remaining portion of the dividend income attributable to partners other than such specific corporate partners (which includes individual partners and should, according to a literal reading of the law, also include corporate partners to whom, on a look-through basis, only Portfolio Participations are attributable) should not be subject to trade tax. Due to a lack of case law and administrative guidance, the exact application of the rules for the taxation of dividends from Portfolio Participations (see "*20.2.2.2.1 Corporations*" above) is, however, unclear. Shareholders are strongly recommended to consult their tax advisers.

20.2.3 Taxation of Dividends of Shareholders with a Non-German Tax Domicile

Shareholders without a tax domicile in Germany, whose shares are attributable to a German permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed, are liable for tax in Germany on their dividend income. In this respect the provisions outlined above for shareholders with a tax domicile in Germany whose shares are held as business assets apply accordingly (see "*20.2.2.2 Shares Held as Business Assets*"). The withholding tax (including the solidarity surcharge) withheld and passed on will generally be credited against the income or corporate income tax liability or refunded in the amount of any excess if the requirements of the special rule on the restriction of withholding tax credit (see above "*20.2.1 Withholding Tax*") are fulfilled.

In all other cases, any tax liability in Germany for dividends received by shareholders resident outside of Germany will be discharged through the withholding of the withholding tax by the Dividend Paying Agent. A refund or exemption is granted only as discussed under "*20.2.1 Withholding Tax*" above.

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) are generally not subject to German taxation.

20.3 Taxation of Capital Gains

20.3.1 Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany

This section applies to shareholders with a tax domicile in Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

20.3.1.1 Shares Held as Non-Business Assets

Gains on the disposal of shares acquired after December 31, 2008 by a shareholder with a tax domicile in Germany and held as non-business assets are generally – regardless of the holding period – subject to a uniform tax rate on capital investment income in Germany (25.0% plus the solidarity surcharge of 5.5% thereon, *i.e.*, 26.375% in total plus any church tax, if applicable).

The taxable capital gain is equal to the difference between (a) the proceeds of the disposal and (b) the acquisition costs of the shares plus the expenses related directly and materially to the disposal. Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) reduce the original acquisition costs; if dividend payments that are funded from the Company's contribution account for tax purposes exceed the acquisition costs, negative acquisition costs – which can increase a capital gain – can arise in case of shareholders, whose shares are held as non-business assets and do not qualify as a Qualified Holding.

Only an annual lump-sum deduction of € 801 (€ 1,602 for married couples and registered partners jointly assessed) may be deducted from the entire capital investments income. It is generally not possible to deduct income-related expenses in connection with capital gains, except for the expenses directly related in substance to the disposal which can be deducted when calculating the capital gains. Losses from the disposal of shares may only be offset against profits from capital investments arising from the disposal of the Company's shares or other shares in stock corporations during the same assessment period or in future assessment periods.

Furthermore, in case of a derecognition or transfer of worthless shares (or other capital assets), the utilization of such loss is further restricted and can only be offset for losses incurred until December 31, 2019 up to the amount of € 10,000 per calendar year and for losses incurred after such date up to the amount of € 20,000 per calendar year.

If the shares are held in custody or administered by a domestic credit or financial services institution, domestic securities trading company or a domestic securities trading bank, including domestic branches of foreign credit institutions or financial service institutions, or if such an office executes the disposal of the shares and pays out or credits the capital gains (each a "**Domestic Paying Agent**"), the tax on the capital gains will generally be satisfied by the Domestic Paying Agent withholding the withholding tax on investment income in the amount of 26.375% (including the solidarity surcharge) on the capital gain and transferring it to the tax authority for the account of the seller. If the shares were held in custody or administered by the respective Domestic Paying Agent continuously after acquisition, the amount of tax withheld is generally based on the difference between the proceeds from the sale, after deducting expenses directly related to the sale, and the amount paid to acquire the shares. However, the withholding tax rate of 25.0% plus the 5.5% solidarity surcharge thereon and any church tax (if applicable), will be applied to 30.0% of the gross sales proceeds if the shares were not administered by the same custodian bank since acquisition and the original cost of the shares cannot be verified or such verification is not admissible. In this case, the shareholder is entitled to, and in case the actual gain is higher than 30.0% of the gross proceeds must, verify the original costs of the shares in his or her annual income tax return.

The church tax deduction for capital gains is performed by way of standardized tax withholding procedure by the Domestic Paying Agent withholding such tax. The principles outlined above for church tax on dividend income (see "*20.2.2.1 Shares Held as Non-Business Assets*" above) apply accordingly.

The shareholder can apply for his total capital investment income, together with his other taxable income, to be subject to a progressive income tax rate as opposed to the uniform tax rate on investment income, if this results in a lower tax liability. In this case, the withholding tax is credited against the progressive income tax and any resulting excess amount will be refunded. Limitations on offsetting losses are applicable. Further, income-related expenses are non-deductible, except for the annual lump-sum deduction.

Shareholders who are subject to German residents' taxation and hold their shares as non-business assets may realize capital gains without deduction of tax on capital investment income and solidarity surcharge if certain prerequisites are met, particularly if the shareholder has provided a non-assessment certificate (*Nichtveranlagungs-Bescheinigung*) or an exemption instruction (*Freistellungsauftrag*) and the exempt amount indicated therein has not yet been exhausted. If the withholding tax or, if applicable, the church tax on capital gains is not withheld by a Domestic Paying Agent, the shareholder is required to declare the capital gains in his income tax return. The income tax and any applicable church tax on the capital gains will then be collected by way of assessment.

In case of a Qualified Holding, the capital gain deriving from the disposal of the shares is not subject to the flat-rate withholding tax, but to the progressive income tax regime. In this case the partial income method applies to gains on the disposal of shares, which means that only 60.0% of the capital gains are subject to tax and only 60.0% of the losses on the disposal and expenses economically related thereto are tax deductible. Even though withholding tax is withheld by a Domestic Paying Agent in the case of a Qualified Holding, this does not satisfy the tax liability of the shareholder. Consequently, a shareholder must declare his capital gains in his income tax returns. The withholding tax (including the solidarity surcharge and church tax, if applicable) withheld and paid will generally be credited against the shareholder's income tax liability on his tax assessment (including the solidarity surcharge and any church tax if applicable) or refunded in the amount of any excess.

20.3.1.2 Shares Held as Business Assets

Gains on the sale of shares held as business assets of a shareholder with a tax domicile in Germany are not subject to a uniform withholding tax. Withholding tax may only be withheld if the shares are kept with a Domestic Paying Agent. Subject to certain prerequisites, the tax on capital investment income withheld and remitted to the tax authorities will be imputed towards the shareholder's income tax liability and any excess amount paid will be refunded. Subject to certain requirements, however, the Domestic Paying Agent may refrain from deducting tax on capital investment income if (i) the shareholder is a corporation subject to German residents taxation, an association of individuals or an estate or (ii) the shares form part of the business assets of a business operation in Germany and the shareholders declare such to the Domestic Paying Agent in the officially prescribed form. Should the Domestic Paying Agent nonetheless have withheld tax on capital investment income, the tax withheld and remitted to the tax authorities (including solidarity surcharge, and church tax, if applicable) will generally be credited against the shareholder's personal income tax or corporate income tax liability and any excess amount paid will be refunded.

The taxation of the capital gains depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship). Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) reduce the original acquisition costs. In the event of disposal, a higher taxable capital gain can arise therefrom. If the dividend payments exceed the shares' book value for tax purposes, a taxable capital gain can arise.

20.3.1.2.1 Corporations

If the shareholder is a corporation with a tax domicile in Germany, the gains on the disposal of shares are, in general, effectively 95.0% exempt from corporate income tax (including the solidarity surcharge) and trade tax, regardless of the size of the participation and the holding period. 5.0% of the gains are treated as non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge) at a tax rate amounting to 15.825% and trade tax (depending on the municipal trade tax multiplier applied by the respective municipal authority). As a rule, losses on disposals and other profit reductions in connection with shares (for example, from a write-down) cannot be deducted as business expenses.

Special rules apply to capital gains realized by companies active in the financial and insurance sectors, as well as pension funds (see below "*20.4 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

20.3.1.2.2 Sole Proprietors

If the shares are held as business assets by a sole proprietor with a tax domicile in Germany, only 60.0% of the gains on the disposal of the shares are subject to a progressive income tax (plus the solidarity surcharge) at a total tax rate of up to approximately 47.5% (partial-income method). Only 60.0% of the losses on the disposal and expenses economically related thereto are tax deductible. The partial income method does not apply with respect to church tax (if applicable). If the shares belong to a German permanent establishment of a business operation of the sole proprietor, 60.0% of the gains of the disposal of the shares are, in addition, subject to trade tax.

Trade tax can be credited towards the shareholder's personal income tax, either in full or in part, by means of a lump-sum tax credit method – depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

19.3.1.2.3 Partnerships

If the shareholder is a partnership with a tax domicile in Germany, the income or corporate income tax is not levied at the level of the partnership but at the level of the respective partners. The taxation depends on whether the partner is a corporation or an individual. If the partner is a corporation, the gains on the disposal of the shares as contained in the profit share of the partner will be taxed in accordance with the principles applicable for corporations (see "*20.3.1.2.1 Corporations*" above). For capital gains in the profit share of a partner that is an individual, the principles outlined above for sole proprietors apply accordingly (partial-income method, see above under "*20.3.1.2.2 Sole Proprietors*"). Upon application and subject to further conditions, an individual as a partner can obtain a reduction of his personal income tax rate for earnings not withdrawn from the partnership.

In addition, gains on the disposal of shares are subject to trade tax at the level of a commercial or deemed commercial partnership, if the shares are attributed to a domestic permanent establishment of a business operation of the partnership: Generally, 60.0% of the gain as far as the shares are attributable to the profit share of an individual as the partner of the partnership, and, currently, 5.0% as far as the shares are attributable to the profit share of a corporation as the partner of the partnership. Losses on disposals and other profit reductions in connection with the shares are currently not considered for the purposes of trade tax if they are attributable to the profit share of a corporation, and are taken into account at 60.0% in the context of general limitations if they are attributable to the profit share of an individual.

If the partner of the partnership is an individual, the portion of the trade tax paid by the partnership attributable to his profit share will generally be credited, either in full or in part, against his personal income tax by means of a lump-sum method – depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

20.3.2 Taxation of Capital Gains of Shareholders with a Non-German Tax Domicile

Capital gains derived from the disposal of shares by shareholders with no tax domicile in Germany are only subject to German tax if the selling shareholder has a Qualified Holding in the Company or the shares belong to a domestic permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed.

Pursuant to a decision of the German Federal Fiscal Court (*Bundesfinanzhof*) dated May 31, 2017 (Federal Tax Gazette (*Bundessteuerblatt*), part II of 2018, p. 144), in case of a Qualified Holding, the capital gain on the disposal of shares is not subject to German taxation if the shareholder is a corporation which is not tax resident in Germany and neither maintains a permanent establishment nor has appointed a permanent representative in Germany.

If the shareholder is a private individual, only 60.0% of the gains on the disposal of the shares are subject to progressive income tax plus the solidarity surcharge thereon and church tax, if applicable. However, most double taxation treaties provide for a partial or full relief from German taxation and assign the right of taxation to the shareholder's country of residence. Where a Domestic Paying Agent is involved, withholding tax on capital gains is generally levied at a rate of 25.0% (plus 5.5% solidarity surcharge thereon, resulting in an aggregate withholding tax rate of 26.375%). However, if (i) the shares are not held through a permanent establishment or fixed place of business or as business assets for which a permanent representative is appointed in Germany and (ii) a Domestic Paying Agent is involved, then, pursuant to a tax decree issued by the German Federal Ministry of Finance (*Bundesministerium der Finanzen*) on January 18, 2016, the Domestic Paying Agent will in general not be required to withhold the tax on capital investment income (plus solidarity surcharge thereon). In the case of a Qualified Holding, the capital gains must be declared in a tax return and will be taxed via an assessment procedure if no exemption under a double taxation treaty or under domestic law applies.

With regard to gains or losses on the disposal of shares belonging to a domestic permanent establishment or fixed place of business, or which are part of business assets for which a permanent representative in Germany has been appointed, the above-mentioned provisions pertaining to shareholders with a tax domicile in Germany whose shares are business assets apply accordingly (see "*20.3.1.2 Shares Held as Business Assets*"). The Domestic Paying Agent can refrain from deducting the withholding tax if the shareholder declares to the Domestic Paying Agent on the officially prescribed form that the shares form part of domestic business assets and certain other requirements are met.

20.4 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds

If credit institutions (*Kreditinstitute*) or financial services institutions (*Finanzdienstleistungsinstitute*) hold or sell shares that are allocable to their trading portfolio (*Handelsbestand*) pursuant to Section 340e para. 3 of the German Corporate Code (*Handelsgesetzbuch*), they will neither be able to benefit from the partial income method nor be entitled to the effective 95.0% exemption from corporate income tax plus the solidarity surcharge and any applicable trade tax. Thus, dividend income and capital gains are fully taxable. The same applies to shares acquired by financial institutions in the meaning of the German Banking Act (*Kreditwesengesetz*) held in the majority by credit institutions or financial services institutions and where the shares are to be allocated to the current assets (*Umlaufvermögen*) as of the date of acquisition. The preceding sentence applies accordingly for shares held in a permanent establishment in Germany by financial institutions, financial service institutions and financial institutions tax resident in another EU Member State or in other signatory states of the Treaty on the EEA. If the shareholding at the beginning of the relevant assessment period is 15.0% or higher, dividends may, subject to certain conditions, be effectively 100% exempted from trade tax.

Likewise, the tax exemption described earlier afforded to corporations for dividend income and capital gains from the sale of shares does not apply to shares that qualify as a capital investment in the case of life insurance and health insurance companies, or those which are held by pension funds.

However, an exemption to the foregoing, and thus a 95.0% effective tax exemption, applies to dividends obtained by the aforementioned companies, to which the Parent-Subsidiary Directive applies. In addition, applicable double taxation treaties might provide further relief from German tax, subject to certain prerequisites, *e.g.*, substance requirements and holding periods, being met.

20.5 Inheritance and Gift Tax

The transfer of shares to another person by way of inheritance or gift is generally subject to German inheritance or gift tax if:

(i) the place of residence, habitual abode, place of management or registered office of the decedent, the donor, the heir, the donee or another acquirer is, at the time of the asset transfer, in Germany, or such person, as a German national, has prior to the transfer not spent more than generally five consecutive years outside of Germany without maintaining a place of residence in Germany;

(ii) the decedent's or donor's shares belonged to business assets for which there had been a permanent establishment in Germany or a permanent representative had been appointed; or

(iii) the decedent or the donor, at the time of the succession or gift, held a direct or indirect interest of at least 10.0% of the Company's share capital either alone or jointly with other related parties.

The small number of double taxation treaties in respect of inheritance and gift tax which Germany has concluded to date usually provide for German inheritance or gift tax only to be levied in the cases under (i) and, subject to certain restrictions, in the cases under (ii). Special provisions apply to certain German nationals living outside of Germany and to former German nationals.

20.6 Abolishment of Solidarity Surcharge

On December 13, 2019, the law regarding a significant reduction of the solidarity surcharge (*Gesetz zur Rückführung des Solidaritätszuschlags 1995*) came into force. Even though, this new law has no impact on the solidarity surcharge levied in addition to the withholding tax, it can affect the solidarity surcharge levied on the income tax liability which the withholding tax is credited against, as the case may be. According to this new law the threshold as of which solidarity surcharge is levied will be significantly increased, so that the solidarity surcharge shall be abolished in full for approximately 90% of the German taxpayers and partly for a further 6.5% of German taxpayers. The new rules apply as of 2021. Shareholders are advised to monitor further future developments.

20.7 Other Taxes

No German capital transfer taxes, value-added-tax, stamp duties or similar taxes are currently levied on the purchase or disposal or other forms of transfer of the shares. However, an entrepreneur may opt to subject disposals of shares, which are in principle exempt from value-added-tax, to value-added-tax if the sale is made to another entrepreneur for the entrepreneur's business. Wealth tax is currently not levied in Germany.

On February 14, 2013, the EU Commission adopted a proposal for a Council Directive (the "**Draft Directive**") on a common financial transaction tax ("**FTT**") to be implemented in Austria, Belgium, France, Germany, Greece, Italy, Portugal, Spain, Slovakia, and Slovenia (the "**Participating Member States**"). Estonia has stated in 2015 that it will not participate in implementing the proposed FTT.

The Draft Directive has a very broad scope and could, if introduced, apply to certain dealings in the shares (including secondary market transactions) in certain circumstances. The Draft Directive focused on levying a FTT on financial transactions (as defined in the Draft Directive), including the purchase, sale and exchange of financial instruments. Under the Draft Directive, the rate of the FTT would not be lower than 0.1% (0.01% for derivatives), generally based on the amount of the paid or owed consideration or in case of derivatives, the notional amount referred to in the derivatives contract at the time of the financial transaction. The issuance and subscription of shares should, however, be exempt.

Since the date of the publication of the Draft Directive, discussions have taken place between the Participating Member States. It was envisaged to finalize the work on the legal framework for the FTT in the second half of the calendar year 2020. However, the legal framework for the FTT has not been finalized yet. The FTT is expected to be modelled on the existing French FTT legislation. Consequently, the FTT is expected to apply to the acquisition of shares in domestic companies with a market capitalization of more than € 1 billion and at a rate of 0.2%.

Nevertheless, the FTT remains subject to negotiation between the Participating Member States and was (and most probably will be) the subject of legal challenge. It may still be altered prior to its adoption. Moreover, once any directive has been adopted, it will need to be implemented into the respective domestic laws of the participating member states, and the domestic provisions implementing the directive might deviate from the directive itself. Finally, additional EU member states may decide to participate in or to dismiss the implementation.

Prospective holders of the Shares are advised to monitor future developments closely and should consult their own tax advisers in relation to the consequences of the FTT.

21 FINANCIAL INFORMATION

The following English-language financial statements are translations of the respective audited/unaudited German-language financial statements.

Unaudited Condensed Interim Consolidated Financial Statements of Cherry AcquiCo GmbH (now: Cherry AG) Prepared in Accordance with IFRS on Interim Financial Reporting (IAS 34) as of and for the Three-Month Period Ended March 31, 2021

Consolidated statement of financial position as of 31 March 2021

Assets

EUR k	Note	31 Mar 2021	31 Dec 2020
Non-current assets			
Intangible assets	(3.2.)	184,509	184,614
Property, plant and equipment	(3.1.)	24,872	24,502
Right-of-use assets	(3.3.)	18,954	16,459
Shares in affiliates		0	31
Other non-current assets		193	205
Deferred taxes		3,629	2,234
Total		**232,157**	**228,045**
Current assets			
Inventories		30,097	27,265
Trade receivables		18,624	10,887
Current income tax receivables		277	52
Financial assets		25	25
Other current assets		1,544	1,359
Cash and cash equivalents		18,900	22,900
Total		**69,467**	**62,488**
Total assets		**301,624**	**290,532**

Equity and liabilities

EUR k	Note	31 Mar 2021	31 Dec 2020
Equity			
Subscribed capital	(4.1.)	36	36
Capital reserves	(4.1.)	150,735	150,486
Net retained profit		-5,215	-7,571
Accumulated other comprehensive income		440	-366
Total		**145,996**	**142,585**
Non-current liabilities			
Pension provisions		922	994
Other non-current provisions		941	939
Financial liabilities	(4.2.)	76,811	74,748
Lease liabilities		15,250	13,208
Other non-current liabilities		123	125
Deferred taxes		24,650	24,715
Total		**118,697**	**114,729**
Current liabilities			
Other current provisions		365	480
Financial liabilities	(4.2.)	4,622	6,072
Lease liabilities		3,924	3,334
Trade payables		16,572	14,499
Current income tax liabilities		2,883	1,941
Other current liabilities		8,565	6,893
Total		**36,931**	**33,219**
Total equity and liabilities		**301,624**	**290,532**

Consolidated statement of comprehensive income as of 31 March 2021

EUR k Income statement	Note	1 Jan to 31 Mar 2021	1 Jan to 31 Mar 2020
Revenue	(5.1.)	**37,718**	**0**
Cost of sales		-22,207	0
Gross profit		**15,511**	**0**
Marketing and selling expenses		-3,341	0
Research and development costs		-1,285	0
Administrative expenses		-3,930	0
Other operating income	(5.2.)	140	0
Other operating expenses		-413	0
Operating result/earnings before interest, taxes and income taxes (EBIT)		**6,682**	**0**
Financial result	(5.2.)	-3,627	0
Earnings before taxes (EBT)		**3,055**	**0**
Income taxes		-699	0
Profit for the year from continuing operations		**2,356**	**0**
Consolidated profit/loss		**2,356**	**0**

EUR k Other comprehensive income and expenses	Note	1 Jan to 31 Mar 2021	1 Jan to 31 Mar 2020
Net other comprehensive income to be reclassified to profit or loss in subsequent periods: Exchange rate effects		806	0
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods: Actuarial losses		0	0
Other changes		0	0
Other comprehensive income and expenses		**806**	**0**
Total comprehensive income for the period		**3,162**	**0**

Consolidated statement of cash flows for the period from 1 January to 31 March 2021

	1 Jan to 31 Mar 2021 EUR k	1 Jan to 31 Mar 2020 EUR k
1. Cash flows from operating activities		
Profit/loss for the period (including minority interests)	2,356	0
Write-downs (+)/write-ups (-) of non-current assets	3,424	0
Increase (+)/decrease (-) in provisions	-172	0
Other non-cash expenses (+)/income (-)	323	0
Gain (-)/loss (+) on disposals of non-current assets	0	0
Increase (-)/decrease (+) in inventories, trade receivables and other assets	-10,108	0
Increase (+)/decrease (-) in trade payables and other liabilities	3,701	0
Interest expenses (+)/interest income (-)	3,627	0
Interest paid (-)	-2,920	0
Interest received (+)	1	0
Tax expenses	699	0
Income taxes paid (+/-)	-1,310	0
Cash flows from operating activities	-379	0
2. Cash flows from investing activities		
Cash received (+) from disposals of property, plant and equipment	4	0
Cash paid (-) for investments in property, plant and equipment	-1,811	0
Cash received (+) from disposals of intangible assets	0	0
Cash paid (-) for investments in intangible assets	-872	0
Cash paid (-) for investments in consolidated companies	-420	0
Cash paid (-) for investments in non-consolidated subsidiaries	0	0
Cash flows from investing activities	-3,099	0
3. Cash flows from financing activities		
Cash received (+) from equity contribution	0	0
Cash repayments (-) of other non-current financial liabilities	-901	0
Cash repayments (-) of bonds and loans	-37	0
Cash received (+) from the issuance of bonds and loans	0	0
Cash flows from financing activities	-938	0
4. Cash and cash equivalents at the end of the period		
Change in cash and cash equivalents (subtotal of 1 to 3)	-4,416	0
Changes in cash and cash equivalents due to exchange rates, changes in the basis of consolidation and valuation	416	0
Cash and cash equivalents at the beginning of the period	22,900	25
Cash and cash equivalents at the end of the period	18,900	25
5. Composition of cash and cash equivalents		
Cash	18,900	25
Cash and cash equivalents at the end of the period	18,900	25

Consolidated statement of changes in equity as of 31 March 2021

In EUR k	Subscribed capital	Capital reserves	Net retained profit	Accumulated other comprehensive income: Currency translation of financial statements of foreign operations[1]	Accumulated other comprehensive income: Actuarial gains and losses[2]	Total	Non-controlling interests	Total equity
01.01.2020	**25**	**0**	**0**	**0**	**0**	**25**	**0**	**25**
Consolidated profit/loss	0	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0	0
Currency translation of financial statements of foreign operations	0	0	0	0	0	0	0	0
Actuarial gains and losses	0	0	0	0	0	0	0	0
Income taxes on other comprehensive income	0	0	0	0	0	0	0	0
Other comprehensive income	0	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0	0
31.03.2020	**25**	**0**	**0**	**0**	**0**	**25**	**0**	**25**
01.01.2021	**36**	**150,486**	**-7,571**	**-358**	**-8**	**142,585**	**0**	**142,585**
Consolidated profit/loss	0	0	2,356	0	0	2,356	0	2,356
Capital increase	0	0	0	0	0	0	0	0
Currency translation of financial statements of foreign operations	0	0	0	806	0	806	0	806
Actuarial gains and losses	0	0	0	0	0	0	0	0
Income taxes on other comprehensive income	0	0	0	0	0	0	0	0
Other comprehensive income	0	0	0	806	0	806	0	806
Share-based payments	0	249	0	0	0	249	0	249
Dividends	0	0	0	0	0	0	0	0
31.03.2021	**36**	**150,735**	**-5,215**	**448**	**-8**	**145,996**	**0**	**145,996**

1 To be reclassified to profit and loss in subsequent periods

2 Not to be reclassified to profit and loss in subsequent periods

Selected explanatory notes to the condensed consolidated interim financial statements as of March 31, 2021

1. GENERAL

1.1. GENERAL INFORMATION ON THE GROUP

The main purpose of the Cherry Group, having its registered office in Auerbach, is the development and distribution of mechanical switches, peripheral IT devices, security systems and software, the import and export thereof and trade in purchased peripherals, security systems and software, and the provision of development and other IT services as well as all related business.

The parent company of the Cherry Group is Cherry AcquiCo GmbH, which is entered in the commercial register of Munich Local Court under HRB no. 263478. The registered office of the Company is at Einsteinstraße 174, 81677 Munich, Germany.

The condensed consolidated interim financial statements of Cherry AcquiCo GmbH and its subsidiaries comprise the period from 1 January to 31 March 2021.

1.2. GENERAL BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Cherry AcquiCo GmbH prepared its consolidated financial statements as of 31 March 2021 in accordance with International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and the relevant interpretations for the preparation of interim financial statements (IAS 34), as adopted by the European Union (EU). Thus, these interim financial statements comprise all information and disclosures required by IFRS to be presented in condensed interim financial statements.

The interim financial statements do not comprise all notes which are regularly included in financial statements for a full financial period. Therefore, this interim report has to be read in conjunction with the consolidated financial statements of Cherry AcquiCo GmbH for the fiscal year as of 31 December 2020.

The accounting policies applied are generally based upon the same accounting policies used for the previous fiscal year 2020. In the current period amendments to IAS 39, IFRS 9, IFRS 7, IFRS 4 and IFRS 16 "Interest Benchmark Reform (Phase 2)" came into effect. These had no effects on the accounting policies of the group and did not result in necessary retrospective changes.

Preparation of the condensed consolidated interim financial statements in accordance with IAS 34 requires the Management Board to exercise judgement and make estimates and assumptions that affect the application of accounting policies in the group and the presentation of assets, liabilities, income and expenses. Actual amounts may differ from these estimates. The results obtained thus far in fiscal year 2021 are not necessarily an indication of how business will develop in the future.

The consolidated financial statements are presented in euros, which is also the parent company’s functional currency. Unless stated otherwise, **all figures are stated in thousands of euros (EUR k)**.

Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures (EUR k, percentages (%), etc.).

1.3. BASIS OF CONSOLIDATION

The consolidated financial statements of Cherry AcquiCo GmbH as of 31 March 2021 includes the following companies in addition to the parent:

LIST OF SHAREHOLDINGS

Fully consolidated companies:	Principal activities	Share in equity (%) 31 Mar 2021
Cherry Holding GmbH, Auerbach	Management-Holding	100
Cherry GmbH, Auerbach	Production and distribution	100
Cherry Digital Health GmbH, Munich	Sales	100
Theobroma Systems Design und Consulting GmbH, Vienna (Austria)	Production and distribution	100
Zhuhai Cherry Electronics Co. Ltd., Zhuhai City, China	Production and distribution	100
Cherry Electronics (Hong Kong) Co. Ltd., Hong Kong, China	Sales	100
Cherry Americas LLC, Kenosha, USA	Sales	100
Cherry S.A.R.L, Paris, France	Sales	100

The subsidiary Cherry Digital Health GmbH, Munich, until 31 December 2020 not fully consolidated due to materiality reasons, was now fully consolidated as of 1 January 2021.

In the first quarter 2021 no business combinations took place.

2. SIGNIFICANT TRANSACTIONS

In the first quarter of 2021 Cherry AcquiCo GmbH has started to initiate an initial public offering. In this connection cost in the amount of EUR 267k were incurred until 31 March 2021 which have been deferred as cost of issuing equity instruments in current other assets.

3. NOTES TO THE GROUP'S ASSETS

3.1. PROPERTY, PLANT AND EQUIPMENT

In the first quarter 2021 investments in property, plant and equipment amounted to EUR 1,811k.

INVESTMENTS

in EUR k	Land, land rights and buildings, including buildings on third-party land	Plant and machinery	Other equipment, furniture and fixtures	Prepayments and assets under construction	Total
01.01.-31.03.2021	81	237	224	1,269	**1,811**
01.01.-31.03.2020	0	0	0	0	**0**

Total depreciation for property, plant and equipment was EUR 1,485k. No impairments were recorded.

3.2. INTANGIBLE ASSETS

In the first quarter 2021 investments in intangible assets amounted to EUR 872k.

Total amortization for intangible assets was EUR 977k. No impairments were recorded.

There were no changes in goodwill compared to 31 December 2020.

INVESTMENTS

in EUR k	Development cost and internally generated industrial and similar rights and assets	Industrial rights, licenses and patents	Customer list	Brand	Goodwill	Prepayments	Total
01.01.-31.03.2021	828	29	0	0	0	15	**872**
01.01.-31.03.2020	0	0	0	0	0	0	**0**

3.3. RIGHT-OF-USE ASSETS

In the first quarter 2021 investments in right-of-use assets amounted to EUR 3,424k.

in EUR k	ROU for buildings	ROU for machinery	ROU for tools	ROU for vehicles	ROU for furniture and fixtures and operating equipment	Total
01.01.-31.03.2021	93	3,331	0	0	0	**3,424**
01.01.-31.03.2020	0	0	0	0	0	**0**

Total depreciation for right-of-use assets was EUR 958k. No impairments were recorded.

4. NOTES TO THE GROUP'S EQUITY AND LIABILITIES

4.1. EQUITY

The parent company’s subscribed capital of EUR 36k is unchanged and is fully paid in.

Capital reserves amounted to EUR 150,735k as of 31 March 2021 (31 December 2020: EUR 150,486k). The increase is due to the share ownership plan set up as of 30 September 2020 for the management and advisory board. In the first quarter the plan resulted in personnel expenses in the amount of EUR 249k which are directly recognized in equity according to IFRS 2 and thus, have increased the capital reserve.

The development of equity is shown in the statement of changes in equity.

4.2. FINANCIAL LIABILITIES

Apart from lease liabilities, Cherry Group’s current and non-current financial liabilities mainly relate to liabilities due to banks.

In the first quarter 2021 no repayments were effected for the loan in the nominal amount of EUR 80,000k raised to finance the purchase price for the shares of Cherry Holding GmbH incl. its subsidiaries in 2020. Interest was paid in an amount of EUR 2,831k. The fair value of the embedded derivatives included in the loan contract as host contract changed by EUR 1,872k to EUR 3,694k in the first three months of 2021.

FINANCIAL LIABILITIES

in EUR k	31 Mar 2021	31 Dec 2020
Current	4,622	6,072
Non-current	76,811	74,748
Total	**81,433**	**80,820**

Current financial liabilities include the short-term portion of the purchase price loan of Cherry AcquiCo GmbH in the amount of EUR 3,000k (31 December 2020: EUR 4,431k) as well as short-term loans of foreign subsidiaries in the amount of EUR 1,622k (31 December 2020: EUR 1,641k).

As of 31 March 2021 non-current financial liabilities include the purchase price loan of Cherry AcquiCo GmbH in the amount of EUR 73,117k (31 December 2020: EUR 72,927k) and the fair value of related embedded derivatives in the amount of EUR 3,694k (31 December 2020: EUR 1,821k).

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

5.1. REVENUE

Revenue breaks down by source as follows:

REVENUE

in EUR k	01.01.-31.03.2021	01.01.-31.03.2020
Product revenue, in particular from keyboards, MX modules, mice and smart card readers	38,248	0
Other revenue	252	0
Sales deductions	-782	0
Total	**37,718**	**0**

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

in EUR k	01.01.-31.03.2021
Gaming	
Gaming Switches	13,274
Gaming Peripherals	5,563
Professional	
Office & Industry Peripherals	12,440
Office	*10,450*
Industry	*1,990*
Healthcare & Security Peripherals	6,441
Security	*1,437*
eHealth	*4,440*
Point of sale products	*564*
Others/Metal Fab	**0**
Total revenue by product type	**37,718**

REVENUE BY REGION
01.01.-31.03.2021

in EUR k	Germany	USA	China	Hong Kong	Austria	Total
Gaming Switches	4,476	110	3	8,685	0	**13,274**
Gaming Peripherals	116	32	4,755	660	0	**5,563**
Office & Industry Peripherals	11,301	864	226	49	0	**12,440**
Healthcare & Security Peripherals	5,631	625	106	0	79	**6,441**
Others/Metal Fab	0	0	0	0	0	**0**
Total revenue by region	**21,525**	**1,631**	**5,090**	**9,394**	**79**	**37,718**

5.2. FINANCIAL RESULT

The financial result breaks down as follows:

FINANCIAL RESULT

in EUR k	01.01.-31.03.2021	01.01.-31.03.2020
Interest and similar income	1	0
Total interest income	**1**	**0**
Interest and similar expenses	3,627	0
Expenses from discounting and the unwinding of discounts	1	0
Total finance costs	**3,628**	**0**
Total	**-3,627**	**0**

Interest and similar expenses mainly comprise interest expenses resulting from the purchase price loan of Cherry AcquiCo GmbH amounting to EUR 1,590k, expenses from the measurement of embedded derivatives at fair value of EUR 1,873k as well as interest expenses relating to lease obligations of EUR 89k.

6. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows from investing activities of the first quarter 2021 include cash outflows in the amount of EUR 420k for the purchase price of the acquisition in Theobroma Systems Design und Consulting GmbH in the previous fiscal year.

7. OTHER NOTES

7.1. NOTES TO FINANCIAL INSTRUMENTS

Below explanations regarding the fair value of financial instruments measured at fair value as of the reporting date and the methods for the determination of fair value are presented:

As of 31 March 2021 embedded derivatives are the only financial instruments measured at fair value (fair value hierarchy level 3). Unchanged to 31 December 2020 these consist 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 is 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 case of the termination option of the lender the probability of an exit has been considered as significant unobservable input. As of 31 March 2021 there was a change in estimate as the probability of an exit had to be reconsidered. As of 31 March 2021 the probability was estimated at 10-50% (31 December 2020: 2-10%) for the different exit phases. A change of the probability to 20-60% would have an impact on the fair value of the embedded derivatives of EUR 602k.

RECONCILIATION OF FINANCIAL LIABILITIES MEASURED AT FAIR VALUE AT LEVEL 3

EUR k	
Opening balance as of 31 Dec 2020	1,821
Additions	0
Income/expense recognized in profit or loss	1,873
Closing balance as of 31 Mar 2021	**3,694**

The expenses recognised in profit or loss result from the measurement of the embedded derivatives as of 31 March 2021 and are presented in the line item financial result in profit or loss.

The shares in affiliated companies presented as of 31 December 2020 in the amount of EUR 31k were eliminated due to the consolidation of the subsidiary as of 1 January 2021.

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).

Furthermore, the Group has several financial instruments which are not measured at fair value in the statement of financial position. For most of these financial instruments the fair values do not materially differ from the carrying amounts due to their short-term maturities or due to the fact that the carrying amount approximates the fair value as a result of the variable interest based on EURIBOR and fluctuations in the underlying interest rate leading to a variable interest charge in the future.

MEASUREMENT CATEGORIES

in EUR k	31 Mar 2021	31 Dec 2020
Assets measured at amortized cost		
Trade receivables	18,624	10,887
Current financial assets	25	25
Cash	18,900	22,900
Equity instruments measured at fair value through OCI		
Shares in affiliated companies	0	31
Total	**37.549**	**33,843**

in EUR k	31 Mar 2021	31 Dec 2020
Liabilities measured at amortized cost		
Trade payables	16,572	14,499
Current financial liabilities	4,622	6,072
Other current financial liabilities	4,095	4,085
Non-current financial liabilities (without derivatives)	73,117	72,927
Liabilities measured at fair value		
Embedded derivatives separated from the host contract	3,694	1,821
Total	**102,100**	**99,404**

7.2. EVENTS AFTER THE REPORTING PERIOD

In March 2021 it was decided to initiate the merger of Cherry AcquiCo GmbH and Cherry Holding GmbH. In this context Cherry Holding GmbH is merged into Cherry AcquiCo GmbH. The filing of the merger with the trade register took place on 6 April 2021. The merger was registered in the trade register on 19 April 2021. In connection with the merger Cherry AcquiCo GmbH changed its name to Cherry Holding GmbH. The registered office of the Company is unchanged in Munich.

With the contract of 5 May 2021 (Signing) Cherry Group acquired 100% of the limited partner's shares of Active Key GmbH & Co. KG, Pegnitz, upon withdrawal from the company by the general partner. Active Key has a broad portfolio of hygienic and robust computer input devices, with a focus on hospitals and industrial customers, including peripherals that contribute to infectious disease control, such as washable medical-grade keyboards and disinfectable keyboards and mice. Recently, this product area has seen high demand in light of the Covid-19 pandemic. The acquired business with industrial keyboards will complement the Group's portfolio. Active Key has good technological expertise in the niche of hygienic, robust, anti-dust, washable and industrial input devices, which we intend to leverage. The acquisition was completed on 7 May 2021 for a purchase price of EUR 6.3 million.

On 25 May 2021, the Company's sole shareholder resolved, in an extraordinary shareholders' meeting of the Company, to increase the share capital from EUR 36,253.00 by EUR 1,963,747.00 to EUR 2,000,000.00 out of the Company's reserves (Kapitalerhöhung aus Gesellschaftsmitteln) in order to comply with the statutory requirements for the share capital of a stock corporation (Aktiengesellschaft) prior to the effectiveness of the conversion of the legal form of the Company into a stock corporation. In the same extraordinary shareholders' meeting, the Company's sole shareholder approved a resolution to change the Company's legal form to a German stock corporation (Aktiengesellschaft) under the legal name "Cherry AG".

No further events occurred after the close of the fiscal year that have a significant effect on the assets and liabilities, financial position and financial performance.

Munich, 26 May 2021

Cherry AcquiCo GmbH

The Management Board

Rolf Unterberger

Hans Bernd Josef Wagner

Audited Consolidated Financial Statements of
Cherry AcquiCo GmbH (now: Cherry AG)
Prepared in Accordance with IFRS as of and for the Fiscal Year Ended December 31, 2020

Consolidated statement of financial position as of 31 December 2020

Assets

EUR k	Note	31 Dec 2020	31 Dec 2019
Non-current assets			
Intangible assets	(4.2.)	184,614	0
Property, plant and equipment	(4.1.)	24,502	0
Right-of-use assets	(4.3.)	16,459	0
Shares in affiliates	(1.4)	31	0
Other non-current assets	(4.8.)	205	0
Deferred taxes	(5.7.)	2,234	**0**
Total		**228,045**	**0**
Current assets			
Inventories	(4.4.)	27,265	0
Trade receivables	(4.5.)	10,887	0
Current income tax receivables	(4.6.)	52	0
Financial assets	(4.7.)	25	0
Other current assets	(4.8.)	1,359	0
Cash and cash equivalents	(4.9.)	22,900	25
Total		**62,488**	**25**
Total assets		**290,532**	**25**

Equity and liabilities

EUR k	Note	31 Dec 2020	31 Dec 2019
Equity			
Subscribed capital	(5.1.)	36	25
Capital reserves	(5.1.)	150,486	0
Net retained profit		-7,571	0
Accumulated other comprehensive income	(5.1.)	-366	0
Total		**142,585**	**25**
Non-current liabilities			
Pension provisions	(5.2.)	994	0
Other non-current provisions	(5.3.)	939	0
Financial liabilities	(5.5.)	74,748	0
Lease liabilities	(4.3.)	13,208	0
Other non-current liabilities	(5.5.)	125	0
Deferred taxes	(5.7.)	24,715	0
Total		**114,729**	**0**
Current liabilities			
Other current provisions	(5.3.)	480	0
Financial liabilities	(5.5.)	6,072	0
Lease liabilities	(4.3.)	3,334	0
Trade payables	(5.4.)	14,499	0
Current income tax liabilities	(5.6.)	1,941	0
Other current liabilities	(5.5.)	6,893	0
Total		**33,219**	**0**
Total equity and liabilities		**290,532**	**25**

Consolidated statement of comprehensive income as of 31 December 2020

EUR k Income statement	Note	1 Jan to 31 Dec 2020	26 Apr to 31 Dec 2019
Revenue	(6.1.)	36,256	**0**
Cost of sales		-28,314	0
Gross profit		**7,942**	**0**
Marketing and selling expenses		-4,398	0
Research and development costs		-1,243	0
Administrative expenses		-3,164	0
Other operating income	(6.2.)	318	0
Other operating expenses	(6.5.)	-5,708	0
Operating result/earnings before interest, taxes and income taxes (EBIT)		**-6,253**	**0**
Financial result	(6.6.)	-2,172	0
Earnings before taxes (EBT)		**-8,425**	**0**
Income taxes	(6.7.)	854	0
Profit for the year from continuing operations		**-7,571**	**0**
Consolidated profit/loss		**-7,571**	**0**

EUR k Other comprehensive income and expenses	Note	1 Jan to 31 Dec 2020	26 Apr to 31 Dec 2019
Net other comprehensive income to be reclassified to profit or loss in subsequent periods: Exchange rate effects	(5.1.)	-358	0
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods: Actuarial losses	(5.1.)	-4	0
Other changes	(5.1.)	-5	0
Other comprehensive income and expenses		**-366**	**0**
Total comprehensive income for the period		**-7,938**	**0**

Consolidated statement of cash flows for the period from 1 January to 31 December 2020

	2020 EUR k	2019 EUR k
1. Cash flows from operating activities		
Profit/loss for the period (including minority interests)	-7,571	0
Write-downs (+)/write-ups (-) of non-current assets	3,485	0
Increase (+)/decrease (-) in provisions	4,800	0
Other non-cash expenses (+)/income (-)	219	0
Gain (-)/loss (+) on disposals of non-current assets	0	0
Increase (-)/decrease (+) in inventories, trade receivables and other assets	7,813	0
Increase (+)/decrease (-) in trade payables and other liabilities	-340	0
Interest expenses (+)/interest income (-)	1,935	0
Interest paid (-)	-152	0
Interest received (+)	6	0
Tax expenses	-854	0
Income taxes paid (+/-)	-4,533	0
Cash flows from operating activities	4,808	0
2. Cash flows from investing activities		
Cash received (+) from disposals of property, plant and equipment	151	0
Cash paid (-) for investments in property, plant and equipment	-1,794	0
Cash received (+) from disposals of intangible assets	0	0
Cash paid (-) for investments in intangible assets	-912	0
Cash paid (-) for investments in consolidated companies	-205,609	0
Cash paid (-) for investments in non-consolidated subsidiaries	-31	0
Cash flows from investing activities	-208,195	0
3. Cash flows from financing activities		
Cash received (+) from equity contribution	150,268	25
Cash repayments (-) of other non-current financial liabilities	-751	0
Cash repayments (-) of bonds and loans	-150	0
Cash received (+) from the issuance of bonds and loans	80,085	0
Cash paid (-) in connection with the issuance of loans	-2,831	0
Cash flows from financing activities	226,621	25
4. Cash and cash equivalents at the end of the period		
Change in cash and cash equivalents (subtotal of 1 to 3)	23,234	25
Changes in cash and cash equivalents due to exchange rates, changes in the basis of consolidation and valuation	-359	0
Cash and cash equivalents at the beginning of the period	25	0
Cash and cash equivalents at the end of the period	22,900	25
5. Composition of cash and cash equivalents		
Cash	22,900	25
Cash and cash equivalents at the end of the period	22,900	25

Consolidated statement of changes in equity as of 31 December 2020

In EUR k	Subscribed capital	Capital reserves	Net retained profit	Accumulated other comprehensive income – Currency translation of financial statements of foreign operations[1]	Accumulated other comprehensive income – Actuarial gains and losses[2]	Total	Non-controlling interests	Total equity
01.01.2019	25	**0**	**0**	**0**	**0**	**25**	**0**	**25**
Consolidated profit/loss	0	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0	0
Currency translation of financial statements of foreign operations	0	0	0	0	0	0	0	0
Actuarial gains and losses	0	0	0	0	0	0	0	0
Income taxes on other comprehensive income	0	0	0	0	0	0	0	0
Other comprehensive income	0	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0	0
31.12.2019	**25**	**0**	**0**	**0**	**0**	**25**	**0**	**25**
01.01.2020	**25**	**0**	**0**	**0**	**0**	**25**	**0**	**25**
Consolidated profit/loss	0	0	-7,571	0	0	-7,571	0	-7,571
Capital increase	11	150,257	0	0	0	150,268	0	150,268
Currency translation of financial statements of foreign operations	0	0	0	-358	0	-358	0	-358
Actuarial gains and losses	0	0	0	0	-4	-4	0	-4
Income taxes on other comprehensive income	0	0	0	0	-5	-5	0	-5
Other comprehensive income	0	0	0	-358	-8	-366	0	-366
Share-based payments	0	229	0	0	0	229	0	229
Dividends	0	0	0	0	0	0	0	0
31.12.2020	**36**	**150,486**	**-7,571**	**-358**	**-8**	**142,585**	**0**	**142,585**

1 To be reclassified to profit and loss in subsequent periods

2 Not to be reclassified to profit and loss in subsequent periods

Reference is made to the information in the Notes under 5.1. Equity.

Notes to the consolidated financial statements as of 31 December 2020

1. GENERAL

1.1. GENERAL INFORMATION ON THE GROUP

The main purpose of the Cherry Group, having its registered office in Auerbach, is the development and distribution of mechanical switches, peripheral IT devices, security systems and software, the import and export thereof and trade in purchased peripherals, security systems and software, and the provision of development and other IT services as well as all related business.

With the contract of 21 May 2020 and effective 30 September 2020, Cherry AcquiCo GmbH (formerly Kronen zweitausen623 GmbH, having its registered office in Berlin, now having its registered office in Einsteinstraße 174, 81677 Munich) acquired all of the assets, liabilities and employees of Cherry Holding GmbH (having its registered office in Cherrystrasse, 91275 Auerbach) incl. all of its subsidiaries in a share deal. By way of this acquisition the group of Cherry AcquiCo GmbH was generated as of 30 September 2020 and for the first time the company is obliged to prepare consolidated financial statements as of 31 December 2020. Thus, the consolidated income statement comprises both the result of Cherry AcquiCo GmbH for the period prior to the acquisition from 1 January 2020 to 30 September 2020 and the result of the entire group for the period from 1 October to 31 December 2020. The prior period solely includes the result of the parent company and therefore, is not comparable to the period 2020. Consequently, the consolidated statement of financial position, the consolidated statement of cashflows and the consolidated statement of changes in equity for the prior period only presents the figures of Cherry AcquiCo GmbH. Thus, these figures are not comparable to those of fiscal year 2020, either. In order to enhance the understanding of the financial statements, in the notes the amounts of the items of the statement of financial position as of 30 September 2020 are additionally presented including the acquisition of Cherry Holding GmbH and its subsidiaries.

The parent company of the Cherry Group is Cherry AcquiCo GmbH, which is entered in the commercial register of Munich Local Court under HRB no. 263478. The registered office of the Company is at Einsteinstraße 174, 81677 Munich, Germany.

On 26 May 2021, the management board approved these consolidated financial statements for issue.

1.2. GENERAL BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Cherry AcquiCo GmbH applies the regulations of IFRS 1 to the consolidated financial statements as of 31 December 2020. Due to the fact that it is a new company which did not recognize material assets or liabilities and had no business in prior year the Company waived to prepare an opening balance sheet as well as a reconciliation of the profit or loss and the equity.

Cherry AcquiCo GmbH applied Sec. 315e (3) HGB ["Handelsgesetzbuch": German Commercial Code] and prepared its consolidated financial statements as of 31 December 2020 in accordance with International Financial Reporting Standards (IFRSs) as set out in Regulation (EC) No 1606/2002 of the European Parliament and the Council. The consolidated financial statements are in compliance with the IFRSs, International Accounting Standards (IASs) and the relevant interpretations by the International Financial Reporting Interpretations Committee (IFRIC/SIC) as adopted by the European Union (EU) for fiscal year 2020 and are supplemented by the group management report in conjunction with Sec. 315e HGB.

The consolidated financial statements were prepared on a historical cost basis with the exception of the measurement of financial assets at fair value and the measurement of financial liabilities at fair value through profit or loss.

The financial statements of the fully consolidated entities were all prepared on the basis of uniform accounting policies. The separate financial statements of the companies included in the consolidated financial statements were prepared as of the reporting date of the consolidated financial statements (31 December 2020).

The financial statements of the consolidated subsidiaries prepared in a foreign currency are translated into euros on the basis of the functional currency concept in accordance with IAS 21 *The Effects of Changes in Foreign*

Exchange Rates. The functional currency of all the Group's foreign subsidiaries is the respective local currency, since the entities operate on an independent basis financially, economically and organizationally.

The consolidated financial statements are presented in euros, which is also the parent company's functional currency. Unless stated otherwise, **all figures are stated in thousands of euros (EUR k)**.

Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures (EUR k, percentages (%), etc.).

Assets and liabilities are generally measured at historical cost or cost less accumulated amortization, depreciation and impairment.

The consolidated statement of financial position is prepared in accordance with IAS 1 *Presentation of Financial Statements* using the current/non-current classification whereby assets realized within 12 months of the reporting date and liabilities due within one year of the reporting date are generally stated as current.

1.3. CONSOLIDATION PRINCIPLES

The consolidated financial statements include the financial statements as of 31 December 2020 of Cherry AcquiCo GmbH and the subsidiaries that are controlled directly or indirectly by Cherry AcquiCo GmbH.

All significant subsidiaries in which Cherry AcquiCo GmbH directly or indirectly holds the majority of voting rights and has control are fully consolidated. According to IFRS 10 control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. In addition, the Group must have power over the subsidiary due to existing rights that give it the ability to direct the relevant activities of the subsidiary that significantly affect its returns. Subsidiaries are fully consolidated as of the date of acquisition, that is the date on which the Group obtains control. Consolidation ends as soon as the parent ceases to have control.

The financial statements of the subsidiaries included in the Group are prepared for the same reporting period as for the parent using consistent accounting policies in accordance with IFRS 10. In the case of discrepancies, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Significant investments where Cherry AcquiCo GmbH does not control the associate but exerts significant influence over it are accounted for using the equity method. No investments in associates are recognized in the consolidated financial statements as of 31 December 2020.

All assets and liabilities, equity, income and expenses resulting from intragroup transactions are eliminated in full, as are intercompany profits and losses from intercompany trade and dividends. Deferred taxes are recognized on consolidation entries affecting income.

1.4. BASIS OF CONSOLIDATION

The consolidated financial statements of Cherry AcquiCo GmbH as of 31 December 2020 includes the following companies in addition to the parent:

LIST OF SHAREHOLDINGS

		Share in equity (%)
Fully consolidated companies:	**Principal activities**	**31 Dec 2020**
Cherry Holding GmbH, Auerbach	Holding	100
Cherry GmbH, Auerbach	Production and distribution	100
Theobroma Systems Design und Consulting GmbH, Vienna (Austria)	Production and distribution	100
Zhuhai Cherry Electronics Co. Ltd., Zhuhai City, China	Production and distribution	100
Cherry Electronics (Hong Kong) Co. Ltd., Hong Kong, China	Sales	100
Cherry Americas LLC, Kenosha, USA	Sales	100
Cherry S.A.R.L, Paris, France	Sales	100
Not fully consolidated companies:		
Cherry Digital Health GmbH, Munich		100

On 8 January 2018, a branch of Cherry Electronics (Hong Kong) Co. Ltd. was established in Taiwan.

On 12 November 2020 the Group acquired 100% of the shares of Cherry Digital Health GmbH, Munich (formerly Blitz 20-639 GmbH, Munich). Until 31 December 2020 Cherry GmbH has spun off the business area eHealth to Cherry Digital Health GmbH. Both companies entered into a distribution agreement which initially grants the distribution right to Cherry GmbH. The spin-off was registered in the trade register on 20 January 2021. Due to materiality reasons the company was not fully consolidated as of 31 December 2020. The shares with a carrying amount of EUR 31k are pledged as security for a bank loan of Cherry AcquiCo GmbH.

In the acquisition of Cherry Group as of 30 September 2020 the following companies were acquired: Cherry Holding GmbH, Cherry GmbH, Zhuhai Cherry Electronics Co. Ltd., Cherry Electronics (Hong Kong) Co Ltd., Cherry Americas LLC und Cherry S.A.R.L.

Furthermore, reference is made to the notes to the business combinations in note 3.

In accordance with Sec. 264 (3) HGB, the German corporations listed, with the exception of Cherry Digital Health GmbH, are, by virtue of their inclusion in the consolidated financial statements, exempt from preparing annual financial statements and a management report and having these audited and published.

1.5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with IFRSs requires certain assumptions and estimates to be made as well as the use of judgment by management, which have an effect on the recognition, measurement and presentation of assets and liabilities, income and expenses as well as on the disclosure of contingent liabilities as of the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying amount of the asset or liability affected in future periods.

These estimates and assumptions are based on premises that reflect the knowledge available on the date when the consolidated financial statements are prepared. These premises are regularly reviewed and, if necessary, revised in the light of actual developments. Estimates are adjusted, with any changes being recognized in profit and loss, as and when better knowledge is available.

In the year 2020 the impact of the COVID 19 pandemic on the accounting and the significant estimates, assumptions and judgements have to be evaluated. The Covid-19 pandemic has resulted in a considerable boost for our business due to an acceleration of relevant trends such as increased gaming activity and an increase in B2C sales of office peripherals due to a rise of remote working and learning. However, it is uncertain whether we will be able to sustain or increase the level of sales once the pandemic ebbs or is overcome. From the point of view of the management the impact of COVID 19 on the Cherry Group was very low up to now and currently, no significant impact on the future accounting is expected. The credit-worthiness of the clients continues to be monitored on a regular basis and in 2020 there were no significant impact on the trade receivables.

The key assumptions and estimates entailing a significant risk of an adjustment of carrying amounts of assets and liabilities during the next fiscal year are presented below:

Business Combinations

For business combinations acquired identifiable assets and liabilities basically have to be measured at fair value. As there is no active market for many assets and liabilities fair values have to be determined based on generally accepted measurement methods. For example, these include the relief-from-royalty method and the multi-period-excess-earnings method. For the purchase price allocation of Cherry Group the measurement of the brand is based on the relief-from-royalty method and the customer relationship was measured using the multi-.period-excess-earnings method. Significant measurement parameters to be estimated for these methods comprise the future cashflows resulting from the assets and liabilities, the license rate as well as the applicable discount rates. In order to measure contingent consideration in connection with business combinations assumptions has to be made regarding the characteristics of parameters which are included in the measurement.

Impairment of financial and non-financial assets

On each reporting date, the Group assesses whether there is an indication that a financial or non-financial asset may be impaired. For financial assets, particularly trade receivables, the Group regularly reviews whether an impairment needs to be charged (e.g., due to a loss of customer credit standing). Other non-financial assets, such as inventories and property, plant and equipment, are tested for impairment if there is an indication that the net realizable value/recoverable amount is less than the carrying amount. Determining recoverability requires the net selling price to be estimated or, in the case of raw materials, consumables and supplies, an estimate of alternative uses. Current market conditions are used as a basis for determining the realizable sales proceeds. Intangible assets acquired in business combinations have to be evaluated if the useful life is finite or indefinite. In the past the only asset identified with an indefinite useful life was the brand “Cherry” as the brand is well established since decades and it is intended to further use the brand. For internally generated intangible assets in the form of development cost for future products assumptions and estimates are especially necessary in determining if the asset will generate future economic benefits and if the asset is not impaired during the development phase. In doing so it is decisive to assess the existence of a market and a customer, respectively. Cherry regularly starts development projects in cooperation with existing customers who have shown a respective interest in the developed products. The assessment of the generation of future economic benefit is permanently done based on the progress of the project. Due to the type of products of Cherry Group there is naturally an influence by technological developments while assessing impairments. These are regularly monitored and evaluated.

Impairment test

Cherry has to estimate numerous parameters according to IAS 36 in the course of the impairment test in order to test the assets' recoverability. These especially include estimates of future cashflows, growth rates as well as the interest rate used to discount future cashflows. In the detailed planning phase growth in sales is regularly planned on the basis of historical experience of prior years considering the current short to medium-term expectations. Currently, this also includes the expectations resulting from the Covid-19 pandemic and the planned market strategies. After the detailed planning phase a long-term growth in sales is assumed on the basis of the current planning. Due to the product portfolio the planning includes steady gross margins. Risks especially result from the goodwill. In determining the cashflows on which the calculation of the value in use is based financing cash outflows must not be considered. At the same time expenses have to be considered which are necessary to generate future cashflows. Notes regarding the impairment test are included in section 4.2.

Leases

The Group has several leases that include extension and termination options. These options are negotiated by the management board to ensure flexibility in managing the lease asset portfolio and meet the Group's business requirements. The management board exercises considerable judgment to determine whether these extension and termination options can be exercised with reasonable certainty.

Deferred tax assets

The Cherry Group is obligated to pay income taxes in several countries. In order to recognize tax provisions and deferred taxes, estimates have to be made. Deferred tax assets are recognized if it is probable that sufficient taxable income will be available in the future. Management's estimates relate to the amount of taxable income and the likely timing. For further details see note 5.7 on deferred taxes.

Measurement of provisions for pensions and similar obligations

Provisions for pensions and similar obligations are determined using actuarial calculations. They are measured applying assumptions about discount rates, long-term expected return on plan assets, expected future salary and pension increases and mortality tables. Actual expenses and liabilities may differ from the estimates made due to changes in the market and economic environment.

Measurement of other provisions

Other provisions, especially the provisions for warranty obligations, are subject to estimation uncertainty as to the amount and/or timing of the obligation. Cherry must make assumptions, some based on historical values, about the probability of occurrence of the obligation or future developments, such as the costs used to calculate the obligation. These costs may be subject to estimating uncertainty, especially in the case of non-current provisions. The amount of non-current provisions is particularly dependent on the choice and development of market-based discount rates.

Share-based payments

While recognizing the personnel expenses from share-based payments the management has to estimate how many rights are expected to vest after the vesting period and thus, can be exercised. Furthermore, option pricing models include the estimate of several input parameters (volatility, discounting).

The carrying amounts of the items affected by the above-mentioned key assumptions and estimates are shown in the respective disclosures in these notes.

1.6 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which, based on the uniform group accounting policies, are applied in the consolidated financial statements of Cherry AcquiCo GmbH are explained below.

Acquisition and production cost

Acquisition cost includes purchase prices as well as all directly attributable acquisition-related costs. The production cost of internally generated assets from which future benefits are expected to flow and which can be measured reliably includes costs directly related to the production process as well as appropriate allocations of production overheads. Finance costs are capitalized as part of the cost of an asset if that asset takes a period of more than 12 months to get ready for its intended use or sale (qualifying assets). In 2020 no qualifying assets were built or acquired.

Fair value

The fair value of financial instruments that are traded in organized markets is determined by reference to quoted market prices (bid prices) at the reporting date. For financial instruments not traded in an active market, the fair value is determined using valuation techniques. Such techniques may include the use of recent arm's length market transactions between knowledgeable, willing and independent parties, reference to the current fair value of another financial instrument that is substantially the same and the discounted cash flow analysis or other valuation models.

Since the fair value is not always available in the form of a market price, it may have to be determined using a range of different valuation inputs. Depending on the observable inputs available and the significance of these available inputs for the determination of fair value, any fair value to be determined is allocated to levels 1, 2 or 3. The allocation follows the following hierarchy:

Level 1:

The valuation inputs used are exclusively quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2:

The valuation inputs used include quoted prices that are either directly observable for the asset or liability or indirectly derivable from other prices.

Level 3:

The inputs for the measurement of an asset or liability include inputs not observable on the market.

Foreign currency translation

The financial statements of the consolidated subsidiaries prepared in a foreign currency are translated into euros on the basis of the functional currency concept in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

The functional currency of all of the Group's foreign subsidiaries is the local currency. Accordingly, assets and liabilities are translated at the closing rates on the reporting date of the consolidated financial statements, and expenses and income at the average rates. Components of equity are translated at historical rates valid on the dates of their respective contribution to the Group.

The differences arising in comparison to translation at the closing rates are separately presented under equity as "Currency translation of financial statements of foreign operations."

On a potential disposal of a foreign subsidiary, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss.

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

CLOSING RATES	**US dollars (USD)**	**Chinese renminbi (CNY)**	**Taiwanese dollars (TWD)**
30 Sep 2020*	1.17238	7.97368	33.494405
31 Dec 2020	1.22637	8.00533	34.43317

AVERAGE ANNUAL RATES (30 Sep 2020 to 31 Dec 2020)	**USD**	**CNY**	**TWD**
2020*	1.19570	7.88555	33.95054

* Rates used for the initial consolidation of Cherry Group and rates used for the period of consolidation of foreign subsidiaries starting 30 September 2020.

Intangible assets

Purchased intangible assets are recognized at acquisition cost, internally generated assets at production cost, if the criteria for recognizing internally generated intangible assets set out in IAS 38 are met.

Following initial recognition, intangible assets with a finite useful life are carried at cost less any accumulated amortization and accumulated impairment losses. Depreciation is recognized on a straight-line basis and is presented in the respective functional costs in the statement of profit or loss. In the reporting period, Cherry AcquiCo GmbH had intangible assets with a finite useful life, in particular software licenses and customer relationships. The useful lives of recognized intangible assets depend on the underlying contractual arrangement:

Intangible assets	**Useful life**
Software licenses	3 to 5 years
Development costs	5 years
Customer relationships	8 years

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. These intangible assets are not amortized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete the asset and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when the development phase is complete and the asset is available for use.

It is amortized over the period of expected future benefit.

In the Cherry Group, expenditures on the development of new product series are recognized as an asset and, after completion of the development phase, they are amortized on a straight-line basis over a period of five years.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment. The Group uses the straight-line depreciation method. Depreciation is based on the following assumed useful lives:

Property, plant and equipment	**Useful life**
Plant and machinery	4 to 10 years
Other equipment, furniture and fixtures	1 to 15 years
Tools	4 years

Items of property, plant and equipment are derecognized at historical cost less accumulated depreciation and impairment upon sale or scrapping. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount) is included in the income statement as other operating income or expenses in the period in which the item is derecognized. Repairs and maintenance which do not represent material replacement investments are recognized in profit or loss in the fiscal year in which they are incurred.

Investment grants are recognized when the respective conditions are fulfilled and they were granted. They are deferred as a liability and allocated over the useful life of the respective asset. They are presented as current and non-current other liabilities, respectively.

Leases

IFRS 16 *Leases* governs the recognition and measurement, presentation and disclosure requirements for leases.

The Cherry Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a certain period of time in exchange for consideration.

At the inception of the lease the lessee recognizes a right of use over the leased item and a lease liability. Lease payments comprise fixed installments. There are no variable components linked to an index. If the right-of-use asset includes an extension or purchase option which the Group considers itself reasonably unlikely to exercise, the costs of this option are not taken into account. The right-of-use asset and the lease liability, respectively, are separately presented in the statement of financial position.

For leases for which the underlying asset is of low value no right-of-use assets and lease liabilities are recognized exercising the option in IFRS 16.5. Rather, lease payments are recognized on a straight-line basis over the lease term unless there is another systematic basis that is more representative of the pattern of the lessee's benefit.

Right-of-use assets are recognized at cost less depreciation and impairment losses.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

In the Cherry Group, right-of-use assets are amortized on a straight-line basis over the term of the relevant lease.

According to IFRS 16 lease liabilities are recognized at the present value of the lease payments over the lease term.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method, for which the acquisition cost must be determined. The cost of an acquisition is the fair value of the assets given, equity instruments issued and liabilities assumed as of the acquisition date. All directly attributable acquisition-related costs are immediately expensed.

Goodwill is defined as the amount by which the cost of the business combination exceeds the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's legal entities (cash-generating units) that are expected to benefit from the synergies of the combination. If the expected synergies cannot be reliably allocated, the goodwill is allocated to the Group as a whole, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized. When the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

In the Cherry Group, in addition to goodwill, the "CHERRY" brand is defined as an intangible asset with an indefinite life. The management board currently considers the legal entities of the entire Group to be cash-generating units as all legal entities, products and regions derive equal benefit from both the goodwill and the brand.

Impairment of non-financial assets

The Group tests intangible assets, property, plant and equipment and right-of-use assets for impairment as soon there is an as indication that the asset may be impaired. Impairment is tested by comparing the carrying amount of an asset with its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and is written down to its recoverable amount through profit and loss. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If an asset does not generate cash flows that are independent of those from other assets or groups of assets, impairment is tested on the level of the cash-generating unit to which the asset belongs. Where the recoverable amount of a cash-generating unit is lower than its carrying amount, an impairment loss is recognized in the amount of the difference between the carrying amount and the lower recoverable amount.

With the exception of goodwill, assets are assessed at each reporting date as to whether there are indications that an impairment loss previously recognized no longer exists or has decreased. If such indication exists, the Group estimates the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. However, that amount cannot exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Any reversal is included in the profit or loss for the period.

Inventories

Inventories of raw materials, consumables and supplies, work in process and finished goods as well as merchandise are recognized at the lower of cost or net realizable value as of the reporting date. If the net realizable value of inventories is lower than their carrying amount on the reporting date, specific valuation allowances – including those considering days of inventory – are recognized. For obsolete inventories the net realizable value is estimated to be nil.

Production cost comprises direct materials and production costs and appropriate portions of the required materials overheads as well as depreciation. The markups for overheads are determined on the basis of the budgets and compared with the actual overhead cost rates as of the reporting date. The measurement of production cost was not adjusted on this basis in fiscal year 2020.

Financial assets and hedging

IAS 32 defines a financial instrument as any contractual right or obligation that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. These may be primary financial instruments such as trade receivables and payables, financial assets and liabilities and securities, as well as derivative financial instruments to hedge risks arising from fluctuations in exchange and interest rates.

Primary financial instruments

The principal financial instruments used by the Group are cash and cash equivalents or bank loans, as well as trade receivables and payables.

IFRS 9 distinguishes between the following measurement categories:

- Debt instruments measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income (FVOCI) and reclassification of cumulative gains and losses to profit or loss upon derecognition of the financial asset
- Equity instruments designated as measured at FVOCI with gains and losses remaining in other comprehensive income (OCI), i.e., without recycling

This classification of debt instruments is based on the business model for managing the financial assets (business model criterion) and the cash flow characteristics of the financial asset (cash flow conditions) (cf. IFRS 9.4.1.1):

a) The business model for managing the financial assets; and

b) The contractual cash flow characteristics of the financial asset.

The business model criterion: As possible business models for managing financial assets, IFRS 9 mentions the following conceivable objectives of an entity:

1) Hold the financial asset to collect the contractual cash flows ("hold to collect")

2) Hold or sell the financial asset ("hold to collect and sell")

3) Use the financial asset to realize other objectives (e.g., sale at short notice or recognition of hedges)

The Cherry Group's trade receivables relevant for IFRS 9 are held exclusively to collect the contractual cash flows; there are no modified contractual cash flows in this regard. The nature of these cash flows is reviewed regularly.

The cash flow criterion: The Cherry Group's trade receivables exclusively entail a claim against the customer to settle the amount due (cash flow for payment of the "principal"). No interest is charged on receivables. Accordingly, the receivables do not generate any contractual interest payments and the cash flow criterion is met.

The Cherry Group's financial instruments in the form of trade receivables are therefore recognized and measured at amortized cost, since they meet both the business model and cash flow criteria (IFRS 9.4.1.2). Consequently, they are also subject to the impairment requirements in accordance with IFRS 9.5.5.

No financial debt instruments are recognized at fair value (neither through profit or loss nor through other comprehensive income) in the consolidated financial statements. These classification categories are not applied in the Cherry Group for debt instruments.

After initial recognition, financial assets are measured at amortized cost using the effective interest method less any impairment. Receivables which bear no interest or interest at below-market rates are recognized at the present value of the expected future cash flows. Gains and losses are recognized in profit or loss when the financial assets are derecognized or impaired. According to their maturity, they are divided into current and non-current in the statement of financial position.

The classification of financial liabilities under IFRS 9 does not follow the approach for the classification of financial assets. Except for financial guarantee contracts and loan commitments that are out of the scope of the standard, financial liabilities are measured either at fair value through profit or loss or at amortized cost. The Cherry Group basically recognizes liabilities at amortized cost. Embedded derivatives which have to be separated from the host contract are measured at fair value.

Except to the not fully consolidated subsidiary and the embedded derivatives the Cherry Group does not recognize any financial assets and liabilities at fair value. Thus, no fair value disclosures are made in this respect, with reference to the fact that Cherry recognizes financial assets and liabilities at amortized cost.

Financial instruments are recognized at the maturity date.

In addition to other provisions, IFRS 9 includes the provisions on the calculation of impairment. These are applicable to the following assets:

- Financial assets in the form of debt instruments, such as loans, debt securities, bank balances/deposits and trade receivables.
- Financial assets in the form of debt instruments measured at fair value through other comprehensive income
- Lease receivables in accordance with IFRS 16
- Contract assets within the scope of IFRS 15
- Loan commitments that are not measured at fair value through other comprehensive income under IFRS 9
- Financial guarantee contracts not measured at fair value through other comprehensive income

To track and determine changes in the credit risk, Cherry uses maturity bands to estimate historical default rates on trade receivables (simplified approach) when estimating credit losses in accordance with IFRS 9. The Group does not take into account intercompany receivables within the Cherry Group or debtors with credit balances.

(Large) customers are tested in particular for short-term solvency using various measures (Creditreform, use of trading limits, etc.) both in advance and in the course of the customer relationship. In principle, the Group assumes that receivables harbor virtually no risk of credit impairment before their due date. In addition, the Group generally assumes that the probability of default steadily increases the longer a receivable is past due. This assumption is based on historical data as well as an expectation component.

The trade receivables structure in the Cherry Group is characterized by a fast collection rate. In 2020, more than 90% of outstanding receivables were paid by their due date.

The Cherry Group analyzes the maturity profile of receivables on a monthly basis.

Based on the simplified approach currently and considering future expectations there is no significant need for impairment, although basically an exposure to credit risk is existing.

Equity instruments under IFRS 9

Under IFRS 9, equity instruments are generally measured at fair value through profit and loss. However, on initial recognition, an entity may make an irrevocable election (on an instrument-by-instrument basis) to present in OCI the subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9. This option, however, only applies to instruments that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies. For the purpose of this election, "equity instrument" is used as defined in IAS 32 *Financial Instruments: Presentation*.

Derivative financial instruments and hedge accounting under IFRS 9

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative. For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are recognized directly in profit or loss.

The Cherry Group does not currently apply hedge accounting.

<u>Derivative financial instruments for which hedge accounting is not applied</u>

The Cherry Group only holds financial instruments for hedging purposes and not for speculation. However, hedge accounting may not be applied to hedging relationships which do not meet the restrictive criteria of IFRS 9. This means that derivative financial instruments from economic hedges for which hedge accounting pursuant to IFRS 9 is not applied may also be accounted for. The provisions of the respective IFRS apply to the measurement of the underlying contracts, i.e., derivative hedging instruments, as standalone derivatives, are measured in the same way as trading assets or trading liabilities and any changes in fair value are recognized directly in profit or loss. The related derivatives are allocated to the "at fair value through profit or loss" category.

The Cherry Group did not enter into any derivative financial instruments in fiscal year 2020.

The contracts entered into by Cherry GmbH for the receipt, delivery or use of precious metals (gold, silver, copper) serve the ordinary course of business and therefore generally meet the requirements of the own use exemption in accordance with IFRS 9.2.4, such that they are not derivative financial instruments within the meaning of IFRS 9.

Financial liabilities

Liabilities from primary financial instruments may be measured at amortized cost or at fair value through profit or loss. The Group determines the classification of its financial liabilities on initial recognition.

Loans are measured at amortized cost less transaction costs in accordance with the effective interest method as of the reporting date.

For all other liabilities, amortized cost usually equals the amount repayable.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the contractual rights to receive cash flows from the asset have expired. The rights to receive cash flows can also be transferred to third parties, leading to derecognition. Loans and receivables are derecognized when they are settled.

Financial liabilities

Financial liabilities are derecognized when the obligations are discharged, canceled or expire. Any differences between the amount paid and the carrying amount of the liability is recognized in profit or loss upon derecognition.

Cash and cash equivalents

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

Assets and liabilities held for sale

Individual non-current assets or groups of assets (disposal groups) and the related liabilities whose sale has been intended and is considered highly probable are presented as "Non-current assets and disposal groups held for sale." They are presented in the gross amount separately from the other assets and liabilities in the statement of financial position under current assets and liabilities. Depreciation ceases when the assets are classified as "held for sale." They are measured at the lower of their carrying amount or fair value less costs of disposal. If the carrying amount is higher, an impairment loss is recognized. If the fair value less costs of disposal subsequently increases, any previous impairment loss is reversed. Such write-up is limited to amount of the previous impairment loss.

As of the reporting date there were no assets and liabilities held for sale.

Provisions

Provisions take into account all of the Group's legal or constructive obligations to other parties arising from past events identifiable as of the reporting date, which are uncertain with regard to amount and/or timing. They recognized when they will result in an outflow of funds and the amount can be reliably determined or estimated. They are stated at the probable settlement value, including any future cost increases. Non-current provisions are discounted using a pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in provisions due to the passage of time is recognized as an interest expense. Provisions are subsequently adjusted to reflect new findings.

Pension obligations

The Cherry Group has various pension plans in place, both benefit plans and defined contribution plans. A defined contribution plan is a pension plan provided by an entity (fund) that does not belong to the Group and receives fixed contributions. The Cherry Group has no legal or constructive obligation to make additional contributions if the fund does not have sufficient assets to settle the pension entitlements of the employees from the current or prior fiscal years.

The contributions are recognized in personnel expenses as they become due. Prepayments of contributions are recognized as an asset to the extent that there is a right to repayment or reduction of future payments.

Defined benefit plans set out fixed pension benefits which the employees will receive upon retirement and which generally depend on one or more factors (age, length of service and salary).

The provision for defined benefit plans recognized in the statement of financial position is calculated using the projected unit credit method as specified in IAS 19. The future obligations are valued on the basis of the benefits earned as of the reporting date. Assumptions regarding the trend of relevant factors (e.g., salary or pension increases) affecting the amount of benefits are taken into account. Under IAS 19 all actuarial gains and losses were recognized directly in other comprehensive income.

Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise.

Share-based payments

Share-based compensation is provided to selected employees of the management in a share ownership plan. Information relating to this plan is set out in 8.3.

The plan is to be regarded as equity-settled plan in the meaning of IFRS 2. The respective fair value is determined at the grant date and is recognized as personnel expenses with a corresponding increase in equity. It is determined including any market performance conditions and any non-vesting conditions, but excluding any service and non-market performance vesting conditions. The total expense is recognized over the vesting period.

Income taxes

<u>Current income taxes</u>

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities using the tax rates and tax laws that have been enacted by the end of the reporting period in the countries where the Group operates and generates taxable income. Current income taxes are recognized for any income taxes payable on the date incurred. They are recognized for earlier periods when they have not been settled as of the reporting date by payment, offsetting or remission of tax for reason of equity.

Taxes are recognized in profit or loss unless they relate to items recognized directly in equity or in other comprehensive income, in which case they are also recognized in equity or OCI.

<u>Deferred taxes</u>

Deferred taxes are recognized using the liability method for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and for unused tax losses.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reviewed at each reporting date and recognized to the extent to which it has become probable that future taxable profit will allow the deferred tax asset to be recovered. In the event of a business combination, any unused tax losses of the acquirer are reassessed and revised if appropriate.

Deferred tax assets and liabilities are measured at future tax rates, with changes in tax rates only being considered once it is reasonably certain that they will be enacted.

Deferred tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the income taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognized based on the provisions of IFRS 15. The recognition of revenue requires that the contract is approved by the parties, performance obligations resulting from the contract and the payment terms are identified, the contract has commercial substance and it is probable that the agreed upon consideration will be collected. As far as more than one contract with the customer which are entered into at or near the same time are not independent from each other, these contracts have to be combined and analyzed as one contract. Subsequently, revenue is recognized as soon as the performance obligation has been satisfied. Basically, according to IFRS 15 revenue is recognized at a point in time. However, revenue is recognized over time as far as the customer simultaneously receives and consumes the benefits, Cherry creates or enhances an asset that is controlled by the customer or Cherry creates an asset without alternative use and Cherry has an enforceable right to payment for performance completed to date.

Revenue from sales of goods and services is recognized at the time of transfer of control and benefits to the dealer or customer – this includes the consideration of Incoterms – if the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or still to be incurred in connection with the transaction can be reliably determined.

In determining the amount of revenue to be recognized for the performance obligation satisfied variable consideration has to be considered in the total consideration agreed upon. This includes, for example, rebates, incentives, bonuses and penalties. Revenue from variable consideration is recognized only to the extent that it is highly probable that a significant reversal will not occur. If one contract contains more than one performance obligation the consideration is allocated to each performance obligation based on the relative stand-alone selling prices. Cherry regularly negotiates each performance obligation separately. Generally, prices are agreed upon which represent the stand-alone selling prices.

According to IFRS 15 the transaction price has to be disclosed which is allocated to the performance obligations that are unsatisfied as of the balance sheet date and will be recognized as revenue in future. Cherry applies the practical expedient to disclose this transaction price for contracts which have an original duration of more than one year.

Income not generated as a result of the Company's ordinary activities is recognized as other operating income. This particularly includes realized exchange gains.

Interest income is recognized in the period in which the interest accrues. Dividends are recognized as revenue when the Group's right to receive the payment is established.

The Cherry Group recognizes its purchases and sales as of the trade date.

2. NEW STANDARDS AND INTERPRETATIONS

New and revised standards and interpretations effective for the first time in the fiscal year

While preparing consolidated financial statements for the first time as of 31 December 2020 the Group applied all standards and interpretations which are mandatory for the fiscal year 2020.

Standards and interpretations not yet applied (issued but not yet effective or not yet effective in the EU)

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have issued further standards and interpretations that are not yet effective for fiscal year 2020 or have not yet been endorsed by the EU.

> IAS 39, IFRS 9, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform (phase 2)"

The amendments are part of the second phase of the project of the IASB to react to the reform of the benchmark interest rates. They address the accounting treatment resulting from the actual reorganisation of the benchmark interest rates regarding the modification of financial instruments, termination of hedges as well as the recycling in the context of cashflow hedges.

The amendments are effective for annual periods beginning on 1 January 2021. Early application is permitted, but the Cherry Group did not apply them before the reporting date 1 January 2021. From the current point of view, it is expected that the application has no impact on the consolidated financial statements.

> IFRS 3 "Amendments of the reference to the Conceptual Framework"

The amendments update IFRS 3 in a way that the standard references to the Conceptual Framework 2018 instead of the Conceptual Framework 1989. Furthermore, two additions were made: for transactions and other events within the scope of IAS 37 or IFRIC 21 an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; as explicit statement was added that an acquirer does not recognise contingent assets acquired in a business combination.

> IAS 37 "Onerous contracts – Cost of fulfilling a Contract"

The changes specify that the "cost of fulfilling a contract" comprises the "cost that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

> IAS 16 "Property, plant and equipment – Proceeds before intended use"

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

> Annual improvements to IFRSs (2018-2020 Cycle)

On 14 May 2020, the Annual Improvements to IFRSs (2018-2020 Cycle) were published.

The amendments recommended by the IASB relate to the following standards and topics:

IFRS 1 "Subsidiary as a First-time Adopter"

If a subsidiary adopts IFRSs for the first time later than its parent, the subsidiary that elects to apply IFRS 1.D16(a) must measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS.

IFRS 9 "Fees in the ‘10 per cent' Test for Derecognition"

The proposed amendment clarifies which fees an entity includes when it applies the 10 per cent test for derecognition of financial liabilities and assesses whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

IFRS 16 "Lease Incentives"

The proposed amendment removes the illustration of the reimbursement of leasehold improvements by the lessor from Illustrative Example 13 accompanying IFRS 16 to remove potential for confusion regarding the treatment of lease incentives.

IAS 41 "Taxation in Fair Value Measurements"

The proposed amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset, thereby ensuring consistency with the requirements in IFRS 13.

These amendments are effective for reporting periods beginning on or after 1 January 2022. The amendments have yet to be endorsed by the EU.

> IFRS 17 *Insurance Contracts*

IFRS 17 *Insurance Contracts* was issued on 18 May 2017. The objective of the new standard is consistent, principles-based accounting for insurance contracts. It requires measurement of insurance liabilities at a current settlement value. This leads to more consistent measurement and presentation of all insurance contracts.

> IAS 1 "Classification of liabilities as current or non-current"

The amendments clarify the criteria for the classification of liabilities as current or non-current. In the future the classification should be based on rights that are in existence at the end of the reporting period. In addition, additional guidelines for the interpretation of the criterion "right to defer settlement by at least twelve months" and explanations for the criterion "settlement" were added.

> IAS 1 "Disclosure of accounting policies"

The amendments to IAS 1 and to IFRS Practice Statement 2 are intended to help preparers in deciding which accounting policies to disclose in their financial statements. An entity is required to disclose material accounting policy information instead of significant accounting policies.

> IAS 8 "Definition of accounting estimates"

The amendments are intended to help in differentiating between accounting policies and accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. A change in accounting estimate that results from new information or new developments is not the correction of an error.

The amendments are effective for fiscal years commencing on or after 1 January 2023. The amendments have yet to be endorsed by the EU.

The effects of the initial application of the abovementioned standards and interpretations on the Cherry Group's consolidated financial statements are currently being reviewed or the review has not yet been finalized. However, at present no significant impact is expected.

3. BUSINESS COMBINATIONS

Cherry Group

Effective 30 September 2020 Cherry AcquiCo GmbH Cherry AcquiCo GmbH acquired 100% of the shares and voting rights of Cherry Holding GmbH and all of its subsidiaries via a business combination. Regarding the financing of the acquisition reference is made to note 5.5.

Cherry Holding GmbH and its subsidiaries operate in the development and distribution of mechanical switches, peripheral IT devices, security systems and software, the import and export thereof and trade in purchased peripherals, security systems and software, and the provision of development and other IT services as well as all related business. This is the nature and purpose of the entire group.

By way of this acquisition via Cherry AcquiCo GmbH Argand Partners as a private equity firm expand its portfolio of market-leading specialty manufacturing and business service companies with sustainable competitive advantages and strong growth potential.

The fair values of the identifiable assets and liabilities of Cherry Holding GmbH and all of its subsidiaries and the calculation of the goodwill as of the acquisition date are as follows; contingent liabilities were not identified:

EUR k	
Assets:	
Intangible assets	81,628
Property, plant and equipment	23,395
Right of use assets	16,082
Inventories	33,419
Trade receivables	12,807
Other assets	404
Cash and cash equivalents	10,580
Deferred tax assets	1,330
Liabilities:	
Trade payables	13,024
Other short-term liabilities	8,431
Long-term liabilities	18,145
Deferred tax liabilities	26,714
Sum of the net assets at fair value	**113,331**
Consideration transferred	**216,090**
Goodwill	102,759

The above purchase price allocation has to be considered as preliminary as of 31 December 2020.

The purchase price in the amount of EUR 216,090k was paid in cash.

The goodwill primarily represents the expected growth potential in the upcoming years.

The goodwill is not deductible for tax purposes.

The fair value and the gross amount of the acquired receivables are as follows:

in EUR k	Fair value	Gross amount
Trade receivables	12,807	12,807
Other assets	404	404

The fair value of the acquired receivables represents the best estimate of the cashflows expected to be collected from these receivables.

Transaction cost in the amount of EUR 5,151k were directly expensed in 2020 as other operating expenses.

The revenue of Cherry Holding GmbH and all of its subsidiaries since the acquisition date amount to EUR 35,869k and the profit to EUR 3,948k. Revenue and profit or loss for the current reporting period as though the acquisition occurred at the beginning of the period amount to EUR 129,817k and EUR 6,100k respectively.

Theobroma

Effective 1 October 2020, Cherry AcquiCo GmbH indirectly acquired 100% of the shares and voting rights of Theobroma Systems Design und Consulting GmbH, Vienna via a business combination.

Theobroma Systems Design und Consulting GmbH, Vienna designs and produces embedded systems which support various industrial applications in the field of IoT and Industry 4.0.

By way of the acquisition Cherry Group is increasing its capacities for the development and production in the field of security and obtains access to Theobroma's comprehensive expertise in embedded Linux software development and the production facilities throughout the whole product development process.

The fair values of the identifiable assets and liabilities of Theobroma Systems Design und Consulting GmbH and the calculation of the goodwill as of the acquisition date are as follows; contingent liabilities were not identified:

EUR k	
Assets:	
Intangible assets	20
Property, plant and equipment	963
Right of use assets	940
Inventories	860
Trade receivables	111
Other assets	447
Deferred taxes	160
Cash and cash equivalents	300
Liabilities:	
Trade payables	640
Other short-term liabilities	1,589
Long-term liabilities	1,010
Sum of the net assets at fair value	**562**
Consideration transferred	**1,020**
Goodwill	458

The above purchase price allocation has to be considered as preliminary as of 31 December 2020.

The purchase price in the amount of EUR 1,020k is paid in cash. Until 31 December 2020 EUR 400k were paid. Due to facts to be clarified relating to the permission as mandated by trade law regarding the production in the premises rented by Theobroma the purchase price payments due on 31 December 2020 were paid not before Q1 2021 when the facts could be clarified and no consequences were expected from them.

The goodwill primarily represents the know-how and expertise of the employees of the acquired company regarding software development.

The goodwill is not deductible for tax purposes.

The fair value and the gross amount of the acquired receivables are as follows:

in EUR k	Fair value	Gross amount
Trade receivables	111	285
Other assets	447	491

The fair value of the acquired receivables represents the best estimate of the cashflows expected to be collected from these receivables.

Transaction cost in the amount of EUR 100k were directly expensed in 2020 as administration cost.

The revenue of Theobroma Systems Design und Consulting GmbH since the acquisition date amount to EUR 387k and the loss to EUR 32k. Revenue and profit or loss for the current reporting period as though the acquisition occurred at the beginning of the period cannot be determined due to the lack of information for the period prior to the business combination provided by the acquired company.

4. NOTES TO THE GROUP'S ASSETS

4.1. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment developed as follows:

PROPERTY, PLANT AND EQUIPMENT

in EUR k	Land, land rights and buildings, including buildings on third-party land	Plant and machinery	Other equipment, furniture and fixtures	Prepayments and assets under construction	Total
Cost					
1 Jan 2020	**0**	**0**	**0**	**0**	**0**
Additions from business combination Cherry Group	653	18,464	2,470	1,806	**23,392**
Additions from business combination Theobroma	75	819	48	21	**963**
Additions	107	882	302	504	**1,794**
Disposals	0	-121	-80	-73	**-274**
Reclassifications	202	205	29	-437	**0**
Exchange differences	-1	-45	-12	0	**-58**
As of 31 Dec 2020	**1,036**	**20,204**	**2,757**	**1,820**	**25,818**
Depreciation and impairment					
1 Jan 2020	**0**	**0**	**0**	**0**	**0**
Depreciation charge for the year	43	1.276	167	0	**1,486**
Impairment	0	0	0	0	**0**
Disposals	0	-114	-5	0	**-119**
Reclassifications	0	0	0	0	**0**
Exchange differences	-1	-41	-8	0	**-50**
As of 31 Dec 2020	**42**	**1,121**	**154**	**0**	**1,317**
Net carrying amount					
31 Dec 2019	**0**	**0**	**0**	**0**	**0**
31 Dec 2020	**994**	**19,084**	**2,603**	**1,820**	**24,502**

Reclassifications include transfers from assets under construction to property, plant and equipment.

Land, land rights and buildings, including buildings on third-party land include leasehold improvements by a subsidiary.

The amount of contractual commitments for the acquisition of property, plant and equipment is EUR 6,613k as of 31 December 2020 (2019: EUR 0k).

As of 31 December 2020 property, plant and equipment of Cherry GmbH in the amount of EUR 10,688k serve as collateral for bank loans of Cherry AcquiCo GmbH.

4.2. INTANGIBLE ASSETS

Intangible assets developed as follows in the fiscal year:

INTANGIBLE ASSETS

in EUR k	Development cost and internally generated industrial and similar rights and assets	Industrial rights, licenses and patents	Customer list	Brand	Goodwill	Prepayments	Total
Cost							
As of 1 Jan 2020	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Additions from business combination Cherry Group	9,612	1,014	20,932	50,070	102,759	0	**184,387**
Additions from business combination Theobroma	0	20	0	0	458	0	**478**
Additions	895	17	0	0	0	0	**912**
Disposals	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	0	**0**
Exchange differences	0	-74	0	0	0	0	**-74**
As of 31 Dec 2020	**10,507**	**978**	**20,932**	**50,070**	**103,217**	**0**	**185,704**
Amortization and impairment							
As of 1 Jan 2020	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Amortization charge for the year	139	365	654	**0**	**0**	**0**	**1,158**
Disposals	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	0	0
Exchange differences	0	-68	0	0	0	0	**-68**
As of 31 Dec 2020	**139**	**297**	**654**	**0**	**0**	**0**	**1,091**
Net carrying amount							
As of 31 Dec 2019	**0**	**0**	**0**	**0**	**0**	**0**	**0**
As of 31 Dec 2020	**10,368**	**681**	**20,278**	**50,070**	**103,217**	**0**	**184,614**

Intangible assets identified during purchase price allocation of the Cherry Group were recognized at the following carrying amounts as of 31 December 2020: Goodwill of EUR 102,759k, a customer list of EUR 20,278k and brand rights of EUR 50,070k. The customer list has a finite useful life, which the management board set at 8 years.

Brand rights were measured at the present values of fictitious royalties from the revenue allocable to the brand. Recognized goodwill and the brand rights were included in the consolidated financial statements at the amounts attributed to them for the acquisition of Cherry Holding GmbH and its subsidiaries and have an indefinite life. The brand is well established since decades (Cherry was established in 1958) and it is intended to further use the brand. The products marketed under the brand are currently expected to generate net cash inflows for the group for an unlimited period. The goodwill and the brand were tested for impairment in fiscal year 2020.

Industrial rights, licenses and patents as well as licenses for standard software are amortized over three years.

The amount of contractual commitments for the acquisition of intangible assets is EUR 73k as of 31 December 2020 (2019: EUR 0k).

Impairment testing of goodwill

For the purpose of testing goodwill (EUR 102,759k) and the brand (EUR 50,070k), which resulted from the acquisition of the Cherry Group, for impairment, the Cherry Group defined its legally independent subsidiaries as cash-generating units, these being Cherry GmbH, Auerbach, Cherry Americas LCC, Wisconsin, USA, and Cherry Zhuhai Electronics Ltd, Zhuhai, China. The goodwill and the brand are allocated to these subsidiaries as all legal entities, products and regions derive equal benefit from both them.

The calculation is based on cash flow projections for a planning period of five years. Impairment is determined using the discounted cash flow method.

The recoverable amount is determined as value in use for the impairment test in 2020. The calculations are based on forecast revenue, EBIT and EBITDA which were taken from the planning of the management. In the detailed planning phase currently an average growth in sales of 10% is assumed. After the detailed planning phase, a growth rate of 1% was used for all cash-generating units (see above) considering an almost steady gross margin. An average cost of capital of 8,67% was assumed for the cash-generating units. In 2020, there was no need for impairment based on the fair values calculated in this way.

The goodwill arising from the business combination of Theobroma Systems Design und Consulting GmbH in the fiscal year 2020 in the amount of EUR 458k was tested for impairment. There was no need for impairment.

4.3. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets developed as follows in the fiscal year:

in EUR k	**ROU for buildings**	**ROU for machinery**	**ROU for tools**	**ROU for vehicles**	**ROU for furniture and fixtures and operating equipment**	**Total**
Cost						
As of 1 Jan 2020	**0**	**0**	**0**	**0**	**0**	**0**
Additions from business combinations Cherry Group	9,496	4,181	2,056	325	28	**16,086**
Additions from business combination Theobroma	836	0	0	104	0	**940**
Additions	54	69	122	18	22	**286**
Disposals	-9	0	0	0	-7	**-16**
Reclassifications	0	0	0	0	0	**0**
Exchange differences	-4	0	0	0	0	**-4**
As of 31 Dec 2020	**10,372**	**4,250**	**2,178**	**447**	**43**	**17,291**
As of 1 Jan 2020	**0**	**0**	**0**	**0**	**0**	**0**
Depreciation charge for the year	330	311	138	54	9	**842**
Disposals	-9	0	0	0	-4	**-13**
Reclassifications	0	0	0	0	0	**0**
Exchange differences	0	0	0	0	0	**0**
As of 31 Dec 2020	**321**	**311**	**138**	**54**	**5**	**829**
Net carrying amount						
As of 31 Dec 2019	**0**	**0**	**0**	**0**	**0**	**0**
As of 31 Dec 2020	**10,051**	**3,939**	**2,040**	**393**	**38**	**16,459**

The Cherry Group's leasing activities mainly relate to the leasing of machinery, tools, vehicles, real estate and IT. Leases of machinery generally have terms of between 4 and 7 years, tools have lease terms of 4 years, vehicles 3 to 4 years, property leases 10 to 12 years and IT equipment 3 to 5 years.

NON-CURRENT LIABILITIES

in EUR k	31 Dec 2020	30 Sep 2020	31 Dec 2019
Lease liability for buildings	8,741	8,308	0
Lease liability for machinery	2,671	3,105	0
Lease liability for tools	1,554	1,571	0
Lease liability for vehicles	224	157	0
Lease liability for furniture and fixtures	1	5	0
Lease liability for operating equipment	17	0	0
Total	**13,208**	**13,146**	**0**

CURRENT LIABILITIES

in EUR k	31 Dec 2020	30 Sep 2020	31 Dec 2019
Lease liability for buildings	1,327	1,166	0
Lease liability for machinery	1,321	1,076	0
Lease liability for tools	502	485	0
Lease liability for vehicles	164	168	0
Lease liability for furniture and fixtures	16	16	0
Lease liability for operating equipment	4	7	0
Total	**3,334**	**2,918**	**0**

Maturity analysis of lease liabilities:

in EUR k	2020
Up to 1 year	3,334
1 to 5 years	8,234
More than 5 years	4,974

in EUR k	2020
Lease liability for buildings	
Up to 1 year	1,327
1 to 5 years	4,224
More than 5 years	4,517
Lease liability for machinery	
Up to 1 year	1,321
1 to 5 years	2,371
More than 5 years	300
Lease liability for tools	
Up to 1 year	502
1 to 5 years	1,397
More than 5 years	157
Lease liability for vehicles	
Up to 1 year	164
1 to 5 years	224
Lease liability for furniture and fixtures	
Up to 1 year	16
1 to 5 years	1
More than 5 years	0
Lease liability for operating equipment	
Up to 1 year	4
1 to 5 years	17
More than 5 years	0

The following amounts were recognized in profit or loss in the reporting period:

in EUR k	2020	2019
Depreciation for leases	842	0
Interest expense on lease liabilities	65	0
Lease expenses for leases for which the underlying asset is of low value	6	0
Total amount recognized in profit or loss	913	0

The Group had total cash outflows for leases of EUR 816k in 2020 (2019: EUR 0k).

4.4. INVENTORIES

Inventories break down as follows:

INVENTORIES

in EUR k	31 Dec 2020	30 Sep 2020	31 Dec 2019
Raw materials, consumables and supplies	9,690	8,415	0
Work in process	891	1,182	0
Finished products	6,667	6,187	0
Merchandise	9,832	17,630	0
Prepayments	185	5	0
Total	**27,265**	**33,419**	**0**

The total of impairment allowances on inventories amounts to EUR 1,294k as of 31 December 2020 (30 September 2020: EUR 0k, 31 December 2019: EUR 0k) net of exchange differences.

The full amount of inventory allowances was included in cost of sales in fiscal year 2020.

The increase in impairment allowances in 2020 is due to decreased selling prices as of the balance sheet date.

As of 31 December 2020 inventories of Cherry GmbH in the amount of EUR 19,425k serve as collateral for bank loans of Cherry AcquiCo GmbH.

4.5. TRADE RECEIVABLES

TRADE RECEIVABLES

in EUR k	31 Dec 2020	30 Sep 2020	31 Dec 2019
Trade receivables	10,887	12,807	0
Total	**10,887**	**12,807**	**0**

All trade receivables are classified as current. Expected credit risks are accounted for in the form of bad debt allowances. The common payment terms are between 20 and 30 days.

As of 31 December 2020 trade receivables of Cherry GmbH in the amount of EUR 5,503k serve as collateral for bank loans of Cherry AcquiCo GmbH.

The trade receivables presented above are recognized using the accounting methods described in note 1.6.

The Cherry Group did not recognize any allowances for expected credit losses on trade receivables in accordance with IFRS 9 for 2020. No receivables were derecognized in fiscal year 2020. In 2020 the credit-worthiness of the clients continued to be monitored on a regular basis and the dunning process is handled closely. To date the COVID 19 pandemic has not have a significant impact on the trade receivables and this is currently not expected.

4.6. CURRENT INCOME TAX RECEIVABLES

in EUR k	31 Dec 2020	30 Sep 2020	31 Dec 2019
Income tax receivables	52	0	0
Total	**52**	**0**	**0**

Income tax receivables result from corporate income tax receivables of a foreign subsidiary.

4.7. FINANCIAL ASSETS

As of 31 December 2020 receivables in the amount of EUR 25k are pledged as securities for bank loans of Cherry AcquiCo GmbH.

4.8. OTHER ASSETS

Other assets comprise the following:

OTHER ASSETS

in EUR k	31 Dec 2020	30 Sep 2020	31 Dec 2019
Receivables from other taxes	753	29	0
Prepaid expenses	591	314	0
Other	220	99	0
Total	**1,564**	**442**	**0**

Receivables from other taxes mainly relate to VAT.

Prepaid expenses mainly include prepayments for SAP user licenses, maintenance and insurance premiums. Cost for granting a revolving credit facility in the amount of EUR 250k were deferred and allocated over the term of the credit facility. The "Other" item largely includes security deposits for leased offices.

4.9. CASH AND CASH EQUIVALENTS

in EUR k	31 Dec 2020	30 Sep 2020	31 Dec 2019
Balances at banks, checks, cash on hand	22,900	22,019	25
Total	**22,900**	**22,019**	**25**

The fair value of cash is equal to the carrying amount. As of 31 December 2020 bank balances of Cherry GmbH in the amount of EUR 6,843k serve as collateral for bank loans of Cherry AcquiCo GmbH.

5. NOTES TO THE GROUP'S EQUITY AND LIABILITIES

5.1. EQUITY

Subscribed share capital and capital reserves

Subscribed capital

in EUR k	31 Dec 2020	30 Sep 2020	31 Dec 2019
Cherry AcquiCo GmbH...	36	36	25
	36	**36**	**25**

The parent company's subscribed capital of EUR 36k (2019: EUR 25k) is fully paid in.

Cherry TopCo S.à r.l. (having its registered office in Luxembourg) holds 100% of the shares of Cherry AcquiCo GmbH.

In the resolution of the shareholder's meeting as of 30 September 2020 the subscribed capital was increased by EUR 11k to EUR 36k.

As of 31 December 2020, subscribed capital comprised 36,253 shares with a nominal value of EUR 1 per share.

Capital reserves

Capital reserves amounted to EUR 150,486k as of 31 December 2020 (2019: EUR 0k).

In the course of the acquisition of the shares of Cherry Holding GmbH as of 30 September 2020 the shareholder Cherry TopCo S.à r.l. paid EUR 150,257k in the capital reserves.

In connection with the acquisition of the shares of Cherry Holding GmbH by Cherry AcquiCo GmbH as of 30 September 2020 a share ownership plan was established for the management. Reference is made to the explanations under 8.3 Related party disclosures. Personnel expenses in the amount of EUR 229k result from this plan which are directly recognized in equity according to IFRS 2 and thus, have increased the capital reserve.

Accumulated other comprehensive income

Accumulated other comprehensive income includes gains and losses from currency translation differences of EUR 358k relating to differences from the translation of the financial statements of foreign subsidiaries into the Group's reporting currency (euros).

Any goodwill from business combinations is recognized as an asset and translated at closing rates as of the reporting date.

In addition, actuarial gains and losses from pension obligations of EUR 4k as well as deferred taxes thereon of EUR 5k are included in accumulated other comprehensive income.

The development of equity is shown in the statement of changes in equity.

5.2. PENSION PROVISIONS

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

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

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

A defined benefit plan is only in use as an occupational pension arrangement ("ZF pension") at the German subsidiary Cherry GmbH.

The key element of occupational pension arrangements at Cherry GmbH is the ZF pension, which until 2017 consisted of two components: the employer-financed component, which generally amounted to 1.1% of the pensionable monthly gross income, and the employee-financed component. The latter was funded by employees' deferred compensation. The employee could freely select an amount of between 1% and 5% of their pensionable monthly income.

The pension obligations were reorganized under a works agreement on the settlement and reorganization of the ZF pension dated 1 October 2018. To the extent legally permissible, a defined group of persons who had earned benefits under the ZF pension plan received a settlement offer. The amount of the offer was calculated on the basis of the provision recognized in the statutory balance sheet as of 31 December 2017 plus interest at a rate of 3.68% until 31 August 2018.

The main consequence of discontinuing the ZF pension is the elimination of the former employer pension component subject to 6% interest. From 1 January 2019 onwards, this component will be replaced by an employer contribution to the employee's deferred compensation for an occupational pension. The contribution will comprise a maximum of 20% of the deferred compensation, while the basis of calculation may not exceed 4% of the income threshold for the assessment of contributions to statutory pension insurance. The amount to be paid out under the works agreement was paid out at the beginning of 2019.

The employees who did not agree to the settlement of the pension plan (five employees as of the reporting date) continue to entitled to benefits under the ZF pension plan and the related obligations are recognized in accordance with the actuarial report. Neither the employees nor the Company have made contributions to the pension plan.

The ZF pension plan was recognized at EUR 198k as of 31 December 2020 under provisions for pensions and other obligations.

Long-service awards are another component of the ZF pension plan. Under a works agreement, an employee who has worked for the Company for 25 years receives an award of 1.3 times their monthly salary and an employee working for 40 years an award of 2.3 times their monthly salary. However, these long-service awards are not paid out to the employee, but instead a long-service pension component is created from this capital.

Another component of occupational pension arrangements is the benefit fund for members of senior management. This is an employer-financed benefit. During the past, this group of persons was also entitled to deferred compensation. There are three beneficiaries as of the reporting date. As of 31 December 2020, the carrying amount of this occupational pension arrangement was EUR 797k.

The amount of the pension commitments was calculated using actuarial methods. The measurement was based on the following parameters:

Germany

in %	31 Dec 2020	30 Sep 2020
Discount rate	0.58	0.58
Salary increase	0.0	0.0
Pension increase	1.0	1.0
Duration in years	8	8

The "2018 G mortality tables" published by Prof. Dr. Klaus Heubeck were used as the biometric basis for the calculation of the commitments in Germany.

A change in the underlying interest rate by +/-0.25 percentage points as of 31 December 2020 would result in a decrease by EUR 20.7k or an increase by EUR 22.3k in the pension obligations. The calculation of the sensitivity is based on the same methods that were used for the calculation of the pension provisions in the statement of financial position.

The following amounts were recognized in the statement of financial position:

BREAKDOWN OF AMOUNTS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION

in EUR k	31 Dec 2020	30 Sep 2020	31 Dec 2019
Present value of the pension commitments financed by provisions	994	1,009	0
Present value of the funded pension commitments	0	0	0
Fair value of plan assets	0	0	0
Pension provisions	**994**	**1,009**	**0**

Actuarial gains and losses of each reporting period are fully recognized in equity under accumulated other comprehensive income in the reporting period in which they arise.

The present value of the defined benefit obligation developed as follows in the reporting period:

DEVELOPMENT OF THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION

in EUR k	31 Dec 2020	31 Dec 2019
Present value of the defined benefit obligation as of 1 Jan	0	0
Addition from business combination Cherry Group	1,009	0
Current service cost	0	0
Interest cost	2	0
Newly recognized actuarial (gains)/losses	4	0
Payments by the pension plans	-19	0
Other changes	0	0
Present value of the defined benefit obligation	**994**	**0**

Actuarial gains/losses newly recognized in the reporting period primarily relate to mathematical effects.

The pension cost for defined benefit obligations recognized in income breaks down as follows:

BREAKDOWN OF PENSION COST

in EUR k	2020	2019
Cost of pension entitlements earned in the reporting period	0	0
Interest cost	2	0
Total	**2**	**0**

Due to the change in pension obligations under the ZF pension plan, no costs of pension benefits earned are recognized in personnel expenses in 2020.

The unwinding of discounts on expected pension obligations is offset and included as interest expense in the financial result.

Under the pension arrangements existing as of the reporting date, the Cherry Group has the following pension payment obligations, broken down by maturity:

MATURITY ANALYSIS OF BENEFIT PAYMENTS

	31 Dec 2020	31 Dec 2019
Up to 1 year	82	0
More than 1 year	912	0
	994	**0**

Defined contribution pension obligations as occupational pension arrangements are recognized as expenses both at the German subsidiary and at the foreign entities:

At the German subsidiary, direct insurance policies and the metal pension fund are offered as additional occupational pension arrangements. The monthly benefits paid by the employer specified in the collective agreement of EUR 26.59 per employee are also invested in this context.

Other occupational pension arrangements are the direct insurance policy and pension fund options. In this case, there are contracts under which either the employer or the employee make contributions.

Furthermore, the statutory pension insurance in Germany and Austria are considered as defined contribution plan.

Two employees in the UK are insured through the statutory pension insurance scheme. One employee is insured through the existing group agreement for occupational pensions. The employer and employee make monthly contributions under this agreement.

There is a pension scheme for employees in place at the US subsidiary in the form of a 401k retirement plan. Employees can convert up to a maximum of 50% their gross salary into insurance contributions. According to a fixed formula, Cherry makes the same contribution as employees up to a maximum permitted amount of 4% of the employee's monthly gross income. There are no further financial obligations or risks for the Company and this plan is therefore not classified as a defined benefit plan in accordance with IAS 19.

In total the expenses for defined contribution plans amount to EUR 488k in fiscal year 2020 (2019: EUR 0k).

5.3. OTHER PROVISIONS

The development of other provisions is presented below:

OTHER PROVISIONS (current):

in EUR k	Warranties	Other	Total
As of 1 Jan 2020	**0**	**0**	**0**
Additions from business combination Cherry Group	150	0	150
Utilization	-76	0	-76
Reversal	0	0	0
Allocation	84	322	406
As of 31 Dec 2020	**158**	**322**	**480**
Cash outflows			
Current (< 1 year)	**158**	**322**	**480**

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

OTHER PROVISIONS (non-current)

in EUR k	Warranties	Long-service awards	Phased retirement	Total
As of 1 Jan 2020	**0**	**0**	**0**	**0**
Additions from business combination Cherry Group	182	617	221	1,020
Utilization	0	-19	-32	-51
Reversal	0	0	-72	-72
Allocation	14	9	15	38
Unwinding of discounts (+)/discounting (-)	0	4	0	4
As of 31 Dec 2020	**196**	**611**	**132**	**939**
Cash outflows				
Current (< 1 year)	0	11	92	103
Non-current				
– thereof > 1 year	196	600	40	836

The long-term portion of the warranty provision includes a period of up to 3 years. The cash outflow of the phased retirement provisions is expected to become effective in the next 2 years. Long-service awards are granted for working for 25 years and 40 years for the company.

5.4. TRADE PAYABLES

TRADE PAYABLES

in EUR k	31 Dec 2020	30 Sep 2020	31 Dec 2019
Trade payables	14,499	18,073	0
Total	**14,499**	**18,073**	**0**

Trade payables are non-interest bearing and are generally on terms of 60 to 90 days.

5.5. OTHER LIABILITIES

OTHER LIABILITIES (current)

in EUR k	31 Dec 2020	30 Sep 2020	31 Dec 2019
Liabilities to employees	2,452	2,733	0
Other tax liabilities	36	0	0
Subsidies from customers	320	334	0
Other financial liabilities	4,085	2,403	0
Total	**6,893**	**5,470**	**0**

Other liabilities are classified as current. As of 31 December 2020, liabilities to employees mainly comprised liabilities from accrued vacation and accrued time credits as well as performance-based payments and leave of absence and redundancy payments.

Both wage tax and VAT liabilities are included in other tax liabilities.

Other financial liabilities primarily arise from customer bonus of EUR 1,474k and obligations for outstanding invoices and advertising allowances of EUR 417k related to marketing initiatives with customers in the first and second levels of trade.

The customer bonus is calculated using a defined revenue target and comprised the annual bonus and quarterly bonus for the fourth quarter of 2020. It is recorded as a deduction from revenue.

Subsidies paid by customers for tools and facilities are recognized under current or non-current liabilities in line with their maturities. As the customers are granted a discount per product unit in the amount of the subsidy paid the subsidies are amortized based on the number of units sold. This amortization is included in revenue.

The remaining other financial liabilities in fiscal year 2020 primarily include EUR 2,194k for outstanding invoices.

OTHER LIABILITIES (non-current)

in EUR k	31 Dec 2020	30 Sep 2020	31 Dec 2019
Investment grants	125	0	0
Subsidies from customers	0	52	0
Total	**125**	**52**	**0**

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

Apart from lease liabilities, Cherry Group's current and non-current financial liabilities mainly relate to liabilities due to banks.

Based on the loan agreement dated 11 August 2020 Cherry AcquiCo GmbH took out a loan in the nominal amount of EUR 80,000k in order to finance the purchase price for the shares of Cherry Holding GmbH and its subsidiaries. The loan agreements grant the borrower early termination rights at certain points in time in return for compensation payments whose amount is dependent on the actual date of the termination. The loan is subject to variable interest based on EURIBOR and contains a floor of 0% in respect of the EURIBOR. Under certain circumstances the lender has the option to terminate the contract. These conditions are to be regarded as embedded derivatives in the sense of IFRS 9.4.3.1. Due to the fact that together they are not closely related to the loan agreement as host contract they have to be separated from the loan agreement and are measured as derivatives at fair value through profit or loss. The loan liability is recognized as financial liability at amortized cost using the effective interest method.

The loan-raising cost of EUR 2,831k were deducted from the loan liabilities and are allocated over the term of the loan using the effective interest method.

FINANCIAL LIABILITIES (current)

in EUR k	31 Dec 2020	30 Sep 2020	31 Dec 2019
Financial liabilities	6,072	3,421	0
Lease liabilities	3,334	2,918	0
Total	**9,406**	**6,339**	**0**

Current financial liabilities include the short-term portion of the loan of Cherry AcquiCo GmbH in the amount of EUR 4,431k (30 September 2020: EUR 3,000k). Furthermore, as of 31 December 2020 foreign subsidiaries have a short-term bank loan in the amount of EUR 1,239k and a Covid-government loan ("Paycheck Protection Plan") in the USA in the amount of EUR 402k. It is expected that during the year 2021 the government loan will be converted to a non-repayable subsidy. Regarding the lease liabilities reference is made to the notes under 4.3 Right-of-use assets and Lease Liabilities.

FINANCIAL LIABILITIES (non-current)

in EUR k	31 Dec 2020	30 Sep 2020	31 Dec 2019
Financial liabilities	74,748	74,169	0
Lease liabilities	13,208	13,146	0
Total	**87,956**	**87,315**	**0**

As of 31 December 2020 non-current financial liabilities include the loan of Cherry AcquiCo GmbH in the amount of EUR 72,927k and to the fair value of embedded derivatives in the amount of EUR 1,821k. Regarding the lease liabilities reference is made to the notes under 4.3 Right-of-use assets and Lease Liabilities.

5.6. INCOME TAX LIABILITIES

INCOME TAX LIABILITIES

in EUR k	31 Dec 2020	30 Sep 2020	31 Dec 2019
Income tax liabilities	1,941	2,390	0
Total	**1,941**	**2,390**	**0**

Liabilities from income taxes are all current and arise primarily from country-specific income tax liabilities.

5.7. DEFERRED TAXES

After offsetting receivables and liabilities, the following deferred taxes were recognized in the consolidated financial statements:

DEFERRED TAXES

in EUR k	31 Dec 2020	30 Sep 2020	31 Dec 2019
Deferred tax assets	2,234	1,310	0
Deferred tax liabilities	24,715	26,417	0

Deferred tax assets and liabilities are attributable to the following significant statement of financial position items:

DEFERRED TAXES

	31 Dec 2020		30 Sep 2020	
in EUR k	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	483	24,631	517	26,416
Property, plant and equipment	0	513	4	285
Receivables	58	29	58	86
Inventories	550	0	469	0
Cash	0	0	0	0
Other assets	0	71	15	0
Pension provisions	77	0	79	0
Other provisions	69	0	75	0
Liabilities	218	182	22	126
Loss carryforwards	1,289	0	491	0
Right-of-use assets	0	4,500	0	4,560
Lease liabilities	4,701	0	4,636	0
Total	**7,445**	**29,926**	**6,366**	**31,473**
Offsetting	-5,211	-5,211	-5,056	-5,056
Total	**2,234**	**24,715**	**1,310**	**26,417**

Loss carryforwards amount to EUR 5,298k (30 September 2020: EUR 2,850k, 31 December 2019: EUR 0k) of which EUR 4,791k (30 September 2020: EUR 2,499k) can be used within the next 15 years. These give rise to deferred tax assets of EUR 1,289k (30 September 2020: EUR 491k). No deferred tax assets were recognized for tax loss carryforwards in the amount of EUR 507k. These can be used partly for an unlimited period (EUR 172k) and partly within the next 15 years (EUR 335k).

The group tax rate is 29.13% and includes German corporate income tax of 15% plus the solidarity surcharge of 5.5% and trade tax of 13.3%. The applied local income tax rates for foreign companies vary between 16.5% and 29.0%.

The following table sets out a reconciliation between the expected tax expense and the current tax expense. The expected tax expense is determined by applying the Group's average tax rate to earnings before income taxes.

in EUR k	2020	2019
Earnings before income taxes	-8,425	0
Expected income tax expense	-2,454	0
Different foreign tax charge	-211	0
Tax-free income	-39	0
Non-deductible expenses	114	0
Foreign withholding tax	137	0
Tax portion for effects from loss carryforwards	59	0
Unrecognized deferred tax assets	0	0
Effects from changes in tax rates	0	0
Out-of-period tax expense	29	0
Changes in permanent differences	1,251	0
Other	260	0
Effective income tax expense	-854	0
Effective tax rate	10.1	0

6. NOTES TO THE CONSOLIDATED INCOME STATEMENT

6.1. REVENUE

Revenue breaks down by source as follows:

REVENUE

in EUR k	2020	2019
Product revenue, in particular from keyboards, MX modules, mice and smart card readers	35,994	0
Other revenue	103	0
Sales deductions	159	0
Total	**36,256**	**0**

Sales deductions include bonus payments of EUR 544k and discounts of EUR -385k for fiscal year 2020.

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

in EUR k	2020
Gaming	
Gaming Switches	14,248
Gaming Peripherals	5,936
Professional	
Office & Industry Peripherals	11,151
Office	*9,459*
Industry	*1,692*
Healthcare & Security Peripherals	4,921
Security	*1,634*
eHealth	*2,661*
Point of sale products	*626*
Others/Metal Fab	0
Total revenue by product type	**36,256**

In the reporting year, no revenue was recognized that was included in the contract liability balance at the beginning of the period. There was also no revenue recognized from performance obligations satisfied (or partially satisfied) in previous periods. The Cherry Group recognizes its revenue at a point in time.

REVENUE BY REGION

in EUR k	Germany	USA	China	Hong Kong	Austria	Total
Gaming Switches	5,260	268	20	8,700	0	**14,248**
Gaming Peripherals	465	32	4,819	620	0	**5,936**
Office & Industry Peripherals	9,976	1,010	99	65	0	**11,151**
Healthcare & Security Peripherals	4,032	502	0	0	387	**4,921**
Others/Metal Fab	0	0	0	0	0	**0**
Total revenue by region	**19,733**	**1,812**	**4,938**	**9,385**	**387**	**36,256**

As shown above, revenue from the sale of goods and services is recognized within the Cherry Group at the time when the dealer or customer obtains control of the asset. Deliveries which have not (yet) been paid are accounted for under trade receivables. In our experience, these receivables are settled within a period of up to 30 days (taking into account the corresponding payment terms).

6.2. OTHER OPERATING INCOME

OTHER OPERATING INCOME

in EUR k	2020	2019
Exchange gains	300	0
Accounting gains on the sale of property, plant and equipment	1	0
Other operating income	17	0
Total	**318**	**0**

6.3. COST OF MATERIALS

COST OF MATERIALS

in EUR k	2020	2019
Cost of raw materials, consumables and supplies and of purchased merchandise	18,401	0
Cost of purchased services	643	0
Total	**19,044**	**0**

In fiscal year 2020, the ratio of cost of materials to revenue was 52,5%.

6.4. PERSONNEL EXPENSES

The recognized personnel expenses break down as follows:

PERSONNEL EXPENSES

in EUR k	2020	2019
Direct and indirect remuneration	6,296	0
Social security costs	1,203	0
Pension costs	56	0
Total	**7,555**	**0**

The average number of employees by region developed as follows:

AVERAGE NUMBER OF EMPLOYEES BY REGION

in EUR k	2020	2019
Europe	389	0
North America	18	0
Asia	83	0
Total	**490**	**0**

6.5. OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

OTHER OPERATING EXPENSES

in EUR k	2020	2019
Exchange losses	87	0
Accounting losses from the sale of property, plant and equipment	13	0
Accounting losses from the sale of intangible assets	0	0
Transaction cost	5,151	
Other expenses	457	0
Total	**5,708**	**0**

6.6. FINANCIAL RESULT

The financial result breaks down as follows:

FINANCIAL RESULT

in EUR k	2020	2019
Interest and similar income	1	0
Total interest income	**1**	**0**
Interest and similar expenses	2,168	0
Expenses from discounting and the unwinding of discounts	5	0
Total finance costs	**2,173**	**0**
Total	**-2,172**	**0**

Interest and similar expenses mainly comprise interest expenses resulting from the loan of Cherry AcquiCo GmbH amounting to EUR 1,592k, expenses from the measurement of embedded derivatives at fair value of EUR 418k as well as interest expenses relating to lease obligations of EUR 65k.

6.7. INCOME TAX EXPENSE

Tax expense breaks down as follows:

INCOME TAX EXPENSE

in EUR k	2020	2019
Deferred tax income (-)/expense (+)	-2,772	0
Current tax income (-)/expense (+) thereof for prior periods: EUR 29k (2019: EUR 0k)	1,918	0
Total	**-854**	**0**

Deferred taxes in the statement of financial position totaling EUR 5k (2019: EUR 0k) were recognized under equity without affecting profit or loss in the fiscal year.

The current income tax expense mainly resulted from the trade tax of Cherry Holding GmbH and from the corporate income tax of the Group's domestic and foreign corporations.

7. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The statement of cash flows of the Cherry Group shows how cash and cash equivalents changed in fiscal year 2020 as a result of cash inflows and outflows and therefore provides information about the origin and use of funds. The statement of cash flows prepared in accordance with IAS 7 *Statement of Cash Flows* distinguishes between cash flows from operating activities, investing activities and financing activities.

Cash flows from operating activities are derived indirectly. Interest received of EUR 6k and interest paid of EUR 152k are included in the cash flows from operating activities for 2020. Income taxes paid in 2020 amounted in net terms to EUR 4,533k. Cost in connection with business combinations are shown under Cash flows from operating activities and amount to EUR 5,251k.

Cash flows from investing activities are calculated on the basis of payments, primarily cash paid for investments in non-current assets. Cash paid for the purchase of property, plant and equipment amounted to EUR 1,794k; cash paid for intangible assets came to EUR 912k.

As of 30 September 2020 the business combination of Cherry Holding GmbH and its subsidiaries resulted in a cash outflow of EUR 216,090k less cash and cash equivalents obtained in the business combinations of EUR 10,580k.

As of 31 December 2020 the business combination of Theobroma Systems Design und Consulting GmbH resulted in a cash outflow of EUR 400k less cash and cash equivalents obtained in the business combinations of EUR 300k.

Furthermore, reference is made to the notes in 3. Business Combinations.

The principal portion of lease payments is recognized in the cash flows from financing activities and amounts to EUR 751k.

Cash flows from financing activities are also calculated on the basis of payments and include the raising of loans amounting to EUR 77,254k and repayments of loans of EUR 150k at foreign subsidiaries. The raining of loans mainly result from the purchase price loan raised as of 30 September 2020 for the acquisition of Cherry Holding GmbH in the amount of EUR 80,000k less loan-raising cost paid in the amount of EUR 2,831k.

Cash and cash equivalents as of 31 December 2020 exclusively comprise short-term bank balances with maturities of no more than three months amounting to EUR 22,900k (2019: EUR 25k).

RECONCILIATION OF CHANGES IN LIABILITIES TO THE CASH FLOWS FROM FINANCING ACTIVITIES:

EUR k	**Loans**	**Leases**	**Total**
Opening balance as of 1 Jan 2020	0	0	**0**
+ Additions from business combinations	1,724	16,947	**18,671**
+ New loans	77,254	0	**77,254**
- Repayments	-150	-751	**-900**
+/- Exchange differences	-19	0	**-19**
+/- Other	2,011	345	**2,356**
Closing balance as of 31 Dec 2020	**80,820**	**16,542**	**97,362**

Column "Loans" include embedded derivatives. The effect resulting from the effective interest calculation for the purchase price loan, the measurement effect of the embedded derivatives as well as the increase of lease liabilities are included under "Other" and did not lead to an outflow of cash.

8. OTHER NOTES

8.1. CONTINGENT LIABILITIES

No guarantee commitments were made in 2020. There were also no contingent liabilities.

8.2. OTHER NOTES TO RISK AND CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital management

The Group determines its capital requirements in relation to its risk exposure. It manages its capital structure and makes adjustments, if necessary, in light of changes in the economic environment. This includes managing the Group's equity and non-current financial liabilities. The primary objective of the Group's capital management is to reduce its finance charges by maintaining a strong credit rating and healthy equity ratio and to ensure financial stability. Group equity is monitored centrally by the Group's management. The agreements with lenders existing as of the balance sheet date include subsidiary agreements stipulating compliance with certain financial covenants. The Group complied with these covenants.

For additional information, see our comments on our financing strategy and our assets, liabilities and financial position in the group management report.

Financial risk management objectives and policies

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

Interest rate risk

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

As a result of the purchase price financing, the Group will in the future have to make interest payments and loan repayments to the financing banks. Cherry AcquiCo GmbH raised an amortizable loan in order to finance the purchase price and accepted covenants which amongst others are dependent on the performance of Cherry Group.

A hypothetical increase in interest rates of 0.25 basis points per year regarding the interest-bearing finance liabilities as of 31 December 2020 would have led to an increase in interest expenses of EUR 209k and to a corresponding reduction in equity.

Foreign currency risk

Due to the Cherry Group's international focus, the Group is exposed to foreign currency risks from its operating activities as a result of exchange rate fluctuations between the functional currencies of the group companies and other currencies. Currency risks as defined by IFRS 7 arise on account of financial instruments of a monetary nature being denominated in a currency that is not the functional currency.

Significant primary items which give rise to currency risks for the group are cash, receivables and liabilities.

For transactions settled in US dollars, Chinese yuan and pound sterling, changes in the respective exchange rate in relation to the euro or other functional currencies of group companies may have a significant impact on the Group's cash flows. However, the currency risk is manageable for the Group as a significant portion of its materials are purchased in USD or CNY and the Group has its own production facilities in China. For the Cherry Group, there is an excess of expenditures in US dollars over income. Measures are planned in 2021 to reduce this excess or engage in currency hedging transactions. Open positions from rising sales to the UK are partially hedged by price adjustment clauses agreed with the customers.

A hypothetical change in the foreign exchange rates of +/- 5% regarding the receivables and payables as of 31 December 2020 which are not denominated in the functional currency of the respective group company would have led to an effect on profit or loss of EUR -38k and EUR +42k, respectively, and to a corresponding change in equity.

Liquidity risk

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

The following table shows the contractual undiscounted payments in connection with the Group's recognized liabilities as of the reporting date on the basis of undiscounted cash flows in subsequent years. The table includes all instruments held as of 31 December 2020 and for which payments had already been contractually agreed. Amounts in foreign currency were translated at the respective closing rate. The variable interest payments on the financial instruments, in particular on loans, were calculated using expected interest rates. Financial liabilities that are repayable on demand are always assigned to the earliest possible time band. The disclosures are made on the basis of the contractual, non-discounted payments.

	Carrying amount	Cash flows		
in EUR k	**31 Dec 2020**	**2021**	**2022**	**2023 and thereafter**
Interest-bearing loans and borrowings	78,999	-10,290	-10,416	-89,624
Other current financial liabilities	4,085	-4,085	0	0
Trade payables	14,499	-14,499	0	0
Embedded derivatives	1,821	0	0	-1,821

In fiscal year 2020, a loan in the nominal amount of EUR 80,000k was raised in order to finance the purchase price of the business combination of Cherry Holding GmbH and its subsidiaries. In 2020 no repayments to the loan were made.

Credit risk

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

See note 4.5 for information on the aging structure of our receivables.

Carrying amounts and fair values by measurement category

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

MEASUREMENT CATEGORIES

in EUR k	31 Dec 2020	30 Sep 2020	31 Dec 2019
Assets measured at amortized cost			
Trade receivables	10,887	12,807	0
Current financial assets	25	325	0
Cash	22,900	22,019	25
Equity instruments measured at fair value through OCI			
Shares in affiliated companies	31	0	0
Total	**33,843**	**35,151**	**25**

in EUR k	31 Dec 2020	30 Sep 2020	31 Dec 2019
Liabilities measured at amortized cost			
Trade payables	14,499	18,073	0
Current financial liabilities	6,072	3,381	0
Other current financial liabilities	4,085	2,403	0
Non-current financial liabilities (without derivatives)	72,927	74,169	0
Liabilities measured at fair value			
Embedded derivatives separated from the host contract	1,821	1,403	0
Total	**99,404**	**99,429**	**0**

The fair value of trade receivables and payables, current financial assets, cash and cash equivalents as well as current financial liabilities is equal to their carrying amount due to their short-term maturities. There is no difference between the carrying amount and market value of shares in affiliated companies. The recognized financial liabilities resulting from the financing of the purchase price are subject to variable interest based on EURIBOR. Fluctuations in the underlying interest rate will lead to a variable interest charge in the future, which means that the carrying amount approximates the fair value (fair value hierarchy level 2). Only offset transaction fees amounting to EUR 2,670k need to be added to the fair value.

The embedded derivatives to be separated from the host contract are measured at fair value (fair value hierarchy level 3). These consist 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 is 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 case of the termination option of the lender the probability of an exit has been considered as significant unobservable input. As of 31 December 2020 the probability was estimated at 2-10% for the different exit phases. A change of the probability to 5-15% would have an impact on the fair value of the embedded derivatives of EUR 295k.

RECONCILIATION OF FINANCIAL LIABILITIES MEASURED AT FAIR VALUE AT LEVEL 3

EUR k	
Opening balance as of 1 Jan 2020	0
Additions	1,403
Income/expense recognized in profit or loss	418
Closing balance as of 31 Dec 2020	1,821

The expenses recognised in profit or loss result from the measurement of the embedded derivatives as of 31 December 2020 and are presented in the line item financial result in profit or loss.

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

ITEMS OF INCOME, EXPENSE, GAINS OR LOSSES RELATING TO SIGNIFICANT FINANCIAL INSTRUMENTS BROKEN DOWN BY CATEGORY

in EUR k 2020	Interest income	Interest expense	Measurement effects	Impairment	Reversal of impairment	Net result
Assets measured at amortized cost	1	0	0	0	0	1
Liabilities measured at amortized cost	0	-1,750	0	0	0	-1,750
Liabilities measured at fair value (derivatives)	0	0	-418	0	0	-418
Total	**1**	**-1,750**	**-418**	**0**	**0**	**-2,167**

For other liabilities, see note 5.5.

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).

Cherry currently does not value any assets or liabilities at fair value except for the shares in the not fully consolidated subsidiary and the embedded derivatives.

8.3. RELATED PARTY DISCLOSURES

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

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

Furthermore, companies of the GENUI group are to be considered related parties, in particular:

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

Cherry Holding GmbH prepares the consolidated financial statements for the smallest group of companies. This is included in the consolidated financial statements of Cherry AcquiCo GmbH, Munich, which are published in the Bundesanzeiger [German Federal Gazette]. In addition, the group of Cherry AcquiCo GmbH is included in the consolidated financial statements of Argand Partner Funds, which prepare the consolidated financial statements for the largest group of companies.

Disclosures in accordance with IFRS 2 *Share-based Payment*

In connection with the acquisition of the shares of Cherry Holding GmbH by Cherry AcquiCo GmbH as of 30 September 2020 selected members of the management of Cherry AcquiCo GmbH and its subsidiaries were granted an indirect investment in Cherry AcquiCo GmbH. The managers purchased shares by way of this share ownership plan. These shares are held via Cherry MEP GmbH & Co. KG and Cherry Strip GmbH & Co. KG. For a part of the acquired shares (8.2m shares) the managers receive a certain price for the shares to be sold when leaving the company depending on their stay in the group in the next 4 years as of the granting date. The plan is to be regarded as equity-settled plan in the meaning of IFRS 2. The benefits granted to the managers are to be recognized over a period of 4 years in profit or loss and are charged to the capital reserves. The fair value at the grant date according to IFRS 2 was determined based on a Black-Scholes model and, considering an exit date at the end of 2024, led to a fair value of EUR 4,925k. The market value per share amounts to EUR 0.55. The valuation as of 1 October 2020 was based on a volatility of 60%, a risk-free rate and a dividend rate of 0% each and a vesting period of 4 years.

In 2020 expenses of EUR 229k from the new share ownership plan were recognized in personnel expenses.

In addition, members of the management board and the advisory board as well as their close family members qualify as related parties.

Compensation of executives

in EUR k	**2020**	**2019**
Short-term benefits	297	0
Post-employment benefits	0	0
Other long-term benefits	54	0
Termination benefits	0	0
Share-based payments	168	0
Total	**519**	**0**

The disclosures relate to three members of management of various national subsidiaries. In addition to base salaries, the amounts include social security contributions and old-age pension provisions, bonuses and company cars.

8.4. DISCLOSURE OF THE AUDITOR'S FEE

AUDITOR'S FEE

in EUR k	2020	2019
Audit services	337	0
Audit-related services	0	0
Tax services	0	0
Other services	0	0
Total	**337**	**0**

The fees for services of the auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Essen, incurred in the reporting year are included in other operating expenses. The total includes costs from the network of Ernst & Young relating to the audit of the financial statements for the individual entities of the Cherry Group in Germany and abroad.

8.5. EVENTS AFTER THE REPORTING PERIOD

The spin-off of the business area eHealth from Cherry GmbH to Cherry Digital Health GmbH was registered in the trade register in January 2021. Both companies entered into a distribution agreement which initially grants the distribution right to Cherry GmbH.

As of 1 January 2021 the administrative functions and the relevant employees of Cherry GmbH were transferred to Cherry Holding GmbH.

In March 2021 it was decided to initiate the merger of Cherry AcquiCo GmbH and Cherry Holding GmbH. In this context Cherry Holding GmbH is merged into Cherry AcquiCo GmbH. The filing of the merger with the trade register took place on 6 April 2021. The merger was registered in the trade register on 19 April 2021. In connection with the merger Cherry AcquiCo GmbH changed its name to Cherry Holding GmbH. The registered office of the Company is unchanged in Munich.

With the contract of 5 May 2021 (Signing) Cherry Group acquired 100% of the limited partner’s shares of Active Key GmbH & Co. KG, Pegnitz, upon withdrawal from the company by the general partner. Active Key has a broad portfolio of hygienic and robust computer input devices, with a focus on hospitals and industrial customers, including peripherals that contribute to infectious disease control, such as washable medical-grade keyboards and disinfectable keyboards and mice. Recently, this product area has seen high demand in light of the Covid-19 pandemic. The acquired business with industrial keyboards will complement the Group's portfolio. Active Key has good technological expertise in the niche of hygienic, robust, anti-dust, washable and industrial input devices, which we intend to leverage. The acquisition was completed on 7 May 2021 for a purchase price of EUR 6.3 million.

On 25 May 2021, the Company's sole shareholder resolved, in an extraordinary shareholders' meeting of the Company, to increase the share capital from EUR 36,253.00 by EUR 1,963,747.00 to EUR 2,000,000.00 out of the Company's reserves (Kapitalerhöhung aus Gesellschaftsmitteln) in order to comply with the statutory requirements for the share capital of a stock corporation (Aktiengesellschaft) prior to the effectiveness of the conversion of the legal form of the Company into a stock corporation. In the same extraordinary shareholders' meeting, the Company's sole shareholder approved a resolution to change the Company's legal form to a German stock corporation (Aktiengesellschaft) under the legal name "Cherry AG".

No further events occurred after the close of the fiscal year that have a significant effect on the assets and liabilities, financial position and financial performance.

Auerbach, 26 May 2021

Cherry AcquiCo GmbH

The Management Board

Rolf Unterberger

Hans Bernd Josef Wagner

The following report is a translation of the original German-language independent auditor's report, which refers to the German-language consolidated financial statements as well as the German-language group management report for the fiscal year ended 31 December 2020 as a whole.

Independent auditor's report

To Cherry AcquiCo GmbH

Opinions

We have audited the consolidated financial statements of Cherry AcquiCo GmbH, Munich, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 January 2019 to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Cherry AcquiCo GmbH for the fiscal year from 1 January 2020 to 31 December 2020.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020 and of its financial performance for the fiscal year from 1 January 2020 to 31 December 2020, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

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

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

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

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

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

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

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

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

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

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

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

Dortmund, 26 May 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Muzzu	Michael
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Unaudited Condensed Interim Consolidated Financial Statements of Cherry Holding GmbH (merged into Cherry AG in April 2021) Prepared in Accordance with IFRS on Interim Financial Reporting (IAS 34) as of and for the Three-Month Period Ended March 31, 2021

Consolidated statement of financial position as of 31 March 2021

Assets

EUR k	Note	31 Mar 2021	31 Dec 2020
Non-current assets			
Intangible assets	(3.2.)	44,129	43,709
Property, plant and equipment	(3.1.)	18,441	17,940
Right-of-use assets	(3.3.)	18,778	16,254
Shares in affiliates		0	31
Other non-current assets		7	7
Deferred taxes		1,468	1,174
Total		**82,823**	**79,115**
Current assets			
Inventories		30,097	27,265
Trade receivables		18,624	10,887
Current income tax receivables		277	52
Financial assets		3,212	860
Other current assets		872	1,284
Cash and cash equivalents		18,900	22,041
Total		**71,982**	**62,389**
Total assets		**154,805**	**141,504**

Equity and liabilities

EUR k	Note	31 Mar 2021	31 Dec 2020
Equity			
Subscribed capital	(4.1.)	26	26
Capital reserves	(4.1.)	46,998	46,769
Net retained profit		45,812	40,123
Accumulated other comprehensive income		-664	-1,470
Total		**92,172**	**85,448**
Non-current liabilities			
Pension provisions		922	994
Other non-current provisions		941	939
Financial liabilities	(4.2.)	5,400	5,400
Lease liabilities		15,250	13,208
Other non-current liabilities		123	125
Deferred taxes		6,714	6,587
Total		**29,350**	**27,253**
Current liabilities			
Other current provisions		365	450
Financial liabilities	(4.2.)	1,622	2,501
Lease liabilities		3,924	3,334
Trade payables		16,500	14,473
Current income tax liabilities		2,883	1,941
Other current liabilities		7,988	6,104
Total		**33,282**	**28,803**
Total equity and liabilities		**154,805**	**141,504**

Consolidated statement of comprehensive income as of 31 March 2021

EUR k Income statement	Note	1 Jan to 31 Mar 2021	1 Jan to 31 Mar 2020
Revenue	(5.1.)	37,718	27,783
Cost of sales		-22,047	-17,593
Gross profit		**15,671**	**10,190**
Marketing and selling expenses		-2,815	-2,606
Research and development costs		-1,285	-1,236
Administrative expenses		-3,501	-2,170
Other operating income		140	95
Other operating expenses		-412	-298
Operating result/earnings before interest, taxes and income taxes (EBIT)		**7,798**	**3,974**
Financial result	(5.2.)	-117	-153
Earnings before taxes (EBT)		**7,681**	**3,821**
Income taxes		-1,992	-1,016
Profit for the year from continuing operations		**5,689**	**2,805**
Consolidated profit/loss		**5,689**	**2,805**

EUR k Other comprehensive income and expenses	Note	1 Jan to 31 Mar 2021	1 Jan to 31 Mar 2020
Net other comprehensive income to be reclassified to profit or loss in subsequent periods: Exchange rate effects		806	-42
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods: Actuarial losses		0	0
Other changes		0	0
Other comprehensive income and expenses		**806**	**-42**
Total comprehensive income for the period		**6,495**	**2,763**

Consolidated statement of cash flows for the period from 1 January to 31 March 2021

	1 Jan to 31 Mar 2021 EUR k	1 Jan to 31 Mar 2020 EUR k
1. Cash flows from operating activities		
Profit/loss for the period (including minority interests)	5,689	2,805
Write-downs (+)/write-ups (-) of non-current assets	2,739	2,397
Increase (+)/decrease (-) in provisions	-142	-2,478
Other non-cash expenses (+)/income (-)	302	-147
Gain (-)/loss (+) on disposals of non-current assets	0	1
Increase (-)/decrease (+) in inventories, trade receivables and other assets	-12,065	2
Increase (+)/decrease (-) in trade payables and other liabilities	3,246	1,041
Interest expenses (+)/interest income (-)	117	153
Interest paid (-)	-89	-57
Interest received (+)	1	0
Tax expenses	1,992	1,016
Income taxes paid (+/-)	-1,310	-200
Cash flows from operating activities	480	4,533
2. Cash flows from investing activities		
Cash received (+) from disposals of property, plant and equipment	4	649
Cash paid (-) for investments in property, plant and equipment	-1,811	-891
Cash received (+) from disposals of intangible assets	0	0
Cash paid (-) for investments in intangible assets	-872	-622
Cash paid (-) for investments in consolidated companies	-420	0
Cash paid (-) for investments in non-consolidated subsidiaries	0	0
Cash flows from investing activities	-3,099	-864
3. Cash flows from financing activities		
Cash received (+) from equity contribution	0	0
Cash repayments (-) of other non-current financial liabilities	-901	-624
Cash repayments (-) of bonds and loans	-37	0
Cash received (+) from the issuance of bonds and loans	0	0
Cash flows from financing activities	-938	-624
4. Cash and cash equivalents at the end of the period		
Change in cash and cash equivalents (subtotal of 1 to 3)	-3,557	3,045
Changes in cash and cash equivalents due to exchange rates, changes in the basis of consolidation and valuation	416	123
Cash and cash equivalents at the beginning of the period	22,041	15,597
Cash and cash equivalents at the end of the period	18,900	18,765
5. Composition of cash and cash equivalents		
Cash	18,900	18,765
Cash and cash equivalents at the end of the period	18,900	18,765

Consolidated statement of changes in equity as of 31 March 2021

In EUR k	Subscribed capital	Capital reserves	Net retained profit	Accumulated other comprehensive income: Currency translation of financial statements of foreign operations[1]	Accumulated other comprehensive income: Actuarial gains and losses[2]	Total	Non-controlling interests	Total equity
01.01.2020	**26**	**46,540**	**22,587**	**-443**	**-221**	**68,489**	**0**	**68,489**
Consolidated profit/loss	0	0	2,805	0	0	2,805	0	2,805
Capital increase	0	0	0	0	0	0	0	0
Currency translation of financial statements of foreign operations	0	0	0	-42	0	-42	0	-42
Actuarial gains and losses	0	0	0	0	0	0	0	0
Income taxes on other comprehensive income	0	0	0	0	0	0	0	0
Other comprehensive income	0	0	0	-42	0	-42	0	-42
Dividends	0	0	0	0	0	0	0	0
31.03.2020	**26**	**46,540**	**25,392**	**-485**	**-221**	**71,252**	**0**	**71,252**
01.01.2021	**26**	**46,769**	**40,123**	**-1,229**	**-241**	**85,448**	**0**	**85,448**
Consolidated profit/loss	0	0	5,689	0	0	5,689	0	5,689
Capital increase	0	0	0	0	0	0	0	0
Currency translation of financial statements of foreign operations	0	0	0	806	0	806	0	806
Actuarial gains and losses	0	0	0	0	0	0	0	0
Income taxes on other comprehensive income	0	0	0	0	0	0	0	0
Other comprehensive income	0	0	0	806	0	806	0	806
Share-based payments	0	229	0	0	0	229	0	229
Dividends	0	0	0	0	0	0	0	0
31.03.2021	**26**	**46,998**	**45,812**	**-423**	**-241**	**92,172**	**0**	**92,172**

[1] To be reclassified to profit and loss in subsequent periods

[2] Not to be reclassified to profit and loss in subsequent periods

Selected explanatory notes to the condensed consolidated interim financial statements as of March 31, 2021

1. GENERAL

1.1. GENERAL INFORMATION ON THE GROUP

The main purpose of the Cherry Group, having its registered office in Auerbach, is the development and distribution of mechanical switches, peripheral IT devices, security systems and software, the import and export thereof and trade in purchased peripherals, security systems and software, and the provision of development and other IT services as well as all related business.

The parent company of the Cherry Group is Cherry AcquiCo GmbH, which is entered in the commercial register of Munich Local Court under HRB no. 263478. The registered office of the company is at Einsteinstraße 174, 81677 Munich, Germany. Since 30 September 2020 Cherry Holding GmbH is a 100% subsidiary of Cherry AcquiCo GmbH. The registered office of the company is at Cherrystraße, 91275 Auerbach, Germany.

The condensed consolidated interim financial statements of Cherry Holding GmbH and its subsidiaries comprise the period from 1 January to 31 March 2021.

1.2. GENERAL BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Cherry Holding GmbH prepared its consolidated financial statements as of 31 March 2021 in accordance with International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and the relevant interpretations for the preparation of interim financial statements (IAS 34), as adopted by the European Union (EU). Thus, these interim financial statements comprise all information and disclosures required by IFRS to be presented in condensed interim financial statements.

The interim financial statements do not comprise all notes which are regularly included in financial statements for a full financial period. Therefore, this interim report has to be read in conjunction with the consolidated financial statements of Cherry Holding GmbH for the fiscal year as of 31 December 2020.

The accounting policies applied are generally based upon the same accounting policies used for the previous fiscal year 2020. In the current period amendments to IAS 39, IFRS 9, IFRS 7, IFRS 4 and IFRS 16 "Interest Benchmark Reform (Phase 2)" came into effect. These had no effects on the accounting policies of the group and did not result in necessary retrospective changes.

Preparation of the condensed consolidated interim financial statements in accordance with IAS 34 requires the Management Board to exercise judgement and make estimates and assumptions that affect the application of accounting policies in the group and the presentation of assets, liabilities, income and expenses. Actual amounts may differ from these estimates. The results obtained thus far in fiscal year 2021 are not necessarily an indication of how business will develop in the future.

The consolidated financial statements are presented in euros, which is also the parent company's functional currency. Unless stated otherwise, **all figures are stated in thousands of euros (EUR k)**.

Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures (EUR k, percentages (%), etc.).

1.3. BASIS OF CONSOLIDATION

The consolidated financial statements of Cherry Holding GmbH as of 31 March 2021 includes the following companies in addition to the company itself:

LIST OF SHAREHOLDINGS

		Share in equity (%)
Fully consolidated companies:	**Principal activities**	**31 Mar 2021**
Cherry Holding GmbH, Auerbach	Holding	100
Cherry GmbH, Auerbach	Production and distribution	100
Cherry Digital Health GmbH, Munich	Sales	100
Theobroma Systems Design und Consulting GmbH, Vienna (Austria)	Production and distribution	100
Zhuhai Cherry Electronics Co. Ltd., Zhuhai City, China	Production and distribution	100
Cherry Electronics (Hong Kong) Co. Ltd., Hong Kong, China	Sales	100
Cherry Americas LLC, Kenosha, USA	Sales	100
Cherry S.A.R.L, Paris, France	Sales	100

The subsidiary Cherry Digital Health GmbH, Munich, until 31 December 2020 not fully consolidated due to materiality reasons, was now fully consolidated as of 1 January 2021.

In the first quarter 2021 no business combinations took place.

2. SIGNIFICANT TRANSACTIONS

In the first quarter 2021 no significant transactions took place which have to be reported.

Furthermore, reference is made to 7.2 Events after the reporting period.

3. NOTES TO THE GROUP'S ASSETS

3.1. PROPERTY, PLANT AND EQUIPMENT

In the first quarter 2021 investments in property, plant and equipment amounted to EUR 1,811k.

INVESTMENTS

in EUR k	Land, land rights and buildings, including buildings on third-party land	Plant and machinery	Other equipment, furniture and fixtures	Prepayments and assets under construction	Total
01.01.-31.03.2021	81	237	224	1,269	**1,811**
01.01.-31.03.2020	68	307	173	343	**891**

Total depreciation for property, plant and equipment was EUR 1,355k (01.01.-31.03.2020: EUR 1,257k). No impairments were recorded.

3.2. INTANGIBLE ASSETS

In the first quarter 2021 investments in intangible assets amounted to EUR 872k.

INVESTMENTS

in EUR k	Internally generated industrial and similar rights and assets	Industrial rights, licenses and patents	Customer list	Brand	Goodwill	Prepayments	Total
01.01.-31.03.2021	828	29	0	0	0	15	**872**
01.01.-31.03.2020	508	102	0	0	0	12	**622**

Total amortization for intangible assets was EUR 452k (01.01.-31.03.2020: EUR 538k). No impairments were recorded.

There were no changes in goodwill compared to 31 December 2020.

3.3. RIGHT-OF-USE ASSETS

In the first quarter 2021 investments in right-of-use assets amounted to EUR 3,424k.

in EUR k	ROU for buildings	ROU for machinery	ROU for tools	ROU for vehicles	ROU for furniture and fixtures and operating equipment	Total
01.01.-31.03.2021	93	3,331	0	0	0	**3,424**
01.01.-31.03.2020	36	612	0	22	3	**673**

Total depreciation for right-of-use assets was EUR 929k (01.01.-31.03.2020: EUR 598k). No impairments were recorded.

4. NOTES TO THE GROUP'S EQUITY AND LIABILITIES

4.1. EQUITY

The parent company's subscribed capital of EUR 26k is unchanged and is fully paid in.

Capital reserves amounted to EUR 46,998k as of 31 March 2021 (31 December 2020: EUR 46,769k). The increase is due to the share ownership plan set up as of 30 September 2020 for the management. In the first quarter the plan resulted in personnel expenses in the amount of EUR 229k which are directly recognized in equity according to IFRS 2 and thus, have increased the capital reserve.

The development of equity is shown in the statement of changes in equity.

4.2. FINANCIAL LIABILITIES

Apart from lease liabilities, Cherry Group's current and non-current financial liabilities mainly relate to liabilities due to the shareholder and to banks.

FINANCIAL LIABILITIES

in EUR k	31 Mar 2021	31 Dec 2020
Current	1,622	2,501
Non-current	5,400	5,400
Total	**7,022**	**7,901**

Current financial liabilities include current loans of foreign subsidiaries in the amount of EUR 1,622 (31 Dec 2020: EUR 1,641k) as well as current financial liabilities due to Cherry AcquiCo GmbH in the amount of EUR 0k (31 Dec 2020: EUR 860k).

As of 31 March 2021 non-current financial liabilities include a loan granted by Cherry AcquiCo GmbH to Cherry Holding GmbH in the amount of EUR 5,400k (31.12.2020: EUR 5,400k).

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

5.1. REVENUE

Revenue breaks down by source as follows:

REVENUE

in EUR k	01.01.-31.03.2021	01.01.-31.03.2020
Product revenue, in particular from keyboards, MX modules, mice and smart card readers	38,248	28,435
Other revenue	252	194
Sales deductions	-782	-847
Total	**37,718**	**27,783**

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

in EUR k	01.01.-31.03.2021	01.01.-31.03.2020
Gaming		
Gaming Switches	13,274	10,529
Gaming Peripherals	5,563	3,638
Professional		
Office & Industry Peripherals	12,440	10,689
Office	*10,450*	*8,594*
Industry	*1,990*	*2,095*
Healthcare & Security Peripherals	6,441	2,927
Security	*1,437*	*1,956*
eHealth	*4,440*	*5*
Point of sale products	*564*	*966*
Others/Metal Fab	**0**	**0**
Total revenue by product type	**37,718**	**27,783**

REVENUE BY REGION
01.01.-31.03.2021

in EUR k	Germany	USA	China	Hong Kong	Austria	Total
Gaming Switches	4,476	110	3	8,685	0	**13,274**
Gaming Peripherals	116	32	4,755	660	0	**5,563**
Office & Industry Peripherals	11,301	864	226	49	0	**12,440**
Healthcare & Security Peripherals	5,631	625	106	0	79	**6,441**
Others/Metal Fab	0	0	0	0	0	**0**
Total revenue by region	**21,525**	**1,631**	**5,090**	**9,394**	**79**	**37,718**

5.2. FINANCIAL RESULT

The financial result breaks down as follows:

FINANCIAL RESULT

in EUR k	01.01.-31.03.2021	01.01.-31.03.2020
Interest and similar income	1	1
Total interest income	1	1
Interest and similar expenses	117	152
Expenses from discounting and the unwinding of discounts	1	2
Total finance costs	118	154
Total	**-117**	**-153**

In addition to interest expenses for financial liabilities, interest expenses of EUR 118k (01.01.-31.03.2020: EUR 154k) also include interest expenses relating to lease obligations of EUR 89k (01.01.-31.03.2020: EUR 57k).

6. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows from investing activities of the first quarter 2021 include cash outflows in the amount of EUR 420k for the purchase price of the acquisition in Theobroma Systems Design und Consulting GmbH in the previous fiscal year.

7. OTHER NOTES

7.1. NOTES TO THE FINANCIAL INSTRUMENTS

As of 31 March 2021 no financial assets and liabilities are measured at fair value.

The shares in affiliated companies presented as of 31 December 2020 in the amount of EUR 31k were eliminated due to the consolidation of the subsidiary as of 1 January 2021.

The Group has several financial instruments which are not measured at fair value in the statement of financial position. For most of these financial instruments the fair values do not materially differ from the carrying amounts due to their short-term maturities or due to the fact that the carrying amount approximates the fair value as a result of the recent granting of the loan.

MEASUREMENT CATEGORIES

in EUR k	31 Mar 2021	31 Dec 2020
Assets measured at amortized cost		
Trade receivables	18,624	10,887
Current financial assets	3,212	860
Cash	18,900	22,041
Equity instruments measured at fair value through OCI		
Shares in affiliated companies	0	31
Total	**40,736**	**33,819**

in EUR k	31 Mar 2021	31 Dec 2020
Liabilities measured at amortized cost		
Trade payables	16,500	14,473
Current financial liabilities	1,622	2,501
Other current financial liabilities	3,518	3,295
Non-current financial liabilities (without derivatives)	5,400	5,400
Total	**27,040**	**25,669**

7.2. EVENTS AFTER THE REPORTING PERIOD

In March 2021 it was decided to initiate the merger of Cherry AcquiCo GmbH and Cherry Holding GmbH. In this context Cherry Holding GmbH is merged into Cherry AcquiCo GmbH. The filing of the merger with the trade register took place on 6 April 2021. The merger was registered in the trade register on 19 April 2021. In connection with the merger Cherry AcquiCo GmbH changed its name to Cherry Holding GmbH. The registered office of the Company is in Munich.

With the contract of 5 May 2021 (Signing) Cherry Group acquired 100% of the limited partner’s shares of Active Key GmbH & Co. KG, Pegnitz, upon withdrawal from the company by the general partner. Active Key has a broad portfolio of hygienic and robust computer input devices, with a focus on hospitals and industrial customers, including peripherals that contribute to infectious disease control, such as washable medical-grade keyboards and disinfectable keyboards and mice. Recently, this product area has seen high demand in light of the Covid-19 pandemic. The acquired business with industrial keyboards will complement the Group's portfolio. Active Key has good technological expertise in the niche of hygienic, robust, anti-dust, washable and industrial input devices, which we intend to leverage. The acquisition was completed on 7 May 2021 for a purchase price of EUR 6.3 million.

No further events occurred after the close of the fiscal year that have a significant effect on the assets and liabilities, financial position and financial performance.

Auerbach, 26 May 2021

Cherry Holding GmbH

The Management Board

Rolf Unterberger

Hans Bernd Josef Wagner

Audited Consolidated Financial Statements of
Cherry Holding GmbH (merged into Cherry AG in April 2021)
Prepared in Accordance with IFRS as of and for the Fiscal Year Ended December 31, 2020

Consolidated statement of financial position as of 31 December 2020

Assets

EUR k	Note	31 Dec 2020	31 Dec 2019
Non-current assets			
Intangible assets	(4.2.)	43,709	42,584
Property, plant and equipment	(4.1.)	17,940	18,973
Right-of-use assets	(4.3.)	16,254	12,628
Shares in affiliates	(1.4)	31	—
Other non-current assets	(4.7.)	7	7
Deferred taxes	(5.7.)	1,174	1,522
Total		**79,115**	**75,714**
Current assets			
Inventories	(4.4.)	27,265	22,159
Trade receivables	(4.5.)	10,887	10,287
Current income tax receivables	(4.6.)	52	—
Financial assets	(4.7)	860	—
Other current assets	(4.7.)	1,284	1,618
Cash and cash equivalents	(4.8.)	22,041	15,597
Total		**62,389**	**49,661**
Total assets		**141,504**	**125,375**

Equity and liabilities

EUR k	Note	31 Dec 2020	31 Dec 2019
Equity			
Subscribed capital	(5.1.)	26	26
Capital reserves	(5.1.)	46,769	46,540
Net retained profit		40,123	22,587
Accumulated other comprehensive income	(5.1.)	-1,470	-664
Total		**85,448**	**68,489**
Non-current liabilities			
Pension provisions	(5.2.)	994	1,051
Other non-current provisions	(5.3.)	939	1,635
Financial liabilities	(5.5.)	5,400	12,294
Lease liabilities	(4.3.)	13,208	10,637
Other non-current liabilities	(5.5.)	125	52
Deferred taxes	(5.7.)	6,587	6,074
Total		**27,253**	**31,743**
Current liabilities			
Other current provisions	(5.3.)	450	150
Financial liabilities	(5.5.)	2,501	—
Lease liabilities	(4.3.)	3,334	2,101
Trade payables	(5.4.)	14,473	13,564
Current income tax liabilities	(5.6.)	1,941	3,868
Other current liabilities	(5.5.)	6,104	5,460
Total		**28,803**	**25,143**
Total equity and liabilities		**141,504**	**125,375**

Consolidated statement of comprehensive income as of 31 December 2020

EUR k Income statement	**Note**	**1 Jan to 31 Dec 2020**	**1 Jan to 31 Dec 2019**
Revenue	(6.1.)	**130,204**	**114,723**
Cost of sales		-79,370	-71,301
Gross profit		**50,834**	**43,422**
Marketing and selling expenses		-12,025	-11,785
Research and development costs		-4,526	-4,530
Administrative expenses		-9,615	-7,227
Other operating income	(6.2.)	1,013	359
Other operating expenses	(6.5.)	-699	-1,873
Operating result/earnings before interest, taxes and income taxes (EBIT)		**24,982**	**18,366**
Financial result	(6.6.)	-695	-1,062
Earnings before taxes (EBT)		**24,287**	**17,304**
Income taxes	(6.7.)	-6,750	-4,789
Profit for the year from continuing operations		**17,537**	**12,515**
Consolidated profit/loss		**17,537**	**12,515**

EUR k Other comprehensive income and expenses			
Net other comprehensive income to be reclassified to profit or loss in subsequent periods: Exchange rate effects	(5.1.)	-786	181
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods: Actuarial losses	(5.1.)	-15	-47
Other changes	(5.1.)	-5	-14
Other comprehensive income and expenses		**-806**	**120**
Total comprehensive income for the period		**16,731**	**12,635**

Consolidated statement of cash flows for the period from 1 January to 31 December 2020

	2020 EUR k	2019 EUR k
1. Cash flows from operating activities		
Profit/loss for the period (including minority interests)	17,537	12,515
Write-downs (+)/write-ups (-) of non-current assets	10,284	9,386
Increase (+)/decrease (-) in provisions	-3,737	-788
Other non-cash expenses (+)/income (-)	284	-331
Gain (-)/loss (+) on disposals of non-current assets	21	6
Increase (-)/decrease (+) in inventories, trade receivables and other assets	-4,371	3,628
Increase (+)/decrease (-) in trade payables and other liabilities	1,120	-7,060
Interest expenses (+)/interest income (-)	695	1,062
Interest paid (-)	-303	-447
Interest received (+)	3	4
Tax expenses	6,750	4,789
Income taxes paid (+/-)	-5,501	-1,417
Cash flows from operating activities	22,781	21,348
2. Cash flows from investing activities		
Cash received (+) from disposals of property, plant and equipment	1,538	1,719
Cash paid (-) for investments in property, plant and equipment	-4,872	-6,947
Cash received (+) from disposals of intangible assets	0	-6
Cash paid (-) for investments in intangible assets	-2,878	-3,383
Cash paid (-) for investments in consolidated companies	-100	0
Cash paid (-) for investments in non-consolidated subsidiaries	-31	0
Cash flows from investing activities	-6,343	-8,617
3. Cash flows from financing activities		
Cash received (+) from equity contribution	0	0
Cash repayments (-) of other non-current financial liabilities	-2,446	-1,594
Cash repayments (-) of bonds and loans	-12,650	-11,700
Cash received (+) from the issuance of bonds and loans	5,938	0
Cash flows from financing activities	-9,158	-13,294
4. Cash and cash equivalents at the end of the period		
Change in cash and cash equivalents (subtotal of 1 to 3)	7,280	-563
Changes in cash and cash equivalents due to exchange rates, changes in the basis of consolidation and valuation	-836	146
Cash and cash equivalents at the beginning of the period	15,597	16,013
Cash and cash equivalents at the end of the period	22,041	15,597
5. Composition of cash and cash equivalents		
Cash	22,041	15,597
Cash and cash equivalents at the end of the period	22,041	15,597

Consolidated statement of changes in equity as of 31 December 2020

In EUR k	Subscribed capital	Capital reserves	Net retained profit	Accumulated other comprehensive income: Currency translation of financial statements of foreign operations[1]	Accumulated other comprehensive income: Actuarial gains and losses[2]	Total	Non-controlling interests	Total equity
01.01.2019	26	46,540	10,072	-625	-160	55,853	0	55,853
Consolidated profit/loss	0	0	12,515	0	0	12,515	0	12,515
Capital increase	0	0	0	0	0	0	0	0
Currency translation of financial statements of foreign operations	0	0	0	181	0	181	0	181
Actuarial gains and losses	0	0	0	0	-47	-47	0	-47
Income taxes on other comprehensive income	0	0	0	0	-14	-14	0	-14
Other comprehensive income	0	0	0	181	-61	120	0	120
Dividends	0	0	0	0	0	0	0	0
31.12.2019	26	46,540	22,587	-443	-221	68,489	0	68,489
01.01.2020	26	46,540	22,587	-443	-221	68,489	0	68,489
Consolidated profit/loss	0	0	17,537	0	0	17,537	0	17,537
Capital increase	0	0	0	0	0	0	0	0
Currency translation of financial statements of foreign operations	0	0	0	-786	0	-786	0	-786
Actuarial gains and losses	0	0	0	0	-15	-15	0	-15
Income taxes on other comprehensive income	0	0	0	0	-5	-5	0	-5
Other comprehensive income	0	0	0	-786	-20	-806	0	-806
Share-based payments	0	229	0	0	0	229	0	229
Dividends	0	0	0	0	0	0	0	0
31.12.2020	**26**	**46,769**	**40,123**	**-1,229**	**-241**	**85,448**	**0**	**85,448**

[1] To be reclassified to profit and loss in subsequent periods

[2] Not to be reclassified to profit and loss in subsequent periods

Reference is made to the information in the Notes under 5.1. Equity.

Notes to the consolidated financial statements as of 31 December 2020

1. GENERAL

1.1. GENERAL INFORMATION ON THE GROUP

The main purpose of the Cherry Group, having its registered office in Auerbach, is the development and distribution of mechanical switches, peripheral IT devices, security systems and software, the import and export thereof and trade in purchased peripherals, security systems and software, and the provision of development and other IT services as well as all related business.

Effective 14 November 2016, Cherry Holding GmbH (formerly Genui Fünfte Beteiligungsgesellschaft mbH, having its registered office in Cherrystrasse, 91275 Auerbach) acquired all of the assets, liabilities and employees of Cherry GmbH (having its registered office in Cherrystrasse, 91275 Auerbach) and all of its subsidiaries from ZF Friedrichshafen AG (ZF AG, having its registered office in Friedrichshafen) in a share deal.

Until 30 September 2020, the parent company of the Cherry Group is Cherry Holding GmbH, which is entered in the commercial register of Amberg Local Court under HRB no. 5974. The registered office of the Company is at Cherrystrasse, 91275 Auerbach, Germany.

With the contract of 21 May 2020 and effective 30 September 2020 (Closing) Cherry AcquiCo GmbH, Munich (formerly Kronen zweitausend623 GmbH, Berlin) acquired Cherry Group and is now the direct parent company of Cherry Holding GmbH and all of its subsidiaries.

On 26 May 2021, the management board approved these consolidated financial statements for issue.

1.2. GENERAL BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Cherry Holding GmbH applied Sec. 315e (3) HGB ["Handelsgesetzbuch": German Commercial Code] and prepared its consolidated financial statements as of 31 December 2020 in accordance with International Financial Reporting Standards (IFRSs) as set out in Regulation (EC) No 1606/2002 of the European Parliament and the Council. The consolidated financial statements are in compliance with the IFRSs, International Accounting Standards (IASs) and the relevant interpretations by the International Financial Reporting Interpretations Committee (IFRIC/SIC) as adopted by the European Union (EU) for fiscal year 2020 and are supplemented by the group management report in conjunction with Sec. 315e HGB.

The consolidated financial statements were prepared on a historical cost basis with the exception of the measurement of financial assets at fair value and the measurement of financial liabilities at fair value through profit or loss.

The financial statements of the fully consolidated entities were all prepared on the basis of uniform accounting policies. The separate financial statements of the companies included in the consolidated financial statements were prepared as of the reporting date of the consolidated financial statements (31 December 2020).

The financial statements of the consolidated subsidiaries prepared in a foreign currency are translated into euros on the basis of the functional currency concept in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The functional currency of all the Group's foreign subsidiaries is the respective local currency, since the entities operate on an independent basis financially, economically and organizationally.

The consolidated financial statements are presented in euros, which is also the parent company's functional currency. Unless stated otherwise, **all figures are stated in thousands of euros (EUR k)**.

Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures (EUR k, percentages (%), etc.).

Assets and liabilities are generally measured at historical cost or cost less accumulated amortization, depreciation and impairment.

The consolidated statement of financial position is prepared in accordance with IAS 1 *Presentation of Financial Statements* using the current/non-current classification whereby assets realized within 12 months of the reporting date and liabilities due within one year of the reporting date are generally stated as current.

1.3. CONSOLIDATION PRINCIPLES

The consolidated financial statements include the financial statements as of 31 December 2020 of Cherry Holding GmbH and the subsidiaries that are controlled directly or indirectly by Cherry Holding GmbH.

All significant subsidiaries in which Cherry Holding GmbH directly or indirectly holds the majority of voting rights and has control are fully consolidated. According to IFRS 10 control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. In addition, the Group must have power over the subsidiary due to existing rights that give it the ability to direct the relevant activities of the subsidiary that significantly affect its returns. Subsidiaries are fully consolidated as of the date of acquisition, that is the date on which the Group obtains control. Consolidation ends as soon as the parent ceases to have control.

The financial statements of the subsidiaries included in the Group are prepared for the same reporting period as for the parent using consistent accounting policies in accordance with IFRS 10. In the case of discrepancies, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Significant investments where Cherry Holding GmbH does not control the associate but exerts significant influence over it are accounted for using the equity method. No investments in associates are recognized in the consolidated financial statements as of 31 December 2020.

All assets and liabilities, equity, income and expenses resulting from intragroup transactions are eliminated in full, as are intercompany profits and losses from intercompany trade and dividends. Deferred taxes are recognized on consolidation entries affecting income.

1.4. BASIS OF CONSOLIDATION

The consolidated financial statements of Cherry Holding GmbH as of 31 December 2020 includes the following companies in addition to the parent:

LIST OF SHAREHOLDINGS

		Share in equity (%)	
Fully consolidated companies:	**Principal activities**	**31 Dec 2020**	**31 Dec 2019**
Cherry GmbH, Auerbach	Production and distribution	100	100
Theobroma Systems Design und Consulting GmbH, Vienna (Austria)	Production and distribution	100	-
Zhuhai Cherry Electronics Co. Ltd., Zhuhai City, China	Production and distribution	100	100
Cherry Electronics (Hong Kong) Co. Ltd., Hong Kong, China	Sales	100	100
Cherry Americas LLC, Kenosha, USA	Sales	100	100
Cherry S.A.R.L, Paris, France	Sales	100	100
Not fully consolidated companies:			
Cherry Digital Health GmbH, Munich		100	-

On 8 January 2018, a branch of Cherry Electronics (Hong Kong) Co. Ltd. was established in Taiwan.

On 12 November 2020 the Group acquired 100% of the shares of Cherry Digital Health GmbH, Munich (formerly Blitz 20-639 GmbH, Munich). Until 31 December 2020 Cherry GmbH has spun off the business area eHealth to Cherry Digital Health GmbH. Both companies entered into a distribution agreement which initially grants the distribution right to Cherry GmbH. The spin-off was registered in the trade register on 20 January 2021. Due to materiality reasons the company was not fully consolidated as of 31 December 2020. The shares with a carrying amount of EUR 31k are pledged as security for a bank loan of Cherry AcquiCo GmbH.

In accordance with Sec. 264 (3) HGB, Cherry GmbH is, by virtue of their inclusion in the consolidated financial statements, exempt from preparing annual financial statements and a management report and having these audited and published.

1.5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with IFRSs requires certain assumptions and estimates to be made as well as the use of judgment by management, which have an effect on the recognition, measurement and presentation of assets and liabilities, income and expenses as well as on the disclosure of contingent liabilities as of the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying amount of the asset or liability affected in future periods.

These estimates and assumptions are based on premises that reflect the knowledge available on the date when the consolidated financial statements are prepared. These premises are regularly reviewed and, if necessary, revised in the light of actual developments. Estimates are adjusted, with any changes being recognized in profit and loss, as and when better knowledge is available.

In the year 2020 the impact of the COVID 19 pandemic on the accounting and the significant estimates, assumptions and judgements have to be evaluated. The Covid-19 pandemic has resulted in a considerable boost for our business due to an acceleration of relevant trends such as increased gaming activity and an increase in B2C sales of office peripherals due to a rise of remote working and learning. However, it is uncertain whether we will be able to sustain or increase the level of sales once the pandemic ebbs or is overcome. From the point of view of the management the impact of COVID 19 on the Cherry Group was very low up to now and currently, no significant impact on the future accounting is expected. The credit-worthiness of the clients continues to be monitored on a regular basis and in 2020 there were no significant impact on the trade receivables.

The key assumptions and estimates entailing a significant risk of an adjustment of carrying amounts of assets and liabilities during the next fiscal year are presented below:

Business Combinations

For business combinations acquired identifiable assets and liabilities basically have to be measured at fair value. As there is no active market for many assets and liabilities fair values have to be determined based on generally accepted measurement methods. For example, these include the relief-from-royalty method and the multi-period-excess-earnings method. Significant measurement parameters to be estimated for these methods comprise the future cashflows resulting from the assets and liabilities as well as the applicable discount rates. In order to measure contingent consideration in connection with business combinations assumptions has to be made regarding the characteristics of parameters which are included in the measurement.

Impairment of financial and non-financial assets

On each reporting date, the Group assesses whether there is an indication that a financial or non-financial asset may be impaired. For financial assets, particularly trade receivables, the Group regularly reviews whether an impairment needs to be charged (e.g., due to a loss of customer credit standing). Other non-financial assets, such as inventories and property, plant and equipment, are tested for impairment if there is an indication that the net realizable value/recoverable amount is less than the carrying amount. Determining recoverability requires the net selling price to be estimated or, in the case of raw materials, consumables and supplies, an estimate of alternative uses. Current market conditions are used as a basis for determining the realizable sales proceeds. Intangible assets acquired in business combinations have to be evaluated if the useful life is finite or indefinite. In the past the only asset identified with an indefinite useful life was the brand “Cherry” as the brand is well established since decades and it is intended to further use the brand. For internally generated intangible assets in the form of development cost for future products assumptions and estimates are especially necessary in determining if the asset will generate future economic benefits and if the asset is not impaired during the development phase. In doing so it is decisive to assess the existence of a market and a customer, respectively. Cherry regularly starts development projects in cooperation with existing customers who have shown a respective interest in the developed products. The assessment of the generation of future economic benefit is permanently done based on the progress of the project. Due to the type of products of Cherry Group there is naturally an influence by technological developments while assessing impairments. These are regularly monitored and evaluated.

Impairment test

Cherry has to estimate numerous parameters according to IAS 36 in the course of the impairment test in order to test the assets' recoverability. These especially include estimates of future cashflows, growth rates as well as the interest rate used to discount future cashflows. In the detailed planning phase growth in sales is regularly planned on the basis of historical experience of prior years considering the current short to medium-term expectations. Currently, this also includes the expectations resulting from the Covid-19 pandemic and the planned market strategies. After the detailed planning phase a long-term growth in sales is assumed on the basis of the current planning. Due to the product portfolio the planning includes steady gross margins. Risks especially result from the goodwill. Notes regarding the impairment test are included in section 4.2.

Leases

The Group has several leases that include extension and termination options. These options are negotiated by the management board to ensure flexibility in managing the lease asset portfolio and meet the Group's business requirements. The management board exercises considerable judgment to determine whether these extension and termination options can be exercised with reasonable certainty.

Deferred tax assets

The Cherry Group is obligated to pay income taxes in several countries. In order to recognize tax provisions and deferred taxes, estimates have to be made. Deferred tax assets are recognized if it is probable that sufficient taxable income will be available in the future. Management's estimates relate to the amount of taxable income and the likely timing. For further details see note 5.7 on deferred taxes.

Measurement of provisions for pensions and similar obligations

Provisions for pensions and similar obligations are determined using actuarial calculations. They are measured applying assumptions about discount rates, long-term expected return on plan assets, expected future salary and pension increases and mortality tables. Actual expenses and liabilities may differ from the estimates made due to changes in the market and economic environment.

Measurement of other provisions

Other provisions, especially the provisions for warranty obligations, are subject to estimation uncertainty as to the amount and/or timing of the obligation. Cherry must make assumptions, some based on historical values, about the probability of occurrence of the obligation or future developments, such as the costs used to calculate the obligation. These costs may be subject to estimating uncertainty, especially in the case of non-current provisions. The amount of non-current provisions is particularly dependent on the choice and development of market-based discount rates.

Share-based payments

While recognizing the personnel expenses from share-based payments the management has to estimate how many rights are expected to vest after the vesting period and thus, can be exercised. Furthermore, option pricing models include the estimate of several input parameters (volatility, discounting).

The carrying amounts of the items affected by the above-mentioned key assumptions and estimates are shown in the respective disclosures in these notes.

1.6 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which, based on the uniform group accounting policies, are applied in the consolidated financial statements of Cherry Holding GmbH are explained below.

Acquisition and production cost

Acquisition cost includes purchase prices as well as all directly attributable acquisition-related costs. The production cost of internally generated assets from which future benefits are expected to flow and which can be measured reliably includes costs directly related to the production process as well as appropriate allocations of production overheads. Finance costs are capitalized as part of the cost of an asset if that asset takes a period of more than 12 months to get ready for its intended use or sale (qualifying assets). Neither in 2019 nor in 2020 qualifying assets were built or acquired.

Fair value

The fair value of financial instruments that are traded in organized markets is determined by reference to quoted market prices (bid prices) at the reporting date. For financial instruments not traded in an active market, the fair value is determined using valuation techniques. Such techniques may include the use of recent arm's length market transactions between knowledgeable, willing and independent parties, reference to the current fair value of another financial instrument that is substantially the same and the discounted cash flow analysis or other valuation models.

Since the fair value is not always available in the form of a market price, it may have to be determined using a range of different valuation inputs. Depending on the observable inputs available and the significance of these available inputs for the determination of fair value, any fair value to be determined is allocated to levels 1, 2 or 3. The allocation follows the following hierarchy:

Level 1:

The valuation inputs used are exclusively quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2:

The valuation inputs used include quoted prices that are either directly observable for the asset or liability or indirectly derivable from other prices.

Level 3:

The inputs for the measurement of an asset or liability include inputs not observable on the market.

Foreign currency translation

The financial statements of the consolidated subsidiaries prepared in a foreign currency are translated into euros on the basis of the functional currency concept in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

The functional currency of all of the Group's foreign subsidiaries is the local currency. Accordingly, assets and liabilities are translated at the closing rates on the reporting date of the consolidated financial statements, and expenses and income at the average rates. Components of equity are translated at historical rates valid on the dates of their respective contribution to the Group.

The differences arising in comparison to translation at the closing rates are separately presented under equity as "Currency translation of financial statements of foreign operations."

On a potential disposal of a foreign subsidiary, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss.

For the reporting periods presented, the following exchange rates against the euro were used by the Group for significant currencies:

CLOSING RATES	**US dollars (USD)**	**Chinese renminbi (CNY)**	**Taiwanese dollars (TWD)**
31 Dec 2019	1.12147	7.81304	33.59164
31 Dec 2020	1.22637	8.00533	34.43317

AVERAGE ANNUAL RATES (1 Jan 2019 to 31 Dec 2019)	**USD**	**CNY**	**TWD**
2019	1.11130	7.79740	33.60568

AVERAGE ANNUAL RATES (1 Jan 2020 to 31 Dec 2020)	**USD**	**CNY**	**TWD**
2020	1.14128	7.87084	33.59347

Intangible assets

Purchased intangible assets are recognized at acquisition cost, internally generated assets at production cost, if the criteria for recognizing internally generated intangible assets set out in IAS 38 are met.

Following initial recognition, intangible assets with a finite useful life are carried at cost less any accumulated amortization and accumulated impairment losses. Depreciation is recognized on a straight-line basis and is presented in the respective functional costs in the statement of profit or loss. In the reporting period, Cherry Holding GmbH had intangible assets with a finite useful life, in particular software licenses and customer relationships. The useful lives of recognized intangible assets depend on the underlying contractual arrangement:

Intangible assets	**Useful life**
Software licenses	3 to 5 years
Development costs	5 years
Customer relationships	8 years
Purchased developed technology	15 years

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. These intangible assets are not amortized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete the asset and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when the development phase is complete and the asset is available for use.

It is amortized over the period of expected future benefit.

In the Cherry Group, expenditures on the development of new product series are recognized as an asset and, after completion of the development phase, they are amortized on a straight-line basis over a period of five years.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment. The Company uses the straight-line depreciation method. Depreciation is based on the following assumed useful lives:

Property, plant and equipment	**Useful life**
Plant and machinery	4 to 10 years
Other equipment, furniture and fixtures	1 to 15 years
Tools	4 years

Items of property, plant and equipment are derecognized at historical cost less accumulated depreciation and impairment upon sale or scrapping. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount) is included in the income statement as other operating income or expenses in the period in which the item is derecognized. Repairs and maintenance which do not represent material replacement investments are recognized in profit or loss in the fiscal year in which they are incurred.

Investment grants are recognized when the respective conditions are fulfilled and they were granted. They are deferred as a liability and allocated over the useful life of the respective asset. They are presented as current and non-current other liabilities, respectively.

Leases

IFRS 16 *Leases* governs the recognition and measurement, presentation and disclosure requirements for leases.

The Cherry Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a certain period of time in exchange for consideration.

At the inception of the lease the lessee recognizes a right of use over the leased item and a lease liability. Lease payments comprise fixed installments. There are no variable components linked to an index. If the right-of-use asset includes an extension or purchase option which the Group considers itself reasonably unlikely to exercise, the costs of this option are not taken into account. The right-of-use asset and the lease liability, respectively, are separately presented in the statement of financial position.

For leases for which the underlying asset is of low value no right-of-use assets and lease liabilities are recognized exercising the option in IFRS 16.5. Rather, lease payments are recognized on a straight-line basis over the lease term unless there is another systematic basis that is more representative of the pattern of the lessee's benefit.

Right-of-use assets are recognized at cost less depreciation and impairment losses.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

In the Cherry Group, right-of-use assets are amortized on a straight-line basis over the term of the relevant lease.

According to IFRS 16 lease liabilities are recognized at the present value of the lease payments over the lease term.

The Cherry Group applied IFRS 16 in the Group for the first time in fiscal year 2019 and recognized the lease liabilities at the present value of the lease payments to be made over the term of the leases.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method, for which the acquisition cost must be determined. The cost of an acquisition is the fair value of the assets given, equity instruments issued and liabilities assumed as of the acquisition date. All directly attributable acquisition-related costs are immediately expensed.

Goodwill is defined as the amount by which the cost of the business combination exceeds the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's legal entities (cash-generating units) that are expected to benefit from the synergies of the combination. If the expected synergies cannot be reliably allocated, the goodwill is allocated to the Group as a whole, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized. When the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

In the Cherry Group, in addition to goodwill, the "CHERRY" brand is defined as an intangible asset with an indefinite life. The management board currently considers the legal entities of the entire Group to be cash-generating units as all legal entities, products and regions derive equal benefit from both the goodwill and the brand.

Impairment of non-financial assets

The Group tests intangible assets, property, plant and equipment and right-of-use assets for impairment as soon there is an as indication that the asset may be impaired. Impairment is tested by comparing the carrying amount of an asset with its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and is written down to its recoverable amount through profit and loss. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If an asset does not generate cash flows that are independent of those from other assets or groups of assets, impairment is tested on the level of the cash-generating unit to which the asset belongs. Where the recoverable amount of a cash-generating unit is lower than its carrying amount, an impairment loss is recognized in the amount of the difference between the carrying amount and the lower recoverable amount.

With the exception of goodwill, assets are assessed at each reporting date as to whether there are indications that an impairment loss previously recognized no longer exists or has decreased. If such indication exists, the Group estimates the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. However, that amount cannot exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Any reversal is included in the profit or loss for the period.

Inventories

Inventories of raw materials, consumables and supplies, work in process and finished goods as well as merchandise are recognized at the lower of cost or net realizable value as of the reporting date. If the net realizable value of inventories is lower than their carrying amount on the reporting date, specific valuation allowances – including those considering days of inventory – are recognized. For obsolete inventories the net realizable value is estimated to be nil.

Production cost comprises direct materials and production costs and appropriate portions of the required materials overheads as well as depreciation. The markups for overheads are determined on the basis of the budgets and compared with the actual overhead cost rates as of the reporting date. The measurement of production cost was not adjusted on this basis in fiscal year 2020.

Financial assets and hedging

IAS 32 defines a financial instrument as any contractual right or obligation that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. These may be primary financial instruments such as trade receivables and payables, financial assets and liabilities and securities, as well as derivative financial instruments to hedge risks arising from fluctuations in exchange and interest rates.

Primary financial instruments

The principal financial instruments used by the Group are cash and cash equivalents or bank loans, as well as trade receivables and payables.

IFRS 9 distinguishes between the following measurement categories:

- Debt instruments measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income (FVOCI) and reclassification of cumulative gains and losses to profit or loss upon derecognition of the financial asset
- Equity instruments designated as measured at FVOCI with gains and losses remaining in other comprehensive income (OCI), i.e., without recycling

This classification of debt instruments is based on the business model for managing the financial assets (business model criterion) and the cash flow characteristics of the financial asset (cash flow conditions) (cf. IFRS 9.4.1.1):

a) The business model for managing the financial assets; and

b) The contractual cash flow characteristics of the financial asset.

<u>The business model criterion:</u> As possible business models for managing financial assets, IFRS 9 mentions the following conceivable objectives of an entity:

1) Hold the financial asset to collect the contractual cash flows ("hold to collect")

2) Hold or sell the financial asset ("hold to collect and sell")

3) Use the financial asset to realize other objectives (e.g., sale at short notice or recognition of hedges)

The Cherry Group's trade receivables relevant for IFRS 9 are held exclusively to collect the contractual cash flows; there are no modified contractual cash flows in this regard. The nature of these cash flows is reviewed regularly.

<u>The cash flow criterion:</u> The Cherry Group's trade receivables exclusively entail a claim against the customer to settle the amount due (cash flow for payment of the "principal"). No interest is charged on receivables. Accordingly, the receivables do not generate any contractual interest payments and the cash flow criterion is met.

The Cherry Group's financial instruments in the form of trade receivables are therefore recognized and measured at amortized cost, since they meet both the business model and cash flow criteria (IFRS 9.4.1.2). Consequently, they are also subject to the impairment requirements in accordance with IFRS 9.5.5.

No financial debt instruments are recognized at fair value (neither through profit or loss nor through other comprehensive income) in the consolidated financial statements. These classification categories are not applied in the Cherry Group for debt instruments.

Contractual trade receivables which, under IFRS 15.105, are unconditional rights to consideration from customers (IFRS 15.108) and, under IFRS 9, are financial instruments, and must be recognized as such, or are contract assets which, if they exist, must be tested for impairment in accordance with IFRS 9 (IFRS 15.107).

After initial recognition, financial assets are measured at amortized cost using the effective interest method less any impairment. Receivables which bear no interest or interest at below-market rates are recognized at the present value of the expected future cash flows. Gains and losses are recognized in profit or loss when the financial assets are derecognized or impaired. According to their maturity, they are divided into current and non-current in the statement of financial position.

The classification of financial liabilities under IFRS 9 does not follow the approach for the classification of financial assets. Except for financial guarantee contracts and loan commitments that are out of the scope of the standard, financial liabilities are measured either at fair value through profit or loss or at amortized cost. The Cherry Group recognizes liabilities at amortized cost.

Except to the not fully consolidated subsidiary the Cherry Group does not recognize any financial assets and liabilities at fair value. Thus, no fair value disclosures are made in this respect, with reference to the fact that Cherry recognizes financial assets and liabilities at amortized cost.

Financial instruments are recognized at the maturity date.

In addition to other provisions, IFRS 9 includes the provisions on the calculation of impairment. These are applicable to the following assets:

- Financial assets in the form of debt instruments, such as loans, debt securities, bank balances/deposits and trade receivables.
- Financial assets in the form of debt instruments measured at fair value through other comprehensive income
- Lease receivables in accordance with IFRS 16
- Contract assets within the scope of IFRS 15
- Loan commitments that are not measured at fair value through other comprehensive income under IFRS 9
- Financial guarantee contracts not measured at fair value through other comprehensive income

To track and determine changes in the credit risk, Cherry uses maturity bands to estimate historical default rates on trade receivables (simplified approach) when estimating credit losses in accordance with IFRS 9. The Group does not take into account intercompany receivables within the Cherry Group or debtors with credit balances.

(Large) customers are tested in particular for short-term solvency using various measures (Creditreform, use of trading limits, etc.) both in advance and in the course of the customer relationship. In principle, the Group assumes that receivables harbor virtually no risk of credit impairment before their due date. In addition, the Group generally assumes that the probability of default steadily increases the longer a receivable is past due. This assumption is based on historical data as well as an expectation component.

The trade receivables structure in the Cherry Group is characterized by a fast collection rate. In 2020, more than 90% of outstanding receivables were paid by their due date.

The Cherry Group analyzes the maturity profile of receivables on a monthly basis.

Based on the simplified approach currently and considering future expectations there is no significant need for impairment, although basically an exposure to credit risk is existing.

Equity instruments under IFRS 9

Under IFRS 9, equity instruments are generally measured at fair value through profit and loss. However, on initial recognition, an entity may make an irrevocable election (on an instrument-by-instrument basis) to present in OCI the subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9. This option, however, only applies to instruments that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies. For the purpose of this election, "equity instrument" is used as defined in IAS 32 *Financial Instruments: Presentation*.

Derivative financial instruments and hedge accounting under IFRS 9

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative. For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are recognized directly in profit or loss.

The Cherry Group does not currently apply hedge accounting.

Derivative financial instruments for which hedge accounting is not applied

The Cherry Group only holds financial instruments for hedging purposes and not for speculation. However, hedge accounting may not be applied to hedging relationships which do not meet the restrictive criteria of IFRS 9. This means that derivative financial instruments from economic hedges for which hedge accounting pursuant to IFRS 9 is not applied may also be accounted for. The provisions of the respective IFRS apply to the measurement of the underlying contracts, i.e., derivative hedging instruments, as standalone derivatives, are measured in the same way as trading assets or trading liabilities and any changes in fair value are recognized directly in profit or loss. The related derivatives are allocated to the "at fair value through profit or loss" category.

As in the prior year, the Cherry Group did not enter into any derivative financial instruments in fiscal year 2020.

The contracts entered into by Cherry GmbH for the receipt, delivery or use of precious metals (gold, silver, copper) serve the ordinary course of business and therefore generally meet the requirements of the own use exemption in accordance with IFRS 9.2.4, such that they are not derivative financial instruments within the meaning of IFRS 9.

Financial liabilities

Liabilities from primary financial instruments may be measured at amortized cost or at fair value through profit or loss. The Group determines the classification of its financial liabilities on initial recognition.

Loans are measured at amortized cost less transaction costs in accordance with the effective interest method as of the reporting date.

For all other liabilities, amortized cost usually equals the amount repayable.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the contractual rights to receive cash flows from the asset have expired. The rights to receive cash flows can also be transferred to third parties, leading to derecognition. Loans and receivables are derecognized when they are settled.

Financial liabilities

Financial liabilities are derecognized when the obligations are discharged, canceled or expire. Any differences between the amount paid and the carrying amount of the liability is recognized in profit or loss upon derecognition.

Cash and cash equivalents

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

Assets and liabilities held for sale

Individual non-current assets or groups of assets (disposal groups) and the related liabilities whose sale has been intended and is considered highly probable are presented as "Non-current assets and disposal groups held for sale." They are presented in the gross amount separately from the other assets and liabilities in the statement of financial position under current assets and liabilities. Depreciation ceases when the assets are classified as "held for sale." They are measured at the lower of their carrying amount or fair value less costs of disposal. If the carrying amount is higher, an impairment loss is recognized. If the fair value less costs of disposal subsequently increases, any previous impairment loss is reversed. Such write-up is limited to amount of the previous impairment loss.

As of the reporting date there were no assets and liabilities held for sale.

Provisions

Provisions take into account all of the Group's legal or constructive obligations to other parties arising from past events identifiable as of the reporting date, which are uncertain with regard to amount and/or timing. They recognized when they will result in an outflow of funds and the amount can be reliably determined or estimated. They are stated at the probable settlement value, including any future cost increases. Non-current provisions are discounted using a pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in provisions due to the passage of time is recognized as an interest expense. Provisions are subsequently adjusted to reflect new findings.

Pension obligations

The Cherry Group has various pension plans in place, both benefit plans and defined contribution plans. A defined contribution plan is a pension plan provided by an entity (fund) that does not belong to the Group and receives fixed contributions. The Cherry Group has no legal or constructive obligation to make additional contributions if the fund does not have sufficient assets to settle the pension entitlements of the employees from the current or prior fiscal years.

The contributions are recognized in personnel expenses as they become due. Prepayments of contributions are recognized as an asset to the extent that there is a right to repayment or reduction of future payments.

Defined benefit plans set out fixed pension benefits which the employees will receive upon retirement and which generally depend on one or more factors (age, length of service and salary).

The provision for defined benefit plans recognized in the statement of financial position is calculated using the projected unit credit method as specified in IAS 19. The future obligations are valued on the basis of the benefits earned as of the reporting date. Assumptions regarding the trend of relevant factors (e.g., salary or pension increases) affecting the amount of benefits are taken into account. Under IAS 19 all actuarial gains and losses were recognized directly in other comprehensive income.

Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise.

Share-based payments

Share-based compensation is provided to selected employees of the management in a share ownership plan. Information relating to this plan is set out in 8.3.

The plan is to be regarded as equity-settled plan in the meaning of IFRS 2. The respective fair value is determined at the grant date and is recognized as personnel expenses with a corresponding increase in equity. It is determined including any market performance conditions and any non-vesting conditions, but excluding any service and non-market performance vesting conditions. The total expense is recognized over the vesting period.

Income taxes

Current income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities using the tax rates and tax laws that have been enacted by the end of the reporting period in the countries where the Group operates and generates taxable income. Current income taxes are recognized for any income taxes payable on the date incurred. They are recognized for earlier periods when they have not been settled as of the reporting date by payment, offsetting or remission of tax for reason of equity.

Taxes are recognized in profit or loss unless they relate to items recognized directly in equity or in other comprehensive income, in which case they are also recognized in equity or OCI.

Deferred taxes

Deferred taxes are recognized using the liability method for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and for unused tax losses.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reviewed at each reporting date and recognized to the extent to which it has become probable that future taxable profit will allow the deferred tax asset to be recovered. In the event of a business combination, any unused tax losses of the acquirer are reassessed and revised if appropriate.

Deferred tax assets and liabilities are measured at future tax rates, with changes in tax rates only being considered once it is reasonably certain that they will be enacted.

Deferred tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the income taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognized based on the provisions of IFRS 15. The recognition of revenue requires that the contract is approved by the parties, performance obligations resulting from the contract and the payment terms are identified, the contract has commercial substance and it is probable that the agreed upon consideration will be collected. As far as more than one contract with the customer which are entered into at or near the same time are not independent from each other, these contracts have to be combined and analyzed as one contract. Subsequently, revenue is recognized as soon as the performance obligation has been satisfied. Basically, according to IFRS 15 revenue is recognized at a point in time. However, revenue is recognized over time as far as the customer simultaneously receives and consumes the benefits, Cherry creates or enhances an asset that is controlled by the customer or Cherry creates an asset without alternative use and Cherry has an enforceable right to payment for performance completed to date.

Revenue from sales of goods and services is recognized at the time of transfer of control and benefits to the dealer or customer – this includes the consideration of Incoterms – if the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or still to be incurred in connection with the transaction can be reliably determined.

In determining the amount of revenue to be recognized for the performance obligation satisfied variable consideration has to be considered in the total consideration agreed upon. This includes, for example, rebates, incentives, bonuses and penalties. Revenue from variable consideration is recognized only to the extent that it is highly probable that a significant reversal will not occur. If one contract contains more than one performance obligation the consideration is allocated to each performance obligation based on the relative stand-alone selling prices. Cherry regularly negotiates each performance obligation separately. Generally, prices are agreed upon which represent the stand-alone selling prices.

According to IFRS 15 the transaction price has to be disclosed which is allocated to the performance obligations that are unsatisfied as of the balance sheet date and will be recognized as revenue in future. Cherry applies the practical expedient to disclose this transaction price for contracts which have an original duration of more than one year.

Income not generated as a result of the Company's ordinary activities is recognized as other operating income. This particularly includes realized exchange gains.

Interest income is recognized in the period in which the interest accrues. Dividends are recognized as revenue when the Group's right to receive the payment is established.

The Cherry Group recognizes its purchases and sales as of the trade date.

2. NEW STANDARDS AND INTERPRETATIONS

New and revised standards and interpretations effective for the first time in the fiscal year

The Group applied the following new and revised standards and interpretations as of 1 January 2020:

> IFRS 3 "Definition of a Business"

On 22 October 2018, the IASB published amendments to IFRS 3 regarding the definition of a business. The amendments should make it easier to assess whether a business or a group of assets has been acquired. The amendment supplements disclosures in notes to the financial statements, the application guidance and examples which clarify the three elements of a business (input, substantive process and output). The amendment were endorsed by the EU on 21 April 2020. The new definition has been applied to the business combination of Theobroma Systems Design und Consulting GmbH. There were no effects on the accounting compared to the previous definition.

> Amendments to IAS 1 and IAS 8 "Definition of Material"

On 31 October 2018, the IASB published amendments to the definition of materiality of financial information. The amendments relate to the standards IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments provide further application guidance and should make it easier for preparers of IFRS financial statements to assess materiality. The amendments also ensure that the definition of materiality is consistent within IFRSs. The amendments were endorsed by the EU on 29 November 2019. The amendments have no impact on the consolidated financial statements.

> Individual standards "Amendments to References to the Conceptual Framework in IFRS Standards"

The IASB published a revised version of the Conceptual Framework. Since the individual standards and interpretations of IFRSs include cross-references to the Conceptual Framework, the cross-references to the revised Conceptual Framework are being updated as part of the revision process. However, not all cross-references will be updated, since the IASB does not want to make any significant changes to existing standards. The amendments were endorsed by the EU on 29 November 2019. The amendments have no impact on the consolidated financial statements.

> IFRS 39, IAS 9 and IFRS 7 "Interest Rate Benchmark Reform (phase 1)"

With its amendments to IAS 39 and IFRS 9, the IASB responded to the prevailing uncertainty surrounding the IBOR reform. The background to the IBOR reform is the discontinuation of interbank offered rates (IBOR) as benchmark interest rates. The effects will especially be felt in the accounting treatment of hedges under IFRSs. The amendments address the prospective assessment of hedge effectiveness, the adjustment of the "highly probable" criterion with regard to cash flow hedges and the IBOR risk components. The amendments were endorsed by the EU on 15 January 2020. The amendments have no impact on the consolidated financial statements.

> IFRS 16 "COVID-19 related Rent Concessions"

The amendments of IFRS 16 grant the lessee an optional exemption from assessing whether a COVID 19 related rent concession (e.g. rent free periods, temporary rent reductions, rent deferral) is a lease modification in terms of IFRS 16. In exercising this option rent concessions are accounted for as if they were not lease modifications. The amendments apply to rent concessions for lease payments due on or prior to 30 June 2021. The amendments are effective for reporting periods beginning on or after 1 June 2020. They were endorsed on 9 October 2020. The amendments have no impact on the consolidated financial statements.

Standards and interpretations not yet applied (issued but not yet effective or not yet effective in the EU)

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have issued further standards and interpretations that are not yet effective for fiscal year 2020 or have not yet been endorsed by the EU.

> IAS 39, IFRS 9, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform (phase 2)"

The amendments are part of the second phase of the project of the IASB to react to the reform of the benchmark interest rates. They address the accounting treatment resulting from the actual reorganisation of the benchmark interest rates regarding the modification of financial instruments, termination of hedges as well as the recycling in the context of cashflow hedges.

The amendments are effective for annual periods beginning on 1 January 2021. Early application is permitted, but the Cherry Group did not apply them before the reporting date 1 January 2021. From the current point of view, it is expected that the application has no impact on the consolidated financial statements.

> IFRS 3 "Amendments of the reference to the Conceptual Framework"

The amendments update IFRS 3 in a way that the standard references to the Conceptual Framework 2018 instead of the Conceptual Framework 1989. Furthermore, two additions were made: for transactions and other events within the scope of IAS 37 or IFRIC 21 an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; as explicit statement was added that an acquirer does not recognise contingent assets acquired in a business combination.

> IAS 37 "Onerous contracts – Cost of fulfilling a Contract"

The changes specify that the „cost of fulfilling a contract" comprises the "cost that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

> IAS 16 "Property, plant and equipment – Proceeds before intended use"

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

> Annual improvements to IFRSs (2018-2020 Cycle)

On 14 May 2020, the Annual Improvements to IFRSs (2018-2020 Cycle) were published.

The amendments recommended by the IASB relate to the following standards and topics:

IFRS 1 "Subsidiary as a First-time Adopter"

If a subsidiary adopts IFRSs for the first time later than its parent, the subsidiary that elects to apply IFRS 1.D16(a) must measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS.

IFRS 9 "Fees in the ‘10 per cent' Test for Derecognition"

The proposed amendment clarifies which fees an entity includes when it applies the 10 per cent test for derecognition of financial liabilities and assesses whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

IFRS 16 "Lease Incentives"

The proposed amendment removes the illustration of the reimbursement of leasehold improvements by the lessor from Illustrative Example 13 accompanying IFRS 16 to remove potential for confusion regarding the treatment of lease incentives.

IAS 41 "Taxation in Fair Value Measurements"

The proposed amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset, thereby ensuring consistency with the requirements in IFRS 13.

These amendments are effective for reporting periods beginning on or after 1 January 2022. The amendments have yet to be endorsed by the EU.

> IFRS 17 *Insurance Contracts*

IFRS 17 *Insurance Contracts* was issued on 18 May 2017. The objective of the new standard is consistent, principles-based accounting for insurance contracts. It requires measurement of insurance liabilities at a current settlement value. This leads to more consistent measurement and presentation of all insurance contracts.

> IAS 1 "Classification of liabilities as current or non-current"

The amendments clarify the criteria for the classification of liabilities as current or non-current. In the future the classification should be based on rights that are in existence at the end of the reporting period. In addition, additional guidelines for the interpretation of the criterion "right to defer settlement by at least twelve months" and explanations for the criterion "settlement" were added.

> IAS 1 "Disclosure of accounting policies"

The amendments to IAS 1 and to IFRS Practice Statement 2 are intended to help preparers in deciding which accounting policies to disclose in their financial statements. An entity is required to disclose material accounting policy information instead of significant accounting policies.

> IAS 8 "Definition of accounting estimates"

The amendments are intended to help in differentiating between accounting policies and accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. A change in accounting estimate that results from new information or new developments is not the correction of an error.

The amendments are effective for fiscal years commencing on or after 1 January 2023. The amendments have yet to be endorsed by the EU.

The effects of the initial application of the abovementioned standards and interpretations on the Cherry Group's consolidated financial statements are currently being reviewed or the review has not yet been finalized. However, at present no significant impact is expected.

3. BUSINESS COMBINATIONS

Effective 1 October 2020, Cherry Holding GmbH acquired 100% of the shares and voting rights of Theobroma Systems Design und Consulting GmbH, Vienna via a business combination.

Theobroma Systems Design und Consulting GmbH, Vienna designs and produces embedded systems which support various industrial applications in the field of IoT and Industry 4.0.

By way of the acquisition Cherry Group is increasing its capacities for the development and production in the field of security and obtains access to Theobroma's comprehensive expertise in embedded Linux software development and the production facilities throughout the whole product development process.

The fair values of the identifiable assets and liabilities of Theobroma Systems Design und Consulting GmbH and the calculation of the goodwill as of the acquisition date are as follows; contingent liabilities were not identified:

in EUR k	
Assets:	
Intangible assets	20
Property, plant and equipment	963
Right of use assets	940
Inventories	860
Trade receivables	111
Other assets	447
Deferred taxes	160
Cash and cash equivalents	300
Liabilities:	
Trade payables	640
Other short-term liabilities	1,589
Long-term liabilities	1,010
Sum of the net assets at fair value	562
Consideration transferred	1,020
Goodwill	458

The above purchase price allocation has to be considered as preliminary as of 31 December 2020.

The purchase price in the amount of EUR 1,020k is paid in cash. Until 31 December 2020 EUR 400k were paid. Due to facts to be clarified relating to the permission as mandated by trade law regarding the production in the premises rented by Theobroma the purchase price payments due on 31 December 2020 were paid not before Q1 2021 when the facts could be clarified and no consequences were expected from them.

The goodwill primarily represents the know-how and expertise of the employees of the acquired company regarding software development.

The goodwill is not deductible for tax purposes.

The fair value and the gross amount of the acquired receivables are as follows:

in EUR k	Fair value	Gross amount
Trade receivables	111	285
Other assets	447	491

The fair value of the acquired receivables represents the best estimate of the cashflows expected to be collected from these receivables.

Transaction cost in the amount of EUR 100k were directly expensed in 2020 as administration cost.

The revenue of Theobroma Systems Design und Consulting GmbH since the acquisition date amount to EUR 387k and the loss to EUR 32k. Revenue and profit or loss for the current reporting period as though the acquisition occurred at the beginning of the period cannot be determined due to the lack of information for the period prior to the business combination provided by the acquired company.

4. NOTES TO THE GROUP'S ASSETS

4.1. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment developed as follows:

PROPERTY, PLANT AND EQUIPMENT

in EUR k	Land, land rights and buildings, including buildings on third-party land	Plant and machinery	Other equipment, furniture and fixtures	Prepayments and assets under construction	Total
Cost					
1 Jan 2019	**290**	**29,874**	**2,646**	**1,164**	**33,973**
Additions	1	888	1,243	4,816	**6,947**
Disposals	0	-403	-40	-1,692	**-2,135**
Reclassifications	0	1,107	0	-1,035	**73**
Exchange differences	2	39	7	0	**48**
As of 31 Dec 2019	**293**	**31,505**	**3,856**	**3,253**	**38,907**
Additions	331	2,207	792	1,542	**4,872**
Additions from business combinations	75	819	48	21	**963**
Disposals	0	-129	-138	-1,456	**-1,722**
Reclassifications	640	583	208	-1,538	**-107**
Exchange differences	-7	-118	-30	-1	**-157**
As of 31 Dec 2020	**1,332**	**34,867**	**4,736**	**1,820**	**42,755**
Depreciation and impairment					
1 Jan 2019	**145**	**13,571**	**1,012**	**0**	**14,727**
Depreciation charge for the year	73	4,850	612	0	**5,536**
Impairment	0	0	0	0	**0**
Disposals	0	-397	-19	0	**-416**
Reclassifications	0	50	0	0	**50**
Exchange differences	1	-1	4	0	**37**
As of 31 Dec 2019	**219**	**18,106**	**1,608**	**0**	**19,933**
Depreciation charge for the year	124	4,450	596	0	**5,170**
Impairment	0	0	0	0	**0**
Disposals	0	-116	-50	0	**-166**
Reclassifications	0	0	0	0	**0**
Exchange differences	-6	-95	-21	0	**-122**
As of 31 Dec 2020	**337**	**22,345**	**2,133**	**0**	**24,815**
Net carrying amount					
1 Jan 2019	**145**	**16,303**	**1,634**	**1,164**	**19,246**
31 Dec 2019	**74**	**13,398**	**2,248**	**3,253**	**18,973**
31 Dec 2020	**994**	**12,522**	**2,603**	**1,820**	**17,940**

Reclassifications include transfers from assets under construction to property, plant, and equipment.

Land, land rights and buildings, including buildings on third-party land include leasehold improvements by a subsidiary.

The amount of contractual commitments for the acquisition of property, plant and equipment is EUR 6,613k as of 31 December 2020 (2019: EUR 5,754k).

The utilization or disposal of any property, plant and equipment exclusively allocated to Cherry GmbH was restricted in the reporting period until the complete repayment of the bank loans by Cherry Holding GmbH at 30 September 2020 as they served as loan collateral. As of 31 December 2020 property, plant and equipment of Cherry GmbH in the amount of EUR 10,688k serve as collateral for bank loans of Cherry AcquiCo GmbH.

4.2. INTANGIBLE ASSETS

Intangible assets developed as follows in the fiscal year:

INTANGIBLE ASSETS

in EUR k	Internally generated industrial and similar rights and assets	Industrial rights, licenses and patents	Customer list	Brand	Goodwill	Prepayments	Total
Cost							
As of 1 Jan 2019	**6,809**	**2,956**	**6,945**	**10,680**	**17,486**	**189**	**45,065**
Additions	3,068	188	0	0	0	126	**3,383**
Disposals	0	-6	0	0	0	0	**-6**
Reclassifications	0	-73	0	0	0	0	**-73**
Exchange differences	0	35	0	0	35	0	**70**
As of 31 Dec 2019	**9,877**	**3,100**	**6,945**	**10,680**	**17,521**	**316**	**48,439**
Additions	2,735	143	0	0	0	0	**2,878**
Additions from business combinations	0	20	0	0	458		**478**
Disposals	0	-3	0	0	0	0	**-3**
Reclassifications	0	423	0	0	0	-316	**107**
Exchange differences	0	-150	0	0	0	0	**-150**
As of 31 Dec 2020	**12,612**	**3,533**	**6,945**	**10,680**	**17,979**	**0**	**51,749**
Amortization and impairment							
As of 1 Jan 2019	**1,079**	**1,678**	**1,001**	**0**	**0**	**0**	**3,758**
Amortization charge for the year	572	545	1,034	0	0	0	**2,151**
Disposals	0	-6	0	0	0	0	**-6**
Reclassifications	0	-50	0	0	0	0	**-50**
Exchange differences	0	2	0	0	0	0	**2**
As of 31 Dec 2019	**1,651**	**2,169**	**2,034**	**0**	**0**	**0**	**5,855**
Amortization charge for the year	593	715	976	0	0	0	**2,284**
Disposals	0	-1	0	0	0	0	**-1**
Reclassifications	0	0	0	0	0	0	**0**
Exchange differences	0	-30	-66	**0**	**0**	**0**	**-96**
As of 31 Dec 2020	**2,244**	**2,853**	**2,944**	**0**	**0**	**0**	**8,041**
Net carrying amount							
As of 1 Jan 2019	**5,730**	**1,278**	**5,945**	**10,680**	**17,485**	**189**	**41,307**
As of 31 Dec 2019	**8,225**	**931**	**4,911**	**10,680**	**17,521**	**316**	**42,584**
As of 31 Dec 2020	**10,368**	**681**	**4,002**	**10,680**	**17,979**	**0**	**43,709**

Intangible assets identified during purchase price allocation in 2016 were recognized at the following carrying amounts as of 31 December 2020: Goodwill of EUR 17,521k (2019: EUR 17,521k), a customer list of EUR 4,002k (2019: EUR 4,371k), brand rights of EUR 10,680k (2019: EUR 10,680k), know-how and product developments of EUR 4,598k (2019: EUR 5,022k) recognized and reported as of 31 December 2020. Under a contribution agreement dated 1 November 2018, the then shareholder of Cherry Holding GmbH, Greendich Enterprise Co., Taipei, Taiwan, contributed a customer list as a contribution in kind of EUR 1,396k (see note 5.1 Equity). The amortization period was adjusted to the end of 2020 due to the existing distribution agreement. The technology and the customer list have finite useful lives, which the management board set at 15 years and 8 years, respectively.

Internally generated industrial and similar rights and assets included internally developed software of EUR 0k (2019: EUR 135k) whose useful life was set at three years and development costs of EUR 2,735k (2019: EUR 3,068k) which were capitalized for the first time and whose useful life was set at five years.

Brand rights were measured at the present values of fictitious royalties from the revenue allocable to the brand. Recognized goodwill and the brand rights were contributed and included in the consolidated financial statements at the amounts attributed to them for the acquisition of Cherry and have an indefinite life. The brand is well established since decades (Cherry was established in 1958) and it is intended to further use the brand. The products marketed under the brand are currently expected to generate net cash inflows for the group for an unlimited period. The goodwill and the brand were tested for impairment in fiscal year 2020 as well as in prior years.

Industrial rights, licenses and patents as well as licenses for standard software are amortized over three years.

The amount of contractual commitments for the acquisition of intangible assets is EUR 73k as of 31 December 2020 (2019: EUR 144k).

The utilization or disposal of the purchased intangible assets allocated to Cherry GmbH was restricted in the reporting period until the complete repayment of the bank loans by Cherry Holding GmbH at 30 September 2020 as they served as loan collateral.

Impairment testing of goodwill

For the purpose of testing goodwill (EUR 17,521k) and the brand (EUR 10,680k), which resulted from the acquisition of the Cherry Group in 2016, for impairment, the Cherry Group defined its legally independent subsidiaries as cash-generating units, these being Cherry GmbH, Auerbach, Cherry Americas LCC, Wisconsin, USA, and Cherry Zhuhai Electronics Ltd, Zhuhai, China. The goodwill and the brand are allocated to these subsidiaries as all legal entities, products and regions derive equal benefit from both them.

The calculation is based on cash flow projections for a planning period of five years.

Impairment is determined using the discounted cash flow method.

In fiscal year 2016, the fair value less costs of disposal (fair value hierarchy level 2) was determined as the recoverable amount. This was based on the price for the sale of the Cherry Group to Cherry Holding GmbH (formerly Genui Fünfte Beteiligungsgesellschaft mbH) on 14 November 2016. The purchase price paid under this transaction was first allocated among the relevant assets and the excess was allocated to the "Cherry" brand, the customer list, technology and the order backlog. The remaining amount was recognized as goodwill. The order backlog was fully amortized in the first few months. The customer list and technology are being amortized over a period of 8 and 15 years, respectively. The "Cherry" brand and goodwill are not amortized.

The assumptions as of 31 December 2019 were essentially used unchanged for the 2020 impairment test. The recoverable amount is determined as value in use. The calculations are based on forecast revenue, EBIT and EBITDA which were taken from the planning of the management. In the detailed planning phase currently an average growth in sales of 10% is assumed. After the detailed planning phase, a growth rate of 1% was used for all cash-generating units (see above) considering an almost steady gross margin. An average cost of capital of 8,67% was assumed for the cash-generating units. In 2020, there was no need for impairment based on the fair values calculated in this way.

The goodwill arising from the business combination of Theobroma Systems Design und Consulting GmbH in the fiscal year 2020 in the amount of EUR 458k was tested for impairment. There was no need for impairment.

4.3. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets developed as follows in the fiscal year:

in EUR k	ROU for land	ROU for buildings	ROU for machinery	ROU for tools	ROU for vehicles	ROU for furniture and fixtures	ROU for operating equipment	Total
Cost								
As of 1 Jan 2019	-	-	-	-	-	-	-	-
Additions	236	10,266	2,491	738	490	60	49	**14,330**
Disposals	-236	0	0	0	-8	-8	-12	**-264**
Reclassifications	0	0	0	0	0	0	0	**0**
Exchange differences	0	-2	0	0	0	0	0	**-2**
As of 31 Dec 2019	**0**	**10,264**	**2,491**	**738**	**482**	**52**	**37**	**14,064**
Additions	0	806	2,790	1,814	179	0	27	**5,616**
Additions from business combinations	0	836	0	0	104	0	0	**940**
Disposals	0	-491	0	0	-120	0	0	**-611**
Reclassifications	0	0	0	0	0	0	0	**0**
Exchange differences	0	-22	0	0	-3	-1	0	**-26**
As of 31 Dec 2020	**0**	**11,393**	**5,281**	**2,552**	**642**	**51**	**63**	**19,983**
Depreciation and impairment								
As of 1 Jan 2019	-	-	-	-	-	-	-	-
Depreciation charge for the year	236	608	460	200	143	26	28	**1,701**
Disposals	-236	0	0	0	-8	-8	-12	**-264**
Reclassifications	0	0	0	0	0	0	0	**0**
Exchange differences	0	-1	0	0	0	0	0	**-1**
As of 31 Dec 2019	**0**	**607**	**460**	**200**	**135**	**18**	**16**	**1,436**
Depreciation charge for the year	0	1,186	986	368	188	17	24	**2.769**
Disposals	0	-396	0	0	-70	0	0	**-466**
Reclassifications	0	0	0	0	0	0	0	**0**
Exchange differences	0	-9	0	0	-1	0	0	**-10**
As of 31 Dec 2020	**0**	**1.388**	**1.446**	**568**	**252**	**35**	**40**	**3.729**
Net carrying amount								
As of 1 Jan 2019	-	-	-	-	-	-	-	-
As of 31 Dec 2019	**0**	**9,657**	**2,031**	**538**	**347**	**34**	**21**	**12,628**
As of 31 Dec 2020	**0**	**10,005**	**3,835**	**1,985**	**390**	**17**	**23**	**16,254**

The Cherry Group's leasing activities mainly relate to the leasing of machinery, tools, vehicles, real estate and IT. Leases of machinery generally have terms of between 4 and 7 years, tools have lease terms of 4 years, vehicles 3 to 4 years, property leases 10 to 12 years and IT equipment 3 to 5 years.

On 1 October 2019, Cherry GmbH relocated to new business premises, but retained its registered office in Cherrystrasse in 91275 Auerbach. The new lease was concluded on 16 August 2018, has a term of 12 years and is recognized in the statement of changes in non-current assets under right-of-use assets in accordance with IFRS 16.

NON-CURRENT LIABILITIES

in EUR k	31 Dec 2020	31 Dec 2019
Lease liability for buildings	8,741	8,529
Lease liability for machinery	2,671	1,529
Lease liability for tools	1,554	383
Lease liability for vehicles	224	176
Lease liability for furniture and fixtures	1	17
Lease liability for operating equipment	17	3
Total	**13,208**	**10,637**

CURRENT LIABILITIES

in EUR k	31 Dec 2020	31 Dec 2019
Lease liability for buildings	1,327	1,150
Lease liability for machinery	1,321	568
Lease liability for tools	502	183
Lease liability for vehicles	164	165
Lease liability for furniture and fixtures	16	18
Lease liability for operating equipment	4	17
Total	**3,334**	**2,101**

Maturity analysis of lease liabilities:

in EUR k	2020	2019
Up to 1 year	3,334	2,101
1 to 5 years	8,234	6,043
More than 5 years	4,974	4,594

in EUR k	2020	2019
Lease liability for buildings		
Up to 1 year	1,327	1,150
1 to 5 years	4,224	3,977
More than 5 years	4,517	4,552
Lease liability for machinery		
Up to 1 year	1,321	568
1 to 5 years	2,371	1,487
More than 5 years	300	42
Lease liability for tools		
Up to 1 year	502	183
1 to 5 years	1,397	383
More than 5 years	157	0
Lease liability for vehicles		
Up to 1 year	164	165
1 to 5 years	224	176
Lease liability for furniture and fixtures		
Up to 1 year	16	18
1 to 5 years	1	17
More than 5 years	0	0
Lease liability for operating equipment		
Up to 1 year	4	17
1 to 5 years	17	3
More than 5 years	0	0

The following amounts were recognized in profit or loss in the reporting period:

in EUR k	31 Dec 2020	31 Dec 2019
Depreciation for leases	2,769	1,701
Interest expense on lease liabilities	244	98
Lease expenses for leases for which the underlying asset is of low value	25	31
Total amount recognized in profit or loss	3,038	1,830

The Group had total cash outflows for leases of EUR 2,690k in 2020 (2019: EUR 1,692k).

4.4. INVENTORIES

Inventories break down as follows:

INVENTORIES

in EUR k	31 Dec 2020	31 Dec 2019
Raw materials, consumables and supplies	9,690	5,941
Work in process	891	1,059
Finished products	6,667	7,367
Merchandise	9,832	7,774
Prepayments	185	18
Total	**27,265**	**22,159**

The total of impairment allowances on inventories increased to EUR 1,294k (2019: EUR 823k) net of exchange differences.

As in the prior year, the full amount of inventory allowances was included in cost of sales in fiscal year 2020.

The increase in impairment allowances in 2020 is due to decreased selling prices as of the balance sheet date.

Inventories at Cherry GmbH were largely subject to restraints on disposal in the fiscal year until the complete repayment of the bank loans by Cherry Holding GmbH at 30 September 2020 since they serve as collateral for loans. As of 31 December 2020 inventories of Cherry GmbH in the amount of EUR 19,425k serve as collateral for bank loans of Cherry AcquiCo GmbH.

4.5. TRADE RECEIVABLES

TRADE RECEIVABLES

in EUR k	31 Dec 2020	31 Dec 2019
Trade receivables	10,887	10,287
Total	**10,887**	**10,287**

All trade receivables are classified as current. Expected credit risks are accounted for in the form of bad debt allowances. The common payment terms are between 20 and 30 days.

Trade receivables of Cherry GmbH served as collateral for liabilities under a blanket assignment until the complete repayment of the bank loans by Cherry Holding GmbH at 30 September 2020. As of 31 December 2020 trade receivables of Cherry GmbH in the amount of EUR 5,503k serve as collateral for bank loans of Cherry AcquiCo GmbH.

The trade receivables presented above are recognized using the accounting methods described in note 1.6.

As in the prior year, the Cherry Group did not recognize any allowances for expected credit losses on trade receivables in accordance with IFRS 9 for 2020. No receivables were derecognized in fiscal year 2020. In 2020 the credit-worthiness of the clients continued to be monitored on a regular basis and the dunning process is handled closely. To date the COVID 19 pandemic has not have a significant impact on the trade receivables and this is currently not expected.

4.6. CURRENT INCOME TAX RECEIVABLES

in EUR k	31 Dec 2020	31 Dec 2019
Income tax receivables	52	0
Total	**52**	**0**

Income tax receivables result from corporate income tax receivables of a foreign subsidiary.

4.7. OTHER ASSETS AND FINANCIAL ASSETS

Other assets comprise the following:

OTHER ASSETS

in EUR k	31 Dec 2020	31 Dec 2019
Receivables from other taxes	753	1,223
Prepaid expenses	318	289
Other	220	113
Total	**1,291**	**1,625**

Receivables from other taxes mainly relate to VAT.

Prepaid expenses include prepayments for SAP user licenses, maintenance and insurance premiums. The "Other" item largely includes security deposits for leased offices.

Financial assets in the amount of EUR 860k result from bank balances held in trust by Cherry Holding GmbH for Cherry AcquiCo GmbH.

4.8. CASH AND CASH EQUIVALENTS

in EUR k	31 Dec 2020	31 Dec 2019
Balances at banks, checks, cash on hand	22,041	15,597
Total	**22,041**	**15,597**

The fair value of cash is equal to the carrying amount. The significant bank balances of Cherry GmbH served as loan collateral until the complete repayment of the bank loans by Cherry Holding GmbH at 30 September 2020. As of 31 December 2020 bank balances of Cherry GmbH in the amount of EUR 6,843k serve as collateral for bank loans of Cherry AcquiCo GmbH.

5. NOTES TO THE GROUP'S EQUITY AND LIABILITIES

5.1. EQUITY

Subscribed share capital and capital reserves

Subscribed capital

in EUR k	31 Dec 2020	31 Dec 2019
Cherry Holding GmbH	26	26
	26	**26**

The parent company's subscribed capital of EUR 26k is fully paid in.

By shareholder resolution dated 11 October 2018, Greendich Enterprise Co., having its registered office in Taipei City, Taiwan, was admitted as a new shareholder with a 3% investment in Cherry Holding GmbH.

Under a contribution agreement dated 1 November 2018, Greendich Enterprise Co., Taipei, Taiwan, made a cash contribution of EUR 773 coupled with an increase in capital stock by EUR 773 and acquired 773 shares with a nominal value of EUR 1 per share.

Genui Sechste Beteiligungsgesellschaft mbH (having its registered office in Auerbach i.d. Opf.) holds 97% of the shares in Cherry Holding GmbH.

Effective 30 September 2020 Cherry AcquiCo GmbH acquired all shares of Cherry Holding GmbH from the previous shareholders and thus, is the sole shareholder as of 31 December 2020.

As of 31 December 2020, subscribed capital comprised 25,773 shares with a nominal value of EUR 1 per share.

Capital reserves

Capital reserves amounted to EUR 46,769k as of 31 December 2020 (2019: EUR 46,540k).

Under a contribution agreement dated 1 November 2018, Greendich Enterprise Co., Taipei, Taiwan, also contributed a customer list to Cherry Holding GmbH as a contribution in kind with a value of EUR 1,396k coupled with an increase in the capital reserves.

The customer list of EUR 1,396k was subsequently contributed to the subsidiary Cherry GmbH in a contribution in kind and sold to the subsidiary Cherry Electronics (Hong Kong) Co. Ltd. for EUR 1,396k.

In the course of the acquisition of all shares of Cherry Holding GmbH by Cherry AcquiCo GmbH the amount of the capital reserve has not changed.

In connection with the acquisition of the shares of Cherry Holding GmbH by Cherry AcquiCo GmbH as of 30 September 2020 a new share ownership plan was established for the management. Reference is made to the explanations under 8.3 Related party disclosures. Personnel expenses in the amount of EUR 229k result from this plan which are directly recognized in equity according to IFRS 2 and thus, have increased the capital reserve.

Accumulated other comprehensive income

Accumulated other comprehensive income includes gains and losses from currency translation differences of EUR 786k relating to differences from the translation of the financial statements of foreign subsidiaries into the Group's reporting currency (euros).

Any goodwill from business combinations is recognized as an asset and translated at closing rates as of the reporting date.

In addition, actuarial gains and losses from pension obligations of EUR 15k as well as deferred taxes thereon of EUR 5k are included in accumulated other comprehensive income.

The development of equity is shown in the statement of changes in equity.

5.2. PENSION PROVISIONS

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

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

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

A defined benefit plan is only in use as an occupational pension arrangement ("ZF pension") at the German subsidiary Cherry GmbH.

The key element of occupational pension arrangements at Cherry GmbH is the ZF pension, which until 2017 consisted of two components: the employer-financed component, which generally amounted to 1.1% of the pensionable monthly gross income, and the employee-financed component. The latter was funded by employees' deferred compensation. The employee could freely select an amount of between 1% and 5% of their pensionable monthly income.

The pension obligations were reorganized under a works agreement on the settlement and reorganization of the ZF pension dated 1 October 2018. To the extent legally permissible, a defined group of persons who had earned benefits under the ZF pension plan received a settlement offer. The amount of the offer was calculated on the basis of the provision recognized in the statutory balance sheet as of 31 December 2017 plus interest at a rate of 3.68% until 31 August 2018.

The main consequence of discontinuing the ZF pension is the elimination of the former employer pension component subject to 6% interest. From 1 January 2019 onwards, this component will be replaced by an employer contribution to the employee's deferred compensation for an occupational pension. The contribution will comprise a maximum of 20% of the deferred compensation, while the basis of calculation may not exceed 4% of the income threshold for the assessment of contributions to statutory pension insurance.

The amount to be paid out under the works agreement in the amount of EUR 1,064k was paid out at the beginning of 2019.

The employees who did not agree to the settlement of the pension plan (five employees as of the reporting date) continue to entitled to benefits under the ZF pension plan and the related obligations are recognized in accordance with the actuarial report. Neither the employees nor the Company have made contributions to the pension plan since 2019.

The ZF pension plan was recognized at EUR 198k as of 31 December 2020 (2019: EUR 193k) under provisions for pensions and other obligations.

Long-service awards are another component of the ZF pension plan. Under a works agreement, an employee who has worked for the Company for 25 years receives an award of 1.3 times their monthly salary and an employee working for 40 years an award of 2.3 times their monthly salary. However, these long-service awards are not paid out to the employee, but instead a long-service pension component is created from this capital.

Another component of occupational pension arrangements is the benefit fund for members of senior management. This is an employer-financed benefit. During the term of the ZF pension plan, this group of persons was also entitled to deferred compensation. There are three beneficiaries as of the reporting date. As of 31 December 2020, the carrying amount of this occupational pension arrangement was EUR 797k (2019: EUR 858k).

The amount of the pension commitments was calculated using actuarial methods. The measurement was based on the following parameters:

Germany

in %	31 Dec 2020	31 Dec 2019
Discount rate	0.58	0.66
Salary increase	0.0	0.0
Pension increase	1.0	1.0
Duration in years	8	9

The "2018 G mortality tables" published by Prof. Dr. Klaus Heubeck were used as the biometric basis for the calculation of the commitments in Germany.

A change in the underlying interest rate by +/-0.25 percentage points would result in a decrease by EUR 20.7k (2018: EUR 21.8k) or an increase by EUR 22.3k (2019: EUR 23.5k) in the pension obligations. The calculation of the sensitivity is based on the same methods that were used for the calculation of the pension provisions in the statement of financial position.

The following amounts were recognized in the statement of financial position:

BREAKDOWN OF AMOUNTS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION

in EUR k	31 Dec 2020	31 Dec 2019
Present value of the pension commitments financed by provisions	994	1,051
Present value of the funded pension commitments	0	0
Fair value of plan assets	0	0
Pension provisions	**994**	**1,051**

Actuarial gains and losses of each reporting period are fully recognized in equity under accumulated other comprehensive income in the reporting period in which they arise.

The present value of the defined benefit obligation developed as follows in the reporting period:

DEVELOPMENT OF THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION

in EUR k	31 Dec 2020	31 Dec 2019
Present value of the defined benefit obligation as of 1 Jan	1,051	1,023
Current service cost	0	0
Interest cost	7	14
Newly recognized actuarial (gains)/losses	15	47
Payments by the pension plans	-79	-33
Other changes	0	0
Present value of the defined benefit obligation	**994**	**1,051**

Actuarial gains/losses newly recognized in the reporting period primarily relate to mathematical effects.

The pension cost for defined benefit obligations recognized in income breaks down as follows:

BREAKDOWN OF PENSION COST

in EUR k	31 Dec 2020	31 Dec 2019
Cost of pension entitlements earned in the reporting period	0	0
Interest cost	7	14
Total	**7**	**14**

Due to the change in pension obligations under the ZF pension plan, no costs of pension benefits earned are recognized in personnel expenses in 2020, as in prior year.

The unwinding of discounts on expected pension obligations is offset and included as interest expense in the financial result.

Under the pension arrangements existing as of the reporting date, the Cherry Group has the following pension payment obligations, broken down by maturity:

MATURITY ANALYSIS OF BENEFIT PAYMENTS

	31 Dec 2020	31 Dec 2019
Up to 1 year	82	0
More than 1 year	912	1,051
	994	**1,051**

Defined contribution pension obligations as occupational pension arrangements are recognized as expenses both at the German subsidiary and at the foreign entities:

At the German subsidiary, direct insurance policies and the metal pension fund are offered as additional occupational pension arrangements. The monthly benefits paid by the employer specified in the collective agreement of EUR 26.59 per employee are also invested in this context.

Other occupational pension arrangements are the direct insurance policy and pension fund options. In this case, there are contracts under which either the employer or the employee make contributions.

Furthermore, the statutory pension insurance in Germany and Austria are considered as defined contribution plan.

Two employees in the UK are insured through the statutory pension insurance scheme. One employee is insured through the existing group agreement for occupational pensions. The employer and employee make monthly contributions under this agreement.

There is a pension scheme for employees in place at the US subsidiary in the form of a 401k retirement plan. Employees can convert up to a maximum of 50% their gross salary into insurance contributions. According to a fixed formula, Cherry makes the same contribution as employees up to a maximum permitted amount of 4% of the employee's monthly gross income. There are no further financial obligations or risks for the Company and this plan is therefore not classified as a defined benefit plan in accordance with IAS 19.

In total the expenses for defined contribution plans amount to EUR 1,872k in fiscal year 2020 (2019: EUR 1,657k).

5.3. OTHER PROVISIONS

The development of other provisions is presented below:

OTHER PROVISIONS (current):

in EUR k	Warranties	Other	Total
As of 1 Jan 2020	**150**	**0**	**150**
Utilization	-150	0	-150
Reversal	0	0	0
Allocation	158	292	450
As of 31 Dec 2020	**158**	**292**	**450**
Cash outflows			
Current (< 1 year)	**158**	**292**	**450**

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

OTHER PROVISIONS (non-current)

in EUR k	Warranties	Long-service awards	Phased retirement	Total
As of 1 Jan 2020	**194**	**633**	**808**	**1,635**
Utilization	-27	-74	-554	-655
Reversal	0	0	-314	-314
Allocation	29	37	188	254
Unwinding of discounts (+)/discounting (-)	0	15	4	19
As of 31 Dec 2020	**196**	**611**	**132**	**939**
Cash outflows				
Current (< 1 year)	0	11	92	103
Non-current				
- thereof > 1 year	196	600	40	836

The long-term portion of the warranty provision includes a period of up to 3 years. The cash outflow of the phased retirement provisions is expected to become effective in the next 2 years. Long-service awards are granted for working for 25 years and 40 years for the company.

5.4. TRADE PAYABLES

TRADE PAYABLES

in EUR k	31 Dec 2020	31 Dec 2019
Trade payables	14,473	13,564
Total	**14,473**	**13,564**

Trade payables are non-interest bearing and are generally on terms of 60 to 90 days.

5.5. OTHER LIABILITIES

OTHER LIABILITIES (current)

in EUR k	31 Dec 2020	31 Dec 2019
Liabilities to employees	2,452	2,309
Other tax liabilities	36	60
Subsidies from customers	320	445
Other financial liabilities	3,296	2,646
Total	**6,104**	**5,460**

Other liabilities are classified as current. As of 31 December 2020, liabilities to employees mainly comprised liabilities from accrued vacation and accrued time credits as well as performance-based payments and leave of absence and redundancy payments.

Both wage tax and VAT liabilities are included in other tax liabilities.

Other financial liabilities primarily arise from customer bonus of EUR 1,474k (2019: EUR 1,052k) and obligations for outstanding invoices and advertising allowances of EUR 417k (2019: EUR 557k) related to marketing initiatives with customers in the first and second levels of trade.

The customer bonus is calculated using a defined revenue target and comprised the annual bonus and quarterly bonus for the fourth quarter of fiscal year 2020. It is recorded as a deduction from revenue.

Subsidies paid by customers for tools and facilities are recognized under current or non-current liabilities in line with their maturities. As the customers are granted a discount per product unit in the amount of the subsidy paid the subsidies are amortized based on the number of units sold. This amortization is included in revenue.

The remaining other financial liabilities in fiscal year 2020 primarily include EUR 1,404k (2019: EUR 1,037k) for outstanding invoices.

OTHER LIABILITIES (non-current)

in EUR k	31 Dec 2020	31 Dec 2019
Investment grants	125	0
Subsidies from customers	0	52
Total	**125**	**52**

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

In the prior year, the Cherry Group's current and non-current financial liabilities exclusively related to the loan agreement dated 11 October 2016 of Cherry Holding GmbH. This loan was completely paid back as of 30 September 2020 in conjunction with the acquisition of Cherry Holding GmbH by Cherry AcquiCo GmbH.

FINANCIAL LIABILITIES (current)

in EUR k	31 Dec 2020	31 Dec 2019
Financial liabilities	2,501	0
Lease liabilities	3,334	2,101
Total	**5,835**	**2,101**

As of 31 December 2020 foreign subsidiaries have a short-term bank loan in the amount of EUR 1,239k and a Covid-government loan ("Paycheck Protection Plan") in the USA in the amount of EUR 402k. It is expected that during the year 2021 the government loan will be converted to a non-repayable subsidy. The other current financial liabilities in the amount of EUR 860k are due to Cherry AcquiCo GmbH. Regarding the lease liabilities reference is made to the notes under 4.3 Right-of-use assets and Lease Liabilities.

FINANCIAL LIABILITIES (non-current)

in EUR k	31 Dec 2020	31 Dec 2019
Financial liabilities	5,400	12,294
Lease liabilities	13,208	10,637
Total	**18,608**	**22,931**

As of 31 December 2020 non-current financial liabilities include a loan granted by Cherry AcquiCo GmbH to Cherry Holding GmbH. Reference is made to the notes under 8.3.

The financial liabilities in the form of five loan tranches raised for the acquisition of Cherry GmbH under the loan agreement dated 11 October 2016 totaled EUR 28,000k (31 December 2016). Arrangement fees of EUR 987.5k which were payable to the financing bank were deducted from the loan liabilities and thus presented as a net amount. As in prior year no new drawings were made on the tranches of the loan agreement in fiscal year 2020. As a consequence of the acquisition of all shares of Cherry Holding GmbH by Cherry AcquiCo GmbH as of 30 September 2020 all loans were repaid so that the unnetted loan liabilities came to EUR 0.0m as of 31 December 2020 (2019: EUR 12.3m).

Regarding the lease liabilities reference is made to the notes under 4.3 Right-of-use assets and Lease Liabilities.

5.6. INCOME TAX LIABILITIES

INCOME TAX LIABILITIES

in EUR k	31 Dec 2020	31 Dec 2019
Income tax liabilities	1,941	3,868
Total	**1,941**	**3,868**

Liabilities from income taxes are all current and arise primarily from country-specific income tax liabilities.

5.7. DEFERRED TAXES

After offsetting receivables and liabilities, the following deferred taxes were recognized in the consolidated financial statements:

DEFERRED TAXES

in EUR k	31 Dec 2020	31 Dec 2019
Deferred tax assets	1,174	1,522
Deferred tax liabilities	6,587	6,074

In prior year, contrary to IAS 1.56, deferred tax assets and deferred tax liabilities were partly presented as current in the statement of financial position. Thus, in the statement of financial position as of 31 December 2020 a retrospective correction of this presentation was made. As of 31 December 2020 deferred tax assets in the amount of EUR 1,174k (31 December 2019: EUR 1,522k) and deferred tax liabilities in the amount of EUR 6,587k (31 December 2019: EUR 6,074k) are presented as non-current.

Deferred tax assets and liabilities are attributable to the following significant statement of financial position items:

DEFERRED TAXES

	31 Dec 2020		31 Dec 2019	
in EUR k	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Intangible assets	483	6,504	540	5,935
Property, plant and equipment	0	513	9	124
Receivables	58	29	12	10
Inventories	550	0	704	0
Cash	0	0	0	5
Other assets	0	0	0	0
Pension provisions	77	0	86	0
Other provisions	69	0	91	0
Liabilities	68	56	22	0
Loss carryforwards	183		27	0
Right-of-use assets	0	4,500	0	3,630
Lease liabilities	4,701	0	3,661	0
Total	**6,189**	**11,602**	**5,152**	**9,704**
Offsetting	-5,015	-5,015	-3,630	-3,630
Total	**1,174**	**6,587**	**1,522**	**6,074**

Loss carryforwards amount to EUR 1,364k (2019: EUR 438k) of which EUR 857k (2019: EUR 438k) can be used within the next 15 years. These give rise to deferred tax assets of EUR 183k (2019: EUR 27k). No deferred tax assets were recognized for tax loss carryforwards in the amount of EUR 507k. These can be used partly for an unlimited period (EUR 172k) and partly within the next 15 years (EUR 335k).

The group tax rate is 29.13% (2019: 29.13%) and includes German corporate income tax of 15% plus the solidarity surcharge of 5.5% and trade tax of 13.3%. The applied local income tax rates for foreign companies vary between 16.5% and 29.0% (2019: 16.5% to 27.24%).

The following table sets out a reconciliation between the expected tax expense and the current tax expense. The expected tax expense is determined by applying the Group's average tax rate to earnings before income taxes.

in EUR k	**2020**	**2019**
Earnings before income taxes	24,287	17,304
Expected income tax expense	7,075	5,039
Different foreign tax charge	-928	-596
Tax-free income	-39	0
Non-deductible expenses	216	0
Foreign withholding tax	138	0
Tax portion for effects from loss carryforwards	59	0
Unrecognized deferred tax assets	0	29
Effects from changes in tax rates	0	0
Out-of-period tax expense	0	20
Other	229	297
Effective income tax expense	**6,750**	**4,789**
Effective tax rate	**27.79%**	**27.68%**

6. NOTES TO THE CONSOLIDATED INCOME STATEMENT

6.1. REVENUE

Revenue breaks down by source as follows:

REVENUE

in EUR k	2020	2019
Product revenue, in particular from keyboards, MX modules, mice and smart card readers	132,285	115,731
Other revenue	1,393	1,775
Sales deductions	-3,474	-2,783
Total	**130,204**	**114,723**

Sales deductions include bonus payments of EUR 2,175k (2019: EUR 1,561k) and discounts of EUR 1,299k for fiscal year 2020 (2019: EUR 1,222k).

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

in EUR k	2020	2019
Gaming		
Gaming Switches	52,482	45,518
Gaming Peripherals	21,050	15,861
Professional		
Office & Industry Peripherals	40,796	37,145
Office	*34,255*	*28,744*
Industry	*6,541*	*8,401*
Healthcare & Security Peripherals	15,876	16,214
Security	*9,226*	*6,974*
eHealth	*3,401*	*4,709*
Point of sale products	*3,249*	*4,530*
Others/Metal Fab	**0**	**-14**
Total revenue by product type	**130,204**	**114,723**

In the reporting year, no revenue was recognized that was included in the contract liability balance at the beginning of the period, as in prior year. There was also no revenue recognized from performance obligations satisfied (or partially satisfied) in previous periods. The Cherry Group recognizes its revenue at a point in time.

REVENUE BY REGION

in EUR k	Germany	USA	China	Hong Kong	Austria	Total
Gaming Switches	15,951	611	23	35,896	0	**52,482**
Gaming Peripherals	1,168	216	17,755	1,911	0	**21,050**
Office & Industry Peripherals	35,063	5,047	460	227	0	**40,796**
Healthcare & Security Peripherals	11,086	4,394	8	0	387	**15,876**
Others/Metal Fab	0	0	0	0	0	**0**
Total revenue by region	**63,268**	**10,268**	**18,246**	**38,035**	**387**	**130,204**

As shown above, revenue from the sale of goods and services is recognized within the Cherry Group at the time when the dealer or customer obtains control of the asset. Deliveries which have not (yet) been paid are accounted for under trade receivables. In our experience, these receivables are settled within a period of up to 30 days (taking into account the corresponding payment terms).

6.2. OTHER OPERATING INCOME

OTHER OPERATING INCOME

in EUR k	2020	2019
Exchange gains	824	277
Accounting gains on the sale of property, plant and equipment	4	10
Other operating income	185	72
Total	**1,013**	**359**

6.3. COST OF MATERIALS

COST OF MATERIALS

in EUR k	2020	2019
Cost of raw materials, consumables and supplies and of purchased merchandise	53,726	46,370
Cost of purchased services	1,989	3,014
Total	**55,715**	**49,384**

In fiscal year 2020, the ratio of cost of materials to revenue was slightly reduced from 43.0% in fiscal year 2019 to 42.8% mainly owing to changes in the product mix.

6.4. PERSONNEL EXPENSES

The recognized personnel expenses break down as follows:

PERSONNEL EXPENSES

in EUR k	2020	2019
Direct and indirect remuneration	22,154	18,891
Social security costs	4,425	4,052
Pension costs	192	232
Total	**26,771**	**23,175**

The average number of employees by region developed as follows:

AVERAGE NUMBER OF EMPLOYEES BY REGION

in EUR k	2020	2019
Europe	350	316
North America	18	19
Asia	78	67
Total	**446**	**402**

The number of employees in fiscal years 2020 and 2019 indicates the average number of employees in the operating entities of the Cherry Group.

6.5. OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

OTHER OPERATING EXPENSES

in EUR k	2020	2019
Exchange losses	560	342
Accounting losses from the sale of property, plant and equipment	23	16
Accounting losses from the sale of intangible assets	2	0
Other	114	1,515
Total	**699**	**1,873**

The decrease is largely due to one-time costs relating to construction of the new building and the associated relocation to new business premises in prior year.

6.6. FINANCIAL RESULT

The financial result breaks down as follows:

FINANCIAL RESULT

in EUR k	2020	2019
Interest and similar income	3	4
Total interest income	**3**	**4**
Interest and similar expenses	681	999
Expenses from discounting and the unwinding of discounts	17	67
Total finance costs	**698**	**1,066**
Total	**-695**	**-1,062**

In addition to interest expenses for financial liabilities, interest expenses of EUR 681k (2019: EUR 999k) also include interest expenses relating to lease obligations of EUR 244k (2019: EUR 98k).

6.7. INCOME TAX EXPENSE

Tax expense breaks down as follows:

INCOME TAX EXPENSE

in EUR k	2020	2019
Deferred tax income (-)/expense (+)	965	872
Current tax income (-)/expense (+) thereof for prior periods: EUR 0k (2019: EUR 0k)	5,785	3,917
Total	**6,750**	**4,789**

Deferred taxes in the statement of financial position totaling EUR 5k were recognized under equity without affecting profit or loss in the fiscal year (2019: EUR 14k).

The current income tax expense mainly resulted from the trade tax of Cherry Holding GmbH and from the corporate income tax of the Group's domestic and foreign corporations.

7. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The statement of cash flows of the Cherry Group shows how cash and cash equivalents changed in fiscal year 2020 as a result of cash inflows and outflows and therefore provides information about the origin and use of funds. The statement of cash flows prepared in accordance with IAS 7 *Statement of Cash Flows* distinguishes between cash flows from operating activities, investing activities and financing activities.

Cash flows from operating activities are derived indirectly. Interest received of EUR 3k and interest paid of EUR 303k are included in the cash flows from operating activities for 2020. Income taxes paid in 2020 amounted in net terms to EUR 5,501k.

Cash flows from investing activities are calculated on the basis of payments, primarily cash paid for investments in non-current assets. Cash paid for the purchase of property, plant and equipment amounted to EUR 4,872k; cash paid for intangible assets came to EUR 2,878k.

As of 31 December 2020 the business combination of Theobroma Systems Design und Consulting GmbH resulted in a cash outflow of EUR 400k less cash and cash equivalents obtained in the business combinations of EUR 300k. Furthermore, reference is made to the notes in 3. Business Combinations.

The principal portion of lease payments is recognized in the cash flows from financing activities and amounts to EUR 2,446k (2019: EUR 1,594k).

Cash flows from financing activities are also calculated on the basis of payments and include the raising of loans amounting to EUR 5,938k and repayments of loans amounting to EUR 12,650k by Cherry Holding GmbH and foreign subsidiaries.

Cash and cash equivalents as of 31 December 2020 exclusively comprise short-term bank balances with maturities of no more than three months amounting to EUR 22,041k.

RECONCILIATION OF CHANGES IN LIABILITIES TO THE CASH FLOWS FROM FINANCING ACTIVITIES

in EUR k	**Loans**	**Leases**	**Total**
Opening balance as of 1 Jan 2019	**23,599**	**0**	**23,599**
+ New loans	0	0	0
- Repayments	-11,700	-1,594	-13,294
+/- Other	395	14,331	14,726
Balance as of 31 Dec 2019/ 1 Jan 2020	**12,294**	**12,737**	**25,031**
+ Additions from business combinations	1,303	883	2,186
+ New loans	5,938	0	5,938
- Repayments	-12,600	-2,446	-15,096
+/- Exchange differences	-50	0	-50
+/- Other	206	5,368	5,574
Closing balance as of 31 Dec 2020	**7,041**	**16,542**	**23,583**

The arrangement fee and the increase of lease liabilities are included under "Other" and did not lead to an outflow of cash.

8. OTHER NOTES

8.1. CONTINGENT LIABILITIES

No guarantee commitments were made in 2020. There were also no contingent liabilities.

8.2. OTHER NOTES TO RISK AND CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital management

The Group determines its capital requirements in relation to its risk exposure. It manages its capital structure and makes adjustments, if necessary, in light of changes in the economic environment. This includes managing the Group's equity and non-current financial liabilities. The primary objective of the Group's capital management is to reduce its finance charges by maintaining a strong credit rating and healthy equity ratio and to ensure financial stability. Group equity is monitored centrally by the Group's management. Until 30 September 2020, agreements with lenders included subsidiary agreements stipulating compliance with certain financial covenants. The Group complied with these covenants.

For additional information, see our comments on our financing strategy and our assets, liabilities and financial position in the group management report.

Financial risk management objectives and policies

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

Interest rate risk

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

As a result of repayment of the purchase price financing, the operating companies will in the future have to make interest payments to a limited extent, only.

A hypothetical increase in interest rates of 0.25 percentage points per year regarding the interest-bearing finance liabilities as of 31 December 2020 would have led to an increase in interest expenses of EUR 13k (2019: EUR 40k) and to a corresponding reduction in equity.

Foreign currency risk

Due to the Cherry Group's international focus, the Group is exposed to foreign currency risks from its operating activities as a result of exchange rate fluctuations between the functional currencies of the group companies and other currencies. Currency risks as defined by IFRS 7 arise on account of financial instruments of a monetary nature being denominated in a currency that is not the functional currency.

Significant primary items which give rise to currency risks for the group are cash, receivables and liabilities.

For transactions settled in US dollars, Chinese yuan and pound sterling, changes in the respective exchange rate in relation to the euro or other functional currencies of group companies may have a significant impact on the Group's cash flows. However, the currency risk is manageable for the Group as a significant portion of its materials are purchased in USD or CNY and the Group has its own production facilities in China. For the Cherry Group, there is an excess of expenditures in US dollars over income. Measures are planned in 2021 to reduce this excess or engage in currency hedging transactions. Open positions from rising sales to the UK are partially hedged by price adjustment clauses agreed with the customers.

A hypothetical change in the foreign exchange rates of +/- 5% regarding the receivables and payables as of 31 December 2020 which are not denominated in the functional currency of the respective group company would have led to an effect on profit or loss of EUR -38k and EUR +42k, respectively, and to a corresponding change in equity.

Liquidity risk

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

The following table shows the contractual undiscounted payments in connection with the Group's recognized liabilities as of the reporting date on the basis of undiscounted cash flows in subsequent years. The table includes all instruments held as of 31 December 2020 and for which payments had already been contractually agreed. Amounts in foreign currency were translated at the respective closing rate. The variable interest payments on the financial instruments, in particular on loans, were calculated using expected interest rates. Financial liabilities that are repayable on demand are always assigned to the earliest possible time band. The disclosures are made on the basis of the contractual, non-discounted payments.

	Carrying amount	Cash flows		
in EUR k	**31 Dec 2019**	**2019**	**2020**	**2021 and thereafter**
Interest-bearing loans and borrowings	12,294	0	0	-12,500
Other current financial liabilities	2,646	-2,646	0	0
Trade payables	13,564	-13,564	0	0

	Carrying amount	Cash flows		
in EUR k	**31 Dec 2020**	**2020**	**2021**	**2022 and thereafter**
Interest-bearing loans and borrowings	5,400	-108	-108	-5,508
Current financial liabilities	2,501	-2,501	0	0
Other current financial liabilities	3,296	-3,296	0	0
Trade payables	14,473	-14,473	0	0

In fiscal year 2020, all loans under the loan agreement regarding the financing of the purchase price of Cherry Group were repaid in connection with the acquisition of the shares of Cherry Holding GmbH by Cherry AcquiCo GmbH.

Credit risk

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

See note 4.5 for information on the aging structure of our receivables.

Carrying amounts and fair values by measurement category

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

MEASUREMENT CATEGORIES

in EUR k	31 Dec 2020	31 Dec 2019
Assets measured at amortized cost		
Trade receivables	10,887	10,287
Current financial assets	860	0
Cash	22,041	15,597
Equity instruments measured at fair value through OCI		
Shares in affiliated companies	31	0
Total	**33,819**	**25,884**

in EUR k	31 Dec 2020	31 Dec 2019
Liabilities measured at amortized cost		
Trade payables	14,473	13,564
Current financial liabilities	2,501	0
Other current financial liabilities	3,296	2,646
Non-current financial liabilities	5,400	12,294
Total	**25,669**	**28,504**

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. There is no difference between the carrying amount and market value of shares in affiliated companies. In prior year the recognized liabilities to banks, some of which are non-current, are subject to variable interest based on EURIBOR. Fluctuations in the underlying interest rate will lead to a variable interest charge in the future, which means that the carrying amount approximates the fair value (fair value hierarchy level 2). Only offset transaction fees amounting to EUR 206k need to be added to the fair value in prior year. Non-current financial liabilities as of 31 December 2020 bear fixed interest rates. Due to the recent granting of the loan the carrying amount as of 31 December 2020 substantially reflects the fair value.

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

ITEMS OF INCOME, EXPENSE, GAINS OR LOSSES RELATING TO SIGNIFICANT FINANCIAL INSTRUMENTS BROKEN DOWN BY CATEGORY

in EUR k 2020	Interest income	Interest expense	Measurement effects	Impairment	Reversal of impairment	Net result
Assets measured at amortized cost	3	0	0	0	0	3
Liabilities measured at amortized cost	0	-219	0	0	0	-219
Total	**3**	**-219**	**0**	**0**	**0**	**-216**

For other liabilities, see note 5.5.

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).

8.3. RELATED PARTY DISCLOSURES

In the course of ordinary business, the Cherry Group enters into business relationships with numerous companies, including companies that are related parties. For the Cherry Group, on the one hand related parties in accordance with IAS 24 primarily include the GENUI Group companies, in particular:

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

On the other hand, due to the acquisition of Cherry Holding GmbH by Cherry AcquiCo GmbH, Einsteinstraße 174, 81677 München as of 30 September 2020 related parties in accordance with IAS 24 include Cherry AcquiCo GmbH as well as companies of the Argand group, in particular:

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

Cherry Holding GmbH prepares the consolidated financial statements for the smallest group of companies. In addition, the Company is included in the consolidated financial statements of Cherry AcquiCo GmbH, Munich, which are published in the *Bundesanzeiger* [German Federal Gazette], as well as in the consolidated financial statements of Argand Partner Funds, which prepare the consolidated financial statements for the largest group of companies.

Cherry AcquiCo GmbH granted Cherry Holding GmbH a long-term loan in the amount of EUR 5,400k, which resulted in interest expenses of EUR 27k in the fiscal year. As of 31 December 2020 the loan liabilities amount to a total of EUR 5,427k. Furthermore, Cherry Holding GmbH has short-term liabilities of EUR 860k due to Cherry AcquiCo GmbH resulting from bank balances held in trust by Cherry Holding GmbH for Cherry AcquiCo GmbH.

Cherry GmbH has pledged several assets as securities for bank loans of Cherry AcquiCo GmbH resulting from the financing of the purchase price of the acquisition of the shares of Cherry Holding GmbH as of 30 September 2020. The bank liabilities are subject to subsidiary agreements stipulating compliance with certain financial covenants. Reference is made to the respective notes to the assets in these notes to the financial statements.

<u>Disclosures in accordance with IFRS 2 *Share-based Payment*</u>

GENUI Sechste Beteiligungsgesellschaft mbH ("HoldCo") granted selected members of the management board and the advisory board shares in HoldCo and therefore an indirect investment in Cherry Holding GmbH, 97% of which were owned by HoldCo. The sole purpose of HoldCo is holding the capital stock of the Company. A share ownership plan was established in 2016 for this purpose. The management and advisory board members have acquired 20.2% of all shares at market value through this share ownership plan. In 2020, no further management board members joined or left the plan at market value.

The fair value of the shares on the date of grant or purchase by the beneficiaries is equal to the business value per share on the respective grant date. The business value was calculated using a discounted cash flow (DCF) method.

There were no accounting effects resulting from the share ownership plan (equity-settled plan within the meaning of IFRS 2) in the fiscal year or in the prior year.

In connection with the acquisition of the shares of Cherry Holding GmbH by Cherry AcquiCo GmbH as of 30 September 2020 the old share ownership plan was cancelled and a new share ownership plan was set up. This plan also grants selected members of the management of Cherry Holding GmbH and its subsidiaries an indirect investment in Cherry AcquiCo GmbH. The managers purchased shares by way of this plan. These shares are held via Cherry MEP GmbH & Co. KG and Cherry Strip GmbH & Co. KG. For a part of the acquired shares (8.2m shares) the managers receive a certain price for the shares to be sold when leaving the company depending on their stay in the group in the next 4 years as of the granting date. The plan is to be regarded as equity-settled plan in the meaning of IFRS 2. The benefits granted to the managers are to be recognized over a period of 4 years in profit or loss and are charged to the capital reserves. The fair value at the grant date according to IFRS 2 was determined based on a Black-Scholes model and, considering an exit date at the end of 2024, led to a fair value of EUR 4,925k. The market value per share amounts to EUR 0.55. The valuation as of 1 October 2020 was based on a volatility of 60%, a risk-free rate and a dividend rate of 0% each and a vesting period of 4 years.

In 2020 expenses of EUR 229k from the new share ownership plan were recognized in personnel expenses.

In addition, members of the management board and the advisory board as well as their close family members qualify as related parties.

Compensation of executives

in EUR k	**31 Dec 2020**	**31 Dec 2019**
Short-term benefits	1,186	1,286
Post-employment benefits	0	0
Other long-term benefits	100	151
Termination benefits	0	0
Share-based payments	168	0
Total	**1,454**	**1,437**

The disclosures relate to three members of management (2019: four members) of various national subsidiaries. In addition to base salaries, the amounts include social security contributions and old-age pension provisions, bonuses and company cars.

8.4. DISCLOSURE OF THE AUDITOR'S FEE

AUDITOR'S FEE

in EUR k	**2020**	**2019**
Audit services	267	196
Audit-related services	0	0
Tax services	0	0
Other services	0	0
Total	**267**	196

The fees for services of the auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Essen, incurred in the reporting year are included in other operating expenses. The total includes costs from the network of Ernst & Young relating to the audit of the financial statements for the individual entities of the Cherry Group in Germany and abroad.

8.5. EVENTS AFTER THE REPORTING PERIOD

The spin-off of the business area eHealth from Cherry GmbH to Cherry Digital Health GmbH was registered in the trade register in January 2021. Both companies entered into a distribution agreement which initially grants the distribution right to Cherry GmbH.

As of 1 January 2021 the administrative functions and the relevant employees of Cherry GmbH were transferred to Cherry Holding GmbH.

In March 2021 it was decided to initiate the merger of Cherry AcquiCo GmbH and Cherry Holding GmbH. In this context Cherry Holding GmbH is merged into Cherry AcquiCo GmbH. The filing of the merger with the trade register took place on 6 April 2021. The merger was registered in the trade register on 19 April 2021. In connection with the merger Cherry AcquiCo GmbH changed its name to Cherry Holding GmbH. The registered office of the Company is in Munich.

With the contract of 5 May 2021 (Signing) Cherry Group acquired 100% of the limited partner's shares of Active Key GmbH & Co. KG, Pegnitz, upon withdrawal from the company by the general partner. Active Key has a broad portfolio of hygienic and robust computer input devices, with a focus on hospitals and industrial customers, including peripherals that contribute to infectious disease control, such as washable medical-grade keyboards and disinfectable keyboards and mice. Recently, this product area has seen high demand in light of the Covid-19 pandemic. The acquired business with industrial keyboards will complement the Group's portfolio. Active Key has good technological expertise in the niche of hygienic, robust, anti-dust, washable and industrial input devices, which we intend to leverage. The acquisition was completed on 7 May 2021 for a purchase price of EUR 6.3 million.

No further events occurred after the close of the fiscal year that have a significant effect on the assets and liabilities, financial position and financial performance.

Auerbach, 26 May 2021

Cherry Holding GmbH

The Management Board

Rolf Unterberger

Hans Bernd Josef Wagner

The following report is a translation of the original German-language independent auditor’s report, which refers to the German-language consolidated financial statements as well as the German-language group management report for the fiscal year ended 31 December 2020 as a whole.

Independent auditor's report

To Cherry Holding GmbH

Opinions

We have audited the consolidated financial statements of Cherry Holding GmbH, Auerbach, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 January 2019 to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Cherry Holding GmbH for the fiscal year from 1 January 2020 to 31 December 2020.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020 and of its financial performance for the fiscal year from 1 January 2020 to 31 December 2020, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor’s report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

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

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

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

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

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

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

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

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

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

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

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

Dortmund, 26 May 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Muzzu	Michael
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Audited Consolidated Financial Statements of
Cherry Holding GmbH (merged into Cherry AG in April 2021)
Prepared in Accordance with IFRS as of and for the Fiscal Year Ended December 31, 2019

Consolidated statement of financial position as of 31 December 2019

Assets

EUR k	Note	31 Dec 2019	31 Dec 2018
Non-current assets			
Intangible assets	(3.2.)	42,584	41,307
Property, plant and equipment	(3.1.)	18,973	19,246
Right-of-use assets	(3.3.)	12,628	—
Other non-current assets	(3.7.)	7	7
Deferred taxes	(4.7.)	784	917
Total		**74,976**	**61,477**
Current assets			
Inventories	(3.4.)	22,159	22,709
Trade receivables	(3.5.)	10,287	13,593
Current income tax receivables	(3.6.)	—	604
Other current assets	(3.7.)	1,618	1,110
Cash and cash equivalents	(3.8.)	15,597	16,013
Deferred taxes	(4.7.)	738	611
Total		**50,399**	**54,640**
Total assets		**125,375**	**116,117**

Equity and liabilities

EUR k	Note	31 Dec 2019	31 Dec 2018
Equity			
Subscribed capital	(4.1.)	26	26
Capital reserves	(4.1.)	46,540	46,540
Net retained profit		22,587	10,072
Accumulated other comprehensive income	(4.1.)	-664	-784
Total		**68,489**	**55,854**
Non-current liabilities			
Pension provisions	(4.2.)	1,051	1,023
Other non-current provisions	(4.3.)	1,635	1,837
Financial liabilities	(4.5.)	12,294	19,850
Lease liabilities	(3.3.)	10,637	-
Other non-current liabilities	(4.5.)	52	628
Deferred taxes	(4.7.)	6,060	5,177
Total		**31,729**	**28,515**
Current liabilities			
Other current provisions	(4.3.)	150	186
Financial liabilities	(4.5.)	—	3,749
Lease liabilities	(3.3.)	2,101	—
Trade payables	(4.4.)	13,564	17,124
Current income tax liabilities	(4.6.)	3,868	1,633
Other current liabilities	(4.5.)	5,460	9,021
Deferred taxes	(4.7.)	14	35
Total		**25,157**	**31,748**
Total equity and liabilities		**125,375**	**116,117**

Consolidated statement of comprehensive income as of 31 December 2019

EUR k Income statement	Note	1 Jan to 31 Dec 2019	1 Jan to 31 Dec 2018
Revenue	**(5.1.)**	**114,723**	**100,085**
Cost of sales		-71,301	-64,763
Gross profit		**43,422**	**35,322**
Marketing and selling expenses		-11,785	-8,049
Research and development costs		-4,530	-5,501
Administrative expenses		-7,227	-8,272
Other operating income	(5.2.)	359	801
Other operating expenses	(5.5.)	-1,873	-576
Operating result/earnings before interest, taxes and income taxes (EBIT)		**18,366**	**13,724**
Interest result	(5.6.)	-1,062	-900
Earnings before taxes (EBT)		**17,304**	**12,824**
Income taxes	(5.7.)	-4,789	-3,531
Profit for the year from continuing operations		12,515	9,293
Consolidated profit/loss		**12,515**	**9,293**

EUR k Other comprehensive income and expenses	Note	1 Jan to 31 Dec 2019	1 Jan to 31 Dec 2018
Net other comprehensive income to be reclassified to profit or loss in subsequent periods: Exchange rate effects	(4.1.)	181	-147
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods: Actuarial losses	(4.1.)	-47	-104
Other changes	(4.1.)	-14	-30
Other comprehensive income and expenses		**120**	**-281**
Total comprehensive income for the period		**12,635**	**9,012**

Consolidated statement of cash flows for the period from 1 January to 31 December 2019

	2019 EUR k	2018 EUR k
1. Cash flows from operating activities		
Profit/loss for the period (including minority interests)	12,515	9,293
Write-downs (+)/write-ups (-) of non-current assets	9,386	7,222
Increase (+)/decrease (-) in provisions	-788	-1,402
Other non-cash expenses (+)/income (-)	-331	-915
Gain (-)/loss (+) on disposals of non-current assets	6	-223
Increase (-)/decrease (+) in inventories, trade receivables and other assets	3,628	-7,154
Increase (+)/decrease (-) in trade payables and other liabilities	-7,060	7,260
Interest expenses (+)/interest income (-)	1,062	900
Interest paid (-)	-447	-745
Interest received (+)	4	5
Tax expenses	4,789	3,531
Income taxes paid (+/-)	-1,417	-2,062
Cash flows from operating activities	21,348	15,710
2. Cash flows from investing activities		
Cash received (+) from disposals of property, plant and equipment	1,719	934
Cash paid (-) for investments in property, plant and equipment	-6,947	-5,939
Cash received (+) from disposals of intangible assets	-6	0
Cash paid (-) for investments in intangible assets	-3,383	-290
Cash flows from investing activities	-8,617	-5,294.53
3. Cash flows from financing activities		
Cash received (+) from equity contribution	0	1
Cash repayments (-) of other non-current financial liabilities	1,594	0
Cash repayments (-) of bonds and loans	-11,700	-7,500
Cash flows from financing activities	-13,294	-7,499
4. Cash and cash equivalents at the end of the period		
Change in cash and cash equivalents (subtotal of 1 to 3)	-563	2,916
Changes in cash and cash equivalents due to exchange rates, changes in the basis of consolidation and valuation	146	-61
Cash and cash equivalents at the beginning of the period	16,013	13,158
Cash and cash equivalents at the end of the period	15,597	16,013
5. Composition of cash and cash equivalents		
Cash	15,597	16,013
Cash and cash equivalents at the end of the period	15,597	16,013

Consolidated statement of changes in equity as of 31 December 2019

In EUR k	Subscribed capital	Capital reserves	Net retained profit	Accumulated other comprehensive income: Currency translation of financial statements of foreign operations	Accumulated other comprehensive income: Actuarial gains and losses	Total	Non-controlling interests	Total equity
01.01.2018	**25**	**45,145**	**778**	**-478**	**-26**	**45,445**	**0**	**45,445**
Consolidated profit/loss	0	0	9,293	0	0	9,293	0	9,293
Capital increase	1	1,395	0	0	0	1,396	0	1,396
Currency translation of financial statements of foreign operations	0	0	0	-80	0	-80	0	-80
Actuarial gains and losses	0	0	0	0	-104	-104	0	-104
Income taxes on other comprehensive income	0	0	0	0	-30	-30	0	-30
Other comprehensive income	0	0	0	-80	-135	-215	0	-215
Dividends	0	0	0	-67	0	-67	0	-67
31.12.2018	**26**	**46,540**	**10,072**	**-625**	**-160**	**55,853**	**0**	**55,853**
01.01.2019	**26**	**46,540**	**10,072**	**-625**	**-160**	**55,853**	**0**	**55,853**
Consolidated profit/loss	0	0	12,515	0	0	12,515	0	12,515
Capital increase	0	0	0	0	0	0	0	0
Currency translation of financial statements of foreign operations	0	0	0	181	0	181	0	181
Actuarial gains and losses	0	0	0	0	-47	-47	0	-47
Income taxes on other comprehensive income	0	0	0	0	-14	-14	0	-14
Other comprehensive income	0	0	0	181	-60	121	0	121
Dividends	0	0	0	0	0	0	0	0
31.12.2019	**26**	**46,540**	**22,587**	**-444**	**-220**	**68,489**	**0**	**68,489**

Notes to the consolidated financial statements as of 31 December 2019

1. GENERAL

1.1. GENERAL INFORMATION ON THE GROUP

The main purpose of the Cherry Group, having its registered office in Auerbach, is the development and distribution of mechanical switches, peripheral IT devices, security systems and software, the import and export thereof and trade in purchased peripherals, security systems and software, and the provision of development and other IT services as well as all related business.

Effective 14 November 2016, Cherry Holding GmbH (formerly Genui Fünfte Beteiligungsgesellschaft mbH, having its registered office in Cherrystrasse, 91275 Auerbach) acquired all of the assets, liabilities and employees of Cherry GmbH (having its registered office in Cherrystrasse, 91275 Auerbach) and all of its subsidiaries from ZF Friedrichshafen AG (ZF AG, having its registered office in Friedrichshafen) in a share deal.

The ultimate parent company of the Cherry Group is Cherry Holding GmbH, which is entered in the commercial register of Amberg Local Court under HRB no. 5974. The registered office of the Company is at Cherrystrasse, 91275 Auerbach, Germany.

On 20 March 2020, the management board approved these consolidated financial statements for issue.

1.2. GENERAL BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Cherry Holding GmbH applied Sec. 315e (3) HGB ["Handelsgesetzbuch": German Commercial Code] and prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as set out in Regulation (EC) No 1606/2002 of the European Parliament and the Council. The consolidated financial statements are in compliance with the IFRSs, International Accounting Standards (IASs) and the relevant interpretations by the International Financial Reporting Interpretations Committee (IFRIC/SIC) as adopted by the European Union (EU) for fiscal year 2019 and are supplemented by the group management report in conjunction with Sec. 315e HGB.

The consolidated financial statements were prepared on a historical cost basis with the exception of the remeasurement of available-for-sale financial assets at fair value and the measurement of financial liabilities at fair value through profit or loss.

The financial statements of the fully consolidated entities were all prepared on the basis of uniform accounting policies. The separate financial statements of the companies included in the consolidated financial statements were prepared as of the reporting date of the consolidated financial statements (31 December 2019).

The financial statements of the consolidated subsidiaries prepared in a foreign currency are translated into euros on the basis of the functional currency concept in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates. The functional currency of all the Group's foreign subsidiaries is the respective local currency, since the entities operate on an independent basis financially, economically and organizationally.

The consolidated financial statements are presented in euros, which is also the parent company's functional currency. Unless stated otherwise, all figures are stated in thousands of euros (EUR k).

Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures (EUR k, percentages (%), etc.).

Assets and liabilities are generally measured at historical cost or cost less accumulated amortization, depreciation and impairment.

The consolidated statement of financial position is prepared in accordance with IAS 1 Presentation of Financial Statements using the current/non-current classification whereby assets realized within 12 months of the reporting date and liabilities due within one year of the reporting date are generally as current.

1.3. CONSOLIDATION PRINCIPLES

The consolidated financial statements include the financial statements as of 31 December 2019 of Cherry Holding GmbH and the subsidiaries that are controlled directly or indirectly by Cherry Holding GmbH. Control within the meaning of IFRS 10 Consolidated Financial Statements exists when an entity is exposed, or has rights, to variable returns from its involvement with the investee. The entity must also have the ability to affect those variable returns by directing the activities of the investee. Control may exist on account of voting rights or prevailing circumstances, such as the contractual arrangements.

The financial statements of the subsidiaries included in the Group are prepared for the same reporting period as for the parent using consistent accounting policies in accordance with IFRS 10. In the case of discrepancies, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All significant subsidiaries in which Cherry Holding GmbH directly or indirectly holds the majority of voting rights and has control are fully consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. In addition, the Group must have power over the subsidiary due to existing rights that give it the ability to direct the relevant activities of the subsidiary that significantly affect its returns. Subsidiaries are fully consolidated as of the date of acquisition, that is the date on which the Group obtains control. Consolidation ends as soon as the parent ceases to have control.

Total comprehensive income of a subsidiary is attributed to non-controlling interests even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Significant investments where Cherry Holding GmbH does not control the associate but exerts significant influence over it are accounted for using the equity method. No investments in associates are recognized in the consolidated financial statements as of 31 December 2019.

All assets and liabilities, equity, income and expenses resulting from intragroup transactions are eliminated in full, as are intercompany profits and losses from intercompany trade and dividends. Deferred taxes are recognized on consolidation entries affecting income.

1.4. BASIS OF CONSOLIDATION

The following companies are included in the consolidated financial statements of Cherry Holding GmbH as of 31 December 2019 in addition to the parent:

LIST OF SHAREHOLDINGS

		Share in equity (%)	
Fully consolidated companies:	**Principal activities**	**31 Dec 2019**	**31 Dec 2018**
Cherry GmbH, Auerbach, Germany	Production and distribution	100	100
Zhuhai Cherry Electronics Co. Ltd., Zhuhai City, China	Production and distribution	100	100
Cherry Electronics (Hong Kong) Co. Ltd., Hong Kong, China	Sales	100	100
Cherry Americas LLC, Kenosha, USA	Sales	100	100
Cherry S.A.R.L, Antony, France	Sales	100	100

On 8 January 2018, a branch of Cherry Electronics (Hong Kong) Co. Ltd. was established in Taiwan.

In accordance with Sec. 264 (3) HGB, the German corporations listed are, by virtue of their inclusion in the consolidated financial statements, exempt from preparing annual financial statements and a management report and having these audited and published.

1.5. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group has no investments in associates or joint ventures.

1.6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with IFRSs requires certain assumptions and estimates to be made as well as the use of judgment by management, which have an effect on the recognition, measurement and presentation of assets and liabilities, income and expenses as well as on the disclosure of contingent liabilities as of the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying amount of the asset or liability affected in future periods.

These estimates and assumptions are based on premises that reflect the knowledge available on the date when the consolidated financial statements are prepared. These premises are regularly reviewed and, if necessary, revised in the light of actual developments. Estimates are adjusted, with any changes being recognized in profit and loss, as and when better knowledge is available.

The key assumptions and estimates entailing a significant risk of an adjustment of carrying amounts of assets and liabilities during the next fiscal year are presented below:

Impairment of financial and non-financial assets

On each reporting date, the Group assesses whether there is an indication that a financial or non-financial asset may be impaired. For financial assets, particularly trade receivables, the Group regularly reviews whether an impairment needs to be charged (e.g., due to a loss of customer credit standing). Other non-financial assets, such as inventories and property, plant and equipment, are tested for impairment if there is an indication that the net realizable value/recoverable amount is less than the carrying amount. Determining recoverability requires the net selling price to be estimated or, in the case of raw materials, consumables and supplies, an estimate of alternative uses. Current market conditions are used as a basis for determining the realizable sales proceeds.

The Cherry Group has been applying the regulations of IFRS 9 since 2018.

In addition to other provisions, this standard includes the new provisions on the calculation of impairment. These are applicable to the following assets:

- Financial assets in the form of debt instruments, such as loans, debt securities, bank balances/deposits and trade receivables.
- Financial assets in the form of debt instruments measured at fair value through other comprehensive income
- Lease receivables in accordance with IAS 17
- Contract assets within the scope of IFRS 15
- Loan commitments that are not measured at fair value through other comprehensive income under IFRS 9
- Financial guarantee contracts not measured at fair value through other comprehensive income

In connection with the introduction of IFRS 9, the Cherry Group reviewed its financial assets for indications and the extent of any (potential) impairment for the purposes of initial recognition. Given the requirements outlined above, the Cherry Group allocates its assets to stages by comparing the actual lifetime probability of default as of the respective reporting date with the original expectation as of the date of initial recognition. Since there were no events over the last two years which negatively influenced the estimated cash flows of the Group's financial assets and none of the counterparties experienced significant financial difficulties (determined on the basis of the regularly obtained creditworthiness certificates, such as from Creditreform), past due payments, insolvencies or the disappearance of an active market, there were no grounds for recognizing any impairment loss allowance.

To track and determine changes in the credit risk, Cherry uses maturity bands to estimate historical default rates on trade receivables (simplified approach) when estimating credit losses in accordance with IFRS 9. The Group does not take into account intercompany receivables within the Cherry Group or debtors with credit balances.

(Large) customers are tested in particular for short-term solvency using various measures (Creditreform, use of trading limits, etc.) both in advance and in the course of the customer relationship. In principle, the Group assumes that receivables harbor virtually no risk of credit impairment before their due date. In addition, the Group generally assumes that the probability of default steadily increases the longer a receivable is past due. This assumption is based on historical data as well as an expectation component.

The trade receivables structure in the Cherry Group is characterized by a fast collection rate. In 2019, more than 90% of outstanding receivables were paid by their due date.

Historically, late payments within the first 30 days of the due date do not point to any increased default rate among Cherry Group customers. Instead, they arise as a result of different payment runs at customers. They are identified and tracked by receivables management in a timely manner. Only a very small percentage of receivables were 30 day past due on average.

The default risk relating to receivables past due between 30 and 60 days is very small and virtually non-existent at 0.5%. In this period, the (remainder of the) receivables management actions take effect. Occasionally, formal payment hurdles become apparent in international business, since invoice recording, settlement, clearance and payment times may be increased as a result of language barriers, formalized banking transactions in international business or general cultural differences. Regardless, these receivables do not have higher default rates. Nonetheless, the default risk is assumed to increase the longer the receivable is past due, which is accounted for by a probability of default of 1% in this maturity band.

Trade receivables past due by between 61 and 90 days are very rare and account for much less than 1% of receivables in the Cherry Group's receivables portfolio with its fast collection rate. However, based on the ratio of past due status and credit risk, the assumption of virtually no risk of credit impairment cannot be made for these receivables, even if the absolute default rate in 2019, as described above, was under 0.1%.

In light of these analyses and policies, the Cherry Group applied a low loss allowance threshold in the low single-digit percentage range to its outstanding receivables portfolio. Consequently, this is regarded as immaterial within the meaning of IAS 1.31. As such, not recognizing a loss allowance in accordance with IFRS 9.5.5.15 does not result in a material misstatement for financial statement users if it does not distort the basis for making their business decisions. From the Cherry Group's perspective, a marginal adjustment to the entire receivables portfolio by a loss allowance in the range stated does not distort the users' basis for making business decisions. The method of calculating loss allowances will therefore not be changed in connection with IFRS 9. It was not covered by IAS 39 either due to immateriality.

Nonetheless, an allowance at an amount equal to the lifetime expected credit losses must be applied if losses become material. In such a case, the application of an allowance is not a change in accounting policy (IAS 8.16(b)), so there is no need to retroactively adjust prior periods. Instead, it reflects a change in the estimate of impairment to be recognized in the current period.

The Cherry Group analyzes the maturity profile of receivables on a monthly basis.

The receivables recognized in fiscal year 2019 and their past due status are presented in note 3.5. "Trade receivables." The table shows that no loss allowances had to be recognized on trade receivables in fiscal year 2019.

Given the fact that there were no increased default risks in the current fiscal year and there was no need to recognize loss allowances on the relevant items, the Cherry Group did not present the reconciliation of the closing balance of loss allowances in accordance with IAS 39 and the provisions in accordance with IAS 37 to the opening balance of losses allowances in accordance with IFRS 9 for reasons of redundancy.

Deferred tax assets

The Cherry Group is obligated to pay income taxes in several countries. In order to recognize tax provisions and deferred taxes, estimates have to be made. Deferred tax assets are recognized if it is probable that sufficient taxable income will be available in the future. Management's estimates relate to the amount of taxable income and the likely timing. For further details see note 4.7 on deferred taxes.

Measurement of provisions for pensions and similar obligations

Provisions for pensions and similar obligations are determined using actuarial calculations. They are measured applying assumptions about discount rates, long-term expected return on plan assets, expected future salary and pension increases and mortality tables. Actual expenses and liabilities may differ from the estimates made due to changes in the market and economic environment.

Measurement of other provisions

Other provisions, especially the provisions for warranty obligations, are subject to estimation uncertainty as to the amount and/or timing of the obligation. Cherry must make assumptions, some based on historical values, about the probability of occurrence of the obligation or future developments, such as the costs used to calculate the obligation. These costs may be subject to estimating uncertainty, especially in the case of non-current provisions. The amount of non-current provisions is particularly dependent on the choice and development of market-based discount rates.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which, based on the uniform group accounting policies, are applied in the consolidated financial statements of Cherry Holding GmbH are explained below.

Acquisition and production cost

Acquisition cost includes purchase prices as well as all directly attributable acquisition-related costs. The production cost of internally generated assets from which future benefits are expected to flow and which can be measured reliably includes costs directly related to the production process as well as appropriate allocations of production overheads. Finance costs are capitalized as part of the cost of an asset if that asset takes a period of more than 12 months to get ready for its intended use or sale (qualifying assets).

Fair value

The fair value of financial instruments that are traded in organized markets is determined by reference to quoted market prices (bid prices) at the reporting date. For financial instruments not traded in an active market, the fair value is determined using valuation techniques. Such techniques may include the use of recent arm's length market transactions between knowledgeable, willing and independent parties, reference to the current fair value of another financial instrument that is substantially the same and the discounted cash flow analysis or other valuation models.

Since the fair value is not always available in the form of a market price, it may have to be determined using a range of different valuation inputs. Depending on the observable inputs available and the significance of these available inputs for the determination of fair value, any fair value to be determined is allocated to levels 1, 2 or 3. The allocation follows the following hierarchy:

Level 1:

The valuation inputs used are exclusively quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2:

The valuation inputs used include quoted prices that are either directly observable for the asset or liability or indirectly derivable from other prices.

Level 3:

The inputs for the measurement of an asset or liability include inputs not observable on the market.

Foreign currency translation

The financial statements of the consolidated subsidiaries prepared in a foreign currency are translated into euros on the basis of the functional currency concept in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

The functional currency of the majority of the Group's foreign subsidiaries is the local currency. Accordingly, assets and liabilities are translated at the closing rates on the reporting date of the consolidated financial statements, and expenses and income at the average rates. Components of equity are translated at historical rates valid on the dates of their respective contribution to the Group.

The differences arising in comparison to translation at the closing rates are separately presented under equity as "Currency translation of financial statements of foreign operations."

On disposal of a foreign subsidiary, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss.

For the reporting periods presented, the following exchange rates against the euro were used by the Group for significant currencies:

CLOSING RATES	**US dollars (USD)**	**Chinese renminbi (CNY)**	**Taiwanese dollars (TWD)**
31 Dec 2018	1.14438	7.8629	34.97801
31 Dec 2019	1.12147	7.81304	33.59164

AVERAGE ANNUAL RATES (1 Jan 2018 to 31 Dec 2018)	**USD**	**CNY**	**TWD**
2018	1.1384	7.8398	35.0088

AVERAGE ANNUAL RATES (1 Jan 2019 to 31 Dec 2019)	**USD**	**CNY**	**TWD**
2019	1.11130	7.79740	33.60568

Intangible assets

Purchased intangible assets are recognized at acquisition cost, internally generated assets at production cost, if the criteria for recognizing internally generated intangible assets set out in IAS 38 are met.

Following initial recognition, intangible assets with a finite useful life are carried at cost less any accumulated amortization and accumulated impairment losses. In the reporting period, Cherry Holding GmbH had intangible assets with a finite useful life, in particular software licenses and customer relationships. The useful lives of recognized intangible assets depend on the underlying contractual arrangement:

Intangible assets	Useful life
Software licenses	3 to 5 years
Development costs	5 years
Customer relationships	15 years
Purchased developed technology	15 years

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level.

These intangible assets are not amortized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete the asset and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when the development phase is complete and the asset is available for use.

It is amortized over the period of expected future benefit.

In the Cherry Group, expenditures on the development of new product series are recognized as an asset and, after completion of the development phase, they are amortized in subsequent fiscal years over a period of five years.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment. The Company uses the straight-line depreciation method. Depreciation is based on the following assumed useful lives:

Property, plant and equipment	Useful life
Plant and machinery	4 to 10 years
Other equipment, furniture and fixtures	1 to 15 years
Tools	4 years

Items of property, plant and equipment are derecognized at historical cost less accumulated depreciation and impairment upon sale or scrapping. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount) is included in the income statement as other operating income or expenses in the period in which the item is derecognized. Repairs and maintenance which do not represent material replacement investments are recognized in profit or loss in the fiscal year in which they are incurred.

As in the prior year, the Cherry Group leased land and buildings in 2019.

On 1 October 2019, Cherry GmbH relocated to new business premises, but retained its registered office in Cherrystrasse in 91275 Auerbach. The new lease was concluded on 16 August 2018, has a term of 12 years and is recognized in the statement of changes in non-current assets under right-of-use assets in accordance with IFRS 16 (see note 3.3).

Leases

The new lease standard IFRS 16 Leases is effective for fiscal years starting on or after 1 January 2019 and governs the recognition and measurement, presentation and disclosure requirements for leases in the financial statements of companies reporting under IFRSs.

The Cherry Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a certain period of time in exchange for consideration.

Right-of-use assets

Right-of-use assets are recognized at cost less depreciation and impairment losses.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

In the Cherry Group, right-of-use assets are amortized on a straight-line basis over the term of the relevant lease.

As in the prior years, the Group had no finance leases in place as of 31 December 2019.

Investments in associates

Investments in associates are accounted for using the equity method. For details, refer to the section on consolidation principles.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method, for which the acquisition cost must be determined. The cost of an acquisition is the fair value of the assets given, equity instruments issued and liabilities assumed as of the acquisition date. All directly attributable acquisition-related costs are immediately expensed.

Goodwill is initially measured at cost, which, in turn, is defined as the amount by which the cost of the business combination exceeds the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's legal entities (cash-generating units) that are expected to benefit from the synergies of the combination. If the expected synergies cannot be reliably allocated, the goodwill is allocated to the Group as a whole, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. When the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

In the Cherry Group, in addition to goodwill, the "CHERRY" brand is defined as an intangible asset with an indefinite life. The management board currently considers the legal entities of the entire Group to be cash-generating units as all legal entities, products and regions derive equal benefit from both the goodwill and the brand.

Impairment of non-financial assets

The Group tests intangible assets, property, plant and equipment and investment property for impairment as soon there is an as indication that the asset may be impaired. Impairment is tested by comparing the carrying amount of an asset with its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and is written down to its recoverable amount through profit and loss. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If an asset does not generate cash flows that are independent of those from other assets or groups of assets, impairment is tested on the level of the cash-generating unit to which the asset belongs. Where the recoverable amount of a cash-generating unit is lower than its carrying amount, an impairment loss is recognized in the amount of the difference between the carrying amount and the lower recoverable amount.

With the exception of goodwill and assets with indefinite useful lives, assets are assessed at each reporting date as to whether there are indications that an impairment loss previously recognized no longer exists or has decreased. If such indication exists, the Group estimates the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. However, that amount cannot exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Any reversal is included in the profit or loss for the period.

Capitalization of borrowing costs

As in the prior year, the Group did not capitalize borrowing costs in connection with the acquisition and production of qualifying assets in fiscal year 2019.

Inventories

Inventories of raw materials, consumables and supplies, work in process and finished goods as well as merchandise are recognized at the lower of cost or net realizable value as of the reporting date. If the net realizable value of inventories is lower than their carrying amount on the reporting date, specific valuation allowances are recognized. Obsolete inventories are fully written off and inventories for which there were more than one year of stocks on hand (inventory level as of 31 December 2019/inventories used in the last 12 months) are marked down by 50%.

Production cost comprises direct materials and production costs and appropriate portions of the required materials overheads as well as depreciation. The markups for overheads are determined on the basis of the budgets and compared with the actual overhead cost rates as of the reporting date. The measurement of production cost was not adjusted on this basis in fiscal year 2019.

Financial assets and hedging

IAS 32 defines a financial instrument as any contractual right or obligation that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. These may be primary financial instruments such as trade receivables and payables, financial assets and liabilities and securities, as well as derivative financial instruments to hedge risks arising from fluctuations in exchange and interest rates.

Primary financial instruments

The principal financial instruments used by the Group are cash and cash equivalents or bank loans, as well as trade receivables and payables. The main purpose of these financial instruments is to raise finance for the Group's operations.

IFRS 9 distinguishes between the following measurement categories:

- Debt instruments measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income (FVOCI) with the option to reclassify cumulative gains and losses to profit or loss upon derecognition of the financial asset

- Equity instruments designated as measured at FVOCI with gains and losses remaining in other comprehensive income (OCI), i.e., without recycling

It should be noted in this context that, apart from limited exceptions, only relatively simple "plain vanilla" debt instruments qualify to be measured at amortized cost or at FVOCI.

This classification of debt instruments is based on the business model for managing the financial assets (business model criterion) and the cash flow characteristics of the financial asset (cash flow conditions) (cf. IFRS 9.4.1.1):

a) The business model for managing the financial assets; and

b) The contractual cash flow characteristics of the financial asset.

<u>The business model criterion</u>: As possible business models for managing financial assets, IFRS 9 mentions the following conceivable objectives of an entity:

1) Hold the financial asset to collect the contractual cash flows ("hold to collect")

2) Hold or sell the financial asset ("hold to collect and sell")

3) Use the financial asset to realize other objectives (e.g., short-term sale notice or recognition of hedges)

Before applying IFRS 9, the Cherry Group reviewed all relevant financial instruments on the basis of the requirements of IFRS 9 relating to the application of the correct business model and the testing of the cash flow criterion and came to the following conclusion. In this context, Cherry took into account quantitative (e.g., the expected number and volume of sales) as well as qualitative factors. The Cherry Group's trade receivables relevant for IFRS 9 are held exclusively to collect the contractual cash flows; there are no modified contractual cash flows in this regard. The nature of these cash flows is reviewed regularly. The receivables were also reviewed for the existence of (recourse or non-recourse) factoring. The result is that factoring is not applied in the Cherry Group. Accordingly, no receivables are sold "near to maturity," which IFRS 9.B4.1.3 permits in exceptional circumstances subject to certain strict requirements. Likewise, no receivables are designated for fair value measurement in accordance with IFRS 9.4.1.5.

<u>The cash flow criterion</u>: The Cherry Group's trade receivables exclusively entail a claim against the customer to settle the amount due (cash flow for payment of the "principal"). No interest is charged on receivables that are immediately payable. Accordingly, the receivables do not generate any contractual interest payments and the cash flow criterion is met.

The Cherry Group's financial instruments in the form of trade receivables are therefore recognized and measured at amortized cost, since they meet both the business model and cash flow criteria (IFRS 9.4.1.2). Consequently, they are also subject to the new impairment requirements in accordance with IFRS 9.5.5.

No financial instruments are recognized at fair value (neither through profit or loss nor through other comprehensive income) in the consolidated financial statements. These classification categories are not applied in the Cherry Group.

With respect to the adoption of the new IFRS 9 provisions, the Cherry Group only has two relevant types of financial instruments to which the requirements of IFRS 9 are applicable. The first type are investments in subsidiaries that are subject to consolidation in the IFRS consolidated financial statements in accordance with IFRS 10 and consequently are not recognized as financial instruments, but rather through their assets and liabilities. As such, investments in subsidiaries in the form of equity instruments are not relevant.

The second type are contractual trade receivables which, under IFRS 15.105, are unconditional rights to consideration from customers (IFRS 15.108) and, under IFRS 9, financial instruments, and must be recognized as such, or contract assets which, if they exist, must be tested for impairment in accordance with IFRS 9 (IFRS 15.107). As was already the case under IAS 39, these trade receivables are measured at amortized cost due to their simple and straightforward structure.

Under IFRS 9, a financial asset, unless it was designated under the fair value option, is also classified and measured at amortized cost if the financial asset is held in a hold-to-collect business model and the contractual cash flows meet the cash flow criterion. Since both criteria are met, the Cherry Group measures its financial assets exclusively at amortized cost, as previously under IAS 39.

As a rule, the Cherry Group does not recognize financial assets or liabilities at fair value. Consequently, no fair value disclosures are made, with reference to the fact that Cherry recognizes financial assets and liabilities at amortized cost. Therefore items are also not recognized through other comprehensive income (OCI).

The increase in amortized cost does not reflect the conversion in connection with IFRS 9, but rather the increase in revenue in the fiscal year.

The classification of financial liabilities under IFRS 9 does not follow the approach for the classification of financial assets and does not differ significantly from the accounting treatment of liabilities under IAS 39. Except for financial guarantee contracts and loan commitments that are out of the scope of the standard, financial liabilities are measured either at fair value through profit or loss or at amortized cost. The Cherry Group recognizes liabilities at amortized cost.

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category mainly comprises trade receivables and cash and cash equivalents. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method less any impairment. Receivables which bear no interest or interest at below-market rates are recognized at the present value of the expected future cash flows. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired. According to their maturity, they are divided into current and non-current in the statement of financial position.

Equity instruments under IFRS 9

Under IFRS 9, equity instruments are still generally measured at fair value through profit and loss. However, on initial recognition, an entity may make an irrevocable election (on an instrument-by-instrument basis) to present in OCI the subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9. This option, however, only applies to instruments that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies. For the purpose of this election, "equity instrument" is used as defined in IAS 32 Financial Instruments: Presentation.

Derivative financial instruments and hedge accounting under IFRS 9

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative. For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are recognized directly in profit or loss.

The Cherry Group does not currently apply hedge accounting.

<u>Derivative financial instruments for which hedge accounting is not applied</u>

The Cherry Group only holds financial instruments for hedging purposes and not for speculation. However, hedge accounting may not be applied to hedging relationships which do not meet the restrictive criteria of IAS 39. This means that derivative financial instruments from economic hedges for which hedge accounting pursuant to IAS 39 is not applied may also be accounted for. The provisions of the respective IFRS apply to the measurement of the underlying contracts, i.e., derivative hedging instruments, as standalone derivatives, are measured in the same way as trading assets or trading liabilities and any changes in fair value are recognized directly in profit or loss. The related derivatives are allocated to the "at fair value through profit or loss" category.

As in the prior year, the Cherry Group did not enter into any derivative financial instruments in fiscal year 2019.

The contracts entered into by Cherry GmbH for the receipt, delivery or use of precious metals (gold, silver, copper) serve the ordinary course of business and therefore generally meet the requirements of the own use exemption in accordance with IAS 39.5, such that they are not derivative financial instruments within the meaning of IAS 39.6.

Financial liabilities

Liabilities from primary financial instruments may be measured at amortized cost or at fair value through profit or loss (for details, see our explanations on the treatment of financial liabilities in accordance with IFRS 9 above). The Group determines the classification of its financial liabilities on initial recognition.

Loans are measured at amortized cost less transaction costs in accordance with the effective interest method as of the reporting date. The financial liabilities in the form of five loan tranches raised for the acquisition of Cherry GmbH under the loan agreement dated 11 October 2016 totaled EUR 28,000k (31 December 2016). Arrangement fees of EUR 987.5k which were payable to the financing bank were deducted from the loan liabilities and thus presented as a net amount. No new drawings were made on the tranches of the loan agreement in fiscal year 2019, so the unnetted loan liabilities came to EUR 12.3m as of 31 December 2019 (2018: EUR 23.6m).

Finance lease liabilities are recognized at the present value of future minimum lease payments. There were no finance leases in place as of 31 December 2019 or in the prior year.

The Cherry Group applied IFRS 16 in the Group for the first time in fiscal year 2019 and recognized the lease liabilities at the present value of the lease payments to be made over the term of the leases.

For details of lease liabilities, see our comments regarding the initial application of IFRS 16 (note 2. New standards and interpretations, IFRS 16 Leases).

For all other liabilities, amortized cost usually equals the amount repayable. The Cherry Group does not designate financial liabilities under the fair value option.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization. In fiscal year 2019, as previously, the Cherry Group had no financial guarantee contracts in place.

Derecognition of financial assets and financial liabilities

<u>Financial assets</u>

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the contractual rights to receive cash flows from the asset have expired. The rights to receive cash flows can also be transferred to third parties, leading to derecognition. Loans and receivables are derecognized when they are settled.

<u>Financial liabilities</u>

Financial liabilities are derecognized when the obligations are discharged, balanced or expire. Any differences between the amount paid and the carrying amount of the liability is recognized in profit or loss upon derecognition.

Cash and cash equivalents

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

Assets and liabilities held for sale

Individual non-current assets or groups of assets (disposal groups) and the related liabilities whose sale has been decided and execution is probable are presented as "Non-current assets and disposal groups held for sale." They are presented in the gross amount separately from the other assets and liabilities in the statement of financial position under current assets and liabilities. Depreciation ceases when the assets are classified as "held for sale." They are measured at the lower of their carrying amount or fair value less costs of disposal. If the carrying amount is higher, an impairment loss is recognized. If the fair value less costs of disposal subsequently increases, any previous impairment loss is reversed. Such write-up is limited to amount of the previous impairment loss.

As of the reporting date there were no assets and liabilities held for sale.

Provisions

Provisions take into account all of the Group's legal or constructive obligations to other parties arising from past events identifiable as of the reporting date, which are uncertain with regard to amount and/or timing. They recognized when they will result in an outflow of funds and the amount can be reliably determined or estimated. They are stated at the probable settlement value, including any future cost increases. Non-current provisions are discounted using a pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in provisions due to the passage of time is recognized as an interest expense. Provisions are subsequently adjusted to reflect new findings.

When changes in interest rates or in the estimates of the amount or timing of payments result in changes in the provisions, the carrying amount of the related item of property, plant and equipment is adjusted accordingly. If a decrease exceeds the carrying amount of the related asset, the excess is recognized directly in profit or loss.

Pension obligations

The Cherry Group has various pension plans in place, both benefit plans and defined contribution plans. A defined contribution plan is a pension plan provided by an entity (fund) that does not belong to the Group and receives fixed contributions. The Cherry Group has no legal or constructive obligation to make additional contributions if the fund does not have sufficient assets to settle the pension entitlements of the employees from the current or prior fiscal years.

The contributions are recognized in personnel expenses as they become due. Prepayments of contributions are recognized as an asset to the extent that there is a right to repayment or reduction of future payments.

Defined benefit plans set out fixed pension benefits which the employees will receive upon retirement and which generally depend on one or more factors (age, length of service and salary).

The provision for defined benefit plans recognized in the statement of financial position is calculated using the projected unit credit method as specified in IAS 19. The future obligations are valued on the basis of the benefits earned as of the reporting date. Assumptions regarding the trend of relevant factors (e.g., salary or pension increases) affecting the amount of benefits are taken into account. Under IAS 19 all actuarial gains and losses were recognized directly in other comprehensive income.

Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise.

Income taxes

<u>Current income taxes</u>

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities using the tax rates and tax laws that have been enacted by the end of the reporting period in the countries where the Group operates and generates taxable income. Current income taxes are recognized for any income taxes payable on the date incurred. They are recognized for earlier periods when they have not been settled as of the reporting date by payment, offsetting or remission of tax for reason of equity.

Taxes are recognized in profit or loss unless they relate to items recognized directly in equity or in other comprehensive income, in this case they are also recognized in equity or OCI.

Deferred taxes

Deferred taxes are recognized using the liability method for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and for unused tax losses.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reviewed at each reporting date and recognized to the extent to which it has become probable that future taxable profit will allow the deferred tax asset to be recovered. In the event of a business combination, any unused tax losses of the acquirer are reassessed and revised if appropriate.

Deferred tax assets and liabilities are measured at future tax rates, with changes in tax rates only being considered once it is reasonably certain that they will be enacted.

Deferred tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the income taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Since reporting year 2018, the Cherry Group has applied the standard IFRS 15 *Revenue from Contracts with Customers* including the clarification on application of IFRS 15 published in April 2016.

To determine its revenue, the Cherry Group considers the five-step model for revenue recognition pursuant to IFRS 15. Revenue from sales of goods and services is recognized at the time of transfer of control and benefits to the dealer or customer if the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or still to be incurred in connection with the transaction can be reliably determined.

Revenue is recognized net of trade discounts and rebates.

Income not generated as a result of the Company's ordinary activities is recognized as other operating income. This particularly includes realized exchange gains.

Interest income is recognized in the period in which the interest accrues. Dividends are recognized as revenue when the Group's right to receive the payment is established.

The Cherry Group recognizes its purchases and sales as of the trade date.

2. NEW STANDARDS AND INTERPRETATIONS

New and revised standards and interpretations effective for the first time in the fiscal year

The Group applied the following new and revised standards and interpretations as of 1 January 2019:

> IFRS 16 *Leases*

The new standard IFRS 16 Leases replaces IAS 17 and specifies the principles governing the recognition, measurement, presentation and disclosure of leases.

The most important effect of IFRS 16 on the Group is the introduction of a single accounting model for the lessee, requiring it to recognize all assets and liabilities under all leases with terms of more than 12 months and underlying assets of more than EUR 5,000. At the inception of the contract, the Group must assess whether the contract is a lease by analyzing whether it conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The implementation of IFRS 16 leads to an increase in total property, plant and equipment and financial liabilities as of 1 January 2019. The standard is effective for the reporting period beginning on 1 January 2019. The Group adopted IFRS 16 as of 1 January 2019 using a modified retrospective approach. The Cherry Group's leasing activities mainly relate to the leasing of machinery, tools, vehicles, real estate and IT. Leases of machinery generally have terms of between 4 and 7 years, tools have lease terms of 4 years, vehicles 3 to 4 years, property leases 10 to 12 years and IT equipment 3 to 5 years. At the inception of the lease, the right to use the underlying lease asset (right-of-use asset) is recognized. The initial measurement of the right-of-use asset is based on the present value of the lease payments as of 1 January 2019. The right-of-use asset is depreciated over the term of the lease. Lease payments comprise fixed installments. There are no variable components linked to an index. If the right-of-use asset includes an extension or purchase option which the Group considers itself reasonably unlikely to exercise, the costs of this option are not taken into account. The right-of-use asset is recognized under property, plant and equipment and the lease liability under current and non-current financial liabilities.

The Group has several leases that include extension and termination options. These options are negotiated by the management board to ensure flexibility in managing the lease asset portfolio and meet the Group's business requirements. The management board exercises considerable judgment to determine whether these extension and termination options can be exercised with reasonable certainty.

The management board's decisions regarding extension and termination options are highly unlikely to be reversed, so a quantitative analysis of a different decision regarding these options does not constitute information that reflects the business expectations of the Group and is therefore not reported so as to avoid providing misleading information.

Reconciliation of IAS 17 to IFRS 16 as of 1 January 2019

In EUR k	**1 Jan 2019**
Operating lease obligations as of 31 December 2018	14,926
Thereof minimum lease payments on addition in 2019	- 12,002
Lease obligations under operating leases	2,924
Thereof short-term leases	- 80
Thereof leases of low-value assets	- 18
Other (residual liability)	188
Total lease liabilities as of 31 December 2018	**3,015**
Discounting	- 74
Lease liability as of 1 January 2019	**2,941**

The remaining lease liability as of 1 January 2019 was recognized using the incremental borrowing rate of 1.75%. The initial measurement of the right-of-use asset is based on the present value of the lease payments as of 1 January 2019.

The following amounts were presented in the statement of financial position as of 31 December 2019:

ASSETS

NON-CURRENT ASSETS

in EUR k	31 Dec 2019
Right-of-use asset for land	0
Right-of-use asset for buildings	9,657
Right-of-use asset for machinery	2,031
Right-of-use asset for tools	538
Right-of-use asset for vehicles	347
Right-of-use asset for furniture and fixtures	34
Right-of-use asset for operating equipment	21
Total	**12,628**

EQUITY AND LIABILITIES

NON-CURRENT LIABILITIES

in EUR k	31 Dec 2019
Lease liability for land	0
Lease liability for buildings	8,529
Lease liability for machinery	1,529
Lease liability for tools	383
Lease liability for vehicles	176
Lease liability for furniture and fixtures	17
Lease liability for operating equipment	3
Total	**10,637**

CURRENT LIABILITIES

in EUR k	31 Dec 2019
Lease liability for land	0
Lease liability for buildings	1,150
Lease liability for machinery	568
Lease liability for tools	183
Lease liability for vehicles	165
Lease liability for furniture and fixtures	18
Lease liability for operating equipment	17
Total	**2,101**

Maturity analysis of lease liabilities:

in EUR k	2019
Up to 1 year	2,101
1 to 5 years	6,043
More than 5 years	4,594

in EUR k	2019
Lease liability for buildings	
Up to 1 year	1,150
1 to 5 years	3,977
More than 5 years	4,552
Lease liability for machinery	
Up to 1 year	568
1 to 5 years	1,487
More than 5 years	42
Lease liability for tools	
Up to 1 year	183
1 to 5 years	383
More than 5 years	0
Lease liability for vehicles	
Up to 1 year	165
1 to 5 years	176
More than 5 years	0
Lease liability for furniture and fixtures	
Up to 1 year	18
1 to 5 years	17
More than 5 years	0
Lease liability for operating equipment	
Up to 1 year	17
1 to 5 years	3
More than 5 years	**0**

The following amounts were recognized in profit or loss in the reporting period:

in EUR k	31 Dec 2019
Depreciation for leases	1,701
Interest expense on lease liabilities	98
Total amount recognized in profit or loss	1,799

The Group had total cash outflows for leases of EUR 1,692k in 2019.

> Amendments to IAS 28 *Investment in Associates*: Long-Term Interests in Associates and Joint Ventures

The amendments clarify the exclusion of investments within the meaning of IAS 28 from the scope of IFRS 9. IFRS 9 is not applied to investments in associates or joint ventures recognized using the equity method. However, IFRS 9 is applied long-term interests that form part of the net investment in an associate or joint venture. The amendment is effective for fiscal years beginning on or after 1 January 2019. It was endorsed by the EU on 8 February 2019.

As of 31 December 2019, the Cherry Group had no investments in associates.

> IFRIC 23 *Uncertainty over Income Tax Treatments*

The new interpretation clarifies uncertainties about the tax payable for the fiscal year, since the acceptability of a particular tax treatment may be only clarified later. If it is uncertain but probable that a tax treatment will be accepted, it is recognized consistently with the tax return, without reflecting the uncertainty. If it is not probable that a tax treatment will be accepted, the tax charge is measured at its most likely amount or its expected value. The interpretation is effective for fiscal years beginning on or after 1 January 2019. It was endorsed by the EU on 12 September 2018. No changes arose for the Cherry Group as of 31 December 2019 as a result.

> Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 were published on 7 February 2018 and provide the following:

If a change (amendment, curtailment or settlement) under IAS 19.99 requires the remeasurement of the net defined benefit liability (or asset), the current service cost and net interest for the period after restatement are remeasured using the updated assumptions used for the remeasurement.

However, any past service cost and any gain or loss on plan settlement have no effect on the current service cost and net interest in the current reporting period before a plan amendment, curtailment or settlement. Occupational pensions in the Cherry Group were reorganized in 2018 and the amendments to IAS 19 therefore do not apply.

> Annual improvements to IFRSs (2015-2017 Cycle)

On 12 December 2017, the Annual Improvements to IFRSs (2015-2017 Cycle) were published. The Annual Improvements to IFRSs (2015-2017) made changes to four IFRS standards:

> IFRS 3 *Business Combinations*

The amendment to IFRS 3 clarifies that when an entity obtains sole control of a joint operation, the previously held interest in the business must be remeasured. There were no changes in interests held in fiscal year 2019.

> IFRS 11 *Joint Arrangements*

The amendment to IFRS 11 clarifies that when an entity obtains joint control of a business, previously held interests in the business need not be remeasured. There were no changes in interests held in fiscal year 2019.

> IAS 12 *Income taxes*

The amendment to IAS 12 clarifies that the income tax consequences of dividends collected must be recognized in the operating result, regardless of how the tax charge originated.

This was taken into account in fiscal year 2019.

> IAS 23 *Borrowing Costs*

The amendment to IAS 23 clarifies that borrowings that specifically serve to acquire or produce a qualifying asset may only be excluded from general borrowing costs for as long as the asset is not yet ready for its final intended use.

No changes arose for the Cherry Group as a result since, as in the prior years, no borrowing costs were capitalized in fiscal year 2019.

Standards and interpretations not yet applied (issued but not yet effective or not yet effective in the EU)

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have issued further standards and interpretations that are not yet effective for fiscal year 2019 or have not yet been endorsed by the EU.

> Annual improvements to IFRSs (2018-2020 Cycle)

On 21 May 2019, the Annual Improvements to IFRSs (2018-2020 Cycle) were published.

The amendments recommended by the IASB relate to the following standards and topics:

IFRS 1 "Subsidiary as a First-time Adopter"

If a subsidiary adopts IFRSs for the first time later than its parent, the subsidiary that elects to apply IFRS 1.D16(a) must measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS.

IFRS 9 "Fees in the '10 per cent' Test for Derecognition"

The proposed amendment clarifies which fees an entity includes when it applies the 10 per cent test for derecognition of financial liabilities and assesses whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

IFRS 16 "Lease Incentives"

The proposed amendment removes the illustration of the reimbursement of leasehold improvements by the lessor from Illustrative Example 13 accompanying IFRS 16 to remove potential for confusion regarding the treatment of lease incentives.

IAS 41 "Taxation in Fair Value Measurements"

The proposed amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset, thereby ensuring consistency with the requirements in IFRS 13.

> Individual standards "Amendments to References to the Conceptual Framework in IFRS Standards"

The IASB published a revised version of the Conceptual Framework. Since the individual standards and interpretations of IFRSs include cross-references to the Conceptual Framework, the cross-references to the revised Conceptual Framework are being updated as part of the revision process. However, not all cross-references will be updated, since the IASB does not want to make any significant changes to existing standards. The update of the cross-references in the individual standards take effect from 1 January 2020 onwards. The amendments were endorsed by the EU on 29 November 2019.

> IFRS 3 "Definition of a Business"

On 22 October 2018, the IASB published amendments to IFRS 3 regarding the definition of a business. The amendments should make it easier to assess whether a business or a group of assets has been acquired. The amendment supplements disclosures in notes to the financial statements, the application guidance and examples which clarify the three elements of a business (input, substantive process and output). The amendment has yet to be endorsed by the EU.

> Amendments to IAS 1 and IAS 8 "Definition of Material"

On 31 October 2018, the IASB published amendments to the definition of materiality of financial information. The amendments relate to the standards IAS 1 *Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments provide further application guidance and should make it easier for preparers of IFRS financial statements to assess materiality. The amendments also ensure that the definition of materiality is consistent within IFRSs. The amendments were endorsed by the EU on 29 November 2019.

> IFRS 39, IAS 9 and IFRS 7 "Interest Rate Benchmark Reform"

With its amendments to IAS 39 and IFRS 9, the IASB responded to the prevailing uncertainty surrounding the IBOR reform. The background to the IBOR reform is the discontinuation of interbank offered rates (IBOR) as benchmark interest rates. The effects will especially be felt in the accounting treatment of hedges under IFRSs. The amendments address the prospective assessment of hedge effectiveness, the adjustment of the "highly probable" criterion with regard to cash flow hedges and the IBOR risk components. The amendments were endorsed by the EU on 15 January 2020.

These amendments are effective for reporting periods beginning on or after 1 January 2020. Early application is permitted, but the Cherry Group did not apply them before the reporting date 1 January 2020.

> IFRS 17 *Insurance Contracts*

IFRS 17 *Insurance Contracts* was issued on 18 May 2017. The objective of the new standard is consistent, principles-based accounting for insurance contracts. It requires measurement of insurance liabilities at a current settlement value. This leads to more consistent measurement and presentation of all insurance contracts.

The standard is effective for fiscal years commencing on or after 1 January 2021. Early application is permitted if IFRS 9 and IFRS 15 are already being applied or will be adopted concurrently. The amendment has yet to be endorsed by the EU.

The effects of the initial application of the abovementioned standards and interpretations on the Cherry Group's consolidated financial statements are currently being reviewed or the review has not yet been finalized. Consequently, unless described otherwise, it is not possible to reliably assess the impact of the changes at present.

3. NOTES TO THE GROUP'S ASSETS

3.1. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment developed as follows:

PROPERTY, PLANT AND EQUIPMENT

in EUR k	Land, land rights and buildings, including buildings on third-party land	Plant and machinery	Other equipment, furniture and fixtures	Prepayments and assets under construction	Total
Cost					
1 Jan 2018	**293**	**23,476**	**2,498**	**2,023**	**28,290**
Additions	0	4,592	282	1,064	5,939
Disposals	0	-480	-276	-235	-992
Reclassifications	0	2,236	136	-1,688	684
Exchange differences	-3	50	5	0	52
As of 31 Dec 2018	**290**	**29,874**	**2,646**	**1,164**	**33,973**
Additions	1	888	1,243	4,816	6,947
Disposals	0	-403	-40	-1,692	-2,135
Reclassifications	0	1,107	0	-1,035	73
Exchange differences	2	39	7	0	48
As of 31 Dec 2019	**293**	**31,505**	**3,856**	**3,253**	**38,907**
Depreciation and impairment					
1 Jan 2018	**73**	**8,254**	**700**	**0**	**9,027**
Depreciation charge for the year	73	5,178	418	0	5,669
Impairment	0	0	0	0	0
Disposals	0	-49	-232	0	-281
Reclassifications	0	129	120	0	249
Exchange differences	-1	59	5	0	63
As of 31 Dec 2018	**145**	**13,571**	**1,012**	**0**	**14,727**
Depreciation charge for the year	73	4,850	612	0	5,536
Impairment	0	0	0	0	0
Disposals	0	-397	-19	0	-416
Reclassifications	0	50	0	0	50
Exchange differences	1	-1	4	0	37
As of 31 Dec 2019	**219**	**18,106**	**1,608**	**0**	**19,933**
Net carrying amount					
1 Jan 2018	**220**	**15,222**	**1,798**	**2,023**	**19,263**
31 Dec 2018	**145**	**16,303**	**1,634**	**1,164**	**19,246**
31 Dec 2019	**74**	**13,398**	**2,248**	**3,253**	**18,973**

Arithmetic differences may arise due to rounding to thousands of euros (EUR k).

Reclassifications include transfers from assets under construction to property, plant and equipment.

Land, land rights and buildings, including buildings on third-party land include leasehold improvements by a subsidiary.

The disposal of any property, plant and equipment exclusively allocated to Cherry GmbH was restricted in the reporting period as they serve as loan collateral.

3.2. INTANGIBLE ASSETS

Intangible assets developed as follows in the fiscal year:

INTANGIBLE ASSETS

in EUR k	Internally generated industrial and similar rights and assets	Industrial rights, licenses and patents	Customer list	Brand	Goodwill	Prepayments	Total
Cost							
As of 1 Jan 2018	**6,809**	**3,335**	**5,541**	**10,680**	**17,706**	**229**	**44,299**
Additions	0	94	1,404	0	0	189	1,687
Disposals	0	-25	0	0	0	0	-25
Reclassifications	0	-456	0	0	0	-229	-684
Exchange differences	0	8	0	0	-220	0	-212
As of 31 Dec 2018	**6,809**	**2,956**	**6,945**	**10,680**	**17,486**	**189**	**45,065**
Additions	3,068	188	0	0	0	126	3,383
Disposals	0	-6	0	0	0	0	-6
Reclassifications	0	-73	0	0	0	0	-73
Exchange differences	0	35	0	0	35	0	70
As of 31 Dec 2019	**9,877**	**3,100**	**6,945**	**10,680**	**17,521**	**316**	**48,439**
Amortization and impairment							
As of 1 Jan 2018	**507**	**1,434**	**523**	**0**	**0**	**0**	**2,465**
Amortization charge for the year	572	503	477	0	0	0	1,552
Disposals	0	-24	0	0	0	0	-24
Reclassifications	0	-249	0	0	0	0	-249
Exchange differences	0	15	0	0	0	0	15
As of 31 Dec 2018	**1,079**	**1,678**	**1,001**	**0**	**0**	**0**	**3,758**
Amortization charge for the year	572	545	1,034	0	0	0	2,151
Disposals	0	-6	0	0	0	0	-6
Reclassifications	0	-50	0	0	0	0	-50
Exchange differences	0	2	0	0	0	0	2
As of 31 Dec 2019	**1,651**	**2,169**	**2,034**	**0**	**0**	**0**	**5,855**
Net carrying amount							
As of 1 Jan 2018	**6,301**	**1,901**	**5,018**	**10,680**	**17,706**	**229**	**41,834**
As of 31 Dec 2018	**5,730**	**1,278**	**5,945**	**10,680**	**17,485**	**189**	**41,307**
As of 31 Dec 2019	**8,225**	**931**	**4,911**	**10,680**	**17,521**	**316**	**42,584**

Arithmetic differences may arise due to rounding to thousands of euros (EUR k).

Intangible assets identified during purchase price allocation were recognized at the following carrying amounts as of 31 December 2019: Goodwill of EUR 17,521k (2018: EUR 17,486k), a customer list of EUR 4,371k (2018: EUR 4,741k), brand rights of EUR 10,680k, know-how and product developments of EUR 5,022k (2018: EUR 5,446k) recognized and reported as of 31 December 2019. Under a contribution agreement dated 1 November 2018, the new shareholder of Cherry Holding GmbH, Greendich Enterprise Co., Taipei, Taiwan, contributed a customer list as a contribution in kind of EUR 1,396k (see note 4.1 Equity). The amortization period was adjusted to the end of 2020 due to the existing distribution agreement. The technology and the customer list have finite useful lives, which the management board set at 15 years in both cases.

Internally generated industrial and similar rights and assets included internally developed software of EUR 135k (2018: EUR 282k) whose useful life was set at three years and development costs of EUR 3,068k which were capitalized for the first time and whose useful life was set at five years. The development costs will be amortized from next year onwards.

Brand rights were measured at the present values of fictitious royalties from the revenue allocable to the brand. Recognized goodwill and the brand rights were contributed and included in the consolidated financial statements at the amounts attributed to them for the acquisition of Cherry and have an indefinite life. They were tested for impairment in fiscal year 2019 as well as in prior years. Goodwill was allocated to the various currency areas and is therefore subject to fluctuation from currency translation, which is reflected in other operating income.

Industrial rights, licenses and patents as well as licenses for standard software are amortized over three years.

The utilization or disposal of the purchased intangible assets allocated to Cherry GmbH was restricted in the reporting period as they serve as loan collateral.

Impairment testing of goodwill

For the purpose of testing goodwill and the brand for impairment, the Cherry Group defined its legally independent subsidiaries as cash-generating units, these being Cherry GmbH, Auerbach, Germany, Cherry Americas LCC, Wisconsin, USA, and Cherry Zhuhai Electronics Ltd, Zhuhai, China.

The calculation is based on cash flow projections for a planning period of five years.

Impairment is determined using the discounted cash flow method.

In fiscal year 2016, the fair value less costs of disposal (fair value hierarchy level 2) was determined as the recoverable amount. This was based on the price for the sale of the Cherry Group to Cherry Holding GmbH (formerly Genui Fünfte Beteiligungsgesellschaft mbH) on 14 November 2016. The purchase price paid under this transaction was first allocated among the relevant assets and the excess was allocated to the "Cherry" brand, the customer list, technology and the order backlog. The remaining amount was recognized as goodwill. The order backlog was fully amortized in the first few months. The customer list and technology are being amortized over a period of 15 years. The "Cherry" brand and goodwill are not amortized.

Financial instruments are recognized at the maturity date.

The assumptions as of 31 December 2018 were essentially used unchanged for the 2019 impairment test. The calculations are based on forecast revenue, EBIT and EBITDA. After the detailed planning phase, a growth rate of 1% was used for all cash-generating units on a conservative basis (see above). A cost of capital of 8.86% (Germany), 9.73% (USA) and 10.99% (China) was assumed for the cash-generating units. In 2019, there were no signs of impairment based on the fair values calculated in this way.

3.3. RIGHT-OF-USE ASSETS

Right-of-use assets developed as follows in the fiscal year:

in EUR k	ROU for land	ROU for buildings	ROU for machinery	ROU for tools	ROU for vehicles	ROU for furniture and fixtures	ROU for operating equipment	Total
Cost								
As of 31 Dec 2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Additions	236	10,266	2,491	738	490	60	49	14,330
Disposals	-236	0	0	0	-8	-8	-12	-264
Reclassifications	0	0	0	0	0	0	0	0
Exchange differences	0	-2	0	0	0	0	0	-2
As of 31 Dec 2019	**0**	**10,264**	**2,491**	**738**	**482**	**52**	**37**	**14,064**
Depreciation and impairment								
As of 31 Dec 2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation charge for the year	236	608	460	200	143	26	28	1,701
Disposals	-236	0	0	0	-8	-8	-12	-264
Reclassifications	0	0	0	0	0	0	0	0
Exchange differences	0	-1	0	0	0	0	0	1
As of 31 Dec 2019	**0**	**-607**	**-460**	**-200**	**-135**	**-18**	**-16**	**-1,436**
Net carrying amount								
As of 31 Dec 2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
As of 31 Dec 2019	**0**	**9,657**	**2,031**	**538**	**347**	**34**	**21**	**12,628**

3.4. INVENTORIES

Inventories break down as follows:

INVENTORIES

in EUR k	31 Dec 2019	31 Dec 2018
Raw materials, consumables and supplies	5,941	5,941
Work in progress	1,059	1,115
Finished products	7,367	2,493
Merchandise	7,774	13,144
Prepayments	18	16
Total	**22,159**	**22,709**

In fiscal year 2019, as in the prior year, raw materials, consumables and supplies, finished goods and work in process as well as merchandise were measured at the lower of standard cost or net realizable value as of the reporting date.

Impairment allowances are recognized for obsolete and slow-moving inventories.

The total of impairment allowances on inventories decreased to EUR 823k (2018: EUR 1,341k) net of exchange differences.

As in the prior year, the full amount of inventory allowances was included in cost of sales in fiscal year 2019.

The decrease in impairment allowances in 2019 is due to the sale of impaired slow-moving inventories at special rates as well as scrapping.

Inventories at Cherry GmbH of EUR 16,345k were largely subject to restrictions on disposal in the fiscal year since they serve as collateral for loans.

3.5. TRADE RECEIVABLES

TRADE RECEIVABLES

in EUR k	31 Dec 2019	31 Dec 2018
Trade receivables	10,287	13,593
Total	**10,287**	**13,593**

All trade receivables are classified as current. Identified credit risks are accounted for in the form of bad debt allowances.

Trade receivables of Cherry GmbH of EUR 4,921k serve as collateral for liabilities under a blanket assignment.

In the reporting year, receivables of only EUR 94k were more than 30 days past due. At no point in time did they entail a significant default risk. Consequently, no bad debt allowances were recognized for them.

For trade receivables which were neither impaired nor past due, there were no indications as of the reporting date that the debtors would not meet their payment obligations.

The trade receivables presented above are recognized using the accounting methods described in note 1.6.

As shown in the above breakdown of trade receivables, no allowances for expected credit losses were recognized in accordance with IFRS 9 in reporting year 2019, since all items were classified as recoverable.

As in the prior year, the Cherry Group did not recognize any allowances for expected credit losses on trade receivables in accordance with IFRS 9 for 2019 (prior year: IAS 39). No receivables were derecognized in fiscal year 2019.

3.6. CURRENT INCOME TAX RECEIVABLES

in EUR k	31 Dec 2019	31 Dec 2018
Income tax receivables	0	604
Total	**0**	**604**

There were no income tax receivables as of the reporting date 31 December 2019.

3.7. OTHER ASSETS

Other assets comprise the following:

OTHER ASSETS

in EUR k	31 Dec 2019	31 Dec 2018
Receivables from other taxes	1,223	757
Prepaid expenses	289	273
Other	113	109
Total	**1,625**	**1,110**

EUR 1,223k of receivables from other taxes relates to VAT.

Prepaid expenses include prepayments for SAP user licenses, maintenance and insurance premiums. The "Other" item largely includes security deposits for leased offices.

3.8. CASH AND CASH EQUIVALENTS

in EUR k	31 Dec 2019	31 Dec 2018
Balances at banks, checks, cash on hand	15,597	16,013
Total	**15,597**	**16,013**

The fair value of cash is equal to the carrying amount. The significant bank balances of Cherry GmbH serve as loan collateral.

4. NOTES TO THE GROUP'S EQUITY AND LIABILITIES

4.1. EQUITY

Subscribed share capital and capital reserves

Subscribed capital

in EUR k	31 Dec 2019	31 Dec 2018
Cherry Holding GmbH	26	26
	26	**26**

The parent company's subscribed capital of EUR 26k is fully paid in.

By shareholder resolution dated 11 October 2018, Greendich Enterprise Co., having its registered office in Taipei City, Taiwan, was admitted as a new shareholder with a 3% investment in Cherry Holding GmbH.

Under a contribution agreement dated 1 November 2018, Greendich Enterprise Co., Taipei, Taiwan, made a cash contribution of EUR 773 coupled with an increase in capital stock by EUR 773 and acquired 773 shares with a nominal value of EUR 1 per share.

Genui Sechste Beteiligungsgesellschaft mbH (having its registered office in Auerbach i.d. Opf.) holds 97% of the shares in Cherry Holding GmbH.

As of 31 December 2019, subscribed capital comprised 25,773 shares with a nominal value of EUR 1 per share.

Capital reserves

Capital reserves amounted to EUR 46,540k as of 31 December 2019.

Under a contribution agreement dated 1 November 2018, Greendich Enterprise Co., Taipei, Taiwan, also contributed a customer list to Cherry Holding GmbH as a contribution in kind with a value of EUR 1,396k coupled with an increase in the capital reserves.

The customer list of EUR 1,396k was subsequently contributed to the subsidiary Cherry GmbH in a contribution in kind and sold to the subsidiary Cherry Electronics (Hong Kong) Co. Ltd. for EUR 1,396k.

Accumulated other comprehensive income

Accumulated other comprehensive income includes gains and losses from currency translation differences of EUR 181k relating to differences from the translation of the financial statements of foreign subsidiaries into the Group's reporting currency (euros).

Any goodwill from business combinations is recognized as an asset and translated at closing rates as of the reporting date.

In addition, actuarial gains and losses from pension obligations of EUR 47k as well as deferred taxes thereon of EUR 14k are included in accumulated other comprehensive income.

The development of equity is shown in the statement of changes in equity.

4.2. PENSION PROVISIONS

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

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

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

A defined benefit plan is only in use as an occupational pension arrangement ("ZF pension") at the German subsidiary Cherry GmbH.

The key element of occupational pension arrangements at Cherry GmbH is the ZF pension, which until 2017 consisted of two components: the employer-financed component, which generally amounted to 1.1% of the pensionable monthly gross income, and the employee-financed component. The latter was funded by employees' deferred compensation. The employee could freely select an amount of between 1% and 5% of their pensionable monthly income.

The pension obligations were reorganized under a works agreement on the settlement and reorganization of the ZF pension dated 1 October 2018. To the extent legally permissible, a defined group of persons who had earned benefits under the ZF pension plan received a settlement offer. The amount of the offer was calculated on the basis of the provision recognized in the statutory balance sheet as of 31 December 2017 plus interest at a rate of 3.68% until 31 August 2018.

The main consequence of discontinuing the ZF pension is the elimination of the former employer pension component subject to 6% interest. From 1 January 2019 onwards, this component will be replaced by an employer contribution to the employee's deferred compensation for an occupational pension. The contribution will comprise a maximum of 20% of the deferred compensation, while the basis of calculation may not exceed 4% of the income threshold for the assessment of contributions to statutory pension insurance.

The amount to be paid out under the works agreement was recognized at EUR 1,064k under other current liabilities in the statement of financial position as of 31 December 2018 and paid out at the beginning of 2019.

The employees who did not agree to the settlement of the pension plan (six employees as of the reporting date) continue to entitled to benefits under the ZF pension plan and the related obligations are recognized in accordance with the actuarial report. Neither the employees nor the Company have made contributions to the pension plan since 2019.

The ZF pension plan was recognized at EUR 193k as of 31 December 2019 (2018: EUR 202k) under provisions for pensions and other obligations.

Long-service awards are another component of the ZF pension plan. Under a works agreement, an employee who has worked for the Company for 25 years receives an award of 1.3 times their monthly salary and an employee working for 40 years an award of 2.3 times their monthly salary. However, these long-service awards are not paid out to the employee, but instead a long-service pension component is created from this capital.

Another component of occupational pension arrangements is the benefit fund for members of senior management. This is an employer-financed benefit. During the term of the ZF pension plan, this group of persons was also entitled to deferred compensation. There are three beneficiaries as of the reporting date. As of 31 December 2019, the carrying amount of this occupational pension arrangement was EUR 858k (2018: EUR 821k).

The amount of the pension commitments was calculated using actuarial methods. The measurement was based on the following parameters:

Germany

in %	31 Dec 2019	31 Dec 2018
Discount rate	0.66	1.4
Salary increase	0.0	0.0
Pension increase	1.0	1.0
Duration in years	9	10

The "2018 G mortality tables" published by Prof. Dr. Klaus Heubeck were used as the biometric basis for the calculation of the commitments in Germany.

A change in the underlying interest rate by +/-0.25 percentage points would result in a decrease by EUR 2.9k (2018: EUR 10k) or an increase by EUR 3.3k (2018: EUR 11k) in the pension obligations.

The following amounts were recognized in the statement of financial position:

BREAKDOWN OF AMOUNTS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION

in EUR k	31 Dec 2019	31 Dec 2018
Present value of the pension commitments financed by provisions	1,051	1,023
Present value of the funded pension commitments	0	0
Fair value of plan assets	0	0
Pension provisions	**1,051**	**1,023**

Actuarial gains and losses of each reporting period are fully recognized in equity under accumulated other comprehensive income in the reporting period in which they arise.

The present value of the defined benefit obligation developed as follows in the reporting period:

DEVELOPMENT OF THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION

in EUR k	31 Dec 2019	31 Dec 2018
Present value of the defined benefit obligation as of 1 Jan	1,023	2,462
Current service cost	0	-510
Interest cost	14	54
Newly recognized actuarial (gains)/losses	47	104
Payments by the pension plans	-33	-33
Reclassification to current liabilities	0	-1,064
Other changes	0	9
Present value of the defined benefit obligation	**1,051**	**1,023**

Actuarial gains/losses newly recognized in the reporting period primarily relate to mathematical effects.

The pension cost for defined benefit obligations recognized in income breaks down as follows:

BREAKDOWN OF PENSION COST

in EUR k	31 Dec 2019	31 Dec 2018
Cost of pension entitlements earned in the reporting period	0	-510
Interest cost	14	54
Total	**14**	**-456**

Due to the change in pension obligations under the ZF pension plan, no costs of pension benefits earned are recognized in personnel expenses in 2019.

The unwinding of discounts on expected pension obligations is offset and included as interest expense in the financial result.

Under the pension arrangements existing as of the reporting date, the Cherry Group has the following pension payment obligations, broken down by maturity:

MATURITY ANALYSIS OF BENEFIT PAYMENTS

	31 Dec 2019	**31 Dec 2018**
Up to 1 year	0	0
More than 1 year	1,051	1,023
	1,051	**1,023**

Defined contribution pension obligations as occupational pension arrangements are recognized as expenses both at the German subsidiary and at the foreign entities:

At the German subsidiary, direct insurance policies and the metal pension fund are offered as additional occupational pension arrangements. The monthly benefits paid by the employer specified in the collective agreement of EUR 26.59 per employee are also invested in this context.

Other occupational pension arrangements are the direct insurance policy and pension fund options. In this case, there are contracts under which either the employer or the employee make contributions.

Two employees in the UK are insured through the statutory pension insurance scheme. One employee is insured through the existing group agreement for occupational pensions. The employer and employee make monthly contributions under this agreement.

There is a pension scheme for employees in place at the US subsidiary in the form of a 401k retirement plan. Employees can convert up to a maximum of 50% their gross salary into insurance contributions. According to a fixed formula, Cherry makes the same contribution as employees up to a maximum permitted amount of 4% of the employee's monthly gross income. There are no further financial obligations or risks for the Company and this is therefore not classified as a defined benefit plan in accordance with IAS 19. Pension costs of EUR 10k were recognized in 2019 (2018: EUR 105k).

4.3. OTHER PROVISIONS

The development of other provisions is presented below:

OTHER PROVISIONS (current):

in EUR k	**Warranties**	**Other**	**Total**
As of 1 Jan 2019	**186**	**0**	**186**
Utilization	0	0	0
Reversal	-36	0	-36
Allocation	0	0	0
As of 31 Dec 2019	**150**	**0**	**150**
Cash outflows			
Current (< 1 year)	150	0	150
Non-current			
– thereof 1 to 5 years			
– thereof more than 5 years			

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

OTHER PROVISIONS (non-current)

in EUR k	Warranties	Long-service awards	Phased retirement	Total
As of 1 Jan 2019	**187**	**648**	**987**	**1,822**
Utilization	36	208	252	496
Reversal	0	0	0	0
Allocation	43	149	73	265
Unwinding of discounts (+)/discounting (-)	0	44	0	44
As of 31 Dec 2019	**194**	**633**	**808**	**1,635**
Cash outflows				
Current (< 1 year)	0	27	0	27
Non-current	194	606	808	1,608
-thereof > 1 year	194	606	808	1,635

4.4. TRADE PAYABLES

TRADE PAYABLES

in EUR k	31 Dec 2019	31 Dec 2018
Trade payables	13,564	17,124
Total	**13,564**	**17,124**

Trade payables are non-interest bearing and are generally on terms of 60 to 90 days.

4.5. OTHER LIABILITIES

OTHER LIABILITIES (current)

in EUR k	31 Dec 2019	31 Dec 2018
Liabilities to employees	2,309	4,736
Other tax liabilities	60	379
Subsidies from customers	445	1,013
Other financial liabilities	2,646	2,893
Total	**5,460**	**9,021**

Other liabilities are classified as current. As of 31 December 2019, liabilities to employees mainly comprised liabilities from accrued vacation and accrued time credits as well as performance-based payments and leave of absence and redundancy payments.

The pension obligations of EUR 1,122k recognized under other current liabilities to employees as of the 2018 reporting date were paid out in fiscal year 2019.

Both wage tax and VAT liabilities are included in other tax liabilities.

Other financial liabilities primarily arise from obligations for outstanding invoices and advertising allowances of EUR 557k (2018: EUR 294k) related to marketing initiatives with customers in the first and second levels of trade. They make a positive contribution to enhancing the awareness, brand image and sales of CHERRY based on the corresponding marketing plans, which build on the CHERRY partner program for distributors and resellers. Cherry has silver, gold and platinum partners who are promoted through such programs.

The measures are determined and defined based on the targets for annual and quarterly revenues to be generated with these partners. Cherry requests corresponding offers based on media plans from sales intermediaries and, in collaboration with Key Account Management and Channel Marketing, defines the most efficient and therefore best media mix for the customer group in question. This mix ranges from sales training and online banners to newsletters and participation in trade fairs.

The customer bonus of EUR 1,052k (2018: EUR 594k) is calculated using a defined revenue target and comprised the annual bonus and quarterly bonus for the fourth quarter of fiscal year 2019. It is recorded as a deduction from revenue.

Subsidies paid by customers for tools and facilities are recognized under current or non-current liabilities in line with their maturities. As the customers are granted a discount per product unit in the amount of the subsidy paid the subsidies are amortized based on the number of units sold. This amortization is included in revenue.

The remaining other financial liabilities in fiscal year 2019 primarily include EUR 1,037k (2018: EUR 2,005k) for outstanding invoices.

OTHER LIABILITIES (non-current)

in EUR k	31 Dec 2019	31 Dec 2018
Subsidies from customers	52	628
Total	**52**	**628**

As in the prior year, the Cherry Group's current and non-current financial liabilities exclusively relate to the loan agreement dated 11 October 2016 with Cherry Holding GmbH.

FINANCIAL LIABILITIES (current)

in EUR k	31 Dec 2019	31 Dec 2018
Financial liabilities	0	3,749
Lease liabilities	2,101	0
Total	**2,101**	**3,749**

FINANCIAL LIABILITIES (non-current)

in EUR k	31 Dec 2019	31 Dec 2018
Financial liabilities	12,294	19,850
Lease liabilities	10,637	0
Total	**22,931**	**19,850**

Due to the initial application of IFRS 16, lease liabilities of EUR 12,738k were recognized for the first time in fiscal year 2019.

4.6. INCOME TAX LIABILITIES

INCOME TAX LIABILITIES

in EUR k	31 Dec 2019	31 Dec 2018
Income tax liabilities	3,868	1,633
Total	**3,868**	**1,633**

Liabilities from income taxes are all current and arise primarily from country-specific income tax liabilities.

4.7. DEFERRED TAXES

After offsetting receivables and liabilities, the following deferred taxes were recognized in the consolidated financial statements:

DEFERRED TAXES

in EUR k	31 Dec 2019	31 Dec 2018
Deferred tax assets	1,522	1,528
Deferred tax liabilities	6,074	5,212

Deferred tax assets and liabilities are attributable to the following significant statement of financial position items:

DEFERRED TAXES

	31 Dec 2019		31 Dec 2018	
in EUR k	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	540	5,935	564	5,177
Property, plant and equipment	9	124	5	
Receivables	12	10	40	
Inventories	704		556	
Cash		5		24
Other assets				11
Pension provisions	86		85	
Other provisions	91		105	
Liabilities	22			
Loss carryforwards	27		173	
Right-of-use assets		3,630		
Lease liabilities	3,661			
Total	**5,152**	**9,704**	**1,528**	**5212**
Offsetting	-3,630	-3,630		
Total	**1,522**	**6,074**	**1,528**	**5,212**

Loss carryforwards amounting to EUR 438k (2018: EUR 1,536k) can be used within the next 15 years (2018: EUR 932k). These give rise to deferred tax assets of EUR 27k (2018: EUR 173k) relating to the subsidiary in the US.

The loss carryforward of EUR 605k which was disclosed as utilizable indefinitely in 2018 was utilized in full in 2019. This loss carryforward relates to the subsidiary in Hong Kong.

The utilization of loss carryforwards from prior years led to a reduction in tax expenses of EUR 53k (2018: EUR 27k).

The average group tax rate is 29.13% (2018: 29.13%) and includes German corporate income tax of 15% plus the solidarity surcharge of 5.5% and trade tax of 13.3%. The applied local income tax rates for foreign companies vary between 16.5% and 27.24% (2018: 16.5% to 26%). In the US, the franchise tax rate for the State of Wisconsin was increased from 5% to 6.241%. The tax rate adjustment did not give rise to any tax expense in fiscal year 2019 (2018: EUR 0k).

The maturities of deferred taxes are as follows (before offsetting (see above)):

in EUR k	2019	2018
Deferred tax assets		
Deferred tax assets that will be realized after 12 months	4,414	917
Deferred tax assets that will be realized within 12 months	738	611
Total	**5,152**	**1,528**
Deferred tax liabilities		
Deferred tax liabilities that will be realized after 12 months	9,690	5,177
Deferred tax liabilities that will be realized within 12 months	14	35
Total	**9,704**	**5,212**

The following table sets out a reconciliation between the expected tax expense and the current tax expense. The expected tax expense is determined by applying the Group's average tax rate to earnings before income taxes.

in EUR k	2019	2018
Earnings before income taxes	17,304	12,824
Expected income tax expense	5,039	3,735
Different foreign tax charge	-596	-164
Tax-free income	0	7
Non-deductible expenses	0	0
Foreign withholding tax	0	0
Tax portion for effects from loss carryforwards	0	0
Unrecognized deferred tax assets	29	12
Effects from changes in tax rates	0	0
Out-of-period tax expense	20	8
Other	297	-68
Effective income tax expense	**4,789**	**3,531**
Effective tax rate	**27.68%**	**27.53%**

The average tax rate in the Cherry Group was 27.68% in fiscal year 2019 (2018: 27.53%).

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

5.1. REVENUE

Revenue breaks down by source as follows:

REVENUE

in EUR k	2019	2018
Product revenue, in particular from keyboards, MX modules, mice and smart card readers	115,731	100,210
Other revenue	1,775	2,843
Sales deductions	-2,783	-2,968
Total	**114,723**	**100,085**

Sales deductions include bonus payments of EUR 1,561k (2018: EUR 1,400k) and discounts of EUR 1,222k for fiscal year 2019 (2018: EUR 1,569k).

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

in EUR k	2019
eHealth	4,709
Gaming devices	15,861
Components	45,518
Industrial	8,401
Office	28,744
Others/Metal Fab	-14
Point of sale products	4,530
Security	6,974
Total revenue by product type	**114,723**

In the reporting year, no revenue was recognized that was included in the contract liability balance at the beginning of the period. There was also no revenue recognized from performance obligations satisfied (or partially satisfied) in previous periods. The Cherry Group recognizes its revenue at a point in time.

REVENUE BY REGION

in EUR k	Germany	USA	China	Hong Kong	Total
Gaming devices	583	156	15,122	0	**15,861**
Components	16,298	658	8	28,554	**45,518**
Office/industry	32,287	4,506	218	134	**37,145**
Security	10,801	5,402	11	0	**16,214**
Others/Metal Fab	0	-17	0	2	**-14**
Total revenue by region	**59,969**	**10,705**	**15,360**	**28,690**	**114,723**

As shown above, revenue from the sale of goods and services is recognized within the Cherry Group at the time of the transfer of ownership and risks and rewards to the dealer or customer. Deliveries which have not (yet) been paid are accounted for under trade receivables. In our experience, these receivables are settled within a period of up to 30 days (taking into account the corresponding payment terms).

5.2. OTHER OPERATING INCOME

OTHER OPERATING INCOME

in EUR k	2019	2018
Exchange gains	277	408
Accounting gains on the sale of property, plant and equipment	10	261
Other operating income	72	132
Total	**359**	**801**

5.3. COST OF MATERIALS

COST OF MATERIALS

in EUR k	2019	2018
Cost of raw materials, consumables and supplies and of purchased merchandise	46,370	40,160
Cost of purchased services	3,014	2,960
Total	**49,384**	**43,120**

In fiscal year 2019, the ratio of cost of materials to revenue was reduced from 43.1% in fiscal year 2018 to 43% owing to the increased sales prices in the components business.

5.4. PERSONNEL EXPENSES

The recognized personnel expenses break down as follows:

PERSONNEL EXPENSES

in EUR k	2019	2018
Direct and indirect remuneration	18,891	18,612
Social security costs	4,052	3,872
Pension costs	232	-8
Total	**23,175**	**22,477**

The average number of employees by region developed as follows:

AVERAGE NUMBER OF EMPLOYEES BY REGION

in EUR k	2019	2018
Europe	316	290
North America	19	19
Asia	67	67
Total	**402**	**376**

The number of employees in fiscal years 2019 and 2018 indicates the average number of employees in the operating entities of the Cherry Group.

5.5. OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

OTHER OPERATING EXPENSES

in EUR k	2019	2018
Exchange losses	342	266
Accounting losses from the sale of property, plant and equipment	16	37
Accounting losses from the sale of intangible assets	0	1
Other	1,515	272
Total	**1,873**	**576**

The increase is largely due to one-time costs relating to construction of the new building and the associated relocation to new business premises.

5.6. FINANCIAL RESULT

The financial result breaks down as follows:

FINANCIAL RESULT

in EUR k	2019	2018
Interest and similar income	4	4
Total interest income	**4**	**4**
Interest and similar expenses	999	757
Expenses from discounting and the unwinding of discounts	67	147
Total finance costs	**-1,066**	**-904**
Total	**-1,062**	**-900**

In addition to interest expenses for financial liabilities, interest expenses of EUR 999k also include interest expenses relating to lease obligations of EUR 98k.

5.7. INCOME TAX EXPENSE

Tax expense breaks down as follows:

INCOME TAX EXPENSE

in EUR k	2019	2018
Deferred tax income (-)/expense (+)	872	-287
Current tax income (-)/expense (+)	3,917	3,818
Total	**4,789**	**3,531**

Income tax expenses of EUR 4,789k comprise current income taxes of EUR 3,917k and deferred tax expenses of EUR 872k.

Deferred taxes in the statement of financial position totaling EUR 14k were recognized under equity without affecting profit or loss in the fiscal year (2018: EUR 30k).

Using tax planning methods (tax group), the tax expense for the fiscal year was reduced. This is also expected to lead to future tax savings.

The current income tax expense mainly resulted from the trade tax of Cherry Holding GmbH and from the corporate income tax of the Group's domestic and foreign corporations.

6. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The statement of cash flows of the Cherry Group shows how cash and cash equivalents changed in fiscal year 2019 as a result of cash inflows and outflows and therefore provides information about the origin and use of funds. The statement of cash flows prepared in accordance with IAS 7 Statement of Cash Flows distinguishes between cash flows from operating activities, investing activities and financing activities.

Cash flows from operating activities are derived indirectly. Interest received of EUR 4k and interest paid of EUR 447k are included in the cash flows from operating activities for 2019. Income taxes paid in 2019 amounted in net terms to EUR 1,417k.

Cash flows from investing activities are calculated on the basis of payments, primarily cash paid for investments in non-current assets. Cash paid for the purchase of property, plant and equipment amounted to EUR 6,947k; cash paid for intangible assets came to EUR 3,383k.

Following the first-time application of IFRS 16, the principal portion of lease payments is recognized in the cash flows from financing activities and amounts to EUR 1,594k.

Cash flows from financing activities are also calculated on the basis of payments and include repayments of loans amounting to EUR 11,700k. Other changes are mostly attributable to working capital.

Cash and cash equivalents as of 31 December 2019 exclusively comprise short-term bank balances with maturities of no more than three months amounting to EUR 15,597k.

Reconciliation of changes in liabilities to the cash flows from financing activities	EUR k
Opening balance as of 1 Jan 2019	23,599
+ New loans	0
- Repayments	-11,700
+/- Other	395
Closing balance as of 31 Dec 2019	**12,294**

The arrangement fee is included under "Other." It is calculated on the basis of regular and special repayments and amounted to EUR 395k in the fiscal year (2018: EUR 209k). However, it did not lead to an outflow of cash.

7. OTHER NOTES

7.1. OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

Cherry as lessee:

As of the reporting date, there were the following obligations under operating leases, due in:

in EUR k	2019	2018
Up to 1 year	31	1,739
1 to 5 years	0	6,361
More than 5 years	0	6,826

These primarily relate to rent for offices, lease agreements and leases of vehicles, office equipment and machinery, with lease terms of up to 12 months.

The decrease in financial obligations recognized is attributable to the first-time application of IFRS 16.

Contingent liabilities

No guarantee commitments were made in 2019. There were also no contingent liabilities.

7.2. OTHER NOTES TO RISK AND CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital management

The Group determines its capital requirements in relation to its risk exposure. It manages its capital structure and makes adjustments, if necessary, in light of changes in the economic environment. This includes managing the Group's equity and non-current financial liabilities. The primary objective of the Group's capital management is to reduce its finance charges by maintaining a strong credit rating and healthy equity ratio and to ensure financial stability. Group equity is monitored centrally by the Group's management. As of the reporting date, agreements with lenders included subsidiary agreements stipulating compliance with certain financial covenants.

For additional information, see our comments on our financing strategy and our assets, liabilities and financial position in the group management report.

Financial risk management objectives and policies

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

Interest rate risk

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

As a result of purchase price financing, the operating companies will in the future have to make interest payments and loan repayments to the financing bank. The Group has raised, among other things, amortizing loans to finance the purchase price, thereby accepting loan covenants which are tied to the performance of the Cherry Group.

A hypothetical increase in interest rates of 0.25 basis points per year would have led to an increase in interest expenses of EUR 40k and to a reduction in equity.

However, the Cherry Group still believes that the covenants will remain stable.

Foreign currency risk

Due to the Cherry Group's international focus, the Group is exposed to foreign currency risks from its operating activities as a result of exchange rate fluctuations between the functional currencies of the group companies and other currencies. Currency risks as defined by IFRS 7 arise on account of financial instruments of a monetary nature being denominated in a currency that is not the functional currency.

Significant primary items which give rise to currency risks for the group are cash, receivables and liabilities.

For transactions settled in US dollars, Chinese yuan and pound sterling, changes in the respective exchange rate in relation to the euro or other functional currencies of group companies may have a significant impact on the Group's cash flows. However, the currency risk is manageable for the Group as a significant portion of its materials are purchased in USD or CNY and the Group has its own production facilities in China. For the Cherry Group, there is an excess of expenditures in US dollars over income. Sensitivity analyses have shown that there is no effect on the Group's earnings compared to the prior year, since there are currently no natural hedges. Measures are planned in 2020 to reduce this excess or engage in currency hedging transactions. Open positions from rising sales to the UK are partially hedged by price adjustment clauses agreed with the customers.

Liquidity risk

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

The following table shows the contractual undiscounted payments in connection with the Group's recognized liabilities as of the reporting date on the basis of undiscounted cash flows in subsequent years. The table includes all instruments held as of 31 December 2019 and for which payments had already been contractually agreed. Amounts in foreign currency were translated at the respective closing rate. The variable interest payments on the financial instruments, in particular on loans, were calculated using expected interest rates. Financial liabilities that are repayable on demand are always assigned to the earliest possible time band. The disclosures are made on the basis of the contractual, non-discounted payments.

	Carrying amount	Cash flows		
in EUR k	**31 Dec 2018**	**2019**	**2020**	**2021 and thereafter**
Interest-bearing loans and borrowings	23,599	-900	-7,000	-15,699
Trade payables	17,124	17,124	0	0

	Carrying amount	Cash flows		
in EUR k	**31 Dec 2019**	**2020**	**2021**	**2022 and thereafter**
Interest-bearing loans and borrowings	12,294	0	0	-12,500
Trade payables	13,564	13,564	0	0

In fiscal year 2019, loans of EUR 11,700k under the loan agreement were repaid. No new loans were raised during the fiscal year.

Cash flows from interest-bearing loans and borrowings up to 2022 amount to EUR 12,500k not including the accrued arrangement fee.

Credit risk

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

See note 3.5 for information on the aging structure of our receivables.

Carrying amounts and fair values by measurement category

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

MEASUREMENT CATEGORIES

in EUR k	**31 Dec 2019**	**31 Dec 2018**
Assets measured at amortized cost		
Trade receivables	10,287	13,593
Non-current financial receivables	0	0
Cash	15,597	16,013
Total	**25,884**	**29,606**

in EUR k	**31 Dec 2019**	**31 Dec 2018**
Liabilities measured at amortized cost		
Trade payables	13,564	17,124
Liabilities to banks	12,294	23,599
Total	**25,858**	**40,723**

The fair value of trade receivables and payables (fair value hierarchy level 2) as well as cash and cash equivalents is equal to their carrying amount due to their short-term maturities. There is also no difference between the carrying amount and market value of other financial assets. The recognized liabilities to banks, some of which are non-current, are subject to variable interest based on EURIBOR. Fluctuations in the underlying interest rate will lead to a variable interest charge in the future, which means that the carrying amount approximates the fair value (fair value hierarchy level 2). Only offset transaction fees amounting to EUR 206k need to be added to the fair value.

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

ITEMS OF INCOME, EXPENSE, GAINS OR LOSSES RELATING TO SIGNIFICANT FINANCIAL INSTRUMENTS BROKEN DOWN BY CATEGORY

in EUR k **2019**	**Interest income**	**Interest expense**	**Measurement effects**	**Impairment**	**Reversal of impairment**	**Net result**
Assets measured at amortized cost	4	0	0	0	0	4
Liabilities measured at amortized cost	0	-528	0	0	0	-528
Total	**4**	**-528**	**0**	**0**	**0**	**-524**

For other liabilities, see note 4.5.

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).

Cherry currently does not value any assets or liabilities at fair value.

7.3. RELATED PARTY DISCLOSURES

In the course of ordinary business, the Cherry Group enters into business relationships with numerous companies, including companies that are related parties. For the Cherry Group, related parties in accordance with IAS 24 primarily include the GENUI Group companies, in particular:

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

Cherry Holding GmbH prepares the consolidated financial statements for the smallest group of companies. The consolidated financial statements are published in the "Bundesanzeiger" [German Federal Gazette]. In addition, the Company is included in the consolidated financial statements of GENUI Fund GmbH & Co. KG, which prepares the consolidated financial statements for the largest group of companies.

Disclosures in accordance with IFRS 2 *Share-based Payment*

GENUI Sechste Beteiligungsgesellschaft mbH ("HoldCo") grants selected members of the management board and the advisory board shares in HoldCo and therefore an indirect investment in Cherry Holding GmbH, 97% of which is owned by HoldCo. The sole purpose of HoldCo is holding the capital stock of the Company. A share ownership plan was established in 2016 for this purpose. The management and advisory board members have acquired 20.2% of all shares at market value through this share ownership plan. In 2019, no further management board members joined or left the plan at market value.

The fair value of the shares on the date of grant or purchase by the beneficiaries is equal to the business value per share on the respective grant date. The business value was calculated using a discounted cash flow (DCF) method.

There were no accounting effects resulting from the share ownership plan (equity-settled plan within the meaning of IFRS 2) in the fiscal year or in the prior year.

In addition, members of the management board and the advisory board as well as their close family members qualify as related parties.

Compensation of executives

in EUR k	31 Dec 2019	31 Dec 2018
Short-term benefits	1,286	1,151
Post-employment benefits	0	0
Other long-term benefits	151	187
Termination benefits	0	0
Total	**1,437**	**1,338**

The disclosures relate to four members of management (2018: nine members partly pro rata) of various national subsidiaries. In addition to base salaries, the amounts include social security contributions and old-age pension provisions, bonuses, company cars and expenses for former members of the management board.

7.4. DISCLOSURE OF THE AUDITOR'S FEE

AUDITOR'S FEE

in EUR k	2019
Audit services	196
Audit-related services	0
Tax services	0
Other services	0
Total	**196**

The fees for services of the auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Essen, incurred in the reporting year are included in other operating expenses. The total includes costs from the network of Ernst & Young relating to the preparation of the financial statements for the individual entities of the Cherry Group in Germany and abroad.

7.5. EVENTS AFTER THE REPORTING PERIOD

Ongoing restrictions due to the coronavirus could have negative effects on the assets, liabilities, financial position and financial performance in fiscal year 2020. For more information, please see our explanations in the management report in the "Forecast, opportunities and risk report" section.

No further events occurred after the close of the fiscal year that have a significant effect on the assets and liabilities, financial position and financial performance.

Auerbach, 20 March 2020

Cherry Holding GmbH

The Management Board

Rolf Unterberger　　　　Bernd Wagner

The following report is a translation of the original German-language independent auditor's report, which refers to the German-language consolidated financial statements as well as the German-language group management report for the fiscal year ended 31 December 2019 as a whole.

Independent auditor's report

To Cherry Holding GmbH

Opinions

We have audited the consolidated financial statements of Cherry Holding GmbH, Auerbach, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 January 2019 to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Cherry Holding GmbH for the fiscal year from 1 January 2019 to 31 December 2019.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019 and of its financial performance for the fiscal year from 1 January 2019 to 31 December 2019, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

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

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

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

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

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

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

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

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

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

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

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

Essen, 31 March 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Muzzu	Breh
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Audited Consolidated Financial Statements of
Cherry Holding GmbH (merged into Cherry AG in April 2021)
Prepared in Accordance with IFRS as of and for the Fiscal Year Ended December 31, 2018

Consolidated statement of financial position as of 31 December 2018

Assets

EUR k	**Note**	**31 Dec 2018**	**31 Dec 2017**
Non-current assets			
Intangible assets	(3.2.)	41,307	41,834
Property, plant and equipment	(3.1.)	19,246	19,263
Other non-current assets	(3.6.)	7	5
Deferred taxes	(4.7.)	917	697
		61,477	**61,799**
Current assets			
Inventories	(3.3.)	22,709	17,480
Trade receivables	(3.4.)	13,593	10,909
Current income tax receivables	(3.5.)	604	1,331
Other current assets	(3.6.)	1,110	784
Cash and cash equivalents	(3.7.)	16,013	13,159
Deferred taxes	(4.7.)	611	684
		54,640	**44,347**
Total assets		**116,117**	**106,146**

Equity and liabilities

EUR k	**Note**	**31 Dec 2018**	**31 Dec 2017**
Equity			
Subscribed capital	(4.1.)	26	25
Capital reserves	(4.1.)	46,540	45,145
Net retained profit		10,072	778
Accumulated other comprehensive income	(4.1.)	-784	-504
		55,854	**45,444**
Non-current liabilities			
Pension provisions	(4.2.)	1,023	2,462
Other non-current provisions	(4.3.)	1,837	1,784
Financial liabilities	(4.5.)	19,850	22,857
Other non-current liabilities	(4.5.)	628	546
Deferred taxes	(4.7.)	5,177	5,271
		28,515	**32,920**
Current liabilities			
Other current provisions	(4.3.)	186	202
Financial liabilities	(4.5.)	3,749	8,033
Trade payables	(4.4.)	17,124	10,225
Current income tax liabilities	(4.6.)	1,633	589
Other current liabilities	(4.5.)	9,021	8,650
Deferred taxes	(4.7.)	35	83
		31,748	**27,782**
Total equity and liabilities		**116,117**	**106,146**

Consolidated income statement and statement of comprehensive income for the period from 1 January to 31 December 2018

EUR k Income statement	Note	1 Jan to 31 Dec 2018	1 Jan to 31 Dec 2017
Revenue	**(5.1.)**	**100,085**	**95,881**
Cost of sales		-64,763	-67,907
Gross profit		**35,322**	**27,974**
Marketing and selling expenses		-8,049	-8,477
Research and development costs		-5,501	-6,386
Administrative expenses		-8,272	-7,967
Other operating income	(5.2.)	801	1,164
Other operating expenses	(5.5.)	-576	-1,700
Operating result/earnings before interest, taxes and income taxes (EBIT)		**13,724**	**4,608**
Interest result	(5.6.)	-900	-1,473
Earnings before taxes (EBT)		**12,824**	**3,135**
Income taxes	(5.7.)	-3,531	-137
Profit for the year from continuing operations		9,293	2,998
Consolidated profit/loss		**9,293**	**2,998**

EUR k Other comprehensive income and expenses	Note	1 Jan to 31 Dec 2018	1 Jan to 31 Dec 2017
Net other comprehensive income to be reclassified to profit or loss in subsequent periods: Exchange rate effects	(4.1.)	-147	-789
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods: Actuarial losses	(4.1.)	-104	-20
Other changes	(4.1.)	-30	-6
Other comprehensive income and expenses		**-281**	**-815**
Total comprehensive income for the period		**9,012**	**2,183**

Consolidated statement of cash flows for the period from 1 January to 31 December 2018

	2018 EUR	2017 EUR
1. Cash flows from operating activities		
Profit/loss for the period (including minority interests)	9,293	2,998
Write-downs (+)/write-ups (-) of non-current assets	7,222	5,994
Increase (+)/decrease (-) in provisions	-1,402	1,339
Other non-cash expenses (+)/income (-)	-915	199
Gain (-)/loss (+) on disposals of non-current assets	-223	-30
Increase (-)/decrease (+) in inventories, trade receivables and other assets	-7,154	7,828
Increase (+)/decrease (-) in trade payables and other liabilities	7,260	-8,070
Interest expenses (+)/interest income (-)	900	1,473
Interest paid (-)	-745	-1,174
Interest received (+)	5	3
Tax expenses	3,531	137
Income taxes paid (+/-)	-2,062	-2,407
Cash flows from operating activities	15,710	8,290
2. Cash flows from investing activities		
Cash received (+) from disposals of property, plant and equipment	934	345
Cash paid (-) for investments in property, plant and equipment	-5,939	-5,070
Cash paid (-) for investments in intangible assets	-290	-1,430
Cash paid (-) for investments due to the purchase of consolidated companies	0	-2,353
Cash paid (-) for transaction costs due to the purchase of consolidated companies Cash flows from investing activities	-5,295	-8,508
3. Cash flows from financing activities		
Cash received (+) from equity contribution	1	0
Cash received (+) from the issuance of bonds and loans	0	7,000
Cash repayments (-) of bonds and loans	-7,500	-3,300
Cash flows from financing activities	-7,499	3,700
4. Cash and cash equivalents at the end of the period		
Change in cash and cash equivalents (subtotal of 1 to 3)	2,916	3,482
Changes in cash and cash equivalents due to exchange rates, changes in the basis of consolidation and valuation and valuation	-61	-199
Cash and cash equivalents at the beginning of the period	13,158	9,876
Cash and cash equivalents at the end of the period	16,013	13,159
5. Composition of cash and cash equivalents		
Cash	16,013	13,159
Cash and cash equivalents at the end of the period	16,013	13,159

Consolidated statement of changes in equity

In EUR k	Subscribed capital	Capital reserves	Net retained profit	Accumulated other comprehensive income: Currency translation of financial statements of foreign operations[1]	Accumulated other comprehensive income: Actuarial gains and losses[2]	Total	Non-controlling interests	Total equity
1 Jan 2017	**25**	**45,145**	**-2.220**	**311**	**0**	**43.261**	**0**	**43,261**
Consolidated profit/loss	0	0	2,998	0	0	2,998	0	2,998
Currency translation of financial statements of foreign operations	0	0	0	-789	0	-789	0	-789
Actuarial gains and losses	0	0	0	0	-20	-20	0	-20
Income taxes on other comprehensive income	0	0	0	0	-6	-6	0	-6
Other comprehensive income	0	0	0	-789	-26	-815	0	-815
Dividends	0	0	0	0	0	0	0	0
31 Dec 2017	**25**	**45,145**	**778**	**-478**	**-26**	**45,444**	**0**	**45,444**
1 Jan 2018	**25**	**45.145**	**778**	**-478**	**-26**	**45,445**	**0**	**45,445**
Consolidated profit/loss	0	0	9.293	0	0	9,293	0	9,293
Capital increase	1	1,395	0	0	0	1,396	0	1,396
Currency translation of financial statements of foreign operations	0	0	0	-80	0	-80	0	-80
Actuarial gains and losses	0	0	0	0	-104	-104	0	-104
Income taxes on other comprehensive income	0	0	0	0	-30	-30	0	-30
Other comprehensive income	0	0	0	-80	-135	-215	0	-215
Dividends	0	0	0	-67	0	-67	0	-67
31 Dec 2018	**26**	**46,540**	**10,072**	**-625**	**-160**	**55,853**	**0**	**55.853**

1 To be reclassified to profit and loss in subsequent periods

2 Not to be reclassified to profit and loss in subsequent periods

Notes to the consolidated financial statements as of 31 December 2018

1. GENERAL

1.1. GENERAL INFORMATION ON THE GROUP

The main purpose of the Cherry Group, Auerbach, is the development and distribution of mechanical switches, peripheral IT devices, security systems and software, the import and export thereof and trade in purchased peripherals, security systems and software, and the provision of development and other IT services as well as all related business.

Effective 14 November 2016, Cherry Holding GmbH (formerly GENUI Fünfte Beteiligungsgesellschaft mbH) acquired all of the assets, liabilities and employees of Cherry GmbH and all of its subsidiaries from ZF Friedrichshafen AG (ZF AG) in a share deal.

The ultimate parent company of the Cherry Group is Cherry Holding GmbH, which is entered in the commercial register of Amberg Local Court under HRB no. 5974. The registered office of the Company is at Cherrystrasse, 91275 Auerbach i. d. OPf., Germany.

On 10 May 2019, the management board approved these consolidated financial statements for issue.

1.2. GENERAL BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Cherry Holding GmbH applied Sec. 315a (3) HGB ["Handelsgesetzbuch": German Commercial Code] and prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as set out in Regulation (EC) No 1606/2002 of the European Parliament and the Council. The consolidated financial statements are in compliance with the IFRSs, International Accounting Standards (IASs) and the relevant interpretations by the International Financial Reporting Interpretations Committee (IFRIC/SIC) as adopted by the European Union (EU) for fiscal year 2018 and are supplemented by certain disclosures and the group management report in conjunction with Sec. 315a HGB.

The consolidated financial statements were prepared on a historical cost basis with the exception of the remeasurement of available-for-sale financial assets at fair value and the measurement of financial liabilities at fair value through profit or loss.

The requirements of Sec. 315a HGB for exemption from the duty to prepare consolidated financial statements under German commercial law have been met.

The financial statements of the fully consolidated entities were all prepared on the basis of uniform accounting policies. The separate financial statements of the companies included in the consolidated financial statements were prepared as of the reporting date of the consolidated financial statements (31 December 2018).

The financial statements of the consolidated subsidiaries prepared in a foreign currency are translated into euros on the basis of the functional currency concept in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The functional currency of all the Group's foreign subsidiaries is the respective local currency, since the entities operate on an independent basis financially, economically and organizationally.

The consolidated financial statements are presented in euros, which is also the parent company's functional currency. Unless stated otherwise, all figures are stated in thousands of euros (EUR k).

Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures (EUR k, percentages (%), etc.).

Assets and liabilities are generally measured at historical cost or cost less accumulated amortization, depreciation and impairment.

The consolidated statement of financial position is prepared in accordance with IAS 1 Presentation of Financial Statements using the current/non-current classification whereby assets realized within 12 months of the reporting date and liabilities due within one year of the reporting date are generally as current.

1.3. CONSOLIDATION PRINCIPLES

The consolidated financial statements include the financial statements as of 31 December 2018 of Cherry Holding GmbH and the subsidiaries that are controlled directly or indirectly by Cherry Holding GmbH. Control within the meaning of IFRS 10 *Consolidated Financial Statements* exists when an entity is exposed, or has rights, to variable returns from its involvement with the investee. The entity must also have the ability to affect those variable returns by directing the activities of the investee. Control may exist on account of voting rights or prevailing circumstances, such as the contractual arrangements.

The financial statements of the subsidiaries included in the Group are prepared for the same reporting period as for the parent using consistent accounting policies in accordance with IFRS 10. In the case of discrepancies, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All significant subsidiaries in which Cherry Holding GmbH directly or indirectly holds the majority of voting rights and has control are fully consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. In addition, the Group must have power over the subsidiary due to existing rights that give it the ability to direct the relevant activities of the subsidiary that significantly affect its returns. Subsidiaries are fully consolidated as of the date of acquisition, that is the date on which the Group obtains control. Consolidation ends as soon as the parent ceases to have control.

Total comprehensive income of a subsidiary is attributed to non-controlling interests even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Significant investments where Cherry Holding GmbH does not control the associate but exerts significant influence over it are accounted for using the equity method. No investments in associates are recognized in the consolidated financial statements as of 31 December 2018.

All assets and liabilities, equity, income and expenses resulting from intragroup transactions are eliminated in full, as are intercompany profits and losses from intercompany trade and dividends. Deferred taxes are recognized on consolidation entries affecting income.

1.4. BASIS OF CONSOLIDATION

The following companies are included in the consolidated financial statements of Cherry Holding GmbH as of 31 December 2018 in addition to the parent:

LIST OF SHAREHOLDINGS

		Share in equity in %	
Fully consolidated companies:	**Principal activities**	**31 Dec 2018**	**31 Dec 2017**
Cherry GmbH, Auerbach	Production and distribution	100	100
Zhuhai Cherry Electronics Co. Ltd., Zhuhai City, China	Production and distribution	100	100
Cherry Electronics (Hong Kong) Co. Ltd., Hong Kong, China	Sales	100	100
Cherry Americas LLC, Kenosha, USA	Sales	100	100
Cherry S.A.R.L, Antony, France	Sales	100	100

On 8 January 2018, a branch of Cherry Electronics (Hong Kong) Co. Ltd. was established in Taiwan, whose figures were included in the Cherry Group for the first time in 2018.

In accordance with Sec. 264 (3) HGB, the German corporations listed are, by virtue of their inclusion in the consolidated financial statements, exempt from preparing annual financial statements and a management report and having these audited and published.

1.5. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group has no investments in associates or joint ventures.

1.6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with IFRSs requires certain assumptions and estimates to be made as well as the use of judgment by management, which have an effect on the recognition, measurement and presentation of assets and liabilities, income and expenses as well as on the disclosure of contingent liabilities as of the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying amount of the asset or liability affected in future periods.

These estimates and assumptions are based on premises that reflect the knowledge available on the date when the consolidated financial statements are prepared. These premises are regularly reviewed and, if necessary, revised in the light of actual developments. Estimates are adjusted, with any changes being recognized in profit and loss, as and when better knowledge is available.

The key assumptions and estimates entailing a significant risk of an adjustment of carrying amounts of assets and liabilities during the next fiscal year are presented below:

Impairment of financial and non-financial assets

On each reporting date, the Group assesses whether there is an indication that a financial or non-financial asset may be impaired. For financial assets, particularly trade receivables, the Group regularly reviews whether an impairment needs to be charged (e.g., due to a loss of customer credit standing). Other non-financial assets, such as inventories and property, plant and equipment, are tested for impairment if there is an indication that the net realizable value/recoverable amount is less than the carrying amount. Determining recoverability requires the net selling price to be estimated or, in the case of raw materials, consumables and supplies, an estimate of alternative uses. Current market conditions are used as a basis for determining the realizable sales proceeds.

In reporting year 2018, the Cherry Group applied the provisions of IFRS 9 for the first time (in this regard, see also the explanations about the introduction and implementation of IFRS 9 and its changes under the section "New standards and interpretations").

In addition to other provisions, this standard includes the new provisions on the calculation of impairment. These are applicable to the following assets:

- Financial assets in the form of debt instruments, such as loans, debt securities, bank balances/deposits and trade receivables.
- Financial assets in the form of debt instruments measured at fair value through other comprehensive income
- Lease receivables in accordance with IAS 17
- Contract assets within the scope of IFRS 15
- Loan commitments that are not measured at fair value through other comprehensive income under IFRS 9
- Financial guarantee contracts not measured at fair value through other comprehensive income

The new provisions in IFRS 9 on the recognition of impairments are based on the expected losses model. This model applies to debt instruments subsequently measured at amortized cost or at fair value through other comprehensive income. The guiding principle of the expected credit loss model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of expected credit losses recognized as a loss allowance or provision depends on the extent of credit deterioration since initial recognition and follows a three-stage model based on expected credit losses over the next 12 months (stage 1), expected credit losses over the entire lifetime of the financial instrument (stage 2) and receivables with objective evidence of impairment (stage 3) depending on the change in the credit risk of a financial instrument since its initial recognition and different interest regimes. Stage 1 applies to all items (since initial recognition) if their credit quality has not significantly deteriorated. Stages 2 and 3 (lifetime ECL) apply if the credit risk for individual financial instruments or a portfolio of financial instruments has increased significantly. Stages 2 and 3 differ in terms of the recognition of interest income. In stage 2 (as in stage 1), interest and impairments are recognized separately and the interest income is calculated on the basis of the gross carrying amount. A financial instrument is allocated to stage 3 if there is objective evidence of impairment due to a default event and the interest income is calculated on the basis of amortized cost (gross carrying amount less allowance for expected credit losses). Financial assets not classified as POCI[1] are allocated to stage 1. If there is a significant increase in the credit risk, the relevant financial assets are allocated to stage 2. Significant deterioration is determined on the basis of rating indicators. Financial assets are allocated to stage 3 based on the default status of the debtor.

[1] These are purchased or originated credit-impaired financial assets: A financial asset is considered to be credit-impaired if there is objective evidence of impairment on the date of initial recognition. Such assets are referred to as POCI assets and are recognized at fair value upon initial recognition.

In connection with the introduction of IFRS 9, the Cherry Group reviewed its financial assets for indications and the extent of any (potential) impairment for the purposes of initial recognition. Given the requirements outlined above, the Cherry Group allocates its assets to stages by comparing the actual lifetime probability of default as of the respective reporting date with the original expectation as of the date of initial recognition. Since there were no events over the last two years which negatively influenced the estimated cash flows of the Group's financial assets and none of the counterparties experienced significant financial difficulties (determined on the basis of the regularly obtained creditworthiness certificates, such as from Creditreform), past due payments, insolvencies or the disappearance of an active market, there were no grounds for recognizing any impairment loss allowance.

To track and determine changes in the credit risk, Cherry uses maturity bands to estimate historical default rates on trade receivables (simplified approach) when estimating credit losses in accordance with IFRS 9. The Group does not take into account intercompany receivables within the Cherry Group or debtors with credit balances.

As described above, (large) customers are tested in particular for short-term solvency using various measures (Creditreform, use of trading limits, etc.) both in advance and in the course of the customer relationship. In principle, the Group assumes that receivables harbor virtually no risk of credit impairment before their due date. In addition, the Group generally assumes that the probability of default steadily increases the longer a receivable is past due. This assumption is based on historical data as well as an expectation component.

The trade receivables structure in the Cherry Group is characterized by a fast collection rate. In 2017, more than 90% of outstanding receivables were paid by their due date.

Historically, late payments within the first 30 days of the due date do not point to any increased default rate among Cherry Group customers. Instead, they arise as a result of different payment runs at customers. They are identified and tracked by receivables management in a timely manner. Only a very small percentage of receivables were 30 day past due on average. These maturity bands therefore have a very small and virtually non-existent default risk of 0.1%.

A similar rate applies to receivables past due between 30 and 60 days. In this period, the (remainder of the) receivables management actions take effect. Occasionally, formal payment hurdles become apparent in international business, since invoice recording, settlement, clearance and payment times may be increased as a result of language barriers, formalized banking transactions in international business or general cultural differences. Regardless, these receivables do not have higher default rates. Nonetheless, the default risk is assumed to increase the longer the receivable is past due, which is accounted for by a probability of default of 1% in this maturity band.

Trade receivables past due by between 61 and 90 days are very rare and account for much less than 1% of receivables in the Cherry Group's receivables portfolio with its fast collection rate. However, based on the ratio of past due status and credit risk, the assumption of virtually no risk of credit impairment cannot be made for these receivables, even if the absolute default rate in 2017, as described above, was under 0.1%. A 12.5% probability of default risk is applied to this maturity band.

Given the basic assumption of the maturity horizon, receivables that are more than 91 days past due are subject to a material default risk. In light of the actual default rate of just one single receivable in 2017, however, a full write-off is not mandatory, so the default risk can be assigned a 35% probability. This is supported by analyses which show that only an average loss allowance of less than 0.1% arose for receivables that were more than 91 days past due. Since these past due receivables related nearly exclusively to receivables from foreign group companies, the probability of default was set at 35%.

In light of these analyses and policies, the Cherry Group applied a low loss allowance threshold in the low single-digit percentage range to its outstanding receivables portfolio. Consequently, this is regarded as immaterial within the meaning of IAS 1.31. As such, not recognizing a loss allowance in accordance with IFRS 9.5.5.15 does not result in a material misstatement for financial statement users if it does not distort the basis for making their business decisions.

From the Cherry Group's perspective, a marginal adjustment to the entire receivables portfolio by a loss allowance in the range stated does not distort the users' basis for making business decisions. The method of calculating loss allowances will therefore not be changed in connection with IFRS 9. It was not covered by IAS 39 either due to immateriality.

Nonetheless, an allowance at an amount equal to the lifetime expected credit losses must be applied if losses become material. In such a case, the application of an allowance is not a change in accounting policy (IAS 8.16(b)), so there is no need to retroactively adjust prior periods. Instead, it reflects a change in the estimate of impairment to be recognized in the current period.

To assess the materiality of impairment, the Cherry Group applies a provision matrix which both monitors and calculates the amount of the impairment to be recognized when it becomes material.

The application of the impairment rules to trade receivables recognized at amortized cost did not result in a different presentation of the financial instruments in accordance with IFRS 9 as of 1 January 2018 compared to the presentation in accordance with IAS 39 as of 31 December 2017. Consequently, no impairment was recognized compared to the previous rules. The initial application of IFRS 9 in the Cherry Group therefore did not have a material impact on its statement of financial position, especially equity, or on the income statement and statement of comprehensive income.

The receivables recognized in fiscal year 2018 and their past due status are presented in note 3.4. "Trade receivables." The table shows that no loss allowances had to be recognized on trade receivables in fiscal year 2018.

Given the fact that there were no increased default risks in the current fiscal year and there was no need to recognize loss allowances on the relevant items, the Cherry Group did not present the reconciliation of the closing balance of loss allowances in accordance with IAS 39 and the provisions in accordance with IAS 37 to the opening balance of losses allowances in accordance with IFRS 9 for reasons of redundancy.

Deferred tax assets

The Cherry Group is obligated to pay income taxes in several countries. In order to recognize tax provisions and deferred taxes, estimates have to be made. Deferred tax assets are recognized if it is probable that sufficient taxable income will be available in the future. Management's estimates relate to the amount of taxable income and the likely timing. For further details see note 4.7 on deferred taxes.

Measurement of provisions for pensions and similar obligations

Provisions for pensions and similar obligations are determined using actuarial calculations. They are measured applying assumptions about discount rates, long-term expected return on plan assets, expected future salary and pension increases and mortality tables. Actual expenses and liabilities may differ from the estimates made due to changes in the market and economic environment.

Measurement of other provisions

Other provisions, especially the provisions for warranty obligations, are subject to estimation uncertainty as to the amount and/or timing of the obligation. Cherry must make assumptions, some based on historical values, about the probability of occurrence of the obligation or future developments, such as the costs used to calculate the obligation. These costs may be subject to estimating uncertainty, especially in the case of non-current provisions. The amount of non-current provisions is particularly dependent on the choice and development of market-based discount rates.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which, based on the uniform group accounting policies, are applied in the consolidated financial statements of Cherry Holding GmbH are explained below.

Acquisition and production cost

Acquisition cost includes purchase prices as well as all directly attributable acquisition-related costs. The production cost of internally generated assets from which future benefits are expected to flow and which can be measured reliably includes costs directly related to the production process as well as appropriate allocations of production overheads. Finance costs are capitalized as part of the cost of an asset if that asset takes a period of more than 12 months to get ready for its intended use or sale (qualifying assets).

Fair value

The fair value of financial instruments that are traded in organized markets is determined by reference to quoted market prices (bid prices) at the reporting date. For financial instruments not traded in an active market, the fair value is determined using valuation techniques. Such techniques may include the use of recent arm's length market transactions between knowledgeable, willing and independent parties, reference to the current fair value of another financial instrument that is substantially the same and the discounted cash flow analysis or other valuation models.

Since the fair value is not always available in the form of a market price, it may have to be determined using a range of different valuation inputs. Depending on the observable inputs available and the significance of these available inputs for the determination of fair value, any fair value to be determined is allocated to levels 1, 2 or 3. The allocation follows the following hierarchy:

Level 1:

The valuation parameters used are exclusively quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2:

The valuation inputs used include quoted prices that are either directly observable for the asset or liability or indirectly derivable from other prices.

Level 3:

The inputs for the measurement of an asset or liability include inputs not observable on the market.

Foreign currency translation

The financial statements of the consolidated subsidiaries prepared in a foreign currency are translated into euros on the basis of the functional currency concept in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The functional currency of the majority of the Group's foreign subsidiaries is the local currency. Accordingly, assets and liabilities are translated at the closing rates on the reporting date of the consolidated financial statements, and expenses and income at the average rates. Components of equity are translated at historical rates valid on the dates of their respective contribution to the Group.

The differences arising in comparison to translation at the closing rates are separately presented under equity as "Currency translation of financial statements of foreign operations."

On disposal of a foreign subsidiary, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss.

For the reporting periods presented, the following exchange rates against the euro were used by the Group for significant currencies:

CLOSING RATES	**US dollars (USD)**	**Chinese renminbi (CNY)**	**Taiwanese dollars (TWD)**
31 Dec 2017	1.1979	7.7938	n/a
31 Dec 2018	1.14438	7.8629	34.97801

AVERAGE ANNUAL RATES (1 Jan 2017 to 31 Dec 2017)	**USD**	**CNY**	**TWD**
2017	1.10648	7.34950	n/a

AVERAGE ANNUAL RATES (1 Jan 2018 to 31 Dec 2018)	**USD**	**CNY**	**TWD**
2018	1.1384	7.8398	35.0088

Intangible assets

Purchased intangible assets are recognized at acquisition cost, internally generated assets at production cost, if the criteria for recognizing internally generated intangible assets set out in IAS 38 are met.

Following initial recognition, intangible assets with a finite useful life are carried at cost less any accumulated amortization and accumulated impairment losses. In the reporting period, Cherry Holding GmbH had intangible assets with a finite useful life, in particular software licenses and customer relationships. The useful lives of recognized intangible assets depend on the underlying contractual arrangement.

Intangible assets	**Useful life**
Software licenses	3 to 5 years
Customer relationships	15 years
Purchased developed technology	15 years

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment. The Company uses the straight-line depreciation method. Depreciation is based on the following assumed useful lives:

Property, plant and equipment	**Useful life**
Plant and machinery	4 to 10 years
Other equipment, furniture and fixtures	1 to 15 years
Tools	4 years

Items of property, plant and equipment are derecognized at historical cost less accumulated depreciation and impairment upon sale or scrapping. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount) is included in the income statement as other operating income or expenses in the period in which the item is derecognized. Repairs and maintenance which do not represent material replacement investments are recognized in profit or loss in the fiscal year in which they are incurred.

As in the prior year, the Cherry Group leased land and buildings in 2018.

Investments in associates

Investments in associates are accounted for using the equity method. For details, refer to the section on consolidation principles.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method, for which the acquisition cost must be determined. The cost of an acquisition is the fair value of the assets given, equity instruments issued and liabilities assumed as of the acquisition date. All directly attributable acquisition-related costs are immediately expensed.

Goodwill is initially measured at cost, which, in turn, is defined as the amount by which the cost of the business combination exceeds the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's legal entities (cash-generating units) that are expected to benefit from the synergies of the combination. If the expected synergies cannot be reliably allocated, the goodwill is allocated to the Group as a whole, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. When the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

In the Cherry Group, in addition to goodwill, the "CHERRY" brand is defined as an intangible asset with an indefinite life. The management board currently considers the legal entities of the entire Group to be cash-generating units as all legal entities, products and regions derive equal benefit from both the goodwill and the brand.

Impairment of non-financial assets

The Group tests intangible assets, property, plant and equipment and investment property for impairment as soon there is an as indication that the asset may be impaired. Impairment is tested by comparing the carrying amount of an asset with its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and is written down to its recoverable amount through profit and loss. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If an asset does not generate cash flows that are independent of those from other assets or groups of assets, impairment is tested on the level of the cash-generating unit to which the asset belongs. Where the recoverable amount of a cash-generating unit is lower than its carrying amount, an impairment loss is recognized in the amount of the difference between the carrying amount and the lower recoverable amount.

With the exception of goodwill and assets with indefinite useful lives, assets are assessed at each reporting date as to whether there are indications that an impairment loss previously recognized no longer exists or has decreased. If such indication exists, the Group estimates the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. However, that amount cannot exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Any reversal is included in the profit or loss for the period.

Capitalization of borrowing costs

As in the prior year, the Group did not capitalize borrowing costs in connection with the acquisition and production of qualifying assets in fiscal year 2018.

Inventories

Inventories of raw materials, consumables and supplies, work in process and finished goods as well as merchandise are recognized at the lower of cost or net realizable value as of the reporting date. If the net realizable value of inventories is lower than their carrying amount on the reporting date, specific valuation allowances are recognized. Obsolete inventories are fully written off and inventories for which there were more than one year of stocks on hand (inventory level as of 31 December 2018/inventories used in the last 12 months) are marked down by 50%.

Production cost comprises direct materials and production costs and appropriate portions of the required materials overheads as well as depreciation. The markups for overheads are determined on the basis of the budgets and compared with the actual overhead cost rates as of the reporting date. The measurement of production cost was not adjusted on this basis in fiscal year 2018.

Financial assets and hedging

IAS 32 defines a financial instrument as any contractual right or obligation that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. These may be primary financial instruments such as trade receivables and payables, financial assets and liabilities and securities, as well as derivative financial instruments to hedge risks arising from fluctuations in exchange and interest rates.

Primary financial instruments

The principal financial instruments used by the Group are cash and cash equivalents or bank loans, as well as trade receivables and payables. The main purpose of these financial instruments is to raise finance for the Group's operations.

IFRS 9 distinguishes between the following measurement categories:

- Debt instruments measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income (FVOCI) with the option to reclassify cumulative gains and losses to profit or loss upon derecognition of the financial asset
- Equity instruments designated as measured at FVOCI with gains and losses remaining in other comprehensive income (OCI), i.e., without recycling

It should be noted in this context that, apart from limited exceptions, only relatively simple "plain vanilla" debt instruments qualify to be measured at amortized cost or at FVOCI.

This classification of debt instruments is based on the business model for managing the financial assets (business model criterion) and the cash flow characteristics of the financial asset (cash flow conditions) (cf. IFRS 9.4.1.1):

a) The business model for managing the financial assets; and

b) The contractual cash flow characteristics of the financial asset.

<u>The business model criterion</u>: As possible business models for managing financial assets, IFRS 9 mentions the following conceivable objectives of an entity:

1) Hold the financial asset to collect the contractual cash flows ("hold to collect")

2) Hold or sell the financial asset ("hold to collect and sell")

3) Use the financial asset to realize other objectives (e.g., sale at short notice or recognition of hedges)

Before applying IFRS 9, the Cherry Group reviewed all relevant financial instruments on the basis of the requirements of IFRS 9 relating to the application of the correct business model and the testing of the cash flow criterion and came to the following conclusion. In this context, Cherry took into account quantitative (e.g., the expected number and volume of sales) as well as qualitative factors. The Cherry Group's trade receivables relevant for IFRS 9 are held exclusively to collect the contractual cash flows; there are no modified contractual cash flows in this regard. The nature of these cash flows is reviewed regularly. The receivables were also reviewed for the existence of (recourse or non-recourse) factoring. The outcome was that factoring activities are not carried on in the Cherry Group. Accordingly, no receivables are sold "near to maturity," which IFRS 9.B4.1.3 permits in exceptional circumstances subject to certain strict requirements. Likewise, no receivables are designated for fair value measurement in accordance with IFRS 9.4.1.5.

<u>The cash flow criterion</u>: The Cherry Group's trade receivables exclusively entail a claim against the customer to settle the amount due (cash flow for payment of the "principal"). No interest is charged on receivables that are immediately payable. Accordingly, the receivables do not generate any contractual interest payments and the cash flow criterion is met.

The Cherry Group's financial instruments in the form of trade receivables are therefore recognized and measured at amortized cost, since they meet both the business model and cash flow criteria (IFRS 9.4.1.2). Consequently, they are also subject to the new impairment requirements in accordance with IFRS 9.5.5.

No financial instruments are recognized at fair value (neither through profit or loss nor through other comprehensive income) in the consolidated financial statements. These classification categories are not applied in the Cherry Group.

With respect to the adoption of the new IFRS 9 provisions, the Cherry Group only has two relevant types of financial instruments to which the requirements of IFRS 9 are applicable. The first type are investments in subsidiaries that are subject to consolidation in the IFRS consolidated financial statements in accordance with IFRS 10 and consequently are not recognized as financial instruments, but rather through their assets and liabilities. As such, investments in subsidiaries in the form of equity instruments are not relevant.

The second type are contractual trade receivables which, under IFRS 15.105, are unconditional rights to consideration from customers (IFRS 15.108) and, under IFRS 9, financial instruments, and must be recognized as such, or contract assets which, if they exist, must be tested for impairment in accordance with IFRS 9 (IFRS 15.107). As was already the case under IAS 39, these trade receivables are measured at amortized cost due to their simple and straightforward structure.

Under IFRS 9, a financial asset, unless it was designated under the fair value option, is also classified and measured at amortized cost if the financial asset is held in a hold-to-collect business model and the contractual cash flows meet the cash flow criterion. Since both criteria are met, the Cherry Group measures its financial assets exclusively at amortized cost, as previously under IAS 39.

As a rule, the Cherry Group does not recognize financial assets or liabilities at fair value. Consequently, no fair value disclosures are made, with reference to the fact that Cherry recognizes financial assets and liabilities at amortized cost. Therefore items are also not recognized through other comprehensive income (OCI).

The increase in amortized cost does not reflect the conversion in connection with IFRS 9, but rather the increase in revenue in the fiscal year.

The classification of financial liabilities under IFRS 9 does not follow the approach for the classification of financial assets and does not differ significantly from the accounting treatment of liabilities under IAS 39. Except for financial guarantee contracts and loan commitments that are out of the scope of the standard, financial liabilities are measured either at fair value through profit or loss or at amortized cost. The Cherry Group recognizes liabilities at amortized cost.

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category mainly comprises trade receivables and cash and cash equivalents. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method less any impairment. Receivables which bear no interest or interest at below-market rates are recognized at the present value of the expected future cash flows. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired. According to their maturity, they are divided into current and non-current in the statement of financial position.

Equity instruments under IFRS 9

Under IFRS 9, equity instruments are still generally measured at fair value through profit and loss. However, on initial recognition, an entity may make an irrevocable election (on an instrument-by-instrument basis) to present in OCI the subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9. This option, however, only applies to instruments that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies. For the purpose of this election, "equity instrument" is used as defined in IAS 32 *Financial Instruments: Presentation*.

Derivative financial instruments and hedge accounting under IFRS 9

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative. For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are recognized directly in profit or loss.

The Cherry Group does not currently apply hedge accounting.

<u>Derivative financial instruments for which hedge accounting is not applied</u>

The Cherry Group only holds financial instruments for hedging purposes and not for speculation. However, hedge accounting may not be applied to hedging relationships which do not meet the restrictive criteria of IAS 39. This means that derivative financial instruments from economic hedges for which hedge accounting pursuant to IAS 39 is not applied may also be accounted for. The provisions of the respective IFRS apply to the measurement of the underlying contracts, i.e., derivative hedging instruments, as standalone derivatives, are measured in the same way as trading assets or trading liabilities and any changes in fair value are recognized directly in profit or loss. The related derivatives are allocated to the "at fair value through profit or loss" category.

As in the prior year, the Cherry Group did not enter into any derivative financial instruments in fiscal year 2018.

The contracts entered into by Cherry GmbH for the receipt, delivery or use of precious metals (gold, silver, copper) serve the ordinary course of business and therefore generally meet the requirements of the own use exemption in accordance with IAS 39.5, such that they are not derivative financial instruments within the meaning of IAS 39.6.

Financial liabilities

Liabilities from primary financial instruments may be measured at amortized cost or at fair value through profit or loss (for details, see our explanations on the treatment of financial liabilities in accordance with IFRS 9 above). The Group determines the classification of its financial liabilities on initial recognition.

Loans are measured at amortized cost less transaction costs in accordance with the effective interest method as of the reporting date. The financial liabilities in the form of five loan tranches raised for the acquisition of Cherry GmbH under the loan agreement dated 11 October 2016 totaled EUR 28,000k (31 December 2016). Arrangement fees of EUR 987.5k which were payable to the financing bank were deducted from the loan liabilities and thus presented as a net amount. No new drawings were made on the tranches of the loan agreement in fiscal year 2018 (2017: 2 tranches of EUR 4m) and the working capital facility of EUR 3m was repaid in 2018, so the unnetted loan liabilities came to EUR 23.6m as of 31 December 2018 (2017: EUR 31.7m).

Finance lease liabilities are recognized at the present value of future minimum lease payments. There were no finance leases in place as of 31 December 2018 or in the prior year.

For all other liabilities, amortized cost usually equals the amount repayable. The Cherry Group does not designate financial liabilities under the fair value option.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization. In fiscal year 2018, as previously, the Cherry Group had no financial guarantee contracts in place.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the contractual rights to receive cash flows from the asset have expired. The rights to receive cash flows can also be transferred to third parties, leading to derecognition. Loans and receivables are derecognized when they are settled.

Financial liabilities

Financial liabilities are derecognized when the obligations are discharged, canceled or expire. Any differences between the amount paid and the carrying amount of the liability is recognized in profit or loss upon derecognition.

Cash and cash equivalents

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

Assets and liabilities held for sale

Individual non-current assets or groups of assets (disposal groups) and the related liabilities whose sale has been decided and is probable are presented as "Non-current assets and disposal groups held for sale." They are presented in the gross amount separately from the other assets and liabilities in the statement of financial position under current assets and liabilities. Depreciation ceases when the assets are classified as "held for sale." They are measured at the lower of their carrying amount or fair value less costs of disposal. If the carrying amount is higher, an impairment loss is recognized. If the fair value less costs of disposal subsequently increases, any previous impairment loss is reversed. Such write-up is limited to amount of the previous impairment loss.

As of the reporting date there were no assets and liabilities held for sale.

Provisions

Provisions take into account all of the Group's legal or constructive obligations to other parties arising from past events identifiable as of the reporting date, which are uncertain with regard to amount and/or timing. They recognized when they will result in an outflow of funds and the amount can be reliably determined or estimated. They are stated at the probable settlement value, including any future cost increases. Non-current provisions are discounted using a pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in provisions due to the passage of time is recognized as an interest expense. Provisions are subsequently adjusted to reflect new findings. The cost of an item of property, plant and equipment also includes the initial estimate of the costs of plant closure (e.g., dismantling and removing facilities) or site restoration for which decommissioning, restoration and similar liabilities are recognized. When changes in interest rates or in the estimates of the amount or timing of payments result in changes in the provisions, the carrying amount of the related item of property, plant and equipment is adjusted accordingly. If a decrease exceeds the carrying amount of the related asset, the excess is recognized directly in profit or loss.

Pension obligations

The Cherry Group has various pension plans in place, both benefit plans and defined contribution plans. A defined contribution plan is a pension plan provided by an entity (fund) that does not belong to the Group and receives fixed contributions. The Cherry Group has no legal or constructive obligation to make additional contributions if the fund does not have sufficient assets to settle the pension entitlements of the employees from the current or prior fiscal years.

The contributions are recognized in personnel expenses as they become due. Prepayments of contributions are recognized as an asset to the extent that there is a right to repayment or reduction of future payments.

Defined benefit plans set out fixed pension benefits which the employees will receive upon retirement and which generally depend on one or more factors (age, length of service and salary).

The provision for defined benefit plans recognized in the statement of financial position is calculated using the projected unit credit method as specified in IAS 19. The future obligations are valued on the basis of the benefits earned as of the reporting date. Assumptions regarding the trend of relevant factors (e.g., salary or pension increases) affecting the amount of benefits are taken into account. Under IAS 19 all actuarial gains and losses were recognized directly in other comprehensive income. For further details, please see note 5.4.

Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise.

Leases

The Cherry Group is a lessee of property, plant and equipment and a tenant of buildings. Leases for which the Group assumes substantially all the risks and rewards of ownership are reflected as finance leases. Assets held under finance leases are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized immediately in profit or loss. Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

As in the prior year, the Cherry Group had no finance leases in fiscal year 2018, only operating leases. For details, see our explanations below under "2. New standards and interpretations" regarding the requirements of the new leasing standard IFRS 16 effective from 1 January 2019 onwards.

Income taxes

<u>Current income taxes</u>

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities using the tax rates and tax laws that have been enacted by the end of the reporting period in the countries where the Group operates and generates taxable income. Current income taxes are recognized for any income taxes payable on the date incurred. They are recognized for earlier periods when they have not been settled as of the reporting date by payment, offsetting or remission of tax for reason of equity.

Taxes are recognized in profit or loss unless they relate to items recognized directly in equity or in other comprehensive income, in which case they are also recognized in equity or OCI.

<u>Deferred taxes</u>

Deferred taxes are recognized using the liability method for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and for unused tax losses.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reviewed at each reporting date and recognized to the extent to which it has become probable that future taxable profit will allow the deferred tax asset to be recovered. In the event of a business combination, any unused tax losses of the acquirer are reassessed and revised if appropriate.

Deferred tax assets and liabilities are measured at future tax rates, with changes in tax rates only being considered once it is reasonably certain that they will be enacted.

Deferred tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the income taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

In the reporting year, the Cherry Group applied the new standard IFRS 15 *Revenue from Contracts with Customers* including the clarification on application of IFRS 15 published in April 2016 (for more information, refer to the explanations regarding IFRS 15 in note "2. New standards and interpretations" below as well as the information under revenue and trade receivables).

To determine its revenue, the Cherry Group considers the five-step model for revenue recognition pursuant to IFRS 15. Revenue from sales of goods and services is recognized at the time of transfer of control and benefits to the dealer or customer if the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or still to be incurred in connection with the transaction can be reliably determined.

Revenue is recognized net of trade discounts and rebates.

Income not generated as a result of the Company's ordinary activities is recognized as other operating income. This particularly includes realized exchange gains.

Interest income is recognized in the period in which the interest accrues. Dividends are recognized as revenue when the Group's right to receive the payment is established.

The Cherry Group recognizes its purchases and sales as of the trade date.

2. NEW STANDARDS AND INTERPRETATIONS

New and revised standards and interpretations effective for the first time in the fiscal year

The Group applied the following new and revised standards and interpretations as of 1 January 2018:

— IFRS 15 *Revenue from Contracts with Customers* (including the clarification to IFRS 15 in April 2016)

In May 2014, the IASB published the new standard IFRS 15 *Revenue from Contracts with Customers*. The standard specifies new requirements regarding the timing and amount of revenue recognition. IFRS 15 completely replaces the existing revenue recognition requirements, consisting of IAS 18 and IAS 11, as well as various interpretations and changes the requirements for several aspects. The standard applies to fiscal years commencing on or after 1 January 2018. It was endorsed by the EU on 31 October 2017.

— Clarifications to IFRS 15 *Revenue from Contracts with Customers*

The Clarifications to IFRS 15 were published in April 2016 and include three concrete changes and simplifying transitional arrangements to IFRS 15.

The transitional arrangements provide for two practical expedients:

- An entity need not restate contracts that are completed contracts at the beginning of the earliest period presented.
- In addition, the effects of all the modifications that occur before the earliest period presented are shown as an aggregated item. The published changes are effective for fiscal years beginning on or after 1 January 2018. As such, the changes took effect at the same time as the introduction of IFRS 15 itself.

IFRS 15 is based on uniform and principles-based recognition of revenue for all customer contracts and must be applied irrespective of the industry. Under IFRS 15, revenue is recognized when the customer obtains control of the goods or services and can benefit from them. Revenue is measured in the amount of the consideration the entity expects to receive.

The new standard stipulates a five-step model for determining the amount and timing of revenue recognition:

The first step involves the identification of the contract with the customer, which requires the customer to be identified and the contract to be analyzed. Contracts may be combined if they are regarded as a unit in the subsequent steps.

In the second step, performance obligations are separated into distinct goods/services as well as bundled goods/services. The separate performance obligations may have to be treated differently with regard to their amount and time of realization in subsequent steps.

In the subsequent third step, the transaction price must be determined, which is the amount of consideration to which the supplier entity is entitled in exchange for the delivered goods/services. The calculation particularly includes variable consideration (to the customer) or interest rate effects.

Subsequent to its determination, the transaction price must be allocated to the separate performance obligations under the contract on the basis of the relative standalone selling prices of the performance obligations at contract inception (IFRS 15.76).

The fifth step involves determining the revenue recognition on the basis of the satisfaction of the performance obligation as consideration for the transfer of goods/services. According to the standard, an asset is considered transferred when the customer obtains control of the asset. Under IFRS 15, a distinction must be made between satisfaction at a point in time and satisfaction over time. The Cherry Group generally satisfies its obligations at a point in time.

Implementation of IFRS 15 at the Cherry Group as of 1 January 2018:

Based on the IFRS 15 requirements, the Cherry Group performed a detailed analysis of all the implementation requirements under the five-step model based on its contract management system, its standard terms and conditions and its bonus program for distributors as well as partner agreements with "served partners." The analysis showed that there was no need to modify the existing order and accounting process.

The Cherry Group generally serves the B2B market with the abovementioned products. The buyers of these products are either downstream manufacturers or retailers who sell standardized Cherry products on to their (end) customers or incorporate them into their own products. Some of these distributors are granted incentives in the form of a bonus system. Revenue from these sales of goods and services is recognized at the time of transfer of control and risks and rewards to the dealer or customer if the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or still to be incurred in connection with the transaction can be reliably determined. The revenue presented below is net of trade discounts and rebates.

The general terms and conditions provide that an offer specified as binding by Cherry becomes a contract if Cherry's offer is accepted by the customer in writing within a period of two (2) weeks from the date of the offer or the customer accepts the goods delivered by Cherry. As such, a contract is concluded either in writing or implicitly (IFRS 15.9(a)). The general terms and conditions also stipulate the related delivery (Secs. 5 and 6) and payment terms (Sec. 4), while the latter may include additional bonus arrangements (IFRS 15.9(b) and (c)). The exchange of performance thus defined lends commercial substance to the contract within the meaning of IFRS 15.9(d). Only in exceptional cases does the Cherry Group conclude contracts subject to obligations to take back goods (full reimbursement without deducting a set percentage) or guarantee obligations which are not already covered by the abovementioned contracts. The contracts between Cherry and its customers are generally concluded for a term of up to one year.

The individual products are separate performance obligations by Cherry to the customers (subject to the general terms and conditions) (IFRS 15.22(a)). The contract analysis at Cherry showed that no other services, such as brokerage services, are specified under the contracts.

The selling process at the Cherry Group was also analyzed to determine the transaction price in accordance with IFRS 15: Within the Cherry Group, a customer order placed on the basis of the general terms and conditions is always identified as a customer contract. The Cherry Group's customer contracts exclusively refer to the current product list and the related price list. The customers use these to order different volumes of individual products which are delivered by Cherry. The fixed basis for determining the transaction price of a customer contract is the products' listed prices applicable on the date of the order (Sec. 3.1 of the general terms and conditions). Other components of the transaction price include discounts and any back-end bonuses payable.

The transaction price is spread by allocating the price on the basis of the selling prices applicable at Cherry to each performance obligation and as such to each product. All products sold by Cherry have documented standalone selling prices.

The performance obligations are satisfied at a point in time. Sec. 6 of the general terms and conditions provides that the goods are dispatched for the account and at the risk of the customer. From this point in time onwards, the customer bears the significant risks and rewards of ownership of the products (IFRS 15.38(d)).

As part of the contract review, Cherry also reviewed the combination of contracts presented in IFRS 15.17 for certain criteria: The review showed that revenue recognition always relates to the point in time of the contractually stipulated transfer of control. In addition, bonuses and rights of return giving rise to variable transaction price components apply for all contracts and orders of a customer. As such, revenue recognition for individual contracts does not differ from recognition for combined contracts. Consequently, the Cherry Group does not combine contracts.

For the initial application of IFRS 15, the Cherry Group uses the modified retrospective method (IFRS 15.C3(b)), so the affected statement of financial position items are offset against the opening balance of retained earnings as of 1 January 2018 (IFRS 15.C7). Comparative prior-year amounts are not adjusted. Significant statement of financial position items that require adjustment and have to be disclosed separately in accordance with IFRS 15.C8 are presented in the qualitative and quantitative discussion under the note on "Revenue."

Apart from discounts of EUR 135k, no significant effects arose from the application of the modified retrospective method for the relevant individual financial statement line items affected by the transition to IFRS 15 in reporting year 2018. As such, there was no initial application effect for the Cherry Group from the adjustment of the opening balance of retained earnings.

As this presentation shows, apart from discounts of EUR 135k, no significant effects arose for the relevant individual financial statement line items affected by the transition to IFRS 15 in reporting year 2018. As such, there was no initial application effect for the Cherry Group from the adjustment of the opening balance of retained earnings.

As explained above, the application of the new standard including the subsequently published clarifications did not have any significant effects on the Cherry Group's assets, liabilities, financial position and financial performance.

— IFRS 9 *Financial Instruments*

IFRS 9 governs the classification and measurement of financial instruments and the accounting for derivatives and hedges. However, the new standard does not replace the requirements for portfolio fair value hedges against interest rate risk in accordance with IAS 39. This part is being investigated further in a separate "macro hedge" project. As of the date of initial application, 1 January 2018, IFRS 9 replaced IAS 39, which was applicable until that date. It was endorsed by the EU on 22 November 2016.

Neither the application of the new classification requirements nor the application of the impairment rules to trade receivables recognized at amortized cost resulted in a significantly different presentation of financial instruments in the Cherry Group in accordance with IFRS 9 as of the date of initial application compared to the presentation in accordance with IAS 39 as of 31 December 2017. Reclassification of financial instruments from "old" to "new" categories or consideration of significant impairments compared to the preceding standard are not required.

The initial application of IFRS 9 in the Cherry Group therefore did not have a material impact on its statement of financial position, especially equity, or on the income statement and statement of comprehensive income. Consequently, there were, for example, no developments in connection with impairments of financial assets compared to the prior year (in this context, see our explanations in note 3.4. "Trade receivables"). Impairment losses (including reversal of impairment losses or impairment gains) determined in accordance with IFRS 9.5.5 are also included in the quantitative and qualitative discussion below.

— Amendments to IFRS 9 *Financial Instruments*: Prepayment Features with Negative Compensation

In October 2017, the IASB issued Prepayment Features with Negative Compensation (Amendments to IFRS 9). Nos. 7.2.29-7.2.34 and B4.1.12A were added to IFRS 9 and nos. B4.1.11(b) and B4.1.12(b) were amended. These amendments relate to the classification of financial instruments that have prepayment features with negative compensation.

Under the current requirements, the cash flow conditions are not met if the lender has to make a settlement payment in the event of termination by the borrower. The amendment allows measurement at amortized cost (or at fair value through other comprehensive income) even in the case of negative compensation payments.

The amendment also clarifies that the carrying amount of a financial liability must be adjusted through profit or loss immediately after a modification. The amendments are to be applied retrospectively for fiscal years beginning on or after 1 January 2019.

The European Union endorsed the amendments to IFRS 9 regarding prepayment features with negative compensation by Regulation (EU) No 2018/498 of 22 March 2018.

Since the Cherry Group does not expect any significant effects from this amendment, it will not early adopt the standard.

— Amendments to IFRS 2 *Share-based Payment*: Classification and Measurement of Share-based Payment Transactions

The amendments to IFRS 2 include clarifications regarding the accounting for certain cash-settled share-based payment transactions. IFRS 2 provides that entities must recognize transactions in connection with share-based payments in their financial statements. The amendments include clarifications regarding the accounting for certain share-based payment transactions and relate to the following topics: (1) Accounting for market and non-market vesting conditions in the measurement of cash-settled share-based payment transactions, (2) Modification of share-based payment transactions from cash-settled to equity-settled, (3) Equity-settled share-based payment transactions with net settlement features. The amendments to IFRS 2 are effective for fiscal years beginning on or after 1 January 2018. The amendments were unconditionally endorsed by the EU on 28 February 2018.

— Amendments to IFRS 4 *Insurance Contracts*: Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*

The amendments arose in connection with demands to postpone the effective date for application of IFRS 9 for insurance companies in order to align the effective date with the initial application of IFRS 4 from 1 January 2021 onwards. There are two optional approaches:

1. Overlay approach: An entity can reclassify the earnings effect from the initial application of IFRS 9 to assets measured at fair value through profit and loss to other comprehensive income if it has not previously measured them at fair value through profit and loss in accordance with IAS 39. This option cannot be used if the amended IFRS 4 is applied or its use is voluntarily discontinued. The overlay approach must be applied retroactively to qualifying assets as soon as IFRS 9 is applied for the first time.

2. Temporary exemption from applying IFRS 9: An entity whose predominant activity is issuing insurance contracts within the scope of IFRS 4 may make use of a temporary exemption from the application of IFRS 9. This option expires upon initial application of the amended IFRS 4 or no later than 1 January 2021. The temporary exemption must be applied by entities for fiscal years beginning on or after 1 January 2018. It was endorsed by the EU on 3 November 2017.

No changes arose for the Cherry Group as a result.

— IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of consideration in a foreign currency. The date of the transaction is determined on the basis of the initial recognition of the non-monetary asset arising from the payment of advance consideration or the non-monetary liability from the receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The interpretation is applied for the first time either retrospectively in accordance with IAS 8 or prospectively to all assets, expenses and income in foreign currency within the scope of the interpretation. The interpretation is effective for fiscal years beginning on or after 1 January 2018. It was endorsed by the EU on 3 April 2018.

— Amendments to IAS 40 *Investment Property*: Transfers of Investment Property

The amendment provides that investment property may be transferred if there is evidence of a change in use. A change of use occurs in this context if property now meets, or ceases to meet, the definition of investment property. The amendment is effective for fiscal years beginning on or after 1 January 2018. It was endorsed by the EU on 14 March 2018.

Due to the Cherry Group's business model, no changes arise as a result.

— IFRS 16 *Leases*

The new standard IFRS 16 *Leases* will replace the standards and interpretations IAS 17, IFRIC 4, SIC-15 and SIC-27. It introduces a single lease recognition model for lessees under which assets and liabilities for all leases with a term of more than 12 months must be recognized.

Under the new standard, the distinction between finance and operating leases will cease to apply. Instead, the lessee must recognize the right to use the underlying lease asset (right-of-use asset), which is depreciated over the term of the lease. A corresponding liability equal to the present value of future lease payments is recognized and subsequently measured using the effective interest method. Lessor accounting, on the other hand, will not change substantially from IAS 17.

The initial application of IFRS 16 is mandatory for fiscal years beginning on or after 1 January 2019. The standard was endorsed by the EU on 31 October 2017. The Cherry Group did not make use of the option of applying the standard early together with IFRS 15 *Revenue from Contracts with Customers* in fiscal year 2018; the lease standard will be applied as of 1 January 2019.

The Cherry Group's leasing activities mainly relate to the leasing of machinery, vehicles, real estate and IT. In this context, the Cherry Group set up a project team in the fiscal year to analyze all the Group's leases with regard to the effects of IFRS 16 on existing processes, systems and accounting policies. The analysis did not reveal any significant effects on existing IT or accounting and presentation processes.

As a result of the analysis, the Cherry Group decided to make use of the practical expedient afforded by IFRS 16.C3, which provides that leases that were already classified in accordance with IAS 17 need not be reassessed, but can be accounted for in accordance with IFRS 16. The Cherry Group also makes use of the practical expedient afforded by IFRS 16.C5, which provides that short-term leases of 12 months or less and an original price of under USD 5,000 can be recognized as assets (instead of being accounted for in the income statement as operating expenses). Due to the existing lease contract structure, Cherry will apply the practical expedient under IFRS 16.C5 for all asset classes. For the transition period, the Cherry Group uses the modified retrospective method in accordance with IFRS 16.C5 to account for leases pursuant to IFRS 16, which provides that the adjustment effect from the transition into retained earnings under equity must be recognized at the beginning of the annual period in which IFRS 16 is initially applied. There is no need to adjust the prior-year figures and consequently the Group has not done so. Based on its selection of this method, Cherry will recognize the right-of-use asset in the amount of the lease liability for each lease pursuant to IFRS 6.C8(b).

For the Cherry Group, the new standard will particularly affect the recognition of contracts classified as operating leases in the past. Thereof, approximately EUR 25k relates to short-term leases. Potential extension or purchase clauses are in place for 5 out of a total of 50 agreements. IFRS 16.C14 does not provide any transitional arrangements to IFRS 16 for lessors, with the exception of subleases. As a result, the carrying amounts determined under IAS 17 must be carried over and used under IFRS 16.

Due to the practical expedients afforded under IFRS 16.C.16, the sale and leaseback agreements in place at Cherry before the date of initial application do not have to be reviewed for a sale arrangement in accordance with IFRS 15.

The Cherry Group assumes that the initial application of the standard will result in an increase in non-current assets. Financial liabilities will also increase as a result of the recognition of the corresponding liabilities. In addition, IFRS 16 requires the principal portion of lease payments to be presented as a component of cash flow from financing activities, which means that the operating cash flow will improve. Adjusted EBITDA, which is the Group's key performance indicator and the benchmark for the segment results, is expected to increase by 1%, since the expenses for operating leases were previously included in EBITDA. Overall, the group-wide implementation of IFRS 16 is expected to result in an increase in total assets in the single-digit percentage range. The Group is only a lessor to a limited extent and does not expect there to be any impact on the consolidated financial statements, especially given the lack of transitional provisions. The incremental borrowing rate of interest is used to determine the Cherry Group's lease obligations on the basis of the relevant database. The current state of analysis indicates that the leases in place on the date of initial application of the standard have an average expected term of four years.

At the current stage of the project, a reliable quantification of the accounting effects will be possible only after the implementation of the functional design in the systems.

The initial application of IFRS 16 will have an effect in the range of 2% to 3% of total assets of the Cherry Group.

b) Standards and interpretations not yet applied (issued but not yet effective or not yet effective in the EU)

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have issued further standards and interpretations that are not yet effective for fiscal year 2018 or have not yet been endorsed by the EU.

— Annual Improvements to IFRSs (2014-2016 Cycle)

On 8 December 2016, the IASB published the Annual Improvements to IFRSs (2014-2016). The amendments provided for as part of the 2014-2016 cycle cover two standards and specifically relate to:

> IFRS 1: Deleted the short-term exemptions for first-time adopters (paragraphs E3-E7) as they have served their intended purpose.

> IAS 28: Clarified that the election to measure investments in associates and joint ventures at fair value through profit and loss can be applied by adopters qualifying for this election (e.g., venture capital entities) on an investment-by-investment basis.

The amendments to IFRS 12 are effective for fiscal years beginning on or after 1 January 2017; the amendments to IFRS 1 and IAS 28 are effective for fiscal years beginning on or after 1 January 2018.

— Annual Improvements to IFRSs (2015-2017 Cycle)

On 12 December 2017, the Annual Improvements to IFRSs (2015-2017 Cycle) were published. The Annual Improvements to IFRSs (2015-2017) made changes to four IFRS standards: IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*

The amendment to IFRS 3 clarifies that when an entity obtains control of a joint operation, the previously held interest in the business must be remeasured.

The amendment to IFRS 11 clarifies that when an entity obtains joint control of a business, previously held interests in the business need not be remeasured.

The amendment to IAS 12 clarifies that the income tax consequences of dividends collected must be recognized in the operating result, regardless of how the tax charge originated.

The amendment to IAS 23 clarifies that borrowings that specifically serve to acquire or produce a qualifying asset may only be excluded from general borrowing costs for as long as the asset is not yet ready for its final intended use.

The amendments are applicable for fiscal years beginning on or after 1 January 2019, with earlier adoption permitted.

— Amendments to IAS 28 *Investment in Associates*: Long-Term Interests in Associates and Joint Ventures

The amendments clarify the exclusion of investments within the meaning of IAS 28 from the scope of IFRS 9. IFRS 9 is not applied to investments in associates or joint ventures recognized using the equity method. However, IFRS 9 is applied long-term interests that form part of the net investment in an associate or joint venture. The amendment is effective for fiscal years beginning on or after 1 January 2019. It was endorsed by the EU on 8 February 2019.

— IFRIC 23 *Uncertainty over Income Tax Treatments*

The new interpretation clarifies uncertainties about the tax payable for the fiscal year, since the acceptability of a particular tax treatment may be only clarified later. If it is uncertain but probable that a tax treatment will be accepted, it is recognized consistently with the tax return, without reflecting the uncertainty. If it is not probable that a tax treatment will be accepted, the tax charge is measured at its most likely amount or its expected value. The interpretation is effective for fiscal years beginning on or after 1 January 2019. It was endorsed by the EU on 12 September 2018.

— IFRS 17 *Insurance Contracts*

IFRS 17 *Insurance Contracts* was issued on 18 May 2017. The objective of the new standard is consistent, principles-based accounting for insurance contracts. It requires measurement of insurance liabilities at a current settlement value. This leads to more consistent measurement and presentation of all insurance contracts. The standard applies to fiscal years commencing on or after 1 January 2021. EU endorsement is expected in 2018.

— Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 were published on 7 February 2018 and provide the following:

If a change (amendment, curtailment or settlement) under IAS 19.99 requires the remeasurement of the net defined benefit liability (or asset), the current service cost and net interest for the period after restatement are remeasured using the updated assumptions used for the remeasurement.

However, any past service cost and any gain or loss on plan settlement have no effect on the current service cost and net interest in the current reporting period before a plan amendment, curtailment or settlement.

These amendments are applicable for reporting period beginning on or after 1 January 2019. Early application is permitted. The EU has yet to endorse the amendments.

The effects of the initial application of the abovementioned standards and interpretations on the Cherry Group's consolidated financial statements are currently being reviewed or the reviewed has not yet been finalized. Consequently, unless described otherwise, it is not possible to reliably assess the impact of the changes at present.

3. NOTES TO THE GROUP'S ASSETS

3.1. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment developed as follows:

PROPERTY, PLANT AND EQUIPMENT

in EUR k	Land, land rights and buildings, including buildings on third-party land	Plant and machinery	Other equipment, furniture and fixtures	Prepayments and assets under construction	Total
Cost					
1 Jan 2017	**294**	**20,906**	**2,125**	**1,259**	**24,583**
Additions	17	2,428	585	2,040	5,070
Disposals	0	-928	-168	0	-1,096
Reclassifications	0	1,275	0	-1,275	0
Exchange differences	-18	-206	-43	0	-267
As of 31 Dec 2017	**293**	**23,476**	**2,498**	**2,023**	**28,290**
Additions	0	4,592	282	1,064	5,939
Disposals	0	-480	-276	-235	-992
Reclassifications	0	2,236	136	-1,688	684
Exchange differences	-3	50	5	0	52
As of 31 Dec 2018	**290**	**29,874**	**2,646**	**1,164**	**33,973**
Depreciation and impairment					
1 Jan 2017	**0**	**4,937**	**441**	**0**	**5,377**
Depreciation charge for the year	74	4,120	426	0	4,621
Impairment	0	0	0	0	0
Disposals	0	-637	-143	0	-781
Reclassifications	0	0	0	0	0
Exchange differences	-2	-166	-23	0	-191
As of 31 Dec 2017	**73**	**8,254**	**700**	**0**	**9,027**
Depreciation charge for the year	73	5,178	418	0	5,669
Impairment	0	0	0	0	0
Disposals	0	-49	-232	0	-281
Reclassifications	0	129	120	0	249
Exchange differences	-1	59	5	0	63
As of 31 Dec 2018	**145**	**13,571**	**1012**	**0**	**14,727**
Net carrying amount					
1 Jan 2017	**294**	**15,969**	**1,684**	**1,259**	**19,206**
31 Dec 2017	**220**	**15,222**	**1,798**	**2,023**	**19,263**
31 Dec 2018	**145**	**16,303**	**1,634**	**1,164**	**19,246**

Reclassifications include transfers from assets under construction to property, plant and equipment.

Land, land rights and buildings, including buildings on third-party land include leasehold improvements by a subsidiary.

The utilization or disposal of any property, plant and equipment exclusively allocated to Cherry GmbH was restricted in the reporting period as they serve as loan collateral.

3.2. INTANGIBLE ASSETS

Intangible assets developed as follows in the fiscal year:

INTANGIBLE ASSETS

in EUR k	Internally generated industrial and similar rights and assets	Industrial rights, licenses and patents	Customer list	Brand	Good-will	Prepay-ments	Total
Cost							
As of 1 Jan 2017	**6,366**	**2,676**	**5,541**	**10,680**	**17,706**	**0**	**42,969**
Additions	443	759	0	0	0	229	1,430
Disposals	0	-21	0	0	0	0	-21
Reclassifications	0	0	0	0	0	0	0
Exchange differences	0	-78	0	0	0	0	-78
As of 31 Dec 2017	**6,809**	**3,335**	**5,541**	**10,680**	**17,706**	**229**	**44,299**
Additions	0	94	1,404	0	0	189	1,687
Disposals	0	-25	0	0	0	0	-25
Reclassifications	0	-456	0	0	0	-229	-684
Currency effects	0	8	0	0	-220	0	-212
As of 31 Dec 2018	**6,809**	**2,956**	**6,945**	**10,680**	**17,486**	**189**	**45,065**
Amortization and impairment							
As of 1 Jan 2017	**71**	**1,037**	**62**	**0**	**0**	**0**	**1,170**
Amortization charge for the year	437	475	462	0	0	0	1,374
Disposals	0	-21	0	0	0	0	-21
Reclassifications	0	0	0	0	0	0	0
Exchange differences	0	-57	0	0	0	0	-57
As of 31 Dec 2017	**507**	**1,434**	**523**	**0**	**0**	**0**	**2,465**
Amortization charge for the year	572	503	477	0	0	0	1,552
Disposals	0	-24	0	0	0	0	-24
Reclassifications	0	-249	0	0	0	0	-249
Exchange differences	0	15	0	0	0	0	15
As of 31 Dec 2018	**1,079**	**1,678**	**1,001**	**0**	**0**	**0**	**3,758**
Net carrying amount							
As of 1 Jan 2017	**6,295**	**1,639**	**5,479**	**10,680**	**17,706**	**0**	**41,799**
As of 31 Dec 2017	**6,301**	**1,901**	**5,018**	**10,680**	**17,706**	**229**	**41,834**
As of 31 Dec 2018	**5,730**	**1,278**	**5,945**	**10,680**	**17,485**	**189**	**41,307**

Intangible assets identified during purchase price allocation were recognized at the following carrying amounts as of 31 December 2018: Goodwill of EUR 17,486k (2017: EUR 17,706k), a customer list of EUR 4,741k (2017: EUR 5,110k), brand rights of EUR 10,680k, know-how and product developments of EUR 5,446k (2017: EUR 5,871k) recognized and reported as of 31 December 2018. Under a contribution agreement dated 1 November 2018, the new shareholder of Cherry Holding GmbH, Greendich Enterprise Co., Taipei, Taiwan, contributed a customer list as a contribution in kind of EUR 1,396k (see note 4.1 Equity). The amortization period was adjusted to the end of 2020 due to the existing distribution agreement. The technology and the customer list have finite useful lives, which the management board set at 15 years in both cases.

Internally generated industrial and similar rights and assets also included internally developed software of EUR 282k (2017: EUR 443k) whose useful life was set at three years.

Brand rights were measured at the present values of fictitious royalties from the revenue allocable to the brand. Recognized goodwill and the brand rights were contributed and included in the consolidated financial statements at the amounts attributed to them for the acquisition of Cherry and have an indefinite life. They were tested for impairment in fiscal year 2018 as well as in prior years. Goodwill was allocated to the various currency areas and is therefore subject to fluctuation from currency translation, which is reflected in other operating income.

Industrial rights, licenses and patents as well as licenses for standard software are amortized over three years.

The utilization or disposal of any intangible assets allocated to Cherry GmbH was restricted in the reporting period as they serve as loan collateral.

Impairment testing of goodwill

For the purpose of testing goodwill and the brand for impairment, the Cherry Group defined its legally independent subsidiaries as cash-generating units, these being Cherry GmbH, Cherry Americas LCC and Cherry Zhuhai Electronics Ltd.

The calculation is based on cash flow projections for a planning period of three years.

Impairment is determined using the discounted cash flow method.

In fiscal year 2016, the fair value less costs of disposal (fair value hierarchy level 2) was determined as the recoverable amount. This was based on the price for the sale of the Cherry Group to Cherry Holding GmbH (formerly GENUI 5. Beteiligungsgesellschaft mbH) on 14 November 2016. The purchase price paid under this transaction was first allocated among the relevant assets and the excess was allocated to the "Cherry" brand, the customer list, technology and the order backlog. The remaining amount was recognized as goodwill. The order backlog was fully amortized in the first few months. The customer list and technology are being amortized over a period of 15 years. The "Cherry" brand and goodwill are not amortized.

Financial instruments are recognized at the maturity date.

The assumptions as of 31 December 2017 were essentially used unchanged for the 2018 impairment test. The calculations are based on forecast revenue, EBIT and EBITDA. After the detailed planning phase, a growth rate of 1% was used for all cash-generating units on a conservative basis (see above). A cost of capital of 8.86% (Germany), 9.73% (USA) and 10.99% (China) was assumed for the cash-generating units. In 2018, there were no signs of impairment based on the fair values calculated in this way.

The sensitivity analysis for potential impairment presented below is based on a change in the EBITDA margin and in the cost of capital. The presentation is based exclusively on the adjustment of the parameters mentioned:

Potential impairment of the CGUs in EUR k	Germany	USA	China
EBITDA margin - 1.0%	None	None	None
EBITDA margin - 2.0%	None	None	None
Cost of capital + 1.0%	None	None	None
Cost of capital + 2.0%	None	None	None

3.3. INVENTORIES

Inventories break down as follows:

INVENTORIES

in EUR k	31 Dec 2018	31 Dec 2017
Raw materials, consumables and supplies	5,941	6,284
Work in process	1,115	1,344
Finished products	2,493	3,069
Merchandise	13,144	6,768
Prepayments	16	15
Total	**22,709**	**17,480**

In fiscal year 2018, as in the prior year, raw materials, consumables and supplies, finished goods and work in process as well as merchandise were measured at the lower of standard cost or net realizable value as of the reporting date.

Impairment allowances are recognized for obsolete and slow-moving inventories.

The total of impairment allowances on inventories decreased to EUR 1,341k (2017: EUR 3,075k) net of exchange differences.

As in the prior year, the full amount of inventory allowances were included in cost of sales in fiscal year 2018.

The decrease in impairment allowances in 2018 is due to the sale of impaired slow-moving inventories at special rates as well as scrapping.

Inventories at Cherry GmbH of EUR 15,815k were largely subject to restraints on disposal in the fiscal year since they serve as collateral for loans.

3.4. TRADE RECEIVABLES

TRADE RECEIVABLES

in EUR k	31 Dec 2018	31 Dec 2017
Trade receivables	13,593	10,909
Total	**13,593**	**10,909**

All trade receivables are classified as current. Identified credit risks are accounted for in the form of bad debt allowances.

Trade receivables of Cherry GmbH of EUR 8,561k serve as collateral for liabilities under a blanket assignment.

In the reporting year, receivables of only EUR 54k were more than 30 days past due. At no point in time did they entail a significant default risk. Consequently, no bad debt allowances were recognized for them.

For trade receivables which were neither impaired nor past due, there were no indications as of the reporting date that the debtors would not meet their payment obligations.

The trade receivables presented above are recognized using the accounting methods described in note 1.6.

As shown in the above breakdown of trade receivables, no allowances for expected credit losses were recognized in accordance with IFRS 9 in reporting year 2018, since all items were classified as recoverable.

As in the prior year, the Cherry Group did not recognize any allowances for expected credit losses on trade receivables in accordance with IFRS 9 for 2018 (prior year: IAS 39). No receivables were derecognized in fiscal year 2018.

3.5. CURRENT INCOME TAX RECEIVABLES

in EUR k	31 Dec 2018	31 Dec 2017
Income tax receivables	604	1,331
	604	**1,331**

All income tax receivables (EUR 604k) are current.

3.6. OTHER ASSETS

Other assets comprise the following:

OTHER ASSETS

in EUR k	31 Dec 2018	31 Dec 2017
Receivables from other taxes	757	501
Prepaid expenses	273	158
Other	109	125
Total	**1,110**	**784**

EUR 757k of receivables from other taxes relates to VAT.

Prepaid expenses include prepayments for SAP user licenses, maintenance and insurance premiums. The "Other" item includes security deposits for leased offices.

3.7. CASH AND CASH EQUIVALENTS

in EUR k	31 Dec 2018	31 Dec 2017
Balances at banks, checks, cash on hand	16,013	13,159
Total	**16,013**	**13,159**

The fair value of cash is equal to the carrying amount. The significant bank balances of Cherry GmbH serve as loan collateral.

4. NOTES TO THE GROUP'S EQUITY AND LIABILITIES

4.1. EQUITY

Subscribed share capital and capital reserves

Subscribed capital

in EUR k	31 Dec 2018	31 Dec 2017
Cherry Holding GmbH	26	25
	26	**25**

The parent company's subscribed capital of EUR 26k is fully paid in.

By shareholder resolution dated 11 October 2018, Greendich Enterprise Co., with its registered office in Taipei City, Taiwan, was admitted as a new shareholder with a 3% investment in Cherry Holding GmbH.

Under a contribution agreement dated 1 November 2018, Greendich Enterprise Co., Taipei, Taiwan, made a cash contribution of EUR 773 coupled with an increase in capital stock by EUR 773 and acquired 773 shares with a nominal value of EUR 1 per share.

GENUI Sechste Beteiligungsgesellschaft mbH holds 97% of the shares in Cherry Holding GmbH.

As of 31 December 2018, subscribed capital comprised 25,773 shares with a nominal value of EUR 1 per share.

Capital reserves

Capital reserves amounted to EUR 46,540k as of 31 December 2018.

Under a contribution agreement dated 1 November 2018, Greendich Enterprise Co., Taipei, Taiwan, also contributed a customer list to Cherry Holding GmbH as a contribution in kind with a value of EUR 1,396k coupled with an increase in the capital reserves.

The customer list of EUR 1,396k was subsequently contributed to the subsidiary Cherry GmbH in a contribution in kind and sold to the subsidiary Cherry Electronics (Hong Kong) Co. Ltd. for EUR 1,396k.

Accumulated other comprehensive income

Accumulated other comprehensive income includes gains and losses from currency translation differences of EUR 147k relating to differences from the translation of the financial statements of foreign subsidiaries into the Group's reporting currency (euros).

In addition, actuarial gains and losses from pension obligations of EUR 104k as well as deferred taxes thereon of EUR 30k are included in accumulated other comprehensive income.

The development of equity is shown in the statement of changes in equity.

4.2. PENSION PROVISIONS

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

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

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

A defined benefit plan is only in use as an occupational pension arrangement ("ZF pension") at the German subsidiary Cherry GmbH.

The key element of occupational pension arrangements at Cherry GmbH is the ZF pension, which until 2017 consisted of two components: the employer-financed component, which generally amounts to 1.1% of the pensionable monthly gross income, and the employee-financed component. The latter is funded by employees' deferred compensation. The employee can freely select an amount of between 1% and 5% of their pensionable monthly income.

The pension obligations were reorganized under a works agreement on the settlement and reorganization of the ZF pension dated 1 October 2018. To the extent legally permissible, a defined group of persons who had earned benefits under the ZF pension plan received a settlement offer. The amount of the offer was calculated on the basis of the provision recognized in the statutory balance sheet as of 31 December 2017 plus interest at a rate of 3.68% until 31 August 2018.

The main consequence of discontinuing the ZF pension is the elimination of the former employer pension component subject to 6% interest. From 1 January 2019 onwards, this component will be replaced by an employer contribution to the employee's deferred compensation for an occupational pension. The contribution will comprise a maximum of 20% of the deferred compensation, while the basis of calculation may not exceed 4% of the income threshold for the assessment of contributions to statutory pension insurance.

An actuarial report valued the ZF pension plan at EUR 1,257k as of 31 December 2018 (2017: EUR 1,716k). The amount to be paid out at the beginning of 2019 under the works agreement was recognized at EUR 1,064k under other current liabilities in the statement of financial position. The remaining amount of EUR 202k relates to employees who did not agree to the settlement of the pension plan and was recognized under provisions for pensions and other obligations.

Long-service awards awards are another component of the ZF pension plan. Under a works agreement, an employee who has worked for the Company for 25 years receives an award of 1.3 times their monthly salary and an employee working for 40 years an award of 2.3 times their monthly salary. However, these long-service awards are not paid out to the employee, but instead a long-service pension component is created from this capital.

Another component of occupational pension arrangements is the benefit fund for members of senior management. This is a employer-financed benefit. During the term of the ZF pension plan, this group of persons was also entitled to deferred compensation. There are three beneficiaries. As of 31 December 2018, the carrying amount of this occupational pension arrangement was EUR 821k (prior year: EUR 746k).

The amount of the pension commitments was calculated using actuarial methods. The measurement was based on the following parameters:

	Germany	
in %	**31 Dec 2018**	**31 Dec 2017**
Discount rate	1.4	2.19
Salary increase	0.0	2.5
Pension increase	1.0	1.0
Duration in years	10	22

The "2018 G mortality tables" published by Prof. Dr. Klaus Heubeck were used as the biometric basis for the calculation of the commitments in Germany.

A change in the underlying interest rate by +/-0.25 percentage points would result in a decrease by EUR 10k (2017: EUR 97k) or an increase by EUR 11k (2017: EUR 107k) in the pension obligations.

The following amounts were recognized in the statement of financial position:

BREAKDOWN OF AMOUNTS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION

in EUR k	31 Dec 2018	31 Dec 2017
Present value of the pension commitments financed by provisions	1,023	2,462
Present value of the funded pension commitments	0	0
Fair value of plan assets	0	0
Pension provisions	**1,023**	**2,462**

Actuarial gains and losses of each reporting period are fully recognized in equity under accumulated other comprehensive income in the reporting period in which they arise.

The present value of the defined benefit obligation developed as follows in the reporting period:

DEVELOPMENT OF THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION

in EUR k	31 Dec 2018	31 Dec 2017
Present value of the defined benefit obligation as of 1 Jan	2,462	1,816
Current service cost	-510	361
Interest cost	54	43
Newly recognized actuarial (gains)/losses	104	20
Payments by the pension plans	-33	0
Reclassification to current liabilities	-1,064	0
Other changes	9	222
Present value of the defined benefit obligation	**1,023**	**2,462**

Actuarial gains/losses newly recognized in the reporting period primarily relate to mathematical effects.

The pension cost for defined benefit obligations recognized in income breaks down as follows:

BREAKDOWN OF PENSION COST

in EUR k	31 Dec 2018	31 Dec 2017
Cost of pension entitlements earned in the reporting period	-510	361
Interest cost	54	43
Total	**-456**	**404**

The reduction in the pension benefits earned in the reporting period owing to the works agreement for the settlement of the pension plan is recognized in personnel expenses.

The unwinding of discounts on expected pension obligations is offset and included as interest expense in the financial result.

Under the pension arrangements existing as of the reporting date, the Cherry Group has the following pension payment obligations, broken down by maturity:

MATURITY ANALYSIS OF BENEFIT PAYMENTS

	31 Dec 2018	31 Dec 2017
Up to 1 year	0	212
More than 1 year	1,023	2,250
	1,023	**2,462**

Pension payment obligations of up to one year are recognized under other current liabilities owing to the change in the pension plan.

Defined contribution pension obligations as occupational pension arrangements are recognized as expenses both at the German subsidiary and at the foreign entities:

At the German subsidiary, direct insurance policies and the metal pension fund are offered as additional occupational pension arrangements. The monthly benefits paid by the employer specified in the collective agreement of EUR 26.59 per employee are also invested in this context.

Other occupational pension arrangements are the direct insurance policy and pension fund options. In this case, there are contracts under which either the employer or the employee make contributions.

Two employees in the UK are insured through the statutory pension insurance scheme. One employee is insured through the existing group agreement for occupational pensions. The employer and employee make monthly contributions under this agreement.

There is an pension scheme for employees in place at the US subsidiary in the form of a 401k retirement plan. Employees can convert up to a maximum of 50% their gross salary into insurance contributions. According to a fixed formula, Cherry makes the same contribution as employees up to a maximum permitted amount of 4% of the employee's monthly gross income. There are no further financial obligations or risks for the Company and this is therefore not classified as a defined benefit plan in accordance with IAS 19. Pension costs of EUR 105k were recognized in 2018 (2017: EUR 26k).

4.3. OTHER PROVISIONS

The development of other provisions is presented below:

OTHER PROVISIONS (current):

in EUR k	Warranties	Other	Total
As of 1 Jan 2018	**202**	**0**	**202**
Utilization	0	0	0
Reversal	15	0	15
Allocation	0	0	0
As of 31 Dec 2018	**186**	**0**	**186**
Current cash outflows (< 1 year)	186	0	186
Non-current			
– thereof 1 to 5 years			
– thereof more than 5 years			

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

OTHER PROVISIONS (non-current)

in EUR k	Warranties	Long-service awards	Phased retirement	Total
As of 1 Jan 2018	**198**	**596**	**991**	**1,784**
Utilization	0	31	258	289
Reversal	11	0	0	11
Allocation	0	0	254	254
Unwinding of discounts (+)/discounting (-)	0	83	0	83
As of 31 Dec 2018	**187**	**648**	**987**	**1,822**
Cash outflows				
Current (< 1 year)	0	59	0	59
Non-current	187	589	987	1,763
- thereof > 1 year	187	589	987	1,837

4.4. TRADE PAYABLES

TRADE PAYABLES

in EUR k	31 Dec 2018	31 Dec 2017
Trade payables	17,124	10,225
Total	**17,124**	**10,225**

Trade payables are non-interest bearing and are generally on terms of 60 to 90 days.

4.5. OTHER LIABILITIES

OTHER LIABILITIES (current)

in EUR k	31 Dec 2018	31 Dec 2017
Liabilities to employees	4,736	3,210
Other tax liabilities	379	300
Subsidies from customers	1,013	2,327
Other financial liabilities	2,893	2,813
Total	**9,021**	**8,650**

Other liabilities are classified as current. Liabilities to employees primarily comprise liabilities from settled pension obligations, accrued vacation and accrued time credits as well as performance-based payments and leave of absence and redundancy payments.

The Cherry Group recognizes pension obligations of EUR 1,122k under other current liabilities to employees. The Cherry Group's pension obligations of EUR 1,064k will be paid out to employees at the start of fiscal year 2019 in accordance with the works agreement dated 1 October 2018 (see note 4.2 Pensions).

Both VAT and income tax liabilities are included in other tax liabilities.

Other financial liabilities primarily arise from obligations for outstanding invoices and advertising allowances of EUR 294k (2017: EUR 293k) related to marketing initiatives with customers in the first and second levels of trade. They make a positive contribution to enhancing the awareness, brand image and sales of CHERRY based on the corresponding marketing plans, which build on the CHERRY partner program for distributors and resellers. Cherry has silver, gold and platinum partners who are promoted through such programs.

The measures are determined and defined based on the targets for annual and quarterly revenues to be generated with these partners. Cherry requests corresponding offers based on media plans from sales intermediaries and, in collaboration with Key Account Management and Channel Marketing, defines the most efficient and therefore best media mix for the customer group in question. This mix ranges from sales training and online banners to newsletters and participation in trade fairs.

The customer bonus of EUR 594k (2017: EUR 595k) is calculated using a defined revenue target and comprised the annual bonus and quarterly bonus for the fourth quarter of fiscal year 2018. It is recorded as a deduction from revenue.

Subsidies paid by customers for tools and facilities are recognized under current or non-current liabilities in line with their maturities. As the customers are granted a discount per product unit in the amount of the subsidy paid the subsidies are amortized based on the number of units sold. This amortization is included in revenue.

The remaining other financial liabilities in fiscal year 2018 primarily include EUR 2,005k (2017: EUR 1,829k) for outstanding invoices.

OTHER LIABILITIES (non-current)

in EUR k	31 Dec 2018	31 Dec 2017
Subsidies from customers	628	546
Total	**628**	**546**

As in the prior year, the Cherry Group's current and non-current financial liabilities exclusively relate to the loan agreement dated 11 October 2016 with Cherry Holding GmbH.

FINANCIAL LIABILITIES (current)

in EUR k	31 Dec 2018	31 Dec 2017
Financial liabilities	3,749	8,033
Total	**3,749**	**8,033**

FINANCIAL LIABILITIES (non-current)

in EUR k	31 Dec 2018	31 Dec 2017
Financial liabilities	19,850	22,857
Total	**19,850**	**22,857**

4.6. INCOME TAX LIABILITIES

INCOME TAX LIABILITIES

In EUR k	31 Dec 2018	31 Dec 2017
Income tax liabilities	1,633	589
Total	**1,633**	**589**

Liabilities from income taxes are all current and arise primarily from country-specific income tax liabilities.

4.7. DEFERRED TAXES

After offsetting receivables and liabilities, the following deferred taxes were recognized in the consolidated financial statements:

DEFERRED TAXES

in EUR k	31 Dec 2018	31 Dec 2017
Deferred tax assets	1,528	1,381
Deferred tax liabilities	5,212	5,354

Deferred tax assets and liabilities are attributable to the following significant statement of financial position items:

DEFERRED TAXES	31 Dec 2018		31 Dec 2017	
in EUR k	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	564	5,177	570	5,428
Property, plant and equipment	5		105	
Receivables	40		7	26
Inventories	556		366	
Cash		24		
Other assets		11		
Pension provisions	85		207	
Other provisions	105		203	2
Liabilities			0	4
Loss carryforwards	173		29	
Total	**1,528**		**1,486**	**5,459**
Offsetting			-105	-105
Total	**1,528**	**5,212**	**1,381**	**5,354**

Loss carryforwards amount to EUR 1,536k (2017: EUR 1,171k), of which EUR 605k (2017: EUR 597k) can be used indefinitely, while EUR 932k (2017: EUR 573k) can be used within the next 20 years. These give rise to deferred tax assets of EUR 173k (2017: EUR 29k).

The utilization of loss carryforwards from prior years led to a reduction in tax expenses of EUR 27k (2017: EUR 333k). The deferred tax assets of the US subsidiary of EUR 678k were recognized due to the expected positive results in the coming years, despite current losses.

The average group tax rate is 29.13% (2017: 29.13%) and includes German corporate income tax of 15% plus the solidarity surcharge of 5.5% and trade tax of 13.3%. The applied local income tax rates for foreign companies vary between 16.5% and 26% (2017: 16.5% to 26%). Following the US tax reform, the applicable corporate income tax rate in the US was reduced from 35% to 21% with effect from 1 January 2018. In fiscal year 2018, the US tax reform led to no tax expense (2017: EUR 331k).

The maturities of deferred taxes are as follows (before offsetting (see above)):

in EUR k	2018	2017
Deferred tax assets		
Deferred tax assets that will be realized after 12 months	917	802
Deferred tax assets that will be realized within 12 months	611	684
Total	**1,528**	**1,486**
Deferred tax liabilities		
Deferred tax liabilities that will be realized after 12 months	5,177	5,376
Deferred tax liabilities that will be realized within 12 months	35	83
Total	**5,212**	**5,459**

The following table sets out a reconciliation between the expected tax expense and the current tax expense. The expected tax expense is determined by applying the Group's average tax rate to earnings before income taxes.

in EUR k	2018	2017
Earnings before income taxes	12,824	3,135
Expected income tax expense	3,735	913
Different foreign tax charge	-164	-271
Tax-free income	7	-98
Non-deductible expenses	0	84
Foreign withholding tax	0	30
Tax portion for effects from loss carryforwards	0	-107
Unrecognized deferred tax assets	12	0
Effects from changes in tax rates	0	331
Out-of-period tax expense	8	21
Other	-68	-765
Effective income tax expense	**3,531**	**137**
Effective tax rate	**27.53%**	**4.37%**

The average tax rate in the Cherry Group was 27.53% in fiscal year 2018 (2017: 4.37%)

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

5.1. REVENUE

Revenue breaks down by source as follows:

REVENUE

in EUR k	2018	2017
Product revenue, in particular from keyboards, MX modules, mice and smart card readers	100,210	90,935
Other revenue (incl. stamped parts in 2017)	2,843	7,560
Sales deductions	-2,968	-2,614
Total	**100,085**	**95,881**

Sales deductions include bonus payments of EUR 1,400k (2017: EUR 1,591k) and discounts of EUR 1,569k (2017: EUR 1,023k) for fiscal year 2018.

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

in EUR k	2018
eHealth	2,924
Gaming devices	14,539
Components	36,167
Industrial	8,718
Office	27,275
Others/Metal Fab	204
Point of sale products	4,617
Security	5,641
Total revenue by product type	**100,085**

In the reporting year, no revenue was recognized that was included in the contract liability balance at the beginning of the period. There was also no revenue recognized from performance obligations satisfied (or partially satisfied) in previous periods. The Cherry Group recognizes its revenue at a point in time.

Revenue by region

in EUR k	Germany	USA	China	Hong Kong	Total
Gaming devices	1,124	159	13,230	25	**14,539**
Components	33,889	530	27	1,721	**36,167**
Office/industry	30,967	4,540	293	193	**35,993**
Security	8,246	4,895	27	13	**13,182**
Others/Metal Fab	191	14	-1	0	**204**
Total revenue by region	**74,418**	**10,138**	**13,576**	**1,952**	**100,085**

As shown above, revenue from the sale of goods and services is recognized within the Cherry Group at the time of the transfer of ownership and risks and rewards to the dealer or customer. Deliveries which have not (yet) been paid are accounted for under trade receivables. In our experience, these receivables are settled within a period of up to 30 days (taking into account the corresponding payment terms).

5.2. OTHER OPERATING INCOME

OTHER OPERATING INCOME

in EUR k	2018	2017
Exchange gains	408	1,060
Accounting gains on the sale of property, plant and equipment	261	73
Other operating income	132	31
Total	**801**	**1,164**

5.3. COST OF MATERIALS

COST OF MATERIALS

In EUR k	2018	2017
Cost of raw materials, consumables and supplies and of purchased merchandise	40,160	42,327
Cost of purchased services	2,960	2,960
Total	**43,120**	**45,287**

Despite increased revenue in fiscal year 2018, the ratio of cost of materials to revenue was reduced from 47% in 2017 to 43% in 2018 because Cherry GmbH terminated a product segment (contract manufacturing of stamped parts) for ZF AG and discontinued this service for economic reasons.

5.4. PERSONNEL EXPENSES

The recognized personnel expenses break down as follows:

PERSONNEL EXPENSES

in EUR k	2018	2017
Direct and indirect remuneration	18,612	20,218
Social security costs	3,872	4,189
Pension costs	-8	545
Total	**22,477**	**24,951**

The average number of employees by region developed as follows:

AVERAGE NUMBER OF EMPLOYEES BY REGION

in EUR k	2018	2017
Europe	290	305
North America	19	17
Asia	67	74
Total	**376**	**396**

The number of employees in fiscal years 2018 and 2017 indicates the average number of employees in the operating entities of the Cherry Group.

5.5. OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

OTHER OPERATING EXPENSES

in EUR k	2018	2017
Exchange losses	266	1,358
Accounting losses from the sale of property, plant and equipment	37	43
Accounting losses from the sale of intangible assets	1	0
Other	272	299
Total	**576**	**1,700**

5.6. FINANCIAL RESULT

The financial result breaks down as follows:

FINANCIAL RESULT

In EUR k	2018	2017
Interest and similar income	4	3
Total interest income	**4**	**3**
Interest and similar expenses	757	1,323
Expenses from discounting and the unwinding of discounts	147	153
Total finance costs	**904**	**1,476**
Total	**-900**	**-1,473**

5.7. INCOME TAX EXPENSE

Tax expense breaks down as follows:

INCOME TAX EXPENSE

In EUR k	2018	2017
Deferred tax income (-)/expense (+)	-287	-742
Current tax income (-)/expense (+)	3,818	879
Total	**3,531**	**137**

Income tax expenses of EUR 3,531k comprise current income taxes of EUR 3,818k and deferred tax income of EUR 287k.

Deferred taxes in the statement of financial position totaling EUR 30k were recognized under equity without affecting profit or loss in the fiscal year (2017: EUR 6k).

Using tax planning methods (tax group), the tax expense for the fiscal year was reduced. This is also expected to lead to future tax savings.

The current income tax expense mainly resulted from the trade tax of Cherry Holding GmbH and from the corporate income tax of the Group's domestic and foreign corporations.

6. NOTES TO THE CONSOLIDATED OF CASH FLOWS

The statement of cash flows of the Cherry Group shows how cash and cash equivalents changed in fiscal year 2018 as a result of cash inflows and outflows and therefore provides information about the origin and use of funds. The statement of cash flows prepared in accordance with IAS 7 Statement of Cash Flows distinguishes between cash flows from operating activities, investing activities and financing activities.

Cash flows from operating activities are derived indirectly. Interest received of EUR 5k and interest paid of EUR 745k are included in the cash flows from operating activities for 2018. Income taxes paid in 2018 amounted to EUR 2,062k.

Cash flows from investing activities are calculated on the basis of payments, primarily cash paid for investments in non-current assets. Cash paid for the purchase of property, plant and equipment amounted to EUR 5,939k; cash paid for intangible assets came to EUR 290k.

The customer list of Greendich Enterprise Co., Taipei, Taiwan, was contributed to the Cherry Group as a contribution in kind and is therefore not included under investing activities related to non-current assets.

Cash flows from financing activities are also calculated on the basis of payments and include repayments of loans amounting to EUR 7,500k. Other changes are mostly attributable to working capital.

Cash and cash equivalents as of 31 December 2018 exclusively comprise short-term bank balances with maturities of no more than three months amounting to EUR 16,013k.

Reconciliation of changes in liabilities to the statement of cash flows arising from financing activities	EUR k
Opening balance as of 1 Jan 2018	30,890
+ New loans	0
- Repayments	-7,500
+ / - Other	209
Closing balance as of 31 Dec 2018	23,599

The arrangement fee is included under "Other." It is calculated on the basis of regular and special repayments and amounted to EUR 209k in the fiscal year (2017: EUR 31k)

7. OTHER NOTES

7.1. OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

Cherry as lessee:

As of the reporting date, there were the following obligations under operating leases, due in:

EUR k	2018	2017
Up to 1 year	1,739	893
1 to 5 years	6,361	1,685
More than 5 years	6,826	0

These primarily relate to rent for offices, lease agreements and leases of vehicles, office equipment and machinery, which are replaced by new lease agreements upon expiry. Under these agreements, payments of EUR 1,279k were made in the fiscal year.

Contingent liabilities

No guarantee commitments were made in 2018. There were also no contingent liabilities.

7.2. OTHER NOTES TO RISK AND CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital management

The Group determines its capital requirements in relation to its risk exposure. It manages its capital structure and makes adjustments, if necessary, in light of changes in the economic environment. This includes managing the Group's equity and non-current financial liabilities. The primary objective of the Group's capital management is to reduce its finance charges by maintaining a strong credit rating and healthy equity ratio and to ensure financial stability. Group equity is monitored centrally by the Group's management. As of the reporting date, agreements with lenders included subsidiary agreements stipulating compliance with certain financial covenants.

For additional information, see our comments on our financing strategy and our assets, liabilities and financial position in the group management report.

Financial risk management objectives and policies

In the course of its operating activities, the Cherry Group is exposed to interest rate and foreign currency risks. In addition, liquidity and credit risks may arise from the financial instruments recognized.

The Group's policy is aimed at avoiding or mitigating these risks as far as possible. The relevant measures are generally implemented at the level of the individual companies concerned.

Interest rate risk

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

As a result of purchase price financing, the operating companies will in the future have to make interest payments and loan repayments to the financing bank. The Group has raised, among other things, amortizing loans to finance the purchase price, thereby accepting loan covenants which are tied to the performance of the Cherry Group.

A hypothetical increase in interest rates of 0.25 basis points per year would have led to an increase in interest expenses of EUR 66k and to a reduction in equity.

However, the Cherry Group still believes that the covenants will remain stable.

Foreign currency risk

Due to the Cherry Group's international focus, the Group is exposed to foreign currency risks from its operating activities as a result of exchange rate fluctuations between the functional currencies of the group companies and other currencies. Currency risks as defined by IFRS 7 arise on account of financial instruments of a monetary nature being denominated in a currency that is not the functional currency.

Significant primary items which give rise to currency risks for the group are cash, receivables and liabilities.

For transactions settled in US dollars, Chinese yuan and pound sterling, changes in the respective exchange rate in relation to the euro or other functional currencies of group companies may have a significant impact on the Group's cash flows. This exposure is generally hedged by way of natural hedges, that is by synchronizing purchase and sales transactions in foreign currencies. The result of the sensitivity analysis showed an immaterial effect on the statement of financial position and income statement of the Cherry Group in fiscal year 2018.

Liquidity risk

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

The following table shows the contractual undiscounted payments in connection with the Group's recognized liabilities as of the reporting date on the basis of undiscounted cash flows in subsequent years. The table includes all instruments held as of 31 December 2018 and for which payments had already been contractually agreed. Amounts in foreign currency were translated at the respective closing rate. The variable interest payments on the financial instruments, in particular on loans, were calculated using expected interest rates. Financial liabilities that are repayable on demand are always assigned to the earliest possible time band. The disclosures are made on the basis of the contractual, non-discounted payments.

	Carrying amount		Cash flows	
in EUR k	**31 Dec 2017**	**2018**	**2019**	**2020 and thereafter**
Interest-bearing loans and borrowings	30,890	-1,250	-3,150	-26,490
Trade payables	10,225	10,225	0	0

	Carrying amount		Cash flows	
in EUR k	**31 Dec 2018**	**2019**	**2020**	**2021 and thereafter**
Interest-bearing loans and borrowings	23,599	-900	-7,000	-15,699
Trade payables	17,124	17,124	0	0

In fiscal year 2018, loans of EUR 7,500k under the loan agreement were repaid. No new loans were raised during the fiscal year.

Credit risk

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

See note 3.4 for information on the aging structure of our receivables.

Carrying amounts and fair values by measurement category

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

MEASUREMENT CATEGORIES

	31 Dec 2018	31 Dec 2017
Assets measured at amortized cost		
Trade receivables	13,593	10,909
Non-current financial receivables	0	0
Cash	16,013	13,159
Total	**29,606**	**24,068**

	31 Dec 2018	31 Dec 2017
Liabilities measured at amortized cost		
Trade payables	17,124	10,225
Liabilities to banks	23,599	30,890
Total	**40,723**	**43,868**

The fair value of trade receivables and payables (fair value hierarchy level 2) as well as cash and cash equivalents is equal to their carrying amount due to their short-term maturities. There is also no difference between the carrying amount and market value of other financial assets. The recognized liabilities to banks, some of which are non-current, are subject to variable interest based on EURIBOR. Fluctuations in the underlying interest rate will lead to a variable interest charge in the future, which means that the carrying amount approximates the fair value (fair value hierarchy level 2). Only offset transaction fees amounting to EUR 637k need to be added to the fair value.

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

ITEMS OF INCOME, EXPENSE, GAINS OR LOSSES RELATING TO SIGNIFICANT FINANCIAL INSTRUMENTS BROKEN DOWN BY CATEGORY

in EUR k 2018	**Interest income**	**Interest expense**	**Measurement effects**	**Bad debt allowances**	**Reversal of bad debt allowances**	**Net result**
Assets measured at amortized cost	4	0	0	0	0	4
Liabilities measured at amortized cost	0	-206	0	0	0	-206
Total	**4**	**-206**	**0**	**0**	**0**	**-202**

For other liabilities, see note 4.5.

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).

Cherry currently does not value any assets or liabilities at fair value.

7.3. RELATED PARTY TRANSACTIONS

In the course of ordinary business, the Cherry Group enters into business relationships with numerous companies, including companies that are related parties. For the Cherry Group, related parties in accordance with IAS 24 primarily include the GENUI Group companies, in particular:

- GENUI Fund GmbH & Co.KG, Neuer Wall 80 in 20354 Hamburg

- Greendich Enterpise Co., 2F, No. 18, Alley 1, Lane 768, Sec. 4, Bade Road, Nangang Dist. Taipei City 115, Taiwan

- GENUI Sechste Beteiligungsgesellschaft mbH, Cherrystrasse 1 in 91275 Auerbach i.d. OPf.

Cherry Holding GmbH prepares the consolidated financial statements for the smallest group of companies. The consolidated financial statements are published in the *Bundesanzeiger* [German Federal Gazette]. In addition, the Company is included in the consolidated financial statements of GENUI Fund GmbH & Co. KG, which prepares the consolidated financial statements for the largest group of companies.

Disclosures in accordance with IFRS 2 Share-based Payment

GENUI Sechste Beteiligungsgesellschaft mbH ("HoldCo") grants selected members of the management board and the advisory board (together management and advisory board members) shares in HoldCo and therefore an indirect investment in Cherry Holding GmbH, 97% of which is owned by HoldCo. The sole purpose of HoldCo is holding the capital stock of the Company (hereinafter "shares"). A share ownership plan was established in 2016 for this purpose. The management and advisory board members acquired 17.0% of all shares at market value through this share ownership plan. In 2018, further management board members joined the plan at market value and one member left. Following this change, the shareholding owned by the management and advisory board members currently stands at 20.2%.

The objective of the share ownership plan is to align the interests of the investor with those of the management and advisory board members and to secure the long-term commitment of the management and advisory board members to the Company. In the event of an exit, the management and advisory board members will sell the shares to the purchaser under the same conditions as the investor or offer them on the stock exchange. In the event of a successful exit, transaction costs and liabilities will first be deducted from the sale proceeds. The respective capital reserves plus a carried interest will then be allocated and the remaining amount will be distributed according to the shareholdings in the capital stock.

If an management or advisory board member departs before an exit occurs, the shares will be repurchased by the investor. In a bad leaver case, the repurchase price will be the lower of the purchase price or the fair value of the shares at the time of departure. In a good leaver case, the management and advisory board members will receive the fair value.

The fair value of the shares on the date of grant or purchase by the beneficiaries is equal to the business value per share on the respective grant date. The business value was calculated using a discounted cash flow (DCF) method.

There were no accounting effects resulting from the share ownership plan (equity-settled plan within the meaning of IFRS 2) in the fiscal year or in the prior year.

In addition, members of the management board and the advisory board as well as their close family members qualify as related parties.

Compensation of executives

in EUR k	31 Dec 2018	31 Dec 2017
Short-term benefits	1,151	799
Post-employment benefits	0	191
Other long-term benefits	187	250
Termination benefits	0	462
Total	**1,338**	**1,702**

The disclosures relate to nine members of management (2017: seven members) of various national subsidiaries. In addition to base salaries, the amounts include social security contributions and old-age pension provisions, bonuses, company cars and expenses for former members of the management board.

7.4. DISCLOSURE OF THE AUDITOR'S FEE

AUDITOR'S FEE

in EUR k	2018
Audit services	220
Audit-related services	3
Tax services	104
Other services	0
Total	**327**

The fees for services of the auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Nuremberg, incurred in the reporting year are included in other operating expenses.

7.5. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting date.

Auerbach, 10 May 2019

Cherry Holding GmbH

The Management Board

Rolf Unterberger

Bernd Wagner

The following independent auditor's report (Bestätigungsvermerk), prepared in accordance with Section 322 HGB ("Handelsgesetzbuch": "German Commercial Code"), refers to the consolidated financial statements, comprising the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies, together with the group management report of Cherry Holding GmbH for the financial year from January 1, 2018 to December 31, 2018. The group management report as a whole is not included in this prospectus. The above-mentioned independent auditor´s report and consolidated financial statements are both translations of the respective German-language documents.

INDEPENDENT AUDITOR'S REPORT

To Cherry Holding GmbH, Auerbach i. d. Opf.

Audit opinions

We have audited the consolidated financial statements of Cherry Holding GmbH, Auerbach i. d. Opf., and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Cherry Holding GmbH for the fiscal year from 1 January to 31 December 2018.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2018 and of its financial performance for the fiscal year from 1 January to 31 December 2018, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

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

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

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

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

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

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

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

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

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

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

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

Nuremberg, 10 May 2019

PricewaterhouseCoopers GmbH

Wirtschaftsprüfungsgesellschaft

Marco See, Wirtschaftsprüfer
[German Public Auditor]

ppa. Thomas Götz, Wirtschaftsprüfer
[German Public Auditor]

Audited Unconsolidated Annual Financial Statements of Cherry AcquiCo GmbH (now: Cherry AG) Prepared in Accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the Fiscal Year Ended December 31, 2020

Cherry AcquiCo GmbH, Munich

Local Court Munich, HRB 263478

Balance sheet as of 31 December 2020

ASSETS

		31 Dec 2020		31 Dec 2019
		EUR	**EUR**	**EUR**
A.	**Fixed assets**			
I.	**Financial assets**			
1.	Shares in affiliates		219,992,188.95	0.00
2.	Loans to affiliates		5,400,000.00	0.00
			225,392,188.95	**0.00**
B.	**Current assets**			
I.	**Receivables and other assets**			
	Receivables from affiliates	911,350.30		0.00
			911,350,30	**0.00**
II.	**Cash on hand, bank balances**		0.00	24,579.84
			911,350.30	**24,579.84**
C.	**Prepaid expenses**		2,326,666.65	0.00
			228,630,205.90	**24,579.84**

EQUITY AND LIABILITIES

		31 Dec 2020		31 Dec 2019
		EUR	**EUR**	**EUR**
A.	**Equity**			
I.	**Subscribed capital**	36,253.00		25,000.00
II.	**Capital reserves**	150,256,621.40		0.00
III.	**Loss carryforward**	-420.16		0.00
IV.	**Net loss for the year**	-3,934,467.56		-420.16
			146,357,986.68	**24,579.84**
B.	**Provisions**			
1.	Other provisions		819,816.44	0.00
C.	**Liabilities**			
1.	Liabilities to banks	81,400,000.00		0.00
	- thereof due in up to one year: EUR 4,400,000.00 (prior year: EUR 0.00)			
	- thereof due in more than one year: EUR 77,000,000.00 (prior year: EUR 0.00)			
2.	Trade payables	52,402.78		0.00
	thereof due in up to one year: EUR 52,402.78 (prior year: EUR 0.00)			
			81,452,402.78	**0.00**
			228,630,205.90	**24,579.84**

Cherry AcquiCo GmbH, Munich

Income statement for fiscal year 2020

in EUR		2020	2019
1.	Other operating income	4,945.63	0.00
	thereof exchange gains: EUR 4,945.63 (prior year: EUR 0.00)		
2.	Other operating expenses	2,150,677.04	420.16
	thereof exchange losses: EUR 19,731.00 (prior year: EUR 0.00)		
3.	Income from loans classified as fixed financial assets	27,000.00	0.00
	thereof from affiliates: EUR 27,000.00 (prior year: EUR 0.00)		
4.	Interest and similar expenses	1,815,736.15	0.00
	thereof to affiliates: EUR 0.00 (prior year: EUR 0.00)		
5.	Income taxes	0.00	0.00
6.	Earnings after taxes	-3,934,467.56	-420.16
7.	Net loss for the year	-3,934,467.56	-420.16

Notes to the financial statements for fiscal year 2020

General Information

These financial statements have been prepared in accordance with Sections 242 et seqq. and Sections 264 et seqq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as the applicable provisions of the GmbHG [Limited Liability Companies Act]. The provisions for small corporations apply. The exemptions of Section 288 (1) HGB have been applied.

The income statement has been prepared using the total expenditure format.

In order to improve the transparency of presentation, to some extent, information on the belonging to other balance sheet items and of which items were provided in these notes.

The Company was founded with the articles of association dated 26 April 2019 and was entered in the Commercial Register on 9 May 2019. Thus, the prior fiscal year was a short fiscal year. The Company started its business in 2020. Thus, the comparability to prior year is limited.

Register information

The Company is entered in the Commercial Register of Munich Local Court [Amtsgericht] under number HRB 263478 as Cherry AcquiCo GmbH with registered office in Munich.

Accounting and Valuation Methods

The accounting and valuation methods presented below were applied in the preparation of the annual financial statements.

The accounting and valuation took place pursuant to the regulations of Sections 246 to 256a HGB, taking into account the provisions for small corporations in Sections 264 et seqq. HGB.

The accounting and valuation is based on the going-concern assumption.

Financial fixed assets are stated at acquisition cost or at the lower fair value as of the balance sheet date.

Loans receivable, receivables and other assets are stated at their nominal values. All risk-prone items are taken account of by having made appropriate individual valuation allowances.

Prepaid expenses are recognized for all expenditures prior to the balance sheet date relating to expenses for a particular period after the balance sheet date.

The subscribed capital is reported at its nominal value.

Provisions take into account all contingent liabilities and anticipated losses from pending transactions. They have been recognized at the settlement amounts necessary according to prudent commercial judgment (i.e., including future cost and price increases). Provisions with a remaining term of more than one year are discounted.

Liabilities have been stated at their settlement amounts.

With regard to deferred taxes to be recognised due to temporary or quasi-permanent differences between the figures of assets, liabilities, and deferred items disclosed according to commercial law and the figures of these items according to tax law, these are recognized by applying the individual tax rates of the Company at the time when the differences are reversed, with the amounts of the resulting tax burden or tax relief not being discounted. Deferred tax assets and liabilities are set off against each other, as far as possible. Deferred tax assets are not recognized on the balance sheet.

Generally, assets and liabilities denominated in a foreign currency have been translated using the mean spot exchange rate applicable at the balance sheet date. If the residual term is more than one year, the realization principle (Section 252 (1) No. 4 Half-Sentence 2 HGB) and the acquisition cost principle (Section 253 (1) Sentence 1 HGB) are observed.

Notes to the Balance Sheet and Income Statement

Financial fixed assets include 100% of the shares of Cherry Holding GmbH, Auerbach.

The receivables and other assets have a term of up to one year. Receivables due from affiliated companies result from the provision of goods and services.

Receivables and liabilities from the shareholder do not exist as of the balance sheet date.

Liabilities

	Total amount	Thereof with a remaining term of			Secured amounts	Type of security
	EUR	Up to 1 year EUR	1 to 5 years EUR	More than 5 years EUR	EUR	
Liabilities	81,452,402.78	4,452,402.78	20,000,000.00	57,000,000.00	80,000,000.00	Pledge of shares in subsidiaries

Other operating expenses include expenses for services in the amount of EUR 2,131k which do not qualify as incidental acquisition cost and relate to the restructuring of the group.

Contingent Liabilities and Other Financial Obligations

There are no contingent liabilities as of the balance sheet date which have to be disclosed according to Section. 251 and Section 268 (7) HGB.

Cherry AcquiCo GmbH commits itself to ensure until 31 December 2021 that Cherry Holding GmbH is managed in a way and is properly financed so that it is always in the position to timely fulfil its obligations towards its creditors existing as of 31 December 2020 (obligation to assume liability). Due to the current financial situation of Cherry Holding GmbH we do not expect that a claim is made on the company.

There are no other financial obligations as of the balance sheet date.

Other Disclosures

The Company did not have any employees in fiscal year 2020.

The Company prepares the consolidated financial statements for the smallest group of companies. These will be published in the Federal Gazette [Bundesanzeiger].

The Company is a 100% subsidiary of Cherry TopCo S.à r.l., Luxembourg.

Proposal for the Appropriation of Profit

The management board proposes to carry the net loss for the financial year forward to new account.

Supplementary Report

With the exception of the following no events occurred after the close of the fiscal year that have a significant effect on the assets and liabilities, financial position and financial performance.

The subsidiary Cherry Holding GmbH was merged into the parent company Cherry AcquiCo GmbH. The merger was registered in the trade register on 19 April 2021. In connection with the merger Cherry AcquiCo GmbH changed its name to Cherry Holding GmbH.

Munich, 30 April 2021

The Management Board

Rolf Unterberger | Hans Bernd Josef Wagner

The following report is a translation of the original German-language independent auditor's report, which refers to the German-language annual financial statements as well as the German-language management report for the fiscal year ended 31 December 2020 as a whole.

Independent auditor's report

To Cherry AcquiCo GmbH

Opinions

We have audited the annual financial statements of Cherry AcquiCo GmbH, Munich, which comprise the balance sheet as at 31 December 2020, and the income statement for the financial year from 1 January 2020 to 31 December 2020, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Cherry AcquiCo GmbH for the financial year from 1 January 2020 to 31 December 2020.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2020 and of its financial performance for the financial year from 1 January 2020 to 31 December 2020 in compliance with German legally required accounting principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 para. 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for our opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – "IDW"). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Responsibilities of the executive directors for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the IDW will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.

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

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

Dortmund, 12 May 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Muzzu Wirtschaftsprüfer (German Public Auditor)	Michael Wirtschaftsprüfer (German Public Auditor)

22 RECENT DEVELOPMENTS AND OUTLOOK

22.1 Recent Developments

On April 19, 2021, our former subsidiary Cherry Holding GmbH was merged into the Company. In connection with this merger, the Company's corporate name was changed to "Cherry Holding GmbH" for the interim period until its change of legal form to a German stock corporation (*Aktiengesellschaft*). The change of corporate name was registered with the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Munich on April 20, 2021.

On May 5, 2021, the Company signed an agreement to acquire Active Key, a German-based company with a broad portfolio of hygienic and robust computer input devices, with a focus on hospitals and industrial customers, including peripherals that contribute to infectious disease control, such as washable medical-grade keyboards and disinfectable keyboards and mice. The acquisition was completed on May 7, 2021. Recently, this product area has seen high demand in light of the Covid-19 pandemic. The acquired business with industrial keyboards will complement the Group's portfolio. Active Key has good technological expertise in the niche of hygienic, robust, anti-dust, washable and industrial input devices, which we intend to leverage.

On May 25, 2021, the Company's sole shareholder resolved, in an extraordinary shareholders' meeting of the Company, to increase the share capital from € 36,253.00 by € 1,963,747.00 to € 2,000,000.00 out of the Company's reserves (*Kapitalerhöhung aus Gesellschaftsmitteln*) in order to comply with the statutory requirements for the share capital of a stock corporation (*Aktiengesellschaft*) prior to the effectiveness of the conversion of the legal form of the Company into a stock corporation. In the same extraordinary shareholders' meeting, the Company's sole shareholder approved a resolution to change the Company's legal form to a German stock corporation (*Aktiengesellschaft*) under the legal name "Cherry AG". These changes were effected in accordance with the applicable provisions of the German Transformation Act (*Umwandlungsgesetz*). The capital increase was registered with the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Munich on May 28, 2021 and the change of legal form was registered on June 2, 2021.

With effect as from April 1, 2021, we increased our standard distribution prices for our Office & Industry peripheral products by an average of approximately 3.5%, whereby the price increases differed among the different product types. We also continued with the increase of our standard distribution prices for certain models of our gaming switches; such increase was announced at the end of December 2020 and then implemented in several steps with different percentages (for individual products and customers) between January and May 2021.

Cherry intends to increase its productivity by introducing a multi-machine handling concept, *i.e.*, one machine operator would in future operate several machines instead of a "one person – one machine" handling. Initial feasibility tests to ensure such multi-machine operation can be carried out with a high level of quality and efficiency took place in March and April 2021. The test results were analyzed in May 2021 and we have recently began with the expansion of this concept to all machines in our Auerbach site.

In June 2021, we reached an agreement regarding a term sheet to enter into a new facilities agreement including a term loan in the amount of € 45 million and a revolving credit facility in the amount of € 10 million, which is expected to be signed either at the end of June 2021 or in July 2021. This financing agreement shall replace our current Senior Facilities Agreement and Intercreditor Agreement. The € 80 million currently drawn from the Senior Facilities Agreement is expected to be repaid in full (together with other elements of the Release Amount) from the proceeds of the Offering (see "*6.2 Reasons for the Offering and Listing; Use of Proceeds*"). For more information, see "*13.18.2 Term Sheet relating to a New Financing Agreement*".

Except as described above, between March 31, 2021 and the date of the Prospectus, there have been no significant changes in our financial position.

22.2 Outlook

The Covid-19 pandemic is a major disruptive event that has affected all key economies worldwide as well as public life and the operations of multiple businesses. Several areas of our business have seen high demand during the Covid-19 pandemic, as the pandemic has accelerated certain trends relevant to our business. These include an increase in gaming activity, which is relevant for our the businesses of our Gaming Switches and Gaming Peripherals business units as gaming activities provide opportunities to socialize and co-experience content without physical contact; remote working (so-called "home office") and remote learning (so-called "home schooling" or "e-learning"), which are in particular relevant for our Office & Industry business unit, as well as the shift of many educational and recreational activities to an online format, driven also by the significant limitations imposed on other competing recreational activities due to lockdowns and similar restrictions imposed by national and local governments. We believe that several of these trends will continue to be relevant to a certain extent also beyond the Covid-19 pandemic and beyond, for example with forms of hybrid working models (partly at home and partly in an office). We also expect that demand for washable medical-grade keyboards and disinfectable keyboards and mice, an area in which we plan to expand with the recent acquisition of Active Key, will continue to be significant during the rest of 2021 and beyond. Furthermore, we expect that the rising trend towards cloud gaming will further drive demand for high-quality peripherals such as high-quality professional gaming keyboards, mice and headsets. We plan additional product launches during the second half of 2021 in the Professional business area (*i.e.*, wireless and corded keyboards and mice).

In addition, we expect that demand for our new CHERRY MX Ultra Low Profile mechanical switches for gaming laptops, which we launched in March 2021 in cooperation with Alienware, Dell's gaming laptop brand, will be significant during the rest of 2021 and in 2022. Moreover, we plan to further work on innovations in the Gaming Switches business unit in preparation for a potential launch of new products in 2022.

Our Gaming Peripherals business unit plans to expand its product portfolio with launches of a new headset, as well as new versions of keyboard with more compact designs as well as wireless mice during the second half of 2021. In our Office & Industry Peripherals business unit, we plan to introduce three new wireless desktop combos as well as three new corded mechanical keyboards during the remainder of 2021 with a focus on the "creators" market segment (*e.g.*, heavy typers). In addition, we plan to launch an office keyboard with our CHERRY MX Ultra Low Profile key switch in 2022. Our Healthcare & Security Peripherals business unit targets a launch of our CHERRY eHealth PIN-Pad PP-1516, which can be used together with the CHERRY eHealth Terminal ST-1506, during the second quarter of 2022, and launches of a customized smartcard reader module for integration into existing cash registers of a customer as well as an updated version of our CHERRY eGK-Tastatur G87-1505 during the third quarter of 2022. In order to expand and maintain production capacities for new and existing products, the Company has budgeted annual capital expenditures, including lease capital expenditures, over the short-term ranging between € 20.0 million and € 22.0 million (thereof, roughly € 4 million to € 6 million is expected to relate to replacement capital expenditures, *e.g.*, for overhaul and the purchase of toolings). The budgeted capital expenditures have a focus on increasing production capacities for the new CHERRY MX Ultra Low Profile key switch at our production facility in Auerbach, Germany.

In addition, we observe a shortage of electronic supplies and increase of transportation costs and certain shortages on plastic granulates, which we expect to continue at least until the end of the current fiscal year 2021. A further trend we observe is a high demand for eHealth terminals and a very high demand for switches.

For fiscal year 2021, the Company estimates that the Group's organic revenue shall be in the range of 30% to 40% higher than the Cherry Holding Group's revenue for fiscal year 2020, under the premise that, during the portion of fiscal year 2021 remaining as of the date of the Prospectus, our business will not be negatively affected by an economic downturn, shortage of supplies or other unforeseeable impacts and events. In this regard, we expect growth across our four business units, in particular in our Gaming business area and our Health & Security Peripherals business unit. In the medium term, we target a strong double-digit revenue organic growth rate per annum. This growth also includes growth we expect from our entering the new market segment for gaming laptops with our new Ultra Low Profile switches (and potentially other laptop segments in the future). Over the coming years, beginning in 2022, we also target a further improvement of the Group's margins, underpinned by different measures, including the above-mentioned multi-machine handling concept, which we expect will contribute to increase the efficiency of our operations. It must be noted, however, that the Group's margins may vary from period to period due to the extent, order and timeline of the implementation of investments, efficiency measures and other factors.

In setting our medium term targets, we have assumed, among others, that (i) that there will be no significant changes in existing political, legal, fiscal, market or economic conditions, or in applicable legislation, regulations or rules (including, but not limited to, accounting policies, accounting treatments and tax rules and interpretative guidance) and that foreign exchange rates will not change materially, in each case except as described in this section and elsewhere in the Prospectus, (ii) a successful execution of our strategies as described in this section and elsewhere in the Prospectus, in particular in "*13.3 Our Strategy*", and (iii) market trends to materialize as described in "*12 Market and Competitive Environment*", including the persistence of trends such as a continuing increase in the number of gamers and eSports viewers, hybrid work models and related spend in office and industry peripherals, and a continuing demand for disinfectable peripherals, among others.

Certain statements in this section, including, in particular the expectations and targets described above, constitute forward-looking statements. These forward-looking statements are not guarantees of future financial performance, and the Group's actual results could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including but not limited to those described under "*4.5 Forward-Looking Statements*" and "*3 Risk Factors*".

23 GLOSSARY

This Glossary contains a short description of technical terms used in the Prospectus.

Bounce times...........................	Bounce times is the time taken for "bouncing", a mechanical triggered disturbance (disruptive effect) in electromechanical switches and push buttons.
CID	Abbreviation for computer input devices.
CPU	Abbreviation for "central processing unit", which is the electronic circuit within a computer which executes instructions that make up a computer program.
eGK	Abbreviation for “electronic health card" (in German: *elektronische Gesundheitskarte*). The electronic health card includes its own processor which saves the personal data of the card owner. The data includes the health insurance, the patient master data, the ID of the patient, the postal address, date of birth as well as place of birth and the physician.
eHealth	The collective term "eHealth" covers all applications which make use of modern information- and communication technology to support the treatment and care of patients.
eSport	The term "eSports" (sometimes spelled as "e-sports" or "Esports") is an abbreviation for "electronic sports", which describes a form of sport competition using video games. eSports often take the form of organized, multiplayer video game competitions, particularly among professional gamers, individually or as teams. Around the late 2000s, participation by professional gamers and spectatorship in these events through live streaming became increasingly popular. Currently, eSports are a significant factor in the video game industry, with many game developers and manufacturers of gaming peripherals actively designing and providing funding for tournaments and other events.
ePA..	Abbreviation for electronic patient file. The electronic patient file is a reporting system, which documents the medical history, including test results, the vaccination certificate, operation records and treatment procedure. The file contains digital information on CT scans and radiological as well as cardiologic recordings.
ERP-Software..........................	"ERP" is an abbreviation for Enterprise Resource Planning. The software for Enterprise Resource Planning is a system, which control running business processes at a company or an organization. The functions of these systems, including purchase, production and sale, are connected over a shared data base. As a result, the planning of these processes are possible on all company levels.
FPS or "first person shooter"...	FPS is the abbreviation for "first person shooter", a game genre centered around weapon-based combat in a first-person perspective.
Gamer	A gamer is an individual who plays games across any platform without any time or frequency qualifications.
Games	The term "games" is intended to cover all games played primarily on PCs, mobile devices and consoles.
Gaming switches	The term "gaming switches" relates to mechanical keyboard switches for

Gaming.

gSMC-KT security card .... Abbreviation for Security Module Card Type KT. The gSMC-KT is a chip card for devices used in the field of telematics infrastructure. In this field, the card is a security module for card terminals.

HBA .... Abbreviation for *Heilberufeausweis*. The electronic healthcare profession ID card (*Heilberufeausweis*) is a personalized chip card (cheque card format) for members of healing professions in the German health care system.

IFRS .... Abbreviation for International Financial Reporting Standards as adopted by the European Union.

Independent developer (Indie) games...................................... Indie games are video games that are usually created by smaller development teams or by individuals without the financial and technical support of a major game manufacturer.

IoT .... The term "IoT" stands for "Internet-of-Things" which is a system of interrelated computing devices which collect and exchange data over a network.

Mechanical switch .... A mechanical switch is an actual physical switch underneath each key of a mechanical keyboard to determine when a key has been pressed. By pressing the key, the switch is pressed down as well. By pressing the switch down, the keyboard sends a signal to the computer telling it that a key has been pressed.

"Memchanical" switch............. "Memchanical" (sometimes spelled "mem-chanical") refers to an enhanced membrane keyboard which has a feel similar to that of a mechanical switch.

MMO....................................... Abbreviation for massively multiplayer online. A massively multiplayer online game is an online game with large numbers of players on the same server, where players are often required to pay an ongoing fee to play.

N-key rollover .... N-key rollover describes the possibility that all keys of a keyboard can be pushed at the same time and also be registered. As a result, there is a simultaneous correct process of multiple keystrokes.

OEM .... Abbreviation for original equipment manufacturer, a company that manufactures devices from component parts purchased from other companies and sells such devices under its own brand name.

Opto-mechanical switch .... An opto-mechanical switch is a mechanical switch that uses a light beam to actuate over an actual piece of metal

PC... Abbreviation for personal computer.

Penetration testing .... The term "penetration testing" describes an authorized cyberattack, where an attack is staged to check for vulnerabilities in the IT infrastructure.

Peripherals .... Peripherals are hardware devices, such as mice, keyboards, headsets, audio devices and controllers, used to play games in conjunction with a PC or a console.

RPGs.................................... Abbreviation for role playing games. A role playing game is a video game genre where the player controls the actions of a character, often involving a complex form of character development.

Switch .... A switch is an activated network switch works as a coupling element and establishes a connection between various networking segments. In the context of the Group's business, a switch is a mechanism, located underneath each key of a mechanical keyboard. It registers the keystroke.

Telematics .... Telematics is a technology that combines telecommunications and informatics. It is used for linking information of at least two information systems with the support of a telecommunication system and specific data processing.

TKL .... Abbreviation for "tenkeyless", which refers to a keyboard which does not have the numberpad ("tenkey") typically included in a keyboard with a full-size layout.