HALF-YEAR REPORT

H1/2023

KEY GROUP FIGURES (IFRS)

€ million / as reported	April 1 to June 30, 2023	April 1 to June 30, 2022	Change	Jan. 1 to June 30, 2023	Jan. 1 to June 30, 2022	Change
Revenue	32.6	32.9	-0.9%	61.3	65.9	-6.9%
thereof Gaming	9.7	12.9	-24.7%	20.5	24.8	-17.5%
thereof Professional	22.9	20.0	14.5%	40.8	41.1	-0.7%
Gross profit	11.9	11.0	8.2%	18.5	20.8	-10.9%
Gross profit margin	36.6%	33.4%	3.2 pp	30.2%	31.6%	-1.4 pp
EBITDA	4.4	4.3	1.4%	1.5	8.2	-81.1%
EBITDA (adjusted)[1]	4.5	5.0	-9.8%	3.2	9.4	-66.1%
EBITDA margin	13.4%	12.9%	0.5 pp	2.5%	12.4%	-9.9 pp
EBITDA margin (adjusted)[1]	13.8%	15.3%	-1.5 pp	5.2%	14.3%	-9.1 pp
EBIT	0.9	0.4	125.0%	-5.7	0.4	-1525.0%
EBIT (adjusted)[1]	1.0	1.2	-16.7%	-4.1	1.7	-343.1%
Group net loss	0.3	-0.4	-175.0%	-5.0	-0.6	706.5%
Earnings per share (in €)	0.01	-0.01	-200.0%	-0.22	-0.03	633.3%
Cash flows from operating activities	-8.7	2.9	-400.0%	-26.6	0.3	-9585.7%
Cash flows from investing activities	-2.3	-4.4	-47.7%	-8.3	-6.3	31.2%
Free cash flow	-11.0	-1.5	633.3%	-34.9	-6.0	477.5%

€ million / as reported	June 30, 2023	Dec. 31, 2022	Change
Total assets	364.7	379.1	-3.8%
Cash and cash equivalents	52.4	92.8	-43.5%
Net working capital[2]	68.8	40.9	68.2%
Equity	243.2	251.8	-3.4%
Equity ratio	66.7%	66.4%	0.3 pp
Net cash (+) / net debt (-)[3]	-8.7	29.9	-129.1%
Employees	492	490	0.4%
Employees (FTE)	448	450	-0.4%

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

Share	
ISIN	DE000A3CRRN9
WKN	A3CRRN
Ticker (trading symbol)	C3RY
Share type	Ordinary bearer shares (no par value)
First quotation	June 29, 2021
Total number of outstanding shares	24,300,000
thereof: Number of treasury shares	1,110,284
Stock exchange and segment	Prime Standard / regulated market FWB
Designated sponsor	Hauck Aufhäuser Lampe
Xetra closing price as of June 30, 2023	€3.87
Market capitalization as of June 30, 2023	€89.7 million

SUMMARY

WITH A SUCCESSFUL 2ND QUARTER, WE ARE AHEAD OF PLAN IN TERMS OF SALES AND PROFITABILITY IN THE 1ST HALF AND CONFIRM THE FORECAST COURSE FOR THE FULL YEAR

SIGNIFICANT PROGRESS IN THE FIRST HALF OF 2023

- With revenue of EUR 32.6 million and adjusted EBITDA of EUR 4.5 million, the adjusted EBITDA margin reached 13.8% in the second quarter, largely driven by business with peripherals for gaming and office applications and the Digital Health & Solutions business unit.

- Cherry reported Group revenue of EUR 61.3 million for the first six-month period and an adjusted EBITDA margin of 5.2%, thus surpassing its internal forecast in the first half.

- The ongoing internationalization of the Cherry Group, including the complete integration of Xtrfy in the new joint premium brand "CHERRY XTRFY", the successive expansion of the e-commerce business, and the consistent implementation of our business plan in the Digital Health & Solutions business unit, led to revenue growth of around 13.6% in the second quarter compared to the previous three-month period, in a market environment that remains challenging.

- The main focus continues to be on professional sales management, the expansion of our international sales and partner network, implementing the required operational and process-related measures to enhance performance and efficiency, and the strategic, concept-driven expansion of our portfolio of products and services.

- The components business is currently being strategically transformed into an OEM business. The second automated assembly machine for CHERRY MX ULP switches will reduce manufacturing costs in the Components business unit.

- The build-up of inventories peaked in the second quarter, effectively securing the additional corporate growth planned for the second six-month period. Existing stocks now have sufficient breadth and depth to meet demand in the second half of the fiscal year.

- Cherry confirms its guidance for the current fiscal year of Group revenue within a range of EUR 135 to 165 million and an adjusted EBITDA margin of around 10 to 14%.

FOCUS FOR THE SECOND HALF OF 2023

- Ensuring operational excellence under the leadership of the entire Management Board

- The continued internationalization of business with Gaming Devices and Office Peripherals to further penetrate markets in Europe and America

- Sales focus on Digital Health & Solutions, also based on current legislative projects to increase the installed base prior to launching new services

- Intensive margin and inventory management and cash conversion

- Acquisition of OEM customers in the components business, first revenue contributions from the MX2 generation of switches, and an increasing share of revenue from ULP switches.

Oliver Kaltner, CEO of Cherry SE, comments

"In the first half of the year, the new Cherry SE management team dedicated itself to implementing a range of individual internal and external measures as well as strategically adjusting business activities. Our efforts are now beginning to bear fruit. We were already able to recoup the budgeted first-quarter operating loss in the course of the second quarter with a marked improvement in earnings. At the halfway stage of the year, business performance exceeded our budgeted targets for both revenue and operating profitability. We remain fully committed to achieving operational excellence at every level and across all corporate functions. With targeted strengthening at management level, improved internal checks and balances, and comprehensive cost management, we will continue to grow quarter for quarter in the further course of the year on the back of the strong growth drivers relevant for our business. Accordingly, we remain confident in our ability to achieve our targets for the fiscal year 2023."

Oliver Kaltner (CEO)

DEAR SHAREHOLDERS,

In the second quarter 2023, we made significant progress in our efforts to successfully transform the Cherry Group. This progress relates both to the ongoing strategic development of the markets in which Cherry operates and to the implementation of targeted measures to further boost operating efficiency and performance. In addition to practicing rigorous cost management and implementing concrete plans to reduce inventories, these include merging the Gaming Devices and Office Peripherals business units to form a single PERIPHERALS business unit, the strategic adaptation of the Group's core orientation, and various changes in management positions.

On the one hand, our efforts to consistently continue internationalizing our entire computer peripherals product portfolio across three continents and 30 national sales markets was a key factor driving the Group's revenue growth of around 13.6% in the second quarter compared with the previous three-month period. On the other hand, the increasing political direction from the German Federal Minister of Health, Karl Lauterbach, to introduce e-prescriptions across the board from July 2023, which we had expected, was a major driver of the Digital Health & Solutions business unit's good second-quarter performance.

The e-prescription is set to be made mandatory from January 1, 2024 and thus established as a fully digital standard in the provision of medicines going forward. According to legislation announced for this year, the digitization of the German healthcare market will be significantly expedited in future and new digital health applications will be brought closer to the point of care. The move will create a huge demand for diverse cloud-based application software combined with certified hardware in future. In order to leverage this tremendous market potential with recurring revenue sources based on additional "SaaS" business models, we realigned our M&A strategy at the beginning of the second quarter.

We were able to finish the first half of the year with Group revenue of around EUR 61.3 million and an adjusted EBITDA margin of 5.2% in an unchanged challenging market environment, thus returning Cherry to operating profit as early as the second quarter as planned. The turnaround was primarily achieved on the back of positive margin effects resulting from a change in the Group's product mix compared with the previous quarter.

In the Gaming Devices business unit, we were able to complete the integration of the Swedish e-sports specialist Xtrfy, which we acquired in January 2023, and have already achieved some initial success with the new premium brand "CHERRY XTRFY", with innovative products such as the elegant CHERRY MX 8.2 TKL Wireless professional gaming keyboard. The kick-off event for implementing the internationalization strategy held on May 26 at XPERION Cologne, the gaming location for e-sports events in Germany, was celebrated by the more than 130 invited international guests from the worlds of industry, media, e-sports teams, and influencers. The further expansion of our e-commerce plan also enabled us to additionally accelerate our multi-channel market penetration in the field of office peripherals. The market launch of the CHERRY KW X ULP in April, the Group's first own mechanical high-end office keyboard with its ultra-flat ULP switches, was also a resounding success and has already convinced many independent testers in every respect with its outstanding performance.

In June, we installed the second automated assembly machine for CHERRY MX ULP switches at the Auerbach site. Its improved architecture will significantly boost production capacity from the second half of the year and have a positive impact on manufacturing costs in the Components business unit. Moreover, the first switches of the new MX2 switch generation have already been produced and global marketing is scheduled to begin in the third quarter. Our sales strategy, which we adjusted in the second quarter to include a stronger focus on direct long-term OEM partnerships, should enable us to better tap additional market segments such as high-end notebooks and premium office keyboards in the future, in order to sustainably increase sales volumes in the Components business unit again and improve planning quality in production.

With the significant strengthening of our management team at the international level and the creation of new positions in key operational functions, we are also continuing to strengthen the Group's corporate culture, building on Cherry's legacy on the one hand, while also taking into account the key elements of modern, cosmopolitan corporate management in a hybrid working world on the other. We have changed the name of our Human Resources unit to People & Culture and introduced a number of new programs and measures to make cultural development visible both internally and externally.

We would like to take this opportunity to explicitly thank the entire Cherry team for their outstanding personal commitment during the first six months of the year and extend a warm welcome to all our new colleagues.

Munich, August 2023

Oliver Kaltner
CEO

Dr. Mathias Dähn
CFO

Dr. Udo Streller
COO

CHERRY ON THE CAPITAL MARKET

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

INVESTMENT HIGHLIGHTS

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

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

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

Scalable production base
Highly automated assembly machines and warehouse robotics

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

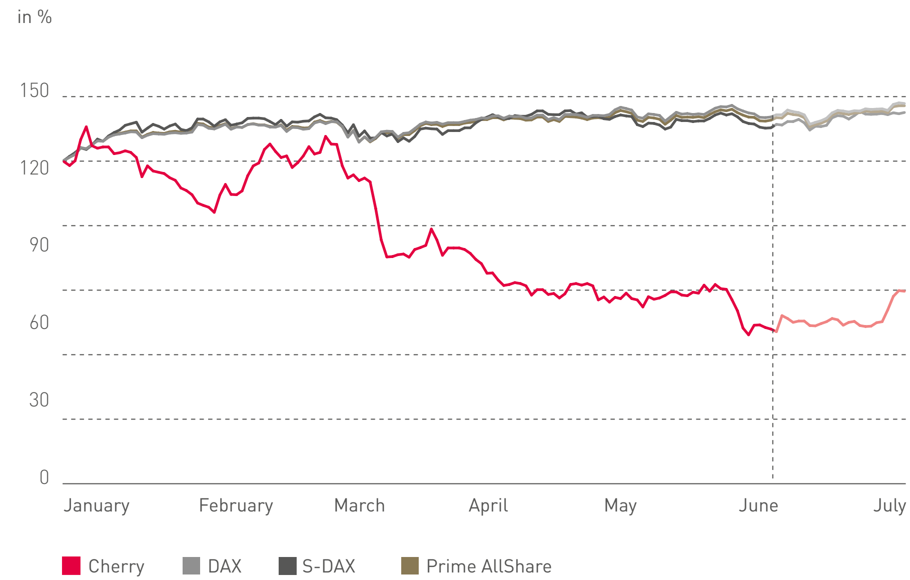
Solid financial profile
High profitability and attractive cash conversion

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

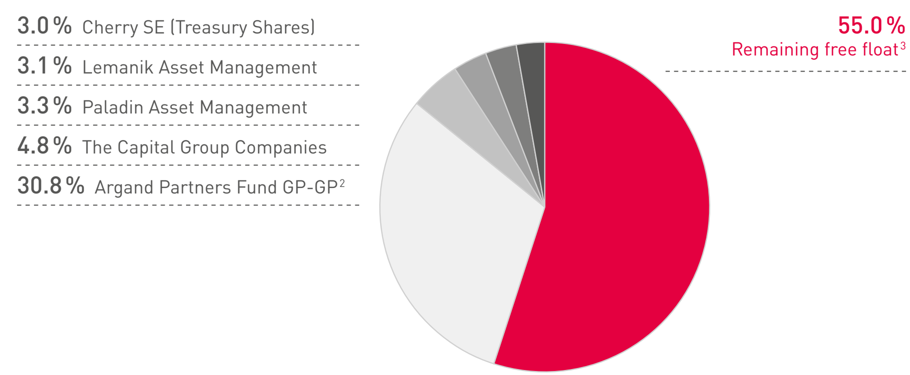
ANALYSTS

Institute	Analyst	Recommendation	Target price	Date
ABN AMRO / ODDO BHF	Julian Dobrovolschi Leopoldo Palazzi Trivelli	Neutral	€6.50	June 20, 2023
Hauck Aufhäuser Investment Banking	Marie-Thérèse Gruebner Tim Wunderlich	Buy	€12.00	July 26, 2023
Metzler Capital Markets	Tom Diedrich	Buy	€7.00	July 26, 2023
Montega AG – Equity Research	Miguel Lago Mascato	Buy	€9.00	May 17, 2023
Warburg Research	Jörg Philipp Frey Andreas Wolf	Buy	€7.00	June 20, 2023

RELATIVE PERFORMANCE OF THE CHERRY SHARE



SHAREHOLDER STRUCTURE[1]



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

New standards – **new age**

reddot winner 2023

The CHERRY KW X ULP Mechanical Keyboard combines all the advantages of a mechanical keyboard with the aesthetics of modern slimline devices. Equipped with state-of-the-art connectivity, a rechargeable battery and high-quality materials, the result is a unique premium product. Whether wireless or wired, in the office or at home, the KW X ULP Mechanical Keyboard sets new standards and ushers in a new era.

03 Cherry Group Half-Year Management Report as of June 30, 2023

1. REPORT ON ECONOMIC POSITION

In view of the expected increasing level of digitization within the German healthcare system based on the digitization-related laws announced by the German Federal Ministry of Health for the current year, Cherry SE has further developed its business model, initially with a focus on the Digital Health & Solutions business unit. In future, the indirect sale of hardware for the telematics infrastructure (TI) via systems partners is to be supplemented by cloud-based business models (SaaS) in the digital healthcare sector in order to tap into recurring sources of revenue in addition to existing business models and further increase the already above-average profitability of this business unit within the Group. The intended expansion of the range of products and services is to be achieved by executing the M&A strategy, which was also realigned during the period under report.

The current legislative projects Digital Act (DigiG) and Health Data Usage Act (GDNG) will shape the industry-related framework conditions in the German healthcare market going forward. The current DigiG draft legislation provides for a changeover of the electronic patient record (ePA) to an opt-out procedure. The bill will make the e-prescription mandatory as of January 1, 2024 and thus establish it as a fully digital standard in the provision of medicines. Moreover, digital health applications (DiGA) will be brought closer to the point of care and the use of video consultations and teleconsultations will be expanded, among other measures. This innovation will create a great need for a variety of cloud-based application software for the various players and service providers (B2B, B2C, B2B2C) in the German healthcare system going forward, including TI messaging, i.e. secure communication within the telematics infrastructure (TI).

According to the German Bundesbank in its monthly report dated July 2023, there was a slight upturn in macroeconomic conditions in the second quarter, helped by the fact that the labor market remained in good shape, wages rose strongly, and price inflation did not worsen. Moreover, the prevalence of supply bottlenecks continued to ease. Private consumption is likely to have stabilized by the spring. According to the GfK, consumer confidence improved halfway through the second quarter and income expectations in particular rose significantly. The challenges for business and consumers, which remain unchanged in the overall picture, are described, among other things, by the data from the market research institute Circana. Accordingly, private consumption in the USA was down overall, with consumer electronics recording a decline in the number of units sold despite lower average selling prices. The Chinese market for computer peripherals was highly competitive in the second quarter, as local brands entered the market with their products using a strong discounting strategy.

The Cherry Group reporting entity has grown following the acquisition of the Swedish e-sports specialist Xtrfy, which was completed on January 17, 2023. Against the backdrop of the internationalization strategy adopted in the Peripherals and Gaming Devices business units, which was systematically expanded during the period under report, ensuring the complete flow of goods in all distribution countries, and the Group-wide intensification of sales management, the planned integration of Xtrfy was accelerated. In addition to changing the name of the Swedish company to "Cherry Xtrfy AB", this included in particular the creation of the joint brand name "CHERRY XTRFY", with the aim of offering gamers in the premium segment of the e-sports scene even greater added value with an increased international market presence going forward.

The ongoing implementation of measures to enhance the efficiency of operational performance processes also included various measures relating to the Group's organizational structure during the period under report. To improve the management system at international level, the two business units Peripherals and Gaming Devices were combined to form a joint PERIPHERALS business unit. The new structure is designed to promote synergies between the two teams and foster greater efficiency, including a harmonized route-to-market strategy and accelerated growth through up- and cross-selling with an overall higher degree of international market penetration. By using a matrix organizational approach, several sub-units for products and portfolio, including category management and marketing, have been established within the combined business unit.

Note: Unless stated otherwise, the explanatory notes to the income statement and the cash flow statement relate to the first half of the current fiscal year; explanatory notes to the statement of financial position relate to June 30, 2023 and the change in the first half of the 2023 fiscal year. Comparative figures relate in each case to the same period one year earlier or to December 31, 2022. Due to the different presentation of units in the report and for computational reasons, rounding differences may occur in the explanations, tables, and in references to the mathematically exact values (EUR thousand; percentages (%), etc.).

BUSINESS PERFORMANCE

In line with our expectations, in the first half of the current fiscal year the macroeconomic environment continued to be characterized by high inflation and rising interest rates. Accordingly, the economic environment remained challenging.

Business with gaming devices and peripherals for office and industry developed well compared with the previous year – despite the difficult underlying conditions. Both business units achieved significant year-on-year revenue growth. By contrast, sales in the Components and Digital Health & Solutions business units remained subdued, although Digital Health & Solutions saw a significant upturn in the second quarter.

In the first half of the year, Cherry generated Group revenue amounting to EUR 61.3 million (H1/2022: EUR 65.9 million) and adjusted EBITDA of EUR 3.2 million (H1/2022: EUR 9.4 million). This corresponds to an adjusted EBITDA margin of 5.2% (H1/2022: 14.3%).

Recent business developments are in line with the plan drawn up by the management team. A year-on-year decline in both revenue and adjusted EBITDA was anticipated in the first half of 2023 and taken into account accordingly in the corporate plan, which also formed the basis for the forecast for the current fiscal year. Although the result achieved is of course not satisfactory for Cherry, the first positive developments have been brought about in recent months by employing targeted management strategies. With a combination of rigorous sales management and a raft of operational improvements, Cherry has succeeded in surpassing its own expectations and reaching the break-even point in terms of (adjusted) EBITDA by the halfway point of the current fiscal year.

The overriding objective of the Management Board is to get the Group back on course for renewed growth. With this aim in mind, high expenses and investments have already been allocated to the strategic realignment of the Cherry Group during the current fiscal year. Apart from adjustments to sales structures and the product portfolio, this includes in particular a planned diversification of the business model. Furthermore, the rigorous implementation of operational measures to sustainably cut costs, eliminate inefficiencies, and leverage synergies is intended to ensure long-term profitability.

Business performance of the business areas

The **GAMING** business area generated revenue of EUR 20.5 million (H1/2022: EUR 24.8 million) in the first half of the current fiscal year. Adjusted EBITDA amounted to EUR 0.3 million (H1/2022: EUR 2.1 million), with an adjusted EBITDA margin of 1.7% (H1/2022: 8.5%).

The decline was mainly attributable to the **Components** business unit, where revenue decreased by 48.5% to EUR 6.7 million (H1/2022: EUR 13.0 million).

Demand for switches also remained subdued in the first half of the current fiscal year. Due to the twin impact of the COVID-19 pandemic and the Ukraine war, business at many OEMs was down sharply, which is why distributors and customers alike still have large inventories in some cases.

For these reasons, our switches are currently still being produced almost exclusively to customer order, even after the end of short-time working arrangements at the Auerbach site at the end of the first quarter 2023. Specific reduction plans have been drawn up for existing stocks. The increase in inventories is partially due to stocking up with second-generation MX switches, the market launch of which is scheduled to begin in the third quarter of the current fiscal year.

Moreover, the second automated assembly machine for ULP switches was set up during the second quarter and will have a positive impact on manufacturing costs. With its ultra-flat design, the new ULP switch offers a wide range of possible applications, including in high-end office notebooks or premium office keyboards such as the recently launched Cherry KW X ULP. This innovation gives Cherry the opportunity to activate new business with existing customers as well as to address completely new target groups. By adjusting the sales strategy, which in future will place a stronger focus on direct long-term partnerships with OEMs, the aim is to address these directly and thereby increase sales volumes in the long term.

With revenue of EUR 13.8 million, the **Gaming Devices** business unit also performed better than in the previous year (H1/2022: EUR 11.8 million).

The growth resulted primarily from the acquisition of the Swedish e-sports specialist Xtrfy in January of the current fiscal year. With this acquisition, Cherry has succeeded in purposefully supplementing its existing gaming product portfolio and also gained better access to the gaming and e-sports community. In order to be able to fully exploit the potential and synergies arising from this move, the two companies will be pooling all competencies in a holistic manner from now on. Externally, this fact is reflected in particular by a joint brand presence under the new name "CHERRY XTRFY".

Strategic partnerships and cooperations with well-known games manufacturers as well as sponsorship agreements with leading e-sports teams have extended the reach of our gaming products and positively strengthened brand perception. In addition, with the parallel go-live of the "Gaming Goes Global" strategic initiative in the second quarter of the current fiscal year, Cherry's gaming products are now being offered in all markets where the Group is currently active, creating the conditions for further organic growth.

The **PROFESSIONAL** business area generated revenue of EUR 40.8 million (H1/2022: EUR 41.1 million) in the first half of the current fiscal year. Adjusted EBITDA amounted to EUR 2.9 million (H1/2022: EUR 7.3 million), with an adjusted EBITDA margin of 7.0% (H1/2022: 17.8%).

Business with peripherals for office and industry applications within the **Peripherals** business unit developed extremely well. Revenue grew by 20.1% year on year to EUR 32.8 million (H1/2022: EUR 27.3 million), despite the fact that revenue from security devices has been allocated to the Digital Health & Solutions business unit since the second quarter 2023.

Cherry's commitment to quality and customer satisfaction has meanwhile gained a loyal following, a fact also illustrated by the launch of our new microphone series in the first quarter 2023, which has met with a highly positive response from the press and social media and received predominantly 5-star ratings on Amazon.

One of the main drivers of revenue growth is the successful implementation of our e-commerce strategy in both Europe and the USA. Sales volumes via Amazon in particular grew significantly in both regions. Moreover, strategic adjustments were made in this business unit. In addition to a strong focus on optimized sales management, the pricing system for our distributors and sales partners was revised, among other things, which is expected to have a positive impact on unit sales in the medium term due to improved incentive mechanisms.

By contrast, the **Digital Health & Solutions** business unit continued to be impacted by politically related uncertainties. Business with safe, hygienic input devices for the healthcare sector generated revenue of EUR 8.1 million and was therefore down by 40.9% on the previous year (H1/2022: EUR 13.7 million). Since the beginning of the second quarter 2023, revenue generated with security devices has been reported in the Digital Health & Solutions business unit, whereas previously it was allocated to the Peripherals business unit.

The main reasons for the decline in revenue in that business unit are ongoing delays in the telematics infrastructure caused by political and technical factors affecting the implementation of new specialist applications such as the e-prescription and the electronic patient record. Their introduction has been repeatedly delayed, partially due to data protection concerns and technical difficulties on the part of the government, which has so far led to a strong reluctance by customers to purchase e-health terminals. The e-prescription was meanwhile introduced on July 1, 2023 and the electronic patient record is expected to be mandatory by the end of 2024. With the implementation of the e-prescription and the increasing certainty regarding the electronic patient record, a perceptible upturn in demand is expected in the second half of the current year. This momentum is supported by the successful launch of the new PIN pad, which already made an initial contribution to revenue in the second quarter of the year.

Business with hygienic, washable keyboards and security devices, on the other hand, remained buoyant on the back of consistent brisk demand.

The PROFESSIONAL business area's share of total revenue increased to 66.6% (H1/2022: 62.3%), while the GAMING business area's share decreased to 33.4% (H1/2022: 37.7%).

	GAMING			PROFESSIONAL			Group		
€ million / as reported	Jan. 1 to June 30, 2023	Jan. 1 to June 30, 2022	Change	Jan. 1 to June 30, 2023	Jan. 1 to June 30, 2022	Change	Jan. 1 to June 30, 2023	Jan. 1 to June 30, 2022	Change
Revenue (with third parties)	20.5	24.8	-17.5%	40.8	41.1	-0.6%	61.3	65.9	-7.0%
Gross profit	3.5	3.8	-6.9%	15.0	17.1	-12.2%	18.5	20.8	-10.8%
Gross margin	17.3%	15.1%	2.2 pp	36.7%	41.6%	-4.9 pp	30.2%	31.6%	-1.4 pp
EBITDA (adjusted) [1]	0.3	2.1	-83.7%	2.9	7.3	-61.0%	3.2	9.4	-66.0%
EBITDA margin (adjusted) [1]	1.7%	8.5%	-6.8 pp	7.0%	17.8%	-10.8 pp	5.2%	14.3%	-9.1 pp
EBIT (adjusted) [1]	-4.6	-3.4	34.3%	0.5	5.0	-89.8%	-4.1	1.7	-338.7%
EBIT margin (adjusted) [1]	-22.3%	-13.5%	-8.8 pp	1.2%	12.2%	-11.0 pp	-6.6%	2.5%	-9.1 pp

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

Segment performance

Due to their organizational integration in the Group, individual segments generate earnings either exclusively or almost exclusively within the Group. To make it easier to compare the profitability of the individual segments, revenue, order intake, and inventories are reported from the perspective of the respective segment, including intra-Group transactions.

The **Cherry Europe GmbH** segment generated revenue of EUR 33.1 million (H1/2022: EUR 37.2 million) in the first half of the current fiscal year. Gross profit amounted to EUR 6.8 million (H1/2022: EUR 7.0 million), which corresponds to a gross margin of 20.6% (H1/2022: 18.8%). The lower revenue was mainly due to the still subdued business with switches, which was negatively impacted by the macroeconomic environment and high inventory levels at distributors and OEMs. By contrast, business with peripherals for office and industry use has already grown perceptibly, mainly driven by Cherry's successful e-commerce strategy. Since the successive transfer of the Amazon business to Cherry E-Commerce GmbH during the first half of the year, the segment has been responsible for supplying the partner company for the Amazon business within the Group. Since then, external revenue with Amazon has been fully generated within Cherry E-Commerce GmbH. The gross margin improved, mainly due to lower labor costs caused by the reduction in production staff. Order intake for the segment totaled EUR 48.1 million (H1/2022: EUR 33.9 million). As of June 30, 2023 the order book stood at EUR 7.0 million (June 30, 2022: EUR 22.7 million). Adjusted EBITDA amounted to EUR -1.7 million (H1/2022: EUR +0.7 million).

The **Cherry E-Commerce GmbH** segment, which performed operating activities for the first time in December 2022, generated revenue of EUR 4.0 million in the first half of the current fiscal year and gross profit of EUR 1.2 million, corresponding to a gross margin of 31.6%. The segment includes revenue generated via its own web store as well as business with Amazon, which was successively taken over by Cherry Europe GmbH in the course of the fiscal year. The segment reported losses due to start-up costs incurred in conjunction with implementing the e-commerce strategy, including the introduction of new sales software. Segment order intake totaled EUR 4.3 million. As of June 30, 2023, the order book stood at EUR 0.2 million. Adjusted EBITDA finished at an amount of EUR -0.3 million.

The **Cherry Digital Health GmbH** segment generated revenue of EUR 2.9 million (H1/2022: EUR 10.8 million) in the first half of the current fiscal year. Gross profit amounted to EUR 0.7 million (H1/2022: EUR 2.8 million), which corresponds to a gross margin of 22.9% (H1/2022: 25.7%). The decline in revenue was mainly due to politically induced delays in the introduction of new specialist applications in the telematics infrastructure, such as the e-prescription and the electronic patient record. Order intake for the segment totaled EUR 4.0 million (H1/2022: EUR 12.6 million). As of June 30, 2023 the order book stood at EUR 1.4 million (June 30, 2022: EUR 2.9 million). Adjusted EBITDA amounted to EUR -1.4 million (H1/2022: EUR +1.3 million).

The **Theobroma Systems Design und Consulting GmbH** segment generated revenue of EUR 5.2 million (H1/2022: EUR 10.1 million) in the first half of the current fiscal year. Gross profit amounted to EUR 1.5 million (H1/2022:

EUR 3.1 million), which corresponds to a gross margin of 29.4% (H1/2022: 31.1%). The segment is primarily responsible for manufacturing the e-health terminal and the PIN pad for the Cherry Digital Health GmbH segment. The significant decline in revenue was likewise attributable to politically induced delays in setting up the telematics infrastructure, as the downturn in external demand also meant that fewer devices were needed internally. Adjusted EBITDA amounted to EUR +1.0 million (H1/2022: EUR +2.4 million).

The **Active Key GmbH** segment generated revenue of EUR 3.1 million (H1/2022: EUR 2.7 million) in the first half of the current fiscal year. Gross profit amounted to EUR 1.4 million (H1/2022: EUR 1.2 million), which corresponds to a gross margin of 46.9% (H1/2022: 44.7%). Active Key GmbH mainly generates its revenue with hygienic input devices for the healthcare sector, for which there continues to be a high demand. Order intake for the segment totaled EUR 3.7 million (H1/2022: EUR 4.6 million). As of June 30, 2023, the order book stood at EUR 1.2 million (June 30, 2022: EUR 2.1 million). Adjusted EBITDA amounted to EUR +1.2 million (H1/2022: EUR +0.5 million).

The **Cherry Americas, LLC** segment generated revenue of EUR 6.3 million (H1/2022: EUR 4.5 million) in the first half of the current fiscal year. Gross profit amounted to EUR 1.9 million (H1/2022: EUR 1.4 million), which corresponds to a gross margin of 29.8% (H1/2022: 30.5%). Revenue growth was primarily driven by the expansion of e-commerce activities via Amazon. As a result, higher start-up and implementation costs were incurred, which were partially reflected in increased marketing and selling expenses amounting to EUR 1.7 million (H1/2022: EUR 1.2 million). Order intake for the segment totaled EUR 6.3 million (H1/2022: EUR 6.3 million). As of June 30, 2023, the order book stood at EUR 1.4 million (June 30, 2022: EUR 3.1 million). Adjusted EBITDA amounted to EUR -0.2 million (Q1/2022: EUR -0.1 million).

The Z**huhai Cherry Electronics Co. Ltd.** segment generated revenue of EUR 16.3 million (H1/2022: EUR 15.8 million) in the first half of the current fiscal year. Gross profit amounted to EUR 6.8 million (H1/2022: EUR 4.4 million), which corresponds to a gross margin of 28.0% (H1/2022: 28.0%). The revenue growth was due to the stabilization of business with our gaming devices in China. The switch to a new distributor within China also had a positive impact. Although the supply of Cherry-brand products was initiated in 2022, it was not completed until the first quarter of the current fiscal year. Order intake for the segment totaled EUR 18.7 million (H1/2022: EUR 11.8 million). As of June 30, 2023, the order book stood at EUR 2.2 million (June 30, 2022: EUR 6.7 million). Adjusted EBITDA amounted to EUR +1.2 million (Q1/2022: EUR +3.8 million).

The **Cherry Electronics (Hong Kong) Co. Ltd.** segment generated revenue of EUR 7.0 million (H1/2022: EUR 9.7 million) in the first half of the current fiscal year. Gross profit amounted to EUR 0.5 million (H1/2022: EUR 2.0 million), which corresponds to a gross margin of 6.8% (H1/2022: 20.8%). Similar to the Cherry Europe GmbH segment, the decline in both revenue and gross margin is due to the currently difficult market conditions for business with switches. Order intake for the segment totaled EUR 7.9 million (H1/2022: EUR 9.1 million). As of June 30, 2023 the order book stood at EUR 1.5 million (June 30, 2022: EUR 0.5 million). Adjusted EBITDA amounted to EUR -0.2 million (H1/2022: EUR +1.3 million).

2. NET ASSETS POSITION, FINANCIAL POSITION AND RESULTS OF OPERATIONS

EXPLANATORY NOTES TO THE INCOME STATEMENT

Cherry generated adjusted EBITDA amounting to EUR 3.2 million (H1/2022: EUR 9.4 million) in the first half of the current fiscal year. EBIT came in at a negative amount of EUR -5.7 million (H1/2022: EUR +0.4 million). Similar to the first quarter 2023, the result was well down on the previous year, but nevertheless better than expected.

Group revenue totaled EUR 61.3 million (H1/2022: EUR 65.9 million). The decrease was mainly due to lower sales volumes in the Components and Digital Health & Solutions business units. Thanks to the successful implementation of its e-commerce strategy, the Peripherals business unit saw its revenue grow by 20.1% to EUR 32.8 million.

The gross profit of EUR 18.5 million generated in the first half of 2023 was EUR 2.3 million down on the previous year (H1/2022: EUR 20.8 million), partly due to the lower level of revenue recorded. The gross margin also fell by 1.4 percentage points to 30.2% (H1/2022: 31.6%), mainly reflecting unfavorable product mix effects. Furthermore, the prior-year period included a positive exceptional impact of EUR 2.3 million arising on the change in estimates of obsolescence write-downs recognized in conjunction with the valuation of inventories.

Research and development expenses amounted to EUR 3.1 million and were therefore 23.4% lower than one year earlier (H1/2022: EUR 4.1 million), mainly due to the higher amount of development costs capitalized as a result of a product offensive. Sales and marketing costs rose by EUR 3.1 million to EUR 11.8 million year on year, the primary reasons being the increase in the size of the workforce, start-up costs associated with the e-commerce strategy, and the expansion of sales management. Administrative expenses for the six-month period went up by EUR 2.5 million to EUR 9.8 million, mainly relating to non-recurring expenses in conjunction with the change of personnel within the Management Board, i.e. primarily non-operating exceptional effects that were taken into account in calculating adjusted amounts. Moreover, the Management Board was enlarged to include an additional member (COO) during the first half of 2022, which therefore also resulted in higher expenses compared with the previous year.

An inflation compensation bonus was paid to employees in February and May 2023, resulting in an additional expense of EUR 0.3 million across all departments.

At a net positive amount of EUR +0.4 million, other operating income and expenses improved by EUR 0.8 million (H1/2022: EUR -0.4 million), the main reasons being positive realized and unrealized exchange rate and hedging gains (EUR +0.2 million) arising on USD transactions.

Both EBITDA and EBIT are presented with and without adjustments. The adjustments eliminate exceptional and one-time effects that have no impact on the Group's operating earnings performance. This is intended to show the undiluted margin generated by operations.

In the first half of 2023, a total of EUR 1.6 million of non-operating exceptional effects were adjusted. Of this amount, EUR 1.3 million related to expenses in conjunction with the personnel changes in the Management Board (CEO and CFO) and a further EUR 0.2 million to expenses in conjunction with M&A activities. The remainder was primarily attributable to personnel recruitment costs required to find a General Counsel and other consulting expenses relating to the conversion of the legal form of the holding company into an SE.

RECONCILIATION TO ALTERNATIVE PERFORMANCE MEASURES (ESMA)

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

€ thousand	Jan. 1 to June 30, 2023	Jan. 1 to June 30, 2022
Group net loss	**-5,034**	**-615**
+ Income taxes	-1,710	114
+ Financial result	1,040	911
EBIT	**-5,704**	**409**
+/- Personnel expenses (including share-based personnel expenses) / (income)	1,322	-
+ Expenses related to capital market transactions	-	-
+ Expenses related to M&A transactions	178	386
+ Expenses related to natural disasters and pandemics	-	-
+ Other non-recurring expenses	146	873
Adjusted EBIT [1]	**-4,058**	**1,668**
+ Depreciation, amortization and impairment losses [2]	7,250	7,773
Adjusted EBITDA [1]	**3,192**	**9,441**
EBIT	**-5,704**	**409**
+ Depreciation, amortization and impairment losses [2]	7,250	7,773
EBITDA	**1,546**	**8,182**

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

EXPLANATORY NOTES TO THE STATEMENT OF FINANCIAL POSITION

As of June 30, 2023 the Cherry Group's total assets amounted to EUR 364.7 million and therefore decreased by EUR 14.4 million during the first half of 2023 compared with December 31, 2022 (EUR 379.1 million).

Current assets amounted to EUR 160.4 million and were therefore EUR 16.4 million below the figure recorded as of December 31, 2022 (EUR 176.8 million). The reason for this was a EUR 40.5 million reduction in cash and cash equivalents to EUR 52.4 million, brought about by a number of factors. Firstly, cash at bank was used to additionally build up inventories, which increased by EUR 15.3 million to EUR 80.3 million during the period under report. The increase in inventories, mainly driven by the Peripherals and Gaming Devices business units, partially related to the implementation of the e-commerce strategy and the strategic gaming initiative "Gaming Goes Global" as well as the acquisition of Xtrfy, which included inventories amounting to EUR 2.9 million. However, a significant proportion of these inventories will be utilized as revenue is generated during the second half of the year. Furthermore, additional processes were implemented in order to improve the management of inventory levels going forward. Moreover, inventories take into account a reversal of impairment losses of EUR 0.7 million on switches and keyboards that had previously been written down and for which a marketing opportunity has in the meantime been found.

Another reason for the reduction in cash and cash equivalents was the EUR 8.6 million increase in current trade receivables to EUR 24.9 million, driven by the high levels of revenue generated in May and June, some of which have prolonged payment terms of up to 90 days and therefore do not affect liquidity until the following months. Working in the opposite direction, current trade payables, coming from a high level of EUR 30.9 million at the year-end 2022, decreased by EUR 4.5 million to EUR 26.4 million.

Furthermore, the purchase price share of Xtrfy, which was due to be paid in cash at the time of closing, was paid out to the former owners in the first quarter 2023 (EUR 3.9 million).

Conversely, non-current assets amounting to EUR 204.3 million were slightly above the figure recorded as of December 31, 2022 (EUR 202.3 million). Property, plant and equipment decreased by EUR 0.6 million to

EUR 23.5 million, mainly due to straight-line depreciation, which exceeded the level of new investments. Intangible assets increased by EUR 1.6 million to EUR 160.3 million due to the capitalization of goodwill, trademark rights, technology inventories, and supplier relationships, which were recognized as fair value adjustments in the course of the purchase price allocation (PPA) undertaken for the Xtrfy acquisition (approximately EUR 3.8 million) as well as due to the EUR 1.0 million higher capitalization of development costs. Deferred tax assets went up by EUR 2.1 million to EUR 7.0 million.

Total current and non-current liabilities decreased by EUR 5.7 million to EUR 121.5 million. As previously explained, however, the main driver was the lower level of current trade payables. Non-current liabilities went down by EUR 1.4 million. Of this amount, EUR 1.0 million related to non-current lease liabilities (in accordance with IFRS 16) due to ongoing lease payments.

Group equity decreased compared to December 31, 2022, primarily due to the net loss for the period amounting to EUR 5.0 million, the repurchase of treasury shares amounting to EUR 2.5 million, and negative currency effects totaling EUR 3.4 million. The decrease was offset by the use of treasury shares totaling EUR 1.8 million as transaction currency in conjunction with the acquisition of Xtrfy. Overall, equity fell by EUR 8.7 million to EUR 243.2 million.

EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash outflow from operating activities amounted to EUR -26.6 million in H1/2023, a deterioration of EUR 26.8 million compared to H1/2022 (EUR +0.3 million). The development was mainly attributable to the increase in net working capital (NWC), comprising the net amount of current assets (excluding cash and cash equivalents) and current liabilities (excluding financial debt). NWC rose by around 68.2% from EUR 40.9 million to EUR 68.8 million in the first half of the current fiscal year. The main reasons were the further build-up of inventories amounting to EUR 15.3 million, a EUR 8.6 million increase in current trade receivables, and a EUR 4.5 million reduction in current trade payables. NWC also rose by EUR 7.8 million in H1/2022, but the increase in the current fiscal year was EUR 20.1 million higher than in the previous year. In addition, the net loss reported for the six-month period was EUR 4.4 million higher than one year earlier, with a corresponding negative impact on cash flows from operating activities.

Cash flow from investing activities amounted to EUR -8.3 million in H1/2023, an increase of EUR 2.0 million compared to H1/2022 (EUR -6.3 million), primarily due to higher investments for the acquisition of consolidated companies. In the first quarter of the current fiscal year, the purchase price component for the acquisition of Xtrfy, which was due in cash on the closing date, was paid to the previous owners (EUR 3.9 million). Cash and cash equivalents acquired (equivalent to EUR 0.4 million) were offset against the purchase price payment. In the prior-year period, the final tranche for the acquisition of Active Key GmbH in 2021 amounting to EUR 1.6 million was paid. Investments in intangible assets amounting to EUR 2.7 million also exceeded the previous year's level (EUR 1.8 million), mainly due to the higher capitalization of development costs. Investments in property, plant and equipment totaling EUR 2.1 million, however, were lower than in the previous year (EUR 2.9 million).

Cash outflow from financing activities amounted to EUR -5.4 million in H1/2023, which was EUR 1.0 million higher than in H1/2022 (EUR -4.4 million). The main reasons were outflows relating to the share buyback program 2022 amounting to EUR -2.5 million (up by EUR 0.5 million), as well repayments of bank liabilities totaling EUR -1.0 million (up by EUR 0.4 million). Of this amount, EUR -0.7 million related to the repayment of a credit line with Svedbank AB in the course of acquiring Xtrfy.

The credit line of EUR 45.0 million granted to Cherry by Unicredit Bank AG was drawn down in full as of June 30, 2023. In addition, Cherry has an overdraft facility to cover short-term liquidity requirements amounting to EUR 9.5 million, which was not being utilized as of June 30, 2023, and a guarantee facility of EUR 0.5 million, of which EUR 0.3 million was being utilized for a rental guarantee.

Cash at bank as of June 30, 2023 totaled EUR 52.4 million, 43.6% less than reported as of December 31, 2022 (EUR 92.8 million).

Group equity decreased by EUR 8.7 million to EUR 243.2 million in the first half of 2023 (December 31, 2022: EUR 251.8 million). The main reasons for the lower figure were the net loss of EUR -5.0 million reported for the first half of 2023, the reduction of share capital and capital reserves amounting to EUR -2.5 million as part of the share buyback program, and negative currency effects of approximately EUR -3.4 million, which were recognized in accumulated other comprehensive income.

The equity ratio as of June 30, 2023 was 66.7%, 0.3 percentage points higher than the ratio as of December 31, 2022 (66.4%).

3. REPORT ON OPPORTUNITIES AND RISKS

Cherry most recently published its complete report on opportunities and risks in the Annual Report 2022, which is available for download on the Cherry website at https://ir.cherry.de/de/home/publications/#annual-reports. The report on opportunities and risks, which is part of the Combined Management Report for the Cherry Group and Cherry SE, provides a comprehensive overview of the opportunities and risks identified for the entire Cherry Group.

In this interim report on the first half of 2023, we provide an update relating to new opportunities and risks included in the report and on the assessment of the potential monetary impact of the identified risks and their estimated probability of occurrence, if there have been any changes compared with the status at the end of 2022.

OPPORTUNITIES

The opportunities described in the Annual Report 2022 continue to apply unchanged.

The following opportunities have been newly included in the report:

There is an opportunity for Cherry to reduce material costs and input ratios due to the significant depreciation of the US dollar against the EUR since the third quarter 2022. Whereas the EUR was still weaker than the US dollar at the end of September 2022, the exchange rate had moved back to around 1.12 (EUR/USD) by mid-July 2023. This development is advantageous for Cherry, as the majority of its raw materials are purchased in US dollars, whereas only a significantly smaller amount of revenue is generated in US dollars. Due to the surplus of USD-denominated purchases, any depreciation of the US dollar against the EUR therefore has a positive impact on Group earnings. Exchange rate fluctuations have been very volatile recently, making it difficult to assess whether this trend will continue and how long the situation will remain as it is. For this reason, at the beginning of fiscal year 2023, Cherry began hedging outgoing payments for goods and services in US dollars, to a large extent using stand-alone derivatives (spot hedging) in order to benefit from the favorable exchange rate development for as long as possible.

Overall assessment of the opportunity situation

Despite the twin impact of the COVID-19 pandemic and the Ukraine war on the world economy, Cherry continues to see itself as fundamentally well positioned. It has a strong brand as well as a technologically and qualitatively appealing range of products. Cherry's management team is using this year of consolidation to realign itself strategically, optimize processes, leverage efficiencies and synergies, and improve cost structures. These measures are intended to optimize the Group's positioning within a competitive environment with the overarching aim of returning to the path of growth.

Cherry continually analyzes any opportunities that present themselves with a view to exploiting those which complement its corporate strategy, a key element of which is to develop new hardware and software products for series production and market them as well as expand its international sales network, but also to additionally diversify the range of products and services it offers.

In the Components business unit, opportunities are arising from the Cherry MX V2.0, which is now available. Moreover, sales volume and margin potential are being exploited by adjusting the sales strategy, which will be more strongly focused on direct partnerships with OEMs going forward.

The growing market in the Gaming Devices business unit in particular also presents promising opportunities for new products that are geared to customer needs. The acquisition of Xtrfy has enabled Cherry to expand its own range of gaming products in a meaningful way and also facilitated access to the gaming and e-sports community. With the strategic initiative "Gaming Goes Global", which was implemented during the second quarter of the current fiscal year, Cherry is now offering its gaming products in all the Group's relevant markets. Additional opportunities in this context will also arise from the successive expansion of the e-commerce business, from which the Peripherals business unit in particular will also benefit.

The Digital Health & Solutions business unit, in particular the e-health terminals and PIN pads business, is strongly dependent on external political and regulatory factors. Opportunities exist through the approval of new specialist applications relating to the use of the telematics infrastructure. The competition is limited, due to the high barriers to market entry caused by regulatory aspects. At the moment there is only one approved competitor and Cherry's products are also currently well positioned. Cherry is thus ideally equipped when additional market potential presents itself due to the introduction of new specialist applications.

RISKS

Compared with the Annual Report 2022, the following risks have recently been added to the risk register and assessed.

Financial risks: Higher refinancing costs due to a rise in the key ECB interest rate and associated refinancing rates

The Company is currently exposed to the risk of rising refinancing costs due to further increases in refinancing interest rates. To combat the high inflation rates, the European Central Bank has already raised the key interest rate eight times since July 2022 to 4.0% (as of July 20, 2023). Up to that point, the key interest rate had remained unchanged at 0.0% for several years. These increases have an adverse impact on the Group's refinancing costs, in particular on the credit lines with UniCredit Bank AG totaling EUR 55 million, of which around EUR 45 million was drawn down as of June 30, 2023 and which are now subject to rising interest rates. To compensate for this factor, Cherry invests any free liquidity in the form of fixed-term and overnight deposits. Medium-term fixed deposits can achieve interest rates that virtually compensate for the increase in refinancing interest rates on the credit facility. The risk is therefore limited to an interest amount attributable to an equivalent value of approximately EUR 15 million as of June 30, 2023. The probability of occurrence of this risk is considered unlikely through to the closing date of December 31, 2023, as the reduction in inventories and higher revenue figures in the second half of the year are expected to increase the amount of available liquidity.

The assessment of the risk in terms of probability of occurrence and potential amount of damage has been adjusted as follows:

Status	Probability of occurrence	Quantitative amount of damage
New (June 30, 2023)	Unlikely	High (EUR 250,000 – 1,000,000.)

Overall assessment of the risk situation

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

Furthermore, Cherry possesses a high level of cash and cash equivalents. At the end of the reporting period, cash at bank amounted to EUR 52.4 million.

4. OUTLOOK REPORT

In the Combined Management Report 2022, the Management Board provided a detailed explanation of the assumptions and longer-term trends underlying its forecast for the 2023 fiscal year.

During the first half of 2023, Cherry adopted a broad raft of measures to counteract the negative impacts of the macroeconomic environment, caused mainly by the combined effects of the COVID-19 pandemic and the war in Ukraine, in order to return the Group to its profitable pre-crisis growth trajectory as swiftly as possible. In addition to the internationalization of the Gaming Devices and Office Peripherals business to include up to 30 national sales markets and the further expansion of the e-commerce business, the measures implemented include, in particular, rigorous cost management, investments in IT systems and IT infrastructure, and organizational development. These measures were implemented with the aim of additionally extending Cherry's leading position in its key market segments and further optimizing the management of operational business processes in various functional areas. The positive impact of these measures will become visible predominantly from the second half of the 2023 fiscal year onwards. Against this backdrop, the Management Board regards the current fiscal year as one of transition and consolidation, in which Cherry will be attuned to the changed framework conditions and the further evolved corporate strategy.

In view of the fact that Cherry has surpassed its own forecast for the first half of 2023, based on the measures taken and despite the ongoing challenging market environment, the Management Board expects the positive trend initiated in the second quarter 2023 to drive business performance in the second half of 2023. The Management Board therefore confirms its forecast of March 30, 2023 for the current fiscal year with revenue in the region of EUR 135 to 165 million and an adjusted EBITDA margin of 10 – 14%.

In addition to the internationalization of its business, Cherry sees the seasonal peaks in demand in both the B2C and B2B business due to various sales events such as "Black Friday," "Cyber Monday," and the Christmas season at the end of the year as key growth drivers for the second half of 2023 for the Gaming Devices and Office Peripherals business units. Cherry is also planning various product launches and updates during the further course of the year. Finally, Cherry sees increasing collaboration with influencers, e-sports organizations, and other complementary brands as an effective way of driving growth. As expected, sales volume in the Digital Health & Solutions business unit will benefit from the current Digital Act (DigiG) legislative project as well as from the introduction of the e-prescription redemption process via the electronic health card (eGK), which will also be established as a mandatory, fully digital standard in the provision of medicines as of January 1, 2024. In the Components business unit, initial revenue contributions from the MX2 generation of switches and the increased sale of ULP switches are expected to drive growth in the further course of the year.

The underlying global growth trends in the markets for e-sports and gaming, hybrid office workplaces, and the increasing digitization of the German healthcare system continue to be positive factors for Cherry and also represent strong growth drivers for our business in the medium term.

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2023 IN ACCORDANCE WITH IFRS (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	Note	April 1 – June 30, 2023	April 1 – June 30, 2022	Jan. 1 – June 30, 2023	Jan. 1 – June 30, 2022
Revenue	5.1	32,609	32,893	61,310	65,856
Cost of sales		-20,664	-21,918	-42,764	-45,041
Gross profit		11,945	10,975	18,546	20,815
Marketing and selling expenses		-6,231	-4,325	-11,774	-8,646
Research and development expenses		-1,186	-2,089	-3,136	-4,094
Administrative expenses		-3,799	-4,141	-9,772	-7,235
Other operating income		262	369	666	439
Other operating expenses		-138	-394	-234	-870
Operating result before interest and taxes (EBIT)		853	395	-5,704	409
Financial result	5.2	-434	-443	-1,040	-911
Earnings before taxes (EBT)		419	-48	-6,744	-502
Income taxes		-131	-314	1,710	-114
Group net profit/loss	5.3	**288**	**-362**	**-5,034**	**-615**
Undiluted (basic) earnings per share (in EUR)	5.4	0.01	-0.01	-0.22	-0.03
Diluted earnings per share (in EUR)		0.01	-0.01	-0.22	-0.03

Income and expenses not recognized through profit or loss € thousand	April 1 – June 30, 2023	April 1 – June 30, 2022	Jan. 1 – June 30, 2023	Jan. 1 – June 30, 2022
Other comprehensive income that will be reclassified subsequently to profit or loss	**-2,356**	**1,747**	**-3,381**	**2,941**
Foreign currency translation of financial statements of foreign entities	-2,356	1,747	-3,381	2,941
Other comprehensive income that will not be reclassified subsequently to profit or loss	**-**	**-**	**-**	**-**
Actuarial gains and losses	-	-	-	-
Other changes	-	-	-	-
Income and expenses not recognized through profit or loss	**-2,356**	**1,747**	**-3,381**	**2,941**
Total comprehensive income for the period	**-2,068**	**1,385**	**-8,415**	**2,326**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2023 (IFRS/UNAUDITED)

ASSETS

€ thousand	Note	June 30, 2023	Dec. 31, 2022
NON-CURRENT ASSETS			
Intangible assets	3.2	160,266	158,663
Property, plant and equipment	3.1	23,506	24,109
Right-of-use assets	3.3	13,411	14,553
Other non-financial assets		95	12
Deferred tax assets		7,002	4,938
		204,280	**202,275**
CURRENT ASSETS			
Inventories		80,300	65,021
Trade receivables		24,932	16,348
Current income tax receivables		773	346
Financial assets		7	-
Other non-financial assets		2,002	2,228
Cash and cash equivalents		52,371	92,848
		160,385	**176,791**
Total assets		**364,665**	**379,066**

EQUITY AND LIABILITIES

€ thousand	Note	June 30, 2023	Dec. 31, 2022
EQUITY			
Subscribed capital	4.1	23,190	23,393
Capital reserves		257,549	257,585
Accumulated deficit		-39,045	-34,012
Accumulated other comprehensive income		1,479	4,860
		243,173	**251,826**
NON-CURRENT LIABILITIES			
Pension provisions		534	718
Other provisions		790	765
Financial liabilities	4.2	45,184	45,278
Lease liabilities		11,902	12,898
Other non-financial liabilities		100	105
Deferred tax liabilities		20,100	20,216
		78,610	**79,980**
CURRENT LIABILITIES			
Other provisions		473	253
Financial liabilities	4.2	208	208
Lease liabilities		3,483	4,027
Trade payables		26,397	30,886
Current income tax liabilities		1,724	1,962
Other financial liabilities		5,308	6,088
Other non-financial liabilities		5,289	3,836
		42,882	**47,260**
Total equity and liabilities		**364,665**	**379,066**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD JANUARY 1 TO JUNE 30, 2023 (IFRS/UNAUDITED)

€ thousand	Note	April 1 – June 30, 2023	April 1 – June 30, 2022	Jan. 1 – June 30, 2023	Jan. 1 – June 30, 2022
Net profit/loss for the period		288	-362	-5,034	-615
Depreciation, amortization and write-downs (+) / reversals thereof (-) on fixed assets		3,587	3,854	7,277	7,773
Increase (+) / decrease (-) in provisions		-238	-71	35	-97
Other non-cash expenses (+) / income (-)		-188	738	-146	828
Gains (-) / losses (+) on disposal of fixed assets		-	-2	16	-2
Increase (-) / decrease (+) in inventories, trade receivables and other assets		-14,010	-5,892	-19,577	-8,404
Increase (+) / decrease (-) in trade payables and other liabilities		2,272	3,290	-6,059	543
Interest expenses (+) / interest income (-)	5.2	425	443	1,031	911
Interest paid (-)		-547	-199	-1,308	-636
Interest received (+)		287	1	319	3
Tax expenses		132	314	-1,710	114
Income tax paid (+/-)		-747	832	-1,404	-135
Cash flows from operating activities		**-8,739**	**2,946**	**-26,560**	**283**
Cash received (+) from disposals of property, plant and equipment		-	3	-	3
Cash paid (-) for investments in property, plant and equipment		-541	-1,680	-2,055	-2,918
Cash paid (-) for investments in intangible assets		-1,725	-1,085	-2,713	-1,822
Cash paid (-) for the purchase of consolidated companies	7.0	-	-1,600	-3,547	-1,600
Cash flows from investing activities		**-2,266**	**-4,362**	**-8,315**	**-6,336**
Cash paid (-) in connection with share buyback program	4.1	-1,242	-1,948	-2,463	-1,948
Cash paid (-) in connection with other current financial liabilities (IFRS 16 Leases)		-946	-882	-1,950	-1,880
Cash paid (-) for the repayment of (financial) loans		-216	-532	-970	-581
Cash received (+) from (financial) loans raised		-	-	-	5
Cash flows from financing activities		**-2,404**	**-3,362**	**-5,383**	**-4,403**
Cash-relevant change in cash and cash equivalents		-13,409	-4,778	-40,258	-10,457
Changes in cash and cash equivalents due to changes in exchange rates, scope of consolidation, and valuation		-136	251	-219	450
Cash and cash equivalents at the beginning of the period		**65,916**	**104,198**	**92,848**	**109,678**
Cash and cash equivalents at the end of the period		**52,371**	**99,671**	**52,371**	**99,671**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD JANUARY 1 TO JUNE 30, 2023 (IFRS/UNAUDITED)

€ thousand	Subscribed capital	Capital reserves	Accumulated deficit/ Unappropriated profit	Accumulated other comprehensive income Foreign currency translation of financial statements of foreign entities	Accumulated other comprehensive income Actuarial gains and losses	Total equity
January 1, 2022	**24,300**	**263,280**	**1,716**	**3,860**	**-3**	**293,152**
Share buyback	-215	-1,733	-	-	-	-1,948
Group net loss	-	-	-615	-	-	-615
Foreign currency translation of financial statements of foreign entities	-	-	-	2,942	-	2,942
Actuarial gains and losses	-	-	-	-	-	-
Income taxes on other comprehensive income	-	-	-	-	-	-
Other comprehensive income	-	-	-	2,942	-	2,942
Total comprehensive income	-	-	-615	2,942	-	2,327
Impact of share-based payments	-	-54	-	-	-	-54
June 30, 2022	**24,085**	**261,493**	**1,100**	**6,802**	**-3**	**293,477**
January 1, 2023	**23,393**	**257,585**	**-34,012**	**4,777**	**83**	**251,826**
Share buyback	-437	-2,026	-	-	-	-2,463
Treasury shares transferred in conjunction with business acquisitions	234	1,552	-	-	-	1,786
Group net loss	-	-	-5,034	-	-	-5,034
Foreign currency translation of financial statements of foreign entities	-	-	-	-3,381	-	-3,381
Actuarial gains and losses	-	-	-	-	-	-
Income taxes on other comprehensive income	-	-	-	-	-	-
Other comprehensive income	-	-	-	-3,381	-	-3,381
Total comprehensive income	-	-	-5,034	-3,381	-	-8,415
Impact of share-based payments	-	438	-	-	-	438
June 30, 2023	**23,190**	**257,549**	**-39,046**	**1,396**	**83**	**243,172**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL EXPLANATORY COMMENTS

1.1. General information about the Cherry Group

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

The parent company of the Cherry Group is Cherry SE, which is registered in the Commercial Register of the Munich Local Court under HRB 280912. The registered office of the parent company is Rosental 7 in 80331 Munich, Germany.

The Condensed Interim Consolidated Financial Statements of Cherry SE and its subsidiaries cover the period from January 1 to June 30, 2023. These statements have neither been audited nor reviewed by the Group auditor.

1.2. Basis of preparation of the Consolidated Financial Statements

Cherry SE has prepared the Condensed Interim Consolidated Financial Statements as of June 30, 2023 in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and their respective interpretations (IFRIC/SIC) with respect to interim financial reporting (IAS 34), as adopted by the European Union. Accordingly, the financial statements included in the interim report contain all the information and notes disclosures required by IFRS for condensed interim financial statements.

The interim report does not include all the disclosures normally included in financial statements for a full fiscal year. Accordingly, this interim report should be read in conjunction with Cherry SE's Consolidated Financial Statements for the fiscal year ended December 31, 2022.

The accounting policies applied are consistent with those applied in the previous fiscal year. In the current period, IFRS 17 Insurance Contracts, Amendments to IAS 1 "Disclosure of Accounting Policies", Amendments to IAS 8 "Definition of Accounting Estimates", Amendments to IAS 12 "Deferred Taxes Relating to Assets and Liabilities Arising from a Single Transaction" and Amendments to IFRS 17 "First-time Adoption of IFRS 17 and IFRS 9 – Comparative Information" were adopted, but did not have any impact on the Group's accounting policies, nor did they necessitate any retrospective adjustments.

The preparation of the Condensed Interim Consolidated Financial Statements in accordance with IAS 34 requires the Management Board to make judgments, estimates, and assumptions that affect the application of accounting policies in the Group and the reported amounts of assets and liabilities, income, and expenses. Actual amounts could differ from those estimates. The results achieved so far in the fiscal year 2023 are not necessarily indicative of future business performance.

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

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

1.3. Group reporting entity

As of June 30, 2023, the Consolidated Financial Statements of Cherry SE included the parent company, Cherry SE, and the following Group entities:

List of investments

Fully consolidated entities	Principal activity	Shareholding June 30, 2023	Shareholding Dec. 31, 2022
Cherry Europe GmbH, Auerbach	Production, sales and marketing	100 %	100 %
Cherry Digital Health GmbH, Munich	Sales and marketing	100 %	100 %
Cherry Peripherals GmbH, Munich	Sales and marketing	100 %	100 %
Cherry E-Commerce GmbH, Munich	Sales and marketing	100 %	100 %
Active Key GmbH, Munich	Sales and marketing	100 %	100 %
Theobroma Systems Design und Consulting GmbH, Vienna (Austria)	Production, sales and marketing	100 %	100 %
Cherry Xtrfy AB, Landskrona (Sweden) (formerly: Built on Experience AB)	Development, sales and distribution	100 %	-
Zhuhai Cherry Electronics Co. Ltd., Zhuhai City (China)	Production, sales and marketing	100 %	100 %
Cherry Electronics (Hong Kong) Co Ltd., Hong Kong (China)	Sales and marketing	100 %	100 %
Cherry Taiwan Electronics Co., Ltd, Taiwan	Sales and marketing	100 %	100 %
Cherry Americas LLC, Kenosha (USA)	Sales and marketing	100 %	100 %
Cherry S.A.R.L, Paris (France)	Sales and marketing	100 %	100 %

On December 12, 2022, the contracts for the acquisition of the Swedish gaming and e-sports specialist Xtrfy were concluded and the transaction closed on January 17, 2023 in Landskrona, Sweden. The two acquired legal entities "Built on Experience AB" and "Xtrfy Gaming AB" were merged into a single company as part of an upstream merger process during the second quarter 2023 and renamed "Cherry Xtrfy AB".

2. SIGNIFICANT EVENTS AND TRANSACTIONS

Business acquisitions

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

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

in T€	
Assets	**7.635**
Intangible assets	1.531
Property, plant and equipment	222
Right-of-use assets	618
Non-current financial assets	90
Inventories	2.974
Trade receivables	1.457
Other assets	13
Tax receivables	355
Cash and cash equivalents	375
Liabilities	**-4.979**
Trade payables	-2.435
Other current liabilities	-652
Non-current liabilities	-1.517
Deferred tax liabilities	-375
Total of identifiable net assets measured at fair value	**2.656**
Total consideration transferred	**5.212**
Goodwill	**2.556**

The purchase price allocation presented above is provisional at the present point in time.

The total consideration to be transferred to the previous owners to acquire the two companies amounts to EUR 6.4 million. Of this amount, EUR 1.2 million relates to the assumption of shareholder loans existing at the time of the transaction. The calculated purchase price for the two companies therefore amounts to EUR 5.2 million. Approximately one third of this (EUR 1.8 million) has been settled with Cherry SE treasury shares (234,138 shares). The remainder of the purchase price, including the repayment of the shareholder loans (EUR 4.6 million), is required to be paid in cash. The former shareholders received EUR 3.9 million of this amount on closing. The remainder, amounting to approximately EUR 0.7 million, is part of a holdback arrangement and will be paid in July 2024 at the latest in accordance with the purchase agreement.

The final purchase price has increased slightly compared to the original calculation made at the end of 2022 (EUR 5.1 million), mainly in connection with the fair value measurement of the Cherry SE treasury shares. The shares were valued at EUR 7.03 per share during the purchase price negotiations, based on the 6-month average Xetra price between June 1 and November 30, 2022. The market value of the shares at the transfer date was EUR 7.63 per share, totaling around EUR 1.8 million.

Goodwill mainly represents potential synergy benefits to be derived in the areas of selling and marketing, in creating a strong competitive position in the e-sports sector, and in gaining market access throughout the European and Asian economic areas. Goodwill arising on the transaction is not deductible for tax purposes.

The fair value and the gross amount of acquired receivables were as follows (provisional amounts):

€ thousand	Fair value	Gross amount
Trade receivables	1,457	1,457
Other assets	13	13

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

Non-recurring transaction costs totaled EUR 315k, of which EUR 282k was recognized in profit or loss in 2022 and EUR 33k in the first half of 2023. These expenses have been included as adjustments.

In the second quarter 2023, Xtrfy Gaming AB was merged into Built on Experience AB, which subsequently changed its name to Cherry Xtrfy AB.

Share buyback program

On June 9, 2022, the Management Board resolved, with the approval of the Supervisory Board, to launch a share buyback program based on the authorization granted by the Annual General Meeting on June 23, 2021 ("Share Buyback Program 2022"). In accordance with the Share Buyback Program 2022, up to a total of 2,000,000 treasury shares (corresponding to up to approximately 8.2% of the Company's current issued share capital) could be repurchased in the period from June 13, 2022 to June 30, 2023 at a total purchase price (excluding incidental acquisition costs) of up to a maximum of EUR 25.0 million with a price cap of EUR 14.00 per share. As of 30 June 2023, a total of 1,344,422 shares (December 31, 2022: 907,117 shares) with a volume of approximately EUR 9,281k (December 31, 2022: EUR 6,824k) had been acquired under the Share Buyback Program 2022, equivalent to approximately 5.5% of the Company's current issued share capital. In accordance with the authorization, the program expired on June 30, 2023.

The treasury shares acquired in this way may be used for all purposes approved by the Company's Annual General Meeting on June 23, 2021, in particular as a purchase price component for business acquisitions or to service employee stock option programs. Treasury shares are deducted from equity in the consolidated statement of financial position. A total of 234,138 shares were transferred in conjunction with the acquisitions of Xtrfy Gaming AB and Built on Experience AB described above. In this context, subscribed capital was therefore reduced by EUR 1,110k and capital reserves by EUR 6,384k as of June 30, 2023.

Management Board

Two new appointments were made to Cherry SE's Management Board during the first half of 2023.

The Supervisory Board unanimously appointed Oliver Kaltner as Chairman of the Management Board and Chief Executive Officer (CEO) of Cherry SE with effect from January 1, 2023. He seamlessly took over the role of Rolf Unterberger, who had been at the helm of the company since May 2018 and left at his own request on December 31, 2022. Oliver Kaltner has extensive experience in relevant fields. He spent his early career at companies such as Electronic Arts, Sony and Microsoft. He subsequently led several businesses including Leica Camera AG, where he served as CEO, and he brings valuable perspective with him – both as an executive and an investor. Over his career, Oliver Kaltner has been responsible for global businesses with operations in EMEA, APAC and the Americas

Mathias Dähn was appointed as Chief Financial Officer (CFO) of Cherry SE with effect from April 15, 2023. He took over the role from Bernd Wagner, who had been CFO at Cherry SE and its various predecessor companies since 2017 and left the company by mutual agreement effective March 31, 2023. Mathias Dähn has served as CFO in a range of listed businesses and has extensive experience in the capital markets and supporting company growth. He most recently served as CFO of Northern Data AG, a technology company focused on high-performance computing infrastructure and cloud technology, and his previous positions include Koenig&Bauer, Zumtobel, MAN, Loyalty Partner, debitel, and Bosch. Dr. Dähn holds a degree in business administration from the University of Bamberg, where he also did his doctorate.

We would like to take this opportunity to thank Rolf Unterberger and Bernd Wagner for their achievements over the past years.

In connection with the personnel changes, Cherry SE incurred one-time expenses amounting to EUR 1.3 million, which have been excluded for the purposes of calculating adjusted EBITDA and EBIT.

Short-time working

In light of the cyclical decline in sales within the Components business unit, an application was submitted to adopt short-time working arrangements at the Auerbach site, initially only for production employees, with effect from April 1, 2022. The application was initially approved by the German Federal Employment Agency through August 31 and was subsequently extended by new applications through to the final date of March 31, 2023.The arrangements were also extended to cover non-production employees in the Components business unit.

On the basis of statutory regulations, the measure initially ended after a term of 12 months on March 31, 2023. Reapplication is possible in some circumstances and will be reconsidered at a later date if necessary.

In the period from January 1 to March 31, 2023, the resulting personnel cost savings amounted to EUR 281k.

M&A costs

It is Cherry's stated strategy to generate sustainable growth, either organically or non-organically through business acquisitions. In order to achieve this objective, Cherry uses a combination of internal experts and external consultants to evaluate the attractiveness of potential acquisition targets. Consulting costs for market analysis and acquisition activities (due diligence) totaled EUR 178k in the first half of 2023 and have been excluded for the purposes of calculating adjusted EBITDA and EBIT.

Leasing out employees

Switch production capacities at the Auerbach site continued to be underutilized during the first half of 2023 due to the current reduced demand for switches. In order to compensate for idle costs arising from wages paid to production employees, Cherry has begun to place a small number of employees with other companies in the region on the basis of temporary employee leasing arrangements. The model will be expanded gradually if it turns out to be successful.

Revenue from temporary employee leasing amounted to EUR 66k in the first half of the year.

Hedging USD transactions

Cherry purchases a large portion of goods for resale, raw materials, and services in US dollars. The exchange rate of the Group's reporting currency, the euro, has been subject to a high degree of fluctuation against the US dollar in the recent past. These fluctuations have a direct impact on the Cherry Group's earnings.

Due to the strong appreciation of the EUR against the USD in recent months, Cherry was able to benefit from falling costs. In order to be able to benefit from this effect for a longer period of time as well as to increase planning security, in the first half of 2023 Cherry began to hedge USD-denominated transactions, applying specified quotas, by means of FX swaps. Currently, all hedges relate to specified USD liabilities that have been transacted on a 1:1 basis.

The resulting derivatives are accounted for on a stand-alone basis. Realized and unrealized hedging effects are reported in the line items "Other operating income" and "Other operating expenses". In the first 6 months of the current fiscal year, net realized and unrealized gains arising on USD hedging transactions amounted to EUR 174k and have been recognized in profit or loss.

Depreciation on property, plant and equipment totaled EUR 2,772k (H1/2022: EUR 3,161k). In the first half of 2022 an impairment loss of EUR 29k was recognized on product-related tools no longer required. No impairment losses were recognized on items of property, plant and equipment during the first half of 2023.

Investments in property, plant and equipment also arose in conjunction with business acquisitions. Please see the comments provided in note "2. Significant events and transactions" for further information.

3. EXPLANATORY NOTES TO GROUP ASSETS

3.1. Property, plant and equipment

Investments in property, plant and equipment in the first half of 2023 amounted to EUR 2,055k (H1/2022: EUR 2,918k).

Investments € thousand	Land, titles to land, buildings including buildings on third-party land	Plant and machinery	Other operational equipment, office equipment	Payments on account and assets under construction	Total
January 1 – June 30, 2023	**-**	**1,589**	**233**	**233**	**2,055**
January 1 – June 30, 2022	24	1,022	253	1,619	2,918

3.2. Intangible assets

Investments in Intangible assets, plant and equipment in the first half of 2023 amounted to EUR 2,714k (H1/2022: EUR 1,822k).

Investments € thousand	Development costs and internally generated industrial property rights and similar rights and assets	Development costs relating to projects in progress	Industrial property rights, licenses and patents	Customer base	Brand	Goodwill	Payments on account	Total
January 1 – June 30, 2023	-	**2,464**	**8**	-	-	-	**242**	**2,714**
January 1 – June 30, 2022	-	1,492	98	-	-	-	232	1,822

Amortization on intangible assets totaled EUR 2,671k (H1/2022: EUR 2,585k). As in the previous year, no impairment losses were recognized.

Investments in intangible assets also arose in conjunction with business acquisitions. Please see the comments provided in note "2. Significant events and transactions" for further information.

3.3. Right-of-use assets

Investments in right-of-use assets in the first half of 2023 amounted to EUR 102k (H1/2022: EUR 193k).

Investments € thousand	Right-of-use assets – buildings	Right-of-use assets – plant and machinery	Right-of-use assets – tools	Right-of-use assets – vehicles	Right-of-use assets – Other operational and office equipment	Total
January 1 – June 30, 2023	**11**	-	-	-	**91**	**102**
January 1 – June 30, 2022	33	-	-	-	160	193

Depreciation on right-of-use assets totaled EUR 1,835k (H1/2022: EUR 2,027k). As in the previous year, no impairment losses were recognized.

Investments in right-of-use assets also arose in conjunction with business acquisitions. Please see the comments provided in note "2. Significant events and transactions" for further information.

4. EXPLANATORY NOTES TO GROUP EQUITY AND LIABILITIES

4.1. Equity

Subscribed capital

The subscribed capital of the parent company amounting to EUR 24,300k (December 31, 2022: EUR 24,300k) is fully paid up. Of this amount, EUR 1,110k (December 31,2022: EUR 907k) is held by Cherry SE.

On June 9, 2022, the Management Board resolved a share buyback program which provided for the repurchase of up to 2,000,000 treasury shares through June 30, 2023. As of June 30, 2023, 1,344,422 (December 31, 2022: 907,117) treasury shares had been repurchased at a total value of EUR 9,281k (December 31, 2022: EUR 6,824k). Of these, a total of 234,138 treasury shares were transferred in the first quarter 2023 in conjunction with the acquisition of the Swedish e-sports specialist Xtrfy.

As of June 30, 2023, the subscribed capital comprised 24,300,000 (December 31, 2022: 24,300,000) ordinary bearer shares with no par value, of which 1,110,284 (December 31,2022: 907,117) are held by Cherry SE.

The number of shares developed as follows

Number of shares	2023	2022
As of January 1	23,392,883	24,300,000
Treasury shares transferred in conjunction with business acquisitions	234,138	-
Share buyback	-437,305	-215,318
As of June 30	23,189,716	24,084,682

Capital reserves

Capital reserves stood at EUR 257,549k at the end of the reporting period (December 31, 2022: EUR 257,585k).

The change in capital reserves during the six-month period was minimal. In connection with the share buyback program, they were however reduced by the amount by which the repurchase value of treasury shares exceeded the proportionate value of each share representing EUR 1.00 of subscribed capital (H1/2023: EUR 2,026k), while the use of 234,138 treasury shares in connection with the acquisition of Xtrfy (H1/2023: EUR 1,552k) had an offsetting effect. The difference between the repurchase value of the shares and the proportionate value of subscribed capital amounted to EUR 6,384k.

The share-based remuneration program of the Management Board and the extended management team (LTI = Long Term Incentive Program) resulted in expenses in the first half of 2023 amounting to EUR 438k (H1/2022: income of EUR 54k), which, in accordance with IFRS 2, were recognized directly as an increase in capital reserves. The remuneration entitlements of the Management Board and other members of management are taken into account in the measurement of liabilities.

Accumulated other comprehensive income

The change in other comprehensive income for the period comprised mainly differences amounting to EUR -3,381k (H1/ 2022: EUR +2,941k) arising on the translation of the financial statements of the foreign subsidiaries into the Group's reporting currency (euro).

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

4.2. Financial liabilities

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

On June 29, 2021, a new credit line totaling EUR 55,000k was agreed with UniCredit Bank AG in Munich, of which EUR 9,500k was designated as an overdraft facility and EUR 500k as a guarantee facility. Unchanged from December 31, 2022, an amount of EUR 45,000k (tranche A) out of the credit facility continued to be utilized as of June 30, 2023, also with a view to achieving non-organic growth.

€ thousand	June 30, 2023	Dec. 31, 2022
Current	208	208
Non-current	45,184	45,278
Total	**45,392**	**45,486**

Current financial liabilities as of June 30, 2023 include short-term bank loans amounting to EUR 208k (December 31, 2022: EUR 208k) accounted for at the level of foreign subsidiaries.

As of June 30, 2023, non-current financial liabilities included the drawn-down credit facility (tranche A) of EUR 45,000k (December 31, 2022: EUR 45,000k) as well as non-current bank loans of foreign subsidiaries amounting to EUR 153k (December 31, 2022: EUR 253k).

5. EXPLANATORY NOTES TO THE CONSOLIDATED INCOME STATEMENT

5.1. Revenue

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

Revenue by product type

€ thousand	January 1 – June 30, 2023	January 1 – June 30, 2022
Gaming	**20,461**	**24,804**
Switches	6,704	12,996
Devices	13,757	11,808
Professional	**40,849**	**41,052**
Office	25,772	19,619
Industry	3,424	3,643
Security[1]	3,662	3,241
eHealth	3,778	11,329
Hygiene	2,664	2,401
Point of Sales (PoS)	1,549	819
Total revenue by product type	**61,310**	**65,856**

1 Revenue from Security Devices was allocated to the Peripherals business unit up to and including the first quarter of 2023. Since the second quarter of 2023, reporting has taken place in the Digital Health & Solutions business unit. Of the H1/2023 revenue, EUR 1,931 thousand is attributable to the first quarter (Peripherals) and EUR 1,600 thousand to the second quarter (Digital Health & Solutions).

Revenue by region January 1 – June 30, 2023

€ thousand	Germany	USA	China	Hong Kong	Rest of EMEA	Other	Total
Gaming	719	1,454	10,616	2,593	2,637	2,442	20,461
Professional	18,923	4,290	1,860	18	13,957	1,801	40,849
Total revenue by region	**19,642**	**5,744**	**12,476**	**2,611**	**16,594**	**4,243**	**61,310**

Revenue by region January 1 – June 30, 2022

€ thousand	Germany	USA	China	Hong Kong	Rest of EMEA	Other	Total
Gaming	183	488	12,914	7,311	94	3,814	24,804
Professional	26,747	3,324	1,016	59	7,355	2,551	41,052
Total revenue by region	**26,930**	**3,812**	**13,930**	**7,370**	**7,449**	**6,365**	**65,856**

Revenue generated in the first half of 2023 totaled EUR 61,310k and was therefore 6.9% lower than one year earlier (2022: EUR 65,856k).

The decrease was mainly attributable to the GAMING business area, which saw a EUR 4,343k drop in revenue to EUR 20,461k for the six-month period. This, in turn, was primarily due to the lower volume of switch sales achieved by the Components business unit, as a result of which revenue fell by nearly one half to EUR 6,703k. This includes the realization of previously deferred revenues amounting to EUR 759k. By contrast, business with gaming devices grew by EUR 1,950k to EUR 13,758k, mainly as a result of the acquisition of Xtrfy.

Revenue generated by the PROFESSIONAL business area totaled EUR 40,849k and was therefore at a similar level to the previous year's corresponding six-month period (2022: EUR 41,052k). The Peripherals business unit saw its revenue rise by EUR 5,465k to EUR 32,787k, benefiting from the successful implementation of the e-commerce strategy and the launch of new products, thereby almost completely offsetting the drop in sales recorded by the Digital Health & Solutions business unit. Revenue in this business unit fell by EUR 5,669k to EUR 8,062k, mainly reflecting the reluctance of customers to invest in the e-health terminal.

Revenue generated by sales of security devices has been allocated to the Digital Health & Solutions business unit since April 2023. Previously, it had been reported as part of the Peripherals business unit.

5.2. Financial result

The financial result comprised the following:

€ thousand	January 1 – June 30, 2023	January 1 – June 30, 2022
Interest and similar income	322	6
Total interest income	322	6
Interest and similar expenses	-1,349	-911
Expenses from discounting and the unwinding of discounts	-13	-6
Total finance expense	-1,362	-917
Total	**-1,040**	**-911**

Interest income earned in the first six months of 2023 relates primarily to positive bank balances and reflects the generally higher level of interest rates, in particular for amounts held as term deposits. In the previous year, no interest was earned on deposits in light of negative interest rates.

Interest expenses and similar expenses mainly comprise interest on the loan amounting to EUR 45.0 million taken out with UniCredit Bank AG in October 2021 on the one hand and interest expenses amounting to EUR 155k incurred on lease liabilities.

In the previous year, interest and similar expenses for the six-month period also comprised mainly interest arising on the loan taken out in October 2021, negative interest on bank deposits, and interest expenses incurred on lease liabilities amounting to EUR 136k.

5.3. Earnings per share

Group net loss in € thousand, number of shares in thousand, earnings per share in EUR	January 1 – June 30, 2023	January 1 – June 30, 2022
Group net loss attributable to shareholders of Cherry SE	-5,034	-615
Less dilutive effect of share-based remuneration	-	-
Group net loss attributable to shareholders of Cherry SE (for the purpose of calculating diluted earnings per share)	-5,034	-615
Weighted average number of shares in circulation	23,398	24,286
Dilutive effect of share-based remuneration	81	-
Weighted average number of shares in circulation (diluted)	23,479	24,286
Undiluted earnings per share	-0.22	-0.03
Diluted earnings per share	-0.22	-0.03

6. SEGMENT INFORMATION

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

The Management Board assesses the performance of the operating segments on the basis of adjusted EBITDA (earnings before interest, taxes, depreciation and amortization as adjusted) and adjusted EBIT (earnings before interest and taxes as adjusted). The following table shows segment information for the reportable segments for the first half of the 2023 fiscal year, as communicated to the Management Board.

June 30, 2023 € thousand	Cherry Europe GmbH	Cherry E-Commerce GmbH	Cherry Digital Health GmbH	Theobroma Systems Design und Consulting GmbH	Active Key GmbH	Zhuhai Cherry Electronics Co. Ltd.	Cherry Electronics (Hong Kong) Co Ltd.	Cherry Americas LLC	Other & Eliminations	Group
External revenue	25,395	3,953	2,929	302	2,665	11,132	6,649	6,262	2,023	61,310
Intragroup revenue	7,686	-	-	4,915	406	5,128	368	-	-18,503	-
Total revenue	33,081	3,953	2,929	5,217	3,071	16,260	7,017	6,262	-16,480	61,310
Gross margin (GM II)	6,813	1,249	671	1,534	1,445	4,551	474	1,867	-58	18,546
Adjusted EBITDA	-1,678	-332	-1,359	966	1,189	3,270	-151	-193	1,481	3,193
Depreciation and amortization	-3,987	-35	-345	-225	-292	-405	27	-15	-1,973	-7,250
Adjusted EBIT	-5,665	-367	-1,704	741	897	2,865	-124	-208	-492	-4,057
Investments	2,814	66	837	202	280	489	-	-2	82	4,768
Segment assets [1]	124,986	5,651	20,157	11,063	7,665	18,398	10,637	10,105	156,003	364,665
Segment liabilities [2]	-81,698	-6,611	-13,885	-5,780	-7,534	-6,775	-1,402	-6,181	8,373	-121,493

The following table shows segment information for the comparative prior-year period from January 1 to June 30, 2022

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

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

Reconciliation of EBIT to operating profit before tax:

€ thousand	January 1 – June 30, 2023	January 1 – June 30, 2022
Total adjusted EBIT of reportable segments	-3,565	4,054
Other & Eliminations	-492	-2,386
Adjustments	-1,647	-1,259
EBIT	-5,704	409
Financial result	-1,040	-911
Loss before tax	**-6,744**	**-502**

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

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

€ thousand	January 1 – June 30, 2023	January 1 – June 30, 2022
Extraordinary personnel expenses	1,322	-
Expenses in connection with the capital market/ initial public offering	-	-
Expenses in connection with M&A transactions	178	386
Expenses in connection with natural disasters and pandemics	-	-
Other non-recurring special charges	147	873
Total	**1,647**	**1,259**

Adjustments for other non-recurring exceptional expenses in the first half of 2023 related primarily to personnel recruitment.

Adjustments for other non-recurring exceptional expenses in the first half of 2022 included:

(1) Costs incurred in connection with the implementation of the e-commerce strategy amounting to EUR 525k.

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

7. EXPLANATORY NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Total cash flow in first half of 2023 was a net negative amount of EUR -40,258k (H1/2022: net negative amount of EUR -10,456k), of which EUR -13,409k arose in the second quarter (2022: EUR -4,778k).

€ thousand	April 1 – June 30, 2023	Jan. 1 – June 30, 2023	April 1 – June 30, 2022	Jan. 1 – June 30, 2022
Cash flows from operating activities	-8,739	-26,560	2,946	283
Cash flows from investing activities	-2,266	-8,315	-4,362	-6,336
Cash flows from financing activities	-2,404	-5,383	-3,362	-4,403
Total cash flow	**-13,409**	**-40,258**	**-4,778**	**-10,456**

The net negative cash flow from operating activities in the first half of 2023 amounted to EUR -26,560k (H1/2022: EUR +283k) and was largely driven by the higher levels of inventories (up by EUR 15,279k), current trade receivables (up by EUR 8,584k), and the reduction in current trade payables (down by EUR 4,489k). The carrying amount of inventories as of June 30, 2023 stood at EUR 80,300k (December 31, 2022: EUR 65,021k).

The net negative cash flow from investing activities in the first half of 2023 amounted to EUR -8,315k (H1/2022: EUR -6,336k) and was driven by investments in property, plant and equipment (outflow of EUR -2,055k including payments on account), mainly relating to production equipment and tools and investments in intangible assets in the form of capitalized development costs (outflow of EUR -2,464k). In addition, payments amounting to EUR -3,921k (less acquired cash and cash equivalents amounting to EUR 374k) were made in connection with the acquisition of fully consolidated subsidiaries.

The net negative cash flow from financing activities in the first half of 2023 amounted to EUR -5,383k (H1/2022: EUR -4,403k). The current fiscal year includes the capital reduction amounting to EUR -2,463k (2022: EUR -1,948k) made in conjunction with the share buyback program as well as the repayment of lease liabilities and loans payable amounting to EUR -2,920k (2022: EUR -2,461k).

8. OTHER DISCLOSURES

8.1. Disclosures on financial instruments

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

€ thousand	June 30, 2023	Dec. 31, 2022
Assets measured at amortized cost		
Trade receivables	24,932	16,348
Cash and cash equivalents	52,371	92,848
Assets measured at fair value		
Derivative instruments	7	-
Total	**77,310**	**109,196**

€ thousand	June 30, 2023	Dec. 31, 2022
Liabilities measured at amortized cost		
Trade payables	26,397	30,886
Current financial liabilities	208	208
Other current financial liabilities	5,284	6,088
Long-term debt	45,184	45,278
Liabilities measured at fair value		
Derivative instruments	24	-
Total	**77,097**	**82,460**

The fair value of trade receivables and payables, current financial assets, cash and cash equivalents as well as current liabilities to banks and other current financial liabilities is equal to their carrying amount due to their short-term maturities. The loan agreed in June 2021 is subject to variable interest rates, which means that the carrying amount approximates the fair value (Level 2). Stand-alone derivatives relating to forward currency contracts are measured at their fair value (hierarchy 2).

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).

Stand-alone derivatives arising from forward currency contracts were measured at their fair value (hierarchy 2) as of June 30, 2023. As of December 31, 2022, no assets or liabilities were measured at their fair value.

8.2. Events after the end of the reporting period

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

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

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

8.4. Responsibility Statement by the Legal Representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the Condensed Interim Consolidated Financial Statements for the period from January 1 to June 30, 2023 give a true and fair view of the assets, liabilities, financial position, and profit of the Group, and the Interim Group Management Report includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal opportunities and risks associated with the expected development of the Group.

Munich, August 14, 2023

Cherry SE

Oliver Kaltner	Dr. Mathias Dähn	Dr. Udo Streller
CEO	CFO	COO

FINANCIAL CALENDAR 2023[1]

Half-year Report	August 14 2023
Autumn Conference (EF)	September 4 2023
Berenberg Flagship German Corporate Conference	September 18–20 2023
Quarterly Report (Q3/9M)	November 15 2023
Münchner Kapitalmarkt Konferenz (mkk)	November 16 2023

1 Expected dates

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