QUARTERLY FINANCIAL REPORT AS OF SEPTEMBER 30, 2024

Q3/2024

CHERRY

KEY GROUP FIGURES (IFRS)

€ million / as reported	July 1 to Sept. 30, 2024	July 1 to Sept. 30, 2023	Change	Jan. 1 to Sept. 30, 2024	Jan. 1 to Sept. 30, 2023	Change
Revenue	22.6	27.3	-16.9%	84.2	88.6	-4.9%
thereof GAMING & OFFICE PERIPHERALS	14.7	20.7	-29.0%	56.4	65.3	-13.6%
thereof DIGITAL HEALTH & SOLUTIONS	6.4	4.7	36.2%	22.6	14.8	52.7%
thereof COMPONENTS	1.6	1.8	-11.1%	5.2	8.5	-38.8%
Gross profit	7.8	4.4	75.4%	28.7	23.0	24.9%
Gross profit margin	34.3%	16.2%	18.1 PP.	34.1%	25.9%	8.2 PP.
EBITDA	-4.1	-4.6	11.3%	-3.4	-3.1	-10.7%
EBITDA (adjusted) [1]	-3.1	-1.3	-146.0%	-0.7	1.9	-136.8%
EBITDA margin	-18.1%	-17.0%	-1.1 PP.	-4.0%	-3.5%	-0.5 PP.
EBITDA margin (adjusted) [1]	-13.7%	-4.6%	-9.1 PP.	-0.8%	2.2%	-3.0 PP.
EBIT	-6.0	-8.3	27.8%	-9.3	-14.0	33.5%
EBIT (adjusted) [1]	-5.1	-5.0	-2.0%	-6.6	-9.0	26.5%
Group net loss	-7.2	-7.7	6.5%	-13.8	-12.7	-8.4%
Earnings per share (in €)	-0.31	-0.33	6.1%	-0.60	-0.55	-9.1%
Cash flows from operating activities	-2.6	-5.2	49.9%	-8.0	-31.8	74.9%
Cash flows from investing activities	-3.3	-1.8	-85.4%	-6.0	-10.1	40.3%
Free cash flow	-5.9	-7.0	15.7%	-14.0	-41.9	66.6%

€ million / as reported	Sept. 30, 2024	Dec. 31, 2023	Change
Total assets	198.5	238.6	-16.8%
Cash and cash equivalents	8.4	46.1	-81.8%
Net working capital [2]	59.6	55.9	6.6%
Equity	108.8	122.1	-10.9%
Equity ratio	54.8%	51.2%	3.6 PP.
Net liquidity (-) [3]	-35.0	-19.7	-77.7%
Employees	410	476	-13.9%

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 on Sept. 30, 2024	€ 1.63
Market capitalization as of Sept. 30, 2024	€ 37.8 million

BUSINESS PERFORMANCE

The third quarter 2024 was characterized by challenging market conditions, particularly in the Peripherals sector of the German market. The German economy is currently in recession. Private consumers are uncertain about the way ahead and saving any real wage rises rather than spending them. The reluctance to invest in the corporate sector is also reflected in the lack of willingness to spend on office equipment. These challenges can also be seen in our results:

With Group revenue of EUR 22.6 million instead of the planned EUR 35 million and adjusted EBITDA coming in at negative EUR -3.1 million, third-quarter results fell well short of Cherry's own expectations and the previous year's positive figure of EUR 27.3 million. Due to the poor performance in the third quarter, the targeted Group revenue for the first nine months of the current fiscal year was not achieved either. Group revenue generated in this period totaled EUR 84.2 million (9M/2023: EUR 88.6 million), resulting in an adjusted EBITDA of EUR -0.7 million (9M/2023: EUR +1.9 million).

In the GAMING & OFFICE PERIPHERALS segment, the high level of dependency on the German market continued to prove problematic. Revenue generated in the first nine months of the current fiscal year amounted to EUR 56.4 million, down by EUR 8.9 million year on year (9M/2023: EUR 65.3 million). Adjusted EBITDA for the segment totaled EUR 3.8 million (9M/2023: EUR 13.5 million).

In addition to the prolonged unfavorable market trend and weak consumer demand in Germany at the level of manufacturers, distributors, and retailers alike, there were significant differences in the implementation of sell-through and sell-off measures compared to plan.

Furthermore, the increased focus on tenders in the past three-month period and the realignment of the distribution quota to our distribution partners did not take effect quickly enough. It was not until the end of September that the measures we introduced began to have a positive impact. A key strategic measure was to stop supplying sub-distributors with heavily discounted goods in order to dry up the gray market. These measures are necessary in order to optimize the margin structure for both Cherry and its partners in the long term. As part of the strategy of avoiding heavily discounted sell-in measures, Cherry has focused on joint campaigns to maximize sell-through and sell-off figures.

Following the disappointing result for the third quarter, Cherry has already taken the first strategic corrective measures. In addition to the restructuring measures already implemented at management level, the Management Board itself held detailed discussions with the existing distributor network and set up an internal task force to conduct a detailed analysis of internal opportunities for optimization within the segment. Cherry is also reorganizing the segment's sales structure, focusing in particular on a more intensive orientation towards B2C business. Moreover, Cherry intends to sharpen its focus on the European core markets in order to drive sustainable growth potential and consolidate its market position.

Business in the DIGITAL HEALTH & SOLUTIONS segment continued to grow in the third quarter. At EUR 22.6 million, revenue for the first nine months of the current fiscal year was therefore EUR 7.8 million up on the previous year's figure (9M/2023: EUR 14.8 million), generating adjusted EBITDA of EUR 8.5 million (9M/2023: EUR 0.9 million).

With revenue of EUR 2.6 million in the third quarter 2024, Cherry continued to expand its high-margin terminal business. Furthermore, the Terminal Management System (TMS) was successfully launched on the market, providing an efficient solution to support critical processes within the entire IT infrastructure in hospitals and care facilities.

Market conditions in the e-health sector continue to offer major potential for product innovations. According to a study conducted by KPMG, nearly all medical practices and hospitals (98 %) in Germany are now connected to the telematics infrastructure. With the new TI Messenger, which Cherry has developed together with Awesome Technologies Innovationslabor GmbH, Cherry thus has the opportunity to further consolidate its position as an established partner. The TI Messenger enables all healthcare professions throughout Germany to communicate with one another in real time. Approval by gematik, and hence entry into this market, was imminent as of September 30, 2024. The EUR 0.5 million increase in research activities in the DIGITAL HEALTH & SOLUTIONS segment also underlines Cherry's intention to exploit the market potential in this field.

The COMPONENTS segment generated external revenue of EUR 5.2 million (9M/2023: EUR 8.5 million) during the nine-month period under report. Due to the lower revenue, the segment's adjusted EBITDA was EUR 0.00 million (9M/2023: EUR 0.2 million).

€ million / as reported	COMPONENTS Jan. 1 to Sept. 30, 2024	COMPONENTS Jan. 1 to Sept. 30, 2023	COMPONENTS Change	GAMING & OFFICE PERIPHERALS Jan. 1 to Sept. 30, 2024	GAMING & OFFICE PERIPHERALS Jan. 1 to Sept. 30, 2023	GAMING & OFFICE PERIPHERALS Change	DIGITAL HEALTH & SOLUTIONS Jan. 1 to Sept. 30, 2024	DIGITAL HEALTH & SOLUTIONS Jan. 1 to Sept. 30, 2023	DIGITAL HEALTH & SOLUTIONS Change	GROUP Jan. 1 to Sept. 30, 2024	GROUP Jan. 1 to Sept. 30, 2023	GROUP Change
Revenue (external)	5.2	8.5	-38.8%	56.4	65.3	-13.6%	22.6	14.8	52.7%	84.2	88.6	-4.9%
Gross profit	-0.1	-5.7	97.7%	17.1	24.8	-31.2%	11.7	3.7	217.9%	28.7	23.0	24.9%
Gross margin	-1.4%	-58.0%	56.6 PP.	30.3%	38.1%	-7.8 PP.	51.7%	24.9%	26.8 PP.	34.1%	25.9%	8.2 PP.
EBITDA (adjusted)[1]	0.0	0.2	-94.7%	3.8	13.5	-71.9%	8.5	0.9	818.3%	-0.7	1.9	-136.8%
EBITDA margin (adjusted)[1]	0.1%	2.0%	-1.9 PP.	6.7%	20.7%	-14.0 PP.	37.7%	6.3%	31.4 PP.	-0.8%	2.2%	-3.0 PP.
EBIT (adjusted)[1]	-1.2	-5.3	77.7%	1.4	11.4	-87.7%	6.8	-1.8	471.7%	-6.6	-9.0	26.5%
EBIT margin (adjusted)[1]	-13.2%	-54.7%	41.5 PP.	2.5%	17.5%	-15.0 PP.	30.2%	-12.4%	42.6 PP.	-7.9%	-10.2%	2.3 PP.

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

The weakness in the global notebook market continues to have a negative impact on the COMPONENTS segment. For this reason, the number of individual orders being placed by our OEM partners worldwide and the Chinese brands remains insufficient. Furthermore, the planned strengthening of Cherry's physical sales presence in China is moving forward more slowly than originally planned.

In view of these challenges, necessary steps have been taken to stabilize Cherry's position in these markets and make it more profitable in the long term. For example, in the third quarter of the current fiscal year, new, more cost-effective tools for assembling MX2 switches were completed in China and product samples were delivered to the main keyboard manufacturers.

In the coming quarter, the focus will continue to be on swiftly implementing the existing action plan with the emphasis on efficient execution in order to achieve short-term goals. At the same time, Cherry is working on developing a long-term strategy up to 2030 that will promote future growth and create the basis for sustainable, profitable success. This dual focus – on immediate mitigation efforts and strategic planning for the future – is laying the foundations for a stable recovery.

Notes:

- Unless otherwise stated, the effects on the income statement and cash flows explained below relate to the first nine months of the current fiscal year, while the comparative figures relate to the same period of the previous fiscal year.
- Unless otherwise stated, the effects on the statement of financial position explained below relate either to September 30, 2024 or to the change in the first nine months of the current fiscal year. The comparative figures relate to the 2023 financial statements (year ended December 31, 2023).
- Due to differences in the presentation of units in the report, minor rounding differences may occur for the summation of individual figures or in the presentation of differences between the comparative figures.

EXPLANATORY NOTES TO THE INCOME STATEMENT

In the first nine months of the current fiscal year, Cherry recorded negative adjusted EBITDA of EUR -0.7 million (9M/2023: EUR +1.9 million). Adjusted EBIT totaled EUR -6.6 million (9M/2023: EUR -9.0 million).

Group revenue amounted to EUR 84.2 million (9M/2023: EUR 88.6 million). The decrease was primarily due to lower sales volumes in the GAMING & OFFICE PERIPHERALS and COMPONENTS segments.

The gross profit of EUR 28.7 million generated in the first three quarters of 2024 was EUR 5.7 million up on the previous year's figure (9M/2023: EUR 23.0 million). The higher figure was mainly due to the improved gross margin, which went up by 8.2 percentage points to 34.1 % year on year (9M/2023: 25.9 %), mainly driven by increased business volumes in the high-margin DIGITAL HEALTH & SOLUTIONS segment.

Research and development expenses totaled EUR 5.4 million, up slightly by 2.3 % year on year (9M/2023: EUR 5.3 million), primarily due to increased development activities in the DIGITAL HEALTH & OFFICE SOLUTIONS segment. Marketing and selling expenses remained unchanged at EUR 18.7 million (9M/2023: EUR 18.7 million). At EUR 13.6 million, administrative expenses for the nine-month period rose by 1.2 % year on year (9M/2023: EUR 13.4 million), mainly attributable to higher external audit and consulting costs.

At a net negative amount of EUR -0.3 million, other operating result deteriorated by EUR -0.6 million (9M/2023: EUR +0.3 million) year on year.

The financial result decreased to a net negative amount of EUR -1.9 million, deteriorating by EUR -0.2 million year on year (9M/2023: EUR -1.7 million), mostly due to lower interest income.

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 nine months of the current fiscal year, a total of EUR 2.7 million was adjusted for non-operating exceptional items. The adjustments to other one-time exceptional items in the first nine months of the fiscal year mainly included external consulting services in conjunction with the strategic realignment of the Cherry Group.

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 nine months of the 2024 fiscal year:

in € Mio.	Jan. 1 to Sept. 30, 2024	Jan. 1 to Sept. 30, 2023
Group net loss	**-13,802**	**-12,734**
+ Income taxes	2,573	-3,024
+ Financial result	1,916	1,748
EBIT	**-9,313**	**-14,010**
+/- Personnel expenses (including share-based personnel expenses) / (income)	92	1,369
+/- Impairment losses on inventories	544	2,766
+ Expenses related to M&A transactions	-	302
+ Other non-recurring expenses	2,061	568
Adjusted EBIT [1]	**-6,616**	**-9,005**
+ Depreciation, amortization and impairment losses [2]	5,908	10,934
Adjusted EBITDA [1]	**-708**	**1,929**
EBIT	**-9,313**	**-14,010**
+ Depreciation, amortization and impairment losses [2]	5,908	10,934
EBITDA	**-3,405**	**-3,076**

1 Adjusted for one-time and/or non-operating items.
2 Including reversals of write-downs on current assets (2024) and the amortization of acquired order book (2023).

EXPLANATORY NOTES TO THE FINANCIAL AND LIQUIDITY POSITION

The Cherry Group's total assets as of September 30, 2024 amounted to EUR 198.5 million and therefore decreased by EUR 40.1 million during the nine-month period under report (December 31, 2023:EUR 238.6 million).

Current assets amounted to EUR 100.7 million and were therefore EUR 40.1 million below the figure recorded as of December 31, 2023 (EUR 140.9 million).

The primary reason for the lower figure was a EUR 37.7 million reduction in cash and cash equivalents to EUR 8.4 million, mainly due to the repayment of the loan to UniCredit Bank GmbH during the current fiscal year.

As of December 31, 2023, Cherry had a long-term loan amounting to EUR 45.0 million, which was drawn down in full as of that date. Under an agreement reached with UniCredit Bank GmbH in December 2023, EUR 10.0 million of the long-term credit facility was repaid early at the end of January 2024.

On May 3, 2024, a new supplementary agreement was signed with UniCredit Bank GmbH to ensure Cherry's continued financing. Under the terms of the agreement, the credit line for the long-term loan was reduced to EUR 25.0 million, resulting in a further repayment of the loan of EUR 10 million in May 2024. Repayments totaling EUR 20 million were therefore made on the loan during the first half of 2024, resulting in a significant decrease in cash and cash equivalents.

The previous year's restructuring measures were fully completed by September 30, 2024, resulting in severance payments of EUR 5.3 million during the current fiscal year. Moreover, the final purchase price tranche of EUR 0.7 million for the acquisition of Xtrfy was paid in August 2024 and the net loss for the period of EUR -13.8 million also had a negative impact on cash flows from operating activities and therefore on cash and cash equivalents.

Inventories went down slightly by EUR 0.6 million to EUR 61.9 million compared to December 31, 2023.

Current trade receivables decreased by EUR 4.5 million to EUR 26.1 million, mainly due to the lower revenue generated in the third quarter 2024 compared to the same period one year earlier.

At EUR 97.7 million, non-current assets remained at the previous year's level (December 31, 2023: EUR 97.7 million). Reducing effects, such as the straight-line depreciation/amortization of fixed assets, were largely offset by new investments.

Total current and non-current liabilities decreased by EUR 26.8 million to EUR 89.6 million respectively, the main reasons being the previously mentioned loan repayments to UniCredit Bank GmbH totaling EUR 20.0 million. Furthermore, other non-financial liabilities amounting to EUR 4.0 million were EUR 6.2 million below the figure recorded as of December 31, 2023, primarily due to the payment of restructuring-related liabilities existing as of December 31, 2023.

Compared to December 31, 2023, equity decreased by EUR 13.3 million to EUR 108.8 million, primarily due to the loss of EUR -13.8 million recorded for the nine-month period. The equity ratio as of September 30, 2024 was 54.8 %, 3.6 percentage points higher than the ratio reported as of December 31, 2023 (51.2 %).

Cash flows from operating activities generated in the first nine months of the current fiscal year amounted to EUR -8.0 million, an improvement of EUR 23.8 million compared to the same period one year earlier (9M/2023: EUR -31.8 million). The primary reasons were a EUR -0.6 million decrease in inventories (9M/2023: EUR 10.8 million increase), a EUR -4.5 million decrease in trade receivables (9M/2023: EUR 5.2 million increase) and a EUR 3.0 million increase in trade payables (9M/2023: EUR -11.4 million decrease).

Net cash outflows from investing activities in the first nine months of the current fiscal year amounted to EUR -6.0 million, an improvement of EUR 4.1 million compared to one year earlier (9M/2023: EUR -10.1 million).

In the first quarter of the 2023 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). Net of cash acquired totaling EUR 0.4 million, the payment amounted to EUR 3.5 million. The final purchase price payment of EUR 0.7 million for the acquisition of Xtrfy was settled in cash during the first nine months of the current fiscal year.

In addition, investments in property, plant and equipment totaling EUR 1.9 million (9M/2023: EUR 3.0 million) as well as investments in intangible assets totaling EUR 3.4 million (9M/2023: EUR 3.6 million) were below the previous year's level.

Net cash outflows from financing activities in the first nine months of the current fiscal year amounted to EUR -23.7 million, and were therefore EUR -17.2 million higher year on year (9M/2023: EUR -6.5 million). The main reason was the previously mentioned repayment of EUR 20.0 million made during the first half of 2024 on the loan to UniCredit Bank GmbH.

The credit line of EUR 25.0 million granted to Cherry by UniCredit Bank AG was drawn down in full as of September 30, 2024. Cherry also has a guarantee line of EUR 0.3 million, which was fully drawn as of September 30, 2024.

Cash at bank as of September 30, 2024 totaled EUR 8.4 million, 37.7 million lower than the figure reported as of December 31, 2023 (EUR 46.1 million).

RISK REPORT

Cherry most recently published its complete report on opportunities and risks in the Annual Report 2023, which is available for download on the Cherry website at https://ir.cherry.de/en/home/publications/#annual-reports.

The report, 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 the Half-Year Report 2024 as of June 30, 2024, Cherry updated its report on opportunities and risks to include those most recently assessed as well as the potential monetary impact of the identified risks and their estimated probability of occurrence. The Half-Year Report 2024 is available for download on the Cherry website at https://ir.cherry.de/en/home/publications/#interim-reports.

In the third quarter 2024, the following changes arose compared to the opportunities and risks report updated in the Half-Year Report as of June 30, 2024.

Risks relating to not recognizing market trends

Cherry is exposed to the risk of not recognizing market trends in sufficient time or not correctly assessing them, which can lead to the erosion of both revenue and margins. In addition, revenue can decline in individual business units and segments. Cherry counters these risks by conducting market studies and thorough market analyses, which are suitable for recognizing trends and developments in its various business segments at an early stage. Nonetheless, Cherry was – like its major customers – surprised by the persistent weakness in market demand, particularly for office peripherals, which lasted beyond the summer break. Furthermore, the competitive situation in the Components segment intensified considerably over the course of the fiscal year. Cherry primarily develops premium products that have a functional and distinctive design. However, these risks do not exist in business with e-health products, which is subject to regulatory framework conditions. Due to the low volume of revenue, business in the Digital Health segment was not sufficient to compensate for weak figures recorded in the Peripherals segment. We now assess the risk from changing market trends as "high," which corresponds to an increase in risk compared to one year earlier.

Risks relating to reduced competitiveness

In recent years, the number of competitors has increased quite noticeably, above all in the Asian economic region. Particularly in the keyboard switch business, a number of other contract manufacturers have emerged that must be taken seriously. Increasing competition generates greater pressure to innovate. High-quality, technologically advanced products are needed to survive in a competitive environment of this nature. Cherry is constantly working on improving and further developing its products, designs, technological adaptations, and new products. Cherry sees itself as a leader in terms of quality and technology in the premium segment. By investing appropriately in product development, Cherry ensures that it can offer a portfolio that stands out from the competition. Moreover, Cherry is increasingly focusing on premium products in its in-house production and looking to cut costs by relocating production externally for the more competitive segments. The risks from reduced competitiveness are now considered to be "high", which corresponds to an increase in risk compared to one year earlier.

Interest rate and liquidity risks relating to loans

In the 2023 fiscal year, Cherry made use of a variable-interest loan provided by UniCredit Bank GmbH to partially finance its working capital. The loan was subject to contractual agreements stipulating compliance with certain covenants that were not adhered to in the third quarter 2023. As part of the suspension of certain covenants for the third and fourth quarters of 2023, an amendment to the existing loan agreement was agreed upon with UniCredit Bank GmbH on May 3, 2024, which includes, among other things, an early partial repayment of loan funds and the additional agreement of a liquidity covenant. The company's cash and cash equivalents have decreased due to the development of revenue and earnings, particularly in the third quarter of 2024. The Management Board is currently working on measures to improve liquidity. In view of the adjusted loan agreement with the newly agreed liquidity covenant, the liquidity risks are now classified as "high" compared to the previous period.

Liquidity risks relating to working capital

In the current situation (e.g. on procurement markets), Cherry has safeguarded both its ability and its obligations to deliver by holding large amounts of inventories, thus mitigating the risks arising from higher prices. However, inventories tie up capital and can have a negative impact on liquidity. For this reason, measures were successfully implemented to reduce inventories in a targeted manner over the course of the fiscal year. Liquidity risks also arise from pre-financing, as contractually agreed payment terms can change adversely over time. The risk of incurring bad debts is counteracted by means of active receivables management. As a matter of principle, the Cherry Group only enters into transactions with recognized, creditworthy third parties. All customers who wish to do business with the Cherry Group on a credit basis are subject to a creditworthiness check. The majority of Cherry's customers are commercial customers, usually wholesalers and retailers operating in the electronics industry. The percentage of business transactions with private customers is low. Business with private customers does not entail any credit risks, as the goods are only dispatched once payment has been received. Recognizable credit risks with business customers are covered by specific valuation allowances and have not been material to date. Due to the comprehensive measures and controls in place, Cherry currently assesses the liquidity risks from inventory build-up, pre-financing, and overdue receivables as "medium", which corresponds to an increase in risk compared to one year earlier.

OUTLOOK REPORT

For the third quarter 2024, the Management Board had predicted Group revenue of around EUR 35 million (Q3/2023: EUR 27.3 million) and an adjusted EBITDA margin in the range of 5 % to 6 % (Q3/2023: -4.6 %).

The Management Board had expected to generate Group revenue in the region of EUR 140 to 150 million and an adjusted EBITDA margin within the range of 7.0 % to 8.0 % for the fiscal year 2024.

Neither of these two targets, i.e. revenue and the adjusted EBITDA margin, were attained in the third quarter. With Group revenue of EUR 22.6 million, Cherry remained EUR 12.4 million or 35.4 % below the forecast figure.

Germany is currently in a prolonged recession and falling further and further behind other advanced economies. This negative trend speaks for itself and is leading to a massive drop in consumption, a fact confirmed by all our retail and distribution partners.

Our expectation that the restrained demand for our products would recover sustainably after the relatively weak demand in September due to the vacation season was not fulfilled. The GfK consumer climate index in Germany deteriorated to -22 points in September 2024.

Leading economic research institutes are forecasting a contraction in Germany's gross domestic product (GDP) for the current year. The backbone of the German economy has been damaged, with insolvencies among German SMEs reaching record levels; 4,000 companies went bankrupt in the third quarter alone.

The slump in consumption is underlined by a savings rate of 11.3 %. According to the German Bundesbank, the long-awaited, consumption-driven upturn in the eurozone has not yet materialized. Despite the considerable accumulation of savings in recent quarters, the savings rate of private households continues to rise. Companies are not providing any impetus either, as investments have fallen to an all-time low due to the poor conditions prevailing in the eurozone, particularly in Germany.

Unemployment, which had been low for many years, rose by 6.8 % year on year to 2.8 million in September. Moreover, the recently introduced so-called "citizen's income" (Bürgergeld) has the effect of depriving SMEs of labor and inhibiting growth, even when the prospects are good.

Although Cherry SE is well positioned internationally, Germany remains its most important market and we are also part of the German SME sector. We cannot compensate for further resource-draining factors, such as the Supply Chain Act or additional reporting obligations in an already uncertain environment, simply by boosting efficiency. Asian competitors, which are internationally supported by their governments, now have significant competitive advantages.

In line with the trend in the Peripherals line of business, we see similar market behavior in the Components business. Looking at the notebook market worldwide, the interdependence of the two markets becomes clear. With the global notebook market still showing no signs of recovery, demand for ULP notebook switches continues to be limited.

In the first half of 2025, CHERRY intends to offer more analog solutions. In the meantime, the market for mechanical key switches remains challenging, as Chinese competitors are competing fiercely and the existing price erosion is quite likely to increase.

On a positive note, however, low-profile switches are gaining momentum in the desktop market and we have only just started producing our MX LP 2.0 switches.

From our market-leading position in e-health terminals to the addition of new software and service offerings – this mission will guide us through the final quarter of 2024 in the area of Digital Health & Solutions. With our Terminal Management System – Cherry TMS – we have brought an efficient solution to the market that supports critical processes in the patient workflow and ensures the optimal use of components across the entire IT infrastructure relevant for hospitals and care facilities.

In addition to the TMS, the CHERRY SmartLink SaaS solution allows the use of NFC-enabled smartphones as e-health card terminals for reading the electronic health card (eGK). The solution makes it possible to integrate a tested and approved interface into apps to securely redeem the e-prescription via CardLink. We expect final certification in November 2024.

We are doing everything we can to get Cherry back on track and for this reason we have launched a cost-cutting program. We plan to save EUR 3.5 million between September and the end of the current fiscal year.

These savings will be made from various internal areas and projects that we have temporarily put on hold, including cost-cutting in the fields of marketing, services, IT, and HR projects. We have also imposed a staff recruitment freeze.

As already announced on October 2, we are unable to meet our revenue and earnings forecast for the year as a whole due to the highly challenging market environment.

CHERRY will reap the rewards of the organizational measures in the GAMING & OFFICE PERIPHERALS segment over the course of the coming fiscal year.

Based on revenue for the first nine months of the fiscal year and taking into account the very gloomy business outlook for the fourth quarter, the Management Board of Cherry expects to generate Group revenue of around EUR 120 million and an adjusted EBITDA margin of around 3 % for the fiscal year 2024.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On October 14, 2024, Cherry Digital Health GmbH received official product approval from gematik for the e-health CardLink procedure, which is integrated into the CHERRY SmartLink solution. CHERRY SmartLink enables e-prescriptions to be re-deemed securely via NFC-enabled smartphones.

No other events of particular significance for the net assets, financial position, and results of operations occurred after the end of the third quarter 2024.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the Period from January 1 to September 30, 2024 (IFRS/unaudited)

€ thousand	**July 1 to Sept. 30, 2024**	July 1 to Sept. 30, 2023	**Jan. 1 to Sept. 30, 2024**	Jan. 1 to Sept. 30, 2023
Revenue	22,636	27,258	84,196	88,568
Cost of sales	-14,869	-22,831	-55,510	-65,595
Gross profit	7,767	4,427	28,686	22,973
Marketing and selling expenses	-6,342	-6,891	-18,727	-18,666
Research and development expenses	-1,715	-2,125	-5,381	-5,261
Administrative expenses	-4,904	-3,622	-13,554	-13,393
Other operating income	104	199	760	865
Other operating expenses	-904	-294	-1,097	-528
Operating result before interest and taxes (EBIT)	-5,996	-8,306	-9,313	-14,010
Financial result	-632	-708	-1,916	-1,748
Earnings before taxes (EBT)	-6,628	-9,014	-11,229	-15,758
Income taxes	-573	1,314	-2,573	3,024
Group net loss	**-7,201**	**-7,700**	**-13,802**	**-12,734**
Undiluted (basic) earnings per share (in €)	-0.31	-0.33	-0.60	-0.55
Diluted earnings per share (in €)	-0.31	-0.33	-0.60	-0.55

Income and expenses not recognized through profit or loss € thousand	**July 1 to Sept. 30, 2024**	July 1 to Sept. 30, 2023	**Jan. 1 to Sept. 30, 2024**	Jan. 1 to Sept. 30, 2023
Other comprehensive income that will be reclassified subsequently to profit or loss	**-293**	**1,486**	**-50**	**-1,895**
Foreign currency translation of financial statements of foreign entities	-293	1,486	-50	-1,895
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	**-293**	**1,486**	**-50**	**-1,895**
Total comprehensive income for the period	**-7,494**	**-6,214**	**-13,852**	**-14,629**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of September 30, 2024 (IFRS/unaudited)

ASSETS

€ thousand	Sept. 30, 2024	Dec. 31, 2023
NON-CURRENT ASSETS		
Intangible assets	79,619	79,685
Property, plant and equipment	7,664	7,347
Right-of-use assets	7,032	7,262
Financial assets	88	90
Other non-financial assets	14	10
Deferred tax liabilities	3,326	3,283
Total non-current assets	**97,743**	**97,677**
CURRENT ASSETS		
Inventories	61,876	62,446
Trade receivables	26,123	30,611
Current income tax receivables	845	668
Other non-financial assets	3,534	1,069
Cash and cash equivalents	8,357	46,083
Total current assets	**100,735**	**140,877**
Total assets	**198,478**	**238,554**

EQUITY AND LIABILITIES

€ thousand

	Sept. 30, 2024	Dec. 31, 2023
EQUITY		
Subscribed capital	23,190	23,190
Capital reserves	257,895	257,324
Accumulated deficit	-174,695	-160,894
Accumulated other comprehensive income	2,439	2,489
Total equity	**108,829**	**122,109**
NON-CURRENT LIABILITIES		
Pension provisions	178	178
Other provisions	852	767
Financial liabilities	24,988	226
Lease liabilities	12,878	15,457
Other non-financial liabilities	88	95
Deferred tax liabilities	12,530	10,746
Total non-current liabilities	**51,514**	**27,469**
CURRENT LIABILITIES		
Other provisions	620	588
Financial liabilities	137	45,071
Lease liabilities	5,217	5,008
Trade payables	20,769	17,808
Current income tax liabilities	916	1,199
Other financial liabilities	6,470	9,085
Other non-financial liabilities	4,006	10,217
Total current liabilities	**38,135**	**88,976**
Total equity and liabilities	**198,478**	**238,554**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the Period from January 1 to September 30, 2024 (IFRS/unaudited)

€ thousand	July 1 to Sept. 30, 2024	July 1 to Sept. 30, 2023	Jan. 1 to Sept. 30, 2024	Jan. 1 to Sept. 30, 2023
Net loss for the period	-7,201	-7,700	-13,802	-12,734
Depreciation, amortization and write-downs (+) / reversals thereof (-) on fixed assets	2,193	3,862	6,261	11,139
Increase (+) / decrease (-) in provisions	65	-384	181	-349
Other non-cash expenses (+) / income (-)	231	102	820	-44
Gain (-) / loss (+) on disposals of fixed assets	7	3	5	18
Increase (-) / decrease (+) in inventories, trade receivables and other assets	170	7,639	-203	-11,938
Increase (+) / decrease (-) in trade payables and other liabilities	2,186	-6,607	-3,332	-12,665
Interest expenses (+) / interest income (-)	632	714	1,916	1,745
Interest paid (-)	-1,289	-790	-1,911	-2,098
Interest received (+)	6	116	390	435
Tax expense (+)/ tax income (-)	574	-1,314	2,573	-3,024
Income tax paid (+/-)	-196	-874	-866	-2,278
Cash flows from operating activities	**-2,622**	**-5,233**	**-7,968**	**-31,793**
Cash received (+) from disposals of property, plant and equipment	3	7	6	6
Cash paid (-) for investments in property, plant and equipment	-951	-899	-1,869	-2,953
Cash received (+) from disposals of intangible assets	-	2	-	2
Cash paid (-) for investments in intangible assets	-1,623	-892	-3,433	-3,604
Cash paid (-) for the purchase of consolidated companies	-729	-	-729	-3,547
Cash flows from investing activities	**-3,300**	**-1,782**	**-6,025**	**-10,096**
Cash paid (-) in connection with the share buyback program	-	-	-	-2,463
Cash paid (-) in connection with other current financial liabilities (IFRS 16 Leases)	-1,106	-1,060	-3,476	-3,010
Cash paid (-) for the repayment of (financial) loans	-106	-44	-20,229	-1,014
Cash flows from financing activities	**-1,212**	**-1,104**	**-23,705**	**-6,487**
Cash-relevant change in cash and cash equivalents	-7,134	-8,119	-37,698	-48,376
Changes in cash and cash equivalents due to changes in exchange rates, scope of consolidation, and valuation	-76	110	-28	-110
Cash and cash equivalents at the beginning of the period	**15,567**	**52,371**	**46,083**	**92,848**
Cash and cash equivalents at the end of the period	**8,357**	**44,362**	**8,357**	**44,362**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Period from January 1 to September 30, 2024 (IFRS/unaudited)

€ thousand	Subscribed capital	Capital reserves	Accumulated deficit/	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, 2023	**23,393**	**257,585**	**-34,012**	**4,777**	**83**	**251,826**
Share buyback	-437	-2,026	-	-	-	-2,463
Treasury shares transferred as part of company acquisitions	234	1,552	-	-	-	1,786
Group net loss	-	-	-12,734	-	-	-12,734
Foreign currency translation of financial statements of foreign entities	-	-	-	-1,895	-	-1,895
Other comprehensive income	-	-	-	-1,895	-	-1,895
Total comprehensive income	-	-	-12,734	-1,895	-	-14,629
Impact of share-based payments	-	169	-	-	-	169
September 30, 2023	**23,190**	**257,280**	**-46,746**	**2,882**	**83**	**236,689**
January 1, 2024	**23,190**	**257,324**	**-160,894**	**2,391**	**98**	**122,109**
Group net loss	-	-	-13,802	-	-	-13,802
Foreign currency translation of financial statements of foreign entities	-	-	-	-50	-	-50
Actuarial gains and losses	-	-	-	-	-	-
Income taxes on other comprehensive income	-	-	-	-	-	-
Other comprehensive income	-	-	-	-50	-	-50
Total comprehensive income	-	-	-13,802	-50	-	-13,852
Impact of share-based payments	-	571	-	-	-	571
September 30, 2024	**23,190**	**257,895**	**-174,695**	**2,342**	**98**	**108,829**

IMPRINT

Cherry SE
Rosental 7
c/o Mindspace
D-80331 Munich, Germany

Postal address
Cherrystrasse 2
D-91275 Auerbach, Germany

Investor Relations
Nicole Schillinger
T +49 9643 2061 848
E ir@cherry.de