

Annual Report

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Annual General Meeting

The Annual General Meeting of Shareholders in Cherryföretagen AB (publ) will be held at 16.00 on Wednesday, May 12, 2004 in Tegensalen at Tegen Konferens, Sundbybergsvägen 9, Solna.

Shareholders who wish to participate in the Annual General Meeting must

- be recorded in the register of shareholders held by VPC AB (Swedish Securities Register Center) no later than Friday, April 30, 2004
- and notify the Company of their intention to participate no later than 12.00 noon on Friday, May 7, 2004.

Notification may be made by writing to the Company at Box 1067, 171 22 Solna, by telephone 08-705 96 10, by fax 08-735 57 44 or by e-mail: info@cherry.se. The notification must include the shareholder's name, personal ID (social security no.) and/or company registration number, address, telephone number, shareholding (specifying class of shares) and number of assistants (max. two). Shareholders who are represented by proxy should include a power of attorney when notifying the Company.

To be entitled to participate in the AGM, shareholders whose shares are registered in the name of a nominee must temporarily register the shares in their own name. Shareholders must inform their nominee of their intention to re-register their shares well before April 30, 2004.

Financial information during 2004*

Interim Report Q1 as of March 2004	April 29, 2004
Annual General Meeting	May 12, 2004
Interim Report Q2 as of June 2004	August 26, 2004
Interim Report Q3 as of September 2004	October 28, 2004
Interim Report Q4 as of December 2004	February 22, 2005
Year-end report 2004	February 22, 2005
Annual Report 2004	Week 15 (prov.) 2005

To receive Cherry's reports and press releases as soon as they are issued, visit www.ngnews.se and set up a subscription.*

*Available only in Swedish

Diva Las Vegas!

Why do you play with Cherry?

"Fast, simple and bright – gaming with Cherry is always right."

When Cherry celebrated its forty-year jubilee last year, we announced a competition in which the tie-breaker was to give the reason for choosing Cherry.

The winner was Fredrik Tukk who packed his bags and set off to the gambler's Mecca – Las Vegas.

Viva Las Vegas! A winner's report from the desert city in Nevada

I couldn't believe my ears when I heard that I had won first prize in Cherry's competition – a trip to the gambling capital of the world, Las Vegas. Absolutely mind-blowing! Nine time zones back in time and we land at Las Vegas. "Welcome to Las Vegas" says the sign in the arrivals hall and already we are met by the sight of slot machines.

Our hotel has 2,600 rooms, 21 restaurants, seven bars and, you've guessed, an amusement hall. The 10,000 square-meter amusement arcade accommodates 2,800 gaming machines and 93 tables for Black Jack, Roulette and other games. The entire concept in Vegas is based on the fact that you never need to leave your hotel or casino.

” ” **Fast, simple and bright – gaming with Cherry is always right.**



Cherry's Francis Cavia presents winner Fredrik Tukk with first prize in Cherry's 40-year jubilee competition: a trip for two to Las Vegas.

I had expected most of those who come to gamble in Vegas to be members of the international set who dress up to the nines in the evening, a bit like in the James Bond movies. I couldn't have been more wrong!

The gaming tables and machines are mostly populated by older Americans who travel there either to live it up for a few days or in some cases to try and hit the jackpot. The one thing common to everyone is the thrill of playing.

We were really impressed by Las Vegas and it's definitely a place you should visit at least once in your life. If you are also a keen gambler, it's definitely the city with it all.

Despite my efforts at numerous casinos, my pockets weren't brimming with gold when I returned home. But we did bring home fantastic memories.

THANKS for a fantastic trip and a brilliant first prize!

FREDRIK TUKK & ANETTE TUKK

1





Cherry in Brief

Cherry has been creating an exciting gaming experience for over 40 years and is one of Sweden's leading private gaming companies. A key part of the company's growth strategy is to combine its extensive experience and knowledge of gaming and the market with an innovative approach.

About Cherry

Cherry's operations are concentrated on casinos, gaming machines and online gaming. Online gaming is the area which is experiencing the fastest growth and which offers most potential. Cherry is one of the market leaders in the development of Internet casino gaming.

Political decisions and recent technical development in the form of the Internet are examples of factors which have a large impact on the sector. Cherry is currently investing in technology for gaming, competitions and lotteries based on the new media, particularly the Internet. The company is at present in a transitional phase, moving from traditional gaming operations to gaming in a global market using new technology. Cherry is well placed to exploit the new markets which are opening up through low-cost access to global distribution.

Cherry is also established in Norway, Denmark and Chile.



Cherry has been creating an exciting gaming experience for over 40 years and is one of Sweden's leading private gaming companies.

A key element in the company's growth strategy is to combine its extensive experience and knowledge of gaming and the gaming market with a constantly innovative approach.



Business concept

Cherry's business concept is to create added value for its partners and non-profit-making associations by means of gaming, lotteries and competitions. The combination of expert knowledge, excellent and exciting products, accessibility and local commitment, backed up by professional service, paves the way for lasting and rewarding cooperation. Cherry will also work with Net Entertainment, wholly owned subsidiaries and partners to develop and operate online casinos in an international market.

Vision

Cherry will create an exciting gaming experience and be Scandinavia's most professional gaming service provider to restaurants, shipping companies, national movements and other customers. Cherry will also be a major supplier of direct-experience online commercial gaming, including mobile Internet, via Net Entertainment.

Business model


Cherry's business model is based on creating an exciting gaming experience for the player through close co-operation with restaurant owners, shipping companies, sports betting sites and other owners of gaming locations. Whatever the form of collaboration, whether it be co-operation agreement, partnership, licensing and so on, Cherry is responsible for the gaming contract. As the business model is based on the results from the gaming, Cherry knows the importance of always providing well functioning, attractive services. This benefits both partners and Cherry.

Important events in 2003

- **Major success in the sale of online gaming to sports betting web sites**
Cherry's Net Entertainment business area sold its casino game to a large number of companies operating in various markets. Net Entertainment's "Casino Module" is designed to support casino games on sports betting sites in many different languages.
- **Cherry purchases a stake in BETSSON.COM.**
Cherry acquired 10 percent of the UK sports betting company Betsson.com. Betsson.com is a betting exchange, which is a form of betting that has revolutionized the UK gaming market. You can read more about Betsson.com on page 15.
- **Cherry creates the conditions for increased trading in its share.**
A Market Maker agreement was signed with Remium within the framework of the Stockholm Stock Exchange's liquidity guarantees system. The B share was also listed on Nordnet's list for share trading without commission – NollCourtageListan.
- **Five-year contract for gaming machine operation signed with Danish Shell**
Cherry has signed a five-year contract with Danish Shell to set up and operate gaming environments at 25 of Shell's Danish gas stations. One gaming environment contains 8 to 15 slot machines in a demarcated and supervised part of a gas station. All the machines are linked to the Danish government's computer system for control and calculation of gaming tax.
- **Court of Justice of the European Communities throws doubt on the state monopolies**
In what has become known as the Gambelli case, the Court of Justice of the European Communities has ruled that the Italian state is acting in contravention of EU regulations. The case will reverberate in gaming monopolies in other EU countries.
- Net sales amounted to SEK 264.3 (271.1) million. Corrected figures for the closed-down Gaming Machines increased net sales by SEK 15 million.
- Profit after financial items improved to SEK 0.6 (0.0) million. Corrected figures for the closed-down Gaming Machines increased profit by SEK 19 million.
- Profit after tax increased to SEK 1.5 (-0.9) million, SEK 0.05 (-0.04) per share.
- The equity/assets ratio was 63 (65) percent and cash and bank balances SEK 31.8 (31.0) million.

NET ENTERTAINMENT

**Are these people
your customers?**



The most powerful Multi-language Casino software in the business.

14 languages spoken. More coming.

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President's Review

Cherry is once again forging ahead. It feels strange to say this of a company that is over 40 years old, but the gaming market is noted for being dynamic, which can work in both a positive and a negative way.

2003 was a historic year for Cherry. The Online business area made its commercial breakthrough and Cherry was able to reap the fruits of a strategic and consistent concentration on the Internet.

Our subsidiary Net Entertainment has enjoyed major successes and has supplied gaming products to a large number of gaming operators. Success breeds success and I believe that we shall see this company continuing to perform positively.

Strengthened by the increase in net sales we have seen in Online Gaming, Net Entertainment is investing even more heavily in product development. The Internet is still a relatively young distribution channel and many interesting geographical markets are currently in the position the western world was in five years ago.

Total annual growth for online gaming is estimated at 30-40 percent, which represents good potential for strong growth. I believe that we shall also soon see a commercial breakthrough for gaming via handheld terminals, such as mobile telephones.

The Gambelli case, which was tried in the Court of Justice of the European Communities in November 2003, really broke the trend for future development of gaming legislation. The court ruled that restriction on the freedom of establishment and the freedom to provide services in the community must not exceed what is required to achieve the purpose of such restrictions. The purpose of the Swedish monopoly, which is an example of such a restriction, is to protect players and to restrict playing.

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The court also stated that if a member state encourages participation in lotteries for the purpose of receiving revenues, social reasons cannot not be cited as a reason to justify restrictive legislation. In my opinion, there is no shadow of doubt that the Swedish state encourages participation in lotteries. This is done through large-scale marketing and aggressive product development. My conclusion is that the Swedish gaming monopoly, like many other gaming monopolies, rests on very shaky ground. As such, the absurd situation that is the Swedish gaming monopoly constitutes is on the way to being dissolved, which will of course open up new potential for Cherry.

In 2003, major initiatives were implemented to improve Cherry's traditional gaming operations, which come mainly under restaurant casino and maritime gaming.

However, market development in restaurant casino was not a cause for celebration in 2003, due to the adverse market situation. Net sales fell as a result of increased competition and a weaker market base, particularly in the large cities. A few important gaming locations were hit by a decline, due to competition from the government's international casino. However, I am convinced that Cherry's brand and market presence will be an important component for the company when the gaming monopoly falls. By increasing our market presence and consolidating our position as the country's leading private operator, we shall strengthen the foundation for providing competitive gaming services in the future.

In our maritime operations we were successful in improving both net sales and profit. We were particularly successful in the Mediterranean and I believe that our operational competence is far superior in this area.



I therefore hope that we shall be able to expand our customer base in this profitable market.

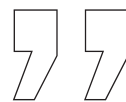
In Denmark, Cherry has begun a major joint initiative with Danska Shell whereby Cherry sets up gaming environments at a number of large gas stations. The gaming environments are demarcated in the premises and include gaming machines. The games are linked via data networks to the Danish authorities for read-out and taxation. The concept is extremely exciting and Cherry is now doing everything to ensure that operations develop according to plan and thus provide a basis for other similar ventures in Denmark.

In 2003, Cherry invested in the UK gaming company Betsson.com., which is a betting exchange. This may sound complicated, but for the player it is simply a gaming location which guarantees highly favorable playing conditions. Playing in a betting exchange gives the player many advantages, the most obvious one being the high odds which are offered. The purpose of Cherry's investment in Betsson.com is for the company to quickly become one of the main competitors to the present leading betting exchange in the UK.

Gaming facilities with Betsson.com make the state gaming companies' conditions appear rather unattractive, which in fact they are. In today's society, in which consumers are price and quality conscious, gaming services like Betsson.com herald a bright future ahead. I am therefore very pleased about Cherry's strategic holding in Betsson.com.

All in all, it feels more exciting to be President and CEO of Cherry now more than ever before. We have had our ups and downs, which is normal in the gaming sector. And right now we are in an exciting phase. Our online gaming is increasing in popularity and we are now starting to see the strength of a business model with fantastic economies of scale. When we get to compete fully with the state in all areas, even more tremendous opportunities will open up. I am convinced that the monopoly will fall and the sooner the better.

PONTUS LINDWALL



Right now we are in an exciting phase. Our online gaming is increasing in popularity and we are starting to see the strength of a business model with fantastic economies of scale.

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This is Cherry

Overall strategy

- Cherry was founded in 1963 and has over 40 years' experience of the gaming industry, and it is this experience which underpins the company's future expansion.
- Cherry develops traditional forms of gaming, while also augmenting its investment in electronic media such as the Internet.
- Cherry invests in development of technology for gaming, competitions and lotteries based on the Internet and mobile Internet.
- Cherry adapts its organization in order to exploit new business opportunities created by the low cost of global distribution.

Overall financial targets

- Annual growth in net sales to reach at least 15 percent a year.
- Profit margin to exceed 8 percent over one business cycle.
- Average annual return to shareholders to amount to at least 10 percent.
- Return on equity to exceed 20 percent after tax.
- Equity/assets ratio to be between 40 and 45 percent.

With over 40 years' experience of developing and operating gaming under its belt, Cherry is justified in claiming it knows the gaming industry. And that is true whether the distribution is over the Internet, mobile telephone or on a gaming table in some restaurant.



Cherry is highly successful in creating an exciting gaming experience. The sector in which the company operates, the experience industry, is one of the fastest growing sectors in the developed world.

Products

Cherry is highly successful in creating an exciting gaming experience. The sector in which the company operates, the experience industry, is one of the fastest growing sectors in the developed world and the future looks promising. Electronic media such as the Internet have revolutionized the gaming market and resulted in greatly increased access to good gaming.

Cherry's strategy is to concentrate the majority of its operations on the online business area. In this business area, Cherry develops and operates online gaming for an international market. Casino Module (platform for casino games on sports betting websites) made a massive breakthrough in 2003 with many new key customers. This success can be attributed to the fact that the Casino Module is profitable and can easily be supplemented with new games. This means that the casino is live, just like a physical casino, and it is simple to add new games and competitions. Casino Module is also available in 16 languages.

Cherry's basic operations comprises of restaurant casinos in Sweden and gaming machines abroad and on cruise ships. In the Maritime Gaming business area, Cherry provides an exciting gaming experience with gaming machines, roulette and Black Jack on cruise ships.

In the New Markets business area, Cherry constantly investigates and develops new gaming markets, both geographical and product-related. When projects are considered to be commercially marketable, they are placed in an existing product area or they form a new business area.



Competitors

Cherry's biggest competitive advantage is that the company's long experience means that it knows the gaming market and industry. The organization is structured to allow fast production of new gaming products, whatever the form of distribution.

The main competitors in Cherry's market are Bell Casino, Knutsson Casino, Svenska Spel and Ålands Penningautomatförening (PAF). Some competitors have problems with profitability, which opens the way for Cherry to make strategic acquisitions.

Cherry's concentration on electronic media has resulted in new competitors, among them Boss Media, CryptoLogic, Micro Gaming and Chartwell Technology.

Cherry has excellent opportunities to improve its profit margins by taking larger market shares both in the company's traditional gaming markets and new ones. Once the gaming monopoly has fallen and Cherry can compete with the state on equal terms, there will be huge potential for Cherry.

Future opportunities

Cherry's long experience of the gaming market means that the company has a strong brand, and stable, healthy finances.

This experience and stable financial position are paramount when Cherry makes investments in order to become one of the leaders online gaming development. The company's improved financial position means that it has the resources required to invest in gaming development and sales. In addition, Cherry's experience of the gaming market has meant that the company can quickly adapt its organization to the constantly changing gaming regulations.

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A Changing Gaming World

The state monopolies' days are numbered. It is impossible to say when they will fall, but what is certain is that they will fall. One important indication of this is the Gambelli case, which represents an important milestone for the gaming sector.

Cherry has for a long time claimed that the state gaming monopolies are unlawful, as the governments uses its monopolies to finance the treasury, not to protect the consumer from gambling abuse.

The following figures speak for themselves: In 2003, Svenska Spel had revenues of SEK 4.7 billion, with only SEK 9 million (0.2 percent) used on measures to reduce gambling addiction. Furthermore, the govern-



Once the market is deregulated, Cherry faces an exciting future. Consumers benefit from a wider product range, better service and higher repayment.

ment encourages gaming participation by frequently advertizing its gaming products. It is Cherry's opinion that the state monopoly is purely a financial monopoly and should therefore be abolished without delay.

The monopolies' days are numbered

In November 2003, the much discussed Gambelli case was tried. See Facts. The Court of Justice of the European Communities ruled that the Italian gaming monopoly contravenes the EU's right of establishment. Also, the state cannot justify its monopoly by claiming that it is protecting consumers from gambling abuse if the government is encouraging gaming by means of advertising etc.

Conditions in the Swedish market are the same as in the Italian market. The government frequently advertises through Svenska Spel, for example, despite claiming that it wants to protect people from gambling addiction. The gaming sector is therefore convinced that the Swedish monopoly's days are also numbered.

Once the market is deregulated, Cherry faces an exciting future. Consumers benefit from a wider product range, better service and higher repayment. Youth sports and other non-profit-making organizations will see their income rise, as the competition increases.

A misused and completely false argument for retaining the state monopoly is that if private players are unleashed on the market, this will mean less money for youth sports and other non-profit-making organizations. Nothing could be further from the truth. These are the actual facts: At present, Svenska Spel gives



some of the profit from gaming activities to other organizations. In a market which allows private players, the state may require a certain percentage of revenues to go to youth sports and non-profit-making organizations, as well as measures to reduce gaming addiction. The same regulations currently exist in Denmark, for example, where a percentage of revenues comes from private players and goes towards measures to fight gambling abuse.

By investing in Betsson.com, Cherry is well positioned to be among the leading players in the market. Betsson.com is a betting exchange, which is a place where betting sellers and buyers meet. This is a form of gaming that has revolutionized the UK market. Cherry is convinced that the more generous forms of gaming with higher dividends are the ultimate winners.

The experience industry, of which the gaming sector is part, is one of the fastest growing industries. When deregulation becomes a reality, there will be huge growth potential for an experienced company like Cherry, which knows gaming, whatever the form of distribution.

Development of new forms of gaming

The Internet has revolutionized the gaming market. Annual market growth for Internet-based gaming is 30-40 percent and Cherry has produced spearhead products, with more on the drawing board.

Over half of the Swedish population has Internet access from home and over 7 million have mobile telephone subscriptions. Development has not been so rapid in every corner of the world, but trends are seeing increasing numbers having access to new communications technology, which enables people to play wherever they are.

These trends have opened up major business opportunities in online gaming, which includes gaming over the Internet, interactive digital TV or mobile telephone. It does not matter where the player is located, because with a mobile telephone it will be possible to place a bet right up to the last minutes of the match. The expansion of the 3G network has resulted in larger selection of more advanced gaming products.

Cherry's wholly owned subsidiary Net Entertainment made its commercial breakthrough in 2003 and Casino Module is an important part of a new product strategy which has proved highly successful. The company is also developing new games, including mobile games.

Cherry is convinced that to ensure future success, the games producers must have a presence where market growth exists. This makes it even more satisfying that 2003 was the year in which Cherry's Online gaming business area made a clear breakthrough.



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FACTS: The Gambelli case

Piergiorgio Gambelli and 137 other persons manage data transmission centers in Italy which collect sporting bets via the Internet on behalf of a British bookmaker. The British bookmaker has a license to operate in the UK. Criminal proceedings were brought against Mr. Gambelli and others as the Italian state considered itself to have a monopoly on gaming activities.

The case was tried in the Court of Justice of the European Communities, which ruled that the Italian state's monopoly constitutes a restriction on the freedom of establishment and the freedom to provide services. Furthermore, the Court stated that such restrictions may only be justified if they are necessary for consumer protection. A state cannot claim to protect consumers if at the same time it encourages participation in lotteries or betting, by means of advertising, for example. Considering this from a Swedish perspective, this means that the Swedish state cannot claim to be protecting consumers either, as Svenska Spel, for example, is a major advertiser.





Breakthrough year for Online Gaming

2003 saw Online Gaming make its commercial breakthrough. Revenues trebled and profit after financial items improved by over SEK 11 million.

Cherry's wholly owned subsidiary Net Entertainment has developed software for online casino gaming since 1997. The company's growth is high and the future appears very bright.

The success of Net Entertainment is no mere chance, but the result of a strategy review which began in fall 2002. When the cost of creating new customers is so high that it ceases to be profitable, every operator must ensure that more revenue is generated from existing customers.

The offshoot of this is that various types of gaming operators, such as lotteries, sports games and bingo, will be adding more products to their gaming portfolio, enabling them to make the transition from niched gaming website to "online gaming destination".



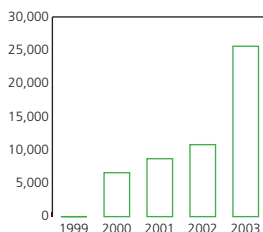
Casino games are an important component of a new competitive portfolio as they often produce good profitability. For this very reason, Net Entertainment expanded its product portfolio towards the end of 2002 with a product called "Casino Module", which is easy and profitable for gaming operators to add to their websites.

In 2003, Casino Module achieved great success and around ten different gaming websites featured among the list of new customers. These included Unibet, Nordicbet, Scandic Bookmaker, E-tote and the Russian bookmaker Fonbet. An important feature of Casino Module's success is that it is available in 16 languages. The product has more than lived up to the goal of representing a profitable game for customers. To develop new, successful games, a company must be attentive to market requirements and preferences. Net Entertainment gains this experience through its subsidiary Mil Treinta y Dos which operates gaming on a smaller scale.

Online Gaming Business Area

	2003	2002
Net sales, external, SEK thousands	25,595	10,814
Profit/loss after financial items, SEK thousands	2,123	-9,347
Internet casino in operation	5	4
Internet casino (Casino Module) in operation	13	1
Number of persons employed	20	16
Average number of employees	18	16

Net sales, external, SEK thousands



Strong development in other product areas

Success breeds success and the latter part of the year saw increased demand for other products, such as mobile games.



The strong growth during the year resulted in the business area recruiting new employees. In particular, marketing and sales positions were consolidated to make Cherry better equipped now than ever before.

In the second half of 2003, important product development projects were initiated. The projects involve producing new games, and launching present products in new channels. Some of the products that have now been developed and should be on the market in early 2004 include mobile games.

Betsson.com

In 2003, Cherry took a strategically important step into the sports betting market by acquiring a 10 percent stake in the UK sports betting company Betsson.com, which is a betting exchange where betting sellers and buyers meet. There has been an explosive development in betting exchanges in the UK and it looks like only a matter of time before the Swedish market follows suit. The investment in Betsson.com is an important part of Cherry's strategy to be one of the leading companies offering competitive sports betting on the market when the Swedish monopoly has fallen.

” ” **The investment in Betsson.com is an important part of Cherry's strategy to be one of the leading companies offering competitive sports betting on the market when the Swedish monopoly has fallen.**



12



Cherry consolidates its position in the Swedish restaurant casino market

With a market share of 30 percent of all gaming locations, Cherry is the leader in the Swedish restaurant casino market. During the year, Cherry consolidated its position, despite the fact that the market was hit by fierce competition and reduced sales.

The Swedish restaurant casino market had net sales of SEK 1.1 billion in 2003, which is a fall of 2 percent compared with the previous year. The decrease is largely attributable to the fact that the state runs its own casino and gaming machines in order to fill the treasury coffers. Casino Cosmopol's operations in Stockholm, Gothenburg, Malmö and Sundsvall have had the effect of reducing Cherry's net sales in these cities.

Fresh innovative approach in a mature market

It is vitally important to inject fresh innovative approaches into a mature market, in order to expand operations and increase profitability. Cherry has a number of projects underway, which the company believes will have a successful outcome in the immediate future.

One example of the innovative approach is Cherry's decision in 2003 to introduce card terminals for gam-

ing tables. This is a good way of responding to a new consumption pattern, particularly among the younger generation, who are showing an increased tendency to settle even small amounts with charge cards and credit cards. The tests that Cherry has conducted clearly show that this project will have a successful outcome.

Cherry also focuses strongly on sales. As the gaming market is open to fierce competition, Cherry expects some of its competitors to experience economic problems. The strategy is to weaken the competition by taking larger market shares or acquiring companies that are strategic pearls.

Cherry operates restaurant casino gaming throughout Sweden. At local level, area managers are responsible for training, staffing and equipment. Cherry's business concept is to offer profitable casino contracts, which are characterized by commitment, service and integrity

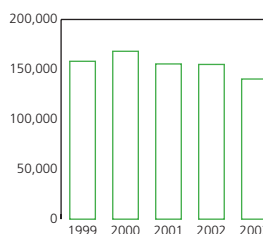
Cherry's efficient organization enables the company to incorporate many new gaming locations without any appreciable cost increases. Cherry's administrative data system Joker guarantees efficient accounting and statistics. The systems allows analysis of the results of gaming locations, individual gaming tables and employees.



Restaurant Casino Business Area

	2003	2002
Net sales, external, SEK thousands	140,360	154,961
Profit/loss after financial items, SEK thousands	5,123	8,962
Number of gaming locations	211	220
Number of gaming tables	354	373
Number of persons employed	610	627
Average number of employees	176	169

Net sales, external, SEK thousands



Aggressive new selling pays off

In 2003, the Maritime Gaming business area took off again. In fact it flew ahead. Net sales increased by SEK 8 million and profit by almost SEK 7 million.

The success resulted in a business area that showed a profit of SEK 3 million for 2003, compared with a loss of SEK 4 million in 2002.

The success is due to a well thought out strategy on Cherry's part. All costs have undergone a thorough review and a large-scale rationalization program has been implemented in combination with aggressive selling to new and old customers. The rationalizations have not resulted in staff cuts, as we know that our customers call for a high level of personal service.

What is more, the market finally recovered during the year. The economy finally took off, which resulted in increased gaming, as more private individuals began to travel on cruise ships. Business travel also increased and Cherry has always systematically and strategically concentrated on offering its products where the level of travel is greatest. Passengers on ro-ro ships, cargo vessels and passenger ferries are important target groups.

Cherry's market share is estimated at just over 50 percent of the Scandinavian market. However, despite its firm hold on the market, Cherry is never complacent. The company is involved in intensive negotiations with shipping companies to offer its products on even more vessels.

Greece – an emerging market

The Nordic market is mature, with fierce competition and growth opportunities that can be restricted by taking market shares from competitors. On the other hand, the Greek market is experiencing rapid growth and Cherry is investing intensively in this market. Through the partly owned company Secular Corporation, Cherry has successfully built profitable and expansive operations in Greece.



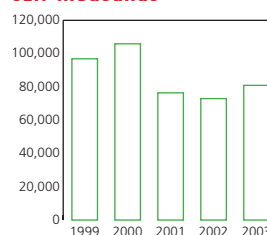
What Cherry offers

Cherry guarantees that the customer has the right equipment for the right market, and the customers are well aware that Cherry knows the gaming industry. In this way, both customer and Cherry maximize profitability. It is important that the end customer is given a gaming experience that is fun, exciting and entertaining. People associate Cherry's trademark, the cherry, with correctness, punctuality, good service, maximum earning capacity, the right equipment and environmental compatibility.

Maritime Gaming Business Area

	2003	2002
Net sales, external, SEK thousands	80,927	72,996
Profit/loss after financial items, SEK thousands	2,999	-3,564
Number of vessels	49	52
Number of gaming machines	646	675
Number of gaming tables	9	9
Number of persons employed	43	40
Average number of employees	38	41

Net sales, external, SEK thousands





Strong growth in Denmark

In the strictly regulated gaming markets, it is important to be in the right place at the right time. The right time is often when a market's gaming regulations are being changed. For this reason, Cherry is constantly exploring different geographical markets to identify attractive new business opportunities.

The Danish market allows private players, provided certain rules are followed. For example, 1 percent of revenues must go towards measures to fight gambling abuse. Cherry's Danish operations achieved a magnificent breakthrough in 2003. Intensive sales initiatives culminated in the signing of a five-year contract with Shell to establish gaming environments at gas stations in Denmark.

Growth potential appears excellent. During 2004, Cherry will open on average two new amusement halls

a month at gas stations and net sales are expected to rise sharply. The gas stations are carefully selected and are in locations through which large numbers of people pass.

The successes in Denmark also mean that Cherry has an organization that has the knowledge and experience to expand the same concept to other countries when the regulations change.

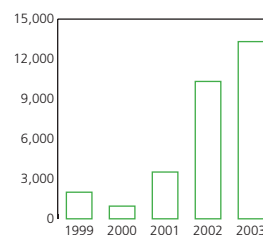
Operations in Chile are run with the Pajazzo game of skill. The game is located in large shopping centers and negotiations are in progress with various players to place more games. The goal is to carefully expand operations in order to be able to offer more products as the Chilean market becomes deregulated.

The New Markets business area improved its results considerably in 2003, from SEK -8.6 million in 2002 to SEK -2.8 million in 2003.

New Markets Business Area

	2003	2002
Net sales, external, SEK thousands	13,310	10,318
Profit/loss after financial items, SEK thousands	-2,768	-8,630
Number of gaming machines in operation	286	216
Number of persons employed	30	23
Average number of employees	31	23

Net sales, external, SEK thousands



Better odds with Betsson.com

Betsson.com belongs to a new generation of gaming companies, with players betting against other punters instead of a bookmaker. The absence of a middleman gives higher odds and attracts more punters.

Betsson's business concept is to be a marketplace for betting between two or more parties. Unlike normal bookmakers, Betsson does not bet against its customers, but provides a service that allows customers to bet against each other. The players assume the role of both punter and bookmaker, which means better odds. Betsson's revenues consist of commission on winnings.

No restrictions

There are no restrictions in this type of betting. It is possible to bet on anything: "Who will be the next Robinson winner?", "Who will score the next goal for Arsenal?" or "Will it be sunny tomorrow?". The players go to betsson.com and decide what they want to bet on and the size of the stake. Anything goes – provided someone is willing to take on the bet. And what adds to the excitement is that new bets can be placed while playing.

FACTS: Betsson

Number of players: 15 000
 Net sales: Betsson matches bets amounting to SEK 400 million a year.
 Growth: 30% per month
www.betsson.com



Betsson.com advertising campaign, "Sweden needs fair play".

Scandinavia's leading betting exchange

The UK betting company Betsson.com was launched in May 2002 and has quickly assumed the position of Scandinavia's leading betting exchange. Betsson.com matches bets amounting to more than SEK 1 million every day and is showing a monthly growth of approximately 30 percent. Most of the customers are in Scandinavia and the United Kingdom and the company will soon be established in other European markets.

Current turnover from betting exchanges is approximately USD 16 billion and this figure is expected to shoot up to USD 159 billion by 2008. This in turn will result in an increase in the value of the betting exchange and the number of bets, which will make the betting exchange more exciting and attractive to new players.

Online casino

In addition to betting, Betsson.com also offers its customers casino games with Net Entertainment's Casino Module.

In 2003, Cherry purchased a minority stake in Betsson.com and invested further in the company at the beginning of 2004.

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betsson



5-year Overview Group

(Amounts in SEK thousands unless otherwise specified)	2003	2002	2001	2000	1999
Income statement					
Net sales	264,317	271,078	260,627	376,210	345,224
Operating profit/loss	1,949	308	-50,793	8,357	12,947
Profit/loss from financial investments	-1,322	-289	-1,543	-3,401	155
Profit/loss after financial items	627	19	-52,336	4,956	13,102
Minority interest	-922	-450	287	92	196
Profit/loss before taxes	-295	-431	-52,049	5,048	13,298
Profit/loss after tax	1,547	-900	-48,947	-271	8,128
Financial position					
Equity	75,827	73,099	54,354	102,583	70,398
Total assets	120,035	113,033	100,296	148,328	112,246
Equity/assets ratio (%)	63	65	54	69	63
Quick ratio (%)	190	176	141	186	174
Profitability					
Return on total capital (%)	2	2	-41	4	12
Return on equity (%)	2	-1	-62	0	11
Return on capital employed (%)	3	4	-65	6	19
Profit margin (%)	0.2	0.0	-20.1	1.3	3.8
Interest coverage ratio (multiple)	1	1	-49	17	102
Investments					
Installations and gaming equipment	7,607	15,366	13,623	13,768	7,540
Goodwill, operations and capitalized development expenses	2,240	2,673	1,863	1,268	1,895
Shares and other	2,145	0	0	753	70
Personnel					
Average number of employees	270	257	299	327	302
Number of persons employed	710	712	761	782	864
The share					
Outstanding convertibles (shares)	800,000	-	-	-	-
Outstanding options (shares)	710,000	-	-	-	-
New share issue (before issue expenses)	-	20,409	-	40,574	-
Share capital	61,227	61,227	40,818	40,818	37,212
Number of shares at year-end	30,613,684	30,613,684	20,409,123	20,409,123	18,605,790
Average number of outstanding shares	30,613,684	21,024,192	20,409,123	19,965,680	18,605,790
Number of own shares	0	0	0	0	0
Number of registered shareholders	3,288	2,634	2,601	2,497	1,424
Share price (SEK)	16.70	2.90	7.45	16.50	23.00
Earnings per share (SEK)	0.05	-0.04	-2.40	-0.01	0.44
Earnings per share after dilution (SEK)	0.05	-	-	-	-
Cash flow per share (SEK)	0.03	0.31	-0.79	-0.06	-0.82
Cash flow per share after dilution (SEK)	0.03	-	-	-	-
Equity per share (SEK)	2.48	2.39	2.66	5.03	3.78
Equity per share after dilution (SEK)	2.56	-	-	-	-
Dividend per share (SEK)	0.00	0.00	0.00	0.00	0.40

5-year Overview by Business Area

(Amounts in SEK thousands unless otherwise specified)	2003	2002	2001	2000	1999
Online Gaming Business Area (consolidated from April 2000)					
Net sales, external	29,595	10,814	8,700	6,593	–
Profit/loss after financial items	2,123	–9,347	–56,881	–15,752	–2,742
Online Casinos in operation	5	4	4	1	–
Online Casinos (Casino Module) in operation	13	1	–	–	–
Number of persons employed	20	16	17	20	–
Average number of employees	18	16	25	16	–
Restaurant Casino Business Area					
Net sales, external	140,360	154,961	155,466	168,139	158,115
Profit/loss after financial items	5,123	8,962	7,028	7,520	5,494
Number of gaming locations	211	220	225	217	255
Number of gaming tables	354	373	376	379	410
Number of persons employed	610	627	673	674	778
Average number of employees	176	169	203	228	224
Maritime Gaming Business Area					
Net sales, external	80,927	72,996	76,433	105,888	96,900
Profit/loss after financial items	2,999	–3,564	–2,293	8,838	7,714
Number of vessels	49	52	47	39	37
Number of gaming machines	646	675	525	656	682
Number of gaming tables	9	9	2	14	13
Number of persons employed	43	40	58	61	61
Average number of employees	38	41	50	53	51
New Markets Business Area					
Net sales, external	13,310	10,318	3,513	952	1,998
Profit/loss after financial items	–2,768	–8,630	–2,352	–2,922	–2,551
Number of gaming machines in operation	286	216	150	80	70
Number of persons employed	30	23	1	2	1
Average number of employees	31	23	1	2	2
Gaming Machines Sweden Business Area (closed down in 2002)					
Net sales, external	–	21,804	16,328	89,948	88,123
Profit/loss after financial items	–	18,512	9,337	12,690	10,952
Number of goods gaming machines	–	2	0	408	490
Number of amusement machines/Vinstdraget lottery machines	–	2	0	0	32
Number of Jack Vegas agreements	–	–	–	2,887	2,014
Number of Jack Vegas machines in operation	–	–	–	1,734	1,322
Number of persons employed	–	1	2	16	16
Average number of employees	–	2	9	19	16
Group-wide					
Net sales, external	125	185	177	2,563	88
Profit/loss after financial items	–6,850	–5,914	–7,175	–5,418	–5,765
Number of persons employed	7	5	10	9	8
Average number of employees	7	6	11	9	9





The Share

Cherry's B share has been listed on the Stockholm Stock Exchange O List since June 22, 2000. Prior to that, the share was listed on the NGM list (at that time the SBI list) from March 1996

Share capital

Share capital in Cherryföretagen amounts to SEK 61,227,368, distributed between 5,610,000 A shares and 25,003,684 B shares, each with a nominal value of SEK 2. Each A share gives an entitlement to 10 votes, while each B share gives an entitlement to 1 vote. The shares hold equal entitlement to Cherry's assets and results.

Convertibles and option scheme

In 2003, a convertible debenture loan was issued to the CEO and options were issued to employees at market prices. The conversion period is April 1-24, 2006 and the subscription date for the options is May 15, 2006.

Ownership structure

At December 31, 2003 the number of shareholders in Cherry was 3,288 (2,634). Foreign owners, not including the founder Lars Kling, hold 7.3 percent of the shares and 2.8 percent of the voting rights.

A large number of major holdings in the company are registered in the name of nominees in foreign banks. This means that the Board still does not have information on who some of the end owners of Cherry are.

Measures to raise the liquidity of the share

In the last quarter of 2003, the company adopted two measures aimed at raising the liquidity of the share. The first was to appoint Remium as liquidity provider. This means that Remium guarantees to maintain share trading under the stock exchange's supervision. The second was to give Nordnet customers the right to trade in the Cherry share with no brokerage fees.

Once these measures were adopted, trading in the Cherry share increased significantly. During the first three quarters of 2003, an average of 10,000 shares were traded on each trading day. During the fourth quarter, the figure rose to 196,000 for each trading day.

Price movements and turnover

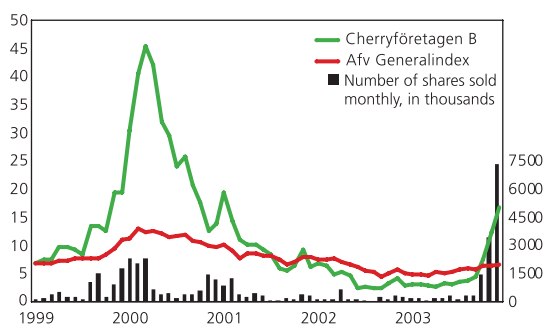
The share's performance during the year was very good. The price increased by around 475 percent during the year. The price (most recent transaction) was SEK 16.70 on the closing date, which corresponds to a market value of SEK 511 million. The highest price listing was SEK 17.90 on December 29, and the lowest SEK 2.50 on April 10.

Total trading in the share in the first three quarters of 2003 was SEK 33,000 per trading day, and SEK 2,700,000 in the fourth quarter.

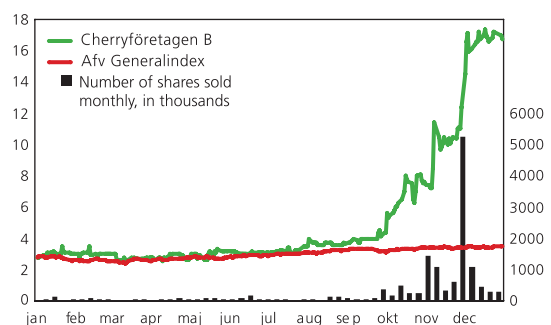
Dividend policy

The Board of Directors proposes that no dividend be paid for 2003. When the company has distributable funds again, it is the Board's goal that 25-30 percent of profit after tax should be distributed to shareholders.

Share development 1999-2003



Share development January-December 2003



Major shareholders at December 30, 2003

Name	A shares	B shares	Proportion of share capital, %	Proportion of voting rights, %
Kinnevik	1,402,500	7,378,249	28.7	26.4
Per Hamberg family	1,497,000	1,990,578	11.4	20.9
Lars Kling family	1,497,000	1,335,221	9.2	20.1
Rolf Lundström family and company	652,500	2,246,575	9.5	10.8
Bill Lindwall family	561,000	245,149	2.6	7.2
Hans Sköld family and company		926,500	3.0	1.1
Robur Fonder		794,000	2.6	1.0
Credit Agricole Indosuez, Luxembourg		639,891	2.1	0.8
Banque Carnegie Luxembourg		483,500	1.6	0.6
SHB, Institutional Client Acc, Denmark		385,000	1.2	0.5
Trade-Link i Stockholm AB		239,250	0.8	0.3
Jan-Olof Olsson		179,000	0.6	0.2
Bert and Gun-Britt Sjödin		150,075	0.5	0.2
Länsförsäkringar fonder		150,000	0.5	0.2
Other shareholders		7,860,696	25.7	9.7
Total	5,610,000	25,003,684	100.0	100.0

Breakdown of share capital

	Votes	No. of shares	No. of votes	Nominal	Thousands
Class A shares	10	5,610,000	56,100,000	2	11,220
Class B shares	1	25,003,684	25,003,684	2	50,007
Total shares		30,613,684	81,103,684		61,227
Convertibles B	1	800,000	800,000	2	1,600
Options B	1	710,000	710,000	2	1,420
Total shares after dilution		32,123,684	82,613,684		64,247

Share distribution at December 30, 2003

No. of shares	No. of shareholders	%	No. of shares	%
> 100,000	27	1	22,240,784	73
50,000-100,000	24	1	1,709,795	5
20,000-50,000	48	1	1,444,993	5
10,000-20,000	76	2	1,115,801	4
5,000-10,000	156	5	1,187,088	4



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Board of Directors' Report

The Board of Directors and Chief Executive Officer of Cherryföretagen AB (publ), corporate registration no. 556090-4251, registered office Solna, herewith present their annual report for the parent company and group for the financial year 2003. The financing and results of the Group's and Parent Company's operations for the last three financial years, as well as the financial position at each of the year-ends are shown in the following income statements, balance sheets, cash flow statements, summaries of equity and additional information and notes. The reporting currency of the Parent Company and Group is the Swedish krona.

The income statements and balance sheets of the Group and Parent Company will be presented to the Annual General Meeting of Shareholders for adoption on May 12, 2004.

Listing and ownership

The company's B shares are listed on the Stockholm Stock Exchange's O list. The company has a total of 3,300 shareholders. The largest shareholder is Kinnevik with a total of 28.7 percent of capital and 26.4 percent of the votes.

Operations and direction

The Group's operations are directed towards online, casino and machine gaming. The main gaming operations take place in restaurants in Sweden, on cruise ships in Northern European and Mediterranean routes, in amusement halls in Denmark, in shopping centers in Chile and globally in the online casino.

In 2003, operations were classified into four business areas: Online Gaming, Restaurant Casino, Maritime Gaming and New Markets.

Comments on the year's earnings trends

Despite the fact that the start of the year saw Cherry forced to close down its Machine Gaming business area in Sweden until further notice, due to current Swedish monopoly legislation, the Group still managed to report slightly improved results for 2003. Lost profit from the closure of the Machine Gaming business area amounted to SEK 18.5 million pro forma. Positive development, particularly in the Online Gaming business area, during the year meant that the overall profit level could still be maintained. The profit for comparable units, in other words corrected for Gaming Machines, increased by SEK 19.1 during the year.

The Group's net sales and profit/loss

Net sales for the full year dropped to SEK 264.3 (271.1) million. This reduction is due to the closure of the Gam-

ing Machines business area. The Group's net sales for comparable units, in other words corrected for the net sales of the closed business area Gaming Machines, increased by 6 percent or SEK 15.0 million during the year. The Online Gaming business area almost trebled its revenues to SEK 29.6 (10.8) million compared with the previous year. The Maritime Gaming business area also reported increased revenues.

Profit/loss after financial items for the full year amounted to SEK 0.6 (0.0) million and profit/loss after tax amounted to SEK 1.5 (–0.9) million, which corresponds to SEK 0.05 (–0.04) per share.

Cherry improved profit/loss after financial income/expense for comparable units (i.e. not including the closed down Gaming Machines business area), by SEK 19.1 million compared with the previous year.

The biggest improvements in results were shown by Online Gaming, SEK 2.1 (–9.3) million, Maritime Gaming, SEK 3.0 (–3.6) million and New Markets, SEK –2.8 (–8.6) million.

Return on equity was 2 (–1) percent and return on total capital 2 (2) percent.

Performance of the business areas

Online Gaming

The business area experienced very positive development during the year. Net sales showed very strong growth. Net Entertainment invested in product development, sales and marketing, which resulted in increased sales of its "Casino Module", which is an in-house developed product designed to support casino games on sports betting websites in many languages. During the year, Casino Module has been sold to a large number of sports betting websites, including Unibet, Nordic Bet (Norway), Scandic Bookmaker (Denmark), E-Tote (UK) and Fonbet (Russia).

Net sales for the full year 2003 almost trebled to SEK 29.6 (10.8) million.

The business area's profit/loss after financial items improved to SEK 2.1 (–9.3) million. Profit for the year was charged with goodwill amortization of SEK –1.5 (–1.5) million.

The Online Gaming business area also includes the subsidiary Intact, which invests in shares in listed and unlisted IT companies. The lack of liquidity of most of these shares and development of the market's valuation of IT companies has resulted in Intact's shareholding being written down by SEK –1.4 (–0.3) million during the year. Cleared of this item, the business area's profit for the full year increased by SEK 12 million compared with the previous year.

Restaurant Casino

The business area's operations are primarily board games (blackjack and roulette) in Swedish restaurants. Cherry is the market leader in Sweden with a market share of 30 percent of the number of active gaming tables.

Economic recession, reduction in the numbers of diners and competition from international casinos have all had an impact on the business area's net sales and profitability, particularly in the big cities. Net sales fell to SEK 140.4 (155.0) million in 2003.

The reduced level of gambling also affected the business area's profit, which fell to SEK 5.1 (9.0) million for the full year.

Maritime Gaming

The business area operates gaming (gaming machines and table games) on almost 50 cruise ships. Cherry's primary market is the Nordic market. In this domestic market, the market share, expressed in the number of shipping companies or vessels, amounts to around 50 percent. The business area also operates gaming on four cruise ships in the Mediterranean with local partners.

Net sales for the full year 2003 rose to SEK 80.9 (73.0) million. The increase is due to new contracts, expanded and regularly updated machinery and an extremely positive performance from the Mediterranean operations.

The business area's profit/loss after financial items increased by SEK 6 million to SEK 3.0 (-3.6) million. This improvement is due to the positive development of traffic in the Mediterranean and the streamlining program which was started during the previous year, and for which cost savings can now be perceived at all levels.

New Markets

One of the business area's goals is to identify and establish itself in new geographical markets which have the right legal and commercial conditions. The business area is currently established in Denmark, with gaming machines in dedicated amusement halls and gaming environments, in partnership with Danish Shell, and also in Chile with the Pajazzo game of skill, which is located in public places.

The partnership with Danish Shell has existed as a pilot venture since 2003. Test results have been highly favourable, therefore Cherry and Shell have agreed to make the contract permanent and extend their collaboration for a five-year period. The contract relates to the establishment of gaming environments at a total of around 25 gas stations in Denmark.

Net sales for the business area rose to SEK 13.3 (10.3) million. Profit/loss after financial items improved significantly to SEK -2.8 (-8.6) million.

Gaming Machines Sweden (closed down in 2002)

In 2002, Gaming Machines consisted of revenues from Svenska Spel for the work which Cherry had previously carried out in acquiring locations for the Jack Vegas machine. When these revenues ceased according to schedule on December 31, 2002, the Gaming Machines business area was closed down. The reason was that there are no legal conditions for operating gaming

machines under private management in Sweden, due to Swedish gaming legislation.

The effect of this structural change means that Cherry's net sales for the year fell by SEK 21.8 million, pro forma, and profit/loss for the year fell by SEK 18.5 million.

Investments

The Group's investments during the year amounted to SEK 12.0 (18.1) million, SEK 2.2 (2.7) million of which were investments in capitalized development expenses in Net Entertainment, SEK 7.6 (15.4) million were games and equipment and SEK 2.2 (0.0) million shares.

Financing

Cash flow from operating activities amounted to SEK 8.2 (9.6) million and cash flow from investing activities was SEK -10.0 (-21.7) million.

The Group's operations are largely financed from its own funds. On the closing date, the Group had utilized credit facilities of SEK 0.3 (1.3) million, bank loans of SEK 2.2 (0.0) million and real estate credit of SEK 0.5 (0.5) million. All the bank commitments for 2003 apply to the Danish operations. In addition, the parent company raised a convertible loan of SEK 3.3 (0.0) million. Last year, the company received an additional SEK 19.4 million from the new share issue in December 2002.

The equity/assets ratio was 63 (65) percent.

Shareholders' contribution

During the year, the parent company paid a shareholders' contribution of SEK 1.4 (0.6) million to subsidiaries and invested SEK 5.4 (3.9) million in subsidiaries through an increase in share capital and the share premium reserve.

Employees

The average number of employees during the year in the Group was 270 (257). In December, a total of 710 (712) persons were employed.

Most of the Group's employees work as croupiers or dealers in Swedish restaurant casinos or on cruise ships. Most of them are young people who combine their studies with part-time work in the evenings and at weekends.

Important events for the European gaming market during the financial year

In early November, the Court of Justice of the European Communities ruled that the Italian state's monopoly constitutes a restriction on the freedom of establishment and the freedom to provide services. The Court also stated that such restrictions may only be justified if they are necessary for consumer protection. If a member state encourages participation in lotteries or betting, the protection argument cannot be cited and discrimination is therefore unlawful.

Cherry has for a long time claimed that the state gaming monopolies, whose main purpose is to finance the treasury, are unlawful. Cherry now looks forward to being able to offer its customers alternative gaming such as token machines, international casinos and sports betting. This will give consumers better choice and



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service, and will also generate higher revenues for the government and other beneficiaries such as youth sports and non-profit-making organizations.

Incentive scheme

On May 7, 2003, the Annual General Meeting of Shareholders adopted one incentive scheme for the Chief Executive Officer (convertible promissory notes corresponding to 800,000 B shares) and another for key personnel in the Cherry Group (options corresponding to 800,000 B shares). The idea is to enhance the company's long-term interests by enabling the CEO and employees to share in the company's positive value development and to augment the employees' interest in the business and results, raise motivation and increase the feeling of affinity with the company.

Under the scheme, which runs until April-May 2006, 1,600,000 new B shares can be issued at a subscription price of SEK 4.10. 90,000 options have not been subscribed for, and do not count, which means that the total number of shares increases by 1,510,000 new B shares. In the event of full utilization of the incentive scheme, share capital will increase by SEK 3,020,000, which represents a dilution effect of 4.70 percent of share capital and 1.83 percent of the votes after dilution. The schemes are described below.

Issue of convertible promissory notes

Cherry has raised a convertible debenture loan of SEK 3,280,000 from the company's CEO, which is due for payment on May 31, 2006 and carries an annual interest rate of 5.75 percent. The debenture can be wholly or partially converted to B shares during the period April 1-24 at a conversion rate of SEK 4.10. The maximum increase in the number of shares is therefore 800,000 and in share capital SEK 1.6 million.

In the event of full utilization of the convertible promissory notes, the maximum dilution effect will correspond to 2.55 percent of share capital and 0.98 percent of the votes after dilution.

Issue of promissory notes with detachable options.

The scheme covered a total of 800,000 options, 710,000 of which were subscribed for by employees at a price of SEK 0.49 per option. The Board has decided that the options that have been left unsubscribed shall become invalid. The 710,000 outstanding options entitle employees to subscribe for a maximum of 710,000 B shares on May 15, 2006 at a price of SEK 4.10. In the event of full utilization, share capital will increase by SEK 1.4 million.

In the event of full utilization of the options, the maximum dilution effect will correspond to 2.21 percent of share capital and 0.87 percent of the votes after dilution.

Important events after the end of the financial year

Since the year-end report was published on February 12, Cherry has invested a further SEK 5 million in the sports betting company Betsson.com by means of a convertible debenture loan, which runs until the end of 2004.

If the loan is converted to shares, Cherry's holding in Betsson.com will increase to 30 percent of the shares. After the publication of the year-end report, the Board decided that share options left unsubscribed in the Cherry incentive scheme would be invalid. All key figures affected by this have been adjusted.

Prospects for 2004

The performance of the Online Gaming business area in 2003 and in early 2004 has been excellent. Cherry's perseverance in this investment has started to pay off. The subsidiary Net Entertainment is proving successful as a software/systems supplier to other gaming operators.

The opening of the EU gaming market, which sooner or later become a reality after the Court of Justice of the European Communities ruled against the Italian state monopoly, will represent increased opportunities for Cherry.

It is the Board's opinion that profit after financial items will increase considerably in 2004.

Nevertheless, the Board would like to emphasize the difficulty in forecasting results, given the uncertainty about market development, competition, technical development and future legislation on online gaming, as well as market development in the restaurant sector and travel industry.

Transition to International Financial Reporting Standards (IFRS)

In 2005, Cherry will, like other listed companies in the EU, conduct its financial reporting in accordance with IFRS. In view of this transition, Cherry has enlisted the help of external consultants to identify differences that currently exist between the Group's present accounting principles and IFRS, as well as any effects the move may have on the consolidated income statements, balance sheets and additional information. It is not possible to obtain a full picture of the differences, as the new regulations are not fully known.

Considering that the Swedish accounting regulations in most areas correspond quite well with the existing IFRS regulations, Cherry does not believe that there will be any appreciable effects on the financial reports. This applies to most areas.

However, goodwill will not continue to be amortized, but will be tested on an annual basis and if required will be written down.

Also, the IFRS regulations on reporting of financial instruments and hedging differ considerably from Swedish regulations. This is not expected to have any appreciable impact on Cherry as the company does not currently use derivatives or hedging.

With regard to pension reporting, an adaptation to RR 29 in 2004 will mean that the company's reporting tallies with IFRS. The adaptation means that defined-benefit pension plans will be entered as a liability and calculated in a partly new way.

According to IFRS, the costs of a company's share option scheme are reported in the income statement for the period during which the employee has worked to earn an option benefit, which differs from the present accounting method.

In 2003, Cherry started an internal project to carry

out the limited adaptation of systems and procedures required. The project is expected to continue until the annual report for the financial year 2005 has been issued.

Corporate governance

Legislation and articles of association

Cherryföretagen AB (publ) must above all apply the Swedish Companies Act and the regulations connected with the share's listing on the Stockholm Stock Exchange. At the same time, the company must comply with the regulations of its articles of association. These are available on Cherry's website.

Annual General Meeting

Notification of the Annual General Meeting is no earlier than six and no later than four weeks before the meeting. The notification contains information about registration, the right to participate in and vote at the meeting, a numbered agenda of the matters to be considered, information on the proposed dividend and the main content of other proposals. The shareholder or proxy may vote for the full number of shares he/she owns or represents.

Nomination work is carried out by a nominating committee appointed by the annual general meeting. For the present period, the committee consists of Niclas Palmstierna, Per Hamberg, and Chairman of the Board, John Wattin.

The annual general meeting has not appointed an audit or remuneration committee. This is because Cherry is a small, surveyable company; the board is not large, and therefore all board members are involved and participate in auditing and remuneration matters.

The Board of Directors

Board members are elected annually by the Annual General Meeting for the period until the next AGM. There are no rules governing the length of time a member may serve on the Board.

At the 2003 Annual General Meeting, Ulf Falk and Petter Nylander retired at their own request. The Chief Executive Officer also stepped down as deputy Board member. Anna-Carin Månsson and Jörgen Madsen were elected as new Board members. At the statutory Board meeting, John Wattin was elected Chairman of the Board.

Cherry's Board consists of five members elected by the Annual General Meeting, with no deputies.

The Board members include persons connected with Cherry's major owners – Kinnevik and Per Hamberg – and other persons with no connection. Per Hamberg is the only Board member who works actively in current operations on a part-time consulting basis. The Chief Executive Officer is not a member of the Board.

According to the Stockholm Stock Exchange's definition, the number of meeting-elected Board members not connected with the company is four (80 percent) and the number of meeting-elected Board members not connected with the company's principal owners is two (40 percent), and both meet the Stockholm Stock Exchange's experience requirements.

The Chief Executive Officer is the rapporteur of the

Board. Salaried employees of the company participate in Board meetings as secretary and rapporteur in special matters. The secretary of the Board is the company's CFO.

In 2003, the Board held twelve minuted meetings, six of which were ordinary meetings and six conference calls or per capsulam meetings. The Board has directed particular attention to strategic, financial and accounting matters, major investment business and decisions on lending to owners of gaming locations (advance payments of gaming shares).

The Board's work follows a plan to ensure that it receives all necessary information. The company's auditor reports to the Board on his findings from auditing the final accounts and his evaluation of the company's internal procedures and control.

The Board has adopted a written working plan and drawn up written instructions about the distribution of work among Board members and the Chief Executive Officer, and about information that the Board should regularly receive.

Senior management team

The Board has delegated operational responsibility for Parent Company and Group administration to the Chief Executive Officer.

Subsidiaries normally only have one formal employee board consisting of the Group President. Internally, the CEOs of subsidiaries therefore report directly to the Group President and/or the board of the parent company. CEO instructions have been drawn up for each CEO in the wholly owned subsidiaries, and these are identical to the Group President's own CEO instructions.

The companies which Cherry owns jointly with external owners normally have their own functioning boards. Cherry is represented on their boards by members of its senior management team or board.

To assist with the Danish operations (extension of the partnership with Danish Shell), an internal steering group was appointed in December 2003. The group consists of three members of the senior management team whose task it is to act as coach and board for the manager of the subsidiary during the development of operations.

Cherry's senior management team is made up of eight persons: The Group President, also responsible for the Online Gaming business area, the CEOs of the three Swedish casino companies, the CEO and Executive Vice President of the Swedish maritime company/Maritime Gaming business area, the CEO of the Danish company and the Group's CFO. Board member Per Hamberg participates in the senior management meetings as adviser and as rapporteur and coordinator of the Group's operations in Chile and Norway.

The senior management team held six meetings in 2003. The meetings dealt with earnings trends, reports and issues prior to and after the Boards' meetings. The meetings also considered matters relating to the budget, forecasts, investments, policies and reviews of market and business trends. There were also discussions and decisions on business-related projects.

Remuneration

The Boards' fees are decided by the Annual General



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Meeting. Remuneration to the Group President is decided by the Board. Remuneration to personnel directly subordinated to the Chief Executive Officer is decided by the latter following consultation with the Chairman of the Board. The Group applies the principle that the manager's manager must approve decisions about remuneration issues.

The incentive scheme, namely convertibles for the Group President and options for the senior management team and other key personnel, was implemented in 2003 and runs until spring 2006. Information about remuneration can be found in note 8.

Intact

To inject important expertise into Intact, John Wattin and Pontus Lindwall were invited to acquire 8.6 percent and 1.3 percent of the shares in Intact under a share option agreement. The share option agreement entitles John Wattin and Pontus Lindwall in May, June and July of 2002, 2003 and 2004 to call for Cherryföretagen to purchase their shares in Intact under predefined conditions. In this context, the shares are valued according to a special option pricing model under the share option agreement. Intact will be valued at the market price less group and shareholders' contributions paid by Cherryföretagen, interest, subsidies and other contributions. Mr. Wattin's shares will be valued at 45 percent of Intact's value, with an adjustment for contributions made by Cherryföretagen to Intact without charge. Mr. Lindwall's shares will be valued at 5 percent of Intact's value, with an adjustment for contributions made by Cherryföretagen to Intact without charge.

A total of SEK 10.5 million has been invested in shares. At year-end the value of the holding was SEK 3.7 million. The company does not therefore believe that the option agreement will be of any value.

Consulting agreement with Hamberg & Kling Förvaltnings AB

For Per Hamberg's other work in Cherry, apart from his normal Board duties, Cherry has signed a consulting agreement with Hamberg & Kling Förvaltnings AB, in which Per Hamberg is employed. Under the agreement, a monthly remuneration of SEK 75,000 was paid up to and including June 15, 2003. The agreement was then replaced by a new agreement with a remuneration of between SEK 650 and 1,300 per hour worked. The present agreement is subject to a period of notice of two months on both sides and expires on June 15, 2004.

The agreement was approved by the Board at the meetings held on December 11, 2002 and January 29, 2004. Per Hamberg did not participate in the Board's decision.

Auditing

Gunnar Liljedahl from Ernst & Young was elected auditor by the 2000 annual general meeting for a period of four years. Ernst & Young are auditors to Cherryföretagen and almost all its subsidiaries. Gunnar Liljedahl has been Cherry's auditor since 1995.

The annual accounts and financial statements are audited during January and February. A review report

of the mid-year interim report is also drawn up. Internal procedures and control systems are also regularly reviewed and reported to the Group's Chief Financial Officer and senior management team. In 2003 the auditor reported to the full Board on one occasion.

In addition to auditing assignments, Cherry has used Ernst & Young for consultation on taxation, accounting matters and various analyses. Remuneration is listed in note 6.

Investor relations

Cherry keeps its shareholders informed by means of its annual report, year-end report, interim reports, press releases and the company's website. Reports and press releases from recent years can also be found on the website.

Disputes

Cherry is involved in a lawsuit at the Arbitration Court in Bratislava, Slovakia, against the purchasers of its shares in Danube Casinos. The claim is for the unpaid portion of the purchase price and amounts to just over USD 500,000 and interest. The court ruled in Cherry's favor in 2003, but the counterparty has lodged an appeal. As the business culture of Slovakia differs greatly from that of Sweden, it is difficult to predict the outcome of the case and whether the claim is recoverable. Cherry has made provision for the whole claim in its accounts.

In 2001, Cherry reported the Swedish government to the Chancellor of Justice for not providing notification of the ban on goods gaming machines and the wheel of fortune, and for not applying reasonable transitional provisions. This remissness cost Cherry considerable amounts. Cherry wanted the Chancellor of Justice (CJ) to investigate whether the government was liable for damages. The CJ delivered a negative response in 2003. The justification of the negative response was unclear to the company. Cherry is looking into the possibilities of pursuing the case further.

Environment

Cherry's operations are not subject to license under the environmental code.

Dividend

The Board of Directors proposes to the Annual General Meeting of Shareholders on May 12, 2004 that no dividend be paid.

Proposed appropriation of profits

The following earnings in the parent company are at the disposal of the Annual General Meeting:

Net loss for the financial year 2003	-6,331,338
Profit brought forward	5,402,893
	-928,445

The Board proposes that SEK -928,445 be covered by the share premium reserve.

The Board proposes that no transfers from the Group's unrestricted equity, SEK -14,803, be made to restricted reserves.

Income Statements

Amounts in SEK thousands	Note	GROUP			PARENT COMPANY		
		2003	2002	2001	2003	2002	2001
Revenues	3,4						
Net sales		259,620	265,889	254,040	1,687	1,348	829
Work performed by the company for its own use and capitalized	17	2,208	2,301	2,449	–	–	–
Other operating income		2,489	2,888	4,138	–3	153	160
Operating income		264,317	271,078	260,627	1,684	1,501	989
Operating expenses							
Operating expenses from gaming activities		–126,112	–128,813	–128,640	–86	–71	–39
Other external expenses	5,6	–30,438	–31,636	–34,376	–4,919	–6,371	–4,735
Personnel expenses	7,8	–93,895	–98,655	–108,395	–4,724	–5,121	–4,467
Depreciation/write-downs of fixed assets	9	–11,976	–11,928	–39,036	–277	–144	–195
Other operating expenses		53	262	–973	–	–	–
Total operating expenses		–262,368	–270,770	–311,420	–10,006	–11,707	–9,436
Operating profit/loss		1,949	308	–50,793	–8,322	–10,206	–8,447
Financial items							
Profit/loss from shares in group companies	10	–	135	–	–1,350	–3,638	–47,433
Profit/loss from shares in associated companies	11	–	–68	1,677	–	–	–
Profit/loss from short-term investments	12	–1,394	–255	–3,755	–	–	–
Interest income and other comparable items	13	1,420	2,276	1,576	1,975	3,641	2,063
Interest expense and other comparable items	14	–1,348	–2,377	–1,041	–467	–1,203	–789
Total financial items		–1,322	–289	–1,543	158	–1,200	–46,159
Profit/loss after financial items		627	19	–52,336	–8,164	–11,406	–54,606
Appropriations	15	–	–	–	0	–172	10,425
Minority share		–922	–450	287	–	–	–
Profit/loss before taxes		–295	–431	–52,049	–8,164	–11,578	–44,181
Tax	16	1,842	–469	3,102	1,833	3,595	–820
PROFIT/LOSS FOR THE YEAR		1,547	–900	–48,947	–6,331	–7,983	–45,001
Earnings per share before dilution (SEK)	17	0.05	–0.04	–2.40	–0.21	–0.38	–2.20
Earnings per share after dilution (SEK)	17	0.05	–	–	–0.20	–	–
Proposed/implemented dividend per share (SEK)		–	–	–	0.00	0.00	0.00



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Balance sheets

Amounts in SEK thousands	Note	GROUP			PARENT COMPANY		
		2003	2002	2001	2003	2002	2001
ASSETS							
Fixed assets							
Intangible assets							
Development expenses	18	4,525	3,403	1,592	–	–	–
Goodwill		6,444	8,447	10,554	–	–	–
Total intangible assets		10,969	11,850	12,146	0	0	0
Tangible assets							
Land and buildings	19	635	661	688	–	–	–
Installations and gaming equipment		24,363	26,439	22,975	666	666	450
Total tangible assets		24,998	27,100	23,663	666	666	450
Financial assets							
Shares in Group companies	20	–	–	–	49,733	55,233	51,587
Shares in associated companies	21	–	–	–	0	0	–
Other long-term receivables from associated companies	22	0	0	130	0	0	–
Other long-term securities	23	2,981	2,548	–	2,981	2,821	–
Other long-term securities	24	2,917	772	772	2,145	–	–
Deferred tax receivables	16	1,793	–	–	–	–	–
Other long-term receivables		6,025	7,609	3,886	5,165	–	1,551
Total financial assets		13,716	10,929	4,788	60,024	58,054	53,138
Total fixed assets		49,683	49,879	40,597	60,690	58,720	53,588
Current assets							
Inventories							
Consumables		2,368	1,800	1,704	0	82	136
Total inventories		2,368	1,800	1,704	0	82	136
Current receivables							
Accounts receivable		3,117	1,227	4,332	0	48	11
Due from Group companies		–	–	–	34,831	22,641	30,305
Other receivables		17,015	12,140	11,283	1,951	4,569	376
Tax receivables	16	1,950	650	505	543	121	91
Prepaid expenses and accrued income	25	10,372	11,180	12,217	333	329	342
Total current receivables		32,454	25,197	28,337	37,658	27,708	31,125
Short-term investments	26	3,723	5,117	5,141	0	0	0
Cash and bank balances		31,807	31,040	24,517	19,654	19,735	533
Total current assets		70,352	63,154	59,699	57,312	47,525	31,794
TOTAL ASSETS		120,035	113,033	100,296	118,002	106,245	85,382

Amounts in SEK thousands	Note	GROUP			PARENT COMPANY		
		2003	2002	2001	2003	2002	2001
EQUITY AND LIABILITIES							
Equity							
Restricted equity							
Share capital	27	61,227	61,227	40,818	61,227	61,227	40,818
Restricted reserves/Statutory reserve		29,403	30,465	49,316	7,946	7,946	7,946
Share premium reserve		–	–	–	20,144	20,144	40,198
Total restricted equity		90,630	91,692	90,134	89,317	89,317	88,962
Unrestricted equity							
Unrestricted reserves/Profit brought forward		–16,350	–17,693	13,167	5,403	9,244	25,923
Profit/loss for the year		1,547	–900	–48,947	–6,331	–7,983	–45,001
Total unrestricted equity		–14,803	–18,593	–35,780	–928	1,261	–19,078
Total equity		75,827	73,099	54,354	88,389	90,578	69,884
Minority share		2,164	945	111	0	0	0
Untaxed reserves	28	0	0	0	1,271	1,271	1,099
Provisions for taxes	16	666	1,089	738	0	0	0
Long-term liabilities							
Convertible loan	29	3,280	–	–	3,280	–	–
Liabilities to credit institutions		2,137	1,797	450	–	–	–
Other long-term liabilities		123	1,210	3,372	–	–	–
Total long-term liabilities		5,540	3,007	3,822	3,280	0	0
Current liabilities							
Liabilities to credit institutions		936	19	–	–	–	–
Advance payments from customers		657	648	555	540	73	–
Accounts payable		3,005	2,342	4,163	178	345	239
Liabilities to Group companies		–	–	–	22,589	12,304	12,304
Tax liabilities	16	0	0	1,026	–	–	–
Other liabilities		8,119	7,483	7,336	112	161	212
Accrued expenses and deferred income	30	23,121	24,401	28,191	1,643	1,513	1,644
Total current financial liabilities		35,838	34,893	41,271	25,062	14,396	14,399
TOTAL EQUITY AND LIABILITIES		120,035	113,033	100,296	118,002	106,245	85,382
Memorandum items							
Pledged assets	31	1,597	2,522	522	–	–	–
Contingent liabilities	32	2,724	625	225	3,725	475	–





Change in Equity

GROUP						
Amounts in SEK thousands	Share capital	Restricted reserves	Un-restricted reserves	Profit/loss for the year	Total	
Opening balance January 1, 2001	40,818	55,961	6,075	-271	102,583	
Transfers between restricted and unrestricted reserves	-	-6,645	6,374	271	0	
Translation difference	-	-	718	-	718	
Profit/loss for the year	-	-	-	-48,947	-48,947	
Closing balance December 31, 2001	40,818	49,316	13,167	-48,947	54,354	
Transfers between restricted and unrestricted reserves	-	-17,875	-31,072	48,947	0	
New share issue	20,409	-	-	-	20,409	
Issue expenses	-	-976	-	-	-976	
Translation difference	-	-	212	-	212	
Profit/loss for the year	-	-	-	-900	-900	
Closing balance December 31, 2002	61,227	30,465	-17,693	-900	73,099	
Transfers between restricted and unrestricted reserves	-	-1,062	162	900	0	
Adjustment of equity in subsidiaries including minority	-	-	153	-	153	
Change in deferred tax on loss carry-forwards	-	-	1,018	-	1,018	
Translation difference	-	-	10	-	10	
Profit/loss for the year	-	-	-	1,547	1,547	
Closing balance December 31, 2003	61,227	29,403	-16,350	1,547	75,827	

PARENT COMPANY						
Amounts in SEK thousands	Share capital	Statutory reserve	Share premium reserve	Profit brought forward	Profit/loss for the year	Total
Opening balance, January 1, 2001	40,818	7,946	40,198	37,662	-9,342	117,282
Allocation as per AGM	-	-	-	-9,342	9,342	0
Group contribution	-	-	-	-2,397	-	-2,397
Profit/loss for the year	-	-	-	-	-45,001	-45,001
Closing balance December 31, 2001	40,818	7,946	40,198	25,923	-45,001	69,884
Allocation as per AGM	-	-	-19,078	-25,923	45,001	0
New share issue	20,409	-	-	-	-	20,409
Issue expenses	-	-	-976	-	-	-976
Group contribution	-	-	-	9,244	-	9,244
Profit/loss for the year	-	-	-	-	-7,983	-7,983
Closing balance December 31, 2002	61,227	7,946	20,144	9,244	-7,983	90,578
Allocation as per AGM	-	-	-	-7,983	7,983	0
Group contribution	-	-	-	3,993	-	3,993
Change in deferred tax on loss carry-forwards	-	-	-	149	-	149
Profit/loss for the year	-	-	-	-	-6,331	-6,331
Closing balance December 31, 2003	61,227	7,946	20,144	5,403	-6,331	88,389

Cash Flow Statements

Amounts in SEK thousands	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Operating activities						
Profit/loss after financial items	627	19	-52,336	-8,164	-11,406	-54,606
Adjustments for non-cash flow items						
– Depreciation/write-downs	11,976	11,928	11,753	277	144	195
– Write-downs of assets	–	820	33,486	1,350	550	47,433
– Capital gain/loss on the sale of fixed assets	4	107	-2,082	–	264	54
– Group contribution/shareholders' contribution	–	–	–	5,546	12,838	-19,127
– Income tax paid/deferred tax 2003	2,897	51	17	428	–	112
Cash flow from operating activities before changes in working capital	15,504	12,925	-9,162	-563	2,390	-25,939
Change in net working capital						
Change in inventories	-568	-96	147	82	54	-136
Change in receivables	-9,050	3,140	270	12,640	3,417	3,088
Change in short-term investments	1,394	23	–	–	–	–
Change in accounts payable	663	-1,821	-1,742	-167	106	-508
Change in current liabilities	282	-4,556	1,101	-11,758	-108	11,639
Cash flow from operating activities	8,225	9,615	-9,386	234	5,859	-11,856
Investing activities						
Acquisition of intangible assets	-2,240	-2,673	-1,863	–	–	–
Acquisition of tangible assets	-7,607	-15,366	-13,623	-278	-359	-161
Acquisition of shares and participations	-2,145	–	–	-2,145	–	–
Acquisition of shares and participations, subsidiaries	–	–	–	-6,752	-4,461	-419
Change in long-term receivables	1,151	-6,141	1,420	-5,324	-1,270	-598
Sale of tangible assets	850	2,470	636	1	–	–
Sale of shares and participations	–	–	3,532	10,902	–	–
Cash flow from investing activities	-9,991	-21,710	-9,898	-3,596	-6,090	-1,178
Financing activities						
New share issue	–	19,433	–	–	19,433	–
Change in long-term liabilities	2,533	-815	3,202	3,281	–	-98
Dividend paid	–	–	–	–	–	–
Cash flow from financing activities	2,533	18,618	3,202	3,281	19,433	-98
Cash and cash equivalents	767	6,523	-16,082	-81	19,202	-13,132
Cash and cash equivalents at beginning of year	31,040	24,517	40,599	19,735	533	13,665
Cash and cash equivalents at year-end	31,807	31,040	24,517	19,654	19,735	533
Additional information						
Unutilized credit facilities amounted to	486	1,296	–	–	–	–
Interest paid during the period amounted to	-1,354	-1,590	-873	-467	-1,203	-789
Interest received during the period amounted to	1,479	1,780	435	2,110	3,357	2,030



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Additional information

Note 1 Accounting Principles

General accounting principles

The annual accounts and financial statements have been prepared in compliance with the Annual Accounts Act, the recommendations (RR) of the Swedish Financial Accounting Standards Council and the statements of its Urgent Issues Task Force, with the exception of RR 9, Income Taxes, where deferred tax receivables have been categorized as short-term and long-term (see under Taxes below).

New and revised recommendations which came into force on January 1, 2003:

- RR 2:02 Inventories
- RR 22 Presentation of financial statements
- RR 24 Investment property
- RR 25 Segment reporting - lines of business and geographical areas
- RR 26 Events after the balance sheet date
- RR 27 Financial instruments: Disclosure and classification
- RR 28 Government grants

The recommendations have not had any appreciable effect on the Group's results and financial position or resulted in revision of comparison figures.

Valuation principles

Assets and liabilities have been valued at acquisition value unless otherwise stated.

Classifications

Fixed assets, long-term liabilities and provisions consist mainly of amounts which are expected to be recovered or paid after more than 12 months counted from the balance sheet date. Current assets and liabilities consist mainly of amounts which are expected to be recovered or paid within 12 months counted from the balance sheet date.

Segment reporting

The main classification system for the Group's segment is by line of business. The Group's internal reporting system is structured to allow monitoring of its companies and business areas, which is why line of business is the main classification system.

Segment reporting by geographical area has not been carried out, as it is difficult to define a basis of classification that would provide meaningful information. Geographical areas are not used for internal monitoring purposes either.

The Restaurant Casino business area operates in Sweden and New Markets primarily in Denmark and Chile.

Maritime Gaming operates mainly in international waters via companies in Sweden, Denmark and Greece. The customers (ship-owners or shipping companies) have vessels registered in a large number of countries in Europe, and also in other countries such as Panama and Liberia. Ships are constantly being registered under flags of convenience. Geographical classification of the Maritime Gaming business area's revenues, profit/loss and balance-sheet items would involve too much simplification and conjecture, and would fail to match the geographical origin of the cost volumes. Consequently, geographical classification would not add any meaningful information to the accounts.

In the Online Gaming business area, Net Entertainment runs online gaming activities in a global market via Internet Casino, which is licensed out to subsidiaries, and also sells and licenses the product "Casino Module" to international gaming companies which operate online gaming in an international market. As the customers' winnings are determined mainly by local gaming and taxation legislation, the

place of establishment does not need to be connected with the geographical area in which the end customer – the player – is located. Geographical classification of the Online Gaming business area's revenues, profit/loss and balance-sheet items would therefore involve too much simplification and conjecture, and would fail to match the geographical origin of the cost volumes.

Consolidated financial statements

The consolidated financial statements include the parent company and companies in which the parent company directly or indirectly owns more than 50 percent of the voting rights or otherwise has a controlling interest.

The consolidated accounts have been prepared in accordance with the purchase method. This means that the parent company indirectly acquires the subsidiary's assets and takes over its liabilities, valued at real value. The difference between acquisition value of shares and the real value of acquired identifiable net assets is reported as goodwill or negative goodwill.

Income, expenses, assets and liabilities are included in the consolidated financial statements from the date on which the controlling interest arose (acquisition date) until and including the date on which the controlling interest ceases. Intra-group receivables, liabilities and transactions, and any associated unrealized gains, are eliminated in their entirety.

Translation of foreign operations

Cherry's foreign group companies are defined as independent companies and are therefore translated in accordance with the current method. Consequently, the exchange rate on the closing date is used to translate all assets, provisions and other liabilities, and any exchange rate differences are charged directly to shareholders' equity. All items in the income statement are translated using the average exchange rate for the year.

Independent foreign operations are sold at their accumulated translation differences, less any hedging in the consolidated financial statements.

Associated companies

Holdings in associated companies, in which the Group has a minimum of 20 percent and a maximum of 50 percent of the voting rights or otherwise has a controlling interest over the business and financial management, and for which the ownership interest at this level is considered to be long-term, are reported using the equity method. This does not apply to associated companies which are of negligible significance to the Group's results and financial position.

The equity method means that, in the consolidated financial statements, holdings in associated companies are valued at the Group's share of shareholders' equity in the associated company after adjusting for the Group's share of any surplus and deficit values. The Group's share of associated companies' profit, after adjustment of financial income and expenses for any amortization or dissolution of acquired surplus or deficit values, is reported under "Profit/loss from shares in associated companies" in the consolidated income statement. The Group's share in associated companies' reported taxes is included in the Group's tax expenses. Earnings accrued in associated companies arising after the acquisition date, and which have not yet materialized through dividends, are allocated to the equity method reserve, which comprises part of restricted shareholders' equity in the Group. If the associated company is reported at a lower value than the value according to the acquisition cost method, the difference is charged to the Group's unrestricted equity. Unrealized gains arising from transactions with associated companies are eliminated in proportion to the Group's ownership in the company. Unrealized gains arising as a result of transactions with associated companies are eliminated against "Shares in associated companies". Unrealized losses are eliminated in the same way as unrealized gains, provided there is no write-down requirement.

Net sales

Revenues from the Group's gaming operations are reported in net form after deductions for players' winnings. Revenues from consulting/servicing activities and licensing of online gaming products/services are reported when the customer receives the services. Sales are reported after the Group has transferred to the purchaser the determining risks and benefits connected with the proprietary rights of the sold goods and no right of disposal or eventuality of actual control over such transferred goods remains.

Other operating income and other operating expenses

Revenues from activities which do not come under ordinary operations are reported as other operating income. This item mainly includes rental income, recovered written-down receivables, currency gains from operations, license revenues for the Cherry brand name and profit from the sale of fixed assets.

Costs of secondary activities in ordinary operations relating to operating receivables and operating liabilities are reported as other operating expenses.

Intangible assets

Development expenditure is capitalized to the extent that it is expected to lead to future economic benefits. Only expenditure relating to the development phase of online gaming products in Net Entertainment AB is capitalized and reported as an asset. The reported value includes expenditure on materials, direct expenses for salaries and indirect expenses that can be attributed to the asset in a reasonable and consistent way. Other development expenses are reported as costs in the income statement as they arise. These only represent insignificant amounts. Development expenses are reported in the balance sheet at acquisition value less accumulated amortization and write-downs. Regular assessments are made of projects' potential to generate revenue.

Goodwill and licenses also come under intangible assets. These are reported in the balance sheet at acquisition value less accumulated amortization and write-downs.

Tangible fixed assets

Tangible fixed assets are reported at historical acquisition cost minus accumulated depreciation and any write-downs. Repairs and maintenance are expensed as they arise. Additional expenditure is only capitalized if it generates economic benefits that exceed the original performance of the asset.

Financial assets

Financial assets are valued at acquisition value less any write-downs.

Depreciation according to plan

Depreciation according to plan is based on the original acquisition value less the calculated residual value and any write-downs. Depreciation is carried out on a straight-line basis.

Goodwill	5-10 years
Goodwill, less acquisition of operations	3-5 years
Capitalized development expenditure is determined on the basis of the category of the asset and amounts to	
Gaming machines in operation	max 5 years
Non-cash machines	3-7 years
Amusement machines	2 years
Casino machines	max 3 years
Casino tables	5 years
Casino wheels, Sweden	10 years
Casino wheels, abroad	5 years
Display systems (maritime gaming machines)	2 years
Registration equipment (Swedish casino gaming)	3 years
Other gaming equipment	max 5 years
Office equipment	5 years
Computers	3-5 years
Vehicles	5 years
Buildings, according to the fiscal legislation of the relevant countries.	

For net-asset acquisitions of some less competitive restaurant casino companies, any goodwill depreciation is carried out on a straight-line basis over 3-5 years. The shorter depreciation period is justified by the length of the gaming agreements that have been taken over.

Write-downs

If there are any internal or external indications that an asset has diminished in value, the current recoverable value is calculated. If the recoverable value is less than the reported value, a write-down is carried out, which is charged to profit/loss for the year. If the

recoverable value of an individual asset cannot be defined, the recoverable value is calculated instead for the cash generating unit to which the asset belongs.

A write-down of the value of Net Entertainment NE AB was carried out in 2001.

The Board exercises great caution in the valuation of the subsidiary Net Entertainment AB. The Board is still convinced that there is a positive future in investment in gaming, competitions and lotteries on the Internet and other new media. A central success factor of the gaming sector is its infinite staying power. Net Entertainment's performance in 2003 and the early part of 2004 leads the Board to believe that the book value of the company at year-end was reasonable.

Net financial income/expense

Net financial income/expense consists of interest income and interest expenses, and also exchange gains and losses on the receivables and liabilities involved in financial activities. It also consists of dividend income and transaction costs for loans and the Group's share in the profit/loss of associated companies. Cherry expenses all loan expenditures.

Group contribution and shareholders' contribution

Group contributions are reported in accordance with economic interpretation. This means that Group contributions paid for the purpose of minimizing the Group's total tax are reported directly against profit brought forward less their current tax effect.

Shareholders' contributions paid are reported as an increase under "Shares in group companies". An evaluation is then made of whether a write-down of the shares' value is required. Shareholders' contributions received are reported in the recipient's accounts under unrestricted equity.

Appropriations

Appropriations consist of the difference between accounting and fiscal depreciation and certain fiscal appropriations for profit equalization.

Taxes

Total tax in the income statement consists of current tax and deferred tax. Current tax is tax that is paid or received, which relates to the current year. This also includes adjustment of current tax attributable to earlier periods.

Deferred tax is calculated using the balance sheet method, on the basis of temporary differences between reported and fiscal values of assets and liabilities, and applying the tax rates and regulations which were adopted or advised on the closing date.

In a departure from RR 9, Income taxes, deferred tax receivables are classified as short-term and long-term. The departure from R 9 is due to the assessment that it will be possible to utilize the short-term tax receivables in the next tax assessment. In the previous year, deferred tax receivables on loss carry-forwards were not recorded, as the company was not able to identify any utilization for them.

Temporary differences are not taken into consideration in goodwill on consolidation nor in differences attributable to shares in subsidiaries and associated companies which are not expected to be taxed. Untaxed reserves including deferred tax liabilities are reported in legal entities.

Deferred tax receivables relating to deductible temporary differences and loss carry-forwards are only reported to the extent that it will be possible to utilize them in the future and that they will result in lower future tax payments.

Short-term investments

The subsidiary Intact Technology Stockholm AB (90.1 %) was previously responsible for developing other business opportunities in the IT area, which arose from new media initiatives. These investments are not of a strategic/long-term nature as they are not part of Cherry's main concentration, which is gaming, lotteries and competitions. It is the Board's intention to conclude the investments as soon as this is possible from an economically beneficial perspective. On this basis, the investments will be reported as current assets, even though the time frame for sales may be over a year away.

Cash and bank balances

Cash and cash equivalents also include bank deposits with a commitment period of less than 12 months.

Receivables and liabilities

After individual valuation, receivables are valued at the amount in which they are expected to be received. Receivables and liabilities in foreign currency are translated at the closing rate of exchange. Exchange rate differences which arise from operating receivables





and liabilities are reported under operating profit/loss. Exchange rate differences for financial assets and liabilities are reported under net financial income/expense.

Advanced gaming shares

Advanced gaming shares are normal in the restaurant casino sector and act as an important competitive device, which has a bearing on business negotiations relating to attractive gaming location agreements. The advance is reported under other receivables and the proportion that has a scheduled repayment period longer than one year is reported as other long-term receivables. In return for paid advances, Cherry often receives a higher gaming share during the period for which the advance applies. This compensation is reported as a reduced location fee under operating expenses.

Valuation of inventories

Inventories are valued in accordance with the lowest value principle.

Convertible debenture loan

The convertible debenture loan has been reported at nominal value. Interest expenses for the loan have been charged to financial expenses.

Leasing

Leasing is classified either as financial or operational leasing in the consolidated financial statements. Leasing of fixed assets where the Group is more or less exposed to the same risks and benefits as in direct ownership is classified as financial leasing. The leased asset is reported as a fixed asset and the corresponding rental liability comes under interest-bearing liabilities. Leasing of assets where the lessor essentially remains the owner of the asset is classified as operational leasing and the leasing charges are expensed on a straight-line basis over the leasing period. The financial agreements that exist in the Group do not represent significant amounts and are therefore reported as operational. The figures for operational leasing and rental agreements are shown in note 5.

Equity

Unrestricted equity is distributable provided a number of other criteria are also met. Unrestricted equity comprises unrestricted reserves and profit/loss for the year. Restricted equity is not distributable.

Restricted equity comprises the statutory, share premium and revaluation reserves, translation differences relating to foreign subsidiaries/associated companies and funds reserved by law in countries in which foreign subsidiaries and associated companies are registered.

Pension expenses and pension commitments

The Group has various pension plans in different countries, in which the assets have normally been separated for special administration. The pension plans are normally financed by payments from the relevant group companies and in some cases from employees.

The Group's outgoing payments for defined-contribution pension plans are reported as an expense during the period in which the employees performed the services to which the contribution relates.

Most of the pension commitments for salaried employees in Sweden are met by insurance in Alecta (traditional Swedish ITP supplementary pension). Pensions for salaried employees who have opted for an alternative ITP, and pensions for other employees (croupiers and dealers) are on a fixed-fee basis. As Alecta cannot provide sufficient information for the ITP plan to be reported as a defined-benefit plan, it is reported in accordance with URA 42 as defined-contribution.

The year's expenses for pension insurance taken out in Alecta amounted to SEK 575,000, of which SEK 468,000 relates to retirement and family pension, and are reported in the income statement under personnel expenses

Provisions

A provision is reported in the balance sheet when the company has a legal or informal undertaking, in which it is likely that payments will be required to fulfill the commitment and where it is possible to make a reliable estimate of the amount to be paid.

Contingent liabilities

Contingent liabilities are reported under memorandum items when there is – a possible undertaking arising from contingent events, the incidence of which is confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not completely under the company's control, or – an undertaking arising from contingent events, which is not reported as a liability or a provision, due to the fact that it is unlikely that payments will be required to fulfill the commitment or that the size of the commitment cannot be calculated with sufficient accuracy.

Definitions

Net sales Operating income after payment/redemption of players' winnings.

Average total capital Total assets at the start of the financial year plus total assets at year-end, divided by two.

Average capital employed Total assets less non-interest-bearing liabilities, including deferred tax liabilities, divided by two.

Average equity Equity at the start of the financial year plus equity at year-end, divided by two.

Return on total capital Profit/loss after financial items plus financial expenses, as a percentage of average total capital.

Return on capital employed Profit/loss after financial items plus financial expenses, as a percentage of average capital employed.

Return on equity Profit/loss after tax as a percentage of average equity.

Profit margin Profit/loss after tax as a percentage of net sales for the period.

Equity/assets ratio Equity at the end of period as a percentage of total assets at the end of period.

Quick ratio Current assets, less inventories, divided by current liabilities, including proposed but not yet adopted dividend.

Interest coverage ratio (multiple) Profit/loss after financial items plus interest expenses in relation to interest expenses.

Number of persons employed The number of persons employed on the date of the most recent monthly salary payment.

Average number of employees The number of employees converted into full-time jobs (permanent employees).

Number of shares The number of shares at the relevant period's end.

Average number of outstanding shares Weighted average of the number of outstanding shares during the period.

Earnings per share Profit/loss after tax divided by the average number of outstanding shares during the period.

Earnings per share after dilution Profit/loss for the year, with an adjustment for interest expenses after tax attributable to outstanding convertibles, divided by the weighted average number of outstanding shares during the year, with an adjustment for additional shares in the event of conversion and any values of outstanding options. Calculated in accordance with RR 18 Earnings per share.

Cash flow per share Cash flow divided by the average number of outstanding shares during the period.

Equity per share Equity divided by the number of shares at the period end.

Dividend per share Implemented/proposed dividend.

Share price The price paid in the most recent share transaction of the period.

Number of shareholders (registered) The number of shareholders and shareholders' nominees recorded in the register of shareholders/stock book held by VPC AB (Swedish Securities Register Center).

Note 2 Financial instruments and risk management

Financial instruments

The table below shows the Group's financial assets and liabilities, with reported and real values. The valuation principles for financial instruments are described in note 1. Cherry does not currently use forward cover, interest derivatives or swap agreements.

Financial assets and liabilities 2003-12-31 (SEK thousands)

	Reported value	Real value
Assets		
Long-term receivables from associated companies	2,981	2,981
Other long-term securities	2,917	2,917
Other long-term receivables	6,025	6,025
Accounts receivable	3,117	3,117
Other receivables	17,015	17,015
Short-term investments	3,723	3,723
Cash and cash equivalents	31,807	31,807
Liabilities		
Convertible loan	3,280	3,280
Liabilities to credit institutions – long-term	2,137	2,137
Liabilities to credit institutions – short-term	936	936
Accounts payable	3,005	3,005
Other liabilities	8,119	8,119

Commercial accounts receivable and accounts payable, other receivables and liabilities, investments in non-listed share instruments and short-term investments and liquid funds are reported at their real value. Interest-bearing liabilities such as bank loans have business rates of interest and are therefore reported at their real value. The convertible debenture loan of SEK thousands 3,280, which has an interest rate of 5.75 percent, is due for repayment on May 15, 2006. An overall evaluation shows that the right of conversion does not have any independent value. In view of the conditions when the loan was taken out and the general interest situation, the liability is reported at nominal value.

Risk management

Organization

The Group runs its financing activities on the basis of a low-risk financial policy defined by the Board. Financing activities and management of financial risks are coordinated through the parent company Cherryföretagen AB, which is also responsible for investing excess liquidity. Financing of subsidiaries is mainly through the parent company. The wholly owned operating subsidiaries are responsible for managing their own financial risks within the frameworks defined by the Board after coordinating with the parent company.

Currency risk

The Group's results are exposed to exchange rate changes when some of its sales are in different currencies from the costs (translation exposure). The results are also affected by exchange rate changes when foreign subsidiaries' results are translated to SEK (translation exposure). Also, the Group's equity is affected by exchange rate changes when assets and liabilities in foreign subsidiaries are translated to SEK (translation exposure).

Transaction exposure

A large proportion of Cherry's revenues in the Online Gaming and Maritime Gaming business areas are in different currencies from its costs, mainly EURO and USD. At present, Cherry does not hedge these revenues.

Translation exposure

The foreign companies are financed mainly through shareholders' equity and intra-group loans in the parent company's national currency. At the present time there is no hedging of shareholders'

equity in foreign subsidiaries. The exchange rate difference from translation of foreign net assets is reported directly against the Group's equity.

Loans raised in foreign currency as part of the Group's financing are not hedged at the present time. To reduce currency exposure, financing is carried out by raising loans mainly in the same currency as that in which the relevant company runs its operations. At present, the Group has a low level of indebtedness. Long-term liabilities relate to partial financing of the Group's operations in Denmark where the revenues too are in DKK.

Income statement items in foreign group and associated companies are not hedged.

Refinancing risk, liquidity risk

The Group's operations are largely financed from its own funds. On the closing date, the Group had a total of SEK 3 million in overdraft facilities, bank loans and real estate credit. All the bank commitments apply to the Danish operations.

Cherry has traditionally aimed to have a low level of indebtedness, with an equity/assets ratio of at least 40 percent. The group's tangible fixed assets consist mainly of games and gaming equipment. It is anticipated that future investments in tangible fixed assets can be mainly financed by internally generated funds or rental solutions. The need for external financing is expected to arise in conjunction with an expansion of the Danish operations and in the event of any large corporate acquisitions.

The main intention is to make acquisitions mainly by cash payment and/or issue of own shares.

Interest rate risk

The Group's revenues and cash flow from operations are largely independent of changes in market interest levels. The Group's excess liquidity is placed in the bank. The commitment period is short. Cherry currently has a low level of indebtedness. Interest rate changes have little effect on the Group's results.

Other financial risks

Counterparty risk and credit risks

The Group's financial transactions give rise to credit risks in relation to financial counterparties. Cherry does not have any appreciable concentration of credit risks. The company estimates the number of customers in its traditional operations at over 200. No single customer accounts for more than 15 percent of the Group's net sales. However, individual units in each business area may have greater exposure to individual customers.

Cherry makes advance payments to its customers for gaming shares, which is a natural part of its restaurant casino gaming operations. Pre-paid gaming shares are a competitive device in the sector and are important to the outcome of business negotiations relating to gaming location agreements. The issuing of pre-paid gaming shares involves credit risk. To minimize this risk, the advance payment recipient provides collateral in the form of chattel mortgages, real estate mortgages, personal guarantee and/or other pledges of property.

In 2003, all credit decisions were made by Cherry's Board of Directors.

Online casino operations involve credit risk to the casino. However, the credit risk from e-Commerce is no different from the credit risk involved in other credit card transactions. To protect itself, Cherry has implemented internal systems which considerably obstruct fraud. It is Cherry's opinion that, at present, sufficient measures have been taken to provide reasonable protection against fraud and credit risks.

Political decisions

Gaming is strictly regulated in most national markets and all gaming operations are in principle subject to license. Political decisions have a major impact on Cherry's operations.

Technical development

Online gaming is still in its infancy and the future market is marked with great uncertainty. Development is moving at a rapid pace, which means there is a risk of Cherry's technology becoming outdated unless efforts are made to hold a leading position. Investments in new technology are necessary in order to create games with a higher performance and consequently become competitive.



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Note 3 Segment reporting

The Group's revenues are reported in net form, i.e. after payment of players' winnings, for all the business areas.

GROUP							
	Online Gaming	Restaurant Casino	Maritime Gaming	New Markets	Gaming machines (closed down in 2002)	General and other	Total group
Year 2003							
External revenues	29,595	140,360	80,927	13,310	–	125	264,317
Internal revenues	34	430	112	0	–	1,626	
Total revenues	29,629	140,790	81,039	13,310	–	1,751	
Operating profit/loss	4,264	4,825	3,453	–2,235	–	–8,358	1,949
Profit/loss after financial items	2,123	5,123	2,999	–2,768	–	–6,850	627
Profit/loss before tax							–295
Profit/loss after tax							1,547
Assets	32,718	25,316	26,544	13,477	–	21,980	120,035
Liabilities	3,984	18,831	10,081	5,201	–	6,112	44,208
Investments	4,908	1,069	2,142	3,873	–	0	11,992
Depreciation/write-downs of fixed assets	3,137	1,192	5,895	1,456	–	296	11,976
Year 2002							
External revenues	10,814	154,961	72,996	10,318	21,804	185	271,078
Internal revenues	393	–	480	–	–	1,316	
Total revenues	11,207	154,961	73,476	10,318	21,804	1,501	
Operating profit/loss	–8,027	8,467	–2,226	–7,821	17,884	–7,969	308
Profit/loss after financial items	–9,347	8,962	–3,564	–8,630	18,512	–5,914	19
Profit/loss before tax							–431
Profit/loss after tax							–900
Assets	21,779	24,786	27,000	12,241	2,899	24,328	113,033
Liabilities	2,777	20,256	8,801	5,211	239	2,650	39,934
Investments	2,462	1,031	6,227	7,369	590	360	18,039
Depreciation/write-downs of fixed assets	2,590	1,720	5,727	1,017	732	142	11,928
Year 2002							
External revenues	8,700	155,466	76,443	3,513	16,328	177	260,627
Internal revenues	–	114	–	–	–	653	
Total revenues	8,700	155,580	76,443	3,513	16,328	830	
Operating profit/loss	–51,039	6,451	–2,425	–4,523	9,191	–8,448	–50,793
Profit/loss after financial items	–56,881	7,028	–2,293	–2,352	9,337	–7,175	–52,336
Profit/loss before tax							–52,049
Profit/loss after tax							–48,947
Assets	21,668	34,232	28,425	7,463	6,570	1,939	100,297
Liabilities	4,305	21,453	10,991	4,249	2,496	2,448	45,942
Investments	2,765	1,204	10,009	1,182	165	161	15,486
Depreciation/write-downs of fixed assets	3,560	2,388	5,096	223	291	195	11,753
Write-downs of goodwill	27,283	–	–	–	–	–	27,283

Intra-group purchases and sales

	PARENT COMPANY		
	2003	2002	2001
Purchases from subsidiaries	0	0	0
Sales to subsidiaries	1 626	1 316	653

Purchases and sales, associated companies

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Purchases from associated companies	–	–	–	–	–	–
Sales to associated companies	73	21	–	73	21	–

Note 4 Distribution of operating income

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Net sales from gaming operations	259,620	265,889	254,040	1,687	1,348	829
Capitalized work performed by the company for its own use in Net Entertainment	2,208	2,301	2,449	–	–	–
Other operating income	–	–	–	–	–	–
– Leasing, sales, external servicing	458	209	1,304	–	–	–
– License revenues, trademarks	649	568	606	73	12	–
– Inventory changes	–121	–	–	–82	–	–
– Recovered written-down receivables	244	131	126	–	–	–
– Exchange rate differences, operations	1,304	899	1,703	–	–	–
Other	–45	1,081	399	6	14	160
Total	264,317	271,078	260,627	1,684	1,501	989

Note 5 Leasing

Leasing costs for vehicles, rent for premises and other leased equipment which comes under operational leasing amounted to:

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Expensed leasing and rental charges	4,505	4,384	3,062	428	784	524

At December 31, 2003, the figures for future minimum charge for non-terminable operational leasing and rental agreements were as follows:

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
– in 2004	2,565	–	–	265	–	–
– in 2005-2008	1,043	–	–	–	–	–
– after 2008	–	–	–	–	–	–
Total	3,608	–	–	256	–	–

Note 6 Information concerning remuneration to auditors

The following remuneration was made to the company's auditor and auditing firm:

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
For audits and other reviews in accordance with the Companies' Act etc, and consulting/other assistance as a result of their observations during the audit	808	670	504	441	166	261
For independent consulting, assistance etc provided by Ernst & Young AB and associated companies	320	358	450	98	161	189
Total	1,128	1,028	954	539	327	450

Note 7 Average number of employees

	GROUP					
	2003		2002		2001	
	Total	of which male	Total	of which male	Total	of which male
Parent Company						
Sweden	7	58%	7	36%	8	37%
Total Parent Company	7	58%	7	36%	8	37%
Subsidiaries						
Sweden	204	41%	206	42%	258	43%
Denmark	19	53%	10	60%	6	70%
Norway	2	50%	7	79%	19	26%
Poland	13	0%	10	0%	–	–
Greece	3	67%	3	67%	7	40%
Chile	16	82%	14	93%	1	100%
Costa Rica	6	17%	–	–	–	–
Total subsidiaries	263	41%	250	45%	291	43%
Group total	270	42%	257	45%	299	43%

Sickness absence Sweden

(as a percentage of standard working hours)

	GROUP		PARENT COMPANY	
	2003		2003	
Total sickness absence	2.6%		16.2%	
Long-term sickness absence	1.4%		14.0%	
Sickness absence, males	1.3%		14.0%	
Sickness absence, females	1.3%		2.2%	
Employees, 29 years of age or less	0.8%		0.7%	
Employees 30-49 years of age	1.4%		14.0%	
Employees, 50 years of age or more	0.4%		1.5%	

Number and percentage of women in senior management 2003

	Number of men	Number of women	Percentage of women
Board of Directors	4	1	20%
Senior management team, incl. CEO/President	8	0	0%
Other CEOs of subsidiaries	1	2	67%
Total	13	3	23%



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Note 8 Salaries, other remuneration and social security expenses

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Wages, salaries and remuneration						
Boards, CEO, Executive Vice Presidents, other senior executives	5,958	4,745	5,439	2,080	2,165	2,421
Other employees	60,329	67,246	71,529	1,311	1,695	1,811
Total	66,287	71,991	76,968	3,391	3,860	4,232
– of which bonuses	0	120	460	0	0	191
Social security expenses (incl. pension costs)	24,407	25,612	30,930	1,579	1,740	1,864
Pension costs						
Boards, CEO, Executive Vice Presidents, other senior executives	723	805	707	318	296	326
Other employees	3,390	3,182	4,962	147	216	148
Total	4,113	3,987	5,669	465	512	474

Senior executives' remuneration

The Board and Chairman of the Board

A fixed fee defined by the Annual General Meeting is paid to the Board for distribution among its members. No special fee is paid for committee work. Board members employed in Cherry do not receive any special board fee. The Board has decided to distribute the fee of SEK 450,000 in such a way that Board members receive SEK 75,000 and the Chairman receives SEK 150,000. The Chairman of the Board does not have any pension benefits or severance pay agreement

Chief Executive Officer/President

In the financial year 2003, the CEO received SEK 984,000 in salary and car benefits. There were no bonus payments.

In addition to pension benefits pursuant to the national insurance act (ATP and AFP), the Chief Executive Officer is also entitled to pension benefits on a level with the ITP plan, which may be taken out with any insurance company. No increased retirement pension premium is paid. No pension agreement for early retirement before the age of 65 exists. The pension is transferable.

In the event of termination of employment by Cherry, the Chief Executive Officer is entitled to a period of notice of six months and severance pay corresponding to 12 months' salary. Settlement from severance pay is not made if salary is received from other employment. If the CEO resigns of his own volition, the period of notice is six months, with no severance pay.

Senior management team

The senior management team, which consisted of seven people in 2003, received salaries and car benefits amounting to SEK 4,481,000 during the financial year. There were no bonus payments. The senior management team is entitled to pensions under the ITP system or equivalent. In certain cases, increased retirement pension premiums are paid. The total pension premium including increased pension does not exceed 25 percent of the fixed salary for any member of the senior management team. No pension agreement for early retirement before the age of 65 exists. The pensions are transferable.

The senior management team's contracts of employment contain clauses on remuneration and notice. If the senior manager resigns of his or her own volition, the period of notice is normally six months, and in the event of termination of employment by Cherry, the period of notice is between six and twelve months. No severance payment is made. The contracts of employment normally contain a non-competition clause which remains in force throughout the period of employment and for a further 12 to 24 months.

Bonus scheme

A maximum bonus of 20 percent of the fixed annual salary, not including car benefits, may be paid to heads of business areas and/or managers of subsidiaries in the senior management team. At the present time there is no bonus scheme for the President. The bonus is based on an accrual period of one year. The final bonus is dependent on whether defined targets have been achieved. The targets are mainly quantitative and are set by the President following a recommendation by the Board/Chairman of the Board.

Incentive scheme

The 2003 Annual General Meeting adopted one incentive scheme for the CEO of the parent company (convertible promissory notes) and another for key personnel in the Cherry group (options).

Cherry has raised a convertible debenture loan of SEK 3,280,000 from the company's CEO, which is due for payment on May 31, 2006 and carries an annual interest rate of 5.75 percent. The debenture can be wholly or partially converted to B shares during the period April 1-24 at a conversion rate of SEK 4.10. Accordingly, the number of shares may increase by a maximum of 800,000.

In 2003, 38 senior executives and key personnel subscribed for 710,000 options, with subscription rights for 710,000 B shares in Cherryföretagen AB. The option premium was SEK 0.49, which was calculated using the Black and Scholes option pricing model. Employees who participated in the share option scheme received a salary bonus corresponding to 73 percent of the option premium in 2003. The options are valid up to and including May 15, 2006 and may be used to subscribe for shares on May 15, 2006. The subscription price is SEK 4.10. In the event of full subscription, the shareholding may increase by a maximum of 710,000 shares. All previous share-related incentive schemes have closed.

Options 2003/2006	Number	Purchase price SEK
CEO/President	30,000	14,700
Senior management team	200,000	98,000
Other CEOs of subsidiaries	30,000	14,700
Other employees	450,000	220,500
Total subscribed options	710,000	347,900
Convertibles 2003/2006	Number	Amount, SEK
CEO/President	3,280	1,000

Note 9 Depreciation

Distribution of depreciation for each fixed asset is as follows:

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Development expenses	-1,086	-599	-271	-	-	-
Goodwill	-2,036	-2,370	-3,542	-	-	-
Land and buildings	-26	-27	-26	-	-	-
Installations and gaming equipment	-8,828	-8,932	-7,914	-277	-144	-195
Amortization of goodwill	-	-	-27,283	-	-	-
Total	-11,976	-11,928	-39,036	-277	-144	-195

Note 10 Profit/loss from shares in group companies

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Profit/loss from sale of Cherry A/S, Norway	-	135	-	-	-3,088	-
Write-down of shares in Intact Technology	-	-	-	-1,350	-550	-
Write-down of shares in Net Entertainment	-	-	-	-	-	-47,433
Total	0	135	0	-1,350	-3,638	-47,433

Note 11 Profit/loss from shares in associated companies

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Aktietrend i Stockholm AB	-	-	-1,277	-	-	-
Cherry A/S, Norway	-	-273	-	-	-	-
Cherry Tivolito Beneficencia S.A., Chile	-	-53	-	-	-	-
Cherry Brussels S.A., Belgium	-	258	-378	-	-	-
Lotarija na Makedonija, Macedonia	-	-	3,332	-	-	-
Total	0	-68	1,677	0	0	0

Note 12 Profit/loss from short-term investments

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Write-down of shares	-1,394	-255	-3,755	-	-	-
Total	-1,394	-255	-3,755	0	0	0

Note 13 Interest income and other comparable items

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Interest income, group companies	-	-	-	1,290	3,008	1,776
Interest income, associated companies	193	32	-	193	32	-
Interest income, other	1,286	1,748	435	628	317	254
Exchange rate differences	-59	496	1,141	-136	284	33
Total	1,420	2,276	1,576	1,975	3,641	2,063

Note 14 Interest expenses and other comparable items

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Interest expenses, group companies	-	-	-	-147	-731	-779
Interest expenses, other	-1,355	-1,590	-873	-320	-472	-10
Exchange rate differences	7	-787	-168	-	-	-
Total	-1,348	-2,377	-1,041	-467	-1,203	-789

Note 15 Appropriations

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Difference between book depreciation and depreciation according to plan	-	-	-	0	-172	-
Tax allocation reserve	-	-	-	-	-	10,425
Total	-	-	-	0	-172	10,425

Note 16 Tax on profit/loss for the year

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Tax expense in income statements						
Distribution by current and deferred tax						
Current tax	-	-51	17	427	0	112
Deferred tax	1,842	-418	3,085	1,406	3,595	-932
Total	1,842	-469	3,102	1,833	3,595	-820
Difference between actual tax expense and tax expense based on present tax rate						
Reported profit/loss before tax	-295	-431	-52,049	-8,164	-11,406	-44,181
Tax according to present tax rate (28%)	83	121	14,574	2,286	3,194	12,371
Tax relating to previous year	-	125	112	-	-	112
Foreign tax relating to temporary differences	-	-176	-	-	-	-
Tax effect of tax-exempt items	-630	399	-11,584	-306	401	-13,303
Tax relating to temporary differences	547	-418	-3,085	-1,553	-3,595	932
Total current tax	0	51	17	427	0	112
Itemization of deferred tax						
Tax expense from group contributions	-	-	-	1,553	3,595	-932
Tax expense from change in loss carry-forwards	1,980	-285	-	-	-	-
Tax expense from change in appropriations	-138	-133	3,085	-147	-	-
Total	1,842	-418	3,085	1,406	3,595	-932
Tax in balance sheets						
Financial assets						
- Deferred tax receivable, loss carry-forwards	1,793	-	-	-	-	-
Current receivables						
- Deferred tax receivable, loss carry-forwards	644	-	-	427	-	-
- Tax receivable	1,306	650	505	116	121	91
Total	3,743	650	505	543	121	91
Provision for taxes						
- Deferred tax receivable, tax allocation reserve	308	308	308	-	-	-
- Deferred tax receivable, accelerated depreciation	358	496	328	-	-	-
- Deferred tax, temporary differences	-	285	102	-	-	-
Total	666	1,089	738	-	-	-



**Note 17 Earnings per share**

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Profit/loss for the year after tax	1,547	-900	-48,947	-6,331	-7,983	-45,001
Convertible loan interest after tax	85	-	-	85	-	-
Adjusted profit/loss	1,632	-900	-48,947	-6,246	-7,983	-45,001
Average number of shares						
– before dilution	30,613,684	21,024,192	20,409,123	30,613,684	21,024,192	20,409,123
– convertible loan	500,000	-	-	500,000	-	-
– options	319,482	-	-	319,482	-	-
– after dilution	31,433,166	21,024,192	20,409,123	31,433,166	21,024,192	20,409,123
Earnings per share (SEK)						
– before dilution	0.05	-0.04	-2.40	-0.21	-0.38	-2.21
– after dilution	0.05	-	-	-0.20	-	-

See note 1, Definitions, for calculation method. Average market price 2003: SEK 12.38 Discount rate: 5.75 %

Note 18 Intangible assets

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Development expenses						
Acquisition value brought forward	4,272	1,862	-	-	-	-
Acquisition value for the year	2,208	2,410	1,862	-	-	-
Acquisition value carried forward	6,480	4,272	1,862	-	-	-
Depreciation brought forward	-869	-271	-	-	-	-
Depreciation for the year	-1,086	-598	-271	-	-	-
Accumulated depreciation carried forward	-1,955	-869	-271	-	-	-
Residual value according to plan carried forward	4,525	3,403	1,591	-	-	-

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Goodwill						
Acquisition value brought forward	54,433	54,170	54,170	-	-	-
Acquisition value for the year	32	263	-	-	-	-
Acquisition value carried forward	54,465	54,433	54,170	-	-	-
Depreciation brought forward	-45,986	-43,616	-12,791	-	-	-
Depreciation for the year	-2,036	-2,370	-3,542	-	-	-
Amortization of goodwill	-	-	-27,283	-	-	-
Accumulated depreciation carried forward	-48,022	-45,986	-43,616	-	-	-
Residual value according to plan carried forward	6,443	8,447	10,554	-	-	-

Note 19 Tangible fixed assets

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Land and buildings						
Acquisition value brought forward	873	873	873	-	-	-
Purchases/sales for the year	-	-	-	-	-	-
Acquisition value carried forward	873	873	873	0	0	0
Depreciation brought forward	-212	-185	-159	-	-	-
Depreciation for the year	-26	-27	-26	-	-	-
Accumulated depreciation carried forward	-238	-212	-185	0	0	0
Residual value according to plan carried forward	635	661	688	0	0	0

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Installations and gaming equipment						
Acquisition value brought forward	65,637	70,997	72,336	2,273	1,926	2,553
Purchases for the year	7,607	15,366	13,624	-	359	161
Intra-group purchases for the year	-	-	-	480	-	-
Sales/disposals	-3,797	-20,234	-15,606	-	-12	-788
Translation difference for the year	-220	-492	643	-	-	-
Acquisition value carried forward	69,227	65,637	70,997	2,753	2,273	1,926
Depreciation brought forward	-39,198	-48,022	-53,189	-1,608	-1,476	-2,013
Sales/disposals	3,052	17,339	13,158	-	12	732
Intra-group accum. deprec. taken over	-	-	-	-202	-	-
Depreciation for the year	-8,828	-8,932	-7,915	-277	-144	-195
Translation difference for the year	110	417	-76	-	-	-
Accumulated depreciation carried forward	-44,864	-39,198	-48,022	-2,087	-1,608	-1,476
Residual value according to plan carried forward	24,363	26,439	22,975	666	665	450
Accelerated depreciation brought forward	-	-	-	0	0	0
Accelerated depreciation for the year	-	-	-	0	-172	0
Accumulated accelerated depreciation	-	-	-	0	-172	0
Book value carried forward	24,363	26,439	22,975	666	493	450

Note 20 Financial assets

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Shares and participations in group companies						
Acquisition value brought forward	–	–	–	55,233	51,587	82,801
Reclassification to associated company	–	–	–	–	–265	–
Shareholders' contribution	–	–	–	1,350	550	15,800
New share issue, subsidiaries	–	–	–	5,402	3,911	–
New establishments	–	–	–	–	–	419
Intra-group sales	–	–	–	–10,902	–	–
Write-downs	–	–	–	–1,350	–550	–47,433
Book value carried forward	–	–	–	49,733	55,233	51,587

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Shares and participations in associated companies						
Book value brought forward	0	130	221	–	–	–
Reclassification to group company	–	–130	–	–	–	–
Reclassification from group company	–	–	–	–	265	–
Share of associated companies' profit/loss	–	205	113	–	–	–
Write-down	–	–205	–204	–	–265	–
Book value carried forward	0	0	130	0	0	0

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Other long-term receivables from associated companies						
Book value brought forward	2,548	0	636	2,821	–	–
Acquisition value	–	2,708	–	–	2,708	–
Increase in receivable	433	113	–	433	113	–
Negative net asset value/write-down	–	–273	–636	–273	–	–
Book value carried forward	2,981	2,548	0	2,981	2,821	0

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Other long-term securities						
Book value brought forward	772	772	972	–	–	–
Sales	–	–	–200	–	–	–
Investments	2,145	–	–	2,145	–	–
Book value carried forward	2,917	772	772	2,145	0	0

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Other long-term receivables						
Book value brought forward	7,609	3,886	5,306	–	1,551	953
Loans granted for the year	5,165	7,297	2,706	5,165	–	598
Amortization for the year	–6,749	–3,574	–1,761	–	–1,551	–
Write-downs	–	–	–2,365	–	–	–
Book value carried forward	6,025	7,609	3,886	5,165	0	1,551

Note 21 Shares in Group companies

Company	Reg. no.	Reg. office	Holding %	No. shares	PARENT COMPANY		
					2003	2002	2001
Cherry Casino AB	556225-3806	Solna	100%	20,000	9,080	9,080	9,080
Cherry Casino Syd AB	556229-6730	Gothenburg	100%	20,000	4,774	4,774	4,774
Cherry A/S		Denmark	100%	1,250	9,467	4,065	154
Cherry A/S		Norway	35(100)%	5,000	–	–	265
Casinoinvest i Sverige AB	556444-6119	Solna	100%	5,000	3,280	3,280	3,280
– Cherry Casino Norr AB	556420-9632	Umeå	100%	–	–	–	–
– Cherry Casino Norr KB	969615-3494	Umeå	100%	–	–	–	–
Cherryföretagen Casinoutrustningar AB	556205-2307	Solna	100%	6,000	812	812	812
First Casino AB	556443-0527	Solna	100%	1,000	1,000	1,000	1,000
Cherry Maritime Gaming AB	556207-4335	Solna	100%	10,000	2,907	2,907	2,907
– Secular Corporation		Liberia	55%	–	–	–	–
Cherry Fritidsattraktioner AB	556210-9909	Gothenburg	100%	20,000	4,454	4,454	4,454
Cherry Maritime Service Väst AB	556206-3403	Falkenberg	100%	10,000	3,561	3,561	3,561
Cherry VLT AB	556118-8870	Solna	100%	18,000	5,577	5,577	5,577
Cherry Leisure AB	556169-9843	Solna	100%	2,500	290	290	290
– Net Entertainment NE AB	556123-4567	Stockholm	100%	20,409,123	–	10,001	10,001
– Mobile Entertainment ME AB	556185-1758	Stockholm	100%	–	–	–	–
– Mil Treinta y Dos S.A.		Costa Rica	100%	–	–	–	–
– Intact Technology Stockholm AB	556561-4814	Stockholm	90.1%	9,010	–	901	901
AB Restaurang Roulette	556133-3153	Solna	100%	1,000	131	131	131
Svenska Casino AB	556560-6869	Solna	100%	1,000	100	100	100
Cherry International AB	556561-8575	Solna	100%	10,000	4,300	4,300	4,300
– Cherry Chile Limitada		Chile	50%	–	–	–	–
– Cherry Tivolito Beneficiencia S.A.		Chile	50%	–	–	–	–
Total					49,733	55,233	51,587



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**Note 22 Shares in associated companies**

Company, reg. office	Holding %	GROUP			Holding %	PARENT COMPANY		
		2003	2002	2001		2003	2002	2001
Cherry A/S, Norway	35%	0	0	–	35%	0	0	–
Cherry Brussels S.A., Belgium	33%	0	0	0	–	–	–	–
Cherry Tivolito Beneficiencia S.A., Chile	50(42)%	–	–	130	–	–	–	–
Total		0	0	130		0	0	0

Note 23 Other long-term receivables from associated companies

Company, reg. office	Holding %	GROUP			Holding %	PARENT COMPANY		
		2003	2002	2001		2003	2002	2001
Cherry A/S, Norway	35%	2,981	2,548	–	35%	2,981	2,821	–
Total		2,981	2,548	0		2,981	2,821	0

Note 24 Shares in other companies

Company, reg. office	Holding %	GROUP			Holding %	PARENT COMPANY		
		2003	2002	2001		2003	2002	2001
Betware Ltd, Iceland	8.2%	772	772	772	0%	–	–	–
GBE Holdings Ltd, Isle of Man	10.5%	2,145	–	–	10.5%	2,145	–	–
Total		2,917	772	772		2,145	0	0

Note 25 Prepaid expenses and accrued income

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Accrued gaming income	6,232	7,400	6,090	–	–	–
Other prepaid expenses	4,140	3,780	6,127	333	329	342
Total	10,372	11,180	12,217	333	329	342

Note 26 Short-term investments

	Holding %	GROUP			PARENT COMPANY		
		2003	2002	2001	2003	2002	2001
Establish (not listed)	9.5%	3,545	4,939	5,063	–	–	–
Reachin Technologies (not listed)	1.1%	178	178	78	–	–	–
Total		3,723	5,117	5,141	0	0	0

Note 27 Share capital

Breakdown of share capital	PARENT COMPANY					
	2003		2002		2001	
	No. of shares	Share capital	No. of shares	Share capital	No. of shares	Share capital
Parent Company						
Shares, class A (10 votes)	5,610,000	11,220	5,610,000	11,220	3,740,000	7,480
Shares, class B (1 vote)	25,003,684	50,007	25,003,684	50,007	16,669,123	33,338
Total shares	30,613,684	61,227	30,613,684	61,227	20,409,123	40,818
Convertibles B	800,000	1,600	–	–	–	–
Options B	710,000	1,420	–	–	–	–
Total shares after dilution	32,123,684	64,247	30,613,684	61,227	20,409,123	40,818

The nominal value of the shares is SEK 2. Both A and B shares hold the same rights.

Note 28 Untaxed reserves

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Tax allocation reserve, TAX –01	–	–	–	1,099	1,099	1,099
Accumulated accelerated depreciation	–	–	–	172	172	–
Total	–	–	–	1,271	1,271	1,099
Deferred tax in untaxed reserves amounts to	–	–	–	356	356	308

Note 29 Long-term liabilities

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Total long-term liabilities	5,540	3,007	3,822	0	0	0
– due between one and five years	5,278	2,681	3,460	–	–	–
– due after five years	262	326	362	–	–	–

Note 30 Accrued expenses and deferred income

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Vacation pay liability	5,623	5,721	5,398	261	387	528
Social security contributions	4,484	4,587	4,781	175	114	124
Payroll tax	773	694	826	75	100	109
Location charges	5,419	6,887	7,009	–	–	–
Accrued gaming tax	2,399	1,263	968	–	–	–
Accrued wages and salaries	2,623	3,088	4,271	–	–	23
Other	1,800	2,161	4,938	1,132	912	860
Total	23,121	24,401	28,191	1,643	1,513	1,644

Note 31 Pledged assets for own liabilities and provisions

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Bank balances	1,075	–	–	–	–	–
Chattel mortgages	–	2,000	–	–	–	–
Real estate mortgage (Denmark)	522	522	522	–	–	–
Total	1,597	2,522	522	0	0	0
Chattel mortgages in own custody	46,700	44,700	46,700	35,600	35,600	35,600

Note 32 Contingent liabilities

	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Personal guarantees and contingent liabilities for subsidiaries	–	–	–	3,725	475	–
Other personal guarantees and contingent liabilities	2,724	625	300	–	–	–
Total	2,724	625	300	3,725	475	0

Solna, March 30, 2004

JOHN WATTIN
Chairman of the Board

ANNA-CARIN MÅNSSON
Member of the Board

NICLAS PALMSTIERNA
Member of the Board

PER HAMBERG
Member of the Board

JÖRGEN MADSEN
Member of the Board

PONTUS LINDWALL
Chief Executive Officer

My audit report was submitted on April 6, 2004

GUNNAR LILJEDAHL
Authorized Public Accountant





Audit Report

*To the Annual General Meeting of Shareholders
in Cherryföretagen AB (publ)
Corporate reg. no. 556090-4251*

I have audited the annual accounts, the consolidated financial statements, accounting records and the administration of the Board of Directors and the Chief Executive Officer of Cherryföretagen AB (publ) for the financial year January 1, 2003 to December 31, 2003. These accounts and the administration of the Company are the responsibility of the Board of Directors and the Chief Executive Officer. It is my responsibility to express an opinion on the annual accounts, the consolidated financial statements and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. These standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and Chief Executive Officer, as well

as evaluating significant estimations made by the Board of Directors and Chief Executive Officer and the overall presentation of information in the annual accounts and the consolidated financial statements. I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the Chief Executive Officer, and whether they have in any other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts and consolidated financial statements have been prepared in accordance with the Annual Accounts Act and thus provide a true and fair picture of both the Company's and the Group's results and financial position in accordance with generally accepted auditing standards in Sweden

I recommend that the Annual General Meeting adopt the income statements and balance sheets of the Parent Company and the Group, that the loss in the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report, and that the members of the Board and the President be discharged from liability for the financial year.

Umeå, April 6, 2004

GUNNAR LILJEDAHL
Authorised Public Accountant

Board of Directors and Auditors

JOHN WATTIN

Chairman of the Board, b. 1947, Stockholm
 CEO of Investering i Kunskap AB.
 Board member since 1989.
 Other directorships: Chairman of the Board of My SQL AB, Portwise AB, Establish AB, Qbranch AB and Akademikliniken AB.
 Board member of Silentium AB. Senior advisor of Prosper Capital Fund.
 Shareholding: 67,500 B shares Includes holdings via companies.

PER HAMBERG

Board member, b. 1943, Ekerö.
 Board member since 1974.
 Shareholding: 1,497,000 A shares and 1,990,578 B shares.
 Includes holdings via family members.

JÖRGEN MADSEN

Board member, b. 1966, Denmark.
 President and CEO, Modern Times Group MTG A/S, Denmark.
 Board member since 2003.
 No shareholding.

ANNA-CARIN MÅNSSON

Board member, b. 1959, Lidingö.
 Graduate in Business Administration. Board member since 2003.
 Other directorships: Board member of Spiltan and Stagepool.
 Shareholding: 10,000 B shares

NICLAS PALMSTIERNA

Board member, b. 1973, Stockholm
 Graduate in Business Administration. CEO Tele 2 A/S, Denmark.
 Board member since 2000.
 Shareholding: 1,800 B shares.

Chief Executive Officer

PONTUS LINDWALL

Group President, CEO, b. 1965, Stockholm.
 M. Eng. CEO of Net Entertainment NE AB,
 CEO of Intact Technology Stockholm AB. Employed in the Group since 1991. Other directorships: ReachIn Technology AB.
 Shareholding: 97,350 B shares. Options: 30 000. Convertibles: 3,280, corresponding to 800,000 B shares. Includes holdings via companies.

Auditors

GUNNAR LJEDAHL

Auditor, b. 1948, Nordmaling, authorized public accountant.
 Auditor since 1995, deputy auditor since 1985.
 Ernst & Young AB.

WILHELM SANDE

Deputy auditor, b. 1948, Umeå, authorized public accountant.
 Deputy auditor since 1995. Ernst & Young AB



From left to right: Jörgen Madsen, Per Hamberg, Anna-Carin Månsson, John Wattin, Niclas Palmstierna, Pontus Lindwall





Management

PONTUS LINDWALL

Group President and CEO, b. 1965, Stockholm, M.Eng.
CEO of Net Entertainment NE AB, CEO of Intact Technology Stockholm AB.

Employed in the Group since 1991.

Other directorships: ReachIn Technology AB.

Shareholding: 97,350 B shares. Options: 30 000.

Convertibles: 3,280, corresponding to 800,000 B shares.

Includes holdings via companies.

PETER EIDENSJÖ

Financial Manager, CFO, b. 1957, Stockholm

Employed in the Group since 1989.

Shareholding: 12,000 B shares. Options: 30,000.

PER-ANDERS PERSSON

CEO of Cherry Casino AB, b. 1959, Solna

Employed in the Group since 1979.

Shareholding: 1,500 B shares. Options: 30,000.

ULF BERGSTRÖM

CEO of Cherry Casino Syd AB, b. 1966, Gothenburg.

Employed in the Group since 1986.

Shareholding: 2,300 B shares. Options: 30,000.

JÖRGEN ERIKSSON SJÖNER

CEO of Cherry Casino Norr AB, b. 1967, Umeå.

Employed in the Group since 1995.

Shareholding: 2,000 B shares. Options: 30,000.

ROLF PERSSON.

Head of Maritime Gaming business area,

CEO of Cherry Maritime Gaming AB, b. 1952, Falkenberg.

Employed in the Group since 1975.

Shareholding: 102,502 B shares. Options: 30,000.

Includes holdings via family members.

LARS-GUNNAR PERSSON

Deputy Head of Maritime Gaming business area,

Executive Vice President of Cherry Maritime Gaming AB,

b. 1951, Stockholm.

Employed in the Group since 1975

Shareholding: 28,500 B shares. Options: 20,000.

ALLAN GREGERSEN

CEO of Cherry A/S (Denmark), b. 1966, Hirtshals, Denmark.

Employed in the Group since 1990.

Shareholding: 2,500 B shares. Options: 30,000.



From left to right: Per-Anders Persson, Allan Gregersen, Lars-Gunnar Persson, Ulf Bergström, Pontus Lindwall, Peter Eidensjö, Rolf Persson, Jörgen Eriksson Sjöner.

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Cherry's senior management team looking at games.