Quarterly Report Q1, 2005

Interim report January 1 – March 31, 2005
Cherryföretagen AB (publ)
Solna, May 9, 2005

(All figures in this report are in SEK)

Quarter 1

- **Acquisition of Betsson.com**
- **Betsson shows high customer growth and increase in net sales and profit**
- **Betsson launched in Denmark**
- **Betsson customers increase from 65,000 to 105,000**
- **Net Entertainment's success continues; profit increase of 60 percent**
- **Group net sales increase by 24 percent to SEK 84.8 (68.4) million**
- **Operating profit amounts to SEK 4.0 (4.2) million**
- **Profit after financial items amounts to SEK 139.4 (6.3) million**
- **Introduction of IFRS affects net financial income by SEK 135 million**
- **Profit after tax amounts to SEK 138.3 (5.2) million, SEK 4.43 (0.15) per share**

Group

Cherry's net sales increased by just over 24 percent to SEK 84.8 (68.4) million during the quarter. All the business areas reported increased revenues. SEK 16.6 million of the increase in net sales compared with the previous year relates to the effects of acquired businesses (Betsson SEK 9.7 million and traditional casino operations SEK 6.9 million).

The Group's operating profit amounted to SEK 4.0 (4.2) million. Net Entertainment reported an increase in profit of over 50 percent, while the other business areas reported somewhat lower profit than in the same period the previous year. The acquired business Betsson.com has been consolidated into the Cherry Online business area from February 17, 2005, which represents 43 days of the report period.

Profit after financial items amounted to SEK 139.4 (6.3) million. Net financial income for the period includes the measurement of financial instruments at fair market value, which is recognized in the income statement at SEK 135.0 million. The transaction concerns the measurement of subscription rights/call options in Betsson at fair market value based on the external valuation of the company carried out prior to its acquisition. Betsson was valued at SEK 590 million.

Return on equity was 35 (6) percent and return on total capital 29 (6) percent.

Profit/loss after tax amounted to SEK 138.3 (5.2) million, which corresponds to SEK 4.43 (0.15) per share.

Business areas

Cherry's operations have been restructured, and with effect from January 1, 2005 are divided into three business areas:

Cherry Online	- online gaming via Betsson.com and online casinos
Net Entertainment	- development and sales/licensing of games and gaming systems, Casino Module
Cherry Casino	- traditional casino games and gaming machines, mainly in Sweden, Denmark and on cruise ships

All comparison figures for 2004 have been restated in accordance with the new business area organization.

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Cherry Online

Net sales for the business area increased to SEK 19.1 (7.1) million, while operating profit/loss fell to SEK -0.5 (0.8) million during the first quarter. The acquisition of Betsson added SEK 9.7 million to income for the period and increased operating profit by SEK 1.5 million during the 43 days following consolidation of the company into Cherry, with effect from February 17, 2005. Betsson's background, present situation and future prospects are described below.

Betsson in brief

Betsson was founded in 2000. Its business concept is to provide a marketplace for betting between two or more parties. In Betsson's system, customers play against each other rather than against a bookmaker, which allows higher winnings to be paid to the players and gives a more varied gaming experience. As well as betting, Betsson also offers an online casino and poker room. The rising popularity of these two products has transformed Betsson into a multi-gaming marketplace. The company has 25 employees, and its registered office is in London. Betsson owns a British bookmakers' license.

Significance of the Betsson acquisition

In February, Cherry exercised its option to purchase the remaining shares in Betsson. This represents major advantages to Betsson and its customers. In particular, it gives the company a stamp of quality, which creates security for the customers. At the same time, the acquisition provides Betsson with good PR opportunities and strength in its future international expansion.

The directed new share issue in April 2005 made Betsson's founders major shareholders in Cherry and they have confirmed that they will continue to focus on the development of Betsson's operations for the foreseeable future. The founders have an agreement with Cherry not to sell 70 percent of their holdings before April 18, 2006.

Betsson's market position

Betsson has established a strong position in the Nordic market through its strong brand and the high level of repayments to players. Betsson has also succeeded in creating a large user base which regularly uses the service. As liquidity in an exchange is a crucial factor in the service's ability to function, Betsson has also established a strong market position where high entrance barriers exist. The combination of this and good customer support, a strong management team, a loyal customer base and positive profitability development creates excellent conditions for the company to increase its market share in the future.

Development of Betsson.com in Q1 2005

Betsson has continued its positive development in the first quarter of 2005. Betsson is currently a profitable gaming company with a proven business model and a large customer base.

Net sales (gaming profit) for the company amounted to SEK 17.2 million for the full quarter and operating profit to SEK 1.0 million. The company was consolidated into Cherry Online from February 17. Net sales from this date amounted to SEK 9.7 million and operating profit to SEK 1.5 million. Betsson successfully launched its services in Denmark during the quarter, which also affected profit.

The number of registered customers at March 31 was 105,000, which means an increase of 62 percent since the end of 2004. The number of active customers was 18,000, which represents an increase of 47 percent since the end of 2004.

Poker has shown the strongest growth. Betsson had a total of 61,000 registered poker players at the end of Q1, compared with 34,000 at the start of the year. This represents an increase of 79 percent during the quarter.

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The number of active poker players grew to 12,000 during the period, which represents an increase of 65 percent since the end of 2004.

The number of active casino players at March 31 was 5,500, compared with 3,900 at the end of 2004, which is an increase of 41 percent.

The number of betting exchange players at March 31 was 4,000, compared with 3,200 on December 31, 2004, which represents an increase of 25 percent since the end of the year.

Betsson – responsible gaming

In April, Betsson signed an agreement with G4, Global Gaming Guidance Group for an accreditation system for responsible gaming standards. G4's program for responsible gaming consists of ethical business standards, information systems for the gaming company's employees and customers, staff development and software which uses a questionnaire to assess whether a player is in the risk zone. Betsson expects to receive accreditation in summer 2005. The company aims to become the leading gaming company in the development of technology and staff training to eliminate gambling addiction.

Betsson's future prospects

Betsson sees further strong growth in the gaming market and will continue its international expansion. The launches in Norway and Denmark have been successful, with these markets showing good growth. The Swedish market is still Betsson's largest market and is also showing healthy growth. In 2005, Betsson will focus on establishing itself in new markets and strengthening its product range even more. Betsson's ambition is to have at least 200,000 registered customers at the end of the year.

Cherry's Online Casinos

Cherry launched online gaming in 2000 via Casinodomain. The main market at that time was North America. Because payments from the USA were becoming difficult, the company directed its efforts towards Europe in 2002, and this is currently the main market for Cherry's online casinos, in particular CasinoEuro. Cherry's casino gaming operates in five online casinos: CasinoEuro, CherryCasino, Casinodomain, SpeedbetCasino and ApuestasCasino. Operations are run by the gaming company Mil Treinta y Dos S.A. in Costa Rica and, from April 2005, by CasinoEuro Ltd, which owns a European gaming license for online gaming in Malta.

The number of registered customers in Cherry Online's online casinos at March 31 was 151,000, which means an increase of 15 percent since the end of 2004. The number of active customers was 7,300, which represents an increase of 26 percent since the end of 2004. The relatively low level of activity is due to the fact that market initiatives were not implemented in the North American market and that a proportion of the customer base has aged.

During the first quarter, a fairly extensive marketing program for CasinoEuro was put into action, which included a TV campaign in Norway. This had the effect of boosting the number of customers and increasing net sales, albeit at the expense of short-term results for the quarter. From April, the majority of the business area's initiatives will be concentrated on Betsson, which has a broader product range.

Net Entertainment

Net Entertainment is currently the leading player in the global online gaming market. The company's trademark is strong in this B2B market and is associated with quality and innovation. The company is represented in all major trade marts, which is an important part of the brand strategy and essential for successful sales.

Net Entertainment's main product, Casino Module, is a platform for casino gaming, which can be licensed by all types of websites with an existing customer base. The product has experienced major sales successes and is currently used by over 30 international gaming operators, particularly sports betting companies.

Casino Module's success is largely due to its user-friendliness, broad language support, ease of integration into the customer's gaming site and its powerful system administration tools.

Net Entertainment regularly invests large amounts to develop Casino Module and make the product even more competitive and user-friendly. A new generation of games is currently being developed and these will be gradually implemented among customers. As the company's business model is based on variable license revenues, which in turn are based on the results of casino gaming on each website, the increase in revenues from further development of the product will fall to both the customer and Net Entertainment.

The business area's net sales increased by over 40 percent to SEK 11.3 (7.8) million in the first quarter. Operating profit improved by 59 percent to SEK 7.3 (4.6) million.

Cherry Casino

The Cherry Casino business area is an amalgamation of the former business areas Restaurant Casino, Maritime Gaming and New Markets.

The business area operates gaming activities, with table games (blackjack and roulette) at 285 restaurants in Sweden; gaming machines and table games on 40 cruise ships in the Nordic market and on 4 vessels in the Mediterranean via partly-owned company; gaming machines at 13 gas stations in Denmark in a joint venture with Danish Shell; and the game of pajazzo in Chile.

Cherry is the market leader in restaurant casinos in Sweden with a market share of 38 percent of active gaming tables. Cherry's share of the maritime gaming market in the Nordic Region is estimated at 34 percent of the number of vessels which have gaming activities.

Net sales for the first quarter amounted to SEK 54.3 (53.3) million. Maritime gaming operations reported reduced figures, due to the termination of the partnership with Stena Line, while the other gaming operations reported increased revenues. The acquired casino operations Knutsson Casino and Engdahl Casino added SEK 6.9 million to net sales during the period.

Operating profit fell to SEK 0.5 (0.7) million during the period. The quarterly operating profit figure for the previous year included a capital gain of SEK 0.8 million from the sale of gaming machines. If this item is disregarded, operating profit improved slightly on Q1 the previous year. The early part of the year (Q1 and most of Q2) is a traditionally weak period for Swedish restaurant casinos and maritime gaming.

Financial position and solvency

Cash and cash equivalents amounted to SEK 25.0 (31.4) million at the closing date.

The Group has a low level of external debt. Unutilized overdraft facilities, bank loans and real estate credits amounted to SEK 1.4 (2.8) million. All the bank commitments apply to the Danish operations.

The equity/assets ratio was 82 (66) percent.

Investments

The Group's gross investment amounted to SEK 9.6 (5.4) million during the quarter.

Share data

The company had 4,094 (3,295) shareholders at the end of the reporting period. The largest shareholder was Kinnevik, with 28.1 of share capital and 26.2 percent of votes. Following implementation of the non-cash share issue adopted at the extraordinary general meeting of shareholders held on April 18 in connection with the acquisition of the remaining shares (29 percent) in Betsson.com, Kinnevik's holding is now 23.1 percent of share capital and 24.2 percent of votes.

Earnings per share amounted to SEK 4.43 (0.15). Equity per share was SEK 15.00 (2.72) at the closing date.

Cherry's B share is listed on the Stockholm Stock Exchange's O List. The price on March 31 (most recent transaction) was SEK 32.00 (23.90).

Personnel

The average number of employees in the Group was 255 (234) during the period. In March, a total of 866 (680) persons were employed. Most of the increase relates to personnel taken over with the acquisition of Knutsson Casino and Engdahl Casino the previous year and the recent acquisition of Betsson, as well as new recruitment in Net Entertainment and Cherry Online.

Events after the end of the report period

The extraordinary general meeting of shareholders held on April 18, 2005 concluded the acquisition of Betsson.com, adopting the Board of Directors' proposal to issue 6,855,000 B shares to the owners of GBE Holdings Ltd (Betsson) as payment for the remaining 29 percent of outstanding shares in GBE Holdings Ltd. The capital contributed in kind was entered in Cherryföretagen's balance sheet at a value of SEK 229,642,500.

2005 Prospects

Net Entertainment is proving successful as a software/systems supplier to other gaming operators. This market, as a whole, is growing.

The acquisition of Betsson means that Cherry Online gains operations with strong growth and high potential.

The opening of the EU gaming market, which will soon become a reality before long, following the ruling by the European Court of Justice against the Italian state monopoly, will represent increased opportunities for Cherry.

Cherry has not issued a forecast for the full year 2005.

Accounting Principles

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, which follows the provisions of the Swedish Financial Accounting Standards Council's recommendation RR31 Interim Financial Reporting for Groups.

The accounting principles applied in this interim report are as described in the consolidated financial statements in the 2004 annual report, note 34. This note states that International Financial Reporting Standards (IFRS) will be applied with effect from 2005 and that comparison figures relating to 2004 will be restated in accordance with the new principles, with the exception of those which apply to financial instruments. In accordance with the rules for transition to IFRS, the new principles for financial instruments are applied only in the parts of the accounts concerning 2005.

According to IFRS 1, reporting will be prepared in accordance with the IFRS standards that apply on December 31, 2005. These standards must also have been approved by the EU. Consequently, the effects of the transition to IFRS presented in this interim report are preliminary and based on currently applicable IFRS

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and relevant interpretations, which may be changed before December 31, 2005 to reflect the associated effect on reported amounts.

The effects on shareholders' equity at the beginning of this year and at the beginning of 2004, when figures are restated according to the new principles, are shown in note 3 of this interim report. The effects of restating comparison figures for Q1 2004 and full-year 2004 results, and for shareholders' equity at the end of Q1 2004 and full-year 2004, are described in note 4 of this interim report.

Corresponding information relating to the full year 2004 and shareholders' equity at the end of 2004 is also shown in note 34 of the 2004 annual report, which is available on the company's website.

Future reports

• Annual General Meeting	June 16, 2005
• Quarterly report Q2	July 21, 2005
• Quarterly report Q3	October 25, 2005
• Quarterly report Q4, Year-end report 2005	February 16, 2006

Annual General Meeting

The Annual General Meeting of Shareholders will be held at 4 p.m. on Thursday, June 16, 2005, in Tegensalen in Tegen Konferens, Sundbybergsvägen 9, Solna, Sweden.

Shareholders who wish to participate in the Annual General Meeting must be recorded in the register of shareholders held by VPC (the Swedish Securities Register Center) no later than Friday, June 3, 2005, and must notify Cherry's head office of their participation no later than 12 p.m. on Tuesday, June 14, 2005.

Solna, May 9, 2005
Cherryföretagen AB (publ)
Board of Directors

Review Report

The report has not been audited by the company's auditors.

For further information, please contact:
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Cherry in Brief
Cherry is a privately-owned Swedish gaming company with over 4,000 registered shareholders.
The company's B share is listed on the Stockholm Stock Exchange's O List (CHER B).
Operations are concentrated mainly in online, casino and machine gaming.
The main gaming operations take place in restaurants in Sweden,
on cruise ships on Northern European and Mediterranean routes, in amusement halls in Denmark,
in shopping centers in Chile, via Betsson.com and globally in online casinos.
Cherry employs a total of over 850 staff.

Amounts in SEK millions unless otherwise specified

Consolidated income statement	Note	Q1 2005	Q1 2004	Full Year 2004
Net sales		**84.8**	68.4	311.1
Other external expenses		**-48.8**	-38.3	-177.3
Personnel expenses		**-28.0**	-23.4	-104.3
Depreciation according to plan		**-4.0**	-2.5	-12.9
Other operating expenses		**0.0**	0.0	0.0
Operating expenses		**-80.8**	-64.2	-294.5
Operating profit/loss		**4.0**	4.2	16.6
Profit/loss from financial investments	1.	**135.4**	2.1	-0.1
Profit/loss after financial items		**139.4**	6.3	16.5
Estimated/deferred tax		**-1.1**	-1.1	-4.4
Profit/loss after tax		**138.3**	5.2	12.1
Attributable to:				
Parent company's shareholders		**138.2**	4.6	11.4
Minority interest		**0.1**	0.6	0.7
Profit/loss after tax		**138.3**	5.2	12.1
Earnings per share before dilution (SEK)		**4.43**	0.15	0.37
Earnings per share after dilution (SEK)		**4.24**	0.14	0.36
Proposed/implemented dividend per share (SEK)		**0.00**	0.00	0.00

Group by segment/business area		Note	Q1 2005	Q1 2004	Full Year 2004
Net sales	Cherry Online		**19.1**	7.1	25.0
(external)	Net Entertainment		**11.3**	7.8	37.9
	Cherry Casino		**54.3**	53.3	247.4
	Group-wide		**0.1**	0.2	0.8
	Group		**84.8**	68.4	311.1
Operating profit/loss	Cherry Online		**-0.5**	0.8	-5.4
	Net Entertainment		**7.3**	4.6	21.6
	Cherry Casino		**0.5**	0.7	9.1
	Group-wide		**-2.8**	-1.9	-8.7
	Depreciation of acquired assets	2.	**-0.5**	-	-
	Group		**4.0**	4.2	16.6

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Amounts in SEK millions unless otherwise specified

Consolidated balance sheet		Note	**2005-Mar-31**	2004-Mar-31	2004-Dec-31
Intangible assets		1-4.	**453.4**	11.1	18.5
Tangible fixed assets			**28.2**	27.1	27.8
Financial assets			**7.4**	13.2	33.0
Inventories			**2.6**	2.4	2.4
Current receivables			**52.9**	37.3	45.9
Current investments			**4.1**	3.7	4.1
Cash and cash equivalents			**25.0**	31.4	19.9
Total assets			**573.6**	126.2	151.6
Equity		1-4.	**494.3**	83.3	101.3
Provisions	Deferred tax	2.	**16.2**	0.7	2.0
Long-term liabilities			**6.0**	5.6	7.5
Current liabilities			**57.1**	36.6	40.8
Total equity and liabilities			**573.6**	126.2	151.6

Consolidated cash flow statement	**Q1 2005**	Q1 2004	Full Year 2004
Profit/loss after financial items	**139.4**	6.3	16.5
Adjustments for non-cash items	**-131.0**	0.3	10.3
Taxes paid	**-1.2**	-1.1	-3.1
Cash flows from operating activities before changes in working capital	**7.2**	5.5	23.7
Changes in working capital	**9.0**	-2.3	-7.1
Cash flows from operating activities	**16.2**	3.2	16.6
Investments, gross	**-9.5**	-5.4	-44.2
- financed with own shares	**-**	-	12.8
Change in long-term receivables	**-0.4**	-1.7	-3.3
Sale of shares and fixed assets	**0.2**	3.5	5.3
Cash flows from investing activities	**-9.7**	-3.6	-29.4
Dividend paid to minority shareholders in subsidiaries	**0.0**	-0.1	-1.1
Change in long-term liabilities	**-1.5**	0.1	2.0
Cash flows from financing activities	**-1.5**	0.0	0.9
Cash and cash equivalents	**5.0**	-0.4	-11.9
Cash and cash equivalents at beginning of period	**19.9**	31.8	31.8
Exchange rate differences	**0.1**	0.0	0.0
Cash and cash equivalents at end of period	**25.0**	31.4	19.9

Amounts in SEK millions unless otherwise specified

Changes in Group equity		Note	Q1 2005	Q1 2004	Full Year 2004
Opening equity, beginning of year			**98.6**	75.8	75.8
Opening minority interest (separate item under Equity according to IFRS 27)			**2.7**	2.2	2.2
Effect of valuation of financial instruments, 2005, O/B value		3.	**222.9**		
Dividend paid to minority shareholders for the period			**0.0**	-0.1	-1.1
Effect of valuation of financial instruments during the period		1, 2	**32.0**		
Non-cash share issues relating to acquisitions			**-**	-	12.7
Translation differences			**-0.2**	0.2	-0.4
Profit/loss for the period	- Parent company's shareholders		**138.2**	4.6	11.4
	- Minority interest		**0.1**	0.6	0.7
Closing equity, end of period			**494.3**	83.3	101.3
- minority share of closing equity		2.	**26.3**	2.7	1.8

Accumulated translation differences in equity	Note	Q1 2005	Q1 2004	Full Year 2004
Amount at beginning of period	4.	**0.0**	1.0	1.0
Exchange rate differences in foreign subsidiaries for the period		**-0.2**	0.2	-0.4
Amount at end of period		**-0.2**	1.2	0.6

Key ratios, Group	Q1 2005 2005-Mar-31	Q1 2004 2004-Mar-31	Full Year 2004 2004-Dec-31
Number of shares before dilution at end of period (millions)	**31.2**	30.6	31.2
Number of shares after full dilution (millions)	**32.7**	32.1	32.7
Average number of shares before dilution (millions)	**31.2**	30.6	31.0
Average number of shares after full dilution (millions)	**32.7**	32.1	32.5
Number of own shares	**0.0**	0.0	0.0
Number of registered shareholders	**4,094**	3,295	2,828
Share price, most recent transaction (SEK)	**32.00**	23.90	20.80
Earnings per share after tax, before dilution (SEK)	**4.43**	0.15	0.37
Earnings per share after tax, after dilution (SEK)	**4.24**	0.14	0.36
Cash flow per share before dilution (SEK)	**0.16**	-0.01	-0.39
Cash flow per share after dilution (SEK)	**0.16**	-0.01	-0.37
Equity per share before dilution (SEK)	**15.00**	2.67	3.19
Equity per share after dilution (SEK)	**14.50**	2.74	3.24
Dividend per share (SEK)	**0.00**	0.00	0.00
Return on equity (percent)	**35**	6	14
Return on total capital (percent)	**29**	5	13
Return on capital employed (percent)	**34**	7	19
Operating margin (percent)	**4.7**	6.1	5.3
Profit margin (percent)	**164.3**	9.1	5.3
Equity/assets ratio (percent)	**82**	66	67
Quick ratio (percent)	**143**	198	171
Investments, gross (SEK million)	**9.5**	5.4	44.2
- financed with own shares	**0.0**	0.0	12.8
Cash and cash equivalents (SEK million)	**25.0**	31.4	19.9
Average number of employees (full-time equivalents)	**255**	234	254
Number of employees at end of period	**866**	680	843

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Note 1. Reporting of the change in value of financial instruments in Q1 2005

In the first quarter, the value of financial instruments relating to GBE Holdings Ltd. (Betsson) was measured in accordance with the fair value model. This applies to Cherry's holdings of shares and derivatives (subscription rights and call options) in Betsson before the acquisition on February 17. At the beginning of 2005, the shares and derivatives were measured at fair market value, which was reported directly to shareholders' equity. The valuation was based on an assumed value of the company of SEK 350 million, as at January 1, 2005. See note 3 in this report and note 34 in the 2004 annual report.

The final valuation of Betsson, which was made in conjunction with Cherry's acquisition of the company, amounted to SEK 590 million. Under IFRS, the fair value of Cherry's holding of financial instruments in Betsson is measured at the fair market value immediately before the transaction, which means that Betsson becomes a subsidiary of Cherry (acquisition takes place).

For this measurement at fair value, the classification of financial instruments shown in note 34 of the 2004 annual report is used, which means that:

- shares which are not shares in subsidiaries or associated companies are classified under the category available for sale. Measurement is at fair market value, with the change in value reported directly to shareholder' equity until the asset is sold or permanent value impairment is identified, which is then recognized in the income statement. Cherry's holding in Betsson amounted to 17.3 percent at the time. In the fair value measurement, the carrying amount was adjusted by SEK 32 million, with the change in value reported directly to shareholders' equity.

- Derivatives are classified as assets measured at fair market value and for which the change in value is reported in the income statement. Cherry held subscription rights and call options in Betsson enabling it to acquire up to 71 percent of the total number of shares in the company at fixed prices. Measurement of these derivatives at fair market value before the acquisition produced a change in value of SEK 135 million which, in accordance with IFRS, was reported in the income statement during the quarter.

Note 2. Reporting and recognition of GBE Holdings Ltd (Betsson) in the consolidated balance sheet

At the beginning of 2005, Cherry's holding in Betsson corresponded to 17.3 of the total number of shares in the company, plus a convertible debenture loan. Under an agreement between the companies, Cherry was entitled to convert the debentures into shares at a fixed price in February 2005 and to purchase more shares in the company, also at a fixed price. These two transactions would result in Cherry holding 71 percent of the total shares in Betsson. If Cherry exercised its call options, this also represented an undertaking to acquire the remaining shares in Betsson at a market value determined by a valuation conducted by two independent external parties.

Cherry converted its debentures and called in the options on February 17, 2005. With effect from this date, Betsson is considered a subsidiary (71%-owned) and consolidated into the Cherry Group.

Betsson has been recognized at cost of acquisition, SEK 32.3 million, in the parent company's balance sheet (in accordance with RR32 Reporting for Legal Entities) and at cost of acquisition, SEK 420.2 million, in the consolidated balance sheet (in accordance with the fair value measurement of Cherry's financial instruments owned before the acquisition. See notes 1 and 3). These costs are preliminary, as not all costs relating to the acquisition are known and/or invoiced yet. A final acquisition analysis is to be established within one year of the date of acquisition.

In accordance with IFRS 3, the acquirer shall, at the acquisition date, identify, measure and allocate the acquiree's identifiable assets, liabilities and contingent liabilities. Identifiable intangible assets shall also be allocated and measured at fair market value if they satisfy certain conditions. For these assets, an estimate of the economic life is made, after which the asset is amortized according to the estimated economic life. If the cost of acquisition exceeds the net fair value of the acquired part of the acquiree's identifiable assets, liabilities and contingent liabilities, this is recognized as goodwill. Goodwill which arises is not amortized. Instead, the acquirer shall carry out an impairment test at least once a year.

Cherry has used external experts to identify and calculate the following assets and liabilities in Betsson at the date of acquisition and to estimate economic life:

- Customer database, SEK 9 million, remaining life 2 years
- Surplus value, computer systems/technical platforms, SEK 9 million, remaining life 5 years
- Trademarks, SEK 77 million, indefinite life
- Deferred tax on above assets, SEK 14 million, of which deferred tax on customer database and computer systems is reversed in line with depreciation/amortization of these assets
- Shareholders' equity, SEK 4 million
- Goodwill, SEK 335 million

As Cherry had acquired 71 percent of Betsson at the end of the quarter, the minority share of the acquired assets and liabilities (excluding goodwill) in that company amounted to SEK 24.5 million at the closing date.

<u>Acquisition of the remaining 29 percent</u>
At the extraordinary general meeting of shareholders on April 18, Cherry acquired the remaining 29 percent of the shares in Betsson, which was paid for with the company's own shares. Cherry issued a total of 6,855,000 shares at a price of SEK 33.50. The capital contributed in kind is recognized at SEK 229.6 million in the parent company's balance sheet. In the consolidated financial statements, this transaction results only in a minority share falling to Cherry's shareholders (internal transfer in equity) and dilution. This transaction will be recognized in Q2 2005.

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Note 3. IFRS bridge. 2005 and 2004 opening balances

The effects of adjustments resulting from the transition to IFRS for opening balances in 2005 and 2004 are shown below.

Balance sheet

		O/B at 2005-Jan-01			O/B at 2004-Jan-01		
		Per Sw GAAP	Change IFRS	Per IFRS	Per Sw GAAP	Change IFRS	Per IFRS
Intangible assets	A.	17.0	1.5	18.5	11.0		11.0
Tangible fixed assets		27.8		27.8	25.0		25.0
Financial assets	B.	33.0	222.9	255.9	11.9		11.9
Inventories		2.4		2.4	2.4		2.4
Current receivables		45.9		45.9	34.2		34.2
Current investments		4.1		4.1	3.7		3.7
Cash and cash equivalents		19.9		19.9	31.8		31.8
Total assets		150.1	224.4	374.5	120.0	0.0	120.0
Equity	D.	98.0	226.2	324.2	75.8	2.2	78.0
Minority interest	C.	1.8	-1.8	0.0	2.2	-2.2	0.0
Provisions		2.0		2.0	0.7		0.7
Long-term liabilities		7.5		7.5	5.5		5.5
Current liabilities		40.8		40.8	35.8		35.8
Total equity and liabilities		150.1	224.4	374.5	120.0	0.0	120.0

Note A.
In accordance with IFRS 3, goodwill amortization ceases. The amount relates to reversed amortization in 2004 for goodwill arising from the acquisition of subsidiaries.

Note B.
IAS 32 and IAS 39, regarding financial instruments, are applied from 2005. Shares in other unlisted companies (Betsson and Betware) have been reported in the opening balance at fair market value. For Betware, the shares were valued at the price of the last known transaction, and accordingly a revaluation of SEK 2.8 million was made and reported directly to shareholders' equity pending external sale. The shares in Betsson and the subscription rights/call options owned by the Group on January 1 were measured at fair market value, which resulted in a revaluation of SEK 220.1 million, reported directly to shareholders' equity. The fair market value of Betsson was estimated at SEK 350 million at the beginning of 2005, based on the external valuation conducted at the date of acquisition and which finally amounted to SEK 590 million. A subsequent downward adjustment of this value was made, based on price movements of shares in similar companies in the period from January 1 to the date of acquisition.

Note C.
As a result of the transition to IFRS, minority interests are classified as a separate item under shareholders' equity.

Note D.
Goodwill has not been restated for acquisitions prior to January 1, 2004.

Note E.
Cherry has opted to zero translation differences for foreign subsidiaries in the consolidated financial statements from 2005, in accordance with IFRS 1 First-time Adoption of IFRS. No earnings effect has arisen.

Note F.
From January 1, 2005, the parent company applies the Swedish Financial Accounting Standards Council's recommendation RR32 "Reporting for legal entities." This does not involve any changes to the parent company's accounting principles.

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Note 4. IFRS bridge 2004

The effects of adjustments of comparison figures for Q1 and the full year 2004, and the closing positions at March 31 and December 31 resulting from the transition to IFRS, are shown below.

Income Statement		**Q1, January-March 2004**			**Full Year, January-December 2004**		
	Note	Per Sw GAAP	Change IFRS	Per IFRS	Per Sw GAAP	Change IFRS	Per IFRS
Net sales		68.4		68.4	311.1		311.1
Operating expenses	A.	-64.6	0.4	-64.2	-296.1	1.6	-294.5
Operating profit/loss		**3.8**	**0.4**	**4.2**	**15.0**	**1.6**	**16.6**
Profit/loss from financial investments		2.1		2.1	-0.1		-0.1
Profit/loss after financial items		**5.9**	**0.4**	**6.3**	**14.9**	**1.6**	**16.5**
Minority interest	B.	-0.6	0.6	0.0	-0.7	0.7	0.0
Estimated/deferred tax		-1.1		-1.1	-4.4		-4.4
Profit/loss after tax		**4.2**	**1.0**	**5.2**	**9.8**	**2.3**	**12.1**

Balance sheet		**O/B at 2004-March-31**			**O/B at 2004-Dec-31**		
		Per Sw GAAP	Change IFRS	Per IFRS	Per Sw GAAP	Change IFRS	Per IFRS
Intangible assets	C.	10.7	0.4	11.1	17.0	1.5	18.5
Tangible fixed assets		27.1		27.1	27.8		27.8
Financial assets		13.2		13.2	33.0		33.0
Inventories		2.4		2.4	2.4		2.4
Current receivables		37.3		37.3	45.9		45.9
Current investments		3.7		3.7	4.1		4.1
Cash and cash equivalents		31.4		31.4	19.9		19.9
Total assets		125.8	0.4	126.2	150.1	1.5	151.6
Equity		80.3	3.0	83.3	98.0	3.3	101.3
Minority interest	D.	2.6	-2.6	0.0	1.8	-1.8	0.0
Provisions		0.7		0.7	2.0		2.0
Long-term liabilities		5.6		5.6	7.5		7.5
Current liabilities		36.6		36.6	40.8		40.8
Total equity and liabilities		125.8	0.4	126.2	150.1	1.5	151.6

Note A.
In accordance with IFRS 3, goodwill amortization ceases. The amounts relate to reversed amortization for goodwill arising from the acquisition of subsidiaries.

Note B.
Under IFRS, there is no deduction made for minority share of profit for the period in the income statement; instead an allocation of profit attributable to the parent company's shareholders and minority interest is made with reference to the income statement.

Note C.
Goodwill has not been restated for acquisitions prior to January 1, 2004.

Note D.
As a result of the transition to IFRS, minority interests are classified as a separate item under shareholders' equity.

Note E.
IAS 32 and 39, regarding financial instruments, are applied from 2005, and the comparison figures for 2004 have not been restated, in accordance with the transitional provisions.

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