

Quarterly Report Q3, 2005

Interim report January 1 - September 30, 2005

CHERRYFÖRETAGEN AB (publ)
Stockholm, 25 October, 2005



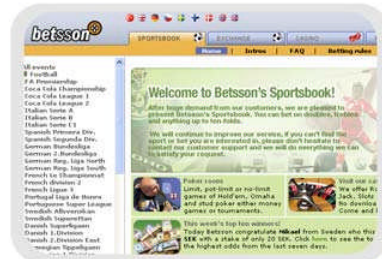
(All figures in this report are in SEK)

Quarter 3

- **Cherry's online gaming continued to develop very strongly during Q3**
- **Betsson's active poker customers increased by 29 per cent compared to Q2**
- **Betsson's customers increased from 140,000 to 189,000**
- **Net Entertainment's success continues, with over 50 per cent profit increase**
- **Group net sales increased by 40 per cent to SEK 123.3 (87.9) million**
- **Operating profit doubled to SEK 16.8 (8.4) million**

Interim Period, January - September

- **Group net sales increased by 38 per cent to SEK 315.8 (228.8) million**
- **Operating profit increased to SEK 31.9 (13.7) million**
- **Profit after financial items amounted to SEK 170.4 (15.8) million**
- **Introduction of IFRS affected net financial income for the reporting period by SEK 135 million**
- **Profit after tax amounted to SEK 161.1 (11.8) million, SEK 4.54 (0.36) per share**





Group

Quarter

Cherry's net sales increased by 40 per cent to SEK 123.3 (87.9) million during the quarter. Cherry Online reported substantially increased revenue. SEK 33.1 million of the increase in net sales compared with the previous year relates to the effects of the Betsson acquisition.

Betsson doesn't see any weakening in the market. The number of active poker players increased by 29 per cent since the end of the second quarter. At the same time, there was a strong increase in both revenue per customer and customer lifetime.

The Group's operating profit amounted to SEK 16.8 (8.4) million. NetEnt reports an increase in profit of more than 50 per cent and Cherry Online has turned a loss of SEK -1.4 million last year to a profit of SEK 6.3 million during the quarter. The Group's operating margin increased to 13.7 (9.5) per cent. The operating margin for the Group's online operations amounted to 28.3 per cent.

Profit/loss after financial items amounted to SEK 19.7 (8.3) million and profit after tax to SEK 15.0 (6.1) million, which represents SEK 0.38 (0.19) per share. Net financial income included a capital gain of SEK 2.9 million on sale of the remaining holdings of shares in the Icelandic company Betware.

Interim Period

Group net sales increased by 38 per cent to SEK 315.8 (228.8) million during the reporting period. All business areas except Cherry Casino reported increased net sales. SEK 79.0 million of the increase in net sales compared with the previous year relates to acquisition effects (Betsson SEK 68.6 million and traditional casino operations SEK 10.4 million).

Operating profit during the reporting period amounted to SEK 31.9 (13.7) million. Both NetEnt and Cherry Online reported significantly increased profit compared with the same period the previous year, while Cherry Casino's traditional operations reported a somewhat lower result than the previous year. The Group's operating margin increased to 10.1 (6.0) per cent.

Profit after financial items increased to SEK 170.4 (15.8) million. Net financial income includes the valuation of financial instruments at fair market value, which was reported in the income statement from Q1 at SEK 135.0. The transaction related to the valuation 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. The valuation of Betsson was set at this time at SEK 590 million.

Profit after tax amounted to SEK 161.1 (11.8) million, which represents SEK 4.54 (0.36) per share

Return on equity was 38 (13) per cent and return on total capital 35 (12) per cent. Equity per share amounted to SEK 13.45 (3.21) at the closing date.

Business areas

Cherry's operations are divided into three business areas as of 1 January, 2005:

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

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

Cherry Online

Net sales for the business area increased during the third quarter to SEK 45.6 (6.6) million and operating profit increased to SEK 6.3 (-1.4) million. The now wholly-owned Betsson operation contributed to the period's revenues with SEK 33.1 million and to operating profit with SEK 8.4 million. In addition, operating profit was affected by the Group's amortisation of acquired intangible assets, which arose in conjunction with the acquisition of Betsson, by SEK -1.6 (0.0) million.

For the entire reporting period, the business area reported an increase in net sales to SEK 55.8 (12.2) million and a profit increase to SEK 8.8 (-2.6) million. Betsson has been consolidated into Cherry since 17 February, 2005, which affected

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revenues for the reporting period by SEK 68.6 million and operating profit by SEK 14.1 million. In addition, amortisation on acquired intangible assets, which arose in conjunction with the acquisition of Betsson, impacted operating profit by SEK -3.7 (0.0) million.

Betsson and its development during Q3, 2005

Betsson has continued its strong growth during the quarter. It appears the annual objective to achieve 200,000 registered customers will be reached in the early part of the fourth quarter. Betsson doesn't see any weakening in the market for poker or other products. The number of registered poker players increased by 33 per cent during the quarter. At the same time, there was a strong increase in both revenue per customer and customer lifetime during the period. This indicates that Betsson is developing its services in the right direction.

Net sales (gaming profit) for the company amounted to SEK 33.1 million for the third quarter and operating profit to SEK 8.4 million. The corresponding numbers for the second quarter were SEK 25.8 million and SEK 4.2 million. This represents an increase in revenue of 28 per cent for the third quarter compared with the second quarter, accompanied by a doubling in profit.

The number of registered customers as of 30 September was 189,000, which represents an increase of 34 per cent since the end of the second quarter. The number of active customers during the same period was 25,400, which represents an increase of 25 per cent compared with the second quarter.

Poker has once again shown the strongest growth. Betsson had a total of 145,500 registered poker players at the end of the third quarter, compared with 109,000 at 30 June, 2005. This represents an increase of 33 per cent during the quarter. The number of active poker customers increased to 21,100 during the period, an increase of 29 per cent compared with the second quarter.

The launch of mobile poker has been successful and more than 1,300 customers have now played poker on their mobile phones.

On the betting exchange, the number of players at the end of September 2005 amounted to 3,300, which represents a decrease of 15 per cent compared with the second quarter 2005. The third quarter is seasonally weak for the betting exchange as there are few playable events.

The number of active players in the business area "Betsson Sport" was 3,100 compared with 1,229 for the second quarter. This represents an increase of 170 per cent, despite it being a seasonally weak period for the product. The product was launched during May.

The number of active casino players at the end of September was 6,200 compared with 5,100 players at the end of June, an increase of 19 per cent. The high level of activity for poker combined with the casino's stronger product offer are reasons for the casino's success.

In July, an agreement was signed with Victory247 for delivery of a complete gamingsite based on Betsson's technology.

Cherry's Online Casinos

Cherry also operates gaming via online casinos in the Cherry Online business area. The focus is on CasinoEuro.com which is operated from Malta, with Europe as the main market.

The number of registered customers in Cherry online casinos at 30 September was 186,000, which represents an increase of 7 per cent over the previous quarter. The number of active customers during the quarter amounted to 7,600 which is largely unchanged compared with the previous quarter.

Gaming profit (revenue) from Cherry's online casino during the third quarter was SEK 12.5 (6.5) million, an increase of 92 per cent compared with the same period the previous year.

NetEnt (previously Net Entertainment)

Net Ent is a leading provider within B2B for online gaming. The company's brand is associated with innovation and quality.

NetEnt has in cooperation with Betsson signed an agreement during the period with Victory247. Heavy investment in product development is also taking place to further strengthen the company's competitiveness.

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Revenue for the business area increased during the third quarter by 20 per cent to SEK 12.9 (10.7) million and operating profit increased to SEK 10.4 (6.8) million.

During the entire reporting period, revenues increased to SEK 36.2 (26.9) million and operating profit rose 66 per cent to SEK 26.6 (16.0) million

Cherry Casino

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

The business area operates gaming activities including table games (blackjack and roulette) at 260 restaurants in Sweden; gaming machines and table games on 37 cruise ships in the Nordic market and on 5 vessels in the Mediterranean via a partly-owned company; gaming machines at 13 petrol stations in Denmark in a joint venture with Danish Shell; and the game of pajazzo in shopping centres in Chile.

Cherry is the market leader in restaurant casinos in Sweden with a market share of 36 per cent of active gaming tables. Cherry's share of the maritime gaming market in the Nordic Region is estimated at 34 per cent of the number of vessels with gaming activities.

Third quarter revenues declined to SEK 64.6 (70.4) million and operating profit amounted to SEK 3.0 (4.9) million. Maritime gaming operations reported a smaller increase in revenue and profit, while the other gaming operations reported reduced revenues and operating profits during the quarter.

For the entire reporting period, revenues decreased to SEK 177.7 (182.6) million and operating profit amounted to SEK 5.2 (6.4) million. The acquired casino operations, Knutsson Casino and Engdahl Casino, added SEK 10.4 million to net sales during the reporting period.

Personnel

The average number of Group employees during the period was 268 (251). The increase primarily relates to personnel taken over in conjunction with the acquisition of Betsson during Q1 and the casino operations the previous year, as well as new recruitment in Net Entertainment and Cherry Online. The number of employees in traditional gaming operations has been reduced.

In September, a total of 820 (843) persons were employed.

Extraordinary shareholders' meeting, Board changes

At the extraordinary shareholders' meeting on 22 September, 2005, it was decided in accordance with shareholder Burdarás HF's proposal to appoint as new board members Ragnar Thorisson (Vice President, Nordic Investments Burdarás) and Patrick Svensk (President and CEO of Zodiak Television AB publ). Kinnevik's representatives, Anders Fällman and Niclas Palmstierna, left the board at the same time following Kinnevik's sale of its entire holdings in Cherry.

The other board members elected at the annual general shareholders' meeting on 16 June are unchanged, and are Anders Holmgren, Per Hamberg, Anna-Carin Månsson and John Wattin (chairman).

Election committee

An election committee has been appointed for the 2006 annual general shareholders' meeting. The committee consists of Per Hamberg, Rolf Blom and Fredrik Danielsson. Per Hamberg has been appointed chairman of the election committee. Further information on the election committee's members and how they can be contacted is available on the company's website.

Events after the end of the reporting period

No significant events have occurred after this report was delivered.

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2005 Prospects

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

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

The opening of the EU gaming market, soon to become a reality following the ruling by the European Court of Justice against the Italian state monopoly, represents increased opportunities for Cherry.

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

Future reports

- Quarterly Report Q4, Financial Statement 2005 16 February, 2006

For further information, please refer to the summaries included in the quarterly and half-yearly reports of the Group's income statement, balance sheet, equity summary, cash flow statement as well as notes and key ratios for the period and comparison period.

Stockholm, 25 October, 2005
CHERRYFÖRETAGEN AB (publ)

Board of Directors

Review Report

This report has not been subject to review 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 4,400 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 parlours in Denmark, in shopping centres in Chile, via Betsson.com and in online casinos globally.

Cherry has over 800 employees.

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Amounts in SEK millions unless otherwise specified

Consolidated income statement		Note	Q3 2005	Q3 2004	Jan-Sept 2005	Jan-Sept 2004	Full Year 2004
Net sales			123.3	87.9	315.8	228.8	311.1
External expenses			-71.0	-49.3	-180.5	-129.8	-177.3
Personnel expenses			-29.8	-26.6	-88.4	-75.9	-104.3
Depreciation according to plan			-5.7	-3.6	-15.0	-9.4	-12.9
Other operating expenses			0.0	0.0	0.0	0.0	0.0
Operating expenses			-106.5	-79.5	-283.9	-215.1	-294.5
Operating profit/loss			16.8	8.4	31.9	13.7	16.6
Profit/loss from financial investments		2.	2.9	-0.1	138.5	2.1	-0.1
Profit/loss after financial items			19.7	8.3	170.4	15.8	16.5
Taxes			-4.7	-2.2	-9.3	-4.0	-4.4
Profit/loss after tax			15.0	6.1	161.1	11.8	12.1
Attributable to:							
Parent company's shareholders			14.4	5.9	160.6	11.1	11.4
Minority interest			0.6	0.2	0.5	0.7	0.7
Profit/loss after tax			15.0	6.1	161.1	11.8	12.1
Profit/loss per share (SEK)			0.38	0.19	4.54	0.36	0.37
Profit/loss per share after dilution (SEK)			0.37	0.18	4.37	0.35	0.36
Proposed/implemented dividend per share (SEK)			0.00	0.00	0.00	0.00	0.00

Group per segment/business area		Note	Q3 2005	Q3 2004	Jan-Sept 2005	Jan-Sept 2004	Full Year 2004
Net sales	Cherry Online		45.6	6.6	101.4	18.8	25.0
(external)	NetEnt		12.9	10.7	36.2	26.9	37.9
	Cherry Casino		64.6	70.4	177.7	182.6	247.4
	Group-wide		0.2	0.2	0.5	0.5	0.8
	Group		123.3	87.9	315.8	228.8	311.1
Operating profit/loss	Cherry Online		6.3	-1.4	8.8	-2.6	-5.4
	NetEnt		10.4	6.8	26.6	16.0	21.6
	Cherry Casino		3.0	4.9	5.2	6.4	9.1
	Group-wide		-2.9	-1.9	-8.7	-6.1	-8.7
	Group		16.8	8.4	31.9	13.7	16.6

Cherry Online's operating profit is affected by amortisation of identifiable intangible assets which arose in conjunction with the acquisition of Betsson.

Amortisation was SEK -1.6 million for the quarter and -3.7 million for the entire reporting period.

Amounts in SEK millions unless otherwise specified

Consolidated balance sheet	Note	2005-09-30	2004-09-30	2004-12-31
Intangible fixed assets	3.	451.0	18.8	18.5
Tangible fixed assets		32.6	29.4	27.8
Financial assets		5.3	35.9	34.9
Inventories		2.6	2.2	2.4
Current receivables		66.2	42.8	44.0
Current investments		4.1	4.3	4.1
Cash and liquid assets		43.6	19.9	19.9
Total assets		605.4	153.3	151.6
Equity	2,3,6.	513.9	102.3	101.3
Long-term provision deferred tax	3.	15.7	1.7	2.0
Long-term liabilities		7.2	5.4	7.5
Current liabilities		68.6	43.9	40.8
Total equity and liabilities		605.4	153.3	151.6
Consolidated cash flow statement		Jan-Sept 2005	Jan-Sept 2004	Full Year 2004
Profit/loss after financial items		170.4	15.8	16.5
Adjustment for non-cash items		-122.1	7.3	10.3
Taxes paid		-9.6	-2.9	-2.5
Cash flows from operating activities before changes in working capital		38.7	20.2	24.3
Changes in working capital		-1.1	-3.3	-7.7
Cash flows from operating activities		37.6	16.9	16.6
Investments		-17.1	-28.4	-31.4
Investments in acquisition of subsidiaries	4.	-0.1	0.0	0.0
Change in long-term receivables		-1.1	-3.2	-3.3
Sale of shares and tangible fixed assets		4.3	3.7	5.3
Cash flow from investing activities		-14.0	-27.9	-29.4
Dividend paid to minority shareholders in subsidiaries		-	-0.7	-1.1
New share issue costs		-0.2	0.0	0.0
Change in long-term liabilities		-0.3	-0.2	2.0
Cash flow from financing activities		-0.5	-0.9	0.9
Changes to cash and liquid assets		23.1	-11.9	-11.9
Cash and liquid assets at beginning of period		19.9	31.8	31.8
Exchange rate differences		0.6	0.0	0.0
Cash and liquid assets at end of period		43.6	19.9	19.9

Amounts in SEK millions unless otherwise specified

Changes in Group equity	Note	Jan-Sept 2005	Jan-Sept 2004	Full Year 2004
Opening equity, beginning of year		101.3	75.8	75.8
Opening minority interest (separate item under equity in accordance with IAS 27)		-	2.2	2.2
Effect from changed accounting principles for financial instruments, O/B value 2005	2,3,6.	222.9	-	-
Less financial instruments from external sales		-2.8	-	-
Dividend paid to minority shareholders for the period		0.0	-0.7	-1.1
Change in value of financial instruments available for sale	2.	32.0	-	-
Non-cash share issues relating to acquisitions		-	12.8	12.7
New share issue costs		-0.2	-	-
Translation differences		-0.4	0.4	-0.4
Profit/loss for the period - parent company's shareholders		160.6	11.1	11.4
- minority interest		0.5	0.7	0.7
Closing equity, end of period		513.9	102.3	101.3

Changes in minority share of Group equity		Jan-Sept 2005	Jan-Sept 2004	Full Year 2004
Minority's share of opening equity, beginning of year, in accordance with IFRS 27		1.8	2.2	2.2
Dividend to minority shareholders in subsidiaries		0.0	-0.7	-1.1
Cherry's acquisition of GBE/Betsson February 2005	4.	24.5	-	-
Cherry's acquisition of minority share in GBE April 2005	4.	-24.5	-	-
Translation differences		-0.1	-	-
Profit/loss for the period		0.5	0.7	0.7
Minority share of closing equity		2.2	2.2	1.8

Accumulated translation differences in equity	Note	Jan-Sept 2005	Jan-Sept 2004	Full Year 2004
Amount at beginning of the period		0.6	1.0	1.0
Exchange rate differences in foreign subsidiaries		-0.4	0.5	-0.4
Amount at end of the period		0.2	1.5	0.6

Key ratios, Group	Jan-Sept 2005	Jan-Sept 2004	Full Year 2004
	2005-09-30	2004-09-30	2004-12-31
Number of outstanding shares at end of period (millions)	38.1	31.2	31.2
Number of outstanding shares after full dilution (millions)	39.6	32.7	32.7
Average number outstanding shares during period (millions)	35.4	30.9	31.0
Average number outstanding shares after full dilution (millions)	36.9	32.4	32.5
Number of own shares	0.0	0.0	0.0
Number of registered shareholders	4 342	3 082	2 828
Last paid share price (SEK)	29.00	22.20	20.80
Profit per share after taxes (SEK)	4.54	0.36	0.37
Profit per share after tax, after dilution (SEK)	4.37	0.35	0.36
Cash flow per share (SEK)	0.67	-0.39	-0.39
Cash flow per share after dilution (SEK)	0.65	-0.37	-0.37
Equity per share (SEK)	13.45	3.21	3.19
Equity per share after dilution (SEK)	13.09	3.25	3.24
Dividend per share (SEK)	0.00	0.00	0.00
Return on equity (per cent)	38	13	13
Return on total capital (per cent)	35	12	13
Return on capital employed (per cent)	40	17	19
Operating margin (per cent)	10.1	6.0	5.3
Profit margin (per cent)	54.0	6.9	5.3
Equity/assets ratio (per cent)	85	67	67
Quick ratio (per cent)	166	152	167
Investments (SEK M)	17.1	28.4	31.4
Cash and liquid assets (SEK M)	43.6	19.9	19.9
Average number of employees (full-time equivalents)	268	251	254
Number of employees at end of period	820	843	843



Note 1. 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 parent company's report has been prepared in accordance with RR 32 Accounting for Legal Entities. The accounting principles applied in this interim report are accordance with the principles given in the 2004 annual report.

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 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 6 of this interim report. The effects of restating comparison figures for reporting period January-June 2004 and full-year 2004 results, and for equity at the end of the period and full-year 2004, are described in note 5 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.

A correction was made in the Q2 report. It applied for deferred tax receivables which in the 2004 annual report and the quarterly report for Q1 2005 were incorrectly reported as current receivables. As of the Q2 report, deferred tax receivables are reported as long-term receivables (included in financial assets). All comparison figures for previous periods have been recalculated.

Note 2. Reporting of change in value of financial instruments

During the first quarter, a measurement of financial instruments was done regarding GBE Holdings Ltd. (Betsson) at fair market value. This applied 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 a calculated value of the company of SEK 350 million, as at January 1, 2005. See note 6 in this report and note 34 in the 2004 annual report.

The valuation of Betsson conducted in conjunction with Cherry's acquisition of the company during Q1, 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 date).

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. The fair value measurement meant an increase to the carrying amount 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 an increase in the reported value of SEK 135 million which, in accordance with IFRS, was reported in the income statement during the first quarter.

Note 3. Reporting and entering 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.

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Acquisition of up to 71 percent during the first quarter

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 consolidated at cost of acquisition SEK 420.2 million in the Group's balance sheet (in accordance with the fair value measurement of Cherry's financial instruments owned before the acquisition. See notes 2 and 6).

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 amortised 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 amortised. 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 system/technical platform, 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/amortisation of these assets

The valuation resulted in a goodwill entry of SEK 336 million, which according to IFRS is not amortised.

As Cherry had acquired 71 percent of Betsson at the end of the first quarter, the minority share of the acquired assets and liabilities (excluding goodwill) in that company amounted to SEK 24.5 million at March 31, 2005.

Acquisition of the remaining 29 percent during the second quarter

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. In the consolidated financial statements, this transaction resulted in the above described minority share falling to Cherry's shareholders (internal transfer in equity) and dilution.

Effects since the acquisition

The amortisations on the identifiable intangible assets described above will be SEK 6.3 million during year 1 and year 2 and SEK 1.8 million during years 3-5 after the acquisition. The amortisations affect business area Cherry Online's operating profit.

Cherry will, according to plans, carry out an impairment test during the last quarter 2005.

Note 4. Reporting of acquisition of subsidiary in the consolidated cash flow statement 2005

During the year, the company GBE Holding Ltd (Betsson) was acquired. The value of the acquired assets and liabilities were, according to the pre-acquisition analysis, as follows:

Assets	6.6
Current receivables	7.2
Cash and liquid assets	6.3
Current liabilities	<u>-13.7</u>
Purchase price paid	6.4
Cash and liquid assets in the acquired company	<u>-6.3</u>
Effect on the Group's cash and liquid assets	0.1

Note 5. IFRS-bridge, income statements and closing balances 2004

The effects of adjustments of comparison figures for the reporting period January-September 2004 and the full year 2004, and the closing positions at September 2004 and December 2004 resulting from the transition to IFRS, are shown below.

Income statement	January-September 2004			Full year, January-December 2004			
		Per Sw GAAP	Change IFRS	Per IFRS	Per Sw GAAP	Change IFRS	Per IFRS
Net sales		228.8		228.8	311.1		311.1
Operating expenses	A.	-216.3	1.2	-215.1	-296.1	1.6	-294.5
Operating profit/loss		12.5	1.2	13.7	15.0	1.6	16.6
Profit/loss from financial investments		2.1		2.1	-0.1		-0.1
Profit/loss after financial items		14.6	1.2	15.8	14.9	1.6	16.5
Minority interest	B.	-0.7	0.7	0.0	-0.7	0.7	0.0
Taxes		-4.0		-4.0	-4.4		-4.4
Profit/loss after tax		9.9	1.9	11.8	9.8	2.3	12.1
Balance sheet	O/B at 2004-Sep-30			O/B at 2004-Dec-31			
		Per Sw GAAP	Change IFRS	Per IFRS	Per Sw GAAP	Change IFRS	Per IFRS
Intangible assets	C.	17.7	1.1	18.8	17.0	1.5	18.5
Tangible fixed assets		29.4		29.4	27.8		27.8
Financial assets		35.9		35.9	34.9		34.9
Inventories		2.2		2.2	2.4		2.4
Current receivables		42.8		42.8	44.0		44.0
Current investments		4.3		4.3	4.1		4.1
Cash and liquid assets		19.9		19.9	19.9		19.9
Total assets		152.2	0.7	153.3	150.1	1.5	151.6
Equity		99.0	3.3	102.3	98.0	3.3	101.3
Minority interest	D.	2.2	-2.2	0.0	1.8	-1.8	0.0
Long-term provision deferred tax		1.7		1.7	2.0		2.0
Long-term liabilities		5.4		5.4	7.5		7.5
Current liabilities		43.9		43.9	40.8		40.8
Total equity and liabilities		152.2	0.7	153.3	150.1	1.5	151.6

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

B.
In accordance with IFRS, no deductions for minority share of the period's result will be made in the income statement. Instead, the result attributed to the parent company's shareholders and the minority interest is distributed in connection with the income statement.

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

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

E.
IAS 32 and IAS 39, regarding financial instruments, are applied from 2005 and the comparison figures for 2004 have in accordance with the transition rules not been recalculated.

Note 6. 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.	34.9	222.9	257.8	14.3		14.3
Inventories		2.4		2.4	2.4		2.4
Current receivables		44.0		44.0	31.8		31.8
Current investments		4.1		4.1	3.7		3.7
Cash and liquid assets		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
Long-term provision deferred tax		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

A.

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

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 the company 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.

C.

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

D.

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