



Cherry AB (publ)

Interim report, 1 January – 31 March 2017



Continued strong growth and improved profitability

First quarter 2017

- Group revenue increased by 205 % year-on-year to MSEK 541 (177), with organic revenue growth amounting to 44%.
- Profitability improved and EBITDA increased by 224% to MSEK 83 (26) and the EBITDA margin was 15.4% (14.5).
- EBIT amounted to MSEK 52 (17).
- Profit for the period amounted to MSEK 36 (17).
- Earnings per share before and after dilution amounted to SEK 1.21 (0.81) and SEK 1.19 (0.80) respectively.
- Online Gaming - ComeOn! revenue grew by 282% to MSEK 453 (119) and EBITDA increased by 375% to MSEK 57 (12). The organic revenue growth was 44%.
- Performance-based marketing - Game Lounge revenue grew by 201% to MSEK 30 (10) and EBITDA increased by 222% to MSEK 15 (5).
- Game development - Yggdrasil Gaming revenue grew by 134% to MSEK 33 (14) and EBITDA increased by 68% to MSEK 13 (8).
- In December 2016, in connection with Cherry calling the option to acquire the remaining 51% of the shares in ComeOn Malta Ltd, the Group provided a forecast to generate total revenue for the full year 2017 of between MSEK 2,600 and MSEK 2,700, with an EBITDA of MSEK 550 and MSEK 600, which remains.

Events after the end of the period

- The new gaming technology business area - XCaliber, signed an agreement with its first external customer.
- Additional secured bonds were issued at nominal MEUR 134.5 to finance the remaining 51% of the shares in ComeOn Malta Ltd.

Financial key ratios

MSEK	Quarter			Full Year
	Jan-Mar 2017	Jan-Mar 2016	Δ%	Jan-Dec 2016
Revenue	541	177	205%	1,102
Organic growth, %	44%	19%		32%
EBITDA	83	26	224%	174
EBITDA-margin, %	15.4%	14.5%		15.8%
EBIT	52	17	197%	626
Adjusted EBIT	52	17	197%	115
Profit	36	17	107%	635
Earnings per share, SEK, after dilution	1.19	0.80	49%	38.99
Equity/assets ratio	21%	56%		25%

Comments by the CEO

"Our growth story continues"

With a strong acquisition year behind us, the first quarter was mainly characterized by consolidation. At the same time, we grew as planned and with good profitability. Partnerships and synergies have enabled an even stronger focus on innovation, improved customer experience and continued growth.

Cherry continued to develop positively during the first quarter, with revenues increasing by 205 percent to MSEK 541, of which 44 percent were from organic growth and 161 percent from acquisitions. Profitability improved and EBITDA increased by 224 percent to MSEK 83, corresponding to an EBITDA margin of 15 percent.

All business areas performed well, with a strong contribution from gaming development - Yggdrasil Gaming and performance-based marketing - Game Lounge.

Online gaming-ComeOn! showed stable growth. During the quarter, we made significant investments in marketing, which affected earnings but created strong conditions for increased customer intake in the upcoming quarters.

Integration and investments in online gaming - ComeOn!

The acquisition of ComeOn! expands our portfolio of products and brands and creates good conditions for strong organic growth and continued international expansion. During the first quarter, continued efforts were made to integrate the company with other areas within online gaming, to both identify potential opportunities and utilize revenue and cost synergies in the short and long term. A new common organization and management is now in place. During the quarter, we also decided to rename the entire business area for online gaming as ComeOn! which we feel characterizes the spirit of the business area perfectly. ComeOn! has increased the pressure on marketing activities to improve its position during the quarter.

Extensive activities in gaming development

Gaming development -Yggdrasil Gaming, showed continued strong growth. Yggdrasil continued to deliver innovative and engaging gaming experiences. Amongst other things, three new games were launched and the company received the "Innovator of the Year" award at the International Gaming Awards. During the quarter, Yggdrasil Gaming also initiated a new business concept, Yggdrasil Dragons, to support and collaborate with other gaming companies and contractors. An arrangement that allows the partner to access advanced technical solutions, licensing structures, large networks of operators and knowledgeable employees, and, in some cases, financing. Yggdrasil Gaming also began the process of certifying its games and its technical platform for the Italian market.

Strong growth in affiliation

It is also pleasing to note that our performance-based marketing business area - Game Lounge - showed strong growth. We have further strengthened our SEO in all markets, invested in marketing and refined our products, with good results. During the quarter, we continued the launch in the Japanese market and will see the effects of this in the coming quarters.

B2B gaming technology accelerated

After the quarter end, in april, our new business area for B2B gaming technology - XCaliber, signed a contract with its first external customer, which will integrate the affiliate system Omarsys for its performance based digital marketing. In recent years, Omarsys has contributed to the successful growth of Cherry's brand. We consider this to be an important entry point for XCaliber, with great opportunities to attract many external customers in 2017.

Balanced regulatory proposal in Sweden

On 31st March, the Gaming Investigation delegation presented its proposal to regulate the Swedish gaming market. Cherry believes that this is a well-balanced proposal and that it is likely it will become reality, given that the investigation does not adjust the proposed framework for gaming operators. On the other hand, we see challenges in restaurant casino. It is necessary to increase the maximum stakes to compensate for the increased costs of employer's social security contributions and the report's proposal for increased excise duty for gaming tables. This means that jobs in especially sparsely populated areas may disappear and thus the opportunity to offer young people their important first job.

Unique platform for continued growth

In line with our forecast for 2017, our plan remains to maintain growth, with expected revenues of MSEK 2,600-2,700 and an EBITDA of MSEK 550-600.

Cherry has broadened the Group's business to cover the entire value chain within gaming. A strong organic growth and further acquisitions of entrepreneurial companies give us a unique platform to continue to create value. Overall, within Cherry we have the strengths and advantages that give us the opportunity to continue to grow faster than the market.



Anders Holmgren, CEO

Important events

During the quarter

- In February Anders Holmgren was appointed CEO of Cherry AB.
- On March 31, the Game Licence Investigation presented its report "A reorganized gaming market" to the Swedish government, which is under review until 4 August 2017.

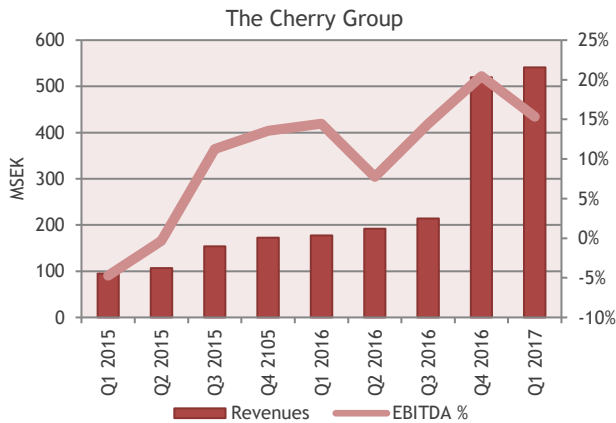
After the end of the period

- At the beginning of April, Christine Rankin was appointed new CFO and Carolina Haglund Strömlid was hired as Head of Investor Relations & Communications.
- On April 12, Cherry called on the option to acquire an additional 7.5 percent of the shares in the Maltese company Almor Holding Ltd. Cherry holds 82.5 percent of the shares after completion of the acquisition.
- On April 24, Cherry AB issued additional secured bonds of nominal EUR 134.5 million in agreement with the press release published on December 12, 2016. The liquidity is intended to fund the acquisition of the remaining 51 percent of ComeOn Malta Ltd. The acquisition is expected to be completed in May 2017.

For important events per business area, see respective business area.

Group financial performance

First quarter



The figures include ComeOn under financial items as profit from shares in associated companies for the period August-September 2016 and is consolidated as a wholly-owned subsidiary of the Cherry Group as of October 1, 2016.

Revenue and earnings

The Group's revenue increased by 205 percent to MSEK 541 MSEK (177). Organic revenue amounted to 44 percent. EBITDA and EBIT for the Group improved considerably and amounted to MSEK 83 (26) and MSEK 52 (17) respectively. The EBITDA margin increased to 15 percent (14).

The Group's profit after financial items amounted to MSEK 40 (19) and profit after tax amounted to MSEK 36 (17) equivalent to SEK 1.19 (0.80) per share after dilution and minority interests. Net Finance items were negatively affected by interest costs of MSEK 12 (0) relating to the bond loan that was issued for the financing of the acquisition of ComeOn.

Depreciation and investments

The Group's investment in intangible and tangible fixed assets amounted to MSEK 10 (14) for the first quarter. Depreciation and impairment charges amount to MSEK -31 (-8). The increase is primarily explained by the acquisition of ComeOn.

Cashflow, liquidity and financial position

The Group's cashflow from operating activities amounted to MSEK 15 (40) during the quarter. The growth of the group affects working capital. Cashflow from investing activities amounted to MSEK -10 (-14)

The Group's cash and liquid assets amounted as at March 31, 2017 to MSEK 313 (MSEK 306 as at December 31, 2016). The Group's liquidity position continued strong. In addition, there is an overdraft facility of MSEK 35, which per the end of the first quarter was utilized by MSEK 1. As at

March 31, 2017, the covenant relating to the equity/assets ratio was temporarily not met. A waiver was received from the company's bank. See further below.

As at March 31, 2017, interest bearing liabilities amounted to MSEK 470 (MSEK 470 as at December 31, 2016) because of Cherry issuing a bond of MEUR 50 to finance the ComeOn acquisition. At the end of the quarter there are receivables overdue for one of Cherry's partners, amounting to MSEK 21. Out of these, MSEK 3 have been settled as per April 30, 2017.

Customer liabilities, including provisions for accumulated jackpots, as at 31 Mars 2017, amounted to MSEK 114 (MSEK 117 as at December 31, 2016). Due to the Maltese Lotteries and Gaming Authority's regulations, this amount may limit utilisation of the Company's liquid funds. Short term receivables on payment providers amounted to MSEK 137 (MSEK 147 as December 31, 2016).

Consolidated shareholders' equity as at March 31, 2017 amounted to MSEK 824 (MSEK 988 as at December 31, 2016), which represents equity per share of 43.65 SEK (54.19 SEK per December 31, 2016).

The equity/assets ratio amounts to 21 percent (25 percent as at December 31, 2016). The reduced equity/assets ratio during first quarter is primarily explained by a temporary effect of MSEK 195, affecting the consolidated equity negatively. The reduction is explained by that the part of the liability that is reported to the sellers of ComeOn, as payment with Cherry shares, is based on a certain number of shares that they will receive as final payment. Cherry's share price has increased during the first quarter and as such, the liability to the sellers increases and consolidated equity is reduced, a transaction with the minority. When the transaction is completed an issue of shares will be made to the sellers, whereby the liability will be transferred to equity. Had the transaction of the remaining 51 percent of ComeOn been completed as at March 31, 2017, the equity/assets ratio is estimated to approximately 45 percent.

The Parent Company

The parent company provides and sells internal services to other group companies in the areas of finance, accounting, administration and management. Revenue for the interim period amounted to MSEK 0.9 (0.8) and profit after financial items amounted to MSEK -15.1 (-1.5). The parent company's investments in tangible and intangible fixed assets amounted to MSEK 0.0 (0.0). Cash and liquid funds amounted to MSEK 11.5 (MSEK 25.9 as at December 31, 2016).

Business area performance

Cherry's operations are divided into the following business areas: *Online Gaming - ComeOn!*, *Performance-based marketing - Game Lounge*, *Gaming technology - XCaliber*, *Restaurant Casino - Cherry Spelglädje*, *Game development - Yggdrasil Gaming* and *Development Projects*. The gaming technology business area - XCaliber is reported separately from the first quarter of 2017. See accounting principles (page 12) for more information.

Group	Q1 2017	Q1 2016	FY 2016
Revenue	541	177	1,102
EBITDA	83	26	174
EBIT (adjusted)	52	17	115

Online Gaming	Q1 2017	Q1 2016	FY 2016
Revenue	453.2	118.8	830.5
EBITDA	56.8	12.0	120.2

Performance-based marketing	Q1 2017	Q1 2016	FY 2016
Revenue	29.7	9.9	57.0
EBITDA	14.5	4.5	19.0

Restaurant Casino	Q1 2017	Q1 2016	FY 2016
Revenue	37.0	38.8	156.9
EBITDA	3.5	4.5	16.7

Game Development	Q1 2017	Q1 2016	FY 2016
Revenue	33.3	14.2	86.9
EBITDA	13.3	7.9	40.1

Gaming technology	Q1 2017	Q1 2016	FY 2016
Revenue	8.8	-	-
EBITDA	-1.4	-	-

Development Projects	Q1 2017	Q1 2016	FY 2016
Revenue	-	-	-
EBITDA	-0.8	-1.0	-10.2

Group-wide	Q1 2017	Q1 2016	FY 2016
Revenue	-	-	-
EBITDA	-2.7	-2.2	-11.2

Online Gaming - ComeOn!

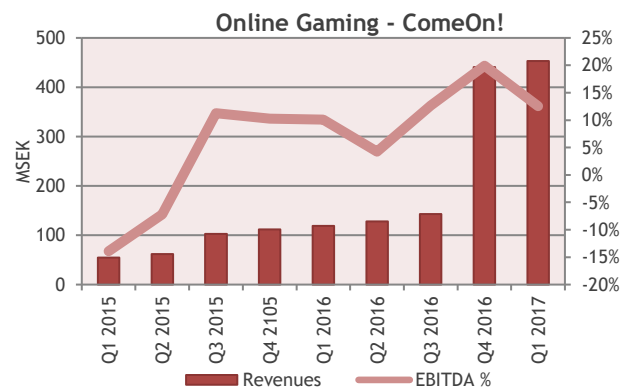
Cherry conducts online gaming through its investment in the ComeOn! business area. The business area offers online casino, sports betting and lottery on computers, tablets and mobiles on casinostugan.com, cherrycasino.com, comeon.com, eurolotto.com, euroslots.com, folkeautomaten.com, getlucky.com, kasyno.pl, mobilautomaten.com, mobilebet.com, norgesspill.com, sunmaker.com, sunnyplayer.com, suomiautomaatti.com, suomikasino.com and sveacasino.com. All brands are operated from the operating companies located in Malta through licenses issued by Malta, Schleswig-Holstein or the United Kingdom.

First quarter 2017

During the first quarter, revenue increased by 282 percent to MSEK 453.2 (118.8). Organic growth was 44 percent. Earnings improved significantly, and EBITDA increased by 375 percent and amounted to MSEK 56.8 (12.0) and EBIT amounted to MSEK 30.7 (7.9). EBITDA margin for the period increased from 10 percent to 13 percent. ComeOn, acquired in 2016, contributes strongly to the significant revenue and margin improvement.

During the first quarter, Online Gaming - ComeOn! continued its growth and deposits increased by 340 percent and amounted to MSEK 1,359.3 (308.6). The number of active customers increased by 336 percent and amounted to 345,904 (79,378). The number of new customers amounted to 317,122 (104,340). The number of registered customers amounted to 3,498,921 (1,177,103) at the end of the period.

Mobile Gross Game Win (GGW) amounted to 54 percent (30) of the business area's GGW during the first quarter. Casino GGW amounted to 85 percent (99) of the business area's GGW. Sports books GGW amounted to 15 percent (0) of the business area's GGW.



Investments in marketing for the business area increased during the first quarter and amounted to MSEK 202.2 (30.8), which represented 45 percent (26) of the Online Gaming revenues. This has resulted in a large increase in the number of customers and deposited amount.

Tax expenses according to different local game legislations amounted to MSEK 20.9 (7.9).

The work to integrate acquired ComeOn with other Online Gaming business operations continued according to plan.

Important events

- The online gaming business area was renamed during the quarter to ComeOn!.
- Cherry won at the 2017 International Gaming Awards for the fourth consecutive year. Among other things,

the brand comeon.com was awarded "Online Sportsbook Operator of the Year" and cherrycasino.com was awarded "Mobile Operator of the Year".

Game Development - Yggdrasil Gaming

Cherry conducts game development through its investment in Yggdrasil Gaming, operated as an independent business area. Yggdrasil Gaming develops computer, mobile and tablet games. Yggdrasil Gaming has licences in Malta, UK, Gibraltar and Romania. Yggdrasil licenses and distributes its products to various gaming operators. Yggdrasil also offers its customers the concept White Label Studios, where customers can, in partnership with Yggdrasil, tailor their own online slots. Yggdrasil has achieved a strong position as a quality game developer. Yggdrasil's revenues are expected to grow as the number of games increases and with the number of deployed operators that successively integrate games and the functionality of marketing on computer, tablet and mobile. Cherry holds 84 percent of the shares at the end of the quarter. Key personnel within Yggdrasil hold the remaining ownership.

First quarter 2107

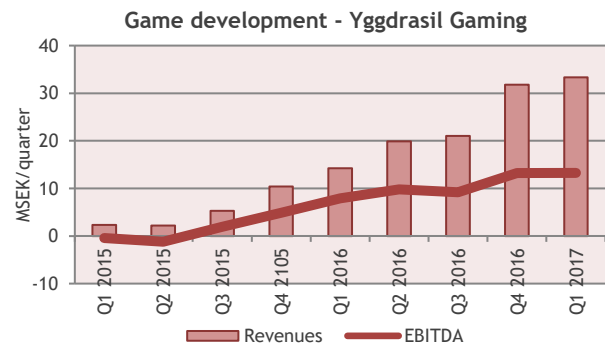
In the first quarter, revenues increased by 134 percent and amounted to MSEK 33.3 (14.2), of which MSEK 6.2 (3.0) was internal revenue from Cherry's gaming sites. The revenue increase is primarily due to increasing revenue from existing customers, launching of new games, and more customers live.

EBITDA for the first quarter amounted to MSEK 13.3 (7.9). The EBITDA margin was 40 percent (56). The increase in operating costs is primarily due to an increase in the number of employees in the company in 2016 and higher operational costs are related to a major marketing event during the first quarter.

During the first quarter, development costs for software were capitalized in the balance sheet at a value of MSEK 3.6 (1.8).

EBIT for the first quarter of 2017 amounted to MSEK 10.7 (5.5).

The number of player transaction (rounds) increased by 121 percent and amounted to 701 million (318). Mobile gaming represented 52 percent (45) of total Gross Game Win.



Important events

- In February, a new initiative to enter mutually beneficial partnerships with entrepreneurs, Yggdrasil Dragons, was launched.
- Yggdrasil Gaming was crowned "Innovator of the Year" at International Gaming Awards 2017.
- 10 new license agreements were signed during the quarter, including William Hill, Marathonbet and Yggdrasil's first partner in Italy, bwin.
- Three new games were released; Beauty & the Beast, Alchymedes and Chibeasties 2
- Yggdrasil's new slot machine mechanic Fusion Realms™, was presented during the ICE event. Fusion Realms™ enables different combinations of wheels and features in a game, for a more compelling gaming experience, and will be launched during the second half of 2017.

Performance-based Marketing - Game Lounge

Cherry conducts operations within performance-based marketing through its investment in Game Lounge. The company is one of the fastest growing European companies in performance-based marketing and the creation of customer contacts (leads) on the internet. Game Lounge focus on operators within online gaming. The company attracts online players through various products and services and then forwards them to various B2B customers, i.e. online gaming operators such as Betsson, Unibet, ComeOn! and others. The company's business model is based on revenue sharing with online gaming operators, where Game Lounge delivers high quality customers to operators through organic traffic. Game Lounge aims to build strong brands for

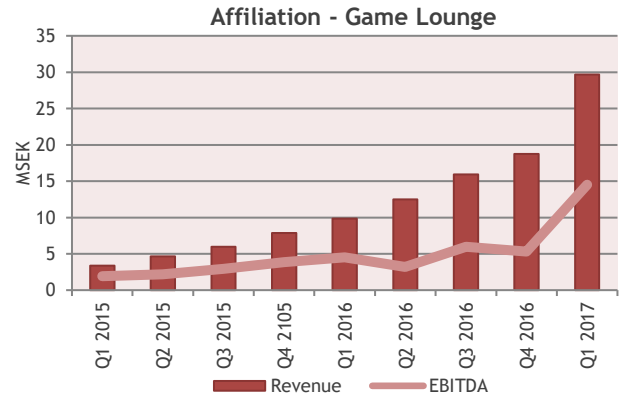
its sites and invests considerably in marketing, content on game sites and search engine optimization (SEO) for valuable keywords. The company currently operates in nine markets. Cherry holds 51 percent of the shares with an option to acquire the further 49 percent after 2017. Other owners consist of senior executives in Game Lounge.

First quarter 2017

During the first quarter, revenue increased by 201 percent to MSEK 29.7 (9.9), of which MSEK 5.6 (1.3) were internal revenue from Cherry, including Game Lounge's share of revenue from the white label sites SveaCasino.com and SuomiAutomaatti.com. EBITDA increased by 222 percent and amounted to MSEK 14.5 (4.5), representing a margin of 49 percent (46). EBIT for the first quarter amounted to MSEK 12.9 (3.6).

Game Lounge continued its efforts to build strong brands, further enhancing SEO and expanding into new markets. Investments in product development took place, which was well received by the players. The launching of affiliate sites in Japan did not have any effect on revenue during the first quarter.

New deposit customers (NDCs) increased by 73 percent to 8,846 (5,107) compared with the first quarter of 2016.



Important events

- Game Lounge was crowned "Affiliate of the Year" at Malta iGaming Awards.

Gaming Technology - XCaliber

Cherry develops gaming technology through its investment in XCaliber. XCaliber is a B2B technology company that provides innovative products and services to gaming operators, collaborative partners and others in the gaming industry. Customers get access to the market-leading gaming platform and several innovative tools, monitoring systems and an integrated payment solution. The company is headquartered in Malta with a development team located in Poland. Today, Cherry ComOn! is XCaliber's largest customer, which also gives new customers the security that products and services from XCaliber are at the forefront of the industry, and can handle high transaction volumes. Operations started in late November 2016, as a spin off from ComeOn! and is reported separately from the first quarter of 2017.

First quarter 2017

During the first quarter of 2017, XCaliber reported revenue of MSEK 8.8, of which MSEK 8.8 million was internal revenues from ComeOn!. EBITDA amounted to MSEK -1.4 and primarily relates to start-up costs for operations. EBIT amounted to MSEK -1.5.

Important events

- In April, after the end of the quarter, XCaliber sealed its first external client and will provide the Swedish daily fantasy sports platform FSport with its affiliate tracking software Omarsys during a period of three years.
- XCaliber exhibited the LAC event (London Affiliate Conference) where new dashboards and reports were made available to the public.

Restaurant casino - Cherry Spelglädje

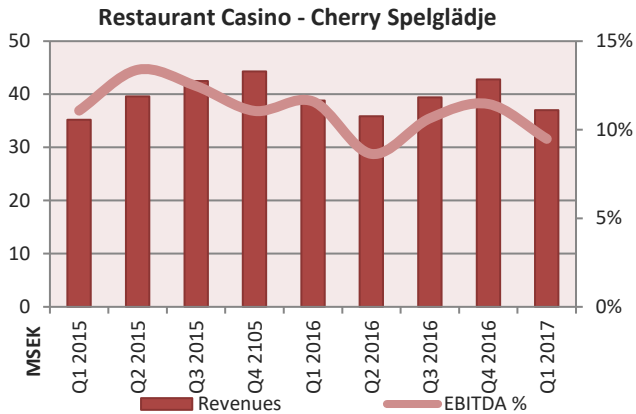
Cherry conducts restaurant casino operations through its investment in Cherry Spelglädje. Cherry Spelglädje offers traditional casino table games (blackjack and roulette) in approximately 260 Swedish restaurants, nightclubs and hotels. Cherry Spelglädje also offers Event Casino for companies and private individuals.

First quarter

During the first quarter, revenue amounted to MSEK 37.0 (38.8). The decrease in revenue is mainly due to calendar deviations. Cherry Spelglädje AB continues to take market shares in a declining market.

EBITDA amounted to MSEK 3.5 (4.5) and EBIT amounted to MSEK 2.5 (3.7). The decrease is mainly attributable to increased staff costs due to increased employer fees for employees under the age of 26. This has a negative impact on the entire restaurant and casino market.

On March 31, 2017, the Game Licence Investigation presented its report "A reorganized gaming market" to the Swedish government, which is under review until August 2017. This proposal would entail an increased tax rate per game table which, in combination with increased social security costs, is expected to have a negative impact on the number of jobs, mainly in smaller towns. At the same time, the proposed increased maximum stake is beneficial for larger cities and the whole Cherry group. Cherry Spelglädje intends to prove by referral responses that the negative impact that the proposal might have on job opportunities could be counteracted by a further increase of the maximum stake.



Important events

- In January, Cherry Spelglädje signed a framework agreement with O’Learys for the upcoming two years. Today, Cherry has gaming venues at 17 of O’Learys restaurants in Sweden. The framework agreement covers all of O’Leary franchisees wishing to enter an agreement with Cherry Spelglädje.
- In January, Cherry Spelglädje extended its agreement with Harrys Puber AB for another three years. Cherry Spelglädje currently conducts casino games in 33 of Harrys’ 37 restaurants. The agreement gives Cherry Spelglädje the sole right to conduct gaming activities on all existing and future restaurants within the Harrys Puber Group. Today, Harrys has 37 restaurants all over the country, most run on a franchise basis, and the group has ambition to grow further.

Development projects

Cherry has several development projects aimed at creating new services and products to support Cherry’s business concept and growth strategy. Until the product or service has been launched and established, the costs are taken centrally in the Group and are reported as "Development Projects" to make it transparent how much is being generated by the Group’s business areas.

First quarter 2017

Revenues within Development projects amounted to MSEK 0.0 (0.0), and EBIT amounted to MSEK -0.8 (-1.0) due to costs related to the planned Nasdaq Stockholm listing and the acquisition of ComeOn.

Acquisitions

ComeOn!

On May 2, 2016, Cherry AB (publ) signed an agreement to acquire 49 percent of the shares of ComeOn Malta Ltd with an option on the remaining 51 percent. ComeOn is fully consolidated from October 1, 2016.

Purchase Price

The total consideration is based on a multiple of 10 times adjusted operating income (EBIT) for full year 2016 for ComeON.

The acquisition of the shares in ComeOn was financed through a combination of issued shares and cash. The consideration in step one, was settled to 50.4 percent with new issued shares of series B in Cherry AB (publ) and to 49,6 percent with cash.

The cash part was financed through an initial secured bond issue of MEUR 50, within a frame of total MEUR 200, with a maturity on July 11, 2020.

The bond loan was issued at Nasdaq Stockholm during September 2016. After the reporting period end, an additional MEUR 134.5 has been secured. The bond issue will be made in conjunction with the completion of the acquisition of the remaining 51 percent of the shares of ComeOn, which is planned in May 2017.

Cherry intends to pay the final consideration for the remaining 51 percent of the shares in ComeOn Malta Ltd with a combination of new issued shares (40 percent) and cash (60 percent). The value of the new shares has been calculated as 244.02 SEK/share. The dilution is estimated to 19.4 percent of the shares and 12.7 percent of the voting rights.

As at March 31, 2017 the completion of step two of the consideration as well as taking over net debt remains, which have both been estimated and are reported in other short term liabilities in the consolidated balance sheet, amounting 2,226 MSEK in total.

Cherry's transaction costs for the ComeOn acquisition reduced first quarter 2017 med MSEK 0 (0). In 2016 transaction costs reduced earnings with MSEK 8.

In addition, the first tranche of the bond induced arrangements and advisory fees of MEUR 1, which are expensed over the lifetime of the bond.

The acquisition of 100 percent of the shares of ComeOn have had the following effects on Cherry's assets and liabilities:

Estimated purchase price per Oct 1, 2016 (MSEK)	
Liquid assets and payments by shares	2,583
Conditional supplementary purchase price	43
Estimated purchase price	2,626
Fairvalue of holding in ComeOn before Oct 1	510
Estimated purchase price, accounting - wise	3,136

Identified acquired assets and liabilities

MSEK	Fair Value
Intangible fixed assets	543
Tangible fixed assets	6
Other receivables	138
Liquid assets	130
Deferred tax	-28
Loan	0
Other liabilities	-167
Identified net assets	622
Goodwill	2,514
Total	3,136

The acquisition balances are not final.

Goodwill refers to, among other things, human capital, synergies, geographic expansion and economies of scale and is not expected to be tax deductible.

Complete information about the ComeOn acquisition is available in the Cherry AB 2016 annual report.

Other information

Risks and uncertainties

For a description of the risks and uncertainties, please see the Annual Report 2016 and the public bond prospect available on the company website www.cherry.se.

Employees

The average number of employees for the Group (calculated as full-time positions) during the period was 622 (294), of which 358 (144) were men. The total number of employees at the end of the period was 1,130 (820), of which 461 (250) were men. The significant increase is mainly related to the ComeOn acquisition.

Changes in Group Management

On February 21, 2017, Anders Holmgren was appointed CEO of Cherry AB, and succeeded Fredrik Burvall. Christine Rankin was appointed new CFO on April 1, 2017 and Carolina Haglund Strömlid was hired as Head of Investor Relations & Communications.

The Board of Directors of Cherry AB decided to make a structural change of the Group Management which thereafter consists of CEO Anders Holmgren, CFO Christine Rankin, Business Development and Partnership Officer Morten Klein and Head of Investors Relation & Communications Carolina Haglund Strömlid.

Dividend

The Board of Directors proposes the AGM that no dividend will be paid for the 2016 financial year. The reason for this is the acquisition of ComeOn and the bond issue to finance the acquisition. The company's declared dividend policy of paying at least 50 percent of net profit is not changed by this proposal and remains.

Annual General Meeting

Annual general meeting in Cherry AB (publ) will be held on Tuesday May 16, 2017, in Stockholm, at Advokatfirman Delphi's premises, with address Mäster Samuelsgatan 17, 7th floor, Stockholm. Registration commences at 09.30 a.m. Shareholders who wish to participate at the AGM must:

- be entered in the share register kept by Euroclear Sweden AB on Wednesday 10 May 2017, and
- give notice of attendance to the Company at the latest on the same day (Wednesday 10 May 2017) by telephone to +46 (0)8 514 969 55 or by e-mail to ebba.ahlgren@cherry.se.

Acquisition of additional 7.5% of the shares in Almor

On April 12, 2017, Cherry called on the option to acquire an additional 7.5 percent of the shares in the Maltese company Almor Holding Ltd (Almor), a leading online casino and sportsbook business specializing in German-speaking and some additional European markets. Cherry acquired 75 percent of the shares in Almor in 2015 and after the acquisition of the additional 7.5 percent Cherry owns 82.5 percent of the company.

The purchase price for the shares in Almor Holding Limited will, according to the agreement, be paid in either (i) EUR 1,219,889.50 in cash, or (ii) through class B shares in Cherry AB (plc) to the value of approximately SEK 11,717,891.50, which is based on an agreement between the minority owner and Cherry AB. The set share price is SEK 307. The rights issue in Cherry AB needs to be decided by the shareholders at the Annual General to be held on 16 May 2017. The price is based on a multiple of five times (5) the adjusted EBIT according to the agreement. Cherry holds the right to utilize its option to buy the remaining shares in Almor within three years. The remaining shares will be acquired based on a multiple of five times EBIT.

Issue of secured bonds

On April 24, 2017, after the end of the quarter, Cherry AB (publ) issued additional secured bonds of nominal MEUR 134.5 in agreement with the press release published on December 12, 2016. The liquidity was intended to fund the acquisition of the remaining 51 percent of ComeOn Malta Ltd.'s shares. The bonds were issued under the existing bond loan (ISIN SE0008321616) maturing on July 11, 2020. The total commitment is for up to MEUR 135, which will be issued with a rate of 104.5 of nominal amount corresponding to an annual coupon equivalent to 7.58 percent.

Nasdaq listing

Preparations for a planned listing at Nasdaq Stockholm in the first half of 2017 continued according to plan during the quarter.

Outlook

The Online Gaming business area is expected to grow more quickly than the online gaming market. H2 Gambling Capital estimates that the European online gaming market will grow by an average of 8 percent per year over the period 2016-2022. Online gaming is subject to tough competition and regulations, which may change quickly in the various European countries. Cherry's estimate is that the markets for game developers in online casino and for performance-based marketing will grow in line with the online market at large.

The legal situation for online gaming is continuously changing in different geographical markets. Pressure is still being exerted on countries in the EU to adapt national legislation to applicable EU law, with free movement of products and services. Several countries have given notice that they are working on new legislation that will be compatible with EU requirements, and the regulatory trend in the European market is clear.

Market growth for Restaurant Casino is slightly negative, and there is also some local competition

In connection with the ComeOn acquisition, the Group has provided a forecast to generate total revenue for the full year 2017 of between MSEK 2,600 and MSEK 2,700, with an EBITDA of MSEK 550 and MSEK 600, which remains.

Seasonal fluctuation

The business is not affected by any significant seasonal fluctuations.

Related-party transactions

No material changes have taken place for the Group or the Parent Company with regards to transactions with related parties compared with what was stated in the 2016 Annual Report, note 5 and note 7 respectively.

Pledged assets and contingent liabilities

Cherry AB has made certain pledges relating to the bond issued for financing the acquisition of ComeOn Malta Ltd. The pledges primarily relate to the shares in Cherry's subsidiaries as stipulated in the bond terms.

Accounting principles

Cherry applies IFRS, which is adopted by the EU. This full year report has been prepared in accordance with IAS 34 Interim Financial Reporting. The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 1 Supplementary Accounting Rules for Groups.

Items affecting comparability

Transactions that are reported as items affecting comparability, where the effect on income is important to highlight when comparing the current income statement with earlier periods, such as

- Revaluation of initial shareholdings in step acquisitions
- Significant impairment charges
- Other significant items affecting comparability

This interim report refers to certain key performance indicators which Cherry and others use when evaluating the performance of Cherry, KPIs which are not defined according to IFRS. These figures give management and investors important information to fully analyze the Cherry business and trends. These KPIs are not meant to replace but to complement those KPIs which are defined in IFRS. Please refer to the section Definitions of key figures on page 21 for more information on the KPIs that Cherry is using.

The parent company applies the same principles as the group except for the exceptions that are stipulated in RFR 2, reporting for legal entities. Information about the group's accounting and valuation principles can be found in the annual report 2016 (p. 38-43), which was published on April 24, 2017, and is available on the company website www.cherry.se.

This interim report comprises pages 1-18 and pages 1-13 as such are an integrated part of this financial report.

Financial calendar 2017/2018

- Annual General Meeting, Tuesday, 16 May 2017 in Stockholm.
- Interim report January - June 2017, Thursday, 24 August 2017
- Interim report January - September-2017, Wednesday, 8 November 2017
- Year-end report-2017, Wednesday, 21 February 2018

Other

All amounts in this report are stated in SEK millions of not otherwise stated. Amounts within brackets relate to the equivalent period last year, if not otherwise is stated. Amounts in tables and other compilations have been rounded independently for each respective table. Minor rounding differences may therefore occur.

Translation

This is a translation of the Swedish original.

Disclosure

This information is information that Cherry AB (publ) is obligated to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication at 08.30 CET on May 10, 2017.

Stockholm, 10 May 2017

Anders Holmgren
CEO Cherry AB

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Report of Review of Interim Financial Information

Introduction

We have reviewed the condensed interim financial information (interim report) of Cherry AB (publ) as of 31 Mars 2017 and the three-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 10 May 2017

PricewaterhouseCoopers

Aleksander Lyckow

Authorized Public Accountant
Auditor in charge

Magnus Brändström

Authorized Public Accountant

Consolidated statement of comprehensive income

Consolidated income statement (MSEK)	Q1 2017	Q1 2016	FY 2016
Revenues	541	177	1,102
Total operating revenues	541	177	1,102
Capitalized work for own account	4	2	8
Cost of sales	-134	-68	-330
Gross profit	412	111	781
Marketing expenses	-211	-34	-313
Personnel expenses	-81	-42	-211
Other expenses	-36	-10	-82
Operating income (EBITDA)	83	26	174
Depreciation and amortisation	-31	-8	-59
Adjusted operating profit/loss (EBIT)	52	17	115
Items affecting comparability *	0	0	510
Operating profit/loss (EBIT)	52	17	626
Financial items	-12	2	24
Profit before tax	40	19	649
Tax	-4	-2	-14
Profit after tax	36	17	635
Attributable to:			
Parent company shareholders	21	12	609
Minority interest	15	6	26
Profit after tax	36	17	635
Earnings per share before dilution (SEK)	1.21	0.81	39.30
Earnings per share after dilution (SEK)	1.19	0.80	38.99
Statement of total income (MSEK)	Q1 2017	Q1 2016	FY 2016
Profit/loss for the period	36	17	635
Items that may be reclassified to the statement of income			
Translation gains/losses on consolidation	-6	0	1
Total income for the period	30	17	637

* Refers to a revaluation of the initial shareholding in ComeOn

Consolidated balance sheet

<u>Consolidated balance sheet (MSEK)</u>	<u>31/03/2017</u>	<u>31/12/2016</u>
Intangible assets	3,233	3,263
Property, plant and equipment	22	21
Other long-term receivables	1	1
Current receivables	370	341
Cash and liquid assets	313	306
Total assets	3,939	3,932
Shareholders' equity	824	988
Long-term interest bearing liabilities	445	457
Deferred tax payables	28	29
Current interest bearing liabilities	25	13
Other current liabilities	2616	2,445
Total equity and liabilities	3,939	3,932

Consolidated statement of cash flows

Consolidated cash flow statement (MSEK)	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Profit after financial items	40	19	649
Adjustments for non-cash items	32	6	-473
Taxes paid	-6	-1	9
Cash flow from operating activities before changes in working capital	66	25	185
Changes in working capital	-51	15	-21
Cash flow from operating activities	15	40	164
Investments in fixed assets	-10	-14	-61
Investment in acquisition of subsidiaries/associated companies	0	0	-273
Change in long-term receivables	0	0	0
Cash flow from investing activities	-10	-14	-334
New issue call options	2	0	1
Dividend	0	0	-19
Change in long-term liabilities	0	0	468
Cash flows from financing activities	2	0	450
Change in cash and cash equivalents	6	26	281
Cash and liquid assets at beginning of period	306	24	24
Exchange rate differences	0	0	2
Cash and liquid assets at end of period	312	50	306
* Liquid assets	313	62	306
Overdraft facility	-1	-11	0

Consolidated statement of changes in equity

Changes in Group equity (MSEK)	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Opening balance	988	157	157
New issue	0	44	417
Transactions with interests without controlling influence	2	0	1
Revaluation of liability pertaining to interests without controlling influence	-195	0	-205
Dividend	0	0	-19
Total profit/loss	30	17	637
Equity, end of period	824	219	988
Attributable to:			
Parent company shareholders	753	170	935
Minority interest	71	49	52
Total equity	824	219	988

Parent company income statement, condensed

Parent company income statement (TSEK)	Q1 2017	FY 2016
Sales	946	2,902
Other external expenses	-2,308	-8,331
Personnel expenses	-2,607	-8,101
Depreciation	-20	-93
Operating profit/loss	-3,990	-13,623
Financial items	-11,081	13,867
Profit/loss before tax	-15,071	244
Tax	0	-165
Net profit/loss for the year	-15,071	79

Parent company balance sheet, condensed

Parent company balance sheets (TSEK)	31/03/2017	31/12/2016
Intangible assets	26	35
Property, plant & equipment	70	63
Participations in Group companies	3,043,406	2,848,079
Receivables from Group companies	246,322	245,699
Other receivables	4,339	2,986
Cash and cash equivalents	11,530	25,892
Total assets	3,305,692	3,122,754
Equity	563,131	578,201
Provisions	100	100
Non-current interest-bearing liabilities	445,013	457,049
Current interest-bearing liabilities	23,422	11,727
Other current liabilities	2,274,026	2,075,676
Total equity and liabilities	3,305,692	3,122,753

Group per business area

Group per business area (MSEK)	Q1 2017	Q1 2016	FY 2016
Revenues			
Online Gaming -ComeOn!	453.2	118.8	830.5
Affiliation - Game Lounge	29.7	9.9	57.0
Elimination, Game Lounge revenues from Cherry	-5.6	-1.3	-10.2
Restaurant Casino - Cherry Spelglädje	37.0	38.8	156.9
Game development - Yggdrasil Gaming	33.3	14.2	86.9
Elimination, Yggdrasil revenues from Cherry	-6.2	-3.0	-18.8
Gaming technology - XCaliber	8.8	-	-
Elimination, Xcaliber revenues from Cherry	-8.8	-	-
The Group	541.4	177.3	1102.4
Operating profit/loss before depreciation and amortization (EBITDA)			
Online Gaming -ComeOn!	56.8	12.0	120.2
Affiliation - Game Lounge	14.5	4.5	19.0
Restaurant Casino - Cherry Spelglädje	3.5	4.5	16.7
Game development - Yggdrasil Gaming	13.3	7.9	40.1
Gaming technology - XCaliber	-1.4	-	-
Development Projects	-0.8	-1.0	-10.2
Group-wide	-2.7	-2.2	-11.2
The Group	83.2	25.6	174.5
Operating profit/loss (EBIT)			
Online Gaming -ComeOn!	30.7	7.9	81.4
Affiliation - Game Lounge	12.9	3.6	14.4
Restaurant Casino - Cherry Spelglädje	2.5	3.7	13.4
Game development - Yggdrasil Gaming	10.7	5.5	27.4
Gaming technology - XCaliber	-1.5	-	-
Development Projects	-0.8	-1.0	-10.2
Group-wide	-2.7	-2.2	-11.3
The Group	51.8	17.4	115.2
Financial items	-12.1	1.8	23.6
Profit before tax	39.7	19.3	649.2

Assets and liabilities per business area not followed-up upon on a regular basis, and therefore are not included in the above breakdown. No material changes have occurred in this regard, with the exception of items relating to the ComeOn acquisition.

* Gaming technology - XCaliber was earlier an integrated part of the business area Online Gaming - ComeOn! Therefore, comparison figures for earlier periods cannot be presented.

Key Performance Indicators

Group

Amounts in SEK million unless otherwise specified

Group key performance indicators	31/03/2017	31/03/2016	31/12/2016
Financial measures defined by IFRS:			
Total operating revenues	541	177	1,102
Cash and liquid assets (SEK million)	313	62	306
Number of outstanding shares at the end of the period (thousands)	17,261	14,297	17,261
Average number of outstanding shares during the period (thousands)	17,261	14,277	15,508
Earnings per share before dilution	1.21	0.81	39.30
Earnings per share after dilution	1.19	0.80	38.99
Alternative Performance Measures:			
Operating margin (EBITDA, percent)	15.4	14.5	16.1
Operating margin (EBIT, percent) *	9.6	9.8	10.4
Return on equity, rolling 12 months (percent) **	134	18	116
Operating cash flow per share (SEK)	0.84	2.78	10.59
Equity per share (SEK)	43.65	11.90	54.19
Equity/assets ratio (percent)	21	56	25
Quick ratio (percent)	26	99	26
Investments in fixed assets (MSEK)	9.7	13.6	333.2
Average number of employees (full-time equivalents)	622	294	405
Number of employees at end of period	1,130	820	1,140
Number of registered shareholders	6,158	3,796	5,628
Share price at the end of the period (SEK)	321.00	120.50	251.50

* The key performance indicator has been adjusted for the revaluation of the purchase price for ComeOn.

Restaurant Casino

Restaurant Casino	31/03/2017	31/03/2016	31/12/2016
Number of venues Cherry operates casino in Sweden	256	252	263

Online Gaming

Online Gaming:	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Number of registered customers at end of period	3,498,921	3,181,799	1,383,253	1,277,760	1,177,103
Number of new registered customers during the period	317,122	1,798,546	105,493	100,657	104,340
Number of active players during the period	345,904	310,706	88,752	79,049	79,378
Deposit amount (SEK million) during the period	1,359.3	1,279.6	371.4	328.1	308.6

An active customer is defined as a customer who has played for money, during the last three months.

Starting Q4 2016, the figures include the customers of ComeOn. At the end of Q4 2016 ComeOn had 1,674,045 registered customers, of which 206,673 were active, and during the fourth quarter 152,097 new customers were registered. Deposited amount for ComeOn during Q4 2016 amounted to MSEK 825.3.

Financial definitions and alternative performance measures

REVENUE: Gaming income reported net after deductions for winnings, bonuses and loyalty programs. Cherry reports its share of lottery earnings as income.

RUNNING COSTS IN GAMING OPERATIONS: Running costs in gaming operations refer directly to costs such as gaming shares at venues, gaming taxes and licenses, purchased materials, and services purchased directly related to gaming operations.

AVERAGE EQUITY: Equity at the start of the fiscal year, plus closing equity divided by two.

RETURN ON EQUITY: The 12-month rolling result after tax attributable to the parent company's shareholders in relation to average equity attributable to the parent company's shareholders. This is a measure of capital returns that is commonly used by investors, analysts and management to evaluate the Company's ability to generate returns on the capital provided by its shareholders.

PROFIT MARGIN: Result after financial items in relation to sales for the period.

OPERATING MARGIN: Operating profit in relation to sales for the period. This is a measure of profitability commonly used by investors, analysts and management to evaluate the profitability of the Company.

OPERATING PROFIT BEFORE DEPRECIATION (EBITDA): Result before tax, financial items, depreciation and write-downs. This is a measure of profitability commonly used by investors, analysts and management to evaluate the profitability of the Company.

OPERATING PROFIT (EBIT): Result before tax and financial items. Commonly used by investors, analysts and management to evaluate the profitability of the Company.

ADJUSTED OPERATING PROFIT (EBIT): Result before tax and financial items, adjusted for items affecting comparability.

EQUITY/ASSETS RATIO: Equity at the end of the period in percent of balance sheet total at the end of the period. This is a measure commonly used by investors, analysts and management to evaluate the capital structure of the Company and its ability to meet its short- and long-term obligations.

QUICK RATIO: Current assets excluding inventories in relation to current liabilities, including proposed but not adopted

share dividends. This is a measure commonly used by investors, analysts and management to evaluate the short-term liquidity of the Company.

TIMES INTEREST EARNED: Result after financial items with the amendment for financial expenses in relation to financial expenses.

NUMBER OF PERSONS EMPLOYED: The number of persons employed in the last month salaries were paid.

AVERAGE NUMBER OF EMPLOYEES: Number of employees converted to full time positions.

AVERAGE NUMBER OF OUTSTANDING SHARES: Weighted average of the number of outstanding shares during the period.

EARNINGS PER SHARE: Result after tax in relation to average number of outstanding shares during the period.

EARNINGS PER SHARE AFTER DILUTION: Profit for the year divided by the weighted average of the number of outstanding shares during the year, adjusted for additional number of shares during conversion and options with dilution effect.

CASH FLOW FROM OPERATING ACTIVITIES PER SHARE: The cash flow in relation to average number of outstanding shares during the period. This is a measure used by investors, analysts and management to evaluate the financial development of the Company and its ability to generate a positive cash flow.

EQUITY PER SHARE: Equity in relation to the number of shares at the end of the period. This is a measure commonly used by investors, analysts and management to evaluate the financial position of the Company.

DIVIDENDS PER SHARE: Completed/proposed dividend.

SHARE PRICE: Closing price for the periods last transaction.

NUMBER OF (REGISTERED) SHAREHOLDERS: Number of Euroclear and nominee-registered shareholders according to the list of shareholders/share register kept by Euroclear.

ORGANIC GROWTH: Growth adjusted for acquisitions and disposals made during the period. Commonly used by investors, analysts and management to evaluate the growth of the Company.

GROSS GAME WIN: Bet amounts less win amounts.

Cherry in brief

Cherry is a Swedish innovating and fast growing gaming company established in 1963. The business strategy is to create shareholder value by owning and developing fast-growing and profitable businesses within the gaming and casino industry. Cherry operates within four diversified business areas, *Online Gaming* through **ComeOn!**, *Performance-based Marketing* through **Game Lounge**, *Game Development* through **Yggdrasil Gaming** and *Restaurant Casino* through **Cherry Spelglädje**. The objective is to grow organic in combination with strategic acquisitions of fast-growing companies. Cherry employs around 1,100 people and has more than 6,000 shareholders. The Company's B-shares are listed on AktieTorget.

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