

Statement by the Independent Bid Committee of Cherry AB (publ) in relation to the public offer from European Entertainment Intressenter BidCo AB

The Independent Bid Committee of Cherry AB (publ) (“Cherry” or the “Company”) - STO: CHER-B.ST - recommends the shareholders to accept the public offer of SEK 87 in cash per share of series A and B in Cherry submitted by European Entertainment Intressenter BidCo AB¹ (“EE Intressenter” or the “Offeror”).

This statement is made by the Independent Bid Committee² of Cherry pursuant to Rule II.19 of the Nasdaq Stockholm Takeover Rules (the “Takeover Rules”).

Background

EE Intressenter, a company jointly controlled by a consortium consisting of Bridgepoint Advisers Limited acting as managers for and on behalf of the limited partnerships comprising the Bridgepoint Europe VI Fund (“Bridgepoint”), Prunus Avium Ltd, Klein Group AS, Audere Est Facere AS, Pontus Lindwall, Berkay Reyhan and Can Yilanlioglu (the “Consortium”), has today announced a public offer to the shareholders of Cherry to tender all shares in the Company not held by the Consortium to EE Intressenter for a consideration of SEK 87 in cash per share in Cherry (the “Offer”). EE Intressenter will not increase the price in the Offer. By this statement EE Intressenter cannot, in accordance with the Takeover Rules, increase the price in the Offer.

The total value of the Offer, based on all shares of series A and B in Cherry, corresponds to approximately SEK 9,193 million³. The Offer is fully financed through a combination of equity provided by Bridgepoint and the other members of the Consortium and debt financing provided by Ares Management Limited. The acceptance period for the Offer is expected to commence around 20 December 2018 and expire around 23 January 2019, subject to any extensions.

Completion of the Offer is conditional upon customary terms, including the Offer being accepted to such extent that EE Intressenter becomes the owner of more than 90 percent of the total number of outstanding shares in Cherry; that no other party announces an offer to acquire shares in Cherry on terms that are more favourable than the Offer to the shareholders in Cherry as well as receipt of all necessary regulatory, governmental or similar clearances, approvals and decisions with respect to the Offer and the acquisition of Cherry, including from competition and gambling license authorities, in each case on terms which, in EE Intressenter’s opinion, are acceptable. Further information regarding the Offer is included in EE Intressenter’s press release, which is available at www.europeanentertainment.se.

¹ Under name change from Goldcup 17805 AB

² The board member Morten Klein has not participated in the Board of Directors’ evaluation of or discussions regarding the Offer due to a conflict of interest

³ Based on 105,668,026 shares. If Cherry, prior to settlement of the Offer, pays dividend or makes any other value transfer to shareholders, the Offer as set out above will be reduced accordingly

EE Intressenter does not own any shares in Cherry at the time of announcement of the Offer, whereas the members of the Consortium own in aggregate 50,100,368 shares, corresponding to approximately 47.4 percent of the total number of shares and 37.9 percent of the total number of votes in the Company. Irrevocable undertakings to accept the Offer, subject to certain conditions, have been received from shareholders representing in total 12,298,332 shares, corresponding to approximately 11.6 percent of the total number of shares and 28.5 percent of the total number of votes in Cherry. In total, the Consortium thereby owns shares, or have secured commitments to accept the Offer, corresponding to 59.1 per cent of the capital and 66.5 per cent of the votes.

Given that Morten Klein, who is included in the Consortium, also is Chairman of the Board, an independent bid committee consisting of Gunnar Lind, Johan Moazed and Jörgen Olsson (the "Independent Bid Committee") was appointed on 16 October 2018 and has since handled questions related to the Consortium and the Offer. Rolf Åkerlind was elected to the Board of Directors on 21 November 2018 and has since been part of the Independent Bid Committee.

The Independent Bid Committee of Cherry has, at the written request from the Consortium, permitted the Consortium to carry out a limited confirmatory due diligence review of Cherry in connection with the preparation of the Offer. The Consortium has not received any inside information regarding the Company during the due diligence process.

The Independent Bid Committee's recommendation

In its evaluation of the Offer, the Independent Bid Committee has taken a number of factors into account which they deem relevant, including, but not limited to, the Company's present strategic and financial position, prevailing market conditions and the Company's expected future development as well as opportunities and risks related thereto.

The Independent Bid Committee has also considered the in-depth analysis conducted by the Company's financial advisor Carnegie Investment Bank AB (publ) in connection with the Offer.

In particular, the Independent Bid Committee wishes to highlight the following considerations made in connection with their recommendation.

1. Considerations regarding bid premium

The offer represents a premium of 20.0 percent compared to the closing price of Cherry's series B shares on Nasdaq Stockholm on 17 December 2018, the last trading day before the announcement of the Offer. The Independent Bid Committee notes that the bid premium of 20.0 percent is moderate compared to other announced bids on Nasdaq Stockholm in recent time.

However, the Independent Bid Committee also notes that the Offer corresponds to a premium of 28.0 percent compared to the volume-weighted average share price of Cherry's series B shares on Nasdaq Stockholm during the last 90 trading days and 59.6 percent compared to the closing price on 15 October 2018, the day before the Board of Directors received the letter by which the Offeror presented its non-binding bid.

Since 15 October 2018, the Company has published its interim report for the third quarter, which was well received by shareholders and other investors. However, the Independent Bid Committee also notes that the upcoming regulation of the Swedish gambling market has led to an intensified discussion in the media and among investors about increased consolidation between market players, including companies such as Cherry. One example of announced such deals is William Hill's bid on MRG on 31 October 2018.

It is the opinion of the Independent Bid Committee that the Company's share price over a recent period of time has come to partially reflect the potential participation by the Company in a future consolidation. This has led the Independent Bid Committee to not only consider the bid premium based on the last closing price or an average calculated based on trading in recent weeks, but also bid premiums based on the trading during a longer period of time.

2. Views of existing shareholders

Several persons, including Morten Klein, that are currently active in the Company are also part of the Consortium and thus participate as bidders in the Offer.

At the same time, several shareholders, some of whom have a long ownership history and deep understanding of the Company's operations and future prospects, have entered into commitments to accept the Offer, under certain conditions.

These owners, who together hold a total of 11.6 percent of the total number of shares and 28.5 percent of the total number of votes in Cherry, include among others Jonas Cederholm (CEO and co-founder of Game Lounge) and Fredrik Langeland (co-founder of Game Lounge) partly through Tykkox Investments Ltd, Per Hamberg and Lars Kling (founders of Cherry).

3. Changed conditions for listed iGaming companies in Sweden

Regulatory authorities in a number of countries, including Sweden, have decided upon or begun preparation for a regulation of the Swedish gambling market. Following such regulation, the industry will enter a new phase characterised by higher maturity. In light of the changing market environment, the market outlook for the next year is expected to be less predictable. This may result in more volatile earnings for Cherry, which is challenging in a public environment.

Also, the Independent Bid Committee notes that a number of reputable Swedish institutions have recently announced that they will distance themselves from the sector following changed investment mandates and new directives regarding sustainability. Consequently, the Independent Bid Committee believes that access to institutional capital for iGaming companies listed in Sweden will decrease, which in turn means that it will be harder to effectively finance the business as a listed company.

4. Fairness opinion by KPMG

In accordance with Section III.3 of the Takeover Rules the Independent Bid Committee has engaged KPMG to issue a so-called fairness opinion regarding the Offer.

In relation to its engagement, KPMG has received detailed information about the Company's financial position and future strategy which has been supplemented with interviews with representatives of the Company. KPMG has conducted an extensive valuation exercise for each of the Company's subsidiaries and compiled this analysis in a valuation statement regarding the Company as a whole.

According to the fairness opinion, which is attached to this press release, the Offer is fair to Cherry's shareholders from a financial point of view.

5. Impact on the Company and its employees

Pursuant to Section II.19 of the Takeover Rules, the Independent Bid Committee shall, based on the statements made by EE Intressenter in the Offer press release issued earlier today, present its opinion regarding the impact that the implementation of the Offer will have on the Company, particularly in terms of employment, and its opinion regarding the Consortium's strategic plans for the Company and the effects it is anticipated that such plans will have on employment and on the places in which Cherry conducts its business.

In this respect, the Independent Bid Committee notes that EE Intressenter states in the press release regarding the Offer that the members of the Consortium believe that Cherry will be able to maximise value by focusing on driving the performance of the individual business units rather than managing the combined entity as a publicly listed company. Further it is stated that Bridgepoint and the other members of the Consortium place great value on Cherry's management and employees and expect that the Offer will support continued growth and create long-term positive effects Cherry and its employees, customers and other stakeholders impacted by the operations of Cherry. EE Intressenter has not made any resolutions that are expected to cause the Offer to have an impact on Cherry's or EE Intressenter's organisations, management teams or employees, including their terms of employment, or on the locations of Cherry's or EE Intressenter's operations.

The Independent Bid Committee assumes that this description is correct and has no reason to take a different view in this respect. Thus, it is the assessment of the Independent Bid Committee that the Offeror would be a good owner of the Company in the coming years, which has been taken into consideration in the decision on a recommendation.

Based on the above, the Independent Bid Committee recommends the shareholders in Cherry to accept the Offer. The decision was taken with a unanimous vote by the Directors appointed by the General Meeting of Cherry. The employee representative abstained his vote.

This statement shall in all respects be governed by and construed in accordance with Swedish law. Disputes arising from this statement shall be settled exclusively by Swedish courts.

Carnegie Investment Bank AB (publ) is acting as financial adviser and Advokatfirman Delphi is acting as legal adviser to Cherry in connection with the Offer.

Stockholm, 18 December 2018

Cherry AB (publ)
The Independent Bid Committee

For further information, please contact:

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This information is information that Cherry AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Takeover Rules. The information was submitted for publication, through the agency of the contact persons set out above on 18 December 2018, at 07:33 a.m. CET.

CHERRY IN BRIEF

Cherry is an innovative and fast-growing gaming company with operations in gaming, media and entertainment. The company was founded in 1963 and today, Cherry operates through five diversified business areas: *Online Gaming, Game Development, Online Marketing, Gaming Technology, and Restaurant Casino*. The Group's objective is to grow organically in combination with strategic acquisitions of fast-growing companies. On 30 September, Cherry employed some 865 people and had about 9,325 shareholders. The company's class B share is listed on the Nasdaq Stockholm exchange, Mid Cap segment. More information is available at www.cherry.se.