

An eventful year with continued good development in the final quarter



Year-end report 2018

FOURTH QUARTER

- Consolidated revenue increased by 49 percent to MSEK 904 (608), with organic revenue growth amounting to 41 percentage points. Corporate acquisitions contributed 0.5 percentage point and currency 7.5 percentage points.
- Profitability improved and EBITDA increased by 40 percent to MSEK 198 (141) and the EBITDA margin was 22 percent (23).
- Profit for the period amounted to MSEK 120 (18).
- Earnings per share before and after dilution amounted to SEK 1.14 (0.05) and SEK 1.14 (0.05) respectively.
- European Entertainment Intressenter BidCo AB (“EE Intressenter”), a company jointly controlled by a consortium of Bridgepoint and major shareholders in Cherry AB, announced a takeover bid for SEK 87 in cash per Class A and B share in Cherry AB. The independent bidding committee for Cherry recommended that shareholders accept the public offer.
- Companies in the *Online Gaming* business area secured a total of eight Swedish gaming licenses in December.
- An Extraordinary General Meeting in November elected Rolf Åkertind as a new member of the Board and approved the decision to acquire the remaining five percent of the shares in Game Lounge Sweden AB.

FINANCIAL KEY RATIOS

MSEK	Q4			Jan-Dec		
	2018	2017	Δ%	2018	2017	Δ%
Revenues	904	608	49%	3 236	2 252	44%
Organic growth, %*	41%	15%		34%	27%	
EBITDA	198	141	40%	813	429	89%
EBITDA-margin, %	22%	23%		25%	19%	
Profit	120	18	585%	487	110	342%
Earnings per share, SEK, before dilution**	1,14	0,05	2068%	4,45	0,53	734%
Earnings per share, SEK, after dilution	1,14	0,05	2075%	4,44	0,53	738%
Equity/assets ratio	40%	34%		40%	34%	

FULL-YEAR

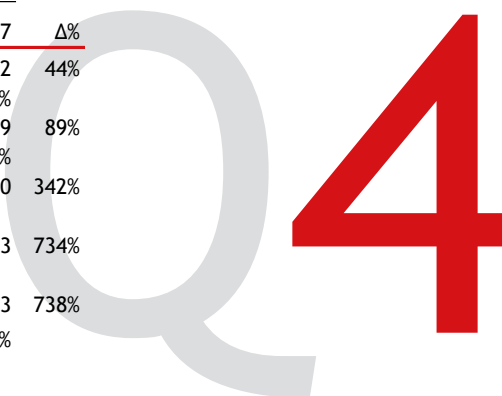
- Consolidated revenue increased by 44 percent to MSEK 3,236 (2,252), of which organic growth amounted to 34 percent. Corporate acquisitions contributed 1 percentage point and currency 8 percentage points.
- Profitability improved and EBITDA increased by 89 percent to MSEK 813 (429) and the EBITDA margin was 25 percent (19).
- Profit for the period amounted to MSEK 487 (110). Profit was affected positively by an item affecting comparability of MSEK 50 regarding the reassessment of the value of Highlight Games.
- Earnings per share before and after dilution amounted to SEK 4.45 (0.53) and SEK 4.44 (0.53) respectively.
- As for the 2017 financial year, Cherry AB’s Board of Directors proposes to the Annual General Meeting that no dividend be paid for the 2018 financial year.

EVENTS AFTER THE END OF THE PERIOD

- On 12 February, EE intressenter announced that it controls approximately 98.2 percent of the total number of shares in Cherry AB (publ) after the expiry of the final acceptance period, and that EE Intressenter intends to initiate a compulsory acquisition procedure and to promote a delisting of the shares of series B in Cherry AB from Nasdaq Stockholm.
- On 12 February, Cherry announced the initiation of early redemption of senior secured callable bonds. In connection with the redemption, the bonds will be delisted from Nasdaq Stockholm.

* The calculation of organic growth has changed effective from the third quarter of 2018 and does not include currency effects. See page 26 for definitions of financial and alternative key performance indicators.

** Earnings per share are calculated based on the profit for the period excluding the minority share.



Comments by the CEO

An excellent year for all companies in the Cherry Group

+49%

Revenue for the fourth quarter rose from MSEK 608 to MSEK 904.

40%

EBITDA margin, fourth quarter 2018. EBITDA increased from MSEK 141 to MSEK 198.

Cherry's development in 2018 can be summarized with one word: excellent. On almost all measurements, our operations delivered in line with our expectations. Financially, we have performed well with total growth of 44 percent, and full-year revenue amounting to MSEK 3,236 (2,252) with an EBITDA margin of 25 percent (19).

For a significant part of the year, we worked to prepare for the re-regulation of the Swedish gaming market. We were involved right from the inquiry phase prior to the legislation being drafted and have participated in issues on which we have specialist knowledge on an ongoing basis. We are satisfied with the framework, which should contribute to a high level of channelization, which is important for the long-term perspective that our market needs to be able to develop in a way that assures all stakeholders the security they need.

It is reasonable that gaming companies be taxed and, to some extent, controlled when it comes to marketing, but the legislators must be aware that this is an industry in which customers are aware of their options and can therefore quickly shift their preferences. This can result in tax revenue and preventive actions from game addiction being lost. The more laws there are and the more detailed the regulations, the greater the risk that companies position themselves outside the licensing system, with the effect that everyone loses.

We now have only a few weeks' experience of the Swedish regulations and it is too early yet to have a clear idea of how development is progressing for Cherry and the rest of the industry. Our experience of similar changes in other countries is that the companies and brands that cope best are those with a clear digital strategy, that are at the forefront in technology and their customer relationships, and are led by entrepreneurs. This is the core of Cherry's business model and the companies within our Group hold strong positions, are strongly focused on what they do and are quick to grasp opportunities.

Marketing investments are often in focus among investors. During the quarter, business area *Online Gaming* accounted for the largest share, MSEK 253, and we can see that these investments continued to yield good returns. The business area's revenue for the fourth quarter rose by 48 percent, to MSEK 722 (485) and the EBITDA result amounted to MSEK 141 (92). During the quarter, expenses affecting the comparison between periods were incurred, relating to doubtful receivables and gaming tax of MSEK 45.2, and impacting earnings. Underlying EBITDA amounted to MSEK 186.7 and the underlying EBITDA margin was 25.9 percent.

A few days ago, the ICE trade fair closed. This is one of the industry's foremost meeting places, and Yggdrasil once again held a prominent position there as the leading game developer. Its attendance at ICE is the company's largest initiative in presenting itself and its new games. For the third consecutive year, Yggdrasil received the industry's "Innovator of the year" award.

The other company in business area *Game Development*, Highlight Games, has now launched its virtual football game in Italy together with some of the country's largest gaming operators, Eurobet and Sisal. We believe that this game can quickly capture market share in one of Europe's foremost football nations.



I am convinced that Cherry and its Group companies will remain significant players in the gaming and entertainment industry for many years to come and I look forward to following developments.

Gunnar Lind,
Acting CEO

On 18 December 2018, European Entertainment Intressenter BidCo AB (“EE Intressenter”), announced a public cash offer of SEK 87 per share to Cherry AB shareholders. EE Intressenter is a company jointly controlled by a consortium consisting of Bridgepoint Advisers Limited, acting as manager for and on behalf of, Bridgepoint Europe VI Fund, major shareholders in Cherry AB and others.

The Board of Directors’ independent bid committee recommended that Cherry’s shareholders accept the bid from EE Intressenter. In its assessment, the recommendation took into account factors including the thorough analysis performed by the company’s financial advisers Carnegie. Key components of the bid committee’s assessment were the consideration of the bid premium over an extended time frame, the major shareholders’ decision to participate and changed market environments for listed gaming companies in Sweden.

On 25 January 2019, EE Intressenter announced that the offering was accepted by shareholders holding 45,425,416 shares, corresponding to approximately 43.0 percent of the shares in Cherry. The shares submitted in the offering, together with the shares controlled by the Consortium, totalled 4,988,000 Class A shares and 90,537,784 Class B shares in Cherry, corresponding to approximately 90.4 percent of the total number of shares and 93.3 percent of the total number of votes in Cherry AB. EE Intressenter extended the acceptance deadline to 8 February and announced on 12 February that it had secured approximately 98.2 percent of the total number of shares in Cherry. EE Intressenter intends to initiate a compulsory acquisition procedure regarding the shares in Cherry that were not tendered in the offer and to promote a delisting of the shares of series B in Cherry from Nasdaq Stockholm, the operations will continue in a private setting.

In a way, Cherry can be said to be Sweden’s oldest gaming company. The Group’s roots date back to 1963, when Bill Lindwall and Rolf Lundström initiated gaming operations under the name Restaurang AB Rouletter. In 1968, cooperation was initiated with AB Roulett konsult & Spelautomater, which had been founded Per Hamberg and Lars Kling. In 1972, the name of the company was changed to Cherry, and the cherry symbol began to be used as a trademark. The period as a listed company began in 1997, with the company’s listing on the SBI list, and after the current planned delisting of the company’s series B shares from Nasdaq Stockholm, Mid Cap list, to continue the business in a private setting.

The foundation of Cherry’s development has been, and remains, to have a clear focus on entrepreneurial spirit and innovation, as well as offering the best workplace and development opportunities for all of our employees. We will now work with partly new owners to implement the existing strategy, while, at the same time, being able to implement efficient investments to safeguard Cherry’s market position.

I would like to thank all of the shareholders, employees, partners and other stakeholders who have participated in Cherry’s journey thus far. I am convinced that Cherry and its Group companies will remain significant players in the gaming and entertainment industry for many years to come and I look forward to following developments.

Gunnar Lind
Acting CEO

Important events

DURING THE QUARTER

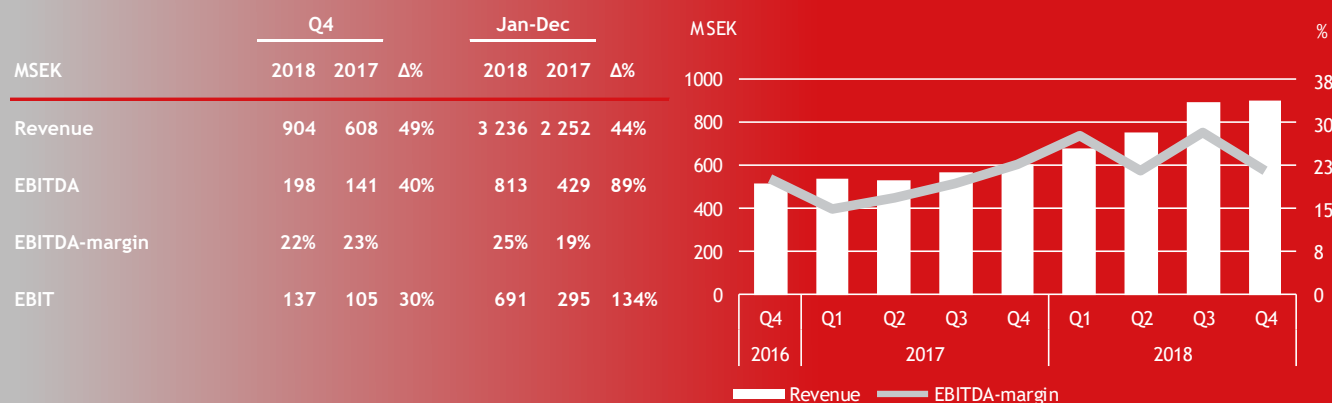
- On 4 October, game developer Highlight Games signed a strategic distribution agreement with iGaming company Spin Games LLC, based in Reno in the US. Spin will distribute Highlight Games' unique content with virtual sports in the regulated online gaming, sports betting and lottery markets.
- On 4 October, Yggdrasil agreed to deliver its casino games to ATG, one of Sweden's largest gaming companies.
- On 5 October, Yggdrasil signed an agreement with Svenska Spel Sport & Casino to offer its casino games in connection with the Swedish market being regulated effective from 1 January 2019.
- On 17 October, Cherry AB (publ) entered into an agreement to acquire the remaining shares in subsidiary Game Lounge Sweden AB, thereby attaining a 100-percent holding.
- On 19 October, Yggdrasil signed an agreement with Finnish national game operator Veikkaus regarding online casino content.
- An Extraordinary General Meeting of Cherry AB (publ) was held on 21 November 2018. Rolf Åkerlind was elected as a new member of the Board of Directors and the General Meeting resolved, in accordance with the proposal by the Board of Directors to acquire the remaining shares in the subsidiary Game Lounge Sweden AB.
- On 18 December, the independent bid committee for Cherry AB (publ) recommended that the company's shareholders accept the public offer of SEK 87 in cash per Class A and Class B share in Cherry, submitted on the same date by European Entertainment Intressenter BidCo AB.
- On 21 December, Cherry was granted a total of eight gaming licenses for online games and betting in the Swedish market.
- On 21 December, Game Lounge Sweden AB signed an agreement initiating a strategic partnership with Schibsted and Aftonbladet. The agreement provides Game Lounge Sweden AB with an additional marketing channel through which it can market, operate and manage customer contacts to casino sites holding Swedish licenses and that opened for gaming on 1 January 2019.

For important events in each business area, please see the text for the specific business area.

AFTER THE END OF THE QUARTER

- On 23 January, Yggdrasil signed an agreement with GVC for content for Ladbrokes, Coral and Gala brands.
- On 25 January, European Entertainment Intressenter BidCo AB announced the outcome of the public cash offer to the Cherry AB (publ) shareholders and extended the acceptance period.
- On 29 January, European Entertainment Intressenter BidCo AB announced that it had been granted competition approval in Austria for its recommended public cash offer to Cherry AB shareholders and declared the offer unconditional.
- On 5 February, Highlight Games announced its plans to launch its virtual football game Soccerbet™ in collaboration with Eurobet. The launch will take place at Eurobet's nationwide network of betting shops at the end of February.
- On 6 February, Highlight Games announced its agreement with an additional Italian gaming operator, Sisal Entertainment, to launch Soccerbet™.
- On 12 February, EE intressenter announced that it controls approximately 98.2 percent of the total number of shares and 98.7 percent of the total number of votes in Cherry AB (publ) following the expiry of the final acceptance period, ended on 8 February. EE Intressenter intends to initiate a compulsory acquisition procedure under the Swedish Companies Act regarding the shares in Cherry that were not tendered in the Offer and to promote a delisting of the shares of series B in Cherry AB from Nasdaq Stockholm.
- 12 February, Cherry gave notice of early redemption of Cherry's outstanding bond loan with ISIN SE0008321616. In connection with the redemption, the bonds will be delisted from Nasdaq Stockholm. More information is available in the redemption notice, which is published in full on Cherry's website, www.cherry.se, and on Stamdata, www.stamdata.com.

Group financial performance



The Cherry Group's operations are divided into the business areas *Online Gaming*, *Game Development*, *Online Marketing*, *Gaming Technology* and *Restaurant Casino*.

FOURTH QUARTER 2018

Revenue and earnings

Consolidated revenue rose to MSEK 904 (608), an increase of 49 percent compared with the corresponding period in the previous year. Organic growth amounted to 41 percentage points. Corporate acquisitions contributed 0.5 percentage point and currency 7.5 percentage points. Sales by business area *Online Gaming* grew by 49 percent over the quarter. All business areas showed favourable growth and, during the autumn, prepared for the Swedish gaming regulations that came into effect on 1 January 2019.

Consolidated EBITDA and EBIT increased, amounting to MSEK 198 (141) and MSEK 137 (105) respectively. The EBITDA margin was 22 percent (23). During the quarter, expenses were incurred that affecting the comparison between periods. These included to transaction expenses, gaming taxes and provisions for doubtful receivables and had a negative impact on EBITDA of MSEK 35, with underlying EBITDA profit for the period being MSEK 233 and the underlying EBITDA margin being 25.8 percent.

Consolidated profit after financial items amounted to MSEK 125 (20). Net financial items were affected negatively, primarily by interest expenses of MSEK 42 (-40). Tax charges for the quarter were negative in the amount of MSEK 4 (-3). Profit after tax amounted to MSEK 120 (18), corresponding to SEK 1.14 (0.05) per share after dilution and minority interests.

Depreciation and investments

Consolidated investments in intangible and tangible fixed assets for the quarter amounted to MSEK 252 (33). These investments relate to capitalized development expenses of MSEK 13 and shares acquired in Game Lounge Sweden AB (see also Note 4) for MSEK 239. Depreciation and write-downs for the quarter amounted to MSEK 55 (-37).

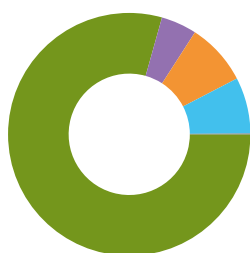
FULL-YEAR 2018

Revenue and earnings

Consolidated revenue increased by 44 percent (104) to MSEK 3,236 (2,252), of which organic growth amounted to 34 percent. Corporate acquisitions contributed 1 percentage point and currency 8 percentage points. Consolidated EBITDA and EBIT improved substantially and, for the full-year, amounted to MSEK 813 (429) and MSEK 691 (295) respectively. The EBITDA margin increased to 25 percent (19) and the EBIT margin increased to 21 percent (13).

Earnings after financial items amounted to MSEK 500 (122) and profit after tax amounted to MSEK 487 (110), corresponding to SEK 4.44 (0.53) per share after dilution and minority interests.

CONSOLIDATED EXTERNAL REVENUE
BY BUSINESS AREA
FOURTH QUARTER 2018



- Online Gaming, 79%
- Restaurant Casino, 5%
- Game Development, 8%
- Online Marketing, 7%
- Gaming Technology, 0%



Net financial income was affected negatively, primarily by interest expenses on the company's bond loans, amounting to MSEK 168 (-129) for the full-year.

Depreciation and investments

For the full-year, the Group's investments in intangible and tangible fixed assets, including acquisitions, amounted to MSEK 502 (1,307). Depreciation and write-downs for the quarter amounted to MSEK 172 (-134).

Cash flow, liquidity and financial position

Consolidated cash flow from operating activities in the quarter amounted to MSEK 87 (-4) for the quarter. The change is mainly explained by the improvement in earnings compared with the preceding year.

Cash flow from investing activities was negative in the amount of MSEK 100 (-61), explained largely by the cash payment for the investment in 5 percent of Game Lounge Sweden AB. Cash flow from financing activities amounted to 0 (0). As per 31 December 2018, consolidated cash and cash equivalents amounted to MSEK 570 (MSEK 299 at 31 December 2017) and the Group's liquidity remains favourable. The Group has an overdraft facility of MSEK 35 of which MSEK 0 had been utilized at the end of the fourth quarter.

As per 31 September 2018, interest-bearing liabilities amounted to MSEK 1,741 (MSEK 1,743 as per 31 December 2017). The interest-bearing liabilities consist of the bond loan that was raised to finance the acquisition of ComeOn. The fact that liabilities have not decreased, although the bond loan has been paid off, is attributable to negative exchange rate effects. In 2018, MEUR 9.2 of the bond loan was amortized.

On 31 December 2018, player debt including provisions for accrued jackpots amounted to MSEK 127 (MSEK 101 as per 31 December 2017). Short-term receivables from payment providers amounted to MSEK 145 (MSEK 193 as per 31 December 2017).

As per 31 December 2017, equity amounted to MSEK 1,707 (MSEK 1,242 as per 31 December 2018). Equity per share amounted to SEK 14.21 (SEK 11.27 as per 31 December 2017).

The equity ratio was 40 percent (34 percent as per 31 December 2017).

The Parent Company

The Company provides and sells internal services to other group companies, mainly in finance, accounting, business development, administration and management. Revenue for the full-year amounted to MSEK 27.0 (8.0) and the loss before tax amounted to MSEK 185 (-156). The lower earnings were mainly attributable to negative currency effects.

The Parent Company's investments in shares in subsidiaries amounted to MSEK 302 (0). Cash and cash equivalents amounted to MSEK 147 on the balance sheet date (MSEK 41 as per 31 December 2017).

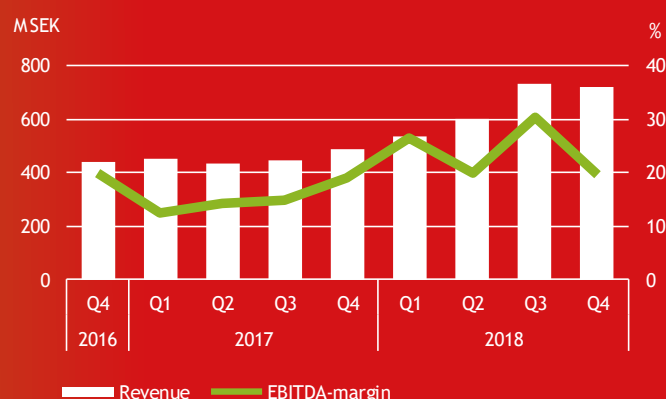
35%

Marketing as a proportion of the *Online Gaming* business area's revenue



Online Gaming

MSEK	Q4			Jan-Dec		
	2018	2017	Δ%	2018	2017	Δ%
Revenue	722	485	49%	2 591	1 823	42%
EBITDA	141	92	55%	626	277	126%
EBITDA-margin	20%	19%		24%	15%	
EBIT	111	62	77%	508	167	203%



COMEON

Cherry operates online gaming operations through its investment in the Online Gaming business area. The business area offers casino, sports betting and lottery on mobile phones, tablets and computers through brands including blitzino, casinostugan, cherrycasino comeon, folkeautomaten, hajper, mobilebet, nopeampi, norgesspill, pzbook, snabbare, sunmaker, sunnyplayer and sveacasino. All brands are operated from the operating companies located in Malta through licenses issued by Malta, Sweden, Schleswig-Holstein or the United Kingdom. Through innovation in products, technology and marketing, ComeOn shall offer world-leading gaming entertainment. Cherry has a 100-percent holding.

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Number of registered customers at end of the period	5 565 395	5 243 162	4 913 138	4 615 012	4 332 429
Number of new registered customers during the period	322 233	330 024	298 126	282 583	263 327
Number of active players during the period	362 095	359 997	329 684	321 124	311 261
Deposit amount during the period (MSEK)	2 623	2 478	1 975	1 696	1 459

FOURTH QUARTER 2018

In the fourth quarter, revenue increased by 49 percent to MSEK 722.1 (485.1). Organic growth amounted to 41 percentage points and the currency effect was 7 percentage points. Profit improved, and EBITDA increased by 55 percent to MSEK 141.5 (91.5). EBIT amounted to MSEK 110.7 (62.4). The EBITDA margin for the quarter increased to 20 percent (19). During the quarter, expenses affecting the comparison between periods were incurred, relating to doubtful receivables and gaming tax of MSEK 45.2, and impacting earnings. Underlying EBITDA amounted to MSEK 186.7 and the underlying EBITDA margin was 25.9 percent.

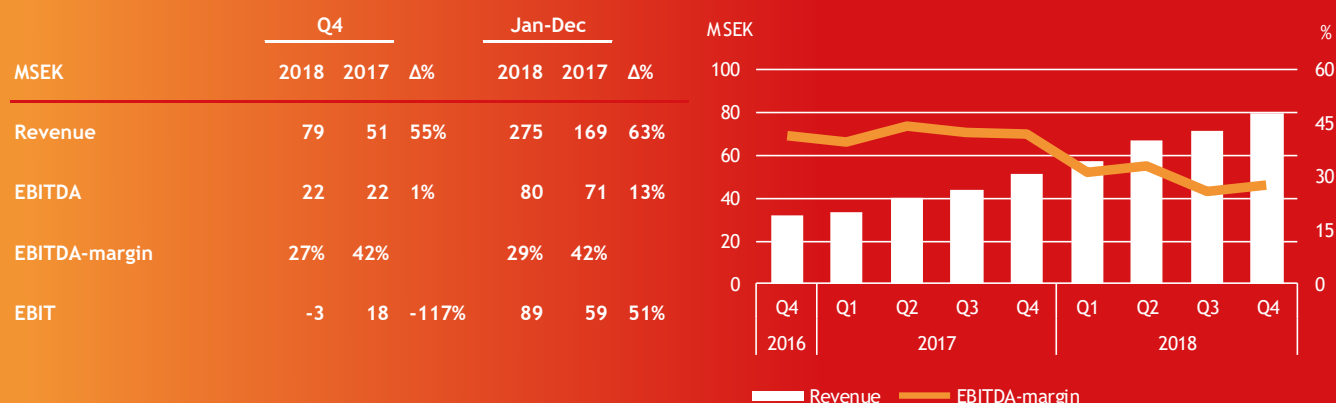
Online Gaming continued to grow and, in the fourth quarter, deposits from customers increased by 80 percent compared with the corresponding quarter in the previous year, amounting to MSEK 2,623 (1,459). The number of active customers amounted to 362,095. The mobile share of the business area's surplus from gaming amounted to 72 percent (61). The casino share was 84 percent (82). The sportsbook share of the business area's surplus from gaming amounted to 16 percent (17). Tax expenses in accordance with different local gaming legislations increased to MSEK 35 (26), due to higher sales.

Investments in marketing for the business area increased during the fourth quarter and amounted to MSEK 253 (172), representing 35 percent (36) of revenue. The business area is investing continuously in marketing and continues to grow responsibly. The fourth quarter is a period of high activity in the business area, with all major football leagues in full swing as well as the final battle in the group stage of the UEFA Champions League. At the end of the quarter, several campaigns and other activities were carried out in all brands in the run-up to the Christmas and New Year holidays. The quarter was also characterized by the introduction of the Swedish gaming regulations, with many of the business area's employees working to prepare the operations for the licensed Swedish market.

IMPORTANT EVENTS

- During the quarter, companies within business area *Online Gaming* secured all of the eight gaming licenses that had been applied for in Sweden, issued by the Swedish Gambling Authority.
- The betting site PZbok.pl was launched in the Polish market in October.

Game Development



The above information relates to Yggdrasil and Highlight Games. Highlight Games was consolidated as a subsidiary effective from August 2018. EBIT includes the non-recurring item for the revaluation of Highlight Games.

FOURTH QUARTER 2018

Yggdrasil

During the fourth quarter, Yggdrasil’s revenue increased by 62 percent and amounted to MSEK 78.5 (51.2), of which MSEK 4.3 (5.1) was internal revenue from Cherry’s gaming sites. EBITDA for the fourth quarter amounted to MSEK 27.2 (21.5). The EBITDA margin for Yggdrasil was 35 percent (42). The number of player transactions (rounds) increased by 42 percent to 1,686 million (1,184). Mobile device gaming increased and accounted for 66 percent (59) of the estimated surplus from gaming.

The increase in revenue during the quarter is mainly explained by growth from existing customers, new customers, and launches of new games. During the quarter, 11 new customer agreements were signed (6). The increased operating expenses are primarily attributable to the company’s ongoing expansion and an increased number of employees. At the end of the period, the number of full-time employees was 285 (191), including external consultants. During the fourth quarter, Yggdrasil focused on continued growth and expansion, as well as the strategic development of the business. The company has signed agreements with a number of important customers, including Svenska Spel, ATG and Veikkaus. Yggdrasil has also signed an agreement for the Yggdrasil Game Server (YGS) Masters programme and launched the company’s first brand-exclusive game. During the fourth quarter, development costs for software were capitalized in the balance sheet at a value of MSEK 13 (7).

Highlight Games

In the fourth quarter, revenue for Highlight Games amounted to MSEK 0.8. EBITDA for the fourth quarter was negative in the amount of MSEK 5.4. Since the preceding quarter, Highlight Games has been consolidated and reported as a subsidiary.

The company is in a phase of building up its operations and, during the quarter, worked intensively with development and preparations for the launch of products in several markets. Investments are being made in market activities and recruitment of key personnel. The focus is also on finding partners and obtaining rights to use the various sports leagues’ photographic material. Highlight Games’ SOCCERBET™ is now live with seven operators in 14 countries. In Italy, Soccerbet™ is being launched in collaboration with Eurobet and Sisal. The launch will take place at the operators’ nationwide network of betting shops at the end of February.

IMPORTANT EVENTS

- Yggdrasil launched seven new games in the fourth quarter
- Yggdrasil signed agreements with 11 new customers, including commercially important ones, such as Svenska Spel, ATG and Veikkaus.
- For the third consecutive year, Yggdrasil received the industry’s “Innovator of the year” award at the ICE trade fair.
- During the quarter, Highlight Games recruited additional people in preparation for the expansion and focused on the launch in Italy.



Yggdrasil

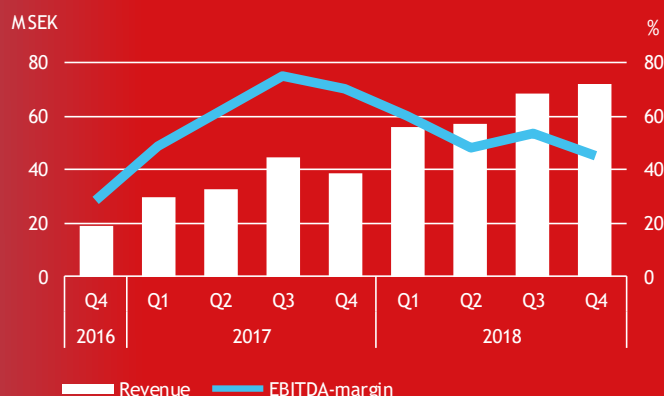
Yggdrasil develops games that it licenses to gaming operators who, in turn, provide the games via mobile phones, tablets and computers. Yggdrasil’s offering is based on a proprietary technical platform and is provided through three product verticals; casino slots, table games and bingo. Yggdrasil is also active in three business verticals: Yggdrasil White Label Studios (development of games for gaming operators on an exclusive basis), YGS Masters (partnership with game studios for development and distribution of games), and Yggdrasil Dragons (investments in fast growing game developers). Cherry owns 84 percent of the shares in Yggdrasil.

Highlight Games

Highlight Games develops innovative products for the virtual sports gaming market both online and in real life, including content from league football. From 2018 and beyond, the company plans to launch sought after games in other sports to the virtual and sports betting markets. Cherry’s holding amounts to 60.4 percent of the shares.

Online Marketing

MSEK	Q4			Jan-Dec		
	2018	2017	Δ%	2018	2017	Δ%
Revenue	72	39	87%	254	146	74%
EBITDA	33	27	19%	131	96	37%
EBITDA-margin	45%	71%		51%	66%	
EBIT	29	25	14%	120	89	36%



FOURTH QUARTER 2018

In the fourth quarter, revenue increased by 87 percent to MSEK 72.2 (38.7), of which MSEK 4.6 (4.9) was internal revenue from other companies within the Cherry Group. EBITDA for the quarter amounted to MSEK 32.6 (27.3), corresponding to a margin of 45 percent (71). The lower EBITDA margin is attributable to increased expenses for marketing and additional employees - a natural effect of the business area's strong expansion over the year.

Compared with the corresponding quarter in 2017, both the number of visitors and the number of new deposit customers increased in all markets. New deposit players (NDPs) increased by 42 percent to 17,880 (12,621). Game Lounge is currently present in 15 markets (12).

In the fourth quarter of 2018, Game Lounge continued its efforts to build strong brands and its strategy to primarily grow organically remains. During the quarter, intake of new players rose to record levels, demonstrating that investments in building strong brands are developing well.

The preparations for the US entry are in full swing, with operations scheduled to go live in early 2019. The Japanese operations continue to grow, and Japan is now one of the business area's largest markets. The operations have also developed positively, with many new employees being recruited, giving cause to believe that 2019 will be a successful year.

IMPORTANT EVENTS

- At the end of the quarter, a commercially significant and strategic agreement was signed with Schibsted to deliver an affiliate solution to Aftonbladet. The cooperation will probably contribute positively to profit for 2019 and the service is expected to be launched in mid-February 2019.



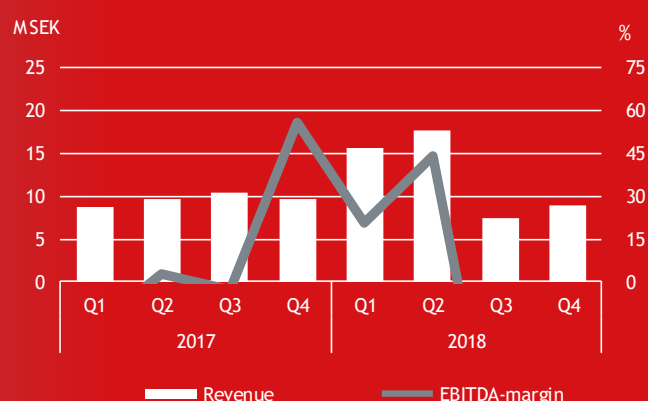
Game Lounge

Cherry conducts operations within performance-based marketing through its investment in Game Lounge. Game Lounge is a fast-growing company in performance-based marketing and creation of customer contacts (leads) on the Internet. The offering is aimed primarily at network gaming operators and has been supplemented with additional verticals, such as loan comparison sites. The company attracts online players through various products and services and then forwards them to a number of online gaming operators such as Betsson, Unibet, and ComeOn. 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. Cherry holds 100 percent of the shares in company.



Gaming Technology

MSEK	Q4			Jan-Dec		
	2018	2017	Δ%	2018	2017	Δ%
Revenue	9	10		49	39	
EBITDA	-3	5		2	4	
EBITDA-margin	-35%	56%		5%	10%	
EBIT	-4	5		1	4	



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 head-quartered in Malta with a development team located in Poland. Operations started in November 2016, as a spin off from ComeOn! Cherry owns 100 percent of the shares in XCaliber.

FOURTH QUARTER 2018

During the fourth quarter, XCaliber reported revenue of MSEK 8.9 (9.7), of which MSEK 7.8 (9.5) was internal revenue from Cherry's gaming sites. EBITDA for the quarter was negative in the amount of MSEK 3.1 (positive 5.5). An updated agreement with an internal customer within *Online Gaming* has led to declining sales and lower earnings for XCaliber during the quarter.

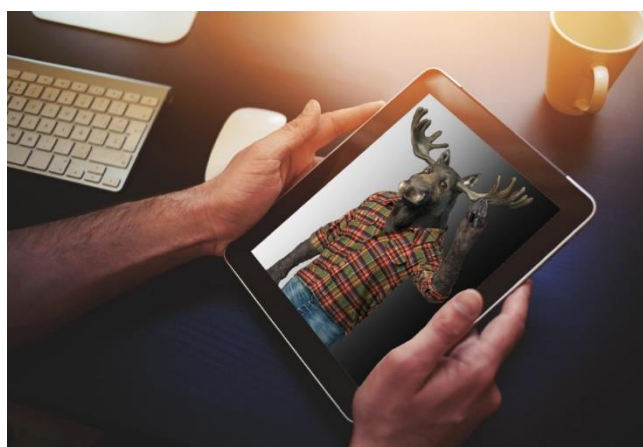
During the quarter, XCaliber secured a new customer for affiliate systems and the company currently has a total of five platform customers and ten affiliate system customers.

As for the other business areas, Gaming Technology is tasked with adapting its operations to the Swedish gaming regulations that have now been introduced. All of XCaliber's products have now been fully customized and meet the requirements under the rules issued by the Swedish Gambling Authority.

Today, Cherry business area Online Gaming 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.

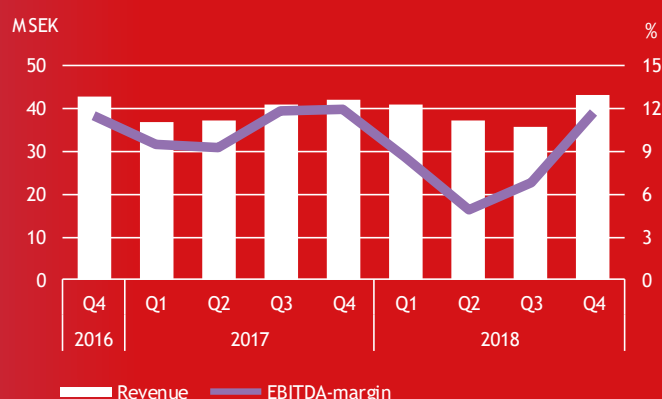
IMPORTANT EVENTS

- XCaliber participated in the SIGMA conference in Malta.



Restaurant Casino

MSEK	Q4			Jan-Dec		
	2018	2017	Δ%	2018	2017	Δ%
Revenue	43	42	3%	157	157	0%
EBITDA	5	5	2%	13	17	-23%
EBITDA-margin	12%	12%		8%	11%	
EBIT	4	4	-4%	8	13	-38%



Cherry Spelglädje

The Cherry Group conducts restaurant casino activities through Cherry Spelglädje. The company operates traditional casino games (Black Jack and Roulette). In addition, event-casino is also offered to companies and private individuals. Cherry owns 100 percent of the shares in Cherry Spelglädje.

FOURTH QUARTER 2018

Revenue for the fourth quarter amounted to MSEK 43.1 (42.0). EBITDA for the fourth quarter amounted to MSEK 5.0 (5.0) and the EBITDA margin to 12 percent (12).

Average sales per shift have increased and the year ended with record sales per shift for an individual quarter, as well as improved profit for the quarter compared with the corresponding period in the previous year.

In the fourth quarter of the year, operations were characterized by continued activities to consolidate the company's market share, to safeguard opportunities for gaming licences for Restaurant Casino, as well as helping the restaurant casino segment be included in an optimum manner in the re-regulation of the Swedish gaming market.

Sales and earnings for 2018 were adversely affected by the Swedish Gambling Authority's decision last year regarding renewed licenses to conduct casino games at various restaurants, as well as by expenses deriving from the re-regulation of the gaming market. Since the end of September 2018, Cherry Spelglädje has gained approval for gaming permits.

Under the new Swedish gaming legislation, licenses are issued rather than permits, meaning, for example, that the gaming surplus is subject to an 18 percent gaming tax, although the maximum bet per game is being raised from SEK 75 to SEK 232.

IMPORTANT EVENTS

- On 21 December, Cherry Spelglädje secured its first license for land-based commercial gaming in accordance with the new Swedish gaming regulations.



Group-wide

FOURTH QUARTER 2018

Consolidated corporate expenses relate primarily to the Parent Company's expenses for Group staff functions. The operating loss (EBIT) for the fourth quarter amounted to SEK 0.1 million (-9.5). During the quarter, expenses affecting the comparison between periods impacted earnings negatively by SEK 10 million. In the first quarter of 2019, transaction costs relating to the sale of Cherry AB (publ) are estimated to affect earnings negatively by approximately SEK 53 million.

Other information

CASH OFFER OF SEK 87 PER SHARE IN CHERRY AB (PUBL)

On 18 December 2018, European Entertainment Intressenter BidCo AB ("EE Intressenter"), a company jointly controlled by a consortium of Bridgepoint and major shareholders in Cherry AB, announced a takeover bid for SEK 87 in cash per Class A and B share in Cherry AB. The independent bidding committee for Cherry recommended that shareholders accept the public takeover bid.

CHANGES IN CHERRY AB'S BOARD OF DIRECTORS

On 21 November 2018, an Extraordinary General Meeting of Cherry AB (publ) decided to elect Rolf Åkerlind as a new Board member, that the Board of Directors will continue to consist of four (4) ordinary members with no deputies and that fees shall be paid to Rolf Åkerlind in the amount of SEK 250,000 annually.

ANNUAL GENERAL MEETING 2019

The Annual General Meeting of Cherry AB (publ) will be held on 9 May 2019 in Stockholm (time and location to be announced later).

NOMINATION COMMITTEE

In accordance with a resolution by Cherry's Annual General Meeting on 16 May 2017, the members of the nomination committee in preparation for the 2019 Annual General Meeting have been appointed.

The following nomination committee has been formed, based on ownership as per 30 September 2018: *Jeremy Xuereb* (appointed by Prunus Avium Ltd), *Arild Karlsen* (appointed by Klein Group AS) and *Pontus Lindvall* (appointed by Per Hamberg) and *Morten Klein* (Chairman of the Board of Cherry AB), who is also the convenor of the Nomination Committee. Together, the members of the nomination committee represent 41 percent of the votes in Cherry AB.

The nomination committee is tasked with submitting proposals for the number of Board members to be elected by the Annual General Meeting, fees for Board members, the composition of the Board, the Chairman of the Board, and, where relevant, auditor(s), fees for auditor(s), a Chairman for the Annual General Meeting and any changes to the principles for appointing members of the nomination committee. The nomination committee shall motivate its chosen proposals for Board members in light of the ambition of ensuring a balanced gender distribution, and it should account for the diversity policy applied.



SEK 87

On 18 December 2018, European Entertainment Intressenter BidCo AB, submitted a cash offer to Cherry AB (publ) shareholders.

The offer amounted to SEK 87 per Class A and Class B share.

RISKS AND UNCERTAINTIES

For a description of risks and uncertainties, refer to the Annual Report for 2017, which is available on the company's website, cherry.se, and to the prospectus prepared as part of the listing on the Nasdaq Stockholm exchange in October 2017. In the fourth quarter of 2018, the Group's goodwill was tested for potential impairment. No needs for impairment were identified.

In Cherry's assessment, the UK's exit from the EU could primarily affect the employees who are employed in the UK but not citizens of that country. A minor part of the Group's operations is located in that country, the number of employees being less than 10 percent of the Group total and the largest company being ComeOn London Ltd. Although developments in the negotiations are being followed closely, the outcome and consequences are difficult to predict.

EMPLOYEES

The average number of employees in the Group (calculated as full-time positions) during the fourth quarter was 1,035 (751), of whom 632 (439) were men. The total number of employees at the end of the quarter was 1,483 (1,383), of whom 691 (602) were men.

SHARE CAPITAL DEVELOPMENT

Year	Event	Change in shares		Number of shares			Share capital	Quota-value
		Class A	Class B	Class A	Class B	Total		
2016	Share issue		309 302	997 600	13 299 514	14 297 114	7 863 413	0,55
2016	Share issue		2 901 461	997 600	16 200 975	17 198 575	9 459 216	0,55
2016	Share issue		62 500	997 600	16 263 475	17 261 075	9 493 591	0,55
2016	Share issue		3 341 657	997 600	19 605 132	20 602 732	11 331 503	0,55
2016	Share issue		38 169	997 600	19 643 301	20 640 901	11 352 496	0,55
2017	Share split	3 990 400	78 573 204	4 988 000	98 216 505	103 204 505	11 352 496	0,11
2017	Incentive program		610 000	4 988 000	98 826 505	103 814 505	11 419 596	0,11
2018	Share issue		299 504	4 988 000	99 126 009	104 114 009	11 452 541	0,11
2018	Share issue		1 554 017	4 988 000	100 680 026	105 668 026	11 623 483	0,11

Complete table is available at www.cherry.se -> Investors

LARGEST SHAREHOLDERS AT 31 DECEMBER 2018 (VOTES)

Name	Class A-shares	Class B-shares	Share capital	Share of votes
Prunus Avium Ltd	0	25 903 835	24,5%	17,2%
Klein Group AS	500 000	14 431 035	14,1%	12,9%
Hamberg family	1 478 105	2 139 665	3,4%	11,2%
Kling family *	1 478 105	1 877 600	3,2%	11,1%
Lundström family	522 000	571 510	1,0%	3,8%
Handelsbanken Luxembourg	280 495	2 603 130	2,7%	3,6%
Lindwall family	448 805	807 050	1,2%	3,5%
Credit Agricole Indosuez Luxembourg	280 490	1 803 480	2,0%	3,1%
Försäkringsaktiebolaget Avanza	0	4 426 376	4,2%	2,9%
Björn Grene	0	3 750 000	3,5%	2,5%
10 largest shareholders	4 988 000	58 313 681	59,9%	71,9%
Other	-	42 366 345	40,1%	28,1%
Total	4 988 000	100 680 026	100,0%	100,0%

* No single individual holds shares exceeding 10 percent of the votes.

The largest shareholder in Cherry AB is Prunus Avium Ltd, formerly the principal owner of ComeOn. Cherry AB had 9,150 (6,657) shareholders as per 31 December 2018. The total number of shares amounts to 105,668,026 and the number of votes amounts to

150,560,026. Cherry AB holds no treasury shares. Data on shareholdings have been compiled by Cherry based on data from Euroclear and Modular Finance.

SEASONAL FLUCTUATIONS

In the first and second quarters, operations are not generally pervaded by significant seasonal variations. The third quarter is normally affected adversely by the vacation period. Historically, the fourth quarter has higher revenue volumes. Major sporting events can entail a certain shift in revenue and profit between quarters. Cherry is exposed to different currencies and changes in exchange rates affecting the Group's revenue and earnings.

RELATED-PARTY TRANSACTIONS

Disclosures of transactions between the Group and related parties are presented in Note 5 and Note 7 of the Annual Report for 2017. Related-party transactions are normally attributed as acquisitions and disposals of different brands and domains. The purpose is primarily to generate more business. Remuneration for Board work approved by the Annual General Meeting is not reported as a related-party transaction. All transactions take place on market terms.

Related-party transactions January to December 2018

- In the first quarter of 2018: ComeOn acquired the domain group Betboss from Klein Group AS for EUR 75,000.

PLEGGED 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 Group companies for a value of MSEK 3,103, as stipulated in the bond terms.

MARKET OUTLOOK

The gaming market is currently growing strongly and Cherry estimates that demand in the Group's largest geographic markets will continue to develop favourably. The Group continuously studies conditions for new business in related business areas and geographic markets within Europe and beyond.

The Group focuses on generating value for shareholders by participating actively in the development of new and existing companies in the gaming, media and entertainment sector. The objective is for the companies to become market leaders in their respective areas by building on their core values of entrepreneurship, responsibility and commitment. These are important prerequisites for the Group to be able to achieve its financial targets and to continue its successful profitable growth, through both organic growth and acquisitions, in existing and new verticals and geographic markets.

OTHER

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

DISCLOSURE

This information is such that Cherry AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication on 13 February 2019, at 7.30 a.m. CET.

Cherry AB (publ)
Stockholm, 13 February 2019

Morten Klein
Chairman of the board

Gunnar Lind
Board member and Acting CEO

Johan Moazed
Board member

Rolf Åkerlind
Board member

Jörgen Olsson
Employee representative

This report has not been reviewed by the company's auditors.

Consolidated statement of comprehensive income

Consolidated income statement (MSEK)	Q4 2018	Q4 2017	Jan-Dec 2018	Jan-Dec 2017
Revenues	904	607	3 236	2 251
Other revenue	0	1	0	1
Total operating revenues	904	608	3 236	2 252
Capitalized work for own account	14	7	46	19
Cost of sales	-196	-143	-699	-548
Gross profit	722	472	2 583	1 722
Marketing expenses	-277	-174	-956	-742
Personnel expenses	-140	-98	-480	-367
Other expenses	-108	-57	-335	-183
Operating income (EBITDA)	198	141	813	429
Depreciation and amortisation	-55	-37	-172	-134
Items affecting comparability *	-6	0	50	0
Operating profit/loss (EBIT)	137	105	691	295
Results fr participations in associated companies	0	-1	-5	-2
Financial items	-12	-84	-186	-171
Profit before tax	125	20	500	122
Tax	-4	-3	-13	-12
Profit after tax	120	18	487	110
Attributable to:				
Parent company shareholders	121	5	467	51
Minority interest	-1	12	21	59
Profit after tax	120	18	487	110
Earnings per share before dilution (SEK)**	1,14	0,05	4,45	0,53
Earnings per share after dilution (SEK)**	1,14	0,05	4,44	0,53

Statement of total income (MSEK)	Q4 2018	Q4 2017	Jan-Dec 2018	Jan-Dec 2017
Profit/loss for the period	120	18	487	110
Translation gains/losses on consolidation	-6	89	28	97
Total income for the period	115	107	515	207

* Items affecting comparability relate to the revaluation of the shareholding in Highlight Games acquired in 2017 (37.5 percent). This item does not affect cash flow.

** Earnings per share are calculated based on the profit for the period excluding the minority share. See page 26 for definitions of financial and alternative key performance indicators.

Consolidated balance sheet

Consolidated balance sheet (MSEK)	2018-12-31	2017-12-31
Intangible assets	3 043	2 749
Property, plant and equipment	54	51
Other long-term receivables	23	2
Deferred tax receivables	32	27
Current receivables	512	500
Cash and liquid assets	570	299
Total assets	4 234	3 646
Shareholders' equity	1 707	1 242
Long-term interest bearing liabilities	1 653	1 654
Other long-term liabilities	87	1
Deferred tax payables	37	24
Current interest bearing liabilities	143	89
Other current liabilities	607	637
Total equity and liabilities	4 234	3 646

Consolidated statement of cash flows

Consolidated cash flow statement (MSEK)	Q4 2018	Q4 2017	Jan-Dec 2018	Jan-Dec 2017
Profit after financial items	125	20	500	122
Adjustments for non-cash items	20	110	134	232
Taxes paid	-3	-4	-3	-39
Cash flow from operating activities before changes in working capital	141	126	631	315
Changes in working capital	-54	-131	100	-249
Cash flow from operating activities	87	-4	731	65
Investments in fixed assets	0	-33	-72	-79
Investments in subsidiaries/associated companies	-100	-28	-278	-1 228
Change in long-term receivables	0	0	0	0
Cash flow from investing activities	-100	-61	-350	-1 307
Payments from minority	0	0	0	0
New issue and call option payments	0	0	0	8
Dividend	0	0	-28	-6
Change in long-term liabilities	0	0	-92	1 226
Cash flows from financing activities	0	0	-120	1 228
Change in cash and cash equivalents	-13	-66	261	-13
Cash and liquid assets at beginning of period	584	359	299	306
Exchange rate differences	-2	6	9	6
Cash and liquid assets at end of period	570	299	570	299
* Liquid assets	570	299	570	299
Overdraft facility	0	0	0	0

Consolidated statement of changes in equity

Changes in Group equity (MSEK)	Jan-Dec 2018	Jan-Dec 2017
Opening balance	1 242	477
New issue	121	1 044
Transactions with interests without controlling influence	-137	-219
Revaluation of liability pertaining to interests without controlling influence	-6	-262
Dividend to minority	-28	-6
Total profit/loss	515	207
Equity, end of period	1 707	1 242
Attributable to:		
Parent company shareholders	1 502	1 169
Minority interest	205	73
Total equity	1 707	1 242

Parent Company income statement, condensed

Parent company income statement (MSEK)	Q4 2018	Q4 2017	Jan-Dec 2018	Jan-Dec 2017
Sales	18	2	27	8
Other external expenses	-20	-6	-45	-25
Personnel expenses	-5	-3	-22	-16
Depreciation	0	0	0	0
Operating profit/loss	-7	-7	-40	-33
Financial items	-12	-41	-145	-123
Profit/loss before tax	-20	-48	-185	-156
Tax	0	23	48	23
Net profit/loss for the year	-19	-24	-136	-132

Parent Company balance sheet, condensed

Parent company balance sheets (MSEK)	2018-12-31	2017-12-31
Property, plant & equipment	1	1
Participations in Group companies	1 851	3 076
Participations in Associated companies	0	55
Deferred tax receivables	48	27
Receivables from Group companies	1 400	83
Other receivables	68	11
Cash and cash equivalents	147	41
Total assets	3 515	3 294
		0
Equity	1 446	1 487
Other long-term liabilities	1 653	1 654
Current interest bearing liabilities	144	88
Other current liabilities	113	64
Total equity and liabilities	3 515	3 294

Cherry AB has conducted an internal restructuring entailing ownership of the shares in ComeOn being transferred to Cherry Malta Ltd at book values in two steps: 1) the sale of 60 percent of the shares amounting to MSEK 1,826 and 2) the transfer of 40 percent of the shares by means of a shareholder's contribution to Cherry Malta Ltd of MSEK 1,216.

Notes

Not 1. Accounting principles

This Interim Report has been prepared in accordance with IAS 34, Interim Financial Reporting. The Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS), as well as interpretations of current International Financial Reporting Interpretations Committee (IFRIC) standards as adopted by the EU.

The Parent Company's reports have been prepared in compliance with the Annual Accounts Act and the Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. New standards and interpretations have not had any material impact on the consolidated accounts.

Effective from 1 January 2018, Cherry applies IFRS 15 Revenue from contracts with customers and IFRS 9 Financial Instruments.

Cherry has previously decided that the application of IFRS 15 will be retroactive with adjustment of the opening balance of capitalized profits, but only for contracts not completed on the first date of application.

The effects of the transition to IFRS 15 and IFRS 9, respectively, are immaterial.

Effective from 1 January 2018, Cherry has chosen to report certain external loans as net investment hedging instruments. This means that currency effects recognized in the Parent Company with regard to external loans, are adjusted at Group level against the translation difference in equity.

Effective from 2018, Cherry has reduced the number of business areas. The Development Projects business area has been removed.

From 2019, IFRS 16 Leases apply. IFRS 16 requires that assets and liabilities attributable to all leases, with some exceptions, should be reported in the consolidated balance sheet.

The standard is applicable to financial years commencing 1 January 2019, or later. The company has not applied the standard earlier than this. The standard has been approved

by the EU. The standard will primarily affect the reporting of the Group's operational leases.

In the autumn of 2018, a study was conducted of all business areas and the Parent Company to determine the effects of the new standard on the consolidated balance sheet and income statement. Based on the Group's currently contracts, the assessment is that the balance sheet will increase by approximately MSEK 131 in "Lease assets" and by MSEK 131 in "Lease liabilities". Since the "Lease assets" will be amortized according to plan, effective from 2019, leasing expenses of approximately MSEK 44 annually within operating profit (EBITDA) will be reported partly as amortization within EBIT, and partly as financial items in the interest expenses calculated in accordance with IFRS 16.

The sum amounts presented in running text, tables and financial statements do not always agree with the calculated sum of the separate sub-components due to differences in rounding. The ambition is for each sub-component to agree with its source and rounding differences may therefore affect the totals when all of the sub-components are added together.

Beyond what is described above, this report has been prepared in accordance with the same accounting and valuation principles as in the 2017 Annual Report, published on 18 April 2018, and is available on the company's website www.cherry.se.

ALTERNATIVE KEY PERFORMANCE INDICATORS

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. These alternative key performance indicators can be calculated using the definitions presented on page 26. See further under Definitions of key figures on page 26 for more information on the KPIs that Cherry applies.

Not 2. Financial assets and liabilities at fair value

Financial assets and financial liabilities measured at fair value in the balance sheet are classified according to one of three levels based on the information used to establish the fair value. No transfers have been made between the levels during the periods. A more detailed description of the levels can be found in Note 2 and 30 of the 2017 Annual Report.

Level 1 - Valuation is made according to prices in active markets for identical instruments.

Level 2 - Financial instruments for which the fair value is established based on valuation models that are based on observable third-party data for the asset or liability other than quoted prices included in Level 1.

Level 3 - Financial instruments for which fair value is established based on valuation models where significant inputs are based on non-observable data.

The fair value of the bond loan according to valuation level 1 is MSEK 1,815.

For the Group's other financial assets and financial liabilities, the reported values are assessed as corresponding to the actual values. No significant changes in valuation models, assumptions or inputs were made during the period.

Group MSEK	2018-12-31			2017-12-31		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets	367	-	-	471	-	-
Total financial assets	367	-	-	471	-	-
Financial liabilities						
Interest-bearing liabilities	1 880	-	-	1 743	-	-
Other financial liabilities	544	-	-	529	-	-
Additional purchase considerations*	139					
Total financial liabilities	2 562	-	-	2 271	-	-

*See note 4, Acquisition of Game Lounge Sweden AB.

Not 3. Earnings per share

Profit attributable to the parent company shareholders, net after tax, SEK	Q4		Jan-Dec	
	2018	2017	2018	2017
Average number of shares outstanding	105 668 026	103 814 505	104 554 556	96 061 425
Earnings per share before dilution (SEK)	1,14	0,05	4,45	0,53
Earnings per share after dilution (SEK)	1,14	0,05	4,44	0,53

The total number of shares in the company amounts to 105,668,026 with a quota value of SEK 0.11.

Earnings per share are calculated based on the profit for the period excluding the minority share.

Not 4. Acquisitions

HIGHLIGHT GAMES LTD

On 7 August 2018, Cherry AB acquired a further 22.9 percent of the shares in Highlight Games Ltd through cash payment, and following the acquisition, holds 60.4 percent of the shares in the company. The company was then consolidated as a wholly owned subsidiary with a minority interest.

REPORTING OF HIGHLIGHT GAMES LTD

Cherry's share of Highlight Games' earnings for the period 1 January-6 August amounted to a negative MSEK 4.4 and is reported among financial items under Results from participations in associated companies. Effective from 7 August 2018, Highlight Games is consolidated within the Cherry Group. As a consequence of the consolidation, Highlight Games is reported under the business area *Game Development*.

Adopted acquisition analysis of Highlight Games

Purchase price per Aug 7, 2018 (MSEK)

MSEK	
Liquid assets	118
Purchase price per Aug 7, 2018 (MSEK)	118
Fair value of holding in Highlight Games before 7 August	50
Estimated purchase price, accounting-wise	168

Reported identified assets and liabilities	Fair Value
MSEK	
Intangible fixed assets	87
Tangible fixed assets	1
Other receivables	2
Liquid assets	40
Deferred tax	-13
Other liabilities	-1
Identified net assets	115
Goodwill	156
Reclassification	4
Total	276
Less minority	-108
Total less minority	168

As per the date of consolidation, the previous holding of 37.5 per cent of the shares in Highlight Games was revalued at fair value, based on the price for the remaining 22.9 percent of the shares in Highlight Games. This led to a positive revaluation effect of MSEK 57 in the third quarter, which was later corrected to MSEK 50 in the fourth quarter when the acquisition analysis was adopted. This is reported as an item affecting comparability on a separate line in the income statement. For accounting purposes, the total purchase consideration is therefore calculated at MSEK 168.

Among other things, goodwill refers to human capital, synergies, geographic expansion and economies of scale and is not considered to be tax-deductible. Intangible assets include acquired technology to be amortized over five years.

GAME LOUNGE SWEDEN AB

On 17 October 2018, Cherry acquired an additional 5 percent of the shares in Game Lounge Sweden AB. The purchase consideration consists of three parts and can amount to a maximum of MSEK 260. Part of the purchase consideration was fixed and disbursed as a cash payment of MSEK 100 in connection with Cherry gaining control of the shares. The second part of the purchase considerations amounts to MSEK 60 and is conditional on Game Lounge's consolidated EBITDA for the period 1 January 2019 to 30 June 2019 exceeding MSEK 90. In the event that the target of MSEK 90 is not reached as per 30 June 2019, the measurement period will be extended until 30 September 2019, at which time, Game Lounge's consolidated EBITDA shall amount to at least MSEK 150. The third part of the purchase consideration amounts to MSEK 100 and requires Game Lounge's consolidated EBITDA to exceed MSEK 300 for a period of four quarters between 1 July 2019 and 31 December 2021, or between 1 October 2019 and 31 December 2021 in the event that the measurement period for the second part of the purchase consideration is extended in accordance with the above. Cherry is entitled to pay all or part of the second and third parts of the purchase consideration in Class B shares in Cherry.

Preliminary acquisition analysis for Game Lounge Sweden AB.

Aquisition analysis	MSEK
	Aquisition 5%
Purchase consideration	
Cash payment	100
Discounted debt to sellers	139
Purchase consideration for accounting purp.	239
Equity transactions	
Shares	0
Equity transactions	-239
Total	-239

Since Game Lounge Sweden AB was consolidated as a wholly owned subsidiary directly from the date of acquisition, the entire transaction was charged against equity. The conditional acquisition consideration in part two and part three of the transaction is discounted by a WACC of 9.5 percent reassessed on an ongoing basis. As of 31 December 2018, the discounted debt amounted to MSEK 139.1.

Note 5. Business area reporting

Group operations are divided into operating segments on the basis of which parts of the operations the company's highest executive decision-makers follow up, known as the management approach or senior management perspective. This corresponds with the Group's operational structure and the internal reporting to the CEO and the Board.

Cherry's business areas are divided into *Online Gaming* via ComeOn, *Game Development* via Yggdrasil and Highlight Games, *Online Marketing* via Game Lounge, *Gaming Technology* via XCaliber and *Restaurant Casino* via Cherry Spelglädje.

Group per business area (MSEK)	Q4 2018	Q4 2017	Jan-Dec 2018	Jan-Dec 2017
Revenues				
Online Gaming	722,1	485,1	2 590,8	1 823,4
<i>Elimination, Online Gaming revenues from Cherry</i>	-4,8	0,0	-8,9	0,0
Online Marketing	72,2	38,7	254,5	145,9
<i>Elimination, Online Marketing revenues from Cherry</i>	-4,6	-4,9	-17,9	-21,5
Restaurant Casino	43,1	42,0	157,3	157,1
Game Development	79,2	51,2	275,1	169,1
<i>Elimination, Game Development revenues from Cherry</i>	-4,4	-5,1	-18,8	-22,7
Gaming Technology	8,9	9,7	49,5	38,6
<i>Elimination, Gaming Technology revenues from Cherry</i>	-7,8	-9,5	-45,7	-38,2
The Group	904,0	607,3	3 236,2	2 251,8
Operating profit/loss before depreciation and amortization (EBITDA)				
Online Gaming	141,5	91,5	625,7	277,2
Online Marketing	32,6	27,3	130,7	95,7
Restaurant Casino	5,0	5,0	12,8	16,7
Game Development	21,8	21,5	80,5	71,5
Gaming Technology	-3,1	5,5	2,4	4,0
Group-wide*	0,0	-9,4	-39,5	-35,7
The Group	197,7	141,4	812,6	429,4
Operating profit/loss (EBIT)				
Online Gaming	110,7	62,4	507,7	167,3
Online Marketing	28,9	25,2	120,3	88,7
Restaurant Casino	3,7	3,9	7,8	12,6
Game Development	-3,1	17,5	88,5	58,8
Gaming Technology	-3,6	5,2	1,4	3,6
Group-wide*	-0,1	-9,5	-35,2	-35,7
The Group	136,6	104,9	690,6	295,1
Results fr participations in associated companies	-0,1	-1,2	-4,6	-2,1
Financial items	-12,0	-83,5	-186,0	-170,7
Profit before tax	124,5	20,1	500,0	122,4

* Development projects were previously specified on a separate line in EBITDA and EBIT, which is now included in "Group-wide" and has been adjusted for all periods.

Note 5. Continued

External Revenues (Mkr) Q4 2018	Online Gaming	Game Development	Online Marketing	Gaming Technology	Restaurant casino	Total
Primary geographical markets						
Nordic	492	1	1	-	43	537
Europé	211	51	38	1	-	301
World other	14	23	28	0	-	66
Total	717	75	68	1	43	904

Major services						
Casino	578	-	-	-	-	578
Sportsbook	132	-	-	-	-	132
Game Development	-	75	-	-	-	75
Online Marketing	-	-	68	-	-	68
Gaming Technology	-	-	-	1	-	1
Land-based Casino	-	-	-	-	43	43
Other	7	-	-	0	-	7
Total	717	75	68	1	43	904

Timing of revenue recognition						
Services transferred at a point in time	717	75	-	1	43	836
Services transferred over time	-	-	68	-	-	68
Total	717	75	68	1	43	904

External Revenues (Mkr) Jan-Dec 2018	Online Gaming	Game Development	Online Marketing	Gaming Technology	Restaurant casino	Total
Primary geographical markets						
Nordic	1 712	1	3	-	157	1 873
Europé	810	167	144	4	-	1 124
World other	61	89	90	0	-	239
Total	2 582	256	237	4	157	3 236

Major services						
Casino	2 060	-	-	-	-	2 060
Sportsbook	480	-	-	-	-	480
Game Development	-	256	-	-	-	256
Online Marketing	-	-	237	-	-	237
Gaming Technology	-	-	-	4	-	4
Land-based Casino	-	-	-	-	157	157
Other	42	-	-	0	-	42
Total	2 582	256	237	4	157	3 236

Timing of revenue recognition						
Services transferred at a point in time	2 582	256	-	4	157	2 999
Services transferred over time	-	-	237	-	-	237
Total	2 582	256	237	4	157	3 236

Key performance indicators and growth

Group key performance indicators	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Financial measures defined by IFRS:					
Total operating revenues (MSEK)	904	899	753	681	608
Organic growth (percent)	41	46	39	25	16
Cash and liquid assets (MSEK)	570	584	459	392	299
Number of outstanding shares at the end of the period (thousands)	105 668	105 668	105 668	103 815	103 815
Average number of outstanding shares during the period (thousands)	105 668	105 668	104 181	103 815	103 815
Earnings per share before dilution (SEK)*	1,14	1,75	0,77	0,79	0,05
Earnings per share after dilution (SEK)*	1,14	1,74	0,76	0,79	0,05
Alternative Performance Measures:					
Operating profit (EBITDA)	198	258	165	192	141
Operating margin (EBITDA,%)	21,9	28,7	21,9	28,2	23,3
Operating profit (EBIT)	137	271	126	156	105
Operating margin (EBIT,%)	15,1	30,2	16,8	22,9	17,3
Return on equity, rolling 12 months (%)	35	24	14	15	6
Operating cash flow per share (SEK)	0,83	2,74	1,55	1,86	-0,04
Equity per share (SEK)	14,21	15,61	14,34	12,17	11,27
Equity/assets ratio (%)	40	44	40	35	34
Investments in fixed assets (MSEK)	-13	-12	-14	-46	33
Average number of employees (yearly full-time equivalents)	1 035	865	899	839	751
Number of employees at end of period	1 483	1 290	1 347	1 407	1 383
Number of registered shareholders	9 150	9 322	9 258	6 540	6 657
Share price at the end of the period (SEK)	86,60	56,90	60,50	63,00	49,30

*Earnings per share are calculated based on the profit for the period excluding the minority share. See page 26 for definitions of financial and alternative key performance indicators.

Organic and real growth

SEK m	Q4		Jan-Dec	
	2018	2017	2018	2017
Previous years revenue	608	519	2 252	1 102
Organic growth	248	77	776	294
Acquired revenue	3	5	21	820
Divestments	-	-	-	-
Real Growth	859	602	3 049	2 216
Change in foreign currency	45	6	187	36
Revenue for the period	904	608	3 236	2 252

Financial definitions and alternative key performance indicators

DEFINITIONS OF IFRS KEY PERFORMANCE INDICATORS

Key Performance Indicator	Definition
Revenue	Revenue from sales less VAT, sales bonuses and elimination of intra-Group sales
Earnings per share	Profit/loss for the period in relation to the total number of outstanding shares

KEY PERFORMANCE INDICATORS NOT DEFINED IN ACCORDANCE WITH IFRS

In the income statement	Definition	Reason for use of key performance indicator
Revenue growth	Percentage change in net sales between two periods.	The measure is important in connection with the continuous assessment of the company's total revenue change, including acquisitions.
Organic growth	The increase in revenue for the period, adjusted for acquisitions/divestments and exchange rate fluctuations. Revenue from acquisitions is included in organic growth after 12 months.	The measure gives a clear picture of the growth generated by the Group itself.
Currency-adjusted growth	The increase in revenue for the period, adjusted for exchange rate fluctuations.	The measure gives a clear picture of the Group's growth, excluding exchange rate changes.
EBITDA (Earnings before depreciation, amortization and impairment, financial items and taxes)	Calculated as operating profit before depreciation, amortization and impairment, financial items and taxes.	The measure is essential in understanding the Group's operating profit, regardless of financing and amortization.
EBITDA margin	EBITDA as a percentage of revenue.	The measure is essential in continuously monitoring the Group's operational profitability, regardless of financing and amortization. The key performance indicator is of interest for investors and other stakeholders in assessing the Group on an ongoing basis.
EBIT	Operating profit/loss before financial items and taxes.	Operating profit/loss provides a comprehensive picture of the company's earnings generation and is of relevance to investors, analysts and the company's management in evaluating the company's earnings trend.
EBIT margin	EBIT as a percentage of revenue.	The measure is useful for investors and other stakeholders in monitoring the company's ongoing earnings performance.
Items affecting comparability	Items not attributable to underlying operations and not of a recurrent nature. In connection with incremental acquisitions, the gains/losses arising on revaluation of previously reported shares of equity at fair value and significant transaction expenses.	The measure provides a clear indication of values that are not part of the operating activities, that are not of a recurrent nature and that do not affect consolidated cash flow. The measure is of interest to investors and other stakeholders from a comparability perspective.
Financial measures	Definition	Reason for use of key performance indicator
Net debt	Interest-bearing liabilities less cash and cash equivalents.	The key figures are useful for investors and other stakeholders in providing an indication of the company's indebtedness and financial risk.
Equity per share	Total equity excluding minority interest in relation to total number of outstanding shares.	The company reports this key figure as it can be used in evaluating the company's financial position.
Cash flow per share	Cash flow from operating activities in relation to the total number of outstanding shares.	This key performance indicator is useful for investors and other stakeholders in evaluating the company's financial position and its ability to generate free cash flow.
Equity/assets ratio	Equity in relation to total assets.	The company reports this key performance indicator as it illustrates the financial risk expressed in terms of what proportion of the balance sheet is financed by the company's shareholders relative to debt.
Balance sheet total	Sum of the assets side in the company's balance sheet or the sum of liabilities and shareholders' equity.	Used as component when calculating certain key performance indicators.
Return measures	Definition	Reason for use of key performance indicator
Return on equity	Profit/loss after tax in relation to average equity.	This key performance indicator is reported as it shows the return that the company provides on shareholders' capital in the company, which is relevant to investors and other stakeholders in assessing the company.

Cherry in brief

Cherry is an innovative and fast-growing gaming company with operations in gaming, entertainment and media. 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*.



Read more about the Group at www.cherry.se

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This Year-end report has been prepared in both Swedish and English. In the event of discrepancies between the language versions the Swedish wording shall apply in all instances.

Financial calendar 2019

Annual Report 2018,
In the week commencing 8 April 2019

Interim report January-March 2019,
Tuesday, 7 May 2019

Annual General Meeting 2019,
Thursday, 9 May 2019

comeon!

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HIGHLIGHT
GAMES

 Game Lounge

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