

Please note that this document is an English translation of the original Swedish prospectus. In the case of any discrepancy between the translation and the Swedish original, the latter shall prevail.



Betsson ABs distribution of shares in Cherryföretagen AB and prospectus for listing of the company 2006



Handelsbanken Capital Markets

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Dates for financial information

Interim report for the period 1 January – 30 June 2006:	30 September 2006
Interim report for the period 1 January – 30 September 2006:	30 November 2006

This prospectus has been prepared following the decision of the Board of Directors of Betsson AB to propose that an extraordinary general meeting resolves that shareholders in Betsson shall receive shares in Cherryföretagen AB and that the Board of Directors for Cherryföretagen AB has applied for the quotation of these shares on the Aktietorget Exchange. As used in this prospectus, the terms “Cherryföretagen”, “the Company” or “Cherry”, depending on the context, refer to Cherryföretagen AB (publ) or to the group in which Cherryföretagen AB is the Parent Company. The term “the Group” refers to the group in which Cherryföretagen AB is the Parent Company. The term “Betsson” refers to Betsson AB (publ) and its subsidiaries, unless the context indicates otherwise.

The accounts are for Cherry Casino AB only. Generally speaking, the new Cherryföretagen Group consists of the former business area Cherry Casino within the present company Betsson.

In some tables in the prospectus, where figures have been rounded, the total shown may not equal the sum of its constituent parts.

This prospectus contains forward-looking statements made by the Board of Directors of Cherryföretagen based on current market conditions. Although the statements in question have been thoroughly prepared, the reader must be aware that these statements, like all future expectations, are based on assumptions and involve uncertainties.

This prospectus contains historical market information, including information relating to sales in volume and amount in markets where Cherryföretagen operates. This information comes from various sources and Cherryföretagen is responsible for ensuring that such information has been correctly reproduced. Even if Cherryföretagen considers these sources to be reliable, it has not conducted an independent evaluation and assessment of this information and cannot therefore guarantee that this information is accurate or complete. As far as Cherryföretagen is aware and can confirm through comparisons with other information that has been made public by the third parties from which this information has been obtained, no information has been omitted in a way that would make the reproduced information incorrect or misleading.

The information in this prospectus shall be subject to Swedish legislation. Disputes arising from the contents of the prospectus or related legal matters shall be settled exclusively by a Swedish court of law.

This prospectus has been approved and registered with the Swedish Financial Supervisory Authority (Finansinspektionen) in accordance with the provisions stipulated in Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (1991:980).

Handelsbanken Capital Markets has acted as financial advisor to Betsson and Cherryföretagen.

The Cherryföretagen shares are not the subject of trading or application for such in countries other than Sweden. The Cherryföretagen shares have not been registered in accordance with the United States Securities Act of 1933 or provincial law in Canada.

Distribution of the subsidiary Cherryföretagen AB to the shareholders of Betsson AB

The Board of Directors of Betsson have proposed that an Extraordinary General Meeting of Betsson to be held on September 6, 2006 approve a decision to distribute all shares in the subsidiary Cherryföretagen to the shareholders of Betsson.

The current Betsson AB was previously named Cherryföretagen AB. The decision to change the name to Betsson AB was taken at the Annual General Meeting of Betsson AB on May 15, 2006. The Parent Company in the current Cherryföretagen group was previously named Cherry Fritidsattraktioner AB. At an Extraordinary General Meeting of Cherry Fritidsattraktioner AB on May 17, 2006, a decision was made to change the name to Cherryföretagen AB.

Provided that the Extraordinary General Meeting of Betsson on September 6, 2006 decides in accordance with the Board of Directors' proposed distribution, shareholders in Betsson for each ten shares held will receive one share in Cherryföretagen of the corresponding series. The proposed distribution is to be in proportion to each shareholder's holding in Betsson, whereby each ten series A shares in Betsson will entitle the holder to one series A share in Cherryföretagen and every ten series B shares in Betsson will entitle the holder to one series B share in Cherryföretagen.

The proposed record date for receiving shares in Cherryföretagen is September 11, 2006. Shares in Betsson will be listed ex-rights to distribution of shares in Cherryföretagen as of September 7, 2006. The final day for trading of shares in Betsson including the right to distribution of shares in Cherryföretagen is September 6, 2006.

Excess share fractions received that do not correspond to a whole share in Cherryföretagen will be automatically aggregated to whole shares in Cherryföretagen and sold via Handelsbanken Capital Markets on Aktietorget. Payment of sales proceeds, without deduction of commissions, will be made through VPC on or about September 28, 2006.

Cherryföretagen was approved for listing by Aktietorget's Board of Directors on June 2, 2006. Trading in series B shares of Cherryföretagen is expected to begin on Aktietorget on or about September 12, 2006.

The distribution of all shares in Cherryföretagen will require unrestricted equity of SEK 42.5 million in the Parent Company Betsson. At December 31, 2005, unrestricted equity in Betsson amounted to SEK 149.6 million.

The distribution of shares in Cherryföretagen is covered by the so-called Lex Asea rules, which primarily means that the shares in Cherryföretagen are received as a tax-free dividend. See also the section "Tax issues in Sweden".

Summary

This summary does not aim towards being complete but is to be viewed as a introduction to the prospectus. Every decision about voting for distribution of shares in Cherryföretagen or investing in the Cherryföretagen share is to be based on a personal assessment of the prospectus as a whole. An investor who initiates proceedings in a court of law due to information provided in the prospectus may be forced to defray the costs for translation of the prospectus. A person may be hold liable for information that is a part of or is missing from the summary or a translation of it, only if the summary or translation is misleading or wrong in relation to the other parts of the prospectus.

Operational description

The enterprise of Cherryföretagen has been running gaming operations for about 40 years and is, since many years, the leading private gaming player in the Swedish market, aiming towards casino and slot gaming. The operations are conducted at restaurants in Sweden, aboard vessels trafficking Northern Europe and the Mediterranean as well as gambling halls in Denmark.

Restaurant casino

Cherryföretagen is the largest restaurant casino entrepreneur in Sweden, among its 113 or so competitors, and it mainly operates table games (Black Jack and Roulette) in about 220 Swedish restaurants and hotels.

Cherry's excellent service, professional expertise and personal attention are the factors for success that create a long-term, sustainable and profitable concept.

Maritime gaming

Cherryföretagen operates its maritime business, in the form of casino and machine gaming, on about 45 ferries in international traffic. In particular, the Mediterranean is an important growth area for Cherry.

Cherry provides gaming equipment and is responsible for maintenance, day-to-day operation onboard the vessels and in some cases staffing.

In the end of 2003, Cherry signed a five-year contract with Danish Shell regarding the establishment of gaming facilities at gas stations in Denmark. At present there are 8 such gaming facilities in Denmark. The gas stations are carefully selected and are sited at locations with a big customer basis.

Business model and strategy

Cherryföretagen's business model is aimed at creating gaming pleasure through gambling, lotteries and competitions. By combining thorough knowledge with good and exciting products, easy accessibility and local commitment, not to mention professional service, Cherry lays the foundation for long standing and rewarding cooperations.

The overall strategies of Cherryföretagen are the following:

- Develop and market traditional games in close cooperation with our partners
- Develop new business models where gaming contributes to recreation
- Continued expansion in the maritime operations, both in the Nordic and other parts of Europe, where focus is placed on the Mediterranean
- Adaptation of the organisation in order to be able to quickly take advantage of new business possibilities both in Sweden and Europe
- The gaming operation of Cherryföretagen is to be conducted under great responsibility

Goals

Operative quantitative goals

- Cherry is going to increase sales with 5 percent annually.
- Cherry shall strive to achieve that no single gaming entrepreneur is operating with a margin less than 4 percent, where margin is defined as result after direct costs in relation to sales.

Operative qualitative goals

Profitable growth

Cherry shall seek to achieve profitable growth. The growth shall be organic as well as acquisition-based. Growth shall take place within new services segments and on new geographic markets.

Cost efficiency

Since Cherry operates in a very competitive market it is important for the competitiveness that the Company is operated with cost efficiency. This shall permeate the whole organisation. Administration and overhead costs shall be kept at a low level. Through more efficient planning personnel and other operative costs shall be reduced in relation to sales.

Attractive work place

In order to attract and keep competent people Cherry shall work to create and maintain an attractive work place. The environment shall be characterized by credibility, openness, and participation. Cherry shall strive to secure a good physical work environment and the Company shall promote health activities and in other ways obstruct sickness. In this way Cherry can lower the costs for personnel education and reach a higher degree of competitiveness.

Financial goals

The following financial goals shall be the guiding principle for the activities of the Group over a business cycle:

- Growth in sales shall be at least 5 percent annually.
- The profit margin shall be at least 4 percent.
- The average return on assets shall be at least 12 percent annually.
- Return on equity shall amount to at least 8 percent after taxes.
- The equity ratio shall amount to at least 40 percent.

Business model

Cherryföretagen's business model is aimed at creating gaming pleasure. Cherry does this by working closely with restaurant owners, shipping companies and other owners of gaming sites. Cherry offers its partners gaming, gaming systems, personnel, equipment, service, administration and, most important, knowledge of the gaming market. Cherry's partners provide marketplaces and customers. Whatever the form of gaming, Cherry is usually responsible for the whole gaming contract.

Market description

Cherryföretagen has been active in the gaming industry since the early 1960s. Political decisions and, more recently, technical advances in the area of electronic media are some of the external factors that are affecting and changing the gaming industry to a great extent. The Swedish gaming market is regulated and, at present, only private gaming initiatives with low stakes and low winnings are allowed.

The Swedish gaming market had a total turnover of SEK 35.6 billion in 2005. This represents a decrease of almost 2.5 percent compared to the previous year.¹ It is uncertain whether or not this means that Swedes have cut down on gaming. One explanation for this decline in gaming could be that people are increasingly turning from the government controlled options to play online instead. Many companies on the Internet offer far better winnings than Svenska Spel, for example, offers its players.

The Swedish restaurant casino market is highly fragmented and is characterised by a multitude of small operators with small market shares. In many cases, however, these operators have a strong regional/local market position. Cherryföretagen estimates that the Company's market share is about 37 percent², measured as the number of active gaming tables in relation to the total number of gaming licences for restaurant casinos, which means that the Company is the largest private operator on the Swedish market.

The market for gaming on vessels is highly fragmented due to different national legislative requirements depending, among other things, on the country of registration of each vessel. Although competition for winning shipping customers is keen, Cherry has gained market share. One major explanation for this is that Cherry's work is based on a service concept that provides the customer with good support and follow-up. Cherry is a quoted company – a fact that its customers associate with quality and a key reason why Cherry has such a good reputation.

¹ Source: The Swedish Gaming Board (Lotteriinspektionen).

² This estimate is based on information from the Swedish Gaming Board (Lotteriinspektionen) about the number of gaming licences granted.

Risk factors

Upon assessing the future development of Cherryföretagen it is important to consider a number of risk factors that are estimated to be of essential importance for the future development of the Company. Risks regarding operations of the Company are related to, among other things, political decisions and licensing from authorities, gaming addiction among customers, competition, key personnel, major customers, economic development, cash handling, games, intellectual rights and agreements, customer agreements, cooperation partners, credits, exchange rate changes and the trading of the stock.

Additional risks that currently are not known to the Company, or currently are being considered as minor, may have reasonable impact on the operations, financial standings or results of Cherryföretagen. See "Risk factors", page 6.

Financial pro forma accounts in summary

The below pro forma statement has been formed to illustrate how the current Cherryföretagen Group may have looked if the group had been formed and capital structure established as of the first day of the fiscal period based on the income statement pro forma as well as the last day of the fiscal period for the balance sheet pro forma.

The pro forma statement is intended to describe a hypothetical situation. Its only purpose is to provide information and highlight facts. It is not a description of the company's financial status or the profits that operations would have achieved if the Group had been established during the reported time points. Furthermore, it does not indicate any financial status or the profit or loss for the operations at any future point or period in time.

For more information on pro forma accounts see page 23.

<i>Amount in SEK (thousand)</i>	<i>PRO FORMA</i>	<i>PRO FORMA</i>
	<i>GROUP</i>	<i>GROUP</i>
	<i>2006 Q1</i>	<i>2005 Full year</i>
Revenue from gaming operations	48 158	233 520
Other operating revenue	644	2 335
Total	48 802	235 855
Operating expenses:		
Running expenses in gaming operations	-25 196	-122 932
Other external expenses	-3 664	-15 890
Payroll expenses	-18 353	-85 198
Depreciation	-2 522	-9 742
Other operating expenses	-61	-43
Total operating expenses	-49 796	-233 805
Operating profit/loss	-994	2 050
Financial income	29	1 212
Financial expenses	-201	-1 281
Total net financial income	-172	-69
Profit/loss before tax	-1 166	1 981
Tax	268	-722
PROFIT/LOSS FOR THE YEAR	-898	1 259
Of which attributed to:		
Parent company's shareholders	-755	680
Minority interest	-143	579
Profit/loss per share (SEK)	-0,19	0.17

Risk factors

In assessing Cherryföretagen's future development, it is crucial to take into account the risk factors outlined below, which are deemed to be of key significance for the company's future development. It is important to note that the factors are not arranged in order of significance and the presentation does not claim to be comprehensive. Additional risks that are not yet known to the company or that the company deems to be currently insignificant may have a substantial impact on Cherryföretagen's operations, financial position and earnings. An overall assessment must also include other information in this prospectus.

Business and industry-related risks

Political decisions

In most national markets, legislation strictly regulates gaming and all gaming operations are essentially subject to license. Political decisions have previously affected Cherryföretagen's operations significantly and thus there is a risk that this may also be the case in the future.

Official licenses and legal aspects

The Cherryföretagen Group's operations are subject to licenses. The Company's operations may be adversely affected by a rising level of regulations by the relevant public authority or in the event of changes in legislation in the area.

To conduct operations, the Cherryföretagen Group must have a license for restaurant-casino operations and gambling on slot machines. Thus the companies in the Group are dependent on receiving and retaining the necessary licenses from the relevant authorities. Potential investors in Cherryföretagen should thus be aware that operations on the event of changes in legislation or that a court or official agency makes a negative interpretation of existing legislations and regulations could have an adverse impact to a substantial degree.

Addiction to gambling

People who become addicted to gambling may sue the companies in the Cherryföretagen Group for their gambling addiction. Even if these claims were rejected, they could result in substantial legal expenses and also reduce confidence in the Cherryföretagen Group, which could eventually lead to a decline in revenues.

Competition

The Swedish casino market is mature and is characterized by a large number of small players. In pace with an adjustment of Swedish gaming legislation to international rules, the Board of Directors believes that competition may increase. The Board of Directors feels that Cherryföretagen has an established and solid position in the Swedish restaurant-casino market. Maritime operations are pursued primarily in the Scandinavian and Mediterranean markets.

The establishment of international casinos is highly exposed to competition from several international casino companies. Additional adverse political decisions or increased competition from financially stronger competitors may give rise to considerably negative effects for the Company.

Internet gaming is as yet a relatively immature industry but development is very rapid in this area. Competition may increase in the future from web-based players.

Dependence on key personnel

Cherryföretagen's future progress and profitability depend considerably on a number of key people. Any loss of key personnel may have a negative impact on Cherryföretagen's future earnings potential and profitability.

Dependence on major customers

The number of customers in Cherryföretagen's business areas exceeds 200. No individual customer accounts for more than 15% of the Group's earnings. However, individual units in each business area may have greater exposure to individual customers. The loss of a major customer may result in a negative impact on Cherryföretagen's earnings and position.

Economic conditions

The conventional gaming markets in Sweden are rather constant in terms of disposable income. Historically, the restaurant and casino sector has moved in line with development in the restaurant business. Maritime operations are dependent on developments in the shipping industry in the particular areas.

Deteriorated economic conditions and changed consumer and gaming behavior among the company's customers could have a negative impact on the company's sales and earnings.

Handling of cash

The handling of cash in the Cherryföretagen Group is extensive, entailing risks such as theft and burglary. In addition, only a certain portion of the cash handled is insured. The risks involved in handling cash in restaurant and casino operations and in certain other parts of the Group have, however, been partly minimized since the physical handling of cash containers is no longer done by Cherryföretagen. Instead, cash is handled by customers (restaurants and hotels) in line with their routines. However, in other parts of the Group, cash is still handled and transported. In an effort to reduce risks involved in handling cash, the company has employed a security consultant who has conducted a major overview and has submitted an action program.

Occasionally some of Cherryföretagen's slot machines are robbed. However, slot machine manufacturers are constantly seeking to design safe solutions in terms of lock design, etc.

Gaming risk

The Cherryföretagen Group's business concept is based on generating a return over time using a large number of games. Individual large wins have occurred in certain operations, which have had a major short-term impact on the company's earnings. Over time, however, earnings are not affected by gaming risk.

Intellectual rights and agreements

The fruit symbol used by Cherryföretagen is registered in the EU in the form of a logo in which the words Cherry Casino and the fruit symbol are included in metallic gold color. The red and green fruit symbol currently used is registered only in Sweden. As a result, there is a risk that the currently used fruit symbol is not protected and/or encroaches on some other party's brand in markets in which Cherryföretagen is active. However, following a risk assessment, Cherryföretagen has decided not to pursue an extensive registration policy.

Cherryföretagen has acquired the ownership rights to registered brands through transfer agreements concluded on April 28, 2006, between Betsson and Cherryföretagen (national brands), and Net Entertainment AB and Cherryföretagen (EU-registration of the Cherry Casino brand with the fruit symbol in metallic gold color). Both transfers were made free of charge. Re-registration of each brand with the relevant registration authority has not yet been completed.

As of April 28, 2006, Cherryföretagen concluded an agreement with CasinoEuro Ltd (Malta) covering the license for all of Cherryföretagen's registered brands in Sweden and abroad for the use in CasinoEuro Ltd's casino operations on the Internet. The agreement extends for ten years, with the possibility of an extension for five years. As noted above, web-based players compete with Cherryföretagen. This means that CasinoEuro Ltd may be a competitor to Cherryföretagen in markets in which Cherryföretagen is active. Also, it is possible that Cherryföretagen during the life of the contracts will in some respect pursue web-based operations that can entail direct competition with CasinoEuro Ltd, whereby CherryEuro Ltd's use of Cherryföretagen's brands may be negative for Cherryföretagen. Cherryföretagen's Board has, however, concluded that Cherryföretagen will not be exposed to competition from CasinoEuro Ltd, since this company primarily focuses on markets other than those of Cherryföretagen.

Customer agreements

Most of the Cherryföretagen Group's customer agreements may be terminated if the premises (vessels or restaurants) in which gaming and casino operations are pursued are transferred, sold or operations are taken over by another party. This is a customary provision in restaurant-casino sector but it represents a risk that the Cherryföretagen Group cannot influence and, thus, the Group's earnings may be reduced if a number of customer agreements are terminated in the short term. Accordingly, although casino companies sign long-term agreements, there is no guarantee that contractual relations will continue during the contractual period. Apart from Cherry Maritime Gaming AB's agreements with Superfast Ferries S.A. covering the vessels Superfast VII and Superfast VIII, which ceased to apply as of April 10, 2006, no significant customer agreements have been recently terminated.

Dependence on business partners

Via two joint ventures with a business partner, Cherryföretagen Group runs gaming operations on vessels in the Mediterranean. The cooperation is governed by shareholder agreements that extend for a long time into the future. The business partner has a lot of contacts in the particular area, which means that the business partner is a major asset in the operations. Many of the requisite gaming licenses are linked directly to the business partner personally. Even though the business partner has some of the gaming licenses and customer contacts, it is the

Cherryföretagen Group that largely enables investments in the Mediterranean-based operations. Also, the Cherryföretagen Group does not depend on the business partner for current customer contacts, since it has personally established good relations with these parties. However, as regards the establishment of new contacts, the Cherryföretagen Group is dependent on the business partner's network of contacts.

Financial risk

Advance payments of gaming revenue shares and credit risks

Cherryföretagen can provide advance payment of gambling revenue shares to the company's customers, which is a natural aspect of Cherryföretagen's gaming operations in the restaurant and casino sector. Advance payment of gaming revenue shares is a mean of competition in the industry and is significant in the outcome of business negotiations for gaming location agreements. The advance payment of gaming revenue shares entails a credit risk. To minimize this risk, the recipient of the advance places collateral in the form of corporate or property mortgages, personal securities and/or the pledging of property.

Cherryföretagen assesses that, currently, sufficient precautions currently have been taken, to a reasonable extent, in order to protect itself from fraud and credit risk.

Changes in exchange rates.

Cherryföretagen Group has some of its revenue and expenses in currencies other than SEK. There is a currency exposure to the EUR and DKK, which entails risks of exchange rate losses. Currency hedging is not undertaken; instead, currency risk is viewed as a normal feature of the Group's business model.

Risks relating to the distribution and listing on the Aktietorget exchange

The shareholders in Betsson intend that the Extraordinary Annual General Meeting on September 6, 2006 approve the distribution of the subsidiary Cherryföretagen. Following the completion of the distribution, it is planned to list the new Group Parent Company, Cherryföretagen, as of September 12, 2006 on the Aktietorget AB's list.

The Cherryföretagen share

Prior to the planned listing of Cherryföretagen on Aktietorget AB's list, the shares have not been traded. However, the listing does not represent a guarantee of share liquidity. The share price will be affected by, for example, variations in Cherryföretagen's earnings and financial position, changes in stock market expectations of future earnings, the supply and demand for shares, plus the general economic trend. These factors entail variations in the share price.

Taxation risks

The company conducts its operations through subsidiaries in Sweden, Denmark, Cyprus and Liberia. The operations, including intra-Group transactions, are conducted in accordance with the company's interpretation of applicable tax laws, tax agreements and regulations in the countries concerned, as well as the tax authorities' regulations. However, the possibility cannot be generally excluded that the company may incorrectly interpret applicable tax laws, tax agreements and regulations, or the tax authorities' regulations. In addition, these rules can change, possibly with a retroactive effect. The company's previous or current tax situation could change as a result of the tax authorities' decisions. As far as the company and its subsidiaries are aware, they are not currently subject to any type of tax investigation.

Background and reasons

The current Betsson AB was previously named Cherryföretagen AB. The decision to change the name to Betsson AB was taken at the Annual General Meeting of Betsson AB on May 15, 2006. The Parent Company in the current Cherryföretagen group was previously named Cherry Fritidsattraktioner AB. At an Extraordinary General Meeting of Cherry Fritidsattraktioner AB on May 17, 2006, a decision was taken to change the name to Cherryföretagen AB.

In 2005, the Board of Directors of Betsson decided to propose to an Annual General Meeting of Betsson that Betsson be divided into three independently listed companies: Betsson, Cherryföretagen and Net Entertainment. The three business units have thus far conducted independent operations with limited coordination benefits. The business relations between the units are on market terms and regulated by contracts. The division is being made to more clearly identify the value in each business and thus create three clear investment alternatives. The Board of Directors of Betsson believes that the three business units will be able to grow more rapidly and strongly as separate entities. A division also makes the different businesses more transparent, thus allowing shareholders to choose the desired risk level and business orientation.

Against this background, the Board of Directors of Betsson have proposed that an Extraordinary General Meeting of Betsson on September 6, 2006 approve a decision to distribute all shares in the subsidiary Cherryföretagen to the shareholders of Betsson.

Cherryföretagen conducts traditional gaming operations based on Black Jack and roulette in restaurants, gaming on ships in international traffic, slot machine games and other forms of gaming. Most operations are conducted in Sweden and Denmark. Cherryföretagen has about 700 employees. In 2005, pro forma revenues amounted to about SEK 235.9 million, with pro forma profit of about SEK 2.1 million.¹ The Boards of Directors of Betsson AB and Cherryföretagen AB consider that Cherryföretagen has a well-balanced financial position and that existing working capital is sufficient for current requirements.

In other respects, reference is made to the current prospectus, which was prepared by the Board of Directors of Cherryföretagen in conjunction with the proposed distribution of the Company's shares to the shareholders of Betsson AB and the subsequent listing of the Company's shares on Aktietorget.

The Board of Directors of Betsson and the Board of Directors of Cherryföretagen are responsible for the contents of this prospectus and hereby assure that as far as is known to the Boards after having taken all reasonable cautionary measures, the information in this Prospectus accurately reflects the actual circumstances and that nothing has been omitted that could affect its meaning.

Stockholm, August 17, 2006

Betsson AB (publ)
The Board of Directors²

Stockholm, August 17, 2006

Cherryföretagen AB (publ)
The Board of Directors³

¹ For more information about pro forma accounting, see page 23.

² The Board members of Betsson AB responsible for the information in this prospectus are John Wattin (Chairman), Kicki Wallje-Lund, Skúli Valberg Olafsson, Patrick Svensk, Anna-Carin Månsson, Anders Holmgren, Per Hamberg. Betsson AB has its registered offices in the municipality of Stockholm.

³ The Board members of Cherryföretagen AB responsible for the information in this prospectus are Pontus Lindwall (Chairman), Per Hamberg and Gunnar Lind. For further information about these persons, see page 53. Cherryföretagen AB has its registered offices in the municipality of Stockholm.

Terms, conditions and instructions

Issue of shares in Cherryföretagen AB (publ)

One share in Cherryföretagen AB (publ) will be received for every ten shares in Betsson AB. The issue of shares is proposed to be in proportion to each individual shareholder's holding in Betsson whereby each ten shares of series A in Betsson gives the right to obtain one share of series A in Cherryföretagen and each ten shares of series B in Betsson gives the right to obtain one share of series B in Cherryföretagen.

Record date

The record date for receiving shares in Cherryföretagen is proposed to be September 11, 2006. The shares in Betsson will be listed, excluding rights to issue of shares in Cherryföretagen, as of September 7, 2006. Last day for trading in shares in Betsson including rights to issue of shares in Cherryföretagen is September 6, 2006.

Receipt of shares

Shareholders who are entered on Betsson AB's share register or on the separate list accompanying Betsson's share register on the record date September 11, 2006 as being entitled to participate in the issue will automatically receive shares in Cherryföretagen and payment for any fractional shares. Please see "Fractional shares" below.

The shares in Cherryföretagen will be registered on the shareholders' VP accounts on or about September 12, 2006. The VPC will then issue a notice stating the number of shares registered in the VP account of the receiver.

Bearer shares

Shareholders holding bearer shares in Betsson will not receive a statement from VPC. Instead, the financial intermediary is responsible for notifying the shareholder.

Fractional shares

Every ten shares in Betsson give entitlement to one share in Cherryföretagen. This means that shareholders in Betsson whose shareholding is not evenly divisible by ten will receive surplus fractions of a share in Cherryföretagen. Such fractional shares will automatically be converted to full shares in Cherryföretagen which are sold by Handelsbanken Capital Markets. After the sale, the proceeds will be distributed to the shareholders in proportion to the number of shares held by each shareholder. VPC provides for the payment of the proceeds of the sale on or about September 28, 2006. Proceeds are paid into the proceeds account linked to the VP account. A VP notice is issued to confirm payment.

No brokerage is payable.

Listing on the Aktietorget Exchange

Cherryföretagen has made an application for listing of its series-B shares on the Aktietorget Exchange. The shares are due to be listed on September 12, 2006. The proposed trading lot is one tenth of a basic amount. The share will be listed under the designation CHER and the ISIN code 0001775479.

Share entitlement

The shares in Cherryföretagen carry entitlement to the allocation of shares as of the 2006 financial year.

Words from the President

Lately we have undertaken a number of important changes. These changes have resulted in that Cherryföretagen is now strongly equipped to grow on a quickly changing market as an independent quoted company.

Excitement, entertainment and social fellowship. In short, that is what we at Cherry offer our customers through gaming facilities in among other places restaurants and vessels in Sweden and Europe. We have been doing this very successfully every day for more than 40 years. The knowledge that we have gathered over the years is unique and an important reason to why I look very brightly upon the future of Cherryföretagen.

I want to establish one thing quickly: I think that the fact that the gaming market is regulated is positive. As many other things in our society even gambling can might cause problems wherefore it is important that a clear regulatory system exists, just like the one we have here in Sweden. On the other hand, what is not positive is that only the equestrian sports, the government and the popular movements are allowed to undertake gaming operations in Sweden. This is not how it has to be on a regulated market, which Denmark is a good example of.

No monopoly or competitor can ever take away our strongest card: our unbeatable experience and competency within gaming. In my opinion it is only a matter of time before the monopoly crumbles and when that happens we are ready for a quick expansion.

Short notes on Cherry and important events the last year

Cherry is the biggest private player within the restaurant casino market with a market share of about 37 percent¹. The development during the first months of 2005 was positive but the year ended with a decline in turnover and profitability since the market slumped.

In order to adapt to the new conditions a number of actions was taken the fall of 2005 aimed at increasing the revenues and reducing the costs.

- All operative staff, equipment and administration within the restaurant-casino operations were merged to a national company, which led to reduced costs.
- Reduced stock-keeping and the procurement of new inexpensive premises.
- The organization has been streamlined, which unfortunately has meant that a number of employees has been forced to leave the company.
- New business models that will lead to new streams of revenue are under development.
- A new poker game, Cherry Hold'em, was introduced

2005 was a really good year for our Maritime gaming operations. Both growth and profitability were improved and the future looks bright. We made new agreements in Italy and continue to concentrate on ferries operating the Mediterranean.

The positive development is the result of the strategy we turned to at the end of 2004. This strategy has led to that we now have moved focus from principally competing with prices to competing with a full-concept. In Denmark Cherry offers gaming facilities at petrol stations in cooperation with Shell and adapted this to a system of franchising. We also closed a number of unprofitable gaming facilities which affected the result positively, even though the turnover decreased. Our undertaking of increasing maritime gaming on vessels approaching Danish harbours has resulted in new agreements.

New services and concepts

We will from now on focus even more on growing within profitable segments. We are aiming on segments where the customer values a high level of service and quality, in combination with a high rate of investments in new equipment. We will continue to develop new services and activities in order to secure our strong position. High up on our agenda is the continued expansion in Europe, first and foremost within our maritime operations. During the first quarter of 2006 we have signed new agreements that strengthen our presence in the Mediterranean area, which is a very expansive region.

Our strategy to run gaming operations under great responsibility stands. To be a serious player for end consumers and our partners is the cornerstones of our business. Altogether the future looks promising for Cherry. We have shown that we quickly can adapt to changes on the market and will soon be presenting new offers that will lead to new streams of revenue.

¹ Based on the number of granted gaming concessions from Lotteriinspektionen.

Finally I would like to thank our competent and service minded co-workers without whom Cherry would not be what it is today – a service company within the recreation- and experience industry.

Stockholm August, 2006
Gunnar Lind
President

Operations

History

Cherryföretagen has its background in a gaming company that has run gaming operations since the 1960's. 1963 AB Restaurang Rouletter was founded by Bill Lindwall and Rolf Lundström. The operations were run primarily in the south and middle regions of Sweden. 1968 a cooperation was established with AB Roulett Konsult & Spelautomater founded by Per Hamberg and Lars Kling. The operations then included all of Sweden. 1972 the name Cherry was registered together with the cherry symbol.

1973 a new legislation made it possible for restaurants with license to serve wine to supply gaming machines with winnings in Swedish kronor. 1978 the Swedish Riksdag made the decision to prohibit gaming machines. This meant that the base for Cherry's operations disappeared within a month. An extensive reorganization of the company was therefore undertaken. The basis for a new group was created as Cherryföretagen acquired a number of former Swedish business running companies in 1984 and financed the acquisitions with new issues of shares.

During the period of 1986-1991 Cherryföretagen ran gaming machine- and casino operations in a number of eastern European countries but during 1992 the development in Eastern Europe started to cause Cherry great losses. The Board of directors made the decision to refine the operations and slim or phase out the operations in Eastern Europe. The company would from now on concentrate on the gaming activity in Sweden as well as onboard vessels in Scandinavia.

1993 Cherryföretagen was a paying concern again and in 1994 Cherryföretagen acquired Casino Invest in Umeå which strengthened the Company's position in Norrland and Gothenburg. In February 1996 the operations with so called wheels of fortune started. The Swedish Riksdag; however, made a decision in November to prohibit wheels of fortune from January 1 1997. Cherryföretagen therefore introduced a new generation goods gaming machines for the restaurant- and bingo market.

1996 Cherryföretagen was listed on the SBI-list and in 1998 35% of Net Entertainment AB was acquired.

1999 Cherryföretagen acquired First Casino at the same time as the maritime operations started in the Mediterranean region. A cooperation agreement was signed with AB Svenska Spel regarding token machines. Cherryföretagen invested its surplus liquidity in IT companies, primarily within the Internet sector.

2000 Cherryföretagen acquired Kinnevik's share of Net Entertainment. The payment was made through a direct issue of shares whereby Kinnevik became the largest shareholder of Cherryföretagen. The parentcompany's B-shares were listed on the OM Stockholm Stock Exchange's O-list on June 22, 2000.

2002 Pontus Lindwall became President of Cherryföretagen again. The Company made that year's only over-subscribed preferential issue which brought in SEK 20 million from existing shareholders. The cooperation with Svenska Spel regarding Jack Vegas ceased according to plan.

2003 Cherryföretagen acquired the English sport-gaming company Betsson.com. The same year the Court of Justice of the European Communities ruled in the so called Gambelli-case that the Italian State's gaming monopoly is illegitimate regarding EU-rules and regulations. The Court of Justice ruled that limitations to the freedom of establishment and to the freedom of supplying services within the community can not exceed what is demanded to reach the object with such limitations. The verdict has consequences even for other gaming monopolies in the EU. Cherryföretagen also for the first time signed a test agreement with Danish Shell for the establishment of gaming facilities at their petrol stations.

2004 the Company reinforced management through the recruitment of Vice President/COO Gunnar Lind on August 9, with primary responsibility to lead and develop the non-internet based gaming operations within the group, which constitutes the operations of the noted company Cherryföretagen.

Within restaurant casino the competitors Knutsson Casino and Engdahl Casino were acquired.

In December 2005, the then Board of directors decided to propose a refinement of the operations and a dividend of Cherryföretagen and Net Entertainment to the shareholders. At the yearly shareholders' meeting a proposition was put forward to change the name from Cherryföretagen to Betsson.

In March 2006 Cherry Casino AB acquired the operations of Andersson & Andersson Casino KB.

Cherryföretagen's operations

Cherryföretagen has been operating gaming activities for about 40 years and has long been the leading, private gaming company in Sweden, with a focus on casino and gaming machines. The operations are run in restaurants in Sweden, on ships in Northern Europe and the Mediterranean region, and also in arcades in Denmark.

Restaurant casinos

Cherryföretagen is the largest restaurant casino entrepreneur in Sweden, among its 113 or so competitors, and it mainly operates table games (Black Jack and Roulette) in about 220 Swedish restaurants and hotels.

Through organic growth and strategic acquisitions of some major competitors, Cherry has excellent geographical coverage today. From Ystad in southern Sweden to Riksgränsen in the north, Cherry operates in collaboration with about 220 restaurateurs and hotels. By assigning responsibility at a regional level, Cherry is the only restaurant casino company today with offices in three cities - Gothenburg, Stockholm and Umeå. To retain close relationships with all partners, Cherry is geared toward a constant exchange of knowledge and it has a collective warehouse, where purchasing and logistics are coordinated between the companies. The district managers and casino managers, who do the local recruiting and manage operations, staffing and training, are vital to the company's success. With about 40 managers, Cherry has excellent geographic coverage in Sweden today.

Cherry's excellent service, professional expertise and personal attention are the factors for success that create a long-term, sustainable and profitable concept. Cherry's goal is to always have the best staff in the market. Its trademark is strong and the Company has few white areas on the map. With a continued focus on customer care and sales, there is every reason to hope for even more success. Cherry's efficient organisation also means that the Company can add new gaming locations without significantly increasing the costs.

This characterizes Cherry Restaurangcasino:

Staff & Education

In all lines of service the staff is the most important resource. Cherry therefore invests a large amount in education and service management. With professional educators and detailed course material Cherry has educated Sweden's leading croupiers for many years. The quality of the staff's competence is guaranteed continuously with different sets of tests. Through Cherry's organisation and nationwide operations there are great opportunities to develop and move to different locations.

The size is a strength

Cherry's operations in Sweden are nationwide, but with regional offices and district managers close to the customer. Therefore there are always opportunities to start gaming operations at new venues on a short notice. Through the broad geographical coverage the risk of closed gaming tables due to illness or shortage of staff is minimized. Cherry always prioritizes staffing at gaming tables and send personnel from nearby towns when necessary.

Clothing & local environment

The staff is equipped with a standard clothing consisting of a white shirt, black vest and black lower part along with a tie. A local environment program has been developed to strengthen the impression at the gaming tables. There are paintings, signboards, brochures, lighting and other peripheral equipment.

Economic Stability

Cherry's seriosity as well as financial strength is an economic guarantee for suppliers, partners and employees.

Engagement, Service and Seriosity

Through continuous engagement Cherry wants to offer extraordinary service characterized by seriosity. District managers are the customer's closest contact and are responsible for among other things education, staffing and equipment. Regional offices are in charge of accounting and disbursements as well as assisting the customer with all kinds of questions.

Administration and the economic reporting are centralized since the turn of the year 2005/2006.

Experience

Cherry has existed for nearly 40 years on the gaming market. The emphasis of the operations has been to develop new types of gaming and individually adapted solutions for Cherry's partners. The experience has developed the group to what it is today – and decides how it will look like tomorrow.

The Statistical system Joker

Cherry's administrative data system Joker assures rational and effective accounting and statistics. Here the results are controlled and analyzed for gaming location, staff and individual gaming tables. Joker warns at deviations and optimizes staffing and table constellations.

Security Routines

All revenues at gaming tables are registered with the cash system CasinoMaster and checked manually at the end of the work shift. Parallel to this, quality controls are made in cooperation with Securitas, the world's leading security company. Quality controls are also carried out through continuous help by internal resources.

Maritime gaming

Cherry runs maritime gaming operations on about 45 vessels in international service. The majority of these vessels operate in Scandinavian waters. The operations have been run since the beginning of 2000 by Cherry Maritime Gaming AB in Stockholm, in Secular Corporation, Cherry Services Ltd and Cherry A/S.

Administrative offices are located in Malmö and Hirtshals.

Cherry has a wide range of customers in terms of routes, types of vessels and flags. This means that Cherry has extensive experience of running gaming operations under different national and international regulations.

Cherry supplies gaming equipment and is responsible for staffing, maintenance and the day-to-day operation of all games on board vessels. The Company continually tests and evaluates new games from all over the world so that it can always offer its partners the best and very latest products. If necessary, all games are equipped with 'multi-coin/multi-bill', which means that coins and notes of different values and different currencies can be accepted. Cherry has developed its own computerised scanning system for slot machines. This offers a greatly improved means of monitoring and control. The system makes it possible to quickly identify and repair or replace games that are showing unsatisfactory results. Cherry can offer the shipping companies reliable, fast and comprehensive statistics for all slot machines on board the vessels.

Cherry signed a five-year contract with Danska Shell in late 2003 for the establishment of gaming facilities at petrol stations in Denmark. The agreement was replaced in May 2006 by a new agreement that extends to the end of 2009. There are currently eight such gaming facilities in Denmark. The petrol stations have been carefully selected and are in locations with high customer traffic. These facilities each have 8 to 15 slot machines that are kept under surveillance in a separate area of a petrol station. All machines are connected to the Danish government's computer system for inspection and tax computation purposes.

Cherryföretagen's entry into the Danish market also means it is building up an organisation that has the knowledge and experience to expand this concept to other countries when the regulations are changed.

Business concept and Strategy

Cherryföretagen's business concept is to create gaming joy through games, lotteries and contests. Through combining pure knowledge with exciting products, easy accessibility and local engagement as well as professional service Cherry lays the ground for long-lasting and fruitful cooperations.

Cherryföretagen's comprehensive strategy is the following:

- Develop and market traditional games in close connection to our partners.
- Develop new business concepts where gaming contributes to a moment of diversion.
- Continued expansion within the maritime operations both in the Nordic countries and in the rest of Europe, where focus is on the Mediterranean area.
- Adapting the organisation in order to quickly make use of new business opportunities both in Sweden and in Europe.
- Cherryföretagen's gaming operations are to be run with great responsibility.

Business and revenue model

Cherryföretagen's business model is aimed at creating gaming pleasure. Cherry does this by working closely with restaurant owners, shipping companies and other owners of gaming sites. Cherry offers its partners gaming, gaming systems, personnel, equipment, service, administration and, most important, knowledge of the gaming market. Cherry's partners provide marketplaces and customers. Whatever the form of gaming, Cherry is usually responsible for the whole gaming contract.

Cherryföretagen's revenue model has a success fee structure that is based on the profit from the casino game – the profit being the difference between what each individual player bets and wins. This revenue model is used in restaurant casinos and maritime gaming. As Cherryföretagen's payment model is based on the results of the

games, Cherry knows the importance of always providing efficient, attractive services that create an exciting gaming experience. This benefits both Cherry and its partners.

Goals

Operative quantitative goals

- Cherry is going to increase sales with 5 percent annually.
- Cherry shall strive to achieve that no single gaming entrepreneur is operating with a margin less than 4 percent, where margin is defined as result after direct costs in relation to sales.

Operative qualitative goals

Profitable growth

Cherry shall seek to achieve profitable growth. The growth shall be organic as well as acquisition-based. Growth shall take place within new services segments and on new geographic markets.

Cost efficiency

Since Cherry operates in a very competitive market it is important for the competitiveness that the Company is operated with cost efficiency. This shall permeate the whole organisation. Administration and overhead costs shall be kept at a low level. Through more efficient planning personnel and other operative costs shall be reduced in relation to sales.

Attractive work place

In order to attract and keep competent people Cherry shall work to create and maintain an attractive work place. The environment shall be characterized by credibility, openness, and participation. Cherry shall strive to secure a good physical work environment and the Company shall promote health activities and in other ways obstruct sickliness. In this way Cherry can lower the costs for personnel education and reach a higher degree of competitiveness.

Financial goals

The following financial goals shall be the guiding principle for the activities of the Group over a business cycle:

- Growth in sales shall be at least 5 percent annually.
- The profit margin shall be at least 4 percent.
- The average return on assets shall be at least 12 percent annually.
- Return on equity shall amount to at least 8 percent after taxes.
- The equity ratio shall amount to at least 40 percent.

Dividend policy

The Board of Directors' end in view is that if distributable earnings exist with respect to the Company's financial situation and profitability, 25-30 percent of the profits after tax shall be distributed to the shareholders.

Organisation

Operative structure and staff

New Cherryföretagen AB

Cherryföretagen AB is the parent company with President and future CFO whom will commence his duties on September 1, 2006. These are responsible to the Board of Directors and the overall operations. The parent company rents during 2006 premises at Birger Jarlsgatan in Stockholm.

The managerial body except for the president of Cherryföretagen consists of the president of Cherry A/S and Cherry Maritime Gaming AB as well as all vice presidents of Cherry Casino (representatives for the three regions). Henceforth the CFO will be a part of the managerial body as well. These convene regularly and attend strategic issues, budget issues, results and other issues relevant to the managerial body.

Business area Restaurant Casino

Gaming agreements & concessions are held by Cherry Casino AB, Cherry Casino Syd AB and Cherry Casino Norr AB. Due to efficiency reasons the operative staff is employed by Cherry Casino AB, that also owns equipment and handles all administrative and operative questions for all restaurant casino companies in Cherry.

Cherry Casino AB has three working offices, in Umeå, Solna and Gothenburg where regional managers (vice presidents) are located and serve the individual gaming locations locally. At the offices there are also staff managers and administrative staff employed by the hour.

In Sweden there are approximately 40 district managers who are responsible for the daily operations within their districts.

Within each region within Cherry Casino AB there are regularly held meetings addressing the daily operations.

Business area Maritime Gaming

Cherry Maritime Gaming

Cherry Maritime Gaming is responsible for the main part of Cherry’s maritime operations. Working offices are located in Malmö where technicians and service staff are to be found.

Within the company there are regularly held meetings addressing the daily operations and plans for the nearest future.

The president is also responsible for the operative contact with the Secular companies.

Secular Corporation and Cherry Services Ltd (55%)

The company’s president, also part-owner, works in Athens. The president is responsible for the daily operative procedures but also for more strategic issues and customer treatment.

Within Secular Corporation and Cherry Services there are regular board meetings where strategic and operative issues are addressed. This assures Cherryföretagen’s insight and control, at the same time as the president seeks support in operative issues from the president of Cherry Maritime Gaming.

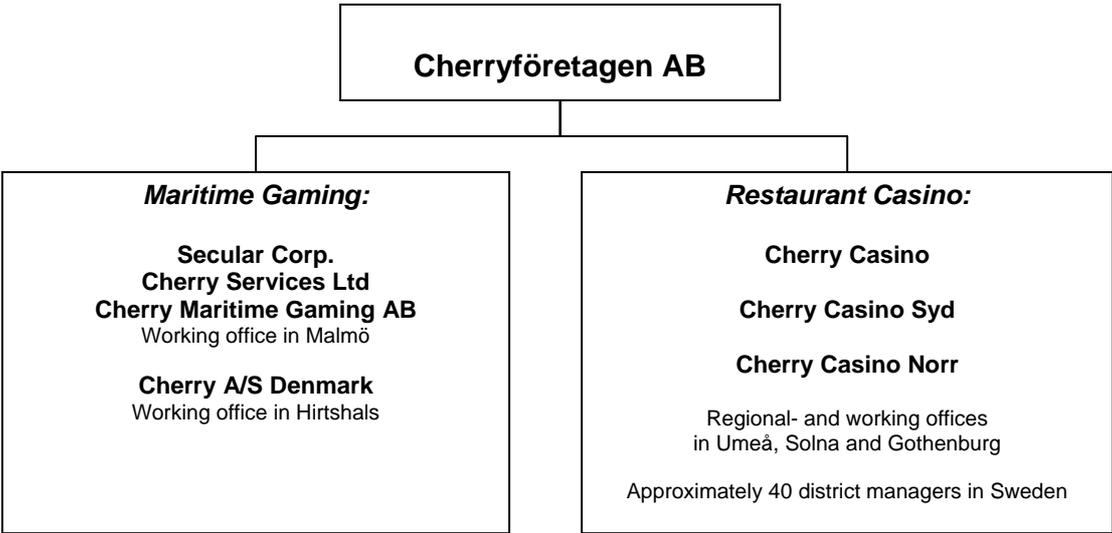
Cherry A/S

Cherry A/S has a working office in Hirtshals where the company’s economic function is located as well. Cherry A/S is responsible for landbased- and maritime gaming in Denmark.

Cherry A/S has a close cooperation concerning technical service with Cherry Maritime Gaming.

The president of Cherry A/S is also responsible for taking notice of the world’s new markets, primarily in Europe that may be of interest for Cherry.

Operative structure



Employees in Cherryföretagen

	2005	Q1 2006
Total number of employees	753	692
Converted into full-time employees	193	180

At the end of March 2006 Cherryföretagen employed 692 persons, which corresponds to 180 full-time employees. The group employs many persons with part-time employments, especially croupiers. The majority are young people who combine studying with part-time job evenings and week-ends.

Legal structure and restructuring of Cherryföretagen

Prior to restructuring

Before its restructuring, the Cherry Group consisted of the Parent Company Betsson, which is listed on the O-list of the Stockholm Stock Exchange. Before restructuring, Betsson owned Cherry Casino Aktiebolag, Cherry Maritime Gaming AB, Cherry A/S, Cherry Casino Norr AB, Cherry Casino Syd AB and Cherryföretagen. Also, Cherry Maritime Gaming AB owned 55% of the shares and voting rights in the Liberian company Secular Corporation and in the Cypriot company Cherry Services Limited in which Vasquez Limited¹ owns the remaining 45%.

After restructuring

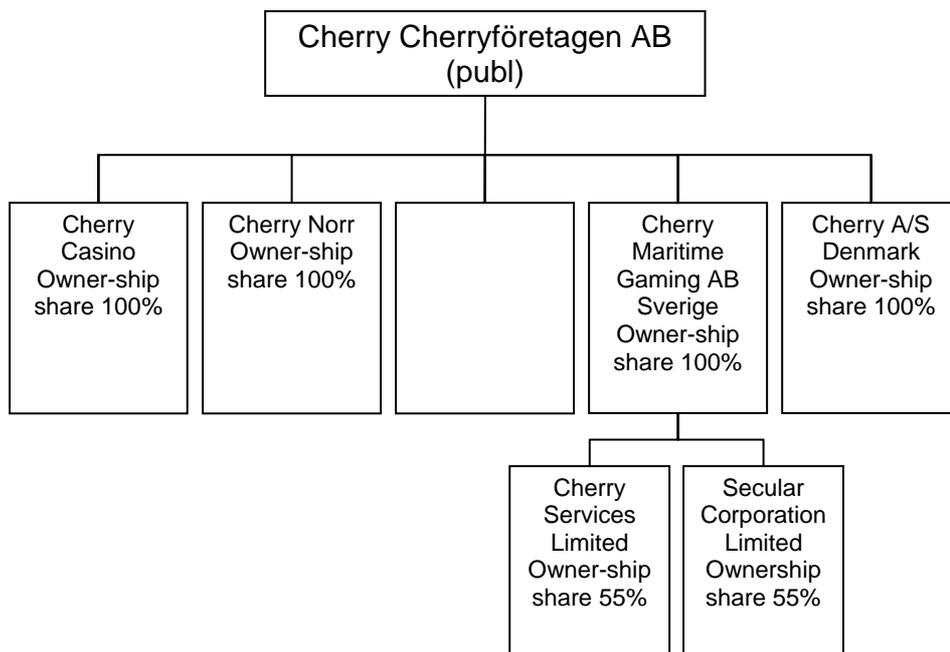
The shareholders in Betsson intend at the Extraordinary General Meeting on September 6, 2006 to approve the distribution of shares in the subsidiary Cherryföretagen. Cherryföretagen, will be the Group's Parent Company in the new Cherry Group. Cherryföretagen will own the subsidiaries Cherry Casino Aktiebolag, Cherry Maritime Gaming AB, Cherry A/S, Cherry Casino Norr AB, Cherry Casino Syd AB to 100%. Also, Cherry Maritime Gaming will, as earlier, own Cherry Services Limited and Secular Corporation to 55%.

Following the completion of the distribution, the new Parent Company in the Group, Cherryföretagen, plans to list on the Aktietorget AB's list on September 12, 2006.

The overview below shows the corporate structure of the Cherry Group after the completion off the distribution.

¹ Vasquez Limited is a Cypriot company owned by Joseph G Vasquez Jr, who is the Cherryföretagen Group's business partner in the joint ventures conducted by the companies called Secular Corporation and Cherry Services Limited. The Cherryföretagen Group's relationship with Joseph G Vasquez Jr is good.

Cherryföretagen – legal structure after restructuring



Facts about the Parent Company

After the restructuring, the Cherryföretagen will be the Parent Company of the spun-out Cherry Group. Cherryföretagen was registered with the Swedish Companies Office on July 7, 1981 and has the corporate registration number 556210-9909. The current name of the company, Cherryföretagen, was registered as of June 20, 2006. Cherryföretagen is a public limited liability company.

Facts about subsidiaries

Cherry Casino Aktiebolag

Cherry Casino Aktiebolag, whose activities include gaming operations in restaurants and hotels, was registered with PRV (currently the Swedish Companies Office) on February 18, 1983. The company's corporate registration number is 556225-3806. The first registered company name was Cherry Casino i Stockholm Aktiebolag. The current company name, Cherry Casino Aktiebolag, was registered on June 2, 1992. The registered share capital totals SEK 2,000,000.00, distributed among 20,000 shares with a par value of SEK 100 each. The company, which is a private limited liability company, is wholly owned by Cherryföretagen.

Cherry Maritime Gaming AB

Cherry Maritime Gaming AB, whose operations include gaming operations onboard vessels, was registered with PRV (currently the Swedish Companies Office) on December 11, 1980. Cherry Maritime Gaming AB's corporate registration number is 556207-4335. The current company name, Cherry Maritime Gaming AB, was registered on May 4, 2000. The registered share capital totals SEK 1,000,000.00 distributed among 10,000 shares with a par value of SEK 100 each. The company, which is a private limited liability company, is wholly owned by Cherryföretagen.

Cherry A/S

Cherry A/S, whose operations include gaming operations in restaurants and hotels, is a Danish company that was registered with Danish Commerce and Companies Agency on April 26, 2001. The Company's corporate registration number is 26034469. The registered share capital is DKK 1,000,000.00. The Company is wholly owned by Cherryföretagen.

Secular Corporation

Secular Corporation is a Liberian company that was registered on January 1, 2000. The Company, whose operations consist of gaming operations onboard vessels, is a joint venture and is 55% owned by Cherryföretagen

and 45% by Vasquez Limited.

Cherry Services Limited

Cherry Services Limited is a Cypriot company whose registration number is CY 10165761Q. The Company was registered on September 28, 2005. The Company, whose operations consist of gaming operations onboard vessels, is operated as joint venture and is 55% owned by Cherryföretagen and 45% by Vasquez Limited.

The background to the establishment of Cherry Services Limited was that the Cherry Group concluded that it was better to conduct Mediterranean gaming operations in a company that was established in a more organized jurisdiction than Liberia. Consequently, a decision was made together with Vasquez Limited to establish a Cyprus-based company and to pursue gaming operations in the Mediterranean from that location. As a result, in 2005 Cherry Services Limited was established. All new agreements concerning gaming operations in the Mediterranean were subsequently concluded with Cherry Services Limited.

Operations are currently conducted parallel in Cherry Services Limited and Secular Corporation. The aim is to transfer operations in Secular Corporation to Cherry Services Limited in 2006.

Cherry Casino Norr AB

Cherry Casino Norr AB, with activities comprising gaming operations in restaurants and hotels, was registered at the Swedish Patent and Registration Office (current Swedish Companies Registration Office) on March 4, 1991. The Company's corporate identity number is 556420-9632. The company's first registered name was Casinoinvest i Scandinavia Aktiebolag. The registered share capital amounts to SEK 500,000, represented by 5,000 shares with a par value of SEK 100 per share. The Company is a private limited company wholly owned by Cherryföretagen.

Cherry Casino Syd AB

Cherry Casino Syd AB, with activities comprising gaming operations in restaurants and hotels, was registered at the Swedish Patent and Registration Office (current Swedish Companies Registration Office) on May 27, 1983. The Company's corporate identity number is 556229-6730. The company's first registered name was Cherryföretagen Casino Aktiebolag, after which the company reregistered as Cherryföretagen Casino i Sverige Aktiebolag. The current company was registered on May 16, 2003. The registered share capital amounts to SEK 2 million, represented by 20,000 shares with a par value of SEK 100 per share. The Company is a private limited company wholly owned by Cherryföretagen.

Market description

Cherryföretagen has been active in the gaming industry since the early 1960s. Political decisions and, more recently, technical advances in the area of electronic media are some of the external factors that are affecting and changing the gaming industry to a great extent. The Swedish gaming market is regulated and, at present, only private gaming initiatives with low stakes and low winnings are allowed.

The Swedish gaming market had a total turnover of SEK 35.6 billion in 2005. This represents a decrease of almost 2.5 percent compared to the previous year.¹ It is uncertain whether or not this means that Swedes have cut down on gaming. One explanation for this decline in gaming could be that people are increasingly turning from the government controlled options to play online instead. Many companies on the Internet offer far better winnings than Svenska Spel, for example, offers its players.

The Swedish market for restaurant casinos amounted to SEK 1.1 billion in 2003, which is a decrease with 2 percent compared to the previous year.²

Restaurant casinos

The Swedish restaurant casino market is highly fragmented and is characterised by a multitude of small operators with small market shares. In many cases, however, these operators have a strong regional/local market position. Cherryföretagen estimates that the Company's market share is about 37 percent³, measured as the number of active gaming tables in relation to the total number of gaming licences for restaurant casinos, which means that the Company is the largest private operator on the Swedish market.

Although there was positive development in the Swedish restaurant casino market at the start of 2005, turnover declined towards the end of the year. Cherryföretagen has adapted to the new market conditions and is working on new gaming concepts that will hopefully be launched during 2006. The restructuring measures implemented in the organisation have, unfortunately, meant that the Company has been compelled to lay off a number of employees. Today, Cherry has an organisation that puts the Company in a strong position to quickly take market shares if the state monopoly falls.

Cherryföretagen's customers are the end users, i.e. the players and restaurants. The Swedish market is looking buoyant and the disposable incomes of households are increasing, which is a key requisite if people are to have money to spend on gaming. Cherry works in close collaboration with the restaurants since Cherry is an important partner in the restaurant's range of entertainment offerings.

Maritime gaming

Cherryföretagen operates its maritime business, in the form of casino and machine gaming, on about 45 ferries in Northern Europe and in Greece and Italy through the partly owned subsidiary Cherry Services Ltd. The Company's gaming operations comprise slot machines, roulette and Black Jack.

The market for gaming on vessels is highly fragmented due to different national legislative requirements depending, among other things, on the country of registration of each vessel. Although competition for winning shipping customers is keen, Cherry has gained market share. One major explanation for this is that Cherry's work is based on a service concept that provides the customer with good support and follow-up. Cherry is a quoted company – a fact that its customers associate with quality and a key reason why Cherry has such a good reputation.

Cherry's primary market is the Nordic market. In this home market, the market share is estimated at about 34 percent⁴ of the number of vessels that have gaming activities. The Nordic market is mature, but the Mediterranean market is growing rapidly and Cherry is investing intensively in this market. Gaming is showing strong growth in Greece and other Mediterranean countries where it is more widespread than in Scandinavia. The market in the Mediterranean region is characterised by rapid changes and Cherry's organisation is therefore geared to responding quickly to new circumstances.

In Denmark, Cherry offers gaming facilities in partnership with Shell's franchisees at ten or so service stations around the country. Cherry's Danish operations also work in close collaboration with its maritime gaming business area.

¹ Source: Swedish Gaming Board (Lotteriinspektionen).

² Source: Swedish Gaming Board (Lotteriinspektionen).

³ This estimate is based on information from the Swedish Gaming Board (Lotteriinspektionen) about the number of gaming licences granted.

⁴ This information is based on the number of vessels operated by Cherry Maritime Gaming and the number of vessels with gaming facilities in the region.

In Denmark, private companies are allowed to run gaming businesses in public places, provided they comply with the laws and regulations of the authorities. The games must be connected to authorities via a computer network for tax and control purposes and the gaming machines must remain under the constant surveillance of the gaming location's personnel. In addition, one percent of revenues goes directly to programmes for the prevention of gambling addiction.

Competitors¹

The largest operator in the Swedish market is the state-owned company Svenska Spel. The company had a turnover of just over SEK 19 billion in 2005 and is thus a major source of income for the state.

Casino Cosmopol, a subsidiary of AB Svenska Spel, was commissioned in 1999 by the Government to establish four international casinos in Sweden. Casino Cosmopol had a turnover of about SEK 875 million in 2004 and has gaming operations in Stockholm, Gothenburg, Malmö and Sundsvall.

Svenska Spel's Jack Vegas machines also represent competition in restaurants. Commissioned by the Swedish government, Svenska Spel began setting up slot machines throughout Sweden in 1996. Today, there are about 6,800 machines in more than 2,100 restaurants in Sweden. In Sweden, the number of machines is restricted to a maximum of 7,000 and five per restaurant.

Otherwise, there are more than 100 competitors² in the Swedish restaurant casino market, all of them much smaller than Cherry Casino. The second largest operator is Ecman Casino with a turnover of approximately SEK 45 million in 2004.

Online gaming has presented a new kind of competition in recent years and new challenges to Cherry Casino's ability to adapt to changing gambling behaviour and a market exposed to competition.

Future prospects

The gaming industry is strictly regulated. Cherryföretagen is continually analysing different markets so that it can quickly offer its services as soon as legal and commercial circumstances allow. If the gaming monopoly in Sweden crumbles, Cherryföretagen's strong market position and well-established trademark are key competitive advantages.

At the top of Cherryföretagen's agenda for the future is its continued expansion in Europe, especially in the maritime gaming business. In the first quarter of 2006, Cherryföretagen signed new agreements that will reinforce its presence in the Mediterranean region.

¹ Source to facts in this section: www.affarsdata.se, unless otherwise stated.

² Source: Swedish Gaming Board (Lotteriinspektionen).

Pro forma statement

General information regarding pro forma accounting

Prior to the planned distribution and listing of Cherryföretagen, the Betsson Group will be reorganized to form the new Cherry Group. Subsequent to the reorganization, the new Cherry Group will consist of eight companies. Shareholders' equity in the new Group has increased through the addition of new operations. Prior to the separation from Betsson, shareholders' equity in the Cherry Group will increase additionally by SEK 7 million through the provision of cash assets from Betsson for future financing of operations. In addition, the relationship between the internal liabilities and receivables between the Cherry Group and the Betsson Group will be regulated using cash assets before the separation. This means a net injection of SEK 1.5 million in liquid assets to the Cherryföretagen, as of May 31, 2006.

The following pro forma accounts were prepared to illustrate how the Cherry Group, which is under formation, could have appeared if the Group had been formed and the capital structure established as per January 1, 2005, in terms of the income statement pro forma and the balance sheet pro forma as per December 31, 2005.

The pro forma accounts are intended to describe a hypothetical situation and were only produced as an illustration to inform and highlight facts. They are not intended to present the financial position or earnings that the operation could actually have achieved if the Group organization had been implemented at the time of the accounting. Neither are they aimed at showing the actual financial position or the operations' earnings for any future time or period.

Pro forma accounting is based on the subsidiaries' audited accounts for 2005 and unaudited accounts for the first quarter of 2006, and the estimated earnings for the newly established Parent Company for the same period.

Accounting principles

This pro forma accounting has been prepared in accordance with the principles that will apply to the Cherryföretagen Group effective January 1, 2006.

The reporting for all companies included in these pro forma accounts is in accordance with IFRS.

Business area Cherry Casino (within the Betsson Group)

Cherry Casino was previously reported as a segment/business area within the O listed Betsson Group. This business area ran traditional gaming activities with table games via restaurant casinos in Sweden and gaming machines and table games on cruise ships in the Nordic and Mediterranean regions, as well as some land-based gaming machine operations in Denmark. The business area also included a gaming operation in Chile, which was sold in 2005, plus a partly-owned gaming operation in Norway, which is currently being closed down.

The operating activities have always been run via a number of subsidiaries with their own management and financial administration. Staff of the Cherry Group parent company has been responsible for overall management and financial administration of the business area. Cherry's Deputy Managing Director has also been responsible for management of the business area. The Group's CFO is responsible for overall management of financial operations and for monitoring the performance of the business area.

In all, this means that the business area Cherry Casino, as reported in the Betsson Group's segment reporting, has contained all revenues and costs for the gaming operations. Costs for overall management and financial functions have only partly been charged to the business area, since these have been shared across the other business areas or been of overhead nature. The ongoing costs that arise as a result of being a listed company have not been charged to the business areas in Betsson's segment reporting, but have been recognised as joint costs for the whole Group.

Formation of the Cherryföretagen Group

The Cherryföretagen Group was legally formed on January 1 2006, when a dormant, wholly-owned subsidiary of Betsson AB acquired the shares in the operating companies within the business area. The subsidiaries were acquired at the Group book value in the Betsson Group. At the same time, Betsson provided a shareholder contribution to the new parent company equal to the book value of the Group shares.

The new parent company, Cherryföretagen AB, (previously Cherry Fritidsattraktioner AB) has been legally acting as the parent company in the Betsson Group since January 1, 2006. However, the company has not been operative, except for owning shares in subsidiaries, during the first quarter of 2006. As of April 1 2006, employment contracts, agreements and some other costs were transferred from Betsson's parent company to Cherry Group's parent company. Moreover, costs connected to the listing of the new Group on Aktietorget will be charged to the Group in Q3.

Income statements pro forma for the whole of 2005 and the first quarter of 2006

The subsidiaries in Cherry have been running operations for many years. The income statements that are included in the pro forma statement are thus actual income statements as they were previously consolidated in Betsson's financial statements.

However, income from operations that have been wound up or are in the process of being wound up is not included. This applies to the business in Chile, which was sold in 2005, and the partly-owned business in Norway, which is currently being closed down by Betsson. Nor have these businesses been run via any of the companies that now form part of the Cherry Group.

Estimated earnings for the new parent company are added to the pro forma income statements for the whole of 2005 and the first quarter of 2006. The estimated earnings include the revenues and costs that are transferred from Betsson to the Cherry Group and the additional ongoing costs that arise when the company no longer forms part of another listed Group, but from a stand-alone perspective have to bear all the costs for management, administration and costs for being a public listed company.

Balance sheets pro forma as of December 31, 2005 and actual as of March 31, 2006 and May 31, 2006

The new Group was formed on January 1, 2006. The new parent company did not run any business operations during the first quarter of 2006, except for owning shares in subsidiaries. Revenues and costs are first reported in the parent company as of April 1, 2006. The closing balance sheet items for the parent company are therefore real and the same as those consolidated and reported in Betsson as of March 31, 2006 and May 31, 2006.

Other companies in the Group have been operating as usual in both 2005 and 2006 and the balance sheet items reported are the same balance sheet items that have been consolidated and reported in Betsson's annual accounts for 2005 and the first quarterly report for 2006.

This means that the balance sheets that are reported as of March 31, 2006 and as of May 31, 2006 in the following accounts are not pro forma statements but real balance sheets. On the other hand, the balance sheet as of December 31, 2005 is pro forma, in that it is based on real balances for the operational subsidiaries and a simplified estimated balance for the parent company at the end of the year based on real balance as of March 31, 2006 adjusted for the pro forma result for the first quarter of 2006.

Pro forma income and cost adjustments

The adjustments that have been made of the Cherry Group income and costs are costs for operating a quoted parent company. Apart from that, income and costs for operative subsidiaries are actual. However, in the pro forma profit/loss for 2005 an extraordinary income of SEK 2.4 million has been eliminated. This item was a one-off income from services performed between subsidiaries in the Cherry Group and subsidiaries in the Betsson Group. Additional costs are foremost payroll, rental, and other expenses for the CEO and the CFO. There are also additional costs for being a publicly quoted company (costs for quotation on Aktietorget and for carrying a share register with VPC, increased audit-, consultancy-, IT-, and legal fees, costs for production of annual reports, quarterly reports, press releases, web page, branding etc). Incomes concerning the out licensing of the brand Cherry, that have been transferred from Betsson, have also been added. The net effect (i.e. income minus expenses) is estimated to amount to additional expenses of SEK 6.4 million annually.

In adjustments eliminations of group transactions are included.

Pro forma statement

INCOME STATEMENT

Amount in SEK thousands	Note	2006 Q1			2005 Whole year		
				PRO FORMA			PRO FORMA
		Subsidiary actual	Adjustment	Group 2006 Q1	Subsidiary actual	Adjustment	Group 2005
Revenue from gaming operations	2,3	48,017	141	48,158	235,360	-1,840	233,520
Other operating revenue	2,3	644	0	644	2,335	0	2,335
Total		48,661	141	48,802	237,695	-1,840	235,855
Operating expenses:							
Running expenses in gaming operations		-25,196	0	-25,196	-122,932	0	-122,932
Other external expenses	4	-3,012	-827	-3,839	-12,495	-3,395	-15,890
Payroll expenses	5	-17,233	-945	-18,178	-81,648	-3,550	-85,198
Depreciation	6	-2,519	-3	-2,522	-9,734	-8	-9,742
Other operating expenses		-61	0	-61	-43	0	-43
Total operating expenses		-48,021	-1,775	-49,796	-226,852	-6,953	-233,805
Operating profit/loss		640	-1,634	-994	10,843	-8,793	2,050
Net financial income/expenses:							
Financial income	7	29	0	29	1,212	0	1,212
Financial expenses		-201	0	-201	-1,281	0	-1,281
Total net financial income		-172	0	-172	-69	0	-69
Profit/loss before tax		468	-1,634	-1,166	10,774	-8,793	1,981
Tax	8	-189	457	268	-3,184	2,462	-722
PROFIT/LOSS FOR THE YEAR		279	-1,177	-898	7,590	-6,331	1,259
Of which attributed to:							
Parent company's shareholders				-755			680
Minority interest				-143			579
Profit per share (SEK)	9			-0.19			0.17
Proposed/implemented dividend per share (SEK)				—			—

BALANCE SHEET

<i>Amount in SEK thousands</i>	Note	Group			Parent Company
		Actual 31/05/2006	Actual 31/03/2006	Pro forma 31/12/2005	Actual 31/03/2006
ASSETS					
Fixed assets					
Intangible assets	10	3,760	3,944	4,327	—
Tangible fixed assets	11	29,060	28,774	24,477	—
Shares in group companies	12	—	—	—	31,420
Other long-term receivables	13	400	400	479	—
Deferred tax receivables	8	623	676	698	—
Total fixed assets		33,843	33,794	29,981	31,420
Current assets					
Consumables inventories		1,805	1,906	1,878	—
Tax receivables	8	106	0	0	—
Accounts receivable		1,474	1,238	822	—
Prepaid expenses and accrued revenues	14	9,004	8,460	10,919	—
Other receivables	13	25,574	25,145	25,855	4,117
Liquid assets		13,243	15,196	16,100	—
Total current assets		51,206	51,945	55,574	4,117
TOTAL ASSETS		85,049	85,739	85,555	35,537
EQUITY AND LIABILITIES					
Equity					
	15				
Share capital		2,000	2,000	2,000	2,000
Statutory reserve		—	—	—	2,100
Other added capital		33,520	33,520	33,520	31,420
Reserves		-12	49	84	—
Profit brought forward including profit/loss for the year		509	-40	715	17
Equity attributed to parent company shareholders		36,017	35,529	36,319	35,537
Minority interest		2,418	2,417	2,570	0
Total equity		38,435	37,946	38,889	35,537
Long-term liabilities					
Long-term interest bearing liabilities	16	10,472	11,050	10,557	—
Other long-term liabilities	17	0	0	0	—
Deferred tax liabilities	9	408	408	408	—
Total long-term liabilities		10,880	11,458	10,965	0
Current liabilities					
Current interest bearing liabilities	16	3,550	3,576	2,389	—
Accounts payable		2,077	1,829	1,291	—
Tax liabilities	8	1,455	1,539	1,882	—
Other liabilities	17	15,583	13,587	14,045	—
Accrued expenses and prepaid revenue	18	13,069	15,804	16,094	—
Total current liabilities		35,734	36,335	35,701	0
TOTAL EQUITY AND LIABILITIES		85,049	85,739	85,555	35,537
Group's pledged securities and contingent liabilities					
Pledged securities	19	7,451	7,851	5,196	—
Contingent liabilities	20	—	—	—	11,163

NOTES FOR THE PRO FORMA FINANCIAL REPORTS

Amounts are given in SEK thousands unless otherwise indicated

NOTE 1 ACCOUNTING PRINCIPLES

COMPLIANCE WITH LAW AND STANDARDS

When the pro forma accounts for the Group were prepared, the company applied the valuation rules and disclosure requirements stated in the International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as approved by the EU Commission for application within the EU.

The Parent Company applies the same principles as the Group, with the exception that the Parent Company's accounting is prepared in accordance with RR32 Accounting for legal entities. This means that the income statement and balance sheet comply with the Annual Accounts Act schedule.

PREPARATION OF THE PARENT COMPANY'S AND GROUP'S FINANCIAL REPORTS

The parent company's functional currency is the Swedish krona, which is also the reporting currency for the parent company and the group. This means that the financial reports are presented in SEK. Unless otherwise specified, all amounts are rounded to the nearest thousand. Assets and liabilities are reported using the historical cost basis of accounting, apart from some financial assets and liabilities which are measured at fair value. Financial assets and liabilities which are measured at fair value consist of derivatives and financial assets classified as financial assets measured at fair value in the income statements or as available for sale financial assets.

CLASSIFICATIONS

Assets are classified as current assets if they are expected to be sold or are intended to be sold or used in the company's normal operating cycle, if they are held primarily for trading purposes, if they are expected to be sold within twelve months after the balance sheet date or if they are cash & cash equivalents. All other assets are classified as non-current assets.

Liabilities are classified as current liabilities if they are expected to be settled in the company's normal operating cycle, if they are owned primarily for trading purposes, if they are expected to be settled within twelve months after the balance sheet date or if the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. All other liabilities are classified as non-current liabilities.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the parent company and companies in which the parent company directly or indirectly owns more than 50 percent of the voting rights or has control.

The consolidated accounts have been prepared in accordance with the purchase method. This means that the parent company indirectly acquires the subsidiary's assets and takes over its liabilities. The difference between the cost of acquisition of shares and the fair value initially recognized for acquired identifiable net assets represents the cost of goodwill, which is recognized as an asset in the balance sheet. If the difference is negative, the amount is recognized as income.

Subsidiaries' income, expenses, assets and liabilities are included in the consolidated financial statements from the date on which control arises (acquisition date) until and including the date on which control ceases. Intra-group receivables, liabilities and transactions, and any associated gains, are eliminated in their entirety.

TRANSLATION OF FOREIGN OPERATIONS

Operations which do not have the Swedish krona as their functional currency are translated to SEK using the current method. This means that all assets, provisions and other liabilities are translated at the closing rate, and

income statement items are translated at the average rate. Exchange differences arising during this conversion (translation differences) are recognized directly in equity.

Independent foreign operations are sold at their accumulated translation differences, less any hedging in the consolidated financial statements.

REVENUES

Revenues from the Group’s gaming operations are reported in net form after deductions for players’ winnings. Revenues from consulting/servicing activities and licensing of online gaming products/services are recognized when the customer receives the services. Sales are recognized after the group has transferred to the purchaser the significant risks and rewards associated with the proprietary rights of the sold goods and no right of disposal or eventuality of actual control over such transferred goods remains.

OTHER OPERATING INCOME

Revenues from activities which do not come under ordinary operations are reported as other operating income. This item mainly includes recovered amortized receivables, exchange gains from operations and profit from the sale of property, plant & equipment.

OTHER OPERATING EXPENSES

Costs of secondary activities in ordinary operations relating to operating receivables and operating liabilities are reported as other operating expenses. This item mainly includes exchange losses from operations and losses on the sale of property, plant & equipment.

INTANGIBLE ASSETS

Acquired gaming agreements & concessions come under intangible assets. These assets are recognized in the balance sheet at cost, net of accumulated amortization and impairment losses.

PROPERTY, PLANT & EQUIPMENT

Items of property, plant & equipment are recognized at historical cost, net of accumulated depreciation and any impairment losses. Repairs and maintenance are expensed as they arise.

DEPRECIATION/AMORTIZATION AND IMPAIRMENT

Depreciation/amortization is based on the original acquisition cost less the calculated residual value and any impairment losses. Depreciation/amortization is applied on a straight-line basis over the asset’s estimated useful life.

Useful lives of assets (years):

Gaming agreements & concessions		3–5 yrs
Gaming machines in operation		3–7 yrs
Goods gaming machines		2 yrs
Amusement machines	max	3 yrs
Casino tables		5 yrs
Casino wheels, Sweden		10 yrs
Display systems (maritime gaming machines)		2 yrs
Registration equipment (Swedish casino gaming)		3 yrs
Other gaming equipment	max	5 yrs
Office equipment		5 yrs
Computers		3–5 yrs
Vehicles		3–5 yrs

The residual value and useful life of an asset are reviewed annually. If the carrying amount of intangible assets, property, plant & equipment or financial assets appears to be too high, impairment is identified and quantified by reference to the recoverable value of individual or related types of assets, measured as the higher of net selling price and value in use. The value in use is measured as expected future discounted cash flow. An impairment loss is the difference between the carrying amount and the recoverable value. When there is an indication that a previously recognized impairment loss no longer exists or has decreased, the impairment loss is reversed. However, the increased amount cannot exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

GROUP AND SHAREHOLDER CONTRIBUTIONS FOR LEGAL ENTITIES

Group and shareholder contributions are reported in accordance with the recommendations of the Swedish Financial Accounting Standards Council's Emerging Issues Task Force. Shareholder contributions are recognized directly in the equity of the recipient company and capitalized in the contributor's shares and participating interests. These assets are subsequently subject to impairment testing.

Group contributions are reported on the basis of economic substance. This means that group contributions made or received for the purpose of minimizing the group's total tax are recognized directly in retained earnings after a deduction for their current tax effect.

APPROPRIATIONS FOR LEGAL ENTITIES

Appropriations consist of the difference between accounting and fiscal depreciation and certain fiscal appropriations for profit equalization.

BORROWING COSTS

Borrowing costs are recognized as an expense in the income statement for the period to which they relate.

TAXES

Total tax in the income statement consists of current tax and deferred tax. Current tax is tax (paid or received) which relates to the current year. This also includes adjustment of current tax attributable to prior periods. Deferred tax is calculated using the liability method, on the basis of temporary differences between reported and fiscal values of assets and liabilities, and applying the tax rates and regulations which were adopted or advised at the balance sheet date. Temporary differences are not taken into consideration in goodwill on consolidation nor in differences attributable to shares in subsidiaries and associates which are not expected to be taxed in the near future. Untaxed reserves including deferred tax liabilities are reported in legal entities.

Deferred tax assets relating to deductible temporary differences and loss carry forwards are only reported to the extent that it will be possible to utilize them in the future and that they will result in lower future tax payments.

FINANCIAL INSTRUMENTS

Financial instruments recognized as assets in the balance sheet include cash & cash equivalents, trade receivables, shares and other equity instruments, loan receivables and derivatives. Financial instruments recognized as liabilities and equity include trade payables, debt and equity instruments, loan liabilities and derivatives.

Financial instruments are initially recognized at cost, which corresponds to the fair value of the instrument plus transaction costs for all financial instruments. Subsequent recognition of a financial instrument depends on its classification. A financial asset or liability is recognized in the balance sheet when the company becomes a contracting party to the instrument's conditions. Trade receivables are recognized in the balance sheet on billing. Liabilities are recognized when the counterparty has delivered and a contractual obligation to pay exists, even if the bill has not been received. Trade payables are recognized on receipt of the bill.

A financial asset is derecognized when the rights under the agreement have been realized or have matured, or the company no longer has control over them. The same applies to part of a financial asset. A financial liability is derecognized when the obligation under the agreement has been fulfilled or no longer exists. The same applies to part of a financial asset.

The fair value of listed financial assets corresponds to the asset's listed buying rate at the balance sheet date. The fair value of non-listed financial assets is defined by using measurement benchmarks such as recent transactions, prices of similar instruments and discounted cash flows.

At the end of each reporting period, the company assesses whether there are any objective indications of impairment of a financial asset or group of financial assets. Equity instruments classified as available-for-sale are required to show a considerable and prolonged decline in fair value below the instrument's cost of acquisition before an impairment loss is recognized. If an asset classified as available-for-sale is identified as impaired, any previously accumulated impairment recognized directly in equity is reallocated to the income statement. Impairment losses for equity instruments recognized in the income statement are not reversed at a subsequent date.

Under IAS 39, financial instruments are classified into categories. The classification of a financial instrument is based on the purpose of its acquisition. Company management makes the classification on the original date of acquisition. Classification of financial assets:

Financial assets measured at fair value in the income statement

This category comprises two sub-groups: financial assets held for trading, and other financial assets the company initially placed in this category. The fair value of assets in this category is regularly assessed, with any changes recognized in the income statement.

Loan receivables and trade receivables

Loan receivables and trade receivables are financial assets which are not derivatives with fixed payments or payments that can be defined, and are not listed in an active market. Receivables arise when a company provides money, goods and services directly to a beneficiary without any intention to conduct trading in the receivable. The category also includes acquired receivables. Assets in this category are measured at accumulated cost.

Accumulated cost is measured on the basis of the effective interest calculated at the date of acquisition.

Held-to-maturity investments

Financial assets with fixed or pre-determinable cash flows and fixed maturity, which the company is able to and intends to hold until maturity. Assets in this category are measured at amortized cost. Amortized cost is measured on the basis of the effective interest calculated at the date of acquisition. This means that surplus and deficit values and direct transaction costs are accrued over the instrument's maturity.

Available-for-sale financial assets

This category includes financial assets not classified in any other category or financial assets which the company initially placed in this category. The fair value of assets in this category is regularly assessed, with any changes recognized in equity. When the investments are derecognized, any previously recognized accumulated profit or loss is transferred from equity to the income statement.

Other financial liabilities

Financial liabilities not held for trading are measured at amortized cost. Amortized cost is measured on the basis of the effective interest calculated when the liability was recognized. This means that surplus and deficit values and direct issue costs are accrued over the liability's maturity.

Cash & cash equivalents

Cash & cash equivalents consist of cash, readily convertible deposits with banks and similar institutions and short-term liquid investments maturing within three months of acquisition which are subject to an insignificant risk of changes in value. Deposit interest rates on the group's bank and post giro accounts in Sweden are Stibor-linked

Financial investments

Financial investments are either financial assets or short-term investments, depending on the purpose of the holding. If their maturity or expected period of ownership exceeds one year they are financial assets, and if less than one year they are short-term investments.

Financial investments comprising shares are either financial assets measured at fair value in the income statement or available-for-sale financial assets.

Interest-bearing securities acquired to be held until maturity are classified as held-to-maturity financial assets and are measured at amortized cost. Interest-bearing securities not acquired to be held until maturity are classified as available-for-sale financial assets.

When financial assets are measured at fair value in the income statement, any changes in value are recognized in net finance income/expense.

Long-term and other receivables

Long-term receivables and other short-term receivables are receivables which arise when the company provides money without any intention of conducting trading in the receivable. If the intended period of ownership exceeds one year they are long-term receivables, and if less than one year they are classified as other receivables. These receivables come under the category Loan receivables and trade receivables.

Trade receivables

Trade receivables are classified as trade receivables and loan receivables. Trade receivables are recognized in the amounts expected to be received, less a deduction for doubtful debts which is calculated without any discounting. Impairment of trade receivables is recognized in operating expenses.

Liabilities

Liabilities are classified as other financial liabilities, which mean that they are initially recognized in the amounts received, less transaction costs. After acquisition, loans are measured at amortized cost using the effective interest method. Long-term liabilities have an expected maturity which exceeds one year, while current liabilities have a maturity of less than one year.

INVENTORIES

Inventories are measured at the lower of cost of acquisition (less a deduction for any obsolescence) and the net selling value.

LEASES

Leases are classified either as finance or operating leases in the consolidated income statement. Leasing of property, plant & equipment where the group is essentially exposed to the same risks and rewards as in direct ownership is classified as finance leasing. The leased asset is recognized in property, plant & equipment and the corresponding rental liability comes under interest-bearing liabilities. Leasing of assets where the lessor essentially remains the owner of the asset is classified as operating leasing and the leasing charges are expensed on a straight-line basis over the leasing period. Details of operating leases and rental agreements are shown in note 4.

PENSION EXPENSE AND PENSION COMMITMENTS

The group has various pension plans in different countries, in which the assets have normally been separated for administration. The pension plans are normally financed by payments from the relevant group companies and in some cases from employees.

The group's outgoing payments for defined-contribution pension plans are reported as an expense during the period in which the employees performed the services to which the contribution relates.

Most of the pension commitments for salaried employees in Sweden are covered by insurance in Alecta (traditional Swedish ITP supplementary pension). Pensions for salaried employees who have opted for an alternative ITP and pensions for other employees (croupiers and dealers) are defined-contribution plans. The Group also has salaried employees covered by the ITP Plan, which is financed through pension insurance in Alecta. According to recommendation URA 42 of the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, this is a defined-benefit multi-employer plan. For the financial years 2005 and 2004, Cherry has not had access to information which would make it possible to present this plan as a defined-benefit plan. The ITP pension plan which is covered through insurance with Alecta is therefore presented as a defined-contribution plan.

PROVISIONS

A provision is recognized in the balance sheet when the company has a present obligation (legal or constructive) as a result of a past event and it is likely that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the effect of the time value of money is material, the amount of a provision should be measured by discounting expected future cash flows at an interest rate before tax that reflects the present market value of the expenditure required to settle the amount and, if applicable, the risks associated with the liability. A restructuring provision is recognized when the group has defined a detailed, formal plan for restructuring and the restructuring has either commenced or has been approved. No provision is made for future operating expenses.

CONTINGENT LIABILITIES

A contingent liability is recognized when there is a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events or when there is an obligation arising from contingent events which is not reported as a liability or a provision, due to the fact that it is not probable that an outflow of resources will be required to settle the obligation

DEFINITIONS

Revenues Revenues from gaming operations after payment/redemption of players' winnings and other operating income.

Average total capital Total assets at the start of the financial year, plus total assets at year-end, divided by two.

Average capital employed Total assets at the start and end of the financial year, less non-interest-bearing liabilities including deferred tax liabilities, divided by two.

Average shareholders' equity Shareholders' equity at the start and end of the financial year, divided by two.

Return on total capital Profit after financial items, plus finance expense, divided by average shareholders' equity.

Return on capital employed Profit after financial items, plus financial expense, divided by average capital employed.

Profit margin Profit/loss after financial items, divided by revenue for the period.

Equity/assets ratio Equity at the end of period as a percentage of total assets at the end of period.

Number of employees The number of persons employed on the date of the most recent monthly salary payment.

Number of shares The number of shares at the end of each period, adjusted for bonus issue and stock split.

Average number of shares Weighted average of the number of shares outstanding during the period, adjusted for bonus issue and stock split.

Earnings per share Profit/loss after tax divided by the average number of shares outstanding during the period.

Cash flow per share Cash flow in relation to the average number of outstanding shares during the period.

Dividend per share Implemented/proposed dividend.

Share price The price paid in the most recent share transaction of the period.

Number of (registered) shareholders The number of shareholders and shareholders' nominees recorded in the register of shareholders/stock book held by VPC AB (Swedish Securities Register Center).

Profit/loss after direct costs Profit/loss after costs directly associated with the gaming facility, for example salaries and other payroll expenses, permit costs, venue cost, gaming taxes etc.

NOTE 2 REPORTING PER SEGMENT

The Group's revenues are reported in net quantities, i.e. after payment of winnings to players.

Restaurant Casino refers to operations with manually run table games at restaurants in Sweden.

Maritime Gaming covers operations primarily made up of gaming machines and table games aboard vessels and operations with land-based gaming machines in Denmark.

Common and other includes additional costs pro forma for the parent company and group adjustments.

Q1 2006	Restaurant Casino	Maritime Gaming	Common and other	Total for Group
External revenue	28,891	19,770	141	48,802
Internal revenue from other segments	—	—	150	
Total revenue	28,891	19,770	291	
Operating income	600	-186	-1,408	-994
Income before tax				-1,166
Income after tax				-898
Assets	33,432	42,217	4,117	79,766
Liabilities	16,224	28,012	—	44,236
Investments	125	6,051	—	6,176
Depreciation	605	1,914	3	2,522
2005	Restaurant Casino	Maritime Gaming	Common and other	Total for Group
External revenue	139,916	95,266	673	235,855
Internal revenue from other segments	25	28	480	
Total revenue	139,941	95,294	1,153	
Operating income	4,041	3,591	-5,582	2,050
Income before tax				1,981
Income after tax				1,259
Assets	36,331	43,474	4,117	83,922
Liabilities	19,377	29,403	—	48,780
Investments	659	10,131	20	10,810
Depreciation	2,457	7,277	8	9,742

NOTE 3 REVENUES, TRANSACTIONS WITH RELATED PARTIES

	Group		Parent company	
	2006 Q1	Whole of 2005	2006 Q1	Whole of 2005
Revenue from gaming operations	48,158	233,520	291	1,153
Other operating revenue				
– EU contribution received	—	586	—	—
– Bad debts recovered	12	42	—	—
– Capital gain from sale of fixed assets	12	229	—	—
Exchange rate differences, operations	590	1,404	—	—
– Other	30	74	—	—
Total	48,802	235,855	291	1,153

Purchases and sales within the Group

Purchases from subsidiaries	—	—
Sales to subsidiaries	150	480

NOTE 4 LEASING

Leasing expenses for vehicles, rent for premises and other rented equipment which falls under the heading operational leasing amounted to:

	Group		Parent company	
	2006 Q1	Whole of 2005	2006 Q1	Whole of 2005
Leasing and rental fees	735	3,028	60	212

Future minimum fees for operational leasing and rental agreements that cannot be terminated are expected to be due as specified below.

	Group	Parent company
– in 2006	1,674	150
– in 2007–2010	2,592	181
– after 2010	—	—
Total	4,266	331

NOTE 5 EMPLOYEES, PERSONNEL EXPENSES AND REMUNERATION TO THE BOARD

	2006 Q1		Whole of 2005	
	Total	of which are men	Total	of which are men
Parent company				
Sweden	3	100%	3	100%
Total parent company	3	100%	3	100%
Subsidiaries				
Sweden	159	37%	167	38%
Denmark	3	67%	6	50%
Poland	11	0%	13	0%
Greece	4	50%	4	50%
Total subsidiaries	177	36%	190	36%
Group total	180	36%	193	36%

NOTE 5 Continued

	Group		Parent company	
	2006 Q1	Whole of 2005	2006 Q1	Whole of 2005
Wages/salaries and compensation				
Board, pro forma	100	400	100	400
CEO's and corresponding position holders	1,366	5,169	549	1,959
Other employees	11,681	54,869	0	0
Total	13,147	60,438	649	2,359
– of which is bonus to CEOs	0	65	0	0
Social security expenses (incl. pension expenses)	4,690	22,815	416	1,521
Pension expenses				
Board, pro forma	0	0	0	0
CEOs and corresponding position holders	363	1,261	205	757
Other employees	359	3,694	0	0
Total	722	4,955	205	757

NOTE 6 DEPRECIATION

Depreciation is distributed to the respective fixed asset as specified below:

	Group		Parent company	
	2006 Q1	Whole of 2005	2006 Q1	Whole of 2005
Gaming contracts and licences	383	1,547	—	—
Equipment and gaming equipment	2,139	8,195	3	8
Total	2,522	9,742	3	8

NOTE 7 NET FINANCIAL INCOME, FINANCIAL ITEMS

Group	Group		Parent company	
	2006 Q1	Whole of 2005	2006 Q1	Whole of 2005
Interest income	38	78	—	—
Net exchange rate changes	–9	1,134	—	—
Financial income	29	1,212	0	0
Interest expenses	169	961	—	—
Net exchange rate changes	32	320	—	—
Financial costs	201	1,281	0	0
Total financial items	–172	–69	0	0

NOTE 8 TAX

Tax expense in income statements	Group		Parent Company	
	2006 Q1	Full year 2005	2006 Q1	Full year 2005
<u>Division among current and deferred tax</u>				
Current tax	288	362	457	1,758
Deferred tax	-20	-1,084	-	-
Total	268	-722	457	1,758
Tax expense divided as follows:				
<u>Current tax</u>				
Sweden	283	-144	457	1,758
Outside Sweden	5	506	-	-
Total current tax	288	362	457	1,758
<u>Deferred tax</u>				
Sweden	-18	-1,084	-	-
Outside Sweden	-2	0	-	-
Total deferred tax	-20	-1,084	0	0
<u>Difference between actual tax expense and tax expense based on applicable tax rate</u>				
Reported profit/loss before tax	-1,166	1,981	-1,634	-6,280
Tax according to applicable tax rate (28%)	326	-555	457	1,758
Tax attributable to prior years	-	35	-	-
Tax differences in foreign operations	-40	-98	-	-
Tax effect from non-deductible items	-18	-106	-	-
Tax effect from untaxable items	-	2	-	-
Reported tax expenses	268	-722	457	1,758
<u>Deferred tax expense specification</u>				
Change in tax loss carryforward	-1	-1,092	-	-
Change in tax temporary differences	-19	-71	-	-
Tax on appropriations	-	79	-	-
	-20	-1,084	0	0
<u>Taxes in balance sheets</u>				
<u>Long-term receivables</u>				
- Deferred tax assets loss carryforward	622	624	-	-
- Deferred tax assets temporary differences	54	74	-	-
Total	676	698	0	0
<u>Current receivables</u>				
- Tax claim	-	-	-	-
<u>Provisions for taxes</u>				
- Deferred tax on untaxed reserves	408	408	-	-
<u>Current liabilities</u>				
- Accrued taxes	1,539	1,882	-	-

The deferred tax asset applies to the Group's entire tax loss carryforward. Cherry considers it very likely that these could be utilized in the future.

NOTE 9 PROFIT/LOSS PER SHARE

	Group	
	2006 Q1	Whole of 2005
Profit/loss after tax attributed to parent company shareholders	-755	680
Average number of shares ¹	3,955,372	3,955,372
Profit per share (SEK)	-0.19	0.17

NOTE 10 INTANGIBLE ASSETS

	Group
	Gaming contracts and licences
Accumulated acquisition values	
Opening balance 01/01/2005	8,498
Operating acquisitions	106
Other investments	—
Closing balance 31/12/2005	8,604
Operating acquisition	—
Other investments	—
Closing balance 31/03/2006	8,604
Accumulated depreciations and write-downs	
Opening balance 01/01/2005	-2,730
Depreciation for the year	-1,547
Closing balance 31/12/2005	-4,277
Depreciation for the year	-383
Exchange rate changes	—
Closing balance 31/03/2006	-4,660
Reported values	
As at 01/05/2004	5,768
As at 31/12/2005	4,327
As at 31/03/2006	3,944

NOTE 11 TANGIBLE FIXED ASSETS

	Group	Parent company
	Equipment and gaming equipment	Equipment and gaming equipment
Accumulated acquisition values		
Opening balance 01/01/2005	63,893	40
Other investments	10,703	20
Sales and disposals	-8,773	—
Exchange rate changes	-22	—
Closing balance 31/12/2005	65,801	60
Acquisition of operations	—	0
Other investments	6,176	—
Sales and disposals	-1,170	—
Exchange rate changes	—	—
Closing balance 31/03/2006	70,807	60
Accumulated depreciations and write-offs		
Opening balance 01/01/2005	-41,737	6

¹ For a definition see p. 32.

Sales and disposals	8,064	—
Depreciations	-8,188	8
Exchange rate changes	537	—
Closing balance 31/12/2005	-41,324	14
Acquisition of operations	—	—
Sales and disposals	1,163	—
Depreciations	-2,137	3
Exchange rate changes	265	—
Closing balance 31/03/2006	-42,033	17
Reported values		
As at 01/01/2005	22,156	34
As at 31/12/2005	24,477	46
As at 31/03/2006	28,774	43

NOTE 12 SHARES IN GROUP COMPANIES

Company	C/N	Seat	Share %	Share qty	Parent company	
					2006 Q1	Whole of 2005
Cherry Casino AB	556225-3806	Stockholm	100%	20,000	8,313	8,313
Cherry Casino Syd AB	556229-6730	Gothenburg	100%	20,000	6,972	6,972
Cherry A/S		Denmark	100%	1,000	6,465	6,465
Cherry Casino Norr AB	556420-9632	Umeå	100%	5,000	1,670	1,670
Cherry Maritime Gaming AB	556207-4335	Stockholm	100%	10,000	4,862	4,862
- Secular Corporation		Liberia	55%	275	—	—
- Cherry Services Ltd		Cyprus	55%	2,750	—	—
Total					31,420	31,420

NOTE 13 LONG-TERM RECEIVABLES AND OTHER RECEIVABLES

Other long-term receivables that are fixed assets	Group		Parent company	
	2006 Q1	Whole of 2005	2006 Q1	Whole of 2005
At balance sheet date				
Long-term part of restaurant loan	400	479	—	—
Total	400	479	0	0

Changes

Opening booked value	479	749	—	—
Change in long-term part of restaurant loan	-79	-270	—	—
Closing booked value	400	479	0	0

Other receivables that are current assets	Group		Parent company	
	2006 Q1	Whole of 2005	2006 Q1	Whole of 2005
At balance sheet date				
Current part of restaurant loan	5,554	5,619	—	—
Receivables, former group companies	8,904	11,042	4,117	4,117
Current part of deposits	107	0	—	—
Gaming shares	5,973	5,611	—	—
Gaming cashiers, money changing cashiers	4,168	3,450	—	—
Value added tax	0	2	—	—
Other	439	131	—	—
Total	25,145	25,855	4,117	4,117

Receivables of former Group companies will be settled before the company is noted on Aktietorget.

NOTE 14 PREPAID EXPENSES AND ACCRUED REVENUES

	Group		Parent company	
	2006 Q1	Whole of 2005	2006 Q1	Whole of 2005
Accrued gaming revenue	5,392	7,982	—	—
Other prepaid expenses	3,068	2,937	—	—
Total	8,460	10,919	0	0

NOTE 15 EQUITY

Share capital compilation	31/03/2006	
	Number of shares	Share capital
Parent company		
Shares	20,000	2,000

Share quotient value is SEK 100.

Share capital compilation	At separation	
	Number of shares	Share capital
Parent company		
Shares, series A (10 votes)	561,000	308
Shares, series B (1 vote)	3,394,372	1,867
Total shares	3,955,372	2,175

Share quotient value is SEK 0.55. Both A- and B-shares have the same rights.

Other capital contributions

Pertains to shareholders' equity contributed by the owners. In the Cherry companies, this item comprises capital contributed to a statutory reserve in 1993 and shareholders' contributions of SEK 31,620,000, which Betsson provided in the form of operations/subsidiaries in the new Group in 2006.

Provisions

Translation provision

The translation provision comprises all exchange-rate differences that arise in the translation of financial reports from foreign operations that prepared their financial reports in currencies other than the currency in which the Group's financial reports are presented.

Profit carried forward, including earnings for the year

The profit carried forward, including earnings for the year, include profits in the Parent Company and its subsidiaries, associated companies and joint-venture companies, as well as the proportion of untaxed reserves that can be attributed to shareholders' equity. Earlier provisions to the statutory reserve, excluding transferred share premium reserves, are included in this capital item.

NOTE 16 INTEREST-BEARING LIABILITIES

	Group		Parent company	
	2006 Q1	Whole of 2005	2006 Q1	Whole of 2005
Long-term interest bearing liabilities				
Bank loans	9,446	9,480	—	—
Leasing debts	1,604	1,077	—	—
Total	11,050	10,557	0	0
Current interest-bearing liabilities				
Current part of bank loans	0	0	—	—
Current part of leasing debts	3,576	2,389	—	—
Total	3,576	2,389	0	0
Total interest bearing long-term liabilities	11,050	10,557	—	—
– of which are due within one to five years	11,050	10,557	—	—
– of which are due after five years	—	—	—	—

Bank loans are for financing of the Danish operations in local currency. The loan is subject to monthly variable market rate of interest. No amortization is made on the loan at present. Thus, the entire loan amount is reported as a long-term liability. The matter of amortisation will be discussed with the bank in the fall of 2006.

Leasing debts are primarily due to instalment purchases of gaming equipment from gaming supplier. Purchase price will be paid by payment of 25 percent of the total sum upon order/delivery. After three amortisation-free months, the remaining debt is paid over 21 months. Interest is added to each instalment payment. Gaming equipment is owned by the supplier until the entire sum has been paid.

NOTE 17 OTHER LIABILITIES

	Group		Parent company	
	2006 Q1	Whole of 2005	2006 Q1	Whole of 2005
Other long-term liabilities				
Total	0	0	0	0
Other current liabilities				
Employee tax	1,941	2,261	—	—
Debt to employees	6	23	—	—
Gaming taxes	2,605	2,738	—	—
Gaming shares to gaming locations	1,004	1,482	—	—
Value added tax	226	174	—	—
Liabilities to former Group companies	6,621	6,284	—	—
Other	1,184	1,083	—	—
Total	13,587	14,045	0	0

Liabilities to former Group companies will be settled before the company is listed on Aktietorget.

NOTE 18 ACCRUED EXPENSES AND PREPAID REVENUE

	Group		Parent company	
	2006 Q1	Whole of 2005	2006 Q1	Whole of 2005
Holiday pay liability	5,584	4,889	—	—
Social security contributions	3,907	4,252	—	—
Employer's contribution	722	649	—	—
Location fees	2,328	2,758	—	—
Accrued salaries	2,525	3,098	—	—
Other	738	448	—	—
Total	15,804	16,094	0	0

NOTE 19 PLEDGED ASSETS

	Group		Parent company	
	2006 Q1	Whole of 2005	2006 Q1	Whole of 2005
For own liabilities				
Assets with ownership reservation	7,851	5,196	-	-
Total	7,851	5,196	0	0

Refers to the book value of hire-purchased gaming equipment.

NOTE 20 CONTINGENT LIABILITIES

	Group		Parent company	
	2006 Q1	Whole of 2005	2006 Q1	Whole of 2005
Guarantees and contingent liabilities for subsidiaries	-	-	11,163	11,203
Other guarantees and contingent liabilities	-	-	-	-
Total	0	0	11,163	11,203

Refers to parent company's guarantee for subsidiary Cherry A/S bank loan and set bank guarantees to Danish authorities. Guarantees total DKK 8,863 thousand.

Key business ratios pro forma

	2006-05-31	Quarter 1, 2006	Whole of 2005
Operating margin, %		-2.0	0.9
Profit margin, %		-2.4	0.8
Interest coverage ratio, times		-4.8	2.5
Balance sheet:			
Equity/assets ratio, %	45.2	44.3	45.5
Quick ratio, %	138.2	137.7	150.4
Net interest bearing liabilities, <i>SEK thousands</i>	779	-570	-3 154
Net debt/equity ratio, times	2	-1.5	-8.1
Number of employees	660	692	753
Average number of fulltime employees	173	180	193
Data per share			
Profit/loss per share		-0.19	0.17
Equity per share	9.72	9.59	9.83
Number of shares			
Average number of outstanding shares	3,955,372	3,955,372	3,955,372
Outstanding number of shares at the end of the period	3,955,372	3,955,372	3,955,372

DEFINITIONS

Operating margin Operating profit/loss, divided by revenue for the period.

Profit margin Profit/loss after financial items, divided by revenue for the period.

Interest coverage ratio Profit/loss after financial items, plus interest expense, divided by interest expense.

Equity/assets ratio Equity at the end of period as a percentage of total assets at the end of period.

Quick ratio Current assets, net of inventories, divided by current liabilities, including proposed but not yet adopted dividend.

Net interest bearing debt Interest-bearing liabilities less cash and cash equivalents.

Interest bearing net debt to equity (times) Interest-bearing liabilities less cash and cash equivalents divided by equity.

Number of employees The number of persons employed on the date of the most recent monthly salary payment.

Average number of employees The number of employees converted into full-time equivalents.

Earnings per share Profit/loss after tax divided by the average number of shares outstanding during the period.

Equity per share Shareholders' equity divided by the number of shares outstanding at the end of the period.

Average number of shares Weighted average of the number of shares outstanding during the period.

Number of shares The number of shares at the end of each period.

Comments on pro forma accounts and other financial information

Sales and earnings

In 2005, sales amounted to approximately SEK 235.9 million. During the first quarter of 2006, sales totaled about SEK 48.8 million. In general, the market for restaurant casinos declined. One explanation could be the smoking ban, combined with competition from state-owned casinos, state-owned slot machines and from Internet gaming. The trend is that the market is continuing to decline somewhat, mainly in the larger cities.

Operating profit amounted to about SEK 2.1 million in 2005 and a loss of about SEK 1 million was reported during the first quarter of 2005. Profit after tax amounted to SEK 1.3 million for 2005 and a loss of some SEK 0.9 million was reported for the first quarter of 2006.

Due to seasonal variations, Cherry's sales and earnings are normally lower during the first quarter. This affects primarily maritime operations due to, for example, harsh weather in the Baltic Sea when there are fewer travelers, which means that many vessels use this opportunity to visit shipyards. There are also fewer restaurant guests, which influences sales and earnings for restaurant casinos.

The maritime operation within CMG, Cherry Maritime Gaming, had a favorable year in 2005. Both growth and profitability improved.

Expenses

Cherry's operating profit amounted to about SEK 233.8 million for 2005 and to SEK 49.8 million during the first quarter of 2006. The main expense items at Cherry consist of personnel expenses for approximately 650 croupiers and the fees that the Company pays to contract partners/restaurateurs.

Sensitivity analysis

Cherryföretagen's fixed costs in the restaurant-casino segment are relatively constant, meaning that a change in total sales would have a major effect on earnings. Fixed costs in maritime operations are also relatively constant but more capital-intensive and are therefore subject to larger depreciation, which is charged against profits regardless of the level of sales. Also, the agreement with the maritime operations is mainly an exclusive one, meaning that if a ship-owner increases his fleet with vessels that would require gaming onboard, Cherryföretagen would operate these. Conversely, there is the risk that a shipping company sells a vessel on which Cherryföretagen offers gaming services to another shipping company and the Company would have to remove its machines at short notice.

Assets and investments

Tangible fixed assets and investments

The tangible fixed assets of the companies in the Cherry Group consist mainly of gaming equipment in the form of card tables, roulette tables and slot machines for the Danish and maritime operations. There are also a few vehicles and some office equipment classified as fixed assets.

The companies in the Cherry Group estimate that investments corresponding to the following amounts will be made during the 2006 financial year:

Restaurant casino	SEK 0.8 million
Cherry A/S:	SEK 0.8 million
Cherry Maritime Gaming AB:	SEK 4.0 million
Cherry Services Ltd:	SEK 4.7 million

During 2005, investments amounted to:

Restaurant casino	SEK 0.7 million
Cherry A/S	SEK 0.7 million
Cherry Maritime Gaming	SEK 2.7 million
Cherry Services Ltd	SEK 6.7 million

Operating capital

The Board considers the existing operating capital sufficient for Cherry's current needs.

Financing, financial position and finance policy

At March 31, 2006, cash and cash equivalent amounted to SEK 15.2 million, and at May 31, 2006, to SEK 13.2 million.

The company's interest-bearing liabilities on March 31, 2006 amounted to about SEK 14.6 million, corresponding to a debt equity ratio of approximately 38.5 percent. On May 31, 2006 the corresponding key ratios amounted to SEK 14.0 million and 36.5 percent, respectively.

The Group's tangible fixed assets consist mainly of games and gaming equipment. Within the Swedish restaurant casino-business the need for investments is low and the equipment is relatively cheap to procure. Replacement investments can therefore be financed through cash generated from the business.

In the maritime gaming business the equipment (foremost slot machines) has a higher purchase price per item. Replacement investments (around 15-20 percent of the gaming inventories are renewed yearly) are financed through cash generated by the business. Need for external financing is estimated to be necessary only in relation to an acquisition and/or larger new investments in relation to the signing of larger gaming agreements. The Company intends to continue to finance larger investments in Maritime Gaming through bank financing and / or supplier financing.

No substantial changes have taken place regarding the Group's financial position or market position since the pro forma accounting was prepared.

External loans

Cherry A/S has a loan agreement for foreign currency of DKK 10 million and a credit agreement for DKK 4 million with Nordea Bank Denmark A/S. On March 31, 2006, the company utilized a loan of DKK 7.5 million and provided bank guarantees of DKK 1.4 million to Danish authorities. Cherryföretagen has signed a guarantee commitment in favor of Cherry A/S's loan.

Internal loans

Cherry A/S has loaned DKK 2 million to Cherry Maritime Gaming AB, which in turn loaned about SEK 2.66 million to Cherry Services Limited for investments in additional gaming equipment. The background to the loan is that Cherry Services Limited's cash flow has been strained with investments in gaming equipment that have a depreciation period of seven years but will be financed through payment to the supplier over a period of 24 months. Since the Cherry Group has strong liquidity in other respects, own funds will be used to assist Cherry Services Limited for larger investments.

Supplier's trade credit

Secular Corporation and Cherry Services Ltd have accounts payable to gaming equipment supplier, IGT Europe B.V., which totaled EUR 523,000 on March 31, 2006. The credit is being paid off according to plan by some EUR 33,000 per month. From May 2007, the installments will decrease to about EUR 11,000. When the Secular companies purchase new gaming equipment from IGT Europe B.V., 25 percent is normally paid at delivery and the remaining amount over a period of 24 months. IGT Europe B.V. has not received any form of collateral as a result of the credit. However, the games are impaired by an ownership proviso until the entire debt has been settled.

Loans and credits covered by guarantee or collateral

A bank loan of SEK 9,446,000 to Cherry A/S Danmark is covered by a guarantee from Cherryföretagen. Cherry A/S also provided a bank guarantee via Nordea Danmark to Told & Skat for payment of gaming taxes in the amount of SEK 1,717,000. These are also covered by a guarantee from Betsson; also read Note 20.

The remaining interest-bearing liabilities, all leasing debts, amount to SEK 5,180,000. Of this, SEK 4,915,000 represents hire-purchase of gaming equipment from suppliers. The games remain the property of the suppliers until final payment is made. Therefore, the games serve as collateral for the loans. The carrying amount of SEK 7,851,000 was used; also read Note 19.

Advanced payment of gaming shares, restaurateur credits

Cherry Casino AB's agreement with restaurant owners regarding the restaurant-casino operation entails that Cherry Casino AB and restaurant owners agree on the distribution of income from the restaurant-casino operation. When entering into a new restaurant-casino agreement, Cherry Casino AB could provide advance payment of gaming shares, restaurateur credits, to restaurant owners. This is a normal part of the restaurant-casino industry and is a competitive tool in Cherry Casino AB's business negotiations regarding gaming location agreements with restaurant owners. Each loan agreement is preceded by a specific calculation and is approved according to the company's attestation regulations. To minimize risks associated with restaurateur credits, restaurant owners provide collateral in the form of mortgages for companies or properties, personal guarantees or the pledging of property. Cherry Casino AB estimates that paying advanced gaming shares constitutes a credit risk and reserves funds in the annual report for the restaurateur credits that are considered doubtful. As a rule, these provisions are carefully examined by the company's auditors. At present, Cherry Casino AB considers that sufficient measures have been taken to protect itself, to a reasonable degree, against fraud and credit losses.

Currency risk and currency policy

The Group's earnings are exposed to exchange rate fluctuations, since a major part of the income from maritime operations is in currencies other than the expenses, mainly EUR. At present, Cherry does not hedge this part.

The Group's earnings are also influenced by exchange rate fluctuations when the foreign subsidiaries' earnings are translated to SEK (conversion exposure). In addition, the Group's equity is influenced by exchange rate fluctuations when assets and liabilities in subsidiaries are translated to SEK (conversion exposure).

Financial overview based on previous segment reporting for the business areas Restaurant Casino and Maritime Gaming

Up to 2004, Betsson reported the following segments: Internet Gaming, Restaurant Casino, Maritime Gaming and New Markets. From 2005, Internet gaming was divided into the Net Entertainment and Cherry Online segments, while the remaining three segments were combined to form the Cherry Casino segment.

The land-based division of Cherry A/S Danmark was previously included in New Markets (while maritime operations were reported under Maritime Gaming). Also previously included in New Markets were operations in Chile, Norway and expenses for various international projects. In addition to the land-based portion in Denmark, the remaining operations and projects are now terminated or divested or the subject of divestment through Betsson.

In the new Cherryföretagen (Cherry Casino), only two segments are reported: Restaurant Casino and Maritime Gaming. Also, the Danish land-based operation intends to report under the Maritime Gaming segment. The reason is that the land-based operation in Denmark is not sufficiently large or independent to report as an individual segment. The operation is more of a complement to the maritime operation, through more efficient utilization of personnel, etc.

The following five-year forecast of Restaurant Casino and Maritime Gaming is based on:

- Actual outcome for Restaurant Casino (according to published figures from Betsson up to 2004. From 2005, Restaurant Casino was not reported separately).
- Actual outcome for Maritime Gaming and actual results for the Danish land-based operation. However, the remaining operations and projects within New Markets are excluded, since they are not subject to dividends.

Pro forma expenses for Group overheads, market expenses, etc., in the new divided Group are not included in the summary below.

(Amount in SEK thousands if nothing else is stated)	2006 Jan-March	2005	2004	2003	2002	2001
<u>Business area Restaurant casino (outcome)</u>						
Sales	28,891	139,916	149,481	140,360	154,961	155,466
Operating profit/loss	600	4,041	6,622	4,825	8,467	6,451
Operating margin (%)	2.1	2.9	4.4	3.4	5.5	4.1
Nr of gaming locations	246	252	278	211	220	225
Nr of gaming tables	371	387	427	354	373	376
Nr of employed persons	656	715	741	610	627	673
Average nr of employeés	149	156	164	176	169	203
<u>Business area Maritime Gaming (outcome)</u>						
Sales	19,770	95,266	91,962	89,796	74,964	76,744
Operating profit/loss	-186	3,591	2,986	1,574	-6,040	-2,625
Operating margin (%)	-0.9	3.8	3.2	1.8	-8.1	-3.4
Nr of ships	46	42	43	49	52	47
Nr of gaming tables on ships	7	7	10	9	9	2
Nr of slot machines on ships	600	527	464	627	675	525
Nr of slot machines, landbased	162	187	232	124	52	20
Nr of employed persons	34	36	43	57	47	58
Average nr of employees	29	35	35	54	48	50

Auditor's report

To the Board of Directors in Cherryföretagen AB (publ)

Corporate identity no. 556210-9909

I have examined the pro forma statement presented on pages 23-26 as well as the summary of material accounting principles and other additional information in Cherryföretagen AB's prospectus dated August 17, 2006. The annual report for 2005 has been audited by me without comment.

The pro forma statement has been prepared solely for the purpose of providing information about Cherryföretagen AB as if it had been an independent listed company in the year 2005 and from January 1, 2006 to March 31, 2006. The account statement includes a real balance sheet as of March 31, 2006.

Responsibility of the Board and the CEO

It is the responsibility of the Board of Directors and the CEO to prepare a pro forma statement in compliance with the requirements in the prospectus regulation 809/2004EG.

Responsibility of the Auditor

It is my responsibility to submit a statement in accordance with Appendix II Paragraph 7 in the prospectus regulation 809/2004 EG. I am under no obligation to submit any other comments or report on the pro forma statement or any part therein. I do not assume any responsibility for such financial information that has been used for the purpose of compiling the pro forma statement beyond my responsibility for the auditor's reports concerning historical financial information that I have previously submitted.

Work conducted

I have conducted my work in accordance with the proposal of FAR (the Swedish Institute of Authorised Public Accountants) RevR 5 Audit of prospectus. My work has chiefly consisted of comparing the financial information that has not been adjusted with the historical information that exists, assessing the documentation for the pro forma adjustments and discussing the pro forma statement with the management team. My work has not included an examination of the underlying financial information.

I have planned and conducted my work in order to obtain the information and the explanations that I have deemed necessary for gaining reasonable, but not absolute, assurance that the pro forma statement has been prepared in accordance with the conditions specified on pages 23-26.

Since the pro forma statement constitutes a hypothetical situation and does not therefore describe the company's real results or financial position, I am unable to comment on whether the real results and position would have corresponded with what has been reported in the pro forma statement. The deviations may prove to be material.

Statement

It is my opinion that the pro forma statement has been prepared in accordance with the conditions specified on pages 23-26 and in accordance with the accounting principles applied by the company.

Stockholm August 17 2006

Gunnar Liljedahl
Ernst & Young AB

Legal issues and supplementary information

Significant agreements

Shareholder agreements

There are shareholder agreements between Cherryföretagen and Vasquez Limited¹, which affect the jointly owned Cypriot company Cherry Services Limited, as well as shareholder agreements between the same contractual partners involved in the jointly owned Liberian Company Secular Corporation. The agreements are referred to in the section "Shareholder agreements".

Agreements with suppliers

Companies in the Cherryföretagen Group have no general agreements or similar arrangements with suppliers but instead procure gaming equipment in accordance with individual agreements and are thus not dependent on any single supplier.

Agreements with customers

Cherry Maritime Gaming AB

Cherry Maritime Gaming AB has concluded agreements with several different shipping companies regarding gaming operations on vessels belonging to the shipping companies. The most important agreements are with Unity Line (Sweden – Poland), Polferries (Sweden – Poland), Finnlines (various routes in Europe) and Superfast Ferries (various routes in Europe). The agreements contain conditions that are customary in the sector. Notice terminating the agreement with Superfast was served on March 27, 2006 and this agreement expires on April 10, 2006. The reason for terminating the agreement is that the vessels were sold.

Cherry Maritime Gaming AB's revenue from the agreement with Superfast Ferries S.A. generated SEK 1,5 million during the 2005 financial year and represented Cherry Maritime Gaming AB's fourth largest customer. The termination of this agreement also affects Cherry Maritime Gaming AB's gross earnings capacity, the Company's original budget for the current financial year (2006) is nevertheless likely to be attained.

Restaurant casino

Cherry has concluded a total of some 260 agreements with restaurant owners covering casino operations. The agreements extend for one to four years with the possibility of extension, and differ in terms of what applies in the distribution of net profits generated by casino operations. If the restaurant operation is sold, leased out or the premises in which operations are conducted are transferred to another party, the agreement may be terminated, but restaurant owners frequently make sure that the new owner offers to take the restaurant owner's rights and responsibilities pursuant to the agreements with companies in the Cherryföretagen Group.

The restaurant casino operations were conducted by three companies in the Cherryföretagen Group Cherry Casino AB, Cherry Casino Norr AB and Cherry Casino Syd AB. As a result of internal restructuring measures in January 2006, the operations in Cherry Casino Norr AB and Cherry Casino Syd AB were transferred to Cherry Casino AB. The transfer is conditional upon the Swedish Gaming Board approving new licenses for Cherry Casino AB for all gaming licenses currently held by Cherry Casino Norr AB and Cherry Casino Syd AB and that the restaurant owners with whom Cherry Casino Norr AB and Cherry Casino Syd AB have contracts approve the transfer of these contracts to Cherry Casino AB. Earlier restructuring measures were implemented without any problems and the company does not anticipate any problems arising in the transfer of the restaurant contracts.

Regarding the gaming licenses, Cherry Casino AB has applied for new gaming licenses from the Swedish Gaming Board. This is because the gaming licenses are attached to the legal entity and, accordingly, cannot be transferred directly between the companies. Until Cherry Casino has secured all of the licenses, the restaurant-casino operations will be conducted in accordance with special contracts between the three Casino companies.

The Swedish Gaming Board has been informed of the restructuring measures and the recently mentioned contracts and the Board has privately stated that it has no objection to changes in the operations insofar as these pertain to licenses already issued and new licenses. The company's view is that all of the licenses for the restaurant-casino operations, assuming approval is received from the Swedish Gaming Board, will be held by Cherry Casino AB in August/September 2006. When all of the gaming licenses and restaurant contracts currently held by Cherry Casino Norr AB and Cherry Casino Syd AB are transferred to Cherry Casino AB, all restaurant casino operations will be conducted by Cherry Casino AB.

¹ Vasquez Limited is a Cypriot company owned by Joseph G Vasquez Jr, who is the Cherryföretagen Group's business partner in the jointly owned companies called Secular Corporation and Cherry Services Limited. The Cherryföretagen Group's relationship with Joseph G Vasquez Jr is good.

Secular Corporation and Cherry Services Ltd

Operations in Secular Corporation will be transferred to Cherry Services Ltd in 2006. Overall, the Secular companies have six agreements covering casino operations on vessels in the Mediterranean area.

Secular Corporation is not entitled to transfer its agreements to Cherry Services Ltd without the permission of each counterparty. Secular Corporation intends to get the requisite permission prior to the transfer of the agreements to Cherry Services Ltd. Secular Corporation agreements with Superfast Ferries S.A. covering the vessels Superfast V and Blue Star Ferries S.A. covering the vessel Blue Star I expire at the end of the year unless they are extended in writing. Secular Corporation's agreements with Flanmore Shipping Inc covering the vessel Ionian Sky expires at year-end 2006 but will be extended if notice is not served and the agreement with Atlantica S.p.A. covering the vessel Eurostar Barcelona applies until April 30, 2008.

Cherry Services Ltd's agreements with Atlantica S.p.A. covering the vessels Eurostar Valencia and Eurostar Roma both extend to February 20, 2009.

Agreement between Cherry A/S and Shell

A partnership agreement between Cherry A/S and Shell was concluded in May 2006. The agreement replaces a previous partnership agreement between the parties concluded in December 2003 and applies until the end of 2009, unless it is extended by the parties. In accordance with the agreement, Cherry A/S will operate as a preferred partner in terms of the establishment and operation of gaming environments in Shell-owned and franchise-owned Shell stations.

Shell will work to ensure that the franchisees conclude agreements with Cherry A/S. Shell also undertakes to ensure that the franchisees do not conclude agreements about gaming machines with other parties, unless Cherry A/S has declined the opportunity to conclude an agreement with the said station. Cherry A/S may not conclude agreements with a franchisee without Shell's consent. Accordingly, the way this agreement is formulated means that Cherry A/S is dependent on Shell for concluding agreements with franchisees. Shell is not entitled to start up a competing operation with a competitor to Cherry A/S during a period of 12 months after the agreement has been terminated. The intention is that the agreements with franchisees will be included in a standard agreement compiled by Cherry A/S. However, the agreement has yet to be negotiated with the franchisees and it is currently difficult to anticipate how the agreement with the franchisees will be formulated. Accordingly, no detailed comments are provided regarding the standard agreement.

The agreement provides Shell with considerable freedom of action and a unilateral opportunity to terminate the agreement subject to one month's notice, regardless of cause, which would also mean that all agreements with franchisees would automatically be terminated. In the event that it terminates the agreement in this manner, Shell must pay certain compensation to Cherry A/S. However, the compensation would not be in relation to Cherry A/S's revenues from the agreement, which accounts for a significant portion of Cherry A/S's total revenues. Cherryföretagen has stated that, in its opinion, the agreement does not deviate in any adverse manner from the conventional terms and conditions applying in the industry. In the event that Shell and/or Cherry A/S have substantial market shares (usually exceeding 30%), the agreement may contravene Danish competition rules, since the agreement constitutes an exclusive undertaking from both of the parties.

Agreement covering transfer of operations

In May 2004, Betsson AB acquired Knutsson Casino AB. Operations were transferred to Cherry Casino Meaning Cherry Casino AB, Cherry Casino Syd AB and Cherry Casino Norr AB as of June 1, 2004. There is no agreement for this transaction. Among other activities, operations consist of casino games – roulette, dice and card games – in Swedish restaurants and hotels under the name Knutsson Casino, gaming agreements with the aforementioned restaurants and hotels in whose premises gaming operations are conducted and licenses for gaming operations. Pursuant to agreements, the sellers have pledged not to pursue competing operations through May 2007.

In March 2004, Cherry Casino Aktiebolag and Cherry Casino Syd AB acquired Engdahl Casino AB and Engdahl Casino Sweden AB. Among other activities, operations consisted of casino games – roulette and Black-Jack – in Swedish restaurants and hotels under the name Engdahl Casino, gaming agreements with the aforementioned restaurants and hotels in whose premises gaming operations are conducted and licenses for gaming operations. Pursuant to agreements, the sellers have pledged not to pursue competing operations up to March 2009.

In March 2006, Cherry Casino Aktiebolag acquired the operations in Andersson & Andersson Casino KB. Among other activities, operations consisted of casino games – Fast Poker and Black-Jack – in restaurants and hotels, particularly in northern Sweden under the name Andersson & Andersson Casino, gaming agreements with aforementioned restaurants and hotels in whose premises gaming operations are conducted and licenses for gaming operations. Pursuant to agreements, the sellers have pledged not to conduct competing operations up to

March 2009.

Intellectual rights and agreements

Cherryföretagen acquired the ownership rights to registered brands through transfer agreements concluded on April 28, 2006 between Betsson and Cherryföretagen (national brands) and Net Entertainment AB and Cherryföretagen (EU registration of the brand Cherry Casino with the fruit symbol in metallic gold color). Both transfers were done free of charge. Re-registration of the transferred brands with the particular authorities has not yet been completed.

Effective April 28, 2006, Cherryföretagen concluded agreements with CasinoEuro Ltd (Malta) covering the licensing of all Cherryföretagen's registered brands in Sweden and abroad for the use in CasinoEuro Ltd's casino operations on the Internet. The agreement extends for 10 years with the possibility for a five-year extension. License fees are EUR 5,000 per year. In the event of any extension of the agreement, fees will amount to EUR 7,500 per year. CasinoEuro Ltd is a company in the Betsson Group and has thus been part of the same group as Cherryföretagen up until the distribution of Cherryföretagen to shareholders in Betsson.

In 1980, Betsson concluded an agreement with Cherry Electrical Products Corporation, Illinois, U.S. covering the joint use of the Cherry brand in the products and markets in which each company is active. The intention is to transfer the agreement to Cherryföretagen.

Shareholder agreements

Shareholder agreements covering Cherry Services Limited

A shareholder agreement has been concluded between Cherryföretagen and Vasquez Limited covering the jointly owned Cypriot company Cherry Services Limited. Operations in Cherry Services Limited, in which Cherryföretagen owns 55% and Vasquez Limited holds 45%, include gaming operations onboard vessels. Among other points, the agreement states that the contractual parties shall reach agreement on investments and each party shall finance investments corresponding to their holding in Cherry Services Limited. Cherryföretagen elects four Board members, including the Chairman and one substitute, while Vasquez Limited elects two Board members and one substitute. Cherry Services Limited shall have an option on the business opportunities presented to the contractual parties or employees and parties closely associated with these companies. The contractual parties are pledged to offer each other pre-emption rights covering shares to be sold. The agreement extends to year-end 2017, which means that Cherryföretagen is bound by the pledges pursuant to the agreement for a substantial period in the future. Operations in Cherry Services Limited are currently major assets in Cherryföretagen's operations. Total sales for the Secular Group amounted to approximately SEK 28.5 million, with operating income of about SEK 2.7 million. Vasquez Limited's portion amounts to SEK 1.21 million.

Shareholder agreements covering Secular Corporation

Shareholder agreements have been concluded between Cherryföretagen and Vasquez Limited covering the jointly owned Liberian company Secular Corporation. The agreement is very similar to the share agreement covering Cherry Services Limited. Thus, this agreement is not dealt with in any greater detail in this prospectus.

Transactions with closely related parties

Agreements covering services in administration, accounting and IT

During a transition period, Cherryföretagen will purchase certain services from Betsson. Thus, an agreement has been concluded between the parties that give Cherryföretagen the right to buy services in accounting and administration and the right to rent part of the premises in return for commercially based compensation until the end of the current financial year (2006). The scope of the services will be determined on an ongoing basis among the parties.

Betsson, Cherryföretagen and Net Entertainment have also concluded agreements to the effect that Cherryföretagen is entitled to buy IT support and IT back-up in return for commercially based compensation to the end of the current financial year (2006). The scope of the services will be determined on an ongoing basis among the parties.

Rental agreements

Betsson has rental premises in Stockholm that are used by companies in the Betsson Group. Cherryföretagen and Betsson have concluded a rental agreement that gives Cherryföretagen the right to rent part of the premises through December 31, 2006 with an extension period of one year at a time.

Environmental issues

Cherryföretagen Group does not conduct operations that require a permit pursuant to environmental legislation and regulations. In the Company's view, operations do not involve any risk in terms of environmental legislation.

Intellectual property rights

Registered and licensed rights

Following its transfer from Betsson and Net Entertainment, Cherryföretagen is the owner of the registered brand, Cherry, in a number of countries in which Cherryföretagen is active. However re-registration has not yet been completed with the particular authorities. The fruit symbol now used by Cherryföretagen is registered in the EU in form of a logo in which the words Cherry Casino and the fruit symbol are included in metallic gold color. The fruit symbol in red and green in the form now used is registered only in Sweden. In addition, Cherryföretagen has a registered design for the table cover used for poker.

Effective April 28, 2006, Cherryföretagen concluded an agreement with CasinoEuro Ltd (Malta) covering the license of all of Cherryföretagen's registered brands in Sweden and abroad for use in CasinoEuro Ltd's casino operations on the Internet. The agreement extends for 10 years with the potential for a five-year extension. License fees amount to EUR 5,000 per year. In the event of any extension, the fees will total EUR 7,500 per year. CasinoEuro Ltd is a company in the Betsson Group and has thus been included in the same Group as Cherryföretagen up until the distribution of Cherryföretagen to shareholders in Betsson.

In addition, the brands have been licensed to a third party for use in Poland, Russia and Chile as presented below.

Poland

During the period 1997-2005, Orbis Casino – Sp.z.o.o. in Poland has had an exclusive brand license covering symbol marks registered in Poland. Discussions are in progress concerning an extension of the agreement.

Russia

According to agreements between Betsson and Milwill Limited (Cyprus), Milwill Limited has received a non-exclusive license for brands registered in Russia, including the previously used fruit symbol for running casino operations at Casino Metelitsa Entertainment in Moscow. The agreement extends to December 31, 2006 with the possibility of an extension, with adjusted compensation, for three-year periods. The compensation currently amounts to EUR 60,000 annually. Betsson will transfer the agreement to Cherryföretagen.

Chile

Betsson, as the one party, concluded agreements on December 8, 2005 with Lauri Martii, Globalux OY (Finland) and ScanInwest OU (Estonia), as the other party, covering a license of the Cherry brand including the fruit symbol, which is registered in Chile for the joint use in Chile by the aforementioned three license holders. It is stated in the agreement that the license may be further licensed to companies in Cherryforetagen Chile Limitada and Cherry Tivolito S.A., which were previously 50% owned by companies in the Betsson Group. The license extends for ten years with the possibility of an extension for five years and is free of charge. The agreement may be terminated prematurely if Per Hamberg (Board member in Cherryföretagen) ceases to be a Board member in Cherryforetagen Chile Limitada and Cherry Tivolito S.A. The license was transferred, as was part of Betsson's discontinuation of its ownership in the recently mentioned Chilean company. Betsson has not transferred the agreement to Cherryföretagen. Betsson will transfer the agreement to Cherryföretagen.

Apart from the above, Cherryföretagen has no registered intellectual property rights. Software used in Cherryföretagen is used with the support of rights/licenses granted by each software owner.

Insurance

As a result of the restructuring of the Cherryföretagen Group, insurance cover is currently being reviewed. In addition, there will be a Board liability insurance for all Swedish companies. Insurance cover will include business disruption and theft cover, but not legal cover insurance. There is no insurance cover for Secular Corporation and Cherry Services Ltd. The need of Insurance cover for these companies is currently being reviewed. With the exception of Secular Corporation and Cherry Services Ltd, the Board of Directors believes that Cherryföretagen Group, following the overview, will have satisfactory insurance cover in view of the risks entailed by operations.

Approval and regulations

In most cases, the Cherryföretagen Group's gaming operations are subject to official approval. Cherry Casino AB, Cherry Casino Norr AB, Cherry Casino Syd AB, Cherry Casino A/S, Cherry Maritime Gaming AB and Cherry Services Ltd all have the requisite approval.

As stated above, the approvals that Cherry Casino Norr AB and Cherry Casino Syd AB have today, provided that approval is obtained by the Swedish Gaming Board (Lotteriinspektionen), are instead held by Cherry Casino AB. For Secular Corporation, operations are not subject to official approval. Operations are conducted in accordance with the legislation, ordinance and regulations pursuant to the license.

Property and facilities

Fixed property

Group companies do not own fixed property.

Premises

Betsson has rented premises in Stockholm that are used by companies in the Cherry Group. Cherryföretagen and Betsson have concluded a rental lease that gives Cherryföretagen the right to rent part of the rental premises through December 31, 2006 with an extension period of one year at a time.

Cherry Casino AB recently concluded a rental lease covering rental premises of 265 m² in Solna. As a result of this, Cherry Casino AB has relocated from parts of Betsson's premises in Stockholm used by Cherry Casino AB. The rental period for new premises in Solna extends through December 31, 2010. According to this rental lease, the premises are to be used as a warehouse and workshop. The annual basic rent is SEK 185,500. Also, Cherry Casino AB rents on the customary terms and conditions premises in Gothenburg of 264 m² with a rental period extending through September 30, 2008 and with an annual basic rent of SEK 191,400, as well as premises in Umeå of 104 m² with rental period extending through September 30, 2007 and with an annual basic rent of SEK 85,800. Cherryföretagen AB is looking for additional premises, since certain senior executives do not have office space in the current premises.

Cherry Maritime Gaming AB rents premises in Malmö of 195 m² with a rental period extending through February 28, 2008 and with an annual basic rent of SEK 174,000, as well as premises in Falkenberg of 100 m² with a rental period that extends until further notice and with an annual basic rent of SEK 24,120. In addition, Cherry Maritime Gaming AB has established a service office in Nykøbing Falster, at the home of an employee, in accordance with the undertakings of the general agreement with Scandlines-companies (refer below).

Cherry A/S rents premises in Hirtshals, Denmark, of 55 m² with a rental period extending through November 1, 2009 and with an annual basic rent of SEK 36,000.

Undertakings and other commitments

Cherry Maritime Gaming AB has concluded a general agreement with Scandlines Catering A/S and Scandlines Catering G.m.b.H covering gaming operations on some of Scandlines companies' vessels on the Baltic Sea. Pursuant to agreements, Cherry Maritime Gaming AB is responsible for operations such as maintenance and service of gaming equipment on the vessels. For this purpose, Cherry Maritime Gaming AB has established a service office in Nykøbing Falster that will continue in operation during the period the agreement with Scandlines companies extends, which is to year-end 2007.

Tax situation

Prior to the distribution of Cherryföretagen and with the aim of increasing the efficiency of operations, it has been decided that the casino activities in Sweden are to be conducted within a *single* company rather than previously within three companies. At January 1, 2006, the operations of the companies concerned were transferred. In light of that the transferred operations on account of, among other, that the permit issues have not been concluded, there is a risk that the transfers are not covered by the rules regarding below-cost transfers. The model the Company normally uses when it acquires external companies and that the company believes to be an established model in the industry, has been applied at the valuation of the transferred companies. Theoretically, however, another assessment could be made at a later stage, which could have tax consequences. Cherryföretagen's Board of Directors believes the model the Company has applied follows the current tax rules.

Disputes and legal proceedings

The Swedish Lottery Inspection

In October 2005, Cherry Casino Syd AB received a notice of consideration from the Swedish Lottery Inspection covering a warning and the issue of a fine for, among other things, the use of a casino table with the logotype of the foreign gaming company Betsson with the text "for fairer gaming," which, according to the Lottery Inspection, breaches the so-called promotion ban pursuant to the Lottery Act. The promotion ban means that it is forbidden to promote participation in lotteries organized outside Sweden.

Cherry Casino Syd has responded to the Lottery Inspection's claim and, among other things, has stated that, in the opinion of the Company, it is allowed to use Betsson's logotype based on freedom of expression and EU legal rules in the area.

In the event that Cherry Casino Syd is viewed as having breached the promotion ban, the amount of the fine is marginal.

Board of Directors, senior executives and auditors

The Board of Directors for Cherryföretagen below is an interim board. When Cherryföretagen has become listed on Aktietorget AB:s list the Board of Directors intend to give notice of an extraordinary general meeting to elect a new Board of Directors in order to offer the shareholders the possibility to participate in the election of this, for a term until the end of the following Annual General Meeting. None of the Board members or the senior executives named in this section has been convicted in any fraud-related case, been subject of official accusations or sanctions or forbidden by a court to be included as a member of an issuing, management, supervisory or control body during the past five years.

In cases where the person in question in the capacity of a member of a management, supervisory or control body or key person in an executive position, has been involved in a bankruptcy, liquidation or receivership, this is noted below.

There are no family connections between the persons presented below; neither is there any interest of conflicts between them.

All persons may be reached through the head office address. The company does not intend to follow the Code of Corporate Governance in its entirety.

Board of Directors

Cherryföretagen's Board of Directors currently consists of three persons, including the Chairman. The Board of Directors has its registered offices in the municipality of Stockholm. The current Board members are presented below. The Board members can be reached at the company headquarters address, see page 65.

Work on producing a proposal for the Board prior to the 2007 Annual General Meeting should be performed by a nomination committee. The nomination committee will be formed in the autumn of 2006 after consultation with no less than three shareholders. The structure of the nomination committee will be made public in the interim report for the third quarter of 2006.

Name:	Member since	Born	Position
Pontus Lindwall	2002	1965	Board chairman
Per Hamberg	2006	1943	Board member
Gunnar Lind	2006	1958	Board member/CEO

Pontus Lindwall (born 1965) has been a Board member in Cherryföretagen AB (publ) since 2002 and has previously been the chief executive officer and deputy Board member in the Company. Pontus Lindwall is the chief executive officer of Betsson. Pontus Lindwall has been a Board member in Europeiska Spel AB, which two years after he resigned as a board member entered into a voluntary liquidation. The liquidation was concluded in 2004.

Pontus Lindwall owns 928,844 B-shares in Betsson. Following the distribution of Cherryföretagen Pontus Lindwall will own 92,844 B-shares in Cherryföretagen.

Since 2001, Pontus Lindwall has been or is a Board member, senior or managing executive or partner in the following companies.

Current	Assignment/partnership
Aciago AB	Board member
Actorius AB	Board member
AB Restaurang Rouletter	Board member
Betsson AB	CEO
Betsson Technologies AB	Board member
BetWin AB	CEO/Board member
Casinoinvest i Sverige AB	Board member
Cherryföretagen Casinoutrustningar AB	Board member
Cherry Casino AB	Deputy Board member
Cherry Casino Norr AB	Deputy Board member
Cherry Casino Syd AB	Deputy Board member
Cherry International AB	Board member
Cherry Leisure AB	Board member
Cherry Maritime Gaming AB	Deputy Board member
Cherry Maritime Väst AB	Board member
EGI Emerging Global Investment AB	Board member
First Casino AB	Board member
Intact Technology Stockholm AB	CEO/Board member
Mobile Entertainment ME AB	Board member
Net Entertainment NE AB	CEO/Board member

Nya Solporten Fastighets AB	Board member
Portwise AB	Board member
Secured Gaming Funds SGF AB	Board member
Siljemark Entertainment AB	Board member
Solporten Fastighets AB	Board member
Solporten Förvaltnings AB	Board member
Svenska Casino AB	Board member
Vigör Byggnads AB	Deputy Board member

Previous

AB Restaurang Rouletter
Betsson AB
Casinoinvest i Sverige AB
Cherryföretagen AB (publ)
Cherryföretagen Casinoutrustningar AB
Cherry Casino AB
Cherry Casino Norr AB
Cherry Casino Syd AB
Cherry International AB
Cherry Leisure AB
Cherry Maritime Gaming AB
Cherry Maritime Väst AB
Establish i Stockholm AB
Europeiska Spel AB (likv.)
FairMen Invest AB
First Casino AB
Grinda Wårdshus AB
Impulsive Holding AB
Mobile Entertainment ME AB
Reachin Technologies AB
Secured Gaming Funds SGF AB
Solporten Fastighets AB
Svenska Casino AB
Wowern Lifestyle AB

Assignment/partnership

Deputy Board member
Board member/Deputy Board member
Deputy Board member
CEO/Deputy Board member
Deputy Board member
Board member
Board member
Board member
Chairman of the Board/Deputy Board member
CEO/Deputy Board member
Board member
Deputy Board member
Board member
Board member
Board member
Deputy Board member
Board member
CEO/Board member
Deputy Board member
Board member
CEO/Deputy Board member
CEO
Deputy Board member
Deputy Board member

Per Hamberg (born 1943) has been a Board member in Cherryföretagen since 2006 and was previously Deputy Board member in the Company. Per Hamberg's primary occupation consists of Board assignments in various companies as indicated by the overview below. Per Hamberg was also one of the founders of Betsson and has been a Board member in the company since the 1970s.

Per Hamberg owns 1,497,000 A-shares and 1,737,078 B-shares in Betsson. Following the distribution of Cherryföretagen Per Hamberg will own 149,700 A-shares and 173,708 B-shares in Cherryföretagen.

Since 2001, Per Hamberg has been or is a Board member, senior or managing executive or partner in the following companies.

Current

AB Restaurang Rouletter
Betsson AB (publ)
Bingoleasing Sweden AB
Bingotronic AB
Casinoinvest i Sverige AB (dormant)
Cherry International AB
Cherry Leisure AB (dormant)
Cherry Maritime Service Väst AB (dormant)
Cherry Tivolito SA, Chile
Cherryföretagen Casinoutrustningar AB (dormant)
EGI Emerging Global Investment AB
First Casino AB (dormant)
Hamberg & Kling Förvaltnings AB
Intact Technology Stockholm AB
International Leisure Gaming AB
Mobile Entertainment ME AB
Net Entertainment NE AB
Nya Solporten Fastighets AB
Portwise AB

Assignment/partnership

Deputy Board member
Board member
Board chairman/ Part owner
Board chairman/ Part owner
Deputy Board member
Board member
Deputy Board member
Board chairman/Part owner
Deputy Board member
Board member/President/owner
Board member
Board member/President
Deputy Board member
Deputy Board member
Board member/part owner
Deputy Board member

Previous

Svenska Casino AB
Secured Gaming Funds SGF AB
Solporten Fastighets AB
Solporten Invest SA, Luxemburg (dormant)
Vigör Byggnads AB
Cherryföretagen AB (publ)

Assignment/partnership

Deputy Board member
Deputy Board member
Board member
Part owner
Board chairman
Deputy Board member

Cherryföretagen Casinoutrustningar i Sverige AB (deregistered)	Board member
Cherryföretagen Trading AB (deregistered)	Board member
Handelsbolaget Plantan (deregistered)	Company man
Onisac AB (deregistered)	Board member

Gunnar Lind (born 1958) has been President of Cherryföretagen and of Cherry Casino AB since 2006. He has previously been Vice President and COO in Betsson. Gunnar Lind has completed the Stockholm Stock Exchange's training for Board members, senior executives and auditors.

Since 2001, Gunnar Lind has been or is a Board member, senior or managing executive or partner in the following companies.

Current	Assignment/partnership
Cherry A/S	Board member
Cherry Casino AB	Board member
Cherry Casino Norr AB	Board member
Cherry Casino Syd AB	Board member
Cherry Maritime Gaming AB	Board member
Secular Corporation	Board member
Cherry Services Limited	Board member
Previous	Assignment/partnership
Arvid Nordquist HAB (Classic Kaffe)	Director
Betsson AB (publ)	Deputy CEO/COO
Statoil Sverige och Skandinavien	Director for a number of business areas within the group

Senior executives

Cherryföretagen – senior executives of the Group are presented below. At present, the restaurant-casino activities are operated by three companies within the Cherryföretagen Group, Cherry Casino AB, Cherry Casino Norr AB and Cherry Casino Syd AB. The gaming license that is owned by Cherry Casino Norr AB and Cherry Casino Syd AB, subject to approval by the Lottery Inspection Board, will be owned by Cherry Casino AB. When Cherry Casino AB owns the licenses, the current Presidents of Cherry Casino AB, Cherry Casino Norr AB and Cherry Casino Syd AB will become Vice President with regional responsibility in Cherry Casino AB. At the same time, Gunnar Lind will become President of Cherry Casino AB.

Name	Member since	Born	Position
Ulf Bergström	1986	1966	President in Cherry Casino Syd AB
Fredrik Burvall	2006	1972	CFO in Cherryföretagen AB (publ)
Jörgen Eriksson-Sjöner	1995	1967	President Cherry Casino Norr AB
Gunnar Lind	2004	1958	President/Board member in Cherryföretagen AB (publ)
Lars-Gunnar Persson	1975	1951	President in Cherry Maritime Gaming AB
Per-Anders Persson	1979	1959	President in Cherry Casino AB
Mats Rydberg	2005	1968	President in Cherry A/S and manager for New Markets

Ulf Bergström (born 1966) is President of Cherry Casino Syd AB since 2003 and was employed by the Group in 1986. Ulf Bergström owns 32,300 B- shares in Betsson. Following the distribution of Cherryföretagen Ulf Bergström will own 3,230 B-shares in Cherryföretagen. Ulf Bergström has completed the Stockholm Stock Exchange's training for Board members, senior executives and auditors.

Fredrik Burvall (born 1972) is the CFO in Cherryföretagen AB (publ) since 2006 when he was employed in the Group. Since 2001 Fredrik Burvall has been a Board member, senior or managing executive or partner in the following companies.

Previous	Assignment/partnership
Viasat AB	Business Controller
Ericsson Technology Licensing AB	CFO

Jörgen Eriksson-Sjöner (born 1967) is President of Cherry Casino Norr AB since 2003 and was employed by the group in 1995. Jörgen Eriksson-Sjöner owns 31,500 B-shares in Betsson. Following the distribution of Cherryföretagen Jörgen Eriksson-Sjöner will own 3,150 B-shares in Cherryföretagen. Jörgen Eriksson-Sjöner has completed the Stockholm Stock Exchange's training for Board members, senior executives and auditors.

Gunnar Lind see above under “Board of Directors”.

Lars-Gunnar Persson (born 1951) has been President of Cherry Maritime Gaming AB since 2005. He was employed by the Group in 1975. Lars-Gunnar Persson owns 43,500 B-series shares in Betsson. Following the distribution of Cherryföretagen Lars-Gunnar Persson will own 4,350 B-series shares in Cherryföretagen. Lars-Gunnar Persson has completed the Stockholm Stock Exchange’s training for board members, senior executives and auditors.

Since 2001, Lars-Gunnar Persson has had the following assignments apart from his assignment as President of Cherry Maritime Gaming AB.

Current	Assignment/partnership
Secular Corporation	Board member
Cherry Services Limited	Board member

Per-Anders Persson (born 1959) has been President of Cherry Casino AB since 2003. He was employed by the Group in 1979. Per-Anders Persson owns 31,500 B-shares in Betsson. Following the distribution of Cherryföretagen Per-Anders Persson will own 3,150 B- shares in Cherryföretagen. Per-Anders Persson has completed the Stockholm Stock Exchange’s training for Board members, senior executives and auditors.

Mats Rydberg (born 1968) is President of Cherry A/S since 2005 and responsible for the New Markets business area. He was employed by the Group in 2005. Mats Rydberg has completed the Stockholm Stock Exchange’s training for Board members, senior executives and auditor.

Since 2001, Mats Rydberg has been or is a Board member, senior or managing executive or partner in the following companies.

Current	Assignment/partnership
Magleholms Gård (private company)	Part owner
Cherry A/S	Board member

Auditors

At Cherryföretagen’s Annual General Meeting on April 27, 2004, Gunnar Liljedahl, Ernst & Young, was appointed auditor of the company for a term of three years. At the Annual General Meeting on July 25, 2006, Åsa Dahlgren, Ernst & Young, was appointed deputy auditor. The term of Åsa Dahlgren’s appointment extends until the Annual General Meeting to be held in 2007. Gunnar Liljedahl and Åsa Dahlgren became Authorized Public Accountants in 1983 and 2000, respectively, and are members of FAR (Institute for the Accounting Profession in Sweden).

Remuneration to Board of Directors and senior executives

Remuneration and other benefits during 2005

(SEK)	Fixed salary/ Remuneration	Variable compensation	Other Benefits ¹	Pension contribution	Other compensation	Total
Chairman	-	-	-	-	-	-
Other Board members	-	-	-	-	-	-
President Gunnar Lind ²	1,020,000	100,000	98,249	412,127	-	1,630,376
Other senior executives ³	2,395,111	50,000	229,906 ⁴	443,933	-	3,118,950
Total	3,415,111	150,000	328,155	856,060	-	4,749,326

Estimated remunerations and other benefits, 2005

(SEK)	Fixed salary/ Remuneration	Variable Compensation ⁵	Other Benefits	Pension contribution	Other compensation	Total
Chairman	-	-	-	-	-	-
Other Board members	-	-	-	-	-	-
President Gunnar Lind	1,020,000	-	98,249	412,127	-	1,530,376
Other senior executives ⁶	2,873,296	180,000	229,906	443,933	-	3,727,135
Total	3,893,296	180,000	328,155	856,060	-	5,275,511

Agreed severance pay

(SEK)	Agreed severance pay ⁷
Chairman	-
Other Board members	-
President Gunnar Lind	1,020,000
Other senior executives	1,337,988
Total	2,357,988

¹ Refers to car benefits.

² Note that Gunnar Lind previously acted as COO in the previous Cherryföretagen Group.

³ Ulf Bergström, Jörgen Eriksson-Sjöner, Lars-Gunnar Persson, Per-Anders Persson and Mats Rydberg

⁴ Lars-Gunnar Persson received a bonus for 2005 amounting to SEK 50,000.

⁵ Lowest possible outcome if budget is achieved. If earnings are higher, a higher amount may be paid. It is calculated as a percentage (5%) and has a limit.

⁶ Ulf Bergström, Jörgen Eriksson-Sjöner, Lars-Gunnar Persson, Per-Anders Persson, Mats Rydberg and Fredrik Burvall from September 1, 2006.

⁷ Gunnar Lind has the right to twelve months severance pay. Other senior executives (except Fredrik Burvall) have the right to six months severance pay in addition to the period of notice if termination is initiated by the employer.

The share, share capital and ownership structure

The share capital of Cherryföretagen amounts to SEK 2,175,454.60. The Company's shares are denominated in SEK and were issued in accordance with the Swedish Companies Act (2005:551). Cherryföretagen has two classes of shares. Series A shares entitle the holder to ten votes, while series B shares carry one vote. For series A shares, there is a conversion provision in the articles of association whereby series A shares may be converted to series B shares at the request of the shareholder. Each shareholder may vote for the full number of votes without limitation. Each share carries equal rights to profit and any surplus on liquidation. A change in shareholders' voting rights or right to the Company's profit presumes a change in the articles of association, which requires a qualified majority.

The Cherryföretagen's shares are registered in a computer-based system for share registration administered by VPC AB whose address is Box 7822, SE-103 97 Stockholm, Sweden. No share certificates have been issued for Cherryföretagen shares. The ISIN code for A series shares is 0001775461¹ and 0001775479 for B series shares. The shares quota value amounts to SEK 0.55. The number of Cherryföretagen shares is 3,955,372, of which 561,000 are A series shares and 3,394,372 are B series shares. The development of share capital is shown in the table below.

The ownership structure of Cherryföretagen will initially be identical to that of Betsson in all essential respects with the exception of a few shares in the distribution. Cherryföretagen's ownership structure and shareholdings by size is shown below assuming that the distribution will be on a 1:10 basis as at June 30, 2006, based on information from VPC about the ownership in Betsson as of the same date.

Development of the share capital

Transaction	Year	Changes in		Total number of shares		Change in capital stock	Total capital stock
		number of shares		Total number of shares			
		A-Shares	B shares	A-Shares	B shares		
Company established	1981	500 ¹	–	500 ¹	–	50 000	50 000
New issue	1993	19 500 ¹	–	20 001 ¹	–	1 950 000	2 000 000
Opening balance	2003	–	–	20 001 ¹	–	–	2 000 000
Opening balance	2004	–	–	20 001 ¹	–	–	2 000 000
Opening balance	2005	–	–	20 001 ¹	–	–	2 000 000
Opening balance	2006	–	–	20 001 ¹	–	–	2 000 000
Introduction of two share classes	2006	–	–	2 835	17 165	–	2 000 000
Bonus issue	2006	–	–	2 835	17 165	90 000	2 090 000
Share split	2006	535 815	3 244 185	538 650	3 261 350	–	2 090 000
Bonus issue	2006	22 350	133 022	561 000	3 394 372	85 454.6	2 175 454.6

¹ Please note that only B series shares will be listed on Aktietorget.

Ownership structure¹

Shareholders	Number of A-shares	Number of B-shares	Share of capital, (%)	Share of votes, (%)
Per Hamberg & family	149 700	197 658	8,79	18,81
Lars Kling & family	149 700	104 586	6,43	17,79
Straumur-Burdaras Investment Bank ²	140 250		3,54	15,58
Raiffeisen Zentralbank Österreich AG		879 725	22,24	9,77
Rolf Lundström & family and company	65 250	181 709	6,23	9,26
Bill Lindwall & family	56 100	13 260	1,76	6,37
Brewin Dolphin Securities Ltd		375 630	9,50	4,17
Landsbanki Luxembourg S.A		165 837	4,19	1,84
Pontus Lindwall		92 884	2,35	1,03
Sis Segaintersettle AG		89 820	2,27	1,00
Other shareholders		1 293 264	32,70	14,38
Sum	561 000	3 394 372	100,00	100,00

Expected distribution of shares as of June 30, 2006

Number of shares	Number of shareholders	% of number of shareholders	Number of shares	% of number of shares	Share of votes (%)
50 001-	13	0.3	2,625,831	66.4	81.7
10 001-50 000	22	0.6	536,904	13.6	9.5
5 001-10 000	21	0.6	144,529	3.7	1.6
2 001-5 000	58	1.5	188,176	4.8	2.1
1 001-2 000	68	1.8	103,064	2.6	1.1
501-1 000	120	3.2	97,570	2.5	1.1
201-500	278	7.4	98,460	2.5	1.1
101-200	355	9.5	59,783	1.5	0.7
51-100	615	16.4	55,751	1.4	0.6
1-50	2,194	58.6	45,304	1.1	0.5
Sum	3,744	100	3,955,372	100	100

¹ Since information about the shareholder structure is based on data from VPC, the trustees of shares may be included in the table, which means that actual owners of the shares may not be apparent.

² According to information provided by Straumur-Burdaras Investment Bank, Straumur-Burdaras Investment Bank held 1,402,500 Series A shares and 9,287,249 Series B shares in Betsson as per June 30, 2006. However, since the company has no knowledge of the institutions through which Straumur-Burdaras Bank's holding is distributed, Straumur-Burdaras Investment Bank is not stated as the holder of all of the shares that it claims to hold.

Articles of association and additional information

Acts held available for inspection

Annual reports and other information (normally only in Swedish) for certain domestic individuals shall be handed over to the Swedish Company Office in accordance with Swedish rules and regulations. Notice is to be made that the acts do not give any indication about the published results of Cherryföretagen in all respects. Only consolidated amounts on Group level are included. Cherryföretagen also publishes annual reports, quarterly statements, press releases, articles of association and other information on the website (www.cherry.se). Annual reports, articles of association and other information can also be ordered from the Headquarter under the address:

Cherryföretagen AB (publ)
Birger Jarlsgatan 57 B
113 56 Stockholm

Reporting for the new Group

The group was formed January 1, 2006 and the first reported quarter will be from January 1, 2006. In the first quarterly report for the new company the group will not carry full costs during the first and second quarter.

Articles of association

adopted at the Extraordinary General Meeting on July 25, 2006

Article 1

The registered name of the Company is Cherryföretagen AB (publ).

Article 2

The registered office of the Board of Directors shall be in Stockholm Municipality, Sweden.

Article 3

The object of the Company's operations is to arrange gaming activities, lotteries and competitions, own and manage real and personal estate, engage in trading in the materials used in these operations, lease operations and engage in consulting operations associated with the said activities and to conduct other associated operations.

Article 4

The Company's share capital shall amount to not less than SEK 2,090,000 and not more than SEK 8,360,000.

Article 5

The number of shares in the Company may not be fewer than 3,800,000 and not exceed 15,200,000.

The shares shall be issued in two series, designated Series A and Series B. Series A shares may be issued in a maximum number of 1,900,000 and Series B shares may be issued in a maximum number corresponding to 100 percent of the Company's share capital. Each Series A share entitles the holder to ten votes and each Series B share to one vote.

At the request of owners of Series A shares, it shall be possible for Series A shares to be converted into Series B shares, in the sequence stated below.

A written request regarding conversion shall be submitted to the Company's Board of Directors. The request shall stipulate the number of shares to be converted and if the request does not pertain to the shareholder's entire holding of Series A shares must specify which of the shares are to be converted. The Company's Board of Directors is obligated to address the matter of conversion at the Board Meeting immediately following receipt of the request. Conversions shall be reported to the Swedish Companies Registration Office for registration without delay and conversion shall become effective when conversion has been registered in the register of limited liability companies and has been noted in the central securities register.

In the event that the Company decides to issue new Series A or B shares through a cash issue or through an issue offsetting debt, owners of Series A and Series B shares shall have preferential rights to the subscription of new shares of the same type in relation to the number of shares already held (primary preferential right). Shares not subscribed for on the basis of primary preferential rights shall be offered for subscription to all shareholders (subsidiary preferential right). If the number of shares offered in this manner is insufficient for subscription

based on subsidiary preferential rights, the shares shall be distributed in relation to the number of shares already held and, to the extent that this is not possible, by lottery.

In the event that the Company decides that new shares of either Series A or Series B alone shall be issued through a cash issue or through an issue offsetting debt, all shareholders, irrespective of whether they own Series A or Series B shares, shall have preferential rights to the subscription of new shares in relation to the number of shares already held.

In the event that the Company decides to issue warrants or convertible debentures through a cash issue or through an issue offsetting debt, all shareholders will have preferential rights to subscription of warrants as if the issue pertained to those shares that could be issued on the basis of the warrants or will have preferential rights to subscription of convertible debentures as if the issue pertained to those shares that the convertible debentures could be exchanged for.

The aforementioned stipulation shall not constitute any infringement on the possibility to make a decision regarding a cash issue or an offset issue in which the preferential rights of shareholders are disapplied.

Article 6

The Board of Directors shall consist of not fewer than three and not more than nine members, with not more than two deputies.

Article 7

The Company shall have no fewer than one and not more than two auditors, with or without deputies.

Article 8

Notification of an Annual General Meeting and of an Extraordinary General Meeting held to address an amendment of the Articles of Association must be issued not earlier than six weeks and not later than four weeks prior to the Meeting. Notification of any other Extraordinary General Meeting must be issued not earlier than six weeks and not later than two weeks prior to the Meeting.

Notification of a General Shareholders Meeting must be issued through an advertisement in the *Official Gazette* and in *Dagens Industri*.

Article 9

General Meetings shall be held in the Municipalities of Gothenburg or Stockholm.

Article 10

To be entitled to participate in the business of a General Meeting, shareholders shall, firstly, be registered in the transcript or other presentation of the entire share register, as stipulated in Chapter 7, Section 28, third paragraph of the Swedish Companies Act (2005:551) pertaining to conditions prevailing five days prior to the Meeting and, secondly, notify the Company of their intention to attend the Meeting not later than the day stipulated in the notice convening the General Meeting. The latter mentioned day must not be a Sunday, any other public holiday, a Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and must not be more than the five weekdays before the Meeting.

Article 11

The Company's fiscal year shall be the calendar year.

Article 12

Those persons or nominees registered in the share register and the control register specified in Chapter 4 of the Financial Instruments Act (1998:1479), or those who are registered in the control account specified in Chapter 4, Section 18, first paragraph, 6-8, of the aforementioned law on the stipulated record date, shall be deemed to be entitled to exercise those rights specified in Chapter 4, Section 39 of the Swedish Companies Act (2005: 551).

Additional information

The Corporate Registration Number of Cherryföretagen is 556210-9909. The Company is registered in Sweden and was registered at PRV on July 7, 1981. The Company operates as a joint-stock-corporation and its legal form of business entity is regulated in the Swedish Companies Act (2005:551).

Incentive program

Options

The Group currently has no options program for its employees or its senior executives.

Shares

The Group currently has no program or systems for the acquisition of the Company's shares by personnel.

Incentive and bonus for key personnel

Incentive programs exist in the form of a bonus for President/CEO and other key personnel in the Group. The bonus is set each year and the terms and conditions for the bonus may be determined solely by the Board of Directors. The purpose of the bonus is that employees covered by it shall receive part of the company's earnings when the employee is responsible for operations. The basis for the bonus is the profitability requirements and budget established by the Board of Directors. If earnings reach the budgeted level (or, alternatively, the established profitability requirement), a fixed bonus is paid (of between SEK 30,000 and SEK 40,000) and, in addition, 5% of surplus earnings are paid. However, the bonus is limited in size. For 2006, the ceiling was SEK 150,000.

Gunnar Lind, President of Cherryföretagen has in accordance with his employment agreement right to bonus. However, the bonus for 2006 has not yet been decided.

Bonus agreements are drawn up annually solely by the Board of Directors, which determines the limit values for the bonus.

Incentive and bonus

Cherry Maritime Gaming AB

For 2005, there was a bonus program in Cherry Maritime Gaming AB for all employees except the President/CEO. The bonus was 10 percent (including social security expenses) for operating earnings exceeding the original budget. The bonus is paid out when earnings are reviewed and set. The bonus program is discretionary and may have a different configuration for 2006.

Authorization

The Board of Cherryföretagen AB (publ) or the Boards of the subsidiaries are not authorized to increase share capital via the new issue of shares and similar actions or for assuming participating loans.

Taxation issues in Sweden

Taxation issues in Sweden

The following is a summary of the taxation consequences that, under current Swedish taxation law, may arise from the holding of shares in the Company. This summary addresses shareholders who have an unlimited tax liability in Sweden, unless otherwise stated. This summary is intended as a general guide only and not an exhaustive examination of all taxation issues that may arise in the context. The assessment of the tax situation of each individual shareholder depends partly on the specific circumstances of each shareholder.

This summary does not, for example, deal with the special regulations on so-called qualified shares in closely held companies or partnership rights owned by trading companies or limited partnership companies or such legal entities whose holding of partnership rights is calculated as current assets in a business operation. Special tax consequences that are not described may also apply for other categories of shareholders, including investment companies, mutual funds and persons who do not have unlimited tax liability in Sweden. Each shareholder is recommended to consult a tax advisor for information about the tax consequences that may arise as a result of owning shares in the Company, for example as a result of the application and effect of foreign regulations, taxation agreements or other special rules.

The Company does not assume any responsibility for withholding tax at source.

Taxation upon sale of shares

Individuals

Individuals and the estates of deceased persons who have an unlimited tax liability in Sweden are taxed for the entire capital gain as income from capital on the sale of shares. Tax is levied at a rate of 30 percent of the capital gain. The gain or loss is calculated using the average method.

Capital losses may generally be deducted at a rate of 70 percent. Capital losses on shares may be fully offset against capital gains that arise in the same year on listed and unlisted shares, and also on listed securities that are taxed as shares.

If a deficit arises in income from capital, a reduction of tax is allowed at a rate of 30 percent of the amount of the deficit that is less than SEK 100,000 and at a rate of 21 percent for any deficit in excess of SEK 100,000. The tax is deducted from the income tax payable to state and local governments as well as real estate tax. Deficits may not be carried forward to a later fiscal year.

Legal entities

Limited liability companies and other legal entities, except for the estates of deceased persons, are taxed for all income as income from business operations at a rate of 28 percent.

Deductions for capital losses on shares are only allowed for taxable capital gains on shares and other securities that are taxed as shares. In certain cases, these capital losses can be deducted against capital gains on partnership rights within a group of companies, provided that the requirements for group contributions are met.

Capital losses that could not be offset in this way in a particular year may be carried forward and deducted against taxable capital gains on shares and other securities that are taxed as shares in subsequent fiscal years, without time limitation.

However, for joint stock companies and cooperatives, capital gains on the sale of shares may be tax-free if the holding is considered to be trade-related. Capital losses on trade-related holdings are not deductible. Unlisted holdings are always considered to be trade-related. Holdings that are listed are considered to be trade-related if the holding is at least 10 percent of the votes or if the holding relates to the business. The tax-free status of capital gains on listed holdings also demands that the holdings are not sold within one (1) year of them becoming trade-related for the holder. However, capital losses on listed trade-related holdings held for less than one (1) year are deductible.

Taxation of share dividends

For individuals and the estates of deceased persons, the share dividend received is taxed in its entirety at a rate of 30 percent.

For legal entities, except for the estates of deceased persons, the tax rate is 28 percent. For joint stock companies and economic associations, dividends on trade-related holdings are tax-free. The tax-free status of dividends on listed holdings also demands that the holdings are held for a continuous period of at least one (1) year from when they became trade-related for the holder. The requirement for the holding period does not necessarily have to be fulfilled at the time of payment of dividends. However, if the holdings are sold before the holding period requirement is fulfilled, dividends paid out can be included for taxation in a subsequent fiscal year.

Lex ASEA

Betsson's issue of shares in the Company must, in accordance with the main rule, be seen as any other issue and must thus be taxed at a rate of 30 or 28 percent. However, the issue in question will take place in accordance with what is referred to as Lex ASEA. This means that Betsson's issue of shares in the Company is not subject to tax for the recipient.

Distribution of acquisition cost

Since the shares are being issued in accordance with Lex ASEA, the overhead expenses will be shared between the shares in Cherryföretagen and the Company. The Swedish Tax Authorities issue General Advice for this purpose. It is the intention of Cherryföretagen to apply for such General Advice. This Advice will be published on the websites of both Cherryföretagen and the Company.

Wealth-taxation

Shares listed on the Aktietorget Exchange are exempt from wealth tax under current wealth tax legislation.

Shareholders with a limited tax liability in Sweden

Shareholders in a Swedish joint stock company who have a limited tax liability in Sweden, i.e. normally foreign legal entities and individuals who are not resident in Sweden or do not have a fixed presence in Sweden or do not have any material connection with Sweden, are not normally taxed for sales of Swedish shares in Sweden.

For shareholders who are not domiciled in Sweden for the purposes of taxation, Swedish dividends tax is normally payable on all dividends from Swedish joint-stock companies at a rate of 30 percent. However, this tax rate is generally reduced via tax agreements that Sweden has with other countries in order to avoid double taxation. In Sweden, the tax on dividends is normally deducted by VPC or, if the shares are bearer shares, by the financial intermediary.

An issue of shares in accordance with Lex ASEA is exempt from Swedish dividends tax.

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