



# CHERRY AB (PLC)

## INTERIM REPORT

1 JANUARY - 30 JUNE 2015



**BEST ONLINE GAMING OPERATOR**  
2014 & 2015

## Highlights

### Second quarter: 61% growth for Online Gaming and 119% growth for Yggdrasil - Strong EBITDA improvement

- Group revenue increased by 40 percent to MSEK 106.7 (76.4). Online makes up 63 percent (54) of the group revenue.
- EBITDA improved and amounted to MSEK -0.4 (-4.1). EBIT amounted to MSEK -5.2 (-7.7).
- The result after tax amounted to MSEK -6.8 (-7.1), equivalent to SEK -0.49 (-0.56) per share after dilution.
- Online Gaming grew by 61 percent and deposits increased by 82 percent.
- Restaurant Casino increased turnover by 13 percent and EBITDA increased by 32 percent to MSEK 5.3 (4.0).
- Yggdrasil Gaming grew by 119 percent and EBITDA amounted to MSEK -1.2 (-0.6).
- In April, only two months after Cherry acquired Game Lounge, the joint white label brand SveaCasino.com was launched.
- During the second quarter a sportsbook was launched on Norgesspill.com
- In June, Yggdrasil Gaming won the "Software Rising Star" prize at the EGR B2B Awards.

### Six-month interim period: Strong growth within all business areas and highly improved EBITDA

- Group turnover increased by 35 percent compared to the previous year and amounted to MSEK 202.0 (149.4). Online makes up 63 percent (54) of the group revenue.
- EBITDA amounted to MSEK -4.9 (-8.4). EBIT amounted to MSEK -14.1 (-15.3).
- The result after tax amounted to MSEK -18.6 (-15.2) equivalent to SEK -1.37 (-1.15) per share after dilution.
- Online Gaming grew by 55 percent and deposits increased by 68 percent.
- Restaurant Casino increased turnover by 10 percent and EBITDA increased by 29 percent to MSEK 9.2 (7.1).
- Yggdrasil Gaming grew by 136 percent and EBITDA amounted to MSEK -1.6 (-1.8).
- In January 2015, a controlling interest in the affiliate company Game Lounge Ltd was acquired by Cherry. This is expected to enable Cherry to rapidly increase its volumes at a significantly lower cost per customer than before.

### Important events after the end of the quarter: In July Cherry added strategic acquisitions to its core business

- In July, Cherry acquired 71 percent of the shares in the Malta-based company Almor Holding Limited (Almor) - a leading online casino in German speaking markets. The business will be consolidated by Cherry from July 1. Cherry already has the right to the profits from May 1, and the business has developed positively during May and June. This will strengthen the cash position of Cherry with about EUR 700,000.
- On July 27, Cherry-owned Game Lounge acquired a prominent Finnish affiliate's domains and affiliate agreements. The acquisition is expected to increase EBITDA figures by more than EUR 600,000 annually, bring in more than 10,000 new depositing customers to Cherry and other operators over three years and quickly increase volumes on current Cherry brands. The acquisition is fully financed by Game Lounge operations and the deal is expected to generate ROI in less than two years. The business will be consolidated from the third quarter.
- In July, Online Gaming has been developing positively with good growth and positive EBIT, also when excluding Almor. The business area is expected to show a positive EBITDA for the third quarter.

Group	Q2 2015	Q2 2014	Jan-Jun 2015	Jan-Jun 2014
Turnover	106,7	76,4	202,0	149,4
Other revenue	0,0	0,0	0,0	0,0
EBITDA	-0,4	-4,1	-4,9	-8,4
Earnings per share	-0,49	-0,56	-1,37	-1,15
Cash and liquid assets	24,7	54,8	24,7	54,8

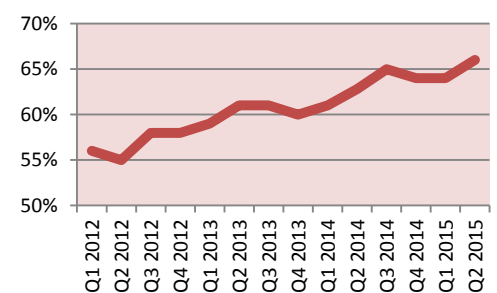
Online Gaming	Q2 2015	Q2 2014	Jan-Jun 2015	Jan-Jun 2014
Revenue	65,5	40,6	123,8	79,7
EBITDA	-2,3	-5,2	-8,0	-9,3
Deposit amount	156,2	86,0	279,9	166,5
New customers	40 288	34 847	76 975	78 167
Active players	26 185	21 949	26 185	21 949

Restaurant Casino	Q2 2015	Q2 2014	Jan-Jun 2015	Jan-Jun 2014
Revenue	39,6	35,0	74,8	68,3
EBITDA	5,3	4,0	9,2	7,1
Number of casino venues	251	249	251	249

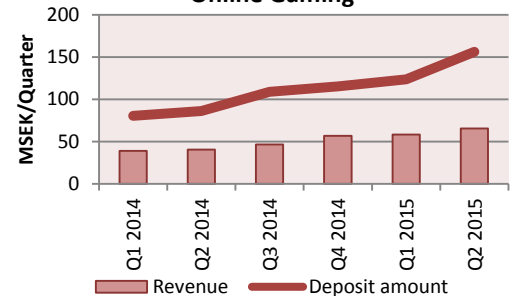
Yggdrasil Gaming	Q2 2015	Q2 2014	Jan-Jun 2015	Jan-Jun 2014
Revenue	2,2	1,0	4,5	1,9
EBITDA	-1,2	-0,6	-1,6	-1,8
Signed agreements	2	3	24*	8*
Integrated customers	2	1	17*	4*

\* Number of signed agreements or integrated operators from start.

Market share Restaurant Casino



Online Gaming



## CEO comments on the second quarter

The second quarter showed continued strong growth and the Group's turnover increased by 40 percent. We have improved our earnings considerably, which is a result of the growth Cherry has had primarily within Online Gaming but also because of strong improvements within Restaurant Casino. Cherry's online business continues to grow and now represents 63 percent of group sales and is expected to grow faster than the market going forward. We see that the steps Cherry has taken, focusing on core business and supporting strategic acquisitions, is now beginning to show results.

Today, Cherry's business area Online Gaming is well positioned, with a well-functioning and flexible platform, where new products can easily be integrated and new skins added. We can therefore, with limited costs, increase both volume and profits. After the reporting period, Cherry has added some strategic acquisitions to its portfolio, partly through the acquisition of 71 percent of Almor Holding, an online casino with a leading position in the German speaking markets. The acquisition has, during the first six months, reported an EBITDA of approximately EUR 1,000,000. The acquisition will contribute strongly both in terms of increased growth and increased profits for Cherry. In addition to this Game Lounge, owned by Cherry, has acquired a leading Finnish affiliate's domains and affiliate agreements. This is expected to increase EBITDA with more than EUR 600,000 per year and bring in more than 10,000 new depositing customers to Cherry and other operators during a three year period, rapidly increasing volumes of existing brands. If Almor Holding had been consolidated during the second quarter, the Group, as well as Online Gaming, would have reported positive EBITDA. Almor Holding and the acquired Finnish domains and affiliate agreements will be consolidated as of the third quarter.

During the second quarter, Online Gaming has shown a strong growth by 61 percent, and significantly improved its earnings. Our work to improve the gaming experience, to deliver joy of playing and strengthen customer loyalty, now begins to show results. We see strong growth in mobile gaming and will continue to improve our mobile offerings. During the quarter, we launched our first white label brand, SveaCasino.com, and re-launched EuroLotto.com, now hosting the biggest lotteries in the world. Cherry currently has three licenses via Malta, Curacao, and Schleswig Holstein and intends to obtain local licenses in those markets where Cherry has a large volume or in new markets where Cherry expects a strong growth. In July, Online Gaming has been developing positively with good growth and a positive EBIT, also when excluding Almor. Cherry expects to report a positive EBITDA for the business area for the third quarter.

Yggdrasil has increased its revenues by 119 percent, and signed two new contracts, including BetClic Everest Group. Yggdrasil's roadmap for 2015 looks exciting and, during the quarter, slot games "Cyrus The Virus" and "Joker Millions" were released. Joker Millions is Yggdrasil's first progressive jackpot game and today three operators are live, of which two went live late early in the third quarter. After the quarter, the new game "Chibeasties" was released, which has so far been a success. Yggdrasil has taken the decision to release all of the games on the new iSENSE 2.0 platform, based on HTML5, providing the opportunity to release the games simultaneously on computer, tablet and mobile, and giving the games a better and faster performance. This allows operators a greater opportunity to reach their players in connection with marketing campaigns. A proof of Yggdrasil's success came in June, when they won "Software Rising Star" at the EGR B2B Awards. There's much more to come with Yggdrasil, as we roll out their full library of games to operators. As new operators are deployed, additional games are launched to existing customers, and the game portfolio grows, Yggdrasil's revenues will increase.



Restaurant Casino continues to impress with a positive developments. In the second quarter, the business delivered stable growth and increased its profits by 39 percent. In July, the payroll taxes for young people were raised, which over time will affect the industry and Restaurant Casino's profitability. The increase in payroll taxes for young people will be shared with the restaurateurs but it will also lead to more gaming locations becoming unprofitable. Therefore, a raise in stake, within Restaurant Casino, from today's SEK 70 to SEK 200, is required. With this raise the industry could generate around 1,000 new entry-level jobs. Cherry will lobby for a stake raise.

A new order is required on the Swedish gaming market. Sweden has quite rightly been taken to the European Court, after having too long delayed a re-regulation. The latest development is a new Swedish gaming legislation that will be in place by July 1, 2018. Cherry welcomes a gaming market that is open for everyone with transparent and responsible stakeholders. We want to eliminate the anachronistic and failed gaming monopoly. We want to create more jobs and compete on fair conditions.

Cherry's goal is to grow faster than the market both through acquisitions and organically, focusing on rapidly increasing profitability. Now we look forward to continue to spread joy of playing, both online and at the pub!

Fredrik Burvall, CEO

## The Group

All figures exclude the acquisition of Almor Holding.

### Second quarter

The Group's revenue increased by 40 percent to MSEK 106.7 (76.4). EBITDA for the Group improved and amounted to MSEK -0.4 (-4.1) and EBIT amounted to MSEK -5.2 (-7.7).

The Group's consolidated profit after financial items amounted to MSEK -6.4 (-6.3) and profit after tax amounted to MSEK -6.8 (-7.1), equivalent to SEK -0.49 (-0.56) per share after dilution and minority interest.

Net financial items reduced negatively with MSEK -1.1 by exchange rate revaluations on internal receivables in Euro.

### Six-month interim period

The Group's turnover increased by 35 percent and amounted to MSEK 202.0 (149.4). EBITDA for the Group amounted to MSEK -4.9 (-8.4) and EBIT amounted to MSEK -14.1 (-15.3).

The Group's consolidated profit after financial items amounted to MSEK -18.0 (-14.2) and profit after tax amounted to MSEK -18.6 (-15.2), equivalent to SEK -1.37 (-1.15) per share after dilution and minority interest.

Net financial items reduced negatively with MSEK -3.9 by exchange rate revaluations on internal receivables in Euro.

## Business Areas

Cherry's operations are divided into the following business areas: Online Gaming, Restaurant Casino, Yggdrasil Gaming and Development Projects.

### Online Gaming

Online casino and lottery on computers, tablets and mobiles on CherryCasino.com, EuroSlots.com, EuroLotto.com, SveaCasino.com and SpilleAutomater.com. Web Resorts offers games on sites including NorgesSpill.com and NordicSlots.com. From July, Sunmaker.com, Sunnyplayer.com and KingPlayer.com will be part of Online Gaming.

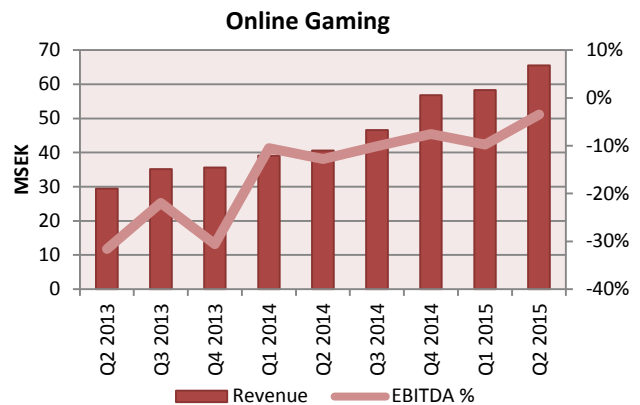


### Second quarter/Interim period

During the second quarter, turnover increased by 61 percent and amounted to MSEK 65.5 (40.6). EBITDA improved and amounted to MSEK -2.3 (-5.2) and EBIT amounted to MSEK -4.2 (-6.8).

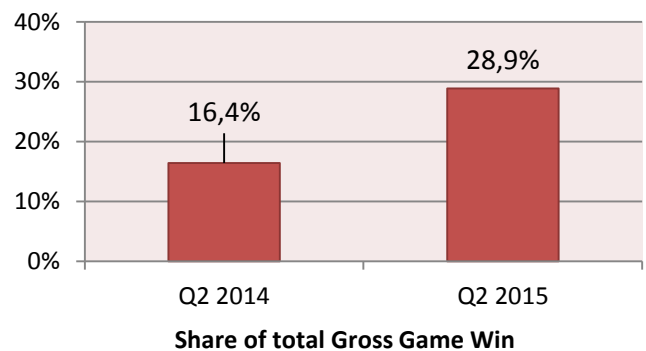
Online Gaming showed strong growth during the second quarter and deposits increased by 82 percent and amounted to MSEK 156.2 (86.0). The number of active customers increased by 19 percent and amounted to 26,185 (21,949). During the first quarter the number of new customers

amounted to 40,288 (34,847). The number of registered customers amounted to 555 214 (397,188) at the end of the quarter.



Marketing activities for Online Gaming during the first quarter amounted to MSEK 23.5 (21.0). Above all, significant marketing spend on CherryCasino.com and SpilleAutomater.com resulted in a large increase in customer intake and deposits. The high bonus costs for new customers have negatively affected both turnover and EBIT. Cherry's work with customer loyalty programs has been intensified to increase profitability of the existing customer base. During the quarter the gaming experience has improved further for computer, mobile and tablet. In addition, Cherry launched its first white label brand, SveaCasino.com, and relaunched EuroLotto.com, now hosting the world's largest lotteries. Volumes continue to

### Mobile gaming



increase on both mobile and tablet and amounted to 29 percent (16) of Online Gaming's total gross game win.

During the second quarter of 2015, Cherry launched a sportsbook on Norgesspill.com in cooperation with SBTech. The tailor-made solution focusses on the Scandinavian and European markets, offering more than 18,000 monthly events, and giving customers access to new betting types on mobile, tablet and computer. During the third quarter sportsbook will be added to more of Cherry's sites.

During the six-month interim period, turnover increased by 55 percent and amounted to MSEK 123.8 (79.7). EBITDA amounted to MSEK -8.0 (-9.3) and EBIT amounted to MSEK -11.7 (-12.4).

### Important events during the second quarter

- On April 8, only two months after Cherry acquired Game Lounge, the joint white label brand SveaCasino.com was launched. Initial results have been above expectations.
- As the first operator on the market, Cherry launched the game Joker Millions in the end of April - Yggdrasil's first video slot with a pooled jackpot.
- In June, EuroLotto launched a new site, which gives the customers access to six of the world's biggest lotteries: EuroMillions, EuroJackpot, Lotto 6/49, MegaMillions, SuperEnaLotto and Powerball.



### Important events after the interim report

- In July, Cherry acquired 71 percent of the shares in the Malta based company Almor Holding Limited - a leading online casino in German speaking markets. The business will be consolidated within Online Gaming from July 1.
- On July 27, Cherry-owned Game Lounge acquired a prominent Finnish affiliate's domains and affiliate agreements. The business will be consolidated from the third quarter.
- In July, Online Gaming has been developing positively with good growth and a positive EBIT, also when excluding Almor. Cherry expects to report a positive EBITDA for the business area for the third quarter.

## Acquisitions

### Almor Holding

In the beginning of July, Cherry acquired 71 percent of the shares in the Malta-based company Almor Holding Limited - a leading online casino in German speaking markets. The business will be consolidated by Cherry from July 1.

Almor's most well-known brands - Sunmaker, Sunnyplayer and Kingplayer - have attained a strong position on their core markets since launch in 2011, and offer a vast variety of online casino games and a sportsbook. The combined brands had over 55,000 active customers during the first five months of 2015 and the customer databases include 355,000 users. Almor is estimated to be the largest operator of Merkur Slots (developed by Edict eGaming), one of the most popular slots on Almor's main markets. Before the second quarter neither Sunmaker nor Sunnyplayer had a mobile/tablet solution. Upon the migration to Cherry's platform, a mobile/tablet solution will be implemented on Almor's brands. Cherry expects additional synergies and increased volumes once the migration is completed.

In 2014, Almor's net gaming revenue amounted to MEUR

11.1 and the EBITDA to MEUR 1.2. As of January 1, 2015, Germany started to charge VAT a rate of 19%. This is however offset by a net gaming revenue of MEUR 7.2 and an EBITDA of approximately MEUR 1.0 for the first six months of 2015.

The purchase price for 71 percent of the shares in Almor Holding Limited was MEUR 4.6 (MSEK 42.7). Payment of the initial purchase price was made 50% in cash and 50% in Cherry shares. After the new issue, the number of shares in Cherry AB increased with 546,239 of series B. Cherry has the right to buy the remaining part of Almor within the next four years and eight months.

The cash position of Cherry is expected to be strengthened with approximately EUR 700,000 thanks to Almor's profits for May and June and cash balances that were part of the deal. This will be consolidated in the financial statements of the Cherry group, with the process starting in July.

### Game Lounge - domains & affiliate business - Finland

On July 27, Cherry-owned Game Lounge acquired the domains and affiliate agreements of a leading Finnish affiliate for MEUR 1.2. The acquisition is expected to increase EBITDA figures by more than EUR 600,000 annually, bring in more than 10,000 new depositing customers to Cherry and other operators over three years and quickly increase volumes on current Cherry brands. The acquisition is fully financed by Game Lounge operations and the deal is expected to generate ROI in less than two years. It is consolidated from the third quarter and the domains and affiliate agreements will be depreciated over five years.

### Game Lounge

Cherry acquired 51 percent of the shares of Game Lounge Ltd on January 28, 2015. The business is consolidated from the 1<sup>st</sup> of February and has contributed positively to the result during the interim period. The first joint white label brand, SveaCasino.com, was launched on April 8.

Game Lounge Ltd is an affiliate company with cutting-edge expertise in search engine optimization (SEO). The acquisition is expected to enable Cherry to increase volumes quickly on current brands, as well as acquiring more customers at a significantly lower cost. The deal will also involve Game Lounge selecting Cherry as a white label partner for SveaCasino.com and other brands in the future. It is also expected to increase both Cherry's revenues and EBIT in the next few years and bring in more than 40,000 new depositing customers over a three year period.

The purchase price for 51 percent of the shares in Game Lounge was MSEK 13.3 (MEUR 1.43) on joining and maximum MSEK 18.6 (MEUR 2) in a conditional additional purchase price, which may be paid no earlier than 13 months after closing. Payment of the purchase price can be made in cash or through shares. The deal also includes a call option which means that Cherry can acquire the remaining shares in Game Lounge, three years after closing.

The acquisition of Game Lounge is expected to have the following effect on Cherry's assets and liabilities:

MSEK	Fair Value
Intangible fixed assets	3,9
Tangible fixed assets	0,1
Other receivables	0,5
Liquid assets	2,2
Deferred tax	-0,2
Loan	-0,8
Other liabilities	-1,8
Identified net assets	3,9
Goodwill	58,6
Purchase price	-31,9
Conditional purchase price	18,6
Liquid assets including in the acquisition	2,2
Net effect on cash	-11,1

*(The acquisition balances are not definitive)*

### Restaurant Casino

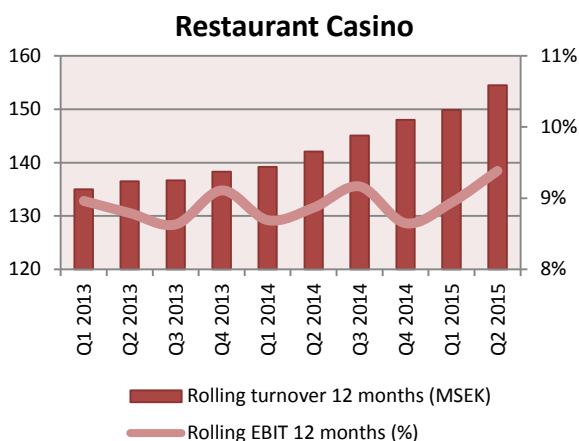
Traditional casino table games (blackjack and roulette) operate in approximately 250 Swedish restaurants, nightclubs and hotels. Cherry also offers Event Casino for companies and private individuals.



### Second quarter/Interim period

During the second quarter of 2015, turnover increased by 13 percent and amounted to MSEK 39.6 (35.0). EBITDA amounted to MSEK 5.3 (4.0) and EBIT amounted to MSEK 4.0 (2.9). The increase is mainly explained by a higher turnover per shift. The business is developing positively.

During the six-month interim period, turnover increased by 10 percent and amounted to MSEK 74.8 (68.3). EBITDA increased by 32 percent and amounted to MSEK 9.2 (7.1). EBIT increased by 34 percent to MSEK 6.8 (5.1).



### Important events during the second quarter

- Cherry's market share increased and amounted to 65 percent (63) of the active gaming tables according to the 2015 March statistics from the Swedish Lotteries and Gaming Authority. At the end of the quarter, Cherry had casinos at 251 gaming venues (249) with a total of 360 gaming tables (353).
- During the second quarter, three new agreements were signed, while six gaming venues were closed due to unprofitability, concept changes, lost liquor licenses or bankruptcies. Cherry signed agreements with Centiliter & Gram in Malmö and På G in Norrtälje among others.
- The Swedish government has decided to increase the payroll taxes for young employees, which will have a negative effect on Cherry and its partner. The increase will be effective as of July 1 and the cost will partly be shared with the restaurateurs

### Yggdrasil Gaming

Yggdrasil Gaming develops computer, mobile and tablet games. It is licensed in Malta and Curacao and sells and distributes its products to various gaming operators.

### Second quarter

During the second quarter Yggdrasil went live with two operators. At the end of the quarter 17 operators were live, including LeoVegas, Vera&John, Unibet, Mr Green and Cherry. Betsson and Realm went live in July. During the quarter two new agreements were signed, including with Betclik Everest Group, which operates BetClic, Expect and Monte Carlo Casino. Yggdrasil Gaming has signed a total of 24 agreements. One customer discontinued its operations during the first quarter. At least four operators are expected to go live during the third quarter and, in addition, more games and functionality will be launched on already-live customers. Yggdrasil has signed four agreements for its first progressive jackpot Joker Millions, of which three are live. Yggdrasil is expecting to sign more agreements related to Joker Millions during the third quarter and expects several operators to launch the game. The feedback from end users and operators has been positive.

During the quarter, the games "Cyrus The Virus" and "Joker Millions" were released. The latter is Yggdrasil's first pooled progressive video slot and has a jackpot that starts at EUR 100,000 but can quickly rise to MEUR 2.0-3.0.



After the end of the second quarter the game “Chibeasties” was released and it has been well received by players and operators.



Yggdrasil has decided to release all new games during 2015 on the new HTML5-based iSENSE 2.0 platform, which makes it possible to launch games simultaneously on computer, mobile and tablet. This means that the operators have

greater ability to reach their players and streamline their marketing costs.

During the third quarter three new games are expected to be released, including Vikings Go Wild at the end of August. Yggdrasil Gaming’s portfolio now includes 13 video slots, plus a number of innovative lottery and keno games.

Yggdrasil has a number of integrations ready, but because of external circumstances (acquisitions/technical migrations, regulatory requirements) some customers have not been able to go live at the pace Yggdrasil was expecting. Nevertheless, Yggdrasil is fully focused on getting these operators live as quickly as possible and Yggdrasil continue to see a strong demands from operators.

During the second quarter the turnover increased by 119 percent and amounted to MSEK 2.2 (1.0), of which MSEK 0.6 (0.2) was internal revenue from Cherry’s gaming sites. EBITDA amounted to MSEK -1.2 (-0.6) and EBIT amounted to MSEK -2.8 (-1.5).

During the six-month interim period, turnover increased by 136 percent and amounted to MSEK 4.5 (1.9), of which MSEK 1.1 (0.6) was internal revenue from Cherry’s gaming sites. EBITDA improved and amounted to MSEK -1.6 (-1.8) and EBIT amounted to MSEK -4.7 (-3.5).

Yggdrasil is still in start-up mode. The company’s revenues are expected to rise as the number of games and operators increase. Still, many operators have not launched all the games on computer, tablet and mobile. At the integration phase, the operators often choose to gradually roll out the games. The HTML5-based iSENSE 2.0 will increase the speed of the roll out of the games, as they are launched simultaneously on computer, mobile and It can be concluded that the gaming operators that already went live have made great progress, which proves that the business model works and that the games and functionality Yggdrasil produces are popular both among gaming operators and their customers.

Yggdrasil Gaming is operated as an autonomous company within the Cherry group. Cherry’s share of ownership was 89 percent at the end of the quarter. Key personnel within Yggdrasil hold the remaining ownership and also have

options to subscribe to new shares, which would reduce Cherry’s ownership to 86 percent.

#### Important events during the second quarter

- Yggdrasil’s first progressive jackpot, Joker Millions, was launched during the quarter. Two agreements have been signed with operators, and two further operators have gone live during the second quarter.
- Cyrus the Virus was launched in June and Chibeasties after the end of the second quarter.
- In June Yggdrasil Gaming won the “Software Rising Star” prize at the EGR B2B Awards.

#### Development projects

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

#### Interim Period

Revenues within Development Projects amounted to MSEK 0.0 (0.0) and EBIT to MSEK 0.0 (0.0).

#### Cash and liabilities

The Group’s consolidated cash amounted to MSEK 24.7 (54.8) on June 30. Interest bearing liabilities amounted to MSEK 3.4 (4.7). At the end of the quarter there were overdue receivables from two of Cherry’s partners, amounting to MSEK 7.1. The majority has been settled during July.

Customer liabilities, including the provision for accumulated jackpots, amounted to MSEK 5.6 (5.5). Due to the Maltese Lotteries and Gaming Authority’s regulations, this amount may limit utilization of the Company’s liquid funds. Current net receivables from payment providers for unsettled customer deposits were MSEK 3.3 (1.8)

The company has a sound cash position and an overdraft facility which amounts to MSEK 25.0.

The cash position of Cherry is expected to be strengthened with approximately EUR 700,000 thanks to Almor’s profits for May and June and cash balances that were part of the deal. This will be consolidated in the financial statements of the Cherry group, starting in July.

#### Share issue in connection to the acquisition of Almor

Upon finalizing the acquisition of Almor Holding Ltd, Cherry made a new issue, which forms part of the purchase price. The number of shares increased with 546,239 of series B. The new issue was supported by the resolution at the Annual General Meeting held May 12, 2015. The total number of shares in Cherry AB (plc) amounted as of July 10, 2015 to 13 987 812 shares, of which 997,600 Class A shares and 12,990,212 Class B, representing a total of 22,966,212 votes.

### Staff and organization

The average number of employees for the Group (calculated as fulltime positions) during the period was 234 (187). The total number of employees at the end of the period was 760 (699).

### Risks and uncertainties

For a description of the risks and uncertainties please see the Annual Report on the company website.

### The Parent Company

The parent company provides and sells internal services to other group companies in the areas of finance, accounting, administration and management, and also has some external licensing revenues. Turnover for the interim period amounted to MSEK 1.3 (1.6) and profit after financial items amounted to MSEK -7.4 (-2.1). The parent company's investments in tangible and intangible fixed assets amounted to TSEK 16 (8). Cash and liquid funds amounted to MSEK 6.2 (47.6) at the closing date.

### Outlook

Cherry's Online Gaming business area is expected to grow faster than the general online gaming market. H2 Gambling Capital estimates that the global online gaming market will grow by 7 percent during 2015. Online gaming is exposed to intense competition and subject to a regulatory environment that may change rapidly in the different European countries.

The legal situation for online gaming changes continuously in the different geographical markets. There is continued pressure on countries within the EU to adapt their domestic legislation to applicable EU law, with free movement of goods and services. Several countries have recently announced that they are working on new legislation that will be consistent with EU requirements.

On October 16, 2014, the EU Commission announced that it was taking Sweden to the Court of Justice of the EU for what the Commission considers to comprise Sweden's lack of compliance with EU law applying to gambling services. In addition, the Swedish government announced that work was underway to accelerate the implementation of a national gaming licensing system. These announcements are welcomed by Cherry, as the Company deems that a licensing system open for competition in the gaming market, on fair and market adopted conditions, is the best way forward and can help boost economic growth.

The market for Restaurant Casino has a continued negative growth in addition to local competition. Cherry expects to maintain or increase its market share through acquisitions and taking over venues from competitors. Cherry believes that an adjustment of maximum allowed bets will be made

#### Cherry in brief

Cherry is a Swedish gaming company established in 1963 specialized in online casinos and lotteries; ([www.cherrycasino.com](http://www.cherrycasino.com), [www.EuroLotto.com](http://www.EuroLotto.com), [www.euroslots.com](http://www.euroslots.com), [www.SpilleAutomater.com](http://www.SpilleAutomater.com), [www.NordicSlots.com](http://www.NordicSlots.com), [www.NorgesSpill.com](http://www.NorgesSpill.com) and [www.SveaCasino.com](http://www.SveaCasino.com)), affiliate business ([www.SuomiCasino.com](http://www.SuomiCasino.com) and [www.NorgeKasino.com](http://www.NorgeKasino.com) etc.) and games development ([www.Yggdrasil.com](http://www.Yggdrasil.com)), through subsidiaries in Malta. Cherry is the market leader in casinos in restaurants and nightclubs in Sweden. Cherry employs around 750 people and has more than 2 600 shareholders. The Company's B-shares are listed on AktieTorget.

during the next re-regulation of the Swedish gaming market.

The business area of Yggdrasil Gaming is expected to grow faster than the market average. The growth in Yggdrasil's sector is expected to follow the development of online gaming, which is estimated at about 10 percent per year.

Cherry will launch products and services that fall within the business area of Development Projects and support the company's business concept and growth strategy.

For further information see the Annual Report for 2014. Cherry has not issued a forecast for 2015.

### Financial calendar 2015

Cherry intends to distribute financial reports and statements on the dates below:

- Interim report 3 - November 10, 2015
- Full year report/Interim report 4 - February 18, 2016

### Accounting principles

Cherry applies IFRS, which is adopted by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The Parent Company applies the same principles as the Group apart from the exceptions in paragraph of RFR 2; Reporting for legal persons.

Information about the group's accounting and valuation principles can be found in the annual report 2014, which was published on April 21, 2015, and is available on the company website [www.cherry.se](http://www.cherry.se).

This report has not been subject to a review by the auditors.

All figures in this report are in million SEK unless otherwise specified. Numbers in parenthesis indicate the amount of the corresponding period for the previous year.

### Translation

This is a translation of the Swedish original.

### Stockholm, August 25, 2015

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Amounts in SEK million unless otherwise specified

	Q2 2015	Q2 2014	Jan-Jun 2015	Jan-Jun 2014	Full year 2014	Full year 2013
<b>Consolidated income statement (remaining operations)</b>						
Revenues	106,7	76,4	202,0	149,4	334,5	266,3
Other revenue - revaluation of additional purchase price Online Gaming	0,0	0,0	0,0	0,0	5,5	0,0
<b>Total operating revenues</b>	<b>106,7</b>	<b>76,4</b>	<b>202,0</b>	<b>149,4</b>	<b>340,0</b>	<b>266,3</b>
Cost of sales	-38,0	-27,1	-75,5	-54,2	-129,5	-110,9
<b>Gross profit</b>	<b>68,8</b>	<b>49,3</b>	<b>126,6</b>	<b>95,2</b>	<b>210,5</b>	<b>155,4</b>
Marketing expenses	-24,8	-21,4	-51,3	-41,6	-87,9	-69,2
Personnel expenses	-34,2	-28,3	-64,1	-52,2	-119,0	-90,0
Other expenses	-10,1	-3,7	-16,0	-9,8	-21,5	-20,2
<b>Operating income (EBITDA)</b>	<b>-0,4</b>	<b>-4,1</b>	<b>-4,9</b>	<b>-8,4</b>	<b>-17,9</b>	<b>-24,0</b>
Depreciation and amortisation	-4,8	-3,6	-9,2	-6,9	-15,0	-9,9
<b>Operating profit/loss (EBIT)</b>	<b>-5,2</b>	<b>-7,7</b>	<b>-14,1</b>	<b>-15,3</b>	<b>-32,9</b>	<b>-33,9</b>
Financial items	-1,2	1,4	-3,9	1,1	-4,5	1,8
<b>Profit before tax</b>	<b>-6,4</b>	<b>-6,3</b>	<b>-18,0</b>	<b>-14,2</b>	<b>-37,4</b>	<b>-32,1</b>
Tax	-0,4	-0,8	-0,6	-1,0	-1,9	-1,6
<b>Profit after tax</b>	<b>-6,8</b>	<b>-7,1</b>	<b>-18,6</b>	<b>-15,2</b>	<b>-39,3</b>	<b>-33,7</b>
Profit for divested operations	0,0	0,0	0,0	0,0	0,0	25,5
<b>Attributable to:</b>						
Parent company shareholders	-7,0	-7,0	-19,0	-14,9	-38,3	-7,9
Minority interest	0,2	-0,1	0,4	-0,3	-1,0	-0,3
<b>Profit after tax</b>	<b>-6,8</b>	<b>-7,1</b>	<b>-18,6</b>	<b>-15,2</b>	<b>-39,3</b>	<b>-8,2</b>
Earnings per share from remaining operations before dilution (SEK)	-0,49	-0,59	-1,38	-1,21	-2,99	-2,66
Earnings per share from remaining operations after dilution (SEK)	-0,49	-0,56	-1,37	-1,15	-2,96	-2,53
Earnings per share from total operations before dilution including divested operations (SEK)	-0,49	-0,59	-1,38	-1,21	-2,99	-0,66
Earnings per share from total operations after dilution including divested operations (SEK)	-0,49	-0,56	-1,37	-1,15	-2,96	-0,63
<b>Statement of total income</b>						
	Q2 2015	Q2 2014	Jan-Jun 2015	Jan-Jun 2014	Full year 2014	Full year 2013
Profit/loss for the period	-6,8	-7,1	-18,6	-15,2	-39,3	-8,2
Translation gains/losses on consolidation, overseas operations	0,4	-0,5	1,3	-0,6	-1,6	-4,9
<b>Total income for the period</b>	<b>-6,3</b>	<b>-7,6</b>	<b>-17,2</b>	<b>-15,8</b>	<b>-40,9</b>	<b>-13,1</b>
<b>Group per segment/business area</b>						
	Q2 2015	Q2 2014	Jan-Jun 2015	Jan-Jun 2014	Full year 2014	Full year 2013
<b>Revenues</b>						
Online Gaming	65,5	40,6	123,8	79,7	183,1	127,5
Restaurant Casino	39,6	35,0	74,8	68,3	148,0	138,3
Yggdrasil Gaming	2,2	1,0	4,5	1,9	4,4	0,9
Elimination, internal revenues from Yggdrasil to Cherry	-0,6	-0,2	-1,1	-0,6	-1,2	-0,6
Development Projects	0,0	0,0	0,0	0,0	0,0	0,0
Other revenue - revaluation of additional purchase price Online Gaming	0,0	0,0	0,0	0,0	5,5	0,0
Group-wide	0,1	0,0	0,1	0,1	0,2	0,2
The Group	<b>106,7</b>	<b>76,4</b>	<b>202,0</b>	<b>149,4</b>	<b>340,0</b>	<b>266,3</b>
<b>Operating profit/loss before depreciation and amortization (EBITDA)</b>						
Online Gaming	-2,3	-5,2	-8,0	-9,3	-18,3	-28,1
Restaurant Casino	5,3	4,0	9,2	7,1	17,1	16,0
Yggdrasil Gaming	-1,2	-0,6	-1,6	-1,8	-4,6	-2,5
Development Projects	0,0	0,0	0,0	0,0	0,0	0,0
Group-wide	-2,2	-2,3	-4,5	-4,4	-12,1	-9,4
The Group	<b>-0,4</b>	<b>-4,1</b>	<b>-4,9</b>	<b>-8,4</b>	<b>-17,9</b>	<b>-24,0</b>
<b>Operating profit/loss (EBIT)</b>						
Online Gaming	-4,2	-6,8	-11,7	-12,4	-25,0	-33,0
Restaurant Casino	4,0	2,9	6,8	5,1	12,8	12,6
Yggdrasil Gaming	-2,8	-1,5	-4,7	-3,5	-8,6	-3,8
Development Projects	0,0	0,0	0,0	0,0	0,0	0,0
Group-wide	-2,2	-2,3	-4,5	-4,5	-12,1	-9,7
The Group	<b>-5,2</b>	<b>-7,7</b>	<b>-14,1</b>	<b>-15,3</b>	<b>-32,9</b>	<b>-33,9</b>

Amounts in SEK million unless otherwise specified

<b>Consolidated balance sheet</b>	<b>2015-06-30</b>	<b>2014-06-30</b>	<b>2014-12-31</b>
Intangible assets	109,4	51,6	52,1
Property, plant and equipment	10,3	11,7	11,2
Share in Associated companies	0,0	1,9	0,3
Other long-term receivables	0,9	0,9	0,8
Inventories	0,1	0,3	0,2
Current receivables	48,2	46,2	43,2
Cash and liquid assets (SEK million)	24,7	54,8	54,3
<b>Total assets</b>	<b>193,7</b>	<b>167,4</b>	<b>162,1</b>
Shareholders' equity	107,4	108,8	94,3
Long-term interest bearing liabilities	2,2	3,4	2,8
Deferred tax payables	0,7	0,6	0,5
Current interest bearing liabilities	1,2	1,3	1,3
Other current liabilities	82,2	53,3	63,2
<b>Total equity and liabilities</b>	<b>193,7</b>	<b>167,4</b>	<b>162,1</b>
<b>Consolidated cash flow statement (total operations)</b>	<b>2015-06-30</b>	<b>2014-06-30</b>	<b>all year 2014</b>
Profit after financial items	-18,0	-14,2	-37,4
Adjustments for non-cash items	10,9	5,9	20,3
Taxes paid	-2,5	-1,1	-1,3
<b>Cash flow from operating activities before changes in working capital</b>	<b>-9,6</b>	<b>-9,4</b>	<b>-18,4</b>
Changes in working capital	-4,7	-5,6	5,2
<b>Cash flow from operating activities</b>	<b>-14,4</b>	<b>-15,0</b>	<b>-13,2</b>
Net investments	-3,1	-9,8	-16,5
Investment in acquisition of subsidiaries/associated companies	-11,1	-1,5	-7,5
Change in long-term receivables	-0,1	0,0	0,1
Sales of shares and property, plant and equipment	0,0	60,0	60,0
<b>Cash flow from investing activities</b>	<b>-14,2</b>	<b>48,7</b>	<b>36,1</b>
New share issue	0,0	0,0	10,6
Dividend/Redemption programme	0,0	-51,2	-51,2
Change in long-term liabilities	-0,6	3,6	2,9
<b>Cash flows from financing activities</b>	<b>-0,6</b>	<b>-47,6</b>	<b>-37,7</b>
<b>Change in cash and cash equivalents</b>	<b>-29,2</b>	<b>-13,9</b>	<b>-14,8</b>
Cash and liquid assets at beginning of period	54,3	68,4	68,4
Exchange rate differences	-0,3	0,3	0,7
<b>Cash and liquid assets at end of period</b>	<b>24,7</b>	<b>54,8</b>	<b>54,3</b>
<b>Attributable to divested business</b>	<b>2015-06-30</b>	<b>2014-06-30</b>	<b>2014-12-31</b>
<b>Cash flow from operating activities</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Cash flow from investment activities</b>	<b>0,0</b>	<b>60,0</b>	<b>60,0</b>
<b>Cash flow from financial activities</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Changes in Group equity</b>	<b>2015-06-30</b>	<b>2014-06-30</b>	
<b>Opening balance</b>	<b>94,3</b>	<b>175,8</b>	
Acquisition of minority	30,4	0,0	
Dividend	0,0	-51,2	
Total profit/loss	-17,2	-15,8	
<b>Equity, end of period</b>	<b>107,4</b>	<b>108,8</b>	
<b>Attributable to:</b>			
Parent company shareholders	77,8	109,3	
Minority interest	29,6	-0,5	
<b>Total equity</b>	<b>107,4</b>	<b>108,8</b>	

Amounts in SEK million unless otherwise specified.

Result affecting key performance indicators have been adjusted for the divested operations, Business segment Maritime Gaming and the Automatensites.

**Group key performance indicators**

	Jan-Jun	Jan-Jun	Full year 2014	Full year 2013
	2015-06-30	2014-06-30	2014-12-31	2013-12-31
Number of outstanding shares at the end of the period (thousands)	13 442	12 803	13 442	12 803
Average number of outstanding shares during the period (thousands)	13 442	12 803	12 827	12 803
Number of own shares	0,0	0,0	0,0	0,0
Number of registered shareholders	2 545	2 358	2 411	2 329
Published price at the end of the period (SEK)	37,30	31,00	34,50	31,20
Earnings per share before dilution (remaining operations)	-1,38	-1,21	-2,99	-2,66
Earnings per share after dilution (remaining operations)	-1,37	-1,15	-2,96	-2,53
Earnings per share from total operations before dilution including divested operations (SEK)	-1,38	-1,21	-2,99	-0,66
Earnings per share from total operations after dilution including divested operations (SEK)	-1,37	-1,15	-2,96	-0,63
Cash flow per share (SEK)	-2,17	-1,09	-1,15	0,66
Equity per share (SEK)	7,99	8,50	7,01	13,73
Executed dividend/redemption programme per share (SEK)	0,00	4,00	4,00	11,20
Return on equity (percent)	-18	-11	-30	-13
Return on total capital (percent)	-10	-10	-19	-10
Return on capital employed (percent)	-17	-7	-27	-13
Operating margin (EBITDA, percent)	-2,4	-5,6	-5,3	-9,0
Operating margin (EBIT, percent)	-7,0	-10,2	-9,7	-12,7
Profit margin (percent)	-8,9	-9,5	-11,0	-12,0
Equity/assets ratio (percent)	55	65	58	75
Quick ratio (percent)	87	184	151	303
Net investments (SEK million)	14,1	-9,8	24,0	40,2
Cash and liquid assets (SEK million)	24,7	54,8	54,3	68,4
Average number of employees (full-time equivalents)	234	187	195	179
Number of employees at end of period	760	699	752	706
<b>Restaurant Casino</b>				
Number of venues Cherry operates casino in Sweden	251	249	269	257

**Online Gaming:**

	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
**Number of registered customers at end of period	555 214	514 926	478 239	434 407	397 188	362 341
Number of new registered customers during the period	40 288	36 687	43 832	37 219	34 847	43 320
*Number of active players during the period	26 185	23 742	22 197	19 982	21 949	22 095
Deposit amount (SEK million) during the period	156,2	123,7	115,4	108,7	86,0	80,5

**Online Gaming:**

	Q4 2013	Q3 2013	Q2 2013	Q1 2013
**Number of registered customers at end of period	319 021	278 712	224 660	186 933
Number of new registered customers during the period	40 309	54 052	37 727	32 694
*Number of active players during the period	23 347	18 348	17 753	20 001
Deposit amount (SEK million) during the period	74,0	70,0	62,3	53,8

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

\*\* Due to the migration of EuroLotto.com to Cherrys own platform in June 2014, 42 001 registered players from 2011 and 2012, were removed as registered customers.