



CHERRY AB (PUBL)

INTERIM REPORT 2
1 JANUARY - 30 JUNE 2016



BICICLETA

BEST ONLINE GAMING OPERATOR
2014, 2015 & 2016

Highlights

Second quarter: Revenues grew to MSEK 191.7 (+80%) - Acquisition of ComeOn

- Group revenue increased by 80 percent to MSEK 191.7 (106.7). Online made up 81 percent (63) of the group revenues.
- Profitability improved considerably and EBITDA amounted to MSEK 14.8 (-0.4). EBIT amounted to MSEK 6.0 (-5.2). The result was burdened with acquisition costs for ComeOn and Nasdaq listing costs of MSEK 4.0.
- The result after tax was MSEK 8.4 (-6.8), equivalent to SEK 0.21 (-0.52) per share after dilution and minority interests.
- Online Gaming grew by 113 percent and EBITDA amounted to MSEK 8.6 (-2.3). The figures are not including ComeOn.
- Yggdrasil Gaming grew by 810 percent and EBITDA amounted to MSEK 9.8 (-1.2).
- Restaurant Casino's turnover amounted to MSEK 35.9 (39.6) and EBITDA amounted to MSEK 3.1 (5.3). The decrease is due to seasonality effects in terms of when holidays occurred during the second quarter.
- Cherry signed an agreement regarding the purchase of 49% of the shares in ComeOn Malta Ltd with an option to acquire the remaining 51%. The acquisition means that Cherry's position will strengthen considerably in the Scandinavian market. ComeOn's management expects a turnover of between MSEK 930 and MSEK 1,130 and an EBIT of between MSEK 180 and MSEK 220 for 2016. The acquisition is expected to have a significantly positive effect on Cherry's earnings per share from 20 July 2016.
- In June, Yggdrasil Gaming was awarded an operator's licence by the Gibraltar Regulatory Authority.
- Yggdrasil signed agreements with five new operators, including bwin.party and Interwetten.
- The Group's consolidated cash amounted to MSEK 67.8 (24.7) at the end of the second quarter 2016.

Six-month interim period: Revenues increased to MSEK 369.0 (+83%) with a positive EBITDA of MSEK 40.5

- Group turnover increased by 83 percent compared to the previous year and amounted to MSEK 369.0 (202.0). Online made up 80 percent (63) of the group revenue.
- Profitability improved considerably and EBITDA amounted to MSEK 40.5 (-4.9). EBIT amounted to MSEK 23.5 (-14.1).
- The result after tax amounted to MSEK 25.9 (-18.6) equivalent to SEK 1.01 (-1.40) per share after dilution & minority int.
- Online Gaming grew by 115 percent and EBITDA amounted to MSEK 25.1 (-8.0). The figures are not including ComeOn.
- Yggdrasil Gaming grew by 661 percent and EBITDA amounted to MSEK 17.7 (-1.6).
- Restaurant Casino had a turnover in line with the previous year and EBITDA amounted to MSEK 7.6 (9.2).

Important events after the end of the quarter

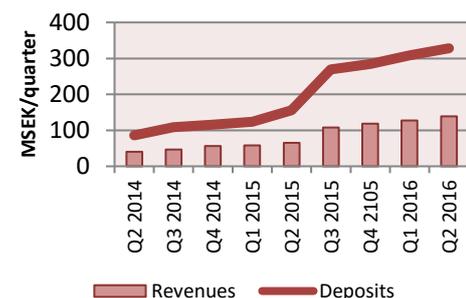
- On 20 July, Cherry acquired 49 percent of the shares in ComeOn Malta Ltd.
- The site EuroSlots has been relaunched and will have increased marketing exposure thanks to a cooperation with the Malta- and Denmark-based Power Media Group and their affiliate network Matching Visions.
- In August, Yggdrasil Gaming went live with the world's largest gaming operator, bet365.
- In August, Cherry-owned Game Lounge acquired the assets of renowned affiliate company Interclick Limited, which has been active in the German and British markets for 14 years. The purchase price amounts to MUS\$ 1.5 and Game Lounge acquires around 40 domains and affiliate accounts. The acquisition is expected to have a payback time of less than 1.5 years and is expected to increase turnover by approximately MEUR 1.3 and EBITDA by MEUR 1.0 per year.

Group	Q2 2016	Q2 2015	H1 2016	H1 2015
Revenue	191,7	106,7	369,0	202,0
Other revenue	0,0	0,0	0,0	0,0
EBITDA	14,8	-0,4	40,5	-4,9
EBIT	6,0	-5,2	23,5	-14,1
Earnings per share	0,21	-0,52	1,01	-1,40
Cash and liquid assets	67,8	24,7	67,8	24,7
Online Gaming - Cherry iGaming	Q2 2016	Q2 2015	H1 2016	H1 2015
Revenue	139,2	65,5	266,4	123,8
EBITDA	8,6	-2,3	25,1	-8,0
Deposit amount	328,1	156,2	636,7	279,9
New customers	100 657	40 288	204 997	76 975
Active players	79 049	26 185	79 049	26 185
Restaurant Casino - Cherry Spelglädje	Q2 2016	Q2 2015	H1 2016	H1 2015
Revenue	35,9	39,6	74,6	74,8
EBITDA	3,1	5,3	7,6	9,2
Number of casino venues	255	251	255	251
Game Development - Yggdrasil Gaming	Q2 2016	Q2 2015	H1 2016	H1 2015
Revenue	19,9	2,2	34,1	4,5
EBITDA	9,8	-1,2	17,7	-1,6
Signed agreements	5	2	35*	24*
Integrated customers	2	2	26*	17*

* Number of signed agreements or integrated operators from start.

The figures in the interim report exclude the acquisition of ComeOn.

Online Gaming - Cherry iGaming



Game Development - Yggdrasil Gaming



CEO comments second quarter

Cherry continued to deliver according to its strategy, which combines strong organic growth with strategic acquisitions. The second quarter shows continued strong growth and a significant increase in profits. In the second quarter, the Group's growth reached 80 percent. Cherry's online activities continue to grow considerably faster than the market, now representing 81 percent (63) of Group sales, and we henceforth expect to grow faster than the market.

During the quarter, Cherry announced the acquisition of 49 percent of ComeOn and the transaction was finalised on July 20. The acquisition means that Cherry strengthens its position in online gaming against our competitors in both Scandinavian and European markets, while at the same time adding strong brands. Cherry reinforces its customer base in sports betting, which accounts for about one third of ComeOn's turnover. Both the business areas Online Gaming - Cherry iGaming and ComeOn are growing considerably faster than the market with good profitability and this allows for further investment in existing brands with continued expansion in new markets. Alongside ComeOn's management and its founders, the work to quickly maximise common values and offerings has begun and the integration process is ongoing. For the second quarter, ComeOn reports a 31 percent growth, a preliminary turnover of approximately MSEK 225 and an EBIT amounting to about MSEK 53. If, for the second quarter in 2016, Cherry Group and ComeOn figures were consolidated, the combined turnover would amount to approximately MSEK 403 and EBITDA to around MSEK 68. For 2016, ComeOn's management expects a turnover of between MSEK 930 to MSEK 1,130 and an operating profit of between MSEK 180 and MSEK 220 million. The acquisition is expected to have a significant positive effect on earnings per share already this year.

During the second quarter, Cherry's business area Online Gaming - Cherry iGaming enjoyed very strong growth of 113 percent. The activity on our gaming sites grew strongly and the number of active customers increased by as much as 202 percent. Compared to the second quarter of 2015, deposits increased by 110 percent. During the quarter, the gaming surplus from mobile devices increased by 72 percent. Marketing activities intensified during the quarter and increased to MSEK 47.0 (23.5), which represented 34 percent of Online Gaming revenues for the second quarter. During the period, we continued to upgrade our gaming sites with our latest technology and new product verticals. Among many things, Lotto was introduced on CherryCasino and sports betting was implemented on Sunmaker. After the quarter, EuroSlots teamed up with a large master affiliate and the site has been updated with the latest technology. The affiliate company Game Lounge continues to develop positively. The acquisition of the assets of prestigious company Interclick Ltd will increase affiliate revenues and help Game Lounge enter both the German and the English markets, which is well in line with Cherry iGaming's expansion plans. Cherry iGaming will, in addition to the licences it already has, continue to seek local licences where we expect strong growth, and we have also initiated an application process to obtain an

operator's license in the UK, which is expected to be in place during the second half of 2016. Today, Cherry iGaming is well positioned with a platform that makes it possible to quickly and efficiently add new products and skins.

Game development - Yggdrasil Gaming - continued to experience outstanding performance in the second quarter, as revenues grew by 810 percent and the EBITDA margin amounted to 49 percent. During the second quarter, bet turnover increased by 1,434 percent. Mobile gaming accounted for 48 percent (25) of the total Gross Game Win. During the quarter, Yggdrasil received a licence for the jurisdiction of Gibraltar, from where a number of major game operators operate. During the quarter, three new innovative quality games were delivered, which were well received by both customers and operators and five new agreements were signed with operators including bwin.party and Interwetten. In June 2016, Yggdrasil was named "Slot Provider of the Year" at the EGR B2B Awards in London, which is recognition of the company's market-leading portfolio of video slots. After the quarter, Yggdrasil, launched another new innovative and industry-first promotional tool, "BRAG", which allows players to share their gaming on social media. In August, Yggdrasil also went live with the world's largest gaming operator bet365. As new operators are deployed, more games are launched at existing customers and the game portfolio grows, Yggdrasil revenues continue to increase.

Restaurant Casino - Cherry Spelglädje - continues to deliver solid results despite poorly timed holidays that have had a negative impact on turnover. During the quarter, we undertook a significant recruitment of croupiers. A new site - [Cherry Spelglädje](#) - was also launched, to continue attracting the best employees. Cherry is the only private gaming company included in the reference group for new gaming legislation in Sweden, and Cherry attended the Almedalen week political forum to discuss the important issue of raising stake size with interested politicians.

As previously announced, Cherry has applied for a listing on the Nasdaq Stockholm stock exchange, a task that has been postponed in favour of the acquisition of ComeOn. Now resources have been freed up for this important task, the ambition is still to be listed during 2016.



Our ambition is to continue to grow faster than the market and we are well equipped to do this both through organic growth and acquisitions. Our strategy, in combination with differentiated business areas, will create excellent opportunities for continued high growth, high profitability and strong value growth. We look forward to continue to spread the joy of playing, both online and at the pub!

Fredrik Burvall, CEO

The Group

The figures do not include ComeOn.

Second quarter

The Group's revenues increased by 80 percent to MSEK 191.7 (106.7). EBITDA and EBIT for the Group improved considerably and amounted to MSEK 14.8 (-0.4) and MSEK 6.0 (-5.2), respectively. The EBITDA margin increased to 7.7 percent, to be compared with an EBITDA margin of 6.8 percent for the full year 2015.

The Group's consolidated profit after financial items amounted to MSEK 10.5 (-6.4) and profit after tax amounted to MSEK 8.4 (-6.8), equivalent to SEK 0.21 (-0.52) per share after dilution and minority interest.

Net financial items were positively affected by MSEK 4.5 as a result of exchange rate revaluations on internal receivables in euros.

Six-month interim period

The Group's turnover increased by 83 percent and amounted to MSEK 369.0 (202.0). EBITDA for the Group improved considerably and amounted to MSEK 40.5 (-4.9) and EBIT amounted to MSEK 23.5 (-14.1).

The Group's consolidated profit after financial items amounted to MSEK 29.8 (-18.0) and profit after tax amounted to MSEK 25.9 (-18.6), equivalent to SEK 1.01 (-1.40) per share after dilution and minority interest.

Net financial items were positively affected by MSEK 6.4 as a result of exchange rate revaluations on internal receivables in euros.

Important events during the second quarter

- On 20 July 2016, Cherry completed the acquisition of 49 percent of the shares in ComeOn Malta Ltd. The purchase price was paid with 2,901,461 B-shares in Cherry AB (publ) and EUR 39.7 million in cash, a total of EUR 80 million. The new share issue, directed to the sellers of ComeOn, represents a dilution of 16.8 percent of the shares and 11 percent of the voting rights in Cherry.



Business Areas

Cherry's operations are divided into the following business areas, which have had their names changed: Online Gaming - Cherry iGaming, Restaurant Casino -

Cherry Spelglädje, Game development - Yggdrasil Gaming and Development Projects.

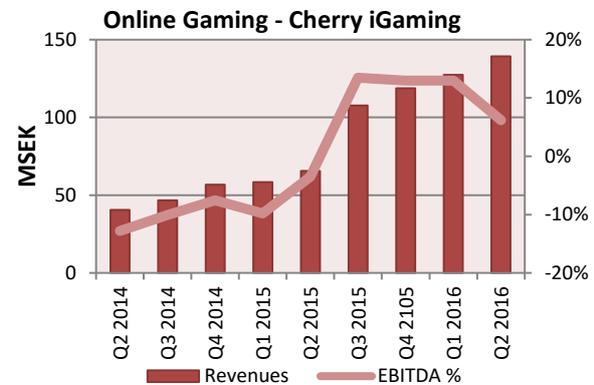
Online Gaming - Cherry iGaming

This business area includes online casino, sports betting and lottery on computers, tablets and mobiles on CherryCasino.com, EuroSlots.com, EuroLotto.com, SveaCasino.com, SuomiAutomaatti.com, SunMaker.com, SunnyPlayer.com and SpilleAutomater.com. Web Resorts offers games on sites including NorgesSpill.com and NordicSlots.com. Online Gaming - Cherry iGaming also includes affiliate business through Game Lounge. The acquisition of ComeOn is not included in the figures below.

Second quarter/Interim period

During the second quarter, turnover increased by 113 percent and amounted to MSEK 139.2 (65.5). Profits improved significantly. EBITDA amounted to MSEK 8.6 (-2.3) and EBIT amounted to MSEK 3.7 (-4.2).

Cherry iGaming showed strong growth during the second quarter and deposits increased by 110 percent and amounted to MSEK 328.1 (156.2). The number of active customers increased by 202 percent and amounted to 79,049 (26,185). During the second quarter, the number of new customers amounted to 100,657 (40,288). The number of registered customers amounted to 1,277,760 (555,214) at the end of the quarter.



Marketing activities increased for Cherry iGaming during the second quarter, and amounted to MSEK 47.0 (23.5), which was equivalent to 34 percent of revenues. Above all, significant marketing spends on CherryCasino.com and SpilleAutomater.com, as well as the marketing of Almor's brands, resulted in a large increase in customer intake and deposits. Cherry's work with customer loyalty programmes has continued and increases the profitability of the existing customer base. Volumes on mobile and tablet amounted to 42 percent (36) of Cherry iGaming's total Gross Game Win during the second quarter, excluding the Almor brands. Including the Almor brands, the share of mobile/tablet amounted to 35 (36) percent, as SunMaker.com was migrated to Cherry's platform in December 2015 and SunnyPlayer.com in February 2016.

During the six-month interim period, turnover increased by 115 percent and amounted to MSEK 266.4 (123.8). EBITDA amounted to MSEK 25.1 (-8.0) and EBIT amounted to MSEK 15.2 (-11.7).

Important events during the second quarter

- After the quarter, KingPlayer.com has been migrated into SunMaker.com and SunMaker.com has launched a sportsbook.
- In April, Cherry signed an agreement to acquire 49 percent of the shares in ComeOn Malta Ltd. with an option to acquire the remaining 51 percent. The acquisition will significantly strengthen Cherry’s position in Scandinavian markets. With its successful multi-brand strategy, ComeOn enjoys a strong position in each of its main markets. ComeOn markets games under several well-established brands such as ComeOn.com, Mobilbet.com, CasinoStugan.com, folkeautomaten.com, Suomikasino.com, GetLucky.com and Kasyno.pl. More information can be found under the section Acquisitions.

Important events after the interim report

- The site EuroSlots has been relaunched with increased marketing power thanks to a new partnership with Malta- and Denmark-based Power Media Group and their affiliate network Matching Visions. A master affiliate agreement has been signed and the site has received a makeover. Cherry iGaming is expecting increased activity on the site through this cooperation, which will focus on European markets.
- Lotto has been added to CherryCasino.com.



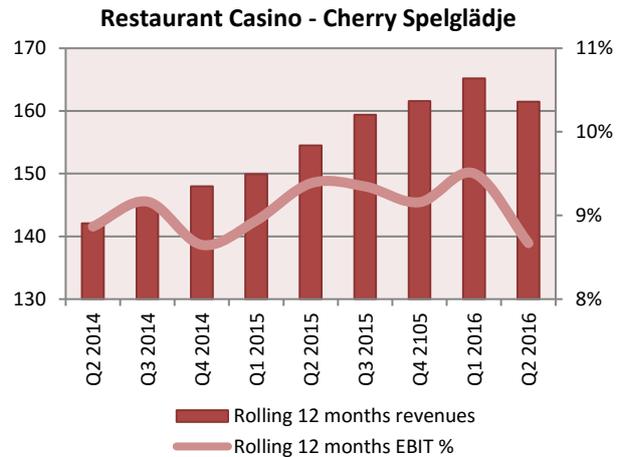
Restaurant Casino - Cherry Spelglädje

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



Second quarter/Interim period

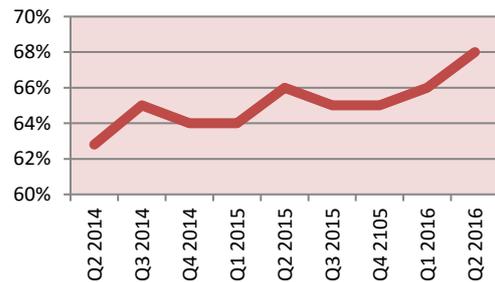
During the second quarter of 2016, turnover amounted to MSEK 35.9 (39.6). EBITDA amounted to MSEK 3.1 (5.3) and EBIT amounted to MSEK 2.3 (4.0). The turnover decrease is explained by seasonality effects as the quarter’s holidays have occurred less favourably than last year. A large recruitment of new croupiers has also had a negative effect on turnover and profitability during the initial training period, but is expected to show return on investment in time. The increased employer contributions for young people are affecting the margins negatively to some extent, but it could also open opportunities for Cherry to acquire competitors, given its market-leading position.



Important events during the second quarter

- Cherry’s market share amounted to 68 percent (66) of the active gaming tables according to the June 2016 statistics from the Swedish Lotteries and Gaming Authority. At the end of the quarter, Cherry had casinos at 255 gaming venues (251) with a total of 365 gaming tables (362).

Market share Restaurant Casino



- During the second quarter, ten new agreements were signed, while seven gaming venues were closed for the season, due to concept changes, bankruptcies or because they were now unprofitable due to the increase of general payroll tax for young people. Cherry signed agreements with Koi Malmö, GG Uddevalla and Riksgränsen among others.
- Cherry launched a new site to continue to recruit the best personnel, [Cherry Spelglädje](#).

Game Development - Yggdrasil Gaming

Yggdrasil Gaming develops computer, mobile and tablet games. It is licensed in Malta, UK, Gibraltar and Curacao (the latter license is in the progress of being discontinued). Yggdrasil licenses and distributes its products to various gaming operators.

Second quarter/Interim period

During the second quarter, turnover increased by 810 percent and amounted to MSEK 19.9 (2.2), of which MSEK 3.2 (0.6) was internal revenue from Cherry's gaming sites. The EBITDA margin amounted to 49 percent and EBITDA amounted to MSEK 9.8 (-1.2) while EBIT amounted to MSEK 6.7 (-2.8).

The substantially improved results are thanks to strong game releases and the new HTML5-based iSENSE 2.0 platform. It makes it possible to launch games simultaneously on desktop, mobile and tablet and to make the games faster while improving their performance. This means operators have a greater ability to reach their players and streamline their marketing campaigns.

During the quarter the games "Wicked Circus", "Monkey King" and "Bicicleta" were launched.



In the second quarter, bet turnover increased by 1,434 percent. The number of player transactions (bets) increased by 1,188 percent and amounted to 436 million (34). Mobile's share of Gross Game Win increased to 48 percent (25).

At the end of the quarter, Yggdrasil had launched their games with 22 operators, including Betsson, Unibet, LeoVegas, Vera&John, GVC, HeroGaming and Cherry. During the quarter, agreements with five new operators were signed, among them bwin.party and Interwetten. After the end of the quarter, bet365 went live.

During the six-month interim period, turnover increased by 661 percent and



amounted to MSEK 34.1 (4.5), of which MSEK 6.2 (1.1) was internal revenue from Cherry's gaming sites. The EBITDA margin improved strongly and amounted to 52 percent and EBITDA amounted to MSEK 17.7 (-1.6) while EBIT amounted to MSEK 12.2 (-4.7).

Yggdrasil Gaming has signed a total of 35 agreements. Four agreements have been terminated due to customers having discontinued their operations or due to legal changes. Yggdrasil has signed seven

agreements for its second progressive jackpot, Joker Millions, of which four are live. Yggdrasil Gaming has already signed agreements with seven operators in the UK of which five have launched Yggdrasil's games.

Yggdrasil's games portfolio now consists of 24 video slots and a number of innovative lottery and keno games.

Yggdrasil has reached a position as a quality game developer and continues to take market shares from its competitors. 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 desktop, tablet and mobile. At the integration phase, the operators often choose to gradually roll out the games. The gaming operators that have already gone 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 85.2 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 84 percent at the lowest.

Important events during the second quarter

- Five new contracts were signed, including bwin.party and Interwetten.
- The games "Wicked Circus", "Monkey King" and "Bicicleta" were launched.
- In June, Yggdrasil was awarded "Slot Provider of the Year" at the EGR B2B Awards in London.

Important events after the second quarter

- The game "Legend of the White Snake Lady" was launched.
- Frida Gustafsson was appointed CFO of Yggdrasil Gaming. Ms. Gustafsson has previously worked for NetEnt and Deloitte.
- In August, bet365 went live.
- Yggdrasil launched a new, industry-first promotional tool called "BRAG", where players can share their game sequences on social media.

Acquisitions

ComeOn

Cherry AB (publ) signed, on 2 May 2016, an agreement to acquire 49 percent of the shares in ComeOn Malta Ltd. with an option to acquire the remaining 51 percent. The acquisition of the first 49 percent was finalised on the 20 July. ComeOn is a leading company in the rapidly expanding online gaming markets on desktop, tablet and mobile. ComeOn's offering complements Cherry with

well-known brands and strong positions, mainly in online casino and sports betting.

The acquisition will significantly strengthen Cherry's position in Scandinavian markets and provide great opportunities for continued international expansion.

With its successful multi-brand strategy, ComeOn enjoys a strong position in each of its main markets. ComeOn markets games under several well-established brands such as ComeOn.com, Mobilbet.com, CasinoStugan.com, folkeautomaten.com, Suomikasino.com, GetLucky.com, Mobilautomaten.com and Kasyνο.pl.

Cherry will strengthen its customer base considerably within sports betting, which accounted for approximately one third of ComeOn's revenues in 2015.

ComeOn's sales in 2015 were close to MSEK 740, an increase of about 60 percent compared to the previous year. The operating profit grew to approximately MSEK 120, an increase close to 70 percent compared with the previous year. ComeOn expects to have sales of MSEK 930 to MSEK 1,130, with an operating profit of approximately MSEK 180 to MSEK 220, in 2016. The company's depreciation is insignificant.

Facts ComeOn

ComeOn's management and founders will continue to work in the combined business going forward.

ComeOn operates based on licences in Malta, UK and Curacao. The company has its own operations in Malta, London, Gibraltar and Stockholm. ComeOn has a staff of around 210 in total. The parties do not expect any redundancies due to the transaction, since both groups are growing faster than the market and the combined resources will form a base for the continued expansion. Identified synergies consist mainly of a broader product and brand portfolio, economies of scale such as reduced costs for payment solutions and game suppliers, and more efficient marketing.

Second quarter and interim period

The numbers have not been audited and are not part of Cherry's interim report. Cherry's share of ComeOn's profits will be included in the financial item results from participations in associated companies from 20 July 2016.

During the second quarter, revenues increased 31 percent to MSEK 225 (172). The result increased substantially with an EBITDA of MSEK 53 (30) and EBIT of MSEK 53 (30).

During the second quarter, growth continued for ComeOn and deposited amounts increased by 30 percent to MSEK 681 (524). The number of active

customers increased by 34 percent to 183,665 (137,449). New customers increased by 31 percent to 44,655 (34,131). The number of registered customers was 1,382,979 (869,548) at the end of the period.

For the interim period, revenues increased by 32 percent to MSEK 445 (339). EBITDA amounted to MSEK 97 (56) and EBIT to MSEK 96 (56).

Important events during the second quarter

- ComeOn launched a new site, Mobilautomaten.com.

ComeOn financial information - The figures have not been audited.

Figures in MSEK (EUR/SEK 9,2992)	Q2 2016	Q2 2015	Jan-June 2016	Jan-June 2015
Revenue	225	172	445	339
Revenue growth vs 2015	31%		31%	
EBITDA	53	30	97	56
EBITDA margin	24%	18%	22%	17%
EBIT	53	30	96	56
EBIT margin	23%	17%	22%	17%
Number of registered customers	1 382 979	869 548	1 382 979	869 548
Number of new registered customers	44 655	34 131	94 810	76 396
Growth vs 2015	31%		24%	
Number of active players	183 665	137 449	183 665	137 449
Growth vs 2015	34%		34%	
Deposit amount	680,6	524,0	1 351,7	1 005,4
Growth vs 2015	30%		34%	
Sportsbook share of Revenue	24,4%	25,6%	23,3%	26,7%
Casino share of Revenue	75,6%	74,4%	76,7%	73,3%

Pro-forma Cherry and ComeOn

The table below describes how the combined Cherry and ComeOn group would look like if the companies' accounts had been consolidated for the interim period. Intra-group sales to Yggdrasil Gaming have been eliminated. The numbers have not been audited or verified by Cherry.

Pro-forma Group (Cherry and ComeOn) - unaudited figures

Figures in MSEK (EUR/SEK 9,2992)

	Q2 2016	Q2 2015	Jan-Jun 2016	Jan-Jun 2015
Revenue	403	278	790	539
Revenue growth vs 2015	44,8%		46,5%	
EBITDA	68	30	137	51
EBITDA margin	16,9%	10,7%	17,4%	9,5%

Financial information

The total consideration is calculated based on a multiple of 10 times the operating profit (EBIT) for 2016, and will be paid in two tranches. In tranche one, which took place 20 July, Cherry acquired 49 percent of the shares in ComeOn for a consideration of EUR 80 million. This part of the consideration will be deducted from payment of the final and total consideration in tranche two. The acquisition of the shares in ComeOn

has been financed with a combination of new shares and cash. The consideration in step one was made with 50.4 percent new shares and 49.6 percent cash. The price for the shares was fixed at SEK 128.25. The cash part was financed through a four-year senior secured bond. Initially EUR 50 million was issued within a frame of EUR 200 million with maturity on 11 July 2020. The bond comes with a floating interest rate of Euribor 3 month + 9.00 percent, with a minimum interest rate of 9.00 percent. Interest is to be paid quarterly. Amortisation starts year two with quarterly amortisations of 2.5 percent of the initially drawn amount. The bond is expected to be traded on Nasdaq Stockholm starting September 2016. In total more than 70 investors participated in the bond issue.

Cherry expects a positive effect on earnings for 2016 from the ownership in ComeOn. Cherry's share of ComeOn's result after net financial items in 2016 is expected to be approximately MSEK 55-60. Cherry's transaction costs for the acquisition is expected to affect the 2016 result by approximately MSEK 8-10. In addition, EUR 1 million will be paid in bond fees, which will be expensed during the bond's tenure. The shares (the 49 percent) will be accounted for as a minority shareholding and will therefore not affect Cherry's sales or operating profit, but is expected to have a positive effect on earnings per share.

The final and total consideration for the shares in ComeOn will also be paid with a combination of newly-issued shares and cash. The cash part is to be financed with an expansion of the corporate bond, and the price for the new share issue will be calculated as the volume weighted average share price during the fifteen trading days following Cherry's announcement to exercise the option to acquire the remaining 51 percent in ComeOn (tranche two). The option can be exercised during the period 1 October 2016 to 31 December 2016. Should Cherry decide not to use the option, then the seller has the right to repurchase the shares in ComeOn for EUR 40 million. The total consideration can be a maximum of EUR 280 million on a debt-free basis. Cherry has not produced an acquisition analysis as the acquisition balances have not been established yet.

Shareholders in Cherry, holding A-shares and some of the company insiders, will not be allowed to trade in Cherry shares during the period up until 15 days after Cherry has announced its intention to use the option, however not later than 31 January, 2017.

The dilution in Cherry in step one (acquisition of 49 percent of ComeOn) amounts to 16.8 percent of the number of shares and 11 percent of the voting rights.

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). EBIT amounted to MSEK -5.1 (0.0) due to costs for the Nasdaq Stockholm listing and the acquisition of ComeOn.

Cash and liabilities

The Group's consolidated cash amounted to MSEK 67.8 (24.7) on 30 June. The Group has a continued strong liquidity with an overdraft facility of MSEK 30 of which MSEK 23 has been utilised. Interest bearing liabilities amounted to MSEK 2.2 (3.4). At the end of the quarter there were overdue receivables from two of Cherry's partners, amounting to MSEK 11.4. A significant part has been settled during July.

Customer liabilities, including the provision for accumulated jackpots, amounted to MSEK 50.9 (8.1). Due to the Maltese Lotteries and Gaming Authority's regulations, this amount may limit utilisation of the Company's liquid funds. Current net receivables from payment providers for unsettled customer deposits were MSEK 1.4 (3.3).

Share issue in connection to the acquisition of Moorgate Media Ltd

In January 2016, Cherry finalised the acquisition of Moorgate Media Ltd, a Malta-based affiliate company. The average share price for the new issue was set at 119.33 SEK per share. The shares were valued based on the average closing price of Cherry shares during the period 16 - 23 December, 2015. After the new issue, which forms part of the purchase price, the number of shares increased by 309,302 of series B. The new share issue was supported by the resolution at the Annual General Meeting held on 12 May, 2015. The total number of shares in Cherry AB (publ) amounted as of 7 January, 2016, to 14,297,114 shares, of which 997,600 are Class A shares and 13,299,514 are Class B shares, representing a total of 23,275,514 votes.

Share issue in connection to the acquisition of Game Lounge Ltd

Cherry has, during the third quarter 2016, paid a deferred purchase price of EUR 2.0 million for 51 percent of the shares in Game Lounge Ltd. The deferred payment was made with EUR 1.2 million in cash and with 62,500 B-shares in Cherry AB (publ). The new share issue was approved at an extra shareholders meeting held on 16 March, 2016.

Share issue in connection to the acquisition of ComeOn Malta Ltd

On 20 July, 2016, Cherry completed the acquisition of 49 percent of the shares in ComeOn Malta Ltd. The purchase price was paid with 2,901,461 B-shares in Cherry AB (publ) and EUR 39.7 million in cash, in total EUR 80 million. The share price was fixed at SEK 128.25 per share. The new share issue, directed to the sellers of ComeOn, represents a dilution of 16.8 percent of the shares and 11% of the voting rights in Cherry. The new share issue was approved at an extra shareholders' meeting on 10 June, 2016.

After the registration of the new share issues related to the acquisitions of Game Lounge and ComeOn, the total number of shares in Cherry AB (publ) amounts to 17,261,075 shares, of which 997,600 are A-shares and 16,263,475 are B-shares, representing a total of 26,239,475 votes.

Listing on Nasdaq Stockholm

As previously communicated, Cherry has applied for listing on Nasdaq Stockholm. This project had been pushed back during the acquisition of ComeOn. Resources have now been diverted towards this important project and the ambition remains to complete the listing process during 2016.

Staff and organisation

The average number of employees for the Group (calculated as full-time positions) during the period was 307 (234). The total number of employees at the end of the period was 847 (760).

Risks and uncertainties

For a description of the risks and uncertainties, please see the Annual Report 2015 on the company website, and the Outlook section in this report.

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 1.5 (1.3) and profit after financial items amounted to MSEK -0.5 (-7.4). The parent company's investments in tangible and intangible fixed assets amounted to TSEK 18 (16). Cash and liquid funds amounted to MSEK -21.5 (6.2) at the closing date.

Outlook

Cherry's Online Gaming business area Cherry iGaming is expected to grow faster than the general online gaming market. H2 Gambling Capital estimates that the global online gaming market will grow by an average of eight percent during the years 2015-2021. Online gaming is

exposed to intense competition and subject to a regulatory environment that may change rapidly.

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. Such legislation might change the market conditions with regards to taxes, customer offering and local licence fees, which could affect Cherry's profitability negatively. At the same time, new legislation might bring strong market growth and allow Cherry to utilise more marketing opportunities. Cherry closely monitors developments and assesses that existing risks will not have any significant impact on the group's reported results.

On 16 October, 2014, the EU Commission announced that it was taking Sweden to the Court of Justice of the EU for what it considers to be Sweden's lack of compliance with EU law, with regard 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. Cherry has, as the only private operator, been invited to the reference group for new gaming regulation in Sweden.

The market for Restaurant Casino has a continued negative growth and local competition exists. 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 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 an eight percent average per year according to H2GC during the years 2015-2021.

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 2015. Cherry has not issued a forecast for 2016.

Financial calendar 2016

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

- Interim report 3: 9 November, 2016
- Full year report/Interim report 4: 21 Feb, 2017

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 Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 1 Supplementary Accounting Rules for Groups.

This interim report refers to certain key performance indicators which Cherry and others use when evaluating the performance of Cherry, KPIs which are not defined according to IFRS. These figures give management and investors important information to fully analyse the Cherry business and trends. These KPIs are not meant to replace but to complement those KPIs which are defined in IFRS.

Stockholm, 25 August 2016

Fredrik Burvall
Chief Executive Officer

Magnus Berglind
Board member

Anna Bergius
Board member

Morten Klein
Board member

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 2015 (p. 38-43), which was published on April 20, 2016, and is available on the company website 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.

Rolf Åkerlind
Chairman

Gunnar Lind
Board member

Johan Moazed
Board member

Jörgen Olsson
Employee representative/Board member

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Amounts in SEK million unless otherwise specified

Consolidated income statement (remaining operations)	Q2 2016	Q2 2015	Jan-Jun 2016	Jan-Jun 2015	FY 2015	FY 2014	FY 2013
Revenues	191,7	106,7	369,0	202,0	527,3	334,5	266,3
Other revenue - revaluation of additional purchase price iGaming	0,0	0,0	0,0	0,0	1,5	5,5	0,0
Total operating revenues	191,7	106,7	369,0	202,0	528,7	340,0	266,3
Cost of sales	-67,9	-38,0	-134,1	-75,5	-204,7	-129,5	-110,9
Gross profit	123,8	68,8	234,8	126,6	324,0	210,5	155,4
Marketing expenses	-48,6	-24,8	-82,3	-51,3	-113,1	-87,9	-69,2
Personnel expenses	-45,0	-34,2	-87,1	-64,1	-140,7	-119,0	-90,0
Other expenses	-15,4	-10,1	-24,9	-16,0	-34,3	-21,5	-20,2
Operating income (EBITDA)	14,8	-0,4	40,5	-4,9	35,9	-17,9	-24,0
Depreciation and amortisation	-8,8	-4,8	-17,0	-9,2	-22,6	-15,0	-9,9
Operating profit/loss (EBIT)	6,0	-5,2	23,5	-14,1	13,3	-32,9	-33,9
Financial items	4,5	-1,2	6,3	-3,9	-6,4	-4,5	1,8
Profit before tax	10,5	-6,4	29,8	-18,0	6,9	-37,4	-32,1
Tax	-2,1	-0,4	-3,9	-0,6	-0,5	-1,9	-1,6
Profit after tax	8,4	-6,8	25,9	-18,6	6,4	-39,3	-33,7
Profit for divested operations	0,0	0,0	0,0	0,0	0,0	0,0	25,5
Attributable to:							
Parent company shareholders	3,0	-7,0	14,5	-19,0	-0,9	-38,3	-7,9
Minority interest	5,4	0,2	11,3	0,4	7,3	-1,0	-0,3
Profit after tax	8,4	-6,8	25,9	-18,6	6,4	-39,3	-8,2
Earnings per share from remaining operations before dilution	0,21	-0,52	1,02	-1,41	-0,06	-2,99	-2,66
Earnings per share from remaining operations after dilution	0,21	-0,52	1,01	-1,40	-0,06	-2,96	-2,53
Statement of total income	Q2 2016	Q2 2015	Jan-Jun 2016	Jan-Jun 2015	FY 2015	FY 2014	FY 2013
Profit/loss for the period	8,4	-6,8	25,9	-18,6	6,4	-39,3	-8,2
Translation gains/losses on consolidation, overseas operations	0,6	0,4	0,5	1,3	1,4	-1,6	-4,9
Total income for the period	9,0	-6,3	26,4	-17,2	7,9	-40,9	-13,1
Group per segment/business area	Q2 2016	Q2 2015	Jan-Jun 2016	Jan-Jun 2015	FY 2015	FY 2014	FY 2013
Revenues							
Online Gaming - Cherry iGaming	139,2	65,5	266,4	123,8	350,1	183,1	127,5
Restaurant Casino - Cherry Spelglädje	35,9	39,6	74,6	74,8	161,5	148,0	138,3
Game development - Yggdrasil Gaming	19,9	2,2	34,1	4,5	20,1	4,4	0,9
Elimination, internal Yggdrasil revenues from Cherry	-3,2	-0,6	-6,2	-1,1	-4,5	-1,2	-0,6
Development Projects	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other revenue - revaluation of additional purchase price iGaming	0,0	0,0	0,0	0,0	1,5	5,5	0,0
Group-wide	0,0	0,1	0,0	0,1	0,0	0,2	0,2
The Group	191,7	106,7	369,0	202,0	528,7	340,0	266,3
Operating profit/loss before depreciation and amortization (EBITDA)							
Online Gaming - Cherry iGaming	8,6	-2,3	25,1	-8,0	21,8	-18,3	-28,1
Restaurant Casino - Cherry Spelglädje	3,1	5,3	7,6	9,2	19,4	17,1	16,0
Game development - Yggdrasil Gaming	9,8	-1,2	17,7	-1,6	5,2	-4,6	-2,5
Development Projects	-4,0	0,0	-5,1	0,0	-2,4	0,0	0,0
Group-wide	-2,6	-2,2	-4,8	-4,5	-8,1	-12,1	-9,4
The Group	14,8	-0,4	40,5	-4,9	35,9	-17,9	-24,0
Operating profit/loss (EBIT)							
Online Gaming - Cherry iGaming	3,7	-4,2	15,2	-11,7	11,8	-25,0	-33,0
Restaurant Casino - Cherry Spelglädje	2,3	4,0	6,0	6,8	14,8	12,8	12,6
Game development - Yggdrasil Gaming	6,7	-2,8	12,2	-4,7	-2,7	-8,6	-3,8
Development Projects	-4,0	0,0	-5,1	0,0	-2,4	0,0	0,0
Group-wide	-2,6	-2,2	-4,9	-4,5	-8,2	-12,1	-9,7
The Group	6,0	-5,2	23,5	-14,1	13,3	-32,9	-33,9

Amounts in SEK million unless otherwise specified

Consolidated balance sheet	2016-06-30	2015-06-30	2015-12-31
Intangible assets	213,0	109,4	167,9
Property, plant and equipment	12,9	10,3	10,9
Share in Associated companies	-0,1	0,0	0,0
Other long-term receivables	0,0	0,9	0,1
Inventories	0,0	0,1	0,0
Current receivables	141,5	48,2	86,6
Cash and liquid assets (SEK million)	67,8	24,7	33,8
Total assets	435,0	193,7	299,4
Shareholders' equity	228,3	107,4	156,9
Long-term interest bearing liabilities	0,9	2,2	1,6
Deferred tax payables	2,8	0,7	1,1
Current interest bearing liabilities	1,2	1,2	1,2
Other current liabilities	201,8	82,2	138,6
Total equity and liabilities	435,0	193,7	299,4
Consolidated cash flow statement (total operations)	2016-06-30	2015-06-30	2015-12-31
Profit after financial items	29,8	-18,0	6,9
Adjustments for non-cash items	11,8	10,9	23,3
Taxes paid	1,7	-2,5	0,8
Cash flow from operating activities before changes in working capital	43,2	-9,6	31,0
Changes in working capital	-2,6	-4,7	-1,9
Cash flow from operating activities	40,7	-14,4	29,1
Net investments	-20,9	-3,1	-20,0
Investment in acquisition of subsidiaries/associated companies	0,0	-11,1	-39,3
Change in long-term receivables	0,2	-0,1	0,6
Sales of shares and property, plant and equipment	0,0	0,0	0,0
Cash flow from investing activities	-20,7	-14,2	-58,6
New share issue	0,7	0,0	0,5
Dividend/Redemption programme	0,0	0,0	0,0
Change in long-term liabilities	-0,6	-0,6	-1,2
Cash flows from financing activities	0,1	-0,6	-0,7
Change in cash and cash equivalents	20,1	-29,2	-30,2
Cash and liquid assets at beginning of period	23,7	54,3	54,3
Exchange rate differences	1,1	-0,3	-0,4
Cash and liquid assets at end of period	44,9	24,7	23,7
* Liquid assets	67,8	24,7	33,8
Overdraft facility	-23,0	0,0	-10,1
Changes in Group equity	2016-06-30	2015-06-30	
Opening balance	156,9	94,3	
New issue	44,6	0,0	
Transactions with minority	0,4	30,4	
Dividend	0,0	0,0	
Total profit/loss	26,4	-17,2	
Equity, end of period	228,3	107,4	
Attributable to:			
Parent company shareholders	172,7	77,8	
Minority interest	55,6	29,6	
Total equity	228,3	107,4	

Amounts in SEK million unless otherwise specified

	Jan-Jun 2016	Jan-Jun 2015	FY 2015	FY 2014
	2016-06-30	2015-06-30	2015-12-31	2014-12-31
Group key performance indicators				
Number of outstanding shares at the end of the period (thousands)	14 297	13 442	13 988	13 442
Average number of outstanding shares during the period (thousands)	14 297	13 442	13 700	12 827
Number of own shares	0,0	0,0	0,0	0,0
Number of registered shareholders	4 092	2 545	3 867	2 411
Share price at the end of the period (SEK)	137,25	37,30	134,00	34,50
Earnings per share before dilution (remaining operations)	1,02	-1,38	-0,06	-2,99
Earnings per share after dilution (remaining operations)	1,01	-1,37	-0,06	-2,96
Cash flow per share (SEK)	1,40	-2,17	-2,20	-1,15
Equity per share (SEK)	12,08	7,99	11,22	7,01
Executed dividend/redemption programme per share (SEK)	0,00	0,00	0,00	4,00
Return on equity (percent)	10	-23	-1	-28
Return on total capital (percent)	8	-10	3	-19
Return on capital employed (percent)	15	-17	6	-27
Operating margin (EBITDA, percent)	11,0	-2,4	6,8	-5,3
Operating margin (EBIT, percent)	6,4	-7,0	2,5	-9,7
Profit margin (percent)	8,1	-8,9	1,3	-11,0
Equity/assets ratio (percent)	40	55	54	58
Quick ratio (percent)	103	87	85	151
Net investments (SEK million)	20,9	14,1	59,2	24,0
Cash and liquid assets (SEK million)	67,8	24,7	33,8	54,3
Average number of employees (full-time equivalents)	307	234	254	195
Number of employees at end of period	847	760	795	752
Restaurant Casino				
Number of venues Cherry operates casino in Sweden	255	251	260	269

Online Gaming:	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Number of registered customers at end of period	1 277 760	1 177 103	1 072 763	981 488	555 214
Number of new registered customers during the period	100 657	104 340	91 275	426 274	40 288
Number of active players during the period	79 049	79 378	70 746	60 300	26 185
Deposit amount (SEK million) during the period	328,1	308,6	284,5	269,2	156,2

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

Starting Q3 2015, the figures include the customers of Almor. At the end of Q3 2015 Almor had 396 825 registered customers, of which 37 029 were active, and during the third quarter 34 287 new customers were registered.

Cherry in brief

Cherry is a Swedish gaming company established in 1963 specialized in online casinos and lotteries (www.CherryCasino.com, www.EuroLotto.com, www.EuroSlots.com, www.SpilleAutomater.com, www.SveaCasino.com, www.SuomiAutomaatti.com, www.NordicSlots.com, www.NorgesSpill.com, www.ComeOn.com, www.Mobilbet.com, www.Casinostugan.com, www.folkeautomaten.com, www.Suomikasino.com, www.GetLucky.com och www.Kasyno.pl), affiliate business through Game Lounge and game development (www.Yggdrasil.com), through subsidiaries in Malta. Cherry is the market leader in casinos in restaurants and nightclubs in Sweden. Cherry employs around 850 people and has more than 4,000 shareholders. The Company's B-shares are listed on AktieTorget.