

PRESS RELEASE

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Cherry Interim Report 1 2016, 1 January- 31 March 2016

Highlights

First quarter: 86 percent growth in revenue and a positive EBITDA of MSEK 25.6

- Group revenue increased by 86 percent to MSEK 177.3 (95.3). Online makes up 78 percent (63) of the group revenue.
- Profitability improved considerably and EBITDA amounted to MSEK 25.6 (-4.5). EBIT amounted to MSEK 17.4 (-8.9).
- The result after tax was MSEK 17.5 (-11.8), equivalent to SEK 0.80 (-0.88) per share after dilution and minority interests.
- Online Gaming grew by 118 percent and EBITDA amounted to MSEK 16.5 (-5.7).
- Yggdrasil Gaming grew by 519 percent and EBITDA amounted to MSEK 7.9 (-0.4).
- Restaurant Casino increased turnover by 10 percent and EBITDA amounted to MSEK 4.5 (3.9).
- In January, Cherry finalized the acquisition of Moorgate Media Ltd, a Malta-based affiliate company.
- In February, Cherry won big at the International Gaming Awards. Cherry was awarded “Online Gaming Operator of the Year” for the third year in a row. EuroLotto was named “Lottery Operator of the Year” and Yggdrasil won “iGaming Software Supplier”.
- Yggdrasil Gaming was awarded the licenses required by the UK Gambling Commission in late December 2015 and is now live in the UK with parts of its product suite. Yggdrasil Gaming has already signed agreements with six operators in the UK.
- The Group’s consolidated cash amounted to MSEK 61.5 (28.9) on 31 March.

Important events after the end of the quarter

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 on the 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 and Kasyno.pl. ComeOn’s sales in 2015 were close to EUR 80 million, an increase of about 60 percent compared to the previous year. The operating profit grew to approximately EUR 13 million, an increase close to 70 percent compared with the previous year. ComeOn expects to have sales of EUR 100-120 million, with an operating profit of EUR 19-23 million, in 2016. The company’s depreciation is insignificant.

CEO comments on the first quarter

Cherry continues to deliver according to its strategy, which combines organic growth with strategic acquisitions. The first quarter showed further strong growth and a significant increase in profits. During the first quarter, the Group’s growth amounted to 86 percent. Cherry’s online activities continue to grow very strongly and now account for 78 percent (63) of Group sales. They are also expected to grow faster than the market. As announced previously, Cherry has applied for a listing on the Nasdaq Stockholm. A listing is a large and comprehensive challenge and has, because of the acquisition of ComeOn, been prioritised downwards. However, resources are now available for this important project and the goal remains to be listed during 2016.

After the reporting period, Cherry announced the acquisition of ComeOn. The acquisition means that Cherry is strengthening its position in Online Gaming and also against competitors both in Scandinavia and in other European markets. Cherry is also strengthening its customer base in sports betting, which represents a third of ComeOn’s sales revenues for 2015. Both Cherry and ComeOn are growing much faster than the market, with strong profitability, and this allows for further investment in existing brands and continued expansion into new markets. The deal means we add strong brand names and will benefit from ComeOn’s entrepreneurial spirit. We are very pleased that ComeOn’s management and founders will stay operative within the company. During 2015, the two companies’ total sales would have amounted to approximately SEK 1.3 billion and improved profitability. We expect to complete the acquisition in June. For 2016, ComeOn’s management expects a turnover of around 100-120 million euros and an operating profit of between 19-23 million euros.



Cherry's Online Gaming business area enjoyed strong growth of 118 percent and significantly improved earnings. The activity on our gaming sites grew strongly and active customers increased by a total of 234 percent compared to the first quarter of 2015. The Online Gaming team also proudly received two awards at the International Gaming Awards in February, when we were named "Online Gaming Operator of the Year" for the third consecutive year, while EuroLotto.com was named "Lottery Operator of the Year". This is proof of the quality of our business and is strong recognition for all those in our team who worked so hard during the past year.

During the quarter, our platform was upgraded, with Cherry Casino the first to make the move. The web page now has unique features and provides users with a more intuitive way to navigate, while giving us a greater ability to communicate with our customers. Furthermore, sports betting has been added, which we believe will increase customer loyalty to Cherry. Over time, the new functionality will also be rolled out to other brands. Cherry will, in addition to the licences it already has, continue to seek local licences where we expect strong growth. It has also initiated an application process to obtain an operator's licence in the UK, which is expected to be in place during the second half of 2016. Online Gaming today is well positioned with a platform that makes it possible to quickly and efficiently add new products and skins.

In the first quarter, Yggdrasil has had a continued strong performance, as revenues grew by 519 percent and the EBITDA margin amounted to 56 percent. At the end of the first quarter, Yggdrasil rolled out the first operators on its British licence, which are expected to generate increased sales in the coming quarters. In addition, Yggdrasil was invited to apply for a Gibraltar licence and the goal is to go live by the end of the second quarter.

Also during the quarter, Yggdrasil delivered three new quality games (Incinerator, Golden Fish Tank and Seasons), which were well received by both customers and operators. During the first quarter, three new contracts were signed, including one with the world's largest operator, bet365. In February 2016, Yggdrasil was named, "iGaming Software Supplier of the Year" at the International Gaming Awards, which is proof of the quality of Yggdrasil's product portfolio. As new operators are deployed, more games are launched to existing customers, so the game portfolio grows and Yggdrasil's revenues will increase further.

Restaurant Casino continues to deliver solid results. During the first quarter, the business delivered stable growth and strong earnings. Continued training of staff and further development of the business resulted in improved key figures. In July 2015, employer contributions increased for young people, which over time will affect the industry and Restaurant Casino's profitability. Therefore, we will continue to work towards a raise in permitted stakes and Cherry is, at present, the only private gaming company participating in the reference group for a new gaming legislation in Sweden. Together with Visita, Cherry has met with the special investigator, Mr. Håkan Hallstedt, during the quarter, where a proposal for a change of the present legislation was presented. Also during the quarter, Mr. Aaron Egfors was appointed CEO of Cherry's Restaurant Casino. This allows us to focus on the leadership and streamline the Group's organisation, which is expected to improve our bid to capture market share.

We look forward to the rest of 2016 with excitement. Our ambition is to continue to grow faster than the market and we are well prepared to do so, both through organic growth and acquisitions. Our strategy and our diversified business areas create very good conditions for continued strong expansion, strong profitability and strong growth of value. We look forward to continue spreading the joy of playing - both online and at the pub!

Fredrik Burvall, CEO

For further information please see the full Interim Report 2016. <http://cherry.se/en/financial-reports/>

Translation

This is a translation of the Swedish original.

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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.NordicSlots.com, www.NorgesSpill.com, www.SveaCasino.com, www.SuomiAutomaatti.com, www.Sunmaker.com and www.SunnyPlayer.com), affiliate business through Game Lounge and games development (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 3,800 shareholders. The Company's B-shares are listed on AktieTorget.