

2004

ONGAME

THIS IS ONGAME

Ongame is a world leader in digital entertainment with a focus on poker. The Group develops and markets everything from stand-alone products to turnkey solutions in poker and casino games for digital media. The Group owns one of the world's most popular poker sites, PokerRoom.com, in addition to the operations of Ongame Studios, PokerNetwork, HoldemPoker.com and PokerGaming.com. At year-end 2004 it had a total of 143 employees at offices in Stockholm, Uppsala and Costa Rica. Revenues in 2004 totaled SEK 411 million with a pre-tax profit of SEK 137 million. Ongame is one of Sweden's fastest growing companies.

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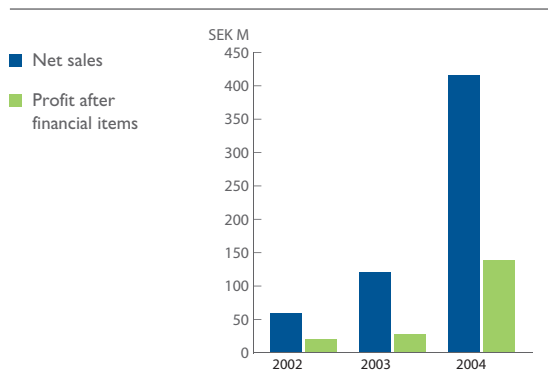
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THE YEAR IN BRIEF

- Net sales rose by 253 percent to SEK 411.0 million (116.5).
- Profit after financial items amounted to SEK 137.1 million (27.6).
- Profit per share amounted to SEK 24,269 (4,885).
- PokerRoom.com passed three million registered players.
- PokerNetwork was launched and signed around ten agreements.
- The company recruited a number of experienced professionals to its Board of Directors and Management.
- To increase Ogame's already high credibility, the Board decided that the company shall fulfill the requirements placed on listed companies in Sweden.
- Patrik Selin took over as President and CEO.
- The number of employees rose by 127 percent to 143 at year-end.

Key ratios	2004	2003	2002
Operating margin, %	33.4	23.3	34.1
Return on equity, %	169.1	98.5	151.8
Return on capital employed, %	169.1	98.5	151.8
Equity/assets ratio, %	53.1	58.9	61.3
Number of employees at end of period	143	63	35
Profit per share, SEK	24,269	4,885	3,509
Equity per share, SEK	31,107	8,854	4,970
Net sales per employee, SEK 000	3,990	2,534	2,450

Net sales and profit after financial items



"We have developed our strategies and attained a market position that gives Ogame a good opportunity to further improve its market shares."



Patrik Selin, President & CEO

PRESIDENT'S STATEMENT

2004 was a breakthrough year for Ogame. Net sales rose by 253 percent, profit increased five-fold and the number of registered players on PokerRoom.com passed three million. The little company has become a successful international group. The challenge in 2005 is to continue to gain market share in an increasingly competitive market. Ogame is well prepared with strong brands in online poker and casino games. Through PokerRoom.com, PokerNetwork, PokerGaming.com, HoldemPoker.com and Ogame Studios, Ogame covers the market's most attractive segments.

The online poker market has experienced explosive growth in the last two years. In 2003 there were around 100 established sites in the world. Today that number has more than doubled, according to PokerPulse.com. The number of players has increased as poker has received more attention in the media. The market grew by 154 percent in 2004.¹⁾

Rapid growth has been a challenge for Ogame. Competition has stiffened as many new companies have joined the market. Ogame has acted diligently and quickly to defend its position as one of the world's leaders in online poker. Marketing efforts have increased and strategies have been adapted to the new market situation.

CONTINUED SUCCESS FOR POKERROOM.COM

In late 2003 we began shaping an identity for PokerRoom.com, the poker site that accounts for the majority of the Ogame Group's revenues. This work continued in 2004 and PokerRoom.com is now a premium brand with a strong reputation among consumers. It offers, among other things, sophisticated design, high quality games, attractive services, 24-hour customer service and games that don't have to be downloaded. In addition, PokerRoom.com is a leading proponent of respon-

sible gaming. In April, it became the first site in the world to be certified by G4, the Global Gaming Guidance Group.

PokerRoom.com currently ranks fifth among the world's largest real money poker sites, according to PokerPulse.com. Including play money games, it is probably the third largest in the world. In December 2004 PokerRoom.com had 3,200,000 registered players, 790,000 of whom had logged on at some point in the previous three months. Its market share, based on total money wagered, rose by two percentage points during the year to 4.9 percent.

LAUNCH OF POKERNETWORK

During the second quarter Ogame launched PokerNetwork, which licenses games and gaming systems to other companies. With PokerNetwork, Ogame covers segments of the market PokerRoom.com doesn't reach. The first and largest operator in the network is PokerRoom.com. Thanks to PokerRoom.com's over 3 million registered players, PokerNetwork can offer new customers a large player database as well as poker tables and tournaments that are up and running 24 hours a day. PokerNetwork creates innovative entertainment for its partners, coupled with flexibility and security. Its offering comprises high quality, turnkey gaming solutions. PokerNetwork

¹⁾ Based on daily gaming revenues, according to PokerPulse.com.

"Sales rose by 253 percent, profit increased five-fold and the number of registered players on PokerRoom.com passed three million."

established itself as a reputable brand in 2004, and the organization was further strengthened to handle increased marketing activities in the year ahead.

At year-end 2004 PokerNetwork included eight sites, and four agreements were signed for launches in 2005.

NEW GAMING SITES

To broaden its revenue and customer base, Ogame started the gaming site HoldemPoker.com during the year, and began work on the launch of a new play money site, PokerGaming.com. The latter, which will be limited to play money games, can generate revenues through ad sales and fee-based services, among other things. PokerGaming.com is a so-called white label solution, which can be used by companies in tightly regulated markets that want to offer their customers online poker and casino games with play money. A majority of players on PokerRoom.com use play money, so they are obviously a large customer group.

OUR ORGANIZATION IS READY FOR 2005

I took over as president in early November, after having worked for the company since the summer of 2003. At the end of the year we implemented a reorganization to adapt the company to future growth and a fast pace.

We have developed our strategies and attained a market position that gives Ogame a good opportunity to further improve its market shares moving forward. Economies of scale are significant in the online gaming industry, and Ogame has stable systems that can accommodate a large number of new customers.

At the same time that new companies are trying to gain entry into the market, there is a consolidation under way among

established actors. But Ogame is ready to face the growing competition. Our knowledge of the market is superior. Our systems are safe. Our games are fun. Our brands are well-known. And the ambition and creativity within our company is enormous.

Ogame's objective is to continue to gain market share. PokerRoom.com will do so through creative marketing. The site will be launched in new markets, while activities in today's major markets, the U.S., Canada and the UK, will continue. Europe and Southeast Asia are new markets with high priority for PokerRoom.com.

Through HoldemPoker.com and PokerNetwork, Ogame is gaining additional market share in customer segments outside PokerRoom.com's target audience.

Thanks to innovative and highly competent employees in every area, Ogame is in excellent position to continue to grow faster than the market. I look forward to the rest of 2005 with confidence and excitement and want to thank all of Ogame's hard-working employees for a fantastic 2004!

Patrik Selin
President & CEO

“The launch exceeds expectations, and after just one month the company's cash flow is positive.”

ONGAME'S HISTORY

The history of Ogame dates back to 1999. Professional poker players and Uppsala students Oskar Hörnell and Claes Lidell understood the advantages of playing poker online and decided to create their own site. Utilizing their poker skills, coupled with loads of energy and the help of Oskar's brother Karl, they introduced PokerRoom.com in October 1999. Two years later real money games were launched. And since then the hard work and success have continued.

1999

Uppsala students Oskar Hörnell and Claes Lidell return to Sweden after having supported themselves playing poker in North America. Together with Oskar's father, Erik Hörnell, they start the company.

Oskar's brother Karl is one of the world's top Java programmers. He develops the first software, which is marketed with the help of Karl's gaming site, javaonthebrain.com. It works fine, but only with play money. The number of registered players rises steadily despite minimal marketing.

2000

The company changes its name from Hörnellgruppen to Ogame. Two targeted special share issues are floated during the year. Bo Johnson joins the company as a part-owner and board member. A third Hörnell brother, Johan, becomes the company's fourth employee when he takes charge of Ogame's finances.

2001

Real money games are launched. Through a subsidiary, Ogame starts its own Internet casino based in Costa Rica. The launch exceeds expectations, and after about a month the company's cash flow is positive. The Group's revenues amount to approximately SEK 9 million in 2001 with a pre-tax profit of about SEK 2 million.

2002

The number of employees grows from nine to 35 during the year. Existing games are improved and a number of new games are launched, including a downloadable poker game. Revenues rise to approximately SEK 59 million, and the company's poker site, PokerRoom.com, which is owned by the subsidiary Safepay in Costa Rica, has around 500,000 registered players at year-end.

2003

Online poker experiences a breakthrough, growing more than six-fold during the year. Ogame remains highly profitable. Marketing efforts increase. During the fall the Group is granted a gaming license in Kahnawake, Canada, and in November invests in new servers there. This offers a major benefit in the form of faster, more stable Internet connections. The Costa Rica facility is retained as backup. At year-end Ogame has 63 employees and revenues of approximately SEK 117 million. The customer base grows to 1.4 million players.

2004

PokerNetwork is established during the spring. At year-end there are eight sites on the network. During the summer the company opens its new offices in central Uppsala and Stockholm. The play money site HoldemPoker.com is launched, and at the end of the year a decision is made to convert it to a real money site and to start a new play money site, PokerGaming.com.

The company experiences strong growth during the year. At year-end it has 143 employees and there are 3,200,000 registered players on PokerRoom.com. Revenues total SEK 411 million with a pre-tax profit of SEK 137 million.

It's said that all good things come in threes. In the case of the Hörnell brothers, it's certainly true. Talented in different ways, they were perfectly suited to join forces and test the waters together. One excelled in finance, a second developed the technology and the third saw the window of opportunity. It's been six years since Johan, Oskar and Karl helped to launch Ogame and sent it on its maiden voyage. And even today that ship continues to press forward towards new challenges and adventures.

Setting sail



The Hörnell brothers, from left: Johan Hörnell, Chief Financial Officer; Oskar Hörnell, Senior Adviser; and Karl Hörnell, Game Developer.

“Ongame will offer first-class digital entertainment through poker and casino games in an international market.”

GROUP OVERVIEW

Ongame is a leader in the global market for digital entertainment in the online poker and casino game segment. The company owns one of the world's largest poker sites, PokerRoom.com, and one of the leading poker networks, PokerNetwork. High-quality gaming products and turnkey solutions, combined with an enterprising spirit and attention to the market's demands, have made Ongame a respected name in the fast-growing global market for online gaming.

Business concept

Ongame offers first-class digital entertainment through poker and casino games in an international market.

The Group offers everything from high-quality gaming solutions to stand-alone gaming products. Development, sales and marketing are handled within the Group. Ongame operates through five global brands: PokerRoom.com, PokerNetwork, Ongame Studios, HoldemPoker.com and PokerGaming.com.

Gaming operator through PokerRoom.com

Through the subsidiary Safepay, based in Costa Rica, Ongame owns one of the world's largest poker sites, PokerRoom.com.

PokerRoom.com is Ongame's oldest brand and one of the oldest poker sites in the world, with an established market presence and a strong reputation among customers and competitors alike. The site is international and has customers in around 125 countries. PokerRoom.com has an international gaming license in Mohawk territory of Kahnawake, Canada.

PokerNetwork offers turnkey solutions

PokerNetwork focuses on licensing Ongame's gaming solutions to companies that offer poker to market segments outside PokerRoom.com's customer base. The network was established during the second quarter of 2004.

At year end PokerNetwork included eight sites and another four agreements had been signed with sites scheduled for launch in 2005. With nearly 3.5 million registered players, PokerNetwork is one of the world's largest poker networks. Among its customers are BetOnBet, Betsson, Hollywood Poker and PokerRoom.com.

Advanced development at Ongame Studios

Ongame Studios is Ongame's game development unit. It develops software for poker and casino games. Ongame Studios supplies software to PokerNetwork and PokerRoom.com and is working continuously to enhance the performance and security of its technical platforms. Gaming sites place extremely high demands on operating reliability and capacity. Ongame Studios also develops poker and casino games for mobile phones, the first of which was launched in 2004.

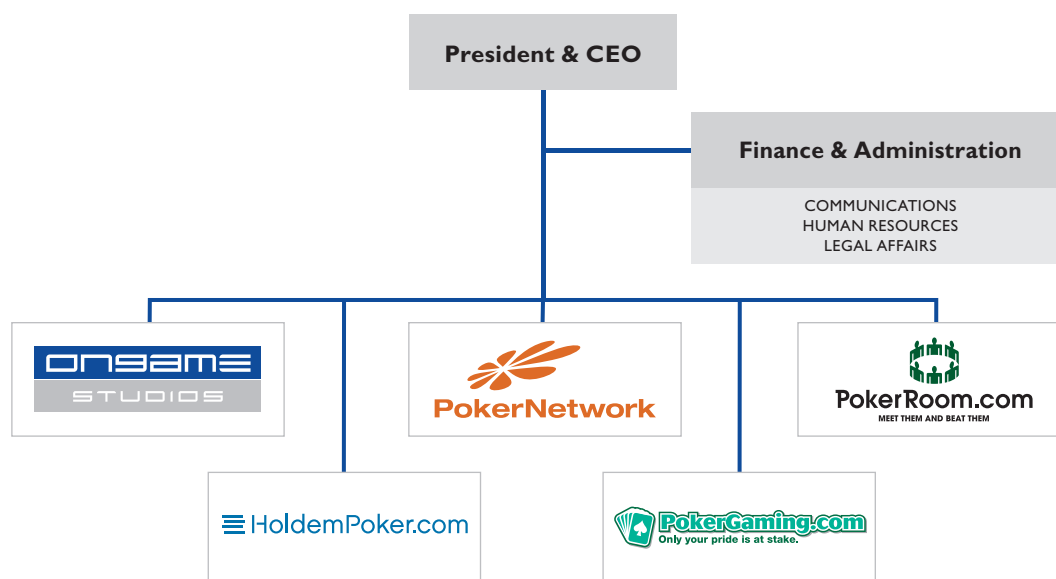
HoldemPoker.com and PokerGaming.com

Through PokerGaming.com, Ongame will shortly offer games for play money. This so-called white label solution can be used by companies in various industries that want to offer poker to their customers.

HoldemPoker.com was launched in the fourth quarter of 2004 as a play money site, but was rebranded in early 2005 and during the second quarter will introduce real money games.

Business model and strategy

Ongame is one of the relatively few fully integrated online gaming companies. The Group handles its own programming, development of technical platforms, marketing and technical support. In addition, it has its own strong brands in online poker. Most other Internet gaming companies are mainly limited to marketing, and outsource other services to partners. In addition, Ongame is distinguished from most online poker companies by its ability to offer added services such as casino games, a so-called community, mobile phone games and a shop that sells poker products and books.



Ogame adopted a strategy to develop its own complementary services whenever possible after finding it difficult to procure good enough services elsewhere and realizing that it would require too much time and resources to integrate those that were available with its own software. Today there is a range of usable modules on the market, and Ogame determines on a case-by-case basis which to buy or develop in-house. Because the online gaming industry is developing so quickly, it is a strength to be able to retain critical functions within the company. This makes Ogame flexible and less vulnerable. With its internal resources, Ogame can quickly reach the market with new features and its internal creativity can be utilized in a way that benefits the company.

Companies that offer online gaming generally have high fixed costs and relatively low variable costs. This means that economies of scale can be gained in marketing, game development and the development of technical platforms.

Ogame's strategy of developing its own games, systems and additional services has proven successful. Its games and sites maintain high quality, and interest in PokerNetwork's services has been high. By utilizing in-house competencies, Ogame can quickly meet the needs of both new and old customers.

Financial objective

Ogame's objective is to grow faster than the market with high profitability.

Strategies for growth

Ogame will reach its financial objective by raising market shares in new and existing markets through creative marketing of PokerRoom.com and development of PokerNetwork. To increase customer loyalty, PokerRoom.com is actively working with CRM (Customer Relationship Management) and developing fee-based services. In addition, it is broadening its revenue base through play money players who use PokerGaming.com and by introducing a new real money site, HoldemPoker.com.

By offering a so-called white label solution for play money games, Ogame will increase its presence in tightly regulated

markets. It will also offer high-quality, stand-alone gaming products to other companies and develop games for other digital media, such as mobile phones.

Ogame's expansion to new markets is steered in part by each country's gaming laws. The group therefore works with legal experts, who monitor legislation in various countries.

The strategies can be summarized in three points:

- Increase the reputation and recognition of Ogame's brands internationally.
- Retain old and attract new customers in existing and new markets through loyalty activities, fee-based services for play money players and expansion in tightly regulated markets.
- Develop and market innovative, high quality games and gaming systems for various digital media.

Communication

The purpose of Ogame's communication, regardless of the situation, is to support business operations and strengthen the core values associated with the company. Ogame is the overall brand that the other businesses fall under. The four brands work with their own specific identities, but share the Parent Company's core concepts.

Ogame is:

- **Operator and systems supplier** of first-class digital entertainment in online poker and casino games.
- **International.** The market is international, the brands are global and the corporate culture is shaped by employees from many different cultures.
- **Professional.** Ogame's customer offering is high in quality and reliable, which requires professionalism at every level. The company aims to be as transparent and accessible as possible and continuously quality assures its operations.
- Distinguished by **Go-ahead spirit and growth.** The market's high growth and Ogame's goal to exceed that require flexible and creative employees who understand the company's most important challenges. Ogame achieves this through open communication and targeted recruitment efforts.

A portrait of a young woman with shoulder-length blonde hair, wearing a black V-neck top and a thin necklace with a small white pendant. She is looking slightly to the right with a soft expression. The background is a dark, textured grey.

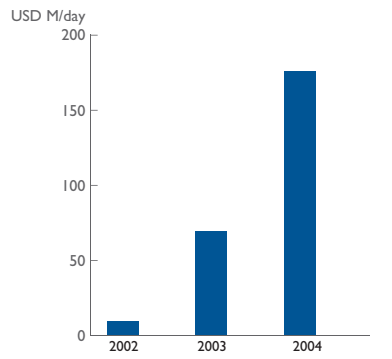
Ear candy

Opting to play trombone isn't all that common a choice. Using your head to carry your schoolbooks rather than a backpack is even more unusual. But with fluency in five languages and a personal background that stretches across three continents, Cecilia isn't just anyone.

And she definately was the only one in the school orchestra who only managed to play C and G notes.

Global market for online poker

Average daily gaming revenue, December



Source: PokerPulse.com

MARKET OVERVIEW

The Internet has brought about a revolution in the international gaming market. Online games have increased dramatically in recent years, and market experts estimate that the global market will continue to grow in the years ahead.

Ongame's core business, online poker, is among the games that have experienced the highest growth: 630 percent in 2003 and 154 percent in 2004. Total money wagered¹⁾ in online poker was approximately SEK 300 billion in 2004. At this point, online gaming still accounts for a very small share of the global gaming market, so there is great potential for growth.

Ongame regards online gaming as part of the entertainment industry. Digital gaming²⁾ can be divided into three main areas: poker, casino games and sports betting. Many of the companies with sports betting as their core business expanded into poker and casino games in 2004. Ongame, on the other hand, has grown organically in its core business.

Estimates of the size of the online poker market vary. At current levels, poker site revenues amount to approximately SEK 8–10 billion annually, based on the sites' so-called rake (source: PokerPulse.com). The rake is the fee operators charge on each poker pot.

The world's most popular card game

Poker is presumably the world's most popular card game. There are many different variations of the game, and it is played in different forms in nearly every part of the world. The largest market is the U.S. Various sources estimate the number of Americans who regularly play poker at 50 and 80 million.

There are many advantages to playing online. Games are available anywhere and at any time. Thanks to specially developed services, players can also communicate with each other and trade tips and experiences. Virtual gaming sites bring together people from around the world with a common interest. Another advantage is speed. This is a key factor when it comes to poker, which is sometimes seen as slow when played at an ordinary poker table.

Online poker sites offer ring games and tournaments. In ring games, the operator withholds a small share of the pot from the winner as a fee. In tournaments, each player instead pays a fee to play and the winners share a predetermined sum of money.

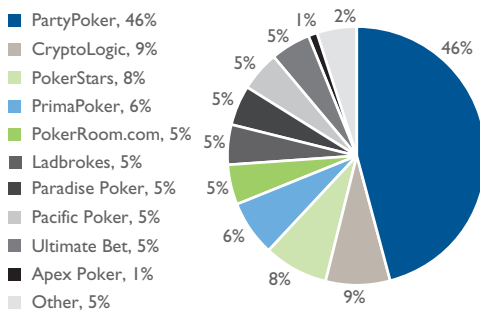
Because players can qualify for the large and increasing well-known land-based poker tournaments by playing online, a mutual dependence has been created between the two methods of play.

1) Total money wagered is the sum of all pots.

2) Defined as games for money.

Market share

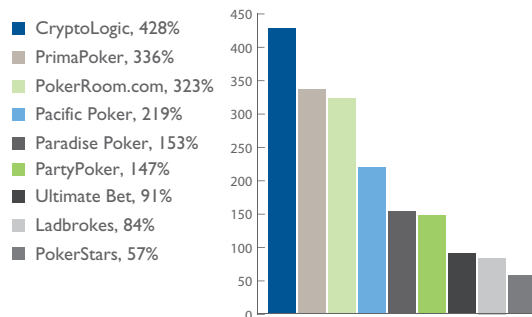
Based on average daily gaming revenue, Dec. 2004



Source: PokerPulse.com and Ogame

Growth

Based on daily gaming revenue, Dec. 2003 and 2004



Source: PokerPulse.com and Ogame

Internet and mass media driving the market

The driving forces in Ogame's market segment during the year were the substantial growth in Internet use around the world and the increasing coverage devoted to digital entertainment by the media.

According to Internet World Stats, global Internet use has risen by 125% since 2000, and over 800 million people currently go online.

The growing interest in poker is due in part to the game's success on television. Viewers can see every player's cards and in that way follow their strategies and evaluate their decisions. What's more, a great deal of money is on the line.

The U.S. was a pioneer in broadcasting tournaments such as the World Poker Tour and World Series of Poker. In 2004 ten million people watched the World Poker Tour, which was shown the same day as the country's most-watched TV show of the year, the Super Bowl.

In Sweden, Kanal 5 in 2004 broadcast the American World Poker Tour, which has garnered a large, faithful audience.

The world's largest poker site, PartyPoker, achieved its strong market position by working with television early on. Television is still the medium with the greatest impact and is therefore a very important channel for Ogame's future marketing efforts.

USA dominates

The U.S. remains the dominant market for online poker, although in Sweden it has achieved a breakthrough as well. Several foreign-based operators have joined the trend and are offering games to Swedish customers. The Group's poker site, PokerRoom.com, does not offer real money games to Swedes. Due to the legal situation in Sweden, the company has chosen an international focus instead.

Growing competition

As the market grows and more people discover the advantages of playing online, competition grows as well. With the market maturing, it is becoming more expensive to capture new customers and increasingly important to have a large customer base. Higher market shares are the key to success.

There were signs of consolidation in the market in 2004. For example, Unibet and 24hbet formed a joint venture, B2Bpoker, and Sportingbet acquired ParadisePoker. In addition, a number of new companies joined the online poker market. Of the industry's 22 largest poker sites, seven were established in 2004. In total, there are now over 200 established poker sites in the world. Nearly every small site is part of a network and licenses its software from larger companies.

A growing number of companies in the entertainment industry are showing an interest in poker, which will mean greater business opportunities for networks such as PokerNetwork.

Competitors

Topping the online poker market is PartyPoker, with approximately a 46 percent market share. PartyPoker is a network of several poker sites, just like PokerNetwork. PartyPoker's market share decreased slightly in 2004, according to statistics published by PokerPulse.com.

Other major online poker sites and networks also saw their market share change in 2004. Ladbrokes (-2.0 percentage points), PokerStars (-4.8 percentage points) and Pokertropolis (-3.5 percentage points) decreased the most, while Cryptologic (+4.5 percentage points) and Primapoker (+2.6 percentage points) increased the most. Ogame (PokerNetwork, which includes PokerRoom.com) raised its market share from 2.9 to 4.9 percent. New networks and individual operators outside networks have captured 3.6 percent of the global market.

In terms of play money games, PokerRoom.com is probably one of the world's three largest sites. There are no precise figures, however, when it comes to play money games.

Having a large player database and many tables and tournaments to choose between round the clock are imperative to the success of a poker site. At year-end 2004 PokerRoom.com had 3,200,000 registered players, 790,000 of whom had logged on at least once in the last three months.

Ogame's estimates of the online poker market are based on data from PokerPulse.com, who ranks the world's largest sites according to a number of criteria. In this ranking, PokerRoom.com is the world's fifth largest poker site.

New opportunities with mobile games

The future looks bright for online gaming. More people are gaining access to the Internet, and the next step in the development of the digital gaming market is games for mobile phones. The expansion of mobile networks around the world means that more people can play games on their phones.

Through the expansion of 3G networks, more people will be able to utilize advanced gaming services.

Ogame is on the cutting edge in developing mobile games, having launched a game for poker training and real money casino games in 2004. The first so-called multiplayer poker game for mobile phones will be launched by Ogame during the first half of 2005.

ABOUT POKER

Texas Hold'em is the most common version of poker played in casinos around the world. It is also the version that dominates the online poker market. In addition to Texas Hold'em, Ogame also offers Omaha, Seven Card Stud and Chinese Poker.

RULES OF THE GAME

Texas Hold'em

In Texas Hold'em, each player is dealt two cards, face down. That's followed by a round of betting, when each player can call, raise or fold.

After the first round of betting, three cards are dealt face up. These common cards are called the "flop." That's followed by another round of betting.

When that's done, a fourth card is dealt face up, again followed by a round of betting. Eventually a fifth and final card is added to the flop and the last round of bets is placed.

If two or more players remain after the last bets, they show their cards. The highest five-card hand wins the pot.

If only one player remains after the betting is done, he wins the pot without having to show his cards. A player can win the pot earlier, after any round, if the other players fold.

In Texas Hold'em, players can use any combination of five cards they want: two hole cards and three community cards, one hole card and four community cards or all five community cards and no hole cards. Only the five cards that combine to make the best hand are counted.

Omaha

The rules of Omaha are similar to those of Texas Hold'em in that you play with a number of community cards. The main difference is that each player gets four hole cards instead of two. To combine a five-card hand, you have to use precisely two of your four hole cards and three of the community cards.

Betting consists of an ante and a maximum of three raises, just like in Texas Hold'em.

The player with the best hand consisting of two hole cards and three community cards wins the whole pot. If only one player is left after the betting, he wins the pot and doesn't have to show his hand.

Seven Card Stud

In Seven Card Stud, players are dealt seven cards, four of which are face up. The pot is won by the player with the best five-card hand or the one left after the others have folded. There are five rounds of betting.

Play begins with each player being dealt three cards, two face down and one face up. When betting is completed, the players are dealt a fourth card face up. The player with the highest up cards is the first to bet. In the third round, players are dealt another up card. The fourth round is identical to the third. The seventh card is dealt face down. When betting is completed, the player who made the final raise or placed the final bet is the first to show his cards.

Chinese poker

Chinese Poker is a little different version in which each player arranges 13 cards to create three different hands.

Poker facts

– In major tournaments, you can win huge amounts with little money. The winner of the World Series of Poker in 2003, Chris Moneymaker, used the equivalent of less than 300 Swedish kronor to win 19 million.

– Safe stocks with relatively high returns are called blue chips. That's a term borrowed from poker, where blue chips are worth more than white and red.

– The sandwich was named in 1765 for John Montagu, the 4th earl of Sandwich, who ordered roast beef between two slices of bread while sitting at the gaming table, so that he could play and eat at the same time.

– Poker tournaments as we know them today date back to the 1970's, which was when the World Series of Poker started. It was also when the first strategy books were published, including *The Theory of Poker* by David Sklansky.

– The poker term "dead man's hand" – two pair of aces and eights – comes from Wild Bill Hickok, who was shot in the back while playing poker in Deadwood, South Dakota. The hand he was holding was two pair, aces and eights.

– There are 113,784,560 possible card combinations in poker.



Casino fever

Have you seen films where people have cards hidden up their sleeves or can pick an ace of spades out of a haystack? If you have, you can be sure that Kim and Henrik weren't involved. Despite years of working on the casino floor behind the roulette wheel and poker table, they still don't know a single card trick. On the other hand, they can reel off the number sequence on a roulette wheel, count backwards to 21 in their sleep and discuss the rules of poker with the best of them.

**PokerRoom.com**

MEET THEM AND BEAT THEM

"In April 2004 PokerRoom.com became the first web site in the world to be accredited by G4, the global organization working to minimize problem gambling."

POKERROOM.COM

PokerRoom.com is one of the world's largest and oldest web sites for poker and casino games. The site offers high quality poker and casino games to customers around the world. Attractive and reliable games and related services, coupled with sophisticated design and a high level of service, have made PokerRoom.com one of the most reputable sites in its industry. In December 2004 PokerRoom.com had 3,200,000 registered players and was ranked as the world's fifth largest online poker site¹⁾. In 2004 the site grew by 323 percent. The market grew by 154 percent during the same period.

PokerRoom.com has been in business since 1999 and has been offering real money games since 2001. The site was probably the first in the world to offer multiplayer online poker that can be played directly in the web browser without downloading the software. PokerRoom.com currently offers both downloadable and Java-based games. The latter allow users of Mac and Linux computers to play.

24 hours a day

PokerRoom.com charges for providing virtual poker tables. Payment is in the form of a fee, or rake, which is deducted from the pot of each hand. The rake varies between 0 and 5 percent depending on the size of the pot, but never exceeds three dollars.

Games are played at PokerRoom.com 24 hours a day. At most, 13,000 people have logged on at the same time. The site has experienced very rapid growth in recent years, and in 2004 passed 3 million registered players. In December 2004, 790,000 players had logged in to the site at some point in the previous three months; these players are considered active.

Growth in the number of active players is important to PokerRoom.com. Steadily raising this figure is a decisive success factor for the organization. During the second half of 2004 the number of active players rose by approximately 50 percent.

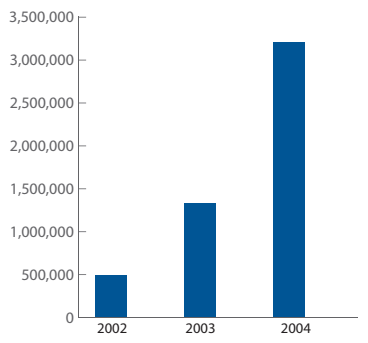
Rapid market development

The online poker market grew by 154 percent (630) during the year. In December 2004 PokerRoom.com had a market share of 4.9 percent (2.9). This represents an increase of two percentage points during the year, despite increased competition – the number of poker sites more than doubled in 2004. Read more about the market's development on pages 9–10.

To remain among those leading the market's rapid development, the Group hired around ten people in marketing, among other areas, during the year. The branding work that began in late 2003 was finalized in 2004. PokerRoom.com is now a premium brand with a strong reputation. The site's core values are reliability, an enterprising spirit and innovation.

1) Source: PokerPulse.com

Registered players PokerRoom.com



Broader customer base

PokerRoom.com's customer base has increased substantially in recent years. At the end of 2004 the site had players from 125 countries, against 34 at year-end 2003. Eighty percent of customers are from the U.S., where poker is very popular. As Internet use and media interest in online poker continue to grow, PokerRoom.com's customer base in the country will grow as well.

The next largest markets are Canada and the UK, each accounting for 5 percent of PokerRoom.com's players.

To ensure that it maintains a strong position in the global market, PokerRoom.com in 2004 worked actively to attract new customers in other countries. An important part of the strategy is to grow through creative marketing in new markets such as Europe and Southeast Asia.

PokerRoom.com currently does not offer games in Sweden. The company has decided not to challenge Swedish laws in the area. For a global site such as PokerRoom.com, Sweden is a relatively small market.

Improved gaming experience

PokerRoom.com improved its games and gaming environments in 2004 in terms of graphics, functionality, customer service and the performance of its servers.

Greater focus has been placed on CRM (Customer Relationship Management), which has received a very positive response from customers. During the year PokerRoom.com's community, Pokah!, was fully integrated with the mother site. Membership in Pokah! has increased ten-fold, from just over 10,000 to over 100,000 in 2004.

PokerRoom.com also launched a number of attractive services during the year, including a web shop, where players can purchase poker products and books. The shop quickly became very popular.

Gaming responsibility – important to the industry

PokerRoom.com is working intently to create the most exciting gaming environments it can. But it is also trying to make sure that its products are not misused. In April 2004 PokerRoom.com became the first web site in the world to be accredited by G4, the global organization working to minimize problem gambling.

According to a Swedish study¹⁾, more than 98 percent who play do so as entertainment and have no problem with their gambling. Two percent, however, can develop problems and a small percentage, 0.6, develop gambling problems that require treatment.

Ongame feels it is important that the entire gaming industry work to prevent problem gambling as far as possible. It is also important that those with problems receive the help they need. Principal responsibility for the regulation of gambling and care for those who suffer problems rests with the government. What PokerRoom.com can do – and does – is utilize available research to create gaming entertainment that leads to as little problem gambling as possible.

G4 certification requires that the site contain the following:

- Opportunities for players to put limits on their own gambling.
- "Reality checks" that allow players to determine whether their gambling may becoming a problem.
- A clear policy prohibiting underage gambling.
- Links to counseling organizations and self-help groups.
- Information on help hotlines.
- Facts on gambling addiction.

In addition to these points, G4 accreditation requires that all employees of PokerRoom.com receive training in problem gambling. For employees in customer support, training is arranged twice a year. Moreover, the site's casino games have set a minimum cycle time between bets.



GLOBAL GAMING GUIDANCE GROUP

The aim of G4 (Global Gaming Guidance Group) is to minimize problem gambling by offering the gambling industry an accreditation program. Accreditation can be received after taking a number of measures, including employee training and certain adjustments to games. G4 was created by a group of international experts to set a standard for what it means for gambling companies to act responsibly. The creators of G4 have many years of experience working with problem gambling through research, support for gambling addicts and training for people who work with gambling. Read more on G4 at www.gx4.com.

1) A national survey conducted in Sweden in 1997-98, financed by the Ministry of Health and Social Affairs, showed that 2 percent of the population between the ages of 15 and 74 had some form of gambling problem. Of them, 1.4 percent were considered problem gamblers, while 0.6 percent could be classified as probable propathological gamblers; 7,200 people took part in the study.



Growing pains

Seeing the forest for all the trees is sometimes quite the dilemma. But that's not a problem for Marta. Instead, she's got to worry about seeing the trees for all the records! Three thousand kilometres north of her native Madrid, in her apartment in Stockholm, Marta ambitiously attends to a little Bonsai park. But with more than 1,500 LPs piled up, the apartment is getting short on space. So what will outgrow what: the Bonsai trees or the record collection?

POKERNETWORK

PokerNetwork is one of the world's leading poker networks, with approximately 3.5 million registered players. Launched in the second quarter of 2004, PokerNetwork's vision is to be the most professional and profitable poker network in the global gaming market.

PokerNetwork aims to license Ogame's gaming solutions to companies that offer poker to market segments outside PokerRoom.com's customer base. At year-end 2004 the network included eight sites, and another four agreements had been signed to launch sites in 2005. Among the customers in the network are BetOnBet, Betsson, Hollywood Poker and PokerRoom.com.

PokerNetwork's services were initially developed for PokerRoom.com. Thanks to Ogame's early presence in the online poker market, it has had time to build up complete gaming systems with industry leading security solutions. The network currently offers turnkey gaming solutions adapted to the needs of various operators. Flexibility and security are the keys for PokerNetwork.

PokerNetwork is an important part of Ogame's strategy to increase growth. By partnering with outside operators for the network, it can broaden and expand its customer base. In this way, Ogame capitalizes on the games and systems it has developed in-house.

Independent network

When PokerNetwork was created, the company underwent a strategic reorganization to accommodate the new brand and create a business separate from PokerRoom.com. PokerNetwork's organization includes security and transaction oversight functions as well as technical support.

PokerNetwork's current operations are organized as illustrated on the following page.

Security

PokerNetwork has advanced systems to ensure that all its games and services are secure and reliable. The security systems prevent various types of criminal activity, such as collusion and financial fraud. A patent is pending on the system developed to prevent financial fraud.

Security systems analyze playing patterns in every hand and provide an alert if there is any suspicion of cheating. PokerNetwork's personnel then review the suspicious play manually.

PokerNetwork cooperates with the world's leading experts in the field in developing its security systems. The system to identify financial fraud that it is seeking a patent on is based on poker theory, statistical analysis and artificial neuron network technologies.

PokerNetwork also has control systems to verify the identity of players. No one is permitted to deposit money from an account other than their own, and minors are not permitted to play. In Europe, the network cooperates with, among others, the British company VerifyMe.

Payments

PokerNetwork's partner sites generate approximately 50 monetary transactions per second. Handling all these transactions places stringent demands on the company's systems. PokerNetwork has a special department that monitors the systems and their payment flows.

Most players in PokerNetwork use Internet wallets to deposit or withdraw money from their online poker accounts. The most common Internet wallet is offered by the listed payment company Neteller. Credit card deposits are also common.

Customer service

PokerNetwork offers 24-hour customer service, which players can reach by telephone, chat or e-mail. Direct contact with players and partners is outsourced to a company in South Africa. Technical support is located in Stockholm and supports the customer service in South Africa. Both operations are staffed round-the-clock.



POKERNETWORK'S PARTNERS

The following are among PokerNetwork's partners. All sites in PokerNetwork offer Texas Hold'em, Omaha and Seven Card Stud.



BetOnBet

- Privately owned company based in England
- www.betonbet.net
- Has offered poker games through PokerNetwork since November 2004
- Real and play money games



Betsson

- Privately owned company based in England
- www.betsson.com
- Has offered poker games through PokerNetwork since June 2004
- Real and play money games

HoldemPoker.com

HoldemPoker.com

- Owned by Costa Rica-based subsidiary of Ogame
- www.HoldemPoker.com
- Has offered poker games through PokerNetwork since September 2004
- Play money games (real money launched in 2005)



Hollywood Poker

- Privately owned company based in Luxembourg
- Has offered poker games through PokerNetwork since November 2004
- www.hollywoodpoker.com
- Real and play money games

NET ENTERTAINMENT

Net Entertainment (CherryCasino och CasinoEuro)

- Public company based in Stockholm, part of Cherry Group
- Has offered poker games through PokerNetwork since December 2004
- www.netentertainment.com
- Real and play money games



PokerRoom.com

MEET THEM AND BEAT THEM

PokerRoom.com

- Owned by Costa Rica-based subsidiary of Ogame
- www.PokerRoom.com
- Launched poker for play money in 1999 and for real money in 2001
- Real and play money games



HOLDEMPOKER.COM AND POKERGAMING.COM

HOLDEMPOKER.COM

In the third quarter of 2004 Ogame launched a poker site for play money – HoldemPoker.com. At year-end the site had 120,000 registered players.

At the end of the year Ogame decided to convert HoldemPoker.com to a real money site. The relaunch will take place in the second quarter of 2005. HoldemPoker.com is strictly a poker site, with a simple, clean design.

POKERGAMING.COM

PokerGaming.com is the latest addition at Ogame. The decision to launch a new play money site was made in late 2004. The site will sell ad space and offer fee-based services. PokerGaming.com is mainly a so-called white label solution, to which other companies can apply their graphic identities. Through PokerGaming.com, companies in regulated markets can offer poker with play money on their own sites.



Ten people playing poker at PokerRoom.com.



ONGAME STUDIOS

Ogame Studios is Ogame's game development department. Its focus is on three areas – poker, casino and mobile games – and it develops all the games PokerNetwork offers. Ogame Studio's vision is to provide high-quality games to external and internal customers for use in various digital media.

In 2004 the operations of Ogame Studios were expanded and reorganized to accommodate to the company's growing needs. One element in this effort has been to adapt the organization to handle external customers.

One of the greatest challenges in 2004 was to increase the number of players that can play at the same time, a prerequisite for Ogame's continued growth. An important job at Ogame Studios is to continuously improve the performance and security of the technical platform.

Poker for Windows and Java

The poker games developed by Ogame Studios are Texas Hold'em, Omaha, Seven Card Stud and Chinese Poker. Two versions of the games are offered: one for Windows, which users download to their computer, and the other in Java, which they play directly in their browser. The Java versions allow Linux and Mac users to play. In this regard, Ogame Studios has a big head start over most of its competitors.

Casino games for PokerRoom.com and PokerNetwork

The casino department at Ogame Studios develops casino games such as blackjack, slots, and video poker. The group launched two new games in 2004.

Mobile games – a future product

Ogame Studios is on the cutting edge in the development of poker and casino games for mobile phones.

A "poker trainer" launched in 2004 can be downloaded from PokerRoom.com. With this tutorial, players can improve their poker skills by practicing against the computer on their mobile phone. The first multiplayer poker game for mobile phones will be launched in the first half of 2005.

Casino games for mobile phones became a reality in 2004. By downloading software from PokerRoom.com or any of PokerNetwork's partner sites, players have access to casino games through their phones. A milestone for Ogame Studios' mobile games in 2004 was the launch of casino games that allow players to play with money from a PokerRoom.com account.



Class warfare

Many people would love the idea of being able to work with their friends. For this gang, it is a reality. Same education, same class, same workplace and same office chairs... No, that's where they draw the line. And they do work in different departments. When asked whether it really is as fun as it sounds to work together with their old friends from school, they all shrug and mumble something about practical jokes and fart cushions.



EMPLOYEES

The work pace at Ogame is high and decision-making channels are short. This is imperative if the company is to keep up with a fast-growing market. Employees have to be innovative and show professionalism. The average age of Ogame's employees is 30 (29) years and their level of education is high; 79 percent have a university education. The industry is young, which explains the relatively youthful average age of the company's employees. Ogame expanded its staff by 127 percent, from 63 to 143 employees, in 2004.

Successful recruitment

The company's personnel needs during the year placed tough demands on its recruiting process. Thanks to a stimulating environment with opportunities for development in an attractive growth industry, Ogame has been able to recruit competent staff, in spite of the fact that it is relatively unknown in Sweden. Specialized competencies, coupled with social skills, energy and an interest in poker, are often the qualities looked for in potential employees. The Group utilizes profiling for recruitment purposes.

Competence development

Ogame was one of the first companies in the world in its niche. In the more than five years it has been in business, it has attracted highly skilled employees in game development and related services as well as sales and marketing.

Specialized competencies are continuously being developed by each department. The company arranges a two-day introductory training program for all new employees. In addition, courses and tournaments are arranged to maintain a high level of poker skills within the company.

Ogame arranged leadership training for senior executives on two occasions in 2004. Each program was one week in length. Management regards the development of leadership skills as an important component to continue the company's rapid growth in the long term.

All employees of Ogame receive training each year in problem gambling and gambling responsibility.

A healthy organization

Sick leave is low at Ogame. In 2004 sick leave was 1.3 (3.1) percent and employee turnover was 18.8 (16.1) percent. Ogame tries to offer a healthy working environment for employees.

It provides employees with discounted workout and exercise options and preventive healthcare services, such as massage.

To create a pleasant working environment and encourage interaction and conversations outside meeting rooms, many of Ogame's employees eat breakfast together every morning. These breakfasts are highly appreciated and help the company to maintain a casual, relaxed atmosphere.

International environment

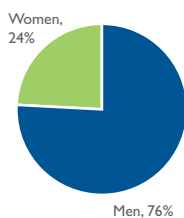
Ongame's employees work in an international environment – partly because the company operates in a global market and the majority of its customers live in English-speaking countries, and partly because so many of its employees have a mother tongue other than Swedish.

English is the language of choice at Ongame. The Group's employees represent no fewer than 17 different nationalities.

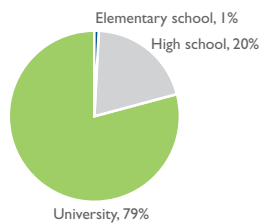
Internal communication

Ongame has a clear structure for internal communication through both verbal and written channels. The purpose of internal communication channels is to facilitate a consensus and to ensure every employee's commitment to, and familiarity with, the company's business concept, vision, strategies and core values. To facilitate communication within and outside Ongame, the Swedish operations are located in downtown Stockholm and Uppsala. In between the two is Arlanda International Airport.

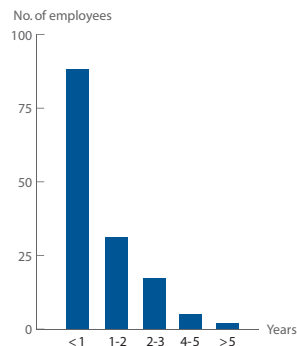
Men and women
Dec. 31, 2004



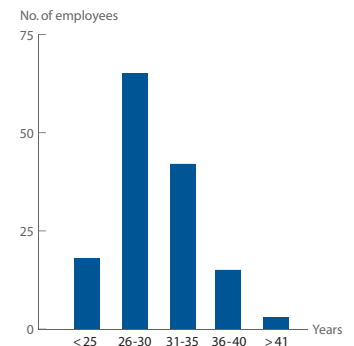
Education level
Dec. 31, 2004



Years of employment
Dec. 31, 2004



Age
Dec. 31, 2004



The Björns

In Sweden, it's hardly unusual to find two guys named Björn. The fact that they are both named Olof as well isn't strange, either. But that both share the names Björn, Olof and Valdemar is a little weird. Good thing you can tell them apart by the background music they listen to. If you hear Buddy Rich, it's Björn you are talking to. If it's Kate Bush, on the other hand, that must be, well...Björn.



FIVE-YEAR SUMMARY

KEY RATIOS	2004	2003	2002	2001	2000
Net sales, SEK million	411.0	116.5	58.8	9.2	0.1
Operating profit, SEK million	137.0	27.2	20.1	1.9	-0.6
Profit after financial items, SEK million	137.1	27.6	19.8	2.0	-0.6
Operating margin, %	33.3	23.4	34.1	21.0	-637.0
Profit margin, %	33.4	23.7	33.7	21.5	-598.6
Sales growth, %	252.8	98.2	535.8	9,738.6	15.0
Shareholders' equity, SEK million	126.3	35.9	20.2	5.9	2.6
Equity per share, SEK	31,107	8,854	4,970	1,469	809
Total assets, SEK million	238.0	61.1	32.9	13.5	2.7
Equity/asset ratio, %	53.1	58.9	61.3	43.7	97.6
Return on equity, %	169.1	98.5	149.9	46.6	-36.0
Return on capital employed, %	169.1	98.5	149.9	46.6	-36.0
Profit per share, SEK	24,269	4,885	3,509	322	-163
Dividend per share, SEK	2,000	1,000	0	0	0
Average number of employees	103	46	24	7	1
Net sales per employee, SEK	3,990	2,534	2,450	1,321	94
Number of employees at end of period	143	63	35	9	3
Cash flow from operating activities, SEK million	122.6	23.2	25.9	-0.2	-0.6
Cash flow for the period, SEK million	92.9	16.6	15.4	0.4	1.8
Liquid assets at end of period, SEK million	125.4	33.7	18.3	2.9	2.5

CORPORATE GOVERNANCE

New demands on Ogame

Rapid growth is placing new demands on Ogame from its customers, employees and suppliers.

In the first half of 2004 the company's Board of Directors and owners decided that Ogame should satisfy the requirements placed on companies listed on the O-list of Stockholm Stock Exchange (Stockholmsbörsen).

The decision is a further element in Ogame's efforts to safeguard its long-term value. Ogame wants to show customers, employees and suppliers that it consistently maintains high quality and is distinguished by its seriousness and long-term approach.

The results of this work can be seen in many ways in the annual report. The work has also affected the Board in the following ways, among others:

- The Board has been reduced to five members and added competencies it previously lacked.
- The President is no longer a member of the Board.
- Two of the five Board members have extensive experience from publicly listed companies and their boards.
- All Board members have received director's training from Stockholmsbörsen. Not because Ogame plans to go public, but to ensure that the Board is on par with those of listed companies.
- Ogame's new auditors have lengthy experience auditing listed companies with broad-based international operations.
- The Board has adopted an information policy that meets the requirements of Stockholmsbörsen. The policy has been implemented and means, for example, that the auditors will review quarterly reports and that the information organization and timeliness of financial reports will be of a quality maintained by listed companies.

Board of Directors

Ogame's Board of Directors consists of five members elected by the Annual General Meeting. The Board's members are elected annually at the Annual General Meeting for a period concluding at the following Annual General Meeting. The Board appoints a Chairman from among its members. The Chairman does not participate in operating activities.

Board actions

The President attends all Board meetings. In 2004 the Board held seven meetings. Every member attended every meeting.

On some occasions members participated by telephone.

Once a year the Board holds an overnight meeting to discuss the company's overall direction, objectives and strategies. The Board's regular actions consist primarily of two parts. One is to monitor the company's results in the form of monthly and quarterly reports with the President's comments. The other is to discuss and make decisions on the most important, business-critical issues for the company and its shareholders. These issues often concern the priorities that have to be made in a company growing as quickly as Ogame.

The new auditors participated in the Board meeting on November 24 to report on the observations of their audit work.

Annual General Meeting

Ogame is a Swedish corporation, or aktiebolag. The Board of Directors maintains its registered address in Uppsala. In 2004 the Annual General Meeting was held on June 23. The meeting resolved to elect new auditors and Board members, to approve a bonus issue that raised the share capital to SEK 812,000, and to authorize the Board to issue promissory notes with warrants to subscribe for new shares.

Per Hjelm, Erik Hörnell and Bo Johnson were reelected to the Board. Two new members were elected: Rolf Ekedahl and Petter Nylander. The meeting discharged the Board and the President from liability.

Nomination, audit and compensation committees

The Board of Directors of Ogame does not have any committees.

Delegation of responsibilities

The Board decides on overall issues involving strategy, interim and year-end reports, major projects and investments. The President is responsible for day-to-day operations and their control.

Policies

The Board's actions and the delegation of authority between the Board and the President is stipulated in a special President's instruction, which covers, among other things, how and by whom various decisions are made and what information and reports the Board will receive. The Board also has a formal policy on the disclosure of corporate information.

BOARD OF DIRECTORS' REPORT

INFORMATION ON OPERATIONS

The Board of Directors and President of Ogame e-solutions AB (publ), corporate identity number 556232-3567, are pleased to present the annual report of the Parent Company and Group for the year 2004.

OPERATIONS

Ogame e-solutions AB ("Ogame") is active in the international market for digital entertainment. Ogame focuses on poker and casino games and offers high-quality gaming solutions and stand-alone gaming products, mainly for online play.

Ogame was founded in 1999. At year-end 2004 it had 143 employees. Ogame is the Parent Company of the Group. The other companies in the Group are Costa Rica-based Safepay Int. S.R.L., which owns and operates the site PokerRoom.com, and the British company PokerNetwork Ltd.

PokerRoom.com is one of the world's largest poker and casino sites on the Internet, with over three million registered players. As of December 31 approximately 790,000 players had logged on at some point in the previous three months. PokerRoom.com accounts for the large share of the Group's revenues. Its main markets are the U.S., Canada and the UK.

Through PokerNetwork, Ogame offers turnkey gaming system solutions, including integrated payment solutions and related services for companies. PokerNetwork was launched in 2004 and in June contracted its first outside customer, UK-based betting exchange Betsson.

The Group's customers can be divided into two main categories: Gaming operator PokerRoom.com has private customers in around 125 countries. System supplier PokerNetwork serves companies and organizations.

LEGAL ASPECTS

The market for online poker and casino games is still relatively new, because of which many jurisdictions as yet do not have clear laws and regulations on how it should operate. To complicate matters, online gaming is often governed by more than one jurisdiction. Thus, future legal changes are a possibility. The Company carefully monitors legal developments in its main markets to ensure that it abides by current laws. The Group has a gaming license in Kahnawake, Canada, where a number of large online poker companies have operations.

RESEARCH AND DEVELOPMENT

A number of development projects were conducted during the year. The Company's gaming platform was adapted to accommodate independent licensees, existing gaming products were further enhanced and a number of new gaming projects were under way. Gaming products are being developed for future distribution via personal computers and mobile phones. A play money poker game for mobile phones was launched in the second half of 2004.

The Company's research and development expenses amounted to SEK 39.9 million during the year. In the balance sheet, development expenditures of SEK 2 million (0) were capitalized as intangible assets during the fourth quarter of 2004.

IMPORTANT EVENTS IN 2004

The entire fiscal year 2004 was distinguished by substantial growth. The market for online poker grew by 154 percent, while the Group's PokerNetwork grew more than twice as fast, mainly through the wholly owned poker site PokerRoom.com. The number of employees also rose substantially in 2004. At the beginning of the year the Company had 63 employees and year-end it had 143. The expansion during the year led to a need for more space. In July Ogame moved to a new office in central Uppsala and in August it opened a new office in the Central Station building in Stockholm. In November a new office was opened in San José, Costa Rica, for the subsidiary Safepay.

Significant effort was devoted during the year to structuring the Company for future growth. A new organization and internal processes have been developed. During the year Ogame decided to meet the requirements for listed companies in terms of accounting, transparency, published information, etc. The aim is to bolster confidence in the Company. As an element in this effort, a new Board of Directors was elected at the Annual General Meeting in June.

In 2004 Ogame's gaming platform was further enhanced to serve as a network that independent licensees can join. The first licensee joined PokerNetwork during the summer. At year-end the network comprised eight sites, including Group-owned PokerRoom.com and HoldemPoker.com.

In April 2004 PokerRoom.com became the first online gaming site to receive accreditation from G4, the Global Gaming Guidance Group, for responsible gambling practices.

At the end of the year an agreement was signed with a service provider in South Africa to outsource PokerNetwork's customer support.

NET SALES AND PROFIT

The Group's net sales amounted to SEK 411.0 million (116.5) in 2004, an increase of 253 percent compared with the previous year. Net sales in the Parent Company amounted to SEK 242.7 million (64.7). The sales increase is due to substantially higher gaming volumes during the year in Group-owned PokerNetwork. The Group's own site, PokerRoom.com, is the largest in the network.

The Group's profit after financial items for the fiscal year amounted to SEK 137.1 million (27.6), an increase of 397 percent compared with the previous year. The Parent Company's profit after financial items was SEK 134.7 million (27.6). The significant improvement is due to substantial revenue gains and the economies of scale associated with the Group's operations, i.e. the relatively low variable costs for new customers that utilize the Company's services.

The Group's operating margin varied during the year. Marketing activities during the second and fourth quarters were the main reason for a short-term decline in the operating margin. The impact of these activities, in the form of higher revenues, generally becomes apparent some time later. This can lead to fluctuations in the operating margin on a monthly and quarterly basis.

The Group's revenues are in US dollars, at the same time that a large part of expenses is in other currencies, mainly Swedish kronor. As a result, profit is affected by currency fluctuations. The effect of changes in exchange rates was SEK -2.6 million (-2.9) during the year.

CASH FLOW AND FINANCIAL POSITION

Cash flow for the year was SEK 92.9 million (16.6). Cash flow for the Parent Company was SEK 56.0 million (6.6). The increase from the previous year is due to the significant improvement in profit in 2004. Liquid assets amounted to SEK 125.4 million (33.7) as of December 31, 2004.

Shareholders' equity at year-end was SEK 126.3 million (35.9) and the equity/assets ratio was 53.1 (58.9) percent. The Group has no interest-bearing liabilities.

INVESTMENTS

In addition to investments in the development of gaming products (see above), the Company invested a total of SEK 19.5 million (2.6) during the year in tangible fixed assets, consisting largely of computers and equipment for Ogame's new offices in Stockholm, Uppsala and San José, Costa Rica.

PERSONNEL

The Group continuously expanded its staff during the year. The number of employees at the end of the report period was 143 (63). This includes 139 (63) employees in the Parent Company and 4 (0) employees in the subsidiary Safepay.

BOARD'S ACTIONS

The Board of Directors of Ogame comprises five members elected annually by the Annual General Meeting for the period ending at the conclusion of the following Annual General Meeting. The Board elects a Chairman from among its members. The Chairman does not participate in operating activities. For a further description of the Board's actions, see Corporate governance on page 25.

RISKS

Due to the nature of its business, the Group is exposed to a number of risks. Aside from the legal risks (see above), it faces financial risks, including credit risks and foreign exchange risks. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimize potentially unfavorable effects on the Group's financial results. The Group uses derivatives such as forward exchange contracts to hedge its exposure.

Risk management is managed by a central finance department in accordance with the principles established by the Board. The finance department identifies, evaluates and hedges financial risks in close collaboration with the Group's operating units. For a more detailed description of financial risk management, see Note 2.

AUDIT

Auditors from Öhrlings PricewaterhouseCoopers AB were elected at the Annual General Meeting in 2004 for a period of four years.

OUTLOOK FOR 2005

In 2005 the Company expects to sign more external licensees to PokerNetwork. It also expects that existing sites on the network, including Group-owned PokerRoom.com, will continue to develop positively. In addition, the online poker market is projecting continued growth in 2005.

In the first half of 2005 Ogame is planning to launch its first multiplayer poker game for mobile phones, designed for real money play.

IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

One of PokerNetwork's smaller licensees, CelebPoker.com, has left the Group's network. This will not have a material impact on profit. Also, two new companies have joined the network and one new agreement has been signed. After these changes, PokerNetwork comprises nine poker sites, with another three licensing agreements signed and the sites awaiting launch.

Outsourcing of PokerNetwork's customer support to South Africa has begun. The need for support staff is growing as the customer base grows. The new support provider is expected to offer both administrative and cost advantages as the network continues to expand.

PROPOSED DISTRIBUTION OF EARNINGS

The following unappropriated earnings are at the disposal of the Annual General Meeting:

Retained earnings	SEK 14,213 thousand
Net profit for the year	<u>SEK 70,475 thousand</u>
	SEK 84,688 thousand

The Board of Directors and the President propose that the earnings be distributed as follows:

To the statutory reserve	SEK 142 thousand
To the shareholders, a dividend of	SEK 81,320 thousand
To be carried forward	<u>SEK 3,226 thousand</u>
	SEK 84,688 thousand

According to the consolidated balance sheet, the Group's non-restricted shareholders' equity amounts to SEK 86,658 thousand. No allocation to restricted equity is proposed other than indicated above.

The Company's results and financial position on the last day of the fiscal year are presented in the following income statements, balance sheets and notes to the financial statements.

INCOME STATEMENT

SEK thousand	Note	Group		Parent Company	
		2004	2003	2004	2003
Net sales	2, 3, 4	410,981	116,541	242,692	64,702
Operating expenses					
Other external expenses	5, 6	-215,354	-62,418	-47,615	-10,575
Personnel costs	7, 8	-56,209	-25,856	-58,252	-25,856
Depreciation/amortization of tangible/intangible fixed assets		-2,426	-1,053	-2,226	-1,053
Total operating expenses		-273,989	-89,327	-108,093	-37,484
Operating profit		136,992	27,214	134,599	27,218
Result from financial investments					
Interest income		166	433	82	377
Interest expenses		-10	-1	-2	-
Total result from financial investments		156	432	80	377
Profit after financial items		137,148	27,646	134,679	27,595
Appropriations	24			-36,300	-7,133
Tax on profit for the year	9, 10	-38,617	-7,813	-27,904	-5,816
Net profit for the year	11	98,531	19,833	70,475	14,646
Profit per share, SEK	12	24,269	4,885	17,358	3,607

CASH FLOW STATEMENT

SEK thousand	Note	Group		Parent Company	
		2004	2003	2004	2003
Operating activities					
Operating profit before financial items		136,992	27,214	134,599	27,217
Adjustment for non-cash items	21	14,347	4,193	2,226	1,053
Interest received		166	433	82	377
Interest paid		-10	-1	-2	-
Income tax paid		-21,509	-6,119	-10,795	-4,121
Cash flow from operating activities before change in working capital		129,986	25,720	126,110	24,526
Change in working capital					
Increase in current receivables		-66,207	-11,186	-58,826	-14,542
Increase/decrease in accounts payable		6,892	-246	6,891	-246
Increase in other current operating liabilities		51,907	8,948	5,664	3,532
Cash flow from operating activities		122,578	23,236	79,839	13,270
Investing activities					
Acquisition of intangible fixed assets	13	-2,043	-	-	-
Acquisition of tangible fixed assets	14	-19,521	-2,610	-15,723	-2,611
Cash flow from investing activities		-21,564	-2,610	-15,723	-2,611
Financing activities					
Dividend paid		-8,120	-4,060	-8,120	-4,060
Cash flow from financing activities		-8,120	-4,060	-8,120	-4,060
Cash flow for the year		92,894	16,566	55,996	6,599
Liquid assets at beginning of year		33,708	18,298	16,076	9,475
Translation differences in liquid assets		-1,238	-1,156	-	-
Liquid assets at year-end	22	125,364	33,708	72,072	16,074

BALANCE SHEET

SEK thousand	Note	Group		Parent Company	
		Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
ASSETS					
Fixed assets					
Intangible fixed assets					
Capitalized development expenditures	13	1,958	—	—	—
Tangible fixed assets					
Equipment	14	20,693	3,502	16,999	3,502
Financial fixed assets					
Other long-term receivables		364	399	—	—
Shares in Group companies	23, 25	—	—	0	0
Total fixed assets		23,015	3,901	16,999	3,502
Current assets					
Current receivables					
Receivables from Group companies	26	—	—	69,741	29,004
Other current receivables	15	84,895	22,511	14,901	636
Prepaid expenses and accrued income	16	4,759	936	4,760	936
Total current receivables		89,654	23,447	89,402	30,576
Short-term investments	17	32,171	8,000	32,171	8,000
Cash and bank balances		93,193	25,708	39,901	8,076
Total current assets		215,018	57,155	161,474	46,652
TOTAL ASSETS		238,033	61,056	178,473	50,154

SEK thousand	Note	Group		Parent Company	
		Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
Shareholders' equity	11, 18				
Restricted equity					
Share capital (4,060 shares at a par value of SEK 200)		812	406	812	406
Share premium reserve		–	–	3,550	3,955
Statutory reserve		–	–	20	20
Restricted reserves		38,823	3,975	–	–
Non-restricted equity					
Accumulated deficit/non-restricted reserves/profit brought forward		–11,873	11,736	14,213	7,688
Net profit for the year		98,531	19,831	70,475	14,646
Total shareholders' equity		126,293	35,948	89,070	26,715
Untaxed reserves	27	–	–	48,963	12,663
Provisions					
Deferred taxes		14,258	3,533	–	–
Total provisions		14,258	3,533	–	–
Current liabilities					
Accounts payable		7,544	653	7,544	653
Tax liabilities		22,950	5,841	22,950	5,841
Other current liabilities	19	56,934	11,724	1,470	925
Accrued expenses and deferred income	20	10,054	3,357	8,476	3,357
Total current liabilities		97,482	21,575	40,440	10,776
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		238,033	61,056	178,473	50,154
Pledged assets		None	None	None	None
Contingent liabilities		None	None	None	None

CHANGES IN SHAREHOLDERS' EQUITY

SEK thousand	Note	Share capital	Restricted reserves	Non-restricted equity	Total shareholders' equity
GROUP'S CHANGES IN SHAREHOLDERS' EQUITY					
Shareholders' equity, Dec. 31, 2002		406	3,975	15,796	20,177
Adjusted opening balance 2003		406	3,975	15,796	20,177
Net profit for the year		–	–	19,831	19,831
Dividend	11	–	–	–4,060	–4,060
Shareholders' equity, Dec. 31, 2003		406	3,975	31,567	35,948
Exchange rate difference on translation of foreign operations	18	–	–	–66	–66
Net profit for the year		–	–	98,531	98,531
Transfers between restricted and non-restricted equity		–	35,254	–35,254	–
Dividend	11	–	–	–8,120	–8,120
Bonus issue		406	–406	–	–
Shareholders' equity, Dec. 31, 2004	18	812	38,823	86,658	126,293

SEK thousand	Note	Share capital	Share premium reserve	Statutory reserve	Non-restricted equity	Total shareholders' equity
PARENT COMPANY'S CHANGES IN SHAREHOLDERS' EQUITY						
Shareholders' equity, Dec. 31, 2002		406	3,955	20	11,748	16,129
Adjusted opening balance 2003		406	3,955	20	11,748	16,129
Net profit for the year		–	–	–	14,646	14,646
Dividend	11	–	–	–	–4,060	–4,060
Shareholders' equity, Dec. 31, 2003		406	3,955	20	22,333	26,715
Net profit for the year		–	–	–	70,475	70,475
Dividend	11	–	–	–	–8,120	–8,120
Bonus issue		406	–406	–	–	–
Shareholders' equity, Dec. 31, 2004	18	812	3,549	20	84,688	89,070

NOTES FOR THE PARENT COMPANY AND GROUP

Note 1 Accounting and valuation principles

The annual report of Ogame e-solutions AB ("Ogame") has been prepared in accordance with the Annual Accounts Act and the recommendations and pronouncements of the Swedish Financial Accounting Standards Council.

During the year the Company changed accounting principles from having applied the general advice of the Swedish Accounting Standards Board to reporting in accordance with the recommendations of the Swedish Financial Accounting Standards Council.

Consolidated financial statements

The consolidated financial statements comprise subsidiaries in which the Parent Company directly or indirectly owns more than 50 percent of the voting rights or otherwise has power to exercise control over operations.

The consolidated accounts have been prepared in accordance with the purchase accounting method. This means that shareholders' equity in subsidiaries at the time of acquisition, defined as the difference between assets and liabilities reported at fair value, is eliminated in its entirety. The Group's shareholders' equity thus includes only the portion of subsidiaries' equity that arose subsequent to acquisition.

Companies acquired during the year are included in the consolidated financial statements at amounts that reflect the period following acquisition.

All Ogame's foreign subsidiaries are classified as independent subsidiaries, because of which their accounts are translated by applying the current method. This means that foreign subsidiary assets and liabilities are translated to Swedish kronor at the exchange rates in force on the last day of the fiscal year, while all income statement items are translated at average exchange rates for the year. Exchange rate differences that arise are applied directly against shareholders' equity.

Intra-Group gains are eliminated in their entirety.

Foreign currencies

Assets and liabilities in foreign currency are valued at the exchange rates in force on the last day of the fiscal year. If hedges are used, e.g., forward contracts, forward rates are used. Transactions in foreign currency are translated according to the spot rate on the transaction date.

Revenues

Revenues are recognized in the income statement when it is likely that the future economic benefits will accrue to the Company and these benefits can be calculated reliably.

Royalties and service revenues

Royalties and similar revenues are recognized in accordance with the financial stipulations of each agreement. The Group's service revenues comprise operations and maintenance, support and payment services on behalf of licensees. Service revenues are reported over the term of each agreement.

Revenues from own gaming operations

The Group's gaming revenues from its own gaming operations are reported as they arise. Gaming revenues are defined as accrued gaming receipts less accrued gaming disbursements.

Income taxes

Reported income taxes comprise taxes that will be paid or received for the current year, adjustments of current taxes for previous years, changes in deferred tax and the share of associated companies' tax.

All tax liabilities/assets are valued at nominal amounts and are posted in accordance with the tax rules and tax rates that have been decided on or have been announced and in all likelihood will be adopted.

For income statement items, the related tax effects are also reported in the income statement. The tax effects of items reported directly against shareholders' equity are also reported directly against shareholders' equity.

Deferred tax is calculated according to the balance sheet method on all temporary differences that arise between the reported and taxable values of assets and liabilities.

Deferred tax assets for temporary differences attributable to investments in subsidiaries, branches, associated companies and participations in joint ventures are not reported in the consolidated financial statements, since the Parent Company can steer the timing of the reversal of all temporary differences and it is not likely that any reversals will be made in the foreseeable future.

Due to the connection between reporting and taxation, the Parent Company reports the deferred tax liability in untaxed reserves as part of untaxed reserves.

Software development expenditures

All expenditures for software development or maintenance are normally expensed immediately. However, expenditures that are directly associated with identifiable, unique software controlled by the Group and which is likely to have economic benefits that after one year exceed the cost are capitalized as an intangible asset. Direct expenses include personnel expenses for software development staff and a reasonable share of relevant indirect expenses.

Expenditures that increase the future economic benefits of software above its original level are reported as improvements and increase the original acquisition value. Capitalized software development expenditures are amortized on a straight-line basis over the software's useful life, though not more than three years.

Acquired software

Standardized software is expensed. Expenditures for software that has been developed or significantly adapted on the Group's behalf are capitalized as an intangible asset if they are likely to have economic benefits that after one year exceed the cost. Capitalized expenditures for acquired software are amortized on a straight-line basis over the software's useful life, though not more than three years.

Write-down of intangible assets

When there is an indication that an asset has decreased in value, an estimation is made of its reported value, including goodwill. If the asset's reported value exceeds its estimated recoverable value, the asset is immediately written down to its recoverable value.

Tangible fixed assets

Tangible fixed assets are reported at acquisition value less depreciation. Expenditures to improve an asset's performance over and above its original level raise the asset's reported value. Expenditures for repairs and maintenance are reported as expenses.

Tangible fixed assets are depreciated systematically over their estimated useful lives. After the assets' depreciable amount is determined, their residual value is taken into account where applicable.

Straight-line depreciation is used for all types of tangible assets. The following depreciation schedules are applied:

Equipment, tools, fixtures and fittings	5 years
Computer equipment	5 years

If an asset's reported value exceeds its estimated recoverable value, the asset is immediately written down to its recoverable value.

Financial instruments

The financial instruments reported in the balance sheet include securities, receivables, operating liabilities, leases and borrowing.

Securities

The Group's short-term holdings, consisting mainly of fund shares, are reported at the lower of acquisition value and market value (listed bid price at the close of the market) on the last day of the fiscal year. This principle is applied to the portfolio as a whole, which means that unrealized losses are offset against unrealized gains. Any derivatives are reported gross, however.

All securities transactions are reported on the settlement date.

Derivatives

The Group utilizes derivatives to ameliorate the consequences of changes in exchange rates.

Forward exchange contracts protect the Group against changes in exchange rates by determining the price at which an asset or liability in foreign currency will be realized. An increase or decrease in the amount required to settle the asset/liability is compensated by a corresponding change in value of the forward contract. These gains and losses therefore offset each other and are not reported in the financial reports. Premiums and discounts on forward contracts are accrued over the term of the contract as interest.

Hedge accounting requires that a transaction is expressly intended as a hedge, that it is unequivocally linked to the hedged item and that it effectively protects the hedged position. Other derivative agreements are reported according to the lowest value principle.

Compensation to employees

In defined contribution pension plans, the Company pays fixed fees to a separate legal entity and has no obligation to pay additional fees. The Group's earnings are charged with expenses as benefits are earned.

Receivables

Receivables have been valued in the amounts that are expected to be received after individual valuation.

Statement of cash flows

The statement of cash flows has been prepared in accordance with the indirect method. Reported cash flow comprises only transactions that result in receipts or disbursements.

In addition to cash and bank balances, liquid assets include short-term financial investments that are exposed to only an inconsequential risk of fluctuations in value, are traded in an open market at known amounts or have a remaining maturity shorter than three months from their date of acquisition.

KEY RATIO DEFINITIONS

Return on equity

Profit after financial items in relation to average shareholders' equity and untaxed reserves (less deferred tax).

Operating margin

Adjusted operating profit divided by net sales for the period.

Equity/assets ratio

Shareholders' equity and untaxed reserves (less deferred tax) in relation to total assets.

For further definitions, see page 47.

Note 2 Financial risk management and derivatives

Due to the nature of its operations, the Group is exposed to a number of different financial risks, including credit risks and foreign exchange risks. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimize potentially unfavorable effects on financial results. The Group uses derivatives such as forward exchange contracts to hedge its exposure.

Risk management is managed by a central finance department in accordance with the principles established by the Board. The finance department identifies, evaluates and hedges financial risks in close collaboration with the Group's operating units.

Credit risks

The Group has established guidelines to ensure that services are sold to customers with good credit histories. It also has guidelines for the types of payment providers it cooperates with to reduce the risk exposure in its current receivables. Counterparties in derivative contracts are limited to financial institutions with high creditworthiness. Further, the Group has principles that limit the amount of its credit exposure to each financial institution.

Foreign exchange risks

The Group operates internationally and is exposed to transaction risks from purchases/sales and financial transactions in foreign currency. Foreign exchange exposure relates primarily to U.S. dollar. The Group hedges a portion of its exposure in USD by using external forward exchange contracts.

Interest rate risks

The Group's revenues and cash flow from operations are essentially unaffected by changes in market interest rates. Interest-bearing assets are generally placed in short-term investments. The Group has no interest-bearing liabilities.

Liquidity risk

Liquidity risks are managed prudently, which means that sufficient liquid assets and marketable securities are retained to repay the Group's current liabilities on short notice.

Derivatives

Forward exchange contracts

As of December 31, 2004 the Group had open forward exchange contracts with a maximum maturity of six months. The amounts in thousands of Swedish kronor that will be received and the contracted exchange rates for open contracts were as follows:

	SEK thousand	Exchange rate
U.S. dollar	22,742	7.25

Note 3 Revenue distribution

SEK thousand	Group		Parent Company	
	2004	2003	2004	2003
Net sales include:				
Gaming revenues	410,981	116,541	—	—
Royalties and service revenues	242,692	64,702	242,692	64,702
Subtotal	653,573	181,243	242,692	64,702
Less intra-Group sales	-242,692	-64,702	—	—
Total	410,981	116,541	242,692	64,702

Note 4 Exchange rate differences

SEK thousand	Group	
	2004	2003
Operating profit includes exchange rate differences on operating receivables and operating liabilities as follows:		
Exchange rate losses	-2,590	-2,861
Total	-2,590	-2,861

Note 5 Auditors' fees

SEK thousand	Group		Parent Company	
	2004	2003	2004	2003
Auditing				
Öhrlings PricewaterhouseCoopers	488	—	488	—
AmaReko Revision	—	25	—	25
Other assignments				
Öhrlings PricewaterhouseCoopers	520	—	520	—
Total	1,008	25	1,008	25

Note 6 Operational leases

	Group	Parent Company
SEK thousand	2004	2004
Due for payment within one year	11,164	8,304
Due for payment later than one year but within five years	26,357	24,047
Total	37,521	32,351

During the year two new, significant operational leases were signed for office space in Uppsala and Stockholm. A clause gives the Company the option to terminate the agreements with the landlord in advance, which would reduce the Company's future obligation by SEK 11,891 thousand during the period July 1, 2006 until December 31, 2008.

During the year leasing costs and revenue from operational leases were as follows:

	Group	Parent Company
SEK thousand	2004	2004
Leasing costs	7,397	4,820

Note 7 Salaries, other remuneration and social security costs

SEK thousand	2004		2003	
	Salaries and other remuneration	Social security expenses (of which pension expenses)	Salaries and other remuneration	Social security expenses (of which pension expenses)
Parent Company	34,746	13,210 (834)	17,847	6,146 (238)
Subsidiaries	175	6 (-)	-	- (-)
Group	34,921	13,216 (834)	17,847	6,146 (238)

Of the Parent Company and Group's pension expenses, SEK 87 thousand (38) relates to the Board and President. Salaries and other remuneration distributed between Board members, etc. and other employees:

SEK thousand	2004		2003	
	Boards and President	Other employees	Boards and President	Other employees
Parent Company, Sweden	871	33,875	1,011	16,836
Subsidiary, Costa Rica	144	31	-	-
Group	1,015	33,906	1,011	16,836

Note 8 Average number of employees

	2004		2003	
	Average no. of employees	Of whom men	Average no. of employees	Of whom men
Parent Company	103	76%	46	74%
Subsidiaries	1	25%	–	–
Group	104	76%	46	74%

Board members and senior executives

	2004	
	Number at year-end	Of whom men
Group (incl. subsidiaries)		
Board members	5	100%
President and other senior executives	9	56%

Parent Company

Sick leave	Jan. 1 – Dec. 31, 2004	Jan. 1 – Dec. 31, 2003
Total sick leave	1.32%	3.06%
Share of long-term leave	0%	33.75%
Men	1.47%	3.33%
Women	0.89%	1.91%
Employees – 29 years	1.30%	3.69%
Employees 30 – 49 years	1.35%	1.96%
Employees 50 – years	0%	0%

Note 9 Tax on profit for the year

SEK thousand	Group		Parent Company	
	2004	2003	2004	2003
Current tax for the year	27,904	5,816	27,904	5,816
Deferred tax (spec. in Note 10)	10,713	1,997	–	–
Total	38,617	7,813	27,904	5,816

Note 10 Deferred tax

SEK thousand	Group		Parent Company	
	2004	2003	2004	2003
Deferred tax expense for the year			–	–
Deferred tax on temporary differences	10,713	3,456	–	–
Deferred tax in income statement	10,713	3,456	–	–

SEK thousand	Group		Parent Company	
	2004	2003	2004	2003
Difference between reported tax expense and tax expense based on current tax rate				
Reported pre-tax profit	137,148	27,646	98,379	20,462
Tax according to current tax rate	38,401	7,741	27,546	5,729
Tax effect of non-deductible expenses	216	72	358	87
Tax on profit for the year according to income statement	38,617	7,813	27,904	5,816

Tax rate

The current tax rate is the income tax rate for the Group, i.e., 28% (28%).

Note 11 Dividend per share

The Annual General Meeting on May 18, 2005 will vote on a proposed dividend for 2004 of SEK 20 thousand per share, totaling SEK 81,320 thousand. This amount has not been reported as a liability, but will be reported as an earnings distribution under shareholders' equity for fiscal year 2005. The dividends 2004 and 2003 amounted to SEK 8,120 thousand and SEK 4,060 thousand, respectively.

Note 12 Profit per share

SEK thousand	Group		Parent Company	
	2004	2003	2004	2003
Reported profit	98,531	19,833	70,475	14,646
Average number of shares	4,060	4,060	4,060	4,060
Profit per share, SEK	24,269	4,885	17,358	3,607

Note 13 Capitalized development expenditures

SEK thousand	Dec. 31, 2004	Dec. 31, 2003
Changes for the year		
– Capitalized expenditures for the year, internal development	2,043	–
Accumulated acquisition values, closing balance	2,043	0
Changes for the year		
– Amortization	–85	–
Accumulated amortization, closing balance	–85	0
Residual value according to plan, closing balance	1,958	0

Note 14 Equipment, tools, fixtures and fittings

SEK thousand	Group		Parent Company	
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
Acquisition values, opening balance	5,315	2,704	5,315	2,704
Changes for the year				
– Purchases	19,521	2,611	15,723	2,611
Accumulated acquisition values, closing balance	24,836	5,315	21,038	5,315
Depreciation, opening balance	–1,813	–760	–1,813	–760
Changes for the year				
– Depreciation	–2,330	–1,053	–2,226	–1,053
Accumulated depreciation, closing balance	–4,143	–1,813	–4,039	–1,813
Residual value according to plan, closing balance	20,693	3,502	16,999	3,502

Note 15 Other receivables

Funds deposited with payment providers, SEK 69,995 thousand (21,984).

Note 16 Accrued expenses and deferred income

SEK thousand	Dec. 31, 2004	Dec. 31, 2003
Prepaid rents	2,014	463
Accrued interest income	–	275
Other items	2,745	198
Total	4,759	936

Note 17 Short-term investments

SEK thousand	Dec. 31, 2004	Dec. 31, 2003
Reported value	32,171	8,000
Market value or equivalent	32,901	8,275

Note 18 Shareholders' equity

For a specification of changes in shareholders' equity, see Changes in shareholders' equity.

Shares

Number of shares	A shares
Number Jan. 1, 2003	4,060
Number Dec. 31, 2003	4,060
Number Dec. 31, 2004	4,060

The par value per share is SEK 200.
All shares are fully paid.

Exchange rate differences in shareholders' equity

SEK thousand	Group	
	2004	2003
Opening balance	0	0
Change in the year's translation of existing subsidiaries	66	0
Closing balance	66	0

Note 19 Other liabilities

Player's deposited funds, SEK 53,062 thousand (10,848).

Note 20 Accrued expenses and deferred income

SEK thousand	Group		Parent Company	
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
Accrued vacation pay	4,173	1,435	4,173	1,435
Accrued social security expenses	3,161	1,313	3,161	1,313
Other items	2,720	609	1,142	609
Total	10,054	3,357	8,476	3,357

Note 21 Adjustments for non-cash items

SEK thousand	Group		Parent Company	
	2004	2003	2004	2003
Depreciation	2,426	1,053	2,226	1,053
Exchange rate losses	1,196	1,156	–	–
Provisions, deferred taxes	10,725	1,984	–	–
Total	14,347	4,193	2,226	1,053

Note 22 Liquid assets

SEK thousand	Group		Parent Company	
	2004	2003	2004	2003
Cash and bank balances	93,193	25,708	39,901	8,076
Short-term investments	32,171	8,000	32,171	8,000
Liquid assets	125,364	33,708	72,072	16,076

Note 23 Shares in subsidiaries

Parent Company	Equity interest	Share of votes	No. of shares	Book value
Safepay Int S.R.L.	100%	100%	10	SEK 314
PokerNetwork Ltd	100%	100%	1	SEK 13
Total				SEK 327

Note 24 Appropriations

SEK thousand	Parent Company	
	2004	2003
Difference between book depreciation and depreciation according to plan	3,300	233
Allocation to tax allocation reserve	33,000	6,900
Total	36,300	7,133

Note 25 Acquisition of subsidiaries

During the year the following subsidiaries were acquired:

Company	Acquisition date	Equity interest, %	Share of votes, %
PokerNetwork Ltd	March 17, 2004	100	100

All acquired subsidiaries are reported in the Group's financial accounts according to the purchase method. The acquisition of the subsidiary PokerNetwork Ltd is negligible in amount.

Note 26 Transactions with related parties**Intra-Group purchases and sales**

For the Parent Company, 0 (0) percent of the year's purchases and 100 (100) percent of the year's sales relate to subsidiaries.

The same principles are applied to purchases and sales between Group companies as to the pricing of transactions with outside parties.

Purchases of goods and services from related parties

Group	
SEK thousand	2004
Purchases of services:	
Hjelm Speakingpartner AB (consultations)	1,629
Broviken AB (consultations)	30
Total	1,659

Hjelm Speakingpartner AB and Broviken AB are owned by Board directors of Ogame. The above transactions were made on commercial terms.

Severance agreements

An agreement has been reached with the President on a term of notice of six months.

Other

Separate notes provide disclosures on
- salaries, etc. for the Board and President
- shares in Group companies

Note 27 Untaxed reserves

SEK thousand	Dec. 31, 2004	Dec. 31, 2003
Accumulated between book depreciation and depreciation according to plan	3,791	491
Tax allocation reserve	45,172	12,172
Total	48,963	12,663

The income statement and balance sheet will be presented to the Annual General Meeting on May 18, 2005 for approval.


Uppsala, March 15, 2005



Rolf Ekedahl




Per Hjelm



Erik Hörnell



Petter Nylander



Bo Johnson
Chairman

Our audit report was submitted on March 16, 2005

Michael Bengtsson
Authorized Public Accountant
Öhrlings PricewaterhouseCoopers AB

Karl-Gustav Lindgren
Authorized Public Accountant
Öhrlings PricewaterhouseCoopers AB

AUDITORS' REPORT

To the General Meeting of the shareholder's of
Ongame e-solutions AB (publ)
Corporate identity number 556232-3567

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Ongame e-solutions AB (publ) for the year 2004. These accounts and the administration of the Company and the application of the Annual Accounts Act when preparing the annual accounts and the consolidated accounts are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

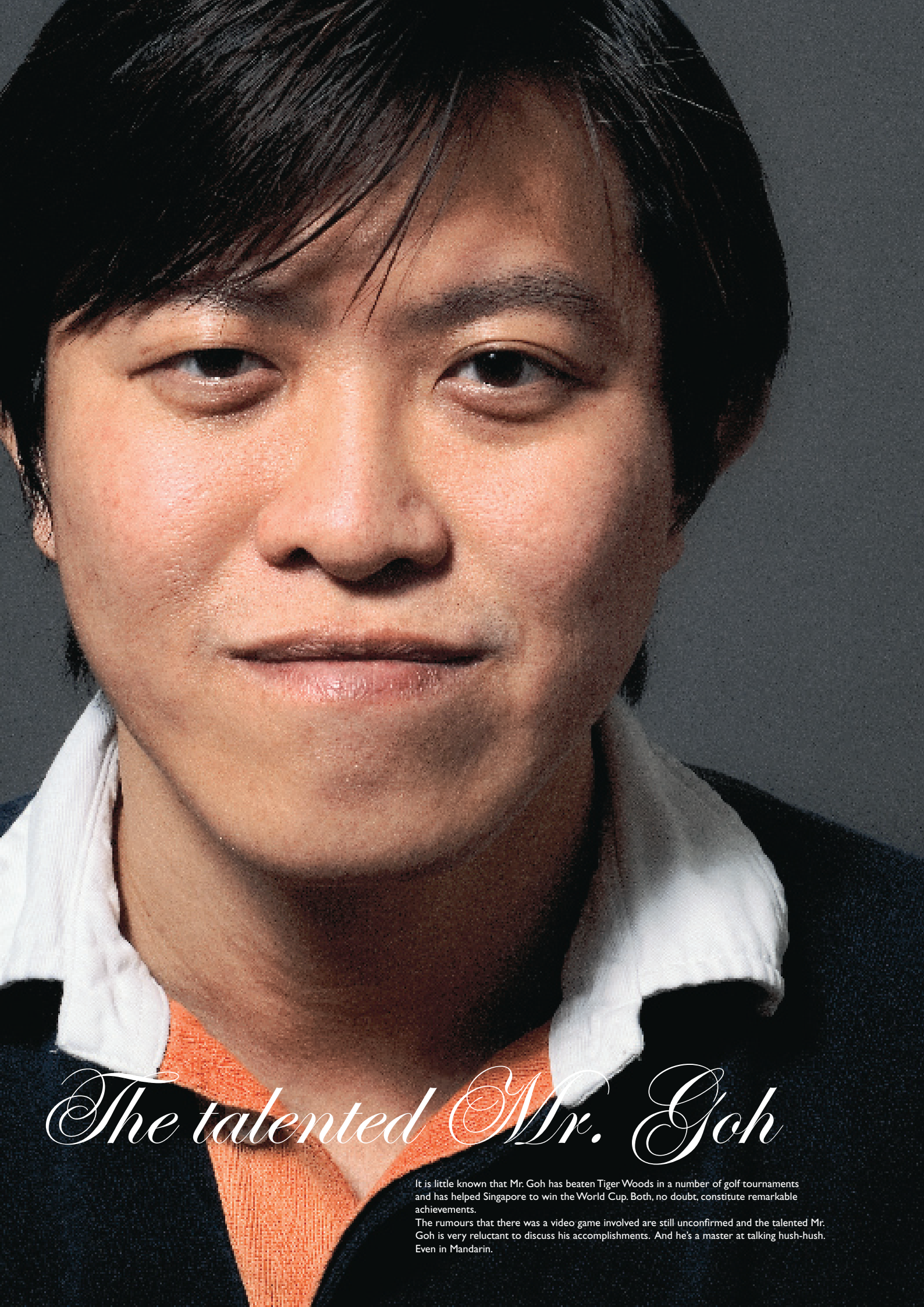
The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the Company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Uppsala, March 16, 2005

Michael Bengtsson
Authorized Public Accountant
Öhrlings PricewaterhouseCoopers AB

Karl-Gustav Lindgren
Authorized Public Accountant
Öhrlings PricewaterhouseCoopers AB



The talented Mr. Goh

It is little known that Mr. Goh has beaten Tiger Woods in a number of golf tournaments and has helped Singapore to win the World Cup. Both, no doubt, constitute remarkable achievements.

The rumours that there was a video game involved are still unconfirmed and the talented Mr. Goh is very reluctant to discuss his accomplishments. And he's a master at talking hush-hush. Even in Mandarin.

BOARD OF DIRECTORS AND AUDITORS



Rolf Ekedahl

Erik Hörnell

Bo Johnson

Per Hjelm

Petter Nylander

BOARD OF DIRECTORS

Bo Johnson

Chairman

LL.D., born 1944.

Founder and former President of Autopark.

Member of Ogame's Board since 2000.

Rolf Ekedahl

University studies in economics, born 1949.

Other board duties: Rörvik Timber, Getinge, ROL International, Arcam, Backemarks Grafiska Håells Modulsystem and Normans i Jönköping.

Member of Ogame's Board since 2004.

Per Hjelm

Civil engineer, born 1960.

Other board duties: RPS, Safemind and Trustweaver.

Member of Ogame's Board since 2003.

Erik Hörnell

Associate Professor of Business Administration, born 1943.

Other board duties: Two and a half dimensions.

Employed as analyst at Vinnova.

Member of Ogame's Board since 1999.

Petter Nylander

Graduate Business Administrator, born 1964.

Other board duties: Stockholm University Alumni Association.

Employed as President of OMD Sweden.

Member of Ogame's Board since 2004.

AUDITORS

Michael Bengtsson

Born: 1959

Authorized Public Accountant,

Öhrlings PricewaterhouseCoopers AB.

Auditor for Ogame since 2004.

Karl-Gustav Lindgren

Born: 1963

Authorized Public Accountant,

Öhrlings PricewaterhouseCoopers AB.

Auditor for Ogame since 2004.

MANAGEMENT



Johan Hörnell

Karl Magnusson

Patrik Selin

Johan Hörnell
VP & Chief Financial Officer
Born: 1976.
Employed: 2000.

Karl Magnusson
VP & Chief Administration Officer
Born: 1975.
Employed: 2003.

Patrik Selin
President & CEO
Born: 1965.
Employed: 2003.

OTHER SENIOR EXECUTIVES

Rickard Annell
VP & Director of PokerNetwork
Born: 1972.
Employed: 2003.

Tina Areskoug
Human Resources Manager
Born: 1967.
Employed: 2004.

David Flynn
VP & Director of Ogame Studios
Born: 1973.
Employed: 2003.

Ira Gladnikoff
VP & Director of PokerRoom.com
Born: 1976.
Employed: 2003.

Cecilia Rosenqvist
President of Safepay Int. S.R.L.
Born: 1972.
Employed: 2004.

Sarah Östberg
Corporate Communications Manager
Born: 1972.
Employed: 2004.



E as in Erik

Years ago, in a computer hall at his school in Stockholm, Jan-Erik was breaking a sweat. He and a couple of buddies had a project to complete, but they lacked a logo. Unfortunately, design was not their thing. Determined to solve the problem Jan-Erik loaded up Photoshop and went at it. Before he knew it he had created the "e sign" – a variation of the ubiquitous "at sign" used in e-mail addresses.

Pleased with the result, the creation was patented and later sold! Well done, Jan-Erik. Especially considering that he still can't figure Photoshop out.

DEFINITIONS

Term/key ratio	Explanation
Capital employed	Total assets less non-interest-bearing liabilities.
Dividend per share	Actual dividend divided by the number of shares at the end of the fiscal year.
Equity/assets ratio	Shareholders' equity and untaxed reserves (less deferred tax) in relation to total assets.
Equity per share	Shareholders' equity divided by the number of shares at the end of the period.
Net sales per share	Net sales divided by the average number of shares outstanding during the period.
Net sales per employee	Net sales divided by the average number of employees during the period.
Operating margin	Adjusted operating profit divided by net sales for the period.
Profit margin	Profit after financial items divided by net sales for the period.
Profit per share	After-tax profit divided by the average number of shares outstanding during the period.
Return on capital employed	Profit after financial items plus financial expenses as a percentage of average capital employed.
Return on equity	Profit after financial items in relation to average shareholders' equity and untaxed reserves (less deferred tax).
Sales growth	Percentage increase in net sales.
Total assets	The value of all assets such as bank balances, accounts receivable and equipment.

GLOSSARY

Active players	Players who have logged on at least once in the last three months.
Aggregate	A gaming site linked to a larger network of sites with central gaming servers.
CRM	Customer Relationship Management.
G4	Global Gaming Guidance Group.
Hold'em	Texas Hold'em, the world's most popular poker game.
Java	A programming language that, among other things, allows the same programs to be run on PCs, Mac and Linux.
Land-based casino	Casino where games are played in an actual location, such as Las Vegas.
Multiplayer	Game in which players around the world compete against each other.
Offline game	Game not played on the Internet or other digital channel.
Online poker	Poker played on the Internet.
Rake	Fee charged, measured as a percentage of the pot in each poker hand.
Registered player	Player who has created an account, e.g., with PokerRoom.com.
Ring games	"Regular" poker table, in contrast to a tournament table.
Sports betting	Wagers, particularly on various sports.
Total money wagered	The sum of all pots.
Tournament	A gaming format with a fixed entry fee, where players are eliminated as they lose all their money. Predetermined prize money is split between the highest finishers, with the winner receiving the largest share.
White label solution	A system that each site owner can adapt for its own customers without having to create or manage the system itself.

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HoldemPoker.com
OngameStudios.com
PokerGaming.com
PokerNetwork.co.uk
PokerRoom.com
Safepay.co.cr

FINANCIAL CALENDAR

Ongame is scheduled to publish its financial reports for 2005 as follows:

Interim report first quarter 2005	Friday, May 20
Interim report second quarter 2005	Wednesday, August 24
Interim report third quarter 2005	Monday, October 24
Year-end report 2005	Friday, February 17, 2006

This Annual Report is a translation from the Swedish original. In the event of any differences between this translation and the original, the Swedish shall govern.

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ONGAME

