

Year-End Report for the Fiscal Year

# 2005



Digital Illusions CE AB (publ)

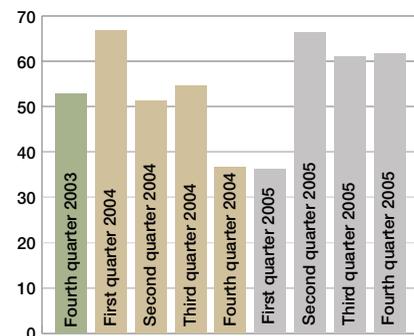
# Continued success and improved profits



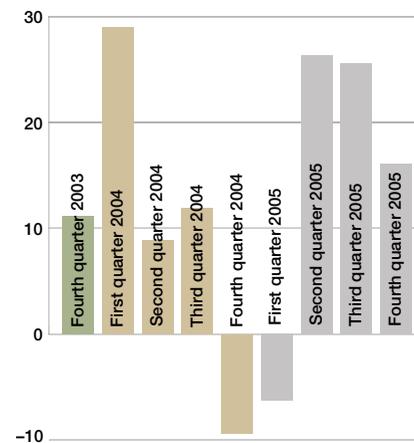
## Operating profit over SEK 57m for 2005

- Net revenues for the full-year 2005 amounted to SEK 225.7m (SEK 209.3m), representing an increase of 8 percent compared with 2004. Total operating revenues were SEK 226.7m (SEK 213.7m).
- Profit after financial items in 2005 amounted to SEK 61.8m (SEK 40.3m), representing a rise of 53 percent compared with 2004. This improvement is primarily attributable to higher royalty revenues from the Battlefield 2 game. The pre-tax profit margin in 2005 was 27 percent (19 percent).
- Profit after tax in 2005 amounted to SEK 44.2m (SEK 28.6m), representing SEK 4.37 per share (SEK 2.83).
- Net revenues for the fourth quarter 2005 amounted to SEK 61.8m (SEK 36.6m). Profit after financial items for the fourth quarter 2005 was SEK 16.1m (SEK -9.4m), and the profit after tax amounted to SEK 11.3m (SEK -7.1m).
- Royalties stood for 55 percent of Digital Illusions' total revenues in 2005.
- Sales of Battlefield 2, which was launched at the end of June 2005, have continued to be very good. Up to December 31, the game had sold 1,900,000 units. The Battlefield 2 Special Forces expansion pack was launched in November. Up to the end of 2005, the game had sold 650,000 units, which exceeds the Company's expectations. The products in the Battlefield series have sold an overall total of about 9.2 million units.

Net Revenues – SEK m



Profit after financial items – SEK m



Graphs are adjusted according to IFRS.

## Financial comments

Net revenues for 2005 amounted to SEK 225.7m (SEK 209.3m). Total operating revenues amounted to SEK 226.7m (SEK 213.7m), representing an increase of 6 percent compared with the same period 2004. The strong revenues in 2005 are attributable to Digital Illusions' best-selling Battlefield 2 and its Special Forces expansion pack. The pre-tax profit margin in 2005 was 27 percent (19 percent).

Operating costs in 2005 fell by 4 percent compared with 2004. This decrease is due partly to external sub-consultants not being used to the same extent as last year, and partly due to costs related to the move of the Gothenburg office having burdened 2004.

Digital Illusions recruited and contracted about thirty people in the last quarter of 2005. This recruitment process is part of the new expansive phase that the Company has started and will continue in 2006. Moving costs of about SEK 4-5m will also burden 2006, implying that costs will increase in 2006 compared with 2005.

Financial items in 2005 amounted to approximately SEK 4.1m, consisting of earnings on the Company's cash assets as

well as financial currency effects during the period.

Digital Illusions is reporting as per IFRS as of January 1, 2005. Comparative figures for the full-year and the fourth quarter 2004 have been adjusted to comply with IFRS. Further details are set out in the table on page 9.

The Company's liquid funds amounted to SEK 209.6m as at December 31, 2005. This amount is SEK 78.2m higher than the level of SEK 131.5m as at December 31, 2004 and is primarily attributable to final payments of major projects in 2005 as well as good royalty revenues during the year.

## Fourth quarter 2005

Net revenues in the fourth quarter 2005 amounted to SEK 61.8m (SEK 36.6m). Total operating revenues were SEK 62.0m (SEK 36.8m), representing an increase of 68 percent compared with the same period 2004. The rise in revenues in the fourth quarter 2005 is above all attributable to royalty revenues from Battlefield 2, which has continued to witness good sales since its release at the end of June, and its Special Forces expansion pack which was

released in November and that has sold extremely well.

Costs in the fourth quarter 2005 were in line with the same period 2004. The pre-tax profit margin for the period was 26 percent (-26 percent).

## Projects and royalty revenues

55 percent (SEK 124.6m) of Digital Illusions' total revenues came from royalties in 2005 – generated primarily by the Battlefield series. In the fourth quarter 2005, royalties represented 69 percent (SEK 42.7m) of Digital Illusions' total revenues.

Battlefield 2 was released in June 2005, which generated extremely good royalty revenues in the three last quarters of the year. These revenues were further strengthened by the Battlefield 2 Special Forces expansion pack which was successfully released in November 2005.

Project income represented SEK 101.1m (45 percent) of total revenues in 2005, and SEK 19.1m (31 percent) in the fourth quarter. The Battlefield 2 expansion pack, which was planned to be released in the spring of 2006, has been replaced by two





booster packs. The change to booster packs implied that project income in the fourth quarter 2005 was slightly lower than the previous quarter due to a smaller development budget. It is believed however that this will be counter-balanced by increased royalty revenues in the first half-year 2006. Investments have also been made on an ongoing basis in various projects. Project income is expected to rise in the first quarter 2006 compared with the last quarter of 2005.

The major part of Digital Illusions' income is generated in US dollars. Future contracted payments are hedged on a continuous basis for Swedish operations, where costs are incurred in Swedish kronor. Contracts for Digital Illusions' production in Canada are not normally hedged.

Contracted payments are hedged as and when new contracts are signed. In view of the weakening of the US dollar in 2004 and the beginning of 2005, the Company hedged several contracts during the year at a lower dollar rate than in previous years, which in turn affects project revenues.

99.7 percent of net revenues in 2005 came from projects with Electronic Arts.

## Operations in 2005

Digital Illusions prioritizes development assignments where the ownership rights to the brand names remain within the Company. This business model implies lower margins in the development phase but greater potential for good revenues in the form of royalties – where the Battlefield series is a successful example.

Digital Illusions' business model is to develop games with its own brand names. The games are then marketed, distributed and sold by a publisher. Digital Illusions receives a fixed production budget from the publisher for the development of a game. The Company also receives part of the sales revenues in the form of royalties, provided the game achieves certain sales levels. Royalties are calculated as a percentage of the price per sold unit, and are first received after the already paid production budget has been covered and deducted.

The Company further invested in a number of projects during the year with the objective of improving products and thereby providing prerequisites to increase related future royalty revenues.

Digital Illusions closed the Company's New York office in June 2005. This was motivated by prerequisites having changed, and that the Company's future plans had consequently been modified compared with when the company Trauma Studios was acquired in September 2004. The Trauma business contained values in the form of rights to brand names and a new game concept. Furthermore, the employees at the New York studio contributed with ideas and improvements to the Battlefield 2 game.

The amount of 300,000 US dollars was paid for the acquisition of Trauma Studios in September 2004. In conjunction with the purchase, it was also agreed that an additional purchase price of 200,000 US dollars would be paid in 2006 under certain predetermined conditions. In view of the discontinuation of operations at the New York studio, the additional purchase price will not be paid.

## Investments

Digital Illusions announced at the end of December 2005 that the Company will further invest up to SEK 50 million in 2006 and 2007 in technological development related to PCs and the next generation of consoles. In 2005, Digital Illusions invested about SEK 15 million in technological development for the new platforms and PCs. In addition, customary investments in games projects will be made as in previous years. Development of the next generation's consoles requires greater resources than for today's hardware.

Digital Illusions will strengthen its position to enable the Company to become one of the leading developers of games for the next generation's platforms, Sony Playstation 3 and Microsoft Xbox 360. The Company will also continue to invest in the development of PC games.

All games developers must make considerable investments in order to be successful in the long-term. Digital Illusions' investments are therefore far from unique. Investments in the new platforms will imply lower profit margins in the development projects over the coming years. The technology and tools being developed will however be re-used in the production of subsequent games for the same platform generation.

Xbox 360 was released in December 2005. Playstation 3 is expected to be released in 2006/2007.

## New premises

Digital Illusions plans for continued growth, and the number of employees will rise continuously during the forthcoming years. The Company therefore needs larger and more flexible premises. Digital Illusions signed a new lease in the summer of 2005, and the Stockholm office will move in June 2006 to what is known as "Glashuset" located at Slussen in Stockholm.

Costs related to the move in the amount of SEK 4–5 million are anticipated to burden the results of the second and third quarters 2006. Investments in the premises such as sound room, server room and similar areas, amounting to SEK 6 million, will be made in 2006 and depreciated over a



period of 2 to 5 years. The Company's rental costs will increase as of January 1, 2007 from about SEK 7 million in 2006 to approximately SEK 16 million in 2007. Digital Illusions has provided a customary lease guarantee of SEK 8 million.

### Contracts

A contract was signed in the second quarter 2005 for the development of the Battlefield 2 Special Forces expansion pack. The game was developed by Digital Illusions' Canada studio and was released in November 2005. It was the first product that the publisher Electronic Arts (EA) tested selling both via stores and directly to end-consumers via the Internet. Digital Illusions earns more per sold product when the game is sold online directly to the consumer than when sold via retailers.

The trial period was so successful that the PC game (a further Battlefield 2 expansion pack) which was to have been released in the first quarter 2006 has been replaced by two so-called booster packs that will only be sold via the Internet.

Expansion packs in the Battlefield series contain new tracks, vehicles and weapons. Each Battlefield booster pack will contain a smaller number of new parts, and will also be sold at a lower price of 9.99 US dollars per unit. An expansion pack costs between 19.99 and 29.99 US dollars per unit.

Two contracts were signed for PC games in the second quarter 2005. The first contract covers the development of a PC version of Digital Illusions' forthcoming action game, which for the moment is untitled. The PC version is planned to be released in 2007, simultaneously as the game comes to Microsoft's Xbox 360 and Sony's future platform Playstation3 (PS3). The product is being developed at Digital Illusions' Stockholm studio.

The second contract for a PC game concerns Digital Illusions' untitled game to be released in 2007. The product will be available for PCs, simultaneously as it is released to Playstation Portable, Xbox 360 and Playstation 3. The product is being developed at Digital Illusions' Stockholm studio.

Digital Illusions signed a contract in the middle of October for the development of a PC game in the shooter category with the publisher Electronic Arts. The product will be developed at the Company's Stockholm studio, and is expected to have good prerequisites to generate revenues in the form of royalties to the Company in 2006. Digital Illusions will receive a development budget from the publisher Electronic Arts to produce the game, the title of which has not been officially chosen for the time being.

The market for Playstation 2 (PS2) and Xbox games decreased in 2005 compared

with 2004, due primarily to the hardware manufacturers' new consoles being released at the end of 2005 and in 2006. According to the NPD Group, sales of games for PS2 fell by 25 percent in both Germany and Great Britain in the fourth quarter 2005 compared with the same period in 2004. In the United States, sales of PS2 games fell by 26 percent in the fourth quarter 2005, compared with the same quarter in 2004. Software sales fell overall in the US in November by 18 percent, despite a price increase of 2 percent. During the period October 30 to November 26, sales of games software amounted to 696 million US dollars, compared with 849 million US dollars in the same period 2004.

In the middle of October, Digital Illusions licensed out the rights to develop the Playstation Portable, Xbox and Playstation 2 versions of its untitled game with release in 2006/2007 to EA's studio in Great Britain. In view of the declining sales of Playstation 2 and Xbox games, EA and Digital Illusions have decided to discontinue development of the untitled game for these two platforms. The Playstation Portable version of the product will however continue to be developed by EA, and the versions for Xbox 360 and Playstation 3 will be produced by Digital Illusions' Stockholm studio as before.



Release of the game is planned to be in 2007.

All of the games that Digital Illusions signed contracts for in 2005 are based on the Company's own brand names with Electronic Arts as publisher.

### Products

An updated version of Battlefield Vietnam was released in March 2005, containing the game and the additional material that can be downloaded free of charge from the Internet.

Battlefield 2 for PCs was released at the end of June 2005. An amazing 1,130,000 units were initially sold to dealers, thus making the release the most successful ever for Digital Illusions. The game has been extremely well-received by both consumers and games journalists. The product has obtained an average grade of 91 of 100 possible in the critics-site

*www.metacritic.com*. Up to the end of December 2005, the game has sold 1,900,000 units to dealers, thus making it one of the world's most sold PC games in 2005.

Battlefield 2 Modern Combat for Xbox and Playstation 2 was released in the United States at the end of October. Release in other markets took place in the middle of November 2005. The product will also come to Xbox 360 in the first quarter 2006.

Additional material for the Xbox version of Battlefield 2 Modern Combat was released in the last quarter of 2005, and which can be downloaded via the Internet.

Up to the end of December 2005, Digital Illusions' game Battlefield 2 Modern Combat for Xbox and PS2 has sold 1,130,000 units to dealers and about 500,000 units to end-consumers – implying that sales of the Battlefield 2 Modern Combat game for Xbox and PS2 went as per Digital Illusions'

plan to stores. On the other hand, the game has not sold to consumers as much as the Company had anticipated.

In order for Digital Illusions to receive any royalties for Battlefield 2 Modern Combat, more than 4 million units of the game must be sold to dealers. The high royalty threshold is due to the large development budget of the product and that the development of the game was split between Digital Illusions and Electronic Arts.

A further collection box, Battlefield 1942: The Complete Collection, was released in the United States in the fourth quarter. It consists of the basic game Battlefield 1942, the expansion packs Road to Rome and Secret Weapons, as well as the Battlefield Vietnam game and the additional material that has been released for Battlefield.

Battlefield 2's expansion pack Special Forces for PCs was released at the end of November 2005. The product has sold 650,000 units up to the end of December 2005, making it Digital Illusions' best-selling expansion pack ever.

About 45 percent of all Battlefield products are sold in North America, 45 percent in Europe, and the remainder in the rest of the world. Battlefield 2 and its expansion packs differ however from the other Battlefield games, and sell slightly better in Europe than in the United States. A total of more than 9.2 million games in the Battlefield series have been sold.

### Digital Illusions' release schedule

Title	Platform	Category	Date
BF2 Modern Combat	Xbox 360	FPS*	Q1 -06
BF2 Boosterpack Euro Force	PC	FPS*	Q1 -06
BF2 Boosterpack Armored Fury	PC	FPS*	H1 -06
BF2 Deluxe	PC	FPS*	Q2 -06
Untitled	PC	FPS*	H2 -06
Untitled	PC, PS3, Xbox 360, PSP**	FPS*	2007
Untitled	PC, PS3, Xbox 360	Action	2007

\* FPS is an abbreviation for First Person Shooter

\*\* Development licensed to EA UK



### Releases of games in 2006

Digital Illusions plans one major games launch in 2006. In addition, the Xbox 360 version of Battlefield 2 Modern Combat, at least one collection box and downloadable material (booster packs) will be released for sale during the year. The Company's two major releases of games for the next generation's consoles will take place in 2007.

### Awards to Digital Illusions

When the major games media Gamespy, Gamespot and IGN designated the best games at the E3 games fair in May 2005, Battlefield won several awards including Best PC Game, Best Multiplayer Game, Best PC Action Game and Best Shooter.

Digital Illusions won the award Best Use of Online at the Develop Industry Excellence Awards 2005 – a European gala for the games sector. The awards ceremony was held at the end of August at the GDC fair in London. In addition to the Best Use of Online, Digital Illusions was also nominated in the category Industry Leader – Inhouse Development.

Develop Industry Excellence Awards is the largest gala of its kind that identifies and awards prizes for creativity and talent among European games developers. A jury composed of 50 people from the games sector designated the winners.

One of the world's foremost game sites, Gamespy.com, designated the best games in 2005. Digital Illusions' successful game Battlefield 2 won a number of prizes such as PC Multiplayer Game of the Year, Online Multiplayer Game of the Year, and Gamers Choice PC Game of The Year.

Another of the world's leading game sites, Gamespot, has designated the year's best games for 2005. Battlefield 2 won the category Best Multiplayer of the Year. The game was also nominated in the classes Game of the Year (all categories), Best PC Game and Best Shooter.

In February 2005, Rallisport Challenge 2 was designated "Racing Game of the Year" by Superplay magazine and the TalkXbox game site, while the reviewer of Boomtown's game site, Daniel Morton, designated it as "Game of the Year 2004".

The Swedish game magazine Superplay awarded its "Golden Pixel" prize to Battlefield 2 as the best Swedish game of the year 2005.

### Sundry comments regarding operations in 2005

#### Digital Illusions is one of Sweden's most attractive employers

Digital Illusions obtains a good grade when Swedish university students list their favorite employers in the annual attitude survey known as "Company Barometer". Digital Illusions is placed fourth within the Computer/IT sector in 2005. Only Ericsson, Microsoft and Sony Ericsson are considered to be more attractive employers. Digital Illusions also received the distinction of "Rocket of the Year" further to having moved from 71st to fourth place within one year in the same survey.

The daily newspaper Svenska Dagbladet published in the middle of January 2006 a

### Sales of games to dealers up to December 31, 2005

Title	Platform	Released	Units sold
RalliSport Challenge	Xbox	March 2002	900,000*
Battlefield 1942	PC	Sept 2002	2,360,000
Battlefield Road to Rome	PC	Feb 2003	640,000
Midtown Madness 3	Xbox	June 2003	570,000*
Battlefield Secret Weapons	PC	Sept 2003	480,000
Battlefield Deluxe	PC	Oct 2003	370,000
Battlefield Vietnam	PC	March 2004	1,290,000
RalliSport Challenge 2	Xbox	May 2004	400,000*
Battlefield Anthology	PC	May 2004	350,000
BF 1942 + Road to Rome	Mac	July 2004	Not available
Battlefield Secret Weapons	Mac	Nov 2004	Not available
Battlefield 2	PC	June 2005	1,900,000
Battlefield Complete Collection	PC	Oct 2005	50,000
Battlefield 2 Modern Combat	Xbox, PS2	Nov 2005	1,130,000
Battlefield 2 Special Forces	PC	Nov 2005	650,000

\* Sales up to September 30, 2005. Further figures are not available.

survey of the hottest employers for students and professional computer technicians. The survey was based on more than 22,000 respondents. The results were as follows:

**Employers desired by computer technician students**

1. Google	6. Volvo IT
2. Ericsson	7. Digital Illusions
3. Sony Ericsson	8. Apple
4. Ikea	9. IBM
5. Microsoft	10. WM-Data

**Employers desired by professional computer technicians**

1. Ikea	6. Google
2. Ericsson	7. Microsoft
3. Volvo IT	8. TV4
4. Sony Ericsson	9. Astra Zeneca
5. WM-Data	10. Digital Illusions

**Events further to the end of the period**

**The Royal Philharmonic Orchestra plays Battlefield**

"Play!" is coming to Stockholm – a symphony orchestra tour with music from television and computer games such as Battlefield, Final Fantasy, Silent Hill, Metal Gear Solid and World of Warcraft.

The music will be played by the Royal Philharmonic Orchestra at the Stockholm Concert Hall on June 14, 2006. Large screens with pictures from the games will accompany the concert. Tickets were released on January 12 and were sold out within less than two weeks.

**Digital Illusions principal partner for Swedish Game Awards 2006**

Digital Illusions will be the principal partner for PC games at the Swedish Game Awards 2006. The competition is targeted towards students at a large number of colleges, universities and games courses throughout Sweden. The objective of Swedish Game Awards is to produce and stimulate the development of new concepts within both the mobile and stationary areas. The idea is to inspire students to think from an entrepreneurial and creative perspective. The contributions will be judged on the commercialization potential, the originality of the game concept, and its technical success.

Digital Illusions has participated in and sponsored the competition since it was started in 2002, and has decided this year to go in as principal partner. The agreement implies that a Game Developer's Evening will be arranged in the spring of 2006 together with Digital Illusions.

**Market**

According to the NPD Group, the games sector (including both hardware and software) increased in the United States by 6 percent in 2005 to more than USD 10.5 billion, compared with USD 9.9 billion in 2004. This increase is primarily due to the strong market for games for handheld consoles, such as Gameboy DS and PlayStation Portable, which amounted to USD 1.4 billion – representing an increase of 42 percent compared with 2004. Sales of handheld consoles rose by 96 percent during the year.

On the hand other, the normal console market declined in 2005 compared with the previous year. Hardware sales decreased by 3 percent and sales of games fell by 12 percent compared with 2004.

Sales of games for PCs in the American market amounted to USD 953 million in 2005, representing a fall of 14 percent compared with 2004.

**Proposed dividend**

The Board of Directors proposes no dividend for 2005.

**Annual General Meeting of shareholders**

The Annual General Meeting of Shareholders will be held in Stockholm on April 26, 2006. The Company's Annual Report & Accounts will be available at the head office and via Digital Illusions' website at least two weeks before the shareholders' meeting.

**Electronic Arts**

In the middle of November 2004, the American company Electronic Arts announced a tender offer to all shareholders of Digital Illusions of SEK 61 per share. The initial offer period ran to December 16, 2004 but was extended to January 20, 2005. The Board of Directors of Digital Illusions at that time considered the offer to be reasonable and unanimously recom-

mended the Company's shareholders to accept the offer.

When Electronic Arts' offer was closed on January 20, 2005, Electronic Arts owned 59.8 percent of the outstanding shares in Digital Illusions. At year-end 2005, Electronic Arts owned 67.9 percent. A list of the 10 largest shareholders per December 31, 2005 is set out on page 9.

**Share option rights**

Outstanding share option rights to Electronic Arts amount as previously to 2,327,602 with expiry date April 11, 2007.

**Accounting principles**

Digital Illusions has historically prepared its financial reports in accordance with generally accepted accounting principles in Sweden, meaning the Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendations (RR). As of 2005, the Company prepares its consolidated accounts as per International Financial Reporting Standards (IFRS). All amounts concerning the comparative year 2004 have also been restated in accordance with IFRS, with the exception of recommendation IAS 39 "Financial Instruments" which has been implemented as of January 1, 2005. This is in accordance with the transition regulations in IFRS 1 "First-Time Adoption of IFRS". Other exceptions in IFRS 1 that have been applied by Digital Illusions are the possibility of only restating company acquisitions performed after January 1, 2004 in accordance with IFRS 3 and the possibility of not restating historical share option programs as per IFRS 2. Otherwise, none of the possible exceptions contained in IFRS 1 have been utilized. The table on page 9 sets out the reconciliation between the income statement and balance sheet for 2004 as per the previous and new accounting principles in relation to IFRS. The following IFRS recommendations have, or it is deemed that they will have, a significant effect on Digital Illusions' financial accounting:

- IFRS 3 Business Combinations
- IAS 39 Financial Instruments

IFRS 3 regulates how business combinations shall be reported (such as company acquisitions). IFRS 3 places tougher demands in the identification and report-

ing of intangible fixed assets, separate from goodwill, resulting in perhaps a lower value of unidentified assets under IFRS compared with Digital Illusions' previous accounting principles. Furthermore, the reported goodwill value shall not be amortized. The value of goodwill shall instead be regularly tested, and should a decline in value (impairment) be ascertained, the value of the goodwill shall be written down accordingly. For Digital Illusions, it is the latter that has had the most effect on its accounts in view of that Digital Illusions' goodwill values are no longer burdened with regular amortizations.

IAS 39 handles the reporting of financial assets and liabilities, including derivative instruments. All financial assets and liabilities shall be reported in the balance sheet.

The classification of financial instruments governs the ongoing valuation where the valuation standard is "fair value". For Digital Illusions, the significant impact of IAS 39 for the moment is that currency derivatives that the Company uses to hedge against fluctuations in foreign exchange rates shall be reported as per the recommendation at their fair value in the balance sheet. For derivatives that are identified as hedging instruments, and that fulfill the requirements of hedge accounting, changes in the fair value shall be reported in the income statement in the same period as the hedged transaction. Changes in the fair value of other derivative instruments shall be reported immediately in the income statement as financial income or cost.

As of the year-end accounts for 2005, the Group's deferred tax liabilities are reported as long-term liabilities. Comparative figures for 2004 have been updated by reclassifying the item Provisions (SEK 6,154 Thousand) to Long-Term Liabilities.

Recommendation RR 29 "Remuneration to Employees" entered into force on January 1, 2004. This recommendation implies that retirement pension obligations pertaining to defined-benefit pension plans, including Digital Illusions' ITP plan, shall be reported in the balance sheet. For the financial year 2005, the Company has not had access to such information to enable the reporting of this plan as a defined-benefit plan. The pension plan as per ITP, which is secured through an insurance policy with Alecta, is therefore reported as a defined-contribution plan.

#### The 10 largest shareholders as per December 31, 2005

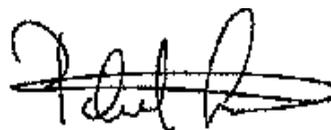
	Number A-shares	Number B-shares	Percent
Electronic Arts EA Holding AB	4,956,715		49.03%
State Street Bank & Trust (Electronic Arts)	0	1,911,403	18.91%
BNY GCM Client Accounts (e) ISG	1,267,800		12.54%
Handelsbankens Småbolagsfond	287,710		2.85%
Livförsäkringsaktiebolaget	225,200		2.23%
Dahlander, Peter	145,000		1.43%
Handelsbanken Liv	100,000		0.99%
Handelsbankens Nordiska	91,290		0.90%
Länsförsäkringar Jönköping	33,400		0.33%
Hugo Lindersson Kläder AB	25,000		0.25%
<b>Total:</b>	<b>7,132,115</b>	<b>1,911,403</b>	<b>89.46%</b>
<b>Total other shareholders:</b>	<b>1,066,542</b>	<b>0</b>	<b>10.54%</b>
<b>Total as per December 31, 2005</b>	<b>8,198,657</b>	<b>1,911,403</b>	<b>100.00%</b>

#### Reconciliation of differences between previous accounting principles (RR) and current accounting principles (IFRS) for the year 2004.

Income Statement	Jan-Dec 2004	Oct-Dec 2004		
Profit for the year as per RR	19,501	-9,386		
Write-back of amortization of goodwill	10,929	2,806		
Tax effect of written-back amortization	-1,852	-489		
Profit for the period as per IFRS	28,578	-7,069		

Balance Sheet as at December 31, 2004	RR	Goodwill- amortization	Tax- effects	IFRS
Goodwill	10,661	10,929		21,590
Other fixed asset	10,917			10,917
Current assets	244,795			244,795
<b>Total assets</b>	<b>266,373</b>	<b>10,929</b>	<b>0</b>	<b>277,302</b>
Shareholders' equity	205,230	10,929	-1,852	214,307
Long-term liabilities	5,625		1,852	7,477
Current liabilities	55,518			55,518
<b>Total equity and liabilities</b>	<b>266,373</b>	<b>10,929</b>	<b>0</b>	<b>277,302</b>



Stockholm February 21, 2006

Patrick Söderlund, CEO  
Digital Illusions CE AB

*This interim report has not been examined by the Company's auditors*

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# Consolidated Income Statements

(SEK 000)	2005 Jan – Dec	2004 Jan – Dec	2005 Oct – Dec	2004 Oct – Dec
Net revenues	225,672	209,337	61,758	36,560
Other operating income (Note 1)	978	4,384	204	237
<b>Total operating income</b>	<b>226,650</b>	<b>213,721</b>	<b>61,962</b>	<b>36,797</b>
Direct external costs	-5,691	-14,057	-2,282	-2,679
Other external costs	-32,173	-34,981	-9,572	-11,607
Personnel costs	-122,977	-121,272	-33,056	-30,634
Depreciation & amortization of fixed assets (Note 2)	-7,419	-6,233	-1,663	-1,830
Other operating costs (Note 3)	-735	—	-424	-132
<b>Total operating expenses</b>	<b>-168,995</b>	<b>-176,543</b>	<b>-46,997</b>	<b>-46,882</b>
<b>Operating profit</b>	<b>57,655</b>	<b>37,178</b>	<b>14,965</b>	<b>-10,085</b>
Financial items	4,113	3,151	1,149	659
<b>Profit after financial items</b>	<b>61,768</b>	<b>40,329</b>	<b>16,114</b>	<b>-9,426</b>
Tax for the period	-17,616	-11,751	-4,820	2,357
<b>Profit for the period</b>	<b>44,152</b>	<b>28,578</b>	<b>11,294</b>	<b>-7,069</b>
Profit relating to the minority shareholding	—	—	—	—
Profit relating to shareholders of the parent company	44,152	28,578	11,294	-7,069
Earnings per share (SEK)	4.37	2.83	1.12	-0.70
Diluted earnings per share (SEK)	4.07	2.56	1.03	-0.70
Average number of shares during the period	10,110,060	10,087,985	10,110,060	10,110,060
Average number of diluted shares during the period	10,855,955	11,144,974	10,919,809	11,041,770

# Consolidated Balance Sheets

(SEK 000)	2005 31 Dec	2004 31 Dec	Change 12 months
<b>ASSETS</b>			
<b>Fixed assets</b>			
Goodwill	18,624	21,590	-2,966
Other intangible fixed assets	1,612	1,383	229
Tangible fixed assets	5,289	7,588	-2,299
Financial fixed assets	9,401	1,946	7,455
<b>Total fixed assets</b>	<b>34,926</b>	<b>32,507</b>	<b>2,419</b>
<b>Current assets</b>			
Current receivables	70,689	113,343	-42,654
Current investments	—	688	-688
Cash and bank balances	209,630	130,764	78,866
<b>Total current assets</b>	<b>280,319</b>	<b>244,795</b>	<b>35,524</b>
<b>TOTAL ASSETS</b>	<b>315,245</b>	<b>277,302</b>	<b>37,943</b>
<b>EQUITY AND LIABILITIES</b>			
Shareholders' equity	246,857	214,307	32,550
Long-term liabilities	1,594	7,477	-5,883
Current liabilities	66,794	55,518	11,276
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>315,245</b>	<b>277,302</b>	<b>37,943</b>

# Consolidated Cash Flow Statements

(SEK 000)	2005 Jan – Dec	2004 Jan – Dec	2005 Oct – Dec	2004 Oct – Dec
Cash flow from current operations before changes in working capital	60,417	27,698	15,909	-9,054
Cash flow from changes in working capital	28,934	-1,892	64,011	33,889
Cash flow from investment operations	-11,826	-8,290	-8,701	-2,087
Cash flow from financing operations	—	-11,023	—	-276
<b>Cash flow for the period</b>	<b>77,525</b>	<b>6,493</b>	<b>71,219</b>	<b>22,472</b>
Exchange rate difference in liquid assets	653	-448	59	-355
<b>Change in liquid assets</b>	<b>78,178</b>	<b>6,045</b>	<b>71,278</b>	<b>22,117</b>

# Consolidated Statement of Equity

(SEK 000)	2005 Jan – Dec	2004 Jan – Dec	2005 Oct – Dec	2004 Oct – Dec
Opening equity	214,307	198,368	238,017	221,912
New share issue	—	2,096	—	—
Payment of dividends	—	-9,054	—	—
Repayment of shareholder's contribution	—	-6,247	—	—
Reclaimed VAT on expenses for new share issue	—	711	—	-276
Implementation of IAS 39	3,406	—	—	—
Change in value of derivatives used for hedge accounting	-16,868	—	-3,092	—
Translation difference	1,860	-145	638	-260
Profit for the period	44,152	28,578	11,294	-7,069
<b>Closing equity</b>	<b>246,857</b>	<b>214,307</b>	<b>246,857</b>	<b>214,307</b>

# Notes

(SEK 000)	2005 Jan – Dec	2004 Jan – Dec	2005 Oct – Dec	2004 Oct – Dec
<b>Note 1 – Other operating income</b>				
Net operative exchange gains and losses	—	3,768	—	—
Other income	978	616	204	237
<b>Total</b>	<b>978</b>	<b>4,384</b>	<b>204</b>	<b>237</b>
<b>Note 2 – Depreciation &amp; amortization of fixed assets</b>				
Write-down of goodwill	-1,464	-267	-149	-267
Amortization of other intangible fixed assets	-1,191	-868	-345	-348
Depreciation of equipment	-4,764	-5,098	-1,169	-1,215
<b>Total</b>	<b>-7,419</b>	<b>-6,233</b>	<b>-1,663</b>	<b>-1,830</b>
<b>Note 3 – Other operating costs</b>				
Net operative exchange gains and losses	-385	—	-423	-132
Other items	-350	—	-1	—
<b>Total</b>	<b>-735</b>	<b>—</b>	<b>-424</b>	<b>-132</b>

## Key Ratios & Figures

	2005 Jan – Dec	2004 Jan – Dec	2005 Oct – Dec	2004 Oct – Dec
<b>Margins and return</b>				
Operating margin (%)	25.5	17.8	24.2	-27.6
Profit margin before tax (%)	27.4	19.3	26.1	-25.8
Profit margin after tax (%)	19.6	13.7	18.3	-19.3
Return on average equity (%)	19.1	13.9	4.7	-3.2
Return on average total assets (%)	20.8	15.5	5.2	-3.5
<b>Employees</b>				
Average number of employees	190	201	189	204
Profit after tax per employee (SEK 000)	232	142	60	-35
<b>Equity (*)</b>				
Equity/assets ratio (%)	78.3	77.3	78.3	77.3
Equity per share (SEK)	24.42	21.20	24.42	21.20
Stock quote (SEK)	60.25	60.50	60.25	60.50

(\*) As at end of the period.



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