

2006

Interim report
January – June



Digital Illusions CE AB (publ)



Result after tax for the first half-year amounted to SEK –5.7m

- Net revenues for the first half-year 2006 amounted to SEK 97.4m, representing a decrease of 5 percent compared with the same period 2005 (SEK 102.6m). Total operating revenues amounted to SEK 98.2m (SEK 103.6m).
- The loss after financial items for the first half-year was SEK –7.7m (SEK 20.1m). Costs for the merger with Electronic Arts and the Company's move to new offices burdened the first half-year with SEK 6m and SEK 3m respectively.
- The loss after tax for the first half-year 2006 amounted to SEK –5.7m (SEK 14.5m), representing SEK –0.56 per share (SEK 1.43).
- Net revenues for the second quarter 2006 amounted to SEK 50.8m, representing a decrease of 23 percent compared with the same period 2005 (SEK 66.4m). The loss after financial items for the period April–June 2006 was SEK –6.6m, and thereby decreased by SEK 33.0m compared with the same period 2005 (SEK 26.4m).
- Royalties stood for 45 percent of Digital Illusions' total revenues in the first half-year 2006. In the second quarter 2006, royalty revenues amounted to SEK 22.2m and represented 43 percent of the Company's total revenues.
- The Annual General Meeting of Shareholders held on May 24, 2006 resolved to approve the merger plan proposed by Digital Illusions and Electronic Arts EA

Holding AB. According to the merger plan, Digital Illusions will be absorbed by Electronic Arts Holding AB, upon which the shareholders of Digital Illusions will receive cash compensation of SEK 67.50 for each share held. The merger is expected to be completed in September 2006.

- The Stockholm offices moved at the end of June 2006 to what is known as the "Glashuset" building located at Slussen in Stockholm.

Financial comments

Net revenues for the first half-year 2006 amounted to SEK 97.4m (SEK 102.6m). Total operating revenues amounted to SEK 98.2m (SEK 103.6m), representing a decrease of 5 percent compared with the same period 2005. Digital Illusions did not launch any new larger games in the first half-year 2006. The Battlefield 2 product was launched in the corresponding period 2005.

The profit margin before tax for the first half-year 2006 was –8 percent (20 percent).

Operating costs for the first half-year 2006 increased by 27 percent compared with the same period 2005. This increase is related to Digital Illusions' continued expansion, and is due in particular to the Company working today with larger and more advanced productions. Costs of about SEK 6m also incurred in the first half-year in conjunction with the proposed merger with Electronic Arts EA Holding AB, inclu-

ding items such as legal advice, a fairness opinion from SEB Enskilda and an offering memorandum. Furthermore, costs related to the Company moving to new premises burdened the second quarter 2006 to the amount of SEK 3m.

Change in liquid funds amounted to SEK –54.0m in the first six months. The Company's liquid funds amounted to SEK 155.6m at the end of June 2006.

Projects and royalty revenues

45 percent (SEK 44.3m) of Digital Illusions' revenues came from royalties in the first half-year 2006, which were primarily generated by the Battlefield series. In the second quarter 2006, 43 percent (SEK 22.2m) of Digital Illusions' total revenues came from royalties.

Project income represented SEK 53.1m (54 percent) of total revenues in the first half-year, and SEK 28.6m (56 percent) of total revenues in the second quarter 2006.

Financial items in the first half-year 2006 amounted to SEK 1.5m and consisted of yield on the Company's liquid funds, as well as financial currency effects during the period.

The games sector is currently experiencing major changes in order to adapt to new technology when the next generation's consoles are launched on the market. Microsoft's Xbox 360 was launched at the end of 2005, while Nintendo's Wii and Sony's Playstation 3 are planned to be launched at the end of 2006.

Sales of games to dealers up to June 30, 2006

Title	Platform	Released	Units sold
RalliSport Challenge	Xbox	March 2002	900,000*
Battlefield 1942	PC	Sept 2002	2,470,000
Battlefield Road to Rome	PC	Feb 2003	640,000
Midtown Madness 3	Xbox	June 2003	570,000*
Battlefield Secret Weapons	PC	Sept 2003	490,000
Battlefield Deluxe	PC	Oct 2003	370,000
Battlefield Vietnam	PC	March 2004	1,360,000
RalliSport Challenge 2	Xbox	May 2004	410,000*
Battlefield Anthology	PC	May 2004	420,000
BF 1942 + Road to Rome	Mac	July 2004	N/A
Battlefield Secret Weapons	Mac	Nov 2004	N/A
Battlefield 2	PC	June 2005	2,250,000
Battlefield Complete Collection	PC	Oct 2005	90,000
Battlefield 2 Modern Combat	Xbox, PS2, Xbox 360	Nov 2005/Apr 2006	1,640,000
Battlefield 2 Special Forces	PC	Nov 2005	800,000
Battlefield 2 Euro Forces**	PC	March 2006	200,000
Battlefield 2 Armored Fury**	PC	June 2006	130,000
Battlefield 2 Deluxe	PC	June 2006	100,000

* As per March 31, 2006

** Sold online directly to customers



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 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 to a lower dollar rate than the current dollar rate, which in turn affects project revenues.

100 percent of net revenues in the first half-year 2006 came from projects with Electronic Arts.

Operations during the first half-year 2006

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 period with the objec-

tive of improving products and thereby providing prerequisites to increase related future royalty revenues.

A decision of the Board of Directors was announced at the end of December 2005 regarding an investment of a further SEK 50m in technology development for the next generation's consoles in 2006 and 2007. Further to this Board decision, Digital Illusions invested about SEK 12m in technology in the first half-year 2006.

Contracts

In the middle of October 2005, Digital Illusions licensed out the rights to develop the Xbox and Playstation 2 versions of an untitled game, with launch due in 2007, to Electronic Arts (EA)'s studio in Great Britain. EA and Digital Illusions decided at the beginning of February 2006 to discontinue the development of the product for these two platforms in view of the downward sales trends of games for the Xbox and Playstation 2 consoles.

The Playstation Portable version of the product will however continue to be developed by EA, and the versions for PC,

Xbox 360 and Playstation 3 are produced by Digital Illusions' Stockholm studio as previously. The game is planned to be launched in 2007.

In the middle of October 2005, Digital Illusions signed a contract for a PC game in the Shooter category, which was named Battlefield 2142 at the end of March 2006. The game is built on the same technical platform as Battlefield 2 and is being developed by the Company's Stockholm studio. The game is an independent product and is based on Digital Illusions' own brand name.

The action in the new product takes place in the future. In Battlefield 2142, the players are required to choose between two military superpowers in the decisive battle for survival. In the year 2142, the world is in a new ice age, which has brought large parts of the world to a halt, and global powers are assembling their strength and forces. Up to 64 players can meet each other in two teams. As the players successfully move forward, promotion and rewards arise in the form of new weapons, medals and much more.

Digital Illusions' game-release timetable

Title	Platform	Category	Date
Battlefield 2142	PC	FPS	Oct -06
Untitled	PC, PS3, Xbox 360, PSP*	FPS	2007
Untitled	PC, PS3, Xbox 360	Action	2007

* Development licensed to Electronic Arts UK

Forthcoming reports

Interim Report January–September 2006 November 10, 2006
Year-End Report 2006 February 20, 2007



Battlefield 2142 was presented for the first time to journalists and the general public at the E3 games fair in May, and was received extremely well. Electronic Arts is publishing and distributing the game, of which the launch is planned in October 2006.

Products

The Battlefield 2 Euro Force booster package was launched in March 2006, and is only sold over the Internet. When games are sold online directly to the consumer, Digital Illusions receives a higher portion of the price per sold product than if they were sold via dealers. 200,000 units had been sold as per June 30, 2006.

The Xbox 360 version of the Battlefield 2 Modern Combat game was launched in April 2006, and 440,000 units had been sold up to June 30, 2006.

The Battlefield 2 Armored Fury booster package was launched in June 2006 and is only sold over the Internet. Battlefield 2 Armored Fury had sold 130,000 units up to June 30, 2006. The Battlefield 2 Deluxe collection box was launched in June 2006, and had sold 100,000 units as per June 30, 2006.

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 nearly 11 million games in the Battlefield series have been sold.

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 moved at the end of June 2006 to what is known as the "Glashuset" building located at Slussen in Stockholm.

Costs related to the move amounted to about SEK 3m in the second quarter. Remaining costs related to the move are estimated to be SEK 1-2m and will burden the third quarter 2006. General investments in the premises such as sound room, server room and similar areas, amounting to SEK 6 million, will be made continuously 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.

Awards to Digital Illusions

Digital Illusions was awarded the Chamber of Commerce magazine's world-class prize in June. The accompanying statement reads as follows: "Digital Illusions, which was started in 1990 by five young people from Småland in southern Sweden, has grown to be one of the world's most influential and successful companies within games development. The Battlefield game series has sold nearly ten million units and constitutes one of the foundations for computer games played online via the Internet around the world. Games produced by Digital Illusions are sold primarily throughout Europe, in the United States and Japan, and have deservedly succeeded in becoming established within a wide range of different game cultures. With unique playfulness and committed energy, Digital Illusions has continuously succeeded in creating magic that enthral a conscious, informed and heterogeneous customer-group. In a sector

where technological developments constantly modify prerequisites from one day to the next, the Swedish company Digital Illusions is one of the leading players in the world, and sets standards for the future."

Other comments

It was announced on March 17, 2006 that the Boards of Directors of Electronic Arts EA Holding AB and Digital Illusions CE AB (publ) had agreed that the two companies be merged in accordance with Chapter 23 of the Swedish Companies Act. Electronic Arts owned 67.9 percent of Digital Illusions' shares at this point in time. The merger will be completed through Digital Illusions CE AB being merged with Electronic Arts EA Holding AB, at which time Electronic Arts EA Holding AB will take over the assets and liabilities of Digital Illusions CE AB.

The Annual General Meeting of Shareholders held on May 24, 2006 resolved to approve the merger plan proposed by Digital Illusions and Electronic Arts EA Holding AB. According to the merger plan, Digital Illusions will be absorbed by Electronic Arts Holding AB, upon which the shareholders of Digital Illusions will receive cash compensation of SEK 67.50 for each share held. The merger is expected to be completed in September 2006.

The Annual General Meeting of Shareholders also resolved that the proposals regarding profit allocation as well as discharging the board from liability should be decided on a continued shareholders' meeting. The Annual General Meeting of Shareholders further resolved to appoint a minority auditor as well as a special auditor to review the financial terms in the game development contracts between Electronic Arts and Digital Illusions where Electronic Arts is participating. The minority auditor

and special auditor are finally appointed by the County Council (Sw. Länsstyrelsen).

Significant events further to the end of the period

A continued shareholders' meeting in Digital Illusions was held on July 11, 2006. The continued shareholders' meeting resolved in accordance with the board of director's proposal regarding profit allocation, meaning that no dividend was paid. Shareholders representing at least one tenth of all the shares in the company, voted at the shareholders' meeting against the proposal to discharge the board members from liability.

An extraordinary shareholders' meeting was also held on July 11, 2006, called upon by a shareholder with more than 10 percent of the shares. The extraordinary shareholders' meeting resolved to appoint a special auditor to review the board's actions in the merger, and all other affairs between DICE and EA. The special auditor is finally appointed by the County Council (Sw. Länsstyrelsen).

Accounting principles

As of 2005, Digital Illusions prepares its consolidated accounts in accordance with IFRS (International Financial Reporting Standards).

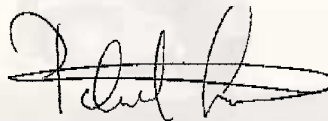
This Interim Report has been prepared in accordance with IAS 34 – Interim Financial Reporting, which fulfils the requirements stipulated in RR 31 – Consolidated Interim Financial Reporting. The accounting principles applied are the same as those used in the preparation of the latest Annual Report.

The 10 largest shareholders as per June 30, 2006

	Number A-shares	Number B-shares	Percent
Electronic Arts *	5,587,292	1,911,403	74.17%
Goldman Sachs International Ltd	1,522,730		15.06%
Morgan Stanley & Co Intl Ltd	327,200		3.24%
Livförsäkrings AB Skandia	225,200		2.23%
Dahlander, Peter	145,000		1.43%
Equity Execution Trading Station	91,900		0.91%
Johansson, Dan-Håkan	10,000		0.10%
Bengtsson, Bengt-Olle	6,000		0.06%
BBH Arkitekter & Ingenjörer AB	5,000		0.05%
Chriab Invest AB	5,000		0.05%
Total:	7,925,322	1,911,403	97.30%
Total other shareholders:	273,335	0	2.70%
Total:	8,198,657	1,911,403	100.00%

* Electronic Arts stake derives from Electronic Arts EA Holding AB with a stake of 55.26 procent and SSB Omnibus AC with a stake of 18.91 procent.

Stockholm, August 10, 2006



Patrick Söderlund
CEO
Digital Illusions CE AB

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

Further information is available from:
Linda Samlin, CFO, at +46 (0)8-658 78 02 or ir@dice.se

CONSOLIDATED INCOME STATEMENT

(SEK 000)	2006 Jan – Jun	2005 Jan – Jun	2006 Apr – Jun	2005 Apr – Jun	2005 Jan – Dec
Net revenues	97,419	102,624	50,826	66,369	225,672
Other operating revenues (Note 1)	742	977	289	1,020	978
Total operating revenues	98,161	103,601	51,115	67,389	226,650
Direct external costs	–9,270	–3,102	–5,845	–964	–5,691
Other external costs	–29,910	–14,737	–16,888	–7,064	–32,173
Personnel costs	–64,872	–62,376	–33,934	–31,199	–122,977
Depreciation & amortization of fixed assets (Note 2)	–3,279	–4,422	–1,770	–2,728	–7,419
Other operating costs (Note 3)	–47	–227	–47	–93	–735
Total operating expenses	–107,378	–84,864	–58,484	–42,048	–168,995
Operating profit/loss	–9,217	18,737	–7,369	25,341	57,655
Financial income and expenses	1,479	1,327	798	1,053	4,113
Profit/loss after financial items	–7,738	20,064	–6,571	26,394	61,768
Tax for the period	2,087	–5,596	1,805	–7,462	–17,616
Profit/loss for the period	–5,651	14,468	–4,766	18,932	44,152
Profit/loss relating to the shareholders of the parent company	–5,651	14,468	–4,766	18,932	44,152
Earnings per share (SEK)	–0.56	1.43	–0.47	1.87	4.37
Diluted earnings per share (SEK)	–0.56	1.32	–0.47	1.72	4.07
Average number of shares during the period	10,110,060	10,110,060	10,110,060	10,110,060	10,110,060
Average number of diluted shares during the period	10,822,789	10,987,152	10,934,484	10,981,732	10,855,955

CONSOLIDATED BALANCE SHEETS

(SEK 000)	2006 Jun 30	2005 Dec 31	Change during 2006	2005 Jun 30	Change 12 months
ASSETS					
Fixed assets					
Goodwill	18,624	18,624	—	18,772	–148
Other intangible fixed assets	1,046	1,612	–566	990	56
Tangible fixed assets	12,993	5,289	7,704	6,655	6,338
Financial fixed assets	8,250	8,197	53	172	8,078
Other fixed assets	1,151	1,204	–53	2,095	–944
Total fixed assets	42,064	34,926	7,138	28,684	13,380
Current assets					
Current receivables	98,578	70,689	27,889	102,287	–3,709
Liquid funds	155,613	209,630	–54,017	135,302	20,311
Total current assets	254,191	280,319	–26,128	237,589	16,602
TOTAL ASSETS	296,255	315,245	–18,990	266,273	29,982
EQUITY AND LIABILITIES					
Shareholders' equity	251,207	246,857	4,350	218,146	33,061
Long-term liabilities	3,544	1,594	1,950	1,574	1,970
Current liabilities	41,504	66,794	–25,290	46,553	–5,049
TOTAL EQUITY AND LIABILITIES	296,255	315,245	–18,990	266,273	29,982

CONSOLIDATED CASH FLOW STATEMENTS

(SEK 000)	2006 Jan – Jun	2005 Jan – Jun	2006 Apr – Jun	2005 Apr – Jun	2005 Jan – Dec
Cash flow from current operations before changes in working capital	–13,395	21,221	–7,718	28,066	60,417
Cash flow from changes in working capital	–29,854	–15,179	–39,351	18,007	28,934
Cash flow from investment operations	–10,705	–2,456	–6,566	–1,316	–11,826
Cash flow from financing operations	—	—	—	—	—
Cash flow for the period	–53,954	3,586	–53,635	44,757	77,525
Exchange rate difference in liquid funds	–63	264	–22	3	653
Change in liquid funds	–54,017	3,850	–53,657	44,760	78,178

CONSOLIDATED STATEMENT OF EQUITY

(SEK 000)	2006 Jan – Jun	2005 Jan – Jun	2006 Apr – Jun	2005 Apr – Jun	2005 Jan – Dec
Opening equity	246,857	214,307	248,894	211,443	214,307
Implementation of IAS 39	—	3,406	—	—	3,406
Change in value of derivatives used for hedge accounting	10,382	–15,053	7,262	–12,733	–16,868
Translation difference	–381	1,018	–183	504	1,860
Profit/loss for the period	–5,651	14,468	–4,766	18,932	44,152
Closing equity	251,207	218,146	251,207	218,146	246,857

NOTES

(SEK 000)	2006 Jan – Jun	2005 Jan – Jun	2006 Apr – Jun	2005 Apr – Jun	2005 Jan – Dec
Note 1 – Other operating revenues					
Net operative exchange gains and losses	332	317	62	859	—
Other revenues	410	660	227	161	978
Total	742	977	289	1,020	978
Note 2 – Depreciation & amortization of fixed assets					
Write-down of goodwill	—	–1,315	—	–1,315	–1,464
Amortization of other intangible fixed assets	–566	–360	–189	–197	–1,191
Depreciation of equipment	–2,713	–2,747	–1,581	–1,216	–4,764
Total	–3,279	–4,422	–1,770	–2,728	–7,419
Note 3 – Other operating costs					
Net operative exchange gains and losses	—	—	—	—	–385
Other items	–47	–227	–47	–93	–350
Total	–47	–227	–47	–93	–735

KEY RATIOS & FIGURES

(SEK 000)	2006 Jan – Jun	2005 Jan – Jun	2006 Apr – Jun	2005 Apr – Jun	2005 Jan – Dec
Margins and return					
Operating margin (%)	–9.5	18.3	–14.5	38.2	25.5
Profit margin before tax (%)	–7.9	19.6	–12.9	39.8	27.4
Profit margin after tax (%)	–5.8	14.1	–9.4	28.5	19.6
Return on average equity (%)	–2.3	6.7	–1.9	8.8	19.1
Return on average total assets (%)	–2.5	7.4	–2.1	10.1	20.8
Employees					
Average number of employees	207	197	215	197	190
Profit/loss after tax per employee (SEK 000)	–27	73	–22	96	232
Equity (*)					
Equity/assets ratio (%)	84.8	81.9	84.8	81.9	78.3
Equity per share (SEK)	24.85	21.58	24.85	21.58	24.42
Stock quote (SEK)	65.50	58.75	65.50	58.75	60.25

(*) As at end of the period.



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