



INTERIM REPORT Q2 2023



Q2 SUMMARIZED

1 APRIL – 30 JUNE 2023

Group figures. Comparative figures in parentheses refer to the same period last year.

- » Turnover amounted to 26.3 MSEK (20.5 MSEK).
- » Work in progress amounted to 7.6 MSEK (6.5 MSEK).
- » Impact of restructuring costs on profit - 14 MSEK (0 MSEK).
- » Operating profit amounted to -11.5 MSEK* (2.8 MSEK).
- » Profit before tax amounted to -13.6 MSEK (1.9 MSEK).
- » Cash & cash equivalents including short-term investments 33.3 MSEK.
- » No interest-bearing liabilities.
- » Provision for unspent user funds 50.1 MSEK.

1 JANUARY – 30 JUNE 2023

Group figures. Comparative figures in parentheses refer to the same period last year.

- » Turnover amounted to 52.8 MSEK (42.3 MSEK).
- » Work in progress amounted to 15.3 MSEK (12.5 MSEK).
- » Impact of restructuring costs on profit -14 MSEK (0 MSEK).
- » Operating profit amounted to -7.3 MSEK* (7.6 MSEK).
- » Profit before tax amounted to -9.2 MSEK (1.1 MSEK).
- » Cash & cash equivalents including short-term investments 33.3 MSEK.
- » No interest-bearing liabilities.
- » Provision for unspent user funds 50.1 MSEK.

*As of the end of June, approximately SEK 14 million has been reserved for restructuring costs, which mainly refers to costs for salary and severance pay in connection with the reorganization. This SEK 14 million is thus a non-recurring cost.

TURNOVER Q2 2023

26.3 MSEK
(20.5 MSEK)

OPERATING PROFIT Q2 2023

-11.5 MSEK*
(2.8 MSEK)

TURNOVER YTD 2023

52.8 MSEK
(42.3 MSEK)

OPERATING PROFIT YTD 2023

-7,3 MSEK*
(7.6 MSEK)

SIGNIFICANT EVENTS

SECOND QUARTER 2023

-  MindArk appoints Pareto Securities as liquidity provider for the Company's shares.
-  The company's AGM was held on May 5, 2023 and a new board was elected.
-  MindArk reorganizes and implements AI initiative. Approximately 14 million SEK has been reserved for restructuring costs as of the end of June, mainly relating to salaries and severance pay.

AFTER THE END OF THE Q2 PERIOD

-  The company announced changes in the management team as part of the reorganization. Magnus Eriksson resigns as COO.

GROUP SALES AND PROFIT IN SUMMARY

(In KSEK)	Q2 2023 April- June	Q2 2022 April- June	YTD 2023 January- June	YTD 2022 January- June	2022 January- December	2021 January- December
Total operating income	34 125	27 180	68 569	55 261	124 642	106 965
Total operating expenses	-45 648	-24 345	-75 881	-47 687	-103 286	-85 635
Profit before tax	-13 620	-1 875	-9 159	1 110	12 044	18 503

This information is information that MindArk PE AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication 08:00 CET on August 28, 2023.

COMPANY DESCRIPTION

ABOUT MINDARK

MindArk PE AB (publ) develops, operates and markets Entropia Universe and the Entropia Platform. Entropia Universe is a virtual universe with a unique integrated economic system and stunning graphics. The client software is free-of-charge and available to anyone with internet access.

The Entropia Platform is a secure entertainment and business platform, enabling companies and organizations all over the world to build content on themed planets inside the Entropia Universe.

REVENUE MODEL

Entropia Universe is a so-called “free-to-play” game, which means that the game is free to download and there is no monthly fee or initial cost. Instead, MindArk’s revenue is generated by microtransactions that occur when users choose to use various items or features in Entropia Universe. Like the real world, almost all types of activities in Entropia Universe are resource intensive. Users switch from different currencies to Entropia Universe’s own internal currency, the PED (the PED has a fixed exchange rate against the USD, where 1 USD = 10 PED). The user then receives a corresponding amount of PED, calculated via the European Central Bank’s daily USD exchange rate, into their Entropia Universe account, which they can then use to purchase digital items such as weapons, vehicles, or real estate. MindArk generates revenue through usage, wear and tear, auction fees (when items are purchased and sold between users) and through direct sales (which include the sale of virtual items and properties, usually via auctions in Entropia Universe). MindArk also charges a withdrawal fee of 1% on all withdrawals (i.e. payment of local currency into the user’s bank account). The minimum withdrawal amount is 1000 PED, which is equivalent to 100 USD. On average, each user generates 1.3 USD in revenue per hour spent in Entropia Universe. This revenue per user has remained relatively stable over the last 10 years.

Users are engaged not only by traditional computer game entertainment but also by the potential to earn money through revenue-generating activities. This further contributes to increased activity in Entropia Universe and increased revenues for MindArk.



MINDARK AND ITS AFFILIATES

MindArk is the parent company of a group with three subsidiaries. The parent company and the three subsidiaries, Entropia Universe AB, Planet Calypso AB (publ) and Green Fund Finance Sweden AB. All companies are based in Gothenburg.

Planet Calypso AB (publ) formerly operated and developed Planet Calypso, the first planet in Entropia Universe. Both operation and development are now carried out from a department within the parent company. Subsidiary Entropia Universe AB previously handled much of the customer support and operation of Entropia Universe. No activities are conducted in these two companies today. Both companies remain in place to be used primarily for marketing purposes.

Green Fund Finance Sweden AB's business concept is to be the first choice for financing innovative green technology by offering a competitive solid financing solution. The company has been dormant for a couple of years.



MESSAGE FROM THE CEO

I am pleased to announce that MindArk in Q2 2023 has increased its revenue by 28 percent compared to the same period previous year. Although seven percent of the revenue increase can be attributed to a stronger dollar exchange rate, the main reason is increased user activity in Entropia Universe. This is further evidence that the direction we have chosen for the development of Entropia Universe is the right path forward. During the second quarter, shareholders have also elected a new board, with clear directives regarding MindArk's priorities in the upcoming period.

A significant focus will be on integrating Artificial Intelligence (AI) into the development of Entropia Universe, for both the existing product and also for the development of Entropia Universe in Unreal Engine 5. This direction has also led to a restructuring, resulting in a 40% reduction in the company's workforce. The majority of those affected are graphic designers and world builders who have been working on Entropia Universe in Unreal Engine 5. This shift has resulted in approximately 14 million SEK being allocated for restructuring costs in June. This one-time cost impacts MindArk's results for this quarter, but the reorganizing as such has now been completed and will have a positive effect on the results for the remaining quarters of the year. EBITDA for the second quarter, adjusted for non-recurring costs, is 6.1 million SEK.

The revenue-generating product we have today will be prioritized for further development by the majority of the company's employees. This means that content, digital events, and experiences for our existing users on the current platform will be prioritized more than before, thus having a clear focus on revenue-generating activities. The exception will be the dedicated developers and programmers working on the underlying technology for the transition to Unreal Engine 5. Utilizing new technology available in the market is a common thread throughout the entire company.

Now that we are in the second half of the year, the ambition is to continue the positive trend we have achieved with revenue, while also having reduced ongoing costs for the remaining part of the year compared to the first half. As we have accounted for the restructuring in Q2, this will not impact the company's result going forward but will reflect the company's actual performance. Following an eventful second quarter, the organization is now prepared to propel us to new heights and sustain its commitment to delivering value to both shareholders and users.



HENRIK NEL JERKROT

CEO MindArk PE AB (publ)

TECHNICAL DEVELOPMENT OF ENTROPIA UNIVERSE Q2 2023

The quarter as a whole has involved several upgrades to Entropia Universe, as well as a shifted focus within the development teams at MindArk. This is due to the reorganization that began during Q2 and was communicated to the market on May 30, 2023. This means that the development teams prior to the reorganization continued on the communicated plan, with a focus on both graphics and world-building for the development of Entropia Universe in Unreal Engine 5.

During the second quarter, the pre-production of our Character Customization system, armors, weapons, and related objects was completed. These elements constitute the technical foundation for the upcoming production in Unreal Engine 5. To facilitate future production processes and the quantity of items needed, a modular weapon system has been created, which included a re-design of parameterization and its properties. This work also lays the groundwork for a smoother production phase and more varied and interesting items in the future. Our player systems Hunting, Mining, and Crafting have passed the Proof of Concept stage and are thus ready for implementation. At the same time, the work has continued to improve creature character behaviors and worked on integrating them with other parts of the game.

During Q2, a production environment was established and the teams commenced creating the game world. First, the landscape was developed and created a “Greybox” of a planet in Entropia Universe, the southern parts of planet Calypso’s Eudoria, to visualize how this beautiful area could look like in Unreal Engine 5.

The celebration of our 20th anniversary with our TWEN event and its player rewards has continued. The teams have also organized the annual anticipated summer event “Eomon Migration,” which was successfully activated on June 21.

Throughout the entire second quarter, we have been working on upgrading Entropia Universe both technically and visually. The goal is to complete and launch these improvements in the fall of 2023. These upgrades are intended to enhance the gaming experience and build up to our game engine migration.

During this quarter, the teams have also started delving into artificial intelligence as a tool with the aim of accelerating our development of Entropia Universe. By integrating AI technology, we see great opportunities to further enhance our products and services in the future.



**FINANCIAL
REVIEW**

CONSOLIDATED INCOME STATEMENT

(In KSEK)	2023-04-01 - 2023-06-30	2022-04-01 - 2022-06-30	2023-01-01 - 2023-06-30	2022-01-01 - 2022-06-30	2022-01-01 - 2022-12-31
Net sales	26 278	20 485	52 809	42 342	92 799
Capitalized work	7 566	6 545	15 303	12 549	26 472
Other income	281	150	457	370	5 371
Total income	34 125	27 180	68 569	55 261	124 642
<i>Operating expenses</i>					
Other external costs	-13 420	-9 398	-27 067	-18 648	-40 070
Personnel costs	-28 521	-12 433	-41 908	-23 993	-52 551
Amortization and depreciation	-3 707	-2 515	-6 906	-5 046	-10 665
Total operating expenses	-45 648	-24 346	-75 881	-47 687	-103 286
Operating profit	-11 523	2 834	-7 312	7 574	21 356
<i>Financial items</i>					
Profit from other securities and receivables accounted for as non-current assets	13	420	104	180	107
Other interest income and similar items	11	0	21	0	29
Interest cost and similar items	0	0	-1	0	-104
Exchange rate differences	-2 121	-5 129	-1 971	-6 644	-9 343
Total financial items	-2 097	-4 709	-1 847	-6 464	-9 311
Profit after financial items	-13 620	-1 875	-9 159	1 110	12 045
Profit before tax	-13 620	-1 875	-9 159	1 110	12 045
Income tax	-1 968	0	-1 968	-229	-2 904
Net profit	-15 588	-1 875	-11 127	881	9 141
Attributable to non-controlling interests	0	0	0	0	0
Attributable to owners of the parent	-15 588	-1 875	-11 127	881	9 141

CONSOLIDATED BALANCE SHEET

(In KSEK)	2023-06-30	2022-12-31
ASSETS		
Non-current assets		
<i>Intangible assets</i>		
Entropia Platform and Entropia Universe	94 402	85 098
Other intangible assets	4 732	44
Total intangible assets	99 134	85 142
<i>Tangible assets</i>		
Equipment and computer hardware	3 437	3 417
Total tangible assets	3 437	3 417
<i>Financial assets</i>		
Other long-term securities	2 362	2 362
Other long-term receivables	0	3 559
Total financial assets	2 362	5 921
Total non-current assets	104 933	94 480
Current assets		
<i>Stock-in-trade etc</i>		
Commercial goods	134	147
Advances to suppliers	0	9
Total stock-in-trade etc	134	156
<i>Short-term receivables</i>		
Account receivables	1 132	2 028
Receivables from payment providers	1 384	2 233
Tax receivables	5 293	0
Other receivables	1 800	1 794
Prepaid expenses and accrued income	4 448	7 986
Total short-term receivables	14 057	14 041
<i>Short-term investments</i>		
Other short-term investments	9 384	8 834
<i>Cash and bank balances</i>	23 963	32 797
Total current assets	47 538	55 828
TOTAL ASSETS	152 471	150 308

CONSOLIDATED BALANCE SHEET

(In KSEK)	2023-06-30	2022-12-31
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Share capital	1 576	1 576
Other contributed capital	33 951	33 951
Other equity incl. profit for the period	25 397	36 524
Equity attributable to owners of the parent	60 924	72 051
Non-controlling interests		
Non-controlling interests	6	7
Total equity	60 930	72 058
Allocations		
Allocation unconsumed user holdings	50 093	47 058
Estimated deferred tax	12 028	10 060
Total allocations	62 121	57 118
Long-term liabilities		
Other liabilities	46	46
Total long-term liabilities	46	46
Short-term liabilities		
Accounts payable	2 955	4 158
Current tax liabilities	0	1 150
Other liability	4 182	4 824
Accrued expenses and prepaid income	22 237	10 954
Total short-term liabilities	29 374	21 086
TOTAL EQUITY AND LIABILITIES	152 471	150 308

CONSOLIDATED STATEMENT OF CASH FLOWS

(In KSEK)	2023-01-01 - 2023-06-30	2022-01-01 - 2022-06-30	2022-01-01 - 2022-12-31
Operating profit before financial items			
Operating profit before financial items	-7 312	7 574	21 356
Adjustment for depreciation	6 906	5 046	10 665
Adjustment for capitalized costs	-15 303	-12 549	-26 472
	-15 892	71	5 549
Interest received	22	0	8
Interest paid	-60	-53	-53
Income tax paid	-6 443	-6 495	-9 473
	-22 190	-6 477	-3 969
Increase/decrease in inventories	22	9	-52
Increase/decrease in trade receivables	362	120	176
Increase/decrease in other current receivables	4 382	-821	-6 842
Increase/decrease in trade payables	-1 203	-78	2 307
Increase/decrease in other current operating liabilities	10 747	-684	1 986
Cash flow from operating activities	-7 880	-7 931	-6 394
Investing activities			
Purchase of intangible assets	-207	0	0
Purchase of equipment	-674	-296	-1 827
Sale/amortization of other financial assets	4	52	96
Increase/decrease in short-term financial investments and receivables	-415	-1 104	-1 604
Cash flow from investing activities	-1 292	-1 349	-3 335
Financing activities			
New share issue (warrants)	0	0	418
Dividends paid	0	-4 729	-4 729
Cash flow from financing activities	0	-4 729	-4 311
Cash flow for the period	-9 172	-14 009	-14 040
Ingoing cash and bank balances	32 797	48 901	48 901
Exchange rate differences in cash and bank balances	338	-625	-2 067
Outgoing cash and bank balances	23 963	34 267	32 797

PARENT COMPANY'S INCOME STATEMENT

(In KSEK)	2023-04-01 - 2023-06-30	2022-04-01 - 2022-06-30	2023-01-01 - 2023-06-30	2022-01-01 - 2022-06-30	2022-01-01 - 2022-12-31
Net sales	26 278	20 485	52 809	42 342	92 799
Capitalized work	7 566	6 545	15 303	12 549	26 472
Other income	94	150	270	370	5 371
Total income	33 938	27 180	68 382	55 261	124 642
<i>Operating expenses</i>					
Other external costs	-13 417	-9 397	-27 062	-18 646	-40 068
Personnel costs	-28 522	-12 433	-41 909	-23 993	-52 551
Amortization and depreciation	-3 707	-2 515	-6 906	-5 046	-10 665
Total operating expenses	-45 646	-24 345	-75 877	-47 685	-103 284
Operating profit	-11 708	2 835	-7 495	7 576	21 358
<i>Financial items</i>					
Profit from other securities and receivables accounted for as non-current assets	-62	421	105	181	107
Other interest income and similar items	11	0	21	0	29
Interest cost and similar items	0	0	-1	0	-105
Exchange rate differences	-2 121	-5 129	-1 971	-6 644	-9 343
Total financial items	-2 172	-4 708	-1 846	-6 463	-9 312
Profit after financial items	-13 880	-1 873	-9 341	1 113	12 046
Transfers to/from untaxed reserves	0	0	0	0	-2 400
Net profit before tax	-13 880	-1 873	-9 341	1 113	9 646
Income tax	-1 968	0	-1 968	-229	-2 409
Net profit	-15 848	-1 873	-11 310	884	7 237

PARENT COMPANY'S BALANCE SHEET

(In KSEK)	2023-06-30	2022-12-31
ASSETS		
Non-current assets		
<i>Intangible assets</i>		
Entropia Platform and Entropia Universe	94 402	85 098
Other intangible assets	4 733	44
Total intangible assets	99 135	85 142
<i>Tangible assets</i>		
Equipment and computer hardware	3 437	3 417
Total tangible assets	3 437	3 417
<i>Financial assets</i>		
Shares in subsidiaries	4 952	4 952
Other long-term securities	2 362	2 362
Other long-term receivables	0	3 559
Total financial assets	7 314	10 873
Total non-current assets	109 886	99 432
Current assets		
<i>Stock-in-trade etc</i>		
Commercial goods	134	147
Advances to suppliers	0	9
Total stock-in-trade etc	134	156
<i>Short-term receivables</i>		
Account receivables	401	943
Receivables from payment providers	1 384	2 233
Receivables group companies	0	98
Tax receivables	5 293	0
Other receivables	1 800	1 795
Prepaid expenses and accrued income	4 447	7 986
Total short-term receivables	13 325	13 055
<i>Short-term investments</i>		
Other short-term investments	9 384	8 834
<i>Cash and bank balances</i>	23 917	32 750
Total current assets	46 760	54 795
TOTAL ASSETS	156 646	154 227

PARENT COMPANY'S BALANCE SHEET

(In KSEK)	2023-06-30	2022-12-31
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Share capital	1 576	1 576
Revaluation reserve	20 128	21 470
Restricted reserves	50	50
Fund for development	65 568	54 574
Total restricted equity	87 322	77 670
Non-restricted equity		
Share premium reserve	33 951	33 951
Profit brought forward	-53 222	-50 808
Net profit	-11 310	7 237
Total non-restricted equity	-30 581	-9 620
Total equity	56 741	68 050
Untaxed reserves	5 100	5 100
Allocations		
Allocation unconsumed user holdings	50 093	47 059
Estimated deferred tax	10 956	8 987
Total allocations	61 049	56 046
Long-term liabilities		
Other liabilities	46	46
Total long-term liabilities	46	46
Short-term liabilities		
Accounts payable	2 955	4 158
Liabilities group companies	4 336	3 898
Current tax liabilities	0	1 151
Other liability	4 182	4 824
Accrued expenses and prepaid income	22 237	10 954
Total short-term liabilities	33 710	24 985
TOTAL EQUITY AND LIABILITIES	156 646	154 227

PARENT COMPANY'S STATEMENT OF CASH FLOWS

(In KSEK)	2023-01-01 - 2023-06-30	2022-01-01 - 2022-06-30	2022-01-01 - 2022-12-31
Operating profit before financial items			
Operating profit before financial items	-7 495	7 576	21 358
Adjustment for depreciation	6 906	5 046	10 665
Adjustment for capitalized costs	-15 303	-12 549	-26 472
	-15 892	73	5 551
Interest received	22	0	8
Interest paid	-60	-53	-53
Income tax paid	-6 443	-6 495	-9 473
	-22 373	-6 475	-3 967
Increase/decrease in inventories	22	9	-52
Increase/decrease in trade receivables	9	120	176
Increase/decrease in other current receivables	4 481	-821	-6 842
Increase/decrease in trade payables	-1 203	-78	2 307
Increase/decrease in other current operating liabilities	11 185	-684	1 986
Cash flow from operating activities	-7 879	-7929	-6 392
Investing activities			
Purchase of intangible assets	-207	0	0
Purchase of equipment	-674	-296	-1 827
Sale/amortization of other financial assets	4	52	96
Increase/decrease in short-term financial investments and receivables	-415	-1 104	-1 604
Cash flow from investing activities	-1 292	-1 349	-3 335
Financing activities			
New share issue (warrants)	0	0	418
Dividends paid	0	-4 729	-4 729
Cash flow from financing activities	0	-4 729	-4 311
Cash flow for the period	-9 171	-14 006	-14 038
Ingoing cash and bank balances	32 750	48 855	48 855
Exchange rate differences in cash and bank balances	338	-625	-2 067
Outgoing cash and bank balances	23 917	34 223	32 750

COMMENTS ON THE FINANCIAL REVIEW

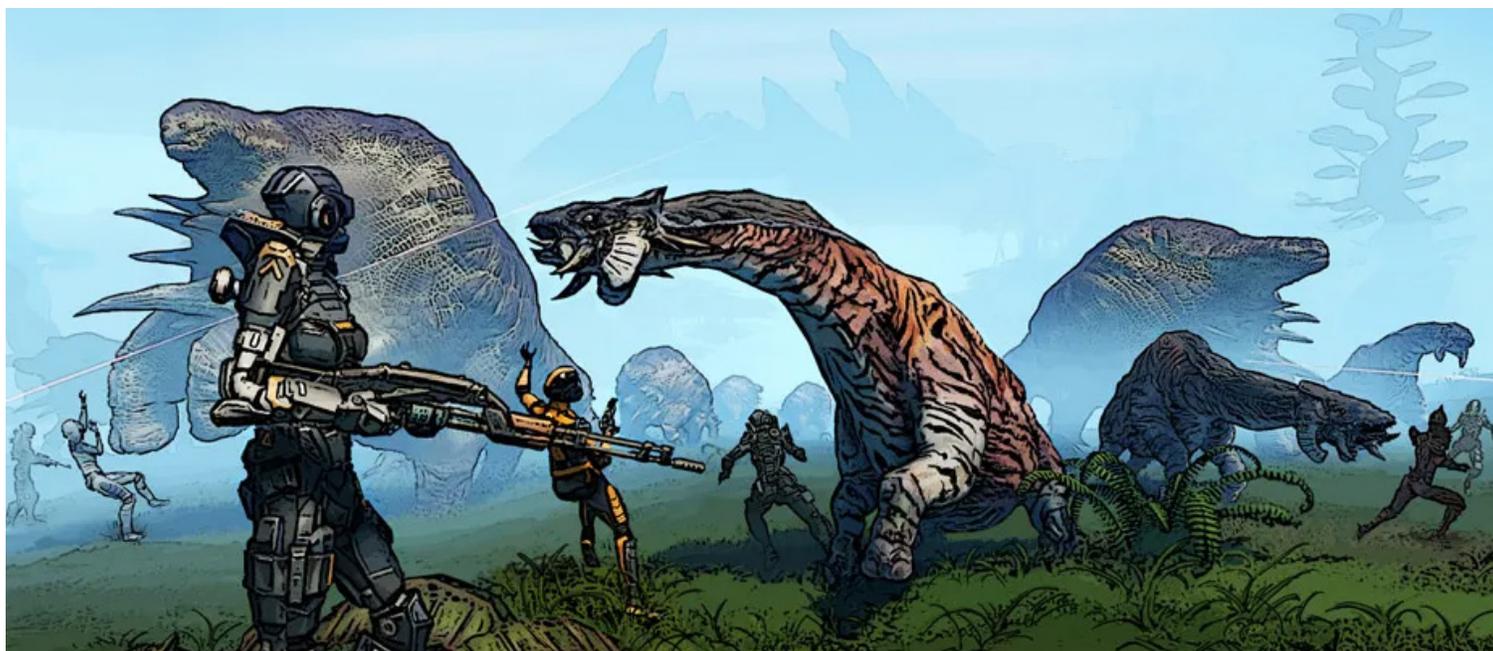
UNCONSUMED USER HOLDINGS IN Q2

All users in Entropia Universe have an in-game account where cash in the form of the virtual in-game currency PED or items are placed. The sum of these cash funds and digital items is the user's unconsumed user holdings.

Unconsumed user holdings have increased during quarter two, from 138.7 million PED to 139.9 million PED, an increase of 1.2 million PED. The total amount has increased significantly more in SEK as the SEK/USD exchange rate increased from 10.35 SEK/USD at the end of March 2022 to 10.85 SEK/USD at end of June 2023 (10 PED = 1 USD). As a result, the amount increased during the quarter by 8.1 million SEK, from 143.6 million SEK to 151.8 million SEK.

The total amount of "Unconsumed user holdings" is a variable amount that varies with the different activities within Entropia Universe. Historical figures show that 27-35% of funds deposited by users are later withdrawn. The remaining funds are either consumed or remain in the accounts of users in the form of digital inventory, or cash in the form of the virtual currency PED. However, it is a prerequisite for the continuation of Entropia Universe that MindArk pays out requested withdrawals and therefore the portion of the unspent user funds which is likely to be withdrawn, should be indebted.

With these facts in hand, the real debt is estimated to be 33% of the unconsumed user holdings available at the time of booking. This means that the real debt at the end of June is 46.2 million PED, equivalent to SEK 50.1 million SEK. The allocation for unconsumed user holdings has therefore been adjusted for this as well as for currency adjustments at the end of June.



OPERATIONS DURING APRIL - JUNE 2023, GROUP

Net sales amount to 26.3 million SEK (20.5 m SEK), an increase of more than 28%. The increase is partly attributable to a strong USD - the average exchange rate has been 7% higher than the previous year - but also to a strong increased sale in Entropia Universe.

Capitalized development costs in the first quarter amounted to 7.6 million SEK (6.5 m SEK). Other operating income amounts to 281 thousand SEK (150 t SEK). Total income amounts to SEK 34.1 million SEK (27.2 m SEK).

Operating expenses amount to 45.6 million SEK (24.3 m SEK). The main reason for the increased costs in Q2 2023 versus Q2 previous can be attributed to the reorganization the company announced in May. MindArk then announced that up to 40% of the company's employees will be laid off as a result of the company's strategic ambitions for the future where Artificial Intelligence (AI) plays a central role. The majority of the jobs affected are in the competence area of graphics / world builders. As of the end of June, approximately 14 million SEK has been reserved for restructuring costs, which mainly refers to costs for salary and severance pay that will be paid out mainly in Q3, without any counter-performance in the form of work. This 14 million SEK is thus a non-recurring cost.

Operating profit after depreciation for the quarter amounts to -11.5 million SEK (2.8 million SEK). Financial items amount to -2.1 million SEK (-4.7 million SEK) and the result before tax ends at -13.6 million SEK (-1.9 million SEK). Profit adjusted for non-recurring effects of the restructuring amounts to a profit of 344 thousand SEK for the group.



Earnings per share

MindArk Group's result after tax for the second quarter amounts to -15.6 million SEK. When divided by 31.5 million shares (the number of shares after reverse split), earnings per share amounts to -0.50 SEK per share (-0.06 SEK per share, divided by the same number of shares).

For the first six months the result after tax amounts to -9.1 million SEK. When divided by 31.5 million shares (the number of shares after reverse split), earnings per share amounts to -0.29 SEK per share (0.03 SEK per share, divided by the same number of shares).

If adjustments are made for non-recurring amounts and the accounting tax expense, the result for the first half of the year is 4.8 million SEK. Distributed over 31.5 million shares, the result amounts to 0.15 SEK per share.

Investments for parent company and group

The capitalization in the balance sheet of salary and consultancy costs for the development of Entropia Universe for the second quarter amounts to 7.6 million SEK (6.5 m SEK). The capitalized amounts are reported under the heading of fixed assets in the balance sheet and total revenue in the income statement. During the last quarter, the company also took over ownership and operation of Planet Next Island. The purchase was mainly financed through older accounts receivable and a long-term loan but also a cash payment of 207 thousand SEK. Other investments of 188 thousand SEK (0 thousand SEK) relate to investments in computers.

MindArk's currency exposure

All financial transactions within Entropia Universe are denominated in the virtual in-game currency PED. All exchange transactions to and from the PED are controlled by MindArk. Furthermore, MindArk repurchases PED at a fixed exchange rate against the USD (10 PED = 1 USD). The exchange rate between USD and MindArk's accounting currency SEK has slightly fluctuated during second quarter of 2023, between 10.16 SEK per USD to a maximum of 10.91 SEK per USD.

Deposits to MindArk's bank accounts (directly or through payment providers) in foreign currencies, mainly USD, are exchanged into SEK at the current daily exchange rate. The company's income in PED is converted via USD to SEK at the average monthly USD exchange rate. Assets and liabilities in foreign currencies are converted at the exchange rate on June 30, 2023, which amounts to 10.85 SEK/USD. When large fluctuations in the exchange rate between SEK and USD occur, it results in large fluctuations in MindArk's reported income.

The company forward-hedges 50% of the USD foreign exchange inflow to be converted into SEK six months in advance, i.e. when expenses and withdrawals in USD are paid. This policy gives MindArk less currency exposure. This is due to the fact that when the USD rises the company gains from the spot exchange rates and when the rate decreases, the futures contracts yield positive results. The company's other currencies, EUR and GBP, do not need to be forward-hedged as most of the inflows are used for payment of supplier invoices, OSS VAT (VAT within the EU) and withdrawals from users.

Equity parent company

MindArk's adjusted equity amounted to 60.8 million SEK at the end of the period, divided into 31.5 million shares. The adjusted equity per share amounted to 1.93 per share SEK (2.01 per share SEK).

At the extraordinary general meeting on November 15, 2021, the meeting resolved on a directed new issue of a maximum of 7,881,156 warrants (warrants Series 2 2021/2025) to the Company's employees as an incentive program. In the event of full exercise of the options to subscribe for new shares, the share capital will increase by 78,811.56 SEK and the dilution of existing shares and votes 4.8 percent. The options expire in 2025. The company has no other outstanding option programs or securities that can lead to dilution effects for shareholders.

Pledged assets

The parent company has a corporate mortgage of SEK 3 million for an unutilized overdraft facility with SEB.

Employees

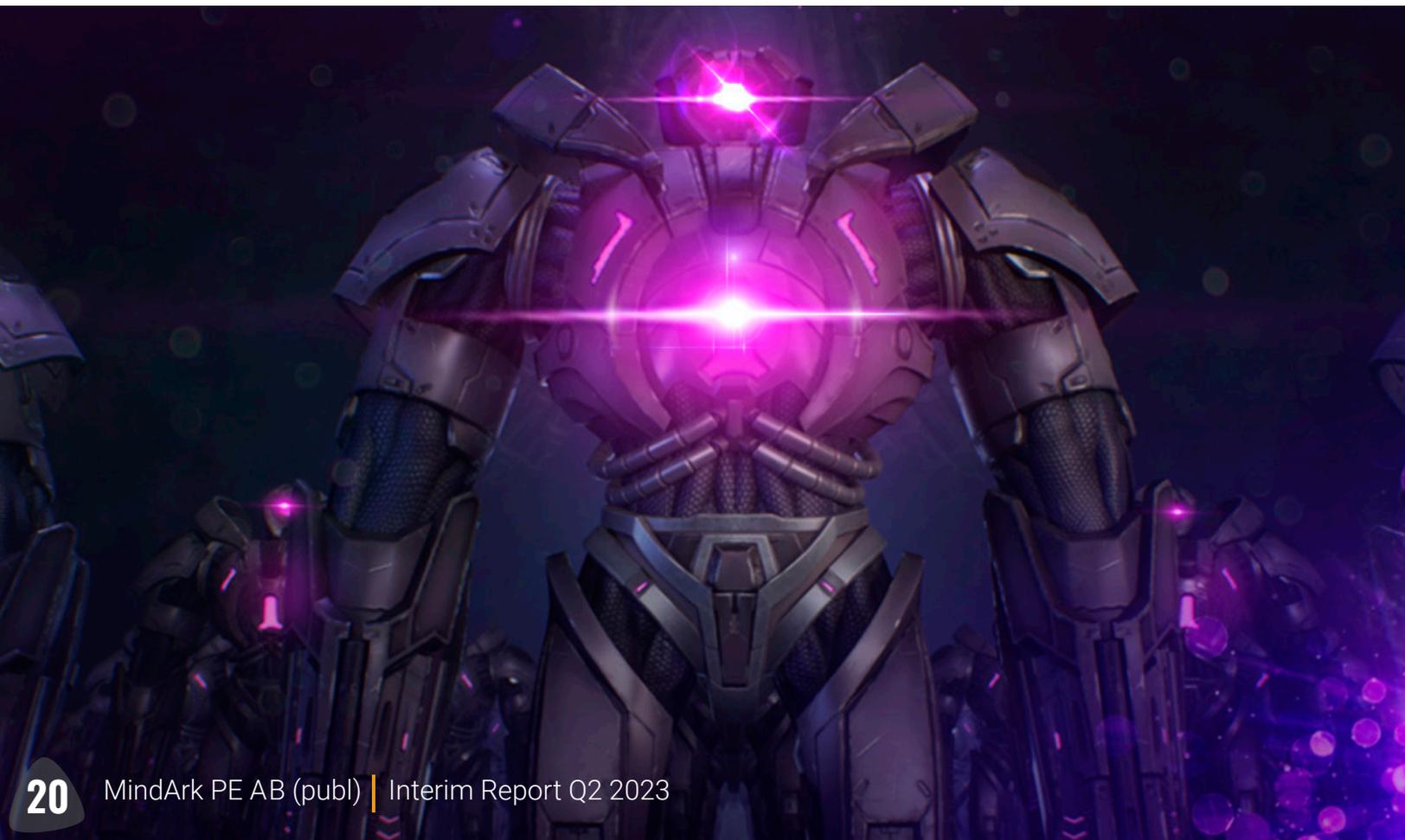
At the end of the period, the group employed a total of 62 people, including 10 women. All are employees in the parent company.

Reporting period

The report covers the period April 1 – June 30, 2023 and January 1 - June 30, 2023.

Rounding

All amounts in the report are stated in thousands of SEK unless otherwise stated. Rounding errors may occur in tables that sum multiple amounts.



SHARES & SHAREHOLDERS

Ownership structure as at June 30, 2023

MindArk PE AB (publ), reg. no. 556640-4769 is a public company listed on the Spotlight Stock Market. The share has the ISIN code SE0019354358 and is traded under the ticker MNDRK. Ownership overview shows the situation as at June 30, 2023. The information is obtained from Euroclear Sweden who manages the Company's share register.

Shareholder	Shares	Votes
Tetiana Karunna*	34,89%	34,89%
Fam. Bothén**	17,24%	17,24%
Futur Pension	6,34%	6,34%
Six Sis	4,95%	4,95%
Nordic Tender Holdings	3,49%	3,49%
The Bank of NY Mellon/Fam. Tullet	2,02%	2,02%
Megetgod Invest APS	2,00%	2,00%
Mindarkkoncernens Vinstandelsstiftelse	1,89%	1,89%
Kronboken	1,41%	1,41%
Lars Hammarström	1,26%	1,26%
<i>Other (about 900 shareholders)</i>	<i>24,51%</i>	<i>24,41%</i>
Total	100%	100%

*Close relative to founder Jan Welter Timkrans

**In person & via company

Number of shares

MindArk PE AB (publ) had 157 623 125 shares outstanding as of December 31, 2022. The number of shares were the same at the end of the same period last year. In January 2023, a reverse split of 1:5 was carried out, upon which the company had 31 524 625 shares. The number of shares remains unchanged at the end of Q2 2023.

OTHER INFORMATION

Accounting principles

The annual report has been prepared in accordance with the Swedish Annual Accounts Act. The accounting principles applied conform with the Annual Accounts Act as well as recommendations and comments from the Accounting Standard Committee. The annual accounts and the consolidated accounts drawn up in accordance with BFNAR 2012: 1 Årsredovisning och koncernredovisning (K3). The accounting policies applied in this report are set out in the 2022 Annual report. The Company has changed the method of cash flow analysis as of this reporting from the direct method to the indirect method.

Annual General Meeting

MindArk held its annual general meeting on May 5, 2023. The following main decisions were made at the meeting. In addition to resolutions on adoption of the previous year's accounts and discharge from liability to all those who have held assignments as board members or CEO of the company during 2022, elections were made to the Board of Directors.

The Meeting resolved that the Board of Directors shall consist of four members and no deputies until the next Annual General Meeting is held. As Chairman of the Board of Directors and ordinary member for the period until the next Annual General Meeting, Björn Dierks was elected. Klas Moreau, Karl Linus Norén and Leif Åke Evander Andersson were elected as ordinary members of the Board of Directors for the period until the next Annual General Meeting.

Reorganization

The company announced on May 30 that up to 25 employees will be given notice of termination. This is because the company has set strategic ambitions for the future where Artificial Intelligence (AI) is a central part. To ensure that MindArk delivers on these ambitions, the company has been restructured and has at the same time ensured a sustainable cost base for the future. The majority of the roles that have been affected are in the competence area of graphics / world building. Work on the new organizational structure began in Q2 and the new organization will be established and implemented in Q3.

The company will also strive to reduce costs in its operations when it comes to other external costs.

This decision is part of MindArk's long-term vision to create a versatile virtual universe where the integration of more AI technology, such as natural language interaction, contextual image and content generation as well as data analysis, is a crucial piece of the puzzle. All of this is aimed at pushing the technical boundaries and providing users with an even better metaverse experience. The focus now shifts towards the development of AI-generated virtual worlds, which will eventually reduce the barriers of entry for users and partners to own planets or areas are reduced compared to today.

Covid-19 and the war in Ukraine

MindArk has noted that the increase in users added in 2020-2021, which to some extent may be attributable to the COVID-19 pandemic, has persisted in 2022 and in the first six months of 2023. MindArk has not been significantly affected by the war in Ukraine. However, the company has chosen to continue to close Entropia Universe to new customers from Russia.

Related party transactions

No transactions that significantly affected the Company's results and financial position have been carried out with related parties during the period.

From April 19 to April 24, the Mindark Group's Profit Sharing Foundation acquired 83,883 shares on the market at an average price of 3.57 SEK per share. From June 12 to June 14, Mindark Group's Profit Sharing Foundation acquired an additional 120,404 shares on the market at an average price of 3.38 SEK per share.

The foundation was created in 2008 with the aim of engaging employees and increasing their commitment. The goal of the profit sharing foundation is to create an increased participation from the employees in the company's goals and profits.

Auditor

This financial statement has been reviewed by the Company's auditor.

Financial calendar

Interim report quarter 3 2023	November 28, 2023
Interim report quarter 4 2023	February 28, 2024



Auditor's report

MindArk PE Aktiebolag (publ), reg. no. 556640-4769

Introduction

We have reviewed the condensed interim financial information (interim report) of MindArk PE Aktiebolag (publ) as of 30 juni 2023 and the six-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with applicable accounting standards and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with applicable accounting standards and the Swedish Annual Accounts Act.

Gothenburg the day stated on our electronic signature

Öhrlings PricewaterhouseCoopers AB

Konstantin Belogorcev
Authorized Public Accountant

DECLARATION FROM THE BOARD OF DIRECTORS

The Board of Directors declares that this interim report gives a true and fair view of the company's and the group's business, financial position and results and describes the material risks and uncertainties facing the Company and its group companies.

Gothenburg, August 28, 2023

Björn Dierks
Chairman

Klas Moreau
Board Member

Karl Linus Norén
Board Member

Leif Evander Andersson
Board Member

DEFINITIONS

Term	Description
Project Entropia Dollar (PED)	The in-game currency used in Entropia Universe that has a fixed exchange rate against the USD
MMORPG	Genre of computer game in which a large number of users interact with each other in a virtual world
Virtual world	Computer-based simulated environment populated by users who can create a personal character while exploring a virtual world
Single-shard world	A seamless world in which all users move and interact over a server
Free-to-play	The game is free to download and instead the developer's revenue comes from in-game microtransactions
Play-to-earn	Users can generate revenue through in-game activities which can be converted into real currency
Unconsumed user funds	The total amount of user funds not yet spent
Real Cash Economy (RCE)	Real Cash Economy (RCE) means that items in the virtual world also have a real value
Q2	Second quarter of the reporting year
YTD	Year to date



MindArk PE AB (publ)
Masthammsgatan 5
413 27 Gothenburg
031-607 260
info@mindark.com

www.mindark.com

www.entropiauniverse.com