



MindArk PE AB (publ) develops, operates and markets Entropia Universe and the Entropia Platform. Entropia Universe is a 3D Internet 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 differently themed planets inside Entropia Universe.

Mid-Year Report January – June 2022

Technical Development 2022

MindArk's main focus has been on implementing a working version of the fundamental Entropia functionality (i.e. character, camera and control, among others) in Unreal Engine 5. New tools, technologies and pipelines have been used to set new standards for working in the new Unreal Engine 5 development environment.

On a deeper technical level, MindArk has been realizing the new scalable and optimized server architecture model with good results. This means that the initial foundation has successfully been laid to enable the new engine to handle a growing number of users distributed all over the world.

The first area is taking form, not only visually but when it comes to functionality, world building pipeline and new

technologies. The area will be the blueprint for how to effectively create the areas of the Entropia Universe.

While a major focus has been placed on development of the new version of Entropia, quite some time has also been spent on maintaining and improving current Entropia and satisfying current users. This includes Improved and expanded event offerings, improvements to the stability of the current platform, and testing of new technologies such as the recent collaboration with the external NFT trading platform Enjin.

Covid-19 and its effect on the Company

MindArk continued to follow the authorities' recommendations regarding the COVID-19 pandemic throughout 2022.

The company's operations have been adapted to enable the continued development of Entropia Universe without exposing the company's employees to unnecessary infection risks. MindArk has also noted that the increase in user activity in 2020-2021 has continued during the first half of 2022, which has benefited the company.

Planet Partners

In addition to the company's own Planet Calypso, Entropia Universe consists of five additional planets. All the company's planet partners who operate: Next Island, Planet Arkadia, Planet Toulan, Planet Cyrene and ROCKtropia, continued to develop their planets during the first half of 2022 with new content.



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Cyrene focused on improving player quality of life on its planet, as well as placing more emphasis on the core of the Entropia economy as a whole.

This year has Next Island continued on with creating VIP houses/areas for the different factions on their planet. Content geared toward lower-level players has also been prioritized.

Over the last 6 months Toulan has continued to run monthly events on its planet and have further developed content for the DSEC-9 area. Marketing efforts are ongoing and are steadily resulting in an increase of new players starting on Planet Toulan.

Arkadia is busy with housekeeping in preparation for larger updates filled with deeper content and new ways of engagement. Arkadia will be focusing on

missions and dynamic events for future releases.

Economic Development

The economic development for the operation activities has continued to increase during the first six months of 2022.

Net sales for the first half of the year amounted to 42.3 million SEK, compared to 41.6 million SEK last year. The strong US dollar relative to the Swedish krona has had a positive effect on the outcome. The USD/SEK exchange rate was 14% higher on average in the first half of the year compared to the same period last year (9.68 SEK/USD compared to 8.40 SEK/USD).

In addition to the strong dollar, the usage in Entropia Universe has increased by 3% compared to last year's first six months,

which also contributed positively to net sales. That the company has been able to see continued growth in the first half of the year after the gigantic activity increase of 18% between H1-2020 to H1-2021 is very encouraging.

The turnover in H1-22 has negatively been affected by reduced revenue from accounts that have become inactive (positive on the other hand that fewer users have become inactive) and reduced revenue through change in player debt. These two items together have reduced turnover H1-2022 by 4.6 million SEK compared to last year's H1.

Capitalized costs for development of Entropia Universe have increased from 7.9 million SEK in the first half of 2021 to 12.5 million SEK in the first half of 2022. This is due to an increased number of employees



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and shifting development focus on the transition to Unreal Engine 5.

Operating expenses have increased from 35.8 million SEK last year to 42.6 million SEK this year, an increase of 19%. The increased costs are largely due to increased personnel costs, as well as higher costs for external consulting.

Operating profit amounts to 7.6 million SEK versus 11.8 million SEK in the same period in 2021. Profit before tax ended at 1.1 million SEK compared with 11.6 million SEK the previous year. The reason, among other things, for the low profit before tax these first six months is an exchange rate difference of negative 6.5 million SEK on the player debt. A strong dollar increases the SEK value of the player debt.

Dividend to shareholders

At the 2022 Annual General Meeting, the Board proposed a dividend to shareholders. The Board noted that after the proposed dividend of 4.7 million SEK (0.03 SEK per share) there was full coverage for the company's restricted equity and judged that the equity after the proposed dividend will be sufficiently large in relation to the nature, scope and the risks in the operations conducted by the company and the group.

The Board assessed that the company's and the Group's financial positions are such that the company and the Group will be able to make the necessary investments to continue operating to their current extent. The AGM resolved to approve the Board's proposal.

Cash Flow and Liquid Assets

During the first half of the year, the company acquired tangible fixed assets of 297 thousand SEK. In addition, 12.5 million SEK has been capitalized for development work for Entropia Universe and the Entropia Platform.

The company's cash and cash equivalents have decreased, and amounted to 34.2 million SEK at the turn of the year, compared to 48.9 million SEK at the turn of the year 2021. The decrease in cash and cash equivalents is partly due to the dividend in May of 4.7 million SEK and partly due to invested funds at SEB during the first half-year 2021 of 900 thousand SEK. The company has also donated 736 thousand SEK to the UN refugee agency UNHCR to help Ukrainians in need.



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Unconsumed user holdings

Unconsumed user holdings, i.e. the player debt, increased during the first half-year from 132.3 million PED to 134.9 million PED, an increase of 2.6 million PED. The total debt in SEK increased more, as the SEK/USD exchange rate increased from 9.04 SEK/USD at the end of the year 2021 to 10.22 SEK/USD in June 2022 (10 PED = 1 USD). As a result, the debt increased by 18.3 million SEK, from 119.6 million SEK to 137.9 million SEK.

The total amount of "Unconsumed user holdings" is an amount that fluctuates with the various activities within Entropia Universe. Historical figures (average over the last 19 years) indicate that 30-35% of the funds deposited by users are later withdrawn. The remaining funds are either consumed or remain in the accounts of

users in the form of inventory, or cash in the form of the virtual currency PED.

However, it is a prerequisite for the survival of Entropia Universe that MindArk pays out the requested withdrawals and therefore the part of the player debt that is likely to be withdrawn is booked as a debt.

With these facts in hand, the assessment is that the actual debt that would be entered in the balance sheet is 33% of the player debt at the time of the entry. This means that the actual debt at half year-end was 44.5 million PED, or 45.5 million SEK. The allocation for unconsumed user holdings has been adjusted for this and for the change in the USD/SEK exchange rate.

Annual General Meeting April 2022

The Annual General Meeting for 2022 was held on April 29 at the company's office. In addition to the decision to approve the previous year's accounts and dividend to the shareholders, elections were made to the Board.

All three of the current members of the Board, David Simmonds, Anders Fröjd and Jan Rasmuson, declared that they were available for reelection.

The AGM resolved that the Board would consist of three members and no deputies until the next Annual General Meeting is held. David Simmonds was elected Chairman of the Board and a regular member for the period until the next Annual General Meeting. Anders Fröjd and Jan Rasmuson were newly elected as ordinary board members for the period until the next Annual General Meeting.



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Forecast for Second half of 2022

Net sales for the second half of 2022 are expected to remain strong and end up at least at the same level as the first half of the year. Profit before tax is expected to reach more than 8 million SEK.

Accounting Principles

This semi-annual report has been compiled according to the laws concerning annual accounts and the Swedish Accounting Standards Board's accounting practices.

The accounting principles are unchanged since last year.

Receivables are shown as the value at which they are expected to be paid. Other assets and debts are shown at acquisition value unless otherwise noted. Accrual of

income and costs are shown according to accepted accounting practices.

Financial Information

For further information concerning the company's financial results, see results and balance reports below, as well as the key figures.

Göteborg, September 12, 2022

The Board of Directors



INCOME STATEMENT (in kSEK)

	JANUARY–JUNE 2022	JANUARY–JUNE 2021	JANUARY–DECEMBER 2021
Net sales	42 342	41 643	81 201
Capitalized expenditures	12 549	7 891	16 143
Other income	370	1 958	9 621
Operating expenses	- 42 639	- 35 802	- 77 376
Depreciation according to plan	- 5 046	- 3 870	- 8 258
Operating profit	7 576	11 820	21 331
Financial items	- 6 463	- 176	- 2 827
Transfers to/from untaxed reserves	0	0	0
Net profit before tax	1 113	11 644	18 504
Income tax	- 229	- 2 399	- 4 583
Net profit	884	9 245	13 922
	=====	=====	=====



BALANCE SHEET (in kSEK)

	JUNE 2022	JUNE 2021	DECEMBER 2021
ASSETS			
Intangible assets	76 315	63 802	68 260
Tangible assets	2 408	2 761	2 664
Financial assets	10 928	10 732	10 570
Receivables	6 627	4 471	4 230
Prepaid expenses	3 084	3 442	2 261
Investments in securities	8 397	6 140	7 523
Cash and bank balances	34 223	42 141	48 855
TOTAL ASSETS	141 982	133 489	144 363
EQUITY & LIABILITIES			
Equity	61 279	59 751	65 214
Untaxed reserves	2 700	2 700	2 700
Allocation unconsumed user holdings & deferred tax	54 772	45 257	47 571
Short-term liabilities	23 231	25 781	28 968
TOTAL EQUITY & LIABILITIES	141 982	133 489	144 363



PLEGGED ASSETS 3 000 3 000 3 000

KEY RATIOS – MINDARK GROUP

	JANUARY-JUNE 2022	JANUARY-JUNE 2021	JANUARY-DECEMBER 2021
Net sales (kSEK)	42 342	41 643	81 201
Operating profit (kSEK)	7 576	11 820	21 331
Financial items (kSEK)	- 6 463	- 176	- 2 874
Net profit after tax (kSEK)	884	9 245	13 922
Thousand number of shares issued	157 623	157 623	157 623
Operating margin	18 %	28 %	26 %
Profit per share (SEK)	0,006	0,06	0,09
Liquid funds (kSEK)	34 223	42 141	48 855
AEQ * (kSEK)	63 423	61 895	67 268
AEQ * per share (SEK)	0,40	0,39	0,43
Total assets (kSEK)	141 982	133 489	144 363
Equity ratio	45 %	46 %	47 %
Number of employees in the MindArk	58	51	54

* = Adjusted Equity