

YEAR-END REPORT

2022



MindArk PE AB (publ)

Q4 SUMMARIZED

1 OCTOBER – 31 DECEMBER 2022

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

- Turnover amounted to SEK 29.1 MSEK (20.3 MSEK).
- Work in progress amounted to 6.9 MSEK (8.3 MSEK).
- Operating profit amounted to 10.4 MSEK (8.3 MSEK).
- Profit before appropriations and tax amounted to 12.8 MSEK (6.7 MSEK).
- Cash & cash equivalents including short-term investments 41.6 MSEK (56.4 MSEK).
- No interest-bearing liabilities.
- Provision for unspent user funds 47.1 MSEK (39.5 MSEK).
- Insurance reimbursement fixed at 4.75 MSEK.

1 JANUARY – 31 DECEMBER 2022

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

- Turnover amounted to 92.8 MSEK (81.2 MSEK).
- Work in progress amounted to 26.5 MSEK (16.1 MSEK).
- Operating profit amounted to 21.4 MSEK (21.3 MSEK).
- Profit before appropriations and tax amounted to 12 MSEK (18.5 MSEK).
- Earnings per share before reverse split SEK 0.03/share, after reverse split in January 2023 SEK 0.15/share. Adjusted earnings per share before reverse split SEK 0.05/share, after reverse split in January 2023 SEK 0.24/share.
- The Board of Directors proposes that no dividend is to be paid and that the profit for the year be carried forward.

TURNOVER Q4

29.1 MSEK
(20.3 MSEK)

OPERATING PROFIT Q4

10.4 MSEK
(8.3 MSEK)

TURNOVER FY 2022

92.8 MSEK
(81.2 MSEK)

OPERATING PROFIT FY 2022

21.4 MSEK
(21.3 MSEK)

SIGNIFICANT EVENTS

FOURTH QUARTER

- Record sales of 29.1 MSEK for the period.
- Dispute settled and compensation from insurance company determined, see page 24.
- The Board was expanded with a fourth member, Magnus Götenfelt, former partner at PwC.

AFTER THE END OF THE PERIOD

- Insurance compensation paid January 2023, see page 24.
- The company carried out a 1:5 reverse split in January 2023, resulting in the number of outstanding shares changing from 157,623,125 to 31,524,625.
- Listing on Spotlight Stock Market on January 27, 2023.

	2022	2021	2022	2021
Group sales and profit in summary (KSEK)	October-December	October-December	January-December	January-December
Total operating income	40 854	36 066	124 642	106 965
Total operating expenses	-30 464	-27 767	-103 286	-85 635
Profit before tax	12 779	6 698	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 28 February 2023.



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 differently themed planets inside 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 anything like that. Instead, MindArk’s revenue is generated by micro-transactions 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 European Central Bank’s daily dollar exchange rate, into their Entropia Universe account, which they can then use to purchase digital items such as weapons, cars or real estate.

MindArk generates revenue through usage, wear and tear, auction fees (when items are purchased and sold between users) and also 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 in traditional computer game entertainment but also by the potential to make money through revenue-generating activities. This further contributes to increased activity in Entropia Universe and increased revenues for MindArk.

Total deposits for an average depositing user over the user’s total active time in Entropia is more than 8000 USD. This group represents approximately 10% of Entropia Universe’s total active users. In 2022, the total deposits of the average paying user amounted to 2061 USD.



MINDARK AND ITS SUBSIDIARIES

MindArk is the parent company of a group with three subsidiaries. The parent company and the three subsidiaries, Entropia Universe AB, Planet Calypso AB and Green Fund Finance Sweden AB, are all located in Gothenburg.

Planet Calypso AB 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 CEO HENRIK NEL JERKROT

It has long been an ambition for MindArk to go public. It is now with pleasure that we can state that this ambition became a reality when MindArk rang the bell at the Spotlight Stock Market on January 27, 2023. This will now be the first financial statement in a listed environment and we can state at this point that in a world with high inflation rates and recession warnings, MindArk has had a strong Q4 2022 where sales increased from 20.3 million SEK to 29.1 million SEK, an increase of 8.8 million SEK compared to Q4 2021. The strong dollar exchange rate has been beneficial for us, but we have also had an increase in activity in Entropia Universe of 7.2%. EBIT for the period has increased from 8.3 million SEK to 10.4 million SEK compared to last year. The strong finish to the year means that 2022 was the best year ever for MindArk in terms of net sales.

During the fourth quarter, management and the Board in particular prepared for the IPO, while ongoing work continued to ensure that all our users have access to new content and experiences. A development focus that began in the last quarter of 2022 and continues into the first quarter of 2023 is a new Artificial Intelligence (AI) strategy. MindArk already uses AI today, but our ambition is to integrate more AI technology into our own production and to use more of the various AI-based tools that are emerging and being offered. In this way, MindArk can further streamline its operations while pushing the boundaries of what is possible for our users to do inside the universe.

During the fourth quarter, MindArk received a compensation of 4.75 million SEK from our insurance company regarding the legal dispute that has been going on for the past few years. The case was dismissed and this sum covers most of the costs we have incurred in connection with the dispute.

Looking ahead to the full year 2023, MindArk and Entropia Universe in its current form will continue to offer unique entertainment to our users. January 30, 2023 marked the 20th anniversary of Entropia Universe, and this date also marked the start of our users having the opportunity to celebrate with us inside the universe. Continuously throughout the year, our users will have the opportunity to discover new activities associated with the anniversary with the next installment scheduled to be released in March. During the year, the sale of a land area is also planned. The last similar sale in Entropia Universe took place in December of 2021 and sold out in 22 minutes for a sum equivalent to 800,000 USD.



**“BEST YEAR EVER IN TERMS OF
NET SALES”**

In parallel, we are working on the implementation of the technology shift from the CryEngine2 to Unreal Engine 5. During the autumn and winter we have been developing various enemies/monsters for final production quality, both visually, animations, sound and behavior in the world. Also, user avatars have been refined with various armor and weapons built and tested. At the same time, work on background information on the world and its inhabitants continues. In the holistic vision we have for Entropia Universe, everything should be connected, and there should be a purpose behind design.

Finally, a single-shard world like Entropia Universe needs to have a stable, powerful and scalable server system, which is why we've spent a lot of time and energy implementing a backbone, as well as support features for real-time administration and management of Entropia Universe when it launches in Unreal Engine 5.

In 2023, we will continue to build large-scale worlds populated with functional architecture, vegetation, water and roads. Slowly but surely, an Entropia Universe is being built with the same core as before, but with better graphics and, most importantly, a better experience. For over 20 years, we have proven that Entropia Universe is a profitable product and we are now taking the next step with the transition to Unreal Engine 5.

Overall, Q4 has been a strong quarter for MindArk and unlike the majority of our industry peers who have flagged weaker numbers, we have instead increased both revenue and EBIT. Now that 2023 is here, we are in a good position and most importantly we have a clear plan for what we want to accomplish in the year.

A portrait of Henrik Nel Jerkrot, CEO of MindArk PE AB. He is a young man with short, light brown hair and a light beard, wearing a white turtleneck sweater under a light green jacket. He is sitting at a desk in what appears to be a gaming or office environment, with a computer monitor and gaming chair visible in the background. The background is slightly blurred, showing a modern office setting with glass partitions and warm lighting.

HENRIK NEL JERKROT

CEO MindArk PE AB (publ)

TECHNICAL DEVELOPMENT OF ENTROPIA UNIVERSE 2022

The fourth quarter has been dominated by continued work on the game engine switch from CryEngine2 to Unreal Engine 5. Special focus has been on the backend/server side. World/planet building tools have been a high priority, as well as establishing ways of working and methods to most efficiently create content and logic for the Unreal version of the game. In addition to this, work has also been ongoing on fine-tuning the visual and functional aspects of the game character to get a really good feel and rhythm in combat moments, which is a very central part of the experience.

In parallel, the different teams have been working a lot on the live product. Special focus has been on preparation for the Entropia Universe 20th Anniversary (TWEN) which started on January 30, 2023. TWEN will continue to be celebrated during the course of the year, with various gaming activities in which users can participate. The teams have created and updated various in-game content for this: Mobile Service Centers, enemies, weapons and other items.

The updates have been visual, but actual in-game features and behaviors have also been adjusted. In addition, a large TWEN special event (Robot Harvesting) for users has been designed and implemented, which will begin in March 2023. On the purely technical side, work is ongoing to rewrite some parts of the game for increased stability and performance.



Concept image created as inspiration for the production of Entropia Universe Unreal 5

CONSOLIDATED INCOME STATEMENT

(In KSEK)	2022-10-01 - 2022-12-31	2021-10-01 - 2021-12-31	2022-01-01 - 2022-12-31	2021-01-01 - 2021-12-31
Net sales	29 086	20 257	92 801	81 201
Capitalized work	6 904	8 252	26 472	16 143
Other income	4 864	7 557	5 369	9 621
Total income	40 854	36 066	124 642	106 965
<i>Operating expenses</i>				
Other external costs	-11 899	-9 756	-40 070	-31 614
Personnel costs	-15 651	-13 928	-52 551	-45 763
Amortization and depreciation	-2 914	-4 083	-10 665	-8 258
Total operating expenses	-30 464	-27 767	-103 286	-85 635
Operating profit	10 390	8 299	21 356	21 330
<i>Financial items</i>				
Profit from other securities and receivables accounted for as non-current assets	208	88	107	444
Other interest income and similar items	29	-311	29	-311
Interest cost and similar items	-105	-86	-105	-86
Exchange rate differences	2 257	-1 292	-9 343	-2 874
Total financial items	2 389	-1 601	-9 312	-2 827
Profit after financial items	12 779	6 698	12 044	18 503
Profit before tax	12 779	6 698	12 044	18 503
Income tax	-4 489	-2 151	-4 489	-4 583
Net profit	8 290	4 547	7 555	13 920

CONSOLIDATED BALANCE SHEET

(In KSEK)	2022-12-31	2021-12-31
ASSETS		
Non-current assets		
<i>Intangible assets</i>		
Entropia Platform and Entropia Universe	85 098	68 203
Other intangible assets	44	58
Total intangible assets	85 142	68 261
<i>Tangible assets</i>		
Equipment and computer hardware	3 417	2 664
Total tangible assets	3 417	2 664
<i>Financial assets</i>		
Other long-term securities	2 362	2 448
Other long-term receivables	3 559	3 169
Total financial assets	5 921	5 617
Total non-current assets	94 480	76 542
Current assets		
<i>Stock-in-trade etc</i>		
Commercial goods	147	104
Advances to suppliers	9	0
Total stock-in-trade etc	156	104
<i>Short-term receivables</i>		
Account receivables	2 027	2 203
Receivables from payment providers	2 233	1 442
Other receivables	1 812	1 470
Prepaid expenses and accrued income	7 986	2 261
Total short-term receivables	14 058	7 376
<i>Short-term investments</i>		
Other short-term investments	8 834	7 523
Cash and bank balances	32 797	48 901
Total current assets	55 845	63 904
TOTAL ASSETS	150 325	140 446

CONSOLIDATED BALANCE SHEET

(In KSEK)	2022-12-31	2021-12-31
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 year	35 636	31 693
Equity attributable to owners of the parent	71 163	67 220
Non-controlling interests		
Non-controlling interests	7	7
Minority interest	7	7
Total equity	71 170	67 227
Allocations		
Allocation unconsumed user holdings	47 059	39 472
Estimated deferred tax	10 286	8 677
Total allocations	57 345	48 149
Long-term liabilities		
Other liabilities	46	40
Total long-term liabilities	46	40
Short-term liabilities		
Accounts payable	4 158	1 850
Current tax liabilities	1 812	8 864
Other liability	4 841	4 593
Accrued expenses and prepaid income	10 954	9 723
Total short-term liabilities	21 765	25 030
TOTAL EQUITY AND LIABILITIES	150 326	140 446

CONSOLIDATED STATEMENT OF CASH FLOWS

(In KSEK)	2022-10-01 - 2022-12-31	2021-10-01 - 2021-12-31	2022-01-01 - 2022-12-31	2021-01-01 - 2021-12-31
Operating activities				
Receipts from customers	62 836	26 176	116 433	87 948
Payments to suppliers and employees	-56 420	-20 986	-113 545	-73 309
Interest received	8	0	8	0
Capital tax paid	0	-33	0	-33
Interest paid	-53	-53	-53	-53
Income tax paid	-1 250	1 848	-9 234	1 432
Cash flow from operating activities	5 121	6 952	-6 391	15 985
Investment activities				
Investments in intangible assets	0	0	0	-67
Investments in tangible fixed assets	-1 439	-140	-1 827	-1 353
Disposal/amortisation of other financial fixed assets	25	13	96	285
Increase/decrease in short-term financial investments	-389	-310	-1 604	-5 410
Cash flow from investing activities	-1 803	-437	-3 335	-6 545
Financing activities				
Option liquidity	0	0	418	0
Dividends paid	0	0	-4 729	-7 881
Cash flow from financing activities	0	0	-4 311	-7 881
Cash flow for the period	3 318	6 515	-14 037	1 559
Cash and cash equivalents at end of period	30 351	42 517	48 901	46 741
Exchange difference in cash and cash equivalents	-872	-131	-2 067	601
Cash and cash equivalents at end of period	32 797	48 901	32 797	48 901

PARENT COMPANY'S INCOME STATEMENT

(In KSEK)	2022-10-01 - 2022-12-31	2021-10-01 - 2021-12-31	2022-01-01 - 2022-12-31	2021-01-01 - 2021-12-31
Net sales	29 086	20 257	92 801	81 201
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Other external costs	-11 897	-9 755	-40 068	-31 613
Personnel costs	-15 651	-13 928	-52 551	-45 763
Amortization and depreciation	-2 914	-4 083	-10 665	-8 258
Total operating expenses	-30 462	-27 766	-103 284	-85 634
Operating profit	10 392	8 300	21 358	21 331
<i>Financial items</i>				
Profit from other securities and receivables accounted for as non-current assets	208	88	107	444
Other interest income and similar items	29	-311	29	-311
Interest cost and similar items	-105	-86	-105	-86
Exchange rate differences	2 257	-1 292	-9 343	-2 874
Total financial items	2 389	-1 601	-9 312	-2 827
Profit after financial items	12 781	6 699	12 046	18 504
Transfers to/from untaxed reserves	-3 500	0	-3 500	0
Net profit before tax	9 281	6 699	8 546	18 504
Income tax	-3 767	-2 151	-3 767	-4 583
Net profit	5 514	4 548	4 779	13 921

PARENT COMPANY'S BALANCE SHEET

(In KSEK)	2022-12-31	2021-12-31
ASSETS		
Non-current assets		
<i>Intangible assets</i>		
Entropia Platform and Entropia Universe	85 098	68 203
Other intangible assets	44	58
Total intangible assets	85 142	68 261
<i>Tangible assets</i>		
Equipment and computer hardware	3 417	2 664
Total tangible assets	3 417	2 664
<i>Financial assets</i>		
Shares in subsidiaries	4 952	4 952
Other long-term securities	2 362	2 448
Other long-term receivables	3 559	3 169
Total financial assets	10 873	10 569
Total non-current assets	99 432	81 494
Current assets		
<i>Stock-in-trade etc</i>		
Commercial goods	88	55
Advances to suppliers	9	0
Total stock-in-trade etc	156	104
<i>Short-term receivables</i>		
Account receivables	943	1 118
Receivables from payment providers	2 233	1 442
Receivables group companies	98	97
Other receivables	1 812	1 470
Prepaid expenses and accrued income	7 986	2 261
Total short-term receivables	13 072	6 388
<i>Short-term investments</i>		
Other short-term investments	8 834	7 523
<i>Cash and bank balances</i>	32 750	48 854
Total current assets	54 812	62 869
TOTAL ASSETS	154 244	144 363

PARENT COMPANY'S BALANCE SHEET

(In KSEK)	2022-12-31	2021-12-31
Equity and liabilities		
Equity		
Restricted equity		
Share capital	1 576	1 576
Revaluation reserve	21 470	24 153
Restricted reserves	50	50
Fund for development	54 574	34 299
Total restricted equity	77 670	60 078
Non-restricted equity		
Share premium reserve	33 951	33 951
Profit brought forward	-50 111	-42 827
Net profit	4 779	13 922
Total non-restricted equity	-11 381	5 046
Total equity	66 289	65 124
Untaxed reserves	6 200	2 700
Allocations		
Allocation unconsumed user holdings	47 059	39 472
Estimated deferred tax	8 987	8 099
Total allocations	56 046	47 571
Long-term liabilities		
Other liabilities	46	40
Total long-term liabilities	46	40
Short-term liabilities		
Accounts payable	4 158	1 850
Liabilities group companies	3 898	3 899
Current tax liabilities	1 812	8 864
Other liability	4 841	4 593
Accrued expenses and prepaid income	10 954	9 722
Total short-term liabilities	25 663	28 928
TOTAL EQUITY AND LIABILITIES	154 244	144 363

PARENT COMPANY'S STATEMENT OF CASH FLOWS

(In KSEK)	2022-10-01 - 2022-12-31	2021-10-01 - 2021-12-31	2022-01-01 - 2022-12-31	2021-01-01 - 2021-12-31
Operating activities				
Receipts from customers	62 836	26 176	116 430	87 948
Payments to suppliers and employees	-56 420	-20 986	-113 543	-73 308
Interest received	8	0	8	0
Capital tax paid	0	-33	0	-33
Interest paid	-53	-53	-53	-53
Income tax paid	-1 250	1 848	-9 234	1 432
Cash flow from operating activities	5 121	6 952	-6 392	15 986
Investment activities				
Investments in intangible assets	0	0	0	-67
Investments in tangible fixed assets	-1 439	-140	-1 827	-1 353
Disposal/amortisation of other financial fixed assets	25	13	96	285
Increase/decrease in short-term financial investments	-389	-310	-1 604	-5 410
Cash flow from investing activities	-1 803	-437	-3 335	-6 545
Financing activities				
Option liquidity	0	0	418	0
Dividends paid	0	0	-4 729	-7 881
Cash flow from financing activities	0	0	-4 311	-7 881
Cash flow for the period	3 318	6 515	-14 038	1 560
Cash and cash equivalents at end of period	30 304	42 470	48 855	46 693
Exchange difference in cash and cash equivalents	-872	-131	-2 067	601
Cash and cash equivalents at end of period	32 750	48 854	32 750	48 854

PARENT COMPANY'S CHANGE IN EQUITY (2021-2022)

(In KSEK)	Restricted equity			Fund for development expenditure	Non-restricted equity		Total equity
	Share capital	Revaluation reserve	Restricted reserve		Share premium reserve	Other non-restricted equity	
Equity per 2021-01-01	1 576	26 838	50	21 919	33 951	-25 947	58 387
Net profit for the year						13 922	13 922
Dividend according to AGM resolution						-7 881	-7 881
Capitalisation of development expenditure				16 143		-16 143	
Dissolution due to depreciation for the year							
- revaluations		-3 380				3 380	
- development expenditure				-3 764		3 764	
Deferred tax effects		1 113					696
Equity per 2021-12-31	1 576	24 154	50	34 298	33 951	-28 905	65 124
Net profit for the year						4 779	4 779
Dividend according to AGM resolution						-4 729	-4 729
Capitalisation of development expenditure				26 472		-26 472	
Dissolution due to depreciation for the year							
- revaluations		-3 380				3 380	
- development expenditure				-6 197		6 197	
Liquid warrants						418	418
Deferred tax effects		696					696
Equity per 2022-12-31	1 576	21 470	50	54 573	33 951	-45 332	66 288



COMMENTS ON THE FINANCIAL REVIEW

UNCONSUMED USER HOLDINGS IN Q4 & FULL YEAR 2022

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 in Q4, from 134.7 million PED to 136.6 million PED, an increase of 1.9 million PED. However, the total amount decreased slightly in SEK as the SEK/USD exchange rate decreased from 11.12 SEK/USD at the end of September to 10.44 SEK/USD at the end of December 2022 (10 PED=1 USD). As a result, the amount decreased during the last quarter by 7.2 million SEK, from 149.8 million to 142.6 million SEK.

Unconsumed user holdings have also increased during the full year 2022, from 132.3 million PED to 136.6 million PED, an increase of 4.3 million PED. The total amount increased significantly more in SEK as the SEK/USD exchange rate has increased from 9.04 SEK/USD at year-end 2021 to 10.44 SEK/USD at year-end December 2022 (10 PED=1 USD). As a result, the amount increased during the year by 23 million SEK, from 119.6 million SEK to 142.6 million SEK.

The total amount of "Unconsumed user holdings" is a variable amount that varies with the different activities within Entropia Universe. Historical figures (average over the last 19 years) 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 September 2022 was 44.5 million PED, equivalent to 49.4 million SEK. The real debt at the end of December is 45.1 million PED, equivalent to SEK 47.1 million. The allocation for unconsumed user holdings has therefore been adjusted for this as well as for currency adjustments at the end of December.

OPERATIONS IN OCTOBER - DECEMBER 2022, PARENT COMPANY & GROUP

Net sales for the fourth quarter amounted to 29.1 million SEK (20.3 m SEK). This increase is largely attributable to a strong USD but also to increased sales in Entropia Universe of approximately 7.2%. Capitalization of development costs amounts to 6.9 million SEK (8.3 m SEK) and other operating income amounts to 4.9 million (7.6 m SEK). Most of the other operating income is an insurance reimbursement of 4.75 million SEK. The previous quarter's other income consists mainly of sales of land rights (deeds) for 7.5 million SEK.

Operating expenses for the fourth quarter have increased by approximately 10 percent to 30.5 million SEK (27.8 m SEK). The increased costs are largely due to increased personnel costs and also to increased costs for consulting services. The number of employees and consultants has increased as the focus has been on new development with the transition to Unreal Engine.

Operating profit for the quarter amounts to 10.4 million SEK (8.3 m SEK). Financial items amount to 2.4 million SEK (-1.6 m SEK). The reason for the positive currency difference among financial items is mainly due to a currency adjustment of the allocation for unconsumed user holdings as the exchange rate changed from 11.12 SEK/USD to 10.44 SEK/USD in the last quarter of 2022. When the dollar depreciates, the company will have a positive currency effect among financial items. This exchange rate adjustment has no cash flow impact as all withdrawals from users are paid with deposits in the same currency, however it will have an impact on the book result. The result before transfer to untaxed reserves and taxes ends at 12.8 million SEK (6.7 m SEK).

OPERATIONS IN JANUARY - DECEMBER 2022, PARENT COMPANY & GROUP

Net sales amount to 92.8 million SEK (81.2 m SEK), an increase largely attributable to a strong USD but also to increased sales in Entropia Universe of approximately 4%. Activation of development costs amounts to 26.5 million SEK (16.1 m SEK) and other operating income amounts to 5.4 million SEK (9.6 m SEK). Total revenues amount to 124.6 million SEK (107 m SEK).

Operating expenses amount to 103.3 million SEK (85.6 m SEK). The increase is due to additional resources for the development of Entropia Universe. Operating profit after depreciation amounts to 21.4 million SEK (21.3 m SEK).

Financial items amount to -9.3 million SEK (-2.9 million SEK). The reason for the large negative currency adjustment is mainly a cumulative exchange rate adjustment of 7.3 million SEK on allocation for unconsumed user holdings as the SEK/USD exchange rate changed from 9.04 SEK/USD to 10.44 SEK/USD.

When the dollar appreciates during the financial year, the company will have a negative currency effect among financial items. This exchange rate adjustment has no cash flow impact as all withdrawals from users can be paid with deposits in the same currency, however it will be a major impact on the book result. The result before transfer to untaxed reserves and taxes was 12 million SEK (18.5 m SEK).

Investments for parent company and group

The capitalisation in the balance sheet of salary and consultancy costs for the development of Entropia Universe for the financial year 2022 amounts to 26.5 million SEK (16.1 m SEK) of which 19.6 million SEK (7.9 m SEK) was booked until the third quarter and 6.9 million SEK (SEK 8.2 m) was booked in the fourth quarter.

The capitalized amounts are reported under the captions fixed assets in the balance sheet and total assets, respectively capitalized work in the income statement.

Other investments consist mainly of costs related to the company's move to larger premises in December 2022, mainly office equipment and alarms of approximately 1.4 million SEK and investments in computers 0.4 million SEK. 1.4 million SEK (0,1 m SEK) of these other investments were made during the fourth quarter of the year.

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 fluctuated significantly during 2022, from just over 9 SEK per USD to a maximum of over 11 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 at December 31, 2022, which amounts to 10.44 SEK/USD. The large fluctuations in the exchange rate between SEK and USD result in large fluctuations in MindArk's reported income during the year.

The company forward-hedges 50% of the USD foreign exchange inflow to be converted into SEK 6 months in advance, i.e. when expenses and withdrawals in USD are paid. This policy gives MindArk less currency exposure and has a positive impact on the company's net financial result. This is due to the fact that when the USD rises the company gains from the spot exchange rates and when the rate goes down, 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.

Cash flow and liquidity of parent company and group

Cash and cash equivalents including short-term investments amount to 41.6 million SEK (56.4 m SEK). The decrease is attributable to a dividend of 4.7 m SEK (7.9 m SEK), investments in fixed assets, mainly for the new office and investments in development costs. The company has also donated 736 thousand SEK to the UN refugee agency (UNHCR) to help Ukrainians in need. The short-term investments in funds, interest-bearing securities and similar securities amount to 8.8 MSEK (7.5 MSEK).

The company has no interest-bearing liabilities.

Equity of parent company

MindArk's adjusted shareholders' equity amounts to 71.2 million SEK at the end of the year, divided into 157.6 million shares. Adjusted equity per share amounts to 0.45 SEK per share (0.43 SEK per share). If equity per share is calculated on the number of shares after the reverse split in January 2023, i.e. 31.5 million shares, the figures would instead be 2.26 SEK per share (2.13 SEK per share).

At the Extraordinary General Meeting on November 15, 2021, the meeting decided on a directed share issue of a maximum of 7,881,156 warrants (Warrants Series 2 2021/2025) to the Company's employees as an incentive scheme. 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 will be 4.8 percent. The options expire in 2025.

The company has no other outstanding option schemes or securities that could lead to dilutive effects for the shareholders.

Pledged assets

The Parent Company has a corporate guarantee of 3 million SEK for an unused cheque credit facility with SEB.

Employees

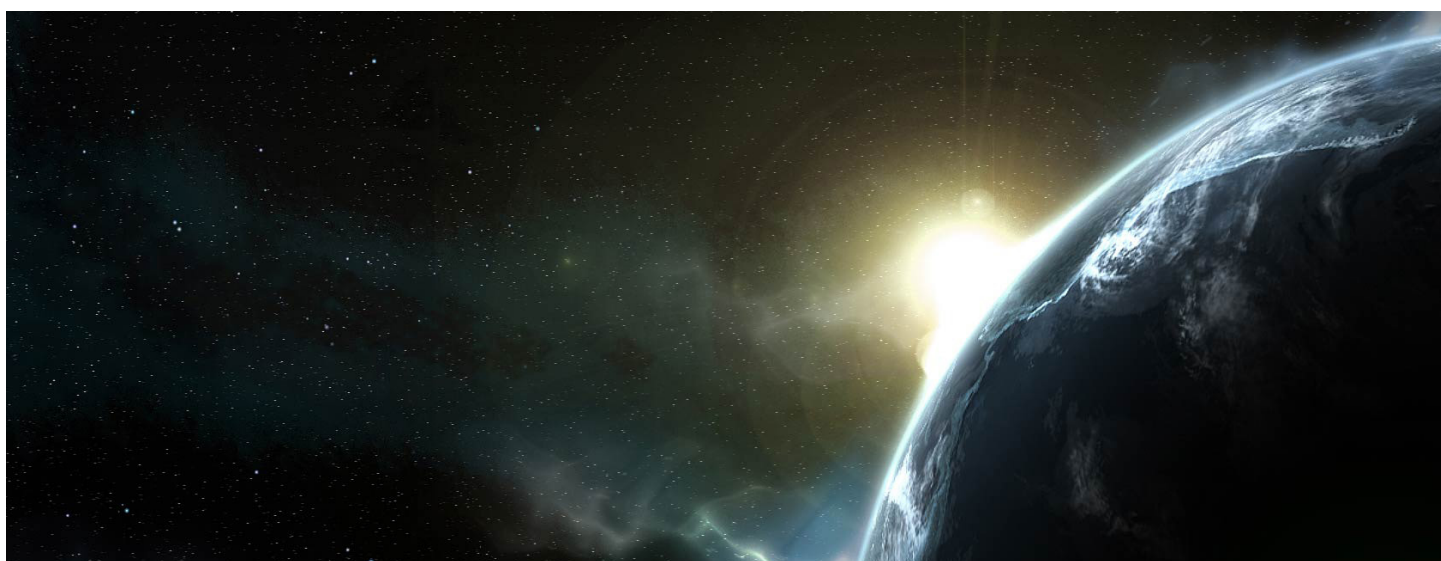
At the end of the year, a total of 61 employees, including 11 women, were employed by the Parent Company. Two new hires were made in quarter four. The average number of employees was 58 (54).

Reporting period

The report covers the period January 1 to December 31, 2022 and October 1 to December 31, 2022.

Rounding

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



SHARES & SHAREHOLDERS

Ownership structure as at December 31, 2022

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 December 31, 2022. 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**	17,48%	17,48%
Peak AM***	8,11%	8,11%
Six Sis	4,95%	4,95%
Sinovum Media	4,85%	4,85%
Nordic Tender Holdings	3,49%	3,49%
BNY Mellon	2,02%	2,02%
Klas Moreau	1,74%	1,74%
Kronboken	1,41%	1,41%
Lars Hammarström	1,26%	1,26%
<i>Övriga cirka 900 stycken</i>	<i>19,79%</i>	<i>19,79%</i>
Totalt	100%	100%

*Close relative to founder Jan Welter Timkrans

**Personal & via company

***Sven Sandberg

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 and the company has 31,524,625 shares after that.

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 2021 Annual report except for certain principles which have changed in 2022 as the company is now included in category of larger companies.

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.

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. MindArk has also contributed during the year with financial support to Ukraine through the UNHCR.

Related party transactions

There were no transactions that materially affected the Company's results and financial position with related parties during the period.

Dividends

The Board of Directors proposes that no dividend is to be paid and that the profit for the year be carried forward.

Auditor

This financial statement has not been audited by the Company's auditor.

Annual Report

The Annual Report 2022 with the auditor's report will be available on the company's website, www.mindark.com and at the Company's head office, Masthamnsgatan 5, 413 27 Gothenburg, from April 20, 2023.

Annual General Meeting

The Annual General Meeting will be held in Gothenburg on May 5, 2023.

Financial calendar

Interim report quarter 1 2023	May 25, 2023
Interim report quarter 2 2023	August 28, 2023
Annual General Meeting	May 5, 2023
Annual report	April 20, 2023

The dates for publication of the interim reports for quarter 1 and quarter 2 have changed from previous communication.

SETTLEMENT OF A DISPUTE

On December 9, 2022, the Patent and Market Court of Appeal (PMÖD) issued a decision in a dispute between a foreign private individual and MindArk. The dispute was initiated on March 23, 2018 by the individual sued MindArk before the Patent and Market Court (PMD), to prohibit MindArk from using certain source code and to award him damages which was finally specified to be in the amount of approximately SEK 33 million SEK.

MindArk considered the action to be unfounded from the outset for a number of reasons. Developments have shown that MindArk was correct, though the case took longer than expected. The dissolution followed the bankruptcy of the private individual on June 28, 2021, after which MindArk was able to reach a settlement with the individual's bankruptcy estate which resulted in the bankruptcy estate withdrawing its claim in exchange for MindArk not making a claim for costs against the bankrupt's estate. PMD dismissed the case. PMD rejected part of MindArk's claim for costs and reduced MindArk's claim for costs in so far as it related to the remaining part of the action. On March 14, 2022, MindArk appealed the PMD's decision to the Patent and Marknadsöverdomstolen (PMÖD). MindArk's appeal was successful and the PMÖD reversed the decision by awarding MindArk compensation for costs totaling 3 384 032 SEK instead of 2 220 942 SEK, of which the private individual would be jointly and severally liable together with his bankruptcy estate for 3 001 388 SEK.

The dispute has been finally settled by decision of the PMÖD. In other words, it cannot entail any further costs for MindArk.

The individual has no known assets in Sweden and his bankruptcy was declared on January 12, 2023. MindArk's chances of obtaining compensation for its legal costs in accordance with the PMÖD's decision are therefore small. However, MindArk has reached a settlement with its insurance company and it has paid 4 750 000 SEK as compensation for the legal costs incurred by MindArk during the period of the dispute.

DECLARATION OF 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 February 28, 2023

David Simmonds
Chairman

Anders Åke Fröjd
Board Member

Jan Rasmusson
Board Member

Magnus Götenfelt
Board Member

DEFINITIONS

Term	Definition
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



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