

Annual Report  
for



MindArk PE AB (publ)

Corporate identity SE - 556640-4769

Financial Year 2021



The Board of Directors and Chief Executive Officer of MindArk PE AB (publ) hereby present the Annual Report for January 1<sup>st</sup> – December 31<sup>st</sup> 2021.

## **Directors' report**

### **Business**

MindArk PE AB (publ) develops and operates 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 themed planets inside the Entropia Universe.

### **Market and Competition**

The events of 2021 have affected Sweden and the world in similar ways as in 2020. Several industries have been hit hard by the pandemic and many people have lost their jobs.

By contrast, the computer game industry, along with other home entertainment industries, has done relatively well and perhaps even better than expected during this period (Newzoo, November 2021). As the world continued being in lock down and as many people still worked from home and children did not go to school, it has been reported in several places that computer game companies both within and outside Sweden have benefited.

MindArk and Entropia Universe are no exception. The company noted that the users that found their way back to Entropia Universe in 2020 have continued to be active during 2021.

The gaming industry has continued to be the fastest growing segment of digital media. The industry turnover for 2021 was 180.3 billion USD (according to Newzoo, December 2021), which represents an increase of 1.4% compared to 2020. The forecast for the years ahead is that the revenue will increase to more than 200 billion USD in 2023.

MindArk does not have a direct competitor in the segment of virtual interactive universes with a real cash economy. The closest gaming genre to what MindArk offers is the MMO genre (Massively Multiplayer Online game). If we look at the MMO genre in detail, MindArk competes with other global gaming studios such as the largest MMO game in the western world, Activision Blizzard's "World of Warcraft". The MMO genre worldwide includes several million customers. The PC platforms' reduced revenue of 0.8% in 2021 compared to 2020 can be linked to delays in game releases as well as the global shortages of chips, which mean a supply shortage of the components needed for high-end PC gaming. These problems have had a negative impact on the PC segment. However, the PC platform still accounted for 20% of the revenue within the

gaming industry in 2021 according to Newzoo (December 2021). World of Warcraft remains the largest MMO game in the world, according to [bestreamer.com](https://bestreamer.com) and [mmo-population.com](https://mmo-population.com).

## **MindArk's Differentiation**

One factor that differentiates MindArk and Entropia Universe from competitors is the game's virtual economy with microtransactions, and its currency, the Project Entropia Dollar (PED), which has a fixed value against the USD (10 PED = 1 USD) and provides the opportunity for participants to both deposit and withdraw money in a safe manner.

A further differentiation is the Planet Partner model, which allows other developers to partner with MindArk and build their own planets within Entropia Universe, sharing revenues generated on the planet.

MindArk has more than 19 years experience developing and managing technology for virtual economies in an interactive 3D online environment. Today MindArk offers secure microtransactions for a large number of concurrent users that interact with one another online via their computers.

With the Entropia Platform, MindArk has a leading position in this area.

## **MindArk and its Affiliates**

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

Planet Calypso AB was the operator and developer of Planet Calypso, the first planet in Entropia Universe. Since January 1, 2015, all operations are handled by the parent company.

The subsidiary Entropia Universe AB previously provided much of the support for and operation of Entropia Universe. Since May 2012, the company has primarily been used for marketing purposes.

Green Fund Finance AB is a next generation investment house providing funding for commercial, innovative and sustainable technologies promoting a green economy.

## **Employees**

In 2021, MindArk averaged 54 employees, including nine women.

The company's CEO since December 2017 is Henrik Nel Jerkrot. Other senior officials of the company are Magnus Eriksson (COO), David Simmonds (Business Development Manager), Mats Kling (CTO), Malin Gustafsson (Human Resources) and Gunilla Krogh (CFO).

## Shares

The shares of MindArk are unlisted. The total number of shares is 157 623 125. The distribution of shares among major shareholders is as follows:

<i>Shareholders</i>	<i>Shareholding</i>	<i>Proportion of shares and votes</i>
Tetiana Karunna	55 000 000	34,89%
C-G Bothén AB	25 600 000	16,24%
Others approx 900	77 023 125	48,87%
<b>Total</b>	<b>157 623 125</b>	<b>100%</b>

## Important events during 2021

MindArk has continued to stabilize and optimize Entropia Universe during the first half of 2021, which has greatly improved the overall user experience. The biggest challenge other than that has been to prioritize what is most important between current Entropia and the development of the new engine, more information below. The target to effectively migrate Entropia Universe to the new engine cannot completely take focus from offering current Entropia Universe to its loyal users.

### Contract with Epic

As previously mentioned in the half-year report, MindArk signed an agreement with Epic Games in the first half of the year. MindArk agreed to use Unreal Engine 5 for the coming development of Entropia Universe. The change of the game engine will improve and optimize the graphical experience extensively, and give new opportunities to deliver a more spectacular gaming experience in an efficient way to the users of Entropia Universe. The contract with Epic Games helps to secure the future of Entropia Universe as a cutting-edge product, and allow MindArk to continue to be at the forefront of creating and developing virtual worlds.

### Unreal Pre-production

MindArk has spent a considerable portion of the year on the first phase of the migration work. Focus has been on investigation, testing, as well as training of the employees with the new engine and the possibilities it offers. The work continued as planned in the second half of the year.

### Updated Mayhem Events

MindArk has successfully revised and upgraded the popular Mayhem events. First out was Halloween Mayhem, the biggest event of the year after Merry Mayhem, to provide more excitement and engagement for the users. The user reception was very good and the same revision was done for Merry Mayhem and will continue for the rest of the Mayhem events in 2022.

### Sale of New Treasure Island

A part of the Calypso continent of Amethera was sold as a user owned area. 8,000,000 deeds were sold within minutes for eight million PED, and surpassed even the most optimistic prognosis.

### Mission System for Partners

The more modern and flexible mission system that was released in 2020 has continued to be rolled out for remaining planet partners. It has made the daily activity for the user simpler, more engaging and optimized.

### Final part of the Mutant adventure

The much-appreciated mutant adventure that was released in parts during a longer period got its storyline conclusion and with that the last part of the lab was introduced and well received by the user base.

### Space Ten Year Anniversary

In 2021 it was ten years since the first Entropia users could freely move around in Entropia's interstellar space. This was celebrated with new functionality and events.

### Planet Partners

*Planet Next Island* - Since Next Island was revitalized in 2018 the sales have increased every year; by the end of 2021 sales had increased tenfold. New account generation has increased by a smashing 126%, and there is a 218% surge in active, unique avatars playing on the planet.

Next Island is steadfast in its commitment to continue this growth pattern in all areas and projects. The team's passion for Entropia Universe and the metaverse concept is never-ending.

*Planet Arkadia* - Arkadia had another successful year. Highlights of the year included implementation of the Codex and the return of the popular Gold Rush event.

*Planet Toulan* - In 2021 Planet Toulan saw a healthy increase in New Player sign ups and activity levels for existing players on the Toulan Territory. This was realized through targeted marketing, focus on the new player journey and running regular events. The main development achievement of the year has been the creation of a new destination 'DSEC-9' with the first two areas released and more content to follow.

*Planet Cyrene* - Planet Cyrene has fully engaged in the estate system this year, adding not only booths, but shops and apartments as well. It has further increased its already impressive communication efforts across all channels by having more reliable access to support players. This planet is ready to continue ongoing development for both Unreal 5 as well as other side projects for 2022.

*Planet Rocktropia* - Rocktropia is continuing to cater to their Rock and Zombie theme customers.

## **Unconsumed user holdings i.e. player debt from "Contingent Liabilities" to Liabilities in the Balance Sheet**

The player debt, i.e. unconsumed user holdings, increased during the fiscal year from 128.9 million PED to 132.3 million PED, an increase of 3.4 million PED. The total debt in SEK increased even more, as the SEK/USD exchange rate increased from 8.19 SEK/USD at the end of the year 2020 to 9.04 SEK/USD in December 2021 (10 PED = 1 USD). As a result, the debt increased by 14 million SEK, from 105.6 million SEK to 119.6 million SEK.

The total amount of "Unconsumed user holdings" is an amount that fluctuates with the various activities within Entropia Universe. Historical figures show that 30 - 35% (average over the last 18 years) 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 on hand, the assessment is that the actual debt, which 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 year-end of 2021 was 43.7 million PED, or 39.5 million SEK. The allocation for unconsumed user holdings has been adjusted for this and for the change in the USD/SEK exchange rate.

## **Economic Development**

Net deposits (taking into account rejected withdrawals) in 2021 amounted to 114.1 million PED (97.9 million SEK) compared to 2020 net deposits, which totaled 101.1 million PED (93.1 million SEK). That is an increase in net deposits of PED of 13%. Net deposits in SEK have not increased by the same extent, due to the average exchange rate between USD and SEK having decreased. This year the average exchange rate has been 8.58 SEK/USD compared to last year's exchange rate of 9.21 SEK/USD, which is a decrease of almost 7%.

If a deduction is made for deposits related to financial purchases, such as deeds, the figure for 2021 is 103.4 million PED (88.7 million SEK) compared to 99 million PED (91.2 million SEK) in 2020, representing an increase in net deposits of PED of 4.4%.

Net sales, mainly usage in Entropia Universe, amounted to 81.2 million SEK (previous year SEK 80.3 million). Approximately 6.3 million SEK (last year 3.1 million SEK) of net sales is related to inactive accounts, i.e. an account that has not been active for at least one year. Remaining funds in those accounts have been moved from player debt to net sales.

The reason why net sales in SEK have not increased to such a great extent is due, as previously mentioned, to the fact that the exchange rate between USD and SEK has been significantly lower on average over the year. Another significant reason why net sales in SEK this year have not increased to the same extent as if only consumption in PED is taken into account is that it also consists of the change in player debt. That part of the player debt is recognized as income when it increases, ie when users deposit more money than they consume. This was the case in both 2020 and 2021, however, in 2020 it happened to a greater extent. As only 33% of the player debt (see explanation in previous paragraphs) is set aside in the balance sheet as a liability, the remaining increase is recognized as income, which gave 10.4 million SEK in increased income in 2020. The increase in player debt in 2021 gave only 2.4 million SEK in income.

Net sales both reached and exceeded the company's budget target. The work of optimizing and stabilizing Entropia has continued during the first half of 2021 and it has given very good results. The biggest change during the second half of the year was that the format for the major quarterly events was changed. It was much appreciated by the users and the activity increased significantly. The new mission system that was added in 2020 was also rolled out on the remaining planets in 2021, which made it easier for more users to experience Entropia.

The company can also see that the positive effect that the Covid-19 restrictions gave last year has faded in connection with the restrictions being removed in many parts of the world. However, it can be noted that many of the new customers gained thanks to the pandemic have provided a long-term and lasting addition to long-term user activity, even though they have to some extent reduced the actual time spent in Entropia Universe, more adapted to a restriction-free existence.

Other income mainly includes income from the sale of land rights, so-called deeds. In 2021, revenues from land rights accounted for 9.4 million SEK of the total other income, and in the previous year, land rights accounted for 2.2 million SEK.

Personnel costs are 6.3 million SEK higher than last year. There are several reasons for this. One reason is that the number of employees has increased during the year, from 48 employees at the beginning of the year to 55 employees at the end of the year. This in turn has generated higher recruitment costs. Other reasons are a provision for Mindarkkoncernens vinstandelsstiftelse, which is the company's personnel foundation, and salary increases.

Total operating expenses amounted to approximately 77.4 million SEK (approximately 66.6 million SEK in 2020), an increase of 8.8 million SEK. Explanation can be found in part in the last section. Other reasons are that the cost of consulting services has doubled, license fees to Unreal and also an increase in other software license fees as well as other costs due to more employees. Operating profit before depreciation and amortization amounted to 29.6 million SEK (27.8 million SEK in 2020).

Depreciation and write-downs of tangible and intangible fixed assets decreased from 9.5 million SEK in 2020 to 8.3 million SEK in 2021. Operating profit after depreciation amounts to 21.3 million SEK (18.3 million SEK in 2020).

Finally, financial items consist of an exchange rate difference of - 2.8 million SEK related to the player debt described in a previous paragraph. Also a write-down of shares in Manomotion of 311,000 SEK and unrealized currency gains of 444,000 SEK.

After net financial items, but before appropriations and tax, profit amounted to 18.5 million SEK (last year 25.3 million SEK).

The equity of the company amounted at year-end to 65.1 million SEK (previous year 58.4 million SEK).

## **Cash Flow and Liquid Assets**

During the year, the company acquired fixed assets of 1.4 million SEK and capitalized development costs regarding Entropia Universe and the Entropia Platform in the amount of 16.1

million SEK.

The company's liquidity including other short-term investments has increased during the year and at year end amounted to 56.4 million SEK versus 48.7 million SEK the previous year. Short-term investments stand for 7.5 million SEK.

## **Group in Summary**

No consolidated financial statements have been prepared for fiscal year 2021, as no or insignificant operations have been conducted by the subsidiaries during the year.

## **Listing of MindArk Shares**

The timing of the listing of MindArk shares has not yet been established, any further information will be published on our website.

## **Annual Meeting**

The Annual General Meeting was held on April 29, 2021 in the company's office. In addition to the decision to determine the previous year's accounts, elections were made to the Board. All three of the Board's current members, David Simmonds, Anders Fröjd and Jan Rasmuson, declared that they were available for re-election.

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

## **Extraordinary general meetings**

Both June 8, 2021 and November 15, 2021, the company had an Extraordinary General Meeting regarding a directed issue of warrants to the employees of the company. The Board's proposal was a directed issue of a maximum of 7,881,156 warrants, entailing an increase in the share capital upon full exercise by 78,811.56 SEK. This is an issue of a maximum of 5%. The option right may then be exercised during the period from 15 May 2025 to 15 June 2025. Both times, the proposal was voted through unanimously by the Annual General Meeting. The reason for a second Extraordinary General Meeting is that the issue terms were changed slightly. A complete decision proposal can be found on the company's website. The option program was fully subscribed and registered at the beginning of 2022.

## Final Words

The year 2021 was also largely marked by the pandemic, just as in 2020. A majority of the employees have worked remotely for periods of time as a result of recommendations from authorities. The difference from last year, however, was that this year MindArk was already adapted to work in distributed forms. The company could also see that the use of Entropia Universe continued to be positively affected by the restrictions and lockdowns from countries around the world.

One of the biggest and most decisive events in 2021 was that MindArk chose to sign an agreement with Epic Games to take a decisive step forward with Entropia Universe's current game engine by migrating to the Epic Games Unreal Engine 5. The fact that Entropia is moving to Unreal Engine not only lays the foundation for a modern and more future-proof technology, but it also enables completely new possibilities and a review of existing functionality and performance.

The company is based in Gothenburg.

## The Board's proposed appropriation of profits

The Board of Directors proposes that the net profit and retained losses be carried forward (all amounts in SEK):

Retained losses	-42 826 824
Shared premium reserve	33 950 695
Net profit for the year	13 921 850
	<b>5 045 721</b>
Disposed of so	
that it is distributed to shareholders	4 728 694
Amount carried forward	317 027
	<b>5 045 721</b>

Further inquiries regarding the financial position and performance of the company are directed to the below listed income statement, balance sheet and cash flow statement with accompanying notes.

### Several years summary (TSEK)

	2021	2020	2019	2018	2017
Net sales	81 201	80 252	64 604	62 091	57 471
Profit after amortization	21 331	18 255	4 537	6 137	2 740
Profit after financial items	18 504	25 339	-381	2 861	-864
Net profit for the year	13 922	17 231	-458	619	0
Total assets	144 363	128 260	97 542	98 206	94 697
Equity	65 124	58 387	40 043	39 392	37 089
Fixed assets	81 494	72 485	67 253	72 921	78 555
Solidity (%)	47	47	41	42	41

### Changes in shareholders' equity (TSEK)

	Share capital	Revalu- tion reserve	Restricted Reserves	Fund for develop- ment	Share premium reserve	Profit carried forward	Total capital
Opening balance	1 576	26 838	50	21 919	33 951	-25 947	<b>58 387</b>
Shareholders meeting						-7 881	<b>-7 881</b>
Change deferred tax		696					<b>696</b>
Resolution revaluation reserve		-3 380				3 380	<b>0</b>
Resolution fund for development				-3 764		3 764	<b>0</b>
Fund for development				16 143		-16 143	<b>0</b>
Net profit for the year						13 922	<b>13 922</b>
<b>Outgoing balance</b>	<b>1 576</b>	<b>24 154</b>	<b>50</b>	<b>34 298</b>	<b>33 951</b>	<b>-28 905</b>	<b>65 124</b>

<b>Income Statement</b>	<b>Not</b>	<b>2021-01-01 -2021-12-31</b>	<b>2020-01-01 -2020-12-31</b>
Net sales		81 200 992	80 252 158
Capitalized work		16 143 475	11 600 783
Other income		9 621 098	2 539 818
		<b>106 965 565</b>	<b>94 392 758</b>
<b>Operating expenses</b>			
Other external costs		-31 612 782	-27 116 188
Personnel costs	3	-45 763 406	-39 517 245
Amortization and depreciation		-8 258 202	-9 504 429
		<b>-85 634 390</b>	<b>-76 137 862</b>
<b>Operating profit</b>		<b>21 331 175</b>	<b>18 254 896</b>
<b>Financial items</b>			
Profit from shares in group companies	4	0	2 252 668
Profit from other securities and receivables accounted for as non-current assets	5	443 914	-470 182
Other interest income and similar items		-311 000	0
Interest cost and similar items		-85 752	-426
Exchange rate differences in bank holdings	6	-2 873 909	5 302 362
		<b>-2 826 747</b>	<b>7 084 422</b>
<b>Profit after financial items</b>		<b>18 504 428</b>	<b>25 339 318</b>
Transfers to/from untaxed reserves	7	0	-2 700 000
<b>Net profit before tax</b>		<b>18 504 428</b>	<b>22 639 318</b>
Income tax	8	-4 582 578	-5 408 129
<b>Net profit</b>		<b>13 921 850</b>	<b>17 231 189</b>

## Balance Sheet

	Not	2021-12-31	2020-12-31
<b>Assets</b>			
<b>Non-current assets</b>			
<i><b>Intangible assets</b></i>			
Entropia Platform and Entropia Universe	9	68 202 687	59 202 934
Other intangible assets	10	57 755	0
		<b>68 260 442</b>	<b>59 202 934</b>
<i><b>Tangible assets</b></i>			
Equipment and computer hardware	11	2 664 221	2 417 157
		<b>2 664 221</b>	<b>2 417 157</b>
<i><b>Financial assets</b></i>			
Shares in subsidiaries	12	4 952 500	4 952 500
Other long-term securities	13	2 448 168	2 759 168
Other long-term receivables	14	3 169 090	3 153 330
		<b>10 569 758</b>	<b>10 864 998</b>
<b>Total non-current assets</b>		<b>81 494 421</b>	<b>72 485 089</b>
<b>Current assets</b>			
<i><b>Stock-in-trade</b></i>			
Commercial goods	15	103 742	71 498
		<b>103 742</b>	<b>71 498</b>
<i><b>Short-term receivables</b></i>			
Account receivables		1 117 890	1 443 092
Receivables from payment providers	16	1 441 648	1 301 720
Receivables group companies		96 937	96 937
Other receivables		1 470 037	1 877 376
Prepaid expenses and accrued income		2 261 216	2 317 667
		<b>6 387 728</b>	<b>7 036 792</b>
<i><b>Short-term investments</b></i>			
Other short-term investments		7 522 668	1 973 677
		<b>7 522 668</b>	<b>1 973 677</b>
<i><b>Cash and bank balances</b></i>			
<b>Total current assets</b>		<b>62 868 717</b>	<b>55 775 169</b>
<b>Total assets</b>		<b>144 363 138</b>	<b>128 260 258</b>

## Balance Sheet

Not 2021-12-31 2020-12-31

### Equity and liabilities

#### Equity

##### *Restricted equity*

Share capital (157 623 125 shares)	1 576 231	1 576 231
Revaluation reserve	24 153 480	26 837 200
Restricted reserves	50 000	50 000
Fund for development	34 298 427	21 918 674
	<b>60 078 138</b>	<b>50 382 105</b>

##### *Non-restricted equity*

Share premium reserve	33 950 695	33 950 695
Profit brought forward	-42 826 824	-43 177 104
Net profit	13 921 850	17 231 189
	<b>5 045 721</b>	<b>8 004 780</b>

#### Total equity

**65 123 859 58 386 885**

#### Untaxed reserves

2 700 000 2 700 000

#### *Allocations*

17

Allocation unconsumed user holdings	39 471 618	34 839 020
Estimated deferred tax	8 099 116	7 629 926
<b>Total allocations</b>	<b>47 570 734</b>	<b>42 468 946</b>

#### Long-term liabilities

Other liabilities	40 095	36 325
	<b>40 095</b>	<b>36 325</b>

#### Short-term liabilities

Accounts payable	1 850 340	2 891 222
Liabilities group companies	3 899 461	3 899 461
Current tax liabilities	8 863 528	4 897 561
Other liability	4 592 568	4 406 880
Accrued expenses and prepaid income	9 722 552	8 572 978
<b>Total short-term liabilities</b>	<b>28 928 449</b>	<b>24 668 102</b>

#### Total equity and liabilities

**144 363 138 128 260 258**

## Notes

### Note 1 Supplementary disclosures & 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)*.

Receivables are entered at the amount in which they are expected to be received.

Other assets and liabilities have been valued at acquisition value unless otherwise stated.

Accrual allocation of revenues and expenses has been done according to the professional ethics for accountants.

Fixed assets are entered at their acquisition value reduced for accumulated amortization and depreciations. Amortization and depreciation is accounted for in a straight line over the assets anticipated economic life.

The following percentages are applied:

Entropia Platform and Entropia Universe	10 %
Equipment and tools	20 %
Computer hardware	20-33.3 %

### Note 2 Estimates and assessments

The preparation of financial statements and application of accounting principles is often based on management's assessments, estimates and assumptions that are considered reasonable at the time the assessment is made. Estimates and assessments are based on historical experience and several other factors, which in the current circumstances are considered reasonable. The results of these are used to assess the reported values of assets and liabilities, which otherwise do not appear clearly from other sources. The actual outcome may deviate from these estimates and judgments. Estimates and assumptions are reviewed regularly.

No significant sources of uncertainty in estimates and assumptions on the balance sheet date are expected to entail a significant risk of a significant adjustment of the reported values for assets and liabilities during the next financial year.

Since mid-year 2017, the actual debt of the player debt is recognized in the balance sheet (previously a contingent liability) under the heading Allocations. The real debt is estimated to be about 33% of the actual player debt.

### Note 3 Average employees

	<b>2021</b>	<b>2020</b>
Average employees	54	46

### Note 4 Profit from shares in group companies

	<b>2021</b>	<b>2020</b>
Results on divestments	0	-6 500
Write-downs	0	0
Reversal of impairment	0	2 259 168
	<b>0</b>	<b>2 259 668</b>

### Note 5 Profit from other securities and receivables accounted for as non-current assets

	<b>2021</b>	<b>2020</b>
Exchange revenues	302 605	-403 410
Unrealize changes in the value of securities	141 309	-66 772
	<b>443 914</b>	<b>-470 182</b>

### Note 6 Exchange rate differences

	<b>2021</b>	<b>2020</b>
Exchange difference player debt	-3 474 895	5 334 866
Other exchange differences	600 986	-32 504
	<b>-2 873 909</b>	<b>5 302 362</b>

The reason for the large exchange difference is that the company has made an exchange rate adjustment on the player debt. The exchange rate at the end of 2020 was 8.19 SEK/USD and now at the year-end 2021 the rate is 9.04 SEK/USD. In the 2020 annual accounts, there was a positive currency adjustment of about 5.3 million SEK, now it will instead be a negative currency adjustment of 3.5 million SEK. The reason is that the debt has increased during the fiscal year 2021, which means that a higher exchange rate will affect the company negatively. See more in the note 17 Allocations.

**Note 7 Transfers to/from untaxed reserves**

	<b>2021</b>	<b>2020</b>
Transfer to tax allocation reserve	0	-2 700 000
	<b>0</b>	<b>-2 700 000</b>

**Note 8 Current and deferred tax**

	<b>2021</b>	<b>2020</b>
<b>Tax on profit for the year</b>		
Current tax	-3 417 107	-4 522 207
Change in deferred tax asset	0	-218 796
Change in deferred tax liability regarding temporary differences	-1 165 471	-667 126
	<b>-4 582 578</b>	<b>-5 408 129</b>

**Not 9 Entropia Platform and Entropia Universe**

	<b>2021-12-31</b>	<b>2020-12-31</b>
Acquisition value brought forward	83 988 103	72 387 320
Purchase	16 143 475	11 600 783
	<b>100 131 578</b>	<b>83 988 103</b>
Amortization brought forward	-24 785 169	-16 213 747
Amortization according to plan	-7 143 722	-8 571 422
	<b>-31 928 891</b>	<b>-24 785 169</b>
<b>Entered net value carried forward</b>	<b>68 202 687</b>	<b>59 202 934</b>

**Note 10 Other intangible assets**

	<b>2021-12-31</b>	<b>2020-12-31</b>
Acquisitions	66 640	0
	<b>66 640</b>	<b>0</b>
Depreciation for the year	-8 885	0
	<b>-8 885</b>	<b>0</b>
<b>Entered net value carried forward</b>	<b>57 755</b>	<b>0</b>

### Note 11 Equipment and computer hardware

	<b>2021-12-31</b>	<b>2020-12-31</b>
Acquisition value brought forward	14 725 126	13 233 815
Acquisitions	1 352 659	1 491 311
	<b>16 077 785</b>	<b>14 725 126</b>
Depreciation brought forward	-12 307 969	-11 374 962
Depreciation for the year	-1 105 595	-933 007
	<b>-13 413 564</b>	<b>-12 307 969</b>
<b>Entered net value carried forward</b>	<b>2 664 221</b>	<b>2 417 157</b>

### Note 12 Specification shares in subsidiaries

<b>Corporate name</b>	<b>Proportion</b>	<b>Share of voting</b>	<b>Number of shares</b>	<b>Book value</b>
Planet Calypso AB (publ)	100%	100%	450 000	3 910 000
Entropia Universe AB	100%	100%	2 000	1 000 000
Green Fund Finance Sweden AB	85%	85%	425	42 500
				<b>4 960 000</b>

	<b>Corporate identity</b>	<b>Domicile</b>	<b>Equity</b>	<b>Net profit</b>
Planet Calypso AB (publ)	556766-6416	Göteborg	3 899 683	-823
Entropia Universe AB	556767-3594	Göteborg	988 294	0
Green Fund Finance Sweden AB	559170-3557	Göteborg	45 680	-735

### Note 13 Other long-term securities holdings

	<b>2021-12-31</b>	<b>2020-12-31</b>
Acquisition value brought forward	2 759 168	500 000
Acquisition	0	2 259 168
	<b>2 759 168</b>	<b>2 759 168</b>
Write-down for the year	-311 000	0
	<b>-311 000</b>	<b>0</b>
<b>Entered net value carried forward</b>	<b>2 448 168</b>	<b>2 759 168</b>

### Note 14 Other liability

Refers to reverse loan according to agreement and a loan to Mindarkkoncernens vinstandelsstiftelse. The latter was finalized in 2021.

	2021-12-31	2020-12-31
Acquisition value brought forward	3 886 857	4 060 767
Currency change	300 502	-403 410
Increase loan to Mindarkkoncernens vinstandelsstiftelse	0	14 500
	<b>4 187 359</b>	<b>3 886 857</b>
Revaluation brought forward	-733 527	-733 527
Repayments, current receivables	-284 742	0
	<b>-1 018 269</b>	<b>-733 527</b>
<b>Entered net value carried forward</b>	<b>3 169 090</b>	<b>3 153 330</b>

### Note 15 Stock

The inventory only consists of profile products that are sold through an online shop on the company's website.

### Note 16 Receivables from payment providers

Refers to MindArk's outstanding receivables on all contracted payment providers. The open balance contains payments confirmed by the provider but not yet received by MindArk.

### Note 17 Allocations

	2021-12-31	2020-12-31
<b>Deferred tax liability</b>		
Value brought forward	7 629 926	8 075 600
Allocation for the year	1 165 471	667 126
During the year reversed amount	-696 280	-1 112 800
	<b>8 099 116</b>	<b>7 629 926</b>
<b>Allocations for unconsumed user holdings</b>		
Value brought forward	34 839 020	35 013 250
Allocation for the year	4 632 598	-174 230
	<b>39 471 618</b>	<b>34 839 020</b>

**Unconsumed user holdings:**

Unconsumed user holdings, i.e. the player debt, is equivalent to user deposits which are not used or withdrawn. The debt increased during the fiscal year from PED 128.9 million PED to 132.3 million PED, an increase of 3.4 million PED. The total debt in SEK increased significantly more in SEK, as the SEK/USD exchange rate increased from 8.19 SEK/USD at the end of the year 2020 to 9.04 SEK/USD December 31, 2021 (10 PED = 1 USD). As a result, the debt increased by 14 million in SEK, from 105.6 million SEK to 119.6 million SEK.

User requested reimbursements not yet settled are recognized in the balance sheet under Accrued expenses.

Since mid-year 2017, the real part of the player debt is recognized in the balance sheet (previously a contingent liability) under the heading Allocations. The real debt is estimated to be about 33 % of the actual player debt. This means that this year's allocation is 39.5 million SEK.

**Note 17 Pledged assets**

Refers to SEB´s corporate mortgage.

	<b>2021-12-31</b>	<b>2020-12-31</b>
Mortgage companies	3 000 000	3 000 000
	<b>3 000 000</b>	<b>3 000 000</b>

## Note 18 Important events in early 2022

The invasion of Ukraine has not gone unnoticed. MindArk's board decided to stop all financial transactions to and from Russia indefinitely and to close off the possibility of accounts being created from Russia.

The board also decided to donate 500,000 SEK to The UN Refugee Agency UNHCR to help Ukrainians in need due to the conflict. In addition to this, 10% of MindArk's revenues between March 10, 2022 and April 10, 2022 will be donated to UNHCR (with a deduction for the donation of 500,000 SEK that has already been made).

Finally, it can be noted that the offer made to the employees of the company for warrants was fully subscribed in January 2022, which means that there may be an issue of up to 5% in 2025.

Göteborg March 25, 2022

*David Simmonds*

David Simmonds  
Chairman of the Board

*Anders Fröjd*

Anders Fröjd  
Board Member

*Jan Rasmuson*

Jan Rasmuson  
Board Member

*Henrik Nel Jerkrot*

Henrik Nel Jerkrot  
CEO

My audit report concerning this annual report has been issued on March 25, 2022.

Öhrlings PricewaterhouseCoopers AB

*Konstantin Belogorcev*

Konstantin Belogorcev  
Authorized public accountant