

Annual report  
and  
Consolidated accounts  
for  
**MindArk PE AB (publ)**

(Corporate identity SE - 556640-4769)

Financial year

**2013**



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> 2013.

## 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 Entropia Universe.

### Market and Competition

The computer gaming industry has been the fastest growing segment of digital media in recent years. In 2012 the market was calculated at USD 63 billion and the forecast for year 2013 is USD 76 billion. This is a slight decline in the increase compared to earlier forecasts, still though a solid growth but with a lower pace. MindArk is active in the segment of Massively Multiplayer Online Games (MMOs). Several trends suggest that online games will have strong growth in the future, along with games for mobile devices.

Entropia Universe competes with several large global MMO producers. The largest western online game is Blizzard's World of Warcraft, but there are millions of players in many other games as well.

### MindArk's Differentiation

One factor that differentiates MindArk and Entropia Universe from the competition is the game's virtual economy with micro-transactions and its own currency which has a fixed value against the USD, and 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 ten years experience developing and managing technology for virtual economy in an interactive 3D online environment. Today MindArk offers secure micro-transactions 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 the worldwide computer gaming industry.

## MindArk and its Affiliates

MindArk is the parent company of a group comprising the parent company and three subsidiaries. The parent company and two subsidiaries, Entropia Universe AB and Planet Calypso AB are located in Gothenburg. MindArk Group's third wholly-owned subsidiary, Ilunova Sa. the. Cv., is located in Playa del Carmen, Mexico, and has been operational since February 2008.

Ilunova provides various services to the parent company. These services include assisting MindArk in the development of the Entropia Platform, and marketing of the same with potential partners. Ilunova also operates the first-line customer support service, facilitating prime-time support coverage for Entropia Universe participants from around the world. Planet Calypso AB is the operator and developer of Planet Calypso, Entropia Universe's first and most active planet.

## Employees

MindArk has during the year had an averaged 33 employees, including three women. The MindArk group employs the equivalent of 50 employees, including six women. In Mexico 13 employees are located, including three women.

The company's CEO is David Simmonds. Other senior officials of the company are Magnus Eriksson (vice president), Mats Kling (CTO), David Malcus (Development), Klas Moreau (Technical Director), Gunilla Krogh (CFO) and Bernt Wählin (Human Resources).

## Shares

The shares of MindArk are unlisted. The total number of shares are 143 293 750. The distribution of shares among major shareholders is as follows:

<i>Shareholders</i>	<i>Shareholding</i>	<i>Proportion of shares and votes</i>
Jan Welter Timkrans	39 137 600	27,3 %
Wasto AB	28 658 750	20,0 %
C-G Bothén AB	25 600 000	17,9 %
Others 900	49 897 400	34,8 %
<b>Totalt</b>	<b>143 293 750</b>	<b>100 %</b>

## Important events during 2013

### Entropia's 10 Year Anniversary

2013 began with MindArk celebrating the 10 year anniversary of Entropia Universe. Special events were held, and hundreds of special TEN Edition items were looted throughout the year to celebrate this exciting milestone.

### Infrastructure Upgrades

A series of major infrastructure upgrades was performed during 2013. These upgrades have helped to improve server capacity and stability, and allowed for faster and smoother deployment of version updates, patches and hotfixes. These upgrades also help our developers and partners to more efficiently develop new content and systems by streamlining the internal development pipeline.

### Marketing

MindArk vastly increased its marketing efforts in 2013 resulting in a more than 110% increase in the number of new participants compared to 2012. Those marketing efforts also resulted in a very encouraging 57% increase in the number of new depositors. By all significant measures such as average simultaneous users, new accounts, and daily economic turnover, overall activity in the universe was at an all time high during 2013, due in large part to the MindArk's latest marketing efforts.

### New Player Experience

Additional improvements to the new player experience were implemented in 2013, carrying on the focus given to this area in late 2012. These efforts have synergized well with the marketing efforts described above, and have contributed to the improvement in conversion rates and participant retention. A series of player-contributed YouTube tutorials were also created in cooperation with MindArk, and new participants were encouraged to view those informative videos to get off on the right foot in the Entropia Universe adventures. The new player experience is an area that will continue to have MindArk's attention moving forward, as it is an essential component of the growth of the universe.

### Avatar Graphics

A major overhaul to the avatar graphics and creation system was implemented early in 2013, resulting in incredibly realistic looking avatars and enhanced avatar customization possibilities.

### Moon Estate

A new type of estate management opportunity was offered in 2013. A group of participants pooled their resources and bid 1.5 million PED to acquire the rights to manage the first such estate, which subsequently was launched as the Monria moon estate in May 2013.

### New Systems/Features

Several new exciting features were introduced to Entropia Universe in 2013 which have been widely approved by participants. Those features include mission and skill progress trackers modules, as well as new types of consumable items that buff avatars in various ways. In addition, weapons and other items introduced in 2013 sport interesting new abilities, for example: life leech, faster reload speed, or damage blocking. New convenience items were also introduced toward the end of 2013, including portable trade and repair terminals and auto-loot pills.

### Veteran Appreciation/Cost to Play

As promised in the 2013 State of the Universe Address, MindArk implemented several changes and features that helped to reduce the overall cost to participate in Entropia Universe, including:

- Average TT returns were increased across the board for hunting, mining, crafting and other activities.
- Removal or lowering of many unpopular fees, such as the armor equipping fee.
- Increased the unlimited item tiering speed.
- The minimum condition of most items lowered to 3%, freeing up a large number of PED, especially for owners of older UL weapons.
- Reduced the volatility of many activities, especially for lower level avatars.
- Decay and ammo consumption were removed when using a weapon not aimed at a valid target.

### Payment Providers

Many participants were thrilled with the addition of Paypal as an official Entropia Universe payment processor in the second quarter of 2013. PayPal is a well-known and widely spread method for internet transactions, this method will over time offer both deposits and withdrawals, but at the moment we have only enabled deposits.

In addition, new participants have the option of purchasing special starter packs via Zong, Paypal's mobile payment solution, which enrich the Entropia Universe Newcomer experience. Zong was bought by PayPal in 2011 and added the ability to easily do payments with a smartphone. With the growing numbers of smartphones MindArk wants to provide a safe and easy native mobile payment method.

## **Economic Development in Parent Company**

Net sales in parent company, excluding inter-billing and revenue sharing between MindArk Group companies, amounted to SEK 46.8 million (previous year 45.8 million). The increase during 2013 in sales of PED (internal currency of Entropia Universe, 10 PED is equal to 1 USD) is higher than the increase in SEK. The average USD to SEK exchange rate was 6.51 this year compared to 6.77 in 2012, which is 4% less SEK per USD. Unconsumed user holdings have been increased by 7.6 million, from SEK 66.9 million to 74.5 million.

Of total revenues, SEK 17.4 million (previous year SEK 18.8 million) was added to Planet Calypso AB under a profit sharing contract.

Operating expenses amounted to about SEK 43.5 million (last year about SEK 64.9 million). Operating profit before depreciation and loss on sale of building amounted to plus SEK 1.2 (previous year minus SEK 22.5 million).

After financial items, profit before taxes amounts to minus SEK 8.9 million (previous year minus SEK 29.4 million). The equity of the parent company amounted at year-end to SEK 16.7 million (previous year SEK 25.8 million).

## Cash Flow and Liquid Assets for Parent Company

Operating cash flow in the parent company amounts to minus SEK 12.4 million. A positive cash flow from investing activities on SEK 7.9 million, together with a received group contribution of SEK 4.5 million meant that the parent company's cash flow stopped at minus SEK 29 402. Liquid assets amounted to SEK 1.9 million.

## MindArk Group summary

Group revenues amounted to SEK 50.1 million (previous year SEK 60.8 million). Operational costs were SEK 47.9 million (previous year SEK 73.3 million including of the settlement with SEE). The Group profit after net financial items amounted to minus SEK 8.9 million (previous year minus SEK 20.7 million) before tax.

Equity of the Group amounted to SEK 15.6 million (last year SEK 25.1 million).

Cash flow was plus SEK 41 281 (last year minus SEK 6.9 million) and the Group's liquid assets as of December 31 were approximately SEK 2.1 million (last year SEK 2.2 million).

## Listing of MindArk shares

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

## Annual Meeting

The annual meeting for 2013 was held on June 26 in the company's offices. Nothing beyond standard decisions according to the articles of association was decided by the meeting. Board members Jan Welter Timkrans (Chairman), David Simmonds and Sven Sandberg were reelected. It was resolved in the meeting that the Board should not have any alternate.

## Important events in early 2014

MindArk has ambitious plans for the development of Entropia Universe in 2014, with planned primary focus on the following areas:

### Systems Development

**Social Interface** - A completely overhauled and improved social interface has been under development during last year and was released in February 2014. This upgrade has brought several long-desired features, including offline messaging, custom chat channels and much more.

**Affiliate System** - An affiliate system is under development which will allow participants to earn PED by referring new Entropia Universe participants.

**Premium Accounts** - Still in the early design stage, MindArk is planning to offer premium account upgrades for a small monthly cost. Benefits of the various premium account types are still being decided, but may include such features as increased storage limits and increased number of simultaneous auctions. We are also considering making premium account upgrades available via daily mission tokens as well as special lootable items.

**Citizenship & Housing System** - Development of these systems was unfortunately delayed in 2013 due to the critical infrastructure upgrades taking quite a bit more development time than anticipated, along with several other projects receiving higher priority in the second half of 2013 and early 2014. This project is now tentatively planned for release in Q4 of 2014.

**PVP** - Lots of improvements and enhancements to player vs. player (PVP) combat are planned for the second half of 2014. More information will be made available in a future Entropia Buzz developer notes article.

**New Player Experience** - Among MindArk's highest ongoing priorities is improving participant conversion and retention, and one of the best ways to accomplish that is to continually find ways to improve the experience of new participants. As such, we plan to continue working closely with our planet partners in 2014 to implement systems and features that make Entropia Universe as exciting and user-friendly as possible for new participants.

**Legacy Systems** - Progress is ongoing for the reimplementing and refinement of various legacy systems.

**New Systems** - Several other interesting new systems are in the early development stage, and are planned for release in Q3 and Q4 of 2014 depending on prioritization of the other projects mentioned above. More details and teasers will be released throughout the year, so be on the lookout!

#### Marketing

MindArk plans to continue to expand and refine its marketing efforts in 2014 in order to maximize the number of new participants joining Entropia Universe. As outlined above, our marketing efforts in 2013 were promising and we plan to become even more aggressive in 2014.

#### Planet Toulan

MindArk was excited to bring its newest planet online the first quarter of 2014. Though still in its beta release, Planet Toulan promises to bring exposure of Entropia Universe to a previously untapped sector of the online gaming audience, and add a unique Arabian theme to the existing planet partner roster. Full release of Planet Toulan is expected mid-2014.

#### Cost to Play & Balancing

Continuing with the improvements made in 2013, MindArk plans to further improve average returns for many activities. One example would be the removal of the clothing equip fee in an upcoming platform release.

#### Infrastructure & Development Tools

Additional improvements to the Entropia Universe infrastructure and development tools are planned, which will allow MindArk and its planet partners to more efficiently develop and deploy new features and content, while minimizing server latency and downtime during patches and version updates.

#### Deed and Estate Management

Several new deed and estate management opportunities are planned for 2014. One of these will be announced in the upcoming planet partner release scheduled for early March.

#### Entropia Platform

Several major public and private organizations have expressed interest in making use of the Entropia Universe platform and collaborating with MindArk for future projects. MindArk sees great potential for development and business opportunities in for example the education sector.



### Several year summary (TSEK)

<b>Consolidated</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Net sales	46 797	46 478	45 993	50 796	66 386
Profit after amortization	-8 725	-20 790	-7 396	-16 328	1 026
Profit after financial items	-8 941	-20 698	-7 688	-17 331	-1 200
Total assets	25 719	41 691	51 140	94 948	77 785
Equity	15 563	25 093	40 999	49 072	63 468
Anläggningstillgångar	12 805	27 136	30 974	41 949	51 502

<b>Parent company</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Net sales	43 848	42 003	44 752	32 423	50 664
Profit after amortization	-8 718	-29 529	-29 072	-24 866	-980
Profit after financial items	-8 898	-29 400	-29 288	-25 592	-3 051
Net profit for the year	-9 371	-27 057	-23 677	-11 704	-1 651
Total assets	28 689	47 036	59 742	65 865	77 002
Equity	16 674	25 844	41 337	49 290	54 912
Untaxed reserves	0	0	0	0	11 717
Fixed assets	18 604	32 306	34 962	46 943	52 851

### The Board's proposed appropriation of profits

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

Retained losses	- 4 516 492
Shared premium reserve	29 078 708
Net loss for the year	-9 371 082
	<b>15 191 134</b>
Amount carried forward	15 191 134

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

<b>Income Statement Consolidated</b>	<b>Not</b>	<b>2013-01-01 -2013-12-31</b>	<b>2012-01-01 -2012-12-31</b>
Net sales	1	46 797 164	46 477 596
Other income	2	3 285 422	14 354 135
		<b>50 082 586</b>	<b>60 831 731</b>
<b>Operating expenses</b>			
Other external costs	3	-17 904 032	-41 874 121
Personnel costs	4, 5	-29 988 020	-31 391 993
Amortization and depreciation		-6 918 170	-8 355 392
Loss sale of building		-3 997 171	0
		<b>-58 807 394</b>	<b>-81 621 506</b>
<b>Operating profit</b>		<b>-8 724 808</b>	<b>-20 789 775</b>
<b>Financial items</b>			
Other financial items		158 792	-17 252
Interest income		29 465	268 484
Exchange rate differences in bank holdings		-171 947	-383 018
Interest cost		-232 165	223 775
<b>Profit after financial items</b>		<b>-8 940 663</b>	<b>-20 697 786</b>
Income tax on profit for the year		-586 238	-270 142
Income tax relating to previous years		0	-3 230
<b>Net profit</b>		<b>-9 526 901</b>	<b>-20 971 158</b>

<b>Balance Sheet Consolidated</b>	<b>Not</b>	<b>2013-12-31</b>	<b>2012-12-31</b>
<b>Assets</b>			
<b>Non-current assets</b>			
<i><b>Intangible assets</b></i>			
Planet Calypso	6	838 879	1 126 495
Entropia Platform	7	3 541 652	8 854 130
Other intangible assets	8	4 137 445	4 153 312
		<b>8 517 976</b>	<b>14 133 937</b>
<i><b>Property and equipment</b></i>			
Buildings and land	9	0	8 377 171
Equipment and computer hardware	10	1 329 766	2 216 848
		<b>1 329 766</b>	<b>10 594 019</b>
<i><b>Financial assets</b></i>			
Loan MindArk Groups Vinstandelsstiftelse		75 550	43 700
Other long-term receivables	11	2 882 109	2 364 568
		<b>2 957 659</b>	<b>2 408 268</b>
<b>Total non-current assets</b>		<b>12 805 401</b>	<b>27 136 224</b>
<b>Current assets</b>			
<i><b>Stock-in-trade</b></i>			
Commercial goods	12	407 324	468 407
Advances to suppliers		2 018 497	2 027 012
		<b>2 425 821</b>	<b>2 495 419</b>
<i><b>Short-term receivables</b></i>			
Account receivables		4 075 996	2 874 815
Receivables from payment providers	13	1 484 179	2 010 959
Tax advanced		1 213 134	2 405 247
Other receivables	14	597 766	1 255 446
Prepaid expenses and accrued income	15	1 064 287	1 329 466
		<b>8 435 362</b>	<b>9 875 933</b>
<i><b>Cash and bank balances</b></i>			
		2 052 301	2 182 967
<b>Total current assets</b>		<b>12 913 484</b>	<b>14 554 319</b>
<b>Total assets</b>		<b>25 718 885</b>	<b>41 690 543</b>

## Balance Sheet Consolidated

	Not	2013-12-31	2012-12-31
<b>Equity and liabilities</b>			
<b>Equity</b>	16		
Share capital (143 293 750 shares)		1 432 938	1 432 938
Restricted reserves		50 000	49 999
Unrestricted reserves		23 607 112	44 581 271
Net profit		-9 526 901	-20 971 158
<b>Total equity</b>		<b>15 563 149</b>	<b>25 093 050</b>
<b>Short-term liabilities</b>			
Debt to credit agency		0	155 780
Accounts payable		1 220 071	2 683 734
Income tax liability		514 730	993 458
Other liability		1 758 237	9 026 495
Accrued expenses and prepaid income	17	6 662 698	3 738 026
		<b>10 155 736</b>	<b>16 597 493</b>
<b>Total equity and liabilities</b>		<b>25 718 885</b>	<b>41 690 543</b>
<b>Contingent liabilities</b>			
Guarantee		0	641 953
Unconsumed user holdings		74 460 750	66 895 000
		<b>74 460 750</b>	<b>67 536 953</b>

## Cash Flow Statement Consolidated

	Not	2013-01-01 -2013-12-31	2012-01-01 -2012-12-31
<b>Operating activities</b>			
Cash received from customers		49 927 462	58 702 102
Cash paid to suppliers and personnel		- 57 362 697	- 65 596 194
Interest received		175 369	256 498
Interest paid		- 224 865	- 353 848
Income tax paid		127 147	- 236 161
<b>Cash flow from operating activities</b>		<b>-7 357 583</b>	<b>-7 227 603</b>
<b>Investing activities</b>	20		
Sale of intangible assets		0	-4 137 445
Purchase of property and equipment		-570 906	-341 754
Sale of property and equipment		8 377 171	0
Amortization of long-term receivables		-31 850	0
Increase / decrease in short-term investments		-375 551	135 753
<b>Cash flow from investing activities</b>		<b>7 398 864</b>	<b>-4 343 446</b>
<b>Financing activities</b>			
Issue of new shares		0	5 000 000
Increase of long-term liabilities		0	0
Amortization of long-term liabilities		0	-332 818
<b>Cash flow from financing activities</b>		<b>0</b>	<b>4 667 182</b>
<b>Cash flow for the year</b>		<b>41 281</b>	<b>-6 903 867</b>
Ingoing cash and bank balances		2 182 967	9 469 852
Exchange rate differences in cash and bank balances		-171 947	-383 018
<b>Outgoing cash and bank balances</b>	21	<b>2 052 301</b>	<b>2 182 967</b>

<b>Income Statement Parent Company</b>	<b>Not</b>	<b>2013-01-01 -2013-12-31</b>	<b>2012-01-01 -2012-12-31</b>
Net sales	1	43 848 385	42 003 484
Other income	2	847 642	392 819
		<b>44 696 027</b>	<b>42 396 303</b>
<b>Operating expenses</b>			
Other external costs	3	-18 996 449	-41 490 320
Personnel costs	4	-24 461 642	-23 406 990
Amortization and depreciation		-5 959 027	-7 028 475
Loss sale of building		-3 997 171	0
		<b>-53 414 289</b>	<b>-71 925 785</b>
<b>Operating profit</b>	<b>21</b>	<b>-8 718 262</b>	<b>-29 529 482</b>
<b>Financial items</b>			
Interest income		158 792	-17 252
Other financial items		27 972	265 175
Interest cost		-181 171	203 916
Exchange rate differences in bank holdings		-185 019	-322 339
		<b>-179 426</b>	<b>129 500</b>
<b>Profit after financial items</b>		<b>-8 897 688</b>	<b>-29 399 982</b>
<b>Net profit before tax</b>		<b>-8 897 688</b>	<b>-29 399 982</b>
Income tax on group contributions received		56 606	2 342 775
Other taxes		-530 000	0
<b>Net profit</b>		<b>-9 371 082</b>	<b>-27 057 207</b>

<b>Balance Sheet Parent Company</b>	<b>Not</b>	<b>2013-12-31</b>	<b>2012-12-31</b>
<b>Assets</b>			
<b>Non-current assets</b>			
<i><b>Intangible assets</b></i>			
Entropia Platform	7	3 541 652	8 854 130
Other intangible assets	8	4 137 445	4 153 312
		<b>7 679 097</b>	<b>13 007 442</b>
<i><b>Property and equipment</b></i>			
Buildings and land	9	0	8 377 171
Equipment and computer hardware	10	728 786	944 342
		<b>728 786</b>	<b>9 321 513</b>
<i><b>Financial assets</b></i>			
Shares in subsidiaries	22, 23	7 238 917	7 568 417
Loan MindArk Groups Vinstandelsstiftelse		75 550	43 700
Other long-term receivables	11	2 882 109	2 364 568
		<b>10 196 576</b>	<b>9 976 685</b>
<b>Total non-current assets</b>		<b>18 604 459</b>	<b>32 305 640</b>
<b>Current assets</b>			
<i><b>Stock-in-trade</b></i>			
Commercial goods	12	407 324	468 407
Advanced to suppliers		2 018 497	2 027 012
		<b>2 425 821</b>	<b>2 495 419</b>
<i><b>Short-term receivables</b></i>			
Account receivables		2 533 018	1 795 338
Receivables from payment providers	13	1 484 179	2 010 959
Receivables group companies		0	4 235 232
Tax advanced		114 489	184 850
Other receivables	14	537 627	589 284
Prepaid expenses and accrued income	15	1 039 271	1 255 188
		<b>5 708 584</b>	<b>10 070 851</b>
<i><b>Cash and bank balances</b></i>			
		1 949 855	2 164 276
<b>Total current assets</b>		<b>10 084 260</b>	<b>14 730 546</b>
<b>Total assets</b>		<b>28 688 719</b>	<b>47 036 186</b>

## Balance Sheet Parent Company

Not 2013-12-31 2012-12-31

### Equity and liabilities

#### Equity

16,24

#### *Restricted equity*

Share capital (143 293 750 shares)

1 432 938

1 432 938

Restricted reserves

50 000

50 000

**1 482 938**

**1 482 938**

#### *Non-restricted equity*

Share premium reserve

29 078 708

29 078 708

Profit brought forward

-4 516 492

22 340 023

Net profit

-9 371 082

-27 057 207

**15 191 134**

**24 361 524**

#### **Total equity**

**16 674 072**

**25 844 462**

#### **Short-term liabilities**

Accounts payable

1 185 933

2 381 566

Liabilities group companies

3 187 234

8 924 073

Other liability

1 309 432

6 436 861

Accrued expenses and prepaid income

17

6 332 048

3 449 224

#### **Total short-term liabilities**

**12 014 647**

**21 191 724**

#### **Total equity and liabilities**

**28 688 719**

**47 036 186**

#### **Contingent liabilities**

18

Guarantee

0

641 953

Unconsumed user holdings

74 460 750

66 895 000

**74 460 750**

**67 536 953**



## Cash Flow Statement Parent Company

	Not	2013-01-01 -2013-12-31	2012-01-01 -2012-12-31
<b>Operating activities</b>			
Cash received from customers		44 384 238	40 342 028
Cash paid to suppliers and personnel		-56 346 824	-61 161 555
Interest received		173 876	253 189
Interest paid		-157 729	-148 722
Income tax paid		-459 639	-45 487
<b>Cash flow from operating activities</b>		<b>-12 406 078</b>	<b>-20 790 547</b>
<b>Investing activities</b>	19		
Purchase of intangible assets		0	-4 137 445
Purchase of property and equipment		-415 126	-206 961
Sale of property and equipment		8 377 171	0
Reduction of share capital in subsidiaries		329 500	0
Investment in other financial assets		-31 850	0
Increase / decrease in short-term investments		-375 550	135 753
<b>Cash flow from investing activities</b>		<b>7 884 145</b>	<b>-4 208 653</b>
<b>Financing activities</b>			
Issue of new shares		0	5 000 000
Received group contribution		4 492 531	14 003 269
<b>Cash flow from financing activities</b>		<b>4 492 531</b>	<b>19 003 269</b>
<b>Cash flow for the year</b>		<b>-29 402</b>	<b>-5 995 931</b>
Ingoing cash and bank balances		2 164 276	8 482 546
Exchange rate differences in cash and bank balances		-185 019	-322 339
<b>Outgoing cash and bank balances</b>	20	<b>1 949 855</b>	<b>2 164 276</b>

### **Supplementary disclosures & accounting principles**

The annual report has been prepared in accordance with the Swedish Annual Accounts Act. The accounting principles applied agree with the Annual Accounts Act as well as recommendations and comments from the Accounting Standard Committee.

The accounting principles in use are unchanged from last year.

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:

Intangible assets	20 %
Building	2 %
Equipment and tools	20 %
Computer hardware	20-33 %

The consolidated statement of accounts has been prepared according to the rules of acquisition accounting.

## Notes

### Note 1 Net sales Group

Corporate revenues consist of the net sum of deposited and withdrawn amounts from Entropia Universe made by users. The net revenues are presented in the income statement after deduction of reimbursements requested by participants in Entropia Universe.

From January 1, 2009 the revenues in Entropia Universe are shared with the subsidiary Planet Calypso AB (earlier AR Universe AB) and the other Planet Partners.

	2013	2012
<b>Net sales</b>		
Deposits and other net sales	69 054 055	63 449 284
Reimbursements	-22 256 891	-16 971 688
	<b>46 797 164</b>	<b>46 477 596</b>
<b>Distribution of net sales through geographical markets</b>		
Participants within the European Community	19 805 675	20 428 679
Participants from the rest of the world	26 991 489	26 048 917
	<b>46 797 164</b>	<b>46 477 596</b>

### Parent Company

Corporate revenues consist of the net sum of deposited and withdrawn amounts from Entropia Universe made by users. The net revenues are presented in the income statement after deduction of reimbursements requested by participants in Entropia Universe.

From January 1, 2009 the revenues in Entropia Universe are shared with the subsidiary Planet Calypso AB (earlier AR Universe AB) and the other Planet Partners.

	2013	2012
<b>Net sales</b>		
Deposits and other net sales	51 641 547	44 037 708
Reimbursements	-22 256 891	-16 971 688
Inter group sales	14 463 729	14 937 464
	<b>43 848 385</b>	<b>42 003 484</b>
<b>Distribution of net sales through geographical markets</b>		
Participants within the European Community	18 329 259	16 810 310
Participants from the rest of the world	25 519 126	25 193 174
	<b>43 848 385</b>	<b>42 003 484</b>

**Note 2 Other income  
Group**

	<b>2013</b>	<b>2012</b>
Exchange revenues	205 607	378 227
Work performed by company and capitalized	0	44 950
Other revenue	673 023	227 153
Sold Calypso Land Deeds	2 406 793	13 703 805
	<b>3 285 423</b>	<b>14 354 135</b>

**Parent Company**

	<b>2013</b>	<b>2012</b>
Exchange revenues	178 062	335 114
Work performed by company and capitalized	0	44 950
Other revenue	669 581	12 755
	<b>847 643</b>	<b>392 819</b>

**Note 3 Remunerations to company auditors  
Group**

	<b>2013</b>	<b>2012</b>
<b>PwC</b>		
Entered expenses for auditing	213 500	150 000
Other services	5 074	235 182
	<b>218 574</b>	<b>385 182</b>

**Parent Company**

	<b>2013</b>	<b>2012</b>
<b>PwC</b>		
Entered expenses for auditing	175 500	112 000
Other services	5 074	235 182
	<b>180 574</b>	<b>347 182</b>

**Note 4 Employees and personnel cost Group**

	<b>2013</b>	<b>2012</b>
<b>Average number of employees</b>		
Female	6	4
Male	44	48
	<b>50</b>	<b>52</b>
<b>Wages and remunerations</b>		
Paid to members of the Board, CEO and senior executives	6 029 672	5 415 328
Paid to other employees	15 629 147	16 932 112
	<b>21 658 819</b>	<b>22 347 440</b>
<b>Social security cost</b>		
Pension cost for Board members , CEO and senior executives	831 417	813 349
Pension cost for other employees	967 745	1 514 415
Social security cost	6 107 570	5 957 610
	<b>7 906 732</b>	<b>8 285 374</b>
<b>Total cost for wages and remunerations etc</b>	<b>29 965 671</b>	<b>30 632 814</b>

**Parent Company**

	<b>2013</b>	<b>2012</b>
<b>Average number of employees</b>		
Female	3	3
Male	30	30
	<b>33</b>	<b>33</b>
<b>Wages and remunerations</b>		
Paid to members of the Board, CEO and senior executives	4 631 036	3 941 200
Paid to other employees	12 068 739	11 296 251
	<b>16 699 775</b>	<b>15 237 451</b>
<b>Social security cost</b>		
Pension cost for Board members, CEO and senior executives	731 744	698 489
Pension cost for other employees	890 056	1 398 073
Social security cost	5 589 245	5 277 280
	<b>7 211 045</b>	<b>7 373 842</b>
<b>Total cost for wages and remunerations etc</b>	<b>24 310 940</b>	<b>22 611 293</b>

**Note 5 Employees and personnel cost distributed over countries**

<b>Group</b>	<b>2013</b>		<b>2012</b>	
<b>Average number of employees</b>				
Sweden	37	(3)	38	(4)
Mexico	13	(3)	14	(1)
	<b>52</b>	<b>(6)</b>	<b>52</b>	<b>(5)</b>

Figures in parentheses are the average number of women.

**Note 6 Planet Calypso**

<b>Group</b>	<b>2013-12-31</b>	<b>2012-12-31</b>
Acquisition value brought forward	1 763 210	1 763 210
	<b>1 763 210</b>	<b>1 763 210</b>
Amortization brought forward	-636 715	-48 978
Amortization according to plan	-287 616	-587 737
	<b>-924 331</b>	<b>-636 715</b>
<b>Entered net value carried forward</b>	<b>838 879</b>	<b>1 126 495</b>

**Note 7 Entropia Platform  
 Group and Parent Company**

Capitalization of development cost for the technical platform of Entropia Universe was done between July 1<sup>st</sup> 2008 and August 31<sup>st</sup> 2009. The capitalized amounts consist of all expenses directly connected to the development of the technical platform. Amortization according to plan was activated as a result of the launch of version 10.0 of Entropia Universe.

	<b>2013-12-31</b>	<b>2012-12-31</b>
Acquisition value brought forward	26 562 390	26 562 390
	<b>26 562 390</b>	<b>26 562 390</b>
Amortization brought forward	-17 708 260	-12 395 782
Amortization according to plan	-5 312 478	-5 312 478
	<b>-23 020 738</b>	<b>-17 708 260</b>
<b>Entered net value carried forward</b>	<b>3 541 652</b>	<b>8 854 130</b>

**Note 8 Other intangible assets**  
**Group and Parent Company**

Refers to the cost and amortization for MindArks and Entropia Universe web tools. The capitalization of expenses for the mobil app called "The Pet App" is also included.

	<b>2013-12-31</b>	<b>2012-12-31</b>
Acquisition value brought forward	4 705 045	567 600
Purchase	0	4 137 445
	<b>4 705 045</b>	<b>4 705 045</b>
Amortization brought forward	-551 733	-444 500
Amortization according to plan	-15 867	-107 233
	<b>-567 600</b>	<b>-551 733</b>
<b>Entered net value carried forward</b>	<b>4 137 445</b>	<b>4 153 312</b>

**Note 9 Buildings and land**  
**Group**

Refers to property Gnomenstieg 4, 01156 in Dresden, Germany. The reconstruction of the property in Dresden was completed in January 2011. This property has been for sale for a long time without being sold, the price was lowered from 1.4 million EUR to 990 000 EUR. As a consequence, it was decided to perform a write-down on the property of 5.3 million SEK during year 2011. During current fiscal year the building was finally sold for 500 000 EUR.

	<b>2013-12-31</b>	<b>2012-12-31</b>
Acquisition value brought forward	14 247 053	14 417 786
Building sold	-14 247 053	0
Reclassifications	0	-170 733
	<b>0</b>	<b>14 247 053</b>
Depreciation brought forward	-569 882	-293 478
Depreciation sold building	569 882	0
Reclassifications	0	8 537
Depreciation according to plan	0	-284 941
	<b>0</b>	<b>-569 882</b>
Write-down brought forward	-5 300 000	-5 300 000
Write-down sold building	5 300 000	0
	<b>0</b>	<b>-5 300 000</b>
<b>Entered net value carried forward</b>	<b>0</b>	<b>8 377 171</b>

### Parent Company

Refers to property Gnomestieg 4, 01156 in Dresden, Germany. The reconstruction of the property in Dresden was completed in January 2011. This property has been for sale for a long time without being sold, the price was lowered from 1.4 million EUR to 990 000 EUR. As a consequence, it was decided to perform a write-down on the property of 5.3 million SEK during year 2011. During current fiscal year the building was finally sold for 500 000 EUR.

	<b>2013-12-31</b>	<b>2012-12-31</b>
Acquisition value brought forward	14 247 053	14 247 053
Building sold	-14 247 053	0
	<b>0</b>	<b>14 247 053</b>
Depreciation according brought forward	-569 882	-284 941
Depreciation sold building	569 882	0
Depreciation according to plan	0	-284 941
	<b>0</b>	<b>-569 882</b>
Write-down brought forward	-5 300 000	-5 300 000
Write-down sold building	5 300 000	0
	<b>0</b>	<b>-5 300 000</b>
<b>Entered net value carried forward</b>	<b>0</b>	<b>8 377 171</b>

### Note 10 Equipment and computer hardware Group

	<b>2013-12-31</b>	<b>2012-12-31</b>
Acquisition value brought forward	14 395 418	13 882 931
Acquisitions	415 126	341 754
Reclassifications	0	170 733
	<b>14 810 544</b>	<b>14 395 418</b>
Depreciation brought forward	-12 178 570	-10 118 167
Exchange differences	0	2 600
Depreciation for the year	-1 302 210	-2 063 003
	<b>-13 480 780</b>	<b>-12 178 570</b>
<b>Entered net value carried forward</b>	<b>1 329 766</b>	<b>2 216 848</b>



**Parent Company**

	<b>2013-12-31</b>	<b>2012-12-31</b>
Acquisition value brought forward	8 323 514	8 116 553
Acquisitions	415 126	206 961
	<b>8 738 640</b>	<b>8 323 514</b>
Depreciation brought forward	-7 379 172	-6 055 349
Depreciation for the year	-630 682	-1 323 823
	<b>-8 009 854</b>	<b>-7 379 172</b>
<b>Entered net value carried forward</b>	<b>728 786</b>	<b>944 342</b>

**Note 11 Other long-term receivables**  
**Group and Parent Company**

Refers to promissory note loan according to agreement.

**Note 12 Stock**  
**Group and Parent Company**

Inventories consist of the gold card and gold card readers used for secure login to Entropia Universe.

**Note 13 Receivables from payment providers**  
**Group and Parent Company**

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 14 Other receivables  
Group**

	<b>2013-12-31</b>	<b>2012-12-31</b>
Short-term loan according to agreement	260 213	367 150
Other receivables	337 553	888 296
	<b>597 766</b>	<b>1 255 446</b>

**Parent Company**

	<b>2013-12-31</b>	<b>2012-12-31</b>
Short-term loan according to agreement	260 213	367 150
Other receivables	277 414	222 134
	<b>537 627</b>	<b>589 284</b>

**Note 15 Prepaid expenses and accrued income  
Group**

	<b>2013-12-31</b>	<b>2012-12-31</b>
Prepaid license fees for software	256 571	543 918
Other prepaid expenses	807 716	785 548
	<b>1 064 287</b>	<b>1 329 466</b>

**Parent Company**

	<b>2013-12-31</b>	<b>2012-12-31</b>
Prepaid license fees for software	256 571	543 918
Other prepaid expenses	782 700	711 270
	<b>1 039 271</b>	<b>1 255 188</b>

**Note 16 Changes in shareholders' equity Group**

Number of shares: 143 293 750

	<b>Share capital</b>	<b>Restricted reserves</b>	<b>Unrestricted reserves</b>	<b>Net profit</b>
Opening balance	1 432 398	50 000	44 581 271	-20 971 158
Shareholders meeting			-20 971 158	20 971 158
Translation difference			-3 001	
Net loss for the year				-9 526 901
<b>Outgoing balance</b>	<b>1 432 938</b>	<b>50 000</b>	<b>23 607 112</b>	<b>-9 526 901</b>

**Parent Company**

Number of shares: 143 293 750

	<b>Share capital</b>	<b>Restricted Reserves</b>	<b>Share premium reserve</b>	<b>Profit carried forward</b>	<b>Net profit</b>
Opening balance	1 432 398	50 000	29 078 708	22 340 023	-27 057 207
Shareholders meeting				-27 057 207	27 057 207
Group contributions				257 299	
Tax effects group contributions				-56 606	
Net loss for the year					-9 371 082
<b>Outgoing balance</b>	<b>1 432 398</b>	<b>50 000</b>	<b>29 078 708</b>	<b>-4 516 491</b>	<b>-9 371 082</b>

**Note 17 Accrued expenses and income Group**

User requested reimbursements of funds from Entropia Universe are accounted for as an accrual on the balance sheet.

	<b>2013-12-31</b>	<b>2012-12-31</b>
User requested reimbursements not yet settled	4 816 355	1 869 660
Other accrued operating expenses	1 804 088	1 777 366
Prepaid income	42 255	91 000
	<b>6 662 698</b>	<b>3 738 026</b>

**Parent Company**

User requested reimbursements of funds from Entropia Universe are accounted for as an accrual on the balance sheet.

	<b>2013-12-31</b>	<b>2012-12-31</b>
User requested reimbursements not yet settled	4 816 355	1 869 660
Other accrued operating expenses	1 473 438	1 488 567
Prepaid income	42 255	91 000
	<b>6 332 048</b>	<b>3 449 227</b>

## **Note 18 Contingent liabilities Group and Parent Company**

### ***Unconsumed user holdings:***

MindArk defines operating income from Entropia Universe as the net amount of provided and withdrawn funds by users.

Participants in Entropia Universe can at any time request a reimbursement of all their unconsumed assets in the virtual currency PED. MindArk then reserves the corresponding amount in SEK as an accrual.

It is not possible to determine whether a certain amount of PED at any given moment will be withdrawn from Entropia Universe or spent on activities within the virtual environment. MindArk therefore consider all unconsumed funds in PED as a contingent liability.

The corresponding value of all unconsumed PEDs is calculated at 74.5 million SEK on December 31<sup>st</sup> compared to 66.9 million SEK the previous year.

## **Note 19 Investment in tangible assets Group and Parent Company**

During the year the Parent Company acquired fixed assets of 415 126 SEK. In addition the Group has also made a last installment of 155 780 SEK on lease loan agreement.

## **Note 20 Liquid funds Group**

	<b>2013-12-31</b>	<b>2012-12-31</b>
<b>Liquid funds</b>		
Cash and bank balances	2 052 301	2 182 967
	<b>2 052 301</b>	<b>2 182 967</b>
<b>Parent Company</b>	<b>2013-12-31</b>	<b>2012-12-31</b>
<b>Liquid funds</b>		
Cash and bank balances	1 949 855	2 164 276
	<b>1 949 855</b>	<b>2 164 276</b>

**Note 21 Purchases and sales between group companies  
Parent Company**

	<b>2013</b>	<b>2012</b>
Percentage of the total purchases made from other companies in the Group	31,02 %	29,26 %
Percentage of the total sales made from other companies in the Group	32,99 %	35,55 %

**Note 22 Shares in subsidiaries  
Parent Company**

	<b>2013-12-31</b>	<b>2012-12-31</b>
Acquisition value brought forward	7 568 417	7 568 417
Reduction of the share capital	-329 500	0
<b>Accumulated acquisition value brought forward</b>	<b>7 238 917</b>	<b>7 568 417</b>
<b>Entered net value carried forward</b>	<b>7 238 917</b>	<b>7 568 417</b>

**Note 23 Specifikation andelar i koncernföretag**  
**Parent Company**

<b>Corporate name</b>	<b>Proportion</b>	<b>Share of voting</b>	<b>Number of shares</b>	<b>Book value</b>
Ilunova SA de CV	100%	100%	100	2 328 917
Planet Calypso AB (publ)	100%	100%	100	3 910 000
Entropia Universe AB	100%	100%	100	1 000 000
				<b>7 238 917</b>

	<b>Corporate identity</b>	<b>Domicile</b>	<b>Equity</b>	<b>Net profit</b>
Ilunova SA de CV	0710163	Quintana roo, Mexico	1 217 866	-356 482
Planet Calypso AB (publ)	556766-6416	Göteborg	3 910 098	200 695
Entropia Universe AB	556767-3594	Göteborg	1 000 031	-31

Göteborg May 4, 2014

*Jan Welter Timkrans*

*Sven Sandberg*

Jan Welter Timkrans  
Chairman of the Board

Sven Sandberg  
Board Member

*David Simmonds*

David Simmonds  
CEO and Board Member

My audit report concerning this annual report has been issued on May 4, 2014

*Magnus Götenfelt*

Magnus Götenfelt  
Authorized public accountant