



MindArk PE AB (publ) develops, operates and markets Entropia Universe and the Entropia Platform. Entropia Universe is a 3D Internet virtual universe with a unique integrated economic system and stunning graphics. The client software is free-of-charge and available to anyone with Internet access. The Entropia Platform is a secure entertainment and business platform, enabling companies and organizations all over the world to build content on differently themed planets inside Entropia Universe.

Mid-Year Report January – June 2021

Technical Development 2021

MindArk's work on developing the technical platform has continued during the first six months of 2021.

Mutant adventure - The latest part of the mutant series was released in late spring. New areas and activities were added to an already popular adventure. This part is so far the most challenging and advanced, and targets higher skilled avatars. The technology and graphics were improved to provide higher quality and better stability to the experience.

Infrastructure - in the first half of 2021 MindArk has developed lots of new infrastructure, making it possible to scale Entropia Universe with more concurrent users. The new infrastructure is planned to be released later this year. The solution will also be an essential part of the foundation of Entropia Universe when

migrating to Unreal Engine. More about the Unreal Engine under the headline Epic Games and Unreal Engine.

Performance and stability - The user experience is important and MindArk always strives to improve performance and stability. During the year, the company spent extra time working on performance and stability in several large systems. Examples of this are the quest system and the user interface backend. Many improvements have already been released, while some of the more significant ones will be released in the second half of 2021.

Mayhem - The Mayhem event format has been reworked to increase incentives and excitement for participants. The plan is for Halloween Mayhem 2021 to be the first event to implement the new format and changes.

Build Pipe - MindArk has taken great steps forward regarding how Entropia Universe is developed, built, and delivered. This was done to enable delivery of better updates and content in a faster, safer, and more cost-effective manner.

Epic Games and Unreal Engine

During the first half of 2021, MindArk signed an agreement with Epic Games to use Unreal Engine 5 for the upcoming development of Entropia Universe. A change of game engine will significantly improve and optimize the graphics experience, as well as provide new opportunities to deliver gaming experiences to users of Entropia Universe. The agreement with Epic Games secures the future of Entropia Universe as a product, where MindArk can continue to be at the forefront when it comes to the



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creation and development of virtual worlds.

Unreal Preproduction - MindArk has now entered the first phase of the migration work for the new engine with great force. The focus has been on exploration, testing, and training of employees about the new engine and the opportunities it offers.

Covid-19 and its effect on the Company

In 2021, MindArk continued to follow the authorities' recommendations regarding the COVID-19 pandemic. The company's operations have been adapted to enable the continued development of Entropia Universe without exposing the company's employees to unnecessary infection risks. MindArk has also noted that the increase

in users in 2020 has continued during the first half of 2021, which has benefited the company.

Planet Partners

In addition to the company's own planet Planet Calypso, Entropia Universe consists of five additional planets. All the company's planet partners who operate: Next Island, Planet Arkadia, Planet Toulan, Planet Cyrene and ROCKtropia, continued to develop their planets during the first half of 2021 with new game content. This resulted in an increased number of active users and overall activity.

Economic Development

The economic development for the operation activities is still strong for the first six months of 2021.

Net sales during the first half of the year amounted to 41.6 million SEK, compared to SEK 33 million SEK last year, an increase of 26%. This despite the fact that the lower exchange rate between SEK and USD had a negative effect on the company. The exchange rate was more than 13% lower on average in the first half of the year compared to the first six months of the previous year (8.40 SEK/USD compared to 9.68 SEK/USD).

Capitalized costs for new development of Entropia Universe have increased from 4.1 million SEK in the first half of 2020 to 7.9 million SEK in the first half of 2021. This is due to an increased number of employees



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and shifting focus to new development with the transition to Unreal Engine.

Operating expenses have increased from 30.3 million SEK last year to 35.8 million SEK this year, an increase of 18%. The increased costs are largely due to increased personnel costs, as well as increased legal costs due to the dispute in the Stockholm Patent and Market Court.

Operating profit amounts to 11.8 million SEK versus 5.2 million SEK in the same period in 2020. Profit before tax ended at 11.6 million SEK compared with 7.3 million SEK the previous year.

Dividend to shareholders

At the 2021 Annual General Meeting, the Board proposed a dividend to shareholders. The Board noted that after

the proposed dividend of 7.9 million SEK (0.05 SEK per share) there was full coverage for the company's restricted equity and judged that the equity after the proposed dividend will be sufficiently large in relation to the nature, scope and the risks in the operations conducted by the company and the group.

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

Cash Flow and Liquid Assets

During the first half of the year, the company acquired tangible fixed assets of 855 thousand SEK. In addition, 7.9 million

SEK has been capitalized for development work for Entropia Universe and Entropia Platform.

The company's cash and cash equivalents have decreased slightly, and amounted to 42.1 million SEK at the turn of the year, compared to 46.7 million SEK at the turn of the year 2020. The decrease in cash and cash equivalents is partly due to the dividend in May of 7.9 million SEK and partly due to invested funds at SEB during the first half-year 2021 of 4.1 million SEK.

Unconsumed user holdings

Unconsumed user holdings, i.e. the player debt, increased during the first half-year from 128.9 million PED to 134 million PED, an increase of 5.1 million PED. The total debt in SEK increased however, as the SEK/USD exchange rate increased from



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8.19 SEK/USD at the end of the year 2020 to 8.51 SEK/USD in June 2021 (10 PED = 1 USD). As a result, the debt increased by 8.4 million SEK, from 105.6 million SEK to 114 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 17 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 in 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 half year-end was 44.2 million PED, or 37.6 million SEK. The allocation for unconsumed user holdings has been adjusted for this and for the change in the USD/SEK exchange rate.

Annual General Meeting April 2021

The Annual General Meeting for 2021 was held on April 29 in the company's office. In addition to the decision to approve the previous year's accounts and dividend to the shareholders, elections were made to the Board.

All three of the current members of the Board, David Simmonds, Anders Fröjd and

Jan Rasmuson, declared that they were available for re-election.

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

Extraordinary General Meeting June 2021

An Extraordinary General Meeting was held on June 8 at the company's premises. The Board of Directors submitted a proposal for a resolution on a directed issue of a maximum of 7,881,156 warrants



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to the employees of the company with the right to subscribe for new shares in the company. The meeting was resolved in accordance with the proposal.

Forecast for Second Year of 2021

Net sales for the second half of 2021 are expected to remain strong and end up at least at the same level as the first half of the year. Profit before tax is expected to reach nearly 20 million SEK.

Accounting Principles

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

The accounting principles are unchanged since last year.

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

Financial Information

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

Göteborg, September 2021

The Board of Directors



INCOME STATEMENT (in kSEK)

	JANUARY–JUNE 2021	JANUARY–JUNE 2020	JANUARY–DECEMBER 2020
Net sales	41 643	32 994	80 252
Capitalized expenditures	7 891	4 087	11 601
Other income	1 958	2 873	2 540
Operating expenses	- 35 802	- 30 297	- 66 633
Depreciation according to plan	- 3 870	- 4 442	- 9 504
Operating profit	11 820	5 215	18 255
Financial items	- 176	2 123	7 084
Transfers to/from untaxed reserves	0	0	- 2 700
Net profit before tax	11 644	7 338	25 339
Income tax	- 2 399	- 1 570	- 5 408
Net profit	9 245 =====	5 768 =====	17 231 =====



BALANCE SHEET (in kSEK)

	JUNE 2021	JUNE 2020	DECEMBER 2020
ASSETS			
Intangible assets	63 802	56 243	59 203
Tangible assets	2 761	1 781	2 417
Financial assets	10 732	11 505	10 865
Receivables	4 471	5 016	4 791
Prepaid expenses	3 442	2 352	2 318
Investments in securities	6 140	2 114	1 974
Cash and bank balances	42 141	35 403	46 693
TOTAL ASSETS	133 489	114 415	128 260
EQUITY & LIABILITIES			
Equity	59 751	45 811	58 387
Untaxed reserves	2 700	0	2 700
Allocation unconsumed user holdings & deferred tax	45 257	50 120	42 469
Short-term liabilities	25 781	18 409	24 704
TOTAL EQUITY & LIABILITIES	133 489	114 415	128 260



PLEDGED ASSETS	3 000	3 000	3 000
KEY RATIOS – MINDARK GROUP			
	JANUARY-JUNE 2021	JANUARY-JUNE 2020	JANUARY-DECEMBER 2020
Net sales (kSEK)	41 643	32 996	80 252
Operating profit (kSEK)	11 820	5 215	18 255
Financial items (kSEK)	- 176	2 123	7 084
Net profit after tax (kSEK)	9 245	5 768	17 231
Thousand number of shares issued	157 623	157 623	157 623
Operating margin	28 %	16 %	23 %
Profit per share (SEK)	0,06	0,04	0,11
Liquid funds (kSEK)	42 141	35 329	46 693
AEQ * (kSEK)	61 895	45 811	60 531
AEQ * per share (SEK)	0,39	0,29	0,38
Total assets (kSEK)	133 489	114 415	128 260
Equity ratio	46 %	40 %	47 %
Number of employees in the MindArk	51	46	48

* = Adjusted Equity