



*MindArk PE AB develops and operates Entropia Universe, a platform for our three-dimensional Internet-based virtual universe with its own economy. Software is provided free of charge for everyone with Internet access.*

## Semi-Annual report for Second Quarter and January – June 2009

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### **Development of the Three-Dimensional Platform During 2009**

MindArk's work finalizing the three-dimensional Internet platform Entropia Universe intensified during the first half of 2009 and is in a very intensive phase at present. Our first milestone is the release of 10.0, which includes conversion of the environment in Calypso, MindArk's virtual planet, to a newer, more advanced graphics engine.

Release of 10.0 occurred in August and is being followed by a succession of updates to convert the remaining content on Planet Calypso.

The next big step in the development process will be completed during the end of 2009, when the first external partner planets will be launched in Entropia Universe.

The Year's resolute focus on completing the conversion to the new graphics engine and launch of the new partner planets temporarily halted development of new functions for the virtual world, in accordance with previous decisions. In addition, all marketing toward end users has been postponed until conversion of the graphics engine and launch of the technical platform are complete.

### **New Organization and Corporate Structure**

Since the beginning of this year, MindArk has been working under a new corporate structure. In order to clarify the business model for Entropia Universe and prepare for coming virtual planets which will be under the control of external partners, MindArk's Planet Calypso has been transferred to the newly started First Planet Company AB (FPC). MindArk has allotted 3.9 million SEK in investment capital to FPC. Since FPC cannot hold a place in the Group structure for strategic reasons, the process of legally separating FPC and MindArk has begun.

Operations of server parks, customer service for end users, and web and media services have been transferred to the newly started subsidiary, EU Support & Operations AB (EUSO). EUSO has been allotted investment capital of 1 million SEK from MindArk.

Our Mexican subsidiary, Ilunova SA was established during February 2008. Ilunova provides programming services for MindArk and first line support for



EUSO's end customers. MindArk has allotted investment capital of 3.2 million SEK to Ilunova.

### **Investment in the Technical Platform**

Since the end of the second quarter, MindArk has been capitalizing all development costs for the finalization of the technical platform. During the first half of the year, an additional approximately 11.3 million SEK has been activated under the heading intangible assets.

### **Investment in MindArk's Newest Subsidiary: Mind Bank AB**

The Swedish Financial Supervisory Authority (Finansinspektionen) notified Mind Bank (under formation) in March that the company has been granted approval to conduct banking activities under the Swedish laws concerning bank and financial organizations (2004:297).

Mind Bank AB is a wholly owned subsidiary to MindArk PE AB. Banking activities are expected to commence at the beginning of the coming year.

MindArk is establishing banking operations within the corporation to ensure security and efficiency of users' deposits and withdrawals, among other reasons.

MindArk's establishment costs for Mind Bank are approximately 7.9 million SEK, as of June 30, 2009; pending Mind Bank's establishment, these costs will be accounted for as deferred costs to the parent company.

Mind Bank will be given stock valued equivalent to 5 million Euros.

### **Investment in a New Server Park**

During the spring, EUSO has begun investing in MindArk's third generation of servers at a cost of about 3 million SEK. This acquisition is being financed through a leasing contract beginning July 1, 2009.

### **Property in Germany**

The renovation of MindArk's property in Dresden is progressing as planned despite minor delays during the spring.

At the end of the second quarter, costs were approximately 9 million SEK for the project, which is scheduled to be completed during the fall.

The property will be included in the depreciation plan when renovations are complete.



## **Results for the First Half of 2009**

On the whole, MindArk's focus during this year on investment in product development and organization, combined with the very weak economy, has resulted in stagnation of income for the MindArk Group.

Users' net contribution for the first 6 months was 32 million SEK, compared to 34.5 million the previous year, a decrease of 7%.

The Group's operating profit was 10.6 million SEK compared to 3.3 million SEK the preceding year. Activated development costs of 11.6 million SEK are included in that total, compared to 0 SEK the previous year.

## **Cash Flow and Liquid Assets**

MindArk's results and substantial investments are reflected in the cash flow as well; the total cash flow for the Group during the first 6 months of 2009 was a negative 7.7 million SEK compared to negative 2.9 million SEK the previous year.

The Group's liquid assets as of June 30 were 23.2 million SEK, compared to 43.2 million SEK last year.

## **Contingent Liabilities**

MindArk defines user holdings as the net of users' funds deposited into and withdrawn from the Entropia Universe. This means that at any given moment the users in Entropia Universe own substantial sums of unused assets in the virtual currency, PED. These user holdings are treated as a financial undertaking that is shown as a contingent liability under memorandum items. On June 30, MindArk's contingent liabilities totaled approximately 58 million SEK compared to approximately 39 million SEK on June 30 the preceding year.

## **Annual Meeting**

Our annual meeting for 2009 was held on June 18 in the company's offices. In addition to standard decisions according to the articles of association, it was decided that the board has been given the authority to rule on issuance of 14 635 000 new shares in the company. This authority is in effect until the next ordinary annual meeting.



## **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, standing and cash flow during the period, see results and balance reports below, as well as the cash flow analysis and key figures.

Göteborg in September 2009

**MindArk PE AB (publ)**

The Board



Income statement (in SEK)	Group April – June 2009	Parent company April – June 2009	Parent company April – June 2008
Net sales	16 544 853	12 943 596	15 548 508
Capitalized expenditures	6 428 529	6 428 529	0
Other income	202 467	201 707	0
Operating expenses	- 16 755 239	- 13 924 240	- 14 132 909
Depreciation acc to plan	- 942 716	- 413 204	- 1 244 628
Operating profit	5 477 894	5 236 388	170 971
Financial items	- 1 495 546	- 1 497 467	428 639
Profit before tax	3 982 348	3 738 921	599 610
Standard tax rate	- 984 446	- 983 336	- 167 891
<b>NET PROFIT</b>	<b>2 997 502</b>	<b>2 755 585</b>	<b>431 719</b>

Income statement (in SEK)	Group Jan – June 2009	Parent company Jan – June 2009	Parent company Jan – June 2008
Net sales	32 016 223	23 737 540	34 507 429
Capitalized expenditures	11 261 933	11 261 933	0
Other income	816 290	815 530	0
Operating expenses	- 31 681 094	- 26 798 146	- 28 764 841
Depreciation acc to plan	- 1 806 469	- 766 856	- 2 487 832
Operating profit	10 606 883	8 250 001	3 254 756
Financial items	- 851 266	- 853 131	525 926
Profit before tax	9 755 617	7 396 870	3 780 682
Standard tax rate	- 2 565 727	- 1 945 377	- 1 058 591
<b>NET PROFIT</b>	<b>7 189 890</b>	<b>5 451 493</b>	<b>2 722 091</b>



Balance sheet	(in SEK)	Group June 30 2009	Parent company June 30 2009	Parent company June 30 2008
<b>ASSETS</b>				
Intangible assets		26 000 183	23 381 183	4 667 470
Tangible assets		18 257 168	16 005 680	11 221 928
Financial assets		2 780 102	10 880 707	3 517 247
Receivables		3 596 392	4 252 186	3 051 195
Prepaid expenses		10 365 012	9 654 433	3 120 179
Cash and bank balances		23 176 059	21 483 140	43 159 622
<b>TOTAL ASSETS</b>		<b>84 174 916</b>	<b>85 657 329</b>	<b>68 737 641</b>
<b>EQUITY &amp; LIABILITIES</b>				
Equity		71 841 740	60 823 637	50 749 000
Untaxed reserves		0	12 731 000	10 518 000
Provisions for deferred tax		3 348 253	0	0
Short-term liabilities		8 984 923	12 102 692	7 470 641
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>84 174 916</b>	<b>85 657 329</b>	<b>68 737 641</b>
<b>MEMORANDUM ITEMS</b>				
<b>CONTINGENT LIABILITIES</b>				
Unconsumed user holdings		58 000 000	58 000 000	39 000 000



Cash flow statement(in SEK)	Group April – June 2009	Parent company April – June 2009	Parent company April – June 2008
Operating activities			
Cash received fr customers	14 528 085	10 926 068	18 976 861
Cash paid to suppliers and personnel	- 16 757 811	- 13 683 386	- 18 322 927
Interest received	16 250	16 216	428 639
Interest paid	- 2 116	- 1 355	0
Income tax paid	- 1 121 646	- 1 091 322	-1 049 850
Cash flow from operating activities	- 3 337 238	- 3 833 779	32 723
Investing activities			
Acquisition of subsidiaries	0	- 1 044 350	0
Purchase of property and equipment	- 2 301 910	- 1 957 614	- 2 945 384
Increase in long-term receivables	-1 276	0	0
Cash flow from investing activities	- 2 303 186	- 3 001 964	- 2 945 384
Financing activities	0	0	0
<b>CASH FLOW FOR THE PERIOD</b>	<b>- 5 640 424</b>	<b>- 6 835 743</b>	<b>- 2 912 661</b>
Ingoing cash and bank balances	30 360 457	29 831 212	46 072 283
Exchange rate differences in cash and bank balances	- 1 543 974	- 1 512 329	0
<b>Outgoing cash and bank balances</b>	<b>23 176 059</b>	<b>21 483 140</b>	<b>43 159 622</b>



Cash flow statement(in SEK)	Group Jan – June 2009	Parent ompany Jan – June 2009	Parent company Jan – June 2008
Operating activities			
Cash received fr customers	32 588 802	24 309 359	35 329 951
Cash paid to suppliers and personnel	- 34 421 225	- 26 574 465	- 33 099 073
Interest received	98 442	98 404	525 926
Interest paid	- 2 277	- 1 455	0
Income tax paid	- 1 869 410	- 1 818 870	- 2 450 771
Cash flow from operating activities	- 3 605 668	- 3 987 027	306 033
Investing activities			
Acquisition of subsidiaries	0	- 1 256 537	0
Purchase of property and equipment	- 4 007 931	- 2 507 272	- 3 201 340
Increase in long-term receivables	- 34 772	0	0
Cash flow from investing activities	- 4 042 703	- 3 763 809	- 3 201 340
Financing activities	0	0	0
<b>CASH FLOW FOR THE PERIOD</b>	<b>- 7 648 371</b>	<b>- 7 750 836</b>	<b>- 2 895 307</b>
Ingoing cash and bank balances	31 820 980	30 184 056	46 054 929
Exchange rate differences in cash and bank balances	- 996 550	- 950 080	0
<b>Outgoing cash and bank balances</b>	<b>23 176 059</b>	<b>21 483 140</b>	<b>43 159 622</b>





Key ratios for Entropia Universe	April-June 2009	April-June 2008	Jan-June 2009	Jan-June 2008	Calendar Year 2008
New accounts	23 160	28 979	44 715	61 838	114 655
Relative growth	-20%	-23%	-28%	-8%	-9%
Deposits (thousand PED)	29 993	40 649	60 536	82 991	160 144
Withdrawals (thou PED)	-8 919	- 12 290	- 18 588	- 21 170	- 47 472
Net deposited (thou PED)	21 074	28 359	41 948	61 821	112 672
Relative growth	-35%	-8%	-47%	7%	-1%
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Key ratios for MindArk Group	April-June 2009	April-June 2008	Jan-June 2009	Jan-June 2008	Calendar Year 2008
Net sales (t SEK)	16 545	15 549	32 016	34 507	66 625
Operating profit (t SEK)	5 007	171	10 607	3 255	11 296
Financial items (t SEK)	- 1 496	429	- 851	526	1 391
Net profit (t SEK)	2 392	432	7 190	2 722	8 938
Thousand number of shares issued	114 635	114 635	114 635	114 635	114 635
Operating margin	30%	1%	33%	9%	17%
Profit per share (SEK)	0,02	0,00	0,06	0,02	0,08
Liquid funds (t SEK)			23 176	43 160	31 821
AEQ * (t SEK)			71 842	58 322	64 475
AEQ per share (SEK)			0,63	0,51	0,56
Total assets (t SEK)			84 175	68 738	78 292
Equity ratio			85%	85%	82%
Number of employees in the MindArk Group			65	56	48

\* = Adjusted Equity