



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.

Semi-Annual Report January – June 2010

Technical Development 2010

MindArk's work with developing the technical platform has continued during the first six months of 2010.

Property in Germany

The renovation of MindArk's property in Dresden is nearly finished.

The board of directors has decided to sell the property as soon as possible.

MindBank

In March 2010, MindArk put a request to the Swedish Financial Supervisory Authority (Finansinspektionen) to withdraw earlier granted approval to conduct banking activities. According to current plans a new application will be handed in as soon as necessary

funds for establishing the bank can be guaranteed.

New Planet Released

In April 2010, a second planet, Rocktropia, was released within Entropia Universe.

Sales of Subsidiary

The process, for MindArk's subsidiary First Planet Company, to sell all rights to the planet Calypso continues according to plan. The deal is intended to be completed during the last quarter of 2010 and will lead to a capital gain for the MindArk Group of approximately 6 million USD. The Group will receive the payment in five parts until June 2011.

Revenue Share Agreement

One of the company's current Planet Partner has signed a supplementary agreement with MindArk. The agreement entails that the Planet Partner will pay a cash amount and in exchange they will receive a higher future revenue share. Up until June 2010 MindArk has received 5.2 million SEK. The amount has been recorded as operating income.

Economic Development

The economic development for the operation activities is still weak for the first six months of 2010.

The continued strong focus on the technical platform has, together with non-existing marketing, led to a continued decrease of received end user funds. End user's net contribution for the first six months

was 20.8 million SEK compared to 32.0 million SEK the previous year, a decrease of 35%.

Operating costs have increased from 31.6 million SEK from previous year to 35.7 million SEK this year, an increase of 13%.

After adjustment of the earlier activation of development costs, the profit before taxes for the Group amounts to minus 13.4 million SEK compared to minus 1.5 million SEK previous year.

Due to the launch of the new graphic engine, the parent company can no longer activate the costs for the continued development of the technical platform, which affects the result negatively.

Cash Flow and Liquid Assets

The cash flow has improved compared to the development during 2009, but it is still negative. The Group's liquid assets as of June 30 2010 were approximately 8 million

SEK compared to approximately 23 million SEK the previous year.

Contingent Liabilities

MindArk defines user holdings as the net of end users' funds deposited into and withdrawn from Entropia Universe. This means that at any given moment the end users in Entropia Universe hold substantial sums of which corresponds to the value of the unconsumed means 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 63 million SEK compared to approximately 58 million SEK on June 30 the previous year.

Annual Meeting 2010

The annual meeting for 2010 was held on June 29 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 20 million new shares in the company.

Three of the four members of the old board of directors had earlier informed the main owners that they did not run for the office again. According to suggestions from the board, Fred Rosenthal was appointed chairman of the board, Christophe Morvan and Urban Näsman were appointed board members and Mats Jäderberg was appointed as an alternate.

Forecast for Second Year of 2010

The trend with decreasing net contributions has been broken for the continuous operations during the third quarter. For the third quarter, the forecast amounts to approximately 13 million SEK. The profit for the coming six months is expected to be better than the previous ones.

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, September 2010

The Board of Directors

INCOME STATEMENT (in kSEK)

GROUP

PARENT COMPANY

JANUARY–JUNE 2010

JANUARY–JUNE 2009

JANUARY–JUNE 2010

JANUARY–JUNE 2009

Net sales	20 805	32 016	9 152	23 737
Capitalized expenditures	0	11 262	0	11 262
Other income	6 268	816	8 455	815
Operating expenses	- 35 731	- 31 681	- 30 343	- 26 798
Depreciation according to plan	- 4 692	- 1 806	- 3 578	- 766
Operating profit	- 13 349	10 607	- 16 314	8 250
Financial items	- 55	- 851	5	- 853
NET PROFIT BEFORE TAX	- 13 404	9 755	- 16 309	7 397
	=====	=====	=====	=====

BALANCE SHEET (in kSEK)	GROUP		PARENT COMPANY	
	JUNE 2010	JUNE 2009	JUNE 2010	JUNE 2009
ASSETS				
Intangible assets	24 466	26 000	22 429	23 381
Tangible assets	20 886	18 257	17 566	16 006
Financial assets	3 018	2 780	10 586	10 881
Receivables	5 113	3 596	3 892	4 252
Prepaid expenses	2 295	10 365	1 632	9 654
Cash and bank balances	8 089	23 176	7 077	21 483
TOTAL ASSETS	63 867	84 175	63 182	85 657
EQUITY & LIABILITIES				
Equity	50 302	71 842	38 603	60 824
Untaxed reserves	0	0	11 717	12 731
Provisions for deferred tax	3 081	3 348	0	0
Short-term liabilities	10 483	8 985	12 862	12 103
TOTAL EQUITY & LIABILITIES	63 867	84 175	63 182	85 657
UNCONSUMED USER HOLDING PLEGDED ASSETS	63 700 1 622	58 000 0	63 700 1 622	58 000 0

Cash flow statement (in kSEK)	GROUP		PARENT COMPANY	
	JANUARY-JUNE 2010	JANUARY-JUNE 2009	JANUARY-JUNE 2010	JANUARY-JUNE 2009
OPERATING ACTIVITIES				
Cash received from customers	32 382	32 589	22 965	24 309
Cash paid to suppliers and personnel	- 37 807	- 34 421	- 29 338	- 26 574
Interest received	97	98	97	98
Interest paid	- 71	- 2	- 12	- 2
Income tax paid	2 395	- 1 869	2 455	- 1 819
Cash flow operating activities	- 3 004	- 3 605	- 3 833	- 3 988
INVESTING ACTIVITIES				
Aquisition of subsidiaries	0	0	0	- 1 256
Purchase of property and equipment	- 1 169	- 4 008	- 1 019	- 2 507
Increase in long-term receivables	- 289	- 35	- 289	0
Cash flow from investing activities	- 1 458	- 4 043	- 1 308	- 3 763

FINANCING ACTIVITIES

Other financing/mortgage (-)	- 544	0	0	0
Cash flow for the period	- 5 006	- 7 648	- 5 141	- 7 751
Ingoing cash and bank balances	13 122	31 821	12 298	30 184
Exchange rate differences in cash and bank balances	- 26	- 996	- 80	- 950
Outgoing cash and bank balances	8 090	23 177	7 077	21 483

KEY RATIOS – MINDARK GROUP	JANUARI-JUNE 2010	JANUARI-JUNE 2009
Net sales (kSEK)	20 805	32 016
Operating profit (kSEK)	- 13 349	10 607
Financial items (kSEK)	- 55	- 851
Net profit (kSEK)	- 13 404	9 755
Thousand number of shares issued	114 635	114 635
Operating margin	- 64 %	33 %
Profit per share (SEK)	- 0,11	0,08
Liquid funds (kSEK)	8 089	23 176
AEQ * (kSEK)	50 302	71 842
AEQ * per share (SEK)	0,44	0,63
Total assets (kSEK)	63 867	84 175
Equity ratio	79 %	85 %
Number of employees in the MindArk Group	80	65

* = Adjusted Equity