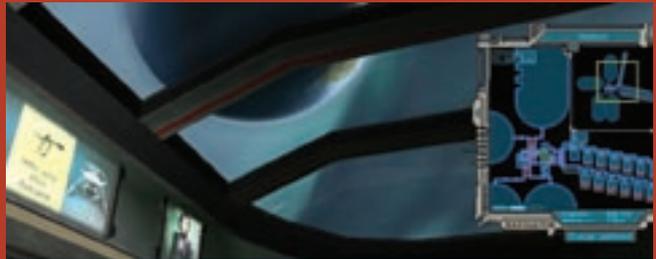


OFFER TO SUBSCRIBE TO SHARES IN
MINDARK PE AB (PUBL)



PROSPECTUS REGARDING SHARE ISSUE



TABLE OF CONTENTS

TABLE OF CONTENTS	2
GENERAL INFORMATION ABOUT THE PROSPECTUS	3
TIMING FOR ECONOMIC INFORMATION	3
INVITATION TO SUBSCRIBE TO SHARES.....	4
THE OFFER IN SUMMARY	4
CONDITIONS AND INSTRUCTIONS	4
BACKGROUND AND REASON FOR OFFER.....	7
MINDARK IN BRIEF	8
MANAGING DIRECTOR'S COMMENTS.....	9
OPERATIONS	10
WORLDWIDE.....	12
GROWTH STRATEGY	14
FINANCIAL OVERVIEW	15
OWNERSHIP AND SHARE INFORMATION.....	18
TAX ISSUES IN SWEDEN.....	19
RISK ANALYSIS	21
LEGAL ISSUES AND OTHER QUESTIONS	22
COMPENSATION TO BOARD, MANAGING DIRECTORS AND ACCOUNTANTS.....	23
BOARD MEMBERS, HOLDERS OF SENIOR POSITIONS AND AUDITORS	24
ARTICLES OF ASSOCIATION	26
EXTRACTS FROM PREVIOUS ANNUAL REPORTS	27
NOTES	29
NYCKELTAL OCH DELÅRSRAPPORT	31
ACCOUNTANTS AUDIT REPORT	33
APPENDIX 1 DEFINITIONS.....	34



GENERAL INFORMATION ABOUT THE PROSPECTUS

This prospectus has been drawn up in accordance with the regulations in the Companies Act (1975:1385) and the Lagen om handel med finansiella instrument (Financial instruments trading act) with reference to the Finansinspektionens (Swedish Financial Supervisory Authority) regulations (1995:21) for prospectus. The prospectus has been approved and registered by the Finansinspektionen according to the ordinances in 2 section 4 § Lagen om handel med finansiella instrument (Financial instruments trading act) (1991:980). Approval and registration does not mean that Finansinspektionen gives any guarantee that the item information in the prospectus is correct or complete.

The shares covered by this offer according to this prospectus have not been registered, and will not be registered, in accordance with the United States Securities Act of 1933 or any provincial law of Canada and may not be offered or sold within the United States of America or in Canada or to any persons domiciled there.

Neither is the offer otherwise intended for such persons whose participation requires further prospectus, registration or other measures than those that follow Swedish Law. The prospectus must not be distributed to a country where the distribution or offer requires measures according to the previous sentence or contravenes any national laws of that country.

Disputes arising out of this offer will be contested in the jurisdiction of Swedish courts according to Swedish law. The offer described in this prospectus is regulated by Swedish Law.

MindArk PE AB (publ), org. no. 556640-4769, is the publisher of this prospectus. The Board of MindArk PE AB (publ) has its registered office in Gothenburg.

DEFINITIONS

"MindArk" and "the company" refer to MindArk PE AB (publ) with organisation number 556640-4769.

"Tamm & Partners" refers Tamm & Partners i Stockholm AB with organisation number 556600-0211

TIMING FOR ECONOMIC INFORMATION

During 2005 MindArk PE AB (publ) provides economic information at the end of each quarter and the first instances are as follows. The company's financial year is 1 January – 31 December.

Quarterly report July-Sept 14 November

Quarterly report Oct-Dec.....February 2006

Accounting communique

Operating year 2005February 2006

CONTACT DETAILS

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INVITATION TO SUBSCRIBE TO SHARES

At the annual general meeting (AGM) of MindArk PE AB (publ) on the 21st June 2005 the Board of directors were authorised to allow and increase in the company's share capital by a maximum of SEK 200 000 by new subscription of a maximum of 200 000 shares each with the nominal value of SEK 1. The board subsequently decided to offer an issue without preference to existing shareholders. After the issue is complete the share capital will increase by a maximum of SEK 146 350 and then amount to a maximum of SEK 1 146 350. The newly issued shares with full subscription will make up 12.8 % of capital and voting rights. The new issue must amount to a maximum of SEK 30 001 750 before emission costs. After the issue costs in the event of full subscription the Company will receive a net sum of approximately SEK 24.6 million. The Capital sum raised through the suggested issue will be exclusively used to carry out planned actions within the framework of a fixed growth strategy and related costs will to a large extent be made up of services purchased to retain trading freedom and low fixed costs.

THE OFFER IN SUMMARY

SUBSCRIPTION PRICE

SEK 205 per newly issued share of nominal value SEK 1

SUBSCRIPTION PERIOD

10 October - 14 November, 2005

DIVIDEND

Informed via sent accounting note

SUBSCRIPTION SETTLEMENT

Debited from the Customer's account on settlement date

NUMBER OF SHARES MAXIMUM

Original: 146,350 shares

CONDITIONS AND INSTRUCTIONS

SUBSCRIPTION PRICE

The subscription value of each share is fixed at 205 SEK

NOMINAL AMOUNT

The nominal value of each share is 1 SEK

THE NEW ISSUES COMBINED AMOUNT

The new shares combined sum amounts to 30,001,750 SEK divided into a maximum of 146,350 shares.

BROKERAGE

Brokerage is charged at 2 %, minimum 200 SEK.

SUBSCRIPTION PERIOD

The subscription for shares must take place in the period between the 10 October – 14 November, 2005. The Board reserves the right to move the settlement date forward. The Board also reserves the right to carry the issue through even if it is not fully subscribed.

SUBSCRIPTION RECORDS

The newly issued shares are subscribed in blocks of 50 shares corresponding to SEK 10 250 per block. Brokerage is charged at 2 %, which is SEK 205 per block.

SUBSCRIPTION

One must be a member of the Bridge Investment Network to subscribe to shares in MindArk



APPLICATION

Application to subscribe in shares can be made by filling in, signing and sending the subscription application form to Tamm & Partners at the addresses given below.

The application form can be obtained from MindArk PE AB (publ), via Bridge Investment Network home page or from Tamm & Partners. The application is binding. Only one application form per person will be permitted. Incomplete or incorrectly completed application forms will not be considered. No changes or additions may be made to the printed text of the application form.

Subscription applications sent by mail should be sent well in advance before the end of the subscription period.

ALLOCATION

Allocations of the shares in the company is carried out continuously after the subscription, however the final decision is carried out by the board of MindArk PE AB (publ) where the target is to achieve a broad spread of the shares. This means that the sooner the subscription is made, the bigger the probability for allocation. In the event of too many subscriptions, allocations, of shares, may fall short of the requested amount or not happen at all. Allocation may totally or partially occur through random selection.

ALLOCATION INFORMATION

When the allocation of shares has been fixed, accounting notes will be sent to those people who have been allocated shares. This is anticipated to occur approximately one week after the end of the subscription period. In order to receive the allocation, the corresponding settlement funds must be available in the customer's deposit account.

PAYMENT

Full payment for the allocated shares must be made in cleared funds. The subscription settlement is withdrawn from the customer's deposit account according to the instructions on the accounting note. In order to receive the allocation the settlement funds must be available in the customer's account. If an allocation has been made and payment has not been made within the allotted time the shares may be transferred to a third party. If, in the event of such a sale, payment is less than the value at subscription according to the Offer, the person who was allocated the shares in the first instance will be liable for the difference.

RECEIVING SHARES

When payment has been made and the share capital raise has been registered with Bolagsverket (Swedish Companies registration Office) a VP information note is sent, which shows that the shares are accessible in the purchaser's VP account. This is anticipated to occur within a month of the end of the subscription period. If the shares are fund manager registered, the owners are advised according to the respective fund managers procedures. The company is connected to the VPC's account based securities system, because of which no share letters are distributed.

PERSONS NOT AUTHORIZED TO PARTICIPATE IN THE OFFER

Because of restrictions in the securities legislation in the United States of America, Australia, Canada and Japan no shares will be offered to persons who have registered addresses or are domiciled in any of these countries.

RIGHT TO DIVIDENDS

Every share included in the issue confers the right to dividends from present operating year. In the event of dividends payments will come via VPC.



CONDITIONS FOR COMPLETING THE OFFER

The offer is made on the condition that no circumstances arise that can mean that the time for the offer is deemed inappropriate. Such circumstances can, for example, be economic, financial or political events, and cover circumstances in Sweden and abroad, also that the interest in participating in the offer for subscription is judged by the Board of MindArk to be insufficient. The offer may be partially or completely withdrawn in these circumstances. An announcement of this will be made on the same day as the circumstance occurs or as soon as possible afterwards.

INVESTING IN SHARES CONTAINS AN ELEMENT OF RISK.

PLEASE REFER TO THE "RISK ANALYSIS" SECTION, ON PAGE 21 OF THIS PROSPECTUS, FOR INFORMATION ABOUT FACTORS THAT CAN AFFECT THE COMPANY AND SHOULD BE EVALUATED BEFORE SUBSCRIBING.

ADDRESS LIST

MindArk PE AB (publ)

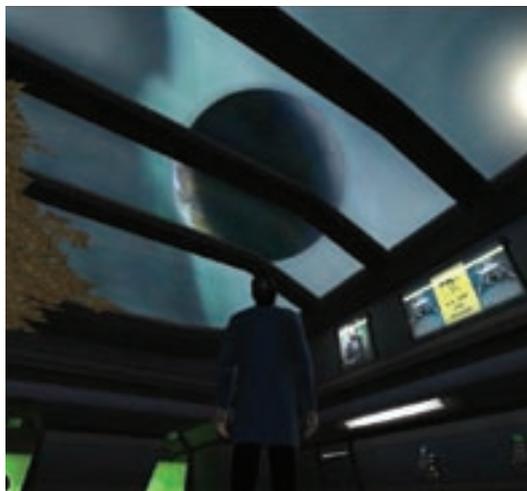
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BACKGROUND AND REASON FOR OFFER

THE INCOMES FROM THE ISSUE WILL BE PRIMARILY USED FOR MARKETING OF NEW MARKETS, FURTHER DEVELOPMENT OF THE GAME'S UNIQUE INCOME POSSIBILITY AND PREPARATIONS FOR INTERNATIONALISATION.

MindArk operates, develops and markets the game Project Entropia (PE). PE belongs to the category of MMORPG (Massive Multiplayer Online Role Playing Game) and meets highly specified demands for game logic, graphics and interactivity. The game is accessible to anyone with access to a PC and an Internet connection and the potential market is therefore extremely large.

The main development work on PE was carried out between 1997 and 2002 and since the game was commercially launched in 2003 PE has created a lot of notice in the marketplace.

After a period of establishment, building up an organisation and developing the product, MindArk has a consolidated position with well functioning internal and external processes and now intends to make a concerted effort to accelerate the increase in volume.

MindArk has fixed a strategy for the coming growth phase which is based on four main objectives;

- To strengthen and develop the relationship with existing customers
- To continuously launch new items, updates and improvements to the game
- To carry out a systematic marketing campaign in new selected geographic markets
- To reinforce the organisation with, among other things, a new development team

The aim of the proposed issue is to ensure the financing for the planned commitments to realise the objectives fixed by the company in the strategic plan for operational development.

The Board of MindArk is responsible for the content of the prospectus. The Board hereby gives assurance that, to the best of the Board's knowledge, the information contained in this prospectus corresponds with the actual conditions, and that no item of significance which may affect the image of the company presented in this prospectus has been excluded. Otherwise please refer to the report contained in this prospectus. The prospectus has been established by the Board for the proposed issue.

Gothenburg September 2005

MindArk PE AB (publ)



MINDARK IN BRIEF

THERE IS GREAT INTEREST IN ONLINE GAMING ON THE INTERNET AT PRESENT. THE INCREASING INTEREST SHOULD BENEFIT MINDARK.

MindArk operates, develops and markets the game Project Entropia (PE). The game is an Internet based virtual universe for interactive entertainment and trade containing a real economy with its own currency.

PE is aimed at the fast growing market for interactive role play and since its commercial launch in 2003 PE has created a lot of notice with a good flow of new players.

Since the company was established MindArk has successfully completed the development of the product and also built a competent organisation with the emphasis on developing resources and customer support.

MindArk is now awaiting a growth phase, where the board and company management have established a strategic plan for the company's continued development where the suggested issue and the internally earned funds will finance a powerful expansion of the operation.

HISTORY

In 1995 Jan Welter and a number of colleagues started a group with the aim of developing a technical platform for a three dimensional virtual world on the Internet.

After three years work it could be seen that the project was feasible and in 1999 the project was moved to a separate company, MindArk AB and the project was christened Project Entropia, (PE).

The company sought capital for the continued product development and offered shares to both private and institutional investors. Among the larger institutional investors between 1999-2000 were Skandia Liv, Banco fonder and Value Venture Capital AG.

When, at the beginning of 2003, the product was deemed ready for commercial launch one of the larger owners declined their commitment to continue financial support and the acute lack of capital that ensued forced the company's board to declare the company bankrupt.

The company's senior managers saw clear future business potential in the product PE and therefore in April 2003 chose to buy back the operation from the official receiver. The purchase included the completed product, all rights to the product and technical equipment and software for running the operation. The key personnel in the company also chose to work in the new operation which was organised into a new company MindArk PE AB.

Remuneration costs for the acquisition of the operation described above was made up of a fixed sum plus a variable sum based on the company's sales developments up to and including January 2006. The Agreement is regulated in a special contract between the company and official receiver.

Key indicators	31/7 2005	2004	2003
Turnover	14 926 784 SEK	17 780 672 SEK	4 975 983 SEK
Operating income	3 136 170 SEK	867 711 SEK	159 625 SEK
Profit per share	2.19 SEK	0.49 SEK	0.05 SEK
Investments	3 250 915 SEK	1 316 997 SEK	5 676 660 SEK



MANAGING DIRECTOR'S COMMENTS

"ONLINE GAMING WILL ALWAYS TURNOVER LARGE AMOUNTS OF MONEY AND RIGHT NOW IT IS ONE OF THE FASTEST GROWING INDUSTRIES. PROJECT ENTROPIA IS A MASSIVE VIRTUAL UNIVERSE WITH A FULLY FUNCTIONAL ECONOMY WHICH MAKES US UNIQUE".



After a successful establishment phase and consolidation of operations MindArk has decided to concentrate on growth and increasing volumes in the coming three year period 2006-2008.

The product, PE, meets high specified requirements for functionality, graphics and interactivity and is operated on a robust fully functional technical platform with the capacity to handle a substantial volume increase in the number of simultaneous players.

MindArk has an organisation with extensive competence and experience within the area and is therefore well equipped for the forthcoming expansion of activities.

MindArk offers a game within the field of MMORPG, which is one of the fastest growing forms of entertainment within computer games and Internet. During 2005 the computer games market was calculated to turnover more than the film and music industries combined.

During 2005 the market for Internet based computer games was evaluated at nearly 100 million players and will continue to expand rapidly during the foreseeable future.

The increased interest in computer gaming, the growth of the internet and ever more powerful and faster forms of data communication

are the strong driving forces of this growth.

MindArk offers users exciting and imagination driven entertainment, where the player also has the chance of earning money through gaming. MindArk is, at present, the only player in the world market offering a game where the game's currency can be redeemed against real money.

MindArk has also created a business model which means the lowest possible entry threshold to start playing. While traditional gaming companies base most of their income on fixed fees and purchases of the game, the PE user can simply download from the internet and start playing straight away. The cost for the player depends on the amount of time spent playing and how skilful the player reacts.

As a game PE contains a virtual economy, where MindArk, as the only actor in the world, makes it possible to turnover virtual money to real money within the frame of the game. The game's currency, PED, can be exchanged for USD.

Through our investment over the years we are now able to offer the market a well developed and exciting game within a sector which is attracting more and more people, a robust technical platform with extensive capacity and a well motivated and competent organisation.

With this base we look forward with confidence to a period of strong growth including an overall increase in the number of active players and continued improved profitability for the company.

In conclusion I would like to state the company's fixed objective of developing MindArk to a high yield investment and it is with great confidence that the organisation now takes the next step in the company's development.

You are welcome to subscribe to the shares!

Jan Welter Timkrans
MD and majority shareholder in
MindArk PE AB (publ)



OPERATIONS

MINDARK WANT PROJECT ENTROPIA TO GROW TO BE ONE OF THE LARGEST ON-LINE GAMES IN THE WORLD. THE VIRTUAL ECONOMY MUST OFFER UNLIMITED INCOME OPPORTUNITIES TO THE PLAYER.

MindArk operates, develops and markets a games platform, PE, which offers people from all over the world the opportunity of becoming members in a common universe.

PE is a unique mixture of online entertainment, community creation and E-commerce through a ground breaking new concept, by connecting a real economy to a gigantic three dimensional virtual universe.

When one starts to play PE, one creates one's alter ego, an Avatar which can be formed completely as the player desires regarding gender, appearance, skin colour etc. One is then transported to the virtual planet Calypso, which initially consists of three continents. Within the game, adventures and social interaction with other participants in the game take place.

The game develops and builds mainly on the players taking their own initiative and, together with the other players, one has the opportunity to participate in the creation of a new civilisation, explore whole continents and establish new communities. If one chooses to leave the safety of the towns one may have to defend oneself against wild animals, hostile mutants and invading robots. One can even claim new areas and survey and extract minerals.

The game does not have monthly fees and is free to obtain. Players can easily download and install the software via MindArks home page or via a CD-ROM.

BUSINESS IDEA

MindArk must develop and run "PROJECT ENTROPIA", an Internet based virtual universe for interactive entertainment and trade with a real economy.

VISION

MindArk must be one of the world's leading companies in the industry by supplying a virtual universe for interactive entertainment and trading, where the participants react within a real economy, which makes a complete alternative to the real world.

OFFER

MindArk offers the market an Internet based virtual universe for interactive entertainment and trade. PE is role play where the user creates their own character and embarks on tasks, adventures and social interaction with other participants in the game. Continents can be explored and new settlements built, either alone or in cooperation with others, and trade developed through the sale and purchase of items required for the project.

In the virtual economy the currency is used to purchase different assets and objects, which the player requires for the tasks. When these assets become worn and repair or replacement is required, the player pays more money into the game.

The game functions like a market economy where prices are set by supply and demand.

The economy is based on the game's own currency of PED, with an exchange rate of 10 PED - 1 USD. The money is the game's virtual economy, the PED, can be transferred to real currency and vice versa.

UNIQUE CHARACTERISTICS OF THE OFFER

PE is currently the only game in the world offering a convertible currency, where the user can exchange money won in the virtual world into real money.

Each PED can be easily exchanged to the US dollar at a rate of 10:1. Each player has an account in PE from which payments for goods and services can be made. The account also



receives profit or payments which the player obtains. Transactions between players, for example buying and selling of goods, is paid via the player's account in PE.

If a player wants to convert their PED to USD this is simply achieved by a request to MindArk. In the future it may be possible to offer players the chance of buying and selling real goods and services via the player's account in PE. The opportunity of establishing a global Internet bank via PE is obvious.

GAME FEES

Players in PE do not pay any fixed game fee or monthly subscription fee in order to play the game. Players costs are the equipment and objects that they collect as they play and which wear out with use. The players must regularly upgrade their possessions via special automated service stations to retain full capacity. For example, a hunting weapon wears in relation to the number of shots discharged. The wear level is indicated via status information on the screen and can also be noticed by reduced performance in the object. The normal service fee for an active player lies between 0.5 and 1.5 USD per hour played.

THE GAME'S LIFECYCLE

PE is under constant development by the users exploiting different areas and adding new dimensions to the game. This means that the game grows in scope and attracts new players at the same time as offering existing players greater interest in continued play. A large part

of the development resources must therefore be concentrated on further development of content and functionality. PE is specifically designed for this type of development because it can be regarded rather as a platform which can house innumerable new functions and sections, compared to other competing games, which often have a format which does not permit variation in the same dynamic way.

INCOME MODEL

PE's income base is the fees that the players pay for acquisition, repair and renewal of the different assets and objects that the player chooses to use in the game.

In the virtual economy the player uses the virtual currency PED to purchase different objects, which the playing character requires in the game. When these objects are used or worn a maintenance requirement occurs where the player makes payment in the game in order to keep their assets and objects in usable condition.

The income model means that the income increases in relation to the number of active players and also that more active players in the game raises the activity level of the game which in turn increases the need for repairs and new purchases.

Objects with a set lifespan have a repurchase value which falls in relation to wear. Unique objects can have a market value, which is fixed via auctions, which exceed the repurchase value. Assets that do not wear out, such as land or property, have no repurchase value.





WORLDWIDE

THE MMORPG MARKET TURNED OVER APPROXIMATELY ONE BILLION USD DURING 2004 AND IS ANTICIPATED TO HAVE AN ANNUAL GROWTH OF OVER 70 PERCENT OVER THE NEXT FIVE YEARS.

THE MARKET

Over the last few years the MMORPG market has developed significantly. World of Warcraft for example has had very strong growth. At present the game has approximately 4 million paying users around the world. The incomes are divided between a starting fee of approximately SEK 450 and a monthly subscription which varies from country to country. In Europe and North America the monthly subscription is in the region of 125 SEK. In China the payment model is different and players pay per hour which gives slightly lower income per player. Several analysts have calculated that World of Warcraft has an annual income in the region of 30 million USD, based solely on the monthly subscription.

World of Warcraft has changed the MMORPG market. The majority of the players have never played MMORPG games before. Previously the MMORPG companies competed for the same group of players, which meant that players who tired of one game would start looking at other MMORPG games. This is also occurring with World of Warcraft with the difference that the number of newly recruited players has thus far exceeded the numbers who have got tired and moved on to other games.

Another game that has developed strongly is Guild Wars. Like World of Warcraft it has remained in the top 10 lists for the last year. Guild Wars is considered by many not to be a true MMORPG game, but there are many similarities. Like World of Warcraft, Guild Wars has attracted many new players. The income model is that one purchases a start box but no monthly fees. On the other hand expansion packages are released twice a year.

At present, the largest markets are Asia and the USA but experts think that the European market will have exceeded the size of the

American market within the next few years. Most PE users are in the USA and Sweden and in the rest of Europe. The games market turned over approximately one billion USD during 2004 and is anticipated to have an annual growth of over 70 percent over the next five years.¹ The trend is that more and more computer game players, who are at present playing alone, will discover a camaraderie and personal development in the MMORPG games.

The next generation of TV games consoles, such as Microsoft's XBOX and SONY Playstation, are ready for launch. A major focus with them are the online opportunities. The next generation consoles will probably also allow PE to be played which will give the game access to a large new market.

COMPETITORS

The players in the MMORPG market can be split into a number of different groups depending on what market breakdown is selected and nearly 85 % of all MMORPG players are active in games based on fantasy worlds of some form – the same category of game as PE. There are approximately 130 different game titles in this market segment. The majority of these games have an income model based on a fixed monthly fee. A number of games are also sold packaged as DVD or CD ROMS via games shops and retailers all over the world.

Games that are distributed via retailers have a great advantage as they are visible in the shops on release, which creates interest among the players and not least the game reviewers. These games are further sold to consumers who were not necessarily MMORPG players before, which opens up a channel to completely new customer categories. However, extensive financial resources are required

¹ IDC



to get access to this distribution channel. Brand names, such as Star Wars, have these resources but up to now have not succeeded in gaining a foothold among MMORPG players.

Most MMORPG games have a development curve where the number of new users rises sharply to begin with but after six to twelve months the growth rate has tailed off. After this it is not uncommon for the number of new players to be approximately the same as the number of players leaving the game. To rectify a negative trend the games manufacturer's release upgrades to the existing game at regular intervals to recreate and retain interest.

MMORPG	Company	Users	Launch year	Monthly fee	Shop sales	Trend
Lineage	NC Soft	4 200 000	1998	\$ 15	Yes	Unknown
World of Warcraft	Blizzard/ Vivendi	4 000 000	2004	\$ 15	Yes	Rising
Guild Wars	NC Soft	4 000 000	2005	Starting fee	Yes	Rising
EverQuest	Sony	450 000	1998	\$ 15	Yes	Wavering
Ultima Online	EA	250 000	1997	\$ 12	No	Wavering
Dark Age of Camelot	Mythic Entertainment	200 000	2002	\$ 13	Yes	Wavering
Mankind	Vibes	150 000	1998	\$ 10	No	Stable
Final Fantasy XI	SquareSoft	110 000	2002	\$ 13	Yes	Stable

There are a number of significant differences in the comparisons between PE and the MMORPG games listed below. Among other things there is no charge to download and start playing PE. Neither is there any monthly fee for playing. PE is the only game in the world where the game currency can be exchanged for real currency.

TECHNOLOGY

The game is based on client-server technology where the major graphics are on the client which is downloaded to the player's computer. The player's client is in constant communication with PE's server and receives coordinates and information about what other characters in the game are doing. The client also has integrated projection which predicts what will happen in the immediate future so that it will not feel sluggish when meeting another player who has a poor connection or is located a long way away. The data volume that is transmitted is no more than can be used to play using a normal telephone modem. The game is designed so that it will be able to take a million players without requiring major investments in technology.

Everyone plays the same "version", which means that one can meet players from all over the world. This is unique because other games have different "versions" for the different countries/world areas that the game is released in. It has taken a great deal of resources to develop this feature of PE.



GROWTH STRATEGY

CUSTOMER RELATIONS

In order to increase the proportion of active users, a particular effort will be made to strengthen relationships with existing users. Continuous contact with active users increases loyalty to the game and the opportunities for picking up ideas for product development are dramatically increased.

PRODUCT RENEWAL

Continuous improvement and development is necessary to retain the present high quality of functionality and user enjoyment of the game. This also increases the interest of the existing active users and reduces the percentage of defectors.

NEW DISTRIBUTION CHANNELS

The game is currently loaded via the Internet or CD-ROM. As the game achieves a stronger position and the brand is established it will be easier to exploit complementary distribution channels. The game can be packaged with the future games consoles from Microsoft and Sony for example. Chains of computer accessories suppliers can be contracted as retailers.

MARKETING COMMUNICATION

MindArk and PE have already gained publicity in the form of editorial articles and references both in Sweden and internationally. The chances of continued positive publicity can be improved by systematic marketing communication with the industry and popular press. Events arranged with participants from differ-

ent sectors within the computer gaming industry can also strengthen the brand and build customer loyalty.

MARKETING IN SELECTED MARKETS

MindArk and PE currently have users in the USA and Europe. Pre-studies have been carried out in Europe for launches on the German and Dutch markets. MindArk intends to extend the preparations for a stronger international launch of the game and will select three new geographical markets for launch each year in the period 2006-2008.

ORGANISATION DEVELOPMENT

Present The present organisation must be reinforced with a further development team with the task of further developing the present version of PE and introducing language localisation for the new markets.

The customer support resources must be developed and reinforced in relation to the planned volume increase and the expansion to new markets.

In addition, the resources for marketing and communications must be reinforced to carry out the launches in new markets and to establish continuous contacts with important players within the industry. As a first step, a head of marketing has been appointed.

Audited investments within the framework of the fixed growth strategy must ensure strong development of the company's business both in terms of volume and profitability and in terms of the level of total market development.





FINANCIAL OVERVIEW

Extracts from income statements	1 Jan -31 July 2005	2004	2003
Turnover	14 926 784 SEK	17 780 672 SEK	4 975 983 SEK
Operating income	3 136 170 SEK	867 711 SEK	159 625 SEK
Income after interest	3 044 399 SEK	684 036 SEK	70 974 SEK
Balance statements in summary	2005, 31-July	2004	2003
Fixed assets	7 857 212 SEK	5 562 957 SEK	5 404 678 SEK
Receivables	1 799 182 SEK	1 530 673 SEK	672 870 SEK
Liquid funds	1 511 913 SEK	459 337 SEK	521 280 SEK
TOTAL ASSETS	11 168 307 SEK	7 552 967 SEK	6 598 828 SEK
Shareholder capital	1 142 337 SEK	1 142 336 SEK	1 009 498 SEK
Untaxed profit	3 044 399 SEK	0 SEK	0 SEK
Untaxed reserves	480 000 SEK	480 000 SEK	0 SEK
Interest-bearing liabilities	2 716 836 SEK	3 278 793 SEK	3 921 000 SEK
Short operating liabilities	3 784 735 SEK	2 651 838 SEK	1 668 330 SEK
TOTAL ASSETS	11 168 307 SEK	7 552 967 SEK	6 598 828 SEK

ACCOUNTING PRINCIPLES

Auditing of the users' payments to and withdrawals from Project Entropia by the company is carried out on a strictly cash basis. Paid-in funds are credited the same day that they enter the company's bank account and repayment of paid-in funds will be debited the day that they are debited from the company's bank account.

ADDITIONAL PURCHASE SUMS

MindArk pays additional purchase sums for the acquisition of PE monthly. The purchase sum is 20 % of the defined income measurement. This measurement is based on the user activity in PE. The amount is fixed at the end of each month and paid on 45 day credit terms to MindArk's receivers.

The monthly fixed amount is reported as an intangible fixed asset in the company accounts. According to the applicable accounting regulations intangible fixed assets must be objects for planned depreciation. Each months acquisition value will be written off at 1/60 per month starting the month after acquisition.

The additional purchase sum will be paid up to and including the 31 January 2006,

which means that the final payment by the company will be 15 March 2006. MindArk calculates that the final acquisition cost of PE will amount to 14 million SEK when the acquisition agreement is paid off in the Spring of 2006. The outstanding additional purchase sum for the period September to January 2006 is calculated at 3.5 million SEK.

The acquisition agreement constitutes a significant liquidity burden on the company.

COMPANY COST STRUCTURE 2005

For 2005 the group's total costs are calculated to amount to 21 million SEK divided into the following main groups:

Staff costs	60 %
Other operational costs	30 %
Amortisation of acquisition of Project Entropia	9 %
Financial costs	1 %
Total	100 %

The staff costs are the largest single cost and are expected to amount to approx 12.5 million SEK for 2005. Staff wages dominated and



divided among the different functions approximately according to the following table. The staff costs for 2006 are expected to increase to approximately 18 million SEK.

	2005	Proforma 2006
Game development	45%	46%
Operations department	20%	18%
Marketing	4%	10%
Customer support	12%	13%
Company management & administration	19%	13%
Total	100%	100%

Staff costs make up fixed costs in the company's operation. These will increase during 2006 when the workforce will be increased by a further development team. The costs have been calculated at approximately 5 million SEK on an annual basis.

Further resources will also be concentrated on marketing.

New posts will be created within customer support in relation to the pace of the increase of PE users.

In addition to the support department in Gothenburg there is also a support centre consisting of three staff in Colombo in Sri Lanka. The costs for this support centre amounts to approximately 400 000 SEK per year.

The group's other operational costs are calculated to amount to 6.4 million SEK for 2005 divided into the following main groups:

Premises costs	1 000 000 SEK
Hardware and computer licenses costs	2 400 000 SEK
Operating Costs Project Entropia	1 600 000 SEK
Marketing	1 000 000 SEK
Miscellaneous costs	400 000 SEK
Total	6 400 000 SEK

The main part of the other operational costs are fixed in nature. The only variable operational costs of the company are remuneration costs for payment intermediaries and customer downloads of the PE client. These costs are reported within the group's PE operational costs.

Another operational cost is made of the costs for co-location of the company's operational server system. These are currently located at TeliaSonera in Stockholm. Within a few years MindArk plans to set up new service centres on the American continent, within several central European countries and several countries in the Far East.

So called threshold effects can be clearly seen in MindArk's costs for purchasing computers, service capacity and license charges. The company's assessment is that the current capacity and cost structure must be able to manage double the number of users.

The costs, except game development, that will increase most during the coming years are marketing costs. Previous marketing has been carried out through internet based activities.

PE development work has been focused on the technical platform. Marketing activities have previously been put off until the future. Today the system is considered to be sufficiently stable that it can manage the strong flow of new users that successful marketing would mean.

The intention of the management for 2006 is to carry out several activities directed at selected markets. The evaluation of these investments will be the basis of a future marketing plan.

The depreciation of the company's acquisition value for PE will amount too approximately 1.9 million SEK to increase to approximately 2.8 million in 2006.



INCOME PROGNOSIS FOR 2005

The prognosis for all of 2005 is based on a projection of the result from 1st January – 31st August 2005 and the internal budget follow up for 2005. Experience from earlier years has also been considered in the assessment. To increase the comparability, the appropriations and tax for the year's income have been appreciated for all of 2005.

	2004 Complete year	2005 Prognosis
Operational income	17 780 672 SEK	28 000 000 SEK

Operational costs		
Reimbursement to user	872 788 SEK	1 400 000 SEK
Staff costs	9 542 559 SEK	12 500 000 SEK
Other external costs	5 338 896 SEK	6 400 000 SEK
Depreciation	1 158 718 SEK	1 900 000 SEK

Income before financial items	867 711 SEK	5 800 000 SEK
Financial costs	183 675 SEK	150 000 SEK
Income before appropriations and tax	684 036 SEK	5 650 000 SEK

Appropriations	480 000 SEK	2 000 000 SEK
Tax on annual income	71 198 SEK	600 000 SEK

Accounted income	132 838 SEK	3 050 000 SEK
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DIVIDEND POLICY

The board does not intend to suggest any dividends for operational year 2005.

The board intends to suggest a dividend corresponding to approximately 50 % of the net income with regard to the Company's position and investment requirement. During the future expansion phase the board will, however, carry out a restrictive dividend policy.



OWNERSHIP AND SHARE INFORMATION

SHARE CAPITAL TREND

The share capital in MindArk totals 1 000 000 SEK divided into 1 000 000 shares with a nominal value of 1 SEK. The shareholders have the right to the Company's assets and earnings, as well as to a vote each.

The table below shows share capital trend since company formation in 2003.

Time	Event	Increase in number of shares	Total number of shares	Increase in share capital	Total share capital
Febr-03	Formation	1 000	1 000	100 000 SEK	100 000 SEK
July-03	Split	99 000	100 000	0 SEK	100 000 SEK
Sept-03	New issue	900 000	1 000 000	900 000 SEK	1 000 000 SEK

SHAREHOLDER STRUCTURE BEFORE ISSUE

The number of shareholders in MindArk increased on the 31st August 2005 to approximately 60. The shareholding in the Company is as follows:

Shareholder	Number of shares	Share capital	Percentage of votes/capital
Jan Welter Timkrans	452 503	452 503	45,3 %
C-G Bothén AB	310 000	310 000	31,0 %
Lars Molinder	50 000	50 000	5,0 %
Mattias Sundström	43 457	43 457	4,3 %
Kronboken AB	22 265	22 265	2,2 %
Lars Hammarström	19 922	19 922	2,0 %
Other shareholders	101 853	101 853	10,2 %
Total	1 000 000	1 000 000	100,0 %

SHAREHOLDER STRUCTURE AFTER ISSUE

If all shareholders subscribe to the following new issue the share ownership will be as follows:

Shareholder	Number of shares	Share capital	Percentage of votes/capital
Jan Welter Timkrans	452 503	452 503	39,5 %
C-G Bothén AB	310 000	310 000	27,0 %
Lars Molinder	50 000	50 000	4,4 %
Mattias Sundström	43 457	43 457	3,8 %
Kronboken AB	22 265	22 265	1,9 %
Lars Hammarström	19 922	19 922	1,7 %
Other shareholders	101 853	101 853	8,9 %
Pending issue	146 350	146 350	12,8 %
Total	1 146 350	1 146 350	100,0 %



TAX ISSUES IN SWEDEN

The following summary of certain Swedish tax queries is based on current applicable and determined laws. The summary is only intended as general information for shareholders who are liable for taxation in Sweden unless otherwise stated. The summary is not intended to comprehensively cover all the tax implications that may occur as a result of purchasing shares in the company. The report does not cover situations where securities are held as assets in businesses or by trading companies. Neither does it cover the specific regulations that might apply to holdings in companies that have been private limited companies. It does not cover the specific tax relief that is applicable in certain cases to dividends and capital gains on shares in companies that have previously been unlisted.

The tax situation for a shareholder depends on the circumstances of the specific case and specific tax implications, which are not noted below, that may occur. It is recommended that each shareholder seeks the advice of a tax advisor for information on the special tax implications that ownership of the company may incur.

TAXATION IN THE EVENT OF SALES OF SHARES

PRIVATE INDIVIDUALS

Capital gains when selling shares in the company is normally taken up to taxation in revenue capital. Tax rates are 30 %. Capital gains and capital losses are calculated as the difference between the sales compensation, after deductions for sales expenses, and the costs.

Capital losses when selling shares in the company are deductible. Such loss can be offset in its entirety against capital gains during the same year on shares. Offsetting can also occur fully against capital gains on other unlisted shares and market listed shareholder

rights except assets in Swedish stock funds that only contain Swedish rights (Swedish interest funds). Surplus losses are deductible up to 70%. If there is a deficit in revenue capital, tax reductions are only allowed on earnings of services and businesses and property tax. Such tax reductions are allowed with 30 % for deficits that do not exceed 100 000 SEK and with 21 % for remaining deficit. The deficit cannot be carried over to subsequent tax years.

LIMITED COMPANIES

Due to new regulations, which came into force on 1st July 2003, taxation of capital gains on so called business related assets has been abolished. Due to the exemption on capital gains, capital losses on such assets are no longer deducted. Assets in limited companies are considered business related if: the assets are unlisted or the assets are market listed and the holding corresponds to at least 10% of the operation.

Capital gains and capital losses on assets that are not business related are taxed in revenue business operations. Calculating capital gains and capital loss is carried out in the same way for private individuals (physical people) according to the above. Deductible capital loss on shares must, however, only be offset against capital gains on shares and other shareholder rights. Capital losses that cannot be used a certain year can be offset against corresponding capital gains during later years.



TAXATION OF DIVIDENDS

For private individuals (physical persons) dividends are normally taxed at 30 % in revenue capital. For Private individuals tax, such as preliminary tax, is held by VPC or if the shares are fund manager registered – by the fund manager. Limited company's dividends in revenue business operations are taxed at 28%. Dividends on so called business related shares are tax free under certain conditions. The new tax regulations in this section apply from and including the tax year starting 1st January 2004 and later. Special rules apply to certain legal persons.

WEALTH TAXATION

Unlisted wealth is not, in principle, a tax liable asset.

INHERITANCE AND GIFT TAX

Inheritance and gift tax has been abolished with effect from and including the 17 December 2004.

SHAREHOLDERS WHO ARE LIMITED TAX LIABLE

Shareholders not registered for tax in Sweden who hold dividends from a Swedish limited company pay normal coupon tax. Special rules apply, however, for dividends for busi-

ness related shares. Tax rates are 30 %. This tax rate is, however, generally reduced by tax agreements that Sweden has undertaken with other countries to avoid double taxation. Coupon tax is held by VPC at the time of dividend. If the shares are fund manager registered, the fund manager is responsible for tax deductions. Shareholders who are liable for tax in Sweden and who do not conduct operations from a fixed place of operation in Sweden are not normally taxed in Sweden on capital gains in the event of selling shares. Shareholders can, however, be subject to tax in their own country of residence. According to a specific rule, physical individuals who are liable to tax in Sweden when selling, among other things, Swedish shares are taxed if they have, at any time during the calendar year, made a sale, or during the previous ten years lived or constantly visited Sweden. In several cases, the rule is limited by tax rates.

The tax situation of each shareholder depends partly on his/her specific circumstances. Certain tax implications that are not stated above may be relevant to certain categories of tax liability. Each shareholder should seek advice from a tax adviser for information about the special tax implications that affect them, including the implications of foreign income tax rules, double tax agreement regulations and any other regulations.



RISK ANALYSIS

All enterprise and ownership of shares involves risk taking. Each investor must obtain an understanding of the Company's risks. A share investment can mean that the invested capital can be, partially or completely lost and/or the achieved share in the Company can be diluted through future new issues, aimed at new parties to secure the development of the Company. The risks that are considered to be of the greatest importance for MindArk's future development are given, in no particular order, below. For obvious reasons not all factors can be described, instead a compiled evaluation must also contain other information in this prospectus as well as a general verdict.

FINANCIAL RISKS

That the company does not succeed in attracting sufficient capital to solve any future financial requirements.

TECHNOLOGY RELATED RISK

That the development of the Company's technologies takes longer time than calculated or does not function as expected. That the company is exposed to computer hacking.

COMPETITOR RELATED RISKS

That the competing companies develop newer and better games

MARKET RELATED RISKS

That the market for the Company's products is much smaller than expected or that misdirected marketing affects the development of the company.

STAFF RELATED RISKS

That the company does not succeed in attracting sufficiently competent staff or that the company does not succeed in keeping competent staff.

CURRENCY RISKS

The incomes from the Company's operations are generated in American dollars (USD) while larger parts of the costs are obtained in other currencies, which mean that the operation is negatively affected in the event of the dollar being weak.

POLITICAL RISKS

That changes in the law make it harder to run the game with current business models.



LEGAL ISSUES AND OTHER QUESTIONS

AGREEMENT

The company has agreements with suppliers, employees as well as payment systems that, with regard to the company's operations, are normal in nature.

ROYALTY AGREEMENT

Royalty agreements according to annual reports has ceased. The company's MD Jan Welter Timkrans has a Royalty agreement with MindArk. The agreement awards payment the day the company's net profit for a quarter exceeds USD 500 K. Royalties are then awarded at 1 % of the net profit. In the event of net profits exceeding USD10 m per quarter the royalty increases to 4 % of the net profit. The income for 2005 will not lead to any royalty payments.

AGREEMENT WITH THE OFFICIAL RECEIVER

MindArk purchased intellectual rights, hard and soft ware and platforms of bankrupts total estate via Lindahls Solicitors. The total acquisition value, including the calculated additional purchase sum is calculated at 14.3 million SEK.

DISPUTES

Currently there are no known disputes, neither does the Company's management know of any important future civil action. MindArk is not involved in any legal process or arbitration procedure and has not been informed about any claims that can lead to the company being involved in such a process or procedure.

ARTICLES OF ASSOCIATIONS

The company's organisation number is 556640-4769. The company was founded and registered at the Bolagsverket (Swedish Companies registration Office) on the 17th February 2003 under the firm MindArk PE AB and has been in operation since then. The company was established as a limited company and intends to run operations under this form of associations, which is regulated by the Limited company's act (1975:1385).



COMPENSATION TO BOARD, MANAGING DIRECTORS AND ACCOUNTANTS

There was no compensation for the Board of MindArk PE AB during the 2004 financial year. Total remuneration and the value of other benefits for the Managing Director in MindArk PE AB during 2004 amounted to zero SEK. During 2004 senior executives received total remuneration of SEK 1 379 140 (excluding social security expenditure) of which SEK 240 000 was paid in consultation fees to the Finance Director. The company's costs regarding audit assignments increased to 40 000 SEK in 2004 and for other assignments zero SEK. The Managing Director will receive SEK 660 000 (excluding social security expenditure) for the 2005 accounting year.

There is no remuneration for the Board for the 2005 financial year. From and including January 2005 MindArk's managing director has a monthly salary of SEK 55 000.

NOTICE PERIODS AND REDUNDANCY PAYMENTS

MindArk has the customary employment agreements with a mutual period of notice of 6 months for Senior executives. The Managing Director's agreement does not contain any redundancy payment. MindArk does not pay any pension premiums above those that occur within the framework of social security expenses, which can be regarded as the customary rate.



BOARD MEMBERS, HOLDERS OF SENIOR POSITIONS AND AUDITORS

BOARD

JAN WELTER TIMKRANS



Position: Managing Director, Chairman of the board
Age: 48
Number of shares: 452 503
Background: Board member since 2003. Studied at Chalmers 1978-1984. Managing Director and

Chairman of the board at MindArk. Jan Welter Timkrans has 20 years experience as MD for different companies focussing on international development. Jan Welter Timkrans is the originator of the Entropia Project and founder of MindArk.

BERNT WÅHLIN



Position: Responsible for customer service, board member
Age: 50
Number of shares: 2 986
Background: Board member since 2003. Studied at Chalmers 1974-1979. Responsible for customer

service at MindArk. Bernt Wåhlin has 20 years experience in management roles. Bernt Wåhlin has worked as technical manager at Catco AB, department manager at Securitas and was MD for ProxCom AB before being employed at MindArk.

ANDERS GUTENBRANT



Position: Styrelseledamot
Age: 56
Number of shares: 10 000
Background: Board member since June 2005. Business Administrator HHS. Works as financial

adviser. Anders Gutenbrant has worked as senior advisor for more than 20 years, within Corporate Finance at Handelsbanken and most recently at Alfred Berg Fondkommission.

SENIOR EXECUTIVES

JAN WELTER TIMKRANS, VD See above.

BERNT WÅHLIN, RESPONSIBLE FOR CUSTOMER SERVICE See above.

MATTIAS SUNDSTRÖM



Position: Technical manager
Age: 34
Number of shares: 43 457
Background: Studied at Chalmers 1992-1995. Worked as technical

manager at MindArk since 2003. Mattias Sundström currently works as a contracted consultant for MindArk. Mattias Sundström has 11 years experience of development work within IT projects and web applications. He has previously been responsible for development at Telia, AdEra, SCA and was MD for Item Interactive AB.



MARCO BEHRMANN

Position: Responsible for Community and concept development

Age: 32

Number of shares:

4 150

Background: Educated in Systems analysis at Gothenburg University 1993-1997.

Marco is responsible for ongoing strategic concepts and game development as well as for communication with users via MindArk's Internet community. Marco has worked and been active in developing the games market since 1993. He is one of the founders of Neogames AB, Sweden's main publishers of role playing games. Has worked on computer game development since 1998. Marco also worked as marketing manager for games and lifestyle magazine Codex before he started work at MindArk in early 2002.



CARL UGGLA

Position: Responsible for Marketing

Age: 61

Number of shares: 0

Background: After business studies 1965 in Linköping, Uggla has worked as a copywriter at different advertising agencies and has been

working as manager at several of the largest restaurants in Sweden. He has also owned, and has been running the restaurant and rock club Cityhallen, and the record company City Records in Stockholm. After a number of years in Mexico, where he started and ran three restaurants whilst writing six novels, Uggla has moved home to Sweden. Uggla was hired as marketing director for MindArk in September 2005.



ANDERS STENLUND

Position: Finance manager

Age: 47

Number of shares:

22 265

Background: Qualified in Business administration. Works as finance manager at MindArk. Anders Stenlund has 23 years

experience of financial assignments. He previously worked, among other things, within Volvo Penta's finance department and as finance manager at Svenska Obligationsskammaren. Anders Stenlund has also run his own accountancy practice.



REVISOR

PETER ÖNNHEIM

Authorised accountant from Önnheim & Olsson Revisionsbyrå HB.



ARTICLES OF ASSOCIATION

- §1 The company's trading name is MindArk PE Ltd.
- §2 The Board shall have its Registered Office in Gothenburg municipality, Västra Götaland.
- §3 The Company shall sell and develop computer applications, own and manage fixed goods and securities, and carry on other activities consistent therewith.
- §4 The share capital shall be a total of minimum 1 000 000 SEK and maximum 4 000 000 SEK.
- §5 The nominal value of each Share shall be 1 SEK.
- §6 The board consists of between 3 and 10 members with 0 to 10 deputies. It is selected annually at the Annual General Meeting (AGM), for the period until the next AGM is held. If the board consists of one or two members, at least one deputy must be elected.
- 1 or 2 accountants, with or without accounts deputies, are elected at the AGM for the period until the AGM is held during the fourth financial year after the vote.
- §7 Invitations to the AGM must occur by advertising in the Swedish Official Gazette & National Daily Newspapers and in Dagens Industri.
- §8 The Annual General Meeting (AGM) held annually within 6 months of the end of the financial year. The following matters must be addressed at the Annual General Meeting (AGM):
1. Election of Chairman at the meeting
 2. Drawing up and approving list of voters
 3. Electing one or two persons to verify the minutes
 4. Determination whether the meeting has been duly convened
 5. Approval of agenda
 6. Approval of submitted annual report and audit report as well in applicable cases, consolidated accounts and consolidated audit report.
 7. Decisions
 - on adoption of the profit and loss statement and the balance sheet, and the consolidated profit and loss statement and the consolidated balance sheet.
 - on allocation of the company's profit or loss according to the adopted balance sheet;
 - on discharge from liability for the members of the board of Directors and for the Managing Director
 8. Approval of the remuneration to the members of the board of directors and to the auditors
 9. Election of members of the board of directors and, where applicable, auditors and deputies
 10. Other matters, which shall be dealt with at the general meeting according to the Swedish Companies Act (1975:1385) or the articles of association
- A shareholder entitled to vote at the Annual General meeting may vote for all the shares owned, without limitation to the number of shares voted.
- §9 The company's financial year is 1st January – 31st December
- §10 A person who is registered in the share register or a register pursuant to Chapter 3 section 12 of the Swedish Companies Act (1975:1385) on a stipulated record date, shall be considered authorised to receive dividends and, in connection with a bonus issue, new shares to which the holder is entitled, and to exercise the shareholders' pre-emption right to participate in issues.



EXTRACTS FROM PREVIOUS ANNUAL REPORTS

FINANCIAL POSITION

The company's financial year is 1 January – 31 December. The information for 2003-2004 has been taken from the audited annual reports. Applicable accounting principles correspond with the Swedish Annual Accounts Act and Swedish Accounting Standards Board's, National Audit Office's and Professional Institute for Authorised Public Accountant's recommendations and statements.

Income statement	Note	1/1 - 31/12 2004	17/2 - 31/12 2003
Operational income			
Net sales	4	17 780 672 SEK	4 975 983 SEK
Activated work for statement		0 SEK	2 800 000 SEK
		17 780 672 SEK	7 775 983 SEK
Operational costs			
Other external costs	5	-6 211 684 SEK	-2 589 149 SEK
Staff costs	6	-9 542 559 SEK	-4 755 227 SEK
Depreciation according to plan	3	-1 158 718 SEK	-271 982 SEK
Operating income		867 711 SEK	159 625 SEK
Financial income and costs			
Net interest		-183 675 SEK	-88 651 SEK
Income before appropriations and tax		684 036 SEK	70 974 SEK
Appropriations			
Excess depreciation		-400 000 SEK	0 SEK
Provisions for Accruals fund		-80 000 SEK	0 SEK
Income before tax		204 036 SEK	70 974 SEK
Tax on annual income		-71 198 SEK	-61 476 SEK
Annual income		132 838 SEK	9 498 SEK

Balance	Note	31/12 2004	31/12 2003
ASSETS			
Fixed assets			
Intangible fixed assets			
Project Entropia	3	5 562 957 SEK	5 404 678 SEK
Current assets			
Other receivables		0 SEK	6 650 SEK
Prepaid costs		1 063 834 SEK	429 595 SEK
Customer receivables		466 839 SEK	236 625 SEK
Cash and cash on deposit		459 337 SEK	521 280 SEK
TOTAL ASSETS		7 552 967 SEK	6 598 828 SEK



SHAREHOLDERS AND FOREIGN EQUITY

Restricted equity			
Share capital, 1,000,000 at nominal 1 SEK	8	1 000 000 SEK	1 000 000 SEK
Statutory reserve		2 000 SEK	0 SEK
Non-restricted capital			
Surplus brought forward		7 498 SEK	0 SEK
Annual income		132 838 SEK	9 498 SEK
		1 142 336 SEK	1 009 498 SEK
Appropriations			
Fixed reserve		400 000 SEK	0 SEK
Accruals fund		80 000 SEK	0 SEK
		480 000 SEK	0 SEK
Current liabilities			
Accounts payable		474 559 SEK	646 296 SEK
Tax liability		132 582 SEK	61 476 SEK
Other liabilities	7	4 231 550 SEK	4 348 855 SEK
Accrued expenses		1 091 940 SEK	532 703 SEK
		5 930 631 SEK	5 589 330 SEK
SHAREHOLDERS AND FOREIGN CAPITAL		7 552 967 SEK	6 598 828 SEK
ITEMS WITHIN THE LINE			
Pledged collateralisation		None	None
Contingent liabilities	9	Royalty agreement	Royalty agreement



NOTES

NOTE 1 VALUATION PRINCIPLES

The accounting principles that apply correspond with the Annual Accounts Act and Swedish Accounting Standards Board's, National Audit Office's and Professional Institute for Authorised Public Accountant's recommendations.

NOTE 2 PROJECT ENTROPIA - DESCRIPTION

MindArk PE AB runs and develops the 3-dimensional universe Project Entropia. Project Entropia is accessible to everyone with access to a computer with an internet connection.

Development work on Project Entropia started during 1997 and it was commercially launched during 2003 to a wider public.

MindArk PE supplies the infrastructure for Project Entropia for the users free of charge. The users must, however, allow installation of special software, a so called "client" on their computer. This client can be downloaded free from a large number of internet sites.

From the users point of view, Project Entropia is an entire world or universe for interactive entertainment, where he or she is represented by a Avatar, a three dimensional image of the user's character, inside the virtual world.

Project Entropia has a unique patented financial system with its own implemented currency. The virtual currency is called PED and is short for Project Entropia Dollars.

NOTE 3 INTANGIBLE FIXED ASSETS – PROJECT ENTROPIA

In April 2003 MindArk PE acquired all previously carried out development work and all rights to the virtual universe Project Entropia. Purchased sum was paid as a fixed sum and as a variable additional purchase sum. The fixed part of the purchase sum was paid in connection with the acquisition while the additional purchase sum was based on the user's activities inside Project Entropia during a two year period.

In September 2004 the acquisition agreement was renegotiated with regard to the payment plan. The renegotiation means that MindArk PE must pay additional purchase sums for Project Entropia up to and including January 2006.

Residual depreciation is carried out at a twelfth of 20 % each month on the book valued acquisition value.

	2004-12-31	2003-12-31
Incoming acquisition value	5 676 660 SEK	0 SEK
Fixed purchase sum	0 SEK	1 700 000 SEK
Additional purchase sums	1 316 997 SEK	511 948 SEK
Paid costs to suppliers	0 SEK	664 712 SEK
Activated development work for statement	0 SEK	2 800 000 SEK
Outgoing acquisition value	6 993 657 SEK	5 676 660 SEK
Incoming accumulated depreciation according to plan	271 982 SEK	0 SEK
Annual depreciation according to plan	1 158 718 SEK	271 982 SEK
Outgoing accumulated depreciation according to plan	1 430 700 SEK	271 982 SEK
Outgoing book value	5 562 957 SEK	5 404 678 SEK



NOTE 4 OPERATIONAL INCOME

Company's income made up by the cash fund users providing Project Entropia.

Company income shows strong growth during 2004. Calculated in the virtual currency PED (Project Entropia Dollars), 27 606 kPED has been made. The average growth increased by 6 % per month. The falling USD has had a negative affect on the company's income.

NOTE 5 OTHER EXTERNAL COSTS

	2004-12-31	2003-12-31
Remuneration of the company's accountants: The accountants have not carried out any consultations for the company.	40 000 SEK	20 000 SEK

NOTE 6 PERSONNEL COSTS

	2004-12-31	2003-12-31
Average total annual employees	20	18
of which are women	2	1
Total gross salaries	6 463 000 SEK	3 209 000 SEK
of which are for board members	265 000 SEK	0 SEK
Social costs	2 074 000 SEK	1 027 000 SEK
Sick leave in hours	586	information not supplied

Pensions and pension insurance not applicable. Company management is exclusively male. No remuneration for the board and Managing Director was paid.

NOTE 7 SHAREHOLDER FINANCE

In addition to the share capital, the company's main shareholders have, in connection with the acquisition of Project Entropia, advanced current loans to the company. These loans started to be repaid during 2004. Amortisation of remaining liability will occur at the rate that the company's liquidity allows.

	2004-12-31	2003-12-31
End of year amount	3 279 000 SEK	3 921 000 SEK

NOTE 8 SHARE CAPITAL

The company's share capital totals 1 000 000 SEK distributed in 1 000 000 shares with the nominal value of 1 SEK per share. All issued shares are common shares with a voting value of up to 1 vote per share.

NOTE 9 ROYALTY AGREEMENT

There is a royalty agreement between the company and its main shareholders. The agreement awards payment the day the company's net profit for a quarter exceeds USD 500 000 K. The Royalty is then awarded at a rate of 2% of net profits. In the event of net profits exceeding 10 000 000 USD per quarter the royalty increases to 8 % of the net profit. The income for 2003 and 2004 will not lead to any royalty payments.

NOTE 10 CASH FLOW ANALYSIS

The cash flow analysis is established according to the indirect method. Liquid funds are made up in their entirety of the cleared accounts of bank statements. No interest bearing liabilities from shareholder lending.



KEY INDICATORS AND INTERIM REPORT

The information for the period 1st January – 31st July, 2005 is taken from the audited interim report for 2005.

KEY INDICATORS

Key indicator	31/7 2005	2004	2003
Turnover	14 926 784 SEK	17 780 672 SEK	4 975 983 SEK
Operating income	3 136 170 SEK	867 711 SEK	159 625 SEK
Income after financial items	3 044 399 SEK	684 036 SEK	70 974 SEK
Extraordinary items	0	0	0
Profit margin on operating income	21 %	5 %	3 %
Total assets	11 168 307 SEK	7 552 967 SEK	6 598 828 SEK
Adjusted shareholder capital	3 679 904 SEK	1 487 937 SEK	1 009 498 SEK
Return on capital employed	50 %	17 %	3 %
Return on shareholder capital	96 %	50 %	11 %
Equity	33 %	20 %	15 %
Debt/equity ratio	0,7	2,2	3,9
Percentage of risk bearing capital	34 %	21 %	15 %
No. employees	24	20	18
Profit per share	2,19 SEK	0,49 SEK	0,05 SEK
Dividend per share	0 SEK	0 SEK	0 SEK
Investments	3 250 915 SEK	1 316 997 SEK	5 676 660 SEK



INTERIM REPORT JANUARY-JULY 2005

	January-July 2005	January-July 2004
Income statements		
Operational income	14 926 784 SEK	9 221 428 SEK
Operational costs	-10 833 951 SEK	-8 255 406 SEK
Depreciation	-956 662 SEK	-718 003 SEK
Financial items	-91 772 SEK	-111 480 SEK
Period's income	3 044 399 SEK	136 539 SEK
Balance sheets	2005-07-31	2004-07-31
ASSETS		
Intangible fixed assets	7 857 212 SEK	5 952 717 SEK
Current receivables	1 754 330 SEK	1 555 849 SEK
Cash and cash on deposit	1 511 914 SEK	1 133 944 SEK
TOTAL ASSETS	11 123 456 SEK	8 642 510 SEK
SHAREHOLDER CAPITAL AND LIABILITIES		
Shareholder capital	1 142 337 SEK	1 009 498 SEK
Period's income	3 044 399 SEK	136 539 SEK
Untaxed reserves	480 000 SEK	0 SEK
Loan from shareholders	2 716 836 SEK	4 019 078 SEK
Current liabilities	3 739 884 SEK	3 477 395 SEK
TOTAL SHAREHOLDER CAPITAL AND LIABILITIES	11 123 456 SEK	8 642 510 SEK
Pledged collateralisation	Missing	Missing
Contingent liabilities	Royalty agreement	Royalty agreement
Cash flow analysis	January-July 2005	January-July 2004
Ongoing operation		
Operational income before financial items	3 136 171 SEK	248 019 SEK
Depreciation	956 662 SEK	718 003 SEK
Interest expenses	-91 772 SEK	-111 480 SEK
Change in current receivables	-337 969 SEK	99 635 SEK
Change in current liabilities	640 400 SEK	967 124 SEK
Cash flow from the ongoing operation	4 303 492 SEK	1 921 301 SEK
Investments		
Acquisition of fixed assets	-3 250 916 SEK	-1 308 637 SEK
PERIOD'S CASH FLOW	1 052 576 SEK	612 664 SEK
Incoming cash & bank	459 338 SEK	521 280 SEK
Outgoing cash & bank	1 511 914 SEK	1 133 944 SEK
CHANGE IN CASH & BANK	1 052 576 SEK	612 664 SEK



ACCOUNTANTS AUDIT REPORT

We have, as accountants of MindArk PE AB audited this prospectus. The audit has been carried out according to Institute for Authorised Public Accountant's recommendations.

In accordance with these recommendations, we have only audited the prognoses that are included in this prospectus to a limited audit. The information in this prospectus that has been obtained from the accounts has been reproduced as correct. We have summary audited the information that corresponds to an interim report as of the 31st July 2005

The annual reports for 2003 and 2004 have been audited by Önnheim & Olsson Revisionsbyrå HB by authorised accountant Peter Önnheim without notes in the account statements, The information in this prospectus that has been obtained from the annual reports has been reproduced as correct. There is nothing that implies that the prospectus does not fulfil the requirements of the Limited company's act and the Laws regarding trading with financial instruments.

Gothenburg 5:th October 2005

Peter Önnheim
Önnheim & Olsson Revisionsbyrå HB



APPENDIX 1 DEFINITIONS

ADJUSTED SHAREHOLDER CAPITAL

Shareholder capital + 72 percent of untaxed reserves

RETURN ON SHAREHOLDER CAPITAL

(Income after interest – (28 percent standard rate))/average adjusted shareholder capital

EMPLOYED CAPITAL

Total assets – (no interest bearing liabilities + 28 percent of untaxed reserves)

RETURN ON CAPITAL EMPLOYED

(Income after interest + interest costs)/average capital employed

COVERAGE RATIO

(Income after interest + interest expenses)/interest expenses

EQUITY

Adjusted shareholder capital/total assets

PERCENTAGE OF RISK BEARING CAPITAL

(Adjusted shareholder capital + 28 percent of untaxed reserves)/total assets

DEBT/EQUITY RATIO

Interest bearing liabilities/shareholder capital

PROFIT PER SHARE AFTER TAX

(Income after interest – (28 percent standard tax))/number of shares at year end

SHAREHOLDER CAPITAL PER SHARE

Adjusted shareholder capital at year end/number of shares at year end





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