

Annual report
And
Consolidated accounts
for
MindArk PE AB (publ)
(Corporate identity SE - 556640-4769)
Financial year
2014



The Board of Directors and Chief Executive Officer of MindArk PE AB (publ) hereby present the Annual Report for January 1st – December 31st 2014.

Directors' report

Business

MindArk PE AB (publ) develops and operates Entropia Universe and the Entropia Platform. Entropia Universe is a 3D internet virtual universe with a unique integrated economic system and stunning graphics. The client software is free-of-charge and available to anyone with internet access.

The Entropia Platform is a secure entertainment and business platform, enabling companies and organizations all over the world to build content on themed planets inside Entropia Universe.

Market and Competition

The computer gaming industry has been the fastest growing segment of digital media in recent years. In 2014 the market was calculated at USD 75.2 billion and the forecast for year 2015 is USD 80.5 billion. Though this increase is lower than previously predicted, it still represents a very solid level of growth for the computer gaming industry overall. MindArk is active in the segment of Massively Multiplayer Online Games (MMOs). Several trends suggest that online games will continue to enjoy strong growth in the future; the forecast for 2015 is growth of USD 11.6 billion, including games for mobile devices.

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

MindArk's Differentiation

One factor that differentiates MindArk and Entropia Universe from the competition is the game's virtual economy with micro-transactions and its own currency which has a fixed value against the USD, and the opportunity for participants to both deposit and withdraw money in a safe manner.

A further differentiation is the Planet Partner model, which allows other developers to partner with MindArk and build their own planets within Entropia Universe, sharing revenues generated on the planet.

MindArk has more than ten years experience developing and managing technology for virtual economy in an interactive 3D online environment. Today MindArk offers secure micro-transactions for a large number of concurrent users that interact with one another online via their computers. With the Entropia Platform, MindArk has a leading position in the worldwide computer gaming industry.

MindArk and its Affiliates

MindArk is the parent company of a group comprising the parent company and two subsidiaries. The parent company and the two subsidiaries, Entropia Universe AB and Planet Calypso AB are located in Gothenburg.

MindArk Group earlier had a third wholly-owned subsidiary, Ilunova SA de CV, located in Playa del Carmen, Mexico. Between February 2008 and May 2014 Ilunova provided various services to the parent company. These services included assisting MindArk in the development of the Entropia Platform and marketing of the same with potential partners. Ilunova also operated the first-line customer support service. As from June 2014 the customer support is operated from MindArk in Gothenburg. The company in Mexico was sold in October 2014.

Planet Calypso AB is the operator and developer of Planet Calypso, Entropia Universe's first and most active planet.

The subsidiary Entropia Universe AB previously provided much of support and operation of Entropia Universe. From May 2012, the company is primarily used for marketing purposes.

Employees

MindArk has during the year had an average of 30 employees, including three women. The MindArk group in Gothenburg employs the equivalent of 34 employees, including three women. In Mexico 13 employees were located, including three women.

The company's CEO as of May 2014 is Klas Moreau. Other senior officials of the company are Magnus Eriksson (COO), David Simmonds (Business Development Manager), Mats Kling (CTO), Sven Sandberg (Marketing Manager), Gunilla Krogh (CFO) and Bernt Wählin (Human Resources).

Shares

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

<i>Shareholders</i>	<i>Shareholding</i>	<i>Proportion of shares and votes</i>
Jan Welter Timkrans	34 637 600	24,2 %
Wasto AB	28 658 750	20,0 %
C-G Bothén AB	25 600 000	17,9 %
Others approx 900	54 397 400	37,9 %
Totalt	143 293 750	100 %

Important events during 2014

Social Interface Redesign

Early in the year the chat and messaging interfaces were completely redesigned to improve communication and encourage enhanced social interaction between participants. New features included offline messaging, custom chat channels, avatar profiles and much more. Subsequent version updates refined the new interface and provided additional features.

Infrastructure & Performance

Ongoing improvements were made to the Entropia platform infrastructure, including hardware and software upgrades and enhanced development tools. Starting late in 2014 our development team conducted several stress tests in order to profile performance and identify areas for improvement. Valuable data was gathered from those tests, which will help to improve client and server performance moving forward in 2015.

New Player Experience

Ongoing improvements to the New Player Experience were implemented with every version update and partner release during 2014. These efforts will continue to be a top priority during 2015 in order to maximize the marketing efforts of MindArk and the planet partners.

Web Shop

MindArk implemented a web-based shop available on EntropiaUniverse.com where participants are able to purchase various items and consumables, including special Starter Packs ideally designed for new participants.

Creature Control System

A fun new feature allowing avatars to assume the form of various creatures was implemented in the form of Creature Control Capsules. This system is also available to planet partners to help enhance storyline events with controllable creatures and Non Player Characters. Capsules for additional creatures will continue to be added in future version updates.

Taming

The long awaited return of the taming system was unveiled last fall, sporting new features along with former functionality. Stable estates were also auctioned during 2014, and will soon provide services and enhancements for pets.

PVP Improvements

Several improvements to PVP interaction were implemented in 2014, including the disabling of auto-target functionality in PVP areas. Additional tweaks and improvements are planned for mid-2015.

Support

With the closing of MindArk's office in Mexico during 2014, support operations were relocated back to the Gothenburg headquarters. This change has resulted in a better overall support experience for our customers, with faster response times and much improved support ticket satisfaction ratings.

Economic Development in Parent Company

Net sales for the parent company, excluding inter-billing and revenue sharing between MindArk Group companies, amounted to SEK 41 million (previous year SEK 46.8 million). Unconsumed user holdings increased by SEK 22.5 million, from SEK 74.5 million to 97 million. The increase is due both to larger deposits than consumption and the high USD exchange rate at year end. The exchange rate USD to SEK was 7.81 at the end of 2014 compared to 6.51 in 2013.

Of total revenues, SEK 15.3 million (previous year SEK 17.4 million) was added to Planet Calypso AB under a profit sharing contract.

Operating expenses amounted to about SEK 39.2 million (last year about SEK 43.5 million). Operating profit before depreciation and loss on sale of subsidiary amounted to plus SEK 0.5 million (previous year plus SEK 1.2 million).

After financial items, profit before taxes amounts to minus SEK 4.9 million (previous year minus SEK 8.9 million). The equity of the parent company amounted at year-end to SEK 20.4 million (previous year SEK 16.7 million).

Cash Flow and Liquid Assets for Parent Company

Operating cash flow in the parent company amounts to plus SEK 1.8 million. A negative cash flow from investing activities on SEK 0.5 million, together with an increase in long term debts of SEK 0.6 million meant that the parent company's cash flow ended at plus SEK 1.9 million. Liquid assets amounted to SEK 3.7 million.

MindArk Group Summary

Group revenues amounted to SEK 41.3 million (previous year SEK 50.1 million). Operational costs were SEK 42 million (previous year SEK 47.9 million). The Group profit after net financial items amounted to minus SEK 5.6 million (previous year minus SEK 8.9 million) before tax.

Equity of the Group on December 31 amounted to SEK 20.4 million (last year SEK 15.6 million).

Cash flow was plus SEK 1.8 million (last year plus SEK 41 thousand) and the Group's liquid assets as of December 31 were SEK 3.7 million (last year SEK 2.1 million).

Listing of MindArk Shares

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

Annual Meeting

The annual meeting for 2014 was held on June 25 in the company's office. Nothing beyond standard decisions according to the articles of association was decided in the meeting.

Board members Jan Welter Timkrans (Chairman), David Simmonds and Sven Sandberg were reelected. It was resolved in the meeting that the Board should not have any alternate.

Important events in early 2015

MindArk has ambitious plans for the development of Entropia Universe in 2015, with planned primary focus on the following areas:

Systems Development

Taming - The second stage of the Taming system was implemented in the first version update 2015. Pets will gain passive buffs that can be unlocked at various levels of experience. Stables will gain the ability to offer several new time-limited pet buffs as well. Additional functionality will be added to the Taming system in version updates throughout 2015, some of which will be coordinated with the ComPet application.

ComPet Application - Work is progressing well on the design phase of ComPet, which is currently planned for release in Q4 of 2015. The ComPet website has been launched in March 2015, competgame.com, and will provide ongoing updates and info on the ComPet project.

Citizenship & Housing System - Development of these systems was unfortunately delayed due to the critical infrastructure upgrades taking quite a bit more development time than anticipated, along with several other projects receiving higher priority in the second half of 2014 and early 2015. The housing system will be implemented incrementally, starting in mid-2015.

Space - In order to improve the quality and quantity of space content, we are working on several new features and systems. Those new features will be developed and released incrementally during 2015 and into 2016. The first stage of the Galactic Transport system will likely be included in the version update currently planned for June 2015, and will offer transport missions with rewards drawn from the Galactic Transport pool that is funded by auction transfer fees.

To create the potential for more exciting and rewarding PVP activity in space, there are plans to refine the balancing of spaceships and spaceship weaponry in order. Along with that rebalancing, additional space content is planned for Q3/Q4 2015.

New Player Experience - As done for the past couple of years, MindArk and the planet partners intend to continually improve the experience for new participants, in hopes of better engaging our customers and thereby improving conversion and retention rates and maximizing our marketing efforts.

EU Client - The effort to overhaul and modernize the various user interfaces of the Entropia Universe client will continue in 2015. This is an ongoing project with the goal of unifying and streamlining the many existing user interface elements to improve usability and aesthetics.

Affiliate System - Work is moving forward on the affiliate program mentioned in the State of the Universe Address 2014, though the expected release date has been revised to 2015 due to integration requirements with other planned projects.

Marketing

MindArk plans to continue to expand and refine its marketing efforts in 2015 in order to maximize the number of new participants joining Entropia Universe. As outlined above, our marketing efforts in 2014 were very promising and MindArk's plan is to become even more aggressive in 2015.

Entropia Platform Third-Party Partners

Companies and organizations around the world now have the opportunity to leverage the Entropia Platform for marketing, promotion, production assistance and training.

MindArk is already working closely with several parties that plan to launch services during 2015 that will harness the power and flexibility of the Entropia Platform. Details of one of those projects will be announced within the next couple of months.

Planet Partners

Planet Toulan - MindArk was excited to bring its newest planet partner online early last year. Though still in its beta release, Planet Toulan promises to bring exposure of Entropia Universe to a previously untapped sector of the online gaming audience and add a unique Arabian theme to the existing planet partner roster. Full release of Planet Toulan is expected mid-2015.

Planet Cyrene - The long-awaited full launch of Planet Cyrene is planned for 2015.

Planet Arkadia - Planet Arkadia did a wonderful job with its content development, marketing and event management efforts during 2014, and plans to carry that momentum forward into 2015.

ROCKtropia - Our planet partner ROCKtropia will continue its efforts of implementing popular brands into its content, building on its success with King Kong and other Universal Studios properties.

Final words

The MindArk Group shows a negative result after financial items for the full year 2014. However, the company shows a positive EBITA for the second half of 2014. The forecast for 2015 is a positive net result for the full year. The board and management look forward with confidence to the future.

MindArk hopes that all of you are looking forward to the exciting releases coming up in 2015 and that our planned developments help you to enjoy Entropia Universe more than ever before.

Several year summary (TSEK)

Consolidated	2014	2013	2012	2011	2010
Net sales	40 998	46 797	46 478	45 993	50 796
Profit after amortization	-5 270	-8 725	-20 790	-7 396	-16 328
Profit after financial items	-5 576	-8 941	-20 698	-7 688	-17 331
Total assets	32 015	25 719	41 691	51 140	94 948
Equity	20 383	15 563	25 093	40 999	49 072
Fixed assets	20 481	12 805	27 136	30 974	41 949

Parent company	2014	2013	2012	2011	2010
Net sales	37 653	43 848	42 003	44 752	32 423
Profit after amortization	-3 518	-8 718	-29 529	-29 072	-24 866
Profit after financial items	-4 912	-8 898	-29 400	-29 288	-25 592
Net profit for the year	3 709	-9 371	-27 057	-23 677	-11 704
Total assets	34 637	28 689	47 036	59 742	65 865
Equity	20 383	16 674	25 844	41 337	49 290
Fixed assets	24 577	18 604	32 306	34 962	46 943

The Board's proposed appropriation of profits

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

Retained losses	- 13 887 574
Shared premium reserve	29 078 708
Net profit for the year	3 709 144
	18 900 278
Amount carried forward	18 900 278

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

Income Statement Consolidated

	Not	2014-01-01 -2014-12-31	2013-01-01 -2013-12-31
Net sales	1	40 998 202	46 797 164
Capitalized work		155 860	0
Other income	2	178 656	3 285 422
		41 332 718	50 082 586
Operating expenses			
Other external costs	3	-18 196 210	-17 904 032
Personnel costs	4	-23 799 877	-29 988 020
Amortization and depreciation		-4 606 663	-6 918 170
Loss sale of building		0	-3 997 171
		-46 602 750	-58 807 394
Operating profit		-5 270 032	-8 724 808
Financial items			
Result from shares in group companies	5	-831 303	0
Profit from other securities and receivables accounted for as non-current assets		769 557	158 792
Interest income		2 429	29 465
Exchange rate differences in bank holdings		-125 514	-171 947
Interest cost		-121 612	-232 165
Profit after financial items		-5 576 475	-8 940 663
Income tax	23	10 396 674	-586 238
Net profit		4 820 199	-9 526 901

Balance Sheet Consolidated

Not 2014-12-31 2013-12-31

Assets

Non-current assets

Intangible assets

Planet Calypso	6	551 263	838 879
Entropia Platform	7	0	3 541 652
Planet Calypso Forum	8	188 421	0
Other intangible assets	9	4 293 305	4 137 445
		5 032 989	8 517 976

Property and equipment

Equipment and computer hardware	10	1 031 849	1 329 766
		1 031 849	1 329 766

Financial assets

Loan MindArk Groups Vinstandelsstiftelse		106 000	75 550
Deferred tax	23	10 398 700	0
Other long-term receivables	11	3 911 879	2 882 109
		14 416 579	2 957 659
Total non-current assets		20 481 417	12 805 401

Current assets

Stock-in-trade

Commercial goods	12	323 240	407 324
Advances to suppliers		7 326	2 018 497
		330 566	2 425 821

Short-term receivables

Account receivables		3 530 768	4 075 996
Receivables from payment providers	13	1 578 008	1 484 179
Tax advanced		304 681	1 213 134
Other receivables	14	718 830	597 766
Prepaid expenses and accrued income	15	1 335 868	1 064 287
		7 468 155	8 435 362

Cash and bank balances

Total current assets		11 999 904	12 913 484
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Total assets

32 015 159 25 718 885

Balance Sheet Consolidated

	Not	2014-12-31	2013-12-31
Equity and liabilities			
Equity	17		
Share capital (143 293 750 shares)		1 432 938	1 432 938
Other contributed capital		29 078 708	29 078 708
Other equity including profit for the year		-10 128 298	-14 948 497
Equity attributable to parent company shareholders		20 383 348	15 563 149
Long-term liabilities			
Other liabilities	16	639 553	0
Short-term liabilities			
Accounts payable		2 179 138	1 220 071
Income tax liability		0	514 730
Other liability		2 879 376	1 758 237
Accrued expenses and prepaid income	18	5 933 744	6 662 698
		11 458 420	10 155 736
Total equity and liabilities		32 015 159	25 718 885
Contingent liabilities			
Unconsumed user holdings	19	96 990 148	74 460 750

Cash Flow Statement Consolidated

	Not	2014-01-01 -2014-12-31	2013-01-01 -2013-12-31
Operating activities			
Cash received from customers		41 543 433	49 927 462
Cash paid to suppliers and personnel		- 39 799 738	- 57 362 697
Interest received		2 429	175 369
Interest paid		- 1 992	- 224 865
Income tax paid		391 697	127 147
Cash flow from operating activities		2 135 829	-7 357 583
Investing activities	20		
Purchase of intangible assets		-201 880	0
Purchase of property and equipment		-674 884	-570 906
Sale of property and equipment		208 865	8 377 171
Sale of subsidiary		-8 586	0
Amortization of long-term receivables		-30 450	-31 850
Increase/decrease in short-term investments		-260 213	-375 551
Cash flow from investing activities		-967 148	7 398 864
Financing activities			
Increase of long-term liabilities		639 553	0
Cash flow from financing activities		639 553	0
Cash flow for the year		1 808 234	41 281
Ingoing cash and bank balances		2 052 301	2 182 967
Exchange rate differences in cash and bank balances		-125 514	-171 947
Outgoing cash and bank balances	21	3 735 021	2 052 301

Income Statement Parent Company

	Not	2014-01-01 -2014-12-31	2013-01-01 -2013-12-31
Net sales	1	37 653 335	43 848 385
Capitalized work		155 860	0
Other income	2	1 878 989	847 642
		39 688 184	44 696 027
Operating expenses			
Other external costs	3	-16 835 646	-18 996 449
Personnel costs	4	-22 382 311	-24 461 642
Amortization and depreciation		-3 988 026	-5 959 027
Loss sale of building		0	-3 997 171
		-43 205 983	-53 414 289
Operating profit	22	-3 517 799	-8 718 262
Financial items			
Result from shares in group companies		-1 917 856	0
Profit from other securities and receivables accounted for as non-current assets		769 557	158 792
Other financial items		1 023	27 972
Interest cost		-120 388	-181 171
Exchange rate differences in bank holdings		-126 607	-185 019
		-1 394 271	-179 426
Profit after financial items		-4 912 070	-8 897 688
Transfers to untaxed reserves – Group contribution paid		-1 777 486	0
Net profit before tax		-6 689 556	-8 897 688
Income tax	23	10 398 700	-473 394
Net profit		3 709 144	-9 371 082

Balance Sheet Parent Company

Not 2014-12-31 2013-12-31

Assets

Non-current assets

Intangible assets

Entropia Platform	7	0	3 541 652
Other intangible assets	9	4 293 305	4 137 445
		4 293 305	7 679 097

Property and equipment

Equipment and computer hardware	10	957 296	728 786
		957 296	728 786

Financial assets

Shares in subsidiaries	24, 25	4 910 000	7 238 917
Loan MindArk Groups Vinstandelsstiftelse		106 000	75 550
Deferred tax	23	10 398 700	0
Other long-term receivables	11	3 911 879	2 882 109
		19 326 579	10 196 576

Total non-current assets

24 577 180 18 604 459

Current assets

Stock-in-trade

Commercial goods	12	323 240	407 324
Advanced to suppliers		7 326	2 018 497
		330 566	2 425 821

Short-term receivables

Account receivables		2 445 717	2 533 018
Receivables from payment providers	13	1 578 008	1 484 179
Receivables group companies		81 874	0
Tax advanced		122 355	114 489
Other receivables	14	455 482	537 627
Prepaid expenses and accrued income	15	1 335 868	1 039 271
		6 019 304	5 708 584

Cash and bank balances

Total current assets		3 710 172	1 949 855
		10 060 042	10 084 260

Total assets

34 637 222 28 688 719

Balance Sheet Parent Company

	Not	2014-12-31	2013-12-31
Equity and liabilities			
Equity	17		
Restricted equity			
Share capital (143 293 750 shares)		1 432 938	1 432 938
Restricted reserves		50 000	50 000
		1 482 938	1 482 938
Non-restricted equity			
Share premium reserve		29 078 708	29 078 708
Profit brought forward		-13 887 574	-4 516 492
Net profit		3 709 144	-9 371 082
		18 900 278	15 191 134
Total equity		20 383 216	16 674 072
Long-term liabilities			
Other liabilities	16	639 553	0
		639 553	0
Short-term liabilities			
Accounts payable		1 572 984	1 185 933
Liabilities group companies		3 521 231	3 187 234
Other liability		2 799 720	1 309 432
Accrued expenses and prepaid income	18	5 720 518	6 332 048
Total short-term liabilities		13 614 453	12 014 647
Total equity and liabilities		34 637 222	28 688 719
Contingent liabilities			
Unconsumed user holdings	19	96 990 148	74 460 750

Cash Flow Statement Parent Company

	Not	2014-01-01 -2014-12-31	2013-01-01 -2013-12-31
Operating activities			
Cash received from customers		39 564 415	44 384 238
Cash paid to suppliers and personnel		-37 754 946	-56 346 824
Interest received		1 023	173 876
Interest paid		-769	-157 729
Income tax paid		-7 866	-459 639
Cash flow from operating activities		1 801 857	-12 406 078
Investing activities	20		
Purchase of property and equipment		-674 884	-415 126
Sale of property and equipment		0	8 377 171
Reduction of share capital in subsidiaries		411 060	329 500
Investment in other financial assets		-30 450	-31 850
Increase/decrease in short-term investments		-260 213	-375 550
Cash flow from investing activities		-554 486	7 884 145
Financing activities			
Increase in long-term liabilities		639 553	0
Received group contribution		0	4 492 531
Cash flow from financing activities		639 553	4 492 531
Cash flow for the year		1 886 924	-29 402
Ingoing cash and bank balances		1 949 855	2 164 276
Exchange rate differences in cash and bank balances		-126 607	-185 019
Outgoing cash and bank balances	21	3 710 172	1 949 855

Supplementary disclosures & accounting principles

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

The annual accounts and the consolidated accounts drawn up for the first time in accordance with *BFVAR 2012: 1 Årsredovisning och koncernredovisning (K3)*.

No item in the opening balance sheet has been restated since the company is per definition a small company.

The information in the several year summary have not been restated.

The accounting policy for the group contribution has been changed. As from year 2014 the group contribution is accounted for under the income statement under the line Untaxed reserves.

Receivables are entered at the amount in which they are expected to be received.

Other assets and liabilities have been valued at acquisition value unless otherwise stated.

Accrual allocation of revenues and expenses has been done according to the professional ethics for accountants.

Fixed assets are entered at their acquisition value reduced for accumulated amortization and depreciations. Amortization and depreciation is accounted for in a straight line over the assets anticipated economic life.

The following percentages are applied:

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

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

Notes

Note 1 Net sales Group

Corporate revenues consist of the net sum of deposited and withdrawn amounts from Entropia Universe made by users. The net revenues are presented in the income statement after deduction of reimbursements requested by participants in Entropia Universe. From January 1, 2009 the revenues in Entropia Universe are shared with the subsidiary Planet Calypso AB and the other Planet Partners.

	2014	2013
Net sales		
Deposits and other net sales	60 761 453	69 054 055
Reimbursements	-19 763 251	-22 256 891
	40 998 202	46 797 164
Distribution of net sales through geographical markets		
Participants within the European Community	19 153 103	19 805 675
Participants from the rest of the world	21 845 099	26 991 489
	40 998 202	46 797 164

Parent Company

Corporate revenues consist of the net sum of deposited and withdrawn amounts from Entropia Universe made by users. The net revenues are presented in the income statement after deduction of reimbursements requested by participants in Entropia Universe. From January 1, 2009 the revenues in Entropia Universe are shared with the subsidiary Planet Calypso AB (earlier AR Universe AB) and the other Planet Partners.

	2014	2013
Net sales		
Deposits and other net sales	45 458 493	51 641 547
Reimbursements	-19 763 251	-22 256 891
Inter group sales	11 958 093	14 463 729
	37 653 335	43 848 385
Distribution of net sales through geographical markets		
Participants within the European Community	15 807 262	18 329 259
Participants from the rest of the world	21 846 073	25 519 126
	37 653 335	43 848 385

**Note 2 Other income
Group**

	2014	2013
Exchange revenues	161 956	205 607
Other revenue	16 700	673 023
Sold Calypso Land Deeds	0	2 406 793
	178 656	3 285 423

Parent Company

	2014	2013
Exchange revenues	157 562	178 062
Inter group sales	1 704 732	0
Other revenue	16 695	669 581
	1 878 989	847 643

**Note 3 Remunerations to company auditors
Group**

	2014	2013
PwC		
Entered expenses for auditing	155 300	213 500
Other services	33 000	5 074
	188 300	218 574

Parent Company

	2014	2013
PwC		
Entered expenses for auditing	117 300	175 500
Other services	33 000	5 074
	150 300	180 574

**Note 4 Employees and personnel cost
 Group**

	2014	2013
Average number of employees		
Female	3	6
Male	31	44
	34	50
Wages and remunerations		
Paid to members of the Board, CEO and senior executives	4 878 068	6 029 672
Paid to other employees	12 263 022	15 629 147
	17 141 090	21 658 819
Social security cost		
Pension cost for Board members, CEO and senior executives	685 577	831 417
Pension cost for other employees	947 750	967 745
Social security cost	4 963 887	6 107 570
	6 597 214	7 906 732
Total cost for wages and remunerations etc	23 738 304	29 565 551

Parent Company

	2014	2013
Average number of employees		
Female	3	3
Male	27	30
	30	33
Wages and remunerations		
Paid to members of the Board, CEO and senior executives	4 491 586	4 631 036
Paid to other employees	11 272 458	12 068 739
	15 764 044	16 699 775
Social security cost		
Pension cost for Board members, CEO and senior executives	643 652	731 744
Pension cost for other employees	909 667	890 056
Social security cost	4 646 814	5 589 245
	6 200 133	7 211 045
Total cost for wages and remunerations etc	21 964 177	23 910 820

**Note 5 Loss from participations in group companies
 Group**

	2014	2013
Loss of sale regarding Ilunova SA de CV	-831 303	0
	-831 303	0

Parent Company

	2014	2013
Loss of sale Ilunova SA de CV	-1 917 856	0
	-1 917 856	0

**Note 6 Planet Calypso
 Group**

	2014-12-31	2013-12-31
Acquisition value brought forward	1 763 210	1 763 210
	1 763 210	1 763 210
Amortization brought forward	-924 331	-636 715
Amortization according to plan	-287 616	-287 616
	-1 211 947	-924 331
Entered net value carried forward	551 263	838 879

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

Capitalization of development cost for the technical platform of Entropia Universe was done between July 1st 2008 and August 31st 2009. The capitalized amounts consist of all expenses directly connected to the development of the technical platform. Amortization according to plan was activated as a result of the launch of version 10.0 of Entropia Universe. The Platform was fully amortized in August 2014.

	2014-12-31	2013-12-31
Acquisition value brought forward	26 562 390	26 562 390
	26 562 390	26 562 390
Amortization brought forward	-23 020 738	-17 708 260
Amortization according to plan	-3 541 652	-5 312 478
	-26 562 390	-23 020 738
Entered net value carried forward	0	3 541 652

Note 8 Planet Calypso Forum Group

	2014-12-31	2013-12-31
Purchase	201 880	0
	201 880	0
Amortization according to plan	-13 459	0
	-13 459	0
Entered net value carried forward	188 421	0

Note 9 Other intangible assets Group and Parent Company

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

	2014-12-31	2013-12-31
Acquisition value brought forward	4 705 045	4 705 045
Purchase	155 860	0
	4 860 905	4 705 045
Amortization brought forward	-567 600	-551 733
Amortization according to plan	0	-15 867
	-567 600	-567 600
Entered net value carried forward	4 293 305	4 137 445

Note 10 Equipment and computer hardware Group

	2014-12-31	2013-12-31
Acquisition value brought forward	14 810 544	14 395 418
Acquisitions	674 884	415 126
Sale/disposal	-2 226 537	0
	13 258 891	14 810 544
Depreciation brought forward	-13 480 778	-12 178 570
Depreciation sold/disposed asset	2 017 672	0
Depreciation for the year	-763 936	-1 302 210
	-12 227 042	-13 480 780
Entered net value carried forward	1 031 849	1 329 766

Parent Company

	2014-12-31	2013-12-31
Acquisition value brought forward	8 738 640	8 323 514
Acquisitions	674 884	415 126
	9 413 524	8 738 640
Depreciation brought forward	-8 009 854	-7 379 172
Depreciation for the year	-446 374	-630 682
	-8 456 228	-8 009 854
Entered net value carried forward	957 296	728 786

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

Refers to promissory note loan according to agreement.

**Note 12 Stock
Group and Parent Company**

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

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

Refers to MindArk's outstanding receivables on all contracted payment providers. The open balance contains payments confirmed by the provider but not yet received by MindArk.

**Note 14 Other receivables
 Group**

	2014-12-31	2013-12-31
Short-term loan according to agreement	0	260 213
Other receivables	718 830	337 553
	718 830	597 766

Parent Company

	2014-12-31	2013-12-31
Short-term loan according to agreement	0	260 213
Other receivables	455 482	277 414
	455 482	537 627

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

	2014-12-31	2013-12-31
Prepaid license fees for software	219 674	256 571
Other prepaid expenses	1 116 194	807 716
	1 335 868	1 064 287

Parent Company

	2014-12-31	2013-12-31
Prepaid license fees for software	219 674	256 571
Other prepaid expenses	1 116 194	782 700
	1 335 868	1 039 271

**Note 16 Long-term liabilities
 Group and Parent Company**

The long-term liability refers to Planet Arkadia's marketing fund. Part of the revenue received from Arkadia Underground Deeds has been reserved by MindArk and will be used for marketing campaigns.

	2014-12-31	2013-12-31
Arkadia Marketing Reserve	639 553	0
	639 553	0

Note 17 Changes in shareholders' equity Group

Number of shares: 143 293 750

	Share capital	Other contri- buted capital	Other equity incl profit for the year	Total equity
Opening balance	1 432 398	29 078 708	-14 948 497	15 563 149
Net loss for the year			4 820 199	4 820 199
Outgoing balance	1 432 938	29 078 708	-10 128 298	20 383 348

Parent Company

Number of shares: 143 293 750

	Share capital	Restricted Reserves	Share premium reserve	Profit carried forward	Net profit
Opening balance	1 432 398	50 000	29 078 708	-4 516 491	-9 371 082
Shareholders meeting				-9 371 082	9 371 082
Net profit for the year					3 709 144
Outgoing balance	1 432 398	50 000	29 078 708	-13 887 574	3 709 144

Note 18 Accrued expenses and income Group

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

	2014-12-31	2013-12-31
User requested reimbursements not yet settled	4 284 077	4 816 355
Other accrued operating expenses	1 605 305	1 804 088
Prepaid income	44 362	42 255
	5 933 744	6 662 698

Parent Company

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

	2014-12-31	2013-12-31
User requested reimbursements not yet settled	4 284 077	4 816 355
Other accrued operating expenses	1 392 079	1 473 438
Prepaid income	44 362	42 255
	5 720 518	6 332 048

Note 19 Contingent liabilities Group and Parent Company

Unconsumed user holdings:

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

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

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

The corresponding value of all unconsumed PEDs is calculated at 97 million SEK on December 31st compared to 74.5 million SEK the previous year.

Note 20 Investment in tangible assets Group and Parent Company

During the year the Parent Company acquired fixed assets of 674 884 SEK and capitalized development costs for the amount 155 860 SEK. In addition the Group has invested in the intangible asset Planet Calypso Forum for the amount of 201 880 SEK.

Note 21 Liquid funds Group

	2014-12-31	2013-12-31
Liquid funds		
Cash and bank balances	3 735 021	2 052 301
	3 735 021	2 052 301

Parent Company

	2014-12-31	2013-12-31
Liquid funds		
Cash and bank balances	3 710 172	1 949 855
	3 710 172	1 949 855

**Note 22 Purchases and sales between group companies
Parent Company**

	2014	2013
Percentage of the total purchases made from other companies in the Group	4,84 %	31,02 %
Percentage of the total sales made from other companies in the Group	31,76 %	32,99 %

**Note 23 Deferred tax
Group and Parent Company**

	2014	2013
Unused tax loss carry-forward	10 398 700	8 978 900
Deferred tax assets recognized in the balance sheet	10 398 700	0

**Note 24 Shares in subsidiaries
Parent Company**

	2014-12-31	2014-12-31
Acquisition value brought forward	7 238 917	7 568 417
Sale/disposal	-1 917 856	0
Reduction of the share capital	-411 061	-329 500
Accumulated acquisition value brought forward	4 910 000	7 238 917
Entered net value carried forward	4 910 000	7 238 917

Note 25 Specification shares in subsidiaries
Parent Company

Corporate name	Proportion	Share of voting	Number of shares	Book value
Planet Calypso AB (publ)	100%	100%	100	3 910 000
Entropia Universe AB	100%	100%	100	1 000 000
				4 910 000

	Corporate identity	Domicile	Equity	Net profit
Planet Calypso AB (publ)	556766-6416	Göteborg	3 910 099	1
Entropia Universe AB	556767-3594	Göteborg	1 000 032	1

Göteborg May 6, 2015

Jan Welter Timkrans

Sven Sandberg

Jan Welter Timkrans
Chairman of the Board

Sven Sandberg
Board Member

David Simmonds

Klas Moreau

David Simmonds
Board Member

Klas Moreau
CEO

My audit report concerning this annual report has been issued on June 2, 2015

Magnus Götenfelt

Magnus Götenfelt
Authorized public accountant