

Annual report  
for



MindArk PE AB (publ)

(Corporate identity SE - 556640-4769)

Financial year 2017

**ENTROPIA**  
UNIVERSE



**PLANET ARKADIA**  
Arkadia Studios Pte. Ltd.,  
Singapore

**PLANET CYRENE**  
Creative Kingdom, Thailand

**PLANET CALYPSO**  
Mindark PE AB, Sweden

**Next Island**  
Next Island LLC, US

**PLANET TULAN**  
Beladcom, Jordan

**ROCKTROPIA**  
Neverdie Studios, US

The Board of Directors and Chief Executive Officer of MindArk PE AB (publ) hereby present the Annual Report for January 1<sup>st</sup> – December 31<sup>st</sup> 2017.

## 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 2017 the worldwide market was estimated at 108.4 billion USD, and the forecast for 2018 is 114 billion USD.

MindArk is active in the segment of Massively Multiplayer Online Games (MMOs). The turnover for 2017 for this segment is 30 billion USD including games for mobile devices and the forecast for this year is 34 billion USD.

With Entropia Universe, MindArk 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. The speculation that took place a few years ago that the PC platform might lose significance has come to naught. While the PC platform may not be growing as fast as in the past, it retains an already strong position.

Several trends suggest that online games will have continued strong growth, as well as games for mobile devices. The market for mobile games is expected to grow from 51 billion USD in 2017, to 56 billion USD in 2018. In view of this, MindArk has continued to develop our new gaming experience, ComPet Game. The game is available for multiple types of mobile gaming platforms, including Android, iOS and Microsoft Mobile as well as desktop PC. This game, like Entropia Universe, is free to download (F2P), and based on the in-app purchase (IAP) form of payment.

One aspect of technology that is becoming increasingly common in digital games is Virtual Reality (VR). Since 2015, MindArk has explored and developed VR technology to complement and enhance the gaming experiences offered by the company today.

## 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, PED, which has a fixed value against the USD (10 PED = 1 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 15 years of experience developing and managing technology for virtual economies 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, Entropia Universe AB and Planet Calypso AB. All are located in Gothenburg, Sweden.

Planet Calypso AB was the operator and developer of Planet Calypso, the first planet in Entropia Universe. Since January 1, 2015 all operations are handled by the parent company.

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

## Employees

In 2017, MindArk averaged 44 employees, including six women.

The company's CEO since December 2017 is Henrik Nel Jerkrot. Other senior officials of the company are Magnus Eriksson (COO), David Simmonds (Business Development Manager), Mats Kling (CTO), Jan Welter Timkrans (Working Chairman) and Gunilla Krogh (CFO).

## Shares

The shares of MindArk are unlisted. The total number of shares are 157 623 125.

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	55 274 452	35,07 %
C-G Bothén AB	25 600 000	16,24 %
Others approx 900	76 748 673	48,69 %
<b>Totalt</b>	<b>157 623 125</b>	<b>100 %</b>

## Important events during 2017

MindArk continues to expand and invest in its core product, Entropia Universe, along with the ComPet Game.

### Entropia Universe – Loot 2.0

In 2017, MindArk implemented a series of economic updates to Entropia Universe branded as Loot 2.0. With those updates, MindArk substantially revamped how hunting loot is calculated and distributed to achieve a more flexible, balanced, and rewarding system. The change is an important development for Entropia Universe and has significantly improved loot returns for the majority (>95%) of participants. With this new foundation established, we have the opportunity to improve the experience for more Entropian Universe participants by providing more entertainment at the same cost, leading to a greater total revenue and profit for MindArk.

### ComPet Game

During the soft launch in late 2016, data and feedback were collected from customers. Based on that information, the company decided to make a greater contribution to the development and packaging of ComPet in order to relaunch the product in early 2018.

### Entropia Pocket

In late 2016, MindArk released the mobile app Entropia Pocket, a free mobile application that integrates a 2FA (two-factor authentication) solution to provide enhanced security for all Entropia Universe participants. Entropia Pocket is a complement to the previously announced two-factor authentication "Gold Card" system. The goal for the long term is that Entropia Pocket will completely replace the older Gold Card system.

In 2017, the app was enhanced with a targeted new feature that is relevant to our customers. Entropia Pocket also helps with learning the game via instructional videos. In the last quarter of 2016, the company noticed a cautious transition from the existing "Gold Card" solution, so that in 2017 it experienced a robust growth of users. Customers have now gained confidence in the solution and see the benefits of receiving targeted updates and relevant information as soon as it becomes available.

### Social VR – with support for mobil units

In 2017, MindArk began developed Business VR, which is a B2B solution for virtual meetings, seminars and more. In May 2017, the company received its first contribution from Vinnova, Sweden's Innovation Authority to produce this product. In total, 1.9 MSEK will be paid out over 1 year. MindArk's unique experience and knowledge from Massively Multiplayer Online Games (MMOs) was very valuable when developing Business VR. As we have accommodated thousands of simultaneous online users in a gaming environment for many years, we have been able to leverage that knowledge to build a B2B solution with many users in a virtual environment.

The solution that was developed during the spring has been in operation project since the end of May. With the help of the Business VR product, the company has thus been able to hold meetings and communication between geographically separated locations via the same virtual location. We are now working on relationships with partners where realistic use-cases can be described and later deployed in the virtual environment now available for desktop (Oculus Rift, HTC Vive and MacOS) as well as mobile devices (Google DayDream and Samsung Gear VR 2017).

## New Share Issue

The new share issue made by MindArk in December 2016 was completed in 2017. The entire issue capital was in January 2017 at the company's bank account.

## Changes in the balance sheet during year 2017

In the company's balance sheet, major changes have occurred in 2017. The company now has a balance sheet total of SEK 94.7 million compared to the balance sheet of MSEK 59.1 at year-end 2016/2017.

### Entropia Platform & Entropia Universe

The intangible assets Entropia Platform and Entropia Universe are since the mid-year 2017 accounted for in the balance sheet. Since the end of 2014, Entropia Platform has not had any book value in MindArk's balance sheet. Planet Calypso, which is part of Entropia Universe, had only 276 TSEK (as of June 2017) as book value in the balance sheet. Since the platform together with Entropia Universe has a large value, the company has calculated on the discounted cash flow value. The value calculated regarding the intangible asset was MSEK 52. The valuation is based on careful consideration of the future number of users and estimated costs. The company therefore decided that the platform together with Entropia Universe would be entered into the company's balance sheet at the mid-year 2017 to the estimated amount. The valuation of the platform will be done each year to ensure the correct value in the balance sheet of Entropia Universe.

### Provisions

The line Provisions under the heading *Equity and liabilities* consist of a provision of estimated deferred tax of SEK 10.9 million on the intangible asset described above and a provision for accrued player debt of SEK 29.5 million. More about this in the next section.

## **Unconsumed user holdings i.e. player debt from "Contingent Liabilities" to Liabilities in the Balance Sheet**

The player debt, ie unconsumed user holdings, decreased during the fiscal year from PED 109.7 million PED to 105.4 million PED, a decrease of 4.3 million PED. The total debt also decreased in SEK, but significantly more as the SEK / USD exchange rate has gone from 9.10 SEK / USD at the end of the year to 8.23 SEK / USD last December 2017 (10 PED = 1 USD). As a result, the debt decreased by SEK 13.1 million in SEK, from SEK 99.9 million to SEK 86.8 million. The player debt declined, partly due to the fact that more PED was consumed than new money was added and partly because of remaining unused funds on accounts not active since one year back was move from the player debt to revenue.

The company has concluded that the entire actual player debt should be entered in the balance sheet. In the past, only the change in player debt has been recorded in the balance sheet. As a result, player debt will disappear as a contingent liability. With that, the real value of the debt must be determined.

The total amount of "Unconsumed user holdings" is a variable amount that varies with the various activities within Entropia Universe. Historical figures show that 30 - 35% (average the last 15

years) of the funds deposited by users are later withdrawn. The remaining has been consumed or remained in the accounts of the users in the form of inventory or cash in the form of the virtual currency PED.

However, it is a prerequisite for the survival of Entropia Universe, that MindArk pays out the requested withdrawals and therefore the part of the player debt, which is likely to be withdrawn, will be booked as a debt.

With these facts in hand, the assessment is that the actual debt, which would be entered in the balance sheet, is 33% of the player debt at the time of the entry. The total debt June 30, 2017 was 107.9 MPED, the exchange rate was 0.847 SEK / PED, which gives 91.4 MSEK. This meant that the actual debt was SEK 30.2 million at mid-year 2017 and was booked at that time in the balance sheet. At year-end 2017, the debt had decreased to 29.5 MSEK.

## **Economic Development**

Net sales for the company amounted to 57.5 million SEK (previous year SEK 63.9 million), a decrease of 10 %. Approximately 7.3 million SEK of net sales is related to inactive users, i.e. a user whose account has not been active for at least one year. Remaining funds in these accounts have been moved from player debt to net sales. If revenue from inactive user accounts is excluded, this year's decrease in net sales is 8.5%.

Net deposits in 2017 amounted to 63.9 million PED compared to the 2016 net deposits, which totaled 70.1 million PED. If a deduction is made for deposits related to financial purchases, such as Deeds, the figure for 2017 is 63.0 million PED compared to 63.7 million PED in 2016, representing a decrease in net deposits of 1.1 %.

The same comparison based on the revenue measure consumption in Entropia Universe excluding gains and bonuses, shows that revenue has decreased by 11.5 % from the 74.6 million PED in 2016 to 66 million PED 2017 (before deduction for VAT).

Revenues did not reach the company's budget targets. The reason why was largely due to the fact that the active customers have not used their funds to the extent expected. The company is also working intensively to make the beginner experience more understandable so that new users more easy start spending money. Another reason is the difficulty finding the right customers, that is, just that type of player who appreciates Entropia Universe's complexity and also the possibilities of the game.

The revenue in ComPet Game has unfortunately not started as expected and has only brought a fraction of budgeted revenue. However, the company has deliberately waited with some major marketing efforts of the app as more development needs to be done before full launch.

Other income includes a one-time income from the Swedish Tax Agency regarding wrongly paid VAT regarding Calypso Land Deeds of a total of 3.9 million SEK.

The exchange rate between USD and SEK has a significant impact on the company. This year the average exchange rate has been 8.53 SEK / USD compared to the exchange rate used in the budget; 8.80 SEK / USD. Last year's exchange rate was 8.58 SEK / USD.

Operating expenses amounted to about 58.5 million SEK (last year about 63.5 million SEK), a decrease of 5 million SEK. The decrease is mostly due to decreased marketing. Operating profit before depreciation amounted to plus 8.7 million SEK (previous year plus 9.1 million SEK).

After financial items, profit before taxes amounts to minus 864 000 SEK (previous year 10.7 million SEK). The equity of the company amounted at year-end to 37.1 million SEK (previous year 38.5 million SEK).

### **Cash Flow and Liquid Assets**

During the year the company acquired fixed assets of 200 000 SEK and capitalized development costs regarding Entropia Universe and Entropia Platform for the amount of 3.9 million SEK.

The company's liquidity somewhat decreased during the year and at year end amounted to 7.8 million SEK versus 9.5 million SEK the previous year.

### **Group in summary**

No consolidated financial statements have been prepared for fiscal year 2017, as no operations have been conducted in the subsidiaries during the year.

### **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 2017 was held on May 30 in the company's office. Board members Jan Welter Timkrans (Chairman), David Simmonds and Sven Sandberg were reelected.

In addition to the decision to determine the previous year's accounts, it was proposed to elect two deputies to the Board. The meeting decided to approve the proposal. Magnus Eriksson and Gunilla Krogh were elected as deputies to the Board.

### **Changes in the Board after the Annual Meeting 2017**

Sven Sandberg has left the board of directors at his own request on July 26, 2017. The company is therefore looking for after a suitable replacement.

## **Final Words**

MindArk is one of the few massively multiplayer gaming companies to have built and operated a dedicated and unique virtual platform from the ground up. The knowledge acquired over many development cycles and expansions allows MindArk to implement new and engaging gameplay features and systems while having an established and robust product on the market for over 15 years.

Our team has the experience and expertise to effectively and accurately evaluate gaming industry trends, hardware and software innovations and releases, and to agilely adapt to market conditions to ensure that Entropia Universe remains at the forefront of virtual and real-cash economy platforms.

MindArk looks forward confidently to the upcoming technologies being developed by our team, as well as by other innovators and studios joining us in paving the way to increasingly more realistic and engrossing virtual environments.

### Several year summary (TSEK)

	2017	2016	2015	2014	2013
Net sales	57 471	63 764	52 893	37 653	43 848
Profit after amortization	2 740	8 161	3 691	-3 518	-8 718
Profit after financial items	-864	10 745	4 002	-4 912	-8 898
Net profit for the year	0	5 434	3 056	3 709	-9 371
Total assets	94 697	59 138	50 541	34 637	28 689
Equity	37 089	38 515	30 401	20 383	16 674
Fixed assets	78 555	29 465	26 730	24 577	18 604

### Changes in shareholders' equity (TSEK)

	Share capital	Not registered share capital	Restricted Reserves	Share premium reserve	Profit carried forward	Net profit	Total capital
Opening balance	1 433	2 680	4 347	29 079	-4 458	5 434	38 515
Shareholders meeting:					5 434	-5 434	0
New Share issue	143	-2 680		4 872			2 335
Estimated deferred tax			-10 868				-10 868
Balance of intangible assets			49 400		2 600		52 000
Effect of change of accounting principle					-44 893		-44 893
Fund for development			2 297		-2 797		0
Net profit for the year							0
<b>Outgoing balance</b>	<b>1 576</b>	<b>0</b>	<b>45 676</b>	<b>33 951</b>	<b>-44 114</b>	<b>0</b>	<b>37 089</b>

### The Board's proposed appropriation of profits

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

Retained losses	-44 113 843
Shared premium reserve	33 950 695
Net profit for the year	0
	<b>-10 163 148</b>

Amount carried forward -10 163 148

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

## Income Statement

	Not	2017-01-01 -2017-12-31	2016-01-01 -2016-12-31
Net sales		57 471 490	63 764 476
Capitalized work		3 863 957	2 120 135
Other income		5 877 042	6 696 479
		<b>67 212 489</b>	<b>72 581 090</b>
<b>Operating expenses</b>			
Other external costs	1	-30 952 586	-35 674 773
Personnel costs		-27 599 451	-27 845 983
Amortization and depreciation		-5 920 402	-899 296
		<b>-64 472 439</b>	<b>-64 420 052</b>
<b>Operating profit</b>		<b>2 740 050</b>	<b>8 161 038</b>
<b>Financial items</b>			
Profit from other securities and receivables accounted for as non-current assets	2	-217 659	619 765
Other financial items	3	104 136	68 194
Interest cost and similar items	4	-3 286 209	2 183 602
Exchange rate differences in bank holdings		-204 309	-287 460
		<b>-3 604 040</b>	<b>2 584 101</b>
<b>Profit after financial items</b>		<b>-863 990</b>	<b>10 745 139</b>
Transfers to untaxed reserves		1 760 840	-3 704 210
<b>Net profit before tax</b>		<b>896 850</b>	<b>7 040 929</b>
Income tax		-896 850	-1 607 157
<b>Net profit</b>	5	<b>0</b>	<b>5 433 772</b>

## Balance Sheet

Not 2017-12-31 2016-12-31

### Assets

#### Non-current assets

##### *Intangible assets*

Planet Calypso and Planet Calypso Forum	6,7	295 873	443 810
ComPet Game	8	9 533 760	11 964 964
Entropia Platform and Entropia Universe	9	53 070 759	0
		<b>62 900 392</b>	<b>12 408 774</b>

##### *Property and equipment*

Equipment and computer hardware	10	1 331 932	1 679 067
		<b>1 331 932</b>	<b>1 679 067</b>

##### *Financial assets*

Shares in subsidiaries	11	4 910 000	4 910 000
Other long-term securities	12	743 320	688 320
Loan MindArk Groups Vinstandelsstiftelse		162 000	157 000
Deferred tax		4 481 593	5 378 443
Other long-term receivables	13	4 025 945	4 243 604
		<b>14 322 858</b>	<b>15 377 367</b>

#### Total non-current assets

**78 555 182 29 465 208**

#### Current assets

##### *Stock-in-trade*

Commercial goods	14	193 954	408 626
Advanced to suppliers		26 226	160 332
		<b>220 180</b>	<b>568 958</b>

##### *Short-term receivables*

Account receivables		2 285 976	3 142 752
Receivables from payment providers	15	1 945 085	1 353 203
Receivables group companies		82 512	88 245
Tax advanced		65 948	31 638
Other receivables		1 694 612	13 609 111
Prepaid expenses and accrued income		2 074 609	1 414 056
		<b>8 148 742</b>	<b>19 639 005</b>

##### *Short-term investment*

Other short-term investments		11 691	0
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##### *Cash and bank balances*

		7 760 760	9 464 634
<b>Total current assets</b>		<b>16 141 373</b>	<b>29 672 597</b>

#### Total assets

**94 696 555 59 137 805**

## Balance Sheet

Not 2017-12-31 2016-12-31

### Equity and liabilities

#### Equity

##### *Restricted equity*

Share capital (157 623 125 shares)	1 576 231	1 432 938
Not registered share capital	0	2 680 195
Revaluation reserve	38 532 000	0
Restricted reserves	50 000	50 000
Fund for development	7 093 941	4 297 178
	<b>47 252 172</b>	<b>8 460 311</b>

##### *Non-restricted equity*

Share premium reserve	33 950 695	29 078 708
Profit brought forward	-44 113 843	-4 457 602
Net profit	0	5 433 772
	<b>-10 163 148</b>	<b>30 054 878</b>

#### Total equity

**37 089 024 38 515 189**

#### Untaxed reserves

1 943 370 3 704 210

#### *Allocations*

Allocation unconsumed user holdings	29 459 145	0
Estimated deferred tax	10 868 000	0
<b>Total allocations</b>	<b>40 327 145</b>	<b>0</b>

#### Long-term liabilities

Other liabilities	102 540	184 734
	<b>102 540</b>	<b>184 734</b>

#### Short-term liabilities

Accounts payable	1 949 092	1 971 271
Liabilities group companies	3 907 044	3 908 294
Other liability	2 098 486	2 358 437
Accrued expenses and prepaid income	7 279 854	8 495 670
<b>Total short-term liabilities</b>	<b>15 234 476</b>	<b>16 733 672</b>

#### Total equity and liabilities

**94 696 555 59 137 805**

## 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 in accordance with *BFNAR 2012: 1 Årsredovisning och koncernredovisning (K3)*.

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 %

## Notes

### Note 1 Average employees

	2017	2016
Average employees	44	40

### Note 2 Profit from other securities and receivables accounted for as non-current assets

	2017	2016
Interest	241 354	229 793
Exchange revenues	-459 013	389 972
	<b>-217 659</b>	<b>619 765</b>

### Note 3 Other financial items

	2017	2016
Other interest income	104 136	68 194
	<b>104 136</b>	<b>68 194</b>

### Note 4 Interest cost and similar items

	2017	2016
Interest cost	-2 026	-750
Exchange difference player debt	-3 284 183	2 184 352
	<b>-3 286 209</b>	<b>2 183 602</b>

The reason for the large exchange difference is that the company has made a exchange adjustment on the player debt. The exchange rate at the end of 2017 was 9.1 SEK/ USD and at the year-end 2017 the rate was 8.23 SEK/ USD. In the year-end 2016, the company received a positive exchange difference of 2.2 MSEK, now it will be a negative currency adjustment of 3.3 MSEK. The reason is that the debt has declined during the fiscal year 2017, which means that a reduced rate will affect the company negatively. See more in the note 15 Contingent, unconsumed user holdings.

**Note 5 The Board's proposed appropriation of profits**

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

Retained losses	-44 113 843
Shared premium reserve	33 950 695
Net profit for the year	0
	<b>-10 163 148</b>
Amount carried forward	-10 163 148

**Note 6 Planet Calypso**

	<b>2017-12-31</b>	<b>2016-12-31</b>
Acquisition value brought forward	551 263	551 263
	<b>551 263</b>	<b>551 263</b>
Amortization brought forward	-220 506	-110 253
Amortization according to plan	-110 253	-110 253
	<b>-330 759</b>	<b>-220 506</b>
<b>Entered net value carried forward</b>	<b>220 504</b>	<b>330 757</b>

**Note 7 Planet Calypso Forum**

	<b>2017-12-31</b>	<b>2016-12-31</b>
Acquisition value brought forward	188 421	188 421
	<b>188 421</b>	<b>188 421</b>
Amortization brought forward	-75 368	-37 684
Amortization according to plan	-37 684	-37 684
	<b>-113 052</b>	<b>-75 368</b>
<b>Entered net value carried forward</b>	<b>75 369</b>	<b>113 053</b>

**Note 8 ComPet Game**

Refers to the acquisition of the ComPet Game idea, capitalized costs and capitalized expenses for the mobile application development. ComPet Game was launched in 2016. The note also refers to the cost and amortization for the MindArk and Entropia Universe web tool, which is fully amortized.

	<b>2017-12-31</b>	<b>2016-12-31</b>
Acquisition value brought forward	12 738 359	8 368 348
Purchase	0	4 370 011
	<b>12 738 359</b>	<b>12 738 359</b>
Amortization brought forward	-773 395	-567 600
Amortization according to plan	-2 431 204	-205 795
	<b>-3 204 599</b>	<b>-773 395</b>
<b>Entered net value carried forward</b>	<b>9 533 760</b>	<b>11 964 964</b>

**Not 9 Entropia Platform and Entropia Universe**

	<b>2017-12-31</b>	<b>2016-12-31</b>
Purchase	55 863 957	0
	<b>55 863 957</b>	<b>0</b>
Amortization according to plan	-2 793 198	0
	<b>-2 793 198</b>	<b>0</b>
<b>Entered net value carried forward</b>	<b>53 070 759</b>	<b>0</b>

**Note 10 Equipment and computer hardware**

	<b>2017-12-31</b>	<b>2016-12-31</b>
Acquisition value brought forward	11 141 370	10 678 446
Acquisitions	200 928	462 924
	<b>11 342 298</b>	<b>11 141 370</b>
Depreciation brought forward	-9 462 303	-8 916 739
Depreciation for the year	-548 063	-545 564
	<b>-10 010 366</b>	<b>-9 462 303</b>
<b>Entered net value carried forward</b>	<b>1 331 932</b>	<b>1 679 067</b>

### Note 11 Specification shares in subsidiaries

Corporate name	Proportion	Share of voting	Number of shares	Book value
Planet Calypso AB (publ)	100%	100%	450 000	3 910 000
Entropia Universe AB	100%	100%	2 000	1 000 000
				<b>4 910 000</b>

	Corporate identity	Domicile	Equity	Net profit
Planet Calypso AB (publ)	556766-6416	Göteborg	3 912 241	-1 248
Entropia Universe AB	556767-3594	Göteborg	1 000 016	-14

### Note 12 Other long-term securities holdings

Refers to new issues in Rufoid AB and Manomotion AB.

	2017-12-31	2016-12-31
Acquisition value brought forward	188 320	188 320
Purchase	55 000	500 000
	<b>743 320</b>	<b>688 320</b>
<b>Entered net value carried forward</b>	<b>743 320</b>	<b>688 320</b>

### Note 13 Other long-term receivables

Refers to promissory note loan according to agreement.

### Note 14 Stock

The entire inventory of gold cards and gold card readers for secure login in Entropia Universe has been booked as an expense during the fiscal year. This as almost all users have switched to the new solution for secure login - the Entropia Pocket.

The inventory now only consist of profile products that are sold through an online shop on the company's website.

### Note 15 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.

**Not 16 Provisions**

	<b>2017-12-31</b>	<b>2016-12-31</b>
<b>Deferred tax liability</b>		
Provision for the year	11 440 000	
During the year reversed amount	-572 000	
	<b>10 868 000</b>	
<b>Provisions for unconsumed user holdings</b>		
Provision for the year	29 459 145	
	<b>29 459 145</b>	

**Unconsumed user holdings:**

Read more about unconsumed user holdings, ie the player debt, in note 17.

**Note 17 Contingent**

***Unconsumed user holdings:***

Unconsumed user holdings, ie the player debt, equivalents of user deposits which are not used or withdrawn. The debt decreased during the fiscal year from PED 109.7 million PED to 105.4 million PED, a decrease of 4.3 million PED. The total debt also decreased in SEK, but significantly more as the SEK / USD exchange rate has gone from 9.10 SEK / USD at the end of the year to 8.23 SEK / USD last December 2017 (10 PED = 1 USD). As a result, the debt decreased by SEK 13.1 million in SEK, from SEK 99.9 million to SEK 86.8 million.

User requested reimbursements not yet settled is recognized in the balance sheet under Accrued expenses.

Since June 30, 2017 the real debt of the player debt is entered in the balance sheet and it was estimated to 33% of the total player debt at the time of the entry. The total debt of 2017-06-30 was 107.9 MPED, the exchange rate was 0.847 SEK / PED, which gives 91.4 MSEK. This meant that the actual debt was SEK 30.2 million at mid-year 2017 and was booked at that time in the balance sheet. At year-end 2017, the debt had decreased to 29.5 MSEK.

This means that there was no contingent at the year-end 2017.

	<b>2017-12-31</b>	<b>2016-12-31</b>
Contingent	0	102 323 049
	<b>0</b>	<b>102 323 049</b>

## Note 18 Important events in early 2018

In April 2018, MindArk started to undertake a token sale (ICO), which will raise capital to fund and operationalize the next stages of the company's growth. Tokens will be used in the deposit and withdrawal process and be consumed through deterioration in Entropia Universe, MindArk will also use its approximately 70,000 digital assets as a base to build a new IP exchange (IPX) back by Blockchain and Smart Contract technology. Further information can be found here <https://deeptoken.io>

By 2018, we can see that the previously mentioned Loot 2.0 in addition to having significantly improved repayment for the large amount of players also has increased the company's revenue as more users spend more time in Entropia when the loot composition is considered to work much better and more fairly.

Göteborg May 22, 2018

*Jan Welter Timkrans*

Jan Welter Timkrans  
Chairman of the Board

*David Simmonds*

David Simmonds  
Board Member

*Henrik Nel Jerkrot*

Henrik Nel Jerkrot  
CEO

My audit report concerning this annual report has been issued on May 30, 2018.

*Magnus Götenfelt*

Magnus Götenfelt  
Authorized public accountant