



*MindArk PE AB (publ) develops and operates Entropia Universe, a three-dimensional Internet-based virtual universe, globally available and free of charge for everyone with access to an Internet connection.*

2007

Interim statement for the fourth quarter  
&  
unaudited financial statements for the fiscal year

---

***Financial summary for 2007***

- o Net sales grew by 18 percent to 69 million SEK
- o Operational profit excluding items affecting comparability fell to 18,3 million SEK, a decline by 22 percent
- o Adjusted net profit is 12,9 million SEK
- o Cash and bank balances grew to 46,1 million SEK
- o The equity ratio is 81%
- o Declining USD has a negative effect on net sales and profit
- o Substantial investments in computers, software and partnership contracts slow down profit growth

***Highlights for 2007***

- o Focus on establishing new partner planets in Entropia Universe
- o Development of the Chinese platform continues
- o Mindark establish a subsidiary in Mexico under the name Illunova SA de CV
- o Mindark signs an agreement with Crytech for the CryENGINE2 software
- o Mindark intends to go public with Credit Suisse
- o Mindark present at several big events worldwide
- o Mindark introduces a profit sharing system for all personnel

### Illunova SA de CV – a Mexican subsidiary to Mindark established

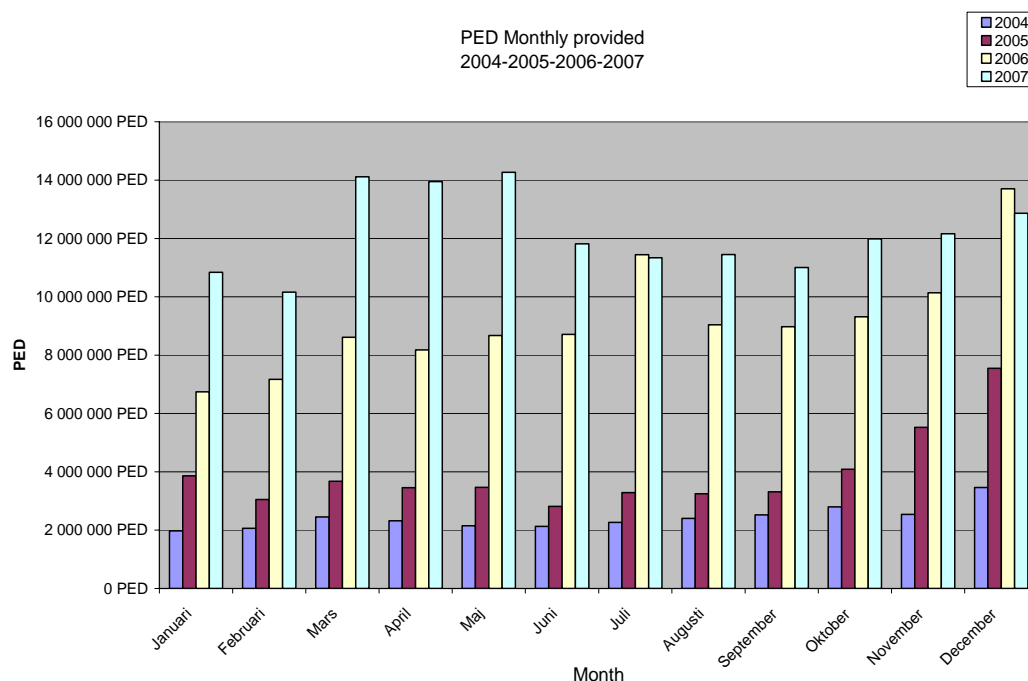
During the autumn of 2007 Mindark established a subsidiary in Mexico, Illunova SA de CV, registered in November. Illunovas result for 2007 consists of start-up cost amounting to 227 kSEK. Illunova has acquired fixed assets for 572 kSEK. Illunova will become operational from February 1<sup>st</sup> 2008.

Illunovas accounts are not consolidated in the financial statements for 2007. Mindark has financed the startup of Illunovas operations. The total amount, 1,4 million SEK, is entered in Mindarks balance sheet among current assets.

### Sales and profits for 2007

Net sales amounted to 69 million SEK with an operational profit of 18 million SEK. Financial items accounted for 1 million SEK.

Adjusted net profit amounts to 12 million SEK.



### Financial position

Adjusted equity on December 31<sup>st</sup> for Mindark is 55,6 million SEK which leads to an equity ratio of 81%.

Total cash flow for 2007 is 13 million SEK with cash flow from current operations amounting to 20,4 million SEK.



Cash and bank balances amounts to 46,1 million SEK of which 39,1 million SEK are invested in commercial low risk securities that can be easily converted to cash. Interest income on financial positions amounts to 1,2 million SEK.

## **Investments**

During 2007 Mindark has invested considerable amounts in several projects.

The license agreement for the CryENGINE2, signed with German software developer Crytech in June, is expected to heavily increase the graphic experience of Entropia Universe.

A new server park for Entropia Universe was launched in February 2007. The investment amounts to approximately 2,2 million SEK. Mindark also pays an additional monthly fee to the co-location server center in central Europe.

Mindark has spent considerable amounts on marketing Entropia Universe as a platform for a three-dimensional presence for partners on the Internet. In addition to the Chinese agreement Mindark are negotiating with several potential partners.

An exhibition stand has been acquired for approximately 2,8 million SEK. The stand is booked as a fixed asset with a depreciation period of five years and has been used at exhibitions in Leipzig, Los Angeles and Las Vegas.

Moreover Mindark has reclassified the acquisitions of computer hardware, from prepaid operating cost allocated over 12 months, to fixed assets. Cost is allocated as depreciation over a 36 month plan. This change in classification is due to an increased economic lifetime for workstations and servers compared to the previous generation of computers.

Late 2007 Mindark established its first subsidiary abroad, in Mexico on the American continent under the name Illunova SA de CV. The long term plan is to have Mindark representation on all continents world wide.

The infrastructure in Mexico will be financed by Mindark through a promissory note loan. An approximate 3 million SEK will be needed to have the office in Mexico up and running. Mindark expects to attract new groups of highly qualified personnel by establishing the Illunova office in Mexico.

## **Mindark intends to go public**

Mindark has signed an agreement with Credit Suisse with the purpose to float the Mindark share on an international stock exchange. The agreement stipulates that Credit Suisse shall act as Mindarks sole book-running manager in the process. The floatation is expected to be accompanied by an IPO.



### **Mindark allocate profit for a personnel incentive program**

The board has decided to allocate a five percent proportion of the annual profit to an incentive program for all personnel.

The dedicated amount for 2007 is 1 million SEK excluding contribution to social security and is entered in the income statement under items affecting comparability.

The program will be based around a foundation with all Mindark personnel as beneficiaries.

The allocated amount shall according to the foundations articles be placed in Mindark shares.

### **Annual report and general shareholders meeting**

The annual report for 2007 will according to plan be distributed to the shareholders in late April 2008. The general shareholders meeting will be held in the second half of May.

For detailed financial information, please refer to the income statement, balance sheet and cash flow analysis below.

This intermediate financial report for 2007 have not been subject to review by the auditors.

Gothenburg in March 2008

Lennart Molander  
Chairman of the board

Jan Welter Timkrans  
CEO

Hans Andersson

Bernt Wählin



Income statement	<u>October - December 2007</u>	<u>October - December 2006</u>
Net sales	16 844 835 kr	16 345 608 kr
Operating expenses	-12 495 412 kr	-11 646 800 kr
Amortization & depreciation	-1 919 876 kr	-744 390 kr
Items affecting comparability	<u>-1 242 600 kr</u>	<u>0 kr</u>
Operational profit	1 186 947 kr	3 954 418 kr
Financial items	<u>232 748 kr</u>	<u>368 040 kr</u>
Profit before tax	1 419 695 kr	4 322 458 kr
Income tax	<u>972 289 kr</u>	<u>350 353 kr</u>
<i>ADJUSTED NET PROFIT</i>	<u><u>2 391 984 kr</u></u>	<u><u>4 672 811 kr</u></u>

Income statement	<u>Calendar Year 2007</u>	<u>Calendar Year 2006</u>
Net sales	69 708 611 kr	59 037 743 kr
Operating expenses	-47 234 101 kr	-33 526 413 kr
Amortization & depreciation	-4 158 086 kr	-2 960 693 kr
Items affecting comparability	<u>-1 242 600 kr</u>	<u>-9 000 000 kr</u>
Operational profit	17 073 824 kr	13 550 637 kr
Financial items	<u>1 034 171 kr</u>	<u>1 044 859 kr</u>
Profit before transfers to and from untaxed reserves and tax	18 107 995 kr	14 595 496 kr
Transfers to untaxed reserves	-5 318 000 kr	-1 880 000 kr
Income tax on profit	<u>-3 700 435 kr</u>	<u>-1 999 697 kr</u>
NET PROFIT	<u><u>9 089 560 kr</u></u>	<u><u>10 715 799 kr</u></u>
<i>ADJUSTED NET PROFIT</i>	<u><u>12 918 520 kr</u></u>	<u><u>12 069 399 kr</u></u>



Balance sheet	<u>31 december 2007</u>	<u>31 december 2006</u>
<b>ASSETS</b>		
Intangible assets	5 977 831 kr	8 584 479 kr
Fixed assets	7 703 826 kr	1 936 734 kr
Financial assets	29 500 kr	0 kr
Current assets	8 564 755 kr	7 772 727 kr
Cash and bank balances	<u>46 054 958 kr</u>	<u>32 979 367 kr</u>
	<u>68 330 870 kr</u>	<u>51 273 307 kr</u>
<b>EQUITY AND LIABILITIES</b>		
Equity	48 026 909 kr	38 937 348 kr
Untaxed reserves	10 518 000 kr	5 200 000 kr
Current liabilities	<u>9 785 961 kr</u>	<u>7 135 959 kr</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>68 330 870 kr</u>	<u>51 273 307 kr</u>

Cash flow analysis	<b>October - December 2007</b>	<b>October - December 2006</b>
<b>Current operations</b>		
Profit before tax	1 419 695 kr	4 322 458 kr
Amortization and depreciation	1 919 876 kr	744 390 kr
Paid tax	-2 008 056 kr	876 753 kr
Changes in current receivables	3 147 346 kr	-3 159 585 kr
Changes in current liabilities	4 305 459 kr	-3 201 220 kr
Cash flow from current operations	8 784 320 kr	-417 204 kr
<b>Investments</b>		
Investments in intangible assets	-377 200 kr	0 kr
Investments in fixed assets	-6 880 639 kr	0 kr
Investment in financial assets	-29 500 kr	0 kr
	-7 287 339 kr	0 kr
<b>CASH FLOW FOR THE PERIOD</b>	<b>1 496 981 kr</b>	<b>-417 204 kr</b>
Opening cash and bank balances	44 557 977 kr	33 396 571 kr
Closing cash and bank balances	46 054 958 kr	32 979 367 kr
<b>CASH FLOW FOR THE PERIOD</b>	<b>1 496 981 kr</b>	<b>-417 204 kr</b>
Cash flow analysis	<b>Calendar Year 2007</b>	<b>Calendar Year 2006</b>
<b>Current operations</b>		
Profit before tax	18 107 995 kr	14 595 497 kr
Items not included in the cash flow	4 158 086 kr	2 960 693 kr
Paid tax	-4 089 369 kr	-2 561 476 kr
Changes in current receivables	-789 290 kr	-5 035 259 kr
Changes in current liabilities	3 036 200 kr	-2 252 280 kr
Cash flow from current operations	20 423 622 kr	7 707 175 kr
<b>Investments</b>		
Investments in intangible assets	-377 200 kr	-1 011 983 kr
Investments in fixed assets	-6 941 330 kr	-1 936 734 kr
Investment in financial assets	-29 500 kr	0 kr
Cash flow from investments	-7 348 030 kr	-2 948 717 kr
<b>Financing</b>		
New share issue	0 kr	24 511 645 kr
<b>CASH FLOW FOR THE PERIOD</b>	<b>13 075 592 kr</b>	<b>29 270 103 kr</b>
Opening cash and bank balances	32 979 367 kr	3 709 264 kr
Closing cash and bank balances	46 054 959 kr	32 979 367 kr
<b>CASH FLOW FOR THE PERIOD</b>	<b>13 075 592 kr</b>	<b>29 270 103 kr</b>

**Key ratios - Entropia Universe**

	<b>Q4 - 2007</b>	<b>Total 2007</b>	<b>Q4 - 2006</b>	<b>Total 2006</b>
New registered customer accounts	30 774	125 381	30 098	145 698
Relative growth	2%	-14%	-45%	9%
Gross funds provided in kPED	37 040	145 961	32 954	110 496
Requested withdrawals in kPED	8 229	32 422	7 527	20 174
Net funds deposited in kPED	28 811	113 539	25 427	90 322
Relative growth	13%	26%	63%	115%

**Key ratios - Mindark PE AB**

	<b>Q4 - 2007</b>	<b>Total 2007</b>	<b>Q4 - 2006</b>	<b>Total 2006</b>
<i>(Amounts in kSEK - if otherwise stated)</i>				
Net sales	16 845	69 709	16 346	59 038
Operational profit before items affecting comparability	2 430	18 316	3 954	22 551
Financial items	233	1 034	368	1 045
Adjusted net profit	2 647	12 691	4 673	12 069
Number of shares issued	11 463 500	11 463 500	11 463 500	11 463 500
Operational profit margin	14%	26%	24%	38%
Profit per share	0,23 kr	1,11 kr	0,41 kr	1,05 kr
Cash and bank balances		46 054		32 979
Adjusted equity		55 600		42 681
Adjusted equity per share		4,85 kr		3,72 kr
Total assets		68 386		51 273
Equity ratio		81%		83%
Average number of employees		48		39





## **Accounting principles and definition of key ratios**

### Accounting principles

The accounting principles applied agree with the Annual Accounts Act as well as recommendations and comments from the Accounting Standard Committee.

### Net sales

Corporate net sales consist of the net amount between deposited and requested withdrawals supplied to Entropia Universe by the users. The revenues are presented in the income statement after deduction for user requested withdrawals.

### Operational profit

Net sales reduced by operational expenses, depreciations and amortizations.

### Number of shares issued

In the table for key ratios all current and historical values have been adjusted for the 10 to 1 split of the share registered at Bolagsverket in October 2006.

### Operational profit margin

Operational profit before items affecting comparability in percentage of net sales.

### Adjusted net profit

Net profit + 72 percent of transfers to untaxed reserves.

### Profit per share

Adjusted net profit divided by the total number of shares issued.

### Cash and bank balances

Including short-term investment that is easily converted to cash.



Adjusted equity

Equity plus 72 percent of untaxed reserves.

Adjusted equity per share

Adjusted equity divided by the total number of shares issued.

Total assets

The summary of equity, untaxed reserves and current liabilities.

Equity ratio

Adjusted equity as a percentage of total assets.