



*MindArk PE AB (publ) develops and operates Entropia Universe, a three-dimensional Internet-based virtual universe, globally available free of charge for everyone with access to an Internet connection. The company is not part of any group and does not own interests in any other companies.*

## Interim statement for January – September 2007

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- MindArk PE accounts for an operational profit of 4,002 kSEK for the third quarter of 2007 (last year 6,791 kSEK), the 13<sup>th</sup> consecutive quarter with an operational profit for MindArk PE and Entropia Universe.

For January – September, the operational profit is 16,688 kSEK (last year 19,273 kSEK)

- Development work with the Chinese planets continues
- MindArk at the US Congress in Washington DC
- MindArk attends Games Convention in Leipzig
- Declining USD have a negative effect on net sales and profit
- Increased investments means less profit growth
- Operational profit margin is 30% (44% for 2006)
- Equity ratio is 85% (77%)
- Cash flow from current operations is 11,639 kSEK (8,169 kSEK in 2006)
- Liquid funds including short-term investments amounts to 44,558 kSEK (last year 33,397 kSEK)
- No prognosis for 2007



### **Entropia Universe enters China to create largest virtual world ever**

In May MindArk signed an agreement with the Chinese company Cyber Recreation Development Corp (CRD) in order to create a cash-based virtual economy for the Chinese market.

During the third quarter the development work with the Chinese planets continues according to plan, both in Beijing and Göteborg.

### **A meeting within the US Congress**

In August MindArk were invited to a meeting with representatives from the Joint Economic Committee of the US Congress in order to discuss a range of legislative and legal issues regarding virtual worlds.

The meeting took place in Washington DC and MindArk sent two executive officers to attend. In its invitation the US Congress pointed out MindArk's vast experience, an experience the Congress want to utilize in its ambition to learn more about virtual worlds and what might be their most appropriate policy response to this growing economic sphere.

### **Games Convention at the Leipziger Messe**

For the second year in succession MindArk attended Games Convention, Europes biggest convent for on-line entertainment at the Leipziger Messe in Germany.

At the convention MindArk introduced its brand new exhibition stand. The stand has been developed and built during the summer and it will form the basis for many future marketing activities.

After Leipzig the stand will be transported to Los Angeles, CA for the "E for all" exhibition in October and from there the next stop will be Las Vegas, NV in January 2008.

### **Declining exchange rate between USD and SEK**

During the third quarter, the exchange rate between USD and SEK has continued to fall and averaged 6,75 compared to 7,24 for the third quarter 2006. The falling exchange rate has affected MindArks net sales negatively by approximately 7%.

For the first nine months of 2007 the average exchange rate between USD and SEK was 6,87 SEK for every USD compared to 7,48 for 2006. For this period the



effect on net sales accounted for by MindArk is approximately minus 9% compared to the first three quarters last year.

### **Increased investments slows down profit growth**

As reported previously MindArk is currently investing considerable amounts in corporate organization, marketing and research and development for Entropia Universe. This type of cost, MindArk continually write of in the income statement as operating expenses.

In total operating expenses during the third quarter has increased with a little more than 50% compared to last year.

For the first nine month of 2007 the comparative figure is an increase in operating expenses by approximately 59%.

The increased operating expenses accounted for, together with currency exchange rates leads to a slower growth rate in operating profit. The operating profit margin has fallen from 44% in 2006 to 30% this year.

MindArk has also invested a considerable amount in a completely new exhibition stand. The total acquisition value, expected to be in the region of 2 million SEK, will be finalized in the fourth quarter.

### **Contingent liabilities**

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

Therefore participants in Entropia Universe at any given moment hold significant amounts of unconsumed PEDs. These customer holdings are treated by MindArk as a contingent liability. On September 30<sup>th</sup> 2007 the summary of these PED holdings amounted to approximately 32 million SEK compared to 21 million SEK on December 31<sup>st</sup> 2006 and 18 million SEK on September 30<sup>th</sup> 2006.

### **No prognosis for 2007**

The profit level for MindArk is dependent on the exchange rate between the USD and SEK. Due to the uncertainty of the exchange rate for the rest of the year MindArk does not find it appropriate to give any prognosis for the net sales and profit levels for the financial year 2007.



### **Accounting principles**

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

The principles are unchanged from last year.

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 allocations of income and expenses have been done according to the professional ethics for accountants.

This semi-annual report has not been reviewed by the auditors

Göteborg in October 2007

Jan Welter Timkrans  
CEO

Lennart Molander  
Chairman



Income statement	<b>July - September 2007</b>	<b>July - September 2006</b>
Net sales	16 696 242 kr	15 726 011 kr
Operating expenses	-12 456 780 kr	-8 176 206 kr
Amortization	-747 414 kr	-744 390 kr
Operating profit	3 492 048 kr	6 805 415 kr
Financial items	510 607 kr	-14 599 kr
Items affecting comparability	0 kr	-9 000 000 kr
Profit before income-tax	4 002 655 kr	-2 209 184 kr
Income tax on profit	-1 120 743 kr	0 kr
<b>NET PROFIT</b>	<b>2 881 912 kr</b>	<b>-2 209 184 kr</b>

Income statement	<b>Jan - Sept 2007</b>	<b>Jan - Sept 2006</b>
Net sales	52 863 776 kr	42 692 134 kr
Operating expenses	-34 738 689 kr	-21 879 614 kr
Amortization	-2 238 210 kr	-2 216 303 kr
Operating profit	15 886 877 kr	18 596 217 kr
Financial items	801 423 kr	676 820 kr
Items affecting comparability	0 kr	-9 000 000 kr
Profit before tax	16 688 300 kr	10 273 037 kr
Tax on profit for the year	-4 672 724 kr	-2 876 450 kr
<b>NET PROFIT</b>	<b>12 015 576 kr</b>	<b>7 396 587 kr</b>

Income statement	<b>Calendar year 2006</b>
Net sales	59 037 743 kr
Operating expenses	-33 526 413 kr
Amortization	-2 960 693 kr
Items affecting comparability	-9 000 000 kr
Operating profit	13 550 637 kr
Financial items	1 044 859 kr
Profit before transfers to untaxed reserves	14 595 496 kr
Transfers from untaxed reserves	-1 880 000 kr
Profit before tax	12 715 496 kr
Tax on profit for the year	-1 999 697 kr
<b>NET PROFIT</b>	<b>10 715 799 kr</b>
<b>ADJUSTED NET PROFIT</b>	<b>12 069 398 kr</b>



Balance sheet	<u>September 30 2007</u>	<u>September 30 2006</u>
<b>ASSETS</b>		
Intangible assets	6 351 309 kr	9 328 869 kr
Tangible assets	1 992 385 kr	1 981 278 kr
Receivables	2 307 775 kr	1 459 323 kr
Prepaid expenses	9 401 591 kr	3 109 275 kr
Cash and bank balances	<u>44 557 977 kr</u>	<u>33 396 571 kr</u>
	<u>64 611 037 kr</u>	<u>49 275 316 kr</u>
<b>EQUITY AND LIABILITIES</b>		
Equity	50 952 925 kr	35 618 137 kr
Untaxed reserves	5 200 000 kr	3 320 000 kr
Short-term liabilities	<u>8 458 112 kr</u>	<u>10 337 179 kr</u>
	<u>64 611 037 kr</u>	<u>49 275 316 kr</u>

Balance sheet		<u>December 31 2006</u>
<b>ASSETS</b>		
Intangible assets		8 584 479 kr
Tangible assets		1 936 734 kr
Receivables		2 383 528 kr
Prepaid expenses		5 389 199 kr
Cash and bank balances		<u>32 979 367 kr</u>
		<u>51 273 307 kr</u>
<b>EQUITY AND LIABILITIES</b>		
Equity		38 937 348 kr
Untaxed reserves		5 200 000 kr
Short-term liabilities		<u>7 135 959 kr</u>
		<u>51 273 307 kr</u>



Cash flow statement	<u>July - September 2007</u>	<u>July - September 2006</u>
Current operations		
Profit before tax	4 002 655 kr	-2 209 184 kr
Amortization	747 414 kr	744 390 kr
Paid tax	-525 000 kr	0 kr
Changes in current receivables	-5 767 211 kr	356 464 kr
Changes in current liabilities	<u>-148 290 kr</u>	<u>832 223 kr</u>
Cash flow from current operations	-1 690 432 kr	-276 107 kr
Investments		
Investments in tangible assets	0 kr	-33 744 kr
Financing	<u>0 kr</u>	<u>0 kr</u>
CASH FLOW FOR THE PERIOD	<u>-1 690 432 kr</u>	<u>-309 851 kr</u>
Opening cash and bank balances	46 248 409 kr	33 706 422 kr
Closing cash and bank balances	<u>44 557 977 kr</u>	<u>33 396 571 kr</u>
CASH FLOW FOR THE PERIOD	<u>-1 690 432 kr</u>	<u>-309 851 kr</u>

Cash flow statement	<u>Jan - Sept 2007</u>	<u>Jan - Sept 2006</u>	<u>Calendar year 2006</u>
Current operations			
Profit before tax	16 688 299 kr	10 273 037 kr	14 595 496 kr
Amortization	2 238 210 kr	2 216 303 kr	2 960 693 kr
Paid tax	-2 081 313 kr	-2 876 450 kr	-1 999 697 kr
Changes in current receivables	-3 936 637 kr	-1 831 129 kr	-5 035 259 kr
Changes in current liabilities	<u>-1 269 258 kr</u>	<u>387 292 kr</u>	<u>-2 813 929 kr</u>
Cash flow from current operations	11 639 301 kr	8 169 053 kr	7 707 304 kr
Investments			
Investments in Entropia Universe	0 kr	-1 011 983 kr	-1 011 982 kr
Investments in tangible assets	-60 691 kr	-1 981 278 kr	-1 936 734 kr
Financing			
New share issue	<u>0 kr</u>	<u>24 511 645 kr</u>	<u>24 511 645 kr</u>
CASH FLOW FOR THE PERIOD	<u>11 578 610 kr</u>	<u>29 687 437 kr</u>	<u>29 270 233 kr</u>
Opening cash and bank balances	32 979 367 kr	3 709 134 kr	3 709 134 kr
Closing cash and bank balances	<u>44 557 977 kr</u>	<u>33 396 571 kr</u>	<u>32 979 367 kr</u>
CASH FLOW FOR THE PERIOD	<u>11 578 610 kr</u>	<u>29 687 437 kr</u>	<u>29 270 233 kr</u>



### Key ratios - Entropia Universe

	July - Sept 2007	July - Sept 2006	Jan - Sept 2007	Jan - Sept 2006	Calendar year 2006
Created customer accounts	30 759	31 639	97 216	115 661	145 698
Change in percentage compared with the same period previous year	-3%	50%	-16%	47%	9%
Deposited funds in kPED	33 787	28 529	75 131	74 974	107 162
Withdrawn funds in kPED	6 696	5 125	17 655	12 588	20 113
Net deposits in kPED	27 091	23 404	57 476	62 386	87 049
Change in percentage	16%	190%	-8%	184%	107%

### Key ratios - MindArk PE AB

	July - Sept 2007	July - Sept 2006	Jan - Sept 2007	Jan - Sept 2006	Calendar year 2006
<small>(Amounts in kSEK if not otherwise stated)</small>					
Net sales	16 696	15 726	52 864	42 692	59 038
Operating profit before items affecting comparability	3 492	6 805	15 887	18 596	22 551
Financial items	511	-15	801	677	1 045
Net profit (adjusted net profit for calendar year)	2 882	-2 209	12 016	7 397	12 069
Number of shares issued	11 463 500	11 463 500	11 463 500	11 463 500	11 463 500
Operational profit margin in %	21%	43%	30%	44%	38%
Net profit per share	0,25 kr	-0,19 kr	1,05 kr	0,65 kr	1,05 kr
Liquid funds including investments			44 558	33 706	32 979
Adjusted equity			54 697	38 008	42 681
Adjusted equity per share			4,77 kr	3,32 kr	3,72 kr
Total assets			64 611	49 275	51 273
Equity ratio			85%	77%	83%
Number of employees			45	28	32