



Mindark PE AB (publ) develop, operate and market the Entropia Universe, a three-dimensional Internet-based virtual universe, globally available and free of charge for everyone with access to an Internet connection.

Semi-annual report for the second quarter and January – June 2008

Operations during the first half of 2008

As stated in Mindarks annual report for 2007, the business activities since last year have focused on marketing the Entropia Universe as a three-dimensional internet based platform for potential partners, and preparing the technical platform for establishing new partner planets in the Entropia Universe. The ongoing technical development comprises an implementation of the graphical motor CryEngine2, developed by German software company Crytek GmbH. CryEngine2 is a state of the art graphical engine which will in a most comprehensive way increase the visual experience of Entropia Universe for all users.

Partnerships have so far been established with CRD, Cyber Recreation Development Corporation, China, Creative Kingdom Incorporated, USA and Next Island LLC, USA. These partners are currently engaged in developing their respective planets prior to release in the Entropia Universe. The outcome of negotiations currently being held with other potential partners will be revealed in press releases at Mindark's home page. An ongoing development of www.entropiauniverse.com will give partners the opportunity to publish information about their planets.

Similar to last year's development, Mindark's focus has been concentrated on developing resources and marketing Entropia Universe as an Internet platform. This has led to fewer content updates to Mindark's own planet Calypso than previously. This, in combination with the altered marketing focus, has led to a slower growth rate in revenues from activities on Calypso.

Mindark's focus on marketing and development in combination with significant resource allocation towards improving Mindarks organizational structure involves a current phase of heavy investments for Mindark. The majority of these amounts are entered in the income statement. For the first six months Mindark's operating expenses, including depreciations, amounted to 31,2 million SEK compared to 23,5 million SEK the previous year, an increase of more than 30 percent.

Moreover, the continued weakened exchange rate for USD against SEK has had a negative effect on the revenues and profits accounted for. For the first six months of 2007 the average exchange rate was 6,94 SEK for every USD. For the same period during 2008 the exchange rate had fallen to 6,13 SEK for every USD. Although deposited volumes in PED have increased with seven percent



during the same period, the revenues accounted for in SEK have decreased with five percent due to the weakened exchange rate.

Altogether this leads to a reduction in profit level, for the first half of 2008 the pre tax profit is 3,8 million SEK compared to 12,6 million SEK the previous year.

In accordance with the previously mentioned issues, the value of the significant resources spent by Mindark on it's infrastructure is not reflected in the balance sheet. Prior to the future stock listing Mindark's corporate accounting will be adapted to the IFRS/IAS regulations. This will to a greater extent enable Mindark to value it's assets at market value in comparison to the accounting principles in use today.

The project of rebuilding Mindarks real property in Germany continues according to plan and is expected to be completed late this year. The cost therefore has not been charged to the income statement. When the rebuild is finalized the actual value of the property will be accounted for in the balance sheet.

Mindarks subsidiary Ilunova SA de CV

Mindarks Mexican subsidiary, Ilunova SA de CV, established late last year, has been operative since February this year.

Ilunova provides software development and customer support services on behalf of Mindark. At the end of June, 14 people were employed by the Mexican subsidiary.

The cost for establishing the Mexican operation is financed by Mindark and amounts to approximately 3 million SEK. Ilunova charges Mindark for it's services monthly and during February – June the monthly invoices amounted to 2,3 million SEK. The invoices are entered in Mindarks income statement.

Consolidated accounts between Mindark and Ilunova will be prepared for the first time in connection with the annual accounts for 2008.

Cash flow and liquid funds

The profit development is also reflected in the cash flow, total cash flow for the first half of 2008 amounts to minus 2,9 million SEK compared to a positive total cash flow of 13,3 million SEK the previous year.

Contingent liabilities

Mindark defines operative income from Entropia Universe as the net amount of deposited and withdrawn funds by users. This means that users of Entropia Universe at any given moment are in possession of considerable amounts of unconsumed funds in the virtual PED currency. These user assets are considered



by Mindark as a contingent liability and are accounted for as memorandum items. At the end of June this amount was approximately 39 million SEK compared to 35 million SEK at the end of December 2007 and 31 million SEK at the end of June last year.

Annual shareholders meeting 2008 and split of the Mindark shares

The annual general shareholders meeting was held on May 28 at the company premises. In addition to normal issues according to the articles of association it was decided on a 10:1 split of Mindark shares. The decision means that every existing share is replaced by ten new shares. The recording date for the split is September 1st.

The individual shareholder does not need to take any action related to the split. VPC, the Swedish Security Register Center will distribute new statements when the split is completed.

Stock-listing of the Mindark Share

Due to the ongoing global turbulence on all financial markets, Mindark has, after consulting with its financial advisers, decided to postpone the stock-listing of the Mindark shares until a more propitious market situation exists. Pending stable financial markets, Mindark's resources are focused on a company restructuring from a technical development organization to a rational business orientated company. Furthermore, Mindark will find the time to establish profitable and well functioning partnerships. This will have a positive effect on the valuation of the Mindark shares.

Accounting Principles

This semi-annual financial statement has been prepared in accordance with the Swedish Annual Accounts Act as well as recommendations and comments from the Accounting Standard Committee.

The principles are unchanged compared to previous years except for the expenses regarding the rebuilding of the German property which is accounted for in the balance sheet and acquisition of computer hardware which now is accounted for as fixed assets compared to prepaid cost 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 allocation of income and expenses has been done according to the professional ethics for accountants.



Financial Information

For additional information, please refer to the below listed income statement, balance sheet, cash flow statement and key ratios.

Gothenburg September 1st 2008

Jan Welter Timkrans
CEO

Lennart Molander
Chairman of the Board

Income statement	April - June 2008	April - June 2007
Net sales	15 548 508 kr	19 235 915 kr
Operating expenses	-14 132 909 kr	-11 914 071 kr
Depreciation & amortization	-1 244 628 kr	-746 406 kr
Operating profit	170 971 kr	6 575 438 kr
Financial items	428 639 kr	170 159 kr
Profit before income-tax	599 610 kr	6 745 597 kr
Income tax on profit	-167 891 kr	-1 888 767 kr
<i>NET PROFIT</i>	<i>431 719 kr</i>	<i>4 856 830 kr</i>

Income statement	January - June 2008	January - June 2007
Net sales	34 507 429 kr	36 167 534 kr
Operating expenses	-28 764 841 kr	-22 281 909 kr
Depreciation & amortization	-2 487 832 kr	-1 490 796 kr
Operating profit	3 254 756 kr	12 394 829 kr
Financial items	525 926 kr	290 816 kr
Profit before tax	3 780 682 kr	12 685 645 kr
Tax on profit for the year	-1 058 591 kr	-3 551 981 kr
NET PROFIT	2 722 091 kr	9 133 664 kr

Income statement	Calendar year 2007
Net sales	69 708 611 kr
Operating expenses	-47 234 101 kr
Amortization	-4 158 086 kr
Items affecting comparability	-1 242 600 kr
Operating profit	17 073 824 kr
Financial items	1 034 171 kr
Profit before transfers to untaxed reserves	18 107 995 kr
Transfers from untaxed reserves	-5 318 000 kr
Profit before tax	12 789 995 kr
Tax on profit for the year	-3 700 435 kr
NET PROFIT	9 089 560 kr
<i>ADJUSTED NET PROFIT</i>	<i>12 918 520 kr</i>



Balance sheet

	<u>June 30 2008</u>	<u>June 30 2007</u>
ASSETS		
Intangible assets	4 667 470 kr	7 095 699 kr
Tangible assets	11 221 928 kr	1 995 409 kr
Financial assets	3 517 247 kr	
Receivables	3 051 195 kr	1 778 536 kr
Prepaid expenses	3 120 179 kr	4 163 619 kr
Cash and bank balances	<u>43 159 622 kr</u>	<u>46 248 409 kr</u>
	<u>68 737 641 kr</u>	<u>61 281 672 kr</u>
EQUITY AND LIABILITIES		
Equity	50 749 000 kr	48 071 014 kr
Untaxed reserves	10 518 000 kr	5 200 000 kr
Short-term liabilities	<u>7 470 641 kr</u>	<u>8 010 658 kr</u>
	<u>68 737 641 kr</u>	<u>61 281 672 kr</u>

Balance sheet

	<u>December 31 2007</u>
ASSETS	
Intangible assets	5 977 831 kr
Tangible assets	7 703 826 kr
Financial assets	29 500 kr
Receivables	3 873 717 kr
Prepaid expenses	4 691 038 kr
Cash and bank balances	<u>46 054 958 kr</u>
	<u>68 330 870 kr</u>
EQUITY AND LIABILITIES	
Equity	48 026 909 kr
Untaxed reserves	10 518 000 kr
Short-term liabilities	<u>9 785 961 kr</u>
	<u>68 330 870 kr</u>



Cash flow statement	April - June 2008	April - June 2007
Current operations		
Profit before tax	599 610 kr	6 745 597 kr
Amortization	1 244 628 kr	746 406 kr
Paid tax	-1 049 850 kr	-525 000 kr
Changes in current receivables	-2 732 275 kr	1 151 657 kr
Changes in current liabilities	<u>-248 548 kr</u>	<u>-864 552 kr</u>
Cash flow from current operations	-2 186 435 kr	7 254 108 kr
Investments		
Investments in tangible/intangible assets	-726 226 kr	-60 691 kr
Financing	<u>0 kr</u>	<u>0 kr</u>
CASH FLOW FOR THE PERIOD	<u>-2 912 661 kr</u>	<u>7 193 417 kr</u>
Opening cash and bank balances	46 072 283 kr	39 054 992 kr
Closing cash and bank balances	<u>43 159 622 kr</u>	<u>46 248 409 kr</u>
CASH FLOW FOR THE PERIOD	<u>-2 912 661 kr</u>	<u>7 193 417 kr</u>

Cash flow statement	January - June 2008	January - June 2007	Calendar year 2007
Current operations			
Profit after financial items	3 780 682 kr	12 685 645 kr	18 107 995 kr
Amortization	2 487 832 kr	1 490 796 kr	4 158 086 kr
Paid tax	-2 450 771 kr	-1 556 313 kr	-4 089 369 kr
Changes in current receivables	-3 415 576 kr	1 830 573 kr	-789 290 kr
Changes in current liabilities	<u>-2 315 322 kr</u>	<u>-1 120 968 kr</u>	<u>3 036 200 kr</u>
Cash flow from current operations	-1 913 155 kr	13 329 733 kr	20 423 622 kr
Investments in tangible/intangible assets	-982 182 kr	-60 691 kr	-7 348 030 kr
Financing	<u>0 kr</u>	<u>0 kr</u>	<u>0 kr</u>
CASH FLOW FOR THE PERIOD	<u>-2 895 337 kr</u>	<u>13 269 042 kr</u>	<u>13 075 592 kr</u>
Opening cash and bank balances	46 054 959 kr	32 979 367 kr	32 979 367 kr
Closing cash and bank balances	<u>43 159 622 kr</u>	<u>46 248 409 kr</u>	<u>46 054 959 kr</u>
CASH FLOW FOR THE PERIOD	<u>-2 895 337 kr</u>	<u>13 269 042 kr</u>	<u>13 075 592 kr</u>

Key ratios - Entropia Universe

	April - June 2008	April - June 2007	January - June 2008	January - June 2007	Calendar year 2007
Created customer accounts	28 979	35 778	61 838	66 485	125 381
Change in percentage compared with the same period previous year	-23%	-26%	-8%	-21%	-14%
Deposited funds in kPED	40 649	40 012	82 991	75 131	145 961
Withdrawn funds in kPED	12 290	9 453	21 170	17 655	32 422
Net deposits in kPED	28 359	30 559	61 821	57 476	113 539
Change in percentage	-8%	46%	7%	47%	25%

Key ratios - MindArk PE AB

	April - June 2008	April - June 2007	January - June 2008	January - June 2007	Calendar year 2007
(Amounts in kSEK if not otherwise stated)					
Net sales	15 549	19 235	34 507	36 168	69 709
Operating profit before items affecting comparability	171	6 575	3 255	12 395	19 351
Financial items	429	170	526	291	1 034
Net profit (adjusted net profit for calendar year)	432	4 673	2 722	9 134	12 919
Number of shares issued	11 463 500	11 463 500	11 463 500	11 463 500	11 463 500
Operational profit margin in %	1%	34%	9%	34%	28%
Net profit per share	0,04 kr	0,41 kr	0,24 kr	0,80 kr	1,13 kr
Liquid funds including investments			43 160	46 248	46 055
Adjusted equity			58 322	51 815	55 600
Adjusted equity per share			5,09 kr	4,52 kr	4,85 kr
Total assets			68 738	61 282	68 331
Equity ratio			85%	85%	81%
Number of employees (including subsidiaries)			56	45	48