



MindArk PE AB (publ) develops, operates and markets 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.

Mid-Year Report January – June 2011

Technical Development 2011

MindArk's work with developing the technical platform has continued during the first six months of 2011.

The focus has primarily been to further develop the virtual universe to create yet another dimension - Space encompassing all the existing and future planets.

Launching Space

The vision of implementing Space to connect the various planets has always been an important part of the Entropia Universe concept. The development project was initiated during 2010 to prepare for such implementation.

During the first two quarters of 2011 major resources were focused towards completing the Space project and in the middle of June MindArk launched Space as part of Entropia Universe.

New Planet Releases

In May 2011, a 4th planet, Planet Arkadia, was released in Entropia Universe. The company behind Planet Arkadia is based in Singapore and is targeting the Southeast Asian market.

A 5th planet, Cyrene, produced by the company Creative Kingdom with headquarter in Los Angeles, is in full production and is estimated to launch during Q4.

Collaboration with Ericsson

MindArk has worked in close collaboration with Ericsson in a project for developing an advanced voice communication system in Entropia Universe. The technology enables in-depth social interaction capability and enhances the experience for the end users in Entropia Universe.

Ericsson made a public announcement about the collaboration in May 2011. Development continues on the project and the two companies are discussing future joint efforts in marketing.



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MindBank

In March 2010, MindArk put a request to the Swedish Financial Supervisory Authority (Finansinspektionen) to withdraw earlier granted approval to conduct banking activities. During a board meeting in March 2011 it was decided to discontinue all activities related to the bank project.

The Managing Director of MindBank, however, will continue to work close with MindArk's CEO in the process of contracting more partners. The bank project is quality assured and thoroughly documented to prepare for a future application when the necessary funds for establishing the bank can be guaranteed.

Economic Development

Focus on new content to the end users in Entropia Universe and release of Space have together led to an increase of received end user funds.

End users' net contribution for the first six months this year was 23.9 million SEK compared to 20.8 million SEK the previous year, an increase of 15 %.

A complete organizational review resulted in an organizational change, which led to a reduction in staff equivalent to nine full-time employees. That, combined with a deliberate restraint on costs resulted in decreased operating costs from 35.7 million SEK from previous year to 27.3 million SEK this year, a decrease of 23%.

The profit before taxes for the MindArk Group amounts to minus 8.2 million SEK compared to minus 13.4 million SEK previous year.

Cash Flow and Liquid Assets

One of the major goals for 2011 is to re-establish a positive cash flow. MindArk's implemented organizational streamlining were part of this, resulting in lower operating costs. Furthermore, MindArk made investments in new content in Entropia Universe which increased net sales.

The cash flow has hence improved compared to the development during 2010, but it is still negative. The Group's liquid assets as of June 30 were approximately 6.6 million SEK



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compared to approximately 8 million SEK the previous year.

Annual Meeting 2011

The annual meeting for 2011 was held on June 1 in the company's offices. In addition to standard decisions according to the articles of association, it was by the meeting decided to submit an authorization to the Board of Directors to issue new shares at market conditions. The increase of the share capital may be made up of 25 %.

The Board's current members, elected at the Annual meeting 2010, - Fred Rosenthal (Chairman), Jan Welter Timkrans, Christophe Morvan and Urban Näsman - were all reelected. The meeting resolved that

the Board should not have any alternate.

Forecast for Second Half of 2011

The current operation is expected to increase in the second half with higher net deposits than previous year. Furthermore, costs are expected to be significantly lower the second half of 2011 than the same period last year.

Net profit before tax for the second half of 2011 is expected to be better than in the first half of the year with positive results and cash flow for the months of September through December.

Accounting Principles

This semi-annual report has been compiled according to the laws concerning annual accounts.

The accounting principles are unchanged compared to the last annual report.

Receivables are shown as the value at which they are expected to be paid. Other assets and debts are shown at acquisition value unless otherwise noted.

Accrual of income and costs are shown according to accepted accounting practices.

For further descriptions of accounting principles, see 2010 Annual Report.



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Financial Information

For further information concerning the company's financial results, standing and cash flow during the period, see results and balance reports below, as well as the cash flow analysis and key figures.

Göteborg, August 2011

The Board of Directors



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Mid-Year Report January – June 2011

Review report

I have reviewed this report for the period 1 January 2011 to 30 June 2011 for MindArk PE AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with the Swedish Annual Accounts Act. My responsibility is to express a conclusion on this interim report based on my review.

I conducted my review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review

procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Based on my review, nothing has come to my attention that causes me to believe that the interim report is not prepared, in all material respects, in accordance with the Swedish Annual Accounts Act.

Göteborg, 31 August 2011

Magnus Götenfelt
Authorised Public Accountant



INCOME STATEMENT (kSEK)

GROUP

PARENT COMPANY

	JANUARY-JUNE 2011	JANUARY-JUNE 2010	JANUARY-JUNE 2011	JANUARY-JUNE 2010
Net sales	23 907	20 805	23 028	9 152
Other income	213	6 268	1 514	8 455
Operating expenses	- 27 356	- 35 731	- 27 487	- 30 343
Depreciation according to plan	- 4 378	- 4 692	- 3 511	- 3 578
Operating profit	- 7 614	- 13 349	- 6 456	- 16 314
Financial items	- 583	- 55	- 465	5
NET PROFIT BEFORE TAX	- 8 197	- 13 404	- 6 921	- 16 309
	=====	=====	=====	=====


BALANCE SHEET (kSEK)
GROUP
PARENT COMPANY

	JUNE 2011	JUNE 2010	JUNE 2011	JUNE 2010
ASSETS				
Intangible assets	17 003	24 466	17 003	22 429
Tangible assets	18 898	20 886	16 956	17 566
Financial assets	2 095	3 018	9 663	10 586
Receivables	39 141	5 113	7 762	3 892
Prepaid expenses	2 104	2 295	1 483	1 632
Cash and bank balances	6 594	8 089	6 008	7 077
TOTAL ASSETS	85 835	63 867	58 875	63 182
EQUITY & LIABILITIES				
Equity	40 871	50 302	42 369	38 603
Untaxed reserves	0	0	0	11 717
Provisions for deferred tax	0	3 081	0	0
Short-term liabilities	44 964	10 483	16 506	12 862
TOTAL EQUITY & LIABILITIES	85 835	63 867	58 875	63 182
UNCONSUMED USER HOLDING	61 100	63 700	61 100	63 700
PLEDGED ASSETS	1 104	1 622	1 104	1 622



CASH FLOW STATEMENT (kSEK)

GROUP

PARENT COMPANY

JANUARY-JUNE 2011

JANUARY-JUNE 2010

JANUARY-JUNE 2011

JANUARY-JUNE 2010

OPERATING ACTIVITIES

Cash received from customers	24 151	32 382	23 605	22 965
Cash paid to suppliers and personnel	- 26 775	- 37 807	- 26 180	- 29 338
Interest received	65	97	64	97
Interest paid	- 37	- 71	- 0	- 12
Income tax paid	- 103	2 395	- 58	2 455
Cash flow operating activities	- 2 699	- 3 004	- 2 569	- 3 833

INVESTING ACTIVITIES

Purchase of property and equipment	- 304	- 1 169	- 64	-1 019
Sale of property and equipment	68	0	68	0
Investments in other financial assets	- 64	0	- 64	0



Amortization financial assets	687	0	687	0
Increase in long-term receivables	- 254	- 289	- 167	- 289
Cash flow from investing activities	133	- 1 458	460	- 1 308
FINANCING ACTIVITIES				
Other financing / amortization (-)	- 141	- 544	0	0
Cash flow for the period	- 2 707	- 5 006	- 2 109	- 5 141
Ingoing cash and bank balances	9 659	13 122	8 479	12 298
Exchange rate differences in cash and bank balances	- 358	- 26	- 362	- 80
Outgoing cash and bank balances	6 594	8 090	6 008	7 077



KEY RATIOS – MINDARK GROUP	JANUARY-JUNE 2011	JANUARY-JUNE 2010
Net sales (kSEK)	23 907	20 805
Operating profit (kSEK)	- 7 614	- 13 349
Financial items (kSEK)	- 583	- 55
Net profit (kSEK)	- 8 197	- 13 404
Thousand number of shares issued	114 635	114 635
Operating margin	- 32 %	- 64 %
Profit per share (SEK)	- 0.07	- 0.11
Liquid funds (kSEK)	6 594	8 089
Adjusted Equity (kSEK)	40 871	50 302
Adjusted Equity per share (SEK)	0.36	0.44
Total assets (kSEK)	85 835	63 867
Equity ratio	48 %	79 %
Number of employees in the MindArk Group	66	80