

ENTROPIA
UNIVERSUM



MINDARK PE AB ANNUAL REPORT 2007





This annual report comprises Mindark PE AB (publ) with corporate identity number 556640-4769

A copy of the undersigned annual accounts can be obtained from www.bolagsverket.se



07

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2007 – Several essential steps forward for Mindark and Entropia Universe



Jan Welter Timkrans

2007 was the year Mindark took several essential steps forward towards one major milestone goal, namely to make Entropia Universe a platform for companies all over the world aiming to achieve a three-dimensional presence on the Internet.

Several necessary steps accompanied by large investments have been made in this direction in the passed year and I would like to point out a few of them:

Since the first quarter of 2008, **localization** has made the Entropia Universe accessible in a number of languages; to begin with German, French and Spanish will be added to the already existing English language.

Other languages like Chinese, Japanese and Korean to name a few will be added throughout 2008.

Mindark has licensed **a new 3D-graphics engine** from Crytek GmbH in Germany. This investment is a huge financial commitment and many working hours will be needed in order to integrate the software with Entropia Universe. I'm convinced however that all efforts spent will pay off in the end since the CRYENGINE2® from Crytek GmbH will take the graphic appearance of Entropia Universe to a new level of realism and beauty and also facilitate the graphical production for our partners.

Mindark has to date not made any substantial efforts in marketing the Entropia Universe towards increasing its number of end users, or shall we say citizens of Calypso!

Chiefly the marketing efforts so far have been aimed towards attracting business partners with the vision to see the possibilities that a three dimensional virtual universe will bring to their products and business models.

Contracts have so far been signed with CRD, a Chinese government owned company, and just recently with Creative Kingdom Incorporated, an International company in the leisure, architectural and entertainment industry. With its head office in Los Angeles, Creative Kingdom is also represented in several countries around the world.

These partners will establish their own planets within the Entropia Universe and thereby bring new and culturally diversified content to current and future citizens. The partners will also use their resources in marketing activities aimed at bringing in new citizens to populate their planets.



The economic model within Entropia Universe is constructed in such a way that all partners will benefit from an increasing population not only on their own planet but also in the virtual universe as a whole.

Negotiations continue with a number of the world's largest companies active in various business segments such as media, telecom, banking and travel to name a few, for creating the same sort of agreements as mentioned previously.

During the last quarter of 2007, Mindark incorporated its first international subsidiary under the Ilunova SA de CV name in Playa del Carmen, Mexico. Illunova will conduct software development work and customer support on behalf of the parent company. The establishing of a subsidiary, this first one on the American continent, marks the start of a process which aims to establish Mindark representation on all continents world wide.

Last but not the least, in October 2007 Mindark contracted Investment bank Credit Suisse to take the company to an international stock exchange. The stock listing is planned to be accompanied by an IPO. These strengthened financial resources will enable Mindark to expand its business globally at an accelerated pace in support of its present and future partners.

I welcome all shareholders, new as well as old, to join us at Mindark on an exciting journey in 2008.

Göteborg, April 2008

Jan Welter Timkrans
CEO and principal shareholder
Mindark PE AB



Entropia Universe offers a unique mixture of online entertainment, social interaction and e-commerce

Mindark operates, develops and markets the entertainment platform called Entropia Universe, which gives people from all over the world the opportunity of becoming members in a common three-dimensional virtual universe. Entropia Universe offers a unique mixture of online entertainment, social interaction and e-commerce through a ground breaking concept; the connecting of a real cash economy to a gigantic three dimensional virtual universe.

The Basics

The Entropia Universe client software is free to download over the Internet and doesn't involve any subscription fees what so ever. Entropia Universe utilizes a "real cash economy", which means that the internal Entropia Universe economy is linked to the real world economy. This is achieved using a virtual currency called the Project Entropia Dollar (PED). The virtual currency has a fixed exchange rate, guaranteed by Mindark, to the US Dollar, where 10 PED equals 1 USD.

Real currency is entered into Entropia Universe using mainly credit cards and

pre-paid cards. The virtual PED currency may then be exchanged back into real world currency using a direct bank transfer.

The Virtual Universe

The Entropia Universe is set on the distant colony of Calypso, the first habitable planet mankind has ever found. Participants assume the roles of colonists that strive to build a new world together, under threat from the natural elements and a marauding robot force out to destroy the fledgling colony.

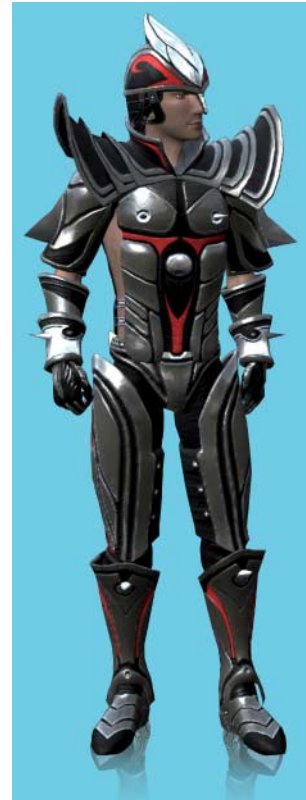
As Calypso is a recently discovered planet, the colonists – participants – must establish their own society and economy. This requires a lot of cooperation and specialization – one person cannot do it all. This means that colonists need to collaborate when it comes to advancing the level of development; it is better to have a specialized miner searching for minerals and an expert tools manufacturer making tools. Should colonists choose to leave the safety of the cities and towns on Calypso, they may have to defend themselves against wild animals, hostile mutants and invading robots.

However the risk can be worth the reward with pristine new land areas to survey and

extract minerals from.

Upon entering Entropia Universe, one creates an alter ego, an avatar (a three-dimensional character which represents the participant in the virtual universe), which can be modeled completely according to the participant's wishes regarding gender, appearance, skin color etc. The avatar is then transported to the virtual planet Calypso where In-World adventures and social interaction with other participants begin. As a participant in Entropia Universe you use PED to acquire virtual land and equipment in order to invest in your avatar's growth and abilities.

Mindark expands and develops Entropia Universe continually, much of which is





based on participant feedback and initiative. This means that the individual, together with others, has the opportunity to participate in the creation of a new civilization, the exploration of whole continents and the establishment of new communities.

Virtual Items and Values

Virtual items are items that exist in the Entropia Universe, like a shirt, a house, or a tool. They are intangible assets, which in Entropia Universe have a real value as they can be bought and sold for PED. The concept is not as strange as it seems, as people have already paid for virtual items, or experiences, for decades. When you for instance buy a painting from a gallery, you

don't pay for the paint and the canvass, do you? No, you pay for the total experience from enjoying the artwork and it's possible investment value. The same theory applies to high end virtual items in Entropia Universe, they also become valuable in real life.

Most items are traded on the free market in Entropia, either through direct participant-to-participant interaction, or by use of the auction system which allows for global trades, or through the numerous shops, marketplaces and shopping malls scattered around the virtual universe. The market imitates the real world where supply and demand determine price and availability. Some of the rarer virtual items in Entropia Universe have a market value

of over 100,000 USD. This may seem a lot, but the perceived value, both in function and/or status warrants it.

Just like in the real world, where you live virtually is also important. If you can find a nice three room condo next to one of Entropias celebrity players, you will have to be able to afford paying premium money for the estate, compared to an apartment of equal size somewhere in the virtual suburbs. As the virtual universe is composed of real human beings behind every avatar, real world mechanics, psychology and social patterns are imitated in the society built by Entropia participants.

The Year 2007 in Review

Highlights

The Göteborg Company Award

Mindark wins the prestigious Göteborg Company Award 2007 and accepts it from Göteborg's Mayor Göran Johansson. The Company Award was introduced by the Trade and Industry Group in January 1994, and has so far been won by over 40 companies. The award is aimed at supporting industrial development in the Göteborg region and rewarding positive enterprise that benefits customers, employees, business owners and society.

Contract Signing Ceremony for Entropia Universe entering China

Mindark and Chinese Cyber Recreational Development Corp. sign an agreement to create the largest cash-based virtual world ever. Present during the ceremony were, besides Mindark and CRD representatives, also Göteborg's Mayor Göran Johansson and officials from Business Region Göteborg. The new project will permit up to 7 million concurrent users logged into the virtual universe with an overall aim to attract some 150 million users from all over the world. Entropia Universe China, a three-dimensional universe on the Internet intended for entertainment, work, commerce, community building, culture, and much more, is expected to generate over one billion USD annually in commerce from this partnership.

Mindark are invited to meet the Joint Economic Committee of the U.S. Congress

With Entropia Universe and other virtual spaces growing tremendously over the past year, the U.S. Congress

turned to Mindark and its experience with Entropia to shed light on a number of issues where virtual worlds may intersect with public policy. Mindark's expertise proved very helpful in this matter and the opportunity was greatly appreciated to discuss insights, observations and concerns.

Mindark selects State-of-the-Art CryENGINE2® to Bring Real-Life Look to Entropia

Mindark has signed a license agreement to use the stunning high-tech game engine CryENGINE 2®, from famed German developer Crytek GmbH, creators of "Far Cry®" and "Crysis®." This will make Entropia Universe the closest-to-reality looking massively multiplayer online game ever seen. The transition to an Entropia Universe platform built around this new technology is expected to be finished during 2008, and will be available to all Entropia Universe partners.

Entropia Universe enters 2008 Guinness World Records Book for "Most Expensive Virtual World Object"

Entropia's real cash economy model proves its commercial viability by attracting the largest real cash investments in virtual items. The new 2008 Guinness World Records book features Club NEVERDIE, an asteroid space resort bought for 100,000 USD by famous gamer Jon NEVERDIE Jacobs as "The Most Expensive Virtual Object." The asteroid space resort which boasts a nightclub, shopping mall, 1000 apartment complex, commercial space ship docking, mega sports stadium, and hunting



and mining biodomes is the highest grossing privately owned virtual event venue online, estimated to be worth in excess of one million USD if ever placed back on the market.

Mindark Intends To Go Public

Mindark plans an initial public offering (IPO). Mindark is in the process of preparing for its upcoming IPO, which is likely to include an offering of newly issued registered shares as well as existing shares. Mindark intends to use the proceeds from the newly issued shares to implement its growth strategy, in particular the expansion of its market position and pursuit of potential acquisition opportunities.

Jan Welter, CEO of Mindark, said: “As a publicly traded company Mindark will be able to acquire intellectual property and make strategic acquisitions that will enhance and expand Entropia Universe as the leading virtual platform for Entertainment, Commerce, Education and Avatar Development. The IPO will also give us an opportunity to substantially expand our development team and to further develop our many current virtual systems and user tools employed by users to engage in commerce, as well as to develop new ones”.

Mindark has appointed Credit Suisse to help the company evaluate its strategic alternatives including planning for the IPO.

Entropia Universe



Presence at all the Big Events Worldwide

Mindark was present at the important events around the world. Here is a selection of the events.

Virtual Worlds Forum Europe 2007 – London

Mindark present Entropia Universe at the Virtual Worlds Forum Europe, 23 - 26 Oct. 2007. The pan-European virtual worlds conference connected brands, major corporations, digital and virtual worlds agencies, media and entertainment players and games companies, technology suppliers, analysts and commentators, lawyers, regulators and venture capitalists and all those harnessing the power of virtual worlds to engage with clients, suppliers or customers. The event had over 450 attendees from 23 countries.

E for All Games Convention – Los Angeles

Mindark exhibit Entropia Universe at the E for All Games Convention 18–21 Oct. 2007. The event saw 18,000 visitors over four days, with Mindark staff conducting a range of special competitions, give-aways and fashion shows for Entropia Universe fans and media. Entropia Universe was subsequently deemed “Best Original Game” at the E for All Convention by GamePro.com

Leipzig Games Convention – Leipzig

Mindark exhibit Entropia Universe at the Leipzig Games Convention, 23–26 Aug. 2007. Making the most of the event which saw 200,000 visitors over four days, Mindark staff planned a range of special competitions, give-aways and sneak previews for Entropia Universe fans old and new. Some 2,800 journalists from over 35 countries attended this international meeting point for commerce, developers, publishers, manufacturers and service providers from the computer and video game sector.

Virtual Worlds Conference 2007 – New York City

Mindark representatives were invited to the first Virtual Worlds Conference at the Museum of Jewish Heritage in New York on March 28–29. More than 600 professionals from 19 countries participated in the Conference, the leading event for Fortune 500 businesses seeking to understand and maximize marketing and business strategies within virtual worlds. VW07 gave an inside look at the Virtual Worlds activities of MTV, Disney, AOL, Pontiac, Nickelodeon, Leo Burnett, Sundance Channel, GSDM, IBM and other major brands.

Share Capital and Ownership Structure

The share capital in Mindark PE amounts to 1 146 350 SEK, with a total of 11 463 500 shares issued, leading to a quota value of 0,10 SEK per share. All shares issued have equal rights to equity and earnings and are entitled to one vote each. The shareholders register is managed by VPC, the Swedish Securities Center. Since incorporation in 2003 the share capital has developed as follows.

Share Capital Development

Time	Event	Increase in number of shares	Total number of shares	Increase in share capital	Total share capital
February 2003	Founded	1 000	1 000	100 000	100 000
July 2003	Split 100:1	99 000	100 000	0	100 000
September 2003	New share issue	900 000	1 000 000	900 000	1 000 000
March 2006	New share issue	146 350	1 146 350	146 350	1 146 350
October 2006	Split 10:1	10 317 150	11 463 500	0	1 146 350

Ownership structure according to the Swedish Register Centre 2007-12-31

Shareholders	Shareholdings December 31 st 2007	Proportion of shares and votes
Jan Welter Timkrans	4 346 030	37,9%
CG Bothén AB	3 060 000	26,7%
Kronboken AB	222 650	1,9%
Lars Hammarström	199 220	1,7%
Urban Bothén	195 000	1,7%
Other shareholders	3 440 600	30,1%
Total	11 463 500	100%

Board of Directors 2007

Board of Directors



Jan Welter Timkrans

Age: 51

Title: Chief Executive Officer

Number of shares owned: 4,346,030

Background: Member of the board since incorporation in 2003.

Studies at Chalmers 1978–1984.

More than 20 years of experience in executive positions leadership.

Creator of Entropia Universe and founder of Mindark PE AB.



Lennart Molander

Age: 59

Title: Chairman of the board

Number of shares owned: 0

Background: Solicitor and member of the Swedish Bar Association since 1992.

More than 30 years experience in legal practice and

is currently a partner and operative at Lindahls

Göteborg office.



Bernt Wählin

Age: 53

Title: Board member and

Chief Personnel Manager at Mindark PE

Number of shares owned: 29,860

Background: Member of the Board since incorporation in 2003.

Studies at Chalmers 1974–1979.

More than 20 years experience of management assignments.

Has been with Mindark since 1999.



Hans Andersson

Age: 60

Title: Board member

Number of shares owned: 650

Background: CFO at Elof Hansson AB in Göteborg. Previously

Senior Vice President at Handelsbanken in Umeå, Stockholm

and Göteborg.

Leading Officials 2007

Leading Officials



Magnus Eriksson

Age: 37
Title: Chief Development Officer
Number of shares owned: 24,050
Background: Masters degree in Computer Science from Mälardalens Högskola. Has previously worked with educational graphical software for industrial production purposes. Has been with Mindark since 2000.



Anders Stenlund

Age: 50
Title: Chief Financial Officer
Number of shares owned: 222,650 through company
Background: Economic graduate from University of Göteborg with 25 years experience of accounting and finance. Has been at Mindark since 1999.



Cornelia Sundström

Age: 34
Title: Customer Service Director
Number of shares owned: 8,000
Background: Studies in Communication Science and Social anthropology at Freie University in Berlin 1996–2002. Several years experience of service industry professions. Has been at Mindark since 2005.



David Simmonds

Age: 47
Title: Business Development Director
Number of shares owned: 0
Background: University graduate, moved to Sweden from England in the late 90's. More than 25 years experience of business development in IT, telecom & security of which more than 20 years as owner/ managing director. Has been at Mindark since 2006.



Marco Behrmann

Age: 35
Title: Chief Information Officer
Number of shares owned: 41,050
Background: System science education at University of Göteborg. Has worked with various computer games for about 10 years. Has been with Mindark since 2002.



Frank Campbell

Age: 35
Title: Public Relations Director
Number of shares owned: 0
Background: Studies at Cork Institute of Technology, Ireland 1990-1992. Previous experience from music industry. Has been at Mindark since 2006.



Carl Ugglä

Age: 64
Title: Chief Marketing Officer
Number of shares owned: 1,300
Background: Marketing degree from University of Linköping. Has previous experience from management positions within marketing, restaurant businesses and music industry among others. Has been with Mindark since 2005.



Christian Björkman

Age: 32
Title: Business Director of Special Projects
Number of shares owned: 0
Background: Degrees from Lund University, School of Law and San Diego State University, School of Business. Previous experience includes management positions within strategic and international marketing in the visualization industry. Christian has been with Mindark since 2007.

Several Year Summary and Key Ratios

Several year summary

Amounts in kSEK if not otherwise stated	2007	2006	2005	2004	2003
BALANCE SHEET					
Fixed assets	13 711	10 521	10 533	5 563	5 405
Current receivables	8 620	7 773	2 737	1 531	673
Liquid funds including investments	46 055	32 979	3 710	459	521
Equity	48 027	38 937	3 709	1 143	1 009
Untaxed reserves	10 518	5 200	3 320	480	0
Interest bearing liabilities	0	0	2 232	3 279	3 921
Current liabilities	9 586	7 136	7 717	2 652	1 668
Total assets	68 331	51 273	16 980	7 553	6 599
INCOME STATEMENT					
Net sales	69 709	59 038	28 219	16 908	4 976
Operating profit before income affecting comparability	19 351	22 551	6 683	868	160
Financial items	1 034	1 045	-139	-184	-89
Profit after financial items	18 108	14 595	6 544	684	71
Transfers to and from untaxed reserves	- 5 318	-1 880	-2 840	-480	0
Income tax for the year	- 3 700	-2 000	-1 136	-71	-61
Net profit	9 090	10 716	2 568	133	9
Adjusted net profit	12 919	12 069	4 612	479	9
ECONOMIC KEY RATIOS					
Adjusted equity	55 600	42 681	6 100	1 488	1 009
Equity ratio	81%	83%	36%	20%	15%
Debt equity ratio	0,2	0,2	1,8	4,1	5,5
Operational capital employed	55 600	42 681	8 333	4 767	4 930
Investments	7 319	2 949	6 882	1 317	5 677
Number of shares issued adjusted for split	11 463 500	11 463 500	10 000 000	10 000 000	10 000 000
Adjusted equity per share	4,85 SEK	3,72 SEK	0,61 SEK	0,15 SEK	0,10 SEK
Operational profit margin	26%	38%	24%	5%	3%
Return on operational capital	33%	56%	80%	18%	3%
Return on equity	33%	56%	107%	46%	7%
Earnings per share	1,13 SEK	1,05 SEK	0,46 SEK	0,05 SEK	-
Average number of employees	48	32	24	20	18
KEY RATIOS ENTROPIA UNIVERSE					
Newly registered customer accounts	125 381	145 698	133 265	76 495	76 476
Relative growth of new customers	-14%	9%	74%	0%	
Gross funds provided in kPED	145 961	110 696	47 321	29 072	6 492
Requested withdrawals in kPED	32 422	20 174	4 827	1 042	906
Net funds deposited in kPED	113 539	90 522	42 494	28 030	5 586
Relative growth in deposits	25%	113%	52%	402%	

Key Ratio Definitions

Net sales:

Funds deposited by customers reduced by requested and implemented withdrawals

Adjusted equity:

Total equity +72% of untaxed reserves

Equity ratio:

Adjusted equity in percentage of total assets

Debt equity ratio:

Total liabilities including deferred tax liability divided by adjusted equity

Operational capital employed:

Total assets – (non interest bearing liabilities +28% of untaxed reserves)

Operational profit margin:

Operational profit excluding items affecting comparability in percentage of net sales

Return on operational capital:

Profit after financial items + financial cost as a percentage of average operational capital employed

Adjusted net profit:

Net profit +72% of transfers to untaxed reserves

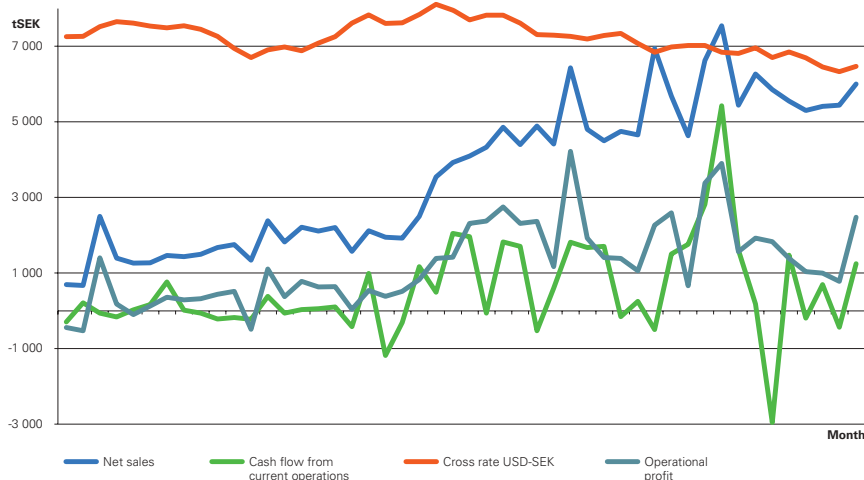
Return on equity:

Profit after financial items as a percentage of average adjusted equity

Earnings per share:

Adjusted net profit divided by the number of shares issued at the end of the financial year

Monthly Sales – Profit – Cash Flow. January 2004 – December 2007.



Director's Report 2007

The Board of Directors and Chief Executive Officer for Mindark PE AB (publ) hereby present the Annual Report for January 1st – December 31st 2007

Activity

The company runs and develops Entropia Universe which is a three-dimensional Internet based virtual universe, globally available and free of charge for everyone with access to an Internet connection.

Important events during 2007

Development of the technical platform

In February a new server-park for Entropia Universe was launched. The servers are situated in a co-location center. The investment in computer hardware amounts to 2,8 million SEK.

During 2007 Entropia Universe development work has focused on preparing the technical platform for the establishment of new partner planets in the virtual environment.

The first step was taken in May when Mindark signed an agreement with the Chinese company CRD, Cyber Recreation Development Corporation, in Beijing in order to establish a gigantic virtual planet in Entropia Universe for the Chinese market.

The altered focus has meant a decrease in the number of version updates for the computer software of Entropia Universe. The decrease is reflected in a lesser growth-rate for corporate income.

In July Mindark signed a license agreement with German software developer Crytek GmbH, the purpose being to implement their software CryENGINE2® in

Entropia Universe. CryENGINE2® is an extremely advanced graphics engine which Mindark anticipates will raise the users visual experience of Entropia Universe to new heights.

Marketing

Mindark has spent considerable resources in marketing Entropia Universe as a three-dimensional Internet platform for potential partners.

Mindark has been present as exhibitor at several of the big international exhibitions for Information technology and Internet based entertainment.

Moreover Mindark has invested 2,2 million SEK in a portable exhibition stand which has been used at big exhibitions in both Leipzig and Los Angeles.

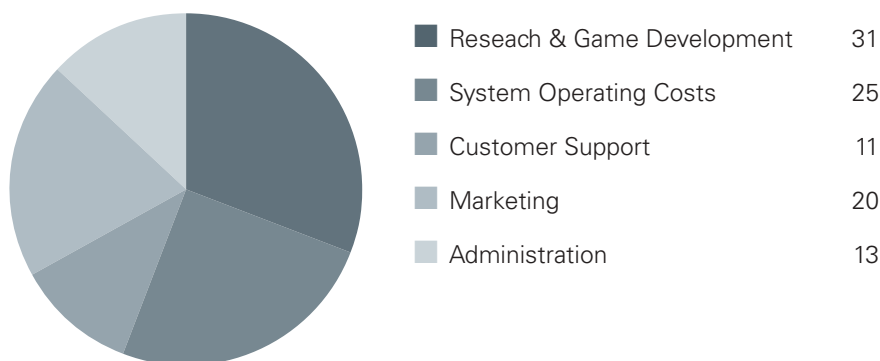
Stock listing and IPO

In December Mindark signed an agreement with Credit Suisse, one of the largest investment banks with a world-wide representation. The agreement stipulates that Credit Suisse shall act as sole book-running manager to Mindark in the process of floating the Mindark share on a leading international stock market. Prior to the floatation an IPO will be conducted.

Financial development

The activity in Entropia Universe has continued to grow. Net turnover rose to 70 million SEK, an increase with 18% compared with the previous year. The growth rate in turnover has been affected negatively by the declining

Corporate cost 2007 – 52,6 MSEK separated per division (%)



exchange rate for USD versus SEK which during 2007 weakened by a little more than 8 percent.

Mindarks total expenses for operating and developing Entropia Universe amounted to 47 million SEK excluding items affecting comparability compared to 33,5 million SEK the previous year, a 40 percent increase. This is related to heavy investments made in platform development, marketing and organization which to a considerable rate have been accounted for as operating expenses.

Although a considerable increase in operating expenses was accounted for, Mindark can still report a positive total cash flow of 13 million SEK for 2007 compared to 29 million SEK the previous year. Cash flow from current operations was 18,5 million SEK compared to 14,9 million SEK the previous year.

Cash and bank balances including short-term investments amount to 46 million SEK at the end of the financial year compared to 33 million SEK the previous year.

125,000 new subscriber accounts have been created, a decrease of 14 percent.

Profit before items affecting comparability transfers to untaxed reserves and tax amount to 18,3 million SEK, previous year 21,5 million SEK a decrease with 19 percent.

The annual shareholders meeting

The annual shareholders meeting was held in Göteborg on June 1st at Mindarks premises. In addition to common issues some minor adjustments were made to the articles of incorporation.

Important events in 2008

Another partner agreement concluded

In February an additional partner agreement for establishing a new planet in Entropia Universe was concluded with Creative Kingdom Incorporated, an international media group of companies based in Los Angeles. According to plan, Creative Kingdom will launch its own planet late 2008.

Profit sharing system for Mindark personnel

The board has decided to implement a profit sharing system for all Mindark personnel based around a foundation which will be incorporated in early 2008. The first allocation of profit in favor of the foundation, one million SEK, was

made from the 2007 profit. The target for the future is to allocate five percent of Mindarks yearly operating profit to the foundation. The profit sharing system will be open to all personnel, excluding directors, employed by any company in the Mindark group at the time of incorporation.

Incorporation of a Mexican subsidiary

Late 2007 a Mexican subsidiary was registered under the name Ilunova SA de CV. Ilunova will conduct software development and customer support for Mindark. The operation was launched in February and therefore will not be consolidated in Mindark's account for 2007.

The establishment and the infrastructure for Ilunova will be financed by the parent company through a promissory note loan where the interest rate will be set to market price. At the end of the financial year Mindark had an outstanding advance-finance on 1,4 million SEK.

Expected future development

The operation of Entropia Universe is expecting a continuous rapid growth boosted by the establishment of new partner planets in Entropia Universe.

The board's proposition for distribution of earnings

The Board of Directors and the Chief Executive Officer propose that the net profit and retained earnings will be carried forward.

Retained earnings	37 740 999
Net profit for the year	9 089 560
Summary	46 830 559
Amount carried forward	46 830 559

No profit distribution is proposed to take place.

Further inquiries are directed to the below listed income statement, balance sheet and cash flow statement with accompanying notes.

Income Statement

SEK	Note	2007	2006
OPERATING INCOME			
Net sales	1	69 708 611	59 037 742
OPERATING EXPENSES			
Other external cost	2	-22 990 174	-14 052 737
Personnel cost	3,4	-24 243 927	-19 473 675
Amortization & depreciation according to plan	5	-4 158 086	-2 960 693
Items affecting comparability	6	-1 242 600	-9 000 000
		-52 634 787	-45 487 105
Operating profit		17 073 824	13 550 637
FINANCIAL ITEMS			
Interest income		1 233 396	1 117 048
Interest cost		-199 225	-72 189
Profit after financial items		18 107 995	14 595 496
Transfers to untaxed reserves	7	-5 318 000	-1 880 000
Income tax on profit for the year		-3 700 435	-1 999 697
Net profit		9 089 560	10 715 799

Balance Sheet

SEK	Note	2007-12-31	2006-12-31
ASSETS			
FIXED ASSETS			
INTANGIBLE ASSETS			
Entropia Universe	8	5 606 918	8 584 479
Other intangible assets	9	370 913	0
TANGIBLE ASSETS			
Buildings and land	10	1 936 734	1 936 734
Equipment and installations	11	5 767 092	0
FINANCIAL ASSETS			
Shares in subsidiary	12,13	29 500	0
Total fixed assets		13 711 157	10 521 213
CURRENT ASSETS			
CURRENT RECEIVABLES			
Receivables from payment providers	14	1 856 407	2 179 289
Other receivables	15	2 017 310	204 239
Prepaid expenses	16	4 691 038	5 389 199
		8 564 755	7 772 727
INVESTMENTS			
Other investments	17	39 064 664	20 049 159
Cash and bank balances		6 990 294	12 930 208
Total current assets		54 619 713	40 752 094
TOTAL ASSETS		68 330 870	51 273 307
EQUITY AND LIABILITIES			
EQUITY			
	18		
RESTRICTED EQUITY			
Share capital (11 463 500 shares)		1 146 350	1 146 350
Statutory reserve		50 000	50 000
		1 196 350	1 196 350
UNRESTRICTED EQUITY			
Share premium reserve		24 365 295	24 365 295
Profit carried forward		13 375 704	2 659 904
Net profit		9 089 560	10 715 799
		46 830 559	37 740 998
Total equity		48 026 909	38 937 348

Balance Sheet (CONT.)

SEK	Note	2007-12-31	2006-12-31
UNTAXED RESERVES			
Untaxed reserves	19	10 518 000	5 200 000
SHORT-TERM LIABILITIES			
Accounts payable		3 949 936	855 031
Income tax liability		200 435	586 632
Other liabilities		2 366 324	2 202 689
Accrued expenses	20	3 269 266	3 491 607
		9 785 961	7 135 959
TOTAL EQUITY AND LIABILITIES		68 330 870	51 273 307
MEMORANDUM ITEMS			
Pledged assets		50 000	50 000
SHORT-TERM LIABILITIES			
Unconsumed user holdings	21	35 000 000	21 000 000

Cash Flow Statement

SEK	Note	2007	2006
CURRENT OPERATIONS			
Profit after financial items		18 107 995	14 595 497
Amortization and depreciation	22	4 158 086	2 960 693
Paid income tax		- 4 089 369	- 2 561 606
Cash flow from current operations before changes in working capital		18 176 712	14 994 584
CASH FLOW FROM WORKING CAPITAL			
Changes in current receivables		- 789 290	- 5 035 259
Changes in current liabilities		3 036 200	- 2 252 150
Cash flow from current operations		20 423 622	7 707 175
ASSET MANAGEMENT OPERATIONS			
Investments in intangible assets	23	-377 200	- 1 011 983
Investments in tangible assets	24	-6 941 330	- 1 936 734
Investments in financial assets		-29 500	0
Cash flow from asset management operations		- 7 348 030	- 2 948 717
FINANCING			
New share issue		0	24 511 645
Cash flow from financing		0	24 511 645
CASH FLOW FOR THE YEAR			
Opening cash and bank balances		32 979 367	3 709 264
Closing cash and bank balances	25	46 054 959	32 979 367
CASH FLOW FOR THE YEAR		13 075 592	29 270 103

Supplementary disclosures

Accounting principles

The annual report 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 allocation of income and expenses has been done according to the professional ethics for accountants.

Notes

(amounts in SEK unless otherwise stated)

NOTE 1. NET SALES

Corporate revenues consist of the net sum of deposited amounts to the withdrawn amounts from Entropia Universe made by users. The net revenues are presented in the income statement after deduction of user requested reimbursements.

	2007	2006
Deposits	88 670 359	71 321 143
Reimbursements	-19 060 752	-12 518 332
Other income	99 004	234 932
	69 708 611	59 037 743
Distribution of net sales through different geographical markets		
Users within the European Union	39 480 435	31 073 260
Users from rest of the world	30 228 176	27 964 483
	69 708 611	59 037 743

NOTE 2. REMUNERATIONS

Entered expenses for audit fee	127 200	75 000
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The auditors have not performed any consultation work for the company.

NOTE 3. EMPLOYEES AND PERSONNEL COST

Average number of employees

Female	9	6
Male	39	33
	48	39

Wages, remunerations and social security cost

Paid to members of the Board and CEO	1 118 000	1 517 826
Paid to other employees	15 801 685	11 281 049
Pension cost to other employees	104 776	23 178
Social security cost	5 716 123	4 100 018
	22 740 584	16 922 071

The Board of Directors is completely comprised of men.

The annual shareholders meeting 2007 decided on a remuneration to the Board members in equivalence of 300 000 SEK. The amount will be paid during 2008. The chairman of the Board is not employed by the company. Two of the four board members are employed by the company.

Notes

NOTE 4. ABSENCE DUE TO ILLNESS

Absence is quoted in percentage of the total ordinary working hours for every group of employees

	2007	2006
All employees	2,0%	1,6%
Female	4,9%	0,8%
Male	1,4%	0,1%
Employees in age group 29 years or younger	2,6%	0,1%
Employees in age group 30-49 years	2,0%	1,0%
Employees in age group over 50 years	0,9%	0,4%

NOTE 5. AMORTIZATION & DEPRECIATIONS

Fixed assets are amortized and depreciated according to plan over the anticipated economic lifetime. The following percentages are deployed.

Intangible assets

Acquisition value for Entropia Universe and Capitalized expenditures 20%

Tangible assets

Equipment and tools 20%
Computer hardware 33%

NOTE 6. ITEMS AFFECTING COMPARABILITY

The board has decided to implement an profit sharing scheme for all personnel. The program will be designed around a foundation incorporated by Mindark staff. The beneficiaries will be all personnel employed by the company at the time of incorporation.

According to the rules for administration stipulated by Mindark the foundation shall place the majority of its funds in Mindark shares.

The first allocation of profit in favor of the foundation is made from the 2007 profit. The aim is to allocate five percent of operational profit before tax to the profit sharing scheme.

	2007	2006
Termination of royalty agreement		6 803 750
Social security cost		2 196 250
Allocation of profit to profit sharing scheme	1 000 000	0
Special employers contribution	242 600	0
	1 242 600	9 000 000

Notes

NOTE 7. UNTAXED RESERVES

	2007	2006
Additional depreciation intangible assets	18 000	-500 000
Additional depreciation tangible assets	900 000	0
Transfer to tax allocation reserve	4 400 000	2 380 000
	5 318 000	1 880 000

NOTE 8. INTANGIBLE ASSETS – ENTROPIA UNIVERSE

Relates to the acquisition value and amortization of the Entropia Universe.

Accumulated acquisition value

Acquisition value brought forward	14 887 778	13 875 795
Acquisition during the year	0	1 011 983

Accumulated acquisition value brought forward	14 887 778	14 887 778
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Accumulated amortization

Amortization brought forward	-6 303 299	-3 342 606
Amortization according to plan	-2 977 561	-2 960 693

Accumulated amortization brought forward	-9 280 860	-6 303 299
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Entered net value carried forward	5 606 918	8 584 479
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NOTE 9. OTHER INTANGIBLE ASSETS

Relates to acquisition and amortization of web sites for Mindark and Entropia Universe.

	2007	2006
Accumulated acquisition value		
Acquisition value	377 200	0
Accumulated acquisition value brought forward	377 200	0
Accumulated amortization		
Amortization according to plan	-6 287	0
Accumulated amortization brought forward	-6 287	0
Entered net value carried forward	370 913	0

Notes

NOTE 10. BUILDINGS AND LAND

Relates to acquisition of a real estate property in Dresden, eastern Germany. The building is undergoing a complete restoration of which a total of 1,4 million SEK has been accounted for as operating expenses during 2007. The restoration work is planned to be finalized during 2008.

	2007	2006
Accumulated acquisition value		
Acquisition value	1 936 734	1 936 734
Accumulated acquisition value brought forward	1 936 734	1 936 734
Entered net value carried forward	1 936 734	1 936 734

No depreciation has been made.

NOTE 11. EQUIPMENT TOOLS AND INSTALLATIONS

Mindark has reclassified all acquisitions for computer hardware including servers and workstations, from prepaid expenses allocated over 12 months as expendable equipment, to tangible assets with a fixed depreciation plan over three years, starting with acquisitions from January 2007 and onwards.

The reclassification is dependent on a significant increase in economic lifetime for computer hardware in recent years.

Considerable investments for hardware and implementation of a new server park have been made. The new server-park was launched in February 2007.

	2007	2006
Accumulated acquisition value		
Acquisition value	6 941 330	0
Accumulated acquisition value brought forward	6 941 330	0
Accumulated amortization		
Amortization according to plan	-1 174 238	0
Accumulated amortization brought forward	1 174 238	0
Entered net value carried forward	5 767 092	0

NOTE 12. PARTICIPATIONS IN GROUP COMPANIES

	2007-12-31	2006-12-31
Accumulated acquisition value		
Purchases	29 500	0
Year-end accumulated acquisition value	29 500	0
Closing balance	29 500	0

Notes

NOTE 13. SPECIFICATION PARTICIPATIONS IN GROUP COMPANIES

	Proportion of equity	Share of voting power	Number of shares	Book value	Market value
Ilunova SA de CV	100	100	100	29 500	0
				29 500	0

Details around corporate identity number and domicile:

	Corp.id.	Domicile	Equity capital	Result
Ilunova SA de CV	0710163	Quintana Roo, Mexico	29 500	-227 798
			29 500	0

The cost refers to establishing the office and its infra-structure in Mexico. Business activities start in February 2008.

NOTE 14. RECEIVABLES FROM PAYMENT PROVIDERS

Refers to Mindarks outstanding receivables on all contracted payment providers. The open balance contains payment confirmed by the provider but not received by Mindark on the balance day.

NOTE 15. RECEIVABLES FROM GROUP COMPANIES

	2007-12-31	2006-12-31
Accumulated acquisition value		
Clearing account with Ilunova SA de CV	1 383 772	0
Year-end accumulated acquisition value	1 383 772	0
Closing balance	1 383 772	0

NOTE 16. PREPAID EXPENSES

Mindark has reclassified all acquisitions of computer hardware, from prepaid expenses allocated over 12 months as expendable equipment, to tangible assets with a fixed depreciation plan over three years, starting with acquisitions from January 2007 and onwards.

During 2007 considerable amounts has been invested in licenses for software development. The most significant being the CryENGINE2® graphical engine, tools for development of web pages and consultancy fees for translation of the client software to new languages.

	2007	2006
Computer hardware for new game server-park	0	3 185 243
Other allocated acquisitions for computer hardware	0	1 508 727
License fees for computer software	3 009 996	0
Translation of client software	663 061	0
Other prepaid expenses	839 622	695 229
	4 512 679	5 389 199

Notes

NOTE 17. OTHER INVESTMENTS

Relates to investing surplus cash balances in interest bearing low risk investments.

	2007	2006
Commercial papers with a duration less than 3 months	32 980 263	13 973 903
Interest fund	6 084 401	6 075 256
	39 064 664	20 049 159

NOTE 18. CHANGES IN SHAREHOLDERS EQUITY

Number of shares: 11 463 500

	Share capital	Statutory Reserve	Share premium reserve	Profit carried forward	Net profit
Opening balance	1 146 350	50 000	24 365 295	2 659 905	10 715 799
Shareholders meeting				10 715 799	-10 715 799
Net profit					9 089 560
Outgoing balance	1 146 350	50 000	24 365 295	13 375 704	9 089 560

NOTE 19. UNTAXED RESERVES

	2007-12-31	2006-12-31
Tax allocation reserve 2004	80 000	80 000
Tax allocation reserve 2005	1 340 000	1 340 000
Tax allocation reserve 2006	2 380 000	2 380 000
Tax allocation reserve 2007	4 400 000	0
Acc additional depreciation intangible assets	1 418 000	1 400 000
Acc additional depreciation tangible assets	900 000	0
	10 518 000	5 200 000

NOTE 20. ACCRUED EXPENSES

User requested reimbursements of funds from Entropia Universe are accounted for as an accrual in the balance sheet. At the closing day total debt amounts to:

	2007	2006
User requested reimbursements not yet performed	1 601 448	2 503 232
Other accrued operating expenses	1 425 219	988 375
	3 026 667	3 491 607

Notes

NOTE 21. CONTINGENT LIABILITIES

Unconsumed user holdings

Mindark defines operating income from Entropia Universe as the net amount of provided and withdrawn funds by users.

Users of Entropia Universe can at any time request a reimbursement of all their unconsumed assets in the virtual currency PED. Mindark then reserves the corresponding amount in SEK as an accrual.

It is not possible to determine whether a certain amount in PED at any given time will be withdrawn from Entropia Universe or spent on activities within the virtual environment. Mindark therefore consider all unconsumed amounts in PED as a contingent liability.

The total value of all unconsumed PEDs is constantly changing due to activities inside the virtual environment in Entropia Universe. The amount is calculated at 35 million SEK on the balance day (previous year 21 million SEK).

The amount that on the balance day has been withdrawn by users but not yet settled by Mindark is entered as accruals in the balance sheet. The amounts appear in note 20.

NOTE 22. ADJUSTMENTS FOR ITEMS NOT INCLUDED IN THE CASH FLOW

	2007	2006
Depreciation	4 158 086	2 960 693

NOTE 23. INVESTMENTS IN INTANGIBLE ASSETS

Change in the balance sheet	370 913	0
Depreciation according to plan	6 287	0
Acquisition of intangible assets	377 200	0

NOTE 24. INVESTMENTS IN TANGIBLE ASSETS

Change in the balance sheet	5 767 092	0
Depreciation according to plan	1 174 238	0
Acquisition of intangible assets	6 941 330	0

Notes

NOTE 25. CASH AND BANK BALANCES

Liquid funds		
Cash and bank balances	6 990 294	12 930 208
Other investments	39 064 664	20 049 159
	46 054 958	32 979 367

Göteborg, in April, 2008

LENNART MOLANDER
CHAIRMAN OF THE BOARD

HANS ANDERSSON

JAN WELTER TIMKRANS
CHIEF EXECUTIVE OFFICER

BERNT WÄHLIN

Auditor's endorsement

My audit report concerning this annual report has been issued on May 6, 2008

PETER ÖNNHEIM
AUTHORIZED PUBLIC ACCOUNTANT

Audit Report

To the annual general meeting of the shareholders of MindArk PE Aktiebolag

Corporate identity number 556640-4769

I have audited the annual accounts, the accounting records and the administration of the board of directors and the managing director of MindArk PE Aktiebolag for the year 2007. The annual accounts of the company is included on pages 16-29 of this document. These accounts and the administration of the company are the responsibility of the board of directors and the managing director. My responsibility is to express an opinion on the annual accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, and significant estimates made by the board of directors and the managing director when preparing the annual accounts as well as evaluating the overall presentation of information in the annual accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. I also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and, give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The board of director's report is consistent with the other parts of the annual accounts.

I recommend to the annual general meeting of shareholders that the income statement and balance sheet be adopted, that the profit be dealt with in accordance with the proposal in the board of director's report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Göteborg, May 6, 2008

PETER ÖNNHEIM

AUTHORISED PUBLIC ACCOUNTANT



What is the
UNIVERSE
made of?



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