

**ANNUAL REPORT  
AND  
CONSOLIDATED ACCOUNTS**

**for**

**MindArk PE AB (publ)**

(Corporate identity SE - 556640-4769)

**Financial year**

**2022**

The Board of Directors and Chief Executive Officer of MindArk PE AB (publ) hereby present the Annual Report for January 1<sup>st</sup> – December 31<sup>st</sup> 2022.

The annual report is prepared in Swedish Kronor (SEK).

This English version of MindArk's annual report is a shorter and somewhat summarized version of the official Swedish version of the company's annual report.

## **Directors' report**

### **Business**

MindArk PE AB (publ) develops, operates and markets Entropia Universe and the Entropia Platform. Entropia Universe is a virtual universe with a unique integrated economic system. 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 the Entropia Universe.

### **Market and Competition**

The video game industry is one of the largest industries in the entertainment sector, with higher revenue than both the film and music industries combined.

After significant growth during the pandemic, the industry's growth has slowed in 2022. This adjustment is due to the lifting of restrictions and more people returning to their workplaces, as well as people being able to attend live events for entertainment again. Compared to 2021, global playtime for console and PC has decreased by almost 15%, and less money has been spent on games (Newzoo 2023). Despite the overall decrease in the global video game industry's revenue in 2022, MindArk and Entropia Universe have increased both in revenue and profit compared to the previous year.

In 2022, revenue for the PC and console segment of the video game industry decreased by 2.2% compared to the previous year, with a total of 92.3 billion USD. The forecast for 2023 is that revenue for PC and console will increase to 97.4 billion USD, and the growth is expected to continue in the coming years (Newzoo 2023).

MindArk has no direct competitors, as Entropia Universe is a virtual universe with a real economy. The segments closest to compare with MindArk's business are the Metaverse and the MMORPG (Massively Multiplayer Online Role-Playing Game) category. Within these categories, MindArk competes with other major global players. One of the largest online games in the western world is Activision Blizzard's World of Warcraft. MindArk's Entropia Universe differs from World of Warcraft and other MMORPGs and holds a unique position in the market, mainly due to the vast opportunities that the game's economic system offers.

In recent years, the concept of the Metaverse has increased in popularity, and several actors on the market are expanding into it. However, the market is fragmented with different niches for different companies. Companies such as Decentraland offer the opportunity for virtual ownership, just like in Entropia Universe. A significant difference, however, is that since its launch in 2003, Entropia Universe has been able to build a unique, stable economic model and have an established trust in the product from users that few other companies have.

## **MindArk's Differentiation**

MindArk and Entropia Universe differ from others in the market primarily through the game's virtual economy and the in-game virtual currency PED, which has a fixed value against the USD. This means that users have the opportunity to both deposit and withdraw real money in a safe and secure manner. MindArk offers secure microtransactions for users who interact with each other online in real-time. Users are engaged not only in traditional computer game entertainment but also for the potential in earning money through revenue-generating activities.

MindArk's partnership model is also unique, where content partners can contribute content to the universe, and revenue is distributed based on user activity on what has been created. These partners can participate at various levels, from individual users to larger companies that can build their own planets in Entropia Universe. These larger "planet partners" also conduct marketing activities for the respective planet they have created.

Another differentiation is that while the Metaverse concept has increased in popularity in recent years, MindArk has been developing and refining the economic system that is the foundation of the Entropia Universe product for over 20 years. During these 20 years, trust has been earned with the product's users, which also serves as the basis for future growth.

## **Revenue Model**

Entropia Universe is a so-called "free-to-play" game, which means that the game is free to download and there is no monthly fee or initial cost. Instead, MindArk's revenue is generated by microtransactions that occur when users choose to use various items or features in Entropia Universe. Like the real world, almost all types of activities in Entropia Universe are resource intensive. Users switch from different currencies to Entropia Universe's own internal currency, the PED (the PED has a fixed exchange rate against the USD, where 1 USD = 10 PED). The user then receives a corresponding amount of PED, calculated via the European Central Bank's daily USD exchange rate, into their Entropia Universe account, which they can then use to purchase digital items such as weapons, vehicles, or real estate.

MindArk generates revenue through usage, wear and tear, auction fees (when items are purchased and sold between users) and through direct sales (which include the sale of virtual items and properties, usually via auctions in Entropia Universe). MindArk also charges a withdrawal fee of 1% on all withdrawals (i.e. payment of local currency into the user's bank account). The minimum withdrawal amount is 1000 PED, which is equivalent to 100 USD. On average, each user generates 1.3 USD in revenue per hour spent in Entropia Universe. This revenue per user has remained relatively stable over the last 10 years.

Users are engaged by not only traditional computer game entertainment but also by the potential to earn money through revenue-generating activities. This further contributes to increased activity in Entropia Universe and increased revenues for MindArk. Total deposits for an average depositing user over the user's total active time in Entropia is more than 8000 USD. This group represents approximately 10% of Entropia Universe's total active users. In 2022, the total deposits of the average paying user amounted to 2061 USD.

## **MindArk and its Affiliates**

MindArk is the parent company of a group with three subsidiaries. The parent company and the three subsidiaries, Entropia Universe AB, Planet Calypso AB (publ) and Green Fund Finance Sweden AB, are all located in Gothenburg.

Planet Calypso AB (publ) formerly operated and developed Planet Calypso, the first planet in Entropia Universe. Both operation and development are now carried out from a department within the parent company. Subsidiary Entropia Universe AB previously handled much of the customer support and operation of Entropia Universe. No activities are conducted in these two companies today. Both companies remain in place to be used primarily for marketing purposes.

Green Fund Finance Sweden AB's business concept is to be the first choice for financing innovative green technology by offering a competitive solid financing solution. The company has been dormant for a couple of years.

## **Employees**

In 2022, MindArk averaged 58 employees, including ten women.

The company's CEO since December 2017 is Henrik Nel Jerkrot. Other senior officials of the company are Magnus Eriksson (COO), David Simmonds (Business Development Manager and Chairman of the Board), Gunilla Krogh (CFO), Mats Kling (CTO), Malin Gustafsson (Human Resources), Dennis Antonsson (Game Director) and Marie Erlandsson (Head of Marketing).

## Shares and shareholders

### Ownership structure as at December 31, 2022

MindArk PE AB (publ), reg. no. 556640-4769 is a public company listed on the Spotlight Stock Market. The share has the ISIN code SE0019354358 and is traded under the ticker MNDRK. Ownership overview shows the situation as at December 31, 2022. The information is obtained from Euroclear Sweden who manages the company's share register.

Shareholder	Shares	Votes
Tetiana Karunna*	34,89%	34,89%
Fam. Bothén**	17,48%	17,48%
Peak AM***	7,60%	7,60%
Six Sis	4,95%	4,95%
Sinovum Media	4,85%	4,85%
Nordic Tender Holdings	3,49%	3,49%
BNY Mellon	2,02%	2,02%
Klas Moreau	1,74%	1,74%
Kronboken	1,41%	1,41%
Lars Hammarström	1,26%	1,26%
<i>Övriga cirka 900 stycken</i>	<i>20,30%</i>	<i>20,30%</i>
<b>Totalt</b>	<b>100%</b>	<b>100%</b>

\*Close relative to founder Jan Welter Timkrans

\*\*Personal & via company

\*\*\*Sven Sandberg

### Number of shares

MindArk PE AB (publ) had 157 623 125 shares outstanding as of December 31, 2022. The number of shares were the same at the end of the same period last year. In January 2023, a reverse split of 1:5 was conducted, resulting in 31,524,625 shares outstanding. The quota value after the reverse split is 0.05 SEK.

## Important events during 2022

### Technical development towards Entropia Universe Unreal

MindArk's main focus during the first half of 2022 was to implement a functioning version of Entropia's fundamentals in the new game engine. New tools, technologies, and pipelines have been used to set new standards for how the company will work when developing in Unreal Engine 5. MindArk's development team has implemented the basic functionality required to get a

functioning environment in the new game engine Unreal Engine 5, such as camera and control/interaction as well as characters that can move freely in the new world. Large parts of the development in this phase have been focused on further developing and as well as finalizing the various pipelines that will be used for production development. In the development of these pipelines, the teams have produced monsters, objects, and points of interests, all in line with the planned work, as well as animations and motion patterns. Furthermore, different working methods and techniques have been established to ensure the most efficient production possible. These will then become the standard for how content and additional systems will be created in the new game engine. In 2022 the overall feeling for the gaming experience has been established, such as the rhythm when users participate in combat. It is also in 2022 that the first part of Entropia's surface has begun to take shape, not only visually but also in terms of technical functionality. This specific area will streamline development in the future by serving as a model for how the rest of the areas in Entropia Universe will be developed.

Some of the development has also been focused on the backend and server side for Entropia Universe in Unreal, with the goal of developing a scalable server infrastructure that will dynamically adapt to the number of users and activity level in Entropia Universe. The foundation has now been laid to be developed further and thus be able to handle a rapidly growing number of users from around the world. The work continues towards the goal of obtaining a more developed and testable version of this functionality in the coming year.

Leading up to the engine switch, new development tools have also been developed. New technological solutions have been implemented for creating content in the new game engine.

#### Technical development for current Entropia Universe

In parallel with the development towards Entropia Universe in Unreal Engine 5, the company's developers have also ensured that the existing product continues to evolve and that the product's users continuously have access to new experiences and content. Different teams have worked to ensure that performance and stability meet the level required by the product's users today, and that technical quality does not decrease over time. An area of focus during the year has been to improve the gaming experience around the larger in-game events that occur approximately once per quarter. The priority has been on the specific events Halloween Mayhem, Merry Mayhem, and Hadesheim, which have been released to users during the year.

Preparations for Entropia Universe's 20th anniversary (also called TWEN) have been ongoing throughout 2022. This anniversary began on January 30, 2023, and will continue to be celebrated within Entropia Universe throughout the year with a number of activities and experiences in which users can participate. During the final months of the year, a larger TWEN special event (Robot Harvesting) was designed and implemented, which took place in March 2023 and was well-received by users.

MindArk also created an NFT (Non-Fungible Token) initiative for both technical and marketing purposes, resulting in a collaboration with the trading platform Enjin. The result was five NFTs that will have a utility for the users who own them in connection with the launch of Entropia in Unreal Engine 5. The joint marketing of the collaboration exposed Entropia Universe to a broader target audience.

### Settlement of a dispute

On December 9, 2022, the Patent and Market Court of Appeal (PMÖD) issued a decision in a dispute between a foreign private individual, David Storey and MindArk. The dispute was initiated on March 23, 2018 by the individual who sued MindArk before the Patent and Market Court (PMD), to prohibit MindArk from using certain source code and to award him damages which was finally specified to be in the amount of approximately 33 million SEK.

MindArk considered the action to be unfounded from the outset for a number of reasons. Developments have shown that MindArk was correct, though the case took longer than expected. The dissolution followed the bankruptcy of the private individual on June 28, 2021, after which MindArk was able to reach a settlement with the individual's bankruptcy estate which resulted in the bankruptcy estate withdrawing its claim in exchange for MindArk not making a claim for costs against the bankrupt's estate. PMD dismissed the case. PMD rejected part of MindArk's claim for costs and reduced MindArk's claim for costs insofar as it related to the remaining part of the action. On March 14, 2022, MindArk appealed the PMD's decision to the Patent and Marknadsöverdomstolen (PMÖD). MindArk's appeal was successful and the PMÖD reversed the decision by awarding MindArk compensation for costs totaling 3 384 032 SEK instead of 2 220 942 SEK, of which the private individual would be jointly and severally liable together with his bankruptcy estate for 3 001 388 SEK.

The dispute has finally been settled by decision of the PMÖD. In other words, it cannot entail any further costs for MindArk.

The individual has no known assets in Sweden and his bankruptcy was declared on January 12, 2023. MindArk's chances of obtaining compensation for its legal costs in accordance with the PMÖD's decision are therefore small. However, MindArk has reached a settlement with its insurance company, and it has paid 4 750 000 SEK as compensation for the legal costs incurred by MindArk during the period of the dispute.

## **Covid-19 and the war in Ukraine**

MindArk has noted that the increase in users added in 2020-2021, which to some extent may be attributable to the COVID-19 pandemic, has persisted in 2022.

MindArk has not been significantly affected by the war in Ukraine. However, the company has chosen to continue to close Entropia Universe to new customers from Russia. MindArk has also contributed during the year with financial support to Ukraine through the UNHCR.

## **Expected future development and significant risks and uncertainties**

The company's development resources will continue to be distributed between work on the migration from the game engine CryEngine2 to Unreal Engine 5 and further developing the current Entropia Universe to ensure increased customer satisfaction and user activity. The company will also work to incorporate new AI tools in the development work for increased efficiency both in the existing product and for future work with Entropia Universe in Unreal Engine 5.

The company has key employees linked to vital parts of the business. The expertise and product knowledge these employees possess is of great value to the company. However, the company has

taken measures to ensure that any loss of personnel will have a negligible impact on the company's operations.

Changes in inflation, currency and interest rates have a direct impact on costs, revenues and share valuation. The inflow of payments is mainly in USD and outflow is mainly in SEK, i.e. the company is highly exposed to currency risks. More about this can be found in a separate section under currency risks and financial instruments.

MindArk's transition to a new game engine involves additional costs. Potential disruptions in product development can lead to delays before profits are generated. There is therefore a risk that the company is forced to make cost savings by reducing the production rate and/or raising additional capital. Hence, MindArk places great importance on continuing to maintain the current Entropia Universe.

Intellectual property rights such as trademarks, copyrights and trade secrets are an essential part of MindArk's business. The company has taken legal measures but, as with all intellectual property rights, there is always a risk that the company is exposed to potential disputes.

Within the framework of the business, MindArk collects and processes personal data. This processing must be done in accordance with the GDPR, which is a comprehensive piece of legislation. If the company interprets and applies this information in a way that is not in line with the interpretation of the authorities, MindArk may be subject to sanctions. MindArk works continuously to implement and update the measures required to comply with the GDPR.

In the event that a significant proportion of the users request to withdraw their PED, there is a risk that the company does not have sufficient cash to make these payments. Historical figures show that approximately 30% of deposited funds are withdrawn by users. The remaining funds are consumed in Entropia Universe or remain in the users' accounts in the form of digital inventory or the virtual currency PED. The company has no legal obligation to pay out user funds, but if a decision is made not to pay out, it will have a significant impact on user loyalty and the company's brand.

MindArk has a few large shareholders who have significant influence over the outcome of the matters submitted to the company's shareholders for approval, including the election of board members and any mergers, consolidations or sales of the company's assets.

Currently, the company's core product has relatively few competitors and the barriers to entry for creating a similar product are high. However, there are a number of companies operating in similar markets that could become a competitive threat in the future.

## **Economic Development**

Net sales amount to 92.8 million SEK (81.2 m SEK), an increase largely attributable to a strong USD but also to increased sales in Entropia Universe of approximately 4%. Activation of development costs amounts to 26.5 million SEK (16.1 m SEK) and other operating income amounts to 5.4 million SEK (9.6 m SEK).



Other income consists mainly of an insurance payment of 4.75 million SEK in the concluded dispute with David Storey. Last year, other income mainly consisted of the sale of land rights in Entropia Universe. Total revenues amount to 124.6 million SEK (107 m SEK).

Operating expenses amount to 103.3 million SEK (85.6 m SEK). The increase is mainly due to additional resources being added to the development of Entropia Universe. The company has gone from 55 employees at the beginning of the year to 62 employees at the end of the year. In addition, costs for external consultants have increased by 6.9 million SEK and amount to 14.9 million SEK (8 million SEK). The company has had to strengthen certain departments in connection with the transition to Unreal and bring in temporary expertise. Also this year, the board has decided on a provision to Mindarkkoncernens Vinstandelsstiftelse, which is the company's personnel foundation. Operating profit after depreciation amounts to 21.4 million SEK (21.3 m SEK).

Financial items amount to -9.3 million SEK (-2.9 million SEK). The reason for the large negative currency adjustment is mainly a cumulative exchange rate adjustment of 7.3 million SEK on allocation for unconsumed user holdings as the SEK/USD exchange rate changed from 9.04 SEK/USD to 10.44 SEK/ USD. When the dollar appreciates during the financial year, the company will have a negative currency effect among financial items. This exchange rate adjustment has no cash flow impact as all withdrawals from users can be paid with deposits in the same currency, however it will have a major impact on the book result. The result before transfer to untaxed reserves and taxes was 12 million SEK (18.5 m SEK).

### **Unconsumed user holdings**

All users in Entropia Universe have an in-game account where cash in the form of the virtual ingame currency PED or items are placed. The sum of these cash funds and digital items is the user's unconsumed user holdings.

Unconsumed user holdings have increased during the full year 2022, from 132.3 million PED to 136.6 million PED, an increase of 4.3 million PED. The total amount increased significantly more in SEK as the SEK/USD exchange rate has increased from 9.04 SEK/USD at year-end 2021 to 10.44 SEK/USD at year-end December 2022 (10 PED = 1 USD). As a result, the amount increased during the year by 23 million SEK, from 119.6 million SEK to 142.6 million SEK.

The total amount of "Unconsumed user holdings" is a variable amount that varies with the different activities within Entropia Universe. Historical figures show that 27-35% of funds deposited by users are later withdrawn. The remaining funds are either consumed or remain in the accounts of users in the form of digital inventory, or cash in the form of the virtual currency PED. However, it is a prerequisite for the continuation of Entropia Universe that MindArk pays out requested withdrawals and therefore the portion of the unspent user funds which is likely to be withdrawn, should be indebted.

With these facts in hand, the real debt is estimated to be 33% of the unconsumed user holdings available at the time of booking. This means that the real debt at the end of December is 45.1 million PED, equivalent to SEK 47.1 million SEK. The allocation for unconsumed user holdings has therefore been adjusted for this as well as for currency adjustments at the end of December.

## **MindArk's currency exposure**

All financial transactions within Entropia Universe are denominated in the virtual in-game currency PED. All exchange transactions to and from the PED are controlled by MindArk. Furthermore, MindArk repurchases PED at a fixed exchange rate against the USD (10 PED = 1 USD). The exchange rate between USD and MindArk's accounting currency SEK has fluctuated significantly during 2022, from just over 9 SEK per USD to a maximum of over 11 SEK per USD.

Deposits to MindArk's bank accounts (directly or through payment providers) in foreign currencies, mainly USD, are exchanged into SEK at the current daily exchange rate. The company's income in PED is converted via USD to SEK at the average monthly USD exchange rate. Assets and liabilities in foreign currencies are converted at the exchange rate on December 31, 2022, which amounts to 10.44 SEK/USD. The large fluctuations in the exchange rate between SEK and USD result in large fluctuations in MindArk's reported income during the year.

The company forward-hedges 50% of the USD foreign exchange inflow to be converted into SEK 6 months in advance, i.e. when expenses and withdrawals in USD are paid. This policy gives MindArk less currency exposure and has a positive impact on the company's net financial result. This is due to the fact that when the USD rises the company gains from the spot exchange rates and when the rate goes down, the futures contracts yield positive results. The company's other currencies, EUR and GBP, do not need to be forward-hedged as most of the inflows are used for payment of supplier invoices, OSS VAT (VAT within the EU) and withdrawals from users.

## **Other non-financial information**

MindArk is committed to an inclusive and equitable culture and has a Code of Conduct that provides guidelines for employees' rights and responsibilities. Discrimination based on gender, social status, ethnicity, religion, age, disability, sexual orientation, nationality or political opinion is not accepted.

The company's commitment to an inclusive and equitable culture includes the following:

- Diversity & Representation - MindArk strives to have a diverse workplace where people with different ethnicities, cultures and identities are seen as a strength. Different perspectives and experiences lead to more effective development work and a positive corporate culture.
- Gender equality - MindArk works actively to support gender equality in the gaming industry. One step in this process is to be a Gold Partner to Donna Day and participate in an annual network meeting, in collaboration with the University of Skövde, to support the work of increasing the number of female game students and game developers in the industry. The company also participates in other activities to encourage female game students and game developers, for example, during the year a number of employees participated in the Donna Work Fair led by Chalmers University of Technology in Gothenburg.
- Professional development - MindArk's employees are offered continuous development and training through both scheduled learning weeks and the opportunity to participate in relevant conferences and training courses.
- Employee surveys - The company continuously conducts anonymous surveys to capture how the staff feel in general and how they experience their work situation. These are used as a basis for shaping a positive work culture. To obtain additional up-to-date information on an ongoing basis,

regular employee talks are held with the aim of identifying the well-being and work situation of each individual employee.

## **Sustainability information**

MindArk strives to conduct a sustainable business both regarding the climate and socially sustainable conditions for its employees.

In connection with the outbreak of the Covid-19 pandemic in 2020, the company switched to new ways of working. Employees were encouraged to work from home as far as possible and the company has since then continuously developed its internal digital communication channels for effective meetings, discussions and collaborations. The company's employees have reduced their travel, both to and from the office but also in terms of business travel. A significant number of the company's external meetings are now conducted through digital means.

MindArk's sustainability work places great emphasis on its employees' security, well-being and the possibility of a good work-life balance. As much as possible, the company has flexible working hours. MindArk works actively for an inclusive approach and equality in working conditions for its employees. Today, the company has a functioning hybrid model where employees can combine both remote work and work from the office.

In December 2022, MindArk moved into Brick Studio's newly built premises on Masthammsgatan in Gothenburg. In consultation with the landlord, the company will develop, and at least once a year, review and update an action plan to reduce the environmental impact of the premises and the property in terms of energy, material selection and waste management. The property will also be BREEAM certified (Annex 5.1 of the lease), which is a tool that evaluates and rates the overall environmental impact of the building. BREEAM stands for Building Research Establishment Environmental Assessment Method and is the most widely used environmental certification system for buildings in Europe.

## **Cash Flow and Liquid Assets**

The company's liquidity including other short-term investments at the end of the year amounted to 41.6 million SEK (56.4 million SEK). The decrease is attributable to a dividend of SEK 4.7 million SEK (7.9 million SEK), investments in fixed assets, a small part for the new office and investments in development costs. The company has also donated 736 thousand SEK to the UNHCR to help Ukrainians in need. The short-term investments in funds, interest-bearing securities and similar securities stand for 8.8 million SEK (7.5 million SEK). The company has no interest-bearing liabilities.

## **Group in Summary**

The Group's total revenue amounted to 124.6 million SEK (last year 107 million SEK). Operating expenses were 92.6 million SEK (last year 77.4 million SEK).

Depreciation of tangible and intangible fixed assets, including depreciation on the previous revaluation of the platform, amounts to 10.7 million SEK in 2022 (last year 8.3 million SEK). Operating profit after depreciation amounts to 21.4 million SEK (last year 21.3 million SEK).

The Group reports a profit after financial net of 12 million SEK (last year SEK 18.5 million SEK) before tax.

Equity in the Group as of December 31, 2022, amounted to 72.1 million SEK (last year 67.2 million SEK).

Cash flow amounted to minus 14 million SEK (last year plus 1.6 million SEK) and cash and cash equivalents at year-end amounted to 32.8 million SEK (last year 48.9 million SEK).

## **Annual Meeting**

The Annual General Meeting was held on April 8, 2022 in the company's office. In addition to the decision to determine the previous year's accounts, elections were made to the Board. All three of the Board's current members, David Simmonds, Anders Fröjd and Jan Rasmuson, declared that they were available for re-election.

The meeting resolved that the Board would consist of three members and no deputies until the next Annual General Meeting. David Simmonds was re-elected Chairman of the Board and a regular member for the period until the next Annual General Meeting. Anders Fröjd and Jan Rasmuson were re-elected as ordinary board members for the period until the next Annual General Meeting.

## **Extraordinary general meetings**

An Extraordinary General Meeting 2022 was held on December 22 at the company's new premises at Masthamnsgatan, Gothenburg. The following decisions were made:

- Resolution on consolidation of shares, five existing shares were consolidated into one new share, i.e. a reverse split 1:5.
- Resolution on amendment of the articles of association entailing (i) that the limits for the number of shares in the articles of association are changed, to enable the reverse share split proposed above, and (ii) adjustments to update according to changes in law and to facilitate general meetings.
- Resolution to appoint Magnus Götenfelt as ordinary board member for the period until the next annual general meeting. The board now has four board members.

## Final Words

During the pandemic, the video game industry reached new levels of growth and in 2022 the industry has experienced a decline and correction as restrictions have been lifted around the world. In addition, much of the world has been affected by high inflation, predictions of future recessions, and a disruptive conflict in Europe. Despite this, MindArk has been able to increase sales to record levels while working intensively on the migration to a new game engine, admittedly with higher costs compared to 2021, but all according to the plan that has been communicated to the market beforehand.

Entropia Universe has a unique position in the market and MindArk has been able to demonstrate for 20 years that Entropia Universe is a profitable product. In 2023, MindArk will continue the work that has begun, with the aim of maintaining the core of Entropia Universe while simultaneously building an even better experience than ever. The transition to Unreal Engine 5 is the next big chapter in MindArk's history and in 2022 the foundation for that transition was set.

Throughout 2023, users will also be able to experience various activities and experiences in connection with Entropia Universe's 20th anniversary, this work that started in 2022 and will continue in 2023.

In addition, the Company has donated 736 thousand SEK to the UN refugee agency UNHCR to help Ukrainians in need. MindArk wants to take its responsibility and influence its surroundings in a positive way, work that will continue in 2023.

## The Board's proposed appropriation of profits

The Board of Directors proposes that the net profit and retained losses be carried forward (all amounts in SEK):

Retained losses	-50 807 647
Shared premium reserve	33 950 695
Net profit for the year	7 237 467
	<b>-9 619 485</b>
Disposed of so	
Amount carried forward	-9 619 485
	<b>-9 619 485</b>

Further inquiries regarding the financial position and performance of the company are directed to the below listed income statement, balance sheet and cash flow statement with accompanying notes.

## Multiple Years Summary (TSEK) Parent Company

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Net sales	92 799	81 201	80 252	64 604	62 091
Profit after amortization	21 356	21 331	18 255	4 537	6 137
Profit after financial items	12 044	18 504	25 339	-381	2 861
Net profit for the year	150 308	13 922	17 231	-458	619
Total assets	72 057	144 363	128 260	97 542	98 206
Equity	94 480	65 124	58 387	40 043	39 392
Fixed assets	92 799	81 494	72 485	67 253	72 921

## Changes in shareholders' equity (TSEK)

<b>Parent Company</b>	<b>Share capital</b>	<b>Revaluation reserve</b>	<b>Restricted Reserves</b>	<b>Fund for development</b>	<b>Share premium reserve</b>	<b>Profit carried forward</b>	<b>Total capital</b>
Opening balance	1 576	24 154	50	34 298	33 951	-28 905	<b>65 124</b>
Shareholders meeting						-4 729	<b>-4 729</b>
Resolution revaluation reserve		-2 684				2684	<b>0</b>
Resolution fund for development				-6 197		6 197	<b>0</b>
Fund for development				26 472		-26 472	<b>0</b>
Liquid warrants						418	<b>418</b>
Net profit for the year						7 237	<b>7 237</b>
<b>Outgoing balance</b>	<b>1 576</b>	<b>21 470</b>	<b>50</b>	<b>54 573</b>	<b>33 951</b>	<b>-43 570</b>	<b>68 050</b>

## Consolidated Income Statement

	Not	2022-01-01 -2022-12-31	2021-01-01 -2021-12-31
Net sales	3	92 798 712	81 200 992
Capitalized work		26 471 954	16 143 475
Other income		5 371 188	9 621 098
		<b>124 641 854</b>	<b>106 965 565</b>
<b>Operating expenses</b>			
Other external costs	4, 5	-40 069 674	-31 614 324
Personnel costs	6	-52 551 712	-45 763 406
Amortization and depreciation	7	-10 664 891	-8 258 202
		<b>-103 286</b>	<b>-85 635 933</b>
		<b>277</b>	<b>-85 635 933</b>
<b>Operating profit</b>		<b>21 355 577</b>	<b>21 329 633</b>
<b>Financial items</b>			
Profit from other securities and receivables accounted for as non-current assets	8	107 454	443 914
Other interest income and similar items	9	29 280	-311 000
Interest cost and similar items	10	-9 343 058	-2 873 909
Exchange rate differences in bank holdings		-104 576	-85 767
<b>Operating profit</b>		<b>12 044 677</b>	<b>18 502 871</b>
Income tax	11	-2 903 570	-4 582 578
<b>Net profit</b>		<b>9 141 107</b>	<b>13 920 293</b>
Attributable to non-controlling interests		-156	-110
Attributable to owners of the parent		9 141 263	13 920 403

## Consolidated Balance Sheet

Not 2022-12-31 2021-12-31

### Assets

#### Non-current assets

##### *Intangible assets*

Entropia Platform and Entropia Universe	12	85 098 102	68 202 687
Other intangible assets	13	44 427	57 755
		<b>85 142 529</b>	<b>68 260 442</b>

##### *Tangible assets*

Equipment, installation and computer hardware	14	3 416 665	2 664 221
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##### *Financial assets*

Other long-term securities	15	2 361 668	2 448 168
Other long-term receivables	16	3 559 257	3 169 090
		<b>5 920 925</b>	<b>5 617 258</b>

**Total non-current assets 94 480 119 76 541 921**

#### Current assets

##### *Stock-in-trade*

Commercial goods	17	147 161	103 742
Advanced to suppliers		8 792	0
		<b>155 953</b>	<b>103 742</b>

##### *Short-term receivables*

Account receivables		2 027 348	2 202 942
Receivables from payment providers	18	2 233 195	1 441 648
Other receivables		1 794 341	1 470 037
Prepaid expenses and accrued income	19	7 986 223	2 261 216
		<b>14 041 107</b>	<b>7 375 843</b>

##### *Short-term investments*

Other short-term investments		8 834 182	7 522 668
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##### *Cash and bank balances*

**Total current assets 55 827 974 63 902 859**

**Total assets 150 308 093 140 444 780**



## Consolidated Balance Sheet

Not 2022-12-31 2021-12-31

### Equity and liabilities

#### Equity

Share capital		1 576 231	1 576 231
Other contributed capital		33 950 695	33 950 695
Other equity incl. profit for the year		36 523 722	31 693 438
<b>Equity attributable to owners of the parent</b>		<b>72 050 648</b>	<b>67 220 364</b>

Non-controlling interests		6 696	6 852
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**Total equity** 72 057 344 67 227 216

#### Allocations

	20		
Allocation unconsumed user holdings		47 058 538	39 471 618
Estimated deferred tax		10 059 610	8 676 917
		<b>57 118 148</b>	<b>48 148 535</b>

#### Long-term liabilities

Other liabilities		46 304	40 095
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#### Short-term liabilities

Accounts payable		4 157 734	1 850 340
Current tax liabilities		1 150 717	8 863 528
Other liability		4 823 891	4 592 515
Accrued expenses and prepaid income	21	10 953 955	9 722 551
		<b>21 086 297</b>	<b>25 028 934</b>

**Total equity and liabilities** 150 308 093 140 444 780

## Consolidated Statement of Cash Flows

	Not	2022-01-01 -2022-12-31	2021-01-01 -2021-12-31
<b>Operating activities</b>			
Receipts from customers		116 447 954	87 948 246
Payments to suppliers and employees		- 113 563 080	- 73 395 533
Interest received		8 247	0
Interest paid		- 52 934	-15
Income tax paid		-9 233 688	1 432 150
<b>Cash flow from operating activities</b>		<b>-6 393 501</b>	<b>15 984 849</b>
<b>Investment activities</b>			
Investments in intangible assets	23	0	-66 640
Investments in tangible fixed assets	24	-1 827 468	-1 352 659
Disposal/amortisation of other financial fixed assets	25	96 453	284 742
Increase/decrease in short-term financial investments		-1 604 179	-5 410 000
<b>Cash flow from investing activities</b>		<b>-3 335 194</b>	<b>-6 544 557</b>
<b>Financing activities</b>			
Option liquidity		417 716	0
Dividends paid		-4 728 694	-7 881 156
<b>Cash flow from financing activities</b>		<b>-4 310 978</b>	<b>-7 881 156</b>
Cash flow for the period		<b>-14 039 673</b>	<b>1 559 136</b>
Cash and cash equivalents at end of period		48 900 606	46 740 786
Exchange difference in cash and cash equivalents		-2 066 600	600 684
<b>Cash and cash equivalents at end of period</b>	<b>26</b>	<b>32 796 732</b>	<b>48 900 606</b>

## Parent Company's Income Statement

	Not	2022-01-01 -2022-12-31	2021-01-01 -2021-12-31
Net sales	3,27	92 798 712	81 200 992
Capitalized work		26 471 954	16 143 475
Other income		5 371 188	9 621 098
		<b>124 641 854</b>	<b>106 965 565</b>
<b>Operating expenses</b>			
Other external costs	4, 5	-40 067 714	-31 612 782
Personnel costs	6	-52 551 712	-45 763 406
Amortization and depreciation	7	-10 664 891	-8 258 202
		<b>-103 284 317</b>	<b>-85 634 390</b>
<b>Operating profit</b>		<b>21 357 537</b>	<b>21 331 175</b>
<b>Financial items</b>			
Profit from other securities and receivables accounted for as non-current assets	8	107 454	443 914
Other interest income and similar items	9	29 280	-311 000
Interest cost and similar items		-104 576	-85 752
Exchange rate differences in bank holdings	10	-9 343 058	-2 873 909
		<b>-9 310 900</b>	<b>-2 826 747</b>
<b>Profit after financial items</b>		<b>12 046 637</b>	<b>18 504 428</b>
Transfers to/from untaxed reserves	28	-2 400 000	0
<b>Net profit before tax</b>		<b>9 646 637</b>	<b>18 504 428</b>
Income tax	11	-2 409 170	-4 582 578
<b>Net profit</b>		<b>7 237 467</b>	<b>13 921 850</b>

## Parent Company's Balance Sheet

Not 2022-12-31 2021-12-31

### Assets

#### Non-current assets

##### *Intangible assets*

Entropia Platform and Entropia Universe	12	85 098 102	68 202 687
Other intangible assets	13	44 427	57 755
		<b>85 142 529</b>	<b>68 260 442</b>

##### *Tangible assets*

Equipment, installation and computer hardware	14	3 416 665	2 664 221
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##### Financial assets

Shares in subsidiaries	15	2 361 668	2 448 168
Other long-term securities	16	3 559 257	3 169 090

#### Total non-current assets

**10 873 425**  
**99 432 619**      **10 569 758**  
**81 494 421**

#### Current assets

##### *Stock-in-trade*

Commercial goods	17	147 161	103 742
Advanced to suppliers		8 792	0
		<b>155 953</b>	<b>103 742</b>

##### *Short-term receivables*

Account receivables		942 296	1 117 890
Receivables from payment providers	18	2 233 195	1 441 648
Receivables group companies		98 137	96 937
Other receivables		1 794 341	1 470 037
Prepaid expenses and accrued income	19	7 986 223	2 261 216
		<b>13 054 192</b>	<b>6 387 728</b>

##### *Short-term investments*

Other short-term investments		8 834 182	7 522 668
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##### *Cash and bank balances*

		32 750 266	48 854 579
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#### Total current assets

**54 794 593**      **62 868 717**

#### Total assets

**154 227 212**      **144 363 138**

## Parent Company's Balance Sheet

	Not	2022-12-31	2021-12-31
<b>Equity and liabilities</b>			
<b>Equity</b>	30		
<b>Restricted equity</b>			
Share capital		1 576 231	1 576 231
Revaluation reserve	31	21 469 760	24 153 480
Restricted reserves		50 000	50 000
Fund for development		54 573 842	34 298 427
		<b>77 669 833</b>	<b>60 078 138</b>
<b>Non-restricted equity</b>			
Share premium reserve		33 950 695	33 950 695
Profit brought forward		-50 807 647	-42 826 824
Net profit	32	7 237 467	13 921 850
		<b>-9 619 485</b>	<b>5 045 721</b>
<b>Total equity</b>		<b>68 050 348</b>	<b>65 123 859</b>
<b>Untaxed reserves</b>	33	5 100 000	2 700 000
<b>Allocations</b>			
Allocation unconsumed user holdings	34	47 058 538	39 471 618
Estimated deferred tax		8 987 410	8 099 117
<b>Total allocations</b>		<b>56 045 948</b>	<b>47 570 735</b>
<b>Long-term liabilities</b>			
Other liabilities		46 304	40 095
<b>Short-term liabilities</b>			
Accounts payable		4 157 734	1 850 340
Liabilities group companies		3 898 261	3 899 461
Current tax liabilities		1 150 717	8 863 528
Other liability		4 823 946	4 592 568
Accrued expenses and prepaid income	21	10 953 954	9 722 552
<b>Total short-term liabilities</b>		<b>24 984 612</b>	<b>28 928 449</b>
<b>Total equity and liabilities</b>		<b>154 227 212</b>	<b>144 363 138</b>

## Parent Company's Statement of Cash Flows

	Not	2022-01-01 -2022-12-31	2021-01-01 -2021-12-31
<b>Operating activities</b>			
Receipts from customers		116 447 954	87 948 246
Payments to suppliers and employees		- 113 561 120	- 73 393 990
Interest received		8 247	0
Interest paid		- 52 934	0
Income tax paid		-9 233 688	1 432 150
<b>Cash flow from operating activities</b>		<b>-6 391 541</b>	<b>15 986 406</b>
<b>Investment activities</b>			
Investments in intangible assets	23	0	-66 640
Investments in tangible fixed assets	24	-1 827 468	-1 352 659
Disposal/amortisation of other financial fixed assets	25	96 453	284 742
Increase/decrease in short-term financial investments		-1 604 179	-5 410 000
<b>Cash flow from investing activities</b>		<b>-3 335 194</b>	<b>-6 544 557</b>
<b>Financing activities</b>			
Option liquidity		417 716	0
Dividends paid		-4 728 694	-7 881 156
<b>Cash flow from financing activities</b>		<b>-4 310 978</b>	<b>-7 881 156</b>
Cash flow for the period		<b>-14 037 713</b>	<b>1 560 693</b>
Cash and cash equivalents at end of period		48 854 579	46 693 202
Exchange difference in cash and cash equivalents		-2 066 600	600 684
<b>Cash and cash equivalents at end of period</b>	<b>35</b>	<b>32 750 266</b>	<b>48 854 579</b>

## Notes

### Note 1 Supplementary disclosures & accounting principles

The annual report has been prepared in accordance with the Swedish Annual Accounts Act. The accounting principles applied conform with the Annual Accounts Act as well as recommendations and comments from the Accounting Standard Committee.

The annual accounts and the consolidated accounts drawn up in accordance with *BFVAR 2012: 1 Årsredovisning och koncernredovisning* (K3).

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 revenues and expenses has been done according to the professional ethics for accountants.

Fixed assets are entered at their acquisition value reduced for accumulated amortization and depreciations. Amortization and depreciation are accounted using the straight line method over the assets anticipated economic life.

The following percentages are applied:

Entropia Platform and Entropia Universe	10 %
Other intangible assets	20 %
Equipment and installations	20 %
Computer hardware	20-33.3 %

### Note 2 Estimates and assessments

The preparation of financial statements and application of accounting principles is often based on management's assessments, estimates and assumptions that are considered reasonable at the time the assessment is made. Estimates and assessments are based on historical experience and several other factors, which in the current circumstances are considered reasonable. The results of these are used to assess the reported values of assets and liabilities, which otherwise do not appear clearly from other sources. The actual outcome may deviate from these estimates and judgments. Estimates and assumptions are reviewed regularly.

No significant sources of uncertainty in estimates and assumptions on the balance sheet date are expected to entail a significant risk of a significant adjustment of the reported values for assets and liabilities during the next financial year.

Since mid-year 2017, the real liability of unconsumed user holdings is recognized in the balance sheet (previously a contingent liability) under the heading Provisions. The real debt is estimated to

be about 33% of the total amount of the unconsumed user holdings. This means that the provision for the year is 47.1 million SEK.

**Note 3 Nets sales**  
**Group and parent company**

	<b>2022</b>	<b>2021</b>
<b>Net sales by geographical market</b>		
Sweden	9 352 385	7 656 886
EU except Sweden	33 307 926	28 270 493
Rest of the world	50 138 401	45 273 613
	<b>92 798 712</b>	<b>81 200 992</b>

**Note 4 Leasing agreements**  
**Group and parent company**

In the Group's and parent company's accounts, operating leases essentially consist of leased property. The lease agreement for the Swedish property runs for six years with the possibility for the company to extend for further periods. The current lease expires on December 1, 2028 and the company has the right to vacate 240 square meters after three years. The size of the future leasing fees is based on the development of the consumer price index. The base rent shall be adjusted to the index figure for the month of October during that period.

Should the index figure for any subsequent month of October have risen in relation to the base figure, a supplement shall be paid by the percentage by which the index figure has changed in relation to the base figure. In the future, supplements shall be paid in relation to the changes in the index, whereby the change in rent is calculated on the basis of the percentage change between the base figure and the index figure for the respective month of October. Outgoing rent is never set lower than the rent amount stated in the agreement. The rent change is always applied from January 1 of the year following the October month that gave rise to the change.

Future leasing fees, for non-cancellable leasing agreements, fall due for payment as follows:

	<b>2022</b>	<b>2021</b>
Within one year	4 934 328	2 786 081
Later than one year but within five years	20 889 412	20 816 212
Later than five years	5 007 528	5 007 528
	<b>30 831 268</b>	<b>28 609 821</b>



## Note 5 Fees to auditors

### Group and parent company

An audit assignment refers to the examination of the annual report and accounting records and the administration of the Board of Directors and the CEO, other tasks incumbent on the company's auditor and advice or other assistance resulting from observations made during such an examination or the performance of such other tasks. Since the subsidiaries do not have any operations, the subsidiaries are not charged with any auditing costs; everything is expensed in the parent company.

	<b>2022</b>	<b>2021</b>
<b>PWC</b>		
Audit engagements	448 000	264 550
Audit activities other than the audit engagement	15 000	95 590
	<b>463 000</b>	<b>360 140</b>

## Note 6 Employees and personnel costs

### Group and parent company

	<b>2022</b>	<b>2021</b>
<b>Average employees</b>		
Women	10	9
Men	48	45
	<b>58</b>	<b>54</b>

### Salaries and other remuneration

*Board of Directors and Chief Executive Officer:*

David Simmonds, Chairman	120 000	120 000
Jan Rasmuson, member	90 000	103 000
Anders Fröjd, member	90 000	90 000
Henrik Nel Jerkrot	1 595 200	1 287 480

*Bonuses and similar remuneration to the Board of Directors and the CEO:*

Henrik Nel Jerkrot	50 000	178 800
Other employees	33 657 246	30 707 378
	<b>35 602 446</b>	<b>32 486 658</b>

### Social costs

*Pension costs for the Board of Directors and Chief Executive Officer:*

Henrik Nel Jerkrot	294 744	253 872
Pension costs for other employees	3 417 504	3 027 304
Other social security contributions according to law and agreements	11 455 335	9 200 180
	<b>15 167 583</b>	<b>12 481 356</b>

<b>Total salaries, remuneration, social security and pension costs</b>	<b>50 770 029</b>	<b>44 968 014</b>
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No employees in the subsidiaries.

**Gender distribution among senior managers**

Proportion of women on the board	0 %	0 %
Proportion of men in the Board of Directors	100 %	100 %
Proportion of women among other senior executives	37,5 %	25 %
Proportion of men among other senior executives	62,5 %	75 %

**Note 7 Depreciation**

**Group and parent company**

Fixed assets are depreciated according to plan over the expected useful life, taking into account significant residual value. The following depreciation percentage is applied:

**Intangible assets**

Entropia Platform and Entropia Universe	10 %
Other intangible fixed assets	20 %

**Tangible fixed assets**

Equipment	20 %
Installations	20 %
Computers	20-33,33 %

**Note 8 Income from other securities and receivables held as fixed assets**

**Group and parent company**

	<b>2022</b>	<b>2021</b>
Exchange rate differences	486 620	302 605
Unrealized change in value of securities	-292 666	141 309
Impairment losses	-86 500	0
	<b>107 454</b>	<b>443 914</b>

**Note 9 Other interest income and similar items**

**Group and parent company**

	<b>2022</b>	<b>2021</b>
Other interest income	8 247	0
Exchange rate differences	21 033	0
Impairment for the year	0	-311 000
	<b>29 280</b>	<b>-311 000</b>

**Note 10 Exchange rate differences  
Group and parent company**

	<b>2022</b>	<b>2021</b>
Exchange rate difference on change in unspent user funds	-7 276 458	-3 474 895
Other exchange rate differences	-2 066 600	600 986
	<b>-9 343 058</b>	<b>-2 873 909</b>

The reason for the large currency difference is that the company has made a currency adjustment on unconsumed user holdings. The exchange rate at year-end 2021 was 9.04 SEK/USD and now at year-end 2022 the exchange rate was 10.44 SEK/USD. The reason for the negative exchange rate difference is that unconsumed user holdings have increased during the financial year 2022 and then the consequence is that an increased exchange rate affects the company negatively. See more in the note Provisions unconsumed user holdings.

**Note 11 Current and deferred tax  
Group and parent company**

	<b>2022</b>	<b>Group 2021</b>	<b>Parent company 2022</b>	<b>2021</b>
Current tax	<b>-1 520 277</b>	-3 417 107	<b>-1 520 277</b>	-3 417 107
Change in deferred tax relating to temporary differences	<b>-1 382 693</b>	-1 165 471	<b>-888 293</b>	-1 165 471
<b>Tax on profit for the year</b>	<b>-2 903 570</b>	-4 582 578	<b>-2 409 170</b>	-4 582 578

	<b>2022</b>	<b>Group 2021</b>	<b>Parent company 2022</b>	<b>2021</b>
Reported result before tax	<b>12 044 677</b>	18 502 871	<b>9 646 637</b>	18 504 428
Tax calculated at the current tax rate (20.6%)	<b>-2 481 203</b>	-3 811 591	<b>-1 987 207</b>	-3 811 912
Tax effect of non-deductible expenses	<b>-419 647</b>	-768 206	-419 243	-71 681
Tax effect of non-taxable income	<b>62</b>	0	62	0
Standard income on tax allocation reserve	<b>-2 781</b>	-2 781	<b>-2 781</b>	-2 781
<b>Reported tax expense</b>	<b>-2 903 570</b>	-4 582 578	<b>-2 409 170</b>	-3 417 107

**Note 12 Entropia Platform and Entropia Universe  
Group and parent company**

	<b>2022-12-31</b>	<b>2021-12-31</b>
Opening acquisition values	100 131 578	83 988 103
Acquisition cost for the year	26 471 954	16 143 475
<b>Closing accumulated cost</b>	<b>126 603 532</b>	<b>100 131 578</b>
Opening depreciation	-31 928 891	-24 785 169
Depreciation for the year	-9 576 539	-7 143 722
<b>Closing accumulated depreciation</b>	<b>-41 505 430</b>	<b>-31 928 891</b>
<b>Closing book value</b>	<b>85 098 102</b>	<b>68 202 687</b>

**Note 13 Other intangible assets  
Group and parent company**

	<b>2022-12-31</b>	<b>2021-12-31</b>
Opening acquisition values	66 640	0
Purchases	0	66 640
<b>Closing accumulated acquisition values</b>	<b>66 640</b>	<b>66 640</b>
Opening depreciation	-8 885	0
Depreciation for the year	-13 328	-8 885
<b>Closing accumulated depreciation</b>	<b>-22 213</b>	<b>-8 885</b>
<b>Closing book value</b>	<b>44 427</b>	<b>57 755</b>

**Note 14 Equipment, installations and computers  
Group and parent company**

	<b>2022-12-31</b>	<b>2021-12-31</b>
Opening acquisition values	16 077 785	14 725 126
Purchases	1 827 468	1 352 659
<b>Closing accumulated acquisition values</b>	<b>17 905 253</b>	<b>16 077 785</b>
Opening depreciation	-13 413 564	-12 307 969
Depreciation for the year	-1 075 024	-1 105 595
<b>Closing accumulated depreciation</b>	<b>-14 488 588</b>	<b>-13 413 564</b>
<b>Closing book value</b>	<b>3 416 665</b>	<b>2 664 221</b>

### **Note 15 Other long-term securities holdings**

#### **Group and parent company**

Opening value refers to shareholdings in Manomotion AB and Swestep AB. In 2022 as well as in 2021, the shareholding in Manomotion has been impaired.

	<b>2022-12-31</b>	<b>2021-12-31</b>
Opening acquisition values	2 759 168	2 759 168
<b>Closing accumulated cost</b>	<b>2 759 168</b>	<b>2 759 168</b>
Opening impairment losses	-311 000	0
Impairment losses for the year	-86 500	-311 000
<b>Closing accumulated impairment losses</b>	<b>-397 500</b>	<b>-311 000</b>
<b>Closing carrying amount</b>	<b>2 361 668</b>	<b>2 448 168</b>

### **Note 16 Other long-term receivables**

#### **Group and parent company**

Refers to promissory note loans according to agreement.

	<b>2022-12-31</b>	<b>2021-12-31</b>
Opening acquisition values	4 187 359	3 886 857
Change in currency	486 620	300 502
<b>Closing accumulated acquisition values</b>	<b>4 673 979</b>	<b>4 187 359</b>
Opening value adjustment	-1 018 269	-733 527
Amortization, outgoing receivables	-96 453	-284 742
<b>Closing accumulated revaluations</b>	<b>-1 114 722</b>	<b>-1 018 269</b>
<b>Closing book value</b>	<b>3 559 257</b>	<b>3 169 090</b>

### **Note 17 Inventories**

#### **Group and parent company**

The inventory consists only of promotional products sold via a web shop on the company's website.

### **Note 18 Receivables from payment intermediaries**

#### **Group and parent company**

Under the heading Receivables from payment intermediaries, outstanding receivables from the

payment intermediaries the company cooperates with are reported. The balance includes payments confirmed by payment intermediaries but not yet received by the company on the balance sheet date.

**Note 19 Prepaid expenses and accrued income  
Group and parent company**

	<b>2022-12-31</b>	<b>2021-12-31</b>
Risk Point settlement through insurance	4 750 000	0
License costs	1 463 072	1 191 227
Rental costs	859 663	0
User and partner support	436 055	385 540
Other prepaid expenses	477 433	684 449
	<b>7 986 223</b>	<b>2 261 216</b>

**Note 20 Provisions  
Group**

	<b>2022-12-31</b>	<b>2021-12-31</b>
<b>Deferred tax liability</b>		
Amount at beginning of year	8 676 917	8 207 726
Provisions for the year	2 305 573	1 165 471
Amounts reversed during the year	-696 280	-696 280
	<b>10 286 210</b>	<b>8 676 917</b>
<b>Provisions for unconsumed user holdings</b>		
Amount at beginning of year	39 471 618	34 839 020
Provisions for the year	7 586 920	4 632 598
	<b>47 058 538</b>	<b>39 471 618</b>

*Unconsumed user holdings:*

Unconsumed user holdings increased from 132.3 million PED to 136.6 million PED, an increase of 4.3 million PED. The total amount increased significantly more in SEK as the SEK/USD exchange rate has increased from 9.04 SEK/USD at the end of last year to 10.44 SEK/USD at the end of December 2022 (10 PED=1 USD). This resulted in the debt increasing by 23 million in SEK, from 119.6 million SEK to 142.6 million SEK.

Since mid-year 2017, the real liability of unconsumed user holdings is recognized in the balance sheet (previously a contingent liability) under the heading Provisions. The real debt is estimated to be about 33% of the total amount of the unconsumed user holdings. This means that the provision for the year is 47.1 million SEK.

**Note 21 Accrued expenses and deferred income**  
**Group and parent company**

	<b>2022-12-31</b>	<b>2021-12-31</b>
Accrued salaries	742 710	894 000
Accrued holiday pay	1 628 614	1 395 602
Accrued employer's contributions	745 069	719 393
Accrued consultancy fees	358 468	156 450
Accrued withdrawals (requested by users but not yet paid)	6 669 892	5 713 367
Prepaid income	3 244	3 227
Other accrued expenses	805 957	840 512
	<b>10 953 954</b>	<b>9 722 551</b>

**Note 22 Pledged assets**  
**Group and parent company**

Refers to corporate mortgages with SEB.

	<b>2022-12-31</b>	<b>2021-12-31</b>
Business mortgage	3 000 000	3 000 000
	<b>3 000 000</b>	<b>3 000 000</b>

**Note 23 Investments in fixed assets**  
**Group and parent company**

The capitalization in the balance sheet of salary and consulting costs for the development of Entropia Universe amounts to 26.5 million SEK (16.1 million SEK) for the 2022 financial year. The capitalized amounts are reported under the heading fixed assets in the balance sheet and total income in the income statement.

Other investments consist mainly of costs related to the company's move to larger premises in December 2022, mainly office equipment and security system of about 1.4 million SEK and investments in computers for 0.4 million SEK.

**Note 24 Investments in intangible assets**  
**Group and parent company**

The year's investments in intangible assets are only in the nature of capitalization of development costs, which therefore do not affect liquidity.

**Note 25 Investments in tangible fixed assets**  
**Group and parent company**

	<b>2022-12-31</b>	<b>2021-12-31</b>
<b>Acquisition of tangible fixed assets</b>		
Change in the item in the balance sheet	-752 444	-247 064
Depreciation for the year according to plan	-1 075 024	-1 105 595
<b>Acquisition of tangible fixed assets</b>	<b>-1 827 468</b>	<b>-1 352 659</b>

**Note 26 Cash and cash equivalents**  
**The Group**

	<b>2022-12-31</b>	<b>2021-12-31</b>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	32 796 732	48 900 606
	<b>32 796 732</b>	<b>48 900 606</b>
<b>Interest paid</b>		
Interest paid during the period	-52 934	
Interest received during the period	8 247	

**Note 27 Purchases and sales between group companies**  
**Parent company**

No sales have been made between group companies.

**Note 28 Appropriations**  
**Parent company**

	<b>2022</b>	<b>2021</b>
Allocation to the tax allocation fund	-2 400 000	0
	<b>-2 400 000</b>	<b>0</b>



## Note 29 Specification of shares in group companies

### Parent company

<b>Name</b>	<b>Capital share</b>	<b>Voting rights share</b>	<b>Number shares</b>	<b>Book value value</b>
Planet Calypso AB (publ)	100%	100%	450 000	3 910 000
Entropia Universe AB	100%	100%	2 000	1 000 000
Green Fund Finance Sweden AB	85%	85%	42 500	42 500
				<b>4 952 500</b>

	<b>Org.no.</b>	<b>Seat</b>	<b>Equity capital</b>	<b>Result</b>
Planet Calypso AB (publ)	556766-6416	Gothenburg	3 899 000	-420
Entropia Universe AB	556767-3594	Gothenburg	987 793	-500
Green Fund Finance Sweden AB	559170-3557	Gothenburg	45 680	-1 040

## Note 30 Number of shares and quota value

### Parent company

<b>Name</b>	<b>Number share</b>	<b>Quota value</b>
Number of A-Shares	157 623 125	0,01
	<b>157 623 125</b>	

### Number of shares

MindArk PE AB (publ) had 157 623 125 shares outstanding as of December 31, 2022. The number of shares were the same at the end of the same period last year. In January 2023, a reverse split of 1:5 was conducted, resulting in 31,524,625 shares outstanding. The quota value after the reverse split is 0.05 SEK.

## Note 31 Revaluation reserve

### Parent company

	<b>2022-12-31</b>	<b>2021-12-31</b>
Amount at beginning of year	24 153 480	26 837 200
Amortization of revalued assets	-3 380 000	-3 380 000
Change in deferred tax	696 280	696 280
<b>Amount at end of year</b>	<b>21 469 760</b>	<b>24 153 480</b>

**Note 32 Allocation of profit or loss**  
**Parent company**

**2022-12-31**

**Proposal for the treatment of accumulated losses**

The Board of Directors proposes that the accumulated loss:

accumulated loss	-50 807 647
share premium account	33 950 695
profit for the year	7 237 467
	<b>-9 619 485</b>

be treated as follows  
carried forward

-9 619 485  
**-9 619 485**

**Note 33 Untaxed reserves**  
**Parent company**

**2022-12-31**

**2021-12-31**

Tax allocation fund in 2020	2 700 000	2 700 000
Tax allocation fund in 2022	2 400 000	0
	<b>5 100 000</b>	<b>2 700 000</b>

Tax effect of standard interest rate on tax allocation  
reserve

2 781

**Note 34 Provisions**  
**Parent company**

	<b>2022-12-31</b>	<b>2021-12-31</b>
<b>Deferred tax liability</b>		
Amount at beginning of year	8 099 117	7 629 926
Provisions for the year	1 584 573	1 165 471
Amounts reversed during the year	-696 280	-696 280
	<b>8 987 410</b>	<b>8 099 117</b>
<b>Provisions for unconsumed user holdings</b>		
Amount at beginning of year	39 471 618	34 839 020
Provisions for the year	7 586 920	4 632 598
	<b>47 058 538</b>	<b>39 471 618</b>

*Unconsumed user holdings:*

Unconsumed user holdings increased from 132.3 million PED to 136.6 million PED, an increase of 4.3 million PED. The total amount increased significantly more in SEK as the SEK/USD exchange rate has increased from 9.04 SEK/USD at the end of last year to 10.44 SEK/USD at the end of December 2022 (10 PED=1 USD). This resulted in the debt increasing by 23 million in SEK, from 119.6 million SEK to 142.6 million SEK.

Since mid-year 2017, the real liability of unconsumed user holdings is recognized in the balance sheet (previously a contingent liability) under the heading Provisions. The real debt is estimated to be about 33% of the total amount of the unconsumed user holdings. This means that the provision for the year is 47.1 million SEK.

**Note 35 Cash and cash equivalents**  
**Parent company**

	<b>2022-12-31</b>	<b>2021-12-31</b>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	32 750 266	48 854 579
	<b>32 750 266</b>	<b>48 854 579</b>
<b>Interest paid</b>		
Interest paid during the period	-52 934	
Interest received during the period	8 247	

**Note 36 Significant events after the end of the financial year**

Listing on Spotlight Stock Market - it has long been an ambition for MindArk to go public and on January 27, 2023 MindArk rang the bell at Spotlight Stock Market. The share has the ISIN code SE0019354358 and is traded under the short name MNDRK.

20-year anniversary - on January 30, 2023, Entropia Universe celebrated 20 years and this date was also the start of Entropia Universe's users having the opportunity to celebrate this inside the universe. Throughout the year, the users will have the opportunity to discover new activities associated with the anniversary.

Gothenburg April 13, 2023

*David Simmonds*

*Jan Rasmuson*

David Simmonds  
Chairman

Jan Rasmuson

*Magnus Götenfelt*

*Anders Fröjd*

Magnus Götenfelt

Anders Fröjd

*Henrik Nel Jerkrot*

Henrik Nel Jerkrot  
CEO

My audit report concerning this annual report has been issued on April 13, 2023.

Öhrlings PricewaterhouseCoopers AB

*Konstantin Belogorcev*

Konstantin Belogorcev  
Authorized auditor