

Annual Report
for



MindArk PE AB (publ)

Corporate identity SE - 556640-4769

Financial Year 2019



The Board of Directors and Chief Executive Officer of MindArk PE AB (publ) hereby present the Annual Report for January 1st – December 31st 2019.

Directors´ report

Business

MindArk PE AB (publ) develops and operates Entropia Universe and the Entropia Platform. Entropia Universe is a 3D internet virtual universe with a unique integrated economic system and stunning graphics. The client software is free-of-charge and available to anyone with internet access.

The Entropia Platform is a secure entertainment and business platform, enabling companies and organizations all over the world to build content on themed planets inside the Entropia Universe.

Market and Competition

The gaming industry has continued to be the fastest growing segment of digital media in 2019. The industry turnover for 2019 was 148.8 billion USD according to Newzoo (Nov 2019) which is an increase of 7.2 % compared to the results for 2018. The forecast for 2020 is that revenue will increase to more than 160 billion USD, also according to Newzoo.

As MindArk does not have a direct competitor in the segment of virtual interactive universes with a real cash economy, the closest gaming genre to what MindArk offers is the MMO genre (Massively Multiplayer Online game). If we look at the MMO genre, MindArk competes with other global gaming studios such as the largest MMO game in the western world, Blizzard's "World of Warcraft". The MMO genre worldwide covers several million gamers.

The PC platform increased its revenue by 2.8 % YoY 2019, the PC platform still accounted for 24% of the activity within the gaming industry in 2019 according to Games Industry.biz.

A recent survey conducted with participants of the annual Game Developers Conference (GDC) showed clear signs of the PC platform's continued strong position within the industry. Out of the 4,000 participants in the survey, 50% responded that the PC platform was the most interesting platform. According to the same survey, 56% of the respondents said that their current projects are being developed for the PC platform and 52% also said that their next project will be developed for the PC platform as well.

MindArk's Differentiation

One factor that differentiates MindArk and Entropia Universe from the competition is the game's virtual economy with microtransactions, and its own currency, the Project Entropia Dollar (PED), which has a fixed value against the USD (10 PED = 1 USD), and the opportunity for participants to both deposit and withdraw money in a safe manner.

A further differentiation is the Planet Partner model, which allows other developers to partner with MindArk and build their own planets within Entropia Universe, sharing revenues generated on the planet.

MindArk has more than 17 years of experience developing and managing technology for virtual economies in an interactive 3D online environment. Today MindArk offers secure microtransactions for a large number of concurrent users that interact with one another online via their computers.

With the Entropia Platform, MindArk has a leading position in this area.

MindArk and its Affiliates

MindArk is the parent company of a group comprising the parent company and three subsidiaries, Entropia Universe AB, Planet Calypso AB and Green Fund Finance Sweden AB. All are located in Gothenburg, Sweden.

Planet Calypso AB was the operator and developer of Planet Calypso, the first planet in the Entropia Universe. Since January 1, 2015 all operations are handled by the parent company.

The subsidiary Entropia Universe AB previously provided much of the support for and operation of Entropia Universe. Since May 2012, the company has primarily been used for marketing purposes.

Green Fund Finance AB is the next generation investment house providing funding for commercial, innovative and sustainable technologies promoting a green economy.

Employees

In 2019, MindArk averaged 41 employees, including six 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), Mats Kling (CTO), Malin Gustafsson (Human Resources) and Gunilla Krogh (CFO).

Shares

The shares of MindArk are unlisted. The total number of shares is 157 623 125.

The distribution of shares among major shareholders is as follows:

<i>Shareholders</i>	<i>Shareholding</i>	<i>Proportion of shares and votes</i>
Tetiana Karunna	55 000 000	34,89 %
C-G Bothén AB	25 600 000	16,24 %
Others approx 900	77 023 125	48,87 %
Total	157 623 125	100 %

Important events during 2019

During 2019 MindArk has focused the majority of resources and investments on the Entropia Universe.

Camera control and interaction system

MindArk released a new foundation for a more modern and easier to understand camera control and interaction system. The main goal was to make it easier to convert new users with a system closer to industry standards. It was also essential for further interaction improvements planned for the future making Entropia even more convenient, easy to understand and interact with.

New graphics technology

The Entropia engine was updated during 2019 with new fundamental graphics technology: DX11 and PBR. This resulted in major overhaul of the graphical experience and an important step for keeping the engine up to date with modern technology.

Overhaul of the mission system

An essential part of the mission system where participants collect points while hunting was made into an automated system instead of spreading separate missions. This ensures that users automatically get presented and engaged with mission progress from the start.

Epic mutant storyline

An old story was brought back to life through the introduction of an epic storyline featuring the long lost Calamusoid mutant race. This is the first step in a series of storyline-based locations, missions and content for participants to explore and experience. Entropia has a rich and deep backstory that will get a more prominent position moving forward. The goal is to create a deeper and more immersive experience of Entropia.

Social and Business VR – with support for mobile units

In 2018, MindArk received its last contribution from Vinnova (Swedish Innovation Authority) for the Social & Business-VR project. This in connection with the project, together with Vinnova, was completed after one year's duration. Social & Business-VR experience is a B2B solution for business meetings, seminars and more in a secure virtual environment. Customers will be able to access the virtual areas via PC, Mac, Tablets, Smartphones and all major VR glasses such as Oculus Rift, HTC Vive and Samsung Gear to name a few.

The opportunity for the customer to use the traditional 2-D method or the emerging 3-D VR technology gives MindArk's system an advantage in the communication and presentation

marketplace. During 2019, MindArk has worked on establishing relationships with partners where concrete use cases for the product can be utilized. Demonstrations and negotiations are ongoing, no direct agreement has been made at this time.

Entropia Universe in a Hollywood movie

In 2019, MindArk was contacted by a Hollywood film producer, Cassian Elwes, who has made films such as Lee Daniels' "The Butler" and "Dallas Buyers Club". He was introduced to Entropia Universe by the company's planet partner Neverdie Studios (Rocktropia). The concept is to use Entropia as a backstory to a movie that uses real scenes and actors. An investment has been made giving MindArk a share in the film. The movie script is now being edited and the director and actors are being cast.

Planet Partners

Planet Nextisland

In 2019 Nextisland's new team spent time fixing known issues and bugs on the planet. They also developed the server area 'Ancient Greece' to be sold as a 'Deed Share Area', each deed will be sold for 10 PED (1 USD) and Deed Share Holders receive revenue from the activity from the area.

Planet Arkadia

After five years of minimal development of the planet due to the intellectual property claims in Singapore, the court has now granted Arkadia full ownership of all copyrights in question. Planet Arkadia was also awarded reimbursement for legal costs and won its counterclaims, including baseless threats of copyright infringement and breach of contract, with damages to be assessed by the court at a later date. Arkadia now intends to increase development and marketing in 2020.

Planet Toulan

Beladcom, the company behind Toulan, has started discussions with a new partner about cooperation regarding development and marketing of the planet, planned to start during 2020.

Planet Cyrene

An increase in development during the first half of 2020 will build up to a new marketing campaign for the second half of the year.

Planet Rocktropia

Rocktropia is continuing to cater to their Rock and Zombie theme customers.

Unconsumed user holdings i.e. player debt from "Contingent Liabilities" to Liabilities in the Balance Sheet

The player debt, i.e. unconsumed user holdings, increased during the fiscal year from 112.1 million PED to 113.9 million PED, an increase of 1.8 million PED. The total debt also increased in SEK, but significantly more as the SEK / USD exchange rate has increased from 8.97 SEK / USD at the end of the year to 9.32 SEK / USD last December 2019 (10 PED = 1 USD). As a result, the debt increased by 5.6 million in SEK, from 100.5 million SEK to 106.1 million SEK.

The total amount of "Unconsumed user holdings" is a variable amount that varies with the various activities within the Entropia Universe. Historical figures show that 30 - 35% (average over the last 15 years) of the funds deposited by users are later withdrawn. The remaining funds are either

consumed or remained in the accounts of the users in the form of inventory or cash in the form of the virtual currency PED.

However, it is a prerequisite for the survival of Entropia Universe that MindArk pays out the requested withdrawals and therefore the part of the player debt that is likely to be withdrawn, will be booked as a debt.

With these facts in hand, the assessment is that the actual debt, which would be entered in the balance sheet, is 33% of the player debt at the time of the entry. This means that the actual debt by year-end 2019 was 37.6 million PED, 35 million in SEK. The allocation for unconsumed user holdings has been adjusted for this and for the change in exchange rate between USD/PED and SEK.

Economic Development

Net deposits in 2019 amounted to 74 million PED (70 million SEK) compared to the 2018 net deposits, which totaled 78.5 million PED (68.2 million SEK). If a deduction is made for deposits related to financial purchases, such as Deeds, the figure for 2019 is 72.2 million PED (68.3 million SEK) compared to 72.7 million PED (63.2 million SEK) in 2018, representing a decrease in net deposits in PED of 1.4%. Net deposits in SEK have instead increased and the reason for that is that the exchange rate between USD and SEK has risen. This year the average exchange rate has been 9.46 SEK / USD compared to last year's exchange rate which was 8.69 SEK / USD.

Net sales in PED, i.e. consumption in the Entropia Universe, have not decreased to the same extent as deposits. Sales excluding profits, financial purchases (deeds) and bonuses show that revenue decreased by 0.7% in PED from 69 million PED in 2018 to 68.5 million PED in 2019 before deduction for VAT.

Net sales for the company amounted to 64.6 million SEK (previous year SEK 62.1 million), an increase of 4%. Approximately 5.1 million SEK (last year 3.9 million SEK) of net sales is related to inactive users, i.e. a user whose account has not been active for at least one year. Remaining funds in these accounts have been moved from player debt to net sales. However, turnover in Entropia Universe has decreased in PED, which was reported in the previous paragraph. The increase in sales is therefore only due to, as mentioned before, that the exchange rate between USD / SEK is much higher this year than in the previous year. The average rate has gone up by a full 9%.

Net sales in SEK reached the company's budget target thanks to, for the company, positive exchange rate development between USD and SEK.

Other income includes an initial compensation from the company's insurance company regarding the Storey dispute. Last year other income included revenues from the sale of Arkadia Moon Deeds (a total of 3.9 million SEK).

Personnel costs are 3.5 million SEK higher than last year. One reason is that as of this year, the fees to the Board are added in personnel costs. Other causes are higher costs for recruitment and bonuses, changes in staff composition, salary increases and the fact that sick leave has dropped from 4.4% in 2018 to 2.4% in 2019.

Operating expenses amounted to about 57.8 million SEK (last year about 53.5 million SEK), an increase of 4.3 million SEK. Marketing landed at 3.2 million SEK, which is roughly the same amount as last year (3.1 million SEK). Reasons for rising costs are the cost of capitalized office investments of 1.9 million SEK, increased hardware purchases of 220 TSEK, bankruptcy Rufoid AB (MindArk had shares in the app company worth 243 TSEK), customer losses 153 TSEK, increasing legal costs of 300 TSEK (mainly for the Storey dispute and GDPR) as well as extended live support through VWR in the US of 1.3 million SEK. Operating profit before depreciation and amortization amounted to plus 15.8 million SEK (last year plus 19.6 million SEK).

Depreciation and write-downs of tangible and intangible fixed assets decreased from 13.5 million SEK in 2018 to 11.3 million SEK in 2019. The decrease is partly because in November 2019 the previously balanced asset ComPet Game was fully written off and that the previous year a write-down was made of the same at 1.5 million SEK. Operating profit after depreciation amounts to plus 4.5 million SEK (last year plus 6.1 million SEK).

Financial items include a negative interest income of 1.3 million SEK regarding a reverse loan issued in 2009. The minus item is due to a cancellation in accordance with an agreement with the counterparty of previously booked accrued income interest. In 2020, the reverse loan will begin to be repaid. A loan to MindArk's subsidiary Green Fund Finance Sweden AB is deemed to be an unsecured claim, which is why a conditional shareholder contribution has been given to the subsidiary to cover the write-down in the subsidiary. This has led to a write-down of shares of subsidiaries of just under 2.3 million SEK. Finally, in addition to the usual exchange rate differences of minus 0.5 million SEK, financial items consist of an exchange rate difference of minus 0.8 million SEK related to player debt.

After net financial items, but before appropriations and tax, the profit amounted to minus 381 TSEK (last year 2.9 million SEK). A further analysis of the results will be presented in the next section.

The equity of the company amounted at year-end to 40 million SEK (previous year 39.4 million SEK).

Analysis of the results for Entropia Universe

As previously mentioned, MindArk's result stands at minus 381 TSEK for the fiscal year 2019. However, the company's main product Entropia Universe has generated a good profit, but the company's summed earnings have been negatively affected by side projects. The company has wanted to expand both by developing an app (ComPet Game) and partly by creating partnerships with companies such as Rufoid, Vincere and Swestep. However, these projects / products have only generated costs and no revenue during the financial year.

During 2019, ComPet Game has generated depreciation costs of SEK 3.1 million. The company partnerships mentioned above have generated external costs of SEK 0.9 million. In addition, the company has suffered legal fees for a dispute mentioned in previous sections. The costs during 2019 amount to 675 TSEK and the company has only received one payment from one of the company's insurance companies of 232 TSEK. More compensation is expected in 2020.

The company activates new development at Entropia and writes off previously balanced development costs and a balanced platform. Net of this is an income for the company of 814 TSEK for 2019.

If you look at Entropia Universe only and its revenues and costs including depreciation of hardware and equipment and remove the net income from the activation described above, you get an operating profit of plus 8.1 million SEK, i.e. Entropia Universe is a profitable product. The company has no loans and the financial items this year described in previous sections are one-off.

Cash Flow and Liquid Assets

During the year the company acquired fixed assets of 1.3 million SEK and capitalized development costs regarding Entropia Universe and the Entropia Platform in the amount of 8.8 million SEK.

The company's liquidity has increased significantly during the year and at year end amounted to 24.2 million SEK versus 13.6 million SEK the previous year.

Group in Summary

No consolidated financial statements have been prepared for fiscal year 2019, as no or insignificant operations have been conducted in the subsidiaries during the year.

Listing of MindArk Shares

The timing of the listing of MindArk shares has not yet been established, any further information will be published on our website.

Annual Meeting

The 2019 Annual General Meeting was held on May 29 at the company's premises. In addition to the decision to determine the previous year's accounts, elections were made to the Board. Two of the Board's current members, elected at the Annual General Meeting on June 20, 2018, David Simmonds and Göran Alvek, stated that they were available for re-election. The two alternate members of the Board, Magnus Eriksson and Gunilla Krogh, were also available for re-election.

The Meeting resolved that the Board shall consist of five members and two deputies. Further re-elected ordinary Board members, David Simmonds and Göran Alvek, for the period until the next Annual General Meeting. In addition, Adrian Welter was newly elected Chairman of the Board and Charlie Lindholm and Henrik Nel Jerkrot as ordinary Board members for the period until the next Annual General Meeting was held.

The annual meeting also decided to re-elect Magnus Eriksson and Gunilla Krogh as deputy directors.

Extraordinary general meeting

It has been MindArk's ambition for some time to become listed on Spotlight Stock Market. Spotlight has recently updated its ruleset for companies listed on their market, and this new ruleset puts greater demands on the board being independent from the company. Spotlight evaluates the independence of each board member by for example checking if they are employed by the company or if they have family ties to major shareholders. Therefore, it was called to an Extraordinary General Meeting on November 21, 2019, where parts of the Board were replaced.

The Meeting resolved that the Board of Directors should consist of three members and no deputies until the next Annual General Meeting. David Simmonds was elected Chairman of the Board of Directors and regular member of the Board until the next AGM. Anders Fröjd and Jan Rasmuson were newly elected to the Board of Directors for the time until the next Annual General Meeting.

Final Words

During the financial year 2019, MindArk continued to invest in the core business Entropia Universe and made a number of major steps forward. With the new hires that the company made in the past year and upcoming new hires in 2020, the opportunities are greater than ever to take the necessary steps that will further raise the product in the coming years. An important part of the strategy is to appoint roles whose responsibility is to develop and increase the company's continuous contact with the user base together with future-proofing the technical competence required to continue developing the technical platform that runs the Entropia Universe.

MindArk has also invested in making the company an attractive workplace where employees have the opportunity to push through changes in their areas of responsibility that benefit the product and the company as a whole based on common goals. In 2019, the company's working methods have taken great strides forward to enable a better flow from planning to execution with a higher quality in clear release cycles. The effect of this is an increased efficiency and productivity that benefits both the user base and shareholders.

The Board's proposed appropriation of loss

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

Retained losses	-39 690 221
Shared premium reserve	33 950 695
Net loss for the year	-457 522
	-6 197 048

Amount carried forward	-6 197 048
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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.

Several years summary (TSEK)

	2019	2018	2017	2016	2015
Net sales	64 604	62 091	57 471	63 764	52 893
Profit after amortization	4 537	6 137	2 740	8 161	3 691
Profit after financial items	-381	2 861	-864	10 745	4 002
Net profit for the year	-458	619	0	5 434	3 056
Total assets	97 542	98 206	94 697	59 138	50 541
Equity	40 043	39 392	37 089	38 515	30 401
Fixed assets	67 253	72 921	78 555	29 465	26 730

Changes in shareholders' equity (TSEK)

	Share capital	Revaluation reserve	Restricted Reserves	Fund for development	Share premium reserve	Profit carried forward	Total capital
Opening balance	1 576	35 012	50	9 497	33 951	-40 693	39 392
Shareholders meeting						0	0
Change deferred tax		1 113					1 113
Resolution revaluation reserve		-5 200				5 200	0
Resolution fund for development				-4 566		4 566	0
Left of deposits to DeepToken						-4	-4
Fund for development				8 759		-8 759	0
Net loss for the year						-458	-458
Outgoing balance	1 576	30 925	50	13 689	33 951	-40 148	40 043

Income Statement

	Not	2019-01-01 -2019-12-31	2018-01-01 -2018-12-31
Net sales		64 604 344	62 091 429
Capitalized work		8 758 660	7 764 703
Other income		236 340	3 262 471
		73 599 344	73 118 603
Operating expenses			
Other external costs		-27 168 406	-26 768 294
Personnel costs	3	-30 588 094	-26 744 888
Amortization and depreciation		-11 305 569	-13 467 997
		-69 062 069	-66 981 179
Operating profit		4 537 275	6 137 424
Financial items			
Profit from shares in group companies	4	-2 259 168	0
Profit from other securities and receivables accounted for as non-current assets	5	-1 273 598	684 965
Interest cost and similar items	6	-838 470	-3 359 741
Exchange rate differences in bank holdings		-546 646	-601 349
		-4 917 882	-3 276 125
Profit after financial items		-380 607	2 861 299
Transfers to/from untaxed reserves	7	1 943 370	0
Net profit before tax		1 562 763	2 861 299
Income tax		-2 020 285	-2 242 512
Net profit		-457 522	618 787

Balance Sheet

Not 2019-12-31 2018-12-31

Assets

Non-current assets

Intangible assets

Planet Calypso and Planet Calypso Forum	8,9	0	147 936
ComPet Game	10	0	3 059 625
Entropia Platform and Entropia Universe	11	56 173 573	54 619 782
		56 173 573	57 827 343

Property and equipment

Buildings and land	12	0	655 065
Equipment and computer hardware	13	1 858 853	1 647 637
		1 858 853	2 302 702

Financial assets

Shares in subsidiaries	14	4 960 000	4 960 000
Other long-term securities	15	500 000	743 320
Loan MindArk Groups Vinstandelsstiftelse		215 000	190 000
Deferred tax		218 796	2 239 081
Other long-term receivables	16	3 327 240	4 658 576
		9 221 036	12 790 977

Total non-current assets

67 253 462 72 921 022

Current assets

Stock-in-trade

Commercial goods	17	104 975	114 411
Advanced to suppliers		5 840	111
		110 815	114 522

Short-term receivables

Account receivables		1 659 329	2 709 639
Receivables from payment providers	18	1 071 652	1 858 330
Receivables group companies		95 237	91 537
Tax advanced		0	79 563
Other receivables		1 446 885	5 092 884
Prepaid expenses and accrued income		1 745 727	1 760 420
		6 018 830	11 592 373

Cash and bank balances

		24 159 249	13 578 384
Total current assets		30 288 894	25 285 279

Total assets

97 542 356 98 206 301

Equity and liabilities

Balance Sheet

Not 2019-12-31 2018-12-31

Equity

Restricted equity

Share capital (157 623 125 shares)	1 576 231	1 576 231
Revaluation reserve	30 924 400	35 011 600
Restricted reserves	50 000	50 000
Fund for development	13 689 313	9 496 596
	46 239 944	46 134 427

Non-restricted equity

Share premium reserve	33 950 695	33 950 695
Profit brought forward	-39 690 221	-41 311 800
Net profit	-457 522	618 787
	-6 197 048	-6 742 318

Total equity

40 042 896 39 392 109

Untaxed reserves

0 1 943 370

Allocations

19

Allocation unconsumed user holdings	35 013 250	33 180 043
Estimated deferred tax	8 075 600	9 188 400
Total allocations	43 088 850	42 368 443

Long-term liabilities

Other liabilities	41 337	101 543
	41 337	101 543

Short-term liabilities

Accounts payable	1 817 197	2 217 929
Liabilities group companies	3 901 986	3 904 486
Current tax liabilities	10 105	0
Other liability	2 624 336	2 627 880
Accrued expenses and prepaid income	6 015 649	5 650 541
Total short-term liabilities	14 369 273	14 400 836

Total equity and liabilities

97 542 356 98 206 301

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 *BFNAR 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 is accounted for in a straight line over the assets anticipated economic life.

The following percentages are applied:

Entropia Platform and Entropia Universe	10-12,5 %
Planet Calypso	20 %
Planet Calypso Forum	20 %
ComPet Game	33 %
Equipment and tools	20 %
Computer hardware	20-33 %

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 actual debt of the player debt is recognized in the balance sheet (previously a contingent liability) under the heading Allocations. The real debt is estimated to be about 33% of the actual player debt.

Note 3 Average employees

	2019	2018
Average employees	41	41

Note 4 Resultat från andelar i koncernföretag

A loan to the company's subsidiary is deemed to be unsecured, and the company has therefore given the subsidiary Green Fund Finance Sweden AB a conditional shareholder contribution and subsequently written down shares in the subsidiary at the amount specified below. If the subsidiary receives balanced profits, the shareholder's contribution must be repaid to the parent company.

	2019	2018
Impairment	2 259 168	0
	2 259 168	0

Note 5 Profit from other securities and receivables accounted for as non-current assets

The negative interest rate, among other things, is due to cancellation in accordance with the agreement with the counterparty of previously booked accrued income interest on a reverse loan. In 2020, repayment of the reverse loan will start.

	2019	2018
Interest	-1 455 373	315 560
Exchange revenues	181 775	369 405
	-1 273 598	684 965

Note 6 Interest cost and similar items

	2019	2018
Interest cost	-1 086	-2 835
Exchange difference player debt	-837 384	-3 356 906
	-838 470	-3 359 741

The reason for the large exchange difference is that the company has made an exchange adjustment on the player debt. The exchange rate at the end of 2019 was 9.32 SEK/ USD and at the year-end 2018 the rate was 8.97 SEK/ USD. It will be a negative currency adjustment of 830 TSEK. The reason is that the debt has increased during the fiscal year 2019, which means that a higher exchange rate will affect the company negatively. See more in the note 19 Allocations.

Note 7 Transfers to/from untaxed reserves

	2019	2018
Change in depreciation	1 943 370	0
	1 943 370	0

Note 8 Planet Calypso

	2019-12-31	2018-12-31
Acquisition value brought forward	551 263	551 263
	551 263	551 263
Amortization brought forward	-441 012	-330 759
Amortization according to plan	-110 253	-110 253
	-551 263	-441 012
Entered net value carried forward	0	110 251

Note 9 Planet Calypso Forum

	2019-12-31	2018-12-31
Acquisition value brought forward	188 421	188 421
	188 421	188 421
Amortization brought forward	-150 736	-113 052
Amortization according to plan	-37 684	-37 684
	-188 421	-150 736
Entered net value carried forward	0	37 685

Note 10 ComPet Game

Refers to the acquisition of the ComPet Game idea, capitalized costs and capitalized expenses for mobile application development. ComPet Game was launched in 2016. The note also refers to the cost and amortization for the MindArk and Entropia Universe web tool, which is fully amortized.

	2019-12-31	2018-12-31
Acquisition value brought forward	12 738 359	12 738 359
	12 738 359	12 738 359
Amortization brought forward	-8 178 734	-3 204 599
Amortization according to plan	-3 059 625	-4 974 135
	-11 238 359	-8 178 734
Write-down brought forward	-1 500 00	0
The write-down of the year	0	-1 500 000
Outgoing write-down	-1 500 000	-1 500 000
Entered net value carried forward	0	3 059 625

Not 11 Entropia Platform and Entropia Universe

	2019-12-31	2018-12-31
Acquisition value brought forward	63 628 660	55 863 957
Purchase	8 758 660	7 764 703
	72 387 320	63 628 660
Amortization brought forward	-9 008 878	-2 793 198
Amortization according to plan	-7 204 869	-6 215 680
	-16 213 747	-9 008 878
Entered net value carried forward	56 173 573	54 619 782

Not 12 Buildings and land

	2019-12-31	2018-12-31
Acquisition value brought forward	661 070	661 070
Sale/decommissioning	-661 070	0
	0	661 070
Depreciation brought forward	-6 005	0
Sale/decommissioning	6 005	0
Depreciation for the year	0	-6 005
	0	-6 005
Entered net value carried forward	0	655 065

Note 13 Equipment and computer hardware

	2019-12-31	2018-12-31
Acquisition value brought forward	12 282 243	11 342 298
Acquisitions	1 293 513	939 945
Sale/decommissioning	-341 941	0
	13 233 815	12 282 243
Depreciation brought forward	-10 634 606	-10 010 366
Sale/decommissioning	114 487	0
Depreciation for the year	-854 843	-624 240
	-11 374 962	-10 634 606
Entered net value carried forward	1 858 853	1 647 637

Note 14 Specification shares in subsidiaries

Corporate name	Proportion	Share of voting	Number of shares	Book value	
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	100%	100%	500	50 000	
				4 960 000	
	Corporate identity	Domicile	Equity	Net profit	
Planet Calypso AB (publ)	556766-6416	Göteborg	3 902 586	-1 900	
Entropia Universe AB	556767-3594	Göteborg	990 533	-7 737	
Green Fund Finance Sweden AB	559170-3557	Göteborg	49 266	-2 259 902	

Note 15 Other long-term securities holdings

Last year's figures pertained to shares in Rufoid AB and Manomotion AB. In 2019, Rufoid AB was liquidated and at year-end only the shares in Manomotion AB remained.

	2019-12-31	2018-12-31
Acquisition value brought forward	743 320	743 320
Sale/decommissioning	-243 320	0
	500 000	743 320
Entered net value carried forward	500 000	743 320

Note 16 Other liability

Refers to reverse loan according to agreement. In previous years, capitalized interest has been booked off during the financial year after negotiation with counterparties regarding the size of the loan.

	2019-12-31	2018-12-31
Acquisition value brought forward	5 392 103	4 759 472
Capitalized interest	-1 513 111	263 226
Currency change	181 775	369 405
	4 060 767	5 392 103
Revaluation brought forward	-733 527	-733 527
	-733 527	-733 527
Entered net value carried forward	3 327 240	4 658 576

Note 17 Stock

The inventory only consists of profile products that are sold through an online shop on the company's website.

Note 18 Receivables from payment providers

Refers to MindArk's outstanding receivables on all contracted payment providers. The open balance contains payments confirmed by the provider but not yet received by MindArk.

Note 19 Allocations

	2019-12-31	2018-12-31
Deferred tax liability		
Value brought forward	9 188 400	10 868 000
During the year reversed amount	-1 112 800	-1 679 600
	8 075 600	9 188 400
Allocations for unconsumed user holdings		
Value brought forward	33 180 044	29 459 145
Allocation for the year	1 833 206	3 720 899
	35 013 250	33 180 044

Unconsumed user holdings:

Unconsumed user holdings, i.e. the player debt, is equivalent to user deposits which are not used or withdrawn. The debt increased during the fiscal year from PED 112.1 million PED to 113.9 million PED, an increase of 1.8 million PED. The total debt also increased in SEK, the SEK / USD exchange rate has gone from 8.97 SEK / USD at the end of last year to 9.32 SEK / USD last December 2019 (10 PED = 1 USD). As a result, the debt increased by 5.6 million in SEK, from 100.5 million SEK to 106.1 million SEK.

User requested reimbursements not yet settled are recognized in the balance sheet under Accrued expenses.

Since mid-year 2017, the real part of the player debt is recognized in the balance sheet (previously a contingent liability) under the heading Allocations. The real debt is estimated to be about 33 % of the actual player debt. This means that this year's allocation is just over 35 million SEK.

Note 20 Pledged assets

Refers to SEB´s corporate mortgage.

	2019-12-31	2018-12-31
Mortgage companies	3 000 000	3 000 000
	3 000 000	3 000 000

Note 21 Important events in early 2020

With the development of the COVID-19 pandemic, MindArk has closely followed the recommendations of the authorities. The company has also taken several precautionary measures, including that the majority of employees work from home to reduce the risk of spreading the infection, but also to ensure that Entropia Universe is accessible to users.

The activity in Entropia Universe has so far not diminished and the company's assessment is that part of the user base will spend more time at Entropia Universe than usual. The company also estimates that more new users will be added as more people explore different games under the current situation. However, the company takes into account that some users may have less liquidity and therefore will not be able to spend large sums on computer games. Considering the above, the company estimates that the current budget for 2020 remains; however, the company will follow developments and make ongoing forecasts.

Göteborg April 8, 2020

David Simmonds

David Simmonds
Chairman of the Board

Anders Fröjd

Anders Fröjd
Board Member

Jan Rasmuson

Jan Rasmuson
Board Member

Henrik Nel Jerkrot

Henrik Nel Jerkrot
CEO

My audit report concerning this annual report has been issued on April 8, 2020.

Magnus Götenfelt

Magnus Götenfelt
Authorized public accountant