



Solid Clouds ehf

Financial Statements 2019

Compiled without Audit or Review

Reg. no: 600913-2550

Eiðistorgi 13-15

170 Seltjarnarnes

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Board of Directors' Report

Solid Cloud Games ehf. was founded in 2013. Its purpose is information technology, software development, creation and marketing of computer games.

These financial statements are compiled in accordance with Icelandic laws and regulations regarding preparing and presenting financial statements and in accordance with other applicable laws and regulations.


The operating income for the year 2019 amounted to ISK 55.430.822. Net loss for the year was total ISK 12.071.096. Total assets were ISK 373.222.165 at year end and Stockholder's equity amounted to ISK 360.931.997.

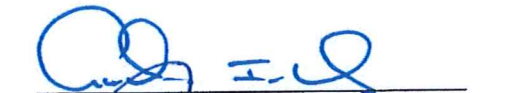
Number of shareholders at the end of the year are 134 but were 133 at the beginning of the year. The following are the 10 largest shareholders:

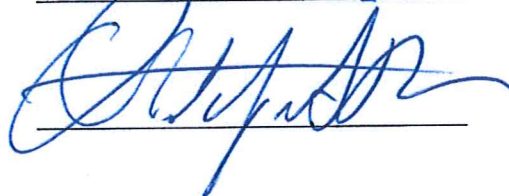
	Ownership	
	1.1.2019	31.12.2019
Stefán Gunnarsson	20,18%	16,90%
Kjölur fjárfestingarfélag ehf.	10,00%	10,00%
Sigurður Arnljótsson	7,17%	6,57%
Stefán Þór Björnsson	4,94%	4,71%
Tómas Sigurðsson	4,05%	3,38%
Daníel Sigurðsson	3,29%	2,75%
S9 ehf	2,94%	2,46%
Karl J.Karlsson	2,19%	1,83%
Eignarhaldsfélagið CHOAM ehf.	2,09%	1,74%
Aðalsteinn Haukur Sverrisson	1,65%	1,38%

We, the board of directors, of Solid Clouds ehf hereby confirm that we are responsible for the preparation and presentation of the financial statements and we hereby ratify these financials statements for the year 2019 with our signatures.

Reykjavík, 28th of July 2020







Auditor's Compilation Report


To the board of directors and shareholder's of Solid Cloud Games ehf.

We have compiled these financial statements for Solid Clouds ehf Reg. no: 600913-2550, Eiðistorgi 13-15, 170 Seltjarnarnes in accordance with International Standard of ISRS 4410. These financial statements contain a balance sheet as of December 31, 2019, a statement of income and cash flows for the year then ended, information about main accounting policies and other notes.

This compilation and our work thereon was done with the main objective to assist those charged with government and the managing staff of the company to prepare a set of financial statements which give a true and fair view and are in compliance with all applicable laws and regulations. They are prepared on the basis of the information provided by management.

According to law, the board is responsible for the preparation of the financial statements. We have not performed an audit or reviewed these financial statements and accordingly we express no assurance thereon.

Reykjavík, 28th of July 2020


Sveinbjörn Sveinbjörnsson
State authorized public accountant



Íslenskir endurskoðendur Bíldshöfða slf
Bíldshöfða 14, 110 Reykjavík

Income Statement 2019

	Note	2019	2018
Operating income			
Operating revenues		85.628.430	55.430.822
		85.628.430	55.430.822
Operating expenses			
Development cost		49.938.893	28.164.161
Salaries and related expenditures		137.389.003	104.100.321
Office and management related expenditures		60.946.324	38.341.864
Capitalized development costs		(159.568.878)	(97.306.029)
		88.705.342	73.300.317
EBIT.....		(3.076.912)	(17.869.495)
Financial income and (expenses)			
Interest revenues		2.564.089	5.810.760
Interest expenses		(123.956)	(12.361)
		2.440.133	5.798.399
Net loss for the year.....		(636.779)	(12.071.096)

Balance sheet

Assets

	Note	2019	2018
Fixed assets:			
Intangible assets:			
Capitalized development costs	5	431.134.370	271.565.492
		<u>431.134.370</u>	<u>271.565.492</u>
	Fixed assets	<u>431.134.370</u>	<u>271.565.492</u>
Current assets			
Receivables:			
Receivables		15.773.391	3.223.135
Other receivables		12.949.785	2.655.177
Cash and cash equivalents		113.737.037	95.778.361
	Current assets	<u>142.460.213</u>	<u>101.656.673</u>
	Total assets	<u><u>573.594.583</u></u>	<u><u>373.222.165</u></u>

as of Desember 31st 2019

Equity and Liabilities

	Note	2019	2018
Stockholder's equity			
Common stock	9,10	1.948.461	1.628.461
Paid-in capital in excess		634.258.634	436.178.663
Legal reserve		271.565.492	271.565.492
Retained (losses)		(349.077.398)	(348.440.619)
Total stockholders equity	10	<u>558.695.189</u>	<u>360.931.997</u>
Current liabilities			
Accounts payable		1.993.940	0
Other payables		12.905.454	12.290.168
Current liabilities		<u>14.899.394</u>	<u>12.290.168</u>
Total liabilities		<u>14.899.394</u>	<u>12.290.168</u>
Total equity and liabilities		<u><u>573.594.583</u></u>	<u><u>373.222.165</u></u>

Statement of cash flow for the year 2019

	Note	2019	2018
Operating activities			
Net income (loss)		(636.779)	(12.071.096)
Changes in operating assets and liabilities:			
Short term receivables, change		(22.844.864)	(3.875.230)
Short term payables, change		2.781.868	(1.322.425)
Changes in operating assets and liabilities		(20.062.996)	(5.197.655)
Net cash provided by (for) operating activities		(20.699.775)	(17.268.751)
Investing activities:			
Capitalized development costs	8	(159.568.878)	(97.306.029)
Investing activities		(159.568.878)	(97.306.029)
Financing activities			
Paid in common stock	10	198.399.971	0
Other debts, change		(172.642)	0
Net cash flow from financing activities		198.227.329	0
Increase (decrease) in cash.....		17.958.676	(114.574.779)
Cash at beginning of year.....		95.778.361	210.353.141
Cash at year end.....		113.737.037	95.778.361

Notes

Accounting principles

1. These Financial Statements of Solid Clouds ehf for the year 2019 have been prepared in accordance with applicable Icelandic laws and regulations regarding the presentation and content of Financial Statements and consolidated financial statements and in accordance with generally accepted accounting principles.
2. Comparative figures have been adjusted to conform with changes in current year presentation, where applicable.
3. Revenues from sales are recorded in the accounting period where the ownership rights are transferred from the seller to the buyer.
4. Assets and liabilities at the end of year 2019 which are subject to changes in price indexes are restated based on the price index in the beginning of year 2020. Assets and liabilities which are subject to changes in currency exchange rates are translated into ISK based on the most recent rates in December 2019 published by the Central Bank of Iceland.

Income statement

	2019	2018
Development cost		
5. Game design	49.695.357	28.125.791
Transport	243.536	38.370
	<u>49.938.893</u>	<u>28.164.161</u>
Salaries and related expenditures		
6. Salaries	106.365.437	82.329.063
Salary related expenditures	31.023.566	21.771.258
	<u>137.389.003</u>	<u>104.100.321</u>
Financial revenues and financial expenses		
	2019	2018
7. Financial revenues	2.564.089	5.810.760
Financial expenses	123.956	12.361
	<u>2.688.045</u>	<u>5.823.121</u>

Notes continuing:

Intangible assets

8. Depreciation of intangible assets is calculated as a fixed annual percentage of book value. Intangible assets and depreciation are specified as follows:

	Development cost	Total
Capitalized 1.1.2019	271.565.492	271.565.492
Capitalized development costs	159.568.878	159.568.878
Book value 31.12.2019	431.134.370	431.134.370
Depreciation rates	0%	

Development costs are expensed as incurred. Costs resulting from the project to the development of products related to the design and testing of new products are recognized as an intangible asset in the balance sheet when the probability of project success and technical ability to complete the development of products, product sales prospects are present along with the capacity to measure cost reliably. Other development costs are expensed as incurred. Development costs previously expensed is not capitalized later. Capitalized development cost are amortized over time up to 20 years.

Equity

9. Common stock at end of year 2018 amounted to ISK 1.948.461. The nominal value of each share is ISK 1 and carries one vote.
10. Equity accounts:

According to the applicable laws and regulations, companies that capitalize development costs shall recognize the same amount in retained earnings as a separate item in equity which is not permitted to allocate dividends from. That item shall be settled in proportion to the amount of annual depreciation of capitalized development costs. The item should be dissolved if the asset is sold, discontinued or fully depreciated.

	Common stock	Paid-in capital in excess	Legal reserve	Retained losses	Total
Paid in common stock	1.628.461	436.178.663	271.565.492	(348.440.619)	360.931.997
Share increase	320.000	198.079.971			198.399.971
Net loss for the year				(636.779)	(636.779)
Equity 31.12.2019	1.948.461	634.258.634	271.565.492	(349.077.398)	558.695.189

Deferred tax asset

11. Development costs capitalized in the financial statements amount to ISK 431.134.370 but ISK 9.923.930 for tax purposes. This resulted in a reduction of the deferred tax asset.

Deferred tax asset amount ISK 86.226.874 is not recognized in the financial statements because of inherent uncertainty. Tax losses carried forward expires after 10 years if not utilized.

Notes continuing:

Taxation

12. In accordance to Icelandic legislation on Income taxes, transferable losses at the end of year 2016 amounted to ISK 498.582.646. Transferable losses are usable within ten years from the end of the year in which they were incurred. They are transferable/usable as follows:

Loss of 2013, usable until the year 2023	967.283
Loss of 2015, usable until the year 2025	52.526.556
Loss of 2016, usable until the year 2026	68.584.999
Loss of 2017, usable until the year 2027	106.973.526
Loss of 2018, usable until the year 2028	109.360.025
Loss of 2019, usable until the year 2029	<u>160.170.257</u>
Tax loss carried forward	<u>498.582.646</u>