

Solid Clouds hf

Condensed
Interim Financial Statements June 30, 2024

kt: 600913-2550
Eiðistorgi 17
170 Seltjarnarnes

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Managing Director and Board of Directors' Report

Solid Clouds hf was founded in 2013. Its objectives are software development and the creation and marketing of multiplayer computer games.

Net loss for the period January 1st to June 30, 2023, amounted to ISK 102.5 million. Total assets stood at ISK 1,421.5 million at the end of June 2024 and stockholder's equity amounted to ISK 1,372.8 million at the same time. There were 20 employees during the period 1 January to 30 June 2024.

The number of shareholders at the end of June 2024 were 1,630 compared to 1,581 at the beginning of the year. The following are the ten largest shareholders as of the end of June 2024:

Festa - lífeyrissjóður	8,1%
Stefán Gunnarsson	6,7%
Birta - lífeyrissjóður	6,0%
Stefán Þór Björnsson	3,9%
Kjölur fjárfestingarfélag ehf.	3,7%
Eggert Árni Gíslason	3,3%
Fea ehf	3,0%
Sigurður Arnljótsson	2,6%
Guðmundur Ingi Jónsson	2,5%
Þorlákur Traustason	2,4%
Other shareholders (1.620)	57,8%

In February, Solid Clouds hf increased its share capital by issuing 147,600,945 new shares at ISK 2 per share through a private placement and a public share offering, raising a total of ISK 295.2 million.

In April 2024, Solid Clouds hf intensified its marketing efforts for Starborne Frontiers and released a PC version of the game, enabling its upcoming publication on Steam, the world's largest gaming portal, in the latter half of 2024.

Key performance indicators for Starborne Frontiers, including Return on Ad Spend (ROAS), Average Revenue Per Daily Active User (ARPDau), and daily conversion of players, have shown consistent improvement in the last months.

At the 2024 AGM, Eggert Árni Gíslason, a current board member, was elected Chairman of the Board. Additionally, Davíð Gunnarsson, also a board member, was appointed Vice Chairman by the board.

Skúli Skúlason joined the board at the 2024 AGM. With over 29 years in aviation, he co-founded Airport Associates and Bluebird Cargo. He is currently the Managing Director of Express ehf.

Andrea Olsen became a board member at the 2024 AGM. With extensive experience as a corporate lawyer, including at LOGOS Legal Services, she is now the Managing Director and CEO of Frigus ehf, a high-wealth family office. She also serves on several other boards through her role at Frigus ehf.

Ingólfur Ævarsson joined the board at the 2024 AGM as an alternative member. He has held key roles in gaming industry at CCP hf., and 1939 Games ehf. Currently, he is the CEO of Porcelain Fortress ehf., a gaming studio.

As of the end of June 2024, Solid Clouds hf cash reserves totaled ISK 87.2 million. Additionally, the Company anticipates receiving approximately ISK 132.7 million in R&D tax credits in early November.

Solid Clouds also plans to raise additional capital later in 2024 by issuing new shares to support operations and marketing activities for the upcoming year.

Managing Director and Board of Directors' Report, cont.

The Board of Directors and the Managing Director of Solid Clouds hf have today reviewed the Interim Financial Statements of the Company for the period 1 January to 30 June 30 2024, and confirm them by means of their signatures.

Reykjavík, August 30th, 2024

Stefán Gunnarsson, Managing Director

Eggert Árni Gíslason, Chairm. of the Board

Davíð Gunnarsson, Board Member

Svanhvít Friðriksdóttir, Board Member

Andrea Olsen, Board Member

Skúli Skúlason, Board Member

Statement of Profit and Loss January 1st to June 30, 2024

	Note	2024 1.1. - 30.6.	2023 1.1. - 30.6.
Operating income			
Game revenues	5	29.147	10.888
Cost of game revenue collection		(4.329)	(1.022)
		24.817	9.866
Operating expenses			
Development cost		1.989	2.220
Salaries and related expenditures		12.207	3.467
Operating expenses		86.892	26.529
		101.088	32.216
Operating loss before depreciation and financial inc. and expenses		(76.270)	(22.350)
Depreciation of development costs	6	(53.285)	(43.049)
Depreciation of right-of use assets	7	(2.377)	(2.846)
		(131.933)	(68.246)
Financial income and (expenses)			
Interest revenues		5.128	6.211
Interest expenses		(1.578)	(701)
Currency exchange difference		(78)	(354)
		3.472	5.156
Operating loss before income tax		(128.461)	(63.089)
Income tax	8	25.931	13.384
Net loss for the period		(102.530)	(49.705)

Statement of Financial Position June 30, 2024

	Note	30.6.2024	31.12.2023
Assets			
Development cost	6	994.295	995.148
Right-of-use assets	7	6.736	4.472
Deferred tax asset	8	185.667	159.736
		1.186.697	1.159.356
Non-current assets			
Receivables		8.760	8.535
Other receivables		138.804	5.799
Cash and cash equivalents		87.268	44.003
		234.832	58.337
Current assets			
		1.421.530	1.217.693
Total assets		1.421.530	1.217.693
 Equity			
Share capital		331.800	184.199
Share premium		346.409	198.808
Restricted equity		994.295	995.148
Share based payments		18.908	13.945
Accumulated deficit		(318.650)	(216.973)
		1.372.762	1.175.126
Total stockholders equity			
 Non-current liabilities			
Lease liabilities	7	2.125	0
		2.125	0
Non-current liabilities			
 Liabilities			
Lease liabilities	7	5.408	4.900
Accounts payable		4.772	6.556
Other payables		36.463	31.109
		46.643	42.566
Current liabilities			
		48.768	42.566
Total liabilities			
		1.421.530	1.217.693
Total equity and liabilities		1.421.530	1.217.693

Statement of Changes in Equity June 30, 2024

	Share capital	Share premium	Restricted equity	Share-based payments	Accumul. deficit	Total Equity
Equity January 1st to June 30, 2023						
Equity december 31, 2022	184.199	420.496	861.253	11.918	(221.688)	1.256.177
Loss for the period					(49.705)	(49.705)
Restricted equity			131.485		(131.485)	0
Share based payments				418		418
Equity June 30, 2023	184.199	420.496	992.738	12.336	(402.878)	1.206.890
Equity January 1st to June 30, 2024						
Equity december 31, 2023	184.199	198.808	995.148	13.945	(216.973)	1.175.127
Share capital increase	147.601	147.601				295.202
Loss for the period					(102.530)	(102.530)
Restricted equity			(853)		853	0
Share based payments				4.963		4.963
Equity June 30, 2024	331.800	346.409	994.295	18.908	(318.650)	1.372.762

Statement of Cash Flows for January 1st to June 30, 2024

	Note	2024 1.1. - 30.6.	2023 1.1. - 30.6.
Operating activities			
Operating loss before financial income and expenses and income tax		(131.933)	(68.246)
Adjustments to reconcile results from operation to operating activities:			
Depreciation of development costs	6	53.285	43.049
Depreciation of right-of-use assets	7	2.377	2.846
Share based payments expensed		4.963	418
Working capital used in operating activities		(71.307)	(21.931)
Operating assets, changes		(133.232)	(2.301)
Operating liabilities, changes		3.570	5.149
Cash used in operating activities before interests		(200.969)	(19.084)
Interest revenues received		5.128	6.211
Interest expenses paid		(1.578)	(701)
Net cash used in operating activities		(197.419)	(13.574)
Investment activities			
Capitalized development cost	6	(186.762)	(174.534)
Grants transferred to reduce development costs	6	134.330	0
Investment activities		(52.432)	(174.534)
Financing activities			
Share capital increase		295.202	0
Instalments of lease liabilities		(2.008)	(3.155)
Financing activities		293.194	(3.155)
Increase (decrease) of cash and cash equivalents		43.343	(191.262)
Cash and cash equivalents at beginning of year		44.003	310.118
Translation difference of cash and cash equivalents		(78)	(354)
Cash and cash equivalents at end of the period.....		87.268	118.502

Notes to the Condensed Interim Financial Statements

1. Reporting entity

Solid Clouds hf (the "Company") is a limited liability company incorporated and domiciled in Iceland. The address of the Company's registered office is Eiðistorg 17, Seltjarnarnes, Iceland. The main purpose of the Company is information technology, software development and creation and marketing of computer games.

2. Statement of compliance with International Financial Reporting Standards

The Interim Financial Statements have been prepared in accordance with International Financial Reporting Standard IAS 34. The Condensed Interim Financial Statements of Solid Clouds hf do not include all of the information required in complete Financial Statements and should be read together with the Company's 2023 Financial Statements.

The Financial Statements for the year 2023 can be accessed at the Company or on its website, www.solidclouds.is.

3. Significant accounting policies

The same accounting policies are followed in preparing the Interim Financial Statements as were used in preparing the Company's Financial Statements for 2023.

The Interim Financial Statements are presented in Icelandic krona (ISK), which is the Company's functional currency. All financial information presented in ISK has been rounded to the nearest thousand except when otherwise indicated.

4. Estimates and judgement

The preparation of Interim Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

5. Geographical distribution of the Company's income

The following table shows the distribution of revenue from game sale in different countries in the first six months of 2024 with comparison to the first six months of 2023:

	1.1.2024 - 30.6.2024		1.1.2023 - 30.6.2023	
	Sale in ISK thousands	Percentate of sale	Sale in ISK thousands	Percentate of sale
USA	18.362	63,00%	6.441	59,15%
Canada	904	3,10%	834	7,66%
United Kingdom	2.623	9,00%	747	6,86%
Australia	1.749	6,00%	652	5,99%
Romania	874	3,00%	301	2,77%
Polland	583	2,00%	253	2,32%
Belgium	350	1,20%	229	2,11%
Slovenia	321	1,10%	193	1,77%
Norway	262	0,90%	153	1,41%
Hungary	233	0,80%	88	0,81%
Sweden	219	0,75%	73	0,67%
Germany	204	0,70%	72	0,66%
Netherlands	189	0,65%	66	0,61%
France	175	0,60%	64	0,59%
Brazil	160	0,55%	52	0,48%
38 / 36 other countries	1.939	6,65%	670	6,14%
Total game revenues	29.147	100,00%	10.888	100,00%

Notes, continuing:

6. Intangible assets

	2024	2023
	1.1.-30.6.	1.1.-31.12.
Development cost and depreciation are specified as follows:		
Book value 1.1.	995.148	861.253
Capitalized development cost	186.762	360.743
Grants transferred to reduce development costs	(134.330)	(138.607)
Amortization of development cost	(53.285)	(88.241)
	994.295	995.148

7. Leases

The Statement of Financial Position shows the following amounts relating to leases:

	2024	2023
	1.1.-30.6.	1.1.-31.12.
<i>Right-of-use assets</i>		
Balance at the beginning of the year	4.472	10.706
Changes in right-of-use assets during the year	4.641	(1.229)
Depreciation during the period	(2.377)	(5.005)
	6.736	4.472

30.6.2024 31.12.2023

Lease liabilities

Non-current	2.125	0
Current	5.408	4.900
	7.532	4.900

The Statement of Profit and Loss shows the following amounts relating to leases:

	2024	2023
	1.1.-30.6.	1.1.-30.6.
Depreciation of right-of-use assets (included in depreciation)	2.377	2.846
Interest expense (included in interest expenses)	1.086	324
	3.463	3.170

Notes, continuing:

	2024	2023
8. Income tax asset		
Income tax asset is specified as follows:	1.1.-30.6.	1.1.-31.12.
Income tax asset at the end of the year	159.736	104.187
Income tax in the Statement of Profit and Loss	25.931	55.549
	<u>185.667</u>	<u>159.736</u>
Income tax asset at the end of the period		
Income tax asset is divided to the following items:	30.6.2024	31.12.2023
Accumulated tax loss	411.048	358.745
Development cost	(225.412)	(199.030)
Currency exchange difference	32	21
	<u>185.667</u>	<u>159.736</u>
Income tax asset at the end of the period		
9. Operating expenses	2024	2023
Operating expenses in the Income Statement is specified as follows:	1.1.-30.6.	1.1.-30.6.
Advertising expenses	48.640	13.101
Other operating expenses	55.830	28.244
Capitalized operating expenses	(17.578)	(14.816)
	<u>86.892</u>	<u>26.529</u>
Operating expenses in the Income Statement		
10. Capitalized development cost	2024	2023
Capitalized development cost is specified as follows:	1.1.-30.6.	1.1.-30.6.
Capitalized development costs	37.549	42.182
Capitalized salary and salary related cost	131.635	121.478
Capitalized operating expenses, see note 9	17.578	14.816
	<u>186.762</u>	<u>178.476</u>
Capitalized development cost		
Received grants that lower capitalized development cost	(1.563)	(3.942)
	<u>185.199</u>	<u>174.534</u>
Capitalized development cost, net of grants		

Notes, continuing:**11. Total operating expenses**

Total operating expenses in 2024 is specified as follows:	Capitalized	Cost in the Income Statem.	Total operat. exp. 6M 2024
Development cost	37.549	1.989	39.538
Salary and salary related cost	131.635	12.207	143.842
Advertising expenses	0	48.640	48.640
Other operating expenses	17.578	38.252	55.830
Total operating expenses first six months in 2024	186.762	101.088	287.850
Total operating expenses in 2023 is specified as follows:	Capitalized	Cost in the Income Statem.	Total operat. exp. 6M 2023
Development cost	42.182	2.220	44.402
Salary and salary related cost	121.478	3.467	124.945
Advertising expenses	0	13.101	13.101
Other operating expenses	14.816	13.428	28.244
Total operating expenses first six months in 2023	178.476	32.216	210.692