

Solid Clouds hf.

Condensed
Interim Financial Statements June 30, 2021

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 purpose is information technology, software development and creation and marketing of computer games.

Net loss for the period January 1st to June 30, 2021, amounted to ISK 13 million. Total assets were ISK 1,442 million at the end of June 2021 and Stockholder's equity amounted to ISK 1,323 million at the same time. Employees during the period January 1st to June 30, 2021 were 18.

Number of shareholders at the end of June 2021 after the public offering were 1,050 compared to 167 at the beginning of the year. The following are the ten largest shareholders at the end of June 2021:

Stefán Gunnarsson	10.45%
Kjölur fjárfestingarfélag ehf.	6.64%
Sigurður Arnljótsson	4.12%
Stefán Þór Björnsson	3.78%
Frigus ehf.	2.61%
Tómas Sigurðsson	2.07%
S9 ehf.	1.94%
Vilano Capital Sp.z.o.o.	1.73%
Daniel Sigurðsson	1.69%
Kvika - innlend hlutabréf	1.56%
Aðrir hluthafar (1.540)	63.41%

In April 2021, Solid Clouds hf. increased its share capital by ISK 67,850 with total share price amounting to ISK 43 million as the gaming investor Vilano Capital Sp.z.o.o. and related parties acquired shares in the Company. In June, the Company was listed on the First North market in Iceland, and became the first Icelandic video game company to do so. New share capital was sold in the amount of ISK 725 million. A broad group of investors took part in the offering, both institutional investors and individuals. Listing on the market and new share capital strengthens the Company and helps in its growth.

In June 2021, Solid Clouds hf. announced the development of a new game, Frontiers, which is aimed at the rapidly growing market for multiplayer games. The game is scheduled to be released in 2022. The Company has in the first half of 2021 focused on making Frontiers and has put less emphasis on marketing work on the Company's first game, Sovereign Space. This explains the reduction in the Company's revenue.

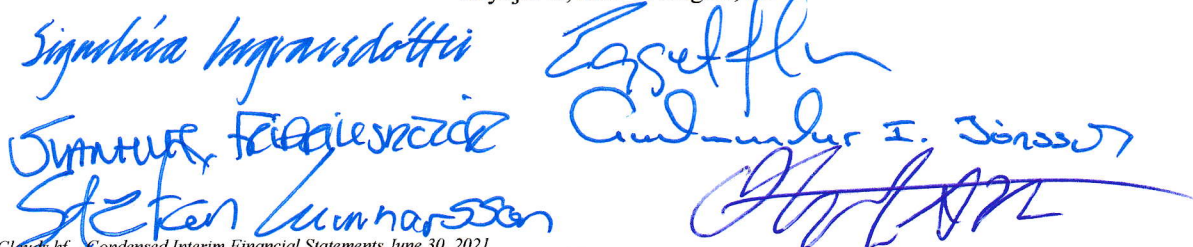
Covid - 19 has had a relatively small impact on the Company in the first half of 2021, as the Company has sought various measures to ensure the welfare of the Company's employees.

Solid Clouds hf. has expanded its development team during the year, in addition to strengthening the marketing department to prepare for Frontiers' marketing campaign next year.

Sigurlína Ingvarsdóttir took over as the Chairman of the Board of the Company at the Annual General Meeting in May. She has extensive experience in game development as a producer of games such as Star Wars: Battlefront, FIFA and Eve Online.

The Board of Directors and the Managing Director of Solid Clouds hf. have today discussed the Interim Financial Statements of the Company for the period January 1st to June 30, 2021, and hereby confirm them by means of their signatures.

Reykjavík, 26th of August, 2021.



Statement of Profit and Loss January 1st to June 30, 2021

	Note	2021 1.1. - 30.6.	2020 1.1. - 30.6.
Operating income			
Game revenues	5	10,556	35,714
Grants		6,579	0
Capitalized development costs	6	(5,921)	0
		11,214	35,714
Operating expenses			
Development cost		18,745	32,082
Salaries and related expenditures		88,799	57,590
Operating expenses		20,791	43,127
Capitalized development costs	6	(109,076)	(96,323)
		19,259	36,477
Operating loss before depreciation and financial inc. and expenses		(8,045)	(763)
Depreciation of development costs	6	(19,766)	(13,525)
Depreciation of right-of use assets	7	(2,991)	(2,911)
Operating loss before financial income and expenses		(30,802)	(17,199)
Financial income and (expenses)			
Interest revenues		0	419
Interest expenses		(624)	(454)
Currency exchange difference		(1,297)	(102)
		(1,921)	(138)
Operating loss before income tax		(32,723)	(17,336)
Income tax	8	19,884	31,119
Net profit (loss) for the period		(12,839)	13,782

Statement of Financial Position December 31, 2020

	Note	30.6.2021	31.12.2020
Assets			
Development cost	6	629,066	545,677
Right-of-use assets	7	11,507	13,428
Deferred tax asset	8	52,201	32,318
		692,775	591,423
Non-current assets			
Receivables		3,161	1,305
Receivables because of public offering	9	725,000	0
Other receivables		2,453	6,466
Cash and cash equivalents		18,213	58,963
		748,827	66,734
Current assets			
		1,441,601	658,157
Total assets			
		1,441,601	658,157
Equity			
Share capital		184,199	2,108
Share premium		641,446	733,299
Restricted equity		629,066	545,677
Share based payments		6,781	4,689
Accumulated deficit		(138,907)	(651,954)
		1,322,585	633,819
Total stockholders equity			
Non-current liabilities			
Lease liabilities	7	6,827	8,942
		6,827	8,942
Non-current liabilities			
Liabilities			
Lease liabilities	7	5,310	5,088
Credit institutions		13,670	0
Accounts payable	9	71,452	405
Deferred revenue		405	395
Liabilities to related parties		187	200
Other payables		21,166	9,309
		112,189	15,396
Current liabilities			
		119,016	24,338
Total liabilities			
		1,441,601	658,157
Total equity and liabilities			
		1,441,601	658,157

Statement of Changes in Equity June 30, 2021

	Share capital	Share premium	Restricted equity	Share-based payments	Accumul. deficit	Total Equity
Changes in 2021						
Equity december 31, 2020	2,108	733,299	545,677	4,689	(651,954)	633,819
Stock split	124,022	(124,022)				0
Accumulated deficit moved to share premium		(609,276)			609,276	0
Paid-in capital	68	42,678				42,746
Share capital increase in public offering	58,000	667,000				725,000
Cost of public offering		(68,232)				(68,232)
Loss for the year					(12,839)	(12,839)
Restricted equity			83,390		(83,390)	0
Share based payments				2,092		2,092
Equity June 30, 2021	184,199	641,446	629,066	6,781	(138,907)	1,322,585
Changes in 2020						
Equity december 31, 2019	1,948	634,259	395,317	2,035	(511,239)	522,321
Paid-in capital	32	19,766				19,798
Profit for the year					13,782	13,782
Restricted equity			82,798		(82,798)	0
Share based payments				1,180		1,180
Equity June 30, 2020	1,980	654,025	478,115	3,215	(580,254)	557,081

Statement of Cash Flows for January 1st to June 30, 2021

	Note	2021 1.1. - 30.6.	2020 1.1. - 30.6.
Operating activities			
Operating loss before financial income and expenses and income tax		(30,802)	(17,199)
Adjustments to reconcile results from operation to operating activities:			
Depreciation of development costs	6	19,766	13,525
Depreciation of right-of-use assets	7	2,991	2,911
Share based payments expensed		2,092	1,180
		(5,953)	417
Working capital (used in) provided by operating activities			
Operating assets, changes		2,197	26,444
Operating liabilities, changes		14,682	6,727
		10,926	33,588
Cash provided by operating activities before interests			
Interest revenues received		0	419
Interest expenses paid		(624)	(454)
		10,302	33,553
Net cash provided by operating activities			
Investment activities			
Capitalized development cost	6	(103,156)	(96,323)
		(103,156)	(96,323)
Investment activities			
Financing activities			
Credit institutions, change		13,670	0
Paid-in share capital		42,746	19,798
Instalments of lease liabilities		(3,001)	(2,793)
Other short-term liabilities, change		(13)	17
		53,401	17,021
Financing activities			
Decrease of cash and cash equivalents		(39,453)	(45,749)
Cash and cash equivalents at beginning of year		58,963	113,737
Translation difference of cash and cash equivalents		(1,297)	(102)
Cash and cash equivalents at end of the period.....		18,213	67,886
Non cash investment and financing activities			
Receivables because of public offering	9	(725,000)	0
Share capital increase in public offering	9	725,000	0

Notes to the 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 2020 Financial Statements.

The Financial Statements for the year 2020 can be accessed at the Company or on its website, www.solidclouds.is.

The Interim Financial Statements were approved by the Board of Directors of Solid Clouds hf. on August, 26th, 2021.

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 2020.

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 the sale of the game Starborne in different countries in the first six months of 2021:

	Sale in ISK thousands	Percentage of sale
United States of America (USA)	4,581	43.40%
Canada	1,024	9.70%
United Kingdom	856	8.11%
Australia	334	3.16%
Germany	248	2.35%
Czech Republic	244	2.31%
France	242	2.29%
Denmark	132	1.25%
Netherlands	128	1.21%
Spain	102	0.97%
Finland	97	0.92%
Greece	96	0.91%
Sweden	92	0.87%
Slovenia	87	0.82%
Taiwan	87	0.82%
60 other countries	2,206	20.90%
Revenues from the game	10,556	100.00%

Notes continuing:

6. Intangible assets

Development cost and depreciation are specified as follows:

	2021	2020
	1.1.-30.6.	1.1.-31.12.
Book value 1.1.	545,677	395,317
Capitalized development cost	103,156	177,410
Amortization of development cost	(19,766)	(27,050)
	<u>629,066</u>	<u>545,677</u>

7. Leases

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

	2021	2020
	1.1.-30.6.	1.1.-31.12.
<i>Right-of-use assets</i>		
Balance at the beginning of the year	13,428	18,795
Increase in right-of-use assets due to revaluation of lease liabilities	293	504
Capitalized right-of-use assets	777	0
Depreciation during the period	(2,991)	(5,871)
	<u>11,507</u>	<u>13,428</u>
<i>Lease liabilities</i>		
Non-current	6,827	8,942
Current	5,310	5,088
	<u>12,137</u>	<u>14,029</u>

Annual maturity of non-current lease liabilities:

Between one and two years	4,851	4,617
Between two and three years	1,976	4,325
	<u>6,827</u>	<u>8,942</u>

	2021	2020
	1.1.-30.6.	1.1.-30.6.
The Statement of Profit and Loss shows the following amounts relating to leases:		
Depreciation of right-of-use assets (included in depreciation)	2,991	2,911
Interest expense (included in interest expenses)	329	306
Expense in short-term leases (included in operating expenses)	0	31
	<u>3,319</u>	<u>3,249</u>

Notes continuing:

8. Income tax asset	2021	2020
Income tax asset is specified as follows:	1.1.-30.6.	1.1.-31.12.
Income tax asset at the end of the year	32,318	0
Income tax in the Statement of Profit and Loss	19,884	32,318
Income tax asset at the end of the period	<u>52,201</u>	<u>32,318</u>
Calculated income tax asset is divided to the following items:	30.6.2021	31.12.2020
Accumulated tax loss	178,015	141,453
Development cost	(125,813)	(109,135)
Income tax asset at the end of the period	<u>52,201</u>	<u>32,318</u>

9. **Public offering**

The Company's public offering took place at the end of June, and as stated in the Managing Director and Board of Directors Report, there was significant excess demand in the public offer. A total of 58 million shares were sold at a nominal value of ISK 12.5 per share or ISK 725 million. The share capital increase is uncollected at the end of June but was collected in July.

The cost of the share offering amounted to ISK 68 million and is specified in the Statement of Changes in Equity and lowers the share premium in accordance with IFRS. The cost is unpaid and is included in trade payables in the Statement of Financial Position at the end of June 2021. The cost was paid in July.