

# **Solid Clouds hf**

Condensed  
Interim Financial Statements June 30, 2023

kt: 600913-2550  
Eiðistorgi 17  
170 Seltjarnarnes



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# Managing Director and Board of Directors' Report

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

Net loss for the period January 1st to June 30, 2023, amounted to ISK 50 million. Total assets stood at ISK 1,250 million at the end of June 2023 and stockholder's equity amounted to ISK 1,207 million at the same time. There were 20 employees during the period 1 January to 30 June 2023.

The number of shareholders at the end of June 2023 were 1,598 compared to 1,600 at the beginning of the year. The following are the ten largest shareholders as of the end of June 2023:

Stefán Gunnarsson .....	10,45%
Kjölnur fjárfestingarfélag ehf. ....	6,64%
Sigurður Arnljótsson .....	4,12%
Stefán Þór Björnsson .....	3,84%
Frigus ehf. ....	2,61%
S9 ehf. ....	1,94%
Vilano Capital Sp.z.o.o. ....	1,73%
Tómas Sigurðsson .....	1,67%
Eggert Árni Gíslason .....	1,58%
Kvika - innlend hlutabréf .....	1,56%
Other shareholders (1,584) .....	63,86%

Starborne Frontiers entered soft launch last February when the game was made available for smart devices in the app stores of Apple and Google. Since Starborne Frontiers launched, over 60,000 players have tried the game. Solid Clouds hf has adjusted its advertising campaigns in order to reach around 350 new players per day. That is a sufficient amount of players at this stage to get the data needed to tune the game and its revenue model. The percentage of players who have made in-game purchases (e. conversion) has been strong which bodes well for the future. Ahead is a major update and continued optimization of Starborne Frontiers' monetization and game systems.

Davíð Gunnarsson was elected to the board of Solid Clouds hf at the Company's Annual General Meeting last April. He has extensive experience in running technology companies as CEO of Dohop.

Solid Clouds hf's cash at the end of June 2023 amounted to ISK 119 million but in addition the Company expects about ISK 129 million reimbursement in early November from the state for research and development costs after receiving final approval from the tax authorities. Solid Clouds hf expects that the reimbursement for the operating year 2023, which will be paid out in November 2024, will be similar to the payment in the year 2023. Solid Clouds hf intends to raise additional capital this year by issuing new shares for the Company's operations and marketing activities next year.

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 2023, and confirm them by means of their signatures.

Reykjavík, August 31st, 2023

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**Stefán Gunnarsson, Managing Director**

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**Sigurlína Ingvarsd., Chairm. of the Board**

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**Ólafur Andri Ragnarss., Board Member**

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**Svanhvít Friðriksdóttir, Board Member**

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**Brynjólfur Erlingsson, Board Member**

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**Eggert Árni Gíslason, Board Member**



# Statement of Profit and Loss January 1st to June 30, 2023

	Note	2023 1.1. - 30.6.	2022 1.1. - 30.6.
<b>Operating income</b>			
Game revenues .....	5	9.866	6.681
Grants .....		0	4.902
		9.866	11.583
<b>Operating expenses</b>			
Development cost .....		2.220	2.499
Salaries and related expenditures .....		3.467	2.309
Operating expenses .....		26.529	14.728
		32.216	19.536
Operating loss before depreciation and financial inc. and expenses .....		( 22.350)	( 7.953)
Depreciation of development costs .....	6	( 43.049)	( 28.636)
Depreciation of right-of use assets .....	7	( 2.846)	( 3.117)
		( 68.246)	( 39.706)
<b>Financial income and (expenses)</b>			
Interest revenues .....		6.211	5.735
Interest expenses .....		( 701)	( 1.639)
Currency exchange difference .....		( 354)	64
		5.156	4.160
Operating loss before income tax .....		( 63.089)	( 35.546)
Income tax .....	8	13.384	9.211
<b>Net loss for the period .....</b>		<b>( 49.705)</b>	<b>( 26.335)</b>

# Statement of Financial Position June 30, 2023

	Note	30.6.2023	31.12.2022
<b>Assets</b>			
Development cost .....	6	992.738	861.253
Right-of-use assets .....	7	6.911	10.706
Deferred tax asset .....	8	117.571	104.187
		1.117.220	976.145
Non-current assets			
Receivables .....		6.931	4.710
Other receivables .....		7.303	7.223
Cash and cash equivalents .....		118.502	310.118
		132.736	322.050
Current assets			
		1.249.955	1.298.195
<b>Total assets</b>			
<b>Equity</b>			
Share capital .....		184.199	184.199
Share premium .....		420.496	420.496
Restricted equity .....		992.738	861.253
Share based payments .....		12.336	11.918
Accumulated deficit .....		( 402.878)	( 221.688)
		1.206.890	1.256.177
Total stockholders equity			
<b>Non-current liabilities</b>			
Lease liabilities .....	7	2.161	4.901
		2.161	4.901
Non-current liabilities			
<b>Liabilities</b>			
Lease liabilities .....	7	5.406	6.768
Accounts payable .....		6.667	4.161
Other payables .....		28.831	26.189
		40.904	37.117
Current liabilities			
		43.065	42.018
Total liabilities			
		1.249.955	1.298.195
<b>Total equity and liabilities</b>			

## Statement of Changes in Equity June 30, 2023

	Share capital	Share premium	Restricted equity	Share-based payments	Accumul. deficit	Total Equity
<b>Equity January 1st to June 30, 2022</b>						
Equity december 31, 2021 .....	184.199	641.911	690.347	3.373	( 221.415)	1.298.415
Loss for the period .....					( 26.335)	( 26.335)
Restricted equity .....			151.932		( 151.932)	0
Share based payments .....				830		830
Equity June 30, 2022 .....	184.199	641.911	842.279	4.203	( 399.682)	1.272.910
<b>Equity January 1st to June 30, 2023</b>						
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



# Statement of Cash Flows for January 1st to June 30, 2023

	Note	2023 1.1. - 30.6.	2022 1.1. - 30.6.
<b>Operating activities</b>			
Operating loss before financial income and expenses and income tax .....		( 68.246)	( 39.706)
Adjustments to reconcile results from operation to operating activities:			
Depreciation of development costs .....	6	43.049	28.636
Depreciation of right-of-use assets .....	7	2.846	3.117
Share based payments expensed .....		418	830
Working capital used in operating activities		( 21.931)	( 7.123)
Operating assets, changes .....		( 2.301)	( 3.457)
Operating liabilities, changes .....		5.149	5.387
Cash used in operating activities before interests		( 19.084)	( 5.193)
Interest revenues received .....		6.211	5.735
Interest expenses paid .....		( 701)	( 1.639)
Net cash used in operating activities		( 13.574)	( 1.097)
<b>Investment activities</b>			
Capitalized development cost .....	6	( 174.534)	( 180.568)
Investment activities		( 174.534)	( 180.568)
<b>Financing activities</b>			
Instalments of lease liabilities .....		( 3.155)	( 3.237)
Financing activities		( 3.155)	( 3.237)
<b>Decrease of cash and cash equivalents .....</b>		<b>( 191.262)</b>	<b>( 184.902)</b>
<b>Cash and cash equivalents at beginning of year .....</b>		<b>310.118</b>	<b>569.625</b>
<b>Translation difference of cash and cash equivalents .....</b>		<b>( 354)</b>	<b>64</b>
<b>Cash and cash equivalents at end of the period.....</b>		<b>118.502</b>	<b>384.787</b>
<b>Non cash investment and financing activities</b>			
Receivables because of public offering .....		0	0
Share capital increase in public offering .....		0	0

# Notes to the Condensed Interim Financial Statements

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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 2022 Financial Statements.

The Financial Statements for the year 2022 can be accessed at the Company or on its website, [www.solidclouds.is](http://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 2022.

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.

## Notes continuing:

### 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 2023 with comparison to the first six months of 2022:

	1.1.2023 - 30.6.2023		1.1.2022 - 30.6.2022	
	Sale in ISK thousands	Percentate of sale	Sale in ISK thousands	Percentate of sale
USA .....	5.836	59,15%	3.184	47,66%
Canada .....	756	7,66%	1.138	17,03%
United Kingdom .....	677	6,86%	560	8,38%
Australia .....	591	5,99%	183	2,74%
Romania .....	273	2,77%	156	2,33%
Polland .....	229	2,32%	-	-
Belgium .....	208	2,11%	437	6,54%
Slovenia .....	175	1,77%	-	-
Norway .....	139	1,41%	83	1,24%
Hungary .....	80	0,81%	-	-
Sweden .....	66	0,67%	143	2,14%
Germany .....	65	0,66%	63	0,94%
Netherlands .....	60	0,61%	92	1,38%
France .....	58	0,59%	84	1,26%
Brazil .....	47	0,48%	-	-
Greece .....	-	-	80	1,20%
Estonia .....	-	-	62	0,93%
Mexico .....	-	-	49	0,73%
Switzerland .....	-	-	49	0,73%
36 / 35 other countries .....	606	6,14%	318	4,76%
Total game revenues .....	9.866	100,00%	6.681	100,00%

## Notes continuing:

### 6. Intangible assets

Development cost and depreciation are specified as follows:

	2023	2022
	1.1.-30.6.	1.1.-31.12.
Book value 1.1. ....	861.253	690.348
Capitalized development cost .....	178.476	350.909
Grants transferred to reduce development costs .....	( 3.942)	( 112.488)
Amortization of development cost .....	( 43.049)	( 67.516)
	<u>992.738</u>	<u>861.253</u>

### 7. Leases

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

	2023	2022
	1.1.-30.6.	1.1.-31.12.
<i>Right-of-use assets</i>		
Balance at the beginning of the year .....	10.706	10.222
Increase in right-of-use assets due to revaluation of lease liabilities .....	585	1.223
End of leases during the period .....	( 1.534)	0
Capitalized right-of-use assets .....	0	5.432
Depreciation during the period .....	( 2.846)	( 6.171)
	<u>6.911</u>	<u>10.706</u>

	30.6.2023	31.12.2022
<i>Lease liabilities</i>		
Non-current .....	2.161	4.534
Current .....	5.406	6.352
	<u>7.567</u>	<u>10.886</u>

	2023	2022
	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) .....	2.846	3.117
Interest expense (included in interest expenses) .....	324	249
	<u>3.170</u>	<u>3.366</u>

## Notes continuing:

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8. <b>Income tax asset</b>	2023	2022
Income tax asset is specified as follows:	1.1.-30.6.	1.1.-31.12.
Income tax asset at the end of the year .....	104.187	60.852
Income tax in the Statement of Profit and Loss .....	13.384	43.335
Income tax asset at the end of the period .....	<u>117.571</u>	<u>104.187</u>
Income tax asset is divided to the following items:	30.6.2023	31.12.2022
Accumulated tax loss .....	316.075	276.394
Development cost .....	( 198.548)	( 172.251)
Currency exchange difference .....	44	44
Income tax asset at the end of the period .....	<u>117.571</u>	<u>104.187</u>