

Solid Clouds hf

Condensed
Interim Financial Statements June 30, 2025

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.

The Company's operating revenues for the period January 1 to June 30, 2025, amounted to ISK 74.2 million, while the loss was ISK 127.1 million. Total assets amounted to ISK 1,462.2 million at the end of June 2025, and equity amounted to ISK 1,419.2 million at the same time. The number of employees in the period was 19.

The number of shareholders at the end of June 2024 were 1,613 compared to 1,608 at the beginning of the year. The ten largest shareholders of Solid Clouds hf at the end of June 2025 were as follows:

| | |
|-------------------------------------|-------|
| 1961 ehf | 18,5% |
| Festa - lifeyrissjóður | 10,9% |
| Birta - lifeyrissjóður | 7,0% |
| Fea ehf | 5,3% |
| Lífsværk lifeyrissjóður | 4,8% |
| Stefán Þór Björnsson | 4,5% |
| Stefán Gunnarsson | 4,1% |
| Íslandsbanki hf, safnskráning | 2,8% |
| Kjölur fjárfestingarfélag ehf. | 2,6% |
| Eggert Árni Gíslason | 1,6% |
| Other shareholders (1.603) | 37,9% |

Solid Clouds hf issued a convertible bond at the beginning of the year with a principal amount of ISK 175 million and a conversion price of 1. The bond carried an annual interest rate of 15%. In May 2025, Solid Clouds hf sold new equity at a nominal value of ISK 200.6 million at a price of 1.5, with the proceeds totaling ISK 300.9 million. Subsequently, the Company converted the principal and accumulated interest of the convertible bond into a total of 184.6 million shares in the Company.

The most recent financing round of Solid Clouds hf proved costly and challenging for the Company. Originally scheduled to close mid-December 2024, the round was not completed until the end of May 2025. This delay significantly slowed the Company's revenue growth, which had gained momentum in the last quarter of 2024 and the first quarter of 2025. Due to the delay of funding in the spring and technical difficulties, the Company was forced to substantially scale down advertising, which is a prerequisite for revenue growth. This led to a considerable setback in revenue generation. The scope of the setback and the time required to restart the Company's advertising campaigns were much greater than anticipated.

Since the funding round was completed, Solid Clouds hf has restarted its advertising campaigns and is now once again seeing an upward trend in revenue generation. The Company expects that monthly revenues in November this year will be comparable to those in February of this year.

At the Annual General Meeting in 2025, Bergþóra Halldórsdóttir was elected to the Board of Directors of Solid Clouds hf and Björn Ingi Pálsson was elected as an Alternate Board Member.

Bergþóra holds an ML degree in International Law from Reykjavík University, as well as studies in International Relations from the University of Iceland and French from Aix-Marseille Université. She has extensive experience in the business sector, having previously worked for Business Iceland, the Confederation of Icelandic Enterprise, and the Federation of Icelandic Industries. She currently heads the CEO's Office at Borealis Data Center.

Björn holds a B.Sc. degree in Business Administration and an MBA from the University of Iceland. He has worked in business development, marketing, and service management, primarily at Bílaumboðið Askja. He is currently Managing Director of Hentar ehf.

Cash and cash equivalents of Solid Clouds hf amounted to ISK 170.2 million at the end of June 2025. Additionally, the Company expects a reimbursement of approximately ISK 135.4 million for research and development costs in early November.

Managing Director and Board of Directors' Report, cont.

The Board of Directors and the Managing Director of Solid Clouds hf have reviewed the Company's Interim Financial Statements for the period from 1 January to 30 June 2025 and signed them to that effect below.

Seltjarnarnes, August 29th, 2025

Stefán Gunnarsson, CEO

Eggert Árni Gíslason, Chairm. of the Board

Davíð Gunnarsson, Vice Chairman

Bergþóra Halldórsdóttir, Board Member

Andrea Olsen, Board Member

Skúli Skúlason, Board Member

Statement of Profit and Loss January 1st to June 30, 2025

| | Note | 2025 1.1. - 30.6. | 2024 1.1. - 30.6. |
|--|-------|--------------------------|--------------------------|
| Operating income | | | |
| Game revenues | 5 | 74.197 | 29.147 |
| Cost of game revenue collection | | (13.424) | (4.329) |
| | | <u>60.773</u> | <u>24.817</u> |
| Operating expenses | | | |
| Development cost | 12 | 3.494 | 1.989 |
| Salaries and related expenditures | | 9.412 | 12.207 |
| Operating expenses | 10,12 | 93.881 | 86.892 |
| | | <u>106.787</u> | <u>101.088</u> |
| Operating loss before depreciation and financial inc. and expenses | | (46.015) | (76.270) |
| Depreciation of development costs | 6 | (61.704) | (53.285) |
| Depreciation of right-of use assets | 7 | (2.554) | (2.377) |
| | | <u>(110.272)</u> | <u>(131.933)</u> |
| Financial income and (expenses) | | | |
| Interest revenues | | 411 | 5.128 |
| Interest expenses | | (16.255) | (1.578) |
| Currency exchange difference | | (992) | (78) |
| | | <u>(16.836)</u> | <u>3.472</u> |
| Operating loss before income tax | | (127.108) | (128.461) |
| Income tax | 8 | 0 | 25.931 |
| Net loss for the period | | <u><u>(127.108)</u></u> | <u><u>(102.530)</u></u> |

Statement of Financial Position June 30, 2025

| | Note | 30.6.2025 | 31.12.2024 |
|-------------------------------------|------|------------------|------------------|
| Assets | | | |
| Development cost | 6 | 1.141.863 | 1.134.825 |
| Right-of-use assets | 7 | 4.682 | 4.741 |
| | | <u>1.146.544</u> | <u>1.139.567</u> |
| Non-current assets | | | |
| Receivables | | 6.343 | 16.871 |
| Other receivables | 9 | 139.113 | 4.200 |
| Cash and cash equivalents | | 170.182 | 14.035 |
| | | <u>315.638</u> | <u>35.105</u> |
| Current assets | | | |
| | | <u>1.462.182</u> | <u>1.174.672</u> |
| Total assets | | | |
| Equity | | | |
| Share capital | | 717.044 | 331.800 |
| Share premium | | 215.314 | 129.436 |
| Restricted equity | | 1.141.863 | 1.134.825 |
| Share based payments | | 23.224 | 20.861 |
| Accumulated deficit | | (678.285) | (544.139) |
| | | <u>1.419.161</u> | <u>1.072.783</u> |
| Total stockholders equity | | | |
| Liabilities | | | |
| Lease liabilities | 7 | 4.747 | 4.767 |
| Bond loans to related parties | | 0 | 43.333 |
| Accounts payable | | 4.350 | 13.500 |
| Other payables | | 33.924 | 40.289 |
| | | <u>43.021</u> | <u>101.889</u> |
| Current liabilities | | | |
| | | <u>43.021</u> | <u>101.889</u> |
| Total liabilities | | | |
| | | <u>1.462.182</u> | <u>1.174.672</u> |
| Total equity and liabilities | | | |

Statement of Changes in Equity June 30, 2025

| | Share capital | Share premium | Restricted equity | Share-based payments | Accumul. deficit | Total Equity |
|--|------------------|------------------|----------------------|-------------------------|---------------------|-----------------|
| 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 |
| Equity January 1st to June 30, 2025 | | | | | | |
| Equity december 31, 2024 | 331.800 | 129.436 | 1.134.825 | 20.861 | (544.139) | 1.072.783 |
| Share capital increase | 385.244 | 100.304 | | | | 485.548 |
| Cost of capital increase | | (14.426) | | | | (14.426) |
| Loss for the period | | | | | (127.108) | (127.108) |
| Restricted equity | | | 7.038 | | (7.038) | 0 |
| Share based payments | | | | 2.363 | | 2.363 |
| Equity June 30, 2025 | 717.044 | 215.314 | 1.141.863 | 23.224 | (678.285) | 1.419.161 |

Statement of Cash Flows for January 1st to June 30, 2025

| | Note | 2025 1.1. - 30.6. | 2024 1.1. - 30.6. |
|--|------|----------------------|----------------------|
| Operating activities | | | |
| Operating loss before financial income and expenses and income tax | | (110.272) | (131.933) |
| Adjustments to reconcile results from operation to operating activities: | | | |
| Depreciation of development costs | 6 | 61.704 | 53.285 |
| Depreciation of right-of-use assets | 7 | 2.554 | 2.377 |
| Share based payments expensed | | 2.363 | 4.963 |
| Working capital used in operating activities | | (43.651) | (71.307) |
| Operating assets, changes | | 11.014 | (464) |
| Operating liabilities, changes | | (15.515) | 3.570 |
| Cash used in operating activities before interests | | (48.153) | (68.202) |
| Interest revenues received | | 411 | 5.128 |
| Interest expenses paid | | (16.255) | (1.577) |
| Net cash used in operating activities | | (63.996) | (64.651) |
| Investment activities | | | |
| Capitalized development cost | 6 | (207.747) | (186.762) |
| Grants transferred to reduce development costs | 6 | 3.606 | 1.562 |
| Investment activities | | (204.141) | (185.200) |
| Financing activities | | | |
| Share capital increase | | 471.122 | 295.202 |
| Instalments of lease liabilities | | (2.513) | (2.008) |
| Bond loans to related parties, change | | (43.333) | 0 |
| Financing activities | | 425.276 | 293.194 |
| Increase of cash and cash equivalents | | 157.139 | 43.343 |
| Cash and cash equivalents at beginning of year | | 14.035 | 44.003 |
| Translation difference of cash and cash equivalents | | (992) | (78) |
| Cash and cash equivalents at end of the period..... | | 170.182 | 87.268 |

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 2024 Financial Statements.

The Financial Statements for the year 2024 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 2024.

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 2025 with comparison to the first six months of 2024:

| | 1.1.2025 - 30.6.2025 | | 1.1.2024 - 30.6.2024 | |
|-------------------------------|--------------------------|-----------------------|--------------------------|-----------------------|
| | Sale in ISK thousands | Percentate of sale | Sale in ISK thousands | Percentate of sale |
| USA | 23.379 | 31,51% | 18.362 | 63,00% |
| Germany | 7.182 | 9,68% | 204 | 3,10% |
| United Kingdom | 4.200 | 5,66% | 2.623 | 9,00% |
| Australia | 3.955 | 5,33% | 1.749 | 6,00% |
| Netherlands | 2.768 | 3,73% | 189 | 3,00% |
| France | 2.137 | 2,88% | 175 | 2,00% |
| Romania | 2.115 | 2,85% | 874 | 1,20% |
| Canada | 2.078 | 2,80% | 904 | 1,10% |
| South-Korea | 2.048 | 2,76% | 148 | 0,90% |
| Qatar | 1.988 | 2,68% | 98 | 0,80% |
| Singapore | 1.751 | 2,36% | 70 | 0,75% |
| Thailand | 1.566 | 2,11% | 58 | 0,70% |
| Italy | 1.373 | 1,85% | 111 | 0,65% |
| Polland | 1.239 | 1,67% | 136 | 0,60% |
| Malasia | 1.172 | 1,58% | 87 | 0,55% |
| 52 / 50 other countries | 15.247 | 20,55% | 3.359 | 6,65% |
| Total game revenues | 74.197 | 100,00% | 29.147 | 100,00% |

Notes, continuing:

6. Intangible assets

Development cost and depreciation are specified as follows:

| | 2025 1.1.-30.6. | 2024 1.1.-31.12. |
|--|--------------------|---------------------|
| Book value 1.1. | 1.134.825 | 995.148 |
| Capitalized development cost | 207.748 | 380.409 |
| Grants transferred to reduce development costs | (139.005) | (131.284) |
| Amortization of development cost | (61.704) | (109.448) |
| Book value at the end of the period | 1.141.863 | 1.134.825 |

7. Leases

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

| | 2025 1.1.-30.6. | 2024 1.1.-31.12. |
|--|--------------------|---------------------|
| <i>Right-of-use assets</i> | | |
| Balance at the beginning of the year | 4.741 | 4.472 |
| Changes in right-of-use assets during the year | 2.495 | 5.442 |
| Depreciation during the period | (2.554) | (5.173) |
| Balance at the end of the period | 4.682 | 4.741 |

| | 30.6.2025 | 31.12.2024 |
|-------------------------------|-----------|------------|
| <i>Lease liabilities</i> | | |
| Current | 4.747 | 4.767 |
| Total lease liabilities | 4.747 | 4.767 |

| | 2025 1.1.-30.6. | 2024 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) | 2.554 | 2.846 |
| Interest expense (included in interest expenses) | 718 | 324 |
| Total expense in the Statement of Profit and Loss for leases | 3.272 | 3.170 |

Notes, continuing:

| | | |
|---|------------|-------------|
| 8. Income tax asset | 2025 | 2024 |
| Income tax asset is specified as follows: | 1.1.-30.6. | 1.1.-31.12. |
| Income tax asset at the end of the year | 0 | 159.736 |
| Income tax in the Statement of Profit and Loss | 0 | 75.085 |
| Write down of income tax asset | 0 | -234.821 |
| Income tax asset at the end of the period | 0 | 0 |
| Income tax asset is divided to the following items: | 30.6.2025 | 31.12.2024 |
| Accumulated tax loss | 516.473 | 461.630 |
| Write down of income tax asset | (288.035) | (234.821) |
| Development cost | (228.373) | (226.965) |
| Currency exchange difference | (65) | 156 |
| Income tax asset at the end of the period | 0 | 0 |
| Tax loss carryforward at the end of June 2025 amounts to ISK 2,582 million. | | |
| 9. Other receivables | | |
| The Company's other receivables at the end of June 2025 amounted to ISK 139.1 million. The largest part of the receivable is explained by a claim against Rannís for a grant for research and development costs, but the Company will receive that claim in November next year. | | |
| 10. Operating expenses | 2025 | 2024 |
| Operating expenses in the Income Statement is specified as follows: | 1.1.-30.6. | 1.1.-30.6. |
| Advertising expenses | 80.848 | 57.867 |
| Other operating expenses | 28.527 | 46.603 |
| Capitalized operating expenses | (15.493) | (17.578) |
| Operating expenses in the Income Statement | 93.881 | 86.892 |
| 11. Capitalized development cost | 2025 | 2024 |
| Capitalized development cost is specified as follows: | 1.1.-30.6. | 1.1.-30.6. |
| Capitalized development costs | 58.326 | 37.549 |
| Capitalized salary and salary related cost | 133.927 | 131.635 |
| Capitalized operating expenses, see note 10 | 15.493 | 17.578 |
| Capitalized development cost | 207.747 | 186.762 |
| Received grants that lower capitalized development cost | (139.005) | (131.284) |
| Capitalized development cost, net of grants | 68.741 | 55.478 |

Notes, continuing:**12. Total operating expenses**

| Total operating expenses in 2025 is specified as follows: | Capitalized | Cost in the Income Statem. | Total operat. exp. 6M 2025 |
|---|-------------|-------------------------------|-------------------------------|
| Developement cost | 58.326 | 3.494 | 61.820 |
| Salary and salary related cost | 133.927 | 9.412 | 143.339 |
| Advertising expenses among operating expenses | 0 | 80.848 | 80.848 |
| Other operating expenses among operating expenses | 15.493 | 13.034 | 28.527 |
| Total operating expenses first six months in 2025 | 207.747 | 106.787 | 314.534 |
| Total operating expenses in 2024 is specified as follows: | Capitalized | Cost in the Income Statem. | Total operat. exp. 6M 2024 |
| Developement cost | 37.549 | 1.989 | 39.538 |
| Salary and salary related cost | 131.635 | 12.207 | 143.842 |
| Advertising expenses among operating expenses | 0 | 57.867 | 57.867 |
| Other operating expenses among operating expenses | 17.578 | 29.025 | 46.603 |
| Total operating expenses first six months in 2024 | 186.762 | 101.088 | 287.850 |