



SOLIDCLOUDS

Company Description / June 2021



Listing of shares on Nasdaq First North Iceland

This Company Description (hereafter referred to as the “Company Description”) has been prepared by Solid Clouds hf., reg. no. 600913-2550, address at Eiðistorg 17, 170 Seltjarnarnes, an Icelandic public limited company (hereafter referred to as the “Company”, “Solid Clouds” or the “Issuer”) in relation to a proposed listing of Solid Clouds’s shares (hereafter referred to as the “Shares”) on the Nasdaq First North Iceland market (hereafter referred to as “First North” or “First North Iceland”).

In parallel with the issuance of this Company Description, the Company will launch a public offering (hereafter referred to as “the Offering”) whereby Arion Bank will act as the Manager of the Offering. The Offering will consist of (i) orderbook for subscriptions amounting to ISK 100,000 and up to ISK 15,000,000 and (ii) orderbook for subscriptions over the size of ISK 15,000,000. As the proceeds from the public offering is less than EUR 8,000,000, the Offering is exempt from issuing a prospectus in accordance with article 3 under the Act on Prospectus for Securities When Offered to the Public Offering and Admitted to Trading on a Regulated Market no. 14/2020 or Regulation (EU) 2017/1129 of the European Parliament and of the Council.

The public offering is expected to close on 30 June 2021 and the shares subsequently admitted to trading on the First North Market.

The Company Description has been drawn up under the responsibility of the Issuer, Solid Clouds, and it has been reviewed by Nasdaq Iceland.

This Company Description does not constitute a prospectus under the Act on Prospectus for Securities When Offered to the Public Offering or Admitted to Trading on a Regulated Market no. 14/2020 or Regulation (EU) 2017/1129 of the European Parliament and of the Council.



Arion Bank hf.

Certified Adviser to Solid Clouds hf. in relation to its listing on First North Iceland

Nasdaq First North Disclaimer

Nasdaq First North Growth Market Iceland is a multilateral trading facility (MTF), as defined in EU legislation (as implemented in national law), operated by Nasdaq Iceland hf. Issuers on Nasdaq First North Growth Market Iceland are not subject to all the same rules as issuers on a regulated main market, as defined in EU legislation (as implemented in national law). Instead they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in an issuer on Nasdaq First North Growth Market Iceland may therefore be higher than investing in an issuer on the main market. The Exchange approves the application for admission to trading.

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1 GENERAL INFORMATION

1.1 The Company

This Company Description (hereafter referred to as the “Company Description”) has been prepared by Solid Clouds hf., reg. no. 600913-2550, address at Eiðistorg 17, 170 Seltjarnarnes, an Icelandic public limited company (hereafter referred to as the “Company”, “Solid Clouds” or the “Issuer”) in relation to a proposed listing of Solid Clouds’s shares (hereafter referred to as the “Shares”) on the Nasdaq First North Iceland market (hereafter referred to as “First North” or “First North Iceland”).

1.2 Reasons for Trading on First North

The Company considers that a listing of the Company's shares is an important milestone for Solid Clouds and its operations. The aim of the listing is to raise further capital to support the operational ambitions of the Company and thus enabling additional investors to participate in Solid Clouds’ growth story and value creation. A First North listing is expected to contribute to an increased interest in the Shares and the Company among investors, as well as among customers, media and other stakeholders. Additionally, a First North listing provides increased liquidity in the trading of the Shares, which is advantageous for existing shareholders. Overall, Solid Clouds assesses that a First North listing of the Company's Shares will benefit the Company's future development and it is on those grounds that the Company has applied for admission of trading of the Company's shares on First North Iceland.

1.3 Important Information for Investors

Prospective investors in the Company should carefully consider all information provided in the Company Description, particularly the *Risk Factors* in chapter 2, describing certain risks associated with an investment in Solid Clouds. The Company Description shall not in any way be viewed as a recommendation or solicitation to buy, hold or sell any security, including but not limited to the Company’s shares, or to take any investment decision. Prospective investors are solely responsible for any investment decision taken based on the information in the Company Description.

This Company Description is prepared solely in connection with the listing of the Company’s shares on First North Iceland and may not be used for any other purpose. Copyright of this Company Description and its contents is the property of the Company. No part of this Company Description may be reproduced, distributed or copied in any manner without the prior written approval of the Company. The prohibition to reproduce, distribute or copy applies regardless of the nature of the information at issue and the purpose of the reproduction, distribution or copy. Despite the aforementioned, the information in the Company Description may be copied for private and non-commercial purpose. Copies of this Company Description may not be distributed or sent, directly or indirectly, into the United States, the United Kingdom, Canada, Australia, South Africa, Japan or any jurisdiction where its distribution or publication would be unlawful.

1.3.1 Approximation of numbers

Quantitative values in this Company Description (e.g. monetary values, percentages etc.) are presented with such precision that is deemed by the Company to be sufficient to convey adequate and appropriate information on the relevant matter. Some quantitative values have been rounded up to the nearest reasonable decimal or integer value to avoid excessive detail. As a result, certain values presented as percentages do not necessarily add up to 100% because of approximation.

1.3.2 Information from third parties

The Company Description contains historical and future oriented information. In cases where the information has been obtained from third parties, the Company is responsible for ensuring that such information has been reproduced correctly. To the best of the Company’s knowledge, no information has been omitted in such a way that could make the information incorrect or misleading in relation to the original sources. However, the Company has not verified the figures, or other information that has been obtained from third parties. As a result, the

Company's Board of Directors does not accept any responsibility for the completeness or accuracy of such information that is presented in the Company Description. This should be taken into consideration when reading such information.

1.3.3 Completeness of information

When it comes to evaluating Solid Clouds as an investment opportunity, the risk factors listed in this Company Description are the most important ones, in the opinion of the Board of Directors and management of the Company. However, other risk factors might influence the operations and financial results of the issuer. This should be taken into consideration when evaluating Solid Clouds as an investment opportunity.

1.4 Dating of Information and Updates

This Company Description is based on information available at 23 June 2021 unless otherwise stated. Financial information is based on information available in the Company's financial statements for the period 1 January 2018 to 31 December 2020. Any relevant and significant changes from this time will be addressed and indicated where applicable. Certain information contained in this Company Description, including any information on the Company's plans or future financial or operating performance and other statements that express the Company's management's expectations or estimates of future performance, constitute forward-looking statements (when used in this document, the words "anticipate", "believe", "estimate" and "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements). Such statements are based on a number of estimates and assumptions that, while considered reasonable by management at the time, are subject to significant business, economic and competitive uncertainties. The Company cautions that such statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Company to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements. The Company will update the information contained in this Company Description only to such extent, at such intervals and by such means as required by the applicable law or the Nasdaq First North Nordic – Rulebook, dated 1 January 2019 (hereafter referred to as the "First North Rulebook") or considered necessary and appropriate in the Company's sole discretion.

1.5 First North Iceland and Certified Adviser

First North Iceland is a multilateral trading facility operated by Nasdaq Iceland hf. It does not have the same legal status as a regulated market. Companies on First North Iceland are regulated by First North Iceland's rules and laws on securities transaction no. 108/2007, but not by the same legal requirements set for companies admitted to trading on a regulated market. An investment in a company traded on First North Iceland generally involves more risk than an investment in a company on a regulated market. Nasdaq Iceland hf. approves applications regarding admission to trading. Nasdaq Iceland hf. is responsible for checking that both companies and Certified Advisers comply with First North Iceland's rules as well as monitoring the trading on First North Iceland. Arion Bank hf., reg. no. 581008-0150, Borgartún 19, 105 Reykjavík (hereafter referred to as the "Certified Adviser" or "Arion Bank"), which is a member of and has an agreement with Nasdaq Iceland hf., is the Certified Adviser for the Company in its application and listing process on the First North market and for the first 12 months from the Company's admission to trading on First North Iceland. Arion Bank holds a full banking license under the Act on Financial Undertakings, no. 161/2002 and is regulated by the Icelandic Financial Supervisory Authority. The Issuer has chosen to be fully Exchange-monitored after the shares have been admitted to trading.

1.6 Taxation Issues in Iceland

The Company's Shares might be subject to taxation in Iceland in accordance with effective tax legislation at any given time. Capital gains arising from the sale or disposal of Solid Clouds' shares are generally subject to tax in Iceland. Furthermore, in the event that dividends are paid in respect of the Shares, the Company is obligated to withhold taxes on such payments. The Company has received a sanction on tax deduction for individuals that invest in new equity issuances by the Company from the Icelandic Revenue and Customs. This means that individuals that are residents in Iceland for tax purposes are applicable for tax deduction from their income tax and/or their capital tax gains base of up to 75% of their investment in new share capital issued by Solid Clouds. The minimum investment per individual is ISK 300,000 and the maximum deduction for an investment up to ISK 15,000,000 per individual. For tax benefits to be valid, investors need to hold on to the shares for at least three

years, if not, the tax deduction is reversed with a 15% surcharge on the initial investment. The tax deduction does not apply to legal entities. Investors are encouraged to seek advice on the tax issues of investing in Solid Clouds.

Foreign parties should establish whether a double taxation treaty is in force between their country of residency and Iceland in order to determine their tax liability in Iceland. In addition, limited liability companies residing within the European Economic Area, EFTA and the Faroe Islands can apply to have withholding tax on dividends reimbursed by filing an Icelandic tax return for the year in which the withholding tax is incurred. Prospective investors are strongly advised to seek independent legal and tax advice regarding sale or purchase of Shares in the Company.

1.7 Liability Statement of the Board of Directors

The members of the Board of Directors of the Company declare that, to the best of their knowledge, the information provided in the Company Description is accurate and that, to the best of their knowledge, the Company Description is not subject to any omissions that may serve to distort the picture the Company Description is to provide. Moreover, to the best of their knowledge, relevant information from minutes of board meetings and auditors' records is included in the Company Description.

Sigurlína V. Ingvarsdóttir
Chairman

Ólafur Andri Ragnarsson
Vice Chairman

Eggert Árni Gíslason
Board member

Guðmundur Ingi Jónsson
Board member

Svanhvít Friðriksdóttir
Board member

1.8 Liability Statement of Arion Bank

Arion Bank as the Certified Adviser to Solid Clouds, expressly disclaims any liability based on the information contained in this Company Description or individual parts thereof and will not accept any responsibility for the correctness, completeness or import of such information. No information contained in this Company Description or disseminated by the Company may be construed to constitute a warranty or representation, whether express or implied, made to any third parties by any person other than the Company.

1.9 Potential Conflicts of Interest

For the purposes of preparing and issuing this Company Description, the Board of Directors has relied on the advice and expertise of the Company's management team and independent counsels.

Solid Clouds' board members and members of the management team own shares and/or stock options, as can be seen in chapter 5.9 *Share ownership by stakeholders*. Several of these individuals have contributed to the preparation of this Company Description and the admission of Solid Clouds' shares to trading on the First North market.

Arion Bank, the Certified Adviser in the process of seeking the admission of Solid Clouds' share to trading on the First North market and manager of the public offering, provides general banking services to the Company.

Solid Clouds has rental agreements for office space and an apartment with Vivaldi Ísland ehf. and Dworzak Ísland ehf. which are in the ownership of Jon von Techner. Jon owns through Vivaldi 1,754,119 shares in Solid Clouds or a 1.39% stake in Solid Clouds. The agreements are priced at fair market value.

It could be argued that conflicts of interest may arise in such situations, but, in accordance with the statement made by the Board of Directors in chapter 1.7 *Liability Statement of the Board of Directors*, the information in this Company Description is, to the best of the Board of Directors' knowledge, factual and contains no omission likely to affect its import.

The Board of Directors is not aware of any other potential conflicts of interest between the duties of the members of the Board of Directors or members of the Issuer's management team to the Issuer and their private interests or other duties.

1.10 Investor Examination and Analysis

By acquiring any shares or otherwise engaging in transactions depending on the value of such shares, investors agree that they are relying on their own examination and analysis of this Company Description (including the financial information that forms an indispensable part of this Company Description) and any information on the Company that is available in the public domain. They also acknowledge the risk factors that may affect the outcome of such transaction (as presented under "Risk Factors" below).

In the case of a dispute related to this Company Description, under certain circumstances, courts other than the Icelandic courts may have jurisdiction, and consequently a need may arise for the plaintiff to bear relevant state fees and translation costs in respect of this Company Description or other relevant documents.

1.11 Third-party information

In this Company Description, certain information has been sourced from third parties. The Company confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified. The Company confirms that no statement or report attributed to a person as an expert is included in this Company Description.

2 RISK FACTORS

Any investment in the Company's shares is subject to a number of risks. Prior to investing in the Shares, prospective investors should carefully consider risk factors associated with any investment in the Shares, the Company's business and the industry in which it operates together with all other information contained in this Company Description, including, in particular, the risk factors described below.

Prospective investors should note that the risks relating to the Company, its industry and the Shares summarised below are the risks that the Company believes to be the most relevant to an assessment by a prospective investor of whether to consider an investment in the Shares.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Shares and should be used as guidance only. Additional risks and uncertainties relating to the Company that are not currently known to it, or that the Company currently deems not to be risks, may individually or cumulatively also have a material adverse effect on the Company's business, prospects, financial position and/or results of operations and, if any such risk should occur, the price of the Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Shares is suitable for them in light of the information in this Company Description and their personal circumstances.

The risk factors below are not ranked in any specific order.

2.1 Industry and Operational Risk

2.1.1 History of operating losses

Solid Clouds has a history of operating losses and there is no guarantee that its future activities (including new game releases) will be commercially successful. There is also a risk that Solid Clouds' historical investment in game and its IP development will not be recovered from future earnings.

2.1.2 Access to Capital

The Company's ability to fund capital intensive game development projects is critical to Solid Clouds' success and any failure to raise sufficient capital at appropriate times could have a material adverse effect on its financial position and prospects.

2.1.3 Dependency on key personnel

Solid Clouds' operations depend on its ability to recruit and retain qualified employees. Loss of key personnel can complicate and delay ongoing and planned projects, which could possibly have a negative impact on the Company's operations, operating profit and overall financial position. In order to mitigate the risk of losing key personnel and management to competing firms the Company has a share option plan for key personal and career-based development plan.

2.1.4 Delayed game developments

Delays in the Company's planned and ongoing game projects can have a negative effect on its cash flow, revenues and operating margins. The completion of a game may also require more resources than what was originally calculated and thus have a negative impact on the Company's operations, operating profit and financial position.

2.1.5 Dependency on partners and distribution channels

The Company's operations depend on partners and distributor channels. For example, the Company foresees to distribute its games through significant global digital game channels, such as Steam, Epic Store, Apple App Store and Google Play Store. A sudden change in the Company's relationship with future partners and companies can damage the Company. The Company's operations would be damaged if any partner or distributor interrupts or restricts access to their respective platforms for the Company or modifies their terms. Changes in terms could for example be increases in fees, prolonged revenue settlements and restrictions in services. Such changes could potentially be unfavourable to the Company and thus adversely affect its operations, operating profit and financial position. Any IT break down of the Company's partners and distributor channels may have a similar effect.

2.1.6 Risks associated with system errors and cybercrime

Any system errors or security breaches such as system intrusions or viruses risk affecting the Company's operations. The Company has precautions in place to ensure vast mitigation of such risks, however, more extensive system errors or intrusions risk affecting the Company's operating profit and financial position negatively.

2.1.7 Competitive risks

The gaming industry, like most other growth industries, is exposed to extensive competition. There are many game developers currently active, but the distribution of digital games is mainly concentrated in a few marketplaces. This means that competition among game developers in these marketplaces is considerable. An increased number of game developers in the current market can lead to impaired competitiveness, which resultingly can have a negative effect on the Company's operations, operating results and financial position.

2.1.8 Intellectual property rights

The Company's intellectual property rights are primarily protected through copyright protection, trade secret legislation and/or confidentiality agreements with employees and contractors. All proprietary rights assigned to or resulting from any work assigned to employees and contractors are the property of Solid Clouds. The Company is furthermore the owner of all creations, ideas, inventions, original works of authorship, developments, improvements and trade secrets which employees may solely or jointly conceive or reduce to practice, or cause to be conceived or reduced to practice, during the period of his/her employment with the company. The Company has registered four trademarks in Iceland (Starborne Sovereign Space, Ravage Broken Lands, Prosper Engine and Solid Clouds). The value in these trademarks is mostly added in long-term brand equity (making brand elements protectable), as well as the freedom to operate in the marketplace. The Company has not registered any other intellectual property rights, including patents, design rights, and use rights, where registration may be of importance in relation to protection of the respective intellectual property right to each of the Company's products. Consequently, the Company operates on a basis of non-registered intellectual property rights. It cannot be ruled out that competitors copy the Company's platforms and products. Other companies in the same industry could also be thought to have intellectual property rights on which the Company's operations could be kept in force, which could have a negative impact on the Company's operations, operating profit and financial position. Further, game development is a fast-evolving industry where new products are developed constantly. It is possible that the Company unintentionally and unknowingly may infringe other entities' intellectual property rights. Any successful enforcement by third parties of their intellectual property rights towards the Company may have a negative impact on the Company's operations, operating profit and financial position.

2.1.9 Macroenvironmental risks

The Company's operations are affected by several macroeconomic factors such as inflation, exchange rates, interest rates, GDP development and economic fluctuations. Changes in economic, financial or political conditions can therefore have a negative impact on the Company in the form of reduced demand for the Company's products and tightened financial conditions. These risks can adversely affect the Company's operations, operating profit and financial position.

2.1.10 Uncertainty caused by COVID-19

The continuous development in the global COVID-19 pandemic adds an increased level of uncertainty to the Company's operations. As it's impossible to predict how long the Covid-19 pandemic will last, although vaccinations have significantly increased, it's impossible to predict exactly how 2021 might be affected by the development of the COVID-19 pandemic. In other words, a global shut down caused by potential additional waves might negatively impact the Company's business, earnings, and financial position.

2.1.11 Legal and political risks

The Company operates on markets in and outside of Iceland. Risks may arise as a result of political instability and/or differences in governmental systems and changes in legislation as well as other relevant regulations related to taxation and fees as well as other conditions that apply to the Company's activities in their geographical markets. This also means that the Company's ability to exercise or enforce its rights and obligations may differ in different countries and any disputes or legal proceedings may be expensive, time-consuming and the outcome may be uncertain. These factors may have a negative impact on the Company's operations, operating results and financial position.

2.1.12 Disputes

The Company has not been and is currently not involved in any legal or arbitration proceedings, which can significantly affect the Company's position. Other legal or arbitration proceedings may, however, in the future be taken against the Company. Such disputes could be time consuming and result in costs, the size of which cannot always be foreseen. Disputes could, therefore, have a material negative impact on the Company's operations, earnings and financial position.

2.1.13 GDPR

The Company is subject to various regulations, including general data protection regulation (GDPR). While the Company generally has minimal personal information stored about its players, the Company nonetheless has certain policies and procedures in place relating to compliance with such regulations. A failure to comply with applicable regulations could result in substantial fines.

2.2 Financial Risks

2.2.1 The Company's actual activities and performance and forward-looking ambitions

This Company Description includes certain of the Company's financial ambitions and funding aspirations, which are associated with substantial uncertainty. The Company's ambitions and aspirations do not reflect any forecast by the Company of expected financial performance and investors cannot rely on such figures for any indication whatsoever of future results applicable for the Company. The actual activities and financial performance of the Company in the future is subject to numerous risk factors, including those stipulated in this Company Description, but also other circumstances outside the Company's control.

2.2.2 Risks associated with business acquisitions

In the future, the Company may utilize an acquisition-driven growth strategy in order to promote faster growth. In the case of acquisitions, there is always a risk that the assumptions that the Company has made regarding the acquisition object turn out to be incorrect, which may adversely affect the Company's operations, operating profit and financial position.

2.2.3 Limited resources

The Company is a relatively small company with limited resources in terms of management, administration and capital. For the successful implementation of strategic initiatives, it is important that the resources needed are available and deployable when the need arises. There is a risk that the Company's resources will not be sufficient, which may have a negative impact on the Company's operations, operating profit and financial position.

2.2.4 Currency risks

The Company's revenues are currently all held in Euros and United States dollars but may in the future earn revenues in other currencies. The Company is thus exposed to currency fluctuations, which may have a negative impact on the Company's operations, operating profit and financial position.

2.2.5 Financing and capital requirements

The Company has limited revenues today and relies on them growing in accordance with their business plan. The Company's expected growth and proceeds from the Offering mean that existing working capital and financing are deemed sufficient for the business to be conducted for the period covering at least twelve months from the date of this Company Description. The Company may in the future need to seek additional external financing. There is a risk that new capital cannot be raised when needed, that new capital cannot be obtained on terms satisfactory to the Company or that the capital raised is not sufficient to finance the business. This could lead to a significant negative impact on the Company's operations, earnings and financial position.

2.2.6 Insurance risk

The Company has limited insurance cover but may increase its cover in the future. If the Company is unable to maintain its insurance cover on terms acceptable to it or if future business requirements exceed or fall outside the

Company's insurance cover or if the Company's provisions for uninsured costs are insufficient to cover the final costs it could have a material negative impact on the Company's operations, earnings and financial position.

2.2.7 Negative publicity

The Company's reputation is important for its business. Should the Company's reputation be damaged, the Company's customers and other stakeholders could lose confidence in the Company. For instance, should the Company or any of the members of its senior management team take an action that conflicts with the Company's values, or should any of the Company's projects not meet the market's expectation, the Company's reputation could be at risk. Also, unjustified negative publicity could damage the Company's reputation. Reputation damage could have a material negative impact on the Company's operations, earnings and financial position.

2.2.8 Counterparty risk

The Company does not lend to its customers and is thus not exposed to counterparty risk in that regard. However, the Company uses payment providers that accept credit card payments from customers to buy services provided by the Company, and the payment providers subsequently transfer payments to the Company. Therefore, the Company has at any given time claims on its payment providers.

2.2.9 Bugs and errors

Solid Clouds is taking necessary steps to ensure the full function of *Frontiers*¹, including limiting the risk of bugs and errors. Solid Clouds cannot guarantee that all bugs and errors will be detected or be corrected once detected. The presence of a bug or error in a game may negatively impact the brand and reputation of Solid Clouds, potentially resulting in a loss of revenue and a general deterioration in the financial position and prospects of Solid Clouds. A universal measurement of risk involving bugs is not in place as they can impact the game in different ways. Historically Solid Clouds has not had major problems because of bugs or errors. The company seeks to maintain a strong Quality Assurance (QA) process, where all updates for *Frontiers* are tested. In addition, Solid Clouds has a robust system for assessing the severity of bugs and prioritizing bugs and error fixing should they emerge.

2.2.10 Grant funding and assistance

Solid Clouds has been the beneficiary of tax allowance for individual investors in the Company, received industry grants and R&D tax incentives, which count for around half of the Company's income in 2020. The company has been required to meet certain criteria for these tax incentives. Should these criteria become more difficult to meet or if these tax incentives will not be available to the Company, that could have a negative impact on its operations. Legislation nr. 37/2020 stipulated that the R&D tax credit increased from 20% to 35% for small and medium sized enterprises and that the maximum R&D cost that is applicable increased from 600 m.kr. to 1.100 m.kr. for the years 2020 and 2021. Tax allowance for individual investors which has been beneficial for the financing of the Company will lapse after the year 2021. If the government does not extend these measures the R&D tax credit will decrease to 20% and the R&D cost applicable will decrease to 600 m.kr. and there will be no tax allowance for individuals after the year 2021. The Federation of Icelandic Industries has been lobbying for the continuing of said measures in legislation nr. 37/2020.

2.3 Risks related to the Offering and the Shares

2.3.1 Liquidity risk

There has been little trading with the Company's shares prior to the listing on First North Iceland and it is not possible to predict how the liquidity of the Shares will develop and how active the trading will be. A periodically weak interest in trading in the Company's share may reduce the conditions for active trading in the share, which may lead to difficulties for shareholders in selling shareholdings at the desired time without the price of the share being adversely affected.

¹ *Frontiers* is Solid Clouds' next upcoming game and can be differentiated by offering players more freedom and exploration than many other party battler games.

2.3.2 Market risk

The Shares will be listed on Nasdaq First North Iceland and may, therefore, be impacted by events that affect the Icelandic equity market in general, such as macroenvironmental, political or other news-driven events. The price of Solid Cloud's shares may fluctuate due to these factors.

2.3.3 Denomination of shares

The share capital of the Company is denominated and traded in Icelandic króna. An investor in the Shares of the Company will therefore be exposed to ISK risk. The ISK exchange rate may fluctuate significantly without such fluctuations being offset by corresponding changes in the share price of the Company.

2.3.4 Offering of additional shares

The Company may decide to raise additional capital in the future in order to pursue growth opportunities, invest in current business ventures or for other purposes deemed relevant and necessary by the Board of Directors. In its pursuit to raise additional capital, the Company may decide to issue additional equity, which may result in dilution of the Shares see further information of possible dilution effects in chapter 5.9 *Share ownership by stakeholders*.

2.3.5 Share price development

Investing in shares and securities is always associated with risk. Prior to the Offering, there is no public market for the Company's Shares. There is a risk that an active and liquid trading market may not develop, or if developed, will not be sustained after the Offering. If an active and liquid market does not develop or remain developed, there is a risk that the liquidity and trading price of the Shares could be materially affected, and investors may have difficulty selling their shares at a satisfactory price level.

2.3.6 Ownership risk

Shareholder ownership structure can be a risk factor for investors. Lack of leading investors or concentrated ownership are examples of circumstances that can have negative effects on liquidity, price formation or shareholder control, among other things. The Company's ownership structure is fairly distributed. As of the date of this Company Description, one shareholder holds more than 10% of Solid Clouds' share capital, as further described in chapter 5.7 *Share capital and shareholders*.

2.3.7 Dividend policy

The Company's ability to pay dividends in the future will depend, among other things, on its financial condition, working capital requirements and the availability of distributable profits, and reserves and cash available, and other factors as the Board of Directors may deem relevant. Dividends are decided by the Annual General Meeting following a proposal from the Board of Directors.

2.3.8 The Offering of the Shares

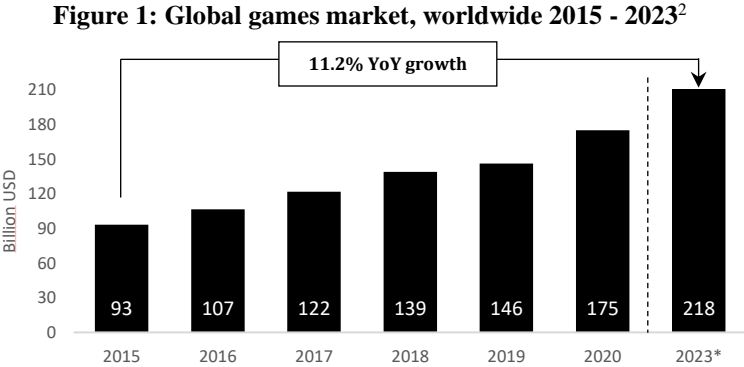
The Company has applied for admittance to trading of the Shares on Nasdaq First North Market Iceland. The admission, as well as the continued admission to trading on the Nasdaq First North Market Iceland, are subject to requirements of free float and a sufficient number of qualified shareholders holding the Company's Shares being met before the first day of trading. If such requirements are not met, the admittance to trading on Nasdaq First North Market Iceland will be declined. Withdrawal of the Offering can also occur due to a decision made by the Company. This event can take place any time prior to the announcement of the result of the Offering. In the event of a withdrawal, such information will be announced with a press release. Nasdaq First North Market is a multilateral trading facility owned by Nasdaq Nordic and does not have the same legal status as a regulated market. Companies trading on Nasdaq First North Market are subject to a regulatory framework that is less extensive than the framework applicable to companies trading on regulated markets. However, on both a regulated market and the Nasdaq First North Market, regulation regarding market abuse applies. Investing in a company listed on Nasdaq First North Market includes more risk than investing in a public listed company on a regulated market, and investors risk losing part or all of the investment.

3 MARKET OVERVIEW

3.1 The global games market

This Company Description contains historical market data and industry forecasts, including information related to the size of the markets, in which the Company operates. This information has been obtained from a variety of sources, including companies providing business intelligence products and services, literature, market reports, company websites and other publicly available information as well as the Company’s knowledge of the markets. Professional data suppliers state sources of historical data and aggregated by methods believed to be reliable, but that they do not guarantee the accuracy and completeness of this information. Similarly, industry forecasts and market research, while believed to be reliable, have not been independently verified by the Company, and the Company does not guarantee the historical information is accurate. Industry forecasts are subject to significant uncertainty by nature. There can be no assurance that any of the forecasts will materialize. Market statistics are inherently subject to uncertainty and are not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents, including judgements about what type of products and transaction should be included in the relevant market or market segment definitions. The Company confirms that information from third parties has been accurately cited and reproduced. To the best of the Company’s knowledge, no information has been omitted in such a way that could make the information incorrect or misleading in relation to the original sources. However, the Company has not verified the figures, or other information that has been obtained from third parties. As a result, the Company’s Board of Directors does not accept any responsibility for the completeness or accuracy of such information that is presented in the Company Description. This should be taken into consideration when reading such information.

The global gaming industry has, throughout recent times, been one of the most rapidly growing industries among tech-enabled entertainment services. In 2020, the global gaming market grew to USD 175 billion².



A significant driving factor of this expected growth, can among others, be found in the fact that games are increasingly playing a pivotal function in society as a pillar of entertainment, social connection and relief.

By analysis and forecast of key growth drivers, the market for gaming is expected to continue growing and is anticipated to reach USD 218 billion by the end of 2023.² This significant growth represents a year-on-year market expansion of upwards of 11.2% from 2015, hence indicating the industries continued growth.

The global film industry reached approximately USD 100 billion in revenue for the first time in 2019, according to the Motion Picture Association³, while PwC⁴ estimated North American sports would bring in more than USD 75 billion in 2020. Both of those industries suffered from the effects of the COVID-19 pandemic in 2020 while the videogame industry is expected to show double-digit growth in coming years.

While taking up roughly half of the entire global gaming industry in 2020, the mobile gaming industry is expected to continue to outpace other gaming segments in the coming years.

² Sources: Global Game Revenues Up an Extra \$15 Billion This Year as Engagement Skyrockets. <https://newzoo.com/insights/articles/game-engagement-during-covid-pandemic-adds-15-billion-to-global-games-market-revenue-forecast/> and <https://www.statista.com>
³ Source: THEME Report. <https://www.mpa-apac.org/wp-content/uploads/2021/03/MPA-2020-THEME-Report-1.pdf>
⁴ Source: PwC 2021 Sports Outlook. <https://www.pwc.com/us/en/industries/tmt/assets/pwc-2021-tmt-sports-outlook.pdf>

Figure 2: Market share by gaming platforms in 2020⁵

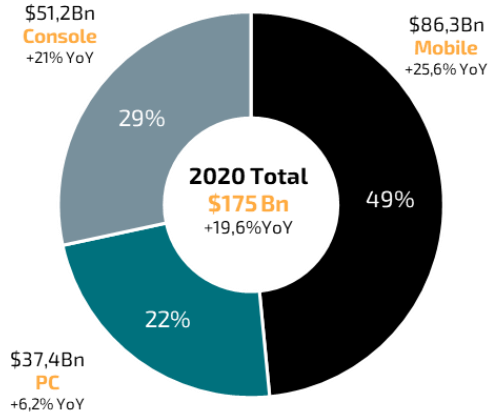


Figure 3: Market share by region 2020⁴

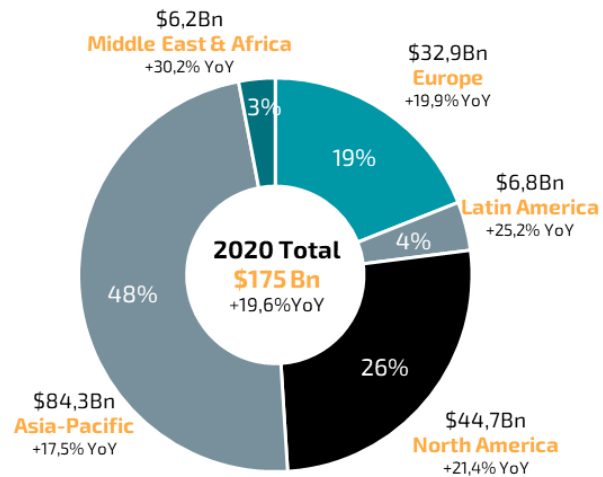
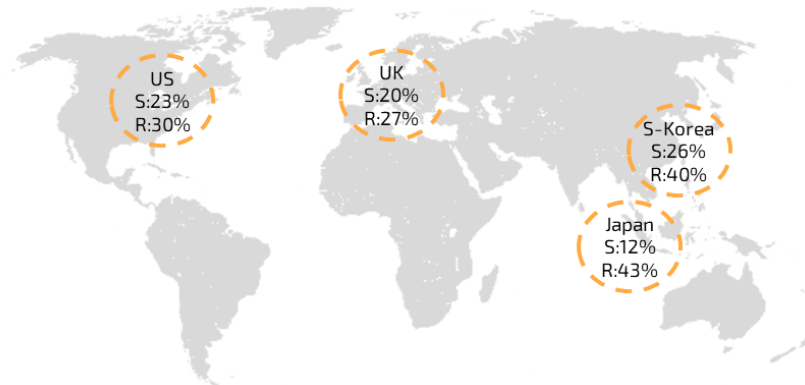


Figure 4: Strategy (S) & RPG (R) mobile gaming player based on geographical location 2020⁶



It is worth noting that more than 214 million people in the United States today play video games one hour or more per week and that 75% of all U.S. households have at least one person who plays. In sum, 64% of U.S. adults and 70% of those under 18 regularly play video games.⁷

3.2 Solid Clouds focus within the gaming market

Solid Clouds is a gaming company that is currently focusing on the PC and mobile market or approximately 71% of the total gaming market. Solid Clouds has built a solid foundation with its current platform which it plans to further develop. It furthermore focuses on both Europe as well as North America or about 45% of the total market. It is also competing in the market of roleplaying (RPGs⁸) and strategy games, and it can be estimated that between 20-30% of players enjoy those types of games⁹.

Based on those assumptions, and the generalization that averages apply across all sector equally, it is estimated that annual revenues within Solid Clouds' chosen market segment lies within the vicinity of \$10-15 billion.

⁵ Sources: CapitalIQ. <https://www.capitaliq.com/>, Statista. <https://www.statista.com> and Global Game Revenues Up an Extra \$15 Billion This Year as Engagement Skyrockets <https://newzoo.com/insights/articles/game-engagement-during-covid-pandemic-adds-15-billion-to-global-games-market-revenue-forecast/>

⁶ Source: Genre and Great Games. https://scontent.frkv3-1.fna.fbcdn.net/v/t39.8562-6/117725206_696322140921481_8715572014097484678_n.pdf?_nc_cat=105&ccb=1-3&_nc_sid=ad8a9d&_nc_ohc=QoXV4F1N548AX_rG_1P&_nc_ht=scontent.frkv3-1.fna&oh=282b22f0602c8130ca8bbd602c897974&oe=60DDC1B2

⁷ The ESA's 2020 Essential Facts About the Video Game Industry. <https://www.theesa.com/resource/2020-essential-facts/>.

⁸ A role-playing game is a game in which players assume the roles of characters in a fictional setting. Players take responsibility for acting out these roles within a narrative, through a process of structured decision-making regarding character development. Actions taken within many games succeed or fail according to a formal system of rules and guidelines.

⁹ Source: Facebook gaming, Genre and Great Games, understating audiences and designing better mobile games, 2020

Solid Clouds will rely on in-game monetization, or microtransactions¹⁰, to generate revenues from its players.

The gaming industry is a large industry that has enjoyed significant growth in recent years. The industry is highly competitive, as it is projected that the growth of recent years is expected to continue as has been outlined.

Frontiers is Solid Clouds' next upcoming game and can be differentiated by offering players more freedom and exploration than many other party battler games. Currently there is a limited supply of high-quality party battler games set in space.

The Company intends to compete by regularly launching games that are focused towards a targeted audience. Furthermore, the Company intends to build on its technical foundations and leverage the expertise of its highly qualified employees enabling the Company to expedite their entry to markets and thus building a portfolio of games.

3.3 Solid Clouds gaming market placement

There are many sub-genres of strategy games, from Multiplayer Battle Arena¹¹ to Tactical Battler¹² and 4X Strategy¹³ (eXplore, eXpand, eXploit, and eXterminate). Strategy games are most popular in South Korea and the US, where about one in four mobile gamers play strategy games. In the UK, about one in five plays strategy games. Strategy games have their origin in Germany and remain popular there¹⁴ as in other parts of Europe.¹⁵ However, this genre remains relatively niche in Japan with only 12% of mobile gamers playing strategy games.¹⁶

Key marketing information :¹⁶

- Strategy games and Massively Multi-User Online Role Playing Games (MMORPGs) tend to appeal to a broad age range with research outlining the average age of 26 years and the range between 11-68 years, and other studies indicating the average age of 35-44 years of players in the US.^{17,18} The gaming industry appeals to a wide range of demographics and gender. Younger males are more likely to play for longer and like trying out new games. They view mobile gaming as a social activity, preferring game features that enable social interaction. This high engagement rate can often translate into higher revenue generation.
- Due to the competitive nature of Strategy games, Strategy is among the top three genres in which players are most likely to make an in-app purchase. Moreover, they also show an openness toward in-app ads.
- 50% of gamers have made in-game purchases in the last year.
- Over 85% of industry revenue comes from Free to Play games.¹⁹
- Compared to other genres, strategy games usually have higher LTV (player lifetime value).

3.3.1 The global mobile games market

The global mobile games market has been identified as the fastest growing segment within the global gaming industry. The significant market share obtained and the massive growth experienced can be accredited by multiple driving factors, including the increased global sales of smartphones and tablets, as well as the increased level of

¹⁰ Microtransaction is a business model where aspects of a game's contents can be purchased to enhance the game experience for the player. These aspects may range among new playable contents, in-game currencies, cosmetic options, and otherwise unavailable or restricted gameplay advantages. Traditionally, these purchases tend to be relatively inexpensive but numerous in variety.

¹¹ Multiplayer online battle arena is a subgenre of strategy video games in which two teams of players compete against each other on a predefined battlefield. The objective of these games is to destroy the opposing team's base/team together with your own team.

¹² Games where players battle against NPCs (non-player-character, or computer-based opponent) or other players in a closed (often 1v1) arena setting. There is often focus on collecting and developing your team with various methods.

¹³ 4X (abbreviation of eXplore, eXpand, eXploit, and eXterminate) are a subgenre of strategy-based games. The gameplay involves building an empire. Emphasis is placed upon economic and technological development, as well as a range of military to non-military routes to supremacy.

¹⁴ Video game preferences by genre in Germany: <https://www.statista.com/forecasts/998792/video-game-preferences-by-genre-in-germany>

¹⁵ Survey of Market Trends for Mobile Games in Four Major European Countries (U.K., Germany, France, and Italy): <https://www.cyberagent.co.jp/en/news/detail/id=12026>

¹⁶ Facebook gaming, Genre and Great Games, understating audiences and designing better mobile games, 2020

¹⁷ The Demographics, Motivations and Derived Experiences of Users of Massively Multi-User Online Graphical Environments (In Press - Presence: Teleoperators and Virtual Environments), Nick Yee, Stanford University:

https://www.ics.uci.edu/~wscacchi/GameLab/Recommended%20Readings/Yee_MMORPG_Presence_2006.pdf.

¹⁸ The ESA's 2020 Essential Facts About the Video Game Industry: <https://www.theesa.com/resource/2020-essential-facts/>.

¹⁹ Fortnly, 2020

wide spanning cellular connectivity through 3G, 4G and most recently, 5G. The games market is expected to continue growing in the coming years, exceeding \$200 billion at the end of 2023²⁰.

²⁰ Global Game Revenues Up an Extra \$15 Billion This Year as Engagement Skyrockets: <https://newzoo.com/insights/articles/game-engagement-during-covid-pandemic-adds-15-billion-to-global-games-market-revenue-forecast/>

4 BUSINESS DESCRIPTION

4.1 General Overview and History

4.1.1 Introduction

Solid Clouds is a game developer with focus on creating a technology framework for the fast production of massively multiplayer online real time strategy (MMORTS²¹) games. The company can rapidly adjust to changing market demand and consumer preference by producing new games from a robust framework that allows for fine tuning of game mechanics to maximize both retention and player spending. The Company launched its first game in 2020, *Starborne: Sovereign Space* and by building on its foundation, Solid Clouds aims to become a leading producer of MMORTS games.

Its first game, *Starborne: Sovereign Space*, is set in the distant future and features warring factions in a space opera setting. The game world features deep lore and backstory to the factions and characters. The *Starborne* brand is an umbrella that encompasses Solid Clouds' first game, *Sovereign Space* and its second game, *Frontiers*, set to launch in mid-year 2022. The *Starborne* brand *Frontiers* can be extended in a multitude of different directions.

Solid Clouds' first game, *Starborne: Sovereign Space*, is a 4X strategy MMO²² where the player takes on the role of a space commander to compete against hundreds of other players over control of the galaxy. Each game lasts for several weeks, and the game has about 20.000 monthly active users despite limited advertising.

Solid Clouds' next launch is named *Starborne: Frontiers*. It is a persistent space MMO that takes place in the *Starborne* Universe. Players will build bases, collect units, explore the galaxy and team up with other players to take on its largest threats. The emphasis is on rewarding space fleet collection, progression and strategy in a visually stunning universe.

4.1.2 History

Solid Clouds was founded in 2013 by Stefán Gunnarsson (CEO), Stefán Björnsson (CFO) and Sigurður Arnljótsson with the intent of producing *Starborne: Sovereign Space*. Several of the CCP early investors took stake in Solid Clouds and the firm secured the talents of several of CCP employees early on.

Year	Events in Solid Clouds' history
2013	Solid Clouds founded in Q4.
2015	First prototype of <i>Starborne: Sovereign Space</i> ready (Alpha 1). 10 th employee hired.
2016	Full production starts on <i>Starborne: Sovereign Space</i> .
2018	Alpha 7 test on <i>Starborne: Sovereign Space</i> with first sales in game, 5,000 players joined the game.
2020	Over 400,000 emails registered of users interested in Solid Clouds' games. <i>Starborne: Sovereign Space</i> launched.
2021	January 2021, development of <i>Starborne: Frontiers</i> starts.
2022	Estimated launch of <i>Starborne: Frontiers</i> in mid-year 2022 18 months from concept to market, underlines Solid Clouds' competence and use of existing technological stack.

4.1.3 Company structure

The Company carries all its business and operations in the same corporate entity. The Company has one subsidiary, Solid Clouds Ltd. in the UK. The subsidiary was created for a grant application regarding the Innovative UK fund. There are no assets or liabilities or operation currently in the subsidiary. The Company is not a shareholder, member or otherwise affiliated with other business entities.

²¹ Massively multiplayer online real-time strategy game (MMORTS) mixes the genres of real-time strategy and massively multiplayer online games in which a very large number of players interact with one another within a virtual world. Players often assume the role of a warlord, general, king, or other type of figurehead leading an army into battle while maintaining the resources needed for such warfare.

²² 4X (abbreviation of eXplore, eXpand, eXploit, and eXterminate) are a subgenre of strategy-based games. The gameplay involves building an empire. Emphasis is placed upon economic and technological development, as well as a range of military to non-military routes to supremacy.

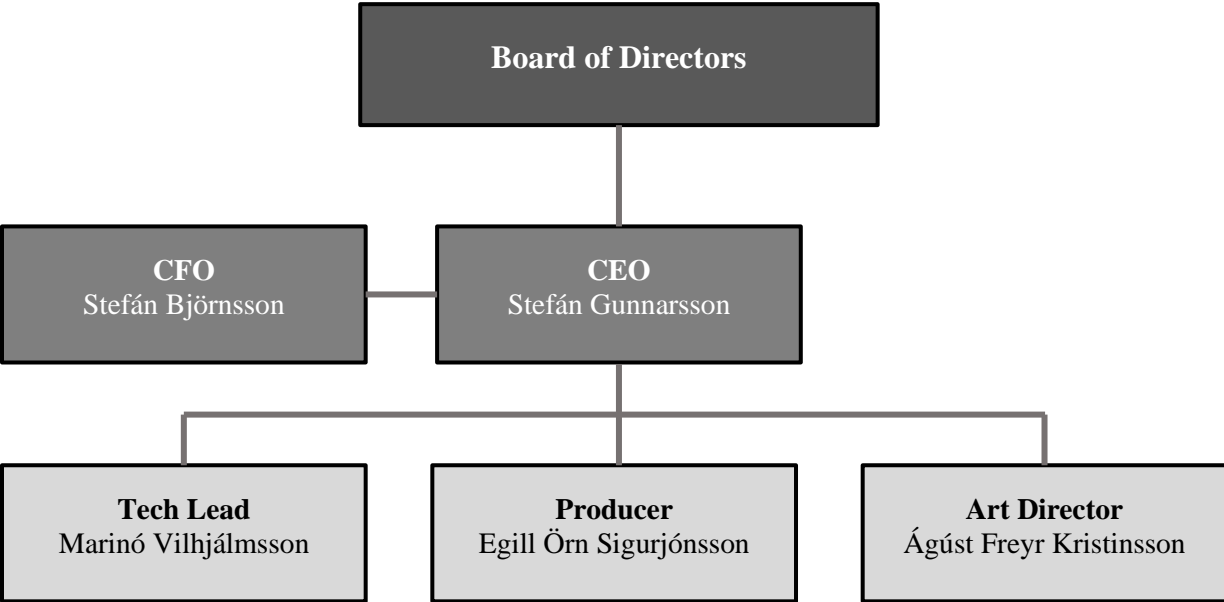
The Company has, and intends to maintain, a lean and efficient delegation of authority and responsibilities. Shareholder’s meeting yields the supreme powers in the Company. The Board of Directors consists of CEO and CFO who are responsible for the business of the Company between shareholder’s meetings. A management team consisting of the CEO, CFO and three managers is responsible for the day-to-day business.

The Company’s business plan is to focus on its core business, therefore the Company intends to rely on third party service providers by using outsourcing. This applies, for example, to software solutions, legal counsel as well as the compliance officer.

4.1.4 Organization

The Issuer’s organizational chart can be seen below in Figure 5. In June 2021 the Company employed 17 full-time employees.

Figure 5: The Company’s organization chart.



4.1.5 Significant contracts

The Company deems the following contracts as being material for its business:

The Company has a contract with Adyen, a Dutch payment company that allows Solid Clouds to accept electronic payments by payment methods including credit cards, bank-based payments such as debit cards, bank transfer and real-time bank transfers based on online banking. Adyen's online payment platform connects Solid Clouds to payment methods across the world. The Company has a contract with Microsoft regarding the Azure cloud computing service created by Microsoft for building, testing, deploying, and managing applications and services through Microsoft-managed data centers. The Company has a vendor agreement with Unity Technologies regarding licensing agreement for Unity’s cross-platform game engine.

4.1.6 Legal proceedings

From time to time, the Company may become involved in litigation, disputes and other legal proceedings arising in the course of its business. As of the date of this Company Description, the Company is not, nor has been since its incorporation involved in any legal, governmental or arbitration proceedings which may have, or have had in the recent past, significant effects on its financial position or profitability. The Company is not aware of any such proceedings which are pending or threatened.

4.2 Business model

Solid Clouds’ business model is based on the “free-to-play” business model. The model allows the player to install the game for free, however, revenues come from selling players additional items and in game currency. Solid

Clouds aim is to convert around 3% of new players into paying users and cultivate a loyal user base with continued engagement to maximize the lifetime value of the players. Monetization of players is measured in ARPDau, which stands for average revenue per daily active user and ARPPU which stands for Average Revenue Per Paying User per month. Solid Clouds achieved about \$0.25 ARPDau in the last two Alpha tests of *Starborne: Sovereign Space*, but the Company was able to increase the ARPDau to about \$0.5-0.6 in the Beta test by fine tuning the game mechanics and monetization scheme. The Company was limited in its revenue generation by the competitive nature of *Sovereign Space* that had a negative impact on the monetization. Development of *Frontiers* will take these limitations into account by having players setting their own goals and thus allowing for a more flexible monetization strategy. Currently the majority of the revenue of the computer game industry is generated through this revenue model.

Figure 6: Solid Clouds’ development process



Solid Clouds’ business strategy revolves around being able to produce new products on a regular basis, to achieve this the Company utilizes its tech foundation to speed up production which will lessen development risk since many of the underlying systems are tried and tested, ready to use for all future titles. The tech foundation is an umbrella term for the systems and technologies required to develop and maintain a Massively Multiplayer Online Game. These systems include custom-made server architecture to facilitate global & cross-platform play, User Interface frameworks, Payment System integrations, and game-mechanic implementation frameworks. Developing a tech foundation generally takes a large portion of the overall game development time. Solid Clouds has developed a reusable framework and will build on this foundation when creating new products.

Each new product will add to this tech foundation making it more versatile with each release. Faster development times allow us to keep up with market trends and keep the production teams focused.

Solid Clouds benefits from an established in-house production pipeline that has been used to develop and maintain *Starborne: Sovereign Space*. The production team fully embraces agile methodologies to rapidly iterate on concepts and utilizes real world player testing to influence key decision making. All major disciplines have full on-site production teams. Upon development and release of new games in the future, Solid Clouds will typically release a closed alpha and then beta version to evaluate the interest and retention. By use of the “free-to-play” model, instant feedback from users is provided, and Solid Clouds receives advantageous information about customers behaviour.

Solid Clouds is a data driven company that constantly applies analytics to adjust and optimize both new player experience, monetization and user engagement. The intention is to understand and target its audiences more effectively and maximize efficiencies across the Board. This will entail further development of the games in order to support the engagement of its customers.

4.2.1 Influential factors

The amount of potential revenue to be earned from a game is dependent on two main factors. These two factors, engagement and user acquisition spend, will decide how much a player will spend in or on a computer game. Solid Clouds’ plan is to successfully engage players with the intention of maximizing the lifetime value (LTV) of players along with keeping advertising costs as low as possible. The game developer aims to gain traction among players in a specific genre (hero collection, role playing games) that are more likely to spend well above the average ARPDau.

4.2.1.1 Engagement

Player engagement stands for the desire to continue playing the game for more than one session and/or for a longer period. To be successful game developers need to have the ability to engage players over time. Game developers that engage their players for longer are more likely to generate higher revenues, either directly through in-app purchases or indirectly through advertisements. In terms of advertising revenue, the audience for a game tends to dictate how much you earn from advertising. In-app purchases tend to account for a higher proportion of the overall revenue from a game.

4.2.1.2 User acquisition spend

User acquisition spend is the money used to attract and encourage players to download the game. Solid Clouds will mostly rely on paid advertising, public relations, search engine optimization and influencer marketing to acquire customers. To convert an acquired player to a spender the game must be engaging enough. How the game developer deploys the capital for marketing will impact its ability to acquire new customers. If the average LTV per customer is greater than the cost to acquired customer then the game is profitable.

5 CORPORATE GOVERNANCE

5.1 Articles of Association

The Company's Articles of Association, which were valid on the date that this Company Description was issued, were accepted on 7th of June 2021 and are replicated in full in their agreed form in Appendix I.

5.2 Board of Directors

Solid Clouds' board of directors consists of five main members and three alternate members elected at an Annual General Meeting. Main members and alternate members are elected for a period of one year.

The following individuals were elected to serve on the Board of Directors at the last Annual General Meeting, held on 14 May 2021:

Sigurlína V. Ingvarsdóttir, Chairman

Sigurlína V. Ingvarsdóttir was first elected to the Board in May 2021. She has extensive experience in the field of game development. She worked for Bonfire Studios Inc., held a lead position at EA Sports FIFA and served as the senior producer of the Star Wars Battlefront franchise at DICE. Before that she held management positions at numerous companies, including CCP. Sigurlína currently sits on the Board of a few companies, including CRI hf., Aldin Dynamics and Eyrir Vöxtur.

Sigurlína does not own shares in Solid Clouds and is an independent Board member in accordance with the Guidelines on Corporate Governance, 5th edition, published in 2015 by the Iceland Chamber of Commerce, Nasdaq OMX Iceland and SA Confederation of Icelandic Enterprise.

Sigurlína holds a B.Sc. degree in Industrial Engineering from the University of Iceland.

Ólafur Andri Ragnarsson, Vice Chairman

Ólafur Andri Ragnarsson was first elected to the Board in February 2014. Ólafur holds an Adjunct position in the School of Computer Science at Reykjavik University. Ólafur founded Margmiðlun, internet service provider and software development company. He later founded Betware, a technical vendor in the lottery industry and was the Chief Software Architect, additionally Ólafur took part in developing the platform used by the company to successfully launch digital solutions of several lotteries around the world. Ólafur has also worked in Architect and Business Development at BusinessBlock. Ólafur Andri was one of the founders of Raw Fury AB a Swedish game publisher and sits on the Board of the company. He is also a board member of Spectaflow ehf., British retail software company, Aha Retail Partners Ltd. and Klambratún ehf.

Ólafur owns shares in Solid Clouds through his own account and through his holding company, Klambratún ehf. Ólafur holds directly 986,366 shares or a 0.78% stake and Klambratún ehf., which Ólafur owns fully, holds 121,774 shares or a 0.10% stake.

Ólafur holds a B.Sc. and M.Sc. degree in Computer Science from the University of Oregon.

Eggert Árni Gíslason, Board member

Eggert Árni Gíslason was first elected to the Board in May 2020. Since 1988, Eggert has been the General Manager at Mata hf. He currently serves as Chairman of Board at Matfugl ehf., Salathúsið ehf., Síld og Fiskur ehf., & Íslenska fjallatrúkkafélagi ehf. Eggert sits on the Board of numerous companies, including Eignarhaldsfélagið Mata hf., Langisjór ehf., Brimgarðar ehf., Sundagarðar hf., & Mata ehf.

Eggert owns shares in Solid Clouds both directly and indirectly through related parties a total of 3,650,307 shares or a 2.89% stake. He also owns shares through his holding company, Brimgarðar ehf., which owns 2,087,547 shares or a 1.65% stake in Solid Clouds.

Eggert holds a Cand.oecon. degree in Business from the University of Iceland and the IMC Securities Trading Certificate.

Guðmundur Ingi Jónsson, Board member

Guðmundur Ingi Jónsson was first elected to the Board in January 2018. Guðmundur has been the General Manager at Kjölur Fjárfestingafélag ehf. since 1999. He also holds the position of a Manager at Íslensk Orkuvirkjun Seyðisfirði (2008-Present). Guðmundur sits on the Board of numerous companies, including Miðbæjareignir ehf., Kjölur fasteignir ehf., Íslandsapótek ehf. and is the Chairman of the Board in YaY ehf. Guðmundur previously served as the Chairman of Board at GreenQloud.

Guðmundur owns shares in Solid Clouds through his own account and his entities, Kjölur fjárfestingarfélag ehf. and GJ Invest ehf. He holds a direct 0.37% stake in Solid Clouds, a total of 463,899 shares. Guðmundur owns 50% of Kjölur fjárfestingarfélag ehf., which owns 12,226,412 shares or a 9.69% stake in Solid Clouds. GJ Invest ehf., of which Guðmundur owns the entire share capital, owns 463,899 shares or a 0.37% stake in Solid Clouds.

Guðmundur holds a B.Sc. degree in Economics from the University of Iceland.

Svanhvít Friðriksdóttir, Board member

Svanhvít Friðriksdóttir was first elected to the Board in August 2017. Since 2019 Svanhvít has worked as a public relations consultant but before that she was the SVP of communication and marketing at WOW air. She currently serves as a board member at Ankra ehf. Svanhvít has extensive experience in public relations.

Svanhvít does not own shares in Solid Clouds and is an independent board member in accordance with the Guidelines on Corporate Governance, 5th edition, published in 2015 by the Iceland Chamber of Commerce, Nasdaq OMX Iceland and SA Confederation of Icelandic Enterprise.

Svanhvít holds a M.A. degree in Public Relations and Public Communications from University of Westminster and a B.A. degree in History and Business from University of Iceland.

Heimir Þorsteinsson, Alternate board member

Heimir Þorsteinsson previously served as a board member at Solid Clouds. He currently serves as VP of Finance at Alvogen. Previously Heimir served as VP of Finance at Teva Pharmaceuticals for 11 years. He has extensive experience in auditing after working for Deloitte both in Iceland and Denmark.

Heimir owns a total of 239,952 shares in Solid Clouds, or a 0.19% stake in Solid Clouds.

Heimir holds a Cand. Oecon degree in Accounting and Auditing from the University of Iceland. He is also a State Authorised Accountant from the Institute of State Authorised Accountants in Iceland.

Ársæll Valfells, Alternate board member

Ársæll Valfells was elected as an alternate board member at Solid Clouds in August 2020. He currently serves as a board member at Vesturgarður ehf. & Sikta ehf. Ársæll is also the Chairman of the Board at Kadúseus ehf. Ársæll has held the position of lecturer at the University of Iceland since 2003, in addition to other positions related to investments and asset management.

Ársæll owns directly a total of 474,337 shares in Solid Clouds, or a 0.38% stake in Solid Clouds.

Ársæll has a B.Sc. degree in Political Philosophy and M.Sc. in ADMIS from the London School of Economics and Political science.

Þorlákur Traustason, Alternate board member

Þorlákur Traustason has been an alternate board member since January 2018. He currently serves as a board member at Kjölur fasteignir ehf., Suðurorka ehf., and Yay ehf.

Þorlákur owns shares in Solid Clouds through his entity Kjölur Fjárfestingarfélag ehf. which holds 12,226,412 shares or a 9.69% stake in Solid Clouds. Þorlákur owns 50% of Kjölur Fjárfestingarfélag ehf.

5.3 Management team

Stefán Gunnarsson, Chief Executive Officer

Stefán is the Co-Founder and CEO of Solid Clouds. In recent years, Stefán's focus has been on the gaming industry, both as a professional gamer as well as an investor, e.g. being on the first investors in CCP. Prior to that, Stefán was an experienced mechanic before completing his education in computer science and founding Solid Clouds.

Stefán directly owns a total of 19,081,567 shares in Solid Clouds, or a 15.12% stake. He also owns 21.1% stake in Eignarhaldsfélagið CHOAM ehf. that owns 1,971,572 shares in Solid Clouds, or a 1.56% stake in Solid Clouds.

Stefán holds a B.Sc. degree in Computer Science from the University of Reykjavik.

Stefán Þór Björnsson, Chief Financial Officer

Stefán is the CFO and co-founder of Solid Clouds. Stefán has been the CFO since 2018. Previously, Stefán was the Chief Credit Analyst at the Financial Supervisory Authority of Iceland (FSA) for 10 years and has furthermore been the Chairman of a joint credit risk analysis group of FSA & the Central Bank of Iceland for five years.

Stefán owns a total of 6,247,389 shares in Solid Clouds, or a 4.95% stake in Solid Clouds. He also owns 27.7% stake in Eignarhaldsfélagið CHOAM ehf. that owns 1,971,572 shares in Solid Clouds, or a 1.56% stake.

Stefán holds a M.Sc. degree in Corporate Finance from the University of Iceland and a B.A. degree in history and business.

Marinó Vilhjálmsson, Technical Lead

Marinó has been with Solid Clouds since 2019. Marinó was a backend programmer at Lumenox games for three years. Before Lumenox Games, Marinó worked as a Software developer at Gluggagerðin for six years and as a teaching assistant for two years at the School of Computer Science at Reykjavik University.

Marinó does not own shares in Solid Clouds.

Marinó holds a B.Sc. degree in Computer Science from the University of Reykjavik.

Egill Sigurjónsson, Producer

Egill has been with Solid Clouds since 2017. Before he joined Solid Clouds, Egill co-founded Convex games for two years. Previously Egill worked as a Business analyst at Jagex for one year.

Egill does not own shares in Solid Clouds.

Egill holds an MBA from University of Cambridge and a B.Sc. degree in Computer Science from the University of Reykjavik.

Ágúst Freyr Kristinsson, Art Director

Ágúst joined Solid Clouds in 2020. He worked as a freelance digital artist for three years before joining Solid Clouds. Previously Ágúst worked as an Art director at Lumenox Games for five years and as a C.G. Artist at CAOZ for one year. Ágúst worked as a freelance artist for two years at various companies.

Ágúst owns a total of 99,390 shares in Solid Clouds, or a 0.08% stake.

Ágúst holds a B.A. degree in Animation from the Workshop Drawing Academy.

5.4 Share-based incentive program

The Company has in place a share-based incentive program in the form of option rights. Option agreements have been made with several key employees and contractors, as well as several agreements with former employees. The purpose of a long-term share-based incentive program is to align the interest of employees with the long-term goals of the Company and its shareholders.

In the beginning of 2021 issued options were 39,555 shares to employees and contractors. Due to approximately 1:58 share split in the first half of 2021 the options owned by employees multiply and the strike price is lowered, this adjustment is not material for the employees which are no better or worse off than in the beginning of the year.

As of the date of this Company Description, key employees and several former employees as well as contractors have, after the stock split adjustments, options to purchase 7,664,759 shares in the Company. The shares vest evenly in 24-48 months (dilution effect of 5.7%).²³

These options were granted in the period between 2015 and 2021 and expire in the period of June 2021 until June 2025. The average strike price per share of these options, after the stock split adjustments, amounts to ISK 10.7 per share.

The Board of Directors has the authority to issue options for additional 1,149,241 shares (not yet issued) for employees, or 0.9% additional dilution effect. In total, The Board of Directors has the authority to issue 8,814,000 shares or 6.5% dilution effect of total issued shares at the date of the Company Description.

The following table shows the employee stock options as of the date of the Company Description:

	No shares	Dilution effect	Average strike price
Granted stock options	7,664,759	5.7%	10,7
Stock options available for distribution (but not yet distributed)	1,149,241	0.9%	n/a
Total	8,814,000	6.5%	n/a

5.5 Potential conflict of interests and related party transactions

The Company has entered into the following agreements with related parties:

Rental agreements for office space and an apartment with Vivaldi Ísland ehf. and Dworzak Ísland ehf. in the ownership of Jon von Techner. Jon through Vivaldi owns 30,250 shares in Solid Clouds or a 1.39% stake in Solid Clouds. The agreements are priced at market rate.

5.6 Involvement in bankruptcy, liquidation or fraud related convictions

During the period of the last five years preceding the date of this Company Description, no member of the Board of Directors or the Management Team has been convicted of a fraudulent offence. No member of the Board of Directors or the Management team have been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

Eggert was a board member of BÍlanaust ehf. which was declared bankrupt in 2019. Neither members of the Board nor the Management Team have, in the past five years, been associated with companies, in their capacity as a founder, director, or senior manager, which have filed for bankruptcy or gone into receivership or liquidation.

²³ Of the granted options 579,636 options have contractual automatic adjustment as in regard of a stock split. However, for other granted options, the Company has yet to prepare an annex to the option agreements in respect to the effect of the stock split.

5.7 Share capital and shareholders

The share capital of Solid Clouds at the date of this Company Description is ISK 126,198,626. The share capital is divided into shares of nominal value ISK 1, or a multiple of the amount shareholders hold in the Company in each instance. There are no restrictions on shareholders' rights to dispose of their shares in the company. For further information on the Company's shares, a reference is made to Solid Clouds' Articles of Association which can be found in Appendix I.

The shares of the Company are registered electronically at Nasdaq CSD Iceland hf. in accordance with the Icelandic Act on Electronic registration of rights of title to securities No. 131/1997. The ISIN number for the shares is IS0000033173.

At the date of this Company Description, Solid Clouds' shareholders are 175, and the largest shareholder is Stefán Gunnarsson with a 15.12% share. Below is a list of the top 20 shareholders in the Company as of 21 June 2021.

Shareholder	Number of shares	%
1 Stefán Gunnarsson	19,081,567	15.12%
2 Kjölur fjárfestingarfélag ehf.	12,226,412	9.69%
3 Sigurður Arnljótsson	7,597,046	6.02%
4 Stefán Þór Björnsson	6,247,389	4.95%
5 Tómas Sigurðsson	3,820,790	3.03%
6 Vilano Capital	3,189,307	2.53%
7 Daníel Sigurðsson	3,106,327	2.46%
8 S9 ehf	2,777,597	2.20%
9 Silfurberg ehf.	2,381,543	1.89%
10 Brimgarðar ehf.	2,087,547	1.65%
11 Karl J.Karlsson	2,070,904	1.64%
12 Eggert Árni Gíslason	2,026,660	1.61%
13 Brekkubyggð ehf.	1,976,617	1.57%
14 Eignarhaldsfélagið CHOAM ehf. ²⁴	1,971,572	1.56%
15 Vivaldi Ísland ehf.	1,754,119	1.39%
16 Petra Bragadóttir	1,623,647	1.29%
17 Aðalsteinn Haukur Sverrisson	1,561,891	1.24%
18 Sisu Game Ventures oy	1,471,894	1.17%
19 Jarðefnaiðnaður hf.	1,471,720	1.17%
20 Arnar Þórisson	1,023,478	0.81%
21 Others	46,730,599	37.01%
Total	126,198,626	100%%

5.8 Share increase allowances

Pursuant to article 4 in the Company's Articles of Association, the Board of Directors is authorized to increase the share capital of the Company by up to a total of ISK 66,814,000, thereof share-based option agreements count for 8,814,000 shares.

²⁴ Stefán Gunnarsson (CEO) owns 21.1% share in Eignarhaldsfélagið CHOAM ehf. and Stefán Þór Björnsson (CFO) owns 27.7% share in Eignarhaldsfélagið CHOAM ehf.

The Board of Directors has the authority to increase the share capital by up to ISK 58,000,000. The authorization is in effect until 31 December 2021. On the date of this Company Description, no part of this authorization has been utilized.

For the purposes of this authorization, the Board of Directors is authorized to decide or negotiate the Offering price and other terms of subscription for the Shares. Current shareholders have waived their priority rights of subscription to new shares in relation to this authorization.

In addition to the foregoing authorizations, the Board of Directors has the authority to increase the share capital by up to ISK 8,814,000 for the purposes of honouring the Company's commitments pursuant to share-based option agreements entered into with the Company's employees and contractors. The Board of Directors is authorized to negotiate and decide the purchase price for new shares. Current shareholders have waived their priority rights of subscription to new shares in relation to this authorization.

5.9 Share ownership by stakeholders

The following lists the shareholdings of members of the Board of Directors, employees and Certified Adviser at the date of this Company Description. The list includes holding entities in which the relevant stakeholder is a shareholder, directly or indirectly through other entities.

Stakeholder	Role	Holding entity / Related party	Number of shares	%	Granted options
Sigurlína V. Ingvarsdóttir	Chairman of the Board		0		347,921 ²⁵
Ólafur Andri Ragnarsson	Board member	Klambratún ehf. ²⁶	1,108,139	0.9%	0
Eggert Árni Gíslason	Board member	Petra Bragadóttir & Brimgarðar ehf.	5,737,854	4.6%	0
Guðmundur Ingi Jónsson	Board member	Kjölur fjárfestingarfélag ehf. & GJ Invest ehf. ²⁷	13,154,211	10.4%	0
Svanhvít Friðriksdóttir	Board member		0		0
Heimír Þorsteinsson	Alternate board member		239,952	0.2%	0
Ársæll Valfells	Alternate board member		474,337	0.4%	0
Þorlákur Traustason	Alternate board member	Kjölur fjárfestingarfélag ehf. ²⁸	12,226,412	9.69%	0
Stefán Gunnarsson	CEO	Eignarhaldsfélagið CHOAM ehf. ²⁹	21,053,139	16.7%	0
Stefán Þór Björnsson	CFO	Eignarhaldsfélagið CHOAM ehf. ³⁰	8,218,961	6.5%	1,449,671
Marínó Vilhjálmsson	Technical Lead		0		1,723,676
Egill Sigurjónsson	Producer		0		2,029,539
Ágúst Freyr Kristinsson	Art Director		99,390	0.1%	723,676
Arion Bank hf.	Certified Advisor		0		0
Total			62,312,395		5,274,483

The list includes holding entities in which the relevant stakeholder is a shareholder, directly or indirectly through other entities, irrespective of whether it is a minority or majority shareholding. The number of shares represents the total number of shares held by the relevant holding entity.

²⁵ Sigurlína has a share option agreement with the Company for 347,921 shares per year during her tenure.

²⁶ Ólafur owns Klambratún fully.

²⁷ Guðmundur owns 50% of Kjölur fjárfestingar ehf. and 100% of GJ Invest ehf.

²⁸ Þorlákur owns 50% of Kjölur fjárfestingar ehf.

²⁹ Stefán owns 21.1% of Eignarhaldsfélagið CHOAM ehf.

³⁰ Stefán owns 27.7% of Eignarhaldsfélagið CHOAM ehf.

6 FINANCIAL OVERVIEW

This section contains information on the Company's income statement and balance sheet covering the financial years 2019 and 2020. The Financial Statements of Solid Clouds are prepared in accordance with International Financial Reporting standards (IFRS). The Company is a software & video game developer and is classified as a software company (62010) according to the ISAT 2008 standard.

The Company's Financial Statements for 2020 and 2019 have been audited by Gæðaendurskoðun and signed with unmodified opinion. Following are the dates on which the Issuer intends to release its semi-annual and annual reports following listing as well as the next annual general meeting. As per the First North Rulebook, going forward the Issuer will publish a financial calendar prior to the start of each financial year. If any date specified in the calendar changes, the Issuer will publish a notice of the new date as soon as possible.

Publication of unaudited semi-annual Financial Statements	26 August 2021
Publication of audited annual Financial Statements	30 March 2022
Annual General Meeting	20 April 2022

It is recommended that investors review Solid Clouds' annual accounts in their entirety, including all notes. The section below shows numbers from annual accounts in extract format. The annual accounts for the last two financial years are attached in Appendix II.

6.1 Working capital statement

It is the assessment of the management and Board of Directors, for and on behalf of the Company, that at the date of this Company Description and the successful completion of the Offering the Company has sufficient working capital to fulfil its requirements for at least the next 12 months.

6.2 Capitalisation and Indebtedness

The table below shows the capitalisation and indebtedness of the Company as of 30 April 2021:

<i>Figures in ISK '000</i>	30 April 2020
Liabilities	
Rental liabilities	12,369
Accounts payable	1,530
Pre-collected revenues	395
Debt to related parties ³¹	2,900
Other short-term liabilities	18,916
Total liabilities	36,110
Equity	
Common stock	2,108
Paid-in capital in excess of par	733,299
Reserved equity due to development cost	594,334
Call options	4,689
Retained earnings/(losses)	(719,804)
Total equity	614,626
Equity and liabilities	650,736

³¹ Short term loan from shareholders which matured in May 2021

6.3 Significant developments after 31 December 2020

The following significant events have occurred after 31 December 2020. After the end of last financial year approximately ISK 43 million in new share capital was raised from a Polish investor, Dr. Krzysztof Rosinski and related parties. The Company regularly launches new *Sovereign Space* game servers, but marketing efforts have been put on hold. The main Company focus is on developing *Frontiers* which is scheduled to release mid-year 2022 on both mobile and PC. Operating expenses for the first 5 months amounted to approximately ISK 100 million. The Company can have an impact on its operating expenses by adjusting the pace of development. Cash and cash equivalents at the end of May amounted to approximately ISK 17 million. The Company is expecting to receive up to ISK 92 million in R&D tax credits in October for the financial year 2020. The Company's commercial bank has agreed to grant a revolving facility to Solid Clouds with 90% collateralization rate. The collateral for the revolving facility is the expected reimbursement for research and development costs payable from the Icelandic Revenue and Customs in 2022 for R&D in 2021.

6.4 Summary of financial development

This section contains information on Solid Clouds' income statement, balance sheet and cash flow statement covering the financial years 2019 and 2020.

For a complete overview of Solid Clouds' financial position, it is recommended that investors review Solid Clouds' Annual Financial Statements, including all notes. The section below summarizes figures from their most recent Annual Financial Statements.

6.4.1 Income Statement

The Company's income statement for the years 2019-2020 can be found in the table below. Both years have been adopted to IFRS standards and are therefore comparable. It should be noted that the previous year, 2019, has not been audited.

<i>Figures in ISK '000</i>	2020	2019
Operating revenues	63,769	21,437
Grants VSMT and R&D tax credits	56,676	64,192
Capitalized development cost	(51,008)	(85,628)
Total revenues	69,436	0
Development cost	82,015	49,939
Salaries and related expenditures	137,918	130,015
Office and management related expenditures	68,952	62,520
Marketing & advertisements	0	0
Other operating expenses	0	0
Capitalized development costs	(228,418)	(210,443)
Total expenses	60,467	32,030
Depreciation of development cost	(27,050)	0
Depreciation of properties	(5,871)	(5,758)
EBIT	(23,952)	(37,788)
Interest revenue	448	2,564
Interest expenses	(1,034)	(1,190)
Currency exchange	1,865	(3)
Net interest income	1,279	1,371
Net profit/loss for the year before tax	(22,673)	(36,417)
Income tax	32,318	0
Net profit/loss for the year after tax	9,644	(36,417)

According to the Company's financial statement Solid Clouds' revenues from sales of virtual goods increased between years, to ISK 63.8 million 2020 (2019: ISK 21.4 million). Revenues come from selling players additional items and in game currency in the Company's first game, *Starborne: Sovereign Space*. The game is free-to-play but generates revenues from purchases in play. Grants and tax credits amounted to ISK 56.7 million 2020 (2019: ISK 64.2 million). Reversal of capitalized development cost lowered Solid Clouds' revenues resulting in total revenues of ISK 69.4 million 2020 (2019: ISK 0).

Operating expenses nearly doubled between the aforementioned years, to ISK 60.5 million 2020 (2019: ISK 32 million). Low operating expenses are due to significant capitalization of development cost: ISK 228.4 million 2020 (2019: ISK 210.4 million). Most of Solid Clouds' expenses are related to the development of the free-to-play game *Starborne: Frontiers*, that will be released in 2022.

Profit for the year 2020 amounted to ISK 9.6 million (2019: Loss of ISK 36.4 million).

6.4.2 Balance Sheet

The table below shows the balance sheet at 31 December 2020 and 31 December 2019. As stated before both years have been adopted to IFRS standards and are therefore comparable.

<i>Figures in ISK '000</i>	2020	2019
Assets		
Capitalized development costs	545,677	395,317
Rental properties	13,428	18,795
Income tax credit	32,318	0
Total fixed assets	591,423	414,112
Receivables	1,305	0
Other receivables	6,466	28,723
Cash and cash equivalents	58,963	113,737
Total current assets	66,734	142,460
Total assets	658,157	556,573
Rental liabilities	8,942	13,525
Total long-term liabilities	8,942	13,525
Rental liabilities	5,088	5,703
Accounts payable	405	1,994
Pre-collected revenues	395	0
Debt to related parties	200	214
Other short-term liabilities	9,309	12,815
Total current liabilities	15,396	20,727
Total liabilities	24,338	34,252
Common stock	2,108	1,948
Paid-in capital in excess	733,299	634,259
Reserved equity due to development cost	545,677	395,317
Call options	4,689	2,035
Retained earnings/(losses)	(651,954)	(511,239)
Total equity	633,819	522,321
Equity and liabilities	658,157	556,573

Fixed assets of Solid Clouds' consist primarily of capitalized development costs related to the development of the Company's games and related platforms. Capitalized development costs amounted to ISK 545.7 million in 2020 and increased from ISK 395.3 million in 2019. The Company leases its office and accounts for its right of use of ISK 13.4 million in 2020. In year end 2020 the balance sheet of the Company included an income tax credit of ISK 32.3 million related to deferred tax assets and its R&D costs as further outlined in note 8 of the Company's 2020 financial statement.

Current assets of the Company amounted to ISK 66.7 million in 2020 compared to ISK 142.5 million in 2019. Cash and cash equivalents are the majority of Solid Clouds' current assets and the reduction in the year 2020 was due to the investment and capitalization of the Company's development process.

Long-term liabilities amounted to ISK 8.9 million in 2020 compared to ISK 13.5 million in 2019 and are lease liabilities due to its office. Current liabilities reduced from ISK 20.7 million in 2019 to ISK 15.4 million and consisted mainly of a lease liability and other liabilities.

Solid Clouds' equity amounted to ISK 633.8 million at year end 2020 compared to ISK 522.3 million in 2019 and the increase is related to share capital increases during the period. Reference on significant development post the financial period is made to chapter 6.3 *Significant developments after 31 December 2020*.

6.4.3 Statement of Cash Flow

The table below shows the statement of cash flow at 31 December 2020 and 31 December 2019. As stated before both years have been adopted to IFRS standards and are therefore comparable.

<i>Figures in ISK '000</i>	2020	2019
Operating activities		
Net income (loss)	(23,952)	(37,788)
Operating items not affecting cash flow		
Depreciation of development cost	27,050	0
Depreciation of rental properties	5,871	5,758
Cost of option agreements	2,654	593
Turnover funds from operations	11,623	(31,437)
Change in operating assets	20,952	(22,845)
Change in operational debt	(4,701)	2,782
Net cash from operating activities before interest	27,874	(51,500)
Received interest	448	2,564
Paid interest	(1,034)	(1,190)
Net cash from operating activities	27,288	(50,126)
Investment activities		
Capitalized development cost	(177,410)	(124,815)
Investment activities	(177,410)	(124,815)
Financing activities		
Paid in capital	99,200	198,400
Payment of rental debt	(5,703)	(5,325)
Change in other short term debt	(14)	(173)
Financing activities	93,483	192,902
Change in net cash	(56,639)	17,961
Net cash in beginning of the year	113,737	95,778
Impact of currency exchange	1,865	(3)
Net cash in year end	58,963	113,737

Net cash from operating activities amounted to ISK 27.3 million in the year 2020 compared to net cash to operating activities amounting to ISK 50.1 million in 2019. Investment activities are related to capitalized development costs and amounted to ISK 177.4 million in 2020 compared to ISK 124.8 million in 2019. Financing activities in 2020 amounted to ISK 93.5 million of which ISK 99.2 million was paid in capital and payment of rental debt amounting to ISK 5.7 million.

Net cash at the beginning of the year 2020 amounted to ISK 113.7 million and decreased to ISK 59.0 million at year end 2020. Reference on significant development post the financial period is made to chapter 6.3 *Significant developments after 31 December 2020*.

6.5 Projected financials

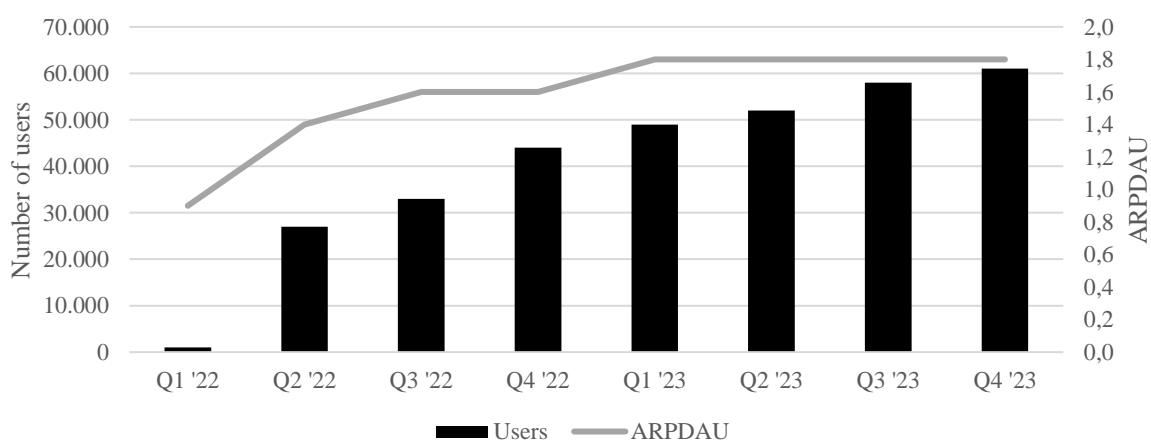
The table below sets forth financial projections for the next three years. The Company has made financial projections for the years 2021, 2022 and 2023. The presented projected financials are, in the opinion of Solid Clouds' management, a potential scenario for what the Company's operations might look like in the coming years and should not be interpreted as Solid Clouds' future earnings forecast. Forward-looking statements are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not guarantees of future performance and undue reliance should not be placed on them. The actual financials in coming years could prove to be significantly different and are highly dependent upon various items, e.g. successful launch of the Company's upcoming game, the Company's ability to attract and reach its target for daily active users and successfully being able to monetize their customers. These factors will be affected by the market environment, marketing activities, competition and other risk factors detailed in Section 2 of this Company Description amongst other things. Although forward-looking statements contained in this presentation are based on what management of the Company believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws and regulations. The reader is cautioned not to place undue reliance on forward-looking statements.

In million ISK	2022E					2023E					
	2021E	Q1	Q2	Q3	Q4FY 2022E	Q1	Q2	Q3	Q4	FY 2023E	
Revenue	109	10	294	543	750	1.597	916	1.037	1.175	1.251	4.379
EBIT	(151)	(91)	(18)	71	209	170	134	175	212	604	1.125

The Company will finance itself with the proceeds from the Offering until the Company expects to generate profit, which is expected to be Q4 2022.

The revenue assumptions are based on management experience from its previous launch of *Starborne: Sovereign Space* along with its ambitions to being more successful in its marketing towards its potential customers. In the Company's previous launch, it learned valuable lessons, e.g. in designing gameplay, retention and monetization and on that foundation, Solid Clouds estimates to increase its ARPDAU from \$0.6 with its current *Starborne: Sovereign Space* in 2021 to \$1.6 in Q3 2022 and to reach 1.8 in Q1 2023. These forecasts are based on the experience of running *Starborne: Sovereign Space* and by careful market study of the top performing games in the genre. According to Game Analytics Mobile Gaming Benchmarks, there are two game genres that stand out most when it comes to average ARPDAU values (1) Role Playing and (2) Strategy games. For the top 2% of games in these two sectors the ARPDAU value is between \$2.5-3.3. That is on average 5-7x more than the standard for other genres.³² With Solid Clouds catering to a specific genre (strategy, space, MMORTS) and having the game quality well above the average game available it is likely that they will gain traction with a certain group.

Figure 7: Expected number of users in *Frontiers* & expected average revenues per daily active user (ARPDAU in \$)



The Company has a limited operating history, is currently loss-making and is entering its growth phase. Business plans and ramp-up schedule are not guaranteed to materialize and are subject to change. *Starborne: Sovereign*

³² Source: Udonis and Game Analytics Mobile Gaming Benchmarks.

Space attracted over 400,000 interested parties and daily active users of 7,000 before the marketing effort was scaled down. The company projects the number of daily active users to reach more than 50,000 players in 2023 for *Starborne: Frontiers*. Based on projected net operating income for the year 2021 amounts to a loss of ISK 151 million. Solid Clouds is expected to be profitable in 2022 and 2023 with a profit of ISK 170 million in 2022 and 1,125 million in 2023.

7 INFORMATION CONCERNING THE OFFER SHARES

7.1 Type and class of the Shares

The Company only has one class of shares. An application has been submitted for the Offer Shares together with the existing shares to be admitted to trading on Nasdaq First North Market Iceland under the ISIN IS0000033173. The Company's LEI number is 984500CFI1140XDH5D79.

7.2 Governing Law and Jurisdiction

The Shares are issued in accordance with Icelandic law. This Company Description has been prepared in compliance with the rules issued by Nasdaq First North Market. Any disputes that may arise as a result of the Offering is subject to the exclusive jurisdiction of the Icelandic courts.

7.3 Registration of Shares

The Shares are dematerialized and registered in book-entry form electronically with Nasdaq CSD Iceland. All Shares are registered on account with account holding banks in Nasdaq CSD Iceland. Investors that are not residents of Iceland may use an Icelandic bank directly or their own bank as their account-holding bank. All Shares are registered in the name of the holder in the Company's register of shareholders. The Company's register of shareholders is kept by Nasdaq CSD Iceland.

7.4 Currency

The Shares are denominated in ISK (Icelandic Krona).

7.5 Rights attached to the Shares

7.5.1 Dividend rights

Payment of dividends is proposed by the Board of Directors and must be approved by the shareholders at a general meeting (whether an annual general Meeting or an extraordinary general meeting). Dividends must be paid no later than six months after the date of the general meeting at which such dividends were approved. As there are no provisions in the Company's articles of association regarding the expiration of the right to dividends that have not been collected, such rights lapse after four years according to Act on Limitation of Claims No. 150/2007.

7.5.2 Voting rights

Annual General Meetings are held before the end of June each year. A legitimate shareholders' meeting wields the supreme authority of the affairs of the Company. One vote is attached to each Icelandic Krona of share capital, and decisions at shareholders' meetings are generally taken by majority vote. No voting rights are attached to the Company's own shares while held by the Company.

7.5.3 Pre-emption rights

An increase in the share capital of the Company may be authorised at a shareholders' meeting. Shareholders have pre-emptive rights to an increase in the Company's share capital in proportion to their holdings of the Shares and within the time limits specified in the resolution to increase the share capital. However, a meeting of shareholders can, by a two-thirds majority vote, waive pre-emptive rights to increases of share capital, provided that the decision does not entail discrimination between shareholders.

Pursuant to article 4 in the Company's Articles of Association, the Board of Directors is authorized to increase the share capital of the Company by up to a total of ISK 66,814,000.

The Board of Directors has the authority to increase the share capital by up to ISK 58,000,000. The authorization is in effect until 31 December 2021. On the date of this Company Description, no part of this authorization has been utilized, but is expected to be utilized, in part or whole, in this offering. For the purposes of this authorization, the Board of Directors is authorized to decide or negotiate the Offering price and other terms of subscription for

the shares. Current shareholders have waived their priority rights of subscription to new shares in relation to this authorization.

In addition to this, the Board of Directors of the Company has been authorised by the Company's shareholders' meeting to increase the share capital by ISK 8,814,000 in relation to the settlement of stock option agreements made with the Company's employees and contractors and temporarily (until 31 December 2021). The Company's shareholders have waived their pre-emptive rights in relation to share capital increases based on the Board of Director's authorisations.

7.5.4 Dissolution and liquidation

Proposals for mergers, dissolutions and divisions of the Company are considered as amendments to the Company's articles of association. The votes of shareholders who control at least 2/3 of the total share capital of the Company are required for a decision to dissolve the Company. Upon liquidation of the Company, shareholders would be entitled to receive proportionately any assets remaining after the payment of the Company's debt and taxes and the expenses of the liquidation.

7.5.5 Redemption and conversion

No special rights are attached to shares in the Company. Shareholders do not have to be subject to redemption of their shares unless otherwise provided by law. The Company has not issued redeemable shares, warrants or convertible instruments

7.6 Negotiability of the Shares

The Company's shares are issued electronically in accordance with the provisions of Act on central securities depositories, settlement and electronic registration of title to financial instruments no. 7/2020. No restrictions apply to the pledging, sale or other transfer of shares in the Company.

8 TERMS AND CONDITIONS OF THE OFFERING

8.1 Expected timetable of the Offering

Date	Event
28 June 2021 - 10:00 GMT	The Offer Period beging
30 June 2021 - 16:00 GMT	The Offer Period ends
1 July 2021	Allocation
6 July 2021	Payment
12 July 2021	Delivering of shares
12 July 2021	First day of trading on First North Iceland

8.2 Terms of the Offering

The Company is offering 40,000,000 new shares with the right to increase the Offering size of up to a total of 58,000,000 shares, based on the exemption of Article 3 of the Act on Prospectus to be published when securities are offered to the public or admitted to trading on a regulated market no. 14/2020 and Regulation (EU) 2017/1129 on the same matter. The minimum subscription amount is a subscription order of ISK 100,000. No maximum purchase amount applies to the Offering. However, the number of Offer shares is limited to the number of Shares in the Offering. The offer price is fixed at ISK 12.5 per share.

The Offering is being made by way of:

- (i) Orderbook A³³, for subscriptions amounting to ISK 100,000 and up to ISK 15,000,000; and
- (ii) Orderbook B, for subscriptions over the size of ISK 15,000,000.

8.2.1 Submission of Applicants to subscribe

Orders shall be registered electronically on a special-order form via the website of Arion Bank at www.arion.is/solidclouds-utbod. Orders of Shares will not be accepted in any other format. The order form will be available in Icelandic and English. In order to submit an order for Shares, investors have to register to the order website, through any of the following user identification numbers:

1. electronic identification number on a smartphone;
2. user identification number to Arion Bank's online bank;
3. identification number or password which was requested through the order website and will be sent as a digital document to the investor's online bank, which may be in any Icelandic retail bank; or
4. identification number and password which can be obtained from Arion Bank by signing a witnessed application for a password or by any other method of verification which Arion Bank considers satisfactory.

Electronic confirmation from the order website is required as valid proof of order or cancellation of order. Such confirmation will appear at the end of the registration process and also sent to the e-mail address provided by the investor.

Investors are entitled to change an order which they have confirmed and delivered on the order form in the Offering during the Offer period, by submitting an additional order or cancelling an order already submitted. All orders that have not been cancelled during the Offer period are binding for the respective investor at the end of the Offer period.

Orders must be completed by the investors themselves or a person who has the required authority or power of attorney from the investor. A person completing an order on the basis of power of attorney shall, should the power of attorney not be recognised by the principal, be deemed to have delivered the order in his/her own name.

Participation in the Offering is open to persons (individuals as well as legal entities) with an Icelandic ID-number, legally competent to manage their financial affairs and have the power to decide over their financial estate, with restrictions that may be imposed by law.

The above conditions stipulate that if the person's estate has been declared bankrupt and such proceedings have not been completed before the end of the offer period, that person may not participate in the Offering. Persons who are not otherwise legally competent to manage their financial affairs may not participate in the Offering.

By the order form investors must declare that they have agreed to the terms of the Offering as set out in this Company Description, read the information in this Company Description, read and understood the information on Arion Bank's rules on conflicts of interest and confirm that their participation in the Offering does not violate Icelandic law.

Financial institutions which offer asset management services pursuant to Article 3 (6.c) of Act No. 161/2002 on Financial Undertakings are granted certain exemptions with respect to subscriptions. They are given the opportunity to submit subscriptions on behalf of investors on a special subscription form which can be obtained from Arion Bank. A precondition for such a subscription is that Arion Bank has received a satisfactory statement from a financial institution, on a form that can be obtained from the Bank, stating that it has the required authority or power of attorney from the investor in accordance with authority provided in a valid asset management agreement with the investor and a statement saying that the financial institution guarantees the payment of the purchase price. The financial institution shall specify in such subscriptions whether it wants to receive a bill for the price paid by the investor or whether it wants the price paid to be deposited into the custody account of the investor at Arion Bank. It is a precondition of the latter alternative that the investor has a custody account at Arion Bank. Cancellation of subscriptions submitted by financial institutions as described above must be communicated to Arion Bank by e-mail, solidclouds-utbod@arionbanki.is.

³³ Individuals that participate in Orderbook A and subscribe for at least ISK 300,000, are applicable for tax deduction from their income tax and/or their capital tax gains base of up to 75% of their investment. See more in chapter *1.6 Taxation Issues in Iceland*

Investors can obtain information on the Offering and the order website from Arion Bank at tel. +354 444-7000 or solidclouds-utbod@arionbanki.is. Investors can obtain this information by phone or e-mail between 9:00 a.m. and 4:00 p.m. during the offer period.

8.2.2 Allocation

Allocation is expected to take place on or about 1 July 2021. Shortly thereafter, a notification will be sent to those investors that have received allocation in the Offering. Those persons who have not been allotted shares will not be notified. The information on allocation to participants and payment instructions regarding allocated shares will be sent to the e-mail address specified by the investor in the order form. Investors are responsible for ensuring that the e-mail address provided is valid and able to receive the necessary documentation. In the event of oversubscription in the Offering, allocation may take place with a lower number of Offer Shares than the application concerns, at which the sole discretion of the Company (which means that the Company or the Manager are not obliged to reveal how the reduction or rejection was decided and the counterparty will not be given the opportunity to object to the decision or its application). However, efforts will be made not to reduce subscriptions below ISK 300,000.

8.2.3 Withdrawal of the Offering

Completion of the Offering is conditional upon the Offering not being withdrawn. The Offering may be withdrawn by the Company at any time before the announcement of the result of the Offering takes place. The Offering may also be withdrawn if Nasdaq Iceland is not satisfied that there will be a sufficient number of qualified shareholders of the Offer Shares or if conditions for free float are not satisfied. Any withdrawal of the Offering will be announced immediately with a press release. The Offering may be withdrawn if there are insufficient subscribers for the Offer Shares.

8.2.4 Payment of the Offer shares

Payment will not be accepted by any other means than those stated in the above mentioned payment instructions in chapter 8.2.2 *Allocation*. Full payment must be made no later than on final due date as stated in the payment instructions, expected to be on 6 July 2021. Payment shall be made at the latest before the closing time of banks in Iceland on the final due date. Note that the general opening hours of banks and other financial institutions is until 4:00 p.m. GMT on weekdays and that after 4:15 p.m. GMT it is not possible to make a payment exceeding ISK 10 million, however lower payments are possible via online banks until 9:00 p.m. GMT, provided that the amount is below other limits which may apply. The Manager reserves the right to request investors for proof of funds for any submitted order. Failure to provide sufficient proof of funds can result in the order being invalidated. The Manager has sole discretion to decide whether confirmation of the ability to pay is sufficient. Sole discretion means that the Manager will assess each confirmation separately and is not obliged to reveal how the decision was made and the counterparty will not be given the opportunity to object to the decision or its application.

8.2.5 Registration of Allotted and Paid-up Offer Shares

Offer Shares will be delivered to the buyer when satisfactory payment has been received from the investor with delivery taking place four business days after payment has been received, at the latest. Shares will be delivered electronically via Nasdaq CSD Iceland. Arion Bank will request that the custodian the investor specifies in its subscription deposits the Shares in a custody account held by the investor with the custodian. If the investor does not own a custody account with the custodian specified in the subscription, Arion Bank will open a custody account in the name of the investor at Arion Bank (and at the Nasdaq CDS Iceland) so that it is possible to deposit the investor's Shares in a custody account in accordance with the above and the Bank reserves the right to collect a fee from the investor for storing the Shares as per Arion Bank's list of fees and charges, which can be found on its website, <https://www.arionbanki.is/english/about-us/more/rates/>. The investor will not be able to trade or move the Shares delivered into the custody account opened as described above in their name unless they have already provided the material and information requested by Arion Bank to open a custody account.

8.2.6 Underwriting and Settlement

The Offering is not subject to any underwriting agreements. The Company has chosen Arion Bank to be the settlement agent for the Offering.

8.2.7 Admission to trading

The Shares are expected to be admitted to trading on Nasdaq First North Market Iceland. The admission, as well as the continued admission to trading on Nasdaq First North Market Iceland, are subject to all admission requirements set forth by First North Growth Market Rulebook.

8.2.8 Costs related to the Offering

The Company's costs associated with the admission to trading on Nasdaq First North Market Iceland and the Offering are expected to amount to approx. between ISK 39.500.000 and 68.000.000. Such costs primarily relate to costs for auditors, financial and legal advisors, Nasdaq Iceland operating First North Market, and distribution of this Company Description. Gross proceeds from the issuance of Offer Shares are expected to amount to between ISK 500.000.000 and 725.000.000 before expenses connected with the Offering. After payment of these expenses, the Company will receive net proceeds of approx. between ISK 476.000.000 and ISK 657.000.000.

9 APPENDIX I – ARTICLE OF ASSOCIATION

The following document is an English translation of Solid Clouds' Articles of Association, reviewed and approved by the Company.

Translated from the Icelandic

Articles of Association
for
Solid Clouds hf.

Name, venue and objective of the Company

Article 1

The Company is a public limited liability company (*hlutafélag*), and its name is Solid Clouds hf.

Article 2

The Company's venue is in Reykjavík.

Article 3

The Company's objective is to engage in information technology, software development, the production and marketing of computer games, wholesaling, retailing, the purchase/sale/operation of real estate, credit activities and related operations.

Share capital of the Company

Article 4

The Company's share capital is ISK 126,198,626 – one hundred and twenty-six million, one hundred and ninety-eight thousand, six hundred and twenty-six Icelandic krónur. Each share has a nominal value of one króna (ISK 1). The board of the company may decide on an increase of share capital of up to ISK 8,814,000 (nominal value) through the issue of new shares, in a single increase or in stages. This authorisation may only be utilised in connection with the honouring of stock option agreements with Company employees and contractors. Shareholders shall not have any pre-emptive right to subscribe to shares issued under this authorisation. The new shares shall confer rights in the Company from the date on which they are made over to the employee or contractor under the conditions of the stock option agreement.

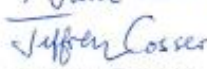
The board of the Company may decide on an increase of share capital of up to ISK 58,000,000 (nominal value) through the issue of new shares, in a single increase or in stages. This authorisation shall be valid until 31 December 2021, on which date any part of it then unutilised shall lapse. Shareholders shall not have any pre-emptive rights to subscribe to shares issued under this authorisation. The new shares shall confer rights in the Company as from the date on which they are registered.

Article 5

The Company's share capital may be raised in accordance with the resolution of a shareholders' meeting, in which case the same proportion of votes shall be required as is required for an amendment to these Articles. Shareholders shall have a pre-emptive right to subscribe to all new shares in their own classes in proportion to their registered shareholdings.

Only a shareholders' meeting may decide on a reduction of share capital, in which case the same proportion of votes shall be required as is required for an amendment to these Articles.

Certified a true and accurate translation from the original Icelandic.
Jeffrey Cosser, Authorised Translator.
Þýðingastofa J.C., Hlíðarvegur 25, 200 Kópavogur, Iceland.
Tel. (+354) 557 4076. E-mail: jmc@itn.is

9 June 2021

Jeffrey Cosser ^{1/6}
Authorised translator
Icelandic-English

Shareholders' register; communications with shareholders

Article 6

Shares in the Company are issued electronically in accordance with Act No. 7/2020 on Central Securities Depositories, Securities Settlements and the Electronic Registration of the Ownership of Financial Instruments.

The board of the Company shall maintain a register of shares as required by law. A register of shares complying with the Act on Central Securities Depositories, Securities Settlements and the Electronic Registration of the Ownership of Financial Instruments shall be regarded as fully valid evidence of the ownership of shares in the Company, and dividend and all announcements shall be sent to the party who, at any given time, is registered in the Company's register of shares as the owner of the relevant shares.

Article 7

The use of electronic document exchange and electronic mail shall be permitted in communications between the Company and shareholders. This authorisation shall cover communications of all types between the Company and shareholders, such as notifications of shareholders' meetings, dividend payments and other announcements which the board of the Company may decide to have sent to shareholders. Such electronic communications shall be equivalent to communications written on paper. The board of the Company shall set rules on how electronic communications are to be effected.

Prohibition on lending; own shares and shareholders' obligations

Article 8

The Company may not grant loans against the security of its shares. The Company may purchase its own shares to the extent permitted by law. No voting rights may be exercised in respect of the shares owned by the Company itself.

Article 9

No shareholder shall be liable for commitments of the Company in excess of his or her shareholding in the Company. Shareholders shall be obliged, without any special undertaking on their part, to comply with the Company's Articles of Association as they are at present or as they may subsequently be amended in a lawful manner. This provision may neither be amended nor deleted by any resolution of a shareholders' meeting.

Shareholders' meetings

Article 10

Supreme authority in all the Company's affairs, within the limits imposed by these Articles of Association and Icelandic law, shall rest with lawful shareholders' meetings.

Article 11

Those entitled to attend shareholders' meetings are: shareholders, together with their advisors; shareholders' proxies (agents); the Company's board and auditors, and also the CEO, even though he or she is not a shareholder. In addition, the board may invite experts to attend individual meetings if their opinions or assistance is needed.

The board may determine that shareholders can participate in the business of shareholders' meetings electronically without being present at the meeting venue.

Article 12

The annual general meeting shall be held within six months of the end of the financial year.

Extraordinary general meetings shall be held in accordance with the decision of the board or at the demand of shareholders who control at least one twentieth of share capital in the Company. Such demands shall be made in writing, with the matters to be discussed stated, and the meeting shall be called within fourteen days. If the board fails to call a meeting after receiving such a demand, the assistance of the minister may be sought under the second paragraph of Article 87 of the Public Limited Liability Companies Act, No. 2/1995.

Article 13

The board of the Company shall meetings by sending an announcement to each shareholder by electronic mail or by an advertisement in the media. Annual general meetings shall be called with at least fourteen days' notice and extraordinary general meetings with at least seven days' notice.

The matters to be discussed shall be stated in the notice of the meeting.

A shareholders' meeting shall be valid if it has been lawfully called and is attended by shareholders, or their proxies, who control at least half of the share capital in the Company. If a meeting is not valid because it fails to meet these conditions, a new meeting shall be called within a month with at least seven days' notice, and this latter meeting shall then be valid as regards the treatment of the matters which were to be treated at the former meeting if it is attended by shareholders, or their proxies, who control at least 10% of share capital in the Company. A shareholders' meeting shall elect a chairman and secretary of the meeting.

Article 14

One vote shall accompany each króna of share capital in the Company. A simple majority of votes shall be decisive at shareholders' meetings unless other provisions are made in Icelandic law or in these Articles.

Article 15

Shareholders may, by a written instrument of proxy, authorise proxies to attend shareholders' meetings and exercise their voting rights. Proxies shall produce a written or electronic instrument of proxy, which shall be dated.

Instruments of proxy may not be recalled in a manner accepted as valid vis-à-vis the Company after they are produced when the meeting materials are handed out or after the shareholders' meeting has been convened, whichever takes place first.

The board of the Company may decide on the use of electronic media in connection with participation by shareholders in shareholders' meetings and voting under Article 80 of the Public Limited Liability Companies Act, No. 2/1995. If the board intends to exercise the above authorisation, this shall be stated in the notice of the meeting, and instructions on participation shall be set out in the notice.

Article 16

The approval of all shareholders shall be required in order to:

- a. oblige shareholders to advance funds in excess of their obligations to meet the Company's needs;
- b. restrict shareholders' right to dispose of their shares, or
- c. amend the provisions of these Articles regarding persons' shareholdings in the Company or their equality of status.

Proposals for amendments to the Company's Articles of Association or regarding the merger of the Company with other companies or firms may not be treated at a meeting unless they were mentioned in the notice announcing the meeting.

Article 17

The following matters shall be on the agenda of the annual general meeting:

1. The board of the Company shall present a report to the shareholders on the Company's financial position and its operations during the previous operational year.
2. The Company's annual financial statements for the previous operational year, together with the comments of its auditors, shall be presented for approval.
3. Election of the Company's board of directors.
4. A decision on the disposition of the Company's profit or loss and on the payment of dividend.
5. Election of the auditors.
6. Determination of payment to the directors and auditors for their work during the previous operational year.
7. The board's proposals on the Company's remuneration policy.
8. Discussion and voting on other matters lawfully presented.

The board of the Company shall compile, and present to the annual general meeting, a brief summary of the shareholdings of individual shareholders and their voting rights, and also of the changes that have taken place during the year. Comparable information on corporate group relationships in which the Company may be involved shall also be available, where appropriate.

Article 18

A minutes book shall be kept, and all business transacted at shareholders' meetings shall be recorded in it.

The board of directors of the Company and its executive management**Article 19**

The board of the Company shall consist of five persons, elected at the annual general meeting for one year at a time. Three alternates shall also be appointed by the annual general meeting for one year at a time.

The board of the Company shall direct all the Company's affairs between shareholders' meetings and defend its interests vis-à-vis third parties. A majority of the directors (members of the board) shall be required for any decision that is to legally bind the Company. The presence of the majority of the board members constitutes a quorum. No important decision may be taken, however, without all directors having had an opportunity to discuss the matter, if this is possible. Issues shall then be decided by a majority of the votes. If votes on an issue are evenly divided, then the chairman's vote shall determine the issue.

Directors may participate in board meetings via teleconferencing equipment.

Minutes of board meetings shall be kept.

Article 20

The board of the Company shall set procedural rules for itself and for the CEO.

Article 21

The board of the Company shall divide responsibilities between its members. Any director may demand a board meeting. The CEO shall have the same right.

Article 22

The board of the Company shall engage the CEO and determine his or her terms of service. It shall also confer power of procuration for the Company.

The CEO shall be in charge of the day-to-day management of the Company in accordance with the rules that are set, or may be set, by the board of the Company. Day-to-day management does not include measures that are extraordinary or of major significance.

The CEO shall be in charge of the Company's accounting and the engagement of staff. The CEO shall provide the directors and auditors with all information concerning the Company's operations that they may require and that should be provided according to law.

Auditing and annual financial statements

Article 23

An audit company shall be elected at the Company's annual general meeting. The auditors shall audit the Company's annual financial statements for each operational year and present their conclusions to the annual general meeting. Auditors may not be elected from among the Company's directors or from among its employees.

Article 24

The operational and fiscal year is the calendar year.

The board shall have completed compilation of the annual financial statements, and submitted them to the auditors, no later than one month before the annual general meeting.

Special rights

Article 25

No special rights accompany shares in the Company. Shareholders shall not be obliged to have their shares redeemed unless provisions to the contrary are made in law.

Article 26

Amendments to the Company's Articles of Association

These Articles of Association may be amended at a valid annual general meeting or extraordinary general meeting if approved by 2/3 of the votes cast, and by shareholders who control at least 2/3 of the share capital in the Company represented at the meeting, providing that no other proportion of votes is required under these Articles or Icelandic law.

Article 27

Proposals concerning the merger, dissolution or winding up of the Company shall be treated in the same manner as amendments to these Articles of Association. In order to be valid, a decision regarding dissolution must be passed by the votes of shareholders who control at least 2/3 of total share capital in the Company. The shareholders' meeting that takes a valid decision regarding the dissolution or winding up of the Company shall also decide on the disposition of its assets and the payment of its liabilities.

Article 28

Where these Articles of Association lay down no provision on the handling of a matter, the provisions of the Public Limited Liability Companies Act, and of other statutes as appropriate, shall be observed.

7 June 2021

--

Stefán Þór Björnsson (sign.)

9 June 2021
Jeffrey Cosser
Jeffrey Cosser
Authorised translator 6
Icelandic-English 6

Certified a true and accurate translation from the original Icelandic.
Jeffrey Cosser, Authorised Translator.
Þýðingastofa J.C., Hlíðarvegur 25, 200 Kópavogur, Iceland.
Tel. (+354) 557 4076. E-mail: jmc@itn.is

10 APPENDIX II - CONSOLIDATED FINANCIAL STATEMENTS FOR 2020 AND 2019

The following document is an English translation of Solid Clouds' Financial Statements which has been prepared by its accountants and reviewed and approved by the Company



Gæðaendurskoðun slf

Solid Clouds ehf

Financial Statements 2020

Reg. no: 600913-2550

Eiðistorgi 13-15

170 Seltjarnarnes

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Managing Director and Board of Directors' Report

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

This is the Company's first Financial Statements prepared in accordance with IFRS (International Financial Reporting Standards). Amounts are in thousands of Icelandic krónur. For further information on changes from the preparation of Financial Statements in accordance with the Icelandic Financial Statement Act and Regulation on the Presentation and Contents of Financial Statements and Consolidated Group Statements, to the Financial Statements made in accordance with International Financial Reporting Standards, we refer to the notes to the Financial Statements.

Net income for the year 2020 amounted to ISK 9,644 thousand. Total assets were ISK 658,157 thousand at year end 2020 and Stockholder's equity amounted to ISK 633,819 thousand at the same time. Employees during the year were 17.

Number of shareholders at the end of the year 2020 are 167 but were 158 at the beginning of the year. The following are the ten largest shareholders at year-end 2020:

Stefán Gunnarsson	15,61%
Kjölur fjárfestingarfélag ehf	10,00%
Sigurður Arnjótsson	6,21%
Stefán Þór Björnsson	5,11%
Tómas Sigurðsson	3,13%
Daniel Sigurðsson	2,54%
S9 ehf.	2,27%
Silfurberg ehf.	1,95%
Bringarðar ehf.	1,71%
Karl J. Karlsson	1,69%
Other shareholders (157)	49,78%

Payment of dividends are not authorized in the year 2021, but the Company's Board of Directors refers to the Financial Statements regarding allocation of net earnings for the year and other changes in equity.

The year 2020 has been marked by Covid-19 and the Company's management has sought to ensure the safety and well-being of employees through measures to reduce their risk of infection. It is the opinion of the management that Covid-19 has had a disruptive effect on software development due to the government's social distancing regulations. The Company has worked to create good working conditions for all employees with equality and respect in mind. The Company's Board of Directors is authorized to enter into stock option agreements with employees so that their interests coincide as well as possible with the interests of shareholders.

In early 2020, Solid Clouds ehf announced that the beta version of Starborne would be tested in the spring. In April, the release went live with good reception and the Company has received considerable income from testing the game. The Company is currently working on a new version of Starborne that will place more emphasis on players being able to play at their own pace and buy more in the game to further increase players' spending and presence in the game. A new version of the game is planned at year-end 2021.

The Icelandic government has increased the incentive for innovation in the country through a number of measures that have supported the Company's operations. Solid Clouds ehf is currently working on further financing to strengthen the Company's operations for the future and for continued growth.

The Board of Directors and the Managing Director of Solid Clouds ehf hereby confirm the Financial Statements for the year ended December 31, 2020 by means of their signatures.

Reykjavik, 11th of May 2021


Stefán Gunnarsson


Sigurður Arnjótsson

Independent Auditor's Report

To the Board of Directors and Shareholders of Solid Clouds ehf.

Opinion

We have audited the accompanying Financial Statements of Solid Clouds ehf, which comprise the Balance Sheet at 31 December 2020, the Income Statement, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the Financial Statements give a true and fair view of the financial position of Solid Clouds ehf as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and Managing Director for the Financial Statements

The Board of Directors and Managing Director are responsible for the preparation and fair presentation of the Financial Statements in accordance with IFRSs as adopted by the European Union and for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Board of Directors and CEO are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of Directors and Managing Director are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report, contd.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with The Board of Directors and audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statements Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and Managing Director accompanying the Financial Statements includes the information required by the Financial Statements Act if not disclosed elsewhere in the Financial Statements.

Reykjavik, 11th of May 2021


Sveinbjörn Sveinbjörnsson
Certified Public Accountant


Gæðaðendurskoðun slf
Bíldshöfða 14, 110 Reykjavík

Income Statement for the year 2020

	Notes	2020	2019
Operating income			
Operating revenues	4	63.769	21.437
Grants		56.676	64.192
Capitalized development costs	6	(51.008)	(85.628)
		<u>69.436</u>	<u>0</u>
Operating expenses			
Development cost		82.015	49.939
Salaries and related expenditures	5	137.918	130.015
Operating expenses		68.952	62.520
Capitalized development costs	6	(228.418)	(210.443)
		<u>60.467</u>	<u>32.030</u>
Operating profit (loss) before depreciation and financial inc. and expenses		<u>8.969</u>	<u>(32.030)</u>
Depreciation of development costs	6	(27.050)	0
Depreciation of right-of use assets	7	(5.871)	(5.758)
Operating loss before financial income and expenses		<u>(23.952)</u>	<u>(37.788)</u>
Financial income and (expenses)			
Interest revenues		448	2.564
Interest expenses		(1.034)	(1.190)
Currency exchange difference		1.865	(3)
		<u>1.279</u>	<u>1.371</u>
Operating loss before income tax		<u>(22.673)</u>	<u>(36.417)</u>
Income tax	8	32.318	0
Net profit (loss) for the year		<u><u>9.644</u></u>	<u><u>(36.417)</u></u>

Balance sheet December 31, 2020

	Notes	31.12.2020	31.12.2019	1.1.2019
Assets				
Development cost	6	545.677	395.317	270.502
Right-of-use assets	7	13.428	18.795	24.062
Income tax asset	8	32.318	0	0
Non-current assets		591.423	414.112	294.564
Receivables		1.305	0	3.223
Other receivables		6.466	28.723	2.655
Cash and cash equivalents		58.963	113.737	95.778
Current assets		66.734	142.460	101.657
Total assets		658.157	556.573	396.221
Equity				
Share capital		2.108	1.948	1.628
Share premium		733.299	634.259	436.179
Restricted equity		545.677	395.317	270.502
Share based payments		4.689	2.035	1.476
Accumulated deficit		(651.954)	(511.239)	(350.007)
Total stockholders equity	9	633.819	522.321	359.778
Non-current liabilities				
Lease liabilities	7	8.942	13.525	18.737
Non-current liabilities		8.942	13.525	18.737
Liabilities				
Lease liabilities	7	5.088	5.703	5.325
Accounts payable		405	1.994	0
Prepaid income		395	0	0
Liabilities to related parties		200	214	0
Other payables		9.309	12.815	12.380
Current liabilities		15.396	20.727	17.705
Total liabilities		24.338	34.252	36.442
Total equity and liabilities		658.157	556.573	396.221

Statement of Changes in Equity December 31, 2020

	Share capital	Share premium	Restricted equity	Share-based payments	Accumul. deficit	Total Equity
Changes in 2019						
Shareholders'						
equity December 31, 2018	1.628	436.179	271.565	0	(348.441)	360.932
Effects of IFRS adoption			(1.063)	1.476	(1.566)	(1.153)
Equity 1 January 2019	1.628	436.179	270.502	1.476	(350.007)	359.778
Paid-in capital	320	198.080				198.400
Loss for the year					(36.417)	(36.417)
Restricted equity			124.815		(124.815)	0
Share based payments				559		559
Equity December 31, 2019	1.948	634.259	395.317	2.035	(511.239)	522.321
Changes in 2020						
Shareholders'						
equity December 31, 2019	1.948	634.259	395.317	2.035	(511.239)	522.321
Paid-in capital	160	99.040				99.200
Profit for the year					9.644	9.644
Restricted equity			150.360		(150.360)	0
Share based payments				2.654		2.654
Equity December 31, 2020	2.108	733.299	545.677	4.689	(651.954)	633.819

See further information about equity in note 9.

Statement of Cash Flows for the year 2020

	Notes	2020	2019
Operating activities			
Operating loss before financial income and expenses and income tax		(23.952)	(37.788)
Adjustments to reconcile results from operation to operating activities:			
Depreciation of development costs	6	27.050	0
Depreciation of right-of-use assets	7	5.871	5.758
Share based payments expensed		2.654	593
Working capital provided by (used in) operating activities:		11.623	(31.437)
Operating assets, changes		20.952	(22.845)
Operating liabilities, changes		(4.701)	2.782
Cash provided by (used in) operating activities:		27.874	(51.500)
Interest revenues received		448	2.564
Interest expenses paid		(1.034)	(1.190)
Net cash provided by (used in) operating activities:		27.288	(50.126)
Investment activities			
Capitalized development cost	6	(177.410)	(124.815)
Investment activities:		(177.410)	(124.815)
Financing activities			
Paid-in share capital		99.200	198.400
Instalments of lease liabilities		(5.703)	(5.325)
Other short-term liabilities, change		(14)	(173)
Financing activities:		93.483	192.902
(Decrease) increase of cash and cash equivalents		(56.639)	17.961
Cash and cash equivalents at beginning of year		113.737	95.778
Translation difference of cash and cash equivalents		1.865	(3)
Cash and cash equivalents at end of year		58.963	113.737

Notes to the Financial Statements

1. Reporting entity

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

2. Basis of preparation

a. Statement of compliance with International Financial Reporting Standards

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

These are the Company's first Financial Statements that are prepared according to IFRS and therefore IFRS 1 "First time adoption of IFRS" has been applied.

The effects of implementing IFRS on the comprehensive income, financial position and cash flows are described in note 12.

The Financial Statements were approved by the Board of Directors of Solid Clouds ehf. on May, 11th, 2021.

b. Basis of measurement

The Financial Statements are prepared on historical cost basis.

c. Presentation and functional currency

The 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.

d. Use of estimates and judgements

The preparation of Financial Statements in conformity with IFRSs 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The determination of fair value is based on preconditions, which are dependent on the judgment of management on future events. Actual results can be different from these estimates.

e. Going concern

COVID-19's management and managers actions have focused on ensuring the safety and well-being of employees through measures to reduce their risk of infection. In order to continue uninterrupted software development, the Company needs further financing. Failure to do so may lead to a reduction in software development.

Management has assessed the Company's going concern. It is their opinion that its continued operations are secured and that the Company is well equipped to meet its obligations in the foreseeable future.

The Financial Statements are therefore presented based on continuing operations.

Notes, cont.:

3. **Significant accounting policies**

a. *Foreign currencies*

Transactions in foreign currencies are translated to Icelandic krona at the foreign exchange rate at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated to Icelandic krona at the foreign exchange rate at the reporting date.

b. *Revenue recognition*

Solid Clouds ehf has income from the sale of virtual goods in the computer games that the Company has released. Revenue from virtual goods is recorded when players have used the products in question. The Company estimates the amount of unused virtual goods on the reporting date and enters it as prepaid income. Historically, players have mostly used products within a month of purchasing the products in question, and this is taken into account in the estimation.

c. *Government grants*

Government grants related to development costs have been entered to reduce capitalized development costs to offset them against the costs they are intended to cover.

There are no unfulfilled conditions or uncertainties associated with these grants at year-end 2020. Reimbursement for research and development costs for the year 2020 will be paid in October or November 2021. The reimbursement has not been recognized as income.

d. *Employee benefits*

Short-term employee benefits are expensed as the related service is provided but subsequently capitalized as development costs. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Company pays contributions to employees on an independent basis for contributions related to pension funds. The company bears no responsibility for the obligations of the funds.

See note 9d regarding stock option agreements but the Company has entered into stock option agreements with employees so that their interests coincide as closely as possible with the interests of shareholders.

e. *Interest income*

Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

f. *Income tax*

Income tax is recognized in the Income Statement except when it relates to items that are recognized directly in equity, in which case the income tax is recognized in equity.

Deferred income tax is recognized for temporary differences between the carrying amounts of assets and liabilities in the Financial Statements, on the one hand, and their tax value, on the other.

The calculation of deferred tax is based on the tax rate that is expected to take effect when temporary differences will be reversed, based on current law on the settlement date. Calculated income tax assets and income tax liabilities are equalized when there is a legal right to equalize income tax for payment and tax assets.

Calculated income tax asset are only recognized to the extent that it is considered probable that taxable profits will be available in the future against which the asset can be utilized. The calculated income tax asset is valued on each settlement date and reduced to the extent that it is considered probable that it will not be utilized.

Notes, cont.:

g. *Intangible assets*

Intangible assets are only capitalized when it is probable that the economic benefits associated with the asset will benefit the Company and the cost value of the asset can be estimated reliably. The Company's intangible assets are developed software and are recognized at cost less depreciation. Depreciation is recognized in a systematic manner over the estimated useful life of the asset after it starts generating revenue and is based on the 10-year useful life of the asset. Depreciation of development costs is entered for the first time in the year 2020 and the depreciation relates to the capitalization of development costs in the years 2016 to 2018. Estimated useful lives and depreciation methods are reassessed at the end of each year.

Research costs are charged when incurred. Development costs are capitalized only if all of the following conditions are met:

- that the Company can complete the development of the intangible asset so that it is ready for use or in a salable condition,
- that the Company intends to complete the development of the property and use or sell it,
- that the Company demonstrates its ability to sell the property,
- that the Company demonstrates that the property will generate income in the future,
- that the Company has sufficient technology and resources to complete development and sales,
- that the Company has the capacity to estimate development expenses reliably.

Capitalization of development costs is only when all of the above conditions are met, otherwise it is expensed when incurred. After capitalization, development costs are estimated at cost less accumulated depreciation.

It is the conclusion of the management that all the above conditions are met.

h. *Right-of use assets and lease liabilities*

The International Financial Reporting Standard IFRS 16 Leases was issued in January 2016. The standard means that almost all leases are recognized in the lessee's Balance Sheet because the treatment of operating and financing leases is no longer different. Under the new standard, property (right-of use assets) and the debt due to the payment of rent, are entered in the Balance Sheet.

At commencement of a lease contract a lessee recognizes a right-of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The right-of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of use asset is posted among fixed assets in the Financial Statements and are subsequently depreciated using the straight line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's internal rate of return.

i. *Financial assets*

The Company's financial assets are trade receivables and other receivables. The Company intends to keep the receivables until they are due. Contractual payments on due dates consist only of installments of principal. Information about expected loan losses on financial assets can be found in Note 10b.

The Company delists financial assets when the contractual right to future cash flows from the financial asset no longer exists or when the risks and benefits of the financial asset are transferred to another party.

j. *Financial liabilities and equity instruments*

An equity instrument is any type of agreement that involves the remaining interests in the Company's assets after all liabilities have been deducted. Equity instruments issued by the Company are recorded at cost less the direct cost of issuing them.

Financial liabilities are estimated at amortized cost based on effective interest rates. The Company only writes off financial liabilities when the obligation due to them no longer exists. Gains or losses due to deregistration are recognized in the Income Statement.

Notes continuing:

4. **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 year 2020:

	Sale in ISK thousands	Percentage of sale
United States of America (USA)	33.007	51,76%
Canada	4.445	6,97%
United Kingdom	4.387	6,88%
Germany	3.475	5,45%
Australia	2.748	4,31%
France	1.530	2,40%
Russia	1.256	1,97%
Sweden	1.052	1,65%
Netherlands	931	1,46%
Denmark	701	1,10%
South-Africa	638	1,00%
Hungary	599	0,94%
China	440	0,69%
Brazil	440	0,69%
Belgium	389	0,61%
73 other countries	7.729	12,12%
Revenues from the game	63.769	100,00%

5. **Salaries and salary related expenditures**

Salaries and salary related expenditures are specified as follows:

	2020	2019
Salaries	114.666	106.924
Salary related expenditures	23.253	23.090
Salaries and salary related expenditures in the Income Statement	137.918	130.015
Capitalized salaries and salary related expenditures as development cost	(121.592)	(130.015)
Expensed salaries and salary related expenditures	16.326	0
Average number of full time equivalent employees	17	14

The total salaries of the Board, and managing directors of Solid Clouds amounted to a total of ISK 20,7 million in the year 2020 (2019: ISK 20,7 million). Pension fund payments amounted to ISK 2,4 million during the year 2020 (2019: ISK 2,4 million).

6. **Intangible assets**

The Company's development costs are based on the Company's production of a multiplayer video game technology framework that can be used to make multiplayer games for the international market. The production of such games is generally complex, time consuming and expensive. As stated in Note 3g, management estimates that the capitalization of development costs meet all IAS 38 capitalization requirements.

Depreciation of the development cost is calculated over the estimated life of the project, which is ten years. Development cost and depreciation are specified as follows:

	2020	2019
Book value 1.1.	395.317	271.565
Correction with the implementation of IFRS	0	(1.063)
Corrected book value 1.1.	395.317	270.502
Capitalized development cost	177.410	124.815
Depreciation of development cost	(27.050)	0
Book value 31.12.	545.677	395.317

Notes continuing:

7. Leases

The Balance Sheet shows the following amounts relating to leases:

	2020	2019
<i>Right-of-use assets</i>		
Balance at the beginning of the year	18.795	24.062
Increase in right-of-use assets due to revaluation of lease liabilities	504	491
Depreciation during the year	(5.871)	(5.758)
Balance at the end of the year	13.428	18.795

Lease liabilities

Non-current	8.942	13.525
Current	5.088	5.703
Total lease liabilities	14.029	19.228

The Income Statement shows the following amounts relating to leases:

	2020	2019
Depreciation of right-of-use assets (included in depreciation)	5.871	5.758
Interest expense (included in interest expenses)	815	1.069
Expense in short-term leases (included in operating expenses)	1.524	824
Total expense in the Income Statement for leases	8.210	7.651

The Company paid ISK 7,9 million. kr. in rent in the year 2020 (2019: ISK 7,3 million).

8. Income tax asset

Income tax asset is specified as follows:

	2020
Income tax in the Income Statement	32.318
Income tax asset in the Balance Sheet	32.318

Calculated income tax asset is divided to the following items:

Accumulated tax loss	141.453
Development cost	(109.135)
Income tax asset in the Balance Sheet	32.318

The tax loss at the end of 2020, which may be carried forward according to Icelandic tax law, amounts to ISK 707 million. kr. Accumulated tax losses that are not used against profits within ten years of their formation are canceled. Accumulated tax loss is usable as follows:

Tax loss for the year 2013, useable until the year 2023	967
Tax loss for the year 2015, useable until the year 2025	52.527
Tax loss for the year 2016, useable until the year 2026	68.585
Tax loss for the year 2017, useable until the year 2027	106.974
Tax loss for the year 2018, useable until the year 2028	109.360
Tax loss for the year 2019, useable until the year 2029	160.170
Tax loss for the year 2020, useable until the year 2030	208.682
Total accumulated tax loss	707.265

Notes continuing:

9. **Equity**

a. *Share capital*

The Company's share capital, according to its Article of Association amounts to ISK 2,1 million. One vote is attached to each ISK one share in the Company.

b. *Share premium*

The Company's share premium shows the premium paid for paid-in share capital during the year.

c. *Restricted equity*

According to Icelandic laws and regulations, companies that capitalize development cost shall recognize the same amount 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.

d. *Stock option agreement*

On 31 December 2020, the Company's employees and contractors are entitled to stock option agreements for 39,555 shares in the Company where the acquisition of rights is equal over two to four years. The stock option agreements were granted in the years 2015 to 2020 and expire in the period June 2021 to January 2024. The average price of stock options in the agreements is ISK 410. The Board of Directors has approved the issue of stock options in the total amount of ISK 92,000 so at year-end 2020 there are ISK 52,445 unallocated stock options and their average life is 521 days.

If an employee or contractor has not exercised the stock option within five years of signing or within two years of the employee ceasing to work for the Company, the stock option expires.

The following table shows an analysis of stock options in the year 2020:

	Number of shares	Average redempt. price
Stock option agreements at the beginning of 2020	66.529	330
Granted stock options during the year 2020	15.788	285
Expired stock options during the year 2020	(15.504)	236
Canceled stock options during the year 2020	(24.960)	206
Stock option agreements at the end of 2020	41.853	264

Notes continuing:

10. Financial risk management

a. Overview

The Company is exposed to various types of risk that are associated with the financial instruments and markets in which it operates. The most important types of financial risk to which the Company is exposed from are:

- * credit risk, see b.
- * liquidity risk, see c.
- * market risk (currency risk, interest rate risk), see d.
- * operational risk, see e.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management. The Board has commended the Managing Director's day to day developing and monitoring of the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Furthermore, the goal is to manage risk effectively and risk management is based on the risk being in accordance with the Company's willingness to take risks, thus contributing to increased stability and long-term profitability. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

b. Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company does not lend to its customers. The Company's outstanding trade receivables at the end of 2020 are credit card receivables. The Company's cash is stored in accounts with Arion Bank and PayPal.

Largest possible loss on financial assets

The Company's largest possible loss due to financial assets is their book value, which was as follows on the reporting

Trade and other receivables are specified as follows:	31.12.2020	31.12.2019
Trade and other receivables	7.772	28.723
Largest possible loss on trade and other receivables	7.772	28.723
Cash and cash equivalents	58.963	113.737
Largest possible loss on financial assets	66.734	142.460

Notes continuing:

Impairment on receivables

The age of trade receivables and its impairment was as follows at the end of the quarter:

	Nominal value		Impairment	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Not yet due	7.772	28.723	0	0
Total trade receivables	<u>7.772</u>	<u>28.723</u>	<u>0</u>	<u>0</u>

The majority of financial assets within the impairment model of IFRS 9 are bank deposits, and it is the opinion of management that they carry insignificant credit risk. Credit risk on trade receivables and other short-term receivables is also assessed as insignificant, as the majority of them are credit card receivables. It is therefore the opinion of the management that the effect of credit risk as a whole is insignificant for the Financial Statements and no write-down is recognized due to credit risk of financial assets.

c. *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities as they fall due and thus avoid damaging the Company's reputation.

The breakdown by contractual maturity, including expected interest payments, are as follows:

December 31, 2020	Book value	Contractual cash flow	Within one year	1-5 years	Over 5 years
Lease liabilities	14.029	15.105	5.088	8.942	0
Accounts payables	405	405	405	0	0
Related party liabilities	200	200	200	0	0
Other payables	9.309	9.309	9.309	0	0
Total financial liabilities ...	<u>23.943</u>	<u>25.019</u>	<u>15.002</u>	<u>8.942</u>	<u>0</u>

Notes continuing:

December 31, 2019	Book value	Contractual cash flow	Within one year	1-5 years	Over 5 years
Interest bearing debt	19.228	21.624	5.703	13.525	0
Accounts payables	1.994	1.994	1.994	0	0
Related party liabilities	214	214	214	0	0
Other payables	12.815	12.815	12.815	0	0
Total financial liabilities ...	34.252	36.647	20.727	13.525	0

d. *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company is exposed to currency risk due to purchases and borrowings in currencies other than ISK. The currencies that mainly create exchange rate risk are the euro (EUR) and the USD.

The Company does not specifically hedge against exchange rate risk through forward contracts. Management regularly reviews the Company's currency risk with the aim of limiting it as much as possible.

The breakdown of assets and liabilities in foreign currency is as follows:

December 31, 2020	EUR	USD	Total
Cash and cash equivalents	37.980	14.947	52.927
Net currency risk	37.980	14.947	52.927

December 31, 2019	EUR	USD	Total
Receivables	16.039	12.685	28.723
Cash and cash equivalents	15.882	2.618	18.500
Net currency risk	31.920	15.303	47.223

The exchange rates of the major currencies during the years 2020 and 2019 were as follows:

	Average exchange rate		Period-end exchange rate	
	Year 2020	Year 2019	31.12.2020	31.12.2019
EUR	154,52	137,68	156,10	135,83
USD	135,27	122,94	127,21	121,10

Notes continuing:

Sensitivity analysis

A 10% strengthening of the ISK against the following currencies on December 31, 2020 would have increased (decreased) the Company's equity and profit before income tax by the following amounts. The analysis is based on all other variables remaining unchanged.

	31.12.2020	31.12.2019
EUR	3.798	3.192
USD	1.495	1.530

The 10% weakening of the ISK against the above-mentioned currencies would have had the same effect but in the opposite direction, provided that all other variables had remained unchanged.

e. *Operational risk*

Operational risk is the risk of direct or indirect loss that may occur due to a number of factors in the Company's operations, its staff work, technology and organization, inadequate or defective internal processes, and external factors other than credit, market and liquidity risk, such as due to changes in laws and general attitudes towards corporate governance. Operational risk arises for everyone the Company's operations.

It is the Company's policy to manage operational risk in an efficient manner in order to avoid financial losses and to protect its reputation, while ensuring that the rules of procedure do not limit the initiative and creativity of employees.

In order to reduce operational risk, the Company has taken various measures. Appropriate job separation has been established, the Company has emphasized good working conditions, emphasized cost analysis, planning and monitored business and compliance with the law, conducted regular risk assessments, trained employees, organized work processes and more.

11. **Related parties**

Identity of related parties

The Company has a related party relationship with its shareholders with significant influence, companies owned by them and with its directors and executive officers and their spouses and dependent children.

Transactions with management and key personnel

Reference is made to note 5 on salaries and benefits for the Company's board and management.

Solid Clouds ehf. has leased premises from two shareholders who own a total of less than 2% in the Company. Rental payments amounted to ISK 7,7 million in the year 2020 and ISK 7,3 million in the year 2019.

In the year 2020, the Company has purchased equipment in the amount of ISK 1,0 million from a member of the Company's deputy board.

Related party balances:	31.12.2020	31.12.2019
Related party balance at year-end	200	214

Notes continuing:

12. **Transfer from IS GAAP to IFRS**

The Financial Statements are prepared for the first time in accordance with International Financial Reporting Standards (IFRS), as stated in note 2a on accounting policies. The Company's implementation date is January 1, 2019, so the opening Balance Sheet on December 31, 2018 reflect the effects of IFRS. The comparative amounts have been prepared in a similar way and are therefore reproduced from those previously prepared in accordance with the Icelandic Annual Accounts Act.

The accounting policies in note 3 have been applied in preparing the Financial Statements for the year 2020, the comparative information for the year ended 31 December 2019 and the preparation of an opening IFRS Balance Sheet at 1 January 2019 (the Company's date of transition).

Amounts in the opening Balance Sheet of 1st of January 2019 have been changed in accordance with IFRS, but were previously presented in accordance with Icelandic generally accepted accounting principles ("Icelandic GAAP"). An explanation on how the transition from Icelandic GAAP to IFRSs has affected the Company's financial position and financial performance is set out in the following tables and notes that accompany the tables. There are no significant changes to the Company's cash flows from Icelandic GAAP to IFRS.

Changes in equity from Icelandic GAAP to IFRS:	Equity
Equity according to Icelandic GAAP at 31 December 2018	360.932
Equity according to IFRS at 1 January 2019	359.778
Changes from Icelandic accounting policies to IFRS	1.153
Changes at the beginning of year 2019:	
Advertising and marketing costs expensed (previously capitalized on development costs)	1.063
Insurance fee for stock option agreements	90
Total changes due to IFRS at 1 January 2019	1.153
Changes in loss for the year 2019:	
Advertising and marketing costs expensed (previously capitalized on development costs)	34.754
Expensed salary due to stock option agreements	559
Insurance fee for stock option agreements	34
Rent reversed, right-of use asset and lease liability registered	(6.394)
Interest expenses on lease liability expensed	1.069
Depreciation of a right-of use asset	5.758
Total changes due to IFRS on the year 2019, see further on next page	35.780
Changes from Icelandic GAAP to IFRS	36.933

Notes continuing:

Total effects of the transition to IFRSs is an increase in equity amounting to ISK 36,9 million.

The following tables show an overview of the transition to IFRS and is divided into changes in estimates and changes in presentation.

Income statement for the year 2019, changes from previous GAAP to IFRS

	Icelandic GAAP	Changes in estimates	Changes in presentation	Restated acc. to IFRS
Sales	21.437			21.437
Government grants	64.192			64.192
Capitalized development cost			(85.628)	(85.628)
Purchased design work	(49.939)			(49.939)
Salaries and related expenses	(129.422)	(593)		(130.015)
Other operating expenses	(68.914)	6.394		(62.520)
Capitalized development cost	159.569	(34.754)	85.628	210.443
Depreciation	0	(5.758)		(5.758)
Interest income	2.564			2.564
Interest expense	(124)	(1.069)		(1.193)
Loss for the year	(637)	(35.780)	0	(36.417)

See explanation of change in loss for the year in table on page 19.

Notes continuing:

Restated Balance Sheet December 31, 2019

<i>Assets</i>	Original acc. to IS GAAP	Corrections rel. to devel. cost	Other corrections	Restated acc. to IFRS
<i>Non-current assets</i>				
Intangible assets	431.134	(35.817)		395.317
Right of-use assets			18.795	18.795
Total non-current assets	431.134	(35.817)	18.795	414.112
Trade receivables	15.773		(15.773)	0
Other receivables	12.950		15.773	28.723
Cash and cash equivalents	113.737			113.737
Total current assets	142.460	0	0	142.460
Total assets	573.595	(35.817)	18.795	556.573
<i>Equity</i>				
Share capital	1.948			1.948
Share premium	634.259			634.259
Restricted equity	271.565	123.752		395.317
Stock option agreements			2.035	2.035
Accumulated deficit	(349.077)	(159.569)	(2.592)	(511.239)
Total equity	558.695	(35.817)	(557)	522.321
<i>Non-current liabilities</i>				
Lease liabilities	0		13.525	13.525
Total non-current liabilities	0	0	13.525	13.525
<i>Current liabilities</i>				
Lease liabilities	0		5.703	5.703
Trade payables	1.994			1.994
Payables to related parties	214			214
Other payables	12.691		124	12.815
Total current liabilities	14.899	0	5.827	20.727
Total liabilities	14.899	0	19.352	34.252
Total equity and liabilities	573.595	(35.817)	18.795	556.573

See explanation of change in the Balance Sheet on page 19 and 20.

Notes continuing:

Restated Balance Sheet January 1, 2019

<i>Assets</i>	Original acc. to IS GAAP	Corrections rel. to devel. cost	Other corrections	Restated acc. to IFRS
<i>Non-current assets</i>				
Intangible assets	271.565	(1.063)		270.502
Right of-use assets	0		24.062	24.062
Total non-current assets	271.565	(1.063)	24.062	294.564
Trade receivables	3.223			3.223
Other receivables	2.655			2.655
Cash and cash equivalents	95.778			95.778
Total current assets	101.657	0	0	101.657
Total assets	373.222	(1.063)	24.062	396.221
<i>Equity</i>				
Share capital	1.628			1.628
Share premium	436.179			436.179
Restricted equity	271.565	(1.063)		270.502
Stock option agreements			1.476	1.476
Accumulated deficit	(348.441)		(1.566)	(350.007)
Total equity	360.932	(1.063)	(90)	359.778
<i>Non-current liabilities</i>				
Lease liabilities	0		18.737	18.737
Total non-current liabilities	0	0	18.737	18.737
<i>Current liabilities</i>				
Lease liabilities	0		5.325	5.325
Other payables	12.290		90	12.380
Total current liabilities	12.290	0	5.415	17.705
Total liabilities	12.290	0	24.152	36.442
Total equity and liabilities	373.222	(1.063)	24.062	396.221

See explanation of change in the Balance Sheet on page 19 and 20.

Specifications

	2020	2019
Development cost		
Game design	4.784	8.586
Transport	11	244
Image Processing	21.223	20.142
Software	55.997	20.967
	82.015	49.939
Salaries and related expenditures		
Salaries	114.666	106.924
Mandatory social security contribution	8.481	8.260
Pension funds	13.681	13.165
Accrued leave	514	1.157
Other union funds	577	508
	137.918	130.015
Other operating expenses		
Phones and internet connection	2.296	1.941
Books and papers	87	80
Paper, printing and other office supplies	126	63
Computerized IT systems	4.396	1.240
Accounting services	807	592
Legal services	290	320
Purchased services	4.233	6.139
Travel expenses	195	1.301
Meetings and conferences	4.878	2.165
Advertising and marketing costs	35.506	34.718
Insurance	0	25
Grants and gifts	26	0
Rental charge	1.399	949
Maintenance of office	240	63
Cleaning products	635	576
Per diem	3.600	2.870
Transportation cost	297	327
Car gasoline	5.583	5.287
Tools and equipment, charged	1.582	150
Tools and equipment, maintenance	48	683
Coffee and related reception expenses	2.321	945
Staff training and conferences	0	1.713
Other staff related costs	314	74
Membership fees	46	56
Bank cost	29	205
Mandatory fee to RÚV (national radio)	18	35
	68.952	62.520

Specifications, continued:

Other payables:	2020	2019
Unpaid salary	393	624
Pension funds	17	1.514
Vacation commitment	8.416	7.902
Employee taxes	0	2.634
Unpaid because of employees	286	124
Government charges	18	18
Miscellaneous	178	0
	<hr/>	<hr/>
	9.309	12.815



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 Arnjótsson	7,17%	6,57%
Stefán Þór Björnsson	4,94%	4,71%
Tómas Sigurðsson	4,05%	3,38%
Daniel 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 financial 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.

Reykjavik, 28th of July 2020


Sveinbjörn Sveinbjörnsson
State authorized public accountant



Íslenskir endurskoðendur BÍLDshöfða sll
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		
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>573.594.583</u>	<u>373.222.165</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	558.695.189	360.931.997
Current liabilities			
Accounts payable		1.993.940	0
Other payables		12.905.454	12.290.168
Current liabilities		14.899.394	12.290.168
Total liabilities		14.899.394	12.290.168
Total equity and liabilities		573.594.583	373.222.165

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	160.170.257
Tax loss carried forward	<u>498.582.646</u>

Undirritunarsíða

Chairman
Sigurlína V Ingvarsdóttir

Vice Chairman
Ólafur Andri Ragnarsson

Board member
Eggert Árni Gíslason

Board member
Svanhvít Friðriksdóttir

Board member
Guðmundur Ingi Jónsson