ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	925 209 171
Organisasjonsform:	Europeisk selskap
Foretaksnavn:	FUNCOM SE
Forretningsadresse:	Kirkegata 15 0153 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Alexander Voldsund
Dato for fastsettelse av årsregnskapet:	31.08.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 10.08.2022

Brønnøysundregistrene
Postadresse: 8910 Brønnøysund
Telefoner: Opplysningstelefonen 75 00 75 00 Telefaks 75 00 75 05
E-post: firmapost@brreg.no Internett: www.brreg.no
Organisasjonsnummer: 974 760 673

Resultatregnskap

Beløp i: USD	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Revenue	9	640 000	884 000
Sum inntekter		**640 000**	**884 000**
Kostnader			
Personnel expenses	10	52 000	230 000
General and administrative expenses	11	1 825 000	1 126 000
Sum kostnader		**1 877 000**	**1 356 000**
Driftsresultat		**-1 237 000**	**-472 000**
Finansinntekter og finanskostnader			
Financial income	12	611 000	1 017 000
Sum finansinntekter		**611 000**	**1 017 000**
Financial expenses	13	749 000	246 000
Sum finanskostnader		**749 000**	**246 000**
Netto finans		**-138 000**	**771 000**
Ordinært resultat før skattekostnad		**-1 375 000**	**299 000**
Income tax expenses	14		
Ordinært resultat etter skattekostnad		**-1 375 000**	**299 000**
Årsresultat		**-1 375 000**	**299 000**

Balanse

Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investments in group companies	3	36 077 000	35 072 000
Receivable from group companies	4	4 674 000	1 273 000
Sum finansielle anleggsmidler		**40 751 000**	**36 345 000**
Sum anleggsmidler		**40 751 000**	**36 345 000**
Omløpsmidler			
Varer			
Fordringer			
Prepayments and other receivables		85 000	176 000
Sum fordringer		**85 000**	**176 000**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	5	1 129 000	592 000
Sum bankinnskudd, kontanter og lignende		**1 129 000**	**592 000**
Sum omløpsmidler		**1 214 000**	**768 000**
SUM EIENDELER		**41 965 000**	**37 113 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	6	19 190 000	18 287 000
Share premium	7	188 887 000	184 103 000
Sum innskutt egenkapital		**208 077 000**	**202 390 000**
Opptjent egenkapital			

Balanse

Beløp i: USD	Note	2020	2019
Other paid-in equity	7	12 911 000	12 759 000
Retained earnings	7	-179 716 000	-178 341 000
Sum opptjent egenkapital		**-166 805 000**	**-165 582 000**
Sum egenkapital		**41 272 000**	**36 808 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Liabilities to group companies	4	146 000	146 000
Sum annen langsiktig gjeld		**146 000**	**146 000**
Sum langsiktig gjeld		**146 000**	**146 000**
Kortsiktig gjeld			
Trade payables		14 000	56 000
Other payables	8	534 000	103 000
Sum kortsiktig gjeld		**548 000**	**159 000**
Sum gjeld		**694 000**	**305 000**
SUM EGENKAPITAL OG GJELD		**41 966 000**	**37 113 000**

Konsernets resultatregnskap

Beløp i: USD	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Revenue	5	25 894 000	26 620 000
Sum inntekter		**25 894 000**	**26 620 000**
Kostnader			
Personnel expenses	6,27	7 950 000	5 330 000
Depreciation and amortization	9	8 710 000	12 232 000
Impairment charges	9	10 088 000	53 000
General and administrative expenses	7	7 185 000	8 204 000
Other operating expenses	8	976 000	948 000
Sum kostnader		**34 909 000**	**26 767 000**
Driftsresultat		**-9 015 000**	**-147 000**
Finansinntekter og finanskostnader			
Finance income	10	3 046 000	1 725 000
Sum finansinntekter		**3 046 000**	**1 725 000**
Finance expenses	10	3 401 000	1 869 000
Sum finanskostnader		**3 401 000**	**1 869 000**
Netto finans		**-355 000**	**-144 000**
Ordinært resultat før skattekostnad		**-9 370 000**	**-291 000**
Income tax (expense) / income	12	-1 658 000	-2 000
Ordinært resultat etter skattekostnad		**-7 712 000**	**-289 000**
Årsresultat		**-7 712 000**	**-289 000**
Exchange differences on translating foreign operations		1 465 000	102 000
Sum resultatkomponenter for IFRS-foretak		1 465 000	102 000
Totalresultat		**-6 247 000**	**-187 000**

Konsernets balanse

Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Intangible assets and goodwill	13	36 946 000	33 251 000
Sum immaterielle eiendeler		**36 946 000**	**33 251 000**
Varige driftsmidler			
Equipment	14	227 000	137 000
Sum varige driftsmidler		**227 000**	**137 000**
Finansielle anleggsmidler			
Right-of-use assets	26	2 840 000	3 926 000
Non-current prepayments and receivables	15	1 495 000	978 000
Sum finansielle anleggsmidler		**4 335 000**	**4 904 000**
Sum anleggsmidler		**41 508 000**	**38 292 000**
Omløpsmidler			
Varer			
Fordringer			
Trade receivables	16,29	2 274 000	3 837 000
Prepayments and other receivables	17,29	1 695 000	1 828 000
Sum fordringer		**3 969 000**	**5 665 000**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	18,29	8 456 000	13 131 000
Sum bankinnskudd, kontanter og lignende		**8 456 000**	**13 131 000**
Sum omløpsmidler		**12 425 000**	**18 796 000**
SUM EIENDELER		**53 933 000**	**57 088 000**

BALANSE - EGENKAPITAL OG GJELD

Konsernets balanse

Beløp i: USD	Note	2020	2019
Egenkapital			
Innskutt egenkapital			
Share capital	19	19 190 000	18 287 000
Reserves	19	196 253 000	189 852 000
Sum innskutt egenkapital		**215 443 000**	**208 139 000**
Opptjent egenkapital			
Retained earnings (Accumulated deficit)	19	-170 388 000	-161 874 000
Non-controlling interest	19,24		52 000
Sum opptjent egenkapital		**-170 388 000**	**-161 822 000**
Sum egenkapital		**45 055 000**	**46 317 000**
Gjeld			
Langsiktig gjeld			
Deferred tax liabilities	12	30 000	1 855 000
Sum avsetninger for forpliktelser		**30 000**	**1 855 000**
Annen langsiktig gjeld			
Lease liabilities	26,29	2 268 000	3 300 000
Sum annen langsiktig gjeld		**2 268 000**	**3 300 000**
Sum langsiktig gjeld		**2 298 000**	**5 155 000**
Kortsiktig gjeld			
Trade payables	29	1 004 000	1 329 000
Deferred revenue	20	249 000	234 000
Lease liabilities	26,29	1 087 000	1 241 000
Other current liabilities	21,29	4 240 000	2 812 000
Sum kortsiktig gjeld		**6 580 000**	**5 616 000**
Sum gjeld		**8 878 000**	**10 771 000**
SUM EGENKAPITAL OG GJELD		**53 933 000**	**57 088 000**

Funcom Annual Report 2020

Contents

Director's report

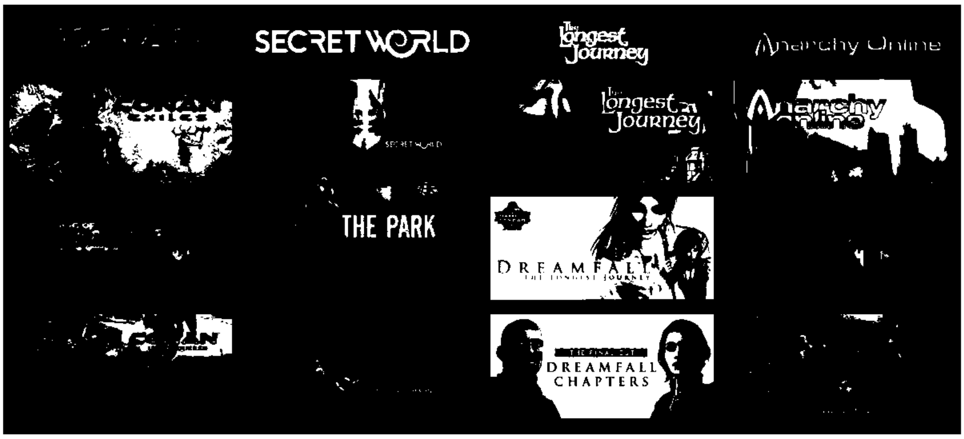
On 22 January 2020, Tencent Holdings Limited ('Tencent') announced that they would offer a voluntary cash offer to acquire Funcom SE (the 'Company') and its subsidiaries (together referred to as the 'Group'), and on 14 July 2020, Tencent assumed ownership of all shares in the Group.

During 2020, Conan Exiles increased its revenue from the previous year, and continued the strong 'games as a service' performance with the longevity of the game highlighted by the number of users growing year on year, and with the release of its first map expansion, '*Isle of Siptah'*. No new games were released during 2020, but significant investments were made into future publishing games and a large internal game with the DUNE IP.

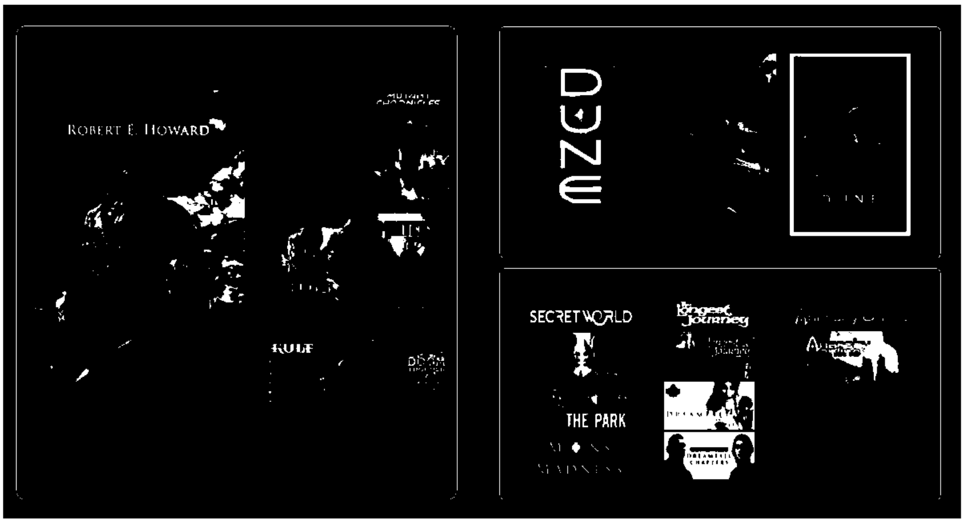
The Group's activities

The Group's business is to develop, promote, operate, and sell video games as well as related activities. The Group has its headquarters and development studio in Oslo in Norway, alongside with development studios in North Carolina in US and Lisbon in Portugal.

The Group holds a broad portfolio of released games



and controls some great IPs well suited for games.



Operations in 2020

The four main revenue streams are as follows.

- **Games in operation & back catalogue:** the portfolio of games in operation includes *Conan Exiles, Secret World Legends, Age of Conan,* and *Anarchy Online.* These games are actively developed, new content is added, and events are held to support engagement. The back catalogue includes *Mutant Year Zero, Conan Unconquered, Moons of Madness* and other smaller games that are monetized without any ongoing development work or cost. With frequent new releases we aim to increase the portfolio of operational games, increasing the stable base cash flow.

- **New internally developed games:** Currently the Company is developing a large persistent open world game based on the *DUNE* IP.

- **New publishing games:** The Group is supporting great developers to co-develop and/or publish games and bring them to market utilizing its internal resources that the external developers do not typically have themselves, such as Marketing, Sales, Community management, Online operations, Motion Capture, Localization, Quality Assurance and Customer Service and Technology and porting to console expertise. With the reveal of rhythm-shooter *Metal: Hellsinger* and upcoming games such as *Conan Chop Chop* the Company is strengthening its portfolio as a publisher.

- **Intellectual property licenses:** Generations of activity, games, and revenue from IP. This includes the interactive IP licenses held through Heroic Signatures DA, *Conan the Barbarian, Mutant Year Zero, Solomon Kane* and other IPs, as well as our own IP portfolio comprising *The Longest Journey, Anarchy Online* and *The Secret World.*

Funcom focuses on the PC and Console digital markets with its main gaming segment, persistent open world multiplayer games. This requires a highly technically skilled organization to deliver on challenging multi-player elements which represents a significant entry barrier. Funcom has developed these skills over several years working on MMO games, and after Tencent acquired the Group, the focus on the persistent open world multiplayer segment has been further emphasized. The upside of this genre is believed to be significant, and with increased financial strength due to Tencent backing, the Group is able to fund even larger projects. Internal game development in other segments have therefore been cancelled to concentrate resources on the biggest possible upside.

Funcom will continue to leverage the internal Technology team's know-how and competence gained during the creation of the DreamWorld Technology® to maintain a modern technological platform that all the Group's projects, internal or external, can leverage to obtain a key competitive advantage in the market.

Financial Summary for the Group

Operating revenue
Operating revenue for 2020 was USD 25 894 thousand (2019: USD 26 620 thousand). The slight decline is due to two new games releases in 2019 versus none in 2020.

Operating expenses
Operating expenses for 2020 was USD 34 909 thousand (2019: USD 26 768 thousand). Personnel expenses accounted for USD 7 950 thousand (2019: USD 5 330 thousand).

EBITDA
EBITDA for 2020 was USD 9 783 thousand (2019: USD 12 137 thousand), with an EBITDA percentage of 37.8 % (2019: 45.6 %). The reduced EBITDA margin is due to transaction cost related to the Tencent acquisition, increased investments into future games and the cost of growing the organization to be able to support larger game development and releases.

Operating profit/loss
The Group generated an operating loss of USD -9 015 thousand in 2020 (2019: USD -148 thousand). The loss is due to write down of two games under development (USD 9 903 thousand) that will not be finalized as they do not fit into the revised strategy after Tencent's acquisition of the company. Adjusted for the write-down the Group was profitable in 2020.

Financial items
Net financial expenses amounted to USD -355 thousand (2019: USD -144 thousand).

Result before tax
The result before tax was USD -9 370 thousand (2019: USD -291 thousand). Tax on ordinary result was USD 1 658 thousand (2019: USD -2 thousand). Result for the year was USD -7 712 thousand (2019: USD -289 thousand). Adjusted for the write-off related to new strategy post Tencent acquisition, the Operating result was positive. The annual deficit was fully covered by transfer to other equity. No dividend was distributed or proposed for the financial year 2020.

Cash flow
The cash flow from operating activities was USD 11 215 thousand (2019: USD 13 819 thousand). Cash flow from investment activities were USD -19 834 thousand (2019: USD -19 479 thousand) and cash flow from financing activities was USD 4 282 thousand (2019: USD -1 192 thousand). Cash and cash equivalents at year end 2020 were USD 8 456 thousand (2019: USD 13 131 thousand).

Financing and debt
The Company's equity was USD 45 055 thousand at the end of 2020 (2019: USD 46 317 thousand). The Group had total long-term liabilities of USD 2 297 thousand at the end of 2020 (2019: USD 5 156 thousand).

Financial summary for the parent company Funcom SE
Operating revenues from Funcom SE amounted to USD 640 thousand (2019: USD 884 thousand), and the operating expenses was USD -1 877 thousand (2019: USD -1 356 thousand). The result for the period was USD -1 375 thousand (2019: USD 298 thousand). The equity amounted to USD 41 272 thousand (2019: USD 36 808 thousand) and the Board proposes to allocate and transfer the loss of USD -1 375 thousand to retained earnings.

Risk factors
The recent strategic changes increasing the frequency of game releases, adding externally developed games, releasing games on more platforms, and adding revenue from intellectual property is intended to increase robustness and ongoing cash flow, while reducing the reliance on individual game releases. The Company's overall performance is still largely dependent on the revenues from existing and future games.

- Currency risk: Sales and balances with other companies and customers are closely managed by the management of the Company and cash balance in relevant currencies are kept as a natural hedge against cost, and therefore there is no significant currency risk for the Company. The Company does not use derivative instruments to manage its financial risk.

- Credit risk: Funcom's revenue is dominated by its three largest customers, namely Microsoft/Xbox, Sony/PlayStation and Valve/Steam, digital platforms that sell games to end users. The Company also has customers that are end-users who purchase the right to play games and/or subscriptions through solid and well-known payment service provider firms. The Board therefore considers the Company's credit risk as low.

- Liquidity risk: The Board considers the Company's liquidity situation as satisfactory.

- Market risk: The global gaming market continues to have significant year-on-year growth. There will always be uncertainty associated with the performance of individual games, particularly before launch. The company reduces this by having multiple games, games as a service with significant revenue over many years and IP revenues.

The Company has entered a liability insurance policy to cover members of the board.

Going concern
Based on the cash balance, revenues from released games, future pipeline, and a strong shareholder the Group's financial situation is sound. As described in the Events after the reporting period note, further loans and credit facilities has been secured. Based on the above, the going concern assumption is justified and consequently the audited consolidated financial statements of the Group have been prepared on a going concern basis. Notwithstanding the above, the actual performance of the Group may deviate significantly from the projections.

Research and development
In 2020, the Company has continued to focus on further developing Dreamworld Technology with new functionalities and systems. The focus has been on developing the technology to function together with the Unreal Engine.

Health, safety, and environment
The working environment has been good in 2020 with no accidents or injuries related to the business. It has not been necessary to implement improvement measures. The Group had 1.3% absence due to sick leave in 2020. The Group works continuously to increase the percentage of women employed to create a better balance, mainly through the recruitment process and have been hiring women in 2020. The Group has approximately 82% male employees, and 18% female employees. One out of three board members is female. The company's activities do not pollute the environment.

Effect of COVID-19 virus
In general, the gaming industry revenues have been positively affected by people spending more time at home due to the pandemic. Funcom have kept people working from home when possible, in line with relevant government guidelines. The nature of work Funcom employees execute is suitable for working from home, although there might a limited impact on overall productivity.

Events after the reporting period

Funding
During 2021, the Company has secured credit facilities up to a total of USD 60 000 thousand, to execute activities and support further development of games, through a subsidiary of its ultimate parent company Tencent Holding Limited.

Acquisition of Cabinet Group and The Outsiders
In 2021 Funcom acquired 100% of the shares in the US registered Cabinet Group Inc. The acquisition was closed 1 July with Funcom Inc as the buyer. Cabinet holds strategic IP rights such as Conan The Barbarian, Kull of Atlantis, Solomon Kane, Mutant Chronicles, and Mutant: Year Zero. After the transaction, Funcom controls 100% of the joint operation Heroic Signatures, which was previously held 50 % by Cabinet and Funcom respectively. Heroic Signatures holds the video gaming related IP rights, whereas Cabinet holds all other licensing rights.

Also on 1 July the acquisition of 85% of the shares in the Swedish video game developer The Outsiders was completed. The Outsiders is developing a rhythm first person shooter, *Metal: Hellsinger* that Funcom is publishing.

Oslo, 31 August 2021
The Board of Directors of Funcom SE

Eddie Chan

Ming Liu(刘铭)

Eddie Tak Ho Chan
Chairman

Ming Liu
Board member

Li Shen

Li Shen
Board member

Rui Casais

Rui Manuel Monteiro Casais
CEO

Funcom SE
Consolidated Statement of Comprehensive Income
for the year ended 31 December

In thousands of US dollars	**Note**	**2020**	**2019**
Continuing operations			
Revenue	5	25 894	26 620
Personnel expenses	6,27	-7 950	-5 330
General and administrative expenses	7	-7 185	-8 204
Depreciation and amortization	9	-8 710	-12 232
Impairment charges	9	-10 088	-53
Other operating expenses	8	-976	-948
Operating expenses		-34 909	-26 768
Operating result		-9 015	-148
Finance income	10	3 046	1 725
Finance expenses	10	-3 401	-1 869
Result before income tax		-9 370	-291
Income tax (expense) / income	12	1 658	-2
Result from continuing operations		-7 712	-289
Result for the period		**-7 712**	**-289**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		1 465	-102
Other comprehensive income for the year, net of tax		1 465	102
Total comprehensive income for the year		**-6 247**	**-187**

Funcom SE
Consolidated Statement of Comprehensive Income
for the year ended 31 December

In thousands of US dollars	**Note**	**2020**	**2019**
Result for the period attributable to:			
Equity holders of Funcom SE		-7 730	-277
Non-controlling interests		18	-12
		-7 712	**-289**
Total comprehensive income attributable to:			
Equity holders of Funcom SE		-6 265	-174
Non-controlling interests		18	-12
		-6 247	**-187**
Earnings per share *			
From continuing operations			
Basic earnings per share (US dollars)	11	-0.10	-0.00
Diluted earnings per share (US dollars)	11	-0.10	-0.00

* Based on result for the period

The accompanying notes are an integral part of the consolidated financial statements.

Funcom SE
Consolidated Statement of Financial Position
as at 31 December

In thousands of US dollars	**Note**	**2020**	**2019**
ASSETS			
Non-current assets			
Intangible assets and goodwill	13	36 946	33 251
Right-of-use assets	26	2 840	3 926
Equipment	14	227	137
Non-current prepayments and receivables	15	1 495	978
Total non-current assets		41 508	38 291
Current assets			
Trade receivables	16,29	2 274	3 837
Prepayments and other receivables	17,29	1 695	1 828
Cash and cash equivalents	18,29	8 456	13 131
Total current assets		12 425	18 797
Total assets		**53 933**	**57 088**

Funcom SE
Consolidated Statement of Financial Position
as at 31 December

In thousands of US dollars	**Note**	**2020**	**2019**
EQUITY AND LIABILITIES			
Equity			
Share capital	19	19 190	18 287
Reserves	19	196 253	189 852
Retained earnings (Accumulated deficit)	19	-170 388	-161 874
Equity attributable to owners of the Company		45 055	46 265
Non-controlling interest	19,24	-	52
Total equity	19	45 055	46 317
Non-current liabilities			
Deferred tax liabilities	12	30	1 855
Lease liabilities	26,29	2 268	3 300
Total non-current liabilities		2 297	5 156
Current liabilities			
Trade payables	29	1 004	1 329
Deferred revenue	20	249	234
Lease liabilities	26,29	1 087	1 241
Other current liabilities	21,29	4 240	2 812
Total current liabilities		6 581	5 615
Total equity and liabilities		**53 933**	**57 088**

Eddie Chan *Oslo, 31 August 2021*
The Board of Directors of Funcom SE Ming Liu(刘铭)

Eddie Tak Ho Chan *Chairman*	*Ming Liu* *Board member*
Li Shen *Li Shen* *Board member*	Rui Casais *Rui Manuel Monteiro Casais* *CEO*

Funcom SE
Consolidated Statement of Cash Flows
for the year ended 31 December

In thousands of US dollars	**Note**	**2020**	**2019**
Cash flows from operating activities			
Profit (loss) before income tax		-9 370	-291
Adjustments for:			
Depreciation, amortization and impairment losses	9	18 798	12 285
Share-based payments	6,19,27	166	920
Interest income/expense	10	141	-64
Effect of exchange rate fluctuations		225	264
Working capital adjustments:			
Change in trade and other receivables		1 138	257
Change in trade payables		-332	140
Change in other current assets and liabilities		461	272
Cash generated from operations		11 227	13 782
Interest received	10	35	242
Income tax and other taxes paid	12	-47	-205
Net cash from operating activities (A)		**11 215**	**13 819**
Cash flows from investing activities			
Purchase of equipment	14	-	-50
Acquisition of subsidiary, net of cash acquired	25	-	-74
Proceeds from finance subleases	26	421	398
Payment of development costs	13	-20 255	-19 753
Net cash used in investing activities (B)		**-19 834**	**-19 479**
Cash flows from financing activities			
Principal paid on lease liabilities	26	-1 214	-1 196
Interest paid on lease liabilities	26	-176	-178
Repurchase of Employee SBP	19	-15	-
Net proceeds from issue of share capital	19	5 687	182
Net cash from financing activities (C)		**4 282**	**-1 192**
Net increase in cash and cash equivalents (A+B+C)	18	-4 337	-6 851
Cash and cash equivalents at beginning of period	18	13 131	19 902
Effect of exchange rate fluctuations		-14	80
Cash and cash equivalents at end of period after	18	**8 456**	**13 131**

Funcom SE
Consolidated Statement of Changes in Equity
for the year ended 31 December

In thousands of US dollars	Share capital	Share premium	Equity-settled employee benefits reserve	Trans- lation reserve	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total Equity
Equity as at December 31, 2018:	**18 224**	**183 812**	**11 839**	**-7 112**	**161 589**	**45 175**	**-**	**45 175**
Adjustment on initial application of IFRS 16, net of tax					-9	-9		**-9**
Equity as at January 1, 2019:	**18 224**	**183 812**	**11 839**	**-7 112**	**-161 597**	**45 166**	**-**	**45 166**
Profit or loss for the period					-277	-277	-12	**-289**
Other comprehensive income for the period				102		102		**102**
Total comprehensive income for the period	**-**	**-**	**-**	**102**	**-277**	**-174**	**-12**	**-187**
Share-based payments expense			920			920		**920**
Exercise of options	39	143				182		**182**
Issue of new shares	23	147				170		**170**
Total contributions and distributions	**62**	**290**	**920**			**1 273**		**1 273**
Acquisition of subsidiary with NCI						-	65	**65**
Total changes in ownership interests	**-**	**-**	**-**	**-**	**-**	**-**	**65**	**65**
Equity as at December 31, 2019:	**18 287**	**184 103**	**12 759**	**-7 010**	**-161 874**	**46 265**	**52**	**46 317**
Equity as at January 1, 2020:	**18 287**	**184 103**	**12 759**	**-7 010**	**-161 874**	**46 265**	**52**	**46 317**
Profit or loss for the period					-7 730	-7 730	18	**-7 712**
Other comprehensive income for the period				1 465		1 465		**1 465**
Total comprehensive income for the period	**-**	**-**	**-**	**1 465**	**-7 730**	**-6 265**	**18**	**-6 247**
Share-based payments expense (RSU)			166			166		**166**
Exercise of options	903	4 784				5 687		**5 687**
Repurchase of Employee SBP			-15			-15		**-15**
Total contributions and distributions	**903**	**4 784**	**151**			**5 839**		**5 839**
Acquisition of Non-controlling interests					-784	-784	-70	**-854**
Total changes in ownership interests	**-**	**-**	**-**	**-**	**-784**	**-784**	**-70**	**-854**
Equity as at December 31, 2020:	**19 190**	**188 887**	**12 911**	**-5 545**	**-170 388**	**45 055**	**-**	**45 055**

Funcom SE
Notes to the Consolidated Financial Statements

1. Corporate Information

Funcom SE (or the "Company") is a European limited-liability company (Societas Europaea) registered in Norway. The Group's head office is in Kirkegata 15, 0153 Oslo, Norway. The shares were previously publicly traded on the Oslo Stock Exchange under the ticker "FUNCOM" but delisted from Oslo Stock Exchange from 23 July 2020.

The consolidated financial statements for the year ended 31 December 2020, comprise the Company and its subsidiaries (together referred to as the "Group").

The objectives of the Group as stated in the Articles of Association of the Company, are to develop, market and carry on business in computer games, hereunder multi player online games, online role playing games and related games on electronic devices of different kinds, to take and grant licenses and other industrial property interests, assume commitments in the name of any enterprises with which it may be associated within a group of companies, to take financial interests in such enterprises and to take any other action, such as but not limited to the granting of securities or the undertaking of obligations on behalf of third parties, which in the broadest sense of the term, may be related or contribute to the aforesaid objectives.

The consolidated financial statements were authorized for issue by the Board of Directors on 31 August 2021.

2. Basis of preparation

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRIC) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

Presentation and functional currency
The consolidated financial statements are presented in US dollars (USD), which is the Group's functional currency, rounded to thousands. It is expected that US dollars will remain as the main currency in the Group's economic environment, due to a majority of US dollars revenues.

Going concern
The financial statements have been prepared on the going concern assumption.

Rounding
All amounts are in thousands of US dollars unless stated otherwise. There may be some minor rounding differences, or the total may deviate from the total of the individual amounts. This is due to the rounding to whole thousands of individual amounts.

Basis of measurement
The consolidated financial statements have been prepared on a historical cost basis unless otherwise stated in these accounting policies.

Estimates and judgements
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS with significant effect on the financial statement and estimates with a significant risk of material adjustment in the next year are discussed in Note 4.

Standards and Interpretations affecting amounts reported in the current period
There are no new standards in 2020 with significant impact for the Group.

Standards and Interpretations in issue but not yet adopted
There is a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. These new accounting standards and amendments will not have a significant impact on the Group's consolidated financial statements.

3. Significant accounting policies

3.1 Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date the control effectively commences until the date control ceases.

The acquisition method is applied when accounting for business combinations.

Inter-company transactions
Inter-company balances and unrealized income and expenses arising from intra-group transactions are eliminated in full. Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of the Group's share in the investment. Unrealized losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

Foreign currency transactions
Transactions in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the exchange rate at the reporting date. Intangible assets are stated at historical cost and translated at the exchange rate of the reporting date. Other non-monetary assets and liabilities in foreign currencies that are stated at historical cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities in foreign currencies that are stated at fair value are translated at the exchange rate at the date the values were determined. All foreign exchange gains and losses arising on translation are recognized in the Statement of Comprehensive Income.

Foreign operations
Financial statements of consolidated entities are prepared in their respective functional currencies and translated into US dollars (the Group's presentation currency) as of year-end. Assets and liabilities of the foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated at rates approximating the exchange rates at the dates of the transactions. Foreign exchange differences arising on translation of foreign operations are recognized directly in Other Comprehensive Income and accumulated in equity in the translation reserve.

3.3 Revenue from contracts with customers

For each contract with a customer, the group identifies the performance obligations, determine the transaction price, allocate the transaction price to performance obligations, determine whether revenue should be recognized over time or at a point in time, and, finally, recognize revenue when or as performance obligations are satisfied.

Performance obligations and timing of revenue recognition
The majority of the group's revenue is derived from selling digital games to third party PC and console platforms. Revenue is recognized at a point in time when the digital game is available to the customer. There is limited judgement needed in identifying the point control passes.

Third party platforms
Funcom recognizes revenue from third party platforms at a point in time when the relevant sale has occurred, the respective performance obligations in the contract are satisfied and the payment remains probable. In general, the performance obligation is satisfied when the platform obtains control with the relevant game and can monetize it through its platform. Any further responsibility, for instance from refunds, typically rests on the third-party platform, which is classified as a principal and not an agent. Funcom determines the transaction price to be the amount of consideration which it expects to be entitled in exchange for transferring the promised services to the customer, net of deducted taxes, fees and refund charges. No element of financing is deemed present as the sales are made with a credit term of 15-90 days, which is consistent with market practice. Revenue recognition of boxed video games sold through physical retail through a distribution channel is recognized according to the same principles. The revenue recognition principles for third party platforms are the same for PC and console.

Revenues from Funcom's own channels
Funcom sells subscriptions, virtual currencies and virtual in-game items for digital PC games directly to the customer from Funcom's own online store. The payments are received through credit card providers with limited delay.

Subscriptions
Subscriptions constitutes a distinct performance obligation and are recognized on a straight-line basis over the subscription period as the service is provided. Any unsatisfied or partially unsatisfied performance obligations at year-end will be presented in the balance as deferred revenue.

Virtual currency
A virtual currency constitutes a distinct performance obligation. Revenue is recognized over time, spread out over the estimated duration of currency consumption. Any unsatisfied or partially unsatisfied performance obligations at year end will be presented in the balance as deferred revenue.

Virtual in-game items
Virtual In-game items, such as virtual backpacks, constitutes a distinct performance obligation and are recognized at a point in time when the virtual item is made available to the customer.

Bundles
During 2020 Funcom sold bundles with both subscription and virtual currency. These bundles include separate performance obligations that are also sold separately. The transaction price is allocated to the performance obligations based on its relative standalone selling price and recognized over time.

Season passes
During 2020 Funcom sold bundles in the form of season passes. These bundles include separate performance obligations that are also sold separately and delivered at different points in time. The transaction price is allocated to each performance obligations based on its relative standalone selling price. At year-end all the performance obligations related to the season passes have been fulfilled.

Pre-orders
In cases where sales are made through pre-orders, the revenue is allocated to the release day, and presented in the balance as deferred revenue.

One-off deals
The Group has entered into agreements with game subscriptions services providers for one-off deals regarding the right-to-use license for some of our games. The performance obligations and extent of these deals varies from contract to contract and can include providing the customer with game-related materials, game-keys and license rights. The transaction price as agreed in the agreements are allocated to the identified performance obligations (which is generally one performance obligation) to their standalone selling price. The Group will recognize the revenue at the point in time when the performance obligations are fulfilled, the customer have accepted the product, and the Group has received the cash or have a present right to payment.

External consulting services
External revenue from game related consulting services are based on time, and the performance obligations are recognized over the period in which the services are rendered. The performance obligations are generally satisfied, and the control transferred to the customer over time given that the customer simultaneously receives and consumes the benefits provided by the Group.

IP Licensing royalties
The Group enters into licensing agreements for IP rights to the Group's intellectual property licenses. Consideration tied to the licensing arrangement may include minimum guarantees, milestone payments and sales-based royalties. The Group is not required to undertake any activities that significantly affect the intellectual property to which the customer has a right to use. Revenues from milestones and minimum guarantees are recognized at the point in time when the performance obligations are fulfilled, and the Group have an unconditional right to payment. The performance

obligations include providing the customer with the right-to-use license to the Group's intellectual property. Sales-based royalties are a percentage of the customer's sales and are recognized at the point in time when the related sales occur by the customer.

Determining the transaction price
Most of the group's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

Some contracts provide customers with a limited right of return. These relate predominantly, but not exclusively, to online sales direct to consumers. Historical experience enables the group to estimate reliably the value of goods that will be returned and restrict the amount of revenue that is recognized such that it is highly probable that there will not be a reversal of previously recognized revenue when goods are returned.

Allocating amounts to performance obligations
For most contracts, there is a fixed price for each product sold. Therefore, there is no judgement involved in allocating the transaction price to each product in such contracts. Where a customer orders more than one product line, the Group is able to determine the split of the total contract price between each product line by reference to each product's standalone selling prices (all product lines are capable of being, and are, sold separately).

Most extended warranties are sold on the Group's behalf by retailers when the end customer buys one of the Group's products from the retailer. There is therefore also no judgement required for determining the amounts received for extended warranties in retail sales – it is the priced charged to the purchaser of the warranty. (From the group's perspective, the contract with the end customer for the warranty is separate from the contract with the retailer for the original sale of the goods). The price of extended warranties charged in retail sales provides a basis for determining the relative standalone selling price of the goods and warranty in non-retail sales.

Significant financing component
The Group applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

3.4 Deferred revenue
Deferred revenue, also known as contract liabilities or unearned revenue, is an entity's obligation to transfer goods or services to a customer for which the entity has already received the cash from the customer.

3.5 Expenses
Expenses are recognized in the Statement of Comprehensive Income when they arise, i.e. when a decrease in a future benefit gives rise to a decrease in an asset, or an increase in a liability that can be measured reliably. Expenses are measured at the fair value of the amount paid or payable.

3.6 Government grants
Subsidies from the authorities are not recognized until there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Subsidies that compensate the Group for the costs of an asset are recognized as a deduction from the asset that the subsidy is intended to cover and are recognized in the Statement of Comprehensive Income over the useful life of the asset through a reduced amortization or depreciation charge. Grants that compensate the Group for expenses incurred are recognized as reduced expenses in the Statement of Comprehensive Income in the same periods in which the expenses are recognized. There are no unfulfilled conditions or other contingencies attaching to these grants. The group did not benefit directly from any other forms of government assistance.

3.7 Income tax

The income tax expense consists of current and deferred tax. Income tax is recognized as an expense or income in profit or loss except to the extent that it relates to items recognized in Other Comprehensive Income or equity, in which case income tax is also recognized in Other Comprehensive Income or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax/tax assets are calculated on all taxable temporary differences, with the exception of:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized only when it is probable that an entity will have sufficient profits for tax purposes to utilize the tax asset. At each reporting date, the Group carries out a review of its unrecognized deferred tax assets and the value of the deferred tax assets it has recognized. Unrecognized deferred tax assets from previous periods are recognized to the extent that it has become probable that an entity can utilize the deferred tax asset. Similarly, an entity will reduce its deferred tax assets to the extent that it is no longer probable that the related tax benefit can be utilized.

Deferred tax assets and liabilities are recognized at their nominal value and classified as non-current assets and liabilities in the Statement of Financial Position.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company; or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3.8 Intangible assets

Intangible assets are recognized in the Statement of Financial Position if it is probable that the future economic benefits that are attributable to an intangible asset will flow to the Group, and the asset's cost can be reliably estimated. Amortization methods, useful lives and any residual values are reassessed at each reporting date.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Research and development
Costs relating to research are recognized as an expense when incurred.

Expenses relating to development, such as labor cost, material costs and other directly attributable costs are recognized as an expense when they are incurred unless the following criteria are met:

- the product or process is clearly defined, and the cost elements can be identified and measured reliably;
- the technical solution for the product has been demonstrated;
- the product or process will be sold or used in the Company's operations;
- the asset will generate future economic benefits; and
- sufficient technical, financial and other resources for completing the project are present.

When all the above criteria are met, subsequent costs relating to development will be capitalized. Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses.

Development costs are amortized from the date that the assets are available for use. The amortization period is between 18 months and 5 years, linearly or according to the reducing balance method, depending on the type of the asset. The MMO games *Age of Conan* and *Secret World Legends* and technology have an amortization period of up to 3 years, whereas other games have an amortization period of two years or below. Externally developed publishing games have an amortization period of 18 months. The company applies the diminishing balance amortization method, also called accelerated amortization method, that reflects the pattern of consumption of the future economic benefits. Typically, a high share of the amortization is applied to the time period of the release, diminishing over time. If that pattern cannot be determined reliably, the company uses the straight-line method. Subsequent improvements and/or additions are amortized separately over the expected useful lives from the time these improvements and/or additions are completed and available for use. Explanation is provided in Note 15.

Inefficiencies are tracked on a regular basis and identified inefficiencies related to an internally generated intangible asset will be expensed when identified. In addition, an overall evaluation is performed by the end of each financial year.

Trademarks and licenses
Trademarks and licenses that are acquired by the Group are measured at cost less accumulated amortization and impairment losses. Amortization is recognized in the Statement of Comprehensive Income on a straight- line basis over the estimated useful life, normally 2 - 5 years. Amortization starts when the acquired assets are available for use.

Software
Costs to purchase new computer software programs are recognized in the Statement of Financial Position as an intangible asset provided the software does not form an integral part of the related hardware, in which case it is recognized as part of the related equipment. Software is stated at cost less accumulated amortization and impairment losses. Software is amortized using the straight-line method over the estimated useful life, normally 3 - 5 years.

Intellectual property
IP, Brands and IP licenses that are acquired by the Group are measured at cost. If there is no foreseeable limit to the period over which the asset will generate cash flows, it will be classified as indefinite useful life. At the end of each financial year the asset's useful life will be reviewed and tested for indicators of impairment.

3.9 Equipment

Equipment is stated at cost less accumulated depreciation and impairment losses. When assets are sold, the gross carrying amount and accumulated depreciation and impairment losses are derecognized, and any gain or loss on the sale is recognized in the Statement of Comprehensive Income. The cost of equipment includes the purchase price, any duties/taxes and directly attributable costs required to get the asset ready for use. Where parts of an item of equipment have different useful lives, they are accounted for as separate items of equipment.
Subsequent costs

The cost of replacing a part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost can be measured reliably. All other costs are recognized in the Statement of Comprehensive Income as incurred.

Depreciation
Depreciation is charged to the Statement of Comprehensive Income using the straight-line method over the estimated useful life of the item of equipment. Estimated useful lives are as follows:

Computers	3 years
Furniture	5 years

The useful lives and depreciation method are assessed at each reporting date. The same applies to the residual value, if not insignificant.

3.10 Joint operation

While a joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement, a joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The accounting treatment of a joint operation is different than that of a joint venture.

A joint operator recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

When a joint operation does not constitute a business, the acquirer identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The cost of the group shall be allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill. Other costs related the transaction can be capitalized.

In 2018 Funcom acquired a 50% interest of Heroic Signatures DA. Heroic Signatures DA (Delt Ansvar) is a general partnership registered in Norway. Funcom's interest in Heroic Signatures DA is accounted as a joint operation. Heroic Signatures DA revenue originating from Funcom royalty fees are eliminated. This implies the asset value is shown under intangible assets on the balance sheet and that Heroic Signatures DA third-party revenue is included in Funcom's consolidated revenue.

3.11 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. For intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the profit and loss statement.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.12 Equity

Share capital
Ordinary shares are classified as equity. Transaction costs relating to an equity transaction are recognized directly in equity (share premium) after deducting tax expenses. Only transaction costs directly linked to the equity transaction are recognized directly in equity.

Dividends
Dividends are recognized as a liability in the period in which they are declared.

3.13 Employee benefits

Defined contribution plan
The Group has established defined contribution pension plans according to the mandatory arrangements applicable in the entities’ country of incorporation. Obligations for contributions to defined contribution pension plans are recognized as an expense in the Statement of Comprehensive Income when they are due.

Defined benefit plans
The Group does not have any defined benefit plans.

Profit-sharing and bonus plans
A provision is recognized for an undiscounted amount expected to be paid under bonus or profit-sharing plans if the Group 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.

Share-based payment transactions
The share option program allows management and key personnel to acquire shares in the Company. The plan is an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) in the Company. Based on instruction from the Board of Directors on the number of people that should be granted options and the required combination of duration of employment and seniority level, the Management Board allocates options per employee. The number of options granted to the

Supervisory and Management Board members are decided by the General Meeting. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted. The grant date fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions as set forth in the share option program. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. At each reporting date, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the Statement of Comprehensive Income, with a corresponding adjustment to equity. The share-based option program has been closed following the acquisition and completion of the voluntary offer.

Restricted Stock Units (RSU)
Following the closing of the previous share-based program, Tencent Holdings Limited has established a Restricted Stock Unit (RSU) program for key employees, for stocks in Tencent Holdings Limited in accordance with the contribution to the Company and Tencent and the continued employment in the Company.

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group 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.

3.14 Assets and Liabilities
All assets and liabilities classified as current are expected to be recovered and settled no more than twelve months after reporting period. All assets and liabilities classified as non-current are expected to be recovered and settled in more than twelve months after the reporting period.

3.15 Provisions
Provisions are recognized when, and only when, the Group has a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed on each reporting date and their level reflects the best estimate of the liability. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.16 Contingent liabilities and assets
Contingent liabilities are:

- (i) possible obligations resulting from past events whose existence depends on future events;
- (ii) obligations that are not recognized because it is not probable that they will lead to an outflow of resources; or
- (iii) obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the consolidated financial statements apart from contingent liabilities, which are assumed in a business combination. Contingent liabilities are disclosed, except for contingent liabilities where an outflow of benefits is only remote.

A contingent asset is not recognized in the consolidated financial statements but is disclosed when an inflow of benefits is considered more likely than not.

3.17 Financial Instruments

Classification of Financial Assets
IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The Group's business model is to collect its receivables and collecting contractual cash flows. The group classifies its financial assets as at amortized cost only if both of the following criteria are met: i) the asset is held within a business model whose objective is to collect the contractual cash flows, and ii) the contractual terms give rise to cash flows that are solely payments of principal and interest.

The Group has concluded that its receivables meet the requirements to be classified at amortized cost as they meet the business model test and are solely payments of interest and principal. The Group did not have derivative financial assets or liabilities at 31 December 2020.

Cash and cash equivalents
Cash includes cash in hand and at bank. Cash equivalents comprise call deposits with a term of less than 90 days from the date of acquisition. Cash in bank is recorded at face value.

Trade receivables and other receivables
Trade and other receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less impairment losses. The interest element is disregarded if it is insignificant.

Impairment of Financial Assets
In line with IFRS 9 Funcom applies the forward-looking 'expected credit loss' (ECL) model. to financial assets at amortized cost, cash and cash equivalents and trade receivables. This model may require considerable judgement about how changes in economic factors affect ECLs. All of Funcom's trade receivables and other receivables are measured on a lifetime ECL basis. Funcom determines its expected credit losses by using a provision matrix, which is based on actual historical credit losses and is adjusted for any relevant forward-looking information, for instance about the general economy and Group creditors. The short maturity of the trade receivables, typically weeks or up to a couple of months, reduces the importance of forward-looking information.

Classification of Financial Liabilities
The Group has no financial instruments held for trading and hence does not designate any financial liabilities at FVTPL. This means that Funcom measures its financial liabilities, including the liability-portion of its convertible bonds, at amortized cost. Trade and other payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less impairment losses. The interest element is disregarded if it is insignificant.

Offsetting
Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Hedge accounting
The Group does not apply hedge accounting and has no intention to do so in the near future.

Finance income
Finance income comprises interest receivable on funds invested and foreign currency gains. Interest income is recognized in the Statement of Comprehensive Income as accrued, using the effective interest method.

Finance expenses
Finance expenses comprise interest payable on borrowings and foreign currency losses. Interest expense is calculated using the effective interest method.

3.18 Cash flow statement
The cash flow statement is prepared using the indirect method. Changes in balance sheet items that have not resulted in cash flows, such as fair value changes, have been eliminated for the purpose of preparing this statement. Interest paid and received, as part of normal operating activities, are included under operating activities.

Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement.

The purchase consideration paid for the acquired group company has been recognized as cash used in investing activities where it was settled in cash. Any cash at banks and in hand in the acquired group company have been deducted from the purchase consideration.

Transactions not resulting in inflow or outflow of cash, including finance leases, are not recognized in the cash flow statement. Payments of finance lease instalments and the interest paid qualify as repayments of borrowings under cash used in financing activities.

Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities.

3.19 Business combinations
The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

3.20 Non-controlling interest
A non-controlling interest (NCI), also known as minority interest, is the portion of equity ownership in a subsidiary not attributable to the parent company, who has a controlling interest (greater than 50%, but less than 100%) and consolidates the subsidiary's financial results with its own. Non-controlling interest are measured by using the proportionate share of the recognized net assets at the acquisition date. All of the Group’s non-controlling interest was related to the ZPX-acquisition.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.21 Goodwill

Goodwill arises on acquisition of subsidiaries and associates, and is the excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Goodwill is measured at cost less any accumulated impairment losses. In respect of associates, goodwill is included in the carrying amount of the investment in the associate.

3.22 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. 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 subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents finance lease receivables in 'Prepayments and other receivables' in the statement of financial position. Right-of-use assets and lease liabilities are presented as separate lines in the statement of financial position.

Incremental borrowing rate
The incremental borrowing rate (IBR) is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay'. See note 4 - Accounting estimates for details how the Incremental borrowing rate is determined.

Short-term leases and leases of low-value assets
The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor
At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

4. Accounting estimates, judgments, and estimation uncertainty

Accounting estimates and judgments
In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Development costs and technology
The Group has significant capitalized values of development costs, primarily of games but also some related to technology. An asset can only be recognized if certain specific criteria are met. During a development project there will be judgment involved in assessing when the research phase ends, and the development phase commences. Key criteria are Funcom's ability to complete the project, existence of a market and expected profitability, typically this is documented in a business case which is authorized by the board if the size of the investment is significant.

Intangible assets should be tested for impairment when there is an indicator that the asset may be impaired. Both released games and games in development are impairment tested. The impairment tests include management's estimates and judgments about future cash flows and discount rates applied that could lead to a significant impact on the Group's future results. Please refer to Note 15 for more information.

Useful life of intangible fixed assets
The useful life of the Company's games is estimated to define the amortization period. The Useful life is estimated before launch based on expectations for the game and comparison with a peer group of similar games, after launch the performance of the game is considered. To estimate the lifetime for intellectual property the monetization plans are considered, together with an assessment of whether there are any limits to the period over which the IP is expected to generate net cash inflows. The estimated useful life is subject to uncertainty and judgment and the actual outcome may differ significantly from the initial estimate.

Revenue recognition
The Group recognizes, as explained in Note 3.3, revenue from sale of goods and revenue from license and royalty agreements generally on delivery of the product. The amount is reduced by expected returns and price arrangements/discounts. The determination of the amount is based on estimates of the outflow of economic benefits required to settle the obligation and on timing of the returns. Actual rates of return and price may vary from the estimate.

Principal Agent Considerations
The Group evaluate sales of our products and content via third party digital storefronts to determine whether revenues should be reported gross, or net of fees retained by the storefront. Key indicators that we evaluate in determining gross versus net treatment include, but are not limited to, the following:

- the party responsible for delivery/fulfilment of the product or service to the consumer;
- the party responsible for consumer billing, fee collection, and refunds;
- the storefront and terms of sale that govern the consumer's purchase of the product or service; and
- the party that sets the pricing with the consumer and has credit risk.

Based on evaluation of the above indicators we report revenues on a net basis. (i.e., net of fees retained by the storefront.)

Share option scheme
The Group determines the value of new options granted and the incremental cost of any changes to the option terms based on Black-Scholes option pricing theory. Judgment is applied in determining the required input parameters such as estimated volatility of the underlying share and lifetime of the options. Historical data such as volatility, option lifetime and employee turn-over are considered.

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Leases - Estimating the lease term
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The Group has not included the renewal period as part of the lease term in any of our leases as these are not reasonably certain to be exercised. The Group is growing at a fast phase and do not have a history of renewing leased properties.

5. Revenue

Disaggregation of revenue from contracts with customers

In thousands of US dollars	[redacted]	2019	%
PC[1]		16 726	62.8 %
Console[2]		9 554	35.9 %
Other[3]		340	1.3 %
Total		**26 620**	**100 %**

[1] PC revenue relates to revenue from contracts with customers related to services. It also includes direct sales through Funcoms own channels.
[2] Console revenue relates to revenue from contracts with customers related to services through 3rd party stores.
[3] Other activities referred to external royalties from IP, external consulting services and other, direct sales.

Timing of revenue

2020

In thousands of US dollars	PC	Console	Other	[redacted]
Segment revenue	18 655	7 176	63	
Timing of revenue recognition:				
At a point in time	16 539	7 176	61	
Over time	2 117		2	
Total	**18 655**	**7 176**	**63**	

2019

In thousands of US dollars	PC	Console	Other	[redacted]
Segment revenue	16 726	9 554	340	
Timing of revenue recognition:				
At a point in time	14 541	9 554	311	
Over time	2 185		29	
Total	**16 726**	**9 554**	**340**	

USD 330 thousand (2019: USD 50 thousand) out of the PC revenue at a point in time, and all the PC revenues over time, come from the sale of games from Funcoms own channels and are directly sold to consumers. The revenues related to Console and the remaining of the PC revenue at a point in time relates to sales sold through third party platforms. Other revenue relates to external royalties from IP and external consulting services.

6. Personnel expenses

In thousands of US dollars	[redacted]	**2019**
Salaries		10 928
Social Security Contributions		1 459
Contributions to defined contribution plans		279
Expenses for share option program		913
Other Personnel expenses		1 423
Government grants (Skattefunn)		-511
Capitalization of personnel expenses		-9 161
Total Personnel Expenses		**5 330**

Average Number of employees:	[redacted]	**2019**
Europe		102
North America		73
Asia		1
Total		**176**

The Group has established pension schemes which satisfies the requirements in the law and for all its employees.

In addition, research and development costs of USD 2 915 thousand were recognized as personnel expenses.

7. General and administrative expenses

In thousands of US dollars	[redacted]	**2019**
Marketing		1 475
Professional services[1]		666
Office costs		372
Royalties		4 724
Investor relations		180
IT, hardware and software		1 092
External game development[2]		9 774
Other		316
Capitalization of G&A		-10 393
Total G&A expenses		**8 204**

[1] Professional services includes auditor's remunerations, accounting services, legal services, and other professional services. In 2020 it also includes legal services, consultants, and transaction costs related to the Tencent acquisition.

[2] External game development includes funding to developers for publishing game and outsourced services for games development.

Auditor's remunerations

In thousands of US dollars	Total [redacted]	2019
Audit of Funcom Group	[redacted]	220
Other audit services	[redacted]	12
Tax advisory services	[redacted]	–
Other non-audit services	[redacted]	–
Total	[redacted]	**232**

Fees for audit services include the audit of the financial statements of the Company and its subsidiaries. Fees for other audit services include review of government grants, intercompany debt conversion and other audits. Fees for audit services are included in general and administrative expenses in the consolidated financial statements. These fees are recognized when the service is provided.

8. Other operating expenses

In thousands of US dollars	[redacted]	2019
Commissions	[redacted]	108
Hosting costs for online games	[redacted]	840
Total other operating expenses	[redacted]	**948**

Commissions are fees paid to credit card service providers. Funcom uses such providers for sales through its own platform. The commissions usually have fixed amounts and variable amounts. Variable amounts are related to number of transactions.

9. Depreciation, amortization, and impairment losses

In thousands of US dollars	[redacted]	2019
Amortization of intangible assets	[redacted]	11 955
Impairment of intangible assets	[redacted]	–
Depreciation of equipment	[redacted]	68
Depreciation of right-of-use assets	[redacted]	867
Impairment of right-of-use assets	[redacted]	53
Capitalization of development cost	[redacted]	-658
Total	[redacted]	**12 285**

10. Finance income and expenses

In thousands of US dollars	[redacted]	**2019**
Interest income		244
Net foreign exchange gain		1 426
Other financial income		55
Finance income		**1 725**

In thousands of US dollars	[redacted]	**2019**
Interest expense		179
Net foreign exchange loss		1 690
Finance expenses		**1 869**

11. Earnings per share

The basic earnings per share are calculated as the ratio of the result for the period attributable to the equity holders of Funcom SE of USD -7 730 thousand (2019: USD -277 thousand) divided by the weighted average number of ordinary shares outstanding 80 669 627 (2019: 77 212 766).

When calculating the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted for all the dilution effects relating to share options.

In thousands of US dollars	[redacted]	**2019**
Profit / (loss) for the period attributable to the equity holders of Funcom		-277
Profit for the period attributable to the equity holders of Funcom - continuing operations		-277
Issued ordinary shares as of January 1		**77 009**
Effect of new shares issued and options exercised		**203**
Weighted average number of shares at December 31		**77 213**
Basic earnings per share		**-$0.00**
Basic earnings per share - continuing operations		**-$0.00**
Weighted average number of shares at December 31, diluted		**82 580**
Diluted earnings per share		**-$0.00**
Diluted earnings per share - continuing operations		**-$0.00**

12. Income tax expense

The following components are included in the Group's tax expense:

In thousands of US dollars	2020	2019
Current period tax (expense)/income	- 51	- 4
	- 51	- 4
Deferred tax expense		
Origination and reversal of temporary differences	795	2 065
Recognition of previously unrecognized tax losses	1 089	-2 000
Withholding tax		- 58
Derecognition of recognized tax losses	- 175	
	1 709	7
Income tax (expense)/income excluding tax on sale of discontinued operations	1 658	2
Income tax (expense)/income from continuing operations	**1 658**	**2**
Income tax from discontinued operation (exluding gain on sale)		
	1 658	**2**
Income tax on gain on sale of discontinued operations		
Total income tax (expense)/income	**1 658**	**2**

In thousands of US dollars	2020	2019
Result before income tax	-9 370	- 291
Tax according to the average tax rate in USA, China, Netherlands and Norway	167	63
Tax effect of non-deductible expenses		- 17
Tax effect of non-taxable income	- 63	- 171
Changes in deferred taxes recognized on the balance sheet	1 640	- 7
Withholding tax, capital asset tax, and other non-income taxes	- 49	4
Utilisation of losses carried forward	209	350
Deferred tax asset related to carry forward tax losses not recognised	- 246	- 221
Tax effect of change in tax rate		
Income tax (expense) / income	**1 658**	**2**

The Group has not recognized any income tax directly in equity. Deferred tax has been calculated using the tax rate of 22% for 2020 and for 2019. There were no effects of changes in IAS 12. In Norway, unused losses may be carried forward without limit, while disallowed interest deductions can be carried forward for 10 years.

The Group has unutilized tax losses of USD 29 848 thousand as of 31 December 2020 (2019: USD 13 626 thousand).

Deferred tax liability/tax asset	**2020**	**2019**
Deferred tax liability	- 30	-1 862
Deferred tax asset, net		7
Deferred tax asset (liability), net	**- 30**	**-1 855**
Deferred tax effect of tax increasing temporary differences:		
Equipment and intangible assets	-6 117	-5 022
Provisions		- 2
Total deferred tax effect of tax increasing temporary differences	**-6 117**	**-5 024**
Deferred tax effect of tax reducing temporary differences:		
Tax losses carried forward	6 408	2 850
Equipment and intangible assets	5	6
Withholding tax	312	258
Provisions/receivables	129	58
Total deferred tax effect of tax reducing temporary differences	**6 854**	**3 172**
Deferred tax asset (net) not recognised in the balance sheet:	241	3
Recognised deferred tax asset (liability), net	**496**	**-1 855**
Reconciliation of deferred tax asset, net:		
Opening balance	-1 855	-2 086
Change according to statement of income	1 880	9
Exchange differences, prior year adjustments etc.	- 54	222
Deferred tax asset (liability), net, at year-end	**- 30**	**-1 855**

Funcom SE was as of 3 July 2020 moved to Norway from the Netherlands. Funcom is of the opinion that the tax loss carried forward related to Funcom SE are available to offset future taxable income in Norway. However, Funcom SE has not recognized USD 2 167 thousand due to uncertainty of its future use.

According to IAS 12 when an entity has a history of recent losses, the entity recognizes a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the entity.

The Group's tax losses and negative differences between the book value and the value for tax purposes of assets, which form the basis for the deferred tax assets, are in particular located in the Norwegian operating companies. The management has discussed to which extent the Group will be able to utilize the deferred tax asset. In evaluating the Group's ability to utilize the deferred tax assets, all available positive and negative evidence have been considered, including past operating results, the existence of cumulative losses in the most recent fiscal years and our forecast of future taxable income on a jurisdiction-by-jurisdiction basis, as well as feasible and prudent tax planning strategies.

13. Intangible assets and goodwill

In thousands of US dollars	Development costs	Software	Trademarks & licenses	Goodwill	Total
Cost					
Balance at January 1, 2019	38 098	411	6 884		**45 394**
Acquisitions, internally developed	11 745				**11 745**
Business combinations[1]				333	**333**
Other acqusitions	8 516	150			**8 666**
Disposals		- 140			**- 140**
Translation difference	- 162	- 4	- 85		**- 252**
Balance at December 31, 2019	**58 197**	**417**	**6 799**	**333**	**65 747**
Acquisitions, internally developed	20 671				**20 671**
Other acqusitions					
Disposals					
Translation difference	1 015	10	197		**1 223**
Balance at December 31, 2020	**79 884**	**427**	**6 997**	**333**	**87 641**
Accumulated amortization and impairment losses					
Balance at January 1, 2019	20 455	228			**20 683**
Amortization for the year	11 876	79			**11 955**
Disposals		- 140			**- 140**
Translation difference		- 2			**- 2**
Balance at December 31, 2019	**32 331**	**165**			**32 496**
Amortization for the year	8 172	110			**8 282**
Impairment for the year	9 903				**9 903**
Disposals					
Translation difference		14			**14**
Balance at December 31, 2020	**50 406**	**289**			**50 695**
Carrying amount at Jan. 1, 2019	**17 643**	**270**	**6 884**		**24 798**
Carrying amount at Dec. 31, 2019	**25 866**	**183**	**6 884**	**333**	**33 267**
Carrying amount at Jan. 1, 2020	**25 866**	**183**	**6 884**	**333**	**33 267**
Carrying amount at Dec. 31, 2020	**29 477**	**138**	**6 997**	**333**	**36 946**
Estimated useful lives	Straight line	3-5 years	Indefinite	Indefinite	
Method for amortization	Straight line and diminishing balance method	Straight line	N/A	N/A	

[1] For more info related to acquisitions through business combinations see Note 25.

Impairment assessment
In 2020 Funcom took impairments related to two games under development for a total of USD 9 903 thousand, this reflected a strategy change in Funcom Group following the change of ownership in 2020. No impairments were booked in 2019 on Intangible assets and goodwill.

No other indications for impairments have been identified and the purchase of Funcom by Tencent during 2020 further underbuilds the intangible values on the balance sheet.

The following values of intangible assets are under development and in use.

In thousands of US dollars	[redacted]		2019	
Class		**Under Development**	**In Use**	**Total**
Development costs		16 493	9 374	25 867
Software		-	252	252
Trademarks and licenses		-	6 799	6 799
Goodwill		-	333	333
Total		**16 493**	**16 758**	**33 251**

Dreamworld Technology
The initial cost of the technology was fully amortized in 2013. Improvements and/or additions to the technology are amortized separately over the expected useful lives of the relevant elements of the asset, normally five years. The *DreamWorld Technology* has been amortized since the launch of *Age of Conan* in May 2008.

IP licenses held through Heroic Signatures DA
In February 2018 Funcom acquired 50% of Heroic Signatures DA in exchange for issuing 4 460 000 new shares, each at a subscription price of NOK 13 per share. The transaction increased the equity with USD 7 493 thousand. The value of the new shares was used as valuation for the underlying assets. An additional USD 221 thousand in cost related to the transaction was added as acquisitions cost. The asset value is measured at cost and shown as intangible assets on the balance sheet.

Heroic Signature's IP licenses are granted indefinitely through licensing agreements with Cabinet Interactive LLC. Funcom Group's ownership in Heroic Signature DA is also indefinite. The indefinite lifetime of the IP licenses is supported by significant revenue generation over the last 10 years. There are also significant plans to monetize the IP licenses in the next years. Since there is no foreseeable limit to the period over which the IP is expected to generate net cash inflows, the IP licenses should be regarded as having an indefinite useful life.

Goodwill

Sensitivity Analysis Goodwill and IP with indefinite life
Based on the cash flow analysis performed it is concluded that any reasonable change in the key assumptions would not require an impairment, also based on that the remaining 49.9% of ZPX was purchased at 2x the initial purchase price. The Company used a 11.9% WACC to test the goodwill. The Goodwill was USD 333 thousand as at 31 December 2020 (USD 333 thousand) all related to the 50.1% purchase of ZPX.

Contractual commitments
The Group has contractual commitments for development costs and minimum guarantees for IP license payments of USD 5 008 thousand (2019: USD 2 960 thousand).

14. Equipment

In thousands of US dollars	Computers	Furniture	Total
Cost			
Balance at January 1, 2019	128	82	**210**
Acquisitions	38	12	**50**
Acquisitions, business combinations[1]	14	–	**14**
Translation difference	-9	-5	**-15**
Balance at December 31, 2019	**171**	**88**	**259**
Acquisitions	121	57	**179**
Translation difference	16	8	**24**
Balance at December 31, 2020	**307**	**154**	**462**
Accumulated depreciation			
Balance at January 1, 2019	34	20	**55**
Acquisitions, business combinations[1]	12	–	**12**
Depreciation for the year	52	16	**68**
Translation difference	-8	-4	**-13**
Balance at December 31, 2019	**90**	**32**	**122**
Depreciation for the year	73	26	**99**
Translation difference	11	4	**14**
Balance at December 31, 2020	**174**	**61**	**235**
Carrying amount at Jan. 1, 2019	**94**	**61**	**155**
Carrying amount at Dec. 31, 2019	**81**	**57**	**137**
Carrying amount at Jan. 1, 2020	**81**	**57**	**137**
Carrying amount at Dec. 31, 2020	**134**	**93**	**227**
Method of depreciation	Straight line	Straight line	
Estimated useful lives	3 years	5 years	

[1] For more info related to acquisitions through business combinations see Note 24.

15. Non-current prepayments and receivables

In thousands of US dollars	[redacted]	2019
Non-current prepayments		500
Security deposits for office leases		478
Total		**978**

16. Trade Receivables

In thousands of US dollars	[redacted]	2019
Trade receivables		3 837
Allowances for doubtful debt		–
Total		**3 837**

Please refer to Note 29 Financial Instruments for further details.

17. Prepayments and other receivables

In thousands of US dollars		**2019**
Settlement account for VAT	[redacted]	108
Government grants (Skattefunn)		511
Finance Lease Receivable		442
Other prepayments		298
Other receivables		469
Total		**1 828**

18. Cash and cash equivalents

In thousands of US dollars		**2019**
Non-restricted cash at bank and in hand	[redacted]	12 851
Restricted cash		280
Total cash and cash equivalents		**13 131**

19. Equity

Share Capital

Number of shares		**2019**
Outstanding as at 1 January	[redacted]	77 009 493
Issues against payment in cash		175 133
Issues from ZPX Transaction		102 363
Outstanding as at 31 December		**77 286 989**
Nominal value of the share-capital at December 31 (EUR)		15 457 398

As of 31 December 2020, the authorized share capital comprised of 150 million ordinary shares (2019: 150 million). The nominal value of the shares is Euro 0.20. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the Company shareholders' meetings.

The share capital is translated into US dollars using historic rates. All issued shares are fully paid. The Group does not hold any of the Company's own shares.

All the shares in Funcom SE is held in nominee accounts in Goldman Sachs International (72,536% of the shares in Funcom SE) and Morgan Stanley & Co. Int. Plc(27,464% of the shares in Funcom SE), where the ultimate owner of both accounts is Tencent Holding Limited.

Events in 2020

In March 2020, Funcom issued 4 059 165 new shares in relation to exercise of employee options.

In December 2020, Funcom paid USD 15 thousand to buy back the outstanding 61 200 employee options in Funcom SE. Tencent's acquisition price of 17.00 NOK was used as the shares market value.

Equity-settled employee benefits reserve
The Equity-settled employee benefits reserve comprises of share-based payments related to the Groups employee option program. See Note 3.10 for further description of the Group's Equity-settled employee benefits.

Translation reserve
The translation reserve comprises of all foreign exchange differences arising from the translation of the financial statements of foreign operations, excluding amounts attributable to non-controlling interests.

Non-controlling interests in Funcom SE group companies
The non-controlling interests (NCI) relate to minority stakes previously held by third parties in Zona Paradoxal, Lda ("ZPX") have now been acquired by Funcom SE. For more info related to the NCI-acquisition see Note 24 and 25.

Dividends
The Group did not pay any dividends in 2020.

Events in 2019

Shares
In January 2019 Funcom completed the acquisition of 50.1% of the Portuguese video game development service provider Zona Paradoxal, Lda ("ZPX") with whom it has had a working relationship since 2017. Part of the consideration for the acquisition of the 50.1% ownership in ZPX was 102 363 new shares that Funcom issued to the shareholders of ZPX, each at the price of USD 1.665 per share. The transaction increased the equity attributable to shareholders of Funcom SE with USD 170 thousand and the equity attributable to non-controlling interests by USD 65 thousand. For more info regarding the acquisition see Note 25.

In May 2019, Funcom issued 175 133 new shares in relation to exercise of employee options.

Options
In June 2019 Funcom issued 338 000 options to members of the Management Board, 208 000 options to members of the Supervisory Board, and 1 969 000 options to other employees as part of the Group's options program.

Equity-settled employee benefits reserve
The Equity-settled employee benefits reserve comprises of share-based payments related to the Groups employee option program. See Note 3.10 for further description of the Group's Equity-settled employee benefits.

Translation reserve
The translation reserve comprises of all foreign exchange differences arising from the translation of the financial statements of foreign operations, excluding amounts attributable to non-controlling interests.

Non-controlling interests in Funcom SE group companies
The non-controlling interests (NCI) relate to minority stakes held by third parties in Zona Paradoxal, Lda ("ZPX"). The total non-controlling interest as at 31 December 2019 amounted to USD 53 thousand (2018: nil).

Dividends
The Group did not pay any dividends in 2019.

20. Deferred revenue

Deferred revenue is cash received in advance of performance and not recognized as revenue during the period. The amount consists of unused Funcom points, subscription prepayments from subscribers and pre-orders for games that will be releases in 2021. This represents the unsatisfied performance obligations resulting from fixed price contracts. Management expects that 100% of the transaction price allocated to the unsatisfied contracts as of 31 December 2020 will be recognized as revenue during the next reporting period.

All deferred revenue outstanding as of 31 December 2019 was recognized as revenue during 2020.

21. Other current liabilities

In thousands of US dollars	[redacted]	**2019**
Taxes and social security payable	[redacted]	577
Payable to Heroic Signatures DA	[redacted]	270
Accrued expenses	[redacted]	1 965
Total	[redacted]	**2 812**

22. Contingent liabilities

As at 31 December 2020 the Group had no contingent liabilities.

23. Group entities

Group entities
The Funcom Group consist of 8 companies. Funcom SE, the parent company of the Group, six wholly owned subsidiaries, and one joint operation, being Heroic Signatures DA.

		Ownership interest	
Name	**Country of incorporation**	[redacted]	**2019**
Funcom SE	Norway		100 %
Funcom Inc.	United States		100 %
Nephilim LLC	United States		100 %
Funcom Oslo AS	Norway		100 %
Funcom Oslo Licensing AS	Norway		100 %
Heroic Signtures DA	Norway		50 %
Funcom Games Beijing Ltd	China		100 %
Zona Paradoxal Lda	Portugal		50,1 %

The proportion of ownership interests held by Funcom equals the proportion of the voting rights.

Joint operation
Funcom Oslo Licensing AS has a 50% interest in a joint operation called Heroic Signatures DA which was set up as a partnership together with Cabinet Interactive. Heroic Signatures DA is the owner of several IP licenses, and receives royalty revenues from these IP licenses from customers around the world.

Heroic Signatures DA's country of incorporations is Norway, but it does not have permanent establishment in that country.

24. Acquisition of Non-controlling interest

In December 2020, the Group executed its option to acquire the remaining 49.9% of the shares and voting interests in Zona Paradoxal, Lda ("ZPX"), increasing its ownership from 50.1% to 100%. The carrying amount of the non-controlling interest's net assets in the Group's consolidated financial statements on the date of the acquisition was USD 70 thousand.

In thousands of US dollars	[redacted]
Carrying amount of NCI acquired	
Consideration paid to NCI	
A decrease in equity attributable to owners	

The decrease in equity attributable to owners of the Company comprised of a decrease in retained earnings of USD 784 thousand.

As at 31.12.2020, USD 323 thousand of the USD 854 thousand consideration was paid. The remaining USD 531 thousand was paid out in January 2021 and is presented on the balance sheet as Other current liabilities.

25. Acquisition of subsidiary (2019)

On 17 January 2019, Funcom acquired 50.1% of the shares and voting interests in Zona Paradoxal, Lda ("ZPX"). The acquisition will increase the Groups own development capacity for upcoming games and reduce costs to the Group. The Group also expects to use the expertise and knowhow acquired in the development of new games. The Group has an option to acquire the remaining shares of ZPX. The strike price is based on an EBITDA multiple with a minimum threshold with respect to the transaction price of the acquired 50.1% of the shares.

Since the acquisition date, ZPX has contributed USD 29 thousand to external group revenues and USD -24 thousand to group profit. If the acquisition had occurred on 1 January 2019, group revenue and group profit for the period would have been the same. Acquisition costs of USD 10 thousand arose as a result of the transaction. These have been recognized as part of administrative expenses in the statement of comprehensive income.

Details of the fair value of identifiable assets and liabilities acquired purchase consideration and goodwill are as follows:

Purchase consideration

In thousands of US dollars	[redacted]
Cash consideration	
Shares issued, at fair value	
Total consideration transferred	

Fair value recognized on acquisition

In thousands of US dollars	[redacted]
Tangible fixed assets	
Trade receivables	
Prepayments and other receivables	
Cash and cash equivalents	
Trade payables	
Other short-term liabilities	
Total identifiable net assets acquired	

Due to the nature of the assets and liabilities acquired, the management considered the fair value to be materially equal to the carrying amount at acquisition date.

Goodwill

In thousands of US dollars	[redacted]
Consideration transferred	
Non-controlling interest[1]	
Fair value of identifiable net assets	
Goodwill	

[1] Non-controlling interest is measured at the proportionate share of net assets.

The main factors leading to the recognition of goodwill are:

- The presence of certain intangible assets, such as the assembled workforce of the acquired entity, which do not qualify for separate recognition; and
- cost savings which result in the Group being prepared to pay a premium.

The goodwill recognized will not be deductible for tax purposes.

26. Leases

26.1 Group as a lessee

The Group leases office facilities. The leases typically run for a period of 3 to 10 years, with an option to renew the lease after that date. Lease payments are normally index regulated every year according to the consumption price index. For certain leases, the Group is restricted from entering into any sub-lease arrangements, without the lessor's written consent.

One of the leased properties has been sub-let by the Group. The lease and sub-lease expired in 2020.

The Group leases Office and IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

In thousands of US dollars	**Office leases**	[redacted]	**2019**
Balance at 1 January	**3 926**	[redacted]	**2 681**
Depreciation of right-of-use assets	-924	[redacted]	-867
Impairment of right-of-use assets	-185	[redacted]	-53
Additions to right-of-use assets	–	[redacted]	2 186
Variable lease payment adjustment	24	[redacted]	–
Foreign exchange movements	-1	[redacted]	-22
Balance at 31 December	**2 840**	[redacted]	**3 926**

Lease liabilities

In thousands of US dollars	Office leases	[redacted]	2019
Balance at 1 January	**4 542**	[redacted]	**3 521**
Non cash flows:		[redacted]	
Interest expense	176	[redacted]	178
Additions to lease liabilities	–	[redacted]	2 186
Variable lease payment adjustment	24	[redacted]	23
Foreign exchange movements	3	[redacted]	7
Financing cash flows:		[redacted]	
Principal paid on lease liabilities	-1 214	[redacted]	-1 196
Interest paid on lease liabilities	-176	[redacted]	-178
Balance at 31 December	**3 354**	[redacted]	**4 542**

Amounts recognized in profit or loss - Leases under IFRS 16

In thousands of US dollars	[redacted]	2019
Leases under IFRS 16	[redacted]	
Interest expense on lease liabilities	[redacted]	178
Depreciation of right-of-use assets	[redacted]	867
Impairment of right-of-use assets	[redacted]	53
Interest income from sub-lease	[redacted]	-28
Expenses relating to short-term leases[1]	[redacted]	17
Expenses relating to low-value assets[2]	[redacted]	69
Total	[redacted]	**1 155**

[1] Short-term leases mainly consist of leased servers used for hosting. These leases typically have a non-cancellable period of one to three months.
[2] Excluding short-term leases of low-value assets.

As of 31 December 2020, the aggregate undiscounted commitment for short-term leases is USD 1 thousand.

Amounts recognized in statement of cash flows

In thousands of US dollars	[redacted]	2019
Leases under IFRS 16	[redacted]	
Principal paid on lease liabilities	[redacted]	-1 196
Interest paid on lease liabilities	[redacted]	-178
Proceeds from finance sub-leases	[redacted]	398
Interest income received from sub-leases[1]	[redacted]	28
Total	[redacted]	**-947**

[1] Presented as Interest received under operating activities.

Lease liabilities

In thousands of US dollars	[redacted]	**2019**
Leases under IFRS 16		
Less than one year		1 421
One to two years		1 182
Two to three years		918
Three to four years		368
Four to five years		349
More than five years		854
Total undiscounted lease liabilities		**5 092**
Nonincurred finance expense		551
Net lease liabilities		**4 542**

Extension options
Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

26.2 The Group as a lessor

The Group has sub-leased one building. Since the sub-lease is for a major part of the economic life of the asset, it has been classified as a finance lease. The finance lease receivables have been presented as part of current prepayments and other receivables.

During 2020, the Group recognized interest income on finance lease receivables of USD 7 thousand (2019: USD 28 thousand).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

In thousands of US dollars	[redacted]	**2019**
Less than one year		449
One to two years		–
More than two years		–
Total undiscounted lease receivable		**449**
Unearned finance income		7
Net investment in the lease		**442**

27. Employee benefits

Defined contribution plans
The Group has established defined contribution pension plans in some of its subsidiaries. The premium paid relating to these schemes in 2020 was USD 556 thousand (2019: USD 279 thousand).

Share-based payments
The Company previously had a share incentive program that stimulated continued growth and further development of the group's business. This program has been closed following the acquisition and completion of the voluntary offer.

Performance bonus
Following the closing of the previous share-based program the Company has established a performance bonus program with annual cash payments.

Restricted Stock Units (RSU)
Following the closing of the previous share-based program, Tencent Holdings Limited has established a Restricted Stock Unit (RSU) program, for stocks in Tencent Holdings Limited, to the Company's executive management, in accordance with the contribution to the Company and Tencent and the continued employment in the Company.

List of outstanding options:	**Number of Options**	**Weighted average exercise price (USD)**	**Number of options**	**Weighted average exercise price (USD)**
	2020	**2020**	**2019**	**2019**
Oustanding options on January 1	6 307 365	1.83	4 108 398	1.89
Options granted			2 515 000	1.71
Options exercised	- 4 120 365	1.40	- 183 533	1.14
Options terminated				
Options expired			- 132 500	2.43
Oustanding options on Dec 31			**6 307 365**	**1.83**

The share-based option program has been closed following the acquisition and completion of the voluntary offer.

The following directors possessed options and/or owned shares (directly or indirectly) in 2020:

At the end of 2020

Name	Number of shares	Number of options	Comments
Supervisory Board/BoD			
Egil Kvannli (3)		n/a	
Susana Meza Graham (4)		n/a	
Management Board			
Rui Casais			CEO of Funcom SE
Christian Olsthoorn			

At the end of 2019

Name	Number of shares	Number of options	Comments
Supervisory Board			
Ole Gladhaug (1)		197,000	
Fredrik Malmberg (2)		n/a	
Egil Kvannli		126,000	
Andreas Arntzen (1)		76,000	
Susana Meza Graham	222,300	76,000	
Management Board			
Rui Casais	47,000	689,332	CEO of Funcom SE
Christian Olsthoorn		133,500	

(1) Ole Gladhaug and Andreas Arntzen resigned from the Supervisory Board on 9 October 2019
(2) Fredrik Malmberg resigned from the Supervisory Board on 16 December 2019
(3) Egil Kvannli resigned from the Supervisory Board on 12 June 2020
(4) Susana Meza Graham resigned from the Board of Directors on 10 September 2020

28. Transactions with related parties

Identification of related parties
On 12 June 2020, the AGM decided to move the statutory seat of Funcom SE from the Netherlands to Norway and following the registering of the Company in the Norwegian company register on 3 July 2020, the Supervisory Board has been converted to a one tier Board of Directors system. The Group has a related party relationship with its subsidiaries (see Note 24), previous members of the Supervisory and Management Boards, its executive officers, and shareholders.

Remuneration to the Supervisory Board
On 9 October 2019, the General Meeting approved no annual remuneration to the new Chairman of the Supervisory Board (2019: EUR 31 000) and no annual remuneration (2019: EUR 21 000) for any new member of the Supervisory Board. Following the statutory transfer of seat, previous members of the Supervisory Board received remuneration, prorated in accordance with the months of service and the Company changed to a one tier board system with a Board of Directors. The Company previously had a share incentive program that stimulated continued growth and further development of the group's business as it was the opinion that the option to subscribe for shares in the Company was an effective incentive for the Funcom group's employees and board members.

Supervisory Board/ Board of Directors	Total Remuneration	Total remuneration is composed of: Board fee TUSD	Share based TUSD
2020			
Egil Kvannli (4)	19	19	
Susana Meza Graham (5)	13	13	
Eddie Tak Ho Chan			
Peng Lu (5)			
Li Shen (6)			
Ming Liu (7)			
Total:	**32**	**32**	
2019			
Ole Gladhaug (1)	47	27	20
Fredrik Malmberg (2)	38	24	13
Egil Kvannli	37	24	13
Andreas Arntzen (1)	31	18	13
Susana Meza Graham	37	24	13
Eddie Tak Ho Chan (3)			
Peng Lu (3)			
Total:	**190**	**116**	**74**

Supervisory Board/ Board of Directors	Number of options granted during the year	Number of options exercised during the year	Total number of options held / controlled at year end	Number of Funcom shares held / controlled at year end
2020				
Egil Kvannli (4)		88,000		
Susana Meza Graham (5)		38,000		
Eddie Tak Ho Chan				
Peng Lu (5)				
Li Shen (6)				
Ming Liu (7)				
Total:		**126,000**		
2019				
Ole Gladhaug (1)	56,000		197,000	
Fredrik Malmberg (2)	38,000		n/a	n/a
Egil Kvannli	38,000		126,000	
Andreas Arntzen (1)	38,000		76,000	
Susana Meza Graham	38,000		76,000	222,300
Eddie Tak Ho Chan (3)				
Peng Lu (3)				
Total:	**208,000**		**475,000**	**222,300**

(1) Ole Gladhaug and Andreas Arntzen resigned from the Supervisory Board on 9 October 2019
(2) Fredrik Malmberg resigned from the Supervisory Board on 16 December 2019
(3) Eddie Tak Ho Chan and Peng Lu joined the Supervisory Board on 16 December 2019
(4) Egil Kvannli resigned from the Supervisory Board on 12 June 2020
(5) Susana Meza Graham and Peng Lu resigned from the Board of Directors on 10 September 2020
(6) Li Shen joined the Board of Directors on 10 September 2020
(7) Ming Liu joined the Board of Directors on 5 November 2020

Remuneration to the Supervisory Board / Board of Directors:

In thousands of US dollars	2020	2019
Salaries and benefits in kind (short-term employee benefits)	32	116
Share-based payments		74
Pension plan contributions		
Total remuneration	32	190

Remuneration to the Management Board

Share based payments – Funcom share
The Company previously had a share incentive program that stimulated continued growth and further development of the group's business.

Share based payments / RSUs – Tencent share
Following the closing of the previous share-based program, Tencent Holdings Limited has established a Restricted Stock Unit (RSU) program, for stocks in Tencent Holdings Limited, to the Company's executive management. In accordance with the contribution to the Company and Tencent and the continued employment in the Company, RSUs of par value HK$0.00002 each in the share capital of the shares, subject to and in accordance with the provision hereof and the rules relating to the Share Award Scheme adopted by Tencent on 25 November 2019, has been granted during 2020 at market value of HK$518.5 per RSU.

One third of the granted RSUs vests each following year for the service to Tencent Holdings Limited and the continued employment in the Company.

In thousands of US dollars

	Total remuneration is composed of:						
Management Board member	**Total remuneration**	**Remuneration**	**Bonus**	**Bonus % of total**	**Severance**	**Pension cost**	**Share based**
2020							
Rui Casais	655	251	89	14 %	-	5	310
Christian Olsthoorn	16	16	-	-	-	-	-
Total:	**671**	**267**	**89**	**13 %**	**-**	**5**	**310**
2019							
Rui Casais	444	241	91	21 %	-	5	106
Christian Olsthoorn	37	24	-	-	-	-	13
Total:	**480**	**265**	**91**	**19 %**	**-**	**5**	**119**

Management Board member	**Number of options granted during the year**	**Number of options exercised during the year**	**Total number of options held / controlled at year end**	**Number of Funcom shares held / controlled at year end**
2020				
Rui Casais	-	549 332	-	-
Christian Olsthoorn	-	95 000	-	-
Total:	**-**	**644 332**	**-**	**-**
2019				
Rui Casais	300 000	-	689 332	40 000
Christian Olsthoorn	38 000	-	133 500	-
Total:	**338 000**	**-**	**822 832**	**40 000**

Transactions with shareholders
On 19 September 2019 Tencent bought 22.341.221 stocks in Funcom from KGJ Capital. The stocks were purchased at 15.75 NOK and Tencent acquired a 29% stake in Funcom SE.

On 22 January 2020 Tencent Holdings Limited announced that they (through an indirectly owned subsidiary, the Offeror) would launch a voluntary cash offer of NOK 17.00 per share to acquire all the shares of Funcom not already owned by the Offeror. The Offer price represented a premium of 27.3% to the closing price of the shares on 21 January 2020. The Offer was recommended by the Supervisory Board and the Management Board. The Supervisory Board members representing Tencent, Mr. Eddie Chan and Mr. Peng Lu, had not been part of any of the board discussions or decisions on the matter, neither have they been part of processing the transaction from Tencent side.

On 14 July 2020, the Board of Directors of Tencent resolved to carry out a compulsory acquisition of all remaining shares in the Company not owned by Tencent pursuant to section 4-25 of the Norwegian Public Limited Liability Companies Act. Consequently, Tencent assumed ownership of all shares in the Company.

Transactions with a Supervisory Board member
Per 31 December 2020, Funcom SE had no transactions with its Supervisory Board/Board of Director members.

Transactions with a Management Board member
Christian Olsthoorn is a partner with Temmes Management Services, which has service contracts with Funcom. For 2020 services amounting to USD 52 thousand (2019: USD 84 thousand) were charged (including USD 16 thousand (2019: USD 24 thousand) gross for the managing director position remuneration), and USD 0 thousand (2019: USD 24 thousand) was owed at the end of the year.

29. Financial instruments

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy to assess the credit risk of new customers before entering contracts.

The impairment model in IFRS 9 is based on the premise of providing for expected losses. The contractual terms of the financial assets on the Group balance sheet give rise to cash flows on specified dates that are solely payments of principal and interest, measured at amortized cost. Funcom's trade receivables are to a large extent due to credit card companies with short maturities and no significant financing components have been identified.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. Funcom's cash and cash equivalents are considered to have low credit risk as DNB Bank ASA is a well-known institution with high credit ratings, e.g. AA- and Aa2 long term rating from S&P and Moody's with stable outlook.

The company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

Trade receivables and lease receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Loss allowance are considered for full lifetime. Under IFRS 9 all other financial instruments expected credit losses are measured at an amount equal to the 12-month expected credit losses. The non-current receivable related to security deposits for office leases, has been by applying the low credit risk exemption for financial instruments with a credit rating of "investment grade".

Funcom has determined its expected credit losses by using a provision matrix where receivables have been grouped by type. The credit loss estimates are based on actual historical credit losses and adjusted for the credit worthiness of creditors and any available relevant forward-looking information, for instance about the general economy and Group creditors. Knowledge of payment problems of any of our key creditors would impact our assessment of expected credit losses. The trade receivables are primarily receivable from large corporations with a high credit worthiness such as Microsoft, Sony, Valve, and credit card service providers. The short maturity of the trade receivables reduces the importance of forward-looking information, which has not indicated any specific scenarios that would require a significant increase of the default rate. The Group has not incurred any credit losses during the last three years, there are no credit-impaired financial assets and no significant increase in credit loss risk since initial recognition has been identified in any financial instrument. Based on this the Group has concluded a nil IFRS 9 default rate is appropriate, for each class of financial instruments.

Class of financial asset	Default rate (IFRS 9)
Non-current	0%
Trade receivables	0%
Cash	0%

Maximum credit exposure
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

In thousands of US dollars	[redacted]	**2019**
Trade receivables[1]		3 837
Security deposits for office leases[2]		478
Other short-term receivables[3]		550
Cash and cash equivalents[4]		13 131
Total		**17 996**

[1] The trade receivables are primarily receivable from credit card service providers for which no publicly available credit ratings are available. However, based on long-term relationship with these providers it is considered that there is a very low risk of non-collection.

[2] Security deposits for office leases are presented in the statement of financial position as Other non-current financial assets. The difference between the Security deposits for office lease amount and the Other non-current financial consist of a non-current prepayment which is not included in this table. The deposits are held by European banks which have stable credit ratings according to Moody's and Standard & Poor's. The majority is held with DNB Bank ASA, with a stable Aa2 credit rating according to Moody's.

[3] Other short-term receivables only include finance lease receivable and VAT receivables.

[4] Cash and cash equivalents are held with European and North American banks which have stable credit ratings according to Moody's and Standard & Poor's. The majority of the Group's cash is held with DNB Bank ASA, with a stable Aa2 credit rating according to Moody's.

Impairment losses
Less than USD 150 thousand is overdue with more than 30 days, both in 2020 and 2019.
The Group recorded no impairment losses for receivables in 2020 (2019: nil). The management expects to receive 100% of the receivables and have not recorded an impairment loss for the receivables. The cash was collected in the beginning of 2021.

Liquidity risk
The Group manages liquidity by maintaining adequate reserves and banking facilities. Forecast and actual cash flows are monitored on a continuous basis. The Group has no derivative financial liabilities that give rise to contractual cash outflows.

At the balance sheet date, the Group's only long-term financial commitments were leasing agreements. See the maturity table of the leasing agreements in Note 29.1 for further details.

In 2021 Funcom received a credit facility from Tencent Holding of USD 30 million. See Note 31 for further details.

Currency risk
The Group is exposed to foreign currency risk on sales, purchases and cash and cash equivalents denominated in other currency than United States dollars. Large variations in Euro or Norwegian

kroner exchange rate compared to the US dollar could significantly influence the Group's Statement of Comprehensive Income. Even if management were to implement an active hedging policy, a currency related risk, which may have an impact on the Statement of Comprehensive Income, would still exist. Most of the operational expenses are currently denominated in US dollar and Norwegian kroner. The significant cash position in Norwegian kroner is perceived by the management as a natural hedge against the operational expenses in these currencies.

Interest rate risk
At the reporting date, the Group has no interest-bearing financial instrument.

Classes of financial instruments
All financial assets in the Statement of Financial Position are classified as loans and receivables at amortized cost.

Fair values
The carrying amounts of Trade payables, Trade and other receivables, Cash and cash equivalents and non-current financial assets (Security deposits for office leases and a non-current prepayment) are a reasonable approximation of fair value.

30. Capital Management

Capital management
The Board policy is to maintain a strong capital base so as to maintain owner, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding minority interests. The Company also manages its capital to ensure that it will be able to continue as a going concern. This includes a regular review of cash flow forecasts and, if deemed appropriate, subsequent attraction of funds through execution of equity and/or debt transactions. In doing so, the Supervisory Board's strategy is to achieve a capital structure which takes into account the best interests of all stakeholders. Funcom's capital structure includes cash and cash equivalents and equity.

The Company is not subject to externally imposed capital requirements. There were no changes in the group's approach to capital management during the year.

31. Events after the reporting period

Funding
On 10 February 2021, the Group secured a USD 15 million loan with a credit facility up to USD 30 million, to execute activities and support further development of games such as the persistent open world multiplayer game based on the *DUNE* IP, through a subsidiary of its parent company, Tencent Holding Limited.

On 1 July 2021, the Group secured a USD 21 million loan with a credit facility up to USD 30 million, through a subsidiary of its parent company, Tencent Holding Limited.

Acquisition of Cabinet Group and The Outsiders
On 1 July 2021, Funcom acquired 100% of the shares in the US registered Cabinet Group Inc. The acquisition was closed 1 July with Funcom Inc as the buyer. The majority of assets within Cabinet is strategic IP rights such as Conan the Barbarian, Kull of Atlantis, Solomon Kane, Mutant Chronicles, and Mutant: Year Zero. After the transaction, Funcom controls 100% of the joint operation Heroic Signatures, which was previously held 50% by Cabinet and Funcom respectively. Heroic Signatures holds the video gaming related IP rights, whereas Cabinet holds all other licensing rights.

Also on 1 July the acquisition of 85% of the shares in the Swedish video game developer The Outsiders was completed. Assets in The Outsiders is mainly development capacity, and as a result we expect the purchase price to be primarily allocated to Goodwill. The Outsiders is developing a rhythm first person shooter, *Metal: Hellsinger* that Funcom is publishing.

A total cash consideration for both transactions of USD 22 million was paid at closing date, in addition up to USD 9 million will be paid as installments over the next 3 years. The payments of the remaining consideration are subject to certain conditions being met. Total considerations are subject to final adjustment. The purchase price allocations are not finalized prior to the release of this report.

Parent Company Financial Statement Funcom SE

Income Statement
for the year ended 31 December

In thousands of US dollars	**Note**	**2020**	**Restated 2019**
Revenue	9	640	884
Personnel expenses	10	-52	-230
General and administrative expenses	11	-1 825	-1 126
Operating expenses		**-1 877**	**-1 356**
Operating result		-1 237	-473
Financial income	12	611	1 017
Financial expenses	13	-749	-246
Result before income tax		**-1 375**	**298**
Income tax expenses	14	–	–
Result for the period		**-1 375**	**298**

Statement of Financial Position

as at 31 December

In thousands of US dollars	**Note**	**2020**	**Restated 2019**
Investments in group companies	3	36 077	35 072
Receivable from group companies	4	4 674	1 273
Total non-current assets		**40 752**	**36 345**
Prepayments and other receivables		85	176
Cash and cash equivalents	5	1 129	592
Total current assets		**1 214**	**768**
Total assets		**41 966**	**37 113**
Share capital	6	19 190	18 287
Share premium	7	188 887	184 103
Other paid-in equity	7	12 911	12 759
Retained earnings	7	-179 716	-178 341
Total equity	7	**41 272**	**36 808**
Liabilities to group companies	4	146	146
Total non-current liabilities		**146**	**146**
Trade payables		14	56
Other payables	8	534	103
Total current liabilities		**548**	**159**
Total equity and liabilities		**41 966**	**37 113**

Eddie Chan

Oslo, 31 August 2021
The Board of Directors of Funcom SE

Ming Liu(刘铭)

Eddie Tak Ho Chan
Chairman

Ming Liu
Board member

Li Shen

Rui Casais

Li Shen
Board member

Rui Manuel Monteiro Casais
CEO

Statement of Cash flows

for the year ended 31 December

In thousands of US dollars	2020	2019
Profit (loss) before income tax	**-1 375**	**298**
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation, amortization and impairment	–	–
Share-based payments	–	90
Interest income/expense	-243	-877
Effect of exchange rate fluctuation	381	161
Changes in Working capital	480	-221
Change in trade payables	-42	-11
Change in other current assets and liabilities	522	-210
Cash generated from operations	**-757**	**-548**
Interest received	243	877
Interest paid	–	–
Income taxes paid	–	–
Net cash flow from operating activities (A)	**-514**	**328**
Investment in subsidiaries	-4 255	-695
Net cash flow from investing activities (B)	**-4 255**	**-695**
Net proceeds from issue of share capital	5 687	353
Net cash flow from financing activities (C)	**5 687**	**353**
Net cash flow, before exchange rate fluctuations (A+B+C)	918	-14
Effect of exchange rate fluctuations	-381	-161
Changes in Cash and cash equivalents	**537**	**-175**
Cash and cash equivalents, beginning of period	592	766
Changes in cash and cash equivalents	537	-175
Cash and cash equivalents, end of period	**1 129**	**592**

Notes to the Parent Company Financial Statements

1. Accounting principles

Funcom SE (or the “Company”) is the parent company of the Funcom Group.

The financial statements are presented in accordance with the Norwegian Accounting Act and Norwegian general accepted accounting principles in Norway (NGAAP). The parent company accounts are presented in USD which also is the functional currency for the parent.

Transition from Dutch GAAP to Norwegian GAAP
Funcom SE moved the company to Norway on the 3rd of July 2020. The accounts have up to 31.12.2019 been prepared in accordance with Dutch GAAP, that are further described in the annual report of 2019.

The accounting principles generally accepted in Norway are applied in preparing the opening balance at 01.01.2019. The accounting impact of changes in accounting principles are recorded directly against equity.

Changes in accounting principles in 2020
Following the transition to Norwegian GAAP the Company have changed its accounting principles for leases and shares in subsidiaries. See note 2 for more information on the effects of the changes in accounting principles.

Leases
Leases are classified as either finance leases or operating leases. Leases that transfer substantially all the risks and rewards incidental to the asset are classified as finance leases. Other leases are classified as operating leases. All the of the Company's leases and subleases are operational. Lease payments related to operating leases are recognized as expenses over the lease term.

Shares in subsidiaries
Shares in subsidiaries are recognized according to the cost method and are yearly tested for impairment.

Going concern
The accounts have been prepared on a going concern basis.

Classification
An asset or liability is classified as current when it is part of a normal operating cycle, held primarily for trading purposes, falls due within 12 months or when it consists of cash or cash equivalents on the statement of financial position date. Other items are classified as non-current.

Revenues
Income from the sale of goods and services is recognized at fair value of the consideration, net after deduction of VAT, returns, discounts and reductions. Sales are taken to income when the company has delivered its products to the customer and there are no unsatisfied commitments which may influence the customer's acceptance of the product.

Debtors
Trade debtors are recognized in the balance sheet after provision for bad debts. The bad debts provision is made on basis of an individual assessment of each debtor and an additional provision is made for other debtors to cover expected losses. Significant financial problems at the customers, the likelihood that the customer will become bankrupt or experience financial restructuring and postponements and insufficient payments, are considered indicators that the debtors should be written down.

Foreign currency
Monetary foreign currency items are valued at the exchange rate on the balance sheet date. Transactions concerning foreign currency are valued at the exchange rate on the date of the transaction.

Receivables
Receivables from customers and other receivables are entered at par value after deducting a provision for expected losses. The provision for losses is made on the basis of an individual assessment of the respective receivables.

Tax
The tax charge in the profit and loss account consists of tax payable for the period and the change in deferred tax. Deferred tax is calculated at the tax rate at 22 % on the basis of tax-reducing and tax-increasing temporary differences that exist between accounting and tax values, and the tax loss carried forward at the end of the accounting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are set off and entered net.

The company does not register any deferred tax asset as it is currently not probable that these deferred tax assets can be recovered.

Cash Flow
The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits and cash on hand.

2. Changes in accounting principles

The changes in accounting principles have been applied retrospectively to the beginning of the earliest period presented in the financial statements, the opening balance as at 1st January 2019. So that the comparative financial statements reflect the application of the principle as if it had always been used.

Presentation of equity
Following the transition from Dutch GAAP to Norwegian GAAP the Company have, in accordance with the Norwegian Accounting Act, changed how it presents equity in the balance sheet.

Equity as at 31 Dec (Dutch GAAP):

In thousands of US dollars	[redacted]	**2018**
Issued capital	[redacted]	17 635
Share premium	[redacted]	195 651
Legal reserves	[redacted]	17 643
Other reserves	[redacted]	-186 703
Result after taxation	[redacted]	948
Total equity	[redacted]	**45 175**

Equity as at 31 Dec (Norwegian GAAP):

In thousands of US dollars	[redacted]	**2018**
Share capital	[redacted]	18 224
Share premium	[redacted]	183 812
Other paid-in equity	[redacted]	11 839
Accumulated losses (*)	[redacted]	-168 700
Total equity	[redacted]	**45 175**

*Before changes in accounting principles.

Changes in accounting principle: Shares in subsidiaries
Following the transition from Dutch GAAP to Norwegian GAAP the Company have changed how shares in subsidiaries are recognized. Shares in subsidiaries are now recognized according to the cost method. The accounting impact of changes in accounting principles are recorded directly against accumulated losses in the opening balance. As at 01.01.2019, this results in a reduction in the book value of shares in subsidiaries of USD 9 938 thousand.

In thousands of US dollars	[redacted]
Change in accounting policy initial impact 01.01.2019	[redacted]
Exchange effects on subsidaries 2019	[redacted]
Results for subsidaries 2019	[redacted]
Total impact on accumulated losses 31.12.2019	[redacted]

Changes in accounting principle: Leases
Following the transition from Dutch GAAP to Norwegian GAAP the Company have changed how leases are recognized. Leases had up to 31.12.2018 been prepared in accordance with IAS 38. After the transition to Norwegian GAAP Leases will be recognized in accordance with NRS 14. There is no impact recorded directly against accumulated losses in the opening balance. IFRS 16 was used in 2019 and the Company have restated comparatives for the 2019 reporting period.

Adjustments recognized in the balance sheet on 31 December 2019:

In thousands of US dollars	D-GAAP 2019	Shares in subsidaries	Leases	[redacted]
Investments in group companies	44 529	-9 457		
Receivable from group companies	1 273			
Long-term receivable	1		-1	
Total non-current assets	**45 803**	**-9 457**	**-1**	
Prepayments and other receivables	534		-357	
Cash and cash equivalents	592			
Total current assets	**1 125**	**-**	**-357**	
Total assets	**46 929**	**-9 457**	**-358**	
Share capital	18 287			
Share premium	184 103			
Other paid-in equity	12 759			
Accumulated losses	-168 884	-9 457		
Total equity	**46 265**	**-9 457**	**-**	
Liabilities to group companies	146			
Total non-current liabilities	**146**	**-**	**-**	
Trade payables	56			
Lease liabilities	412		-412	
Other payables	49		54	
Total current liabilities	**517**	**-**	**-358**	
Total equity and liabilities	**46 929**	**-9 457**	**-358**	

Adjustments recognized in the Income Statement for 2019:

In thousands of US dollars	D-GAAP 2019	Shares in subsidaries	Leases	[redacted]
Revenue	397		486	[redacted]
Personnel expenses	-230			
General and administrative expenses	-630		-496	
Operating expenses	**-861**		**-496**	
Operating result	-463		-9	
Financial income	1 045		-28	
Financial expenses	-275		29	
Result before income tax	**306**		**-9**	
Income tax expenses	–			
Result for the period	**306**	**-**	**-9**	

3. Shares in subsidiaries

Shares in subsidiaries directly owned by Funcom SE:

		Ownership interest	
Subsidiaries	**Location**	[redacted]	**2019**
Funcom Inc.	Durham, United States		100 %
Nephilim LLC	Durham, United States		100 %
Funcom Oslo AS	Oslo, Norway		100 %
Funcom Games Beijing Ltd	Beijing, China		100 %
Zona Paradoxal, Lda	Lisboa, Portugal		50,1 %

The proportion of ownership interests held by Funcom equals the proportion of the voting rights. Investments in subsidiaries are booked according to the cost method.

	Net profit		Equity		Book value	
Subsidiaries	[redacted]	**2019**	[redacted]	**2019**	[redacted]	**2019**
Funcom Inc.		225		4 689		1 233
Nephilim LLC		-		-58		1
Funcom Oslo AS		195		39 345		33 039
Funcom Games Beijing Ltd		3		172		400
Zona Paradoxal, Lda		-25		102		398
Balance at 31.12		**398**		**44 249**		**35 072**

4. Balance with Group companies

	Receivable from group companies		Liabilities to group companies		SUM	
In thousands of US dollars	[redacted]	**2019**	[redacted]	**2019**	[redacted]	**2019**
Funcom Oslo AS		1 158		–		1 158
Zona Paradoxal, Lda		115		–		115
Funcom Games Beijing Ltd		–		-146		-146
Balance at 31.12		**1 273**		**-146**		**1 127**

5. Cash and cash equivalents

In thousands of US dollars	[redacted]	**2019**
Non-restricted cash at bank and in hand		592
Restricted cash		–
Total cash and cash equivalents		**592**

6. Share capital

Number of ordinary shares	[redacted]	**2019**
Outstanding 01.01	[redacted]	77 009 493
Issued against payment in cash	[redacted]	175 133
Issued from ZPX Transaction	[redacted]	102 363
Outstanding 31.12	[redacted]	**77 286 989**
Nominal value of the share-capital at December 31 (EUR)	[redacted]	15 457 398

The share capital of Funcom SE is EUR 16 269 231.80 divided into 81 346 154 ordinary shares, each with a nominal value of EUR 0.20. The share capital is translated into US dollars using historic rates. All issued shares are fully paid, and the Company does not hold any of the Company's own shares.

All the shares in Funcom SE is held in nominee accounts in Goldman Sachs International (72,536% of the shares in Funcom SE) and Morgan Stanley & Co. Int. Plc(27,464% of the shares in Funcom SE), where the ultimate owner of both account is Tencent Holding Limited.

On 31 December 2020, the authorized share capital comprised of 150 million ordinary shares (2019: 150 million). The nominal value of the shares is Euro 0.20. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the Company shareholders' meetings.

A list of all equity related events in 2020 and 2019 is provided in Note 19 to the Consolidated Financial Statements.

7. Shareholders' equity

In thousands of US dollars	Share capital	Share premium	Other paid-in equity	Accumulated losses	Total equity
Equity as at December 31, 2018:	**18 224**	**183 812**	**11 839**	**-168 701**	**45 175**
Change in accounting policy (*)				-9 938	**-9 938**
Equity as at January 1, 2019:	**18 224**	**183 812**	**11 839**	**-178 639**	**35 237**
Profit or loss for the period (restated*)				298	**298**
Share-based payments			920		**920**
Exercise of options	39	143			**182**
Issue of new shares	23	147			**170**
Equity as at December 31, 2019:	**18 287**	**184 103**	**12 759**	**-178 341**	**36 808**
Equity as at January 1, 2020:	**18 287**	**184 103**	**12 759**	**-178 341**	**36 808**
Profit or loss for the period				-1 375	**-1 375**
Share-based payments expense (RSU)			166		**166**
Repurchase of Employee SBP			-15		**-15**
Exercise of options	903	4 784			**5 687**
Equity as at December 31, 2020:	**19 190**	**188 887**	**12 911**	**-179 716**	**41 272**

* See note 2 for details regarding the change in accounting policy.

8. Other payable

In thousands of US dollars	[redacted]	**2019**
Payable to NCI		–
Payable sublease deposit		43
Accrued expenses		60
Other		–
Total		**103**

9. Revenue

In thousands of US dollars	[redacted]	**2019**
Group management services		379
Office sublease		505
Total		**884**

10. Personnel expenses

In thousands of US dollars	[redacted]	**2019**
Remuneration to the Board		140
Share-based payment		90
Total Personnel expenses		**230**

Please refer to Note 15 for more details related to the remuneration to the board and their share-based payments.

There were no employees in Funcom SE in 2020 or 2019.

11. General and administrative expenses

In thousands of US dollars	[redacted]	**2019**
Rent of premises and other office costs		521
Audit fees		192
Legal services		124
Investor relations		180
Consulting fees		92
Other		17
Total other operating expenses		**1 126**

Auditor's remunerations

In thousands of US dollars	[redacted]	**2019**
Audit of Funcom Group		192
Other audit services		–
Total		**192**

12. Financial income

In thousands of US dollars	[redacted]	**2019**
Intercompany interest income		838
Interest income		39
Foreign exchange gain		85
Other financial income		55
Finance income		**1 017**

13. Financial expenses

In thousands of US dollars	[redacted]	**2019**
Foreign exchange loss		246
Interest expense		–
Finance expenses		**246**

The Company does not have any interest-bearing debt and therefore do not have any interest expense.

14. Income taxes

In thousands of US dollars	[redacted]	**2019**
Ordinary result before taxes		298
Non deductable expenses		90
Basis for income tax		**388**
Calculated tax based on 22%		85
Deferred tax asset not recognized in the balance		-85
Total tax expense for the year		**-**

Funcom SE have no history of taxable profits and due to uncertainty of future utilization, deferred tax assets have not been recognized in the balance sheet. Deferred tax asset not recognized in the balance sheet amounts to USD 2.2 million. The carry forward loss has no time limit according to current tax legislations.

15. Remuneration of the members of the Supervisory and Management Board

As of 12 June 2020, following the transfer of the statutory seat to Norway, the Supervisory Board, the Management Board, and its members was released from their liabilities. The General Meeting stipulated the Supervisory Board remuneration each year. The proposal for remuneration was made by the Supervisory Board. In 2020, the total remuneration to the Supervisory Board was EUR 26 506 (USD 31 582) (2019: EUR 108 000 (USD 121 899)). The annual remuneration was EUR 24 000 (USD 29 450) (2019: EUR 24 000 (USD 26 962)) for the Chairman and was EUR 21 000 (USD 25 769) (2019: EUR 21 000 (USD 23 591)) for each of other members, prorated in accordance with the months of service. EUR 0 (2019: EUR 73 980) of the fees for 2020 are outstanding at year end.

The following table shows the details of the stock incentives of the individual members of the Management Board. See consolidated statements Note 28 for a summary. Historical numbers of options and shares have been adjusted to reflect the 5:1 reverse stock split in February 2018.

	Year Issued	Outstanding Dec 31 2019	Granted	Expired	Exercised	Outstanding Dec 31 2020	Exercise Price USD	Expiry Date
Rui Casais	2012	13 332				13 332	1.25	20.09.2022
	2013	26 000				26 000	1.05	24.06.2023
	2014	40 000				40 000	2.8	26.06.2024
	2015	60 000				60 000	1.1	30.01.2025
	2016	70 000				70 000	0.9	25.02.2026
	2017	80 000				80 000	1.55	07.07.2027
	2018	100 000				100 000	2.68	01.06.2028
	2019	300 000				300 000	1.71	06.13.2029
	2020				549 332		1.37	
	Total	689 332			Total	140 000		
	Vested	689 332			Vested	689 332		
	Year Issued	Outstanding Dec 31 2019	Granted	Expired	Exercised	Outstanding Dec 31 2020	Exercise Price USD	Expiry Date
Christian Olsthoorn	2016	30 000				30 000	0.65	30.06.2026
	2017	10 000				10 000	1.75	30.03.2027
	2017	17 500				17 500	1.55	07.07.2027
	2018	38 000				38 000	2.68	01.06.2028
	2019	38 000				38 000	1.71	06.13.2029
	2020				95 000		1.23	
	Total	133 500			Total	38 500		
	Vested	133 500			Vested	133 500		

Loans

The company did not provide any loans to members of the Management Board.

The following tables show the details of the stock incentives of the individual members of the Supervisory Board. Consolidated statements Note 28 includes a summary.

	Year Issued	Outstanding Dec 31 2019	Granted	Expired	Exercised	Outstanding Dec 31 2020	Exercise Price USD	Expiry Date
Ole Gladhaug	2016	40 000				30 000	0.80	11.10.2026
	2017	45 000				38 000	1.55	07.07.2027
	2018	56 000				38 000	2.68	01.06.2028
	2019	56 000				56 000	1.71	06.13.2029
	2020				141 000		1.28	
	Total	197 000			Total	56 000		
	Vested	197 000			Vested	56 000		

	Year Issued	Outstanding Dec 31 2019	Granted	Expired	Exercised	Outstanding Dec 31 2020	Exercise Price USD	Expiry Date
Fredrik Malmberg	2016	20 000				20 000	0.80	11.10.2026
	2017	30 000				30 000	1.55	07.07.2027
	2018	38 000				38 000	2.68	01.06.2028
	2019	38 000				38 000	1.71	06.13.2029
	2020				88 000		1.32	
	Total	126 000			Total	38 000		
	Vested	126 000			Vested	38 000		

	Year Issued	Outstanding Dec 31 2019	Granted	Expired	Exercised	Outstanding Dec 31 2020	Exercise Price USD	Expiry Date
Egil Kvannli	2016	20 000				20 000	0.80	11.10.2026
	2017	30 000				30 000	1.55	07.07.2027
	2018	38 000				38 000	2.68	01.06.2028
	2019	38 000				38 000	1.71	06.13.2029
	2020				88 000		1.32	
	Total	126 000			Total	38 000		
	Vested	126 000			Vested	38 000		

	Year Issued	Outstanding Dec 31 2019	Granted	Expired	Exercised	Outstanding Dec 31 2020	Exercise Price USD	Expiry Date
Andreas Arntzen	2018	38 000				38 000	2.68	01.06.2028
	2019	38 000				38 000	1.71	06.13.2029
	2020				38 000		1.61	
	Total	76 000			Total	38 000		
	Vested	76 000			Vested	38 000		

	Year Issued	Outstanding Dec 31 2019	Granted	Expired	Exercised	Outstanding Dec 31 2020	Exercise Price USD	Expiry Date
Susana Meza Graham	2018	38 000				38 000	2.68	01.06.2028
	2019	38 000				38 000	1.71	06.13.2029
	2020				38 000		1.61	
	Total	76 000			Total	38 000		
	Vested	76 000			Vested	38 000		

Historical numbers of shares and exercise price in the above tables have been adjusted to reflect the reverse stock split.

16. Transactions with Related parties

Please refer to Consolidated Financial Statements, Note 28.

17. Events after the reporting date

Please refer to Consolidated Financial Statements, Note 31.

Skatteetaten

Vår dato 04.05.2021
Din/Deres dato 18.03.2021
Saksbehandler Lars Waaltorp
800 80 000
Skatteetaten.no
Din/Deres referanse AR421070099
Telefon 90833418
Org.nr 974761076
Vår referanse 2021/5523803
Postadresse Postboks 9200 Grønland 0134 OSLO

FUNCOM SE
Kirkegata 15
0153 OSLO

Att. Markus Huseby Enge

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk for Funcom SE, org.nr. 925 209 171

Vi viser til deres henvendelse sendt inn 18. mars 2021 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk for Funcom SE.

Skattekontoret gir på bakgrunn av en konkret helhetsvurdering Funcom SE dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som danner grunnlaget for vedtaket ikke endres vesentlig.

Kopi av dette brevet må sendes til Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Den regnskapspliktige må selv dokumentere ved dette brev at tillatelse er gitt.

Bakgrunn
Funcom SE er registrert som et europeisk selskap (Societas Europaea), hvor endelig eier er et utenlandsk selskap som er en del av et internasjonalt konsern. Konsernets arbeidsspråk er engelsk. Funcomgruppen utvikler og selger dataspill, og selskapets kunder, leverandører og de fleste andre brukere er i all hovedsak utenfor Norges grenser. Styrelederen og styremedlemmene i selskapet er utenlandske.

Skattekontorets vurdering
Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen [...] være på norsk. Departementet kan ved [...] enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap mv., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

> "Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i

samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter skattekontorets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har skattekontoret lagt særlig vekt på at selskapets endelige eier er et utenlandsk selskap som er en del av et internasjonalt konsern. Videre er det vektlagt at selskapet driver virksomhet i en bransje der alle sentrale aktører behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Lars Waaltorp
seniorrådgiver
Brukerdialog, brukerkontakt
Skatteetaten

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.

To the General Meeting of Funcom SE

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Funcom SE, which comprise:

- The financial statements of the parent company Funcom SE (the Company), which comprise the statement of financial position as at 31 December 2020, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Funcom SE and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines 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, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 31 August 2021
PricewaterhouseCoopers AS

Eivind Nilsen
State Authorised Public Accountant

(This document is signed electronically)

Securely signed with Brevio

Revisjonsberetning

Signers:

Name	***Method***	***Date***
Nilsen, Eivind	BANKID_MOBILE	2021-09-01 17:27

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Unofficial office translation - in case of discrepancy between the English and Norwegian version, the Norwegian version shall prevail.

MINUTES FROM AN ORDINARY GENERAL MEETING IN FUNCOM SE

(reg. no. 925 209 171)

(The "**Company**")

An ordinary general meeting of the Company was held 31. August 2021 by digital communication.

The following was at the

Agenda

1 *Opening of the meeting and recording of the participating and represented shareholders*
2 *Election of chairman of the meeting and one person to co-sign the minutes*
3 *Approval of summoning of the meeting and the agenda*
4 *Approval of the Company's annual accounts and annual report and no distribution of dividend for 2020*
5 *Approval of the auditor's fee for 2020*
6 *Remuneration to the board of directors for 2020*

1 OPENING OF THE GENERAL MEETING AND RECORDING OF THE PARTICIPATING AND REPRESENTED SHAREHOLDERS

The chairman of the Board, Eddie Tak Ho Chan, opened the meeting.

PROTOKOLL FOR ORDINÆR GENERALFORSAMLING I FUNCOM SE

(org. nr. 925 209 171)

("**Selskapet**")

Ordinær generalforsamling i Selskapet ble avholdt 31. August ved hjelp av digital kommunikasjon.

Det forelå slik

Dagsorden

1 *Åpning av generalforsamlingen ved styreleder og opptak av fortegnelse over møtende aksjeeiere*
2 *Valg av møteleder og person til å medundertegne protokollen*
3 *Generalforsamlingens godkjennelse av innkalling og dagsorden*
4 *Godkjennelse av Selskapets årsregnskap og årsberetning for 2020*
5 *Godkjennelse av revisors honorar for 2020*
6 *Godtgjørelse til styre for 2020*

1 ÅPNING AV GENERALFORSAMLINGEN OG OPPTAK AV FORTEGNELSE OVER MØTENDE AKSJEEIERE

Styrets leder, Eddie Tak Ho Chan, åpnet møtet.

It was taken attendance of the shareholders present or participating by proxy. The Company's shareholder, Proxima Beta Europe B.V. , was represented at the meeting. Thus 100% of total share capital and votes in the Company was represented in the meeting.

Det ble foretatt opptak og fortegnelse over møtende aksjeeiere representert ved deltakelse eller fullmakt. Selskapets aksjonærer, Proxima Beta Europe B.V., var representert på møtet. Dermed var 100% av aksjene og stemmene i Selskapet representert på generalforsamlingen.

2 ELECTION OF CHAIRMAN AND A PERSON TO CO-SIGN THE MINUTES

Eddie Tak Ho Chan was elected as chairman of the meeting. Stian Drageset was elected to co-sign the minutes. All shares voted for the proposals.

2 VALG AV MØTELEDER OG PERSON TIL Å MEDUNDERTEGNE PROTOKOLLEN

Eddie Tak Ho Chan ble valgt til møteleder. Stian Drageset ble valgt til å medundertegne protokollen. Alle aksjer stemte for forslagene.

3 APPROVAL OF SUMMONING OF THE MEETING AND THE AGENDA

The chairman of the meeting informed that the Company's shareholder has consented to the general meeting being held without prior written notice. The proposed agenda was unanimously approved.

The chairman of the meeting thereafter declared the general meeting as lawfully set.

3 GODKJENNELSE AV INNKALLING OG DAGSORDEN

Møteleder bemerket at Selskapets aksjonærer har samtykket til at generalforsamlingen avholdes uten forutgående skriftlig innkalling. Forslag til dagsorden ble enstemmig godkjent.

Møteleder erklærte deretter generalforsamlingen for lovlig satt.

4 APPROVAL OF THE COMPANY'S ANNUAL ACCOUNTS AND ANNUAL REPORT AND NO DISTRIBUTION OF DIVIDEND FOR 2020

The Company's annual accounts and the annual report for 2020 were approved in accordance with the board's proposal. The board's proposal of not to pay any dividend for the financial year of 2020 was approved.

4 GODKJENNELSE AV SELSKAPETS ÅRSREGNSKAP OG ÅRSBERETNING FOR 2020

Årsregnskapet med tilhørende noter og årsberetning ble godkjent som Selskapets regnskap for 2020 i samsvar med styrets anbefaling. Styrets anbefaling om å ikke betale utbytte for regnskapsåret 2020 ble godkjent.

5 APPROVAL OF AUDITOR'S FEE FOR 2020

The remuneration to the auditor for 2020 is approved per invoice, as further specified in the annual report, note 7.

5 GODKJENNELSE AV REVISORS HONORAR FOR 2020

Godtgjørelse til revisor for 2020 godkjennes etter regning, som nærmere spesifisert i årsrapporten note 7.

6 APPROVAL OF THE REMUNERATION TO

6 GODKJENNELSE AV GODTGJØRELSE TIL

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THE BOARD OF DIRECTORS FOR 2020

The general meeting resolved and ratified the total remuneration to the Supervisory Board was in total EUR 26 506 in 2020. The general meeting further resolved that the Board of directors elected after the move of Company seat to Norway has not and will not receive any compensation for the year of 2020.

The resolution was unanimous.

* * * * *

No other matters were at the agenda and the meeting was adjourned.

STYRE FOR 2020

Generalforsamlingen besluttet og ratifiserte, i samsvar med styrets forslag, totalt ble det betalt EUR 26 506 til representant styret. Styret besluttet videre at styret som ble valgt etter at Selskapet ble flyttet til Norge ikke har mottatt eller vil motta kompensasjon for året 2020.

Beslutningen var enstemmig.

* * * * *

Ingen andre saker var på agendaen og møtet ble hevet.

Eddie Chan

Eddie Tak Ho Chan
Chairman of the meeting/ møteleder

DocuSigned by:
Stian Drageset
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Stian Drageset
Co-signer/ medundertegner

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